

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

# **Pet Center Comércio e Participações S.A.**

Report on Review of Interim Financial  
Information for the Three- and Six-  
Month Periods Ended June 30, 2021

Deloitte Touche Tohmatsu Auditores Independentes

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

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders, Board of Directors and Management of  
Pet Center Comércio e Participações S.A.

### **Introduction**

We have reviewed the accompanying interim financial information of Pet Center Comércio e Participações S.A. ("Company"), included in the Interim Financial Information Form (ITR) for the quarter ended June 30, 2021, which comprises the balance sheet as at June 30, 2021 and the related statements of income, of comprehensive income, for the three and six-month periods then ended and of changes in equity and of cash flows for the six-month period then ended, including the explanatory notes.

Management is responsible for the preparation of this interim financial information in accordance with technical pronouncement CPC 21(R1) and international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and 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). Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and international standards on review of 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 financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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. Accordingly, we do not express an audit opinion.

### **Conclusion on the interim financial information**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34, applicable to the preparation of ITR, and presented in accordance with the standards issued by CVM.


## Other matters


### *Statements of value added*

The interim financial information referred to above includes the statements of value added (“DVA”) for the six-month period ended June 30, 2021, prepared under the responsibility of the Company’s Management and presented as supplemental information for international standard IAS 34 purposes. These statements were subject to the review procedures performed together with the review of the ITR to reach a conclusion on whether they are reconciled with the interim financial information and accounting records, as applicable, and if their form and content are consistent with the criteria set forth in technical pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not prepared, in all material respects, in accordance with CPC 09 and consistently with the accompanying interim financial information taken as a whole.

The accompanying interim financial information has been translated into English for the convenience of readers outside Brazil.

São Paulo, August 9, 2021

  
DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

  
Marcelo de Figueiredo Seixas  
Engagement Partner

**Index****Company data**

Capital breakdown	1
-------------------	---

**Individual FS**

Balance sheet - Assets	2
------------------------	---

Balance sheet - Liabilities	3
-----------------------------	---

Income Statement	4
------------------	---

Statement of Comprehensive Income	5
-----------------------------------	---

Statement of Cash Flows - Indirect Method	6
---	---

**Statement of Changes in Equity**

01/01/2021 to 06/30/2021	7
--------------------------	---

01/01/2020 to 06/30/2020	8
--------------------------	---

Statement of Value Added	9
--------------------------	---

**Company data / Capital breakdown**

	Current quarter 06/30/2021
Number of shares	
Capital	
Common shares	393,991,198
Preferred shares	0
Total	393,991,198
Treasury shares	
Common shares	0
Preferred shares	0
Total	0

**Individual FS / Balance Sheet - Assets**  
**( Brazilian Reais - R\$ - Thousands)**

Line Item Code	Line Item Description	Current quarter 06/30/2021	Previous year 12/31/2020
1	Total assets	1,934,414	1,892,888
1.01	Current assets	762,013	886,275
1.01.01	Cash and cash equivalents	234,705	443,757
1.01.02	Short-term investments	32,248	43,761
1.01.02.01	Short-term investments at fair value through profit or loss	32,248	43,761
1.01.02.01.01	Trading securities	0	43,761
1.01.03	Trade receivables	202,221	160,675
1.01.03.01	Receivables	202,221	160,675
1.01.03.01.01	Credit card companies	194,802	155,094
1.01.03.01.02	Trade notes receivable	7,419	5,581
1.01.04	Inventories	234,878	185,701
1.01.06	Recoverable taxes	39,986	41,722
1.01.06.01	Current recoverable taxes	39,986	41,722
1.01.08	Other current assets	17,975	10,659
1.01.08.03	Others	17,975	10,659
1.01.08.03.01	Other receivables	4,583	4,770
1.01.08.03.02	Prepaid expenses	8,372	2,390
1.01.08.03.03	Advances to suppliers	5,020	3,499
1.02	Noncurrent assets	1,172,401	1,006,613
1.02.01	Long-term receivables	31,353	28,288
1.02.01.07	Deferred taxes	24,574	23,703
1.02.01.07.01	Deferred income tax and social contribution	24,574	23,703
1.02.01.10	Other noncurrent assets	6,779	4,585
1.02.01.10.03	Other	4,932	2,884
1.02.01.10.04	Recoverable taxes	1,847	1,701
1.02.03	Property, plant and equipment	1,071,985	921,423
1.02.03.01	Property, plant and equipment in operation	1,071,985	921,423
1.02.04	Intangible assets	69,063	56,902
1.02.04.01	Intangible assets	69,063	56,902

**Individual FS / Balance Sheet - Liabilities**  
**(Brazilian Reais - R\$ - Thousands)**

Line Item Code	Line Item Description	Current quarter 06/30/2021	Previous year 12/31/2020
2	Total liabilities	1,934,414	1,892,888
2.01	Current liabilities	631,265	654,287
2.01.01	Payroll and related taxes	55,670	53,716
2.01.01.01	Payroll	44,678	42,255
2.01.01.02	Related taxes	10,992	11,461
2.01.02	Trade payables	231,040	195,675
2.01.02.01	Domestic trade payables	231,040	195,675
2.01.03	Taxes payable	26,419	36,556
2.01.03.01	Federal taxes payable	6,975	22,148
2.01.03.01.01	Income tax and social contribution payable	2,898	0
2.01.03.01.03	Other federal taxes payable	4,077	22,148
2.01.03.02	State taxes payable	14,717	12,473
2.01.03.03	Municipal taxes payable	4,727	1,935
2.01.04	Loans, financing and debentures	223,860	273,942
2.01.04.01	Loans, financing and debentures	128,720	178,864
2.01.04.01.01	In local currency	128,720	178,864
2.01.04.02	Debentures	95,140	95,078
2.01.05	Other payables	94,276	94,398
2.01.05.02	Others	94,276	94,398
2.01.05.02.01	Dividends and interest on capital payable	4,521	13,867
2.01.05.02.04	Other payables	6,184	5,993
2.01.05.02.05	Leases - right of use	80,586	71,523
2.01.05.02.06	Loyalty program	2,985	3,015
2.02	Noncurrent liabilities	745,443	723,842
2.02.01	Loans, financing and debentures	145,205	222,403
2.02.01.01	Loans, financing and debentures	0	29,805
2.02.01.01.01	In local currency	0	29,805
2.02.01.02	Debentures	145,205	192,598
2.02.02	Other payables	598,907	499,537
2.02.02.02	Others	598,907	499,537
2.02.02.02.03	Leases - right of use	598,907	499,537
2.02.04	Provisions	1,331	1,902
2.02.04.01	Provisions for tax, social security, labor and civil risks	1,331	1,902
2.02.04.01.02	Provisions for social security and labor risks	1,331	1,902
2.03	Equity	557,706	514,759
2.03.01	Capital	409,041	387,250
2.03.02	Capital reserves	81,282	81,218
2.03.02.02	Special goodwill reserve	24,825	24,825
2.03.02.04	Reserve for stock option plan	1,818	1,754
2.03.02.07	Capital reserve	54,639	54,639
2.03.04	Earnings reserves	67,383	46,291
2.03.04.05	Earnings retention reserve	67,383	46,291

**Individual FS / Income Statement**  
**(Brazilian Reais - R\$ - Thousands)**

Line Item	Line Item Description	Current quarter	Accumulated for the current year	Same quarter previous year	Accumulated for the previous year
Code		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	Net operating revenue	505,786	959,942	318,673	617,270
3.02	Cost of goods sold and services rendered	-266,146	-505,123	-163,275	-322,729
3.03	Gross profit	239,640	454,819	155,398	294,541
3.04	Operating income/expenses	-196,722	-384,002	-130,384	-237,059
3.04.01	Selling expenses	-149,975	-292,163	-96,432	-184,405
3.04.02	General and administrative expenses	-41,938	-84,495	-29,557	-57,751
3.04.04	Other operating income (expenses), net	-4,809	-7,344	-4,395	5,097
3.05	Earnings before interest and taxes	42,918	70,817	25,014	57,482
3.06	Financial income (expenses)	-16,748	-32,646	-15,344	-23,465
3.06.01	Financial income	2,798	5,212	2,188	9,871
3.06.02	Financial expenses	-19,546	-37,858	-17,532	-33,336
3.07	Earnings before taxes	26,170	38,171	9,670	34,017
3.08	Income tax and social contribution	-7,915	-12,079	-3,517	-11,925
3.08.01	Current	-5,197	-12,079	-8,623	-13,973
3.08.02	Deferred	-2,718	871	5,106	2,048
3.09	Net income on continuing operations	18,255	26,092	6,153	22,092
3.11	Net income	18,255	26,092	6,153	22,092
3.99	Earnings per share - (Brazilian Reais - R\$ / Share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.04633	0.06839	0.03533	0.06342
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.04606	0.06797	0.03533	0.06342

**Individual FS / Statement of Comprehensive Income  
(Brazilian Reais - R\$ - Thousands)**

Line Item	Line Item Description	Current quarter	Accumulated for the current year	Same quarter previous year	Accumulated for the previous year
Code		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	Net income for the period	18,255	26,092	6,153	22,092
4.03	Comprehensive income for the period	18,255	26,092	6,153	22,092

**Individual FS / Statement of Cash Flows - Indirect Method**  
**(Brazilian Reais - R\$ - Thousands)**

Line Item	Line Item Description	Accumulated for the current year	Accumulated for the previous year
Code		01/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020
6.01	Net cash generated by operating activities	59,710	53,702
6.01.01	Cash generated in operations	166,290	134,186
6.01.01.01	Earnings before taxes	38,171	34,017
6.01.01.02	Depreciation and amortization	39,578	28,102
6.01.01.03	Depreciation - right of use (CPC 06 (R2)/IFRS 16)	47,535	38,059
6.01.01.04	Interest expense - right of use (CPC 06 (R2)/IFRS 16)	26,872	20,268
6.01.01.05	Granted options recognized	64	100
6.01.01.06	Interest on loans, financing and debentures	10,309	12,704
6.01.01.07	Write-off of property, plant and equipment	845	34
6.01.01.08	Loyalty program	-29	5
6.01.01.09	Provision for civil and labor risks	-353	530
6.01.01.10	Allowance for inventory losses	4,196	389
6.01.01.11	Income from short-term investments	-549	0
6.01.01.12	Depreciation of reimbursement for improvements	-132	-22
6.01.01.13	Net write-off - right of use and lease liabilities (CPC 06 (R2)/IFRS 16)	-217	0
6.01.02	Changes in assets and liabilities	-78,756	-39,680
6.01.02.01	Trade receivables	-41,358	-25,705
6.01.02.02	Inventories	-53,374	-36,851
6.01.02.03	Recoverable taxes and contributions	626	-11,176
6.01.02.04	Other receivables	-6,672	-9,308
6.01.02.05	Trade payables	36,383	29,042
6.01.02.06	Payroll and related taxes	1,954	4,754
6.01.02.07	Related taxes	-16,395	7,519
6.01.02.08	Payables	80	2,045
6.01.03	Others	-27,824	-40,804
6.01.03.01	Income tax and social contribution paid	-9,088	-19,251
6.01.03.02	Interest on right of use paid (CPC 06 (R2)/IFRS 16)	-10,166	-7,481
6.01.03.03	Interest on loans, financing and debentures paid	-8,570	-14,072
6.02	Net cash generated by investing activities	-96,040	-58,901
6.02.01	Short-term investments	12,063	0
6.02.02	Acquisition of property, plant and equipment and intangible assets	-108,103	-58,901
6.03	Net cash generated by financing activities	-172,722	117,735
6.03.01	Payment of loans, financing and debentures	-129,019	-48,671
6.03.02	New loans, financing and debentures	0	210,000
6.03.03	Capital increase	21,791	0
6.03.05	Dividends payment	-13,865	-5,599
6.03.06	Payment of right of use (CPC 06 (R2)/IFRS 16)	-51,629	-37,995
6.05	Increase (decrease) in cash and cash equivalents	-209,052	112,536
6.05.01	Opening balance of cash and cash equivalents	443,757	169,277
6.05.02	Closing balance of cash and cash equivalents	234,705	281,813

