



VIVARA

Annual Report

2020

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Management of
Vivara Participações S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of Vivara Participações S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2020, and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Vivara Participações S.A. as at December 31, 2020, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRSs issued by the International Accounting Standards Board - IASB.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters ("KAM") are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of the effects from adopting technical pronouncement CPC 06 (R2)/IFRS 16 - Leases

Why is it a KAM?

As described in note 28 to the individual and consolidated financial statements, the Company's subsidiaries have commitments arising from operating lease agreements and, beginning January 1, 2019, they are required to account for such transactions in accordance with CPC 06 (R2)/IFRS 16 - Leases. This new technical pronouncement introduced complex accounting aspects for measuring right-of-use assets and lease liabilities.

We considered it a KAM in our audit, since: (i) upon the first-time adoption in 2019, there was a substantially increasing Management's need for controlling and monitoring operations, coupled with considerable efforts made by the audit engagement team to complete the planned procedures, mainly concerning the new lease agreements entered into for stores opened by the Company throughout the year, as well as to remeasure agreements pursuant to the relevant contractual terms and conditions. Moreover, given the global COVID-19 pandemic, the IASB issued an amendment to IFRS 16, which was approved under CVM Resolution 859, introducing a practical expedient for lessees to account for rent concessions occurring as a direct consequence of COVID-19.

How the matter was addressed in our audit

Our audit procedures included, but were not limited to: (i) discussing the criteria adopted to identify and classify lease agreements, the relevant lease terms and discount rates applied; (ii) assessing the design and implementation of controls so as to identify new agreements and amendments to effective agreements, as well as renegotiations conducted due to COVID-19 pandemic; (iii) performing documentary testing procedures, on a sampling basis, in respect of operating lease agreements, which were used as a basis for the calculation, and adjusting the lease flows and calculation criteria to determine any effects on the financial statements; and (iv) analyzing the classifications and appropriate disclosure in the Company's financial statements.

As a result of performing these procedures, internal control deficiencies relating to the finance lease monitoring and adjustment processes were identified and adjustments were proposed to the Company, which changed our assessment regarding the nature, timing and extent of our initially planned substantive procedures.

Based on the evidence obtained from performing our procedures described above, we consider that the calculation and criteria used to assess the effects from adopting technical pronouncement CPC 06 (R2)/IFRS 16, their recognition and related disclosures in the explanatory notes are acceptable in the context of the individual and consolidated financial statements taken as a whole.

Other matter

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2020, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the IFRSs, were subject to audit procedures performed together with the audit of the Company's financial statements. In forming our opinion, we evaluated whether these individual and consolidated statements of value added are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and the independent auditor's report

Management is responsible for the other information. The other information comprises the Management Report, obtained prior to this report date.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Management's responsibilities and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and the IFRSs, issued by the IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.


We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the KAMs. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The accompanying individual and consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, March 17, 2021


DELOITTE TOUCHE TOHMATSU
Auditoras Independentes


Marcelo de Figueiredo Seixas
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

VIVARA PARTICIPAÇÕES S.A. AND SUBSIDIARIES

BALANCE SHEETS AS AT DECEMBER 31, 2020
(In thousands of Brazilian reais - R\$)

ASSETS	Note	Parent		Consolidated		LIABILITIES AND EQUITY	Note	Parent		Consolidated	
		2020	2019	2020	2019			2020	2019		
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	5	224	8,239	477,319	435,844	Trade payables	13.a)	-	-	53,029	36,421
Securities	6	-	-	59,726	-	Trade payables - agreement	13.b)	-	-	169	-
Trade receivables	7	-	-	410,263	425,833	Borrowings and financing	16	-	-	277,821	190,934
Due from related parties	19	40,512	60,775	-	-	Due to related parties	19	-	-	-	88
Inventories	8	-	-	365,184	348,034	Payroll and related taxes	14	206	309	49,922	65,174
Recoverable taxes	9	4,989	3,155	101,034	95,247	Taxes payable	15	12,478	7,601	92,177	86,778
Prepaid expenses and other receivables		68	388	3,262	7,671	Taxes in installments		-	-	327	457
Derivatives	16	-	-	11,767	6,796	Variable leases and common area maintenance fees payable		-	-	10,367	14,856
Total current assets		<u>45,793</u>	<u>72,557</u>	<u>1,428,555</u>	<u>1,319,425</u>	Interest on capital payable	18.b)	22,353	8,124	22,353	8,124
						Dividends payable	18.b)	12,482	-	12,482	-
						Right-of-use leases payable	27	-	-	39,955	24,119
						Other payables		607	268	30,441	31,863
						Total current liabilities		<u>48,126</u>	<u>16,302</u>	<u>589,043</u>	<u>458,814</u>
NON-CURRENT ASSETS						NON-CURRENT LIABILITIES					
Securities	6	-	-	164,876	-	Payroll and related taxes	14	-	-	6,954	9,193
Escrow deposits	17	-	-	13,457	13,680	Borrowings and financing	16	-	-	112,500	79,420
Deferred income tax and social contribution	20.b)	-	-	67,831	54,200	Taxes in installments		-	-	815	1,864
Derivatives	16	-	-	-	2,715	Provision for civil, labor and tax risks	17	-	-	24,636	15,234
Recoverable taxes	9	-	-	116,090	168,344	Right-of-use leases payable	28	-	-	235,273	225,281
Investments	10	1,173,809	1,033,469	-	-	Total non-current liabilities		-	-	<u>380,178</u>	<u>330,992</u>
Property, plant and equipment	11	-	-	340,907	311,620						
Intangible assets	12	-	-	8,981	9,546	EQUITY					
Total non-current assets		<u>1,173,809</u>	<u>1,033,469</u>	<u>712,142</u>	<u>560,105</u>	Capital	18.a)	1,105,381	1,105,381	1,105,381	1,105,381
						Capital reserves		(53,041)	(53,041)	(53,041)	(53,041)
						Earnings reserves	18.b)	119,136	37,384	119,136	37,384
						Total equity		<u>1,171,476</u>	<u>1,089,724</u>	<u>1,171,476</u>	<u>1,089,724</u>
TOTAL ASSETS		<u>1,219,602</u>	<u>1,106,026</u>	<u>2,140,697</u>	<u>1,879,530</u>	TOTAL LIABILITIES AND EQUITY		<u>1,219,602</u>	<u>1,106,026</u>	<u>2,140,697</u>	<u>1,879,530</u>

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

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VIVARA PARTICIPAÇÕES S.A. AND SUBSIDIARIES

INCOME STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(In thousands of Brazilian reais - R\$)

	Note	Parent		Consolidated	
		2020	2019	2020	2019
NET REVENUE FROM SALES AND SERVICES	21	-	-	1,047,547	749,667
Costs of sales and services	22	-	-	(330,064)	(215,869)
GROSS PROFIT		-	-	717,483	533,798
OPERATING INCOME (EXPENSES)					
Selling expenses	22	-	-	(365,296)	(224,148)
General and administrative expenses	22	(13,043)	(1,164)	(153,676)	(121,398)
Share of profit (loss) of subsidiaries	10	158,340	269,429	-	(88)
Other operating income (expenses), net	24	635	-	6,567	104,758
INCOME BEFORE FINANCE INCOME		145,932	268,265	205,078	292,922
FINANCE INCOME (COSTS)					
Finance income	25	92	11	23,632	64,709
Finance costs	26	(1,601)	(1)	(65,174)	(40,389)
OPERATING INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		144,423	268,275	163,536	317,242
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	20.a)	2,249	(10,304)	(17,625)	(60,151)
Deferred	20.b)	-	-	761	880
PROFIT FOR THE YEAR		146,672	257,971	146,672	257,971

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

VIVARA PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

(In thousands of Brazilian reais - R\$)

	Parent		Consolidated	
	2020	2019	2020	2019
PROFIT FOR THE YEAR	146,672	257,971	146,672	257,971
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>146,672</u>	<u>257,971</u>	<u>146,672</u>	<u>257,971</u>

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VIVARA PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(In thousands of Brazilian reais - R\$)

	Note	Capital	Capital reserves	Earnings reserves	Accumulated losses	Total
BALANCES AS AT MAY 23, 2019 (INCEPTION DATE)		1		-	-	1
Capital contribution - assignment of shares	10	651,908		-	-	651,908
Capital contribution - initial public offering (IPO)	18.a)	453,472		-	-	453,472
Share issuance costs - initial public offering (IPO)	18.a)	-	(53,041)	-	-	(53,041)
Unrealized earnings from subsidiaries' operations, net of taxes		-		-	(205,084)	(205,084)
Profit for the period		-			257,971	257,971
Recognition of legal reserve		-		2,644	(2,644)	-
Recognition of statutory reserve		-		7,301	(7,301)	-
Distributed dividends		-		-	(2,942)	(2,942)
Interest on capital distributed		-		-	(12,561)	(12,561)
Additional distribution of interest on capital		-		27,439	(27,439)	-
BALANCES AS AT DECEMBER 31, 2019		1,105,381	(53,041)	37,384	-	1,089,724
Profit for the year		-		-	146,672	146,672
Recognition of legal reserve	18.b)	-		7,333	(7,333)	-
Recognition of statutory reserve	18.b)	-		101,857	(101,857)	-
Distributed dividends	18.b)	-		-	(12,482)	(12,482)
Interest on capital distributed	18.b)	-		(27,439)	(25,000)	(52,439)
BALANCES AS AT DECEMBER 31, 2020		1,105,381	(53,041)	119,135	-	1,171,475

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

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VIVARA PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In thousands of Brazilian reais - R\$)

	Note	Parent		Consolidated	
		2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the year		146,672	257,971	146,672	257,971
Adjustments to reconcile profit for the year to net cash provided by operating activities:					
Depreciation and amortization	22	-	-	58,273	29,133
Charges and exchange rate changes on borrowings and financing	16	-	-	20,154	11,973
Charges on right-of-use leases	28	-	-	29,641	14,443
Lease discounts	28	-	-	(16,491)	-
Current and deferred income tax and social contribution	19	(2,249)	10,304	16,864	59,271
Allowance for inventory losses	8	-	-	1,443	2,220
Provision for civil, labor and tax risks	17	-	-	10,398	(428)
Expected credit losses	7	-	-	(222)	37
Share of profit (loss) of subsidiaries	10	(158,340)	(269,429)	-	88
Interest on tax installment payment		-	-	54	112
Write-off of property, plant and equipment items and intangible assets	24	-	-	937	225
Tax credits	9	-	-	(17,149)	(103,658)
Inflation adjustments to escrow deposits and recoverable taxes		(57)	-	(5,228)	(58,944)
Increase (decrease) in operating assets and liabilities:					
Trade receivables		-	-	15,793	(230,130)
Due from related parties		-	-	(88)	24,283
Inventories		-	-	(18,593)	19,090
Recoverable taxes		-	(3)	72,602	(4,242)
Escrow deposits		-	-	743	396
Other receivables		321	(389)	4,407	6,511
Trade payables		-	-	16,777	(1,758)
Payroll and related taxes		(103)	309	(15,253)	30,325
Taxes payable		5,402	433	(14,945)	38,438
Variable leases and common area maintenance fees payable		-	-	(4,488)	5,266
Taxes in installments		-	-	(1,234)	(527)
Contingencies paid		-	-	(995)	(1,125)
Other payables		339	268	(3,659)	15,434
Cash provided by operating activities		(8,015)	(536)	296,413	114,404
Income tax and social contribution paid		-	-	(17,077)	(39,700)
Paid interest on borrowings and financing	16	-	-	(9,241)	(9,194)
Paid interest on right-of-use leases	28	-	-	(18,002)	-
Net cash provided by (used in) operating activities		(8,015)	(536)	252,093	65,510
CASH FLOWS FROM INVESTING ACTIVITIES					
Intragroup loans		-	-	-	2,000
Dividends received	18.b)	-	5,942	-	-
Interest on capital received		35,563	-	-	-
Intragroup loans received		-	-	-	(2,000)
Short-term investments		-	-	(224,602)	605
Disposal of investments		-	-	-	1,871
Sale of property, plant and equipment		-	-	-	11,608
Capital contribution in subsidiaries		-	(394,657)	-	-
Purchase of property, plant and equipment	11	-	-	(40,782)	(34,364)
Purchase of intangible assets	12	-	-	(3,929)	(4,470)
Net cash used in investing activities		35,563	(388,715)	(269,313)	(24,750)
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital increase	18.a)	-	453,472	-	453,472
Share issuance costs - public offering	18.a)	-	(53,041)	-	(53,041)
Dividends paid		-	(2,942)	-	(2,942)
Interest on capital paid		(35,563)	-	(35,563)	-
Borrowings and financing	16	-	-	308,113	112,636
Repayment of borrowings and financing	16	-	-	(222,927)	(115,665)
Settlement of SWAP contracts	16	-	-	21,612	1,095
Amortization of right-of-use leases	28	-	-	(12,540)	(31,368)
Net cash provided by financing activities		(35,563)	397,489	58,695	364,187
INCREASE IN CASH AND CASH EQUIVALENTS		(8,015)	8,238	41,475	404,947
Opening balance of cash and cash equivalents		8,239	1	435,844	30,897
Closing balance of cash and cash equivalents		224	8,239	477,319	435,844

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

VIVARA PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In thousands of Brazilian reais - R\$)

