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

Springs Global Participações S.A.

Individual and Consolidated
Financial Statements for the Quarter
ended June 30, 2021 and Report On
Review of Interim Financial Information

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INDIVIDUAL AND CONSOLIDATED QUARTERLY INFORMATION

To the
Shareholders and Management of
Springs Global Participações S. A.
Montes Claros - MG

Introduction

We have reviewed the individual and consolidated interim financial information of **Springs Global Participações S.A. ("Company")**, included in the Quarterly Information (ITR) related to the quarter ended June 30, 2021, which comprises the statement of financial position as at June 30, 2020, and the respective statements of operations and comprehensive income for the three and six-month period then ended, and of changes in equity and cash flows for the nine-month period then ended, including a summary of significant accounting policies and other notes.

The Company's Management is responsible for the preparation of this individual and consolidated interim financial information in accordance with Technical Pronouncement CPC 21 (R1) – Interim Financial Statements and with International Accounting Standard (IAS) 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and for the presentation of this interim financial information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the Quarterly Information. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

We conducted our review in accordance with Brazilian and international standards for reviewing interim financial information (NBC TR 2410 and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). An interim review consists principally of applying analytical and other review procedures, and making inquiries of and having discussions with persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit conducted in accordance with auditing standards. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.

Conclusion on the individual and consolidated interim information

Based on our review, we are not aware of any facts that would lead us to believe that the individual and consolidated interim financial information included in the Quarterly Information - ITR referred to above were not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of Quarterly Information - ITR and IAS 34 - Interim Financial Reporting presented and in accordance with the standards issued by the Brazilian Securities Commission (CVM).

Other matters

Interim statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added for the de six-moth period ended June 30, 2021, prepared under the responsibility of the Company's Management and presented as supplementary information for the purposes of IAS 34. These statements were submitted to review procedures executed with the review of the quarterly information, with the purpose of concluding whether they are reconciled with the interim financial information and accounting records, as applicable, and if its form and contents meet the criteria defined in NBC TG 09 – Statements of Value Added. Based on our review, we are not aware of any fact that would lead us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria established in this Standard and consistently with the individual and consolidated interim financial information taken as a whole.

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

São Paulo, August 12, 2021.

BDO RCS Auditores Independentes SS
CRC 2 MG 009485/F-0

Paulo Sérgio Tufani
Accountant CRC 1 SP 124504/O-9 – S – MG

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

BALANCE SHEETS AS OF JUNE 30, 2021 AND DECEMBER 31,2020

(In thousands of Brazilian Reais)

ASSETS

		Company		Consolidated	
	Note	06.30.2021	12.31.2020	06.30.2021	12.31.2020
CURRENT:					
Cash and cash equivalents	3	87	332	162,247	168,793
Marketable securities	4	-	-	11,545	16,311
Accounts receivable	5	-	-	422,373	509,086
Financial leases receivable	11	-	-	15,707	16,230
Inventories	6.a	-	-	459,469	403,669
Advances to suppliers	6.b	-	-	42,988	11,575
Recoverable taxes	18.c	11	16	77,136	64,992
Cash holdback amount		-	-	-	20,787
Other receivables		1,135	964	28,643	29,017
Assets held for sale	28	-	-	119,087	123,718
Total current assets		1,233	1,312	1,339,195	1,364,178
NONCURRENT:					
Long-term assets:					
Marketable securities	4	1,686	1,671	1,686	1,671
Receivable – clients	7	-	-	19,700	25,171
Related parties	22	-	-	98,154	70,341
Advances to suppliers	6.b	-	-	50,899	42,054
Financial leases receivable	11	-	-	90,109	96,659
Recoverable taxes	18.c	-	144	59,490	101,943
Deferred taxes	18.b	1,905	1,905	17,945	18,773
Property, plant and equipment held for sale	10.b	-	-	16,608	16,725
Escrow deposits	19	-	-	10,018	10,691
Others		-	-	55,637	74,335
		3,591	3,720	420,246	458,363
Investments in subsidiaries	8.a	1,085,584	1,146,045	-	-
Investment properties	9	-	-	405,321	405,046
Property, plant and equipment	10.a	-	-	609,696	635,413
Right-of-use assets	11	-	-	195,766	204,641
Intangible assets	12	-	-	94,765	97,139
Total noncurrent assets		1,089,175	1,149,765	1,725,794	1,800,602
Total assets		1,090,408	1,151,077	3,064,989	3,164,780

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

BALANCE SHEETS AS OF JUNE 30, 2021 AND DECEMBER 31,2020

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

		Company		Consolidated	
	Note	06.30.2021	12.31.2020	06.30.2021	12.31.2020
LIABILITIES					
CURRENT:					
Loans and financing	13	10,964	19,387	537,671	522,536
Debentures	14	-	-	85,734	91,085
Suppliers	15	24	22	190,586	206,097
Payroll and related charges		99	78	88,492	94,524
Taxes		53	69	23,058	38,104
Government concessions	16	-	-	31,946	27,658
Leases payable	17	-	-	63,839	64,447
Other payables			-	90,249	50,634
Total current liabilities		11,140	19,556	1,111,575	1,095,085
NONCURRENT:					
Loans and financing	13	23,070	18,685	291,349	355,577
Leases payable	17	-	-	264,174	281,307
Related parties	22	12,144	7,088	1,153	-
Government concessions	16	-	-	61,347	53,210
Miscellaneous accruals	19	-	-	11,982	13,386
Employee benefit plans	20	-	-	122,241	131,703
Deferred taxes	18.b	-	-	77,047	85,042
Other obligations		-	-	80,067	43,722
Total noncurrent liabilities		35,214	25,773	909,360	963,947
EQUITY:	21				
Capital		1,860,265	1,860,265	1,860,265	1,860,265
Capital reserves		79,381	79,381	79,381	79,381
Assets and liabilities valuation adjustments		113,801	113,814	113,801	113,814
Cumulative translation adjustments		(181,569)	(185,663)	(181,569)	(185,663)
Accumulated deficit		(827,824)	(762,049)	(827,824)	(762,049)
Total equity		1,044,054	1,105,748	1,044,054	1,105,748
Total liabilities and equity		1,090,408	1,151,077	3,064,989	3,164,780

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF OPERATIONS

FOR THE THREE AND SIX -MONTH PERIODS ENDED JUNE 30, 2021 AND 2020

(In thousands of Brazilian Reais)

		Company			
	Note	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
OPERATING EXPENSES:					
General and administrative expenses		(255)	(542)	(440)	(614)
Management fees		(271)	(499)	(228)	(456)
Equity in subsidiaries	8.a	(36,736)	(64,542)	(57,183)	(207,414)
LOSS FROM OPERATIONS		(37,262)	(65,583)	(57,851)	(208,484)
Financial expenses – interests and charges		(525)	(1,292)	(876)	(1,721)
Financial expenses – taxes, discounts and others		(92)	(201)	(596)	(764)
Financial income		13	32	10	12
Exchange rate variations, net		(505)	1,269	-	-
LOSS FROM OPERATIONS BEFORE TAXES		(38,371)	(65,775)	(59,313)	(210,957)
Income and social contribution taxes:					
Current	18.a	603	-	-	-
NET LOSS FOR THE PERIOD – CONTINUING OPERATIONS		(37,768)	(65,775)	(59,313)	(210,957)
Equity in subsidiary – discontinued operations	28	-	-	(5,885)	(57,019)
NET LOSS FOR THE PERIOD		(37,768)	(65,775)	(65,198)	(267,976)
BASIC AND DILUTED LOSS PER SHARE – R$	27				
Continuing operations		(0.7554)	(1.3155)	(1.1862)	(4.2191)
Discontinued operations		-	-	(0.1177)	(1.1404)
Total		(0.7554)	(1.3155)	(1.3039)	(5.3595)

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF OPERATIONS

FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020

(In thousands of Brazilian Reais)

	Note	Consolidated 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
NET REVENUES	26	385,027	815,385	263,295	565,709
COST OF GOODS SOLD	25	(245,288)	(516,812)	(165,941)	(374,398)
GROSS PROFIT		139,739	298,573	97,354	191,311
OPERATING INCOME (EXPENSES):					
Selling expenses	25	(90,186)	(181,420)	(76,412)	(142,571)
General and administrative expenses	25	(29,377)	(59,258)	(24,872)	(53,437)
Management fees	25	(2,954)	(6,113)	(2,480)	(5,398)
Others, net		1,595	(4,717)	(8,838)	(6,646)
INCOME (LOSS) FROM OPERATIONS		18,817	47,065	(15,248)	(16,741)
Financial expenses – interests and charges		(37,052)	(68,298)	(28,585)	(59,154)
Financial expenses – interest on leases	17	(3,064)	(6,180)	(3,359)	(7,289)
Financial expenses – taxes, discounts and others		(29,270)	(57,427)	(14,273)	(44,098)
Financial income		6,553	12,576	5,007	13,697
Exchange rate variations, net		2,369	(262)	(2,690)	(27,385)
LOSS FROM OPERATIONS BEFORE TAXES		(41,647)	(72,526)	(59,148)	(140,970)
Income and social contribution taxes:					
Current	18.a	442	(305)	(165)	(280)
Deferred	18.a	3,437	7,056	-	(69,707)
NET LOSS FOR THE PERIOD – CONTINUING OPERATIONS		(37,768)	(65,775)	(59,313)	(210,957)
Net loss from subsidiary – discontinued operations	28	-	-	(5,885)	(57,019)
NET LOSS FOR THE PERIOD		(37,768)	(65,775)	(65,198)	(267,976)

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020

(In thousands of Brazilian Reais)

	Company and consolidated			
	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
NET LOSS FOR THE PERIOD	(37,768)	(65,775)	(65,198)	(267,976)
Other comprehensive income (loss):				
- Items that will impact the statements of operations:				
Exchange rate variations on foreign investments	(7,709)	4,094	2,745	50,595
	(7,709)	4,094	2,745	50,595
- Items that will not impact the statements of operations:				
Actuarial gain (loss) on pension plans	(36)	(13)	5	98
COMPREHENSIVE LOSS FOR THE PERIOD	(45,513)	(61,694)	(62,448)	(217,283)
ATTRIBUTABLE TO:				
Owners of the Company				
Continuing operations	(45,513)	(61,694)	(56,563)	(160,264)
Discontinued operations	-	-	(5,885)	(57,019)
	(45,513)	(61,694)	(62,448)	(217,283)