**Individual FS / Statement of Changes in Equity - 01/01/2021 to 06/30/2021****(Brazilian Reais - R\$ - Thousands)**

Line item Code	Line Item Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Earnings Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Equity
5.01	Opening balances	387,250	81,218	46,291	0	0	514,759
5.03	Adjusted opening balances	387,250	81,218	46,291	0	0	514,759
5.04	Capital transactions with shareholders	21,791	64	0	-5,000	0	16,855
5.04.01	Capital increases	21,791	0	0	0	0	21,791
5.04.03	Granted options recognized	0	64	0	0	0	64
5.04.07	Interest on equity reserve	0	0	0	-5,000	0	-5,000
5.05	Total comprehensive income	0	0	0	26,092	0	26,092
5.05.01	Net income for the period	0	0	0	26,092	0	26,092
5.07	Closing balances	409,041	81,282	46,291	21,092	0	557,706

**Individual FS / Statement of Changes in Equity - 01/01/2020 to 06/30/2020****(Brazilian Reais - R\$ - Thousands)**

Line item Code	Line Item Description	Paid-in Capital	Capital Reserves, Options Granted and Treasury Shares	Earnings Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Equity
5.01	Opening balances	50,515	106,114	19,649	0	0	176,278
5.03	Adjusted opening balances	50,515	106,114	19,649	0	0	176,278
5.04	Capital transactions with shareholders	0	100	-16,798	0	0	-16,698
5.04.03	Granted options recognized	0	100	0	0	0	100
5.04.06	Dividends	0	0	-16,798	0	0	-16,798
5.05	Total comprehensive income	0	0	0	22,092	0	22,092
5.05.01	Net income for the period	0	0	0	22,092	0	22,092
5.07	Closing balances	50,515	106,214	2,851	22,092	0	181,672

**Individual FS / Statement of Value Added**  
**(Brazilian Reais - R\$ - Thousands)**

Line Item	Line Item Description	Accumulated for the current year	Accumulated for the previous year
Code		01/01/2021 to 06/30/2021	01/01/2020 to 06/30/2020
7.01	Revenues	1,139,966	734,648
7.01.01	Sales of goods, products and services	1,135,501	731,607
7.01.02	Other revenues	4,465	3,041
7.02	Inputs purchased from third parties	-649,950	-397,476
7.02.01	Cost of sales and services	-520,183	-303,163
7.02.02	Materials, electricity, outsourced services and others	-129,767	-94,313
7.03	Gross value added	490,016	337,172
7.04	Retentions	-87,113	-66,161
7.04.01	Depreciation, amortization and depletion	-87,113	-66,161
7.05	Wealth created by the Company	402,903	271,011
7.06	Wealth received in transfer	5,212	9,871
7.06.02	Financial income	5,212	9,871
7.07	Total wealth for distribution	408,115	280,882
7.08	Wealth distributed	408,115	280,882
7.08.01	Personnel	131,679	93,862
7.08.01.01	Salaries and wages	101,696	72,740
7.08.01.02	Benefits	21,058	13,633
7.08.01.03	Severance pay fund (FGTS)	8,419	6,583
7.08.01.04	Others	506	906
7.08.02	Taxes, fees and contributions	208,102	129,023
7.08.02.01	Federal	111,363	65,078
7.08.02.02	State	95,212	62,945
7.08.02.03	Municipal	1,527	1,000
7.08.03	Lenders and lessors	42,242	35,905
7.08.03.01	Interest	37,858	33,336
7.08.03.02	Rentals	4,384	2,569
7.08.04	Shareholders	26,092	22,092
7.08.04.02	Dividends	5,000	-5,599
7.08.04.03	Retained earnings / loss for the period	21,092	27,691

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

PET CENTER COMÉRCIO E PARTICIPAÇÕES S.A.

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE THREE- AND SIX-MONTH PERIODS ENDED JUNE 30, 2021

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

---

1. GENERAL INFORMATION

Pet Center Comércio e Participações S.A. (“Company”), a corporation listed on B3 S.A. - - Brasil, Bolsa, Balcão under ticker symbol PETZ3, has its registered office in the city of São Paulo, State of São Paulo, at Rua Doutor Miguel Paulo Capalbo, 135.

The Company is primarily engaged in the sale of pet products, such as food, medicines, hygiene & cleaning articles and accessories through its chain of stores “Petz”. The Company also provides services in the veterinary area, through the “Seres” brand, and grooming areas and sells small pets.

As at June 30, 2021, the Company had 143 stores (133 stores as at December 31, 2020), 10 veterinary hospitals and 1 distribution center, in addition to the e-commerce platform “www.petz.com.br” and the mobile app Petz, and has also established partnerships with market places and super app.

On September 11, 2020, the Public Offering was completed and the Company’s shares were listed on B3 S/A - Brasil, Bolsa e Balcão under ticker symbol PETZ3 (refer to the shareholders’ structure as at June 30, 2021 in note 17.1). Initially the request was filed on February 19, 2020, which was immediately suspended due to the COVID-19 pandemic outbreak. The Public Offering process was resumed on July 17, 2020.

The primary offering proceeds increased the Company’s cash significantly and has been used in the expansion of stores and hospitals, as well as in technology and digital platforms investments.

1.1. Impacts of COVID-19

The Company’s Management has been following up on all developments related to the pandemic caused by COVID-19 with daily monitoring of the situation and the guidelines issued by the appropriate health and public authorities.

All necessary measures to ensure the health and well-being of our employees, pets and their tutors have been taken. In order to mitigate the transmissibility of the virus in stores, distribution centers and headquarters, hygiene measures were implemented for spaces and circulation areas, active communication, distribution of protective materials to employees, flexible working hours and the adoption of teleworking, among others.

During the first quarter of 2021, the numbers of cases and deaths due to the pandemic increased again in Brazil, reaching peaks even higher than those observed at the beginning of the outbreak in 2020. In spite of this, just as occurred during the worst period of the pandemic in 2020, the majority of physical stores remained open in the first half of 2021, which did not affect significantly the evolution of sales and results.

Only 15 stores were closed during the first quarter of 2021, for periods of up to 15 days each, and the vast majority of stores was closed by decision of the Company due to the significant decrease in the flow of customers as they are located inside shopping malls, which had their closure decreed in some cities, and a minority was closed through municipal decrees - which reinforces the characteristic of essentiality of our business. During the second quarter of 2021 there were no stores closed, and all the stores closed in the first quarter reopened during the first fortnight of April 2021.

In the case of the Grooming Center, the Company suspended temporarily the operation of 50 units, following regional decrees that determined the closure of the service, which also did not affect significantly its results.

As at June 30, 2021, all these units had already been reopened.

The Digital sales channel, which in 2020 became more relevant as from the second quarter due to the measures of isolation and social distancing, continues presenting important growth rates, with an increase in sales of 85% in the second quarter of 2021 in relation to the same period of the previous year and 16.5% in relation to the first quarter of 2021.

After a complete analysis of its performance indicators, the Company believes that the crisis caused by the pandemic strengthened the essentiality and resilience of the pet segment, and accelerated the Company's total sales, driven by the Digital channel. The impacts caused by the temporary closure of the aforementioned operations, in addition to social isolation, were not significant for the continuity of its business and there is no relevant information to be recorded in its interim financial information. The Company will continue to monitor the impacts and will carry out the required measures and disclosures, if necessary.

Pursuant to the guidance in items 6.3 and 6.4 of CVM Circular Letter SNC/SEP 01/2021, the Company has assessed and decided to continue to adopt the going concern basis of accounting in preparing the interim financial information, and reviewed its main assumptions, as follows: (i) the review of the assumptions of the annual impairment test, whose analysis did not demonstrate the need for recognition of adjustment in the interim financial information; (ii) analysis of expected credit losses of accounts receivable, the analysis of which did not demonstrate the need for recognition of adjustment in the interim financial information, since the accounts receivable consist substantially of credit/debit card receivables; (iii) analysis of any inventory losses, maintaining the adopted policy of provisions; (iv) the expected realization of deferred income tax remains the same for June 30, 2021, as mentioned in note 8.3.

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

### 2.1. Statement of compliance

The interim financial information has been prepared in accordance with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and with technical pronouncement CPC 21 (R1) - Interim Financial Reporting, and presented in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Interim Financial Information (ITR).

Management states that it has applied the technical guidance OCPC 7, approved by CVM Resolution No. 727/14, meeting the minimum requirements and, at the same time, disclosing only relevant information that help readers to make decisions. Therefore, all relevant information used in managing the business is disclosed in this document.

## 2.2. Basis of measurement

The interim financial information has been prepared on the historical cost basis, except for certain financial instruments measured at their revalued amounts or fair values at the end of each reporting period, as described in the accounting policies below. Historical cost is generally based on the fair value of the consideration paid in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market players at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Management takes into account the characteristics of the asset or liability if market players would take those characteristics into account when pricing the asset or liability at the measurement date. The fair value for purposes of measurement and/or disclosure in this interim financial information is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2 (CPC 10 (R1)), lease transactions that are within the scope of IFRS16 (CPC 06 (R2)) - Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value mentioned in IAS 2 (CPC 16 (R1)) - Inventories or value in use in IAS 36 (CPC 01 (R1)) - Impairment of Assets.

## 2.3. Going concern

On the approval date of the interim financial information, Management has reasonable expectation that the Company has appropriate resources for its continuity as a going concern in the near future. Therefore, the Company continues to adopt the going concern basis of accounting in preparing the interim financial information.