	Note	Parent		Consolidated	
		2020	2019	2020	2019
REVENUE					
Sales of goods, products and services	21	-	-	1,338,142	963,142
Other income	24	700	-	19,641	104,735
Expected credit losses	24	-	-	(222)	36
INPUTS ACQUIRED FROM THIRD PARTIES					
Costs of sales and services		-	-	(304,345)	(200,107)
Supplies, power, outside services and other inputs		(2,539)	(202)	(246,616)	(143,696)
GROSS VALUE ADDED					
Depreciation and amortization	11 and 12	(1,839)	(202)	806,600	724,110
WEALTH CREATED BY THE COMPANY					
		(1,839)	(202)	748,327	694,977
WEALTH RECEIVED IN TRANSFER					
Profit sharing of subsidiaries/associates	10	158,340	269,429	-	(88)
Finance income	25	92	11	40,123	64,709
TOTAL WEALTH FOR DISTRIBUTION					
		<u>156,593</u>	<u>269,238</u>	<u>788,450</u>	<u>759,598</u>
WEALTH DISTRIBUTED					
Personnel:					
Salaries and wages		1,728	790	160,713	133,276
Benefits		-	-	27,445	17,841
Severance Pay Fund (FGTS)		-	-	12,371	9,048
		<u>1,728</u>	<u>790</u>	<u>200,529</u>	<u>160,165</u>
Taxes, fees and contributions:					
Federal		8,191	10,476	158,379	140,079
State		-	-	203,355	148,907
Municipal		-	-	2,436	1,304
		<u>8,191</u>	<u>10,476</u>	<u>364,170</u>	<u>290,290</u>
Lenders and lessors:					
Interest and banking expenses	26	2	1	62,417	36,707
Rentals		-	-	13,194	12,564
Royalties		-	-	1,468	1,901
		<u>2</u>	<u>1</u>	<u>77,079</u>	<u>51,172</u>
Shareholders:					
Dividends and interest on capital	18.b)	37,482	42,942	37,482	42,942
Retained earnings		109,190	215,029	109,190	215,029
		<u>146,672</u>	<u>257,971</u>	<u>146,672</u>	<u>257,971</u>
TOTAL WEALTH DISTRIBUTED					
		<u>156,593</u>	<u>269,238</u>	<u>788,450</u>	<u>759,598</u>

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

MANAGEMENT REPORT

São Paulo, March 17, 2021 – Vivara Participações S.A. (B3: VIVA3; Bloomberg: VIVA3 BZ), Brazil's largest jewelry chain, today announces its results for fiscal year 2020.

MESSAGE FROM MANAGEMENT

The year 2020 was an emblematic one and will be remembered by Vivara as a year of uncertainties and transformations. Over our 60 years of history, 2020 has been perhaps the most challenging year we have ever faced. The fast spread of the pandemic and the low visibility of the outlook and duration were factors that differentiated this crisis from previous ones.

Unlike other turbulent periods, we were taken by surprise. There were no evident signs of a recession. There was no indication inherent to the business, nothing. In a matter of days, the pandemic was upon us, forcing each of us to take rapid, but conscientious and responsible, decisions.

Like other turbulent periods, we knew from the beginning that a recovery would come. During the year, we saw our operations gradually return to normal levels with each passing month. The recovery was faster than we first imagined, but we know that we still have a long way to go.

Still in March, immediately after the temporary closing of our operations, we formed a Crisis Committee and started a routine of constant interactions to find solutions for protecting the health and safety of our stakeholders, from employees, customers and partners to suppliers and shareholders.

Working with the Crisis Committee, we structured nine work groups: Cash, Stores, E-commerce, Industry and direct suppliers, indirect suppliers, People, Communication, Expansion and Priority on IT Projects. These multidisciplinary fronts guided all decisions taken collectively.

Our teams worked tirelessly, while our corporate values were strengthened and functioned as a strong foundation for overcoming the challenges with deliveries always surpassing expectations.

Amidst so many uncertainties, we were able to deliver a year of transformation. The pandemic forced us to rethink our processes and see new possibilities. The result we are delivering today exceeded all our initial expectations. We delivered various new records that only a restless and committed team could deliver.

We set a sales record for a single quarter, a digital sales record for the year and a daily sales record - all in an atypical, uncertain and unknown scenario. We transformed our business without abandoning the solid foundation that has brought us here.

The Vivara brand ends 2020 even stronger, as a reference in online searches and a brand that is a destination for those seeking the best gift to mark special moments. We adapted our communication to clear changes in consumer behavior during the period of physical distancing. We adopted a more emotional approach in our campaigns, seeking new ways to interact with our customers. We talked about purpose, well-being and connecting with loved ones, all in a very subtle, meaning-focused approach, which is exactly what jewelry represents. We made important advances in using data to communicate, making our customer database an important tool for maximizing sales.

Our high-performance sales team made the difference and accomplished with excellence the mission of fascinating customers. They focused on delivering results, even during the most critical moments of store closures, supported by the Joias em Ação Project, our direct-sales initiative.

The vertical business model enabled us to protect our margins and to work with the optimal product mix for the moment. We expanded the insourcing of production for the Life category, rapidly adjusted inventories and expanded coverage of the online channel to ensure an effective product mix in all categories.

Inevitably, the year's results were affected by store closures, but showed gradual improvement over the months. We ended 2020 with revenue down 10.2%, but with growth of 14.4% in the fourth quarter, even with the restrictions on customer traffic at stores and the reduced business hours. Digital sales growth accelerated over the year to end the period up 191.2% on 2019. Adjusted EBITDA was R\$216.3 million, with margin of 20.7%, supported by higher gross margins and rigid cost controls.

Given the uncertainty at the start of the pandemic, we revised our expansion plan for the year, reducing the planned number of store inaugurations from 50 to 21. By year-end, we had delivered 28 new operations, which reinforces our commitment to expanding our presence in Brazil's leading malls via organic growth of the Vivara and Life channels.

For 2021, we will resume our accelerated organic expansion, with plans to add between 40 and 50 new Vivara and Life stores. We have a major ongoing project to strengthen the Life brand that includes new initiatives to optimize operations, a more focused training program and a new product and marketing strategy to leverage the Life segment in a structured way. Further the omnichannel strategy, which ended 2020 even stronger and with even greater strategic relevance for 2021.

We continue to closely follow developments in the pandemic and remain diligent in responding proactively. The Company has been continuously adopting various measures to protect the health of employees, suppliers and partners, as well as the health of our business. Most importantly, we are better prepared and stronger than when all this started. We have solid financial position and high level of liquidity as well as material resources for seizing any consolidation opportunities to reinforce our leadership in the market.

In February 2021, we announced the election of Paulo Kruglesnky, as Company's new Chief Executive Officer, in succession to Marcio Kaufman, who will now dedicate himself exclusively to the Board of Directors.

We thank our shareholders, employees, suppliers and customers for the trust they place in our Company.

Marcio Kaufman
Former-CEO and Director

Paulo Kruglesnky
CEO

COMMENTS ON FINANCIAL PERFORMANCE

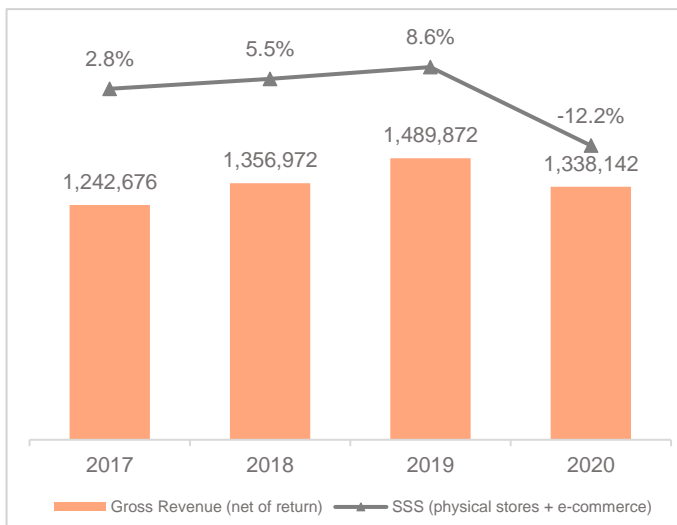
REVENUE

Gross revenue, net of returns, contracted 10.2% in 2020, reflecting the store closures during the year in response to the Covid-19 pandemic. Revenue gradually recovered with each passing month, with the last quarter of the year registering growth of 14.4%.

The highlight of the year was the acceleration in digital sales, which reached R\$309.4 million, advancing 191.2% on the previous year to account for 18.1% of total revenue. On a same-store basis, revenue growth in the year contracted by 12.2%.

The 191.2% growth in digital sales in 2020 was supported by the omnichannel initiatives, especially the Joias em Ação, direct-selling project created in April after the store closures, which accounted for 25.5% of sales in the digital channel and gained relevance with each passing month.

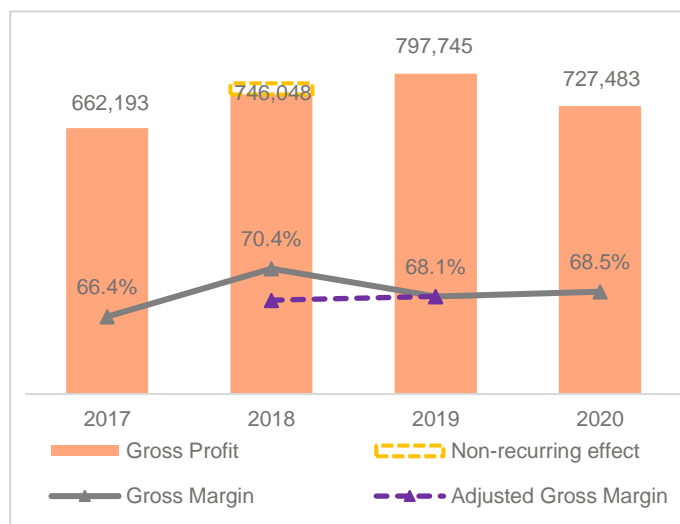
Net revenue was R\$1,047.6 million, down 10.6% from 2019.



GROSS PROFIT AND GROSS MARGIN

Gross Profit in 2020 was R\$717.5 million, down 10.1% on the prior year, with Gross Margin expanding 40 bps to 68.5%. Gross Margin is the year was in line with the Company's healthy profitability levels, even with the intensification of actions for Black Friday and the continuous increases in input costs.

The healthy inventory mix in all categories, combined with the right pricing policy, supported this profitability, demonstrating once again the Company's capacity to manage costs.



OPERATING EXPENSES

Operating Expenses (R\$, 000)	2020	2019	Δ %
Operating Expenses	(463,223)	(498,066)	-7.0%
<i>Operating Expenses/Net Revenue (%)</i>	<i>-44.2%</i>	<i>-42.5%</i>	<i>-170 bps</i>
Selling Expenses	(331,679)	(360,069)	-7.9%
<i>Selling Expenses/Net Revenue (%)</i>	<i>-31.7%</i>	<i>-30.7%</i>	<i>-92 bps</i>
General and Administrative Expenses	(131,544)	(137,997)	-4.7%
<i>General and Administrative Expenses/Net Revenue (%)</i>	<i>-12.6%</i>	<i>-11.8%</i>	<i>-78 bps</i>
Other Operating Expenses	6,567	107,442	93.9%
Total Operating Expenses	(456,656)	(390,624)	16.9%

In 2020, Operating Expenses (SG&A, excluding depreciation) fell 7.0% on the prior year, considering the recognition of the non-recurring IPO expenses of R\$14.9 million in 2019. On a comparable basis, Operating Expenses in 2020 decreased 4.1% compared to 2019.

Selling Expenses fell 7.9% in the quarter, mainly due to: (i) the adoption of measures under Federal Law 14,020/2020, which allowed for suspending employment contracts with store employees while stores remained closed and for cutting work hours after they reopened, with effects gradually declining until November 2020; (ii) the discounts obtained in store rents; and (iii) the reduction in Outsourced Services, reflecting the budget adjustments during the year. On the other hand, we registered higher expenses with Freight and Taxes due to the growing importance of digital sales, as well as with Marketing, given the higher investments in digital marketing.

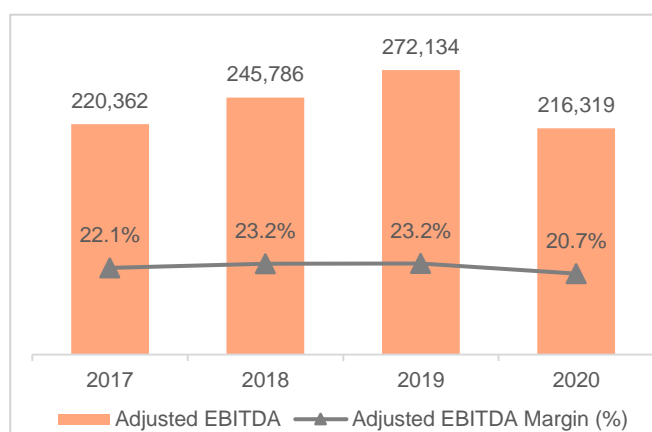
General and Administrative Expenses fell 4.7%, explained by the non-recurring expenses of R\$14.9 million recognized in 2019. On a comparable basis, G&A expenses increased 6.8%, mainly due to: (i) the higher expenses with Outsourced Services, due to the hiring of consulting firms to support the Company's strategy. Personnel Expenses benefited from the adoption of Federal Law 14,020/2020, which partially neutralized the expenses with expanding the administrative team to reinforce strategic areas and the corporate governance structure.

Other net operating income (expenses) in 2020 was R\$6.6 million, compared to R\$107.4 million in 2019, due to the recognition of PIS and COFINS tax credits related to the authorization of the credit filed with the Federal Revenue Service in May 2019, with the principal corresponding to R\$103.7 million.

ADJUSTED EBITDA

Adjusted EBITDA reached R\$216.4 million, down 20.5% from the previous year, reflecting the store closures, mainly in the second and third quarters. This impact was, partially, offset by the strict budget control and the protection of Gross Margin.

Accordingly, Adjusted EBITDA margin stood at 20.7%.



