Grant Thornton

# Saraiva Livreiros S.A. – Under Court-Ordered Reorganization

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Individual and consolidated interim financial information and independent auditor's report

**As of June 30, 2021**

# Contents

## DEAR SHAREHOLDERS,

Saraiva Livreiros S.A. – Under Court-Ordered Reorganization ("Company" or "Saraiva") (B3: SLED3 and SLED4), parent of Saraiva e Siciliano S.A. – Under Court-Ordered Reorganization ("Varejo"), one of the largest content retailers focused on education and culture, discloses its financial results for the second quarter (2Q21).

The financial information contained in this document refers to the second quarter (2Q21), compared to the same periods of the previous year, unless otherwise specified.

The Individual and Consolidated accounting information has been prepared in accordance with the International Financial Reporting Standards (IFRS) and accounting practices adopted in Brazil.

Non-accounting information or information deriving from non-accounting figures was not reviewed by independent auditors.

# Message from Management

Since the beginning of the pandemic over a year ago, the Company has suffered from the effects of restrictive policies imposed on Brazilian physical retail. The negative impacts on revenues and margins were relevant to the profit or loss during said period.

With the reduction in pandemic figures at the end of the quarter, the Company was able to identify the strength of its stores, thus increasing confidence in its ability to deliver better results in the near future.

The Company's new board of executive officers started its mandate at the beginning of the year and in this second quarter, even after the 2nd wave of the pandemic, begins to demonstrate an effective improvement in the operation. During this quarter, two stores were repositioned (Jundiai and ABC Plaza) to a size more suited to the strategy, and several publishers returned to the consignment sales model adopted by the Company, thus reducing the pressure on inventory and cash. The Board of Executive Officers continues working to adjust its costs to the current market situation.

Saraiva filed for court-ordered reorganization in November 2018, aiming to recover its stability, protect its cash and, subsequently, its economic growth, as well as guarantee and preserve its ability to continue as a going concern.

With the granting of the request for court-ordered reorganization, the Company intensified negotiations with its main creditors with the purpose of defining commercial conditions and payment models that could make common interests feasible, aiming mainly at the success in approving the court-ordered reorganization plan, in addition to implementing several actions to ensure business sustainability. The Company continues achieving important advances in relation to previous periods through initiatives such as:

**Readjustment of the product mix**: categories with lower profitability and greater working capital requirements were discontinued. This review of categories also enabled to further reduce the Company's staff and close two Distribution Centers.

**Reduction of operating expenses**: renegotiation and review of main contracts with service providers, scope reduction with prioritization of alternatives presenting a higher cost/benefit ratio, as well as reviews and optimizations in the logistics network, adapting the supply system to the new product mix. At the Head Office, costs were reduced by increasing the number of floors occupied.

**Restructuring of the Store Network**: prioritization of higher profitability stores, closing stores with a low prospect of generating value and which are not adapted to the new Company's product mix. During the period, negotiations with shopping malls advanced, where, through partnerships, the space of the stores was optimized and profitability without the need for major investments increased.

**Migration of the e-commerce platform**: Aiming to mitigate e-commerce inconsistencies, an implementation of a new platform was carried out, with a lighter, nimbler and stable system in relation to the system previously used, which shall contribute to improve the performance.

**Product supply**: After filing the Court-Ordered Reorganization, the Company, with the support and partnership from suppliers, has started an extensive process to normalize the supply of products in all categories, with a greater focus on Livraria (Bookstores), the main line of operation.

However, even fulfilling payments to suppliers and banks, as provided for by the Court-Ordered Reorganization Plan, all the measures adopted by the Company have not yet been sufficient to materialize the growth and cash generation prospects, thus making the projected results for the coming years to remain below the expectations detailed in the forecast of the approved Court-Ordered Reorganization Plan.

Considering this scenario, as well as the impacts caused by Coronavirus (COVID-19) that forced the closing of brick-and-mortar stores in March 20, drastically reducing the revenues, as an immediate measure to preserve cash, the Company submitted a request, approved by the Judge of the Court-Ordered Reorganization process, to present an Amended Plan considering the new reality of the country's economy, with the purpose of preventing the impacts brought by the pandemic and preserve the Company's operational activity.

The first amendment to the Court-Ordered Reorganization Plan (Amended Plan), submitted to the Court-Ordered Reorganization Judge on July 3, 2020, was approved at the General Creditors' Meeting held on February 26, 2021, and ratified on March 5, 2021. The Amended Plan aims to enable payment to creditors and the success of the court-ordered reorganization proceeding, besides ensuring the maintenance of the production source, the employment of the Company's employees, the fulfillment of the social function of its activities and the fostering of economic activity within the country. As an alternative to enable the settlement of a substantial portion of liabilities, the amendment provides for three main measures: i) the restructuring of liabilities; b) the preservation of investments considered essential for the going concern; and iii) the disposal of Groups of Isolated Productive Units (called UPI's); that is, store operations – Store UPI; e-commerce operation – Website UPI; and Store and Website operations – Mixed UPI, pursuant to the terms established in the aforementioned Plan. The alternatives provide a means of generating cash flows for the maintenance of the Company's activities and payment of Creditors (Pre-Petition and Post-Petition).

Concurrently, the Company continues implementing the Action Plan for restructuring operations and recovering the economic results necessary for the continuity of the Company's businesses.  This plan was approved by the Board of Directors based on the following projects:

**New supply management**: Decentralized supply model, through the involvement of suppliers and reducing logistics costs;

**Back-Office Optimization**: New solution for systems, processes and teams with greater efficiency to reduce fixed costs and administrative expenses;

**Restructuring of the Store Network**: Closure of operations of stores with low profitability and where negotiations with shopping mall administrators were not successful, with the use of the inventory of said stores and the consequent reduction in the acquisition cost of goods for the next periods.

The changes mentioned above, approved by the Board of Directors, should contribute to making the Company leaner without negatively impacting its operations. Among the main impacts of the new action plan, we highlight the following:

**Profitability:** Increase in the Gross Margin, to the detriment of the Gross Revenue, increasing the absolute Gross Profit gains and contributing to the increase of the Company's profitability. In the year 2021, excluding non-recurring effects of several Mega Sale (Saldão) actions carried out with the purpose of selling obsolete and low-turnover inventories, expressive results in gross margins were obtained.

**Personnel expenses:** Since the Company presented a reduced operation in terms of revenue, there was a significant decrease in its personnel expenses.

**Occupancy expenses:** Regarding brick-and-mortar stores, there has been renegotiations with shopping mall administrators to increase the profitability of the stores. At the central office, the review and optimization of space with the return of some floors allowed a decrease in occupancy costs.

**Decommissioning of Distribution Center operations**: The Company migrated its e-commerce operation to the full-commerce model, in which all channel activities are performed directly by a commercial partner, the migration contributes to a more profitable and agile operation.

**Contracts with non-productive suppliers**: All the contracts in force with non-productive suppliers were evaluated, maintaining and renegotiating only those essential to the Company's business activities.

**Monetization of tax credits**: The Company has the prospect of monetizing tax credits between the third quarter of 2021 and the first quarter of 2022. On March 17, 2021, was formally notified by the Tax Administration of the State of São Paulo about the granting of the accrued ICMS tax credit in the amount of R$ 65 million, which will be monetized under legal means provided in ICMS – RICMS SP Regulation.

The Company continues engaged in making the necessary adjustments to ensure our ability to continue as a going concern. The measures adopted, coupled with the approval of the amendment to the Court-Ordered Reorganization Plan, which establishes efficiency measures for the equalization and settlement of companies' liabilities, such as the restructuring of liabilities and the maintenance of investments considered essential to the operational continuity, as well as changes in the Corporate Governance, prove our cash generation capacity and, consequently, the Company's future feasibility.

The review of the financial statements performed by the audit firm has not identified significant internal control deficiencies. The verification of the existence of internal controls without major deficiencies and the assurance of their security level are fundamental for the Company's structured recovery.

Management, aware of the relevance of the challenges, is committed to implementing the New Action Plan, which aims to maintain operational activity, complying with the Court-Ordered Reorganization Plan and the consequent going concern and business sustainability.

There is a major market challenge, however, we are fully confident in the recovery of the book market in Brazil and in the New Saraiva that is being built. We know that this will be an intense process, in the search for a promising future for the company and its stakeholders, and we rely on the full support and involvement of all our employees.

# Impact of Coronavirus - COVID-19

Management closely monitors all impacts of the Coronavirus (COVID-19) on the Company's operation, through a specific internal Committee, in addition to periodically discussing the necessary measures and impacts on the operation with the Board of Directors.

During the first six months of this year, the retail trade was again affected by frequent operating restrictions and store closings, without the consequent counterpart on the reduction of operating expenses. The Company estimates that said restrictions have generated a relevant loss of Gross Revenue, with its consequent negative effect on the profit (loss) for the period.

In this scenario, the contingency plan is focused on five main pillars: (i) adopt preventive measures, (ii) foster and intensify sales through e-commerce, which have not been paralyzed and honor all its commitments to its clients; (iii) structure action and contingency plans; (iv) monitor the daily evolution of cases of Coronavirus infection and the recommendations of government agencies and retail associations; (v) use the measures available to reduce the impact on the Company's cash. Based on this scenario, the following measures stand out:

**Brick-and-mortar stores**: Owing to the fast increase in COVID-19 cases, and since most of the stores are located in shopping malls and/or in the States of São Paulo and Rio de Janeiro, all units were closed on March 23, 2020. At the beginning of August 2020, the Company had 48 stores in operation, but most of them with reduced service hours. Between February and April 2021, as a result of a further advance in the COVID-19 cases, two thirds of the chain's stores remained closed again, while the remaining stores are strictly following the prevention and safety rules to reduce the risk of contamination of clients and employees, according to operating hours established by the state and municipal authorities, with negative effects on operations and results of this semester.

**E-commerce:** This channel continues operating and fulfilling its commitments to our clients. Moreover, promotional actions have been taken to increase the flow of clients in the channel.

**Employees:** the Company acted preventively to raise awareness among all employees. With the closing of stores, all employees were released from the stores. At the central office, the number of employees was restricted to the minimum necessary for the maintenance of operational activities and the remote work regime was adopted, in addition to suspending trips and face-to-face meetings and providing extensive guidance to employees through the dissemination of best practices against the virus and support to current labor legislation.

**Revenue generation**: The Company carried out promotional and marketing actions to recover revenue.

**Cash**: In view of the current scenario, with revenue streams strongly impacted, and aiming at the maintenance and continuity of our operations, the Company adopted the following initiatives to preserve its cash:

- **Review** of **contracts with suppliers**;
- **Renegotiation** of all the Company's **occupancy costs;**
- **Suspension**, **renegotiation** and, consequently, **rescheduling** of **payments** overdue and falling due;
- **Suspension**, as allowed by the Federal Government, of the **FGTS payment** to our employees for the period provided for in the legislation;
- **Daily review of sales** and **expenses forecasts** for the coming months, to protect the Company against unexpected cash impacts.

The Management understands that the scenario in Brazil is changing rapidly and it is adapting quickly to the ideal scenario in the midst of the crisis. Willingness is reiterated to give all the necessary attention to the situation of the Company and our stakeholders, including all risks arising from the pandemic that may result in losses or changes in business estimates.

# NON-RECURRING IMPACTS

During the second quarter of 2021, Management reviewed the estimates related to asset impairment and provisions for tax, civil and labor risks, among other adjustments made in the operation, with the purpose of increasing profitability, as follows:

- Civil, labor and tax contingencies: Positive by R$ 11.9 million in Expenses.
- Other impacts: Negative by R$ 0.5 million in Expenses.

Thus, aiming to allow a more reliable analysis of the Company's operation, all the results reported in this Management Report consider the recurring figures for 2Q21, 2Q20, 1Q21, 1S21 and 1S20, excluding the effects mentioned above. The reconciliation of results is presented in the table below:

| Reconciliation - 2Q21 (R$ Million) | 2Q21 Accounting | CPC 06 (R2) IFRS 16 | Non-Recurring Impacts | 2Q21 Adjusted |
|---|---|---|---|---|
| Gross revenue | **20.391** | | **-** | **20.391** |
| Taxes | (640) | | - | (640) |
| Net revenue | **19.751** | | **-** | **19.751** |
| COGS | (11.605) | | - | (11.605) |
| Gross profit | **8.146** | | **-** | **8.146** |
| *Gross margin (%)* | *41,2%* | | | *41,2%* |
| Operating expenses | **(9.666)** | **(6.083)** | **(11.417)** | **(27.166)** |
| EBITDA | **(1.520)** | **(6.083)** | **(11.417)** | **(19.020)** |
| *EBITDA margin (%)* | *-7,7%* | | | *-96,3%* |
| Other operating revenues/expenses | **(11.765)** | **6.083** | **-** | **(5.682)** |
| Finance income (costs), net | (7.227) | 2.390 | | (4.837) |
| Depreciation and amortization | (4.538) | 3.693 | | (845) |
| Profit (loss) before income tax | **(13.285)** | | **(11.417)** | **(24.702)** |
| Income tax and social contribution | - | | | - |
| Profit (loss) before minority interest | **(13.285)** | | **(11.417)** | **(24.702)** |
| Minority interest | 1 | | | 1 |
| Adjusted net profit (loss) before discontinued operations | **(13.284)** | | **(11.417)** | **(24.701)** |
| Net profit (loss) from discontinued operations (net of taxes) | (103) | | | (103) |
| Net profit (loss) | **(13.387)** | | **(11.417)** | **(24.804)** |
| *Net margin (%)* | *-67,8%* | | | *-125,6%* |

## HIGHLIGHTS

- Increase of 3.2 pp in Gross Margin in 2Q21 compared to 2Q20.
- 33.9% decrease in recurring Operating Expenses in 2Q21 compared to 2Q20.
- Improvement of R$ 11.5 million in adjusted EBITDA in 2Q21 compared to 2Q20.
- On April 5, 2021, the public offer notice was published in the *Diário da Justiça Eletrônico* (Electronic Court Gazette), by means of a virtual judicial bid through the submission of closed proposals for the sale of isolated production units ("UPIs") issued in the records of the Court-Ordered Recovery of Company and its subsidiary, as provided for in the Amendment to the Court-Ordered Recovery Plan. However, there were no qualified buyers and then, on April 27, 2021, a second public offering notice with a new qualification deadline was published in the *Diário da Justiça Eletrônico*, but there were no applicants.
- On May 13, 2021, the Federal Supreme Court (STF) ruled on the motions for clarification presented by the General Attorney's Office of the National Treasury, establishing the modulation of the effects of the decision of RE 574.706/PR. By majority vote, the members decided to exclude the ICMS highlighted in the invoices from the PIS/COFINS calculation basis retroactively, applicable to taxpayers who filed lawsuits up to March 15, 2017, as is the case of the subsidiary. The subsidiary's Management assesses the impacts and the revision of the estimated amount and realization of credits, originally recorded considering the ICMS effectively collected (COSIT Solution 13/18), in accordance with the STF decision of May 13, 2021 for the four lawsuits filed in 2006 and 2010, and which received a final and unappealable decision between December 2018 and September 2020.

## SUBSEQUENT EVENTS

On July 22, 2021, the decision by the 2nd Bankruptcy and Court-Ordered Reorganization Court of the central legal district of São Paulo was handed down, as follows:

- The request for a new attempt to carry out a judicial bidding process for the sale of the isolated productive units ("UPIs") was granted, upon qualification of interested parties in the Court-Ordered Reorganization records, within 10 calendar days as of 08/12/2021, date on which the new public offer notice was published in the *Diário da Justiça Eletrônico* (Electronic Court Gazette). Qualified interested parties must submit their Sealed Bids to the Trustee by 4:00 pm on September 10, 2021. The opening of the sealed bids will be held on September 14, 2021, at 2:00 pm, according to the procedure and instructions indicated in the new Public Offering Notice.
- The approval for the sale of assets of the Guarulhos operational unit, whose authorization decision was issued on April 8, 2020 in the Court-Ordered Reorganization records, had been amended by means of a decision handed down by the Court of Justice of São Paulo on November 4, 2020.