## 2.4. Functional and presentation currency

Items included in the interim financial information are measured in Brazilian reais (R\$), which is the functional and presentation currency and represents the currency of the primary economic environment in which the Company operates.

## 2.5. Use of estimates and judgments

The preparation of interim financial information requires Management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, revenues and expenses. The accounting estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expected future events that are considered reasonable in the circumstances.

Actual results may differ from those estimates. The effects of reviews to accounting estimates are recognized in the year in which the estimates are reviewed if the review affects both current and future years.

The key estimates and judgments applied by Management are disclosed in the following notes:

Estimate	Note
Estimated inventory loss	6
Right of use of property lease (Leases - CPC 06 (R2)/IFRS 16)	22
Realization of deferred income tax and social contribution	8
Impairment test of property, plant and equipment and intangible assets	9 and 10
Provisions for civil and labor risks	16

## 2.6. Accounting policies

The significant accounting policies and practices adopted in the preparation of this interim financial information are presented and summarized below and in the respective notes, and were consistently applied in the years.

### 2.6.1. Impairment of tangible and intangible assets

The Company assesses annually whether there is any indication that the carrying amount of an asset will not be recovered. If any such indication exists, the recoverable amount of the asset is estimated, which is the higher of: (i) its fair value less costs to sell; and (ii) its value in use. The value in use is equivalent to pretax discounted cash flows arising from the continuing use of the asset. When the residual carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

For impairment test purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-Generating Units - CGUs), which, in the case of the Company, correspond to each of its stores.

As at June 30, 2021, the Company did not identify internal and external factors that would lead to the need to recognize an impairment loss.

### 2.6.2. Statement of value added

This statement is intended to show the wealth created by the Company and its distribution during a given year, and is presented as required by Brazilian Corporate Law.

Such statement has been prepared based on information obtained from the accounting records used as a basis for the preparation of the interim financial information, supplementary records and in accordance with the provisions of technical pronouncement CPC 09 - Statement of Value Added ("DVA").

## 3. ADOPTION OF NEW AND REVISED IFRS

### 3.1. New and revised IFRSs issued and not yet applicable

Except as set forth below, there are no CPC/IFRS standards or ICPC/IFRIC interpretations applicable to the Company that are not yet effective and that could have a significant impact on the Company's interim financial information.

- IFRS 16 – Leases

The amendment excludes the example of reimbursement of leasehold improvements. As the amendment to IFRS 16 is only an illustrative example, no effective date is determined.

#### 4. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

##### 4.1. Accounting policy

Cash and cash equivalents include cash on hand and in banks, and short-term investments redeemable within 90 days from the investment date or considered highly liquid or convertible into a known amount of cash and subject to an insignificant risk of change in value, which are carried at cost plus yield earned through the end of the reporting period, which do not exceed their fair or realizable value.

Short-term investments not classified as cash equivalents are those with maturity date above 90 days or those pledged as collateral.

##### 4.2. Breakdown of cash and cash equivalents

	<u>06/30/2021</u>	<u>12/31/2020</u>
Cash and banks	3,027	10,998
Short-term investments (*)	<u>231,678</u>	<u>432,759</u>
Total	<u><u>234,705</u></u>	<u><u>443,757</u></u>

(\*) Represented by Bank Deposit Certificates (CDBs) and yielding an average rate of 105.0% of the variation of the Interbank Deposit Certificate (CDI) as at June 30, 2021 (104.6% as at December 31, 2020), which are readily convertible into a known amount of cash and subject to an insignificant risk of change in value.

##### 4.3. Breakdown of short-term investments

	<u>06/30/2021</u>	<u>12/31/2020</u>
Investments in CDBs (*)	<u>32,248</u>	<u>43,761</u>
Total	<u><u>32,248</u></u>	<u><u>43,761</u></u>

(\*) CDBs pledged as collateral for loans and promissory notes contracted in the first half of 2020, corresponding to 20% of the outstanding balance of such debts and yielding an average rate of 100% of the CDI variation as at June 30, 2021.

#### 5. TRADE RECEIVABLES

##### 5.1. Accounting policy

Trade receivables are recognized and held in the balance sheet at the original invoices amounts, less the allowance for expected losses.

Trade receivables balances are initially recognized at the transaction amount, which corresponds to the sales price and are subsequently measured at amortized cost.

The sales made by the Company are substantially cash sales and can be paid by customers in up to 10 installments by means of accredited credit cards, and the price charged in installment sales is the same as that charged in cash sales.

5.2. Breakdown

	<u>06/30/2021</u>	<u>12/31/2020</u>
Credit card companies (*)	194,802	155,094
Trade receivables	<u>7,419</u>	<u>5,581</u>
Total	<u><u>202,221</u></u>	<u><u>160,675</u></u>

(\*) Presented net of management fees charged by them.

The average collection period of trade receivables, represented basically by credit card companies, is 34 days as at June 30, 2021 (34 days as at December 31, 2020).

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each maturity range, as shown below:

	<u>06/30/2021</u>	<u>12/31/2020</u>
Past due	600	621
Current:		
1 to 30 days	137,347	104,846
31 to 60 days	33,604	31,538
61 to 90 days	15,550	11,722
Over 90 days	<u>15,120</u>	<u>11,948</u>
Total	<u><u>202,221</u></u>	<u><u>160,675</u></u>

6. INVENTORIES

6.1. Accounting policy

Recorded at acquisition cost, including non-recoverable taxes, freight costs and other costs necessary to bring inventories to their current conditions.

Inventories are valued at the weighted average cost, less any estimated losses on the transaction date, when applicable.

6.2. Breakdown

	<u>06/30/2021</u>	<u>12/31/2020</u>
Goods for resale	228,118	173,815
Import advance	10,858	11,917
Other	<u>288</u>	<u>159</u>
	239,264	185,891
Allowance for inventory losses	<u>(4,386)</u>	<u>(190)</u>
Total	<u><u>234,878</u></u>	<u><u>185,701</u></u>

The cost of inventories sold recognized in net income for the period ended June 30, 2021 is R\$467,373 (R\$295,482 for the period ended June 30, 2020).

## 6.3. Estimated inventory losses

	<u>06/30/2021</u>	<u>06/30/2020</u>
Balance at the beginning of the period	(190)	(3,769)
Addition/reversal of allowance, net (*)	<u>(4,196)</u>	<u>(389)</u>
Balance at the end of the period	<u><u>(4,386)</u></u>	<u><u>(4,158)</u></u>

(\*) On a quarterly basis, the Company reverses the allowance for estimated inventory losses for the previous quarter and adjusts the calculation and the allowance at the end of the current quarter. For this reason, due to the high volume of reversals and additions, the Company has decided to present this net variation.

## 7. RECOVERABLE TAXES AND CONTRIBUTIONS

	<u>06/30/2021</u>	<u>12/31/2020</u>
State VAT - ICMS Reverse Charge (ICMS-ST) (a)	25,661	21,682
Taxes on Revenue (PIS and COFINS) (b)	4,884	9,042
Income Tax (IRPJ) and Social Contribution (CSLL) (c)	6,156	6,156
Federal VAT (IPI)	-	41
Other	<u>5,132</u>	<u>6,502</u>
Total	<u><u>41,833</u></u>	<u><u>43,423</u></u>
Current	39,986	41,722
Noncurrent	1,847	1,701

(a) Refers to ICMS-ST credits related to CAT 42, which are realized within an average period of 4 months. a

(b) The outstanding balance as at June 30, 2021 refers to R\$ 4,513 of remaining balance of PIS and COFINS credits recognized in 2021 related to prior years (total of R\$5,597 recognized in the six-month period ended June 2021, according to note 20.1). The Company' expectation is that the total remaining balance outstanding as at June 30, 2021 will be realized until December 31, 2021.

## 8. INCOME TAX AND SOCIAL CONTRIBUTION

## 8.1. Accounting policy

The expense on Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) represents the sum of current and deferred taxes.

Current taxes

The provision for income tax is based on taxable income for the year. Taxable income differs from net income as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The income tax rate is 15%, plus a 10% surtax on taxable income in excess of R\$ 240, and the social contribution rate is 9% on taxable income, pursuant to the prevailing tax laws.

### Deferred taxes

Deferred income tax and social contribution (“deferred taxes”) are recognized on temporary differences between the carrying amounts of assets and liabilities in the interim financial information and the corresponding tax basis used in the computation of taxable income, including tax losses where applicable.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

#### 8.2. Breakdown

	06/30/2021		12/31/2020	
	IRPJ	CSLL	IRPJ	CSLL
Operating leases (CPC 06 (R2)/IFRS 16)	52,724	52,724	44,917	44,917
Profit sharing provision	8,691	8,691	17,449	17,449
Loyalty program – “Vale a Pena Ser Fiel”	2,985	2,985	3,015	3,015
Provision for civil and labor risks	1,331	1,331	1,902	1,902
Stock option plan	1,818	1,818	1,754	1,754
Allowance for inventory losses	4,386	4,386	190	190
Surplus value of assets (i)	(274)	(274)	(370)	(370)
Other temporary differences, net	68	68	858	858
Total	<u>72,277</u>	<u>72,277</u>	<u>69,715</u>	<u>69,715</u>
Weighted nominal rates	25%	9%	25%	9%
Deferred income tax and social contribution assets	18,069	6,505	17,429	6,274
Total		<u>24,574</u>		<u>23,703</u>

(i) As a result of the merger of its then controlling shareholder Warburg Pincus XI on June 30, 2015, the effects of deferred income tax on the surplus value/loss in value of certain assets, also recorded in the merged assets, were recognized at the Company.

#### 8.3. Realization of deferred taxes

Deferred income tax and social contribution, arising from temporary differences, based on projections prepared by Management for the next years, whose realization estimate is as follows:

Year	Net
2021	10,724
2022	2,331
2023 onwards	11,519
Total	<u>24,574</u>

## 8.4. Analysis of the effective income tax and social contribution rate

The reconciliation between the expense calculated by applying the combined tax rates and the income tax and social contribution expenses charged to profit or loss is as follows:

	<u>06/30/2021</u>	<u>06/30/2020</u>
Earnings before taxes	38,171	34,017
Statutory rate - %	<u>34%</u>	<u>34%</u>
Expected income tax and social contribution expense at statutory rate	(12,978)	(11,566)
Permanent (additions) deductions:		
Interest on capital	1,700	-
Other additions and deductions, net	(801)	(359)
Income tax and social contribution expense in net income	<u>(12,079)</u>	<u>(11,925)</u>
Current	(12,950)	(13,973)
Deferred	<u>871</u>	<u>2,048</u>
	<u>(12,079)</u>	<u>(11,925)</u>
Effective rate	31.6%	35.1%

## 9. PROPERTY, PLANT AND EQUIPMENT

## 9.1. Accounting policy

Property, plant and equipment items are stated at acquisition cost, less depreciation and, when applicable, impairment losses. Depreciation starts when the store is opened and the assets start to be used.