(1) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is a non-accounting measurement disclosed by the Company in compliance with CVM Instruction 527/12. Based on the above calculation, an adjustment is made to eliminate non-recurring effects on income, when applicable, as well as the recognition of lease expenses related to the fixed installment of store rents, which, since the adoption of CPC 06 / IFRS 16, ceased to be recorded as "rent expenses" in the Income Statement and are recognized as "Lease of Right-of-Use Assets" in the Statement of Cash Flow. As such, these adjustments generate Adjusted EBITDA.

FINANCE INCOME (COSTS)

The Net Financial Result in 2020 was an expense of R\$41.5 million, compared to an expense of R\$2.5 million in 2019, reflecting the decline in financial income generated by the inflation adjustment of tax credits from double taxation of ICMS on the PIS/COFINS calculation base.

INCOME TAX AND SOCIAL CONTRIBUTION

In 2020, Income Tax and Social Contribution was R\$-16.9 million, compared to R\$-40.9 million in 2019. The effective rate of 10.3% in 2020 benefited from the declaration of Interest on Equity of R\$25.0 million, as well as from the decrease in deferred taxes.

NET INCOME

Reconciliation of Adjusted Net Income (R\$, 000)	2020	2019	Δ %
Net Income	146,672	318,251	-53.9%
<i>Net Margin (%)</i>	<i>14.0%</i>	<i>27.2%</i>	<i>-1317 bps</i>
Non-recurring effect		- (101,262)	na
Adjusted Net Income	146,672	216,989	-32.4%
<i>Adjusted Net Margin (%)</i>	<i>14.0%</i>	<i>18.5%</i>	<i>-452 bps</i>

(1) Adjusted Net Income is a non-accounting measurement that does not fall under the scope of the audit. The measure is used by the Company to improve the comparability of the periods analyzed. To calculate it, the Company excludes the non-recurring effects from the ICMS lawsuit on the PIS/Cofins base and the non-recurring expenses with the IPO.

The result for the fiscal year was affected by store closures, but reflected the gradual recovery, especially after August. The continuous efforts to control costs and the omnichannel initiatives proved critical for neutralizing these impacts.

Accordingly, the Company registered Net Income of R\$146.7 million in 2020, down 32.4% from the previous year. On a comparable basis, we excluded from the 2019 result the non-recurring effects related to the IPO expenses in 4Q19, as well as the favorable outcome of the lawsuit to exclude ICMS from the PIS/Cofins tax base, both net of taxes, whose combined effects of R\$101.3 million were recognized in 2Q19, which would have resulted in net income contraction of 32.4%.

STATEMENT BY EXECUTIVE OFFICERS

In compliance with article 25 of CVM Instruction 480, the Executive Officers of the Company hereby declare that they discussed, reviewed and agreed with the opinions expressed in the audit report prepared by Deloitte Touche Tohmatsu Independent Audit on March 17, 2021, with the statements individual and consolidated financial statements for the period from January 1 to December 31, 2020.

RELATIONSHIP WITH INDEPENDENT AUDITORS

In compliance with CVM Instruction 381/03, we hereby inform that the Company and its subsidiaries formally adopt the procedure of consulting the independent auditors Deloitte Touche Tohmatsu (Deloitte) to guarantee that the provision of other services will not affect their autonomy and objectivity necessary to perform independent audit services. The Company's policy in engaging independent audit services ensures that there is no conflict of interest or loss of autonomy or objectivity. In the fiscal year ended December 31, 2020, Deloitte did not provide other additional services that exceed 5% of the fees for auditing the consolidated financial statements of the Vivara Group. When engaging these services, the policies adopted by the Company are based on the principles that preserve the auditor's independence. These principles include the following, according to internationally accepted standards: (a) the auditor must not audit their own work; (b) the auditor

must not exercise management function at their client, and (c) the auditor must not legally represent the interests of their clients. Deloitte Touche Tohmatsu (Deloitte) declared that the services were provided in strict compliance with the accounting standards governing the autonomy of independent auditors in audit work and did not represent any situation that could affect the autonomy and objectivity of their external audit services.

ACKNOWLEDGMENTS

We thank all our customers, employees, shareholders, suppliers, partners and the general community for their trust and partnership during 2020.

São Paulo, March 17, 2021.

The Management.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

VIVARA PARTICIPAÇÕES S.A. AND SUBSIDIARIES

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

1. GENERAL INFORMATION

Vivara Participações S.A. (“Vivara Participações” or “Company”) is the holding company controlling Vivara Group, established in 1962, which is engaged in the manufacturing and sale of jewelry and other articles. The consolidated financial statements comprise the financial statements of the Company and subsidiaries Tellerina Comércio de Presentes e Artigos para Decoração S.A. (“Tellerina”) and Conipa Indústria e Comércio de Presentes, Metais e Artigos de Decoração Ltda. (“Conipa”). The Company’s controlling shareholders are mentioned in note 20.

Vivara Participações, with registered head office in the city of São Paulo, State of São Paulo, is primarily engaged in holding equity interests in other entities, as a shareholder, besides operating as a holding company of non-financial institutions and intellectual property agent. The Company was established on May 23, 2019 and, pursuant to the equity interest transfer agreement dated June 15, 2019, the equity interests held in current subsidiaries Tellerina and Conipa were transferred. All rights and obligations of any nature, including the effects and results of such equity interest transfer, are assigned to Vivara Participações beginning June 1, 2019, pursuant to the instrument of consent signed by shareholders.

Tellerina established its registered head office in the city of Manaus, State of Amazonas, with administrative center in the city of São Paulo, State of São Paulo. Through a chain of stores under the brand “VIVARA”, Tellerina is primarily engaged in the import, export and retail and wholesale trade of jewelry, costume jewelry, articles made from non-precious metals and their alloys, plated jewelry, precious stones, watches, chronometric instruments, leather goods and similar goods, besides providing jewelry design and repair services in general.

As at December 31, 2020, Tellerina had 221 stores and 46 kiosks (197 stores and 56 kiosks as at December 31, 2019) operating in Brazil.

Conipa has its registered head office in the city of Manaus, State of Amazonas and is primarily engaged in the manufacture of jewelry, gold smithery and watch items, selling these products in the retail and wholesale markets, besides providing jewelry and watch repair services.

Impacts related to COVID-19

The Company’s Management has been monitoring the events related to the COVID-19 pandemic, paying careful attention to the instructions from the Brazilian and international authorities, and has been adopting several measures to preserve the health of its employees, suppliers and partners.

On March 20, 2020, the Company decided to close all physical stores and, on March 25, 2020, it temporarily suspended the activities of its plant located in the City of Manaus.

In view of the current scenario of uncertainties and unpredictable full recovery, the Company has adopted an extremely conservative approach for investing capital to preserve its liquidity in the short term and make sure that it will be prepared for the long-term growth cycle and, through a crisis committee, it has adopted the following measures:

- a) Designing a new plan for the purchases of inputs and raw materials as the Company has sufficient inventories to continue to operate and mitigate the impacts arising from the recent increase in the price of gold.
- b) Reviewing the 2020 investment plan by reducing the number of new operations to be launched during the period and postponing less urgent investments. For purposes of the long-term strategy, the Company reaffirms its commitment to expand its presence in the main shopping malls in Brazil, through the organic growth of its channels.
- c) On April 14, 2020, the Company concluded the negotiation with the trade unions and implemented the measures set forth in Law No. 14.020/2020, upon reduction of working hours for all employees working at the office and suspension of the employment contract for all employees working at the stores and plant in the period from April to December 2020.
- d) The negotiations with the main shopping mall owners resulted in an average reduction by 31% in the payment of rents, common area maintenance fees and promotion fund, seeking to adjust this expense to the current revenue volume. The discussions and negotiations continue due to the opening and closing of shopping malls as a result of the pandemic transmission rate decrease and increase in the municipalities.
- e) All service agreements were negotiated to avoid cash flow mismatches. The negotiations involved discounts and adjustment of the payment method and term.

At the end of 2020 and up to the balance sheet date, the Company observed a gradual improvement in sales volume, on a month-after-month basis, from late March, when stores were temporarily closed, to December when operations returned to a regular pace. In the last three months of the year, the rebound was more significant in October and November, when no further restrictions had been imposed yet. Such restrictions were strengthened in December due to the increasing number of COVID-19 cases.

The plant has fully resumed operations and continues to increase the production of items that will be at the stores over the coming months.

The Company generated significant net financial resources in 2020, and it has sufficient inventory to meet sales prospects and an appropriate level of indebtedness to finance the potential growth of sales and the organic expansion of stores in 2021.

2. BASIS OF PREPARATION OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of preparation

The individual and consolidated financial statements have been prepared based on the historical cost, unless otherwise stated. The historical cost is generally based on the fair value of the consideration given in exchange for an asset.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market players at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Management takes into account the characteristics of the asset or liability if market players would take those characteristics into account when pricing the asset or liability at the measurement date.

2.2. Statement of compliance

The individual and consolidated financial statements were approved by the Company's Board of Directors on March 17, 2021 and have been prepared in accordance with accounting practices adopted in Brazil, issued by the Accounting Pronouncements Committee ("CPC") and approved by the Brazilian Securities and Exchange Commission ("CVM"), and the International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB").

2.3. Statement of relevance

In preparing the individual and consolidated financial statements, Management only disclosed relevant information that could support their users in the decision-making process, without failing to comply with the existing minimum requirements. In addition, Management asserts that all relevant information is being disclosed and corresponds to the information used in managing the business.

2.4. Functional and reporting currency

Items included in the individual and consolidated financial statements are measured in Brazilian reais (R\$), the currency of the economic environment in which the Group operates, which is adopted as the Group's functional and reporting currency.

2.5. Use of estimates and judgments

The individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil, issued by the Accounting Pronouncements Committee ("CPC") and the International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB"), which require Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates. Estimates and assumptions are revised on an ongoing basis. Revisions to accounting estimates are recognized in the year in which estimates are revised and in any future years affected.

In accordance with CVM Circular Letters 02/20 and 03/20 and considering the economic scenario, the risks and uncertainties arising from Covid-19 effects, the Company's Management has concluded that the critical estimates and judgments are not materially affected.

The main accounts subject to assumptions and estimates are included in the following notes:

- Notes 11 and 12 – useful lives and impairment test of property, plant and equipment and intangible assets.
- Note 16 – fair value of derivative financial instruments.
- Note 17 - provision for civil, labor and tax risks.
- Note 20.b) – deferred income tax and social contribution.
- Note 28 – right-of-use leases.

2.6. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over an investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to affect those returns through its power over the investee.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company achieves control over the subsidiary and ceases when the Company loses control over the subsidiary.

In preparing the consolidated financial statements, financial statements for the same reporting period were used, which are consistent with the Company's accounting policies.

When necessary, accounting adjustments are made to the subsidiaries' financial statements to conform their accounting policies to those used by the Company.

All transactions and receivables and payables, as well as investments proportionately to the investor's interest in the equity and profit or loss of subsidiaries, and unrealized earnings, less income tax and social contribution, between the Company and its subsidiaries included in the consolidated financial statements are fully eliminated.

In the Company's individual financial statements, the investments in subsidiaries are recognized under the equity method.

The consolidated financial statements comprise the financial statements of the Company and its direct subsidiaries, as shown below:

Subsidiaries	Equity interest (%)
Tellerina	99.99
Conipa	99.99

3. SIGNIFICANT ACCOUNTING POLICIES

- Revenue recognition criteria

Sales revenue is recognized in the income statement when a performance obligation is satisfied through the transfer of promised goods and related control to a customer, as well as when the price is identifiable and the performance obligations are met. Sales revenue is stated net of deductions, including taxes on sales.

- Foreign currency-denominated transactions

Foreign currency-denominated transactions are initially recognized at the fair value of the corresponding currencies at the date the transaction qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated into Brazilian reais (R\$) at the quoted market rates prevailing at the balance sheet dates. Any differences in the payment or translation of monetary items are recognized in finance income (costs).

- Financial instruments

Classification and measurement of financial assets and financial liabilities

The classification of financial assets and financial liabilities under CPC 48/IFRS 9 is generally based on the business model within which financial assets are managed and on their contractual cash flow characteristics.

In accordance with CPC 48/IFRS 9, upon initial recognition, financial assets are classified as measured at: amortized cost; fair value through other comprehensive income (“FVTOCI”); or fair value through profit or loss (“FVTPL”).

The following accounting policies are applicable to the subsequent measurement of financial assets:

Financial assets measured at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest income or dividend income, are recognized in profit or loss.
Financial assets measured at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, exchange gains and losses and impairment losses are recognized in profit or loss. Any gains or losses arising on the derecognition are also recognized in profit or loss.
Financial assets measured at FVTOCI	These assets are measured at fair value through other comprehensive income as they are designated for trading before maturity.

Under CPC 48/IFRS 9, a financial asset is measured at amortized cost provided that the following conditions are met and it is not designated as measured at FVTPL:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- Its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal amount.

A financial asset is measured at FVTOCI provided that the following conditions are met and it is not designated as measured at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal amount.

The following table includes the measurement categories under CPC 48/IFRS 9 for each class of financial assets and/or financial liabilities.