## MAIN INDICATORS

**Table 1. (R$ 000, unless otherwise indicated)**

Note: 1. Adjusted excluding the effect of non-recurring items as previously mentioned in the report.

| Consolidated - Adjusted[1] | 2Q21 | 2T20 | T/T | 1T21 | T/T | 1S21 | 1S20 | A/A |
|---|---|---|---|---|---|---|---|---|
| Gross revenue (Stores + E-commerce)[2] | 20.391 | 27.960 | -27,1% | 24.108 | -15,4% | 44.499 | 169.225 | -73,7% |
| Brick-and-mortar stores | 17.077 | 4.637 | 268,3% | 17.274 | -1,1% | 34.351 | 103.344 | -66,8% |
| E-commerce | 3.314 | 23.323 | -85,8% | 6.834 | -51,5% | 10.148 | 65.881 | -84,6% |
| Net revenue (Stores + E-commerce)[2] | 19.751 | 27.702 | -28,7% | 23.401 | -15,6% | 43.152 | 164.384 | -73,7% |
| Brick-and-mortar stores | 16.527 | 4.608 | 258,6% | 16.658 | -0,8% | 33.185 | 99.745 | -66,7% |
| E-commerce | 3.224 | 23.094 | -86,0% | 6.743 | -52,2% | 9.967 | 64.639 | -84,6% |
| Gross profit | 8.146 | 10.535 | -22,7% | 9.967 | -18,3% | 18.113 | 61.292 | -70,4% |
| *Gross margin (%)* | 41,2% | 38,0% | 3,2 p.p. | 42,6% | -1,3 p.p. | 42,0% | 37,3% | 4,7 p.p. |
| Operating expenses | (27.165) | (41.076) | -62,9% | (26.300) | -42,0% | (41.552) | (118.710) | -65,0% |
| Adjusted EBITDA[1] | (19.019) | (30.541) | -76,7% | (16.334) | -56,5% | (23.440) | (57.419) | -59,2% |
| *Adjusted EBITDA Margin (%)[1]* | -96,3% | -110,2% | 74,3 p.p. | -69,8% | 33,8 p.p. | -54,3% | -34,9% | -19,4 p.p. |
| Adjusted net profit (loss) before discontinued operations[1] | (24.701) | (66.449) | -80,8% | (22.202) | -42,4% | (34.990) | (107.744) | -67,5% |
| *Adjusted net margin before discontinued operations (%)[1]* | -125,1% | -239,9% | 175,1 p.p. | -94,9% | 30,1 p.p. | -81,1% | -65,5% | -15,5 p.p. |
| Net profit (loss) from discontinued operations (net of taxes) | (103) | (855) | -88,0% | 1.862 | - | 1.759 | (526) | - |
| Adjusted net profit (loss)[1] | (24.804) | (67.304) | -80,8% | (20.340) | -36,6% | (33.231) | (108.270) | -69,3% |
| *Adjusted net margin (%)[1]* | -125,6% | -243,0% | 177,7 p.p. | -86,9% | 21,7 p.p. | -77,0% | -65,9% | -11,1 p.p. |
| | | | | | | | | |
| Same Store Sales (SSS) | 381,7% | -94,7% | 476,4 p.p. | -65,3% | 447,0 p.p. | -13,7% | -13,7% | 0,0 p.p. |
| E-commerce growth[2] | -85,8% | -58,3% | -27,5 p.p. | -83,9% | -1,8 p.p. | -84,6% | -52,2% | -32,4 p.p. |
| Quantity of stores - At period-end | 38,0 | 64 | -40,6% | 38 | 0,0% | 38,0 | 64 | -40,6% |
| Sales area - At period-end (sqm²) | 20.217 | 38.161 | -47,0% | 21.041 | -3,9% | 20.217 | 38.161 | -47,0% |

# RESULTS

**REVENUE** – Gross revenue totaled R$ 20.4 million in 2Q21, down 27.1% when compared to 2Q20. Net revenue followed the same trend, decreasing 28.7% in the quarter. It is worth highlighting that the reduction observed is mainly due to the decrease in the E-commerce revenue.

**BRICK-AND-MORTAR STORES REVENUE** – In 2Q21, gross revenue from brick-and-mortar stores reached R$ 17.1 million, which represents a 268.3% increase over the same periods of the previous year. Net revenue, following the same line, recorded an increase of 258.6%.

**E-COMMERCE REVENUE** – In 2Q21, gross sales of our website Saraiva.com decreased 85.8% when compared to the last year, while net sales decreased 86.0%. Saraiva continues with its profitability strategy, seeking a higher gross margin and lower variable expenses, thus generating an additional gain in the contribution margin for the next periods.

**GROSS PROFIT (LOSS)** – As a result of the Company's profitability prioritization strategy, adjusted gross profit presented a gain of 3.2 pp in the gross margin, from 38.0% in 2Q20 to 41.2%. Besides the strategy of prioritizing profitability, focusing on our book business, which have higher margins than the other categories that have been discontinued.

**OPERATING EXPENSES** – The recurring operating expenses, including the effect of IFRS-16 on Expenses, totaled R$ 27.2 million in 2Q21, presenting a reduction of 33.9% in the quarter, as a result of the initiatives implemented in the past periods. It is worth highlighting that the Management continues focused on rationalizing expenses to improve results, reaping the benefits of the measures adopted. Recurring adjustments have been made to the structure on a recurring basis with a view to always improving performance and productivity, which strengthens the basis for the Company's recovery.

**EBITDA** – Recurring EBITDA, with the inclusion of the effect of IFRS 16 in Expenses, and impacted by the effects of the pandemic, where revenue was strongly reduced, totaled a negative amount of R$ 19.2 in 2Q21, presenting a gain of R$ 11.5 million in relation to 2Q20.

**Table 2. EBITDA (R$ 000, unless otherwise indicated)**

Note: 1. Adjusted excluding the effect of non-recurring items as previously mentioned in the report.

| EBITDA | 2T21 | 2T20 | T/T | 1T21 | T/T | 1S21 | 1S20 | A/A |
|---|---|---|---|---|---|---|---|---|
| Net profit (loss)[1] | **(24.804)** | **(67.304)** | **-63,1%** | **(20.340)** | **21,9%** | **(45.144)** | **(108.270)** | **-58,3%** |
| (+) Finance income (costs)[1] | 4.837 | 1.150 | 320,6% | 5.514 | -12,3% | 10.351 | 6.439 | 60,8% |
| (+) Income tax and social contribution[1] | - | 32.460 | -100,0% | - | 0,0% | - | 36.660 | -100,0% |
| (+) Depreciation and amortization | 845 | 2.308 | -63,4% | 357 | 136,7% | 1.202 | 7.240 | -83,4% |
| (+) Net profit (loss) from discontinued operation | 102 | 845 | -87,9% | - 1864 | - | - 1.762 | 512 | - |
| Adjusted EBITDA | **(19.020)** | **(30.541)** | **-37,7%** | **(16.333)** | **16,5%** | **(35.353)** | **(57.419)** | **-38,4%** |
| *Adjusted EBITDA margin (%)* | -96,3% | -110,2% | 13,9 p.p. | -69,8% | -26,5 p.p. | -81,9% | -34,9% | -47,0 p.p. |

**WORKING CAPITAL*** – The average collection period remained at 18 days in 2Q21, when compared to the same period of the previous year. The average inventory coverage period increased by 43 days, from 121 days in 2Q20 to 164 days in 2Q21.

* to calculate the operating cycle days, we used the average of the last 12 months

**NET FINANCE INCOME (COSTS)** – The finance income (costs), net, excluding the impact of the accounting change, due to CPC 06 (R2) - IFRS 16, was an expense of R$ 4.8 million in the third quarter of 2021, accounting for a 320.8% increase in relation to the same period of the previous year.

**NET PROFIT (LOSS) FOR THE PERIOD** – The Company's adjusted net loss, before net income (loss) from discontinued operations, was R$ 24.8 million in 2Q21.

**LIQUIDITY** – As of July 31, 2021, the total balance of Available Cash, Blocked Cash and Credit Card Receivables totaled R$ 9.8 million, versus R$ 39.7 million on July 31, 2020, mainly due to the lower sales made in the period, in addition to the impact of discontinued categories and extraordinary restructuring expenses.

The table below shows Saraiva's consolidated net debt (excluding the Creditors balance related to the court-ordered reorganization process) on July 31, 2021, which totaled R$ 162.4 million, versus R$ 150.2 million on March 31, 2021, and R$ 126.3 million as of July 31, 2020. If we consider credit card receivables, we ended 2Q21 with a net debt of R$ 160.5 million, versus R$ 148.9 million in 1Q21, and R$ 119.8 million in 2Q20.

**Table 3. Evolution of the main CONSOLIDATED debt indicators monitored by the Company (R$ 000)**

Note 1: Excludes the portion related to Leases (CPC 06 (R2) - IFRS 16).

| Consolidated[1 2] | 2T21 | 2T20 | T/T | 1T21 | A/A |
|---|---|---|---|---|---|
| **Transaction type** | | | | | |
| Borrowings and financing | **170.379** | **159.536** | **6,8%** | **166.556** | **2,3%** |
| (+) Accounts payable - Acquisition of companies | 0 | 0 | 0,0% | 0 | 0,0% |
| (-) Cash and cash equivalents / Short-term investments | 8.008 | 33.249 | -75,9% | 16.307 | -50,9% |
| **Adjusted net debt before receivables** | **162.371** | **126.287** | **28,6%** | **150.249** | **8,1%** |
| (-) Credit card receivables | 1.813 | 6.496 | -72,1% | 1.322 | 37,1% |
| **Consolidated net debt after receivables** | **160.558** | **119.791** | **34,0%** | **148.927** | **7,8%** |

**OUR STORES** – In the 2Q21, Saraiva closed 38 active stores.

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

# Report on the review of quarterly information

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To the Management, Board Members and Shareholders of
**Saraiva Livreiros S.A. – Under Court-Ordered Reorganization**
São Paulo – SP

## Introduction

We were engaged to review the individual and consolidated interim financial information of Saraiva Livreiros S.A. – Under Court-Ordered Reorganization ("Company") contained in the Quarterly Information - ITR Form for the quarter ended June 30, 2021, which comprise the balance sheet on June 30, 2021 and related statements of income, of comprehensive income, for the three and six-month periods then ended and changes in equity and of cash flows for the six-month period then ended, including explanatory notes.

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

## Scope of review

We conducted our review in accordance with Brazilian and international review standards on interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures and other review procedures.
A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, we did not express an audit opinion. As a result of the matter described in "Basis for Disclaimer of Conclusion" section, we were unable to obtain sufficient and appropriate evidence to base our conclusion on the individual and consolidated interim financial information.

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## Basis for disclaimer of conclusion

**Relevant uncertainty related to the going concern and the effects of the amendment to the court-ordered reorganization plan on the realization of assets and settlement of liabilities**

As a result of the non-compliance with the court-ordered reorganization plan previously approved by the creditors, the Company submitted an amendment to the court-ordered reorganization plan on July 3, 2020, which, among other aspects, provides for that the economic feasibility of the Company will depend on the approval by the creditors of a new debt amortization schedule and the sale of certain Isolated Productive Units – UPIs ("Site", "Stores" or "Mixed"), and the funds to be obtained in this sale process should be used to amortize part of the existing indebtedness and reinforce the Company's cash. This amendment to the court-ordered reorganization plan was approved at the General Creditors' Meeting held as of February 26, 2021 and ratified as of March 5, 2021.

The economic feasibility of the Company, presented in this amendment to the court-ordered reorganization plan, considered certain assumptions for expected revenue, cash generation, cost adjustments, inflow of funds into the Company's cash and partial debt amortization resulting from the funds to be obtained in UPIs auction.

It has not been possible to perform the revision procedures on the economic feasibility of this plan amendment to date, as it depends on the success in the sale of the UPIs through an auction to be carried out by the Company and the achievement of the sales targets and budgeted costs, which may still have different scenarios since the plan provides for the possibility of selling UPIs in different ways ("Site", "Stores" and "Mixed"). Furthermore, the Company's operations have been materially impacted by the reduction in sales as a result of the Covid-19 pandemic. It is not yet possible to assess the impact on the economic feasibility plan approved in the current court-ordered reorganization plan. The auction for UPIs was postponed to September 2021.

As a result of this matter, the Company should record a significant decrease in future sales, impacted by the lower number of stores and/or online sales, due to the disposal of these assets, as provided for in the amendment to the court-ordered reorganization plan. In this context, the Company should update the impairment test of certain assets, which may no longer performed through its operations, as well as carry out the write-off of the right-of-use and the respective obligations of any stores subject to sale. The Company must also review its debts with creditors, to reestablish a new flow of payments, which will be established with the conclusion of the UPIs auction process, and said effects cannot be estimated yet. Therefore, they were not recognized in this individual and consolidated interim financial information as of June 30, 2021.

Additionally, as of June 30, 2021, the Company recorded negative net equity (negative equity) of R$ 577,082 thousand (parent) and R$ 577,130 thousand (consolidated), negative net working capital of R$ 65,280 thousand in the consolidated and a loss for the period of R$ 32,008 thousand (parent) and R$ 32,011 thousand (consolidated).

Considering all the factors above (which involve many captions in the context of the individual and consolidated interim financial information), resulting in a scenario of several uncertainties, as well as pervasive effects on said interim financial information, we cannot currently conclude on any adjustments to the impairment of assets and adjustments to liabilities due to this scenario, as well as the going concern assumption and whether the corresponding basis for the preparation of this individual and consolidated interim financial information would be appropriate.

## ICMS credits on the PIS and Cofins calculation basis

As disclosed in Note No. 7, the Company has the amount of R$ 5,688 thousand (R$ 5,688 thousand as of December 31, 2020), loss of net realizable value of R$ 8,532 thousand (R$ 8,532 thousand as of December 31, 2020) recorded in the Consolidated as of June 30, 2021, arising from ICMS credits on the PIS and Cofins calculation basis, calculated according to Cosit 13/2018 as a result of the final and unappealable favorable decision at the time of the respective lawsuits.

 

On May 31, 2021, the Full Bench of the Federal Supreme Court (STF) decided, by majority voting in a decision with general repercussion, that the ICMS is not part of the PIS and Cofins calculation basis and clarified that the thesis addresses the ICMS highlighted in invoice. Therefore, the amount to be recorded by the Company should be based on the amount highlighted in the invoice, an amount significantly higher than that recorded based on COSIT. The Company’s Management is reviewing the calculation of the credit based on the amount highlighted in the invoice and evaluating the possibilities of realizing said credit, which considers the result of the auction for the UPI’s mentioned above, among other aspects. Thus, we are unable to assess the impact of this matter on the individual and consolidated interim financial information as of June 30, 2021 through alternative revision procedures.

## Disclaimer of conclusion

Because of the materiality of the matters described in the “Basis for disclaimer of conclusion”, we were unable to obtain appropriate and sufficient evidence to support our conclusion on Individual and consolidated interim financial information.
We are not therefore expressing a conclusion on this individual and consolidated interim financial information.

## Other matters

### Statements of value added

We were also engaged to review the individual and consolidated statements of value added for the six-month period ended June 30, 2021, prepared under responsibility of Company's Management, and presented as supplementary information for IAS 34 purposes. These statements have been subject to review procedures performed in conjunction with the review of the quarterly information, to determine whether they are reconciled with the interim financial information and carrying amounts, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 09 – Statement of Value Added. However, because of the materiality of the matter sdescribed in the “Basis for disclaimer of conclusion” section, we were unable to conduct sufficient review procedures to conclude whether we are aware of any fact that suggest that the statements of value added are not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole. We are not therefore expressing a conclusion on these statements of value added.

São Paulo, August 13, 2021

Rafael Dominguez Barros
Assurance Partner

Grant Thornton Auditores Independentes

# Company information / Capital composition

| Quantity of shares (Thousand) | Current quarter 06/30/2021 |
|---|---|
| **Paid-in capital** | |
| **Common** | 23,514 |
| **Preferred shares** | 38.896 |
| **Total** | 62,410 |
| **Treasury** | |
| **Common** | 16 |
| **Preferred shares** | 0 |
| **Total** | 16 |

## Individual interim financial information / Balance sheet - Assets - (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

| Account | Description | 06/30/2021 | 12/31/2020 |
|---|---|---|---|
| 1 | Total assets | 100,035 | 104,075 |
| 1.01 | Current assets | 29,967 | 23,685 |
| 1.01.01 | Cash and cash equivalents | 6,932 | 121 |
| 1.01.03 | Trade receivables | 107 | 534 |
| 1.01.03.02 | Other receivables | 107 | 534 |
| 1.01.03.02.01 | Advances to suppliers | 23 | 466 |
| 1.01.03.02.04 | Other | 84 | 68 |
| 1.01.06 | Recoverable taxes | 179 | 179 |
| 1.01.06.01 | Current recoverable taxes | 179 | 179 |
| 1.01.07 | Prepaid expenses | 1,322 | 1,424 |
| 1.01.08 | Other current assets | 21,427 | 21,427 |
| 1.01.08.01 | Noncurrent assets available for sale | 21,427 | 21,427 |
| 1.02 | Noncurrent assets | 70,068 | 80,390 |
| 1.02.01 | Long-term assets | 69,919 | 80,214 |
| 1.02.01.08 | Prepaid expenses | 605 | 1,209 |
| 1.02.01.09 | Receivables from related parties | 52,572 | 61,875 |
| 1.02.01.09.02 | Receivables from subsidiaries | 52,572 | 61,875 |
| 1.02.01.10 | Other noncurrent assets | 16,742 | 17,130 |
| 1.02.01.10.03 | Judicial deposits | 11,489 | 11,417 |
| 1.02.01.10.04 | Recoverable taxes | 5,253 | 5,713 |
| 1.02.02 | Investments | 23 | 23 |
| 1.02.02.01 | Equity interests | 23 | 23 |
| 1.02.02.01.04 | Other investments | 23 | 23 |
| 1.02.03 | Property and equipment | 126 | 153 |
| 1.02.03.01 | Property, plant and equipment in use | 126 | 153 |