Depreciation is recognized based on the estimated useful life of each asset on a straight-line basis, at the rates mentioned in the table below. Depreciation of leasehold improvements is calculated based on the term of the lease agreements entered into with third parties. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income statement.

Useful lives of property, plant and equipment

The Company reviews the estimated useful lives of property, plant and equipment items annually at the end of each reporting period. When applicable, the effects of the changes in the remaining useful life are accounted for on a prospective basis.

Impairment test

The impairment tests are performed annually as described in note 2.6.1 to the interim financial information.

As at June 30, 2021, the Company analyzed the effects of the factors mentioned in note 1.1 on its operations, and considering that the Company's activity was determined as essential by the government, Management did not identify any material impacts and concluded that there was no need to recognize impairment loss.

## 9.2. Breakdown

	Average annual depreciation rate - % (a)	06/30/2021			12/31/2020		
		Cost	Accumulated depreciation	Net value	Cost	Accumulated depreciation	Net value
Leasehold improvements	(a)	472,158	(135,721)	336,437	415,176	(113,750)	301,426
Furniture and fixtures	10	84,012	(23,240)	60,772	72,514	(19,234)	53,280
Machinery and equipment	10	52,339	(13,377)	38,962	44,962	(10,918)	34,044
Vehicles	20	955	(809)	146	955	(711)	244
Facilities	20	910	(657)	253	786	(603)	183
IT equipment	20	30,021	(15,495)	14,526	25,705	(12,960)	12,745
Right of use – property lease	(a)	803,086	(191,386)	611,700	660,809	(145,147)	515,662
Advance		9,189	-	9,189	3,839	-	3,839
Total		<u>1,452,670</u>	<u>(380,685)</u>	<u>1,071,985</u>	<u>1,224,746</u>	<u>(303,323)</u>	<u>921,423</u>

(a) Depreciation is calculated on a straight-line basis, based on the term of the lease agreements with third parties, which ranges from 2 to 21 years.

## 9.3. Changes in property, plant and equipment

	Balance as at 12/31/2020	Additions	Write-offs (*)	Balance as at 6/30/2021
<b>Cost:</b>				
Leasehold improvements	415,176	58,789	(1,807)	472,158
Furniture and fixtures	72,514	11,920	(422)	84,012
Machinery and equipment	44,962	7,511	(134)	52,339
Vehicles	955	-	-	955
Facilities	786	147	(23)	910
IT equipment	25,705	4,409	(93)	30,021
Right of use – property lease	660,809	146,550	(4,273)	803,086
Advance	3,839	5,350	-	9,189
Total cost	<u>1,224,746</u>	<u>234,676</u>	<u>(6,752)</u>	<u>1,452,670</u>
<b>Depreciation:</b>				
Leasehold improvements	(113,750)	(23,340)	1,369	(135,721)
Furniture and fixtures	(19,234)	(4,164)	158	(23,240)
Machinery and equipment	(10,918)	(2,495)	36	(13,377)
Vehicles	(711)	(98)	0	(809)
Facilities	(603)	(67)	13	(657)
IT equipment	(12,960)	(2,594)	59	(15,495)
Right of use – property lease	(145,147)	(47,535)	1,296	(191,386)
Total depreciation	<u>(303,323)</u>	<u>(80,293)</u>	<u>2,931</u>	<u>(380,685)</u>
Total property, plant and equipment	<u>921,423</u>	<u>154,383</u>	<u>(3,821)</u>	<u>1,071,985</u>

(\*) The write-offs in the six-month period ended June 30, 2021 are related mainly to the closing down of 2 stores, the units of Convivas in Barra da Tijuca, Rio de Janeiro and Granja Viana, in Cotia, Greater São Paulo.

	Balance as at 12/31/2019	Additions	Write-offs	Transfer	Balance as at 6/30/2020
Cost:					
Leasehold improvements	307,106	28,728	(35)	2,268	338,067
Furniture and fixtures	54,443	2,912	-	774	58,129
Machinery and equipment	30,327	3,438	-	15	33,780
Vehicles	1,120	-	(165)	-	955
Facilities	585	-	-	-	585
IT equipment	17,630	3,046	-	-	20,676
Right of use – property lease	499,334	64,994	-	-	564,328
Advance	5,195	1,942	-	(3,057)	4,080
Total cost	<u>915,740</u>	<u>105,060</u>	<u>(200)</u>	<u>-</u>	<u>1,020,600</u>
Depreciation:					
Leasehold improvements	(76,825)	(16,630)	6	-	(93,449)
Furniture and fixtures	(13,214)	(2,865)	-	-	(16,079)
Machinery and equipment	(7,301)	(1,723)	-	-	(9,024)
Vehicles	(642)	(119)	159	-	(602)
Facilities	(514)	(39)	-	-	(553)
IT equipment	(8,557)	(2,060)	-	-	(10,617)
Right of use – property lease	(65,285)	(38,059)	-	-	(103,344)
Total depreciation	<u>(172,338)</u>	<u>(61,495)</u>	<u>165</u>	<u>-</u>	<u>(233,668)</u>
Total property, plant and equipment	<u>743,402</u>	<u>43,565</u>	<u>(35)</u>	<u>-</u>	<u>786,932</u>

#### Assets pledged as collateral

As at June 30, 2021, the Company did not have property, plant and equipment items pledged as collateral for bank loans and financing operations or attached to the defense of lawsuits, except for the obligations assumed by means of finance lease agreements that are guaranteed by the lessor's ownership of the leased assets and fixed assets of the Sorocaba and Granja Viana stores, pledged as collateral for the lease agreement, in the amounts of R\$448 and R\$244, respectively.

#### 9.4. Non-cash transactions involving property, plant and equipment and intangible assets

The additions to property, plant and equipment presented in the statements of cash flows are net of the installments to be paid in the next years. Analysis for each of the periods:

	<u>06/30/2021</u>	<u>06/30/2020</u>
Total additions for the period:		
Property, plant and equipment	234,676	105,060
Intangible assets - note 10	18,983	10,598
Adoption/additions of IFRS 16 (Right of use - property lease) note 22.3	(146,550)	(64,994)
Balance of trade payables of the prior year paid in the current year - note 11	11,100	13,967
Balance of trade payables in the current year - note 11	(10,083)	(5,684)
Other	(23)	(46)
	<u>108,103</u>	<u>58,901</u>

## 10. INTANGIBLE ASSETS

### 10.1. Accounting policy

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and, when applicable, impairment losses.

Amortization is recognized on a straight-line basis over the estimated useful lives of the assets, at the rates shown in the table below.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

### 10.2. Breakdown

	Average annual amortization rate - %	06/30/2021			12/31/2020		
		Cost	Accumulated amortization	Net value	Cost	Accumulated amortization	Net value
		Software license	20	16,281	(6,483)	9,798	10,610
IT projects (a)	20	62,213	(17,895)	44,318	48,920	(13,141)	35,779
Commercial rights	(b)	19,718	(4,924)	14,794	19,718	(3,947)	15,771
Non-compete agreement	10	124	(89)	35	124	(83)	41
Other intangible assets	-	169	(51)	118	152	(30)	122
Total		<u>98,505</u>	<u>(29,442)</u>	<u>69,063</u>	<u>79,524</u>	<u>(22,622)</u>	<u>56,902</u>

(a) IT projects refer to the development and implementation of information technology systems and licensing.

(b) The amortization is calculated on a straight-line basis over the term of the lease agreements with third parties, which ranges from 10 to 15 years.

### 10.3. Changes in intangible assets

	Balance as at 12/31/2020	Additions	Write-offs	Balance as at 06/30/2021
<b>Cost:</b>				
Software license	10,610	5,672	(1)	16,281
IT projects	48,920	13,294	(1)	62,213
Commercial rights	19,718	-	-	19,718
Non-compete agreement	124	-	-	124
Other intangible assets	152	17	-	169
Total cost	<u>79,524</u>	<u>18,983</u>	<u>(2)</u>	<u>98,505</u>
<b>Amortization:</b>				
Software license	(5,420)	(1,063)	-	(6,483)
IT projects	(13,141)	(4,754)	-	(17,895)
Commercial rights	(3,947)	(977)	-	(4,924)
Non-compete agreement	(83)	(6)	-	(89)
Other intangible assets	(31)	(20)	-	(51)
Total amortization	<u>(22,622)</u>	<u>(6,820)</u>	<u>-</u>	<u>(29,442)</u>
Total intangible assets	<u>56,902</u>	<u>12,163</u>	<u>(2)</u>	<u>69,063</u>

	Balance as at 31/12/2019	Additions	Write-offs	Balance as at 06/30/2020
Cost:				
Software license	7,850	1,517	-	9,367
IT projects	26,455	8,525	-	34,980
Commercial rights	19,168	550	-	19,718
Non-compete agreement	124	-	-	124
Other intangible assets	146	6	-	152
Total cost	<u>53,743</u>	<u>10,598</u>	<u>-</u>	<u>64,341</u>
Amortization:				
Software license	(4,078)	(638)	-	(4,716)
IT projects	(6,799)	(2,669)	-	(9,468)
Commercial rights	(1,693)	(1,346)	-	(3,039)
Non-compete agreement	(74)	(3)	-	(77)
Other intangible assets	-	(10)	-	(10)
Total amortization	<u>(12,644)</u>	<u>(4,666)</u>	<u>-</u>	<u>(17,310)</u>
Total intangible assets	<u>41,099</u>	<u>5,932</u>	<u>-</u>	<u>47,031</u>

For further details on non-cash transactions involving intangible assets, see note 9 - property, plant and equipment.

#### 11. TRADE PAYABLES

	06/30/2021	12/31/2020
Resale	178,302	145,721
Property, plant and equipment and intangible assets	10,083	11,100
Other (*)	42,655	38,854
Total	<u>231,040</u>	<u>195,675</u>

(\*) Refer mainly to trade payables related to the Digital segment (e.g. digital platform support and maintenance, digital marketing, market places, etc.), consumption and logistics.

#### 12. PAYROLL AND RELATED TAXES

	06/30/2021	12/31/2020
Vacation provision	20,807	17,763
Profit sharing provision	8,691	17,449
Payroll payable	6,676	7,042
Christmas bonus provision	8,504	-
Severance Pay Fund (FGTS)	1,265	1,553
Social Security Contribution (INSS)	5,327	5,148
Other	4,400	4,761
Total	<u>55,670</u>	<u>53,716</u>

### 13. TAXES PAYABLE

	<u>06/30/2021</u>	<u>12/31/2020</u>
IRPJ and CSLL	2,898	-
PIS and COFINS (*)	1,887	19,469
State Vat (ICMS)	14,717	12,473
Service Tax (ISS)	427	530
Taxes withheld	2,191	2,679
Other	4,299	1,405
Total	<u>26,419</u>	<u>36,556</u>

(\*) The variation of balance between December 31, 2020 and June 30, 2021 refers mainly to the payment related to the lawsuit for exclusion of PIS/COFINS from the own tax base, with a decision unfavorable to the Company, resulting in the payment of R\$18,492 in March 2021.