Assets	CPC 48/IFRS 9		Parent	Consolidated
	Note	Category		
Cash and cash equivalents	5	Amortized cost	224	477,319
Trade receivables	7	Amortized cost	-	410,263
Due from related parties	19	Amortized cost	40,512	-
Securities	6	FVTPL	-	224,602
Derivatives - swap	16	FVTPL	-	11,767
Total financial assets			<u>40,736</u>	<u>1,123,951</u>
Trade payables	13.a)	Amortized cost	-	53,029
Trade payables - agreement	13.b)	Amortized cost	-	169
Borrowings	16	Amortized cost	-	390,321
Interest on capital payable	18.b)	Amortized cost	22,353	22,353
Dividends payable	18.b)	Amortized cost	12,482	12,482
Right-of-use leases payable	28	Amortized cost	-	275,228
Total financial liabilities			<u>34,835</u>	<u>753,582</u>

Derivatives

Management uses derivative financial instruments classified as swaps to hedge foreign currency-denominated contracts and contracts subject to fixed rates. These derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date. These contracts should have the same maturity dates, interest and principal repayment dates and be executed with the same financial conglomerate associated with the hedged item.

These instruments are classified as financial instruments “measured at fair value” and their variations are recognized in finance income (costs).

- Statement of value added

The purpose of this statement is to disclose the wealth created by the Company and its subsidiaries and its distribution during a certain reporting period, and is presented by the Companies, as required by the Brazilian Corporate Law, as an integral part of their individual and consolidated financial statements.

This statement was prepared based on information obtained from the accounting records used as a basis for the preparation of individual and consolidated financial statements and supplementary records, and pursuant to the provisions of CPC 09 - Statement of Value Added.

- Cash and cash equivalents

Comprise cash and banks and short-term investments maturing within up to 90 days from investment date.

Short-term investments substantially refer to Bank Deposit Certificates ("CDBs") and are carried at cost, plus income earned through the end of the reporting period, which does not exceed their realizable value.

- Securities

The investments in securities are represented by short-term investments in investment funds and financial bills issued by banks, which are redeemable over 90 days from the investment date.

- Trade receivables and allowance for expected credit losses

Trade receivables correspond to proceeds from the sale of goods and are recorded at their original amounts, less the allowance for expected credit losses. Trade receivables are initially recorded at the transaction amount, which corresponds to the selling price, and are subsequently measured at amortized cost.

The allowance for expected credit losses is measured on the transaction date, taking into account the lifetime of receivables. The Company adopts a credit risk matrix considering the historical experience of losses, based on the average aging list of receivables.

- Inventories

Measured at the acquisition or production costs and other costs incurred on bringing the inventories to their present locations and conditions. In the case of finished product and work-in-process inventories, cost includes a proportional share of manufacturing overheads based on normal operating capacity.

Inventories are stated at the weighted average cost, less any estimated losses, when applicable.

- Property, plant and equipment

Recognition and measurement

Property, plant and equipment items are measured at the historical acquisition or construction cost, less accumulated depreciation and accumulated impairment losses, when applicable.

Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of assets built by the Company itself includes costs of materials and direct labor, as well as any other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.

Any gains and losses on disposals are measured as the difference between the disposal proceeds and the carrying amount and are recognized in "Other operating income (expenses), net" in the income statement.

Subsequent costs

These costs are capitalized only when it is probable that the economic benefits embodied in the component will flow to the Company and its cost can be reliably measured. Recurring maintenance costs are recognized in profit or loss, when incurred.

Depreciation

Property, plant and equipment items are depreciated from the date on which those assets are available for use, or, in the case of internally built assets, from the day construction is completed and the assets are available for use.

Depreciation is calculated to amortize the cost of property, plant and equipment items, less their estimated residual values, on a straight-line basis, over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the relevant amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of their estimated useful lives and the lease term, unless it is reasonably certain that the Company will obtain ownership of assets at the end of the lease term. Land is not depreciated.

The estimated useful lives of the significant property, plant and equipment items for the current and comparative reporting periods are broken down as follows:

	<u>Useful life - years</u>
Machinery and equipment	10
Facilities	10
Furniture and fixtures	10
Hardware	5
Leasehold improvements	5
Rights of use – leased properties	4 to 10
Company cars	5

The estimated useful lives of property, plant and equipment items are reviewed on an annual basis at the end of the reporting periods. When applicable, the effects of changes in the remaining useful life are recorded on a prospective basis.

- Intangible assets

Stated at the acquisition cost of points of sale, with amortization over the lease term, which is five years for stores and kiosks. Not all chain's points of sale are acquired, since these costs should not be incurred in certain locations.

Software purchased from third parties and software under development are recorded as well.

- Investment

Investments are accounted for under the equity method in the individual financial statements.

- Impairment

Management annually assesses whether there is evidence that an asset might be impaired. If there is any evidence of impairment, the recoverable amount of the asset is estimated, which is the higher of: (i) its fair value less estimated costs to sell; and (ii) its value-in-use. The value-in-use is equivalent to pretax discounted cash flows arising from the continuing use of an asset. When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized.

- Right-of-use leases

Rights of use relating to leased properties are represented by the present value of the fixed or minimum rental payment flows under the lease agreements of the properties where the Company's stores, factory and offices are located. They are recognized as property, plant and equipment items, in assets, and as right-of-use leases payable in liabilities.

The recognized assets are amortized over the lease term, subject to automatic renewal for an equal period.

Interest incurred on determining the present value is allocated to lease liabilities, using the discount rates shown in note 28, over the lease term, subject to automatic renewal for an equal period. Rights of use are annually remeasured according to the contractual rates and terms for lease adjustment purposes.

- Provisions

Recognized when:

- The Company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of funds will be required to settle the obligation and the obligation amount can be reliably estimated.
- Provisions are measured at the present value of the expected disbursement to settle the obligation using the appropriate discount rate, according to related risks. They are adjusted through the end of the reporting period for the probable loss amount, according to the nature of each contingency and based on the legal counsel's opinion.

- Finance income (costs)

Finance income consists of interest income that is recognized in the income statement under the effective interest method. Finance costs comprise banking expenses that are recognized in the income statement under the effective interest method.

- Income tax and social contribution

Current and deferred taxes

Current and deferred income tax and social contribution are calculated at the rates of 15% for income tax, plus a 10% surtax on taxable income exceeding R\$240, and 9% on taxable income for social contribution, considering the offset of tax loss carryforwards, limited to 30% of taxable income.

Income tax and social contribution expenses comprise current and deferred taxes, which are recognized in profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to taxes payable in relation to prior years.

Deferred tax is recognized on temporary differences and tax loss carryforwards between the carrying amounts of assets and liabilities for accounting purposes and the corresponding tax bases used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied on temporary differences and tax loss carryforwards when realized, pursuant to the laws that have been enacted or substantially enacted through the end of each reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes imposed by the same tax authority on the same entity subject to taxation.

Deferred income tax and social contribution assets are recognized for all unutilized tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which those tax losses, tax credits and deductible temporary differences can be utilized.

Deferred income tax and social contribution assets are reviewed at the end of each reporting period and reduced to the extent that their realization is no longer probable.

Tax incentives - operating profit

As its jewelry factory is located within an area under the jurisdiction of the Amazon Region Development Authority (SUDAM), and pursuant to Declaratory Executive Act No. 146 issued by Manaus Federal Revenue Service Office on November 25, 2011, Conipa is eligible for a tax incentive granting a 75% reduction of income tax on operating profit, applied to sales of own products manufactured in the Manaus Free Trade Zone, which are recognized in profit or loss and subsequently allocated to the capital reserve, in equity.

By virtue of such benefit granted, Conipa is compelled to: (i) comply with the labor and social laws, as well as the environmental protection and control standards; (ii) apply the income tax reduction to activities directly related to manufacturing operations conducted within SUDAM's jurisdiction; (iii) recognize a capital reserve that includes the amount resulting from such reduction, which may be only used for loss absorption or capital increase purposes; (iv) prohibit the distribution to partners or shareholders of any tax amounts unpaid owing to this reduction, under penalty of losing entitlement to such tax incentive and being compelled to collect, in respect of the distributed amounts, the tax amounts unpaid by Conipa, without prejudice to the tax levy on profit distributed as income and the applicable penalties; and (v) annually file the income tax returns, indicating the reduction amount corresponding to the relevant year, pursuant to the applicable standards.

- Earnings per share

Basic earnings per share are calculated by dividing profit attributable to the Company's owners by the weighted average number of common shares issued during the year.

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares, in order to assume the conversion of all potential common shares diluted by vested stock options.

- Operating segments

The operating segments are addressed consistently with the internal report provided to the Company's chief decision maker, i.e., the Group's CEO, who is in charge of allocating funds and assessing the performance of each operating segment.

4. ADOPTION OF NEW AND REVISED IFRSs

4.1 New and revised IFRSs that are effective for the current year

Except for the following provisions, no CPC/IFRS standards or ICPC/IFRIC interpretations applicable to the Company and effective for the current year had a material impact on the Company's financial statements.

- Impact arising from the first-time adoption of Amendments to IFRS 16 - Covid-19-related Rent Concessions

In May 2020, the IASB issued Covid-19-related Rent Concessions (Amendments to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. Such practical expedient provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. A lessee applying this exemption would account for any change in lease payments resulted from a COVID-19-related rent concession as if it was not a lease modification under IFRS 16.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2021 and increased lease payments that extend beyond June 30, 2021).
- There is no substantive change to other terms and conditions of the lease.

In the current year, the Company adopted the amendments to IFRS 16 (as issued by IASB in May 2020) prior to the related effective date. The impacts from adopting the Covid-19-related practical expedient are described in note 22.b, in line item "Lease discounts".

5. CASH AND CASH EQUIVALENTS

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Cash	-	-	6,935	5,693
Banks – checking account	-	8,239	10,518	39,122
Short-term investments (a)	224	-	459,866	391,029
Total	224	8,239	477,319	435,844

(a) Short-term investments are represented as follows:

	Consolidated			
	12/31/2020	Weighted average rate	12/31/2019	Weighted average rate
Bank Certificate of Deposit (CDB)	451,495	109.5%	384,548	93.9%
Repurchase transaction	4,299	80%	-	-
Automatic investments	4,072	10%	6,481	10%
Total	<u>459,866</u>		<u>391,029</u>	

6. SECURITIES

Short-term investments are broken down as follows:

	Maturity	Return	12/31/2020
Investment funds	-	Variable (a)	59,726
Financial bills (b)	09/2022	106.7% of the CDI	164,876
Total			<u>224,602</u>
Current assets	-		59,726
Noncurrent assets			164,876
Total			<u>224,602</u>

- a) Investment funds showed weighted average return of 0.3% in the period from August to December 2020.
- b) Financial bills refer to fixed-income securities subject to fixed or floating interest rates, issued by financial institutions highly rated by credit rating agencies, with a minimum term of 2 years, acquired in the primary and secondary markets. They comprise long-term investments with similar CDB characteristics.

7. TRADE RECEIVABLES

	Consolidated 12/31/2020	Consolidated 12/31/2019
Credit card companies	405,099	418,610
Checks to be cleared	1,471	2,280
Bank slips	4,684	5,712
Subtotal	411,254	426,602
Allowance for expected credit losses	(991)	(769)
Total	<u>410,263</u>	<u>425,833</u>

The aging list of trade receivables is as follows:

	<u>Consolidated</u> <u>12/31/2020</u>	<u>Consolidated</u> <u>12/31/2019</u>
Past-due:		
1 to 30 days	662	1,985
31 to 60 days	109	15
61 to 90 days	106	36
91 to 120 days	71	4
121 to 150 days	24	15
151 to 180 days	18	7
Over 180 days	964	666
Current	<u>409,300</u>	<u>423,874</u>
Total	<u><u>411,254</u></u>	<u><u>426,602</u></u>

Current balances substantially refer to receivables from credit card sales in up to 10 installments, which are not subject to any finance charges.

Management measures the loss allowance in an amount equivalent to lifetime expected credit losses for trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix, by reference to past default experience per type of receivable, applied to current sales pertaining to the same collection category.

The variations in the allowance for expected credit losses are broken down as follows:

	<u>Consolidated</u> <u>12/31/2020</u>	<u>Consolidated</u> <u>12/31/2019</u>
Balance at the beginning of the period	(769)	(805)
Additions	(583)	(143)
Reversals	361	179
Balance at the end of the period	<u>(991)</u>	<u>(769)</u>

8. INVENTORIES

	<u>Consolidated</u> <u>12/31/2020</u>	<u>Consolidated</u> <u>12/31/2019</u>
Finished products	228,248	235,610
Raw materials	127,352	76,506
Consumables and packaging materials	5,478	8,169
Inventories in transit and advances to suppliers	10,277	33,130
Allowance for inventory losses	<u>(6,171)</u>	<u>(5,381)</u>
Total	<u><u>365,184</u></u>	<u><u>348,034</u></u>

The Company's subsidiaries recognize an allowance for slow-moving inventories and losses on melting gold and silver jewelry from discontinued collections or acquired from customers.

Products not sold within one year are classified as slow-moving inventories.

The jewelry melting losses are immaterial, in percentage terms, due to the technology deployed to recover the relevant raw materials (gold, silver and stones).

Variations in the allowance for inventory losses are as follows:

	<u>Consolidated</u> <u>12/31/2020</u>	<u>Consolidated</u> <u>12/31/2019</u>
Balance at the beginning of the period	(5,381)	(3,161)
Additions	(2,286)	(3,030)
Reversals	1,496	810
Balance at the end of the period	<u>(6,171)</u>	<u>(5,381)</u>

9. RECOVERABLE TAXES

	<u>Parent</u>		<u>Consolidated</u>	
	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Income tax (IRPJ) (a)	4,394	-	35,020	34,141
Social contribution (CSLL) (a)	595	-	22,637	24,146
State VAT (ICMS) (b)	-	-	71,789	49,509
Taxes on revenue (PIS and COFINS) (c)	-	-	87,678	148,221
Other	-	3,155	-	7,574
Total	<u>4,989</u>	<u>3,155</u>	<u>217,124</u>	<u>263,591</u>
Current assets	4,989	3,155	101,034	95,247
Noncurrent assets			116,090	168,344
Total	<u>4,989</u>	<u>3,155</u>	<u>217,124</u>	<u>263,591</u>

(a) Income tax (IRPJ) and social contribution (CSLL)

Vivara Participações recorded tax credits arising from the calculation of income tax and social contribution.