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

(In thousands of Brazilian Reais)

	Note	Capital	Capital reserve	Assets and liabilities valuation adjustments	Cumulative translation adjustments	Accumulated deficit	Total equity
BALANCES AS OF DECEMBER 31, 2019		1,860,265	79,381	117,784	(229,695)	(441,109)	1,386,626
Comprehensive income (loss):							
Net loss for the period		-	-	-	-	(267,976)	(267,976)
Exchange rate variations on foreign investments	2.1.b	-	-	-	144,344	-	144,344
Actuarial gain on pension plans		-	-	98	-	-	98
Impact of subsidiaries-							
Exchange rate variations on foreign investments, net	2.1.b	-	-	-	(93,749)	-	(93,749)
Total comprehensive income (loss)		-	-	98	50,595	(267,976)	(217,283)
BALANCES AS OF JUNE 30, 2020		1,860,265	79,381	117,882	(179,100)	(709,085)	1,169,343

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

(In thousands of Brazilian Reais)

	Note	Capital	Capital reserve	Assets and liabilities valuation adjustments	Cumulative translation adjustments	Accumulated deficit	Total equity
BALANCES AS OF DECEMBER 31, 2020		1,860,265	79,381	113,814	(185,663)	(762,049)	1,105,748
Comprehensive income (loss):							
Net loss for the period		-	-	-	-	(65,775)	(65,775)
Exchange rate variations on foreign investments	2.1.b	-	-	-	(13,655)	-	(13,655)
Actuarial loss on pension plans		-	-	(13)	-	-	(13)
Impact of subsidiaries-							
Exchange rate variations on foreign investments, net	2.1.b	-	-	-	17,749	-	17,749
Total comprehensive income (loss)		-	-	(13)	4,094	(65,775)	(61,694)
BALANCES AS OF JUNE 30, 2021		1,860,265	79,381	113,801	(181,569)	(827,824)	1,044,054

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2021 to 06.30.2021	01.01.2020 to 06.30.2020	01.01.2021 to 06.30.2021	01.01.2020 to 06.30.2020
Cash flows from operating activities				
Net loss for the period	(65,775)	(267,976)	(65,775)	(267,976)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	48,723	45,678
Equity in subsidiaries	64,542	264,433	-	14,083
Impairment adjustment on assets	-	-	-	42,936
Income and social contribution taxes	-	-	(6,751)	69,987
Loss on disposal of property, plant and equipment	-	-	3,677	146
Renegotiation of leases	-	-	(1,980)	(4,158)
Monetary variations	-	-	11,378	2,989
Exchange rate variations	(1,269)	-	262	27,385
Bank interests and charges, net	1,459	2,481	101,258	85,603
Financial expenses – interest on leases	-	-	6,180	7,289
	(1,043)	(1,062)	96,972	23,962
Changes in assets and liabilities				
Marketable securities	(15)	(1,654)	4,751	129,749
Accounts receivable	-	-	65,212	146,014
Inventories	-	-	(59,522)	(28,362)
Advances to suppliers	-	-	(5,127)	16,774
Recoverable taxes	149	184	30,309	27,557
Cash holdback amount	-	-	20,787	(10,356)
Suppliers	3	10	(13,175)	(33,357)
Others	1,135	(250)	18,048	18,416
Net cash provided by (used in) operating activities before interest and income taxes	229	(2,772)	158,255	290,397
Interest paid on loans	(763)	(700)	(35,357)	(37,483)
Commissions and fees paid on loans	(200)	(639)	(11,363)	(24,298)
Taxes paid	-	-	(129)	(169)
Net cash provided by (used in) operating activities after interest and income taxes	(734)	(4,111)	111,406	228,447
Cash flows from investing activities				
Investment properties	-	-	(275)	(592)
Property, plant and equipment	-	-	(23,206)	(36,849)
Intangibles	-	-	-	(2,644)
Proceeds from sale of fixed assets	-	-	10,308	13,394
Loans between related parties	4,552	2,077	(36,712)	(31,913)
Net cash provided by (used in) investing activities	4,552	2,077	(49,885)	(58,604)

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020

(In thousands of Brazilian Reais)

	Company		Consolidated	
	06.30.2021	06.30.2020	06.30.2021	06.30.2020
Cash flows from financing activities				
Proceeds from new loans	-	24,741	124,775	286,498
Repayment of loans	(4,063)	(22,600)	(175,593)	(395,600)
Repayment of leases, net	-	-	(18,377)	(16,000)
Net cash provided by (used in) financing activities	(4,063)	2,141	(69,195)	(125,102)
Effect of exchange rate variations on cash and cash equivalents of foreign subsidiaries	-	-	1,128	1,195
Increase (decrease) in cash and cash equivalents	(245)	107	(6,546)	45,936
Cash and cash equivalents:				
At the beginning of the period	332	154	168,793	151,935
At the end of the period	87	261	162,247	197,871
Increase (decrease) in cash and cash equivalents	(245)	107	(6,546)	45,936

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF VALUE ADDED

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020

(In thousands of Brazilian Reais)

	Company		Consolidated	
	06.30.2021	06.30.2020	06.30.2021	06.30.2020
REVENUES				
Sales of products, goods and services	-	-	980,610	697,851
Loss on disposal of property, plant and equipment	-	-	(3,677)	(146)
	-	-	976,933	697,705
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(373,952)	(277,197)
Materials, energy, third party services, and others	(977)	(1,286)	(273,106)	(177,315)
	(977)	(1,286)	(647,058)	(454,512)
GROSS VALUE ADDED	(977)	(1,286)	329,875	243,193
RETENTIONS				
Depreciation and amortization	-	-	(48,723)	(45,678)
NET VALUE ADDED PRODUCED BY THE COMPANY	(977)	(1,286)	281,152	197,515
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries	(64,542)	(207,414)	-	-
Equity in subsidiaries - discontinued operations	-	(57,019)	-	-
Financial income	32	12	12,576	13,697
Exchange rate variation	1,269	-	1,136	16,093
Royalties	-	-	9,887	6,064
Others - Net –loss from discontinued operations	-	-	-	(57,019)
	(63,241)	(264,421)	23,599	(21,165)
TOTAL VALUE ADDED FOR DISTRIBUTION (TO RETAIN)	(64,218)	(265,707)	304,751	176,350
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	-	-	175,585	145,590
Taxes, duties and contributions	265	548	87,872	172,982
Payments to third parties	1,292	1,721	107,069	125,754
Net loss for the period	(65,775)	(267,976)	(65,775)	(267,976)
VALUE ADDED DISTRIBUTED (RETAINED)	(64,218)	(265,707)	304,751	176,350

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

AS OF JUNE 30, 2021

(Amounts in thousands of Brazilian Reais)

1. OPERATIONS

Springs Global Participações S.A. (the "Company"), headquartered at Avenida Lincoln Alves dos Santos, number 955, in Montes Claros – MG, Brazil, was incorporated on November 24, 2005. On January 24, 2006 received as capital contribution 100% of the shares of Coteminas S.A. ("CSA") and Springs Global US, Inc. ("SGUS"), privately-held companies headquartered in Brazil and in the United States, respectively, whose shareholders were Companhia de Tecidos Norte de Minas – Coteminas ("CTNM"), the Company's parent company, and the former shareholders of Springs Industries, Inc. ("SI"), respectively.

On April 30, 2009, the Company started its bed, tabletop and bath retail operations, under the brands MMartan and Casa Moyses and later, in October 2011, with the brand Artex. The retail operation of these brands is run by AMMO Varejo S.A. ("AMMO"), formerly AMMO Varejo Ltda., which became an indirect subsidiary of the Company.

The Company has leading brands in their markets, such as MMartan, Casas Moysés, Artex, Santista, Paládio, Calfat, Garcia, Arco Íris, Magicolor, among others. The Company's products have a privileged market standing on the shelves of the largest and most demanding retail channels of the world.

As disclosed in note 28 of the interim financial statements, on March 15, 2019, the sale of the operating assets and liabilities of the North American subsidiary SGUS was concluded. As of that date, the subsidiary SGUS holds an ownership interest in Keeco Holdings, LLC, which combined the operations of the two companies. In the fourth quarter of 2020, the subsidiary SGUS made this investment available for sale with the expectation of completion in 2021.

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Company's Board of Directors on August 12, 2021.

The Company presents its individual ("Company") and consolidated ("Consolidated") interim financial statements prepared simultaneously in accordance with technical pronouncement CPC 21 (R1) – Interim Financial Statements and in accordance with international standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB, as well as the standards issued by CVM (Brazilian Securities and Exchange Commission), applicable to the preparation of the Interim Financial Information.

The Company adopted all standards, review of standards and interpretations issued by the IASB and the CPC which were effective on June 30, 2021. All relevant information relating to the interim financial statements is included herein and corresponds to those used by Company's management in its administration.

2.1 – Translation of balances in foreign currency

a) Functional and presentation currency

The interim financial statements of each subsidiary included in the consolidation of the Company and used as a basis for valuation of investments under the equity method are prepared using the functional currency of each entity. The functional currency of an entity is the currency of the primary economic environment in which it operates. To determine the functional currency of each of its subsidiaries, Management considered which currency significantly influences the selling price of their products and services, and the currency in which most of the production cost inputs are paid or incurred.

The consolidated interim financial statements are presented in Reais (R$), which is the functional and presentation currency of the Company.

b) Conversion of balances

The results and financial position of all subsidiaries included in the consolidation that have functional currencies different from the presentation currency are translated to the presentation currency as follows:

i) assets and liabilities are translated at the exchange rate prevailing on the date of the consolidated interim financial statements;

ii) income and expenses are translated at the monthly exchange rate; and

iii) all differences resulting from the translation are recognized in equity under the caption "Cumulative translation adjustments" and are presented as other comprehensive income in the statement of comprehensive income.

2.2 – Accounting policies

The significant accounting policies used in the preparation of the interim financial statements are as follows:

(a) Results of operations--Results of operations are calculated in accordance with the accrual basis of accounting. Revenue is not recognized if there is significant uncertainty regarding its realization. Interest income and expense are recognized using the effective interest rate as financial income and expenses in the statements of operations. The extraordinary gains and losses and the transactions and provisions involving property, plant and equipment are recorded in the statements of operations as "Others, net ".