### 14. LOANS, FINANCING AND DEBENTURES

#### 14.1. Accounting policy

Initially, the balances of loans, financing and debentures are recognized at fair value upon receipt and, thereafter, it is measured at amortized cost as set forth in the agreement (plus charges, interest calculated at the effective rate, inflation adjustment and amortization incurred up to the balance sheet date).

#### 14.2. Breakdown

	<u>Charges</u>	<u>Maturity</u>	<u>Collaterals</u>	<u>06/30/2021</u>	<u>12/31/2020</u>
Bank loan	3.49% p.a. + Annual Selic	March 2022	Fiduciary assignment	89,418	148,875
Promissory note	2.90% p.a. + Annual Selic	October 2021	Fiduciary assignment	39,300	59,794
Debentures:					
1st issue of debentures	1.40% p.a. + Annual Selic	July 2023	Fiduciary assignment	101,012	125,119
2nd issue of debentures	1.30% p.a. + Annual Selic	June 2024	Fiduciary assignment	139,335	162,557
Total				<u>369,065</u>	<u>496,345</u>
Current				223,860	273,942
Noncurrent				145,205	222,403

#### 14.3. Characteristics

##### Characteristics of the 1st issue of debentures

On July 10, 2018, the 1st issue of the Company's debentures was carried out in the amount of R\$200,000, with a 60-month maturity (July 2023), except for the cases of accelerated maturity according to clauses in the issue deed, as follows:

- The adjusted net debt-to-adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) ratio should not be greater than 2.5x.
- Accelerated maturity arising from another bank debt.

As at December 31, 2020, the Company was compliant with these covenants, with measurements performed annually.

According to the deed there will be no scheduled renegotiation of the debentures, and certain conditions and restrictions in relation to solvency, corporate restructuring (in case of decrease of direct or indirect interest of shareholder Sergio Zimerman to less than 30%), socio-environmental, labor and anti-corruption laws in addition to providing accessory information requested in accordance with the terms stipulated in the debenture issue deed, must be met.

The costs incurred on the issues of the Company's debentures, including fees, commissions and other costs, totaled R\$3,177 and are classified in the line item of the respective debentures and are being recognized in net income over the total period of the debt.

As at June 30, 2021, the amount to be recognized was R\$1,324 (R\$1,642 as at December 31, 2020), and is presented net in the debentures balance.

The amortization of the principal of debentures will occur in 49 consecutive installments, the first of which from the 12th month after the issue. The remuneration will be paid monthly, and the first payment was made on August 10, 2018.

#### Characteristics of the 2nd issue of debentures

On June 28, 2019, the 2nd issue of the Company's debentures was carried out in the amount of R\$200,000, with a 60-month maturity (June 2024), except for the cases of accelerated maturity according to clauses in the issue deed, as follows:

- The adjusted net debt-to-adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) ratio should not be greater than 2.5x.
- Accelerated maturity arising from another bank debt.

As at December 31, 2020, the Company was compliant with these covenants, with measurements performed annually.

According to the deed there will be no scheduled renegotiation of the debentures, and certain conditions and restrictions in relation to solvency, corporate restructuring (in case of decrease of direct or indirect interest of shareholder Sergio Zimerman to less than 30%), socio-environmental, labor and anti-corruption laws in addition to providing accessory information requested in accordance with the terms stipulated in the debenture issue deed, must be met.

The costs incurred on the issues of the Company's debentures, including fees, commissions and other costs, totaled R\$3,087 and are classified in the line item of the respective debentures and are being recognized in net income over the total period of the debt.

As at June 30, 2021, the amount to be recognized was R\$1,904 (R\$2,212 as at December 31, 2020), and is presented net in the debentures balance.

The amortization of the principal of debentures will occur in 17 consecutive quarterly installments, the first of which from the 12th month after the issue. The remuneration will be paid quarterly, and the first payment was made on September 28, 2019.

#### Characteristics of the bank loan

On March 27, 2020, the Company contracted a Bank Credit Note 4131 from Banco Santander in the amount of R\$150,000 without a derivative contract, with maturity of 24 months (March 2022), except in the event of accelerated maturity, as follows:

- The adjusted net debt-to-adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) ratio should not be greater than 2.5x.

- Accelerated maturity arising from another bank debt.

As at December 31, 2020, the Company was compliant with these covenants, with measurements to be performed annually, and as at June 30, 2021 had R\$18,866 in CDBs pledged as collateral, recorded in “Short-term investments” (note 4.3).

The costs incurred on the Company's Bank Credit Note 4131, including fees, commissions and other costs, totaled R\$2,308 and are classified in the line item of the corresponding loan and are being recognized in net income over the period of the debt.

As at June 30, 2021, the amount to be recognized was R\$769 (R\$1,346 as at December 31, 2020), and is presented net in the borrowing balance.

#### Characteristics of the 1st issue of promissory notes

On April 8, 2020, the 1st issue of the Company's Promissory Notes was carried out in the total amount of R\$ 60,000, in 6 series, 1 (one) Promissory Note for the 1st series, 1 (one) Promissory Note for the 2nd series, 1 (one) Promissory Notes for the 3rd series, 20 (twenty) Promissory Notes for the 4th series, 19 (nineteen) Promissory Notes for the 5th series and 18 (eighteen) Promissory Notes for the 6th series. Each series matures in 6 consecutive three-month periods, starting from the third month after the issue date. Each Promissory Note has a unit value of R\$1,000.

The issue has a final maturity in 18 months (October 2021), except for the cases of early maturity according to clauses, as follows:

- The adjusted net debt-to-adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) ratio should not be greater than 2.5x.
- Accelerated maturity arising from another bank debt.

As at December 31, 2020, the Company was compliant with these covenants, with measurements performed annually, and as at June 30, 2021 had R\$13,382 in CDBs pledged as collateral, recorded in “Short-term investments” (note 4.3).

The costs incurred on the 1st issue of Promissory Notes, including fees, commissions and other costs, totaled R\$792 and are classified in the line item of the corresponding loan and are being recognized in net income over the period of the debt. As at June 30, 2021, the amount to be recognized was R\$132 (R\$396 as at December 31, 2020), and is presented net in the loan balance.

#### 14.4. Changes in loans

Changes in loans and financing during the period was as follows:

	<u>06/30/2021</u>	<u>06/30/2020</u>
Balance at the beginning of the period	496,345	398,485
New loans	-	210,000
Repayment of principal	(129,019)	(48,671)
Repayment of interest	(8,570)	(14,072)
Interest incurred	10,309	12,704
Balance at the end of the period	<u>369,065</u>	<u>558,446</u>

As at June 30, 2021, the maturity schedule is as follows:

Year	Net
2021	143,866
2022	126,038
2023	75,630
2024	23,531
Total	369,065

#### Collaterals - Fiduciary assignment

The Company's loans and financing require collaterals, in the form of Credit Card Receivables or Short-term Investments (note 4b), with a minimum amount of 20% of the outstanding balance, controlled and checked daily by the Fiduciary Agent (in the case of the Debentures) or by the banks issuing Bank Credit Notes. As at June 30, 2021, the Company was compliant with these requirements.

#### 15. LOYALTY PROGRAM

The “Vale a Pena Ser Fiel” loyalty program promotes product purchases by customers in stores, which are converted into credit for future purchases.

According to the program's rules, a bonus of up to 10% of the amount paid is granted, to be used solely and exclusively in the month following the purchase, in any store.

The fair value is calculated based on the amounts obtained by the customers, at the time of purchase, adjusted by a portion related to the expected use.

Sales revenue, leveraged by the loyalty program, is recorded in deferred revenue and recognized in net income.

As at June 30, 2021, deferred revenue from the loyalty program is R\$2,985 (R\$3,015 as at December 31, 2020), and the effect on net income for the period was positive by R\$30 (negative by R\$5 in net income for the period ended June 30, 2020).

#### 16. PROVISION FOR CIVIL AND LABOR RISKS

##### 16.1. Accounting policy

Recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of funds will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When applicable, the provision is quantified at the present value of the expected consideration to settle the obligation, using the appropriate discount rate according to the risks related to the liability or the estimated amount of probable losses, according to its nature and supported by the opinion of the Company's legal counsel.

## 16.2. Breakdown

As at June 30, 2021, the Company was exposed to civil, labor and tax risks related to lawsuits for which the outcome was considered unfavorable by Management, supported by the opinion of its external legal counsel and internal controlling department:

	<u>06/30/2021</u>	<u>12/31/2020</u>
Labor (a)	1,214	1,561
Civil (b)	95	341
Tax	22	-
Total	<u>1,331</u>	<u>1,902</u>

(a) The Company is a defendant in labor claims filed by former employees and third parties, whose claims refer mostly to payments of severance pay, premiums, overtime and amounts due for subsidiary liability. The provision also includes amounts related to the payment of social security contribution (INSS) and withholding income tax (IRRF).

(b) The provision for civil risks is related to claims for compensation for alleged incidents in stores.

## 16.3. Changes in provisions

The changes in the provision for civil and labor risks, as well as in the escrow deposits, were as follows:

	<u>06/30/2021</u>	<u>06/30/2020</u>
<u>Provision</u>		
Balance at the beginning of the period	1,902	2,212
Additions/reversals, net	(353)	530
Payments	(218)	(54)
Balance at the end of the period	<u>1,331</u>	<u>2,688</u>
<u>Escrow deposits (*)</u>		
Balance at the beginning of the period	2,884	719
Additions	2,234	1,202
Withdrawals/losses	(235)	(104)
Balance at the end of the period	<u>4,883</u>	<u>1,817</u>

(\*) Recorded in line item "other receivables" in noncurrent assets.

### Lawsuits classified with possible likelihood of loss

Management did not consider necessary to recognize a provision for ongoing lawsuits for which the likelihood of loss was assessed as possible by the legal counsel.

	<u>06/30/2021</u>	<u>12/31/2020</u>
Labor	14,495	8,495
Civil	783	381
Tax	2,798	2,525
Total	<u>18,076</u>	<u>11,401</u>

## 17. EQUITY

### 17.1. Capital

The capital of R\$409,041 comprises 393,991,198 shares, with no par value, held as follows:

	Shares		Amount in Brazilian reais (R\$)
	Common	%	
Sergio Zimerman Participações	131,968,204	33.5%	137,009,213
TRUXT Investimentos Ltda	22,670,507	5.8%	23,536,490
Other	<u>239,352,487</u>	<u>60.7%</u>	<u>248,495,431</u>
Total	<u>393,991,198</u>	<u>100%</u>	<u>409,041,134</u>

As at June 30, 2021, Sergio Zimerman, with an indirect interest of 33.5%, is the Company's controlling shareholder.