The subsidiaries' IRPJ and CSLL credits were calculated by deducting the ICMS tax incentive in effect in Manaus Free Trade Zone from the related tax bases, and comprise credit balances arising from overpayment.

The IRPJ and CSLL credits are expected to be realized as follows:

Year	<u>Parent</u>		<u>Consolidated</u>	
	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
2020	-	-	-	11,497
2021	4,989	-	15,038	28,074
2022	-	-	36,848	18,716
2023	-	-	5,771	-
Total	<u>4,989</u>	<u>-</u>	<u>57,657</u>	<u>58,287</u>

(b) State VAT (ICMS)

The long-term recoverable amounts refer to ICMS credits arising on accumulated credit balances from the operations of Vivara stores mostly located in the States of Pernambuco, Rio Grande do Norte and Alagoas.

In Pernambuco, which accounts for most of these credit balances, the Company required to join a Special Regime to be exempted from applying the Value-added Margins set out in Appendix 12 of Decree 44650/2017; and, should these preliminary claims not be accepted, a Special Regime would be required for the prepayment of ICMS amounts due, as follows: in the first year: fixed value-added margin of 5%; in the second year: fixed value-added margin of 10%; and, in the third year: fixed value-added margin of 20%.

The ICMS credits are expected to be realized as follows:

Year	Consolidated 12/31/2020	Consolidated 12/31/2019
2020	-	8,194
2021	10,431	14,171
2022	26,560	10,661
2023	5,230	7,116
2024	5,505	4,699
2025 and thereafter	24,063	4,668
Total	71,789	49,509

(c) Taxes on revenue (PIS and COFINS)

On December 13, 2018, a final and unappealable court decision was handed down in respect of lawsuit No. 0015738-41.2015.4.01.3200 before the 3rd Court of Manaus (AM) Judiciary Section, whereby Tellerina obtained a favorable outcome concerning its request for deducting the ICMS amount levied on shipment invoices from PIS and COFINS tax bases. The final and unappealable decision certificate was issued on January 15, 2019. The credit utilization request filed with the Brazilian Federal Revenue Service was approved on October 22, 2019.

In 2019, tax credits amounted to R\$157,358, out of which R\$103,658 corresponds to the principal amount and R\$53,700 refers to inflation adjustments, as described in notes 24 and 25, respectively.

Beginning November 2019, after approval of the credit utilization request by the Federal Revenue Service, Tellerina offset federal taxes in the amount of R\$77,767, whereas the inflation adjustments recorded in 2020 totaled R\$2,881.

Recoverable PIS and COFINS balances comprise tax credits derived from imports of inputs and raw materials conducted by subsidiary Conipa in Manaus Free Trade Zone. The tax credits were untimely recognized based on the opinion of the Company's legal counsel. Tax credits recorded in profit or loss for the year amounted to R\$17,812, out of which R\$17,149 corresponds to the principal amount and R\$663 refers to inflation adjustments, as described in notes 24 and 25, respectively. Out of such total amount, R\$12,606 was offset against federal taxes throughout the year. The PIS and COFINS credits are expected to be realized as follows:

Year	Consolidated 12/31/2020	Consolidated 12/31/2019
2020	-	63,275
2021	75,564	69,188
2022	12,114	15,758
Total	87,678	148,221

10. INVESTMENT

	Equity	Equity interest	Investment	Share of profit (loss) of subsidiaries
Tellerina	420,531	99.99%	420,531	(81,787)
Conipa	753,278	99.99%	753,278	240,127
Total - direct subsidiaries	1,173,809		1,173,809	158,340

a) Investments in subsidiaries

The Company was established on May 23, 2019 and, pursuant to the equity interest transfer agreement dated June 15, 2019, the equity interests held in subsidiaries Tellerina and Conipa were transferred. All rights and obligations of any nature, including the effects and results of such equity interest transfer, are assigned to Vivara Participações beginning June 1, 2019, pursuant to the instrument of consent signed by shareholders.

December 31, 2020

Variations in investments are broken down below:

	Parent
Balance at the beginning of the period	1,033,469
Share of profit (loss) of subsidiaries	158,340
Interest on capital receivable	(18,000)
Balance at the end of the period	1,173,809

b) Tax incentive reserve

The subsidiaries recognized tax incentive reserves:

- Operating profit, with 75% reduction in the income tax base; the benefit was granted to Tellerina in 2010 and used until August 2016, i.e., the date of the spin-off establishing Conipa, which became entitled to such benefit until December 2024.
- Investment grant and funding, related to the State VAT (ICMS) tax incentive prevailing in Manaus Free Trade Zone, as well as in the States of Minas Gerais, Bahia and Pará.

The variations in these reserves are broken down as follows:

	Consolidated			12/31/2020
	12/31/2019	Additions	Write-offs	
ICMS tax incentive	45,892	61,186	-	107,078
Tax incentive - operating profit	15,510	23,887	-	39,397
Total	61,402	85,073	-	146,475

Pursuant to the prevailing tax laws, the amounts allocated to these reserves and derived from tax benefits involving reinvestment grants, provided to the subsidiaries, cannot be distributed as profit and dividends to the Parent.

11. PROPERTY, PLANT AND EQUIPMENT

	Annual average depreciation rate - %	Consolidated			12/31/2019
		12/31/2020		Residual value	
		Cost	Accumulated depreciation		
Leasehold improvements	20	92,237	(50,667)	41,570	28,733
Furniture and fixtures	10	36,889	(14,620)	22,269	18,700
Machinery, equipment and facilities	10	20,919	(6,797)	14,122	12,471
Company cars	20	676	(591)	85	100
IT equipment	20	12,101	(4,514)	7,587	4,972
Land	-	350	-	350	350
Right-of-use assets	10 to 25	320,442	(67,246)	253,196	244,474
Advances to suppliers and construction in progress (*)	-	1,728	-	1,728	1,820
Total		480,050	(144,435)	340,907	311,620

(*) Refers to the cost of construction works at new points of sale and significant renovations in existing points of sale, which are subsequently transferred to line item "Leasehold improvements" upon the launching or reopening of these points of sale.

Due to the impacts arising from the Covid-19 pandemic, the Company tested its property, plant and equipment items and intangible assets for impairment, which were segregated into cash-generating units of its subsidiaries Tellerina and Conipa, using the Weighted Average Cost of Capital (WACC) discount rate of 10.29% for a five-year period, determined as an average for the effective agreements.

The Company's Management did not identify the need to recognize an allowance for impairment losses on its assets, given that the recoverable amount exceeded the carrying amount.

Variations in property, plant and equipment are as follows:

	Consolidated				12/31/2020
	12/31/2019	Additions	Write-offs (b)	Transfers	
Cost:					
Leasehold improvements	73,778	13,513	(3,978)	8,924	92,237
Furniture and fixtures	37,966	2,935	(8,419)	4,407	36,889
Machinery, equipment and facilities	23,329	3,616	(6,693)	667	20,919
Company cars	1,443	37	(804)	-	676
IT equipment	18,831	4,423	(11,153)	-	12,101
Land	350	-	-	-	350
Right-of-use assets (a)	274,996	44,935	(550)	1,061	320,442
Advances to suppliers and construction in progress	1,820	14,967	-	(15,059)	1,728
	<u>432,513</u>	<u>84,426</u>	<u>(31,597)</u>	<u>-</u>	<u>485,342</u>
Depreciation:					
Leasehold improvements	(45,045)	(9,596)	3,974	-	(50,667)
Furniture and fixtures	(19,266)	(3,475)	8,121	-	(14,620)
Machinery, equipment and facilities	(10,858)	(1,990)	6,051	-	(6,798)
Company cars	(1,343)	(52)	804	-	(591)
IT equipment	(13,859)	(1,799)	11,144	-	(4,514)
Right-of-use assets	(30,522)	(36,866)	142	-	(67,246)
	<u>(120,893)</u>	<u>(53,778)</u>	<u>30,236</u>	<u>-</u>	<u>(144,435)</u>
Total	<u>311,620</u>	<u>30,648</u>	<u>(1,361)</u>	<u>-</u>	<u>340,907</u>

- (a) In the period, the additions amounting to R\$44,935 and referring to "Right-of-use assets" correspond to the inclusion of new contracts and remeasurement of contracts over the contractual adjustment period, without affecting cash when included in property, plant and equipment.
- (b) The Company completed the physical inventory-taking of its property, plant and equipment items related to the operations of stores, plant and office and recorded write-offs due to the lack of items reported in the historical accounting records. Write-offs derived from physical inventory losses totaled R\$883 in the residual value. The write-offs recorded in line item "Right-of-use assets" refer to two lease agreements terminated and related to two closed kiosks.

12. INTANGIBLE ASSETS

	Consolidated			12/31/2020
	12/31/2019	Additions	Write-offs	
Cost:				
Points of sale	30,545	-	-	30,545
IT systems under implementation	1,874	932	-	2,806
IT system	17,642	2,997	-	20,639
	<u>50,061</u>	<u>3,929</u>	<u>-</u>	<u>53,990</u>

	Consolidated			12/31/2020
	12/31/2019	Additions	Write-offs	
Amortization:				
Points of sale	(29,001)	(1,462)	-	(30,463)
IT system	(11,514)	(3,032)	-	(14,546)
	(40,515)	(4,494)	-	(45,009)
Total	9,546	(565)	-	8,981

13. TRADE PAYABLES

a) Trade payables

Substantially consist of purchases of raw materials, inputs, packaging materials and goods for resale, with an average payment term of 90 days.

b) Trade payables - agreement

Refer to financial liabilities assumed by suppliers that elected to collect their receivables in advance by using the Company's credit facilities held with financial institutions, without changing the terms agreed upon between the Company and suppliers. The finance costs incurred on prepayment range from 1.4% to 1.9%. The Company understands that such type of transaction has a specific nature and classifies it separately from line item "Trade payables". The average prepayment term is 90 days.

14. PAYROLL AND RELATED TAXES

	Parent	Consolidated	Parent	Consolidated
	12/31/2020	12/31/2020	12/31/2019	12/31/2019
Accrued vacation pay	-	15,436	-	16,638
Payroll	104	14,709	128	15,218
Bonuses (*)	-	12,238	-	26,999
Severance pay fund (FGTS)	-	1,734	-	2,300
Social security contribution (INSS)	30	6,279	88	7,400
Withholding income tax (IRRF)	72	5,801	93	5,265
Other	-	679	-	547
Total	206	56,876	309	74,367
Current liabilities	206	49,922	309	65,174
Noncurrent liabilities	-	6,954	-	9,193
	206	56,876	309	74,367

(*) Includes the amounts of bonuses and rewards related to the Initial Public Offering in the amount of R\$15,381 recognized in 2019, to be paid in six annual installments. The first payment was made in June 2020.

The amounts classified in noncurrent liabilities mature as follows:

Year	Consolidated 12/31/2020	Consolidated 12/31/2019
2021	-	2,239
2022	2,239	2,239
2023	2,239	2,239
2024	1,238	1,238
2025	1,238	1,238
Total	6,954	9,193

15. TAXES PAYABLE

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
State VAT (ICMS)	-	-	33,850	33,698
Federal VAT (IPI) (a)	-	-	20,247	19,930
Taxes on revenue (PIS and COFINS)	9,826	-	24,128	15,919
Income tax (IRPJ) and social contribution (CSLL)	-	2,731	5,959	155
Withholding income tax (IRRF) on interest on capital	2,647	4,437	5,347	15,162
Other	5	433	2,414	1,914
Total	12,478	7,601	91,945	86,778

(a) Federal VAT (IPI)

The subsidiary Tellerina has no longer been paying the Federal VAT (IPI) calculated on a monthly basis since July 2014, pursuant to a preliminary injunction handed down for such purpose, concerning the tax levy on the customs clearance of manufactured goods and on the shipment of goods from an importer's location for sale in the domestic market, thereby equating the importer with the industrial establishment, when the former would not provide any benefits in the industrial field. The relevant amount is adjusted for inflation based on the SELIC rate.

In September 2020, the Federal Supreme Court ("STF") validated the constitutionality of the Federal VAT (IPI) levy on the customs clearance of manufactured goods and on the shipment of goods from an importer's location for sale in the domestic market.

As at the reporting date, the preliminary injunctions and interlocutory appeals granted to the aforesaid entity remain effective, upholding the Federal VAT (IPI) non-payment. Based on its legal counsel's opinion, the Company's Management believes that the relevant lawsuit settlement is probable and that those tax liabilities may be paid and settled throughout 2021. Such obligation may be settled through the offset against federal tax credits.