(b) Financial instruments--The Company classifies financial assets and liabilities in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI") and at amortized cost.

i) Non-derivative financial assets and liabilities - recognition and derecognition

The Company recognizes financial assets and liabilities when and only when it becomes part of the contractual provisions of the instruments. The Company derecognizes a financial asset when the contractual rights to the asset's cash flows benefits expire, or when the Company transfers the rights to the receipt of contractual cash flows on a financial asset in a transaction in which substantially all the risks and benefits of ownership of the financial asset are transferred. Any participation that is created or retained by the Company in such transferred financial assets is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligation is withdrawn, canceled or expired.

The financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends to liquidate them on a net basis or to realize the asset and settle the liability simultaneously.

ii) Non-derivative financial assets - measurement

A financial asset is measured at amortized cost if it meets both of the following conditions:

- the asset is kept within a business model with the purpose of collecting contractual cash flows; and

- the contractual terms of the financial asset give rise, on specific dates, to the cash flows that are only payments of principal and interest on the outstanding principal amount.

A debt instrument is measured at fair value through other comprehensive income only if it satisfies both of the following conditions:

- the asset is kept within a business model which the purpose is achieved by collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise, on specific dates, to the cash flows that are only payments of principal and interest on the outstanding principal amount.

All other financial assets are classified as measured at fair value through profit or loss.

In addition, at initial recognition, the Company may irrevocably designate a financial asset or liability as measured at fair value through profit or loss in order to eliminate or significantly reduce a possible accounting mismatch resulting from the result of the respective asset or liability.

iii) Non-derivative financial liabilities - measurement

Financial instruments classified as liabilities, after their initial recognition at fair value, are measured based on the amortized cost method based on the effective interest rate. Interest, monetary restatement and exchange variation are recognized in income, as financial income or expenses, when incurred.

iv) Derivatives measured at fair value through profit or loss

Contracted derivative instruments are not designated for hedge accounting. Changes in the fair value of any of these derivative instruments are recognized immediately in the statement of operations.

(c) Impairment of financial instruments--Financial assets not classified as financial assets at fair value through profit or loss, are valued at each balance sheet date to determine whether there is objective evidence of impairment loss. Objective evidence that financial assets had a loss of value includes:

- default or delays by the debtor;
- restructuring of a value due to the Company under conditions that would not be accepted under normal conditions;
- indications that the debtor or issuer will go into bankruptcy or judicial recovery;
- negative changes in the payment situation of debtors or issuers;
- the disappearance of an active market for the instrument due to financial difficulties; or
- observable data indicating that there was a decline in the measurement of the expected cash flows of a group of financial assets.

The Company considers evidence of impairment of assets measured at amortized cost both individually and collectively. All individually significant assets are evaluated for impairment. Those that have not individually suffered a loss of value are then evaluated collectively for any loss of value that may have occurred, but has not yet been identified, which includes the expected credit losses. Assets that are not individually significant are evaluated collectively as to the loss of value based on the grouping of assets with similar risk characteristics.

In evaluating the impairment loss on a collective basis, the Company uses historical trends of the recovery period and the amounts of loss incurred, adjusted to reflect management's judgment as to whether current economic and credit conditions are such that losses are likely to be higher or lower than those suggested by historical trends.

An impairment loss is calculated as the difference between the book value and the present value of the estimated future cash flows discounted at the original effective interest rate of the asset. Losses are recognized in the statement of operations and reflected in the impairment provision account. When the Company considers that there are no reasonable expectations of recovery, the amounts are written off. When a subsequent event indicates a reduction of the impairment loss, the reduction of the impairment provision is reversed through the statement of operations.

An impairment loss relating to an investment accounted for under the equity method is measured by comparing the recoverable value of the investment with its carrying amount. An impairment loss is recognized in profit or loss and reversed if there was a favorable change in the estimates used to determine recoverable value.

(d) Cash and cash equivalents--Includes cash, deposits, cash in transit and short-term investments with immediate liquidity and original maturities of 90 days or less (or without fixed maturity), which are subject to an insignificant risk of change in its value. Cash and cash equivalents are classified as non-derivative financial assets, measured at amortized cost, and interest earned is recognized in the statements of operations of the period.

(e) Marketable securities--Represented by amounts of immediate liquidity with maturities of more than 90 days and are subject to an insignificant risk of change in their value. The marketable securities relating to investment funds in equity instruments are classified as non-derivative financial assets, and are measured fair value through the statement of operations. All other marketable securities are classified as non-derivative financial assets measured at amortized cost and interest earned is recognized in the statements of operations of the period.

(f) Accounts receivable and allowance for expected losses on doubtful debt accounts--Accounts receivable from customers are initially recognized at transaction value and subsequently measured at amortized cost using the effective interest rate method less the estimated loss with doubtful accounts.

The Company adopted the measurement of the estimated loss with doubtful accounts based on the entire life of the instruments, using the simplified approach, taking into account the history of movements and historical losses. As a general rule, accounts overdue at more than 180 days represent a relevant indicator of expected loss, and are evaluated individually.

(g) Inventories--Valued at average acquisition or production cost, which is lower than net realizable value and are stated net of provision for losses on discontinued and/or obsolete items. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion of manufacturing and directly related selling expenses.

(h) Property, plant and equipment held for sale--Includes out-of-use machinery and equipment measured at fair value less selling expenses, when this amount is lower than net book value.

(i) Investments--Investments in subsidiaries and affiliated companies are accounted for using the equity method based on the balance sheet of the respective subsidiaries and affiliated companies as of the same date as the Company's balance sheet. The value of the equity of foreign subsidiaries and affiliated companies are converted into Reais based on the current rate of its functional currency and the foreign exchange rate variation is recorded in "Cumulative translation adjustments" in equity and presented as other comprehensive income.

(j) Business combinations--The cost of the acquired entity is allocated to the acquired assets and liabilities, based on their estimated fair value at the acquisition date. Any difference between the entity's cost and the fair value of the acquired assets and liabilities is recognized as goodwill.

(k) Research and development expenses--Are recognized as expenses when incurred, except when they meet the criteria for capitalization.

(l) Investment properties--Are held for income or capital appreciation. Investment properties are initially recorded at cost and include transaction costs. After initial recognition, investment properties are measured at fair value against comprehensive income (loss) net of taxes, and thereafter, are measured annually at fair value and the variations arising from this valuation and taxes are recognized in the statements of operations.

(m) Property, plant and equipment--Recorded at acquisition or construction cost. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets. Expenses incurred that increase the value and extend the estimated useful lives of the assets are capitalized; maintenance and repairs are recorded as expenses when incurred.

The estimated useful life of property, plant and equipment is as follows:

	Useful life
Buildings	40 years
Installations	15 years
Machinery and equipment	15 years
Hydroelectric Plant - Porto Estrela	35 years
Furniture, fixtures and others	5 to 10 years

The residual value and useful life of the assets are assessed by Management at least at the end of each year.

(n) Right-of-use assets--The measurement of the right-of-use asset corresponds to the beginning balance of the lease liability plus the initial direct costs incurred, adjusted to present value. Amortization is calculated using the straight-line method according to the remaining term of the contracts.

(o) Intangible assets--Represented by trademarks acquired, store locations, intellectual property and goodwill on companies acquired. Intangible assets with finite useful lives are amortized using the straight-line method, over their estimated useful lives. Intangible assets with indefinite useful lives are tested for impairment annually, or as deemed necessary, in order to determine the recoverability of their net book values.

(p) Impairment of non-financial assets--Assets included in property, plant and equipment, intangible assets, inventories and other current and noncurrent assets are tested for impairment annually, or when circumstances indicate that the net book value may not be recoverable. When impairment is required, it is recognized in the statements of operations. Previous period impairment losses on these assets may be reversed whenever there is an assessment or reliable evidence that the value of the asset has recovered (except for goodwill from investments). The reversal is recognized in the statement of operations to the extent it does not exceed the previously recognized impairment losses.

(q) Income and social contribution taxes--The provision for income and social contribution taxes is calculated at the rate of approximately 34% on taxable income and is recognized net of the portion related to the income tax exemption. The accrual balance is net of prepayments made during the period, if applicable. For foreign subsidiaries, the tax rate ranges from 24% to 35%, according to the tax legislation of each country.

(r) Deferred income and social contribution taxes--Deferred income and social contribution taxes are recognized on net operating losses and temporary differences arising from provisions stated in the accounting records, which, according to the tax rules, will only be considered deductible or taxable when realized. A deferred tax asset is recognized only when there is an expectation of future taxable income.

(s) Leases payable--The measurement of lease liabilities correspond to total future rent payments. These payment flows are adjusted to present value, considering the incremental borrowing rate, and when applicable, are adjusted by changes and updates provided for in the contracts. The offset entry is accounted for as a right-of-use asset and amortized over the period of the lease under the straight-line method. Financial charges are recognized as financial expense and are appropriated according to the remaining term of the contracts. The incremental borrowing rate corresponds to the interest rate that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

(t) Miscellaneous accruals--Recorded at an amount considered sufficient by Management to cover probable losses. The escrow deposits related to the accruals are presented in noncurrent assets.

(u) Employee benefit plans--Pension plans and postretirement benefit costs are recognized on an accrual basis, based on actuarial calculations. Actuarial gains and losses are recognized in “Assets and liabilities valuation adjustment” when incurred.

(v) Basic and diluted earnings (loss) per share--Basic earnings (loss) per share is calculated by dividing the income or loss for the period attributable to the Company’s shareholders by the weighted average number of outstanding shares. Diluted earnings (loss) per share is calculated by adjusting the weighted average number of outstanding shares assuming conversion of potential shares to be issued. The Company did not identify any potential issuance of new shares and, therefore, a potential dilution in earnings (loss) per share.

(w) Monetary and exchange rate variations--Assets and liabilities subject to monetary or exchange rate variations are restated on the balance sheet dates, in accordance with the Brazilian Central Bank (BACEN) published rates or other contractual indices. Exchange gains and losses and monetary variations are recognized in the statements of operations for the period, except for the exchange gains and losses on investments in foreign subsidiary, which are recognized in “Cumulative translation adjustments” in equity.

(x) Revenue recognition--Revenue is measured at value of the consideration received or receivable, less any estimates of returns, cash discounts and/or trade discounts given to the buyer and other similar deductions. Revenue from operations is recognized when control is transferred, which is at the time of delivery to the customer.