On February 26, 2021, the Meeting of the Board of Directors – RCA resolved and approved the increase in the Company's capital in the amount of R\$21,791, upon the issuance of 21,135,402 new common shares, as a result of the exercise of stock options, as detailed in note 17.4.4. The capital increase was made through the capital of the beneficiaries. After the increase, capital went from R\$387,250 to R\$409,041, represented by 393,991,198 common shares.

### 17.2. Capital reserve

On December 6, 2013, Warburg Pincus XI acquired from FHZ 78,230 registered common shares, with no par value, and subscribed new registered common shares, with no par value issued by the Company. Accordingly, Warburg Pincus XI currently holds shares representing 50% plus one share of the Company's total and voting capital.

The total issue price for the subscription was R\$80,004, fully paid in local currency, of which R\$186 as capital increase of the Company and R\$79,818 allocated to the "Capital reserve" line item. On the same date, a subscription warrant was issued in favor of Warburg Pincus XI, granting it the right to subscribe to the number of registered common shares with no par value of the Company, according to the formulas predefined in the abovementioned warrants, and the subscription price defined in the Purchase and Sale Agreement signed by the parties was paid on August 16, 2013.

On August 18, 2020, the extraordinary general meeting resolved on the cancellation of the subscription warrant.

In September 2020, the Company conducted the primary and secondary public offering of shares ("Offering"), and the costs of such offering totaled R\$25,179, which were recorded as a reduction of the capital reserve balance. Accordingly, the balance as at June 30, 2021 is R\$54,639.

### 17.3. Legal reserve

A portion of 5% of the net income in the year shall be deducted to set up the legal reserve, which shall not exceed 20% of the capital.

As at June 30, 2021, the balance of the legal reserve was R\$5,770.

#### 17.4. Reserve for stock option plan

##### 17.4.1. Accounting policy

The Company has two effective stock option plans, both approved at extraordinary general meetings, one held on December 6, 2013 ("1st SOP") and the other held on August 18, 2020 ("2nd SOP"), which established general terms and conditions for the grant of the options to purchase the Company's shares.

Certain members of Management and the Company's executive officers ("Participants") are eligible to participate in the stock option plan for purchase of preferred shares issued by the Company ("Option"), granting them the possibility to invest and become partners of the Company.

The Board of Directors may periodically create Stock Option Programs ("Programs"), in which the following will be defined: (i) the terms and conditions of each grant of Options; (ii) the persons to whom the Options will be granted (Participants); (iii) the number, percentage and type of shares of the Company to which the Participants will have the right to subscribe upon the exercise of the Option; (iv) the terms (minimum and maximum) for exercising the Option; (v) any staggering of Options granted in lots subject to minimum terms; and (vi) any restrictions on the shares received for the exercise of Options and provisions on penalties that may apply, subject to the basic lines established in the Plan.

##### 17.4.2. Characteristic

The conditions for exercise of the shares were defined as follows:

- 1st SOP – The exercise price set is subject to the CDI variation, from December 6, 2013 to the date of actual payment, with a grace period for free trading after five years from the date of grant of the Options. The Options could be fully exercised six months after a "Liquidity Event", which occurred on March 10, 2021 (see note 17.4.4 with the variations in 1st SOP).
- 2nd SOP - The exercise price of the Options granted within the 12 months counted from the Offering date shall correspond to the price per share in the Offering. For Options granted after such period, the exercise price shall correspond to the weighted average price of the shares issued by the Company at the B3 during a given period prior to the grant.

Options will be exercised through the issue of new shares and/or sale of treasury shares held by the Company, according to the Option to be adopted by the Board of Directors when exercising.

While the Options are not exercised and converted into shares, they will not be entitled to dividends or interest on capital, nor any other equity or political right at the Company.

No options were granted under the 2nd SOP up to June 30, 2021.

## 17.4.3. Expenses on stock option plan

The fair value for the Stock Option Plans was calculated on the grant date of each plan based on the Black and Scholes method. The effects were reflected in operating expenses, in income statements, and in line item “earnings reserve”, in equity, as follows:

Grant date and program	At the period ended 6/30/2021	Amounts to be recorded in future years
January 2, 2018 – 5th Program	30	57
January 2, 2019 – 6th Program	2	8
January 2, 2019 – 7th Program	12	18
March 1, 2019 – 8th Program	2	2
June 30, 2019 – 9th Program	2	4
December 31, 2019 – 10th Program	2	17
December 31, 2019 – 11th Program	2	6
August 18, 2020 – 12th Program	8	29
August 18, 2020 – 13th Program	2	-
August 18, 2020 – 14th Program	2	1
Total	64	142

#### 17.4.4. Variation

Changes in stock options for the period ended June 30, 2021 were as follows (per thousand shares):

	1st Program	2nd Program	3rd Program	4th Program	5th Program	6th Program	7th Program	8th Program	9th Program	10th Program	11th Program	12th Program	13th Program	10th 4th Program	Total
Total															
stock options	7,828	2,376	800	140	5,826	1,206	5,770	148	372	2,158	932	522	18	36	28,132
Grant of additional options	-	1,108	940	1,136	-	-	-	-	-	-	-	-	-	-	3,184
Options canceled	(4,942)	(160)	(320)	-	(1,118)	-	-	-	-	-	-	-	-	-	(6,540)
Shares exercised	(2,886)	(3,324)	(1,420)	(1,276)	(4,708)	(1,206)	(3,463)	(148)	(149)	(1,950)	(559)	-	(10)	(36)	(21,135)
Current number of stock options as at June 30, 2021	-	-	-	-	-	-	2,307	-	223	208	373	522	8	-	3,641

In determining the fair value of stock options, the following economic assumptions were used:

	1st Program	2nd Program	3rd Program	4th Program	5th Program	6th Program	7th Program	8th Program	9th Program	10th Program	11th Program	12th Program	13th Program	14th Program
Grant date	01/31/14	01/31/15	02/25/16	01/02/17	01/02/18	01/02/19	01/02/19	03/01/19	06/30/19	12/31/19	12/31/19	08/18/20	08/18/20	08/18/20
Beginning of option exercise period	01/31/15	01/31/16	02/25/17	01/02/18	01/02/19	01/02/20	01/02/20	03/01/20	12/31/19	12/31/20	12/31/20	08/18/21	08/18/21	08/18/21
Vesting period	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	4.5 years	5 years	4 years	5 years	4 years	5 years
End of option exercise period	01/31/24	01/31/25	02/25/26	01/02/27	01/02/28	01/02/29	01/02/29	03/01/29	12/31/28	12/31/29	12/31/28	12/31/29	12/31/29	12/31/29
Risk-free interest rate	12.84%	16.19%	10.92%	7.18%	6.78%	6.41%	6.41%	6.44%	5.87%	6.41%	6.41%	2.04%	2.04%	2.04%
Number of eligible managers and executives	8	8	6	5	1	16	5	2	1	4	1	4	10	19
Index	CDI	CDI	CDI	CDI	CDI	CDI	CDI	CDI	CDI	CDI	CDI	CDI	CDI	CDI
Number of outstanding options	2,886	3,324	1,420	1,276	4,708	1,206	5,770	148	372	2,158	932	522	18	36
Fair value of shares upon grant in Brazilian reais	0.72	0.80	0.91	0.91	1.27	1.21	1.21	1.21	1.26	1.26	1.26	1.29	1.29	1.29

#### 17.4.5. Dividends and interest on capital

The shareholders are entitled at each year to a minimum mandatory dividend of 25% of the profit for the year in compliance with the Company's Bylaws and the Brazilian Corporate Law.

On June 24, 2021, at the Board of Directors' Meeting (RCA), approval was given for the allocation of the interest on capital amounting to a gross R\$5,000, with a withheld income tax of R\$481, recorded in line item "Taxes payable".

The total amount of interest on capital is within the limits set forth in paragraph 1, article 9 of Law 9,249/95, and will be allocated to the mandatory minimum dividend, to be calculated at the end of the year ending December 31, 2021, by its net amount.

## 18. RELATED PARTIES

## 18.1. Balances and transactions

	<u>06/30/2021</u>	<u>12/31/2020</u>
<u>Balances</u>		
Current liabilities:		
Leases (i)	35,982	31,384
<u>Transactions</u>	<u>06/30/2021</u>	<u>06/30/2020</u>
Depreciation and interest expenses (i)	2,896	2,428
Board members	191	144

- (i) The Company is a party to lease agreements signed with Zimerman Participações Ltda., corresponding to the lease of the office and warehouse of the Marginal Tietê store. The balance reported is considering the effects of CPC 06 (R2)/IFRS 16.

## 18.2. Key management compensation

The expenses related to compensation of key management personnel (officers appointed pursuant to the Bylaws and the Board of Directors) recognized in the income statement for the periods were as follows:

	<u>06/30/2021</u>	<u>06/30/2020</u>
Statutory officers:		
Compensation and related taxes	5,634	4,504
Fringe benefits	159	215
Total statutory officers	<u>5,793</u>	<u>4,719</u>
Board of Directors	<u>768</u>	<u>559</u>
Total	<u>6,561</u>	<u>5,278</u>

## 19. NET OPERATING REVENUE

## 19.1. Accounting policy

CPC 47 / IFRS 15 establishes a comprehensive framework for determining whether, when, and for how much revenue is recognized based on the identification of performance obligations, the transfer of control of the product or service to the customer and the determination of the sales price.

The Company recognizes revenue from the following activities:

- Sale of pet products, such as feed, food, accessories and medicines, as well as pets.
- Provision of services in the veterinary and animal beautification areas.

Revenue is measured based on the consideration that the Company expects to receive from a customer. The Company recognizes revenue when it transfers control of a product or service to the customer. Sales revenue is presented net of deductions, including taxes on sales.

Sale of goods

For sales of goods to customers in retail and e-commerce, revenue is recognized when control of the goods is transferred, i.e., when the customers purchase the goods at the point of sale and/or when they receive the goods. Payment of the transaction price is due immediately when the customer purchases the goods.

At the point of sale, a refund liability and a corresponding adjustment to revenue are recognized for returned products and/or when a sale is canceled. At the same time, the Company has the right to recover the product when customers exercise their right of return, therefore, the Company recognizes the right to returned products and the corresponding adjustment to cost of sales.

Returns and cancelations

The amount of revenue recognized is net of expected returns and cancelations.

Provision of services

The Company provides services in the veterinary and animal beautification areas. Service revenues are recognized as the services are provided and the risks and rewards corresponding to the services are transferred to customers. Payment of the transaction price is due immediately when the service is provided to the customer.