16. BORROWINGS AND FINANCING

a) Breakdown of balances

Institution and type	Rate	Maturity	Consolidated 12/31/2020	Consolidated 12/31/2019
<u>In local currency</u>				
Banco do Brasil - working capital	CDI +0.95% p.a.	02/2021	100,308	84,360
Banco do Brasil - working capital	120% of the CDI	04/2020	-	39,075
	100% of the daily			
Banco Safra - working capital	average CDI rate	01/2023	22,524	30,051
Banco Santander - working capital	CDI + 2.46% p.a.	09/2022	40,473	-
Banco Itaú BBA S.A - working capital	CDI + 2.55% p.a.	10/2023	60,663	-
Banco Bradesco - working capital	CDI + 0.95% p.a.	12/2021	50,039	-
National Bank for Economic and Social Development (BNDES)	URTP/LP/UMIPCA=M184/Fixed rate	08/2020	-	2,203
Banco de Lage Landen Brasil S.A.- CDC	-	02/2021	2,214	-
Total borrowings in local currency			276,221	155,689
<u>In foreign currency</u>				
Banco Itaú - Resolution 4131	Fixed rate of 1.95% p.a.	03/2021	52,778	-
	LIBOR +			
Banco Santander – Resolution 4131	0.75% p.m.	09/2020	-	24,419
	Fixed rate of			
Banco Itaú - Resolution 4131	4.675% p.a.	06/2021	-	42,921
	Fixed rate of			
Banco Itaú - Resolution 4131	0.54% p.a.	03/2020	-	47,325
	Fixed rate of			
Banco Itaú - Resolution 4131	2.754% p.a.	02/2021	61,322	-
Total borrowings and financing in foreign currency			114,100	114,665
Total borrowings and financing			390,320	270,354
<u>Derivatives (assets) – swap contracts</u>				
Banco Itaú – swap derivative	Exchange rate changes + 3.24% p.a.	02/2021	(1,683)	-
	Exchange rate changes + 5.5%			
Banco Itaú – swap derivative	p.a.	06/2021	-	(8,115)
Banco Itaú – swap derivative	EUR 0.72% p.a.	03/2020	-	(1,396)
	Exchange rate changes			
Banco Itaú – swap derivative	+ 2.29% p.a.	03/2021	(10,084)	-
Total derivatives (assets) – swap contracts			(11,767)	(9,511)
Total borrowings and financing, net of derivative instruments			378,554	260,843
Current assets			(11,767)	(6,796)
Noncurrent assets			-	(2,715)
Current liabilities			277,821	190,934
Noncurrent liabilities			112,500	79,420
Total			378,554	260,843

The borrowing and financing agreements referred to above and expected to mature through the reporting date were settled within the agreed-upon term. In February 2021, the Company raised new borrowings, in the total amount of R\$70,000.

b) Variations in borrowings and financing

	<u>Consolidated</u> <u>12/31/2020</u>	<u>Consolidated</u> <u>12/31/2019</u>
Balance at the beginning of the period	260,843	259,998
Borrowings	308,113	112,636
Principal repayments	(222,927)	(115,665)
Swap contract settlement	21,612	2,821
Interest payment	(9,241)	(10,920)
Cash flows from financing activities	<u>97,557</u>	<u>(11,128)</u>
Interest incurred	14,445	8,962
Finance charges on swap contracts	(35,950)	(947)
Exchange rate changes	41,659	3,958
Noncash variations	20,154	11,973
Balance at the end of the period	<u><u>378,554</u></u>	<u><u>260,843</u></u>

As at December 31, 2020, the net amounts classified in assets and noncurrent liabilities mature as follows:

<u>Year</u>	<u>Consolidated</u> <u>12/31/2020</u>	<u>Consolidated</u> <u>12/31/2019</u>
From 1 to 2 years	50,000	49,538
From 2 to 3 years	62,500	27,167
Total	<u>112,500</u>	<u>76,705</u>

There are no covenants for all borrowings and financing agreements entered into with financial institutions. Certain loan agreements comprise collaterals tied to receivables from credit card companies and long-term investments.

17. PROVISION FOR CIVIL, LABOR AND TAX RISKS AND ESCROW DEPOSITS

As at December 31, 2020, the Group was a party to civil, labor and tax lawsuits assessed as probable losses by its legal counsel, as follows:

	<u>Consolidated</u>			
	<u>Civil (a)</u>	<u>Labor (b)</u>	<u>Tax (c)</u>	<u>Total</u>
<u>Provision</u>				
Balance as at December 31, 2019	1,655	3,926	9,653	15,234
Additions	2,497	5,912	8,986	17,395
Payments	(925)	(1,017)	-	(1,942)
Reversals	(1,542)	(928)	(3,579)	(6,049)
Balance as at December 31, 2020	<u>1,685</u>	<u>7,893</u>	<u>15,058</u>	<u>24,636</u>

	Consolidated			
	Civil (a)	Labor (b)	Tax (c)	Total
<u>Escrow deposits</u>				
Balance as at December 31, 2019	-	1,645	12,035	13,680
Additions	-	200	69	269
Inflation adjustments	-	142	379	521
Redemptions	-	(610)	(403)	(1,013)
Balance as at December 31, 2020	-	1,377	12,080	13,457

(a) Civil lawsuits

Refer to lawsuits involving store rental renewals, under which the Group is required to pay provisional rental amounts until a final and unappealable court decision is rendered, recognizing a provision for the difference between the provisional rental amount paid and the amount pleaded under these lawsuits. In addition, for lawsuits involving consumer relations rights, the provision is calculated based on past unfavorable outcomes from all lawsuits and the historical loss amount per type of claim.

(b) Labor lawsuits

Refer to labor lawsuits filed by former employees, mostly claiming overtime pay and related charges, salary equalization, vacation pay and pecuniary bonus, remunerated weekly rest, severance pay, 13th salary, compensation for pain and suffering, bonuses, employment relationship and overtime bank system annulment. The provision is recognized considering lawsuits assessed as probable loss and increased based on the history of loss on the group of lawsuits assessed as possible loss.

(c) Tax lawsuits

Substantially refer to lawsuits and tax assessment notices relating to State VAT (ICMS) amounts due in the States of São Paulo and Santa Catarina. Moreover, based on its legal counsel's opinion, the Company recognized a provision for risks of potential challenges concerning the utilization of PIS and COFINS credits by its subsidiaries.

In August 2020, through Extraordinary Appeal No. 1.072.485/PR, the Federal Supreme Court ("STF") validated the social security contribution (INSS) levy on the one-third vacation bonus, rendering a decision against the Superior Court of Justice ("STJ")'s decision dated February 26, 2014, which was deemed favorable to taxpayers under the allegation that "any amounts paid as constitutional one-third vacation bonus shall be treated as indemnity/compensation and shall not be construed as an employee's regular earnings; therefore, no social security contribution shall be levied thereon".

Tellerina and Conipa filed a preliminary injunction, which suspended the payment of social security contribution on the constitutional one-third vacation bonus. In light of the STF's decision referred to above, the Company's legal counsel has suggested recognizing a provision for tax amounts unpaid since October 2020.

Nearly all recorded reversals correspond to the statute of limitations for Tax Authorities' challenges as to matters subject to litigation, with respect to PIS and COFINS credits and the tax base of income tax and social contribution.

Lawsuits assessed as possible losses

As at December 31, 2020, Management did not identify the need to recognize a provision for potential losses on ongoing lawsuits, which are assessed as possible losses by its legal counsel, as follows:

	<u>Consolidated</u> <u>12/31/2020</u>	<u>Consolidated</u> <u>12/31/2019</u>
Civil	4,881	840
Tax risks (*)	<u>142,900</u>	<u>411,890</u>
Total	<u><u>147,781</u></u>	<u><u>412,730</u></u>

(*) Mostly represented by lawsuits and tax assessment notices relating to State VAT (ICMS) amounts due in the States of São Paulo, Rio de Janeiro and Pernambuco. In 2020, given the favorable progress of lawsuits involving State VAT (ICMS) tax assessment notices in the State of São Paulo, the Company's legal counsel reclassified the likelihood of loss to remote, in the amount of R\$248,176.

18. EQUITY

a) Capital

On May 23, 2019, Vivara Participações was established and registered with the Commercial Registry of the State of São Paulo; amendments to the articles of organization were subsequently made on June 15, 2019, changing the Company's corporate type from a limited liability company to a corporation and determining the conversion of shares into registered common shares, without par value.

Under those amendments, fully subscribed and paid-in capital was also consolidated, in the amount of R\$651,909.

On August 15, 2019, as decided at the Extraordinary General Meeting, the reverse split of the common shares representing the Company's capital was approved at the ratio of three (3) shares for each one (1) outstanding common share, which fractions were cancelled, resulting in a total of 217,303,107 common shares, all book-entry, registered and without par value.

The limit of the Company's authorized capital corresponds to 40,000,000 common shares.

The meeting of the Company's Board of Directors held on October 8, 2019 approved, within the scope of the Public Offering of Shares, the issuance price of R\$24.00 per share. The price per share was determined based on the result of the Bookbuilding Procedure.

On October 10, 2019, the Public Offering of Shares was conducted and the Company's shares were traded at B3 S.A. - Brasil, Bolsa e Balcão under ticker symbol VIVA3. The primary offering totaled 18,894,662 shares (R\$453,472) and the secondary offering totaled 66,131,317 shares (R\$1,587,152).

Share issuance costs within the scope of the Public Offering of Shares include commissions paid to banks and brokers, external auditors', advisors' and attorneys' fees, registration fees and other offering-related expenses, in the total amount of R\$53,041.

As at December 31, 2020, capital is held as follows:

Vivara Participações	12/31/2020	
	Common shares	Total
Company's owners	141,834,856	141,834,856
Outstanding shares	94,362,913	94,362,913
Total	236,197,769	236,197,769

b) Dividend distribution policy

Dividends will be distributed in accordance with the relevant Bylaws and the Brazilian Corporate Law, which determine the following allocations:

- 5% to the legal reserve.
- Distribution of mandatory minimum dividends at a percentage rate to be set at the General Shareholders' Meeting, pursuant to the prevailing legislation (at least 25% of profit for the year, after the recognition of a legal reserve and reserve for contingencies).
- Pursuant to article 33, paragraph 4 of the Company's Bylaws, the remaining percentage of profit will be allocated to the "Bylaws earnings reserve", which is intended to strengthen the Company's working capital and the performance of its activities.

On December 14, 2020, the Company received from its subsidiaries and paid to shareholders the amount of R\$35,563 as interest on capital relating to profit recognized in 2019.

In the year ended December 31, 2020, mandatory minimum dividends corresponding to 25% of adjusted profit amounted to R\$34,835.

On December 22, 2020, the Board of Directors' meeting approved the distribution of dividends to shareholders as interest on capital, in the gross amount of R\$25,000 (R\$22,354 net of withholding income tax (IRRF) pursuant to the prevailing tax laws) upon notice to shareholders disclosed on the same date. Payment will be made in one single installment, within up to fifteen (15) days after the Annual General Meeting (AGM) for 2021. Shareholders included in the Company's records on December 29, 2020 will be eligible, and the shares, to be traded "ex-rights" in relation to interest on capital beginning December 30, 2020.

In addition to the distribution referred to above, the Company's Management has proposed distributing dividends in the total amount of R\$12,482. Shareholders will be entitled to receive the dividends to be approved at 2020 AGM, which will be held on first call on April 30, 2021. Accordingly, should the 2020 AGM be held on first call, the Company's shares will be traded on an ex-dividend basis beginning May 3, 2021.

	Consolidated 12/31/2020
Profit for the period	146,672
Offset of prior-year losses	-
Tax base – legal reserve	146,672
Legal reserve (5%)	(7,333)
Tax base – dividends	139,339

	<u>Consolidated</u> <u>12/31/2020</u>
Mandatory minimum dividends (25%)	34,835
Distribution of interest on capital, net of withholding income tax (IRRF)	22,354
Additional distribution of dividends	12,481

The Company will receive from its subsidiaries, until June 2021, the gross amount of R\$18,000 (R\$15,300 net of taxes) as interest on capital relating to profit recognized in 2020.

19. RELATED PARTIES

Balances	<u>Parent</u>		<u>Consolidated</u>	
	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
<u>Assets</u>				
Tellerina	14,634	35,275	-	-
Conipa	25,878	25,500	-	-
Total	<u>40,512</u>	<u>60,775</u>	<u>-</u>	<u>-</u>
<u>Current</u>				
Total	<u>40,512</u>	<u>60,775</u>	<u>-</u>	<u>-</u>
<u>Liabilities</u>				
Etna Comércio de Móveis e Artigos para Decoração S.A.	-	-	-	88
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>88</u>
<u>Current</u>				
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>88</u>

Vivara Participações recorded receivables from its subsidiaries relating to interest on capital distributed based on profit recognized in 2019 and 2020.

The operations conducted with its indirect associate, namely Etna Comércio de Móveis e Artigos para Decoração S.A., refer to the sublease of a property located in the city of São Paulo where part of the Company's administrative and logistics activities is performed. Such lease agreement is allocated to line item "Right-of-use leases", as described in note 27. The lease amount totaled R\$576 in 2020.

The subsidiaries Conipa and Tellerina carry out intercompany transactions involving the purchase and sale of goods and raw materials, the collection of administrative expenses through a Shared Service Center and royalties on jewelry design copyrights. All transactions between Conipa and Tellerina have been eliminated for consolidation and reporting purposes.