## Individual interim financial information / Balance sheet - Liabilities - (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

| Account | Description | 06/30/2021 | 12/31/2020 |
|---|---|---|---|
| 2 | Total liabilities | 100,035 | 104,075 |
| 2.01 | Current liabilities | 28,762 | 29,519 |
| 2.01.01 | Payroll and related taxes | 217 | 400 |
| 2.01.01.01 | Social security obligations | 65 | 102 |
| 2.01.01.02 | Payroll related obligations | 152 | 298 |
| 2.01.02 | Trade payables | 565 | 1,254 |
| 2.01.02.01 | Domestic suppliers | 565 | 1,254 |
| 2.01.02.01.01 | Domestic suppliers | 565 | 1,254 |
| 2.01.03 | Taxes payable | 174 | 165 |
| 2.01.03.01 | Taxes payable - Federal | 174 | 165 |
| 2.01.03.01.02 | Withholding income tax | 144 | 131 |
| 2.01.03.01.05 | Other | 30 | 34 |
| 2.01.05 | Other payables | 27,806 | 27,700 |
| 2.01.05.02 | Other | 27,806 | 27,700 |
| 2.01.05.02.07 | Creditors - Judicial Reorganization | 1,195 | 1,136 |
| 2.01.05.02.08 | Other payables | 26,611 | 26,564 |
| 2.02 | Noncurrent liabilities | 648,355 | 619,630 |
| 2.02.02 | Other payables | 588,743 | 557,470 |
| 2.02.02.02 | Other | 588,743 | 557,470 |
| 2.02.02.02.04 | Payables to former shareholders | 586,067 | 554,874 |
| 2.02.02.02.05 | Creditors - Judicial Reorganization | 2,676 | 2,596 |
| 2.02.04 | Provisions | 59,612 | 62,160 |
| 2.02.04.01 | Provisions for social security, labor and civil risks | 59,612 | 62,160 |
| 2.02.04.01.01 | Provisions for tax risks | 57,147 | 57,119 |
| 2.02.04.01.02 | Provision for social security and labor risks | 2,294 | 4,346 |
| 2.02.04.01.04 | Provision for civil risks | 171 | 695 |
| 2.03 | Equity | (577,082) | (545,074) |
| 2.03.01 | Paid-in capital | 301,976 | 301,976 |
| 2.03.02 | Capital reserves | 46,363 | 46,363 |
| 2.03.02.04 | Stock options granted | 5,329 | 5,329 |
| 2.03.02.07 | Subscription bonus | 41,034 | 41,034 |
| 2.03.04 | Earnings reserves | (233) | (233) |
| 2.03.04.09 | Treasury shares | (233) | (233) |
| 2.03.05 | Retained earnings (accumulated losses) | (936,467) | (904,459) |
| 2.03.06 | Valuation adjustments to equity | 11,279 | 11,279 |

## Individual interim financial information / Statement of profit and loss - (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

| Account | Description | 04/01/2021 to 06/30/2021 | 01/01/2021 to 06/30/2021 | 04/01/2020 to 06/30/2020 | 01/01/2020 to 06/30/2020 |
|---|---|---|---|---|---|
| 3.04 | Operating income (expenses) | (13,568) | (33,914) | (111,315) | (160,720) |
| 3.04.02 | General and administrative expenses | (1,179) | (2,205) | (750) | (1,835) |
| 3.04.02.01 | Management fees | (274) | (549) | (172) | (478) |
| 3.04.02.04 | Other | (905) | (1,656) | (578) | (1,357) |
| 3.04.04 | Other operating income | 13 | 16 | 4,105 | 4,105 |
| 3.04.05 | Other operating expenses | (159) | (531) | 4,901 | 4,878 |
| 3.04.05.01 | Depreciation and amortization | (13) | (27) | (15) | (31) |
| 3.04.05.02 | Other | (146) | (504) | 4,916 | 4,909 |
| 3.04.06 | Share of profit (loss) of investees | (12,243) | (31,194) | (119,571) | (167,868) |
| 3.05 | Profit (loss) before finance income (costs) and taxes | (13,568) | (33,914) | (111,315) | (160,720) |
| 3.06 | Finance income (costs) | 284 | 147 | 230 | 186 |
| 3.06.01 | Finance income | 496 | 867 | 414 | 579 |
| 3.06.02 | Finance costs | (212) | (720) | (184) | (393) |
| 3.07 | Profit (loss) before taxes on income | (13,284) | (33,767) | (111,085) | (160,534) |
| 3.08 | Income tax and social contribution | - | - | (6,247) | (6,247) |
| 3.08.01 | Current | - | - | (6,247) | (6,247) |
| 3.09 | Profit (loss) from continuing operations | (13,284) | (33,767) | (117,332) | (166,781) |
| 3.10 | Profit (loss) from discontinued operations | (103) | 1,759 | (855) | (2,138) |
| 3.10.01 | Profit/loss from discontinued operations | (103) | 1,759 | (855) | (2,138) |
| 3.11 | Profit/loss for the period | (13,387) | (32,008) | (118,187) | (168,919) |
| 3.99.01.01 | Common share | (0.21113) | (0.50511) | (3.22283) | (4.96725) |
| 3.99.01.02 | Preferred share | (0.21109) | (0.50541) | (3.09968) | (4.50934) |
| 3.99.02 | Diluted earnings (loss) per share | | | | |
| 3.99.02.01 | Common share | (0.21113) | (0.50511) | (3.22283) | (4.96725) |
| 3.99.02.02 | Preferred share | (0.21109) | (0.50541) | (3.09968) | (4.50934) |

## Individual interim financial information / Statement of comprehensive loss - (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

| Account | Description | 04/01/2021 to 06/30/2021 | 01/01/2021 to 06/30/2021 | 04/01/2020 to 06/30/2020 | 01/01/2020 to 06/30/2020 |
|---|---|---|---|---|---|
| 4.01 | Profit (loss) for the period | (13,387) | (32,008) | (118,187) | (168,919) |
| 4.03 | Comprehensive income for the period | (13,387) | (32,008) | (118,187) | (168,919) |

## Individual interim financial information / Statement of cash flows - (R$ thousand) - Indirect Method

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

| Account | Description | 01/01/2021 to 06/30/2021 | 01/01/2020 to 06/30/2020 |
|---|---|---|---|
| 6.01 | Net cash provided by operating activities | (3,243) | 22,606 |
| 6.01.01 | Cash provided by operations | (5,998) | (2,631) |
| 6.01.01.01 | Profit (loss) before income tax and social contribution | (33,767) | (166,781) |
| 6.01.01.02 | Depreciation and amortization | 27 | 31 |
| 6.01.01.03 | Impairment loss (reversal) of property and equipment and intangible assets | - | (4,909) |
| 6.01.01.04 | Share of profit (loss) of investees | 31,194 | 167,868 |
| 6.01.01.06 | Finance charges on borrowings and obligations | (750) | (368) |
| 6.01.01.08 | Other operating provisions | (2,702) | 1,528 |
| 6.01.02 | Changes in assets and liabilities | 2,755 | 25,237 |
| 6.01.02.04 | Other operating assets | 284 | 20,389 |
| 6.01.02.05 | Trade payables | (689) | 304 |
| 6.01.02.06 | Income tax and social contribution | - | 6,247 |
| 6.01.02.09 | Other operating liabilities | 165 | 76 |
| 6.01.02.10 | Cash flows from operations and discontinued operations | 2,995 | (1,779) |
| 6.03 | Net cash provided by financing activities | 10,054 | (25,044) |
| 6.03.01 | Advance for future capital increase | - | 5,016 |
| 6.03.02 | Payment of dividends and interest on capital | - | 15,148 |
| 6.03.06 | Purchase of treasury shares | 10,054 | (45,208) |
| 6.05 | Increase (decrease) in cash and cash equivalents | 6,811 | (2,438) |
| 6.05.01 | Cash and cash equivalents at the beginning of the period | 121 | 2,603 |
| 6.05.02 | Cash and cash equivalents at the end of the period | 6,932 | 165 |

**Individual interim financial information / Statement of changes in equity – DMPL - 01/01/2021 – 06/30/2021 (R$ thousand)**

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

| Account | Description | Paid-in capital | Capital reserves, stock options granted and treasury shares | Earnings reserves | Retained earnings or accumulated losses | Other comprehensive income (loss) | Equity |
|---|---|---|---|---|---|---|---|
| 5.01 | Opening balances | 301,976 | 46,130 | - | (904,459) | 11,279 | (545,074) |
| 5.03 | Adjusted opening balances | 301,976 | 46,130 | - | (904,459) | 11,279 | (545,074) |
| 5.05 | Total comprehensive income (loss) | - | - | - | (32,008) | - | (32,008) |
| 5.05.01 | Profit (loss) for the period | - | - | - | (32,008) | - | (32,008) |
| 5.07 | Closing balances | 301,976 | 46,130 | - | (936,467) | 11,279 | (577,082) |

## Individual interim financial information / Statement of changes in equity – DMPL - 01/01/2020 – 06/30/2020 (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

| Account | Description | Paid-in capital | Capital reserves, stock options granted and treasury shares | Earnings reserves | Retained earnings or accumulated losses | Other comprehensive income (loss) | Equity |
|---|---|---|---|---|---|---|---|
| 5.01 | Opening balances | 282,999 | 17,909 | - | (484,864) | 11,279 | (172,677) |
| 5.03 | Adjusted opening balances | 282,999 | 17,909 | - | (484,864) | 11,279 | (172,677) |
| 5.04 | Capital transactions with shareholders | 17,754 | 2,410 | - | - | - | 20,164 |
| 5.04.01 | Capital increases | 17,754 | (12,738) | - | - | - | 5,016 |
| 5.04.08 | Special reserve for undistributed mandatory dividends | - | 15,148 | - | - | - | 15,148 |
| 5.05 | Total comprehensive income (loss) | - | - | - | (168,919) | - | (168,919) |
| 5.05.01 | Profit (loss) for the period | - | - | - | (168,919) | - | (168,919) |
| 5.06 | Internal changes in equity | - | - | - | 11,279 | (11,279) | - |
| 5.06.04 | Write-off of Deemed Cost | - | - | - | 11,279 | (11,279) | - |
| 5.07 | Closing balances | 300,753 | 20,319 | - | (642,504) | - | (321,432) |

## Individual interim financial information / Statement of value added - (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

| Account | Description | 01/01/2021 to 06/30/2021 | 01/01/2020 to 06/30/2020 |
|---|---|---|---|
| 7.01 | Revenue | 16 | 25,532 |
| 7.01.02 | Other income | 16 | 25,532 |
| 7.02 | Inputs acquired from third parties | (2,001) | (17,461) |
| 7.02.02 | Materials, electric power, outside services and other | (2,001) | -0.022 |
| 7.02.04 | Other | - | 4,909 |
| 7.02.04.02 | Other operating expenses | - | 4,909 |
| 7.03 | Gross value added | (1,985) | 8,071 |
| 7.04 | Retentions | 1,732 | (2,169) |
| 7.04.01 | Depreciation, amortization and depletion | (27) | (31) |
| 7.04.02 | Other | 1,759 | (2,138) |
| 7.04.02.01 | Loss from discontinued operations | 1,759 | (2,138) |
| 7.05 | Net wealth created | (253) | 5,902 |
| 7.06 | Wealth received in transfer | (30,327) | (167,289) |
| 7.06.01 | Share of profit (loss) of investees | (31,194) | (167,868) |
| 7.06.02 | Finance income | 867 | 579 |
| 7.07 | Total wealth for distribution | (30,580) | (161,387) |
| 7.08 | Wealth distributed | (30,580) | (161,387) |
| 7.08.01 | Personnel | 655 | 690 |
| 7.08.01.01 | Salaries and wages | 501 | 482 |
| 7.08.01.02 | Benefits | 13 | 70 |
| 7.08.01.03 | Severance Pay Fund (FGTS) | - | 1 |
| 7.08.01.04 | Other | 141 | 137 |
| 7.08.02 | Taxes and contributions | 53 | 6,462 |
| 7.08.02.01 | Federal | 53 | 6,327 |
| 7.08.02.03 | Municipal | - | 135 |
| 7.08.03 | Lenders and lessors | 720 | 380 |
| 7.08.03.01 | Interest | 57 | 33 |
| 7.08.03.03 | Other | 663 | 347 |
| 7.08.03.03.01 | Finance costs | 663 | 347 |
| 7.08.04 | Shareholders | (32,008) | (168,919) |
| 7.08.04.03 | Retained earnings / Loss for the period | (32,008) | (168,919) |

## Consolidated interim financial information / Balance sheet - Assets - (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

| Account | Description | 06/30/2021 | 12/31/2020 |
|---|---|---|---|
| 1 | Total assets | 279,126 | 333,193 |
| 1.01 | Current assets | 122,439 | 145,597 |
| 1.01.01 | Cash and cash equivalents | 8,008 | 28,603 |
| 1.01.03 | Trade receivables | 8,799 | 0.015 |
| 1.01.03.01 | Trade receivables | 3,311 | 7,333 |
| 1.01.03.02 | Other receivables | 5,488 | 7,527 |
| 1.01.03.02.01 | Advances to suppliers | 4,665 | 6,662 |
| 1.01.03.02.02 | Other supplier accounts | 591 | 620 |
| 1.01.03.02.04 | Other | 232 | 245 |
| 1.01.04 | Inventories | 28,175 | 45,649 |
| 1.01.06 | Recoverable taxes | 54,380 | 33,309 |
| 1.01.06.01 | Current recoverable taxes | 54,380 | 33,309 |
| 1.01.07 | Prepaid expenses | 1,650 | 1,749 |
| 1.01.08 | Other current assets | 21,427 | 21,427 |
| 1.01.08.01 | Noncurrent assets available for sale | 21,427 | 21,427 |
| 1.02 | Noncurrent assets | 156,687 | 187,596 |
| 1.02.01 | Long-term assets | 48,468 | 73,832 |
| 1.02.01.08 | Prepaid expenses | 758 | 1,381 |
| 1.02.01.10 | Other noncurrent assets | 47,710 | 72,451 |
| 1.02.01.10.03 | Judicial deposits | 26,617 | 26,406 |
| 1.02.01.10.04 | Recoverable taxes | 19,611 | 44,579 |
| 1.02.01.10.06 | Other | 1,482 | 1,466 |
| 1.02.02 | Investments | 150 | 150 |
| 1.02.02.01 | Equity interests | 23 | 23 |
| 1.02.02.01.05 | Other investments | 23 | 23 |
| 1.02.02.02 | Investment Properties | 127 | 127 |
| 1.02.03 | Property and equipment | 108,069 | 113,614 |
| 1.02.03.01 | Property, plant and equipment in use | 10,226 | 12,082 |
| 1.02.03.02 | Right of use - Lease | 97,843 | 101,532 |

**Consolidated interim financial information / Balance sheet - Liabilities - (R$ thousand)**

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

| Account | Description | 06/30/2021 | 12/31/2020 |
|---|---|---|---|
| 2 | Total liabilities | 279,126 | 333,193 |
| 2.01 | Current liabilities | 187,719 | 213,849 |
| 2.01.01 | Payroll and related taxes | 4,442 | 5,770 |
| 2.01.01.01 | Social security obligations | 1,568 | 1,503 |
| 2.01.01.02 | Payroll related obligations | 2,874 | 4,267 |
| 2.01.02 | Trade payables | 83,536 | 104,394 |
| 2.01.02.01 | Domestic suppliers | 83,307 | 104,148 |
| 2.01.02.02 | Foreign suppliers | 229 | 246 |
| 2.01.03 | Taxes payable | 1,310 | 1,190 |
| 2.01.03.01 | Taxes payable - Federal | 558 | 578 |
| 2.01.03.01.02 | Withholding income tax | 314 | 386 |
| 2.01.03.01.03 | Taxes in installments - Law No. 12.966/14 | 105 | - |
| 2.01.03.01.05 | Other | 139 | 192 |
| 2.01.03.02 | Taxes payable - State | 659 | 595 |
| 2.01.03.02.01 | Value-added tax on sales and services | 58 | 92 |
| 2.01.03.02.02 | Taxes in installments - State | 601 | 503 |
| 2.01.03.03 | Taxes payable - Municipal | 93 | 17 |
| 2.01.04 | Borrowings and financing | 39,663 | 52,816 |
| 2.01.04.01.01 | In local currency | 19,126 | 31,740 |
| 2.01.04.03.01 | In local currency | 20,537 | 21,076 |
| 2.01.05 | Other payables | 57,487 | 48,682 |
| 2.01.05.02.05 | Operating lease | 14,220 | 5,609 |
| 2.01.05.02.08 | Advances from customers | 125 | 1,993 |
| 2.01.05.02.09 | Creditors - Judicial Reorganization | 12,587 | 10,384 |
| 2.01.05.02.11 | Other payables | 30,555 | 30,696 |
| 2.01.06 | Provisions | 1,281 | 997 |
| 2.01.06.02 | Other provisions | 1,281 | 997 |
| 2.02 | Noncurrent liabilities | 668,537 | 664,463 |
| 2.02.01 | Borrowings and financing | 240,015 | 223,861 |
| 2.02.01.01 | Borrowings and financing | 144,247 | 124,280 |
| 2.02.01.03 | Finance lease | 95,768 | 99,581 |
| 2.02.02 | Other payables | 195,849 | 193,454 |
| 2.02.02.02 | Other | 195,849 | 193,454 |
| 2.02.02.02.03 | Taxes in installments - Law No. 12.966/14 | 394 | - |
| 2.02.02.02.04 | Creditors - Judicial Reorganization | 190,172 | 187,559 |
| 2.02.02.02.06 | Taxes in installments - State | 955 | 865 |
| 2.02.02.02.07 | Other | 4,328 | 5,030 |
| 2.02.04 | Provisions | 232,673 | 247,148 |
| 2.02.04.01 | Provisions for social security, labor and civil risks | 232,673 | 247,148 |
| 2.02.04.01.01 | Provisions for tax risks | 201,480 | 224,998 |
| 2.02.04.01.02 | Provision for social security and labor risks | 9,821 | 8,666 |
| 2.02.04.01.04 | Provision for civil risks | 21,372 | 13,484 |
| 2.03 | Consolidated Equity | (557,130) | (545,119) |
| 2.03.01 | Paid-in capital | 301,976 | 301,976 |
| 2.03.02 | Capital reserves | 46,363 | 46,363 |
| 2.03.02.04 | Stock options granted | 5,329 | 5,329 |
| 2.03.02.07 | Subscription bonus | 41,034 | 41,034 |
| 2.03.04 | Earnings reserves | (233) | (233) |
| 2.03.04.09 | Treasury shares | (233) | (233) |
| 2.03.05 | Retained earnings (accumulated losses) | (936,467) | (904,459) |
| 2.03.06 | Valuation adjustments to equity | 11,279 | 11,279 |
| 2.03.09 | Noncontrolling Interests | (48) | (45) |