Loyalty program

The loyalty program is recorded in line item "Loyalty program" ("Vale a Pena Ser Fiel") at the fair value of the accumulated credits and recognized in profit or loss based on the actual use of the credits by the customers, the expiration of the right of use of the credits or the amortization of part of the balance, related to the expectation of expiration of the right of use of the points, calculated based on historical occurrences. The promise to provide the discount to the customer is therefore a separate performance obligation.

Sales that result in the issuance of bonus to customers of the Company's loyalty program ("Vale a Pena Ser Fiel") are accounted for as deferred revenue at the fair value of the consideration received or receivable at the sale date. Deferred revenue is recognized in profit or loss when credits are redeemed by customers and obligations are fulfilled.

19.2. Breakdown

	<u>06/30/2021</u>	<u>06/30/2020</u>
Sale of goods	1,103,256	704,946
Sale of service and other revenues	52,695	36,740
Returns and sales cancellation – goods	(20,453)	(10,037)
Returns and sales cancellation – other revenue	(27)	(37)
Loyalty program – "Vale a Pena Ser Fiel"	30	(5)
Gross sales revenue	<u>1,135,501</u>	<u>731,607</u>
Federal, state and municipal taxes	<u>(175,559)</u>	<u>(114,337)</u>
Total	<u><u>959,942</u></u>	<u><u>617,270</u></u>

## 20. EXPENSES BY NATURE

	<u>06/30/2021</u>	<u>06/30/2020</u>
Cost of goods sold and services rendered	(480,659)	(303,651)
Personnel expenses	(157,210)	(113,013)
Occupancy and consumption costs	(50,457)	(30,495)
Depreciation and amortization	(36,309)	(25,873)
Depreciation – Right of use - property lease	(44,066)	(35,424)
Logistics	(28,520)	(12,856)
PIS and COFINS credits - (note 20.1)	5,597	12,521
Stock option plan (note 17.5.3)	(64)	(100)
Labor loss	354	(530)
COVID-19 donation	-	(1,000)
Other (*)	(97,791)	(49,367)
Total	<u>(889,125)</u>	<u>(559,788)</u>
Classified as:		
Cost of goods sold and services rendered	(505,123)	(322,729)
Selling expenses	(292,163)	(184,405)
General and administrative expenses	(84,495)	(57,751)
Other operating expenses, net	(7,344)	5,097
Total	<u>(889,125)</u>	<u>(559,788)</u>

(\*) The variation in other expenses between the periods ended June 30, 2020 and 2021 is mainly due to the increase in expenses related to the Digital segment (e.g. digital platform support and maintenance, digital marketing, etc.), in addition to variable expenses on credit card fees and outsourced labor of the distribution center.

## 20.1. Other operating expenses, net

	<u>06/30/2021</u>	<u>06/30/2020</u>
Store opening and closing expenses	(5,905)	(3,851)
Depreciation – Right of use - property lease (stores not reopened)	(1,636)	(1,943)
Losses on labor lawsuits	354	(530)
COVID-19 donation	-	(1,000)
Stock option plan (note 17.5.3)	(64)	(100)
PIS and COFINS credits (note 7) (a)	5,597	12,521
Gain (loss) on write-off of fixed assets	(845)	-
Write-off of lease - IFRS 16	217	-
Other (b)	(5,062)	-
Total	<u>(7,344)</u>	<u>5,097</u>

(a) Refers to (i) PIS and COFINS credits recognized after the issuance of a final and unappealable decision on the lawsuit for exclusion of ICMS from the tax base of these contributions in the six-month period ended June 2020; and (ii) PIS and COFINS credits recognized in March and June 2021, related to prior years.

(b) Refers mainly to a strategic consultancy contracted focused on Customer Analytics and the tax assessment notice related to differences in the calculation of ICMS-ST of prior years in the State of Minas Gerais.

## 21. FINANCIAL INCOME (EXPENSES)

	<u>06/30/2021</u>	<u>06/30/2020</u>
Financial income:		
Income from short-term investments	4,719	3,515
Discounts obtained from suppliers for prepayments	172	129
Inflation adjustment on exclusion of ICMS from PIS/COFINS tax base (note 7)	-	6,220
Other	321	7
Total	<u>5,212</u>	<u>9,871</u>
Financial expenses:		
Interest on loans, financing and debentures	(10,298)	(12,387)
Interest on leases – IFRS 16	(24,910)	(18,865)
Bank expenses	(231)	(146)
Borrowing costs	(1,672)	(1,342)
Other	(747)	(596)
Total	<u>(37,858)</u>	<u>(33,336)</u>

## 22. LEASE - RIGHT OF USE

### 22.1. Accounting policy

Of the agreements that were within the scope of the standard CPC 06 (R2)/IFRS 16, the Company's Management considered as lease component only the amount of the fixed minimum lease payment for purposes of assessing the liability. The measurement of the lease liability corresponds to the total future fixed lease payments (gross of taxes), discounted at an interest rate. The discount rate was based on the real discount rate corresponding to market quotations (reference in % of the Interbank Deposit Certificates (CDI) rate), plus spread and less guarantees provided according to the market rates of the main banks with which the Company operates. The future CDI rate curve was considered according to the different amortization terms of the lease agreements since the future CDI rate decreased over the year 2020 and in the period ended June 30, 2021.

### 22.2. Characteristics

As at June 30, 2021, the Company had 225 lease agreements for stores, administrative and distribution centers with third parties (211 as at December 31, 2020). Of this total, 180 agreements were classified as a lease right of use and have maturities between 2 and 21 years and the weighted average discount rate in the period is shown in the table below. Variable leases, of short-term or low-value contracts that were not recognized as right of use for the period are recognized under the line item "Occupation and consumption cost" shown in note 20, totaling R\$1,590.

The table below shows the nominal rates applied, in relation to the agreement terms:

<u>Agreement term</u>	<u>Rate % p.a.</u>
Up to 5 years	2.68% to 9.27%
6 to 10 years	5.92% to 10.92%
11 to 21 years	7.99% to 12.87%

## 22.3. Variations in leases

The balances and changes in right-of-use assets are as follows:

	<u>06/30/2021</u>	<u>06/30/2020</u>
Balance at the beginning of the period	515,662	434,049
Addition of new agreements/remeasurement	146,550	64,994
Write-off of agreements (a)	<u>(2,977)</u>	<u>-</u>
	659,235	499,043
Depreciation	<u>(47,535)</u>	<u>(38,059)</u>
Balance at the end of the period	<u><u>611,700</u></u>	<u><u>460,984</u></u>

The balances and changes in right-of-use liabilities are as follows:

	<u>06/30/2021</u>	<u>06/30/2020</u>
Balance at the beginning of the period	571,060	462,627
Addition of new agreements/remeasurement	146,550	64,994
Write-off of agreements	<u>(3,194)</u>	<u>-</u>
	714,416	527,621
Lease payments (b)	<u>(61,795)</u>	<u>(45,476)</u>
Interest	<u>26,872</u>	<u>20,269</u>
Balance at the end of the period	<u><u>679,493</u></u>	<u><u>502,414</u></u>
Current liabilities	80,586	73,767
Noncurrent liabilities	<u>598,907</u>	<u>428,647</u>
Total	<u><u>679,493</u></u>	<u><u>502,414</u></u>

(a) Refers to the end of operations Granja Viana store, in Cotia, Greater São Paulo, whose contract was within the scope of CPC 06 (R2) / IFRS 16.

(b) Includes R\$1,755 and R\$1,292 for the periods ended June 30, 2021 and 2020, respectively, related to the variation in the balances of leases payable of agreements classified as right of use of lease.

## 22.4. Future commitments

Lease payments schedule is as follows:

	<u>06/30/2021</u>
Up to 1 year	80,586
1 to 2 years	95,823
2 to 3 years	93,470
3 to 4 years	85,690
4 to 5 years	81,734
Over 5 years	<u>242,190</u>
Total	<u><u>679,493</u></u>

## 22.5. Lease expenses

The breakdown of income statements accounts for the right of use leases is as follows:

	<u>06/30/2021</u>	<u>06/30/2020</u>
Depreciation expenses	47,535	38,059
PIS and COFINS credits on depreciation – Right of use	(3,469)	(2,635)
Interest	26,872	20,269
PIS and COFINS credits on interest expense – Right of use	(1,962)	(1,404)
	<u>68,976</u>	<u>54,289</u>

In accordance with IFRS 16/CPC 06 (R2), in measuring and remeasuring its lease liabilities and right-of-use assets, the Company used the discounted cash flow method without considering the future projected inflation in the flows to be discounted (real flow and nominal discount rate).

## 22.6. Additional information

Although the accounting methodology used by the Company is in line with the rule set out in IFRS 16/CPC 06 (R2), it generates distortions in the information to be provided due to the mismatching between cash flow and present value, given the current reality of interest rates in the Brazilian economic environment. Accordingly, the Company recalculated the depreciation amounts and interest for the total term of the agreements in effect as at December 31, 2020, based on a future cash flow that incorporates the expected inflation (nominal flow). The table below shows the differences between the accounting policy adopted by the Company's Management ("Balance Sheet") and the amounts considering the cash flows with the inflation projection ("Note"), as suggested by Circular Letter/CVM/SNC/SEP/No. 02/2019 (CVM criteria), on June 30, 2021.

	<u>Balance sheet</u>	<u>Disclosure of CVM criteria</u>
Balance sheet:		
Right of use	611,700	640,831
Lease – right of use (liability)	679,493	735,682
Income statements:		
Depreciation	47,535	49,327
Interest	26,872	29,812
PIS and COFINS credits on leases	(5,431)	(5,431)

The following table details the differences between asset and liability balances, depreciation amounts, and interest, year by year, between the methodology suggested in Circular Letter/CVM/SNC/SEP/No. 02/2019 and that chosen by the Company, in full compliance with IFRS 16/CPC 06 (R2). The table shows that at the end of the lease agreements, both methods have no effect on the Company's equity.