(y) Statements of Value Added ("DVA")--The purpose of these statements is to highlight the wealth created by the Company and its distribution over a given period. They are presented by the Company as required by the Brazilian Corporate Law, as part of its individual interim financial statements and as supplemental information for the consolidated interim financial statements, since it is not a statement provided nor required by IFRS standards. The DVAs have been prepared based on information obtained from accounting records that are the basis for the preparation of the interim financial statements.

2.3 – Accounting estimates

The preparation of interim financial statements makes use of estimates in order to record certain assets, liabilities and other transactions. To make these estimates, Management used the best information available at the time of preparation of the interim financial statements, as well as the experience of past and/or current events, also considering estimates regarding future events. Therefore, the interim financial statements mainly include estimates related to the recovery value of financial assets (notes 2.2.c, No. 5 and No. 7), determination of useful lives of property, plant and equipment (notes 2.2.m and No. 10), estimated recoverable value of non-financial assets (notes 2.2.p, No. 6, No. 10, No. 11 and No. 12), fair value of investment properties (notes 2.2.l and No. 9), provisions necessary for tax, civil and labor liabilities (notes 2.2.t and No. 19), determination of provisions for income tax (notes 2.2.q and No. 18), determination of fair value of financial instruments (assets and liabilities) (notes 2.2.b and No. 23) and other similar instruments, estimates related to the selection of interest rate (note 23.d.5), expected return on assets and the choice of mortality table and expected wage increases applied to the actuarial calculations (notes 2.2.u and No. 20). Actual results of transactions and information could differ from the estimates.

In accordance with Circular Letters Instructions issued by CVM in 2020/2021, as well as taking into account the economic scenario and the risks and uncertainties arising from the impacts of COVID-19, we reviewed our accounting estimates listed above and mentioned our assessments in the respective notes, if applicable, in addition, we disclosed our assessment of the impacts identified during the first six months of 2021 due to this economic reality in note 29.

2.4 – Consolidation criteria

The consolidated interim financial statements include the accounts of the Company and its subsidiaries CSA and SGUS, of which it owns directly and indirectly 100% of the capital.

The subsidiary CSA, parent company of Coteminas Argentina S.A., da AMMO VAREJO S.A., LAT Capital Ltd., C7S Tecnologia Ltda. and Compañia Textil Guaraní S.R.L., with ownership interest of 100%, directly and indirectly, was included in consolidation based on its consolidated interim financial statements.

The subsidiary SGUS, parent company of: (i) Warbird Corporation (Delaware, US); (ii) Springs Home Textiles Reynosa, S.A. de C.V. (Mexico); and (iii) Casa Springs S.A. de C.V. (Mexico), all wholly-owned, was included in consolidation based on its consolidated interim financial statements.

The consolidation of the balance sheets and statement of operations accounts corresponds to the sum of assets, liabilities, revenues and expenses, according to their nature, after eliminating investments in subsidiaries, unrealized profits or losses and intercompany balances.

The effects of the exchange rate variations on foreign investments and equity valuation adjustments are disclosed in a separate caption in the statement of changes in equity, “Cumulative translation adjustments” and “Assets and liabilities valuation adjustments” respectively, and are recognized in the statement of operations upon the sale of the investments that gave rise to them. The accounting practices of the foreign subsidiaries were adjusted to comply with the Company’s accounting practices.

The interim financial statements of foreign subsidiaries have been translated into Brazilian Reais based on the US Dollar exchange rate as of June 30, 2021 and December 31, 2020 for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	2021	2020	Variance %
Exchange rate as of:			
December 31	-	5.1967	-
June 30	5.0022	5.4760	(8.7%)
Average exchange rate:			
June 30 (3 months)	5.2127	5.4431	(4.2%)
June 30 (6 months)	5.3902	5.0494	6.8%

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	06.30.2021	12.31.2020	06.30.2021	12.31.2020
Repurchase transactions (*)	33	68	123,881	122,947
Foreign exchange funds	-	-	-	62
Foreign deposits	-	-	29,363	38,956
Checking accounts deposits	54	264	9,003	6,828
	-----------	-----------	-----------	------------
	87	332	162,247	168,793
	======	======	=======	=======

(*) Income from financial investments ranges from 90% to 100% of the rates earned on Interbank Deposit Certificates - CDI.

4. MARKETABLE SECURITIES

	Consolidated	
	06.30.2021	12.31.2020
Investment fund – foreign	11,043	15,792
Restricted cash (1)	2,188	2,190
	---------	---------
	13,231	17,982
Current	(11,545)	(16,311)
	---------	---------
Noncurrent	1,686	1,671
	=====	=====

(1) On June 30, 2021, the Company had R$1,686 of restricted cash in financial institutions (R$1,671 on December 31, 2020), and subsidiary SGUS had restricted cash of R$502, equivalent to US$100 thousand (US$100 thousand as of December 31, 2020) related to a compensating balance arrangement.

5. ACCOUNTS RECEIVABLE

	Consolidated	
	06.30.2021	12.31.2020
Domestic customers	392,977	488,445
Foreign customers	44,161	27,704
Credit card companies	4,384	12,847
Related parties – domestic market	6,504	4,182
Related parties – foreign market	1,213	2,918
	449,239	536,096
Allowance for expected losses on bad debts	(26,866)	(27,010)
	422,373	509,086

Accounts receivable from customers consist of receivables with an average collection period of approximately 72 days (98 days as of December 31, 2020). The allowance for expected losses on doubtful debts accounts is considered by Management sufficient to cover expected losses from these receivables.

The aging list of the consolidated accounts receivable was presented in the annual financial statements for the year ended December 31, 2020. There was no significant change in the composition of the aging list during the six months period ended June 30, 2021.

Changes in the consolidated allowance for doubtful accounts are as follows:

	06.30.2021	12.31.2020
Balance at the beginning of the period	(27,010)	(25,872)
Additions	-	(597)
Exchange rate variation	144	(541)
Balance at the end of the period	(26,866)	(27,010)

6. INVENTORIES AND ADVANCES TO SUPPLIERS

a. Inventories

	Consolidated	
	06.30.2021	12.31.2020
Raw materials and supplies	95,489	84,629
Work in process	105,513	129,705
Finished products	219,448	151,320
Repair parts	39,019	38,015
	459,469	403,669

Inventories are presented net of the provision for losses. Operating subsidiaries assess the realization of inventories annually or whenever there are indications of probable losses.

The inventory groups of raw materials and supplies and work in process have a low risk of loss, since the conversion into finished products can be managed. The finished products inventory group is evaluated based on its profitability, especially inventories considered to be discontinued and obsolete.

As of June 30, 2021, no additional potential losses were identified in realizing these inventories. Idle costs (including loss resulting from COVID-19) are recognized directly in the income statement for the period and are not considered in the production cost of the finished goods produced.

Changes in the provision are as follows:

	12.31.2020	(Additions) Disposals	Exchange rate variations	06.30.2021
Raw materials and supplies	(2,251)	(618)	399	(2,470)
Finished products	(23)	8	2	(13)
Repair parts	(885)	-	-	(885)
	(3,159)	(610)	401	(3,368)

	12.31.2019	(Additions) Disposals	Exchange rate variations	06.30.2020
Raw materials and supplies	(1,667)	(769)	(289)	(2,725)
Work in process	(102)	107	(5)	-
Finished products	(3)	(22)	(3)	(28)
Repair parts	(1,171)	-	-	(1,171)
	(2,943)	(684)	(297)	(3,924)

b. Advances to suppliers

	Consolidated	
Year	06.30.2021	12.31.2020
2021	42,988	11,575
2022	25,698	24,269
2023	25,201	17,785
	93,887	53,629
Current	(42,988)	(11,575)
Noncurrent	50,899	42,054

7. RECEIVABLE – CLIENTS

	Consolidated	
	06.30.2021	12.31.2020
Clients in judicial reorganization (a)	11,389	11,389
Clients in court recovery plan (b)	1,484	1,469
Installment plan agreed with clients (c)	3,321	4,301
Financing on stores transfer (d)	1,961	3,208
Sale of real estates (e)	14,274	16,165
Others	1,670	914
	34,099	37,446
Current (*)	(14,399)	(12,275)
Noncurrent	19,700	25,171

(*) Included in “Other Receivables” in current assets.

(a) Lojas Leader S.A. filed for Judicial Reorganization (RJ) on March 3, 2020, which was deferred on March 6, 2020. Leader recognized all credits with subsidiary CSA. The management of subsidiary CSA is awaiting approval by RJ and expects to recover all credits.

(b) Increasing semi-annual payments with interest from 2% to 3% per year with final maturity in December 2027. On December 31, 2020 a provision for loss in the amount of R$2,127 was recognized.

(c) Payment up to 41 fixed installments, with monthly interest from 1.56% to 1.97% per month.

(d) Financing on store transfers to franchisees, with payment in equal monthly installments, and adjusted based on the IGP-M (general market price index).

(e) Payment up to 31 monthly installments with interest from 0.5% to 0.7% per month, and adjusted based on the IPCA (general consumer price index).

Considering the information subsequent to June 30, 2021, up to the issuance date of the interim financial statements, no additional losses were identified.

8. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANY

a) Direct investments:

Subsidiaries	Equity	Ownership interest %	Net income (loss) for the period	Total investment 06.30.2021	Total investment 12.31.2020	Equity in subsidiaries (Company) 06.30.2021	Equity in subsidiaries (Company) 06.30.2020
SGUS (*)	361,598	100.0	(10,128)	361,598	385,394	(10,128)	(73,289)
CSA	723,986	100.0	(54,414)	723,986	760,651	(54,414)	(134,125)
				1,085,584	1,146,045	(64,542)	(207,414)

(*) The net loss for the first six months of 2020 does not include the discontinued portion of the equity in subsidiaries in the statement of operations of R$57,019. See note 28.

b) Indirect investments:

The subsidiary SGUS holds of 14.27% of Keeco Holdings, LLC, which combines its operations with the operations sold by SGUS in March of 2019. Keeco Holdings, LLC, is a company with a portfolio of leading products and brands in the curtain, utility bedding, and decorative bedding markets, as well as a diversified portfolio of customers, including the leading traditional and digital retail companies in the North American market. In the fourth quarter of 2020, the subsidiary SGUS made this investment available for sale with the expectation of completion in 2021, and therefore reclassified the investment to the line “Assets held for sale”.