The balances of transactions between Vivara Group's companies are broken down as follows:

Balances	01/01 to 12/31/2020		05/23 to 12/31/2019	
	TELLERINA	CONIPA	TELLERINA	CONIPA
<u>Transaction</u>				
Sales (purchases) of goods	(566,752)	566,752	(355,658)	355,658
Sales (purchases) of raw materials	50,292	(50,292)	-	-
Copyrights	82,571	(82,571)	42,557	(42,557)
Administrative expenses on the Shared Service Center	4,774	(4,774)	-	-
Total	(429,115)	429,115	(313,101)	313,101

On April 30, 2020, the Annual General Meeting approved the Company's overall management compensation for 2020 of up to R\$20,000, and the following amounts were paid and accrued as at December 31, 2020:

	Consolidated					
	12/31/2020			12/31/2019		
	Fixed	Variable	Total	Fixed	Variable	Total
Board of Directors	1,680	-	1,680	560	-	560
Statutory officers	7,019	1,370	8,389	2,456	13,470	15,926
Total	8,699	1,370	10,069	3,016	13,470	16,486

Pursuant to the Company's "Compensation Policy", approved by the Board of Directors at the Annual General Meeting held on August 15, 2019, which is based on individual negotiations with each member and supported by salary surveys in the retail industry, the amounts accrued and paid to the statutory officers of subsidiaries and executive officers are broken down as follows:

	Consolidated					
	12/31/2020			12/31/2019		
	Fixed	Variable	Total	Fixed	Variable	Total
Executive officers	4,659	1,146	5,805	3,125	10,801	13,926
Total	4,659	1,146	5,805	3,125	10,801	13,926

20. INCOME TAX AND SOCIAL CONTRIBUTION

a) Reconciliation of income tax and social contribution expenses

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Profit before income tax and social contribution	144,423	268,275	163,537	317,242
Combined statutory rate	34%	34%	34%	34%
Income tax and social contribution at statutory rate	(49,104)	(91,214)	(55,602)	(107,863)

	Parent		Consolidated	
	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Income tax and social contribution on tax loss carryforwards for which no corresponding deferred taxes were recognized	(4,863)	-	(4,863)	-
Permanent differences:				
Share of profit (loss) of subsidiaries	53,836	91,606	-	(424)
Other permanent differences	2,249	14	(9,588)	4,303
Interest on capital payable	8,500	13,600	8,500	13,600
Interest on capital receivable	(8,369)	(24,310)	-	-
Tax incentive – operating profit	-	-	23,887	15,510
Tax incentive – deemed ICMS credits	-	-	20,803	15,603
Total	<u>2,249</u>	<u>(10,304)</u>	<u>(16,864)</u>	<u>(59,271)</u>
Current	2,249	(10,304)	(17,625)	(60,151)
Deferred	-	-	761	880
Total	<u>2,249</u>	<u>(10,304)</u>	<u>(16,864)</u>	<u>(59,271)</u>

b) Deferred income tax and social contribution

	Consolidated		Consolidated
	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2019</u>
Deferred tax assets on temporary differences:	<u>IRPJ tax base</u>	<u>CSLL tax base</u>	
Allowance for doubtful debts	991	991	769
Allowance for inventory losses	6,272	6,272	5,381
Accrued expenses	60,132	65,957	58,509
Provision for civil, labor and tax risks	24,636	24,636	15,234
Right-of-use leases	27,107	27,107	-
Tax loss carryforwards	<u>78,457</u>	<u>79,843</u>	<u>79,519</u>
Deferred tax base (*)	197,595	204,806	159,412
Deferred income tax assets (25%)		<u>49,398</u>	<u>39,853</u>
Deferred social contribution assets (9%)		<u>18,433</u>	<u>14,347</u>
Deferred income tax and social contribution assets		<u>67,831</u>	<u>54,200</u>

(*) The difference between the tax bases of income tax and social contribution arises from bonuses accrued and paid to statutory officers, whereas the related expenses are considered nondeductible when calculating income tax.

c) Expected realization of deferred income tax and social contribution assets

Deferred income tax and social contribution assets were recognized based on analyses prepared by Management as to the generation of future taxable income to allow these amounts to be fully realized over the coming years, including the expected realization of deductible temporary differences, as outlined below:

As at December 31, 2020	Consolidated Amount
Up to 1 year	7,456
From 1 to 2 years	7,977
From 2 to 3 years	7,778
From 3 to 5 years	16,141
Over 5 years	28,479
Total	67,831

21. NET REVENUE FROM SALES AND SERVICES

	Consolidated 01/01/2020 to 12/31/2020	Consolidated 05/23/2019 to 12/31/2019
Gross sales revenue	1,573,485	1,136,150
Gross service revenue	3,904	3,988
Deductions from gross revenue:		
State VAT (ICMS)	(172,766)	(132,441)
Tax on revenue (COFINS)	(89,921)	(62,113)
Tax on revenue (PIS)	(19,531)	(14,104)
FTI (*)	(8,218)	(4,619)
Service tax (ISS)	(159)	(199)
Sales returns/exchanges	(239,247)	(176,995)
Total	1,047,547	749,667

The ICMS amounts are stated net of the tax incentive of same nature mentioned in note 9, in the amount of R\$61,186 as at December 31, 2020 (R\$45,892 as at December 31, 2019).

(*) The “Fundo de Fomento ao Turismo, Infraestrutura, Serviço e Interiorização do Desenvolvimento do Estado do Amazonas (F.T.I.)” is a state tax levied on Conipa’s sales of products manufactured in Manaus Free Trade Zone to other Brazilian States.

22. EXPENSES BY NATURE

Vivara Group's income statement is presented based on a classification of expenses according to their function. The information on the nature of these expenses recognized in the income statement is as follows:

a) Costs of sales and services

	<u>Consolidated</u> 01/01/2020 to 12/31/2020	<u>Consolidated</u> 05/23/2019 to 12/31/2019
Acquisition cost of inputs and raw materials and goods for resale	(304,502)	(200,174)
Personnel	(20,286)	(13,258)
Rentals and common area maintenance fees	-	10
Depreciation and amortization	(2,524)	(939)
Electric power, water and telephone	(659)	(364)
Freight	(2,093)	(1,144)
	<u>(330,064)</u>	<u>(215,869)</u>

b) Selling expenses

	<u>Consolidated</u> 01/01/2020 to 12/31/2020	<u>Consolidated</u> 05/23/2019 to 12/31/2019
Personnel	(158,850)	(111,763)
Freight	(26,541)	(14,376)
Marketing/selling expenses	(63,629)	(33,671)
Professional services	(9,917)	(7,959)
Variable rentals and common area maintenance fees	(35,268)	(28,651)
Lease discounts	16,491	-
Depreciation and amortization	(33,616)	-
Commission on credit cards	(22,155)	(15,941)
Electric power, water and telephone	(4,276)	(3,516)
Other expenses by nature	(27,535)	(8,271)
	<u>(365,296)</u>	<u>(224,148)</u>

c) General and administrative expenses

	<u>Parent</u>		<u>Consolidated</u>	
	01/01/2020 to 12/31/2020	05/23/2019 to 12/31/2019	01/01/2020 to 12/31/2020	05/23/2019 to 12/31/2019
Personnel	(2,071)	(948)	(55,685)	(50,742)
Professional services	(1,199)	(72)	(49,241)	(24,183)
Rentals and common area maintenance fees	-	-	(728)	(76)
Electric power, water and telephone	-	-	(1,094)	(1,039)
Depreciation and amortization	-	-	(22,132)	(28,194)
Other expenses by nature	(9,773)	(144)	(24,796)	(17,164)
	<u>(13,043)</u>	<u>(1,164)</u>	<u>(153,676)</u>	<u>(121,398)</u>

23. SEGMENT REPORTING

The Group's activities are conducted in one single operating segment, i.e., the retail industry. The Group is organized as a single business unit for commercial and managerial purposes, and its performance is evaluated on such basis. The information is consistently provided to the Group's chief decision maker, i.e., the CEO, who is in charge of allocating funds and assessing the operations.

Such view is based on the following factors:

- The plant's production is substantially targeted at the Group's retail stores, online sales and B2B sales.
- The Group's strategic decisions are focused on:
 - Seeking remarkable quality, certified inputs, as well as new technologies to be deployed in the production lines.
 - Conducting analyses on business expansion opportunities, jewelry market trends, international fashion trends and distribution channels.
- The Group's revenue is measured by category and sales channel.

The Group's products are controlled and overseen by Management as a single business segment. Those products are distributed by category and through different sales channels; however, the CEO evaluates the Group's performance as a whole, as well as the selling, managerial and administrative results, taking into account that the structure of costs and expenses is entirely shared among all product categories.

For managerial purposes, Management monitors the consolidated gross revenue by category and sales channel, as shown below:

	<u>Consolidated</u> 01/01/2020 to 12/31/2020	<u>Consolidated</u> 05/23/2019 to 12/31/2019
<u>Gross revenue, less returns</u>		
Jewelry	692,382	489,239
Life	399,872	286,736
Watches	201,671	155,128
Accessories	40,313	28,051
Services	3,904	3,988
Total	<u>1,338,142</u>	<u>963,142</u>
Stores	1,016,160	882,510
Online sales	309,515	71,173
Other	12,467	9,459
Total	<u>1,338,142</u>	<u>963,142</u>

24. OTHER OPERATING INCOME (EXPENSES), NET

	Parent	Consolidated	Consolidated
	01/01/2020	01/01/2020	05/23/2019
	to	to	to
	12/31/2020	12/31/2020	12/31/2019
Provision for civil, labor and tax risks (a)	-	(11,345)	(284)
Expected credit losses	-	(222)	(36)
Tax credits (b)	-	17,149	103,658
Write-off of property, plant and equipment items	-	(1,361)	227
Other income	635	2,346	1,007
Total	635	6,567	104,758

a) Contingencies as mentioned in note 17.

b) PIS and COFINS credits as mentioned in note 9.

25. FINANCE INCOME

	Parent	Parent	Consolidated	Consolidated
	01/01/2020 to	05/23/2019 to	01/01/2020 to	05/23/2019 to
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Income from				
short-term investments	35	11	14,580	4,320
Inflation adjustments (a)	57	-	5,228	58,944
Discounts obtained	-	-	49	-
Exchange gains	-	-	1,385	-
Other finance income	-	-	2,390	1,445
Total	92	11	23,632	64,709

(a) Substantially refers to inflation adjustments to PIS and COFINS credits, as mentioned in note 9.

26. FINANCE COSTS

	Parent		Consolidated	
	01/01/2020	05/23/2019 to	01/01/2020 to	05/23/2019 to
	to	12/31/2019	12/31/2020	12/31/2019
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Interest on borrowings and financing	-	-	(14,446)	(11,973)
Exchange differences on translating borrowings and financing	-	-	(41,659)	-
Finance charges on derivative instruments	-	-	35,950	-
Charges on right-of-use leases	-	-	(29,641)	(14,443)
Tax on financial transactions (IOF)	(1)	-	(328)	(839)
Charges on advanced receivables from credit card companies	-	-	-	(2,591)
Bank fees	(2)	-	(1,318)	(1,981)
Interest and fines on taxes and accessory obligations	(1,594)	-	(2,473)	(1,852)
Exchange losses	-	-	(7,613)	(3,012)
Other finance costs	(4)	(1)	(3,646)	(3,698)
Total	(1,601)	(1)	(65,174)	(40,389)

27. EARNINGS PER SHARE

The table below shows the profit attributable to shareholders and the weighted average number of outstanding shares used to calculate basic and diluted earnings. The Group does not enter into any transactions affecting the dilution of earnings.

	Parent and Consolidated 01/01/2020 to 12/31/2020	Parent and Consolidated 05/23/2019 to 12/31/2019
Profit for the year	146,672	257,971
Basic denominator:		
Weighted average number of outstanding shares for the period	236,197,769	224,282,216
Basic and diluted earnings per share (*) (in R\$)	0.62097	1.15021

(*) There are no equity instruments diluting profit for the year.

28. RIGHT-OF-USE LEASES

As at December 31, 2020, the Group entered into 272 agreements (258 agreements as at December 31, 2019) for the lease of their stores, kiosks, factory and administrative center with third parties. Of this total, 78 agreements (80 agreements as at December 31, 2019) were eligible to the exemption criteria for the recognition of the right of use and were classified as operating leases.

The variable rentals, determined under short-term leases or leases of low-value assets that were not recognized as rights of use for the period, are recorded in line item "Rentals and common area maintenance fees", in the total amount of R\$13,194 (R\$12,563 as at December 31, 2019), as stated in note 22.

The Company determined its discount rates based on the BM&FBovespa benchmark rate of Dixpre, 252 business days, obtained at B3, for the first-time adoption date (risk-free interest rate in the Brazilian market), over its agreement terms, adjusted to the Company's reality (credit spread). Spreads were obtained based on surveys with the main banks with which the Company enters into loan transactions.

The 194 lease agreements, classified as right-of-use leases, mature between 4 and 10 years and the weighted average discount rate in the period is 11.50% per year.

The table below shows the discount and future inflation rates adopted, compared to the contractual terms:

Agreement term	Agreements per term and discount rate		Future average
	Number of agreements	Discount rate	inflation rate
4 years	1	10.09%	4.11%
5 years	13	10.67%	4.08%
6 years	38	11.05%	4.08%
7 years	16	11.36%	4.12%
8 years	30	11.55%	4.13%
9 years	49	11.72%	4.15%
10 years	47	11.88%	4.16%
Total	194		

The balances and variations in right-of-use lease liabilities for the period are broken down as follows:

	<u>Consolidated</u> 01/01/2020 to 12/31/2020	<u>Consolidated</u> 05/23/2019 to 12/31/2019
Balance at the beginning of the period	249,400	226,936
Addition of new agreements	16,127	16,730
Remeasurement	27,517	22,658
Write-offs	(424)	-
Finance charges recognized	29,641	14,443
Lease discounts	(16,491)	-
Interest payment	(18,002)	-
Principal repayments	(12,540)	(31,368)
Balance at the end of the period	<u>275,228</u>	<u>249,400</u>
Current liabilities	39,955	24,119
Noncurrent liabilities	<u>235,273</u>	<u>225,281</u>
Total	<u>275,228</u>	<u>249,400</u>

As prescribed by CPC 06 (R2)/IFRS 16, the Company shows in the table below the analysis of its agreement maturities, undiscounted installments, reconciled with the balance in the balance sheet as at December 31, 2020:

<u>Agreement maturity</u>	<u>Consolidated</u> 12/31/2020	<u>Consolidated</u> 12/31/2019
Installment maturity:		
2020	-	43,452
2021	68,729	43,452
2022	59,891	43,452
2023	59,207	43,364
2024	57,936	42,808
2025 and thereafter	<u>143,218</u>	<u>105,684</u>
Total undiscounted installments	388,981	322,212
Embedded interest	<u>(113,753)</u>	<u>(72,812)</u>
Balance of right-of-use lease liability	<u>275,228</u>	<u>249,400</u>

As at December 31, 2020, the potential PIS and COFINS credit on the gross contractual flow is R\$35,981 and that adjusted to present value over the weighted average term is R\$25,459.