# Consolidated interim financial information / Statement of profit and loss - (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

| Account | Description | 04/01/2021 to 06/30/2021 | 01/01/2021 to 06/30/2021 | 04/01/2020 to 06/30/2020 | 01/01/2020 to 06/30/2020 |
|---|---|---|---|---|---|
| 3.01 | Revenue from sales and/or services | 19,751 | 43,152 | 27,702 | 164,384 |
| 3.01.01 | Gross revenue from sales and/or services | 20,391 | 44,499 | 27,960 | 169,225 |
| 3.01.02 | Deductions from gross revenue | (640) | (1,347) | (258) | (4,841) |
| 3.02 | Cost of sales and/or services | (11,605) | (31,489) | (25,532) | (111,457) |
| 3.03 | Gross profit (loss) | 8,146 | 11,663 | 2,170 | 52,927 |
| 3.04 | Operating income (expenses) | (14,204) | (30,231) | (107,564) | (196,058) |
| 3.04.01 | Selling expenses | (14,499) | (26,696) | (24,773) | (68,543) |
| 3.04.02 | General and administrative expenses | (8,919) | (16,508) | (13,772) | (37,945) |
| 3.04.02.01 | Management fees | (457) | (939) | (282) | (866) |
| 3.04.02.04 | Other | (8,462) | (15,569) | (13,490) | (37,079) |
| 3.04.04 | Other operating income | 16,269 | 27,141 | 16,053 | 28,817 |
| 3.04.05 | Other operating expenses | (7,055) | (14,168) | (85,072) | (118,387) |
| 3.04.05.01 | Depreciation and amortization | (4,538) | (9,468) | (13,601) | (29,613) |
| 3.04.05.02 | Other | (2,517) | (4,700) | (71,471) | (88,774) |
| 3.05 | Profit (loss) before finance income (costs) and taxes | (6,058) | (18,568) | (105,394) | (143,131) |
| 3.06 | Finance income (costs) | (7,227) | (15,202) | (5,701) | (17,417) |
| 3.06.01 | Finance income | 2,533 | 3,470 | 298 | 1,289 |
| 3.06.02 | Finance costs | (9,760) | (18,672) | (5,999) | (18,706) |
| 3.07 | Profit (loss) before taxes on income | (13,285) | -0.034 | (111,095) | (160,548) |
| 3.08 | Income tax and social contribution | - | - | (6,247) | (6,247) |
| 3.08.01 | Current | - | - | (6,247) | (6,247) |
| 3.09 | Profit (loss) from continuing operations | (13,285) | (33,770) | (117,342) | (166,795) |
| 3.10 | Profit (loss) from discontinued operations | (103) | 1,759 | (855) | (2,138) |
| 3.10.01 | Profit/loss from discontinued operations | (103) | 1,759 | (855) | (2,138) |
| 3.11 | Consolidated profit/loss for the period | (13,388) | (32,011) | (118,197) | (168,933) |
| 3.11.01 | Attributable to the Company's owners | (13,387) | (32,008) | (118,187) | (168,919) |
| 3.11.02 | Attributable to noncontrolling interests | (1) | (3) | (10) | (14) |
| 3.99 | Earnings (loss) per share (R$/share) | | | | |
| 3.99.01 | Basic earnings (loss) per share | | | | |
| 3.99.01.01 | Common share | (0.21113) | (0.50511) | (3.22283) | (4.96725) |
| 3.99.01.02 | Preferred share | (0.21109) | (0.50541) | (3.09968) | (4.50934) |
| 3.99.02 | Diluted earnings (loss) per share | | | | |
| 3.99.02.01 | Common share | (0.21113) | (0.50511) | (3.22283) | (4.96725) |
| 3.99.02.02 | Preferred share | (0.21109) | (0.50541) | (3.09968) | (4.50934) |

**Consolidated interim financial information / Statement of comprehensive loss - (R$ thousand)**
(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

| Account | Description | 04/01/2021 to 06/30/2021 | 01/01/2021 to 06/30/2021 | 04/01/2020 to 06/30/2020 | 01/01/2020 to 06/30/2020 |
|---|---|---|---|---|---|
| 4.01 | Consolidated profit (loss) for the period | (13,388) | (32,011) | (118,197) | (168,933) |
| 4.03 | Consolidated comprehensive income (loss) for the period | (13,388) | (32,011) | (118,197) | (168,933) |
| 4.03.01 | Attributable to the Company's owners | (13,387) | (32,008) | (118,187) | (168,919) |
| 4.03.02 | Attributable to noncontrolling interests | (1) | (3) | (10) | (14) |

**Consolidated interim financial information / Statement of cash flows - (R$ thousand) - Indirect Method**

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

| Account | Description | 01/01/2021 to 06/30/2021 | 01/01/2020 to 06/30/2020 |
|---|---|---|---|
| 6.01 | Net cash provided by operating activities | (7,062) | 29,900 |
| 6.01.01 | Cash provided by operations | (15,899) | (44,221) |
| 6.01.01.01 | Profit (loss) before income tax and social contribution | (33,770) | (166,795) |
| 6.01.01.02 | Depreciation and amortization | 10,326 | 31,276 |
| 6.01.01.03 | Allowance for expected credit losses | 158 | (236) |
| 6.01.01.04 | Gain (loss) on write-off and sale of property and equipment and investment | (24) | 682 |
| 6.01.01.05 | Finance charges on borrowings and obligations | 12,451 | 11,667 |
| 6.01.01.08 | Allowance for inventory losses | 6,096 | (10,729) |
| 6.01.01.09 | Impairment losses | (394) | 77,076 |
| 6.01.01.10 | Other operating provisions | (10,742) | 12,838 |
| 6.01.02 | Changes in assets and liabilities | 8,837 | 74,121 |
| 6.01.02.01 | Trade receivables - customers | 3,864 | 11,986 |
| 6.01.02.02 | Inventories | 11,378 | 40,219 |
| 6.01.02.03 | Other receivables | 5,345 | 36,481 |
| 6.01.02.04 | Trade payables | (20,858) | 14,411 |
| 6.01.02.05 | Income tax and social contribution | - | 6,247 |
| 6.01.02.06 | Payment of interest on borrowings and financing | (429) | - |
| 6.01.02.08 | Other operating liabilities | 6,542 | (33,444) |
| 6.01.02.09 | Cash flows from operations and discontinued operations | 2,995 | (1,779) |
| 6.02 | Net cash provided by investing activities | (162) | (2,244) |
| 6.02.01 | Purchase of property and equipment and intangible assets | (186) | (2,271) |
| 6.02.02 | Proceeds from sales of fixed assets | 24 | 27 |
| 6.03 | Net cash provided by financing activities | (13,371) | (14,871) |
| 6.03.01 | Advance for future capital increase | - | 5,016 |
| 6.03.02 | Payments of dividends and interest on capital | - | 15,148 |
| 6.03.05 | Amortization of borrowings and financing | (13,371) | (35,035) |
| 6.05 | Increase (decrease) in cash and cash equivalents | (20,595) | 12,785 |
| 6.05.01 | Cash and cash equivalents at the beginning of the period | 28,603 | 20,464 |
| 6.05.02 | Cash and cash equivalents at the end of the period | 8,008 | 33,249 |

## Consolidated interim financial information / Statement of changes in equity DMPL - 01/01/2021 – 06/30/2021 - (R$ thousand)

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

| Account | Description | Paid-in | Capital reserves, stock options granted and treasury shares | Earnings reserves | Retained earnings or accumulated losses | Other comprehensive income (loss) | Equity | Noncontrolling interests | Consolidated equity |
|---|---|---|---|---|---|---|---|---|---|
| 5.01 | Opening balances | 301,976 | 46,130 | - | (904,459) | 11,279 | (545,074) | (45) | (545,119) |
| 5.03 | Adjusted opening balances | 301,976 | 46,130 | - | (904,459) | 11,279 | (545,074) | (45) | (545,119) |
| 5.05 | Total comprehensive income (loss) | - | - | - | (32,008) | - | (32,008) | (3) | (32,011) |
| 5.05.01 | Profit (loss) for the period | - | - | - | (32,008) | - | (32,008) | (3) | (32,011) |
| 5.07 | Closing balances | 301,976 | 46,130 | - | (936,467) | 11,279 | (577,082) | (48) | (577,130) |

**Consolidated interim financial information / Statement of changes in equity – DMPL - 01/01/2020 – 06/30/2020 (R$ thousand)**
(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

| Account | Description | Paid-in | Capital reserves, stock options granted and treasury shares | Earnings reserves | Retained earnings or accumulated losses | Other comprehensive income (loss) | Equity | Noncontrolling interests | Consolidated equity |
|---|---|---|---|---|---|---|---|---|---|
| 5.01 | Opening balances | 282,999 | 17,909 | - | (484,864) | 11,279 | (172,677) | (12) | (172,689) |
| 5.03 | Adjusted opening balances | 282,999 | 17,909 | - | (484,864) | 11,279 | (172,677) | (12) | (172,689) |
| 5.04 | Capital transactions with shareholders | 17,754 | 2,410 | - | - | - | 20,164 | - | 20,164 |
| 5.04.01 | Capital increases | 17,754 | (12,738) | - | - | - | 5,016 | - | 5,016 |
| 5.04.08 | Special reserve for undistributed mandatory dividends | - | 15,148 | - | - | - | 15,148 | - | 15,148 |
| 5.05 | Total comprehensive income (loss) | - | - | - | (168,919) | - | (168,919) | (14) | (168,933) |
| 5.05.01 | Profit (loss) for the period | - | - | - | (168,919) | - | (168,919) | (14) | (168,933) |
| 5.06 | Internal changes in equity | - | - | - | 11,279 | (11,279) | - | - | - |
| 5.06.04 | Write-off of Deemed Cost | - | - | - | 11,279 | (11,279) | - | - | - |
| 5.07 | Closing balances | 300,753 | 20,319 | - | (642,504) | - | (321,432) | (26) | (321,458) |

## Consolidated interim financial information / Statement of value added - (R$ thousand)

| Account | Description | 01/01/2021 to 06/30/2021 | 01/01/2020 to 06/30/2020 |
|---|---|---|---|
| 7.01 | Revenue | 71,223 | 220,655 |
| 7.01.01 | Sales of goods, products and services | 44,216 | 169,938 |
| 7.01.02 | Other income | 27,165 | 50,953 |
| 7.01.04 | Allowance/Reversal of allowance for expected credit losses | (158) | (236) |
| 7.02 | Inputs acquired from third parties | (61,993) | (279,332) |
| 7.02.01 | Cost of products, goods and services rendered | (31,501) | (113,234) |
| 7.02.02 | Materials, electric power, outside services and other | (30,098) | (88,313) |
| 7.02.04 | Other | (394) | (77,785) |
| 7.02.04.02 | Other operating expenses | (394) | (77,785) |
| 7.03 | Gross value added | 9,230 | (58,677) |
| 7.04 | Retentions | (8,567) | (33,414) |
| 7.04.01 | Depreciation, amortization and depletion | (10,326) | (31,276) |
| 7.04.02 | Other | 1,759 | (2,138) |
| 7.04.02.01 | Loss from discontinued operations | 1,759 | (2,138) |
| 7.05 | Net wealth created | 663 | (92,091) |
| 7.06 | Wealth received in transfer | 3,470 | 1,289 |
| 7.06.02 | Finance income | 3,470 | 1,289 |
| 7.07 | Total wealth for distribution | 4,133 | (90,802) |
| 7.08 | Wealth distributed | 4,133 | (90,802) |
| 7.08.01 | Personnel | 13,618 | 42,180 |
| 7.08.01.01 | Salaries and wages | 8,570 | 25,452 |
| 7.08.01.02 | Benefits | 2,810 | 7,608 |
| 7.08.01.03 | Severance Pay Fund (FGTS) | 936 | 4,324 |
| 7.08.01.04 | Other | 1,302 | 4,796 |
| 7.08.02 | Taxes and contributions | 3,016 | 16,810 |
| 7.08.02.01 | Federal | 1,648 | 12,061 |
| 7.08.02.02 | State | 625 | 2,620 |
| 7.08.02.03 | Municipal | 743 | 2,129 |
| 7.08.03 | Lenders and lessors | 19,510 | 19,141 |
| 7.08.03.01 | Interest | 13,024 | 12,519 |
| 7.08.03.02 | Rentals | 1,253 | 727 |
| 7.08.03.03 | Other | 5,233 | 5,895 |
| 7.08.03.03.01 | Finance costs | 5,233 | 5,895 |
| 7.08.04 | Shareholders | (32,011) | (168,933) |
| 7.08.04.03 | Retained earnings / Loss for the period | (32,008) | (168,919) |
| 7.08.04.04 | Noncontrolling interests in retained earnings | (3) | (14) |

## 1. GENERAL INFORMATION

Saraiva Livreiros S.A. – under judicial reorganization ("Parent Company"), is a Brazilian publicly-held corporation headquartered, founded in 1914, at Rua Henrique Schaumann, 270, in the city of São Paulo, State of São Paulo, with shares traded on B3 S.A. - Brasil, Bolsa Balcão ("B3") under the ticker symbols SLED3 and SLED4 and Level 2 of Corporate Governance, engaged in the retail segment by means of Saraiva e Siciliano S A under judicial reorganization ("Varejo" or "Subsidiary").

Varejo is a Brazilian privately-held company headquartered in the city of São Paulo, State of São Paulo, controlled by the Parent, which holds a direct equity interest of 99.99% in its is common shares, and is primarily engaged in the retail of books and stationary. Sales is carried out through electronic retail, a network of 38 stores and by means of its own marketplace, integrated to the e-commerce.

The Company and its subsidiary are undergoing judicial reorganization, ratified on September 4, 2019. On July 3, 2020, the Company submitted the Addendum to the Original Court-Ordered Reorganization Plan (Amended Plan) for approval by the General Creditors' Meeting and for judicial ratification, which was approved on February 26, 2021 and ratified on March 5, 2021 (Note No. 31).

Concurrently, the Company continues with the implementation of the Action Plan approved by the Board of Directors, in line with the provisions of the Amended Plan, which aims at promoting a structural change in processes at all levels of activities of the Company and its subsidiary, through the implementation of a restructuring culture and is based on the following ongoing projects:

- New supply management
- Full e-commerce
- Back-Office optimization
- Restructuring the store network

The projects will contribute to making the Company leaner and more efficient without compromising the operation.

The increase in COVID-19 cases in the first semester of 2021 required greater austerity of the restriction measures imposed by government authorities. The Management of the Company and its subsidiary maintained the measures adopted to face the impacts of the pandemic disclosed in the annual financial statements published as of March 31, 2021, closely following all the guidelines and security protocols defined by the state governments. With the advance of vaccination and its positive effects, we expect that the restrictive measures will be relaxed and the economy will recover. The impacts brought to the operation as a result of the restrictive measures adopted will still be assessed by Management. Management continues committed in performing the necessary adjustments to ensure the success of the court-ordered reorganization process, even in the face of the restrictions imposed by the pandemic, seeking to quickly adapt to changes in scenarios. Moreover, it relies on the recovery of the book market in Brazil and Nova Saraiva that is being built and, thus, maintains its optimism regarding its capacity to recover and maintain the operating activity.

## 2. BASIS OF PREPARATION AND PRESENTATION OF THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION

***Statement of compliance***

The interim financial information includes the individual and consolidated interim financial information, prepared and presented in accordance with CPC 21 - Interim Financial Reporting, and the consolidated interim financial information in accordance with CPC 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Interim

Financial Information (ITR). The accounting practices adopted in Brazil applied to the individual financial information do not differ from the International Financial Reporting Standards (IFRS), which has permitted entities to measure investments in subsidiaries, associates and shared-control companies in the separate financial statements using the equity method of accounting.

All material information related to the interim individual and consolidated accounting information and that alone is being disclosed, which corresponds to that used by Management of the Company and its subsidiary.

The basis of preparation and presentation of the Parent's and Varejo's interim financial information relating to the measurement, functional currency and sources of judgment and estimates are the same as those disclosed in the financial statements for the year ended December 31, 2020 (Note No. 2), published on March 31, 2021.

The Board of Directors' meeting held on August 13, 2021 authorized the completion and disclosure of this individual and consolidated interim financial information, which comprises, when applicable, events occurred subsequently to June 30, 2021.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The individual and consolidated interim financial information was prepared under the same accounting policies as those disclosed in the financial statements for the year ended December 31, 2020 (Note No. 3), published on March 31, 2021.

The results from discontinued operations presented in the quarter comprise the residual results from operations related to the Parent's publishing segment, sold to Editora Ática S.A. in 2015.