	First-time adoption	Dec/20	Dec/21	Dec/22	Dec/23	Dec/24	Dec/25	Dec/26	Dec/27	Dec/28	Dec/29	Dec/30
<u>Lease asset</u>												
Balance sheet	387,225	515,662	564,143	471,121	385,528	305,136	231,413	165,501	113,199	72,657	43,578	7,028
Note	441,948	537,161	588,874	493,112	405,049	322,374	246,472	177,428	121,651	78,485	47,175	7,843
<u>Lease liability</u>												
Balance sheet		571,060	627,000	545,134	464,263	382,500	302,015	224,549	159,338	105,881	65,931	12,008
Note		586,704	694,356	613,423	532,303	447,712	361,665	275,489	201,207	138,589	89,799	15,208

	First-time adoption	Dec/20	Dec/21	Dec/22	Dec/23	Dec/24	Dec/25	Dec/26	Dec/27	Dec/28	Dec/29	Dec/30
<u>Financial expenses</u>												
Balance sheet		42,995	54,300	47,514	40,760	33,822	26,966	20,189	14,434	9,676	6,167	1,258
Note		50,019	60,178	53,481	46,723	39,563	32,258	24,729	18,178	12,611	8,351	1,589
<u>Depreciation expense</u>												
Balance sheet		79,862	101,067	86,744	83,928	75,209	72,493	57,254	47,061	33,036	25,554	7,807
Note		92,972	103,914	89,254	86,344	77,252	75,144	61,074	50,177	35,261	27,965	8,837

## 23. FINANCIAL INSTRUMENTS

### a) General considerations and policies

The Company contracts transactions involving financial instruments, all of them recorded in balance sheet accounts, which are intended to meet its operating and financial needs. The Company has no derivative financial instruments.

These financial instruments are managed based on policies, strategies and control systems, and are monitored by the Company's Board of Directors. Classification and measurement of financial assets and liabilities

The classification of financial assets and liabilities in accordance with CPC 48/IFRS 9 is generally based on the business model within which a financial asset is managed and on its contractual cash flow characteristics.

Under CPC 48/IFRS 9, a financial asset is classified on initial recognition as measured: at amortized cost; at fair value through other comprehensive income ("FVTOCI"); or at fair value through profit or loss ("FVTPL").

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. The net gain or loss is recognized in profit or loss, including any dividend or interest income earned.
Financial assets at amortized cost	These assets are measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.
Financial assets at FVTOCI	These assets are measured at fair value through other comprehensive income due to their characteristics of trading before maturity.

Under CPC 48 / IFRS 9 a financial asset is measured at amortized cost if it meets both of the following conditions below and it is not designated as measured at FVTPL:

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

A financial asset is measured at FVTOCI if it meets both of the following conditions below and it is not designated as measured at FVTPL:

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

Financial liabilities are classified as measured at amortized cost or at FVTPL.

A financial liability is measured at fair value through profit or loss if it is classified as held for trading, it is a derivative or is designated as such upon initial recognition. Financial liabilities measured at FVTPL are measured at fair value and the net gain or loss, including interest, is recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Interest expense, foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

b) Categories of financial instruments and leases payable of right of use.

The following table shows the measurement categories in CPC 48 / IFRS 9 for each class of financial assets and/or liabilities and lease payables for right of use.

	<u>06/30/2021</u>	<u>12/31/2020</u>
<u>Financial assets</u>		
Amortized cost:		
Cash and cash equivalents	234,705	443,757
Short-term investments	32,248	43,761
Trade receivables	202,221	160,675
Escrow deposits	4,883	2,884
Total financial assets	<u>474,057</u>	<u>651,077</u>
<u>Financial liabilities and leases of right of use</u>		
Amortized cost:		
Loans, financing and debentures	369,065	496,345
Trade payables	231,040	195,675
Lease – right of use	679,493	571,060
Total	<u>1,279,598</u>	<u>1,263,080</u>

c) Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

## c.1) Market risk

The Company is mainly exposed to the possibility of interest rate fluctuations.

The Company's interest rate risk as at June 30, 2021 arises from short- and long-term loans, financing and debentures, net of short-term investments. The Company's Management adopts the policy of maintaining its indexes of exposure to fixed and variable interest rates.

## c.2) Credit risk

Management classifies the credit risk as low due to the fact that sales are made to a large number of customers and a large part of the customer portfolio is derived predominantly from sales in installments through credit and debit card companies.

## c.3) Liquidity risk

Management monitors the ongoing forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet its operating and investing needs. Monitoring also includes the cash cycle with inventory days, days payable outstanding and days sales outstanding.

Prudent liquidity risk management entails maintaining cash and close relationships with banks to raise funds through credit facilities.

Details on the maturity of the financial liabilities and lease liabilities contracted (nominal amount with future interest):

<u>Transaction</u>	<u>Up to 1 year</u>	<u>Up to 2 years</u>	<u>Up to 3 years</u>	<u>Up to 4 years</u>	<u>Up to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Trade payables	231,040	-	-	-	-	-	231,040
Loans, financing and debentures	296,671	138,457	80,931	24,314	-	-	540,373
Dividends payable	4,521	-	-	-	-	-	4,521
Leases payable	137,604	126,415	123,311	113,048	107,828	319,513	927,719

## d) Capital management

The Company's objectives when managing its capital are to safeguard the Company's ability to continue to offer return to its shareholders and benefits to other stakeholders and to maintain an optimal capital structure for reducing this cost.

The net financial position corresponds to total cash and cash equivalents, less the amount of short- and long-term borrowings and financing:

	<u>06/30/2021</u>	<u>12/31/2020</u>
Cash and cash equivalents	234,705	443,757
Short-term investments	32,248	43,761
Borrowings, financing and debentures	<u>(369,065)</u>	<u>(496,345)</u>
Net debt	<u>(102,112)</u>	<u>(8,827)</u>

## e) Interest rate risk management

The Company has short-term investments and loans and financing with financial institutions to cover the cash needs for investments, with fixed and variable interest rates, reducing the market risk.

### Sensitivity analysis of interest rates

The Company's Management considers low the risk of large variations in the CDI rate that could significantly impact its operations. However, a sensitivity analysis was prepared to assess the potential net impacts on financial income (expenses) for the period ended June 30, 2021 in case of significant variations. To calculate the possible impacts, two scenarios of increase of the benchmark CDI of 4.15% per year, effective on June 30, 2021, applied on the monthly balances of cash and cash equivalents, short-term investments, loans, financing and debentures, were considered:

- Scenario I: 50% appreciation of the CDI.
- Scenario II: 25% appreciation of the CDI.

June 30, 2021	Rate used CDI Cetip	Risk	Scenario I (50% increase)	Scenario II (25% increase)
Working capital loans subject to CDI variation	4.15%	CDI increase	(1,137)	(571)
Debentures	4.15%	CDI increase	(1,729)	(868)

In order to reduce the possible effects of the CDI rate increase, the Company holds short-term investments that are also remunerated by the CDI, as mentioned in note 4.a and 4.b, which reduced the impacts of the risk of the CDI rate increase mentioned above, as follows:

June 30, 2021	Rate used CDI Cetip	Effect	Scenario I (50% increase)	Scenario II (25% increase)
Short-term investments subject to CDI variation	4.15%	CDI increase	2,507	1,259

## 24. EARNINGS PER SHARE

As mentioned in note 17.1, the Company's capital comprises common shares, all of them registered and without par value. According to technical pronouncement CPC 41 / IAS 33 - Earnings per Share, the following table reconciles the earnings for the periods ended June 30, 2021 and 2020 with the amounts used to calculate basic and diluted earnings per share.

	06/30/2021	06/30/2020
	Basic and diluted	Basic and diluted
Basic and diluted numerator:		
Net income for the period attributable to Company's shareholders used to calculate basic and diluted earnings per share	26,092	22,092
Available shares:		
Weighted average number of outstanding shares used to calculate basic earnings per share	381,505,267	348,366,000
Weighted average of the rights of shares granted used in the calculation of diluted earnings per share	2,374,925	-
Weighted average number of available shares	383,880,192	348,366,000
Basic earnings per share - R\$	0.06839	0.06342
Diluted earnings per share - R\$	0.06797	0.06342

## 25. SEGMENT REPORTING

The Company has only one operating segment defined as retail and is organized, and has its performance assessed, as a single business unit for commercial and managerial purposes. The information is presented consistently to the Group's chief decision maker, the CEO, responsible for allocating resources and evaluating operations.

For management purposes, Management monitors gross revenue by category, as shown below:

<u>Gross revenue, net of cancelations</u>	<u>06/30/2021</u>	<u>06/30/2020</u>
Sale of goods	1,082,803	694,909
Sale of service and other revenues	52,668	36,703
Loyalty program – “Vale a Pena Ser Fiel”	30	(5)
Total	<u>1,135,501</u>	<u>731,607</u>

The Company also monitors its gross revenues based on the following sales channels:

<u>Sales channels</u>	<u>06/30/2021</u>	<u>06/30/2020</u>
Digital	336,756	144,300
Stores	<u>798,745</u>	<u>587,307</u>
Total	<u>1,135,501</u>	<u>731,607</u>

## 26. INSURANCE COVERAGE

The Company adopts an insurance policy that considers mainly risk concentration and their relevance, taking into consideration the nature of its activities and the advice of insurance brokers. The insurance coverage as at June 30, 2021 and December 31, 2020, is shown by contracted limit, as follows:

	<u>06/30/2021</u>	<u>12/31/2020</u>
Civil liability of D&O	20,000	20,000
Property insurance - maximum indemnity limit (stores and distribution center)	114,900	70,567
Civil liability	10,000	10,000
	Institute of Economic Resource Foundation - FIPE	Institute of Economic Resource Foundation - FIPE
Vehicles - maximum amount per vehicle	500	500
Vehicles - damage to third parties	17,835	12,154
Surety bond	800	800
National transport insurance	20,000	20,000
Public Offering of Securities Insurance (POSI)		

## 27. EVENTS AFTER THE END OF THE REPORTING PERIOD

As disclosed in the material fact on August 3, 2021, the Company signed on August 2, 2021 the purchase agreement for the acquisition of Zee Dog S.A. (“Zee Dog”), a pet platform reference in (i) branding, product and technology, (ii) diversification of channels, (iii) global presence and (iv) entrepreneurs team with a mindset for innovation. Zee.Dog was valued in R\$700 million of Enterprise Value and, taking into consideration a Net Cash of R\$15 million, the Equity Value for its shareholders will be R\$715 million. The completion of the acquisition is subject to the fulfillment of obligations and conditions precedent, such as the approval by the Brazilian Antitrust Agency (CADE) and the Equity Value is subject to adjustments to reflect the changes in the net debt and working capital, to be calculated at the transaction closing date, usual terms of this type of transaction.

As disclosed to the market on June 21, 2021, the Company signed the purchase agreement of Cansei de Ser Gato Serviços de Produção de Conteúdo Ltda. (“CDSG”), one of the largest digital content platforms of exclusive products for cats in Brazil. The value for the shareholders of CDSG was R\$5,500 and is subject to adjustments that will be calculated based on the gross revenue after 5 years from the closing date. The acquisition was completed on July 30, 2021, according to the new disclosure made on the same date, after the fulfillment of obligations and conditions precedent, and from that date, the Company becomes the parent of CDSG with 100% of equity interests in its capital.

## 28. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

At the Meeting of the Board of Directors held on August 9, 2021, the Company’s interim financial information, which includes events occurred after June 30, 2021 to date, was authorized for completion and issue.

---