The equity losses of this investment together with the goodwill impairment in the first six months of 2020 were reclassified to the line “Net loss from subsidiary - discontinued operations”. See note 28.

CSA’s investment

	Equity	Ownership interest %	Net income (loss) for the period	Total investment 06.30.2021	Total investment 12.31.2020	Equity in subsidiaries 06.30.2021	Equity in subsidiaries 06.30.2020
Subsidiaries -							
Coteminas Argentina S.A.	76,449	100.0	10,120	76,449	62,850	10,120	(10,068)
LAT Capital Ltd.	13,527	100.0	938	13,527	13,175	938	246
C7S Tecnologia Ltda. (1)	23,086	-	(1,648)	-	24,734	(1,346)	(1,089)
AMMO VAREJO S.A. (2)	106,575	100.0	(32,800)	106,575	139,375	(32,800)	(33,038)
Compañía Textil Guaraní S.R.L. (3)	4,120	100.0	(1,161)	4,120	4,449	(1,161)	(1,353)
				200,671	244,583	(24,249)	(45,302)

(1) On June 21, 2021, CSA sold to its subsidiary AMMO, the entire investment in C7S Tecnologia Ltda. (“C7S”) at its book value, in the amount of R$23,388, using loan credits. C7S became a indirect subsidiary of CSA.

(2) The investment balance includes goodwill on the acquisition of the investment, in the amount of R$27,303, for disclosure purposes in CSA’s financial statements (AMMO’s parent company), and classified in the caption “Intangible assets” in the Company’s consolidated balance sheets.

(3) During 2021, the subsidiary CSA subscribed and paid-in capital in the indirect subsidiary in the amount of R$982.

c) Changes in investments in subsidiaries and affiliate:

	12.31.2020	Equity	Exchange rate variations on foreign investments (1)	Assets and liabilities valuation adjustments	06.30.2021
Subsidiaries					
SGUS	385,394	(10,128)	(13,655)	(13)	361,598
CSA	760,651	(54,414)	17,749	-	723,986
	1,146,045	(64,542)	4,094	(13)	1,085,584

	12.31.2019	Equity	Exchange rate variations on foreign investments (1)	Assets and liabilities valuation adjustments	Goodwill allocation (2)	06.30.2020
Subsidiaries						
SGUS	422,901	(130,308)	144,344	98	-	437,035
CSA	997,676	(134,125)	(93,749)	-	-	769,802
	1,420,577	(264,433)	50,595	98	-	1,206,837
Affiliate						
Keeco Holdings, LLC	137,946	(14,083)	12,458	-	(101,985)	34,336

(1) Exchange rate variations effect on net investments. See note 23.d.3.1.

(2) Goodwill allocation in the amount equivalent to US$25,302 thousand. See note 12.2.

9. INVESTMENT PROPERTIES

The consolidated balances of investment properties are as follows:

	Investment properties São Gonçalo		Investment	
	Business complex (1)	Residential complex (2)	Properties Montes Claros (3)	Total
Balances as of December 31, 2020	306,236	45,034	53,776	405,046
Additions	275	-	-	275
	----------	------------	----------	------------
Balances as of June 30, 2021	306,511	45,034	53,776	405,321
	======	======	======	======

	Investment properties São Gonçalo		Investment	
	Business complex (1)	Residential complex (2)	Properties Montes Claros (3)	Total
Balances as of December 31, 2019	301,550	44,974	60,240	406,764
Additions	592	-	-	592
	----------	------------	----------	------------
Balances as of June 30, 2020	302,142	44,974	60,240	407,356
	======	======	======	======

Assessments made by specialists in real estate appraisals to determine the fair value of all properties, and the positive difference between the residual cost of the property and the fair value calculated, net of tax effects, was recorded under "Other comprehensive income", in the category of items that will not affect the statements of operations in the case of an initial evaluation at fair value, and in the statements of operations when the fair value variation is verified as of the second measurement.

(1) Business complex: It is a commercial complex of 319.7 thousand m², known as Centro Comercial Seridó, where 122.2 thousand m² have already been developed and leased. In the first six months of 2021, rental income was R$5,334 (R$4,085 in the first six months of 2020).

With the designation of this property for rental activity and with specific returns different from the subsidiary CSA's textile operations, its residual value, previously recorded as property, plant and equipment at cost, was transferred to the investment properties, during their respective vacancy years.

The calculated values were as follows:

	06.30.2021	12.31.2020
Residual cost of the property	110,837	110,562
Surplus/added value (a)	195,674	195,674
	----------	----------
Fair value (b)	306,511	306,236
	=======	=======

(a) Calculated deferred tax liability of R$66,529 (R$66,529 on December 31, 2020). See note 18.b.1.

(b) Fair value based on the valuation report from Mercato Assessoria e Avaliações Ltda., Independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT - Brazilian Association of Technical Standards for the year 2020. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information being used were the comparable prices per m² of similar properties in the region and area of the real estate.

(2) Residential complex: In 2018, the subsidiary CSA made available a new area in the municipality of São Gonçalo do Amarante - RN containing 520 thousand m² to start a housing development. The calculated values were as follows:

	06.30.2021	12.31.2020
Residual cost of the property	93	93
Surplus/added value (a)	44,941	44,941
	----------	----------
Fair value (b)	45,034	45,034
	=======	=======

(a) Deferred tax liability of R$15,280 (R$15,280 on December 31, 2020). See note 18.b.1.

(b) Fair value based on the valuation report from Mercato Assessoria e Avaliações Ltda., Independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT - Brazilian Association of Technical Standards for the year 2020. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information being used were the comparable prices per m² of similar properties in the region and area of real estate.

(3) Investment property Montes Claros: These properties are classified as properties for investment by the subsidiary CSA and are composed as follows:

	06.30.2021	12.31.2020
Land and installations (old MECA) (44,402 m²)	30,304	30,304
Land of the ESURB behind CODEVASF (2,770 m²)	4,240	4,240
Land of the ESURB Santa Rita II neighborhood (11,700 m²)	4,752	4,752
Land new municipality region (72,491 m²)	14,480	14,480
	----------	----------
	53,776	53,776
	======	======
Residual cost of the properties	39,860	39,860
Surplus/added value (a)	13,916	13,916
	----------	----------
Fair value (b)	53,776	53,776
	======	======

(a) Calculated deferred tax liability of R$4,731 (R$4,731 on December 31, 2020). See note 18.b.1.

(b) Fair value based on the valuation report from Mercato Assessoria e Avaliações Ltda., Independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT - Brazilian Association of Technical Standards for the year 2020. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information being used were the comparable prices per m² of similar properties in the region and area of the real estate.

10. PROPERTY, PLANT AND EQUIPMENT AND PROPERTY, PLANT AND EQUIPMENT HELD FOR SALE

a. Property, plant and equipment

		06.30.2021			12.31.2020
	Rate (*) %	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	3.2	49,937	(22,385)	27,552	26,356
Buildings	2.4	354,336	(165,594)	188,742	187,549
Installations	5.6	215,455	(161,123)	54,332	47,687
Machinery and equipment	6.7	1,148,870	(898,373)	250,497	259,418
Hydroelectric Plant - Porto Estrela (**)	3.8	37,666	(21,612)	16,054	16,772
Furniture, fixtures and others	8.7	121,381	(102,268)	19,113	28,344
Construction in progress	-	53,406	-	53,406	69,287
		--------------	--------------	--------------	--------------
		1,981,051	(1,371,355)	609,696	635,413
		=========	=========	========	=========

(*) Weighted average annual depreciation rate.
(**) See note 16.

Considering the operating profitability and cash generation, including the impacts of COVID-19, the Company and its subsidiaries did not identify evidence of deterioration or non-recovery of balances held as property, plant and equipment.

The changes in consolidated property, plant and equipment are as follows:

	Land and improvements	Buildings	Installations	Machinery and equipment	Hydroelectric plant - Porto Estrela (1)	Furniture, fixtures and others	Construction in progress (2)	Total
Balance as of December 31, 2020	26,356	187,549	47,687	259,418	16,772	28,344	69,287	635,413
Additions	1,305	137	160	6,743	-	5,053	9,808	23,206
Net disposals	(12)	-	(321)	(4,537)	-	(3,214)	(446)	(8,530)
Transfers								
- PP&E	177	4,424	10,327	9,637	-	877	(25,442)	-
- Assets received in lending	-	-	-	-	-	(8,476)	-	(8,476)
- Assets held for sale	-	-	(15)	(691)	-	-	-	(706)
Exchange rate variations	577	690	203	699	-	(40)	199	2,328
Depreciation in the period	(851)	(4,058)	(3,709)	(20,772)	(718)	(3,431)	-	(33,539)
	----------	----------	----------	----------	----------	----------	----------	----------
Balance as of June 30, 2021	27,552	188,742	54,332	250,497	16,054	19,113	53,406	609,696
	=======	=======	=======	=======	=======	=======	=======	=======

	Land and improvements	Buildings	Installations	Machinery and equipment	Hydroelectric plant - Porto Estrela (1)	Furniture, fixtures and others	Construction in progress (2)	Total
Balance as of December 31, 2019	25,133	192,423	48,446	245,869	18,208	20,411	67,978	618,468
Additions	533	4	325	21,457	-	644	13,886	36,849
Net disposals	(205)	(6)	(256)	(339)	-	(177)	(451)	(1,434)
Transfers								
- PP&E	-	(51)	704	16,231	-	373	(17,257)	-
- Assets in lending	-	-	-	-	-	7,516	-	7,516
Exchange rate variations	2,389	2,899	1,084	3,032	-	129	1,648	11,181
Depreciation in the period	(853)	(4,050)	(3,527)	(19,763)	(718)	(2,820)	-	(31,731)
	----------	----------	----------	----------	----------	----------	----------	----------
Balance as of June 30, 2020	26,997	191,219	46,776	266,487	17,490	26,076	65,804	640,849
	=======	=======	=======	=======	=======	=======	=======	=======

(1) See note 16.

(2) Construction in progress primarily corresponds to modernization of machinery and equipment.