New applicable standards and interpretations issued by the IASB, not yet effective:

| STANDARDS | DESCRIPTION | EFFECTIVE PERIOD |
|---|---|---|
| IFRS10 - Consolidated Financial Statements and IAS 28 (amendments) | Sales or Contributions of Assets between an Investor and its Associate/Joint Venture | Undefined |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-Current | 01/01/2023 |
| Amendments to IFRS 3 | Reference to the Conceptual Framework | 01/01/2022 |
| Amendments to IAS 16 | Property, Plant and Equipment — Proceeds before Intended Use | 01/01/2022 |
| Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract | 01/01/2022 |
| Annual Improvements to the 2018–2020 IFRS Cycle | Amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards , IFRS 9 - Financial Instruments, IFRS 16 - Leases | 01/01/2022 |

## 4. CASH AND CASH EQUIVALENTS

### a) Cash and cash equivalents

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 06/30/21 | 12/31/20 | 06/30/21 | 12/31/20 |
| Cash and banks - hedging account | 6,932 | 121 | 8,008 | 28,603 |

## 5. TRADE RECEIVABLES - CUSTOMERS

| | Consolidated | |
|---|---|---|
| | 06/30/21 | 12/31/20 |
| Trade notes | 1,890 | 3,988 |
| Credit cards | 1,816 | 3,736 |
| | 3,706 | 7,724 |
| Allowance for expected credit losses | (395) | (391) |
| | 3,311 | 7,333 |

The average collection term for sales of goods made by Varejo ("trade notes receivable") is 18 days (18 days as of December 31, 2020). Trade receivables represented by credit cards are mainly distributed among the following acquiring companies: Rede, Cielo and PagSeguro.

Expected losses for trade notes receivable, overdue and falling due and credit card receivables are estimated based on the probability of collection and considering the loss history in their calculation.

Trade receivables are not adjusted to present value as they mature in the short term and since the effects are not material in the financial statements taken as a whole.
The maximum exposure to credit risk at the end of each period is the carrying amount of each maturity bracket.

Aging list of receivables

| | Consolidated | |
|---|---|---|
| | 06/30/21 | 12/31/20 |
| Current | 1,816 | 4,240 |
| Past-due: | | |
| Up to 60 days | 454 | 836 |
| 61 to 90 days | 200 | 368 |
| 91 to 180 days | 1,023 | 1,886 |
| Over 180 days | 213 | 394 |
| | 3,706 | 7,724 |

Trade receivables from Varejo customers are mostly represented by credit and debit card receivables whose losses are originated by sales cancellations or charge back, either because the transaction is not recognized by the cardholder or due to fraud involving the use of cards. The expected losses related to credit card receipts are estimated based on sales made and the history of losses and are adjusted for credit receipts. An allowance for expected credit losses is recognized based on the likelihood of collection and its calculation considers receivables more than 180 days past due and objective evidence of insolvency, default our delays on the part of the debtor. No other significant losses were identified in analyzing impairment of receivables.

The consolidated amount of losses recorded in the profit (loss) is, respectively: R$ 158 and R$ 236 for the semesters ended June 30, 2021 and 2020.

## 6. INVENTORIES

| | Consolidated | |
|---|---|---|
| | 06/30/21 | 12/31/20 |
| Goods for resale | 39,867 | 51,245 |
| (-) Losses on obsolete inventories | (11,692) | (5,596) |
| | 28,175 | 45,649 |

Sale-or-return goods

Varejo has a large volume of sale-or-return goods in the category Books, equal to R$35,167 (R$41,961 as of December 31, 2020). The sale-or-return inventory is recorded in specific control items to appropriate the cost of the goods sold and the amounts payable in this contractual format, so that the inventory presented in the financial statements only reflects permanent acquisitions. The cost of goods sold is appropriated to profit or loss for each unit sold on the sale date, regardless of whether the goods were received on a sale-or-return or permanent acquisition basis.

In the semester ended June 30, 2021, there were returns of goods received on consignment in the amount of R$ 580. In the period from July 1, 2021 and the date of completing this accounting information, goods received on consignment were returned in the amount of R$ 738.

Loss on obsolescence of inventories

Varejo's obsolescence losses are estimated for groups of similar items of the inventory in which there is evidence that the goods' net realization value originating from sale in the normal course of business will be lower than cost value due to deterioration, obsolescence, slow-moving nature or lack of movement based on criteria established in the inventory obsolescence loss policy adopted by the Company. The provision recorded for the semester ended June 30, 2021, in the amount of R$ 6,096, is mainly related to the low volumes of sales and purchases in the period of greatest impact of the pandemic.

## 7. RECOVERABLE TAXES

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 06/30/21 | 12/31/20 | 06/30/21 | 12/31/20 |
| Social Contribution to Finance Social Security - COFINS (ii) | 1,659 | 1,687 | 6,046 | 7,681 |
| Social Integration Program - PIS (ii) | 20 | 25 | 1,762 | 1,598 |
| Corporate Income Tax - IRPJ | 1,589 | 2,033 | 5,997 | 7,706 |
| Social Contribution on Net Profit - CSLL | 1,985 | 1,968 | 4,686 | 4,716 |
| Recoverable ICMS (i) | - | - | 55,239 | 55,656 |
| Other | 179 | 179 | 261 | 531 |
| | 5,432 | 5,892 | 73,991 | 77,888 |
| Current assets | 179 | 179 | 54,380 | 33,309 |
| Noncurrent assets | 5,253 | 5,713 | 19,611 | 44,579 |
| | 5,432 | 5,892 | 73,991 | 77,888 |

(i) ICMS and ICMS through tax substitution (ICMS ST) of the business and supply operations of Varejo, in the amount of R$ 55,239 for ICMS (R$ 55,656 as of December 31, 2020), net of provision for loss of realizable value in the amount of R$ 45,777 (R$ 45,777 as of December 31, 2020). Administrative measures are in progress before the São Paulo State Finance Department, where, until 2020, the retail supply operations were centralized, with the purpose of recovering accumulated ICMS credits through the e-CredAc system – costing, under the terms of current legislation in the RICMS – SP, in the amount of approximately R$ 54,700, net of impairment in the amount of R$ 9,653, of which Varejo estimates to recover the total amount between the third quarter of 2021 and the first quarter of 2022, through an administrative proceeding. As of March 17, 2021, the Company was formally notified of the approval of the administrative proceeding, resulting in an ICMS credit in the amount of R$ 65,023.

(ii) Substantially consists of PIS/COFINS credits, originated in Varejo's operations, in the amount of R$ 6,129 (R$ 7,568 as of December 31, 2020), net of realization impairment of R$ 152,043 (R$ 151,987 as of December 31, 2020), appropriated on purchased goods and services, consumables and expenses in accordance with the existing legislation for the period 2014 to 2021, not offset by the end of the year against the amount payable and paid of these contributions.

Exclusion of ICMS from PIS and COFINS calculation basis

Varejo received the final and unappealable decisions in four lawsuits claiming the exclusion of ICMS from the PIS and COFINS calculation basis between December 2018 and September 2020, subject to judgment of the Extraordinary Appeal with General Repercussion – RE 574.706/PR, which decided that the ICMS does not comprise the companies' billing or gross revenue and, therefore, should be excluded from the calculation basis of said contributions.

On May 13, 2021, the Federal Supreme Court (STF) ruled on the motions for clarification presented by the General Attorney's Office of the National Treasury, establishing the modulation of the effects of the decision of RE 574.706/PR. By majority vote, the members decided to exclude the ICMS highlighted in the invoices from the PIS/COFINS calculation basis retroactively, applicable to taxpayers who filed lawsuits up to March 15, 2017, as is the case of the subsidiary. The subsidiary's Management assesses the impacts and the revision of the estimated amount and realization of credits, originally recorded considering the ICMS effectively collected (COSIT Solution 13/18), in accordance with the STF decision of May 13, 2021 for the four lawsuits filed.

(iii) Represented by credits resulting from the annual calculations of income tax and social contribution on net income, collected by the estimate system.

Management estimated a loss in the realization of tax credits in the total amount of R$ 197,797 (R$ 197,764 as of December 31, 2020).

## 8. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred income tax and social contribution

The realization of deferred tax assets recognized in Parent and Varejo on temporary differences was considered up to the limit of deferred tax liabilities recognized on temporary differences.

The tax credits originating from income tax - IR and the social contribution on net income - CSLL calculated respectively on Varejo's tax losses and negative CSLL basis were reversed as there is no history of taxable income or evidence they will be taxable income in the future, pursuant to CPC 32 – Income Taxes.

b) Reconciliation of effective income tax and social contribution expense

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 06/30/21 | 06/30/20 | 06/30/21 | 06/30/20 |
| Accounting loss before income tax and social contribution | (33,767) | (160,534) | (33,770) | (160,548) |
| Combined tax rate | 34% | 34% | 34% | 34% |
| Income tax and social contribution at the combined tax rate | 11,481 | 54,582 | 11,482 | 54,586 |
| Permanent additions - nondeductible expenses | - | (10) | (1,637) | (4,407) |
| Permanent deductions: | | | | |
| Share of profit (loss) of investees | (10,606) | (57,075) | - | - |
| Unrecognized tax credits | (875) | (3,744) | (9,845) | (56,426) |
| | - | (6,247) | - | (6,247) |
| Income tax and social contribution on profit (loss) for the period: | | | | |
| Current | - | (6,247) | - | (6,247) |

## 9. RELATED PARTIES

a) Business transactions and intragroup loans

The Parent's related parties are as follows:

- Varejo – subsidiary;

Related-party transactions include donation operations; reimbursement of subsidiary´s expenses and intragroup loans.

Loans awarded to the Subsidiary:

| | 06/30/21 | 12/31/20 |
|---|---|---|
| Balances at the beginning of the period | 61,875 | - |
| Borrowings | 7,948 | 69,701 |
| Payments made | (18,001) | (8,799) |
| Finance costs | 750 | 973 |
| Balances at the end of the period | 52,572 | 61,875 |

b) Remuneration of the members of the Board of Directors and of the Board of Directors:

| | Parent | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | 04/01/21 to 06/30/21 | 01/01/21 to 06/30/21 | 04/01/20 to 06/30/20 | 01/01/20 to 06/30/20 | 04/01/21 to 06/30/21 | 01/01/21 to 06/30/21 | 04/01/20 to 06/30/20 | 01/01/20 to 06/30/20 |
| Board of Directors´ fees | 269 | 540 | 173 | 474 | 271 | 565 | 193 | 522 |
| Executive Board fees | 5 | 9 | (1) | 4 | 186 | 374 | 89 | 344 |
| Subtotal | 274 | 549 | 172 | 478 | 457 | 939 | 282 | 866 |
| Other compensation | 67 | 131 | 30 | 120 | 115 | 231 | 73 | 234 |
| | 341 | 680 | 202 | 598 | 572 | 1,170 | 355 | 1,100 |

The Parent does not grant postemployment and severance benefits. Under Brazilian Corporate Law and the Parent’s bylaws, shareholders are responsible for setting, at the Annual Shareholders’ Meeting, the overall compensation of the Board of Directors and the Executive Board. Management members may be granted profit sharing under article 152 of Law No. 6404/76.

## 10. INVESTMENTS

Varejo's equity interests and main information:

| | 06/30/21 | 12/31/20 |
|---|---|---|
| Number of shares - in thousands | 489,666 | 489,666 |
| Number of shares held - in thousands | 489,626 | 489,626 |
| Equity interest | 99.99% | 99.99% |
| Parent´s share in equity (including receivables from Varejo) | 100.00% | 100.00% |
| Capital | 515,123 | 515,123 |
| Equity | (586,115) | (554,919) |
| Allowance for investment losses | (586,067) | (554,874) |

Basis to calculate share of profit (loss) of investees by the Parent:

| | Subsidiary | | | |
|---|---|---|---|---|
| | 04/01/21 to 06/30/21 | 01/01/21 to 06/30/21 | 04/01/20 to 06/30/20 | 01/01/20 to 06/30/20 |
| Calculation basis of share of (profit) loss of investee: | | | | |
| Varejo's loss | (12,245) | (31,197) | (119,581) | (167,882) |
| Equity income (loss) | (12,243) | (31,194) | (119,571) | (167,868) |

Changes in investments were as follows:

| | 06/30/21 | 12/31/20 |
|---|---|---|
| Share of Varejo's profit | (31,194) | (407,039) |
| Portion exceeding the carrying amount of the equity interest transferred to noncurrent liabilities | 31,194 | 407,039 |
| Balance at the end of period/year | - | - |

Varejo's main information:

| | 06/30/21 | 12/31/20 |
|---|---|---|
| Total assets | 231,737 | 291,051 |
| Current and noncurrent liabilities | 817,852 | 845,970 |
| Equity | (586,115) | (554,919) |

| | 06/30/21 | 06/30/20 |
|---|---|---|
| Net operating revenue | 43,152 | 164,384 |
| Costs of sales and services | (31,489) | (111,457) |
| Gross profit | 11,663 | 52,927 |
| Operating expenses | (40,999) | (104,654) |
| Depreciation | (9,441) | (29,582) |
| Other | 22,929 | (68,970) |
| Profit (loss) from operations | (15,848) | (150,279) |
| Finance income (costs) | (15,349) | (17,603) |
| Profit (loss) before taxes | (31,197) | (167,882) |
| Loss | (31,197) | (167,882) |

## 11. PROPERTY AND EQUIPMENT

| | | Parent | | | | | |
|---|---|---|---|---|---|---|---|
| | Annual depreciation rate - % | 06/30/21 | | | 12/31/20 | | |
| | | Cost | Accumulated depreciation | Net value | Cost | Accumulated depreciation | Net value |
| Machinery and equipment | 10 | 679 | (679) | - | 679 | (679) | - |
| Furniture, fixtures and facilities | 10 | 2,490 | (2,382) | 108 | 2,490 | (2,359) | 131 |
| Leasehold improvements | (*) | 5,421 | (5,403) | 18 | 5,421 | (5,399) | 22 |
| IT equipment | 20 | 12,387 | (12,387) | - | 12,387 | (12,387) | - |
| | | 20,977 | (20,851) | 126 | 20,977 | (20,824) | 153 |

(*) The facilities and leasehold improvements are depreciated over the shortest of the lease term or the economic useful lives of the assets.

| | | Consolidated | | | | | |
|---|---|---|---|---|---|---|---|
| | Annual depreciation rate - % | 06/30/21 | | | 12/31/20 | | |
| | | Cost | Accumulated depreciation | Net value | Cost | Accumulated depreciation | Net value |
| Machinery and equipment | 10 | 1,055 | (1,054) | 1 | 1,080 | (1,079) | 1 |
| Furniture, fixtures and facilities | 10 | 27,105 | (23,696) | 3,409 | 28,599 | (24,727) | 3,872 |
| Leasehold improvements | (*) | 62,256 | (56,656) | 5,600 | 70,306 | (63,837) | 6,469 |
| IT equipment | 20 | 32,944 | (31,728) | 1,216 | 33,564 | (31,824) | 1,740 |
| Leased asset | | 135,272 | (37,429) | 97,843 | 135,630 | (34,098) | 101,532 |
| | | 258,632 | (150,563) | 108,069 | 269,179 | (155,565) | 113,614 |

(*) The facilities and leasehold improvements are depreciated over the shortest of the lease term or the economic useful lives of the assets.

Changes in Property and equipment were as follows:

| | Parent | | |
|---|---|---|---|
| | 12/31/20 | Additions | 06/30/21 |
| Cost: | | | |
| Machinery and equipment | 679 | - | 679 |
| Furniture, fixtures and facilities | 2,490 | - | 2,490 |
| Leasehold improvements | 5,421 | - | 5,421 |
| IT equipment | 12,387 | - | 12,387 |
| Total cost | 20,977 | - | 20,977 |
| Accumulated depreciation: | | | |
| Machinery and equipment | (679) | - | (679) |
| Furniture, fixtures and facilities | (2,359) | (23) | (2,382) |
| Leasehold improvements | (5,399) | (4) | (5,403) |
| IT equipment | (12,387) | - | (12,387) |
| Total depreciation | (20,824) | (27) | (20,851) |
| Net value | 153 | (27) | 126 |

| | Consolidated | | | | |
|---|---|---|---|---|---|
| | 12/31/20 | Additions | Write-offs | Impairment loss | 06/30/21 |
| Cost: | | | | | |
| Machinery and equipment | 1,080 | - | - | (25) | 1,055 |
| Furniture, fixtures and facilities | 28,599 | - | - | (1,494) | 27,105 |
| Leasehold improvements | 70,306 | 181 | - | (8,231) | 62,256 |
| IT equipment | 33,564 | 5 | - | (625) | 32,944 |
| Leased asset | 135,630 | 10,227 | (1,900) | (8,685) | 135,272 |
| Total cost | 269,179 | 10,413 | (1,900) | (19,060) | 258,632 |
| Accumulated depreciation: | | | | | |
| Machinery and equipment | (1,079) | - | - | 25 | (1,054) |
| Furniture, fixtures and facilities | (24,727) | (482) | - | 1,513 | (23,696) |
| Leasehold improvements | (63,837) | (1,048) | - | 8,229 | (56,656) |
| IT equipment | (31,824) | (530) | - | 626 | (31,728) |
| Leased asset | (34,098) | (8,266) | 510 | 4,425 | (37,429) |
| Total depreciation | (155,565) | (10,326) | 510 | 14,818 | (150,563) |
| Net value | 113,614 | 87 | (1,390) | (4,242) | 108,069 |

Recovery tests are performed when there are loss indicators. Management reviewed the accounting estimates used to determine the recoverable value of assets related to the chain's stores, temporarily closed in compliance with government guidelines due to COVID-19. In the semester ended June 30, 2021, an impairment reversal of Varejo's assets was estimated in the amount of R$ 428, net of remuneration of lease liability in the amount of R$ 4,670 (estimated loss in the amount of R$ 6,042 in the year ended December 31, 2020, net of remeasurement of lease liability in the amount of R$ 127,327).