The variations in the balances of the right-of-use assets are shown in the table below:

	<u>Consolidated</u> 01/01/2020 to 12/31/2020	<u>Consolidated</u> 05/23/2019 to 12/31/2019
Balance at the beginning of the period	274,996	232,817
Addition of new agreements	16,127	16,730
Remeasurement	27,517	22,658
Write-offs	(550)	-
Direct costs – points of sale	2,352	2,791
Balance at the end of the period	<u>320,442</u>	<u>274,996</u>
Amortization expenses in the period	(36,866)	(19,254)

The Company, in full compliance with CPC 06 (R2)/IFRS 16, in measuring and remeasuring its lease liability and right-of-use asset, used the discounted cash flow method considering the statutory rate and without considering the effects from the projected future inflation on discounted flows.

Accordingly, in view of the current scenario for long-term interest rates in the Brazilian economic environment, in order to protect the fair presentation of the information and to comply with the guidance from CVM's technical areas, the Company calculated the amounts considering the projected future inflation, based on the average inflation between the CDI x IPCA rate obtained at the B3's website, as at January 2, 2021, closest to the balance sheet date.

Below are the comparative balances between the amounts calculated in accordance with CPC 06 (R2)/IFRS 16 and the projected inflation scenario for the year ended December 31, 2020:

<u>Analysis of the difference impact</u>	<u>Lease liability balance</u>	
	<u>IFRS 16</u>	<u>CVM Official Letter</u>
2021	234,638	245,125
2022	198,990	216,420
2023	159,995	181,093
2024	117,851	138,874
2025	80,297	98,483
2026	50,547	64,524
2027	24,159	32,109
2028	7,164	9,915
2029	157	226
	<u>Finance costs</u>	
	<u>IFRS 16</u>	<u>CVM Official Letter</u>
2021	(27,871)	(28,420)
2022	(24,243)	(25,780)
2023	(20,212)	(22,367)
2024	(15,792)	(18,183)
2025	(11,245)	(13,475)
2026	(7,581)	(9,453)
2027	(4,369)	(5,665)
2028	(1,804)	(2,430)
2029	(366)	(512)
2030	(2)	(3)

	Right of use, net	
	IFRS 16	CVM Official Letter
2021	208,533	218,648
2022	169,013	185,314
2023	130,135	149,227
2024	92,152	110,376
2025	59,794	75,374
2026	36,389	47,998
2027	17,038	23,249
2028	5,131	7,206
2029	96	156

	Depreciation expenses	
	IFRS 16	CVM Official Letter
2021	(39,520)	(40,673)
2022	(39,520)	(42,700)
2023	(38,878)	(44,077)
2024	(37,983)	(45,325)
2025	(32,358)	(39,633)
2026	(23,404)	(30,624)
2027	(19,351)	(26,550)
2028	(11,907)	(16,871)
2029	(5,035)	(7,138)
2030	(96)	(158)

29. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
<u>Financial assets</u>				
Amortized cost:				
Cash and cash equivalents	224	8,239	477,319	435,844
Trade receivables	-	-	410,263	425,833
Due from related parties	40,512	-	-	-
Subtotal	40,736	8,239	940,782	861,677
Fair value through profit or loss:				
Securities	-	-	224,602	-
Derivatives	-	-	11,767	9,511
Total financial assets	40,736	8,239	1,123,951	871,188
<u>Financial liabilities</u>				
Amortized cost:				
Trade payables	-	-	53,029	36,421
Trade payables - agreement	-	-	169	-
Interest on capital payable	22,353	8,124	22,353	8,124
Dividends payable	12,482	-	12,482	-
Right-of-use leases payable	-	-	275,228	249,400
Borrowings and financing	-	-	390,321	270,354
Total financial liabilities	34,835	8,124	753,582	564,299

b) Financial risks

In the normal course of business, the Company and its subsidiaries are exposed to several financial risks: market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's risk management strategy focuses on the unpredictability of the financial markets and aims to minimize any adverse impacts on its financial performance.

c) Foreign exchange risk management

Due to the financial obligations assumed by the Company, which are denominated in U.S. dollars (US\$), a foreign exchange hedging policy was implemented, establishing exposure limits associated with this risk, under which transactions involving swap derivatives are entered into.

The Company's net foreign exchange exposure is shown below:

Type of transaction	Consolidated			
	12/31/2020			
	Financial institution	Debt amount	Derivative	Net exposure
Resolution 4131	Banco Itaú	51,236	(52,919)	(1,683)
Resolution 4131	Banco Itaú	51,494	(61,578)	(10,084)
Total borrowings and financing		102,730	(114,497)	(11,767)
Foreign suppliers (*)	-	10,830		10,830
Total foreign exchange exposure		113,560	(114,497)	(937)
US dollar quotation – balance sheet		5,1967	5,1967	5,1967
Total exposure in US dollars		21,852	(22,033)	(181)

(*) The Company's subsidiaries import goods, raw materials and inputs for manufacturing and sale from foreign suppliers. These purchases are substantially denominated in U.S. dollars (US\$) and are exposed to exchange rate changes.

c.1) Derivatives

The Company entered into swap transactions to minimize the foreign exchange risks arising on foreign currency-denominated borrowings and financing. These transactions consist of swapping the exchange rate changes for a percentage rate equivalent to the CDI fluctuation.

As at December 31, 2020, the outstanding swap transactions are broken down as follows:

Description	Rates	Consolidated		Cumulative effect up to 12/31/2020 marked to market
		Notional amount	Fair value	
<u>Swap contracts</u>				
Long position:				
Exchange rate changes - US\$	US\$3.4% p.a.	51,236	52,919	1,683
Short position:				
CDI fluctuation	CDI + 0.9% p.a.	51,236	51,236	-
Net amount receivable				1,683

Description	Rates	Consolidated		Cumulative effect up to 12/31/2020 marked to market
		Notional amount	Fair value	
<u>Swap contracts</u>				
Long position:				
Exchange rate changes - US\$	US\$2.29% p.a.	51,494	61,578	10,084
Short position:				
CDI fluctuation	CDI + 1% p.a.	51,494	51,494	-
Net amount receivable				<u>10,084</u>
Total net amount receivable				<u><u>11,767</u></u>

The asset balance totaling R\$11,767 refers to the net adjustment receivable, calculated at fair value as at December 31, 2020, of derivatives outstanding on that date, which was recorded in line item "Derivatives".

d) Sensitivity analysis

Foreign exchange risk

For purposes of conducting a sensitivity analysis of financial instruments, Management believes that only payables to foreign suppliers that are not hedged against foreign exchange risks should be considered, since no equivalent derivatives are recorded in the balance sheet. The foreign exchange exposure underlying such transactions is shown in the following table:

Total foreign exchange exposure in local currency	<u>10,830</u>
Total foreign exchange exposure in foreign currency	<u><u>2,084</u></u>

Accordingly, as a result of the considerations above, only the amount of R\$10,830 is being applied for the sensitivity analysis purposes. The US dollar exchange rate was R\$5.1967 at the balance sheet date.

In order to measure the expected net impact on profit or loss for the next 12 months, arising on potential foreign currency fluctuations, a sensitivity analysis considering three scenarios was prepared as to the Company's exposure to the foreign exchange risks underlying its borrowings.

Under scenario I, an exchange rate of R\$5.4488 was defined based on the future U.S. dollar quotation on B3, limited to 12 months. Under scenarios II and III, a 25% and 50% appreciation in the U.S. dollar was projected, respectively, which is deemed reasonable according to the Company's assessment and expectations.

Group's risk	Scenario	Scenario	Scenario
	I	II	III
Notional amount of the net exposure (in foreign currency)	2,084	2,084	2,084
Notional amount of the net exposure (in local currency)	10,830	10,830	10,830
Projected fair value (in local currency)	11,355	14,194	7,032
Effects of exchange rate changes	525	3,364	6,203
U.S. dollar rate	5.4488	6.8110	8.1732

Interest rate risk

Considering that all foreign currency-denominated borrowings and financing are hedged by swap contracts as at December 31, 2020, exchanging the foreign-currency liability index for the CDI rate fluctuation, due to the Group's policy to hedge against foreign exchange risks, the Group is, therefore, exposed to the CDI rate fluctuation. The exposure to interest rate risks underlying the transactions pegged to the CDI rate fluctuation is as follows:

Consolidated

Total borrowings and financing pegged to the CDI fluctuation 390,321

Although the Company's Management believes there is a low risk of significant fluctuations in the CDI rate throughout 2021, two scenarios were projected for the sensitivity analysis on the risk of CDI rate increase that would affect finance costs, stressing 20% and 45% increases in such rate, respectively, based on a Selic rate projected at 4% in late 2021, as per the Focus Report issued by the Central Bank of Brazil (BACEN) on February 19, 2021.

<u>Group's risk</u>	<u>Scenario I</u>	<u>Scenario II</u>	<u>Scenario III</u>
Financing pegged to the CDI fluctuation	390,321	390,321	390,321
Projected fair value	390,321	392,473	395,165
Effects of CDI fluctuation	-	2,152	4,844
CDI rate	2.76%	3.31%	4.00%

e) Credit risk management

The proceeds from sales made to many customers are substantially derived from credit and debit cards, which minimizes the credit risk.

f) Liquidity risk management

Effectively managing liquidity risks implies maintaining funds available through committed credit facilities and the ability to settle market positions. Management monitors the continuous forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet its operating needs.

The table below shows in detail the maturity of outstanding financial liabilities:

<u>Transaction</u>	<u>Up to 1 year</u>	<u>Up to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Trade payables	53,029	-	-	-	53,029
Trade payables - agreement	169	-	-	-	169
Interest on capital payable	22,353	-	-	-	22,353
Dividends payable	9,431	-	-	-	9,431
Borrowings and financing	289,756	56,739	65,419	-	411,914
Right-of-use leases payable	68,729	59,891	165,943	94,419	388,982

g) Fair value of financial instruments

When applicable, the Company adopts CPC 40/IFRS 7 – Financial Instruments: Disclosures for financial instruments measured in the balance sheet at fair value, which requires the disclosure of fair value measurements based on the following hierarchy level:

- Level 1 inputs: are quoted prices (unadjusted) in active markets for identical assets or liabilities that the subsidiaries can access at the measurement date.
- Level 2 inputs: are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs: are unobservable inputs for the asset or liability.

As at December 31, 2020, all derivative financial instruments were grouped into Level 2, whereas all short-term investments and securities were grouped into Level 1.

30. SHARE-BASED PAYMENT

On September 18, 2019, the Company approved the share-based compensation plan (“Plan”), which is subject to the following terms and conditions:

(a) General terms and conditions

The Plan will be managed by the Board of Directors.

To the extent prescribed by the law and the Company’s bylaws, the Board of Directors will have full powers to adopt all measures necessary and appropriate to manage the Plan, including:

- a) The creation and imposition of general rules related to the granting of Options, under the Plan, and the resolution of doubts related to the Plan’s interpretation.
- b) The election of the Beneficiaries and authorization to grant Options on their behalf, establishing all terms and conditions of the Options to be granted.
- c) The approval of the Option Agreements to be entered into among the Company and each one of the Beneficiaries, subject to the Plan terms and conditions.
- d) The issuance of new Shares within the limit of the authorized capital or authorization to sell Shares held in treasury to fulfill the exercise of the Options granted, pursuant to the Plan and ICVM 567.

In fulfilling its duties, the Board of Directors will be subject only to the limits prescribed by the law, the regulations issued by the CVM and the Plan, and it is understood that the Board of Directors can treat differently the officers and employees of the Company or other companies under its control who are in similar condition, without being required, by any isonomy or analogy rule, to extend to all the terms and conditions it considers to be applicable only to some officers and employees on its sole discretion. The Board of Directors can also establish special treatment for those exceptional cases during the validity period of each Option, provided that the rights already granted to the Beneficiaries or the Plan basic principles are not affected. Such exceptional measure shall not constitute precedent to be invoked by other Beneficiaries.

The resolutions of the Board of Directors are binding upon the Company in relation to all Plan-related matters.

As at December 31, 2020, no shares were granted to the beneficiaries.

31. INSURANCE COVERAGE

The Company adopts an insurance policy that considers mainly the risk concentration and its materiality, according to the nature of its activities and advice from insurance brokers. As at December 31, 2020, the insurance coverage is broken down as follows:

- Inventory damages – R\$187,595 (effective through February 2021).
- Property and fleet damages - R\$17,530 (effective through April 2021).

32. EVENTS AFTER THE REPORTING PERIOD

At the meeting held on February 4, 2021, the Company's Board of Directors approved the appointment of Mr. Paulo Kruglensky as the new Chief Executive Officer of the Company, in view of the resignation announced by Mr. Márcio Monteiro Kaufman.

Through its Contingency Committee composed of the Executive Board's members and leaders from several areas, the Company has been monitoring the COVID-19 pandemic-related developments. In light of the increasing transmission rates, the higher number of new cases and deaths caused by COVID-19 and, consequently, the enactment of new state and municipal decrees restricting the flow of individuals and requiring the closing of shopping malls and commercial activities, the Company states that, at the reporting date, 160 stores remain closed, only operating through a drive-through system, when permitted, and online sales, which include direct sales made under "Jóias em Ação" Project.

It is worth stressing that, given the long-lasting isolation of individuals at home and the expansive and intense second wave of infections throughout Brazil, the Company is currently unable to foresee the COVID-19-related impacts on its earnings for subsequent periods.

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