The Company annually assesses the recoverability of property, plant and equipment, considering cash flow for the period of 5 years. On June 30, 2021, the consolidated fixed assets are reduced by a provision for loss in the amount of R$4,793 (R$4,793 as of December 31, 2020).

b. Property, plant and equipment held for sale

The Company's subsidiaries identified assets that were removed from operations and considered held for sale. These assets include machinery and equipment removed as a result of the modernization of the Brazilian subsidiary manufacturing facilities and machinery and equipment from the American subsidiary manufacturing facilities that were shut down. Additionally, the equipment available for sale from the readjustment of productive capacities was also included in this category. These assets were measured at the lower of the net book value or market value, resulting in the recognition of probable impairment losses (reduction of recoverable value).

Changes in property, plant and equipment held for sale are as follows:

	12.31.2020	Additions	Disposals	Exchange rate variations	Transfer from PP&E	06.30.2021
Cost	453,232	-	(1,998)	(16,232)	2,754	437,756
Depreciation	(388,593)	(236)	1,946	14,076	(2,048)	(374,855)
Provision for loss	(47,914)	-	-	1,621	-	(46,293)
	----------	----------	----------	----------	----------	----------
	16,725	(236)	(52)	(535)	706	16,608
	======	======	======	======	======	======

	12.31.2019	Additions	Disposals	Exchange rate variations	06.30.2020
Cost	396,489	157	(53,647)	120,524	463,523
Depreciation	(334,561)	(243)	40,055	(104,360)	(399,109)
Provision for loss	(37,507)	-	1,264	(12,048)	(48,291)
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	24,421	(86)	(12,328)	4,116	16,123
	======	======	======	======	======

11. RIGHT-OF–USE ASSETS AND FINANCIAL LEASES RECEIVABLE

The composition of assets contracted as leases are as follows:

		Consolidated			
		06.30.2021			12.31.2020
	Rate (2) %	Cost	Accumulated amortization	Net book value	Net book value
Properties (CSA and AMMO – own use)	44.1	14,114	(7,831)	6,283	7,772
Properties – plants (Guarani – own use)	11.7	10,263	(1,794)	8,469	9,419
Properties (SGUS – own use)	8.3	44,404	(9,251)	35,153	38,442
Properties – stores (AMMO – own use)	25.4	94,231	(35,650)	58,581	56,091
Vehicles	38.8	1,881	(1,401)	480	273
Investment properties (1)		86,800	-	86,800	92,644
		------------	------------	------------	------------
Total right-of-use assets		251,693	(55,927)	195,766	204,641
Financial leases receivable (1)		105,816	-	105,816	112,889
		------------	------------	------------	------------
		357,509	(55,927)	301,582	317,530
		=======	=======	=======	=======

(1) Properties leased and partially subleased by subsidiary SGUS.

(2) The annual average amortization rate corresponds to the average term of the lease contracts of the respective right-of-use assets.

Changes in the right-of-use assets of the leases are as follows:

	Properties	Properties – plants	Properties – SGUS	Properties – stores	Vehicles	Investment properties	Financial leases receivable	Total
Balance as of December 31, 2020	7,772	9,419	38,442	56,091	273	92,644	112,889	317,530
Exchange rate variations	-	(310)	(1,295)	-	-	(3,284)	(4,006)	(8,895)
Additions (1)			-	12,585	524	-	-	13,109
Disposals (2)	-	-	-	(1,344)	-	-	-	(1,344)
Amortization in the period	(1,489)	(640)	(1,994)	(8,751)	(317)	-	-	(13,191)
Interest	-	-	-	-	-	4,987	5,792	10,779
Sublease cash receipts	-	-	-	-	-	(7,547)	(8,859)	(16,406)
Balance as of June 30, 2021	6,283	8,469	35,153	58,581	480	86,800	105,816	301,582

	Properties	Properties – plants	Properties – SGUS	Properties – stores	Vehicles	Investment properties	Financial leases receivable	Total
Balance as of December 31, 2019	10,895	-	32,798	42,836	566	71,168	91,719	249,982
Exchange rate variations	-	2,432	11,603	-	-	25,624	32,677	72,336
Additions (1)	8	8,749	-	10,068	71	-	-	18,896
Disposals (2)	-	-	-	(3,267)	-	-	-	(3,267)
Amortization in the period	(1,596)	(635)	(1,868)	(7,842)	(226)	-	-	(12,167)
Interest	-	-	-	-	-	4,706	5,691	10,397
Sublease cash receipts	-	-	-	-	-	(3,992)	(8,216)	(12,208)
Balance as of June 30, 2020	9,307	10,546	42,533	41,795	411	97,506	121,871	323,969

(1) Includes new lease agreements, renewal of existing agreements and update of lease amounts.

(2) Early termination of lease contract.

The amounts receivable arising from the subleasing of the properties at their contracted amounts are as follows:

	Lease receivable	
Year	06.30.2021	12.31.2020
2021	8,261	17,124
2022	16,662	17,310
2023	16,853	17,508
2024 then after	124,037	128,860
	165,813	180,802
Present value adjustment	(59,997)	(67,913)
	105,816	112,889
Current	(15,707)	(16,230)
Noncurrent	90,109	96,659

The amounts recognized as finance leases have an expectation of compliance with long-term contracts with sub-tenants and also, for some properties, an expectation of occupancy after a vacancy period, which are updated and evaluated annually. As of June 30, 2021, the subsidiary SGUS had no defaults with the current sub-lease agreements.

12. INTANGIBLE ASSETS

	Consolidated	
	06.30.2021	12.31.2020
Goodwill on the acquisition of AMMO (1)	27,303	27,303
Trademarks – owned (3)	16,267	16,267
Trademarks – use license (4)	9,653	9,559
Intellectual property (5)	16,465	18,933
Store locations (real estate intangible) (6)	25,077	25,077
Total	94,765	97,139

Changes in consolidated intangible assets for the period were as follows:

	Goodwill on the acquisition of AMMO (1)	Trademarks – owned (3)	Trademarks – use license (4)	Intellectual property (5)	Store locations (real estate intangible) (6)	Total
Balance as of December 31, 2020	27,303	16,267	9,559	18,933	25,077	97,139
Amortization	-	-	(494)	(2,468)	-	(2,962)
Exchange rate variations	-	-	588	-	-	588
Balance as of June 30, 2021	27,303	16,267	9,653	16,465	25,077	94,765

	Goodwill on the acquisition of AMMO (1)	Goodwill on the acquisition of Keeco (2)	Trademarks – owned (3)	Trademarks – use license (4)	Intellectual property (5)	Store locations (real estate intangible) (6)	Total
Balance as of December 31, 2019	27,303	-	16,267	8,388	15,387	25,357	92,702
Transfers (goodwill allocation)	-	101,985	-	-	-	-	101,985
Additions	-	-	-	-	2,644		2,644
Disposals	-	-	-	-	-	(2,370)	(2,370)
Amortization	-	-	-	(451)	(1,762)	-	(2,213)
Exchange rate variations	-	34,277	-	2,578	-	-	36,855
Impairment adjustment (2)	-	(42,936)	-	-	-	-	(42,936)
Balance as of June 30, 2020	27,303	93,326	16,267	10,515	16,269	22,987	186,667

<u>(1) Goodwill on the acquisition of AMMO:</u> Goodwill originated from investment in AMMO VAREJO S.A.

The Company evaluates the recoverability of this goodwill annually, using accepted market practices, such as discounted cash flow for the business unit that has goodwill. Recoverability of goodwill is evaluated based on analysis and identification of facts and circumstances that could require the tests to be performed at an earlier date. If a fact or circumstance indicates that the recoverability of goodwill is affected, then the test is anticipated.

The projection period for the December 2020 cash flows was five years. The assumptions used to determine the fair value through the discounted cash flow method include: cash flow projections based on management estimates for future cash flows, discount rates and growth rates for determining the perpetuity. Additionally, the perpetuity has been calculated considering the stabilization of operating margins, working capital and investments levels.

The annual discount rate used was 13.3% per year and the perpetuity growth rate considered was 3% per year. The discount rates used were determined taking into consideration market information available on the test date.

The subsidiary CSA did not identify signs of deterioration or non-recovery of the recognized goodwill, considering operating profitability and cash generation of the indirect subsidiary AMMO, including the impacts of COVID-19.

<u>(2) Goodwill on the acquisition of Keeco</u>: Goodwill originated from the investment in Keeco Holdings, LLC.

On March 15, 2019, the subsidiary SGUS became the holder of an ownership interest in Keeco Holdings, LLC, which combined its operations with the operations acquired from SGUS on that date.

The investment in Keeco was significantly affected by the COVID-19 pandemic and, given the revised projections received by the Company, it was necessary to recognize impairment in the amount of R$42,936 or US$8,259.

In the fourth quarter of 2020, the subsidiary SGUS made the investment in Keeco available for sale. The investment and goodwill balances were reclassified to the “Assets held for sale” line, and the impairment adjustment for loss was classified as discontinued operations.

<u>(3) Trademarks – owned:</u> Trademarks owned are recorded at the acquisition cost, have indefinite useful lives, and therefore are not amortized.

<u>(4) Trademarks – use license:</u> Represents the license to use the trademark "Santista" in Argentina and it is amortized over the term of the contract in 15 years.

<u>(5) Intellectual property:</u> Refers to software developed to integrate retail sales channels (physical stores and E-commerce), and it is amortized over 5 years.

<u>(6) Store locations (real estate intangible):</u> The amounts related to the store locations (real estate intangible) are recorded at the acquisition cost of the respective store, net of impairment of R$6,574 (R$6,574 as of December 31, 2020), based on its market value determined by an independent broker with valuation expertise.

Items (3) to (5) above are tested annually for recoverability. The Company did not identify signs of deterioration or non-recovery of the balances held in these items.