## 12. INTANGIBLE ASSETS

| | | Parent | | | | | |
|---|---|---|---|---|---|---|---|
| | | 06/30/21 | | | 12/31/20 | | |
| | Annual amortizationrate - % | Cost | Accumulated amortization | Net value | Cost | Accumulated amortization | Net value |
| Software | 20 | 710 | (710) | - | 710 | (710) | - |

| | | Consolidated | | | | | |
|---|---|---|---|---|---|---|---|
| | | 06/30/21 | | | 12/31/20 | | |
| | Annual amortizationrate - % | Cost | Accumulated amortization | Net value | Custo | Accumulated amortization | Net value |
| Commercial assignment | 20 | 6,683 | (6,683) | - | 10,085 | (10,085) | - |
| Software | 20 | 88,667 | (88,667) | - | 88,738 | (88,738) | - |
| | | 95,350 | (95,350) | - | 98,823 | (98,823) | - |

Changes Intangible assets were as follows:

| | Parent | |
|---|---|---|
| | 12/31/20 | 06/30/21 |
| Cost: | | |
| Software | 710 | 710 |
| Accumulated amortization: | | |
| Software | (710) | (710) |
| Net value | - | - |

| | Consolidated | | |
|---|---|---|---|
| | 12/31/20 | Impairment loss | 06/30/21 |
| Cost: | | | |
| Commercial assignment | 10,085 | (3,402) | 6,683 |
| Software | 88,738 | (71) | 88,667 |
| Trademarks and patents | - | - | - |
| Total cost | 98,823 | (3,473) | 95,350 |
| Accumulated amortization: | | | |
| Commercial assignment | (10,085) | 3,402 | (6,683) |
| Software | (88,738) | 71 | (88,667) |
| Total amortization | (98,823) | 3,473 | (95,350) |
| Net value | - | - | - |

The recovery tests are carried out annually regardless of the existence of impairment indicators for goodwill and for intangible assets with an indefinite useful life, and if there are impairment indicators for other intangible assets. In the semester ended June 30, 2021, Management did not identify events that indicate the existence of loss indicators for Varejo's intangible assets (R$ 67,182 in the year ended December 31, 2020, net of reversal of provision for impairment in intangible assets of the parent amounting to R$ 4,909).

## 13. BORROWINGS AND FINANCING

| | Consolidated | |
|---|---|---|
| | 06/30/21 | 12/31/20 |
| In local currency: | | |
| Working capital loans | 163,373 | 156,020 |
| Finance lease | 7,004 | 6,998 |
| | 170,377 | 163,018 |
| Lease financing | | |
| In national currency: | | |
| leases payable - CPC 06 (R2) | 109,301 | 113,659 |
| | 279,678 | 276,677 |
| Current liabilities | 39,663 | 52,816 |
| Noncurrent liabilities | 240,015 | 223,861 |
| | 279,678 | 276,677 |

## Summary of the characteristics of borrowings and financing

| Institution | Purpose | Type | Contract | Maturity | Collaterals | Contracted amount | Finance charges |
|---|---|---|---|---|---|---|---|
| Banco do Brasil S/A | Working capital | CCB | Mar/2017 | Mar/2023 | Parent's collateral signature, property and financial investment | R$ 120,000 | TR + 0.8% p.m. |
| Banco do Brasil S/A | Working capital | CCB | Aug/2017 | Mar/2023 | Parent's collateral signature | R$ 15,000 | TR + 0.8% p.m. |
| Banco do Brasil S/A | Working capital | CCB | Aug/2019 | Mar/2023 | Parent's collateral signature | R$ 1,358 | TR + 0.8% p.m. |
| Banco Itaú S/A | Working capital | CCB | Mar/2019 | May/2022 | Parent's collateral signature and receivables | R$ 16,640 | 100% CDI a.a. + 3% a.a. |
| HP Financial Services S/A | Software and maintenance | Leasing | Nov/2015 | Sept/2023 | Leased asset | R$ 10,709 | 100% CDI a.a. + 0.37% p.m |
| HP Financial Services S/A | Software and maintenance | Leasing | Mar/2017 | Mar/2023 | Leased asset | R$ 6,451 | 100% CDI a.a. + 0.34% p.m |
| SG Equipment Finance S/A | Software and maintenance | Leasing | Dec/2014 | Feb/2024 | Leased asset | R$ 12,223 | - |

## Change in the half ended June 30, 2021

| Descrição | 12/31/20 | Loans obtained | Charges | Major payments and interest | Impairment | 06/30/21 |
|---|---|---|---|---|---|---|
| Working capital loans | 156,020 | - | 7,782 | (429) | - | 163,373 |
| Finance lease | 6,998 | - | 205 | (199) | - | 7,004 |
| leases payable | 113,659 | 8,837 | 4,648 | (13,173) | (4,670) | 109,301 |
| | 276,677 | 8,837 | 12,635 | (13,801) | (4,670) | 279,678 |

## Leases – CPC 06 (R2)

Beginning January 01, 2019, Varejo's Management has recognized and measured lease agreements in accordance with CPC 06 (R2). The lease liability is recognized at the present value of the contractual obligations on the date of the rental agreements with a contra entry to right of use, recorded in a property and equipment account.

Depreciation of property and equipment is carried out under the straight-line basis over the estimated average period of permanence in establishments leased by Varejo, according to each contract. The depreciation incurred in the semester ended June 30, 2021 was R$ 8,266 (Note No. 11).

Interest incurred on lease liabilities was calculated at the incremental rate of loans that would be obtained in a similar operation, considering the economic condition of Varejo, equivalent to 8.53% pa. In the semester ended June 30, 2021, financial expenses were incurred on lease liabilities in the amount of R$ 4,648 (R$ 4,551 as of June 30, 2020).

Information about commercial leases:

Lease contract maturity schedule:

| | Consolidated |
|---|---|
| | 06/30/21 |
| Up to 1 year | 25,059 |
| 1 to 5 year | 83,651 |
| Over 5 year | 37,238 |
| Total | 145,948 |

Potential PIS and Cofins right

The Company has a potential right to recover PIS and Cofins embedded in the consideration of leases for industrial and other plants. The measurement of the cash flows from leases did not segregate tax credits, with the potential effects of PIS and Cofins presented in the table below:

| | National | Adjusted to present value |
|---|---|---|
| Lease payment | 145,948 | 109,301 |
| Potential PIS/Cofins (9.25%) | (12,357) | (9,254) |
| | 133,591 | 100,047 |

Inflationary effects

The Company adopted as an accounting policy the requisites of NBC TG 06 (R3) to measure and remeasure its right of use, based on the discounted cash flow without considering inflation. Management assesses the impacts of using nominal flows and concluded that they do not present material misstatements in the information presented. To ensure accurate representation of the information in line with NBC TG 06 (R3) requirements and to comply with CVM guidelines, balances are provided of the right-of-use asset, depreciation, lease liabilities and finance cost before inflation known as actual flow, and the estimate of the balances including inflation in the comparison periods denominated inflation-indexed flows. The other assumptions, such as the liability maturity schedule and interest rate used in the calculation are disclosed in other items of this note, and the inflation rates are observable in the market, meaning the inflation-indexed flows are prepared by users of the financial statements.

**Right-of-use assets**

| Actual Flow | Consolidated 06/30/21 |
|---|---|
| Right of use | 135,272 |
| Depreciation | (37,429) |
| | 97,843 |

**Lease Liabilities**

| Actual Flow | Consolidated 06/30/21 |
|---|---|
| Lease Liability | 142,977 |
| Finance Costs (unincurred) | (33,676) |
| | 109,301 |

| Inflation Flow | Consolidated 06/30/21 |
|---|---|
| Right of use | 142,374 |
| Depreciation | (39,394) |
| | 102,980 |
| Source: Globo.com (IBGE) | 4.31% |

| Inflation Flow | Consolidated 06/30/21 |
|---|---|
| Lease Liability | 150,484 |
| Finance Costs (unincurred) | (35,444) |
| | 115,040 |

Other information about commercial leases

Right-of-use assets

| | |
|---|---|
| Initial adoption - 12/31/20 | 101,532 |
| Additions/Write-offs | 8,837 |
| Amortization | (8,266) |
| Remeasurement of the right of use | (4,260) |
| Balances at 06/30/21 | 97,843 |

Lease Liability

| | |
|---|---|
| Initial adoption - 12/31/20 | 113,659 |
| Interest incurred | 4,648 |
| Payments made | (13,173) |
| Additions/Write-offs | 8,837 |
| Remeasurement of the Lease Liabilities | (4,670) |
| Balances at 06/30/21 | 109,301 |

Information about variable commercial lease expenses not included in the measurement of the Company and Varejo's lease liability can be seen in Note No. 25.

## 14. DEFERRED REVENUE - CUSTOMER LOYALTY PROGRAM

Varejo's Saraiva Plus loyalty program promotes product purchases made by customers in stores and via e-commerce, which are transformed into points, which are accumulated according to the program's rules and can be used as credit for payment on future purchases. For every 500 points (Bonus) earned through purchases, the customer receives a voucher in the amount of R$ 10.00 to be used in up to three months as a discount on future purchases at any store and in the Varejo's e-commerce, with free use for the purchase of any product. Vouchers issued and not used have the right-of-use expired within three months. The points acquired that do not accumulate 500 points expire after 12 months. Sales revenue, leveraged by the loyalty program, is recorded in deferred revenue, under current liabilities, at the amount of the accumulated points, according to the accumulation rules. Deferred revenue is recognized in the profit (loss) based on the effective use of vouchers acquired by customers and on the effective expiration of the right-of-use of vouchers and points that have not accumulated Bonuses.

As of June 30, 2021, the deferred revenue from the loyalty program, recorded under a specific account in the consolidated, is R$ 1,281 (R$ 997 as of December 31, 2020).

## 15. TRADE PAYABLES

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 06/30/21 | 12/31/20 | 06/30/21 | 12/31/20 |
| Domestic suppliers | 565 | 1,254 | 83,307 | 104,148 |
| Foreign suppliers | - | - | 229 | 246 |
| | 565 | 1,254 | 83,536 | 104,394 |

Breakdown of balances by maturity:

| | Consolidated | |
|---|---|---|
| | 06/30/21 | 12/31/20 |
| Neither past due nor | 21,360 | 22,361 |
| Overdue by: | | |
| Up to 60 days | 6,529 | 5,079 |
| 61 to 90 days | 590 | 1,636 |
| 91 to 180 days | 3,554 | 15,720 |
| Over 180 days | 51,503 | 59,598 |
| | 83,536 | 104,394 |

## 16. TAXES AND CONTRIBUTIONS PAYABLE

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 06/30/21 | 12/31/20 | 06/30/21 | 12/31/20 |
| Tax on the circulation of goods and services ICMS | - | - | 58 | 92 |
| Withholding income tax (IRRF) | 144 | 131 | 314 | 386 |
| Social contributions withheld at source on services taken from legal entities | 30 | 33 | 45 | 101 |
| Service Tax (ISS) | - | - | 93 | 17 |
| Social security debt installment payment | - | - | 499 | - |
| Taxes in installments - State (a) | - | - | 1,556 | 1,368 |
| Other | - | 1 | 94 | 91 |
| | 174 | 165 | 2,659 | 2,055 |
| Current liabilities | 174 | 165 | 1,310 | 1,190 |
| Noncurrent liabilities | - | - | 1,349 | 865 |
| | 174 | 165 | 2,659 | 2,055 |

(a) Ordinary installment payments instructed in the States of São Paulo, Santa Catarina, Ceará and Rio Grande do Sul related to ICMS tax assessment notices. The amount paid in the semester ended June 30, 2021 was R$ 197 (R$ 497 for the year ended December 31, 2020).

## 17. PAYROLL AND RELATED TAXES

| | Parent | | | |
|---|---|---|---|---|
| | 12/31/20 | Expense | Payment | 06/30/21 |
| Vacation pay | 249 | (169) | (4) | 76 |
| Salaries | 49 | 549 | (522) | 76 |
| Severance Pay Fund | 20 | (13) | - | 7 |
| Social Security Contribution (INSS) | 82 | 71 | (95) | 58 |
| | 400 | 438 | (621) | 217 |

| | Consolidated | | | |
|---|---|---|---|---|
| | 12/31/20 | Expense | Payment | 06/30/21 |
| Vacation pay | 2,364 | 441 | (1,136) | 1,669 |
| 13th salary | - | 604 | (98) | 506 |
| Salaries | 1,903 | 6,919 | (8,123) | 699 |
| Severance Pay Fund | 339 | 923 | (749) | 513 |
| Social Security Contribution (INSS) | 1,164 | 1,870 | (1,979) | 1,055 |
| | 5,770 | 10,757 | (12,085) | 4,442 |

## 18. PROVISION FOR TAX, CIVIL AND LABOR RISKS

The Parent and Varejo are parties to tax, civil and labor lawsuits at the judicial and administrative levels, with present obligation and probability of outflow of funds that incorporate economic benefits in order to settle this obligation. Accrued amounts are considered sufficient to cover possible outflows to settle the respective obligations.

The provision for risks and judicial deposits made to guarantee some of the lawsuits are as follows:

Provisions

| | Parent | | |
|---|---|---|---|
| | 12/31/20 | Recognition/ (Reversal) | 06/30/21 |
| Tax (a) | 57,119 | 28 | 57,147 |
| Labor | 4,346 | (2,052) | 2,294 |
| Civil | 695 | (524) | 171 |
| | 62,160 | (2,548) | 59,612 |

| | Consolidated | | |
|---|---|---|---|
| | 12/31/20 | Recognition/ (Reversal) | 06/30/21 |
| Tax (a) | 221,579 | (23,548) | 198,031 |
| Labor | 8,666 | 1,155 | 9,821 |
| Civil | 13,484 | 7,888 | 21,372 |
| ICMS - Tax assessment notice (b) | 1,073 | 3 | 1,076 |
| PIS / COFINS - Exclusion of ICMS | | | - |
| from the calculation basis | 2,346 | 27 | 2,373 |
| | 247,148 | (14,475) | 232,673 |

(a) Includes the making of provisions for cases rated as probable defeats by the Company and Varejo's legal advisers:

i. Varejo's administrative proceedings, in the estimated and provisioned amount of R$ 22,050, related to the manifestation of non-conformity for the decision that rejected the claims for Reimbursement/Offsetting of PIS and COFINS credits for the base periods from 2013 to 2015, whose loss in the administrative sphere is considered likely by Varejo's legal advisors. The provisioned amount corresponds to the portion used to pay taxes managed by the Brazilian Federal Revenue Service. The portion corresponding to Reimbursement/Offsetting Requests not used, in the amount of R$ 62,254 of refundable credits, recorded in non-current assets, was estimated as impairment;

ii. Recording of a provision in the amount of R$ 66,569 , related to the appropriation of PIS/COFINS credits on operating expenses considered essential to the Retail activity;

iii. Lawsuits filled by the Parent and Varejo, which discuss the monetary restatement of the escrow deposits required by the Brazilian Federal Revenue Service with Banco do Brasil, in the estimated amount of R$ 69,714, to guarantee lawsuits that claimed the increase in the COFINS tax rate, whose final and unappealable decision was favorable to the Brazilian Federal Revenue Service;
iv. Tax assessment notices and fines imposed on the Parent, in the amount of R$ 8,547, involving social security contributions;
v. Tax assessment notices and fine imposed for Varejo, related to ICMS collection in the amount of R$ 8,984.

(b) Provision corresponding to the principal and fine amount which is the subject of a lawsuit in which the Company claims the annulment of tax assessment notices issued in 2011 relating to ICMS credits taken on purchases of goods from suppliers which were considered unqualified by the State of São Paulo Finance Department.

Judicial deposits

| | Parent | | |
|---|---|---|---|
| | 12/31/20 | Addition/ (Write-off) | 06/30/21 |
| PIS/COFINS (a) | 1,004 | 4 | 1,008 |
| Administrative proceedings - tax offset | 6,066 | - | 6,066 |
| Other lawsuits and administrative proceedir | 3,723 | 69 | 3,792 |
| Labor lawsuits | 624 | (1) | 623 |
| | 11,417 | 72 | 11,489 |

| | Consolidated | | |
|---|---|---|---|
| | 12/31/20 | Addition/ (Write-off) | 06/30/21 |
| PIS/COFINS (a) | 1,004 | 4 | 1,008 |
| Administrative proceedings - tax offset | 6,066 | - | 6,066 |
| Other lawsuits and administrative proceedir | 16,021 | 228 | 16,249 |
| Labor lawsuits | 3,315 | (21) | 3,294 |
| | 26,406 | 211 | 26,617 |

(a) Legal cases filed by the Parent Company and Varejo to contest the expansion of the PIS and COFINS calculation base introduced by Law 9,718/98. The lawsuits were issued a final and unappealable decision favorable to the companies and the release of the deposits awaits processing;

(b) Includes the amount of R$8,804 relating to IPI, II (Import Duty), PIS and Cofins taxes originating from a preliminary injunction partially granted in a writ to recognize tax immunity and zero tax rate for PIS/Cofins contributions on imports of LEV digital readers.

Contingent liabilities

The Parent's and Varejo's Management challenge at administrative level and in courts tax, civil and labor lawsuits whose likelihood of loss is assessed as possible by their legal counsel, in the estimated amount of R$416,842, of which R$298,799 Parent and R$118,043 Varejo (R$482,206 as at December 31, 2020, of which R$248,120 Parent and R$234,086 Varejo).

Breakdown of the main liabilities assessed as possible loss:

| Nature of Proceedings | Nature | 06/30/21 | 12/31/20 |
|---|---|---|---|
| TAX | Tax assessment notices, administrative proceedings to challenge lawsuits | 373,994 | 435,666 |
| CIVIL | Revisional acts and other proceedings with sundry objectives | 36,462 | 35,920 |
| LABOR | Lawsuits related to employment liability in service agreements | 6,386 | 10,620 |
| TOTAL | | 416,842 | 482,206 |

## 19. EQUITY

a) Capital

The Board of Directors' meeting held February 19, 2020, re-ratified by the Board of Directors' meeting held February 27, 2020, resolved the following (i) partial ratification of the capital increase resolved at the Board of Directors' meeting held November 3, 2019, through the issuance of 12,244,309 new shares (8,998,528 common shares and 3,245,781 preferred shares), denoting the amount of R$17,754, with the Company's share capital rising from R$ 282,999 to 300,753, and (ii) a new issuance of Company subscription bonuses, within the authorized capital limit, pursuant to article 8 of the Company's Bylaws and on top of the subscription bonuses issuance resolved by the board of directors on 11/3/2019.