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

13. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated 06.30.2021	Consolidated 12.31.2020
Local currency (*):					
Banco do Brasil S.A. (a)	R$	130.0 to 294.0 of CDI	2023	361,712	382,011
Banco do Brasil S.A. – CDC	R$	7.3 to 11.9	2022	54,766	55,657
Banco BBM S.A. – CCB	R$	149.0 and 150.5 of CDI and 3.9 and 7.0 + CDI	2024	13,622	24,481
Banco ABC do Brasil S.A. – CCE	R$	4.9 + CDI	2024	31,290	36,320
Banco Bradesco S.A.	R$	6.1 + CDI	2024	15,059	17,543
BNDES (Finame)	R$	3.0 to 9.5	2023	28	35
Banco Daycoval S.A.	R$	5.2 to 9.0 + CDI	2024	51,758	47,030
Banco Santander S.A. (b)	R$	3.5 and 4.7 + CDI	2021	26,161	55,228
Banco Safra S.A. – CCB	R$	6.8 and 7.4 + CDI	2024	53,969	54,054
Banco Fibra S.A. – CCE	R$	7.5 + CDI	2022	16,728	20,075
Banco Sofisa S.A.	R$	6.8 + CDI	2024	20,153	20,131
Caixa Econômica Federal – CCB (*) (c)	R$	180.0 of CDI	2023	14,917	18,971
Banco Pine S.A.	R$	7.8 and 8.7 + CDI	2022	17,678	11,926
Banco Industrial do Brasil S.A.	R$	6.8 and 7.7 + CDI	2022	20,565	1,255
Banco ABC do Brasil S.A. - CCB	R$	3.9 + CDI	2024	10,006	10,003
Banco BTG Pactual S.A. (d)	R$	12.5 and 13.9	2023	38,642	36,885
Financiadora de Estudos e Projetos - FINEP (*)	R$	4,4	2025	19,117	19,101
Others	R$	-	2021	20,770	7,864
				-----------	-----------
				786,941	818,570
Foreign currency:					
Banco Patagônia	$ARG	30.0	2021	531	1,194
Banco Luso Brasileiro S.A.	US$	9.5	2021	5,079	10,019
Banco do Brasil S.A.	US$	5.0 and 5.1	2021	36,469	37,859
Banco Pine S.A.	US$	9.5	2021	-	10,471
				-----------	-----------
				42,079	59,543
				-----------	-----------
Total				829,020	878,113
Current				(537,671)	(522,536)
				-----------	-----------
Noncurrent				291,349	355,577
				=======	=======

(*) Loans held in part by the Company in the amount of R$34,034 (R$38,072 on December 31, 2020).

(a) Loan of subsidiary CSA, with early maturity covenants, in which the Company, as guarantor, agreed to comply with the following financial ratios: Net Debt to EBITDA ratio, no greater than 4.0 during the year 2017; 3.5 during the year 2018; 3.0 as of the year 2019, in its annual consolidated financial statements.

(b) Loan of subsidiary CSA, with early maturity covenants, in which the Company, as guarantor, has committed to comply with the following financial ratios in its annual consolidated financial statements: (i) Net Debt to EBITDA ratio, no greater than 3.0; (ii) Net Debt to Shareholders' Equity ratio, no greater than 0.7; and (iii) EBITDA to net financial expenses ratio, no less than 2.0.

(c) Parent company loan, with early maturity covenants, in which the parent company has committed to comply with the following financial ratios in its annual consolidated financial statements: (i) Net Debt to EBITDA ratio, no greater than 3.0, in its annual consolidated financial statements; (ii) Net Debt to Shareholders' Equity ratio, no greater than 0.7 during the period of the agreement; and (iii) EBITDA to net financial expenses ratio, no less than 2.0.

(d) Loan of subsidiary CSA, with early maturity covenants, where subsidiary CSA agreed to comply with the following financial ratios: Net Debt to EBITDA ratio, no greater than 3.0 in its annual consolidated financial statements.

The terms used to describe the financial ratios described in items (a) to (d) above have their definition determined in the contract and may differ from the accounting items.

Loans are collateralized by: (i) registered security interest in real estate, machinery and equipment; (ii) guarantee from the controlling shareholder; and (iii) receivables.

Maturities are as follows:

		2022				
	2021	Current	Noncurrent	2023	2024 and 2025	Total
Local currency:						
Banco do Brasil S.A.	132,996	65,567	54,299	108,850	-	361,712
Banco do Brasil S.A. – CDC	32,820	21,946	-	-	-	54,766
Banco BBM S.A. – CCB	3,900	1,667	1,667	3,333	3,055	13,622
Banco ABC do Brasil S.A. – CCE	3,126	6,035	6,035	12,070	4,024	31,290
Banco Bradesco S.A.	2,717	2,468	2,468	4,936	2,470	15,059
BNDES (Finame)	7	5	7	9	-	28
Banco Daycoval S.A.	10,639	14,235	11,147	14,626	1,111	51,758
Banco Santander S.A.	26,161	-	-	-	-	26,161
Banco Safra S.A. – CCB	45,874	1,429	1,667	2,857	2,142	53,969
Banco Fibra S.A. – CCE	10,061	6,667	-	-	-	16,728
Banco Sofisa S.A.	10,431	1,667	1,667	3,333	3,055	20,153
Caixa Econômica Federal – CCB	4,084	4,063	4,062	2,708	-	14,917
Banco Pine S.A.	10,034	6,044	1,600	-	-	17,678
Banco Industrial do Brasil S.A.	11,020	8,182	1,363	-	-	20,565
Banco ABC do Brasil S.A. – CCB	339	2,000	2,000	4,000	1,667	10,006
Banco BTG Pactual S.A.	14,321	11,500	11,024	1,797	-	38,642
Financiadora de Estudos e Projetos – FINEP	432	2,385	2,385	4,771	9,144	19,117
Others	20,770	-	-	-	-	20,770
	339,732	155,860	101,391	163,290	26,668	786,941
Foreign currency:						
Banco Patagônia	531	-	-	-	-	531
Banco Luso Brasileiro S.A.	5,079	-	-	-	-	5,079
Banco do Brasil S.A.	36,469	-	-	-	-	36,469
	42,079	-	-	-	-	42,079
Total	381,811	155,860	101,391	163,290	26,668	829,020

Changes in consolidated loans and debentures were as follows:

	06.30.2021			06.30.2020
	Loans	Debentures	Total	Total
Beginning balance	878,113	91,085	969,198	1,042,035
Debt proceeds or renewal	123,118	-	123,118	283,186
Accrued interest	29,637	3,146	32,783	38,069
Paid principal	(173,593)	(2,000)	(175,593)	(395,600)
Paid interest	(28,727)	(6,630)	(35,357)	(37,483)
Exchange rate variations	(1,052)	-	(1,052)	45,943
Prepaid charges, net	1,524	133	1,657	3,312
Ending balance	829,020	85,734	914,754	979,462

14. DEBENTURES

On February 19, 2018, subsidiary CSA issued the 4th series of non-convertible debentures with the following terms, which, on February 19, 2018, was fully subscribed and modified on May 14, 2020.

4th Series Debentures Terms

	February 2018	May 2020
Quantity of issued Debentures	150,000	87,500
Debentures unit price (amount in Brazilian Reais)	R$1,000	R$1,000
Amortization	12 equal quarterly installments	1 installment
Initial maturity	05/19/2018	-
Final maturity	02/19/2021	02/19/2021 (*)
Return	100% of CDI + 2.75% per annum	100% of CDI + 4.75% per annum
Interest amortization	12 equal quarterly installments	1 installment on 02/19/2021
Guarantees	(1)	(1)
Covenants	(2)	(2)

(*) Maturity extended to 08/19/2021. On August 5, 2021 the debentures were settled, with the proceeds obtained from the 5th series of the debentures (see note 30 – Subsequent events).

On May 14, 2020, at a general meeting, the Debenture Holders resolved to: (i) change the interest rate of the debentures, by changing the spread from 2.75% per year to 4.75% per year; (ii) change the frequency of payment of the interest on the debentures to a single payment on the maturity date; and (iii) change the frequency of payment of the amortization of the nominal unit value of the debentures, to a single payment on the maturity date. The debenture holders' changes and approvals were reflected in the respective minutes.

(1) Guarantees:

Secured Guarantee: Property of the subsidiary CSA, see note 9.1, whose fair value must remain higher than 1.43 times the issue value of the Debentures in the first year and in the following years 1.67 times. In addition, the lease contracts of the property are part of the guarantee, and the fiduciary agent may, in case of default, retain the rent receivables until the default is resolved.

Fidejussory guarantee: Surety given by the Company and by Josué Christiano Gomes da Silva.

(2) Covenants:

Balances of the debentures on June 30, 2021 and December 31, 2020 were as follows:

	Consolidated	
	06.30.2021	12.31.2020
Original amount	85,500	87,500
Prepaid interest	-	(132)
Accrued interest	234	3,717
Debentures total	85,734	91,085

15. SUPPLIERS

	Consolidated	
	06.30.2021	12.31.2020
Domestic market	167,821	181,301
Foreign market	22,765	24,796
	190,586	206,097

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 67 days (75 days as of December 31, 2020).

16. GOVERNMENT CONCESSIONS

The subsidiary CSA has equity interest in a consortium for an electric power generation concession with the companies CEMIG Geração e Transmissão S.A. and Vale (formerly known as Companhia Vale do Rio Doce), in equal percentages of 33.33%. No legally independent entity was established for the management of this consortium. Accounting records, equivalent to its interest, are maintained under CSA's control.

As consideration for the concession granted, CSA, together with the other consortium members, will pay installments over the concession period to the Federal Government, as presented below:

Beginning of concession period:	July 10, 1997
Concession period:	35 years
Total concession amount:	R$333,310
Monetary adjustment:	IGP-M (general market price index)

Total annual installments of the concession:

	Years 5 to 15 2002 to 2012	Years 16 to 25 2013 to 2022	Years 26 to 35 2023 to 2032
Historical amounts:			
Minimum installment	120	120	120
Additional installment	-	12,510	20,449
Annual installment	120	12,630	20,569
Total installments	1,320	126,300	205,690
Monetarily adjusted installments	10,016	958,390	1,560,800

For accounting purposes, subsidiary CSA recognizes expenses incurred on an accrual basis, as a contra entry to noncurrent liabilities, on a straight-line basis, based on its share in the total concession amount, 33.33%, at present value, considering a basic interest rate when contracting the concession, updated by the IGP-M.