At the Board of Directors' Meetings held on June 26, 2020, July 31, 2020, August 28, 2020, October 5, 2020 and December 11, 2020, capital increases were resolved through the exercise of subscription warrants, with the issue of 24,161,925 new shares (4,832,385 common shares and 19,329,540 preferred shares), corresponding to the amount of R$ 1,223, increasing the Company's capital from R$ 300,753 to R$ 301,976.

As of June 30, 2021, the Parent's share capital, in the amount of R$ 301,976 (R$ 301,976 as of December 31, 2020), is represented by 63,410,194 shares, of which 23,513,669 are common and 39,896,525 are preferred shares (63,410,194 shares as of December 31, 2020, of which 23,513,669 common shares and 39,896,525 preferred shares, respectively) with no par value and voting rights in the resolutions of the General Meeting. The Parent's Bylaws comply with B3's Level 2 Differentiated Corporate Governance Practices.

The Parent is authorized to increase capital by issuing new shares for subscription, upon the Board of Directors' resolution, and regardless of any amendments to the bylaws, by up to 20,000,000 shares. Out of this total, up to 500,000 shares may be granted as stock options, pursuant to the bylaws. On October 31, 2019 the Extraordinary General Meeting approved the Company's capital increase, up to the limit of 66,000,000 (sixty-six million) shares; and included a rule in the bylaws vesting the Company's Board of Directors with powers to issue subscription bonuses up to the authorized capital.

The Parent's preferred shares, which may not exceed two thirds of the total shares issued, entitle their holders to the following rights or advantages:

- Restricted voting rights, pursuant to the bylaws;
- Right to sell the preferred shares in the case of sale of the Parent's control, pursuant to the bylaws;
- Dividends equal to those paid on common shares;
- Share in the distribution of bonus shares out of capitalization of reserves, retained earnings and any other funds, under the same terms and conditions granted to common shareholders.

Common shares cannot be converted into preferred shares, and vice versa.

b) Subscription bonus

Pursuant to article 11.6 of the Judicial Reorganization Plan, ratified on September 4, 2019, creditors in the subclass "Incentivizing supplier creditors" which opted for this under the incentivizing creditor agreement - article 11.2.1 of said plan, are entitled to receive Subscription Bonuses which will afford the holders the right to acquire a given number of Company shares, where any funds received by the Company as a result of issuing or exercising the subscription bonuses, including in the case of shareholders exercising pre-emptive rights, shall be fully allocated to the extraordinary amortization of debt to the Incentivizing supplier creditors.

In the year ended December 31, 2020, 5,816,587 warrants were issued and used for debt amortization, corresponding to 29,082,935 shares (5,816,587 common shares and 23,266,348 preferred shares), equivalent to the amount of R$ 54,835.

c) Treasury shares - CVM Instructions 10/80 and 298/97

The Parent has 15,700 common shares held in treasury, represented by R$233, with a strike price of R$16 (R$1.03 per share as at June 30, 2021).

d) Dividends and interest on capital

Shareholders are entitled to a minimum dividend of 25% of adjusted net income for the year.

The Parent may not, unless authorized by a majority vote in a special preferred shareholders' meeting, hold, for more than four successive quarters, cash and cash equivalents in an amount greater than 25% of the Parent’s total assets. Cash and cash equivalents will correspond to the amounts recorded in line item ‘Cash and cash equivalents’ exceeding the sum of the amounts recorded in line item ‘Borrowings and financing’ in current and noncurrent liabilities. Pursuant to the bylaws, the amount of interest on capital for purposes of calculation of mandatory dividends is net of income tax.

e) Valuation adjustment to equity

The balance of R$ 11,279, net of deferred taxes in the amount of R$ 5,810, represents the value attributed to property and equipment (“Land”) of the Parent as a result of the adoption of the deemed cost practice, applicable to the first-time adoption of the new accounting practices adopted in Brazil.

f) Noncontrolling interest

| | 06/30/21 | 12/31/20 |
|---|---|---|
| Balance at the beginning of the period/year | (45) | (12) |
| Profti sharing in the period | (3) | (33) |
| Balance at the end of the period/year | (48) | (45) |

## 20. NET OPERATING REVENUE

| | Consolidated | | | |
|---|---|---|---|---|
| | 04/01/21 to 06/30/21 | 01/01/21 to 06/30/21 | 04/01/20 to 06/30/20 | 01/01/20 to 06/30/20 |
| Net operating revenue: | | | | |
| Goods soled and services provided | 20,594 | 45,108 | 28,508 | 172,450 |
| (-) Taxes | (389) | (1,063) | (1,409) | (5,554) |
| (-) Returns | (203) | (609) | (549) | (3,225) |
| (-) Deferred income - Saraiva Plus | (251) | (284) | 1,151 | 713 |
| | 19,751 | 43,152 | 27,701 | 164,384 |

## 21. EXPENSES BY NATURE

| | Parent | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | 04/01/21 to 06/30/21 | 01/01/21 to 06/30/21 | 04/01/20 to 06/30/20 | 01/01/20 to 06/30/20 | 04/01/21 to 06/30/21 | 01/01/21 to 06/30/21 | 04/01/20 to 06/30/20 | 01/01/20 to 06/30/20 |
| Goods | - | - | - | - | (11,605) | (31,489) | (25,532) | (111,457) |
| Personnel expenses and charges | (33) | (126) | (103) | (279) | (6,648) | (14,498) | (17,479) | (46,718) |
| Management fees | (274) | (549) | (172) | (478) | (457) | (939) | (282) | (866) |
| Advertising and publicity | - | - | - | - | 37 | 60 | 13 | (3,051) |
| Operating leases | - | - | - | - | (39) | 153 | 171 | (30) |
| Legal publications | (224) | (224) | (230) | (230) | (226) | (245) | (347) | (347) |
| Common area maintenance fees and promotion funds | - | - | - | - | (2,081) | (4,059) | (3,011) | (8,676) |
| Freight and packaging | - | - | - | - | (2,141) | (2,701) | (3,337) | (10,775) |
| Maintenance of facilities, machinery and equipment | - | - | - | - | (752) | (1,536) | (2,509) | (5,745) |
| IT services | - | - | - | - | (2,780) | (4,904) | (3,007) | (5,455) |
| Rental of machinery and equipment | - | - | - | - | (711) | (1,406) | (477) | (697) |
| Lawyers' fees | (1) | (19) | (18) | (176) | (795) | (2,086) | (1,311) | (2,784) |
| Consulting and advisory services | (415) | (1,070) | - | - | (447) | (2,091) | (936) | (1,724) |
| Other professional services | - | (3) | - | - | (2,450) | (2,570) | (105) | (406) |
| Travels and accommodation | - | - | - | - | - | (10) | - | (110) |
| Expenses on credit cards,bank slips and collection | - | - | - | - | (273) | (524) | (339) | (2,553) |
| Credit losses | - | - | - | - | (65) | (158) | (116) | (236) |
| Other | (232) | (214) | (227) | (672) | (3,590) | (5,690) | (5,473) | (16,315) |
| | (1,179) | (2,205) | (750) | (1,835) | (35,023) | (74,693) | (64,077) | (217,945) |
| Classified as: | | | | | | | | |
| Cost of goods and services sold | - | - | - | - | (11,605) | (31,489) | (25,532) | (111,457) |
| Selling expenses | - | - | - | - | (14,499) | (26,696) | (24,773) | (68,543) |
| General and administrative | (1,179) | (2,205) | (750) | (1,835) | (8,919) | (16,508) | (13,772) | (37,945) |
| | (1,179) | (2,205) | (750) | (1,835) | (35,023) | (74,693) | (64,077) | (217,945) |

## 22. OTHER OPERATING EXPENSES

| | Parent | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | 04/01/21 to 06/30/21 | 01/01/21 to 06/30/21 | 04/01/20 to 06/30/20 | 01/01/20 to 06/30/20 | 04/01/21 to 06/30/21 | 01/01/21 to 06/30/21 | 04/01/20 to 06/30/20 | 01/01/20 to 06/30/20 |
| Gain (loss) on write-off and/or sale of fixed assets | - | - | - | - | - | - | 2 | - |
| Impairment loss | - | - | 4,909 | 4,909 | 79 | 394 | (70,815) | (77,076) |
| Write-off of receivables from suppliers | - | - | - | - | (1,734) | (3,267) | - | (438) |
| PIS/Cofins on other operating and finance income | (16) | (33) | (19) | (26) | (323) | (950) | (1,201) | (3,989) |
| Private label card | - | - | - | - | (15) | (19) | - | (234) |
| Provision for risks | - | - | - | - | - | - | 521 | (6,867) |
| State tax installment plans | - | - | - | - | - | - | - | (148) |
| Other operating expenses | (130) | (471) | 26 | 26 | (524) | (858) | 22 | (22) |
| | (146) | (504) | 4,916 | 4,909 | (2,517) | (4,700) | (71,471) | (88,774) |

## 23. OTHER OPERATING INCOME

| | Parent | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | 04/01/21 to 06/30/21 | 01/01/21 to 06/30/21 | 04/01/20 to 06/30/20 | 01/01/20 to 06/30/20 | 04/01/21 to 06/30/21 | 01/01/21 to 06/30/21 | 04/01/20 to 06/30/20 | 01/01/20 to 06/30/20 |
| Gain (loss) on sale of permanent assets | - | - | 4,105 | 4,105 | - | 24 | 3,423 | 3,423 |
| Unredeemed gift cards, and other unclaimed customer award credits | - | - | - | - | 4,158 | 7,655 | 2,727 | 8,292 |
| Formation of tax credit for the final and unappealable lawsuit | - | - | - | - | - | - | - | 407 |
| Reversal of provision for contingencies | - | - | - | - | 11,308 | 11,957 | - | - |
| Sale of balances - obsolete goods | - | - | - | - | - | - | 845 | 845 |
| Recovered expenses | - | - | - | - | 554 | 7,085 | 338 | 745 |
| Gain on write-off of debt through subscription bonus | - | - | - | - | - | - | 8,171 | 14,822 |
| Other operating income | 13 | 16 | - | - | 249 | 420 | 549 | 283 |
| | 13 | 16 | 4,105 | 4,105 | 16,269 | 27,141 | 16,053 | 28,817 |

## 24. FINANCE INCOME (COSTS)

| | Parent | | | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|
| | 04/01/21 to 06/30/21 | 01/01/21 to 06/30/21 | 04/01/20 to 06/30/20 | 01/01/20 to 06/30/20 | 04/01/21 to 06/30/21 | 01/01/21 to 06/30/21 | 04/01/20 to 06/30/20 | 01/01/20 to 06/30/20 |
| Finance income: | | | | | | | | |
| Income from short-term investments | - | - | - | - | 9 | 52 | 9 | 21 |
| Interest on loans to subsidiaries | 429 | 750 | 330 | 400 | - | - | - | - |
| Interest received from customers | - | - | - | - | - | - | - | 3 |
| Interest on recoverable taxes | 67 | 110 | 67 | 162 | 204 | 340 | 262 | 724 |
| Financial discounts obtained | - | - | 17 | 17 | 2,167 | 2,917 | 27 | 541 |
| APV - Creditors - Judicial reorganization | - | 7 | - | - | - | 7 | - | - |
| Other interest and exchange variation gains | - | - | - | - | 153 | 154 | - | - |
| | 496 | 867 | 414 | 579 | 2,533 | 3,470 | 298 | 1,289 |
| Finance costs: | | | | | | | | |
| Interest and inflation adjustment on borrowings and financing | - | - | - | - | (6,728) | (12,635) | (3,287) | (11,827) |
| Interest on loans made by the subsidiary | - | - | - | (32) | - | - | - | - |
| APV - Creditors - Judicial reorganization | (32) | (82) | (34) | (59) | (2,295) | (4,481) | (2,110) | (4,868) |
| Financial discounts granted | - | - | - | - | - | - | - | (8) |
| Other interest and exchange variation losses | (18) | (57) | - | (1) | (327) | (499) | (202) | (1,259) |
| Tax on lending transactions (IOC) | - | - | - | (13) | (214) | (414) | (192) | (292) |
| Other financial commissions | (54) | (107) | (53) | (105) | (54) | (107) | (53) | (106) |
| Other finance costs | (108) | (474) | (97) | (183) | (142) | (536) | (155) | (346) |
| | (212) | (720) | (184) | (393) | (9,760) | (18,672) | (5,999) | (18,706) |
| | 284 | 147 | 230 | 186 | (7,227) | (15,202) | (5,701) | (17,417) |

## 25. OPERATING LEASE - VARIABLE PORTION OF RENTAL AGREEMENTS

At June 30, 2021, Varejo had 38 lease contracts for its stores signed with the administrators of shopping malls or street store owners, qualified as operating leases. Most of the street store lease agreements provide for a variable rental expense, based on sales, or a minimum amount adjusted for inflation on an annual basis by inflation indexes and the real estate segment performance, are effective for five years, subject to renewal, and are usually guaranteed by the Parent through pledge. Rental agreements for the Retail’s administrative areas are based on contractual amounts with annual readjustments according to changes in the main inflation indices.

The lease amount for properties is always the higher of: (a) the equivalent to 2% to 10% of a store's gross monthly sales; or (b) a minimum monthly amount annually adjusted using certain inflation indices, as applicable. Said lease agreements are effective for indeterminate or determinate periods; in the latter case, these periods range from five to ten years, subject to amicable or court-ordered (renewal lawsuit) renewal. On January 1, 2019 the amount recorded under "Rental" in operating expenses is related to the variable portion of the lease contracts and other contracts not defined as a lease under CPC 06(R2).

Rental expenses, net of recoverable taxes, are as follows:

| | Consolidated | | | |
|---|---|---|---|---|
| | 04/01/21 to 06/30/21 | 01/01/21 06/30/21 | 04/01/20 06/30/20 | 01/01/20 06/30/20 |
| Operating leases - Note 21 | (39) | 153 | 171 | (30) |

The balance of the item "Commercial leases - store rental" in the consolidated current liabilities as of June 30, 2021 is R$ 14,220 (R$ 5,609 as of December 31, 2020).

## 26. LOSS PER SHARE

Under the Parent's bylaws, holders of preferred shares are entitled the same dividends as those holding common shares. The table below shows the calculation of loss per share pursuant to CPC 41 (IAS 33):

| | LPS - Total | | | LPS - Continuing | | | LPS - Discontinued | | |
|---|---|---|---|---|---|---|---|---|---|
| | 06/30/21 | | | 06/30/21 | | | 06/30/21 | | |
| | Common | Preferred | Total | Common | Preferred | Total | Common | Preferred | Total |
| Loss attributable to the Parent´s shareholders | (11,864) | (20,144) | (32,008) | (12,516) | (21,250) | (33,766) | 652 | 1,107 | 1,759 |
| Weighted average number of outstanding shares (in thousands) used in determining basic loss per share | 23,488 | 39,856 | 63,344 | 23,488 | 39,856 | 63,344 | 23,488 | 39,856 | 63,344 |
| Weighted average number of outstanding shares (in thousands) used in determining diluted loss per share | 23,488 | 39,856 | 63,344 | 23,488 | 39,856 | 63,344 | 23,488 | 39,856 | 63,344 |
| Basic loss per share - R$ | (0.50511) | (0.50541) | | (0.53286) | (0.53318) | | (0.02775) | (0.02777) | |
| Diluted loss per share - R$ | (0.50511) | (0.50541) | | (0.53286) | (0.53318) | | (0.02775) | (0.02777) | |

| | LPS - Total | | | LPS - Continuing | | | LPS - Discontinued | | |
|---|---|---|---|---|---|---|---|---|---|
| | 06/30/20 | | | 06/30/20 | | | 06/30/20 | | |
| | Common | Preferred | Total | Common | Preferred | Total | Common | Preferred | Total |
| Loss attributable to the Parent´s shareholders | (80,728) | (88,191) | (168,919) | (79,706) | (87,075) | (166,781) | (1,022) | (1,116) | (2,138) |
| Weighted average number of outstanding shares (in thousands) used in determining basic loss per share | 16,252 | 19,557 | 35,809 | 16,252 | 19,557 | 35,809 | 16,252 | 19,557 | 35,809 |
| Weighted average number of outstanding shares (in thousands) used in determining diluted loss per share | 16,252 | 19,557 | 35,809 | 16,252 | 19,557 | 35,809 | 16,252 | 19,557 | 35,809 |
| Basic loss per share - R$ | (4.96725) | (4.50934) | | (4.90438) | (4.45226) | | (0.06287) | (0.05708) | |
| Diluted loss per share - R$ | (4.96725) | (4.50934) | | (4.90438) | (4.45226) | | (0.06287) | (0.05708) | |

## 27. FINANCIAL INSTRUMENTS

a) Capital risk management

The main objectives of the Parent's and Varejo's Management in managing capital include: to ensure the continuity of operations to generate return to shareholders and maintain a capital structure that is appropriate to minimize the related costs.

Due to the impacts caused by the Coronavirus (COVID-19), with a drastic reduction in sales, owing to the temporary closure of all brick-and-mortar stores since March 2020, Management presented an amendment to the Court-Ordered Reorganization Plan adhering to the new economic reality of the country, as a way to prevent the impacts of the pandemic and to preserve its operational activity (Note No. 31).

The Parent's and Varejo's capital structures consist of financial liabilities with financial institutions (Note No. 13), cash and cash equivalents (Note No. 4) and equity (Note No. 19).

The debt ratios are summarized as follows:

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 06/30/21 | 12/31/20 | 06/30/21 | 12/31/20 |
| Borrowings and financing and creditors for judicial reorganization | 3,871 | 3,732 | 482,437 | 474,620 |
| (-) Cash, cash equivalents and short-term investments | (59,504) | (61,996) | (8,008) | (28,603) |
| Net debt | (55,633) | (58,264) | 474,429 | 446,017 |
| Equity | (577,082) | (545,074) | (577,130) | (545,119) |
| Total | (632,715) | (603,338) | (102,701) | (99,102) |
| Net debt ratio | 8.79% | 9.66% | -461.95% | -450.06% |

Periodically, Parent's and Varejo's Management revises the capital structure and its ability to settle its liabilities, and monitors on a timely basis the average term of trade receivables, trade payables, and inventories, and takes the necessary actions to maintain them at levels considered adequate for financial management purposes.

b) Categories of financial instruments

| | Parent | |
|---|---|---|
| | 06/30/21 | 12/31/20 |
| | Carrying amount | Carrying amount |
| Financial assets | | |
| Fair value through profit or loss | | |
| Cash and cash equivalents | | |
| and short-term investments | 6,932 | 121 |
| Loans and receivables | | |
| Related parties - intragroup loans | 52,572 | 61,875 |
| | 59,504 | 61,996 |
| Financial liabilities | | |
| Liabilities at amortized cost | | |
| Trade payables | 565 | 1,254 |
| Creditors - Judicial reorganization | 3,871 | 3,732 |
| | 4,436 | 4,986 |

| | Consolidated | |
|---|---|---|
| | 06/30/21 | 12/31/20 |
| | Carrying amount | Carrying amount |
| Financial assets | | |
| Fair value through profit or loss | | |
| Cash and cash equivalents | | |
| and short-term investments | 8,008 | 28,603 |
| Loans and receivables | | |
| Trade receivables - customers | 3,311 | 7,333 |
| | 11,319 | 35,936 |
| Financial liabilities | | |
| Liabilities at amortized cost | | |
| Borrowings and financing | 279,678 | 276,677 |
| Trade payables | 83,536 | 104,394 |
| Creditors - Judicial reorganization | 202,759 | 197,943 |
| Operating lease | 14,220 | 5,609 |
| Other payables | 1,103 | 1,146 |
| | 581,296 | 585,769 |

The Parent's and Varejo's Management believes that the financial instruments, which are recognized in the individual and consolidated financial statements at their carrying amounts, do not record significant changes and approximate their respective fair values at the end of each reporting period.

The balance of the item "Borrowings and financing" is restated monetarily at contractual rates (Note No. 13) and interest that varies according to market conditions; and the debit balance recorded at the end of each period is therefore close to market value.

c) Financial risks

The Parent's and Varejo's activities are exposed to market, credit, liquidity, operating risks as well as to the risk limited to the amount paid by the derivative used as an instrument to hedge against changes in the currency price.

Risk management is carried out by the Parent's and Varejo's Management in accordance with the policies approved by the respective Executive Boards. The Parent's and Varejo's Finance area identify, assess and hedge against possible financial risks in cooperation with the operating functions.

d) Interest rate risk management

The Parent's and Varejo's operations are exposed to usual market risks due to changes in interest rates, substantially on borrowings and short-term investments. The interest rate risk management policy defined by Management comprises the continuous monitoring of the economic scenario to identify possible fluctuations in interest rates and, when applicable, contract hedge transactions against fluctuations in interest rated and well as weighting between contracting fixed and fixed transactions.

Balances that represented the maximum exposure to the interest rate risk as at the reporting date:

| | | Consolidated |
|---|---|---|
| | | 06/30/21 |
| | Risk | Carrying amount |
| Borrowings and financing | Increase in CDI | 19,462 |

e) Supplementary sensitivity analysis of financial instruments pursuant to CVM Instruction 475/08

The sensitivity analysis was developed based on the exposure to CDI fluctuation, which is the main index applicable to borrowings and the investments of cash surpluses.

The Parent presents below the additional disclosures on the Parent's and Varejo's financial instruments required by CVM Instruction 475, of December 17, 2008, specifically on the supplementary sensitivity analysis required by IFRSs and the accounting practices adopted in Brazil.

In preparing this sensitivity analysis, the Parent's and Varejo's Management adopted the following assumptions:

- Identifying market risks that could generate material losses;
- Outline a probable risk scenario (Scenario I);
- Outline two additional scenarios with stresses of at least 25% and 50% in the risk variable considered (Scenario II and Scenario III, respectively).

Possible effects on the balance sheet accounts based on the scenarios analyzed:

Assets and liabilities with interest recalculated according to previously outlined scenarios.

| | | Carrying amounts | | |
|---|---|---|---|---|
| Transaction | Risk | Scenario I | Scenario II | Scenario III |
| Interest-earning bank deposits subject to CDI rate - Retailing Varejo | Decrease in CDI | (20) | (50) | (98) |
| Working capital loans subject to CDI rates - Retailing Varejo | Increase in CDI | (59) | (149) | (298) |
| Financial leasings subject to CDI rates - Retailing Varejo | Increase in CDI | (79) | (137) | (235) |
| Net income (loss) | | (158) | (172) | (631) |

f) Credit risk management

The Parent Company and Varejo's sales and credit extension policies are governed by the credit policies determined by the Executive Board aimed at minimizing any losses resulting from default by its clients. This objective is attained through a careful selection of the customer portfolio, which considers the customer ability to pay (credit rating).

Maximum exposure to this risk on the closing date:

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 06/30/21 | 12/31/20 | 06/30/21 | 12/31/20 |
| | Carrying amount | Carrying amount | Carrying amount | Carrying amount |
| Financial assets | | | | |
| Cash and cash equivalents | 6,932 | 121 | 8,008 | 28,603 |
| Accounts receivable from customers | - | - | 3,311 | 7,333 |
| | 6,932 | 121 | 11,319 | 35,936 |

As at June 30, 2021, the consolidated allowance for expected credit losses balance is R$ 395 (R$391 at December 31, 2020) to cover credit risks.

g) Management of liquidity risk

Management monitors the continuous forecasts of the Parent's and Varejo's liquidity requirements to ensure they have sufficient cash to meet their operating needs.

Because of the dynamics of its business, the Parent and Varejo maintain a borrowing flexibility by maintaining lines of credit with some financial institutions.

The table below details the maturity of financial liabilities:

| | Parent | | | | |
|---|---|---|---|---|---|
| Transaction | Up to 1 year | Up to 2 years | 3 to 5 years | Over 5 years | Total |
| Trade payables | 565 | - | - | - | 565 |
| Creditors - Judicial reorganization | 564 | 29 | 86 | 8,658 | 9,337 |

| | Consolidated | | | | |
|---|---|---|---|---|---|
| Transaction | Up to 1 year | Up to 2 years | 3 to 5 years | Over 5 years | Total |
| Trade payables | 83,536 | - | - | - | 83,536 |
| Creditors - Judicial reorganization | 7,786 | 7,076 | 16,048 | 449,602 | 480,512 |
| Borrowings and financing | 46,048 | 172,342 | 67,089 | 45,932 | 331,411 |
| Operating lease | 14,220 | - | - | - | 14,220 |
| Other payables | 1,103 | - | - | - | 1,103 |

h) Risk concentration

The financial instruments that potentially expose the Parent and Varejo to concentration of credit risk consist basically of banks, short-term investments, and trade receivables. The balance of Varejo's trade receivables is substantially distributed among credit card acquirers. The total balance of trade receivables is denominated in Brazilian reais (R$).

i) Lines of credit

| | Consolidated | |
|---|---|---|
| | 06/30/21 | 06/30/20 |
| Loans: | | |
| Used | 163,373 | 156,020 |

j) Guarantees obtained

| | Consolidated |
|---|---|
| | 06/30/21 |
| Letters of guarantee to federal tax execution proceedings | 8,913 |

In the half ended June 30, 2021 the letters of guarantee secured generated finance costs of R$ 107 (R$ 107 as of June 30, 2020).

k) Carrying amount and fair value of financial assets and financial liabilities

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 06/30/21 | | 06/30/21 | |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Fair value through profit or loss | | | | |
| Cash and cash equivalents and short-term investments | 6,932 | 6,932 | 8,008 | 8,008 |
| Loans and receivables | | | | |
| Trade receivables - customers | - | - | 3,311 | 3,311 |
| Related parties - onerous assignment | 52,572 | 52,572 | - | - |
| Liabilities held at amortized cost | | | | |
| Borrowings and financing | - | - | 279,678 | 280,582 |
| Trade payables | 565 | 565 | 83,356 | 83,356 |
| Creditors - Judicial reorganization | 3,871 | 3,871 | 202,759 | 202,759 |
| Operating lease | - | - | 14,220 | 14,220 |
| Other payables | - | - | 1,103 | 1,103 |

The following methods and assumptions were used to calculate the fair value.

- Cash and cash equivalents – Defined as assets for cash management and represented by cash and bank deposits, whose fair values approximates their carrying amounts;

- Trade receivables, trade payables and related parties – Balances directly provided by operations, whose fair values approximates their carrying amounts.

The Parent discloses its financial assets and financial liabilities at fair value based on CPC 38, CPC 39 and CPC 40 (R1), which provide for measurement, recognition and presentation of financial instruments.

Fair value hierarchy

The financial assets and financial liabilities recorded at fair value are classified and disclosed according to the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities, available of measurement date;

Level 2 – inputs, except for quoted prices, included in Level 1, that are observable for the asset or liability, directly (prices) or indirectly (derived from prices); and

Level 3 – assumptions, considered for assets or liabilities, not based on observable market data (non-observable data). In this level, the fair value estimate becomes subjective.

The Parent´s and Varejo´s assets and liabilities measured at fair value as at June 30, 2021 are as follows:

| | Parent | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | 6,932 | - | - | 6,932 |

| | Consolidated | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | 8,008 | - | - | 8,008 |

## 28. SEGMENT INFORMATION

The management of the Saraiva Group’s businesses in the financial and operational areas is carried out through the segment called “Varejo”, corresponding to the bookstore and stationery retail business.

## 29. DISCONTINUED OPERATIONS

Discontinued operations are represented by the residual results of the publishing segment sold to Editora Ática S.A. in 2015.

Net income from discontinued operations for the half ended June 30:

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 06/30/21 | 06/30/20 | 06/30/21 | 06/30/20 |
| Operating revenues (expenses) | 1,759 | (2,138) | 1,759 | (2,138) |
| Loss from discontinued operations | 1,759 | (2,138) | 1,759 | (2,138) |

Profit (loss) from discontinued operations is R$ 1,759 (R$ 2,138 at June 30, 2020), consolidated, is fully assigned to controlling shareholders.

Cash flow from discontinued operations

| | Parent | | Consolidated | |
|---|---|---|---|---|
| | 06/30/21 | 06/30/20 | 06/30/21 | 06/30/20 |
| Net cash used in operating activities | 2,995 | (1,779) | 2,995 | (1,779) |
| Net cash provided by discontinued operations | 2,995 | (1,779) | 2,995 | (1,779) |

## 30. INSURANCE

The Parent's and Varejo's Management have the policy of obtaining insurance for assets exposed to risks considered sufficient to cover possible losses in light of the nature of its activities.

Insurance coverage contracted:

| | 06/30/21 | 12/31/20 |
|---|---|---|
| Loss of profits | 40,000 | 40,000 |
| Fire - maximum importance | 27,812 | 27,812 |
| D&O - Civil liability - Directors, executive officers and management members - maximum importance | 50,000 | 50,000 |
| D&O - General civil liability - maximum importance | 2,000 | 2,000 |
| Tax execution | 115,845 | 112,321 |
| Robbery and theft | 1,105 | 1,105 |
| General risks | 16,280 | 16,280 |

## 31. JUDICIAL REORGANIZATION PROCESS

On November 23, 2018, the Company's Management filed for judicial reorganization. The resulting plan was approved at the EGM held August 29, 2018 as a way of tackling the impacts of the economic crisis on the publishing sector. The reorganization application was accepted and the judicial administrator appointed on November 26, 2018. On August 1, 2019, the revision of the Original Judicial Reorganization Plan ("PRJ"), submitted on February 4, 2019, was filled, having been approved on September 4, 2019. In view of the ongoing difficulty in generating cash from operating activities, aggravated by the impacts of the Coronavirus pandemic on the Varejo's sales cycle, with a drastic reduction in revenues, the Company's Management and its subsidiary submitted the Addendum to the Original Court-Ordered Reorganization Plan (Amended Plan) on July 3, 2020 to the approval of the General Creditors' Meeting and to judicial approval. The amendment to the Court-Ordered Reorganization Plan (Amended Plan), filed on July 3, 2020, was approved at the General Creditors' Meeting held on February 26, 2021, and ratified on March 5, 2021. The Amended Plan is duly supported by an economic feasibility report and an appraisal report on assets, presented in the Court-Ordered Reorganization Plan records.

The approved Amended Plan aims to enable payment to creditors and the successful judicial reorganization process, guaranteeing the maintenance of the production source, employment, the fulfillment of the social function of the Company's activities and the encouragement of the country's economic activity.

As an alternative to enable the settlement of a substantial portion of liabilities, the Amended Plan provides for three measures: i) the restructuring of liabilities and redefinition of classes of creditors; b) the preservation of investments considered essential for the going concern; and iii) the disposal of Groups of Isolated Productive Units (called UPI's); that is, store operations – Store UPI; e-commerce operation – Website UPI; and Store and Website operations – Mixed UPI, pursuant to the terms established in the aforementioned Plan.

At June 30, 2021, the amount of consolidated debt, still in accordance with the Original Plan, is comprised as follows:

| Classes | Current | Noncurrent | Total |
|---|---|---|---|
| Class I | 4,017 | 1,137 | 5,154 |
| Class III | 4,943 | 238,764 | 243,707 |
| Class IV | - | 5,386 | 5,386 |
| Subclass Incentivizing Suppliers | 675 | 20,478 | 21,153 |
| Subclass Strategic Suppliers | 6,706 | - | 6,706 |
| Subclass Leasing Suppliers | 1,189 | 68,654 | 69,843 |
| Total | 17,530 | 334,419 | 351,949 |

Loans with Banco do Brasil in the amount of R$ 149,190 (R$ 142,221 as of December 31, 2020) are included in Class III and are presented in the consolidated information under Borrowings and financing.

Changes in the semester ended June 30, 2021

| | 12/31/20 | APV | Payments | Interest incurred | Other | 06/30/21 |
|---|---|---|---|---|---|---|
| Debt | 622,392 | - | (822) | 7,397 | 733 | 629,700 |
| Adjustment to present value | (282,228) | 4,477 | - | - | - | (277,751) |
| | 340,164 | 4,477 | (822) | 7,397 | 733 | 351,949 |

The entire Amended Plan and the other delivery terms and conditions, where you can see a more comprehensive version of the terms and conditions established for paying the Company and Varejo's judicial reorganization credits, can be viewed in full on the Company's Investor Relations page (http://www.saraivari.com.br) and the site of the Brazilian Securities Commission (http://www.cvm.gov.br).

## 32. EVENTS AFTER THE REPORTING PERIOD

On July 22, 2021, the decision by the 2nd Bankruptcy and Court-Ordered Reorganization Court of the central legal district of São Paulo was handed down, as follows:

i) The request for a new attempt to carry out a judicial bidding process for the sale of the isolated productive units ("UPIs") was granted, upon qualification of interested parties in the Court-Ordered Reorganization records, within 10 calendar days as of 08/12/2021, date on which the new public offer notice was published in the *Diário da Justiça Eletrônico* (Electronic Court Gazette). Qualified interested parties must submit their Sealed Bids to the Trustee by 4:00 pm on September 10, 2021. The opening of the sealed bids will be held on September 14, 2021, at 2:00 pm, according to the procedure and instructions indicated in the new Public Offering Notice; and

ii) The approval for the sale of assets of the Guarulhos operational unit, whose authorization decision was issued on April 8, 2020 in the Court-Ordered Reorganization records, had been amended by means of a decision handed down by the Court of Justice of São Paulo on November 4, 2020.

## 33. EXPLANATION ADDED TO THE TRANSLATION INTO ENGLISH

The accompanying interim financial information was translated into English from the original Portuguese version prepared for local purposes. Certain accounting practices applied by the Entity that conform to those accounting practices adopted in Brazil may not conform to the generally accepted accounting principles in the countries where this interim financial information may be used.

## OPINIONS AND STATEMENTS / MANAGEMENT'S STATEMENT ON THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION

In accordance with article 25 (VI) of CVM Directive 480 issued December 07, 2009, the Board of Directors represents it has reviewed, discussed and accepted the Interim Individual and Consolidated Accounting Information for the quarter ended June 30, 2021.

São Paulo, August 13, 2021

## OPINIONS AND STATEMENTS / MANAGEMENT'S STATEMENT ON THE INDEPENDENT AUDITOR'S REPORT ON REVIEW OF THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INTERIM INFORMATION

In accordance with article 25 (V) of CVM Directive 480 issued December 07, 2009, the Board of Directors represents it has reviewed, discussed and accepted the independent auditors' report on the Interim Individual and Consolidated Accounting Information for the quarter ended June 30, 2021.

São Paulo, August 13, 2021