The changes in the concession balances are as follows:

	Consolidated	
	06.30.2021	06.30.2020
Opening balance	80,868	65,983
Appropriation of the grant installment	2,755	2,124
Payments	(11,770)	(10,949)
Interest (7.5% p.a.)	12,044	8,683
Monetary variation (IGPM)	9,396	2,756
	93,293	68,597
Current	(31,946)	(23,357)
Noncurrent	61,347	45,240

As of June 30, 2021, the net book value of the property, plant and equipment related to the current concession is R$16,054 (R$16,772 as of December 31, 2020) (see note 10), considering CSA’s equity interest in the investments for the construction of the Porto Estrela Hydroelectric Plant, located on the Santo Antônio River, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

17. LEASES PAYABLE

The breakdown of leases payable is as follows:

	Maturity	Consolidated 06.30.2021	Consolidated 12.31.2020
Properties	2024	7,002	8,471
Properties – plant	2028	9,092	9,877
SGUS (*)	2030	249,425	266,286
Properties – stores	2025	61,997	60,833
Vehicles	2022	497	287
		328,013	345,754
Current		(63,839)	(64,447)
Noncurrent		264,174	281,307

The Company's management opted for the simplified retrospective transition approach. This approach does not impact retained earnings (shareholders' equity) on the initial adoption date, since the amount of the right-of-use asset is equal to the lease payable amount adjusted to present value and enables the use of practical expedients. The Company's management considered as leasing component for stores only the fixed minimum rent value for purposes of assessing the liabilities. The measurement of the lease liability corresponds to the total of future payments of fixed rents, considering the terms of the contracts. These payment flows are adjusted to present value, considering the incremental borrowing rate. Financial charges are recognized as financial expenses. The incremental borrowing rate corresponds to the interest rate that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment (varies between 9% and 10% per year).

The maturities of leases payable are as follows:

	2021	2022 Current	2022 Noncurrent	2023	2024 to 2030	Total
Properties	1,833	1,833	1,833	2,174	70	7,743
Properties – plant	869	869	869	1,739	7,969	12,315
SGUS (*)	19,895	20,731	20,056	40,359	291,826	392,867
Properties – stores	10,976	9,754	9,171	17,547	27,096	74,544
Vehicles	283	149	91	-	-	523
Gross total	33,856	33,336	32,020	61,819	326,961	487,992
Adjust to present value	(877)	(2,476)	(3,822)	(11,216)	(141,588)	(159,979)
Total payable	32,979	30,860	28,198	50,603	185,373	328,013

(*) Liability corresponding to right-of-use assets classified as: (i) Real Estate - SGUS; (ii) Investment properties; and (iii) Leases receivable. See note 11.

Changes in the consolidated leases payable were as follows:

	06.30.2021						06.30.2020
	Properties	Properties – plant	SGUS	Properties – stores	Vehicles	Total	Total
Balance at the beginning of the period	8,471	9,877	266,286	60,833	287	345,754	274,202
Additions (1)	-	-	-	12,585	524	13,109	18,896
Disposals (2)	-	-	-	(1,475)	-	(1,475)	(3,492)
Charges	364	460	13,929	2,376	34	17,163	17,926
Payments	(1,833)	(904)	(21,356)	(10,342)	(348)	(34,783)	(28,208)
Renegotiations (3)	-	-	-	(1,980)	-	(1,980)	(4,158)
Exchange variation	-	(341)	(9,434)	-	-	(9,775)	79,747
Others	-	-	-	-	-	-	(149)
Balance at the end of the period	7,002	9,092	249,425	61,997	497	328,013	354,764

(1) Includes new lease agreements, renewal of existing agreements and update of lease amounts.

(2) Early termination of lease contract.

(3) Due to the COVID-19 pandemic, the indirect subsidiary AMMO renegotiated the rent of some stores with the lessors, obtaining an exemption or reduction in the minimum rent for the months in which the stores were closed, in accordance with the guidelines of each municipality. According to the revision of CPC 06 (R2), the indirect subsidiary AMMO adopted the practical expedient, and adjusted the lease liabilities in the amount of the reductions obtained.

The effects on results as of June 30, 2021 and 2020 are as follows:

	06.30.2021						06.30.2020
Continuing operations	Properties	Properties – plant	SGUS	Properties – stores	Vehicles	Consolidated	Consolidated
Lease payments in the period	1,833	904	21,356	10,342	348	34,783	28,208
PIS and COFINS recovered	-	-	-	(956)	-	(956)	(830)
Renegotiations	-	-	-	1,980	-	1,980	4,158
Amortization of right-of-use assets	(1,489)	(640)	(1,994)	(8,751)	(317)	(13,191)	(12,167)
PIS and COFINS on amortization	-	-	-	752	-	752	590
Interest net	(364)	(460)	(3,150)	(2,376)	(34)	(6,384)	(7,529)
PIS and COFINS on interest	-	-	-	204	-	204	240
Disposals, net	-	-	-	131	-	131	225
Sublease cash receipts	-	-	(16,406)	-	-	(16,406)	(12,208)
Total effects with the application of IFRS 16	(20)	(196)	(194)	1,326	(3)	913	687

18. INCOME TAX AND OTHER TAXES

a. Income taxes reconciliation (income and social contribution taxes)

	06.30.2021				
	SGPSA (Parent Co.)	CSA Consolidated	SGUS	Others (1)	Consolidated
Income (loss) from operations before taxes	(65,775)	(61,327)	(9,210)	63,786	(72,526)
Equity in subsidiaries	64,542	-	-	(64,542)	-
Investment support	-	(23,521)	-	-	(23,521)
Permanent differences from foreign subsidiaries	-	-	(976)	-	(976)
Other	-	(94)	-	-	(94)
Income tax basis	(1,233)	(84,942)	(10,186)	(756)	(97,117)
34% income tax rate	419	28,880	3,464	257	33,020
Unrecognized tax credits	(419)	(21,829)	(3,626)	(257)	(26,131)
Others	-	(138)	-	-	(138)
Total income taxes	-	6,913	(162)	-	6,751
Continuing operations					
Income taxes – current	-	(143)	(162)	-	(305)
Income taxes – deferred	-	7,056	-	-	7,056
	-	6,913	(162)	-	6,751

(1) Includes effect of exchange rate variations of foreign subsidiaries and eliminations for consolidations.

	06.30.2020				
	SGPSA (Parent Co.)	CSA Consolidated	SGUS	Others (2)	Consolidated
Income (loss) from operations before taxes	(267,976)	(133,996)	(67,648)	271,631	(197,989)
Equity in subsidiaries (1)	264,433	-	14,083	(264,433)	14,083
Investment support	-	(9,899)	-	-	(9,899)
Permanent differences from foreign subsidiaries	-	-	(1,182)	-	(1,182)
Other	-	321	-	-	321
Income tax basis	(3,543)	(143,574)	(54,747)	7,198	(194,666)
34% income tax rate	1,205	48,815	18,614	(2,447)	66,187
Unrecognized tax credits	(1,205)	(48,948)	(18,614)	2,447	(66,320)
Valuation allowance adjustment	-	-	(69,707)	-	(69,707)
Others	-	4	(151)	-	(147)
Total income taxes	-	(129)	(69,858)	-	(69,987)
Continuing operations					
Income taxes – current	-	(129)	(151)	-	(280)
Income taxes – deferred	-	-	(69,707)	-	(69,707)
	-	(129)	(69,858)	-	(69,987)

(1) Includes income from discontinued operations before taxes. See notes 28.

(2) Includes effect of exchange rate variations of foreign subsidiaries and eliminations for consolidations.

b. Deferred income and social contribution taxes

As a holding Company, the Company's operations consist of equity in subsidiaries and income from investment activities. Foreign subsidiaries' income is taxed as an addition to the taxable income and they receive tax credits for taxes paid in their respective countries, which is up to 25% of its income tax base. If there are tax losses, tax credits are not considered in Brazil, but they are offset with future income generated by the foreign subsidiary. Therefore, as a holding Company, tax credit recognition is allowed in specific situations.

Deferred income and social contribution taxes recorded in the consolidated interim financial statements arise from subsidiaries' temporarily nondeductible provisions, transferred tax credit, and subsidiaries' net operating losses.

Deferred income and social contribution taxes are composed as follows:

	12.31.2020	Recognized in: Statement of operations	Recognized in: Equity	Exchange rate variations	Other	06.30.2021
Assets:						
Temporary differences (CSA – Argentina) (1) (a)	388	-	-	-	(60)	328
Temporary differences (CSA – Brasil) (1) (p)	16,783	-	-	-	-	16,783
Tax credits from foreign subsidiary (CSA – Brasil) (1) (p)	7,167	-	-	-	-	7,167
Net operating losses (SGUS – EUA) (2) (a)	16,059	-	-	(601)	-	15,458
Temporary differences (AMMO – Brasil) (1) (a)	421	-	-	-	(167)	254
Net operating losses (SGPSA – Brasil) (a)	1,905	-	-	-	-	1,905
	42,723	-	-	(601)	(227)	41,895
Deferred tax liabilities:						
Investment properties (CSA – Brasil) (1) (p)	(86,540)	-	-	-	-	(86,540)
Hyperinflationary adjustment (CSA – Argentina) (1) (p)	(6,103)	-	-	939	-	(5,164)
Temporary differences (CSA – Brasil) (1) (p)	(16,349)	7,056	-	-	-	(9,293)
Total deferred taxes, net	(66,269)	7,056	-	338	(227)	(59,102)
Noncurrent assets (sum of a)	18,773	-	-	(601)	(227)	17,945
Noncurrent liabilities (sum of p)	(85,042)	7,056	-	939	-	(77,047)

As of June 30, 2021, the Company had net operating losses of R$126,800 (R$131,172 as of December 31, 2020) and social contribution tax losses of R$126,800 (R$131,173 as of December 31, 2020), whose tax assets were not recognized in the interim financial statements.

(1) Deferred taxes of subsidiary CSA:

Deferred tax assets:

The subsidiary CSA, based on its business plan and future projections, maintained deferred tax assets derived, from accumulated tax losses. Future projections consider the Company's operating results for the next 10 years adjusted to present value and a reduction of interest rates during that period and the resulting cost of debt, among other actions.

Based on these actions and the assumptions used in the preparation of the business plan, the management of that subsidiary has expectations to generate future taxable income that will allow the realization of the deferred tax credits shown as follows:

Year	Consolidated: Temporary differences	Consolidated: Operating losses (*)	Consolidated: CSA consolidated
2021	3,766	(3,766)	-
2023 and thereafter	13,599	10,933	24,532
	17,365	7,167	24,532

(*) Includes compensation of taxes paid in Argentina.

Temporary differences are fully deductible from taxable income, while tax losses are limited to 30% of taxable income. Both have no deadline for expiration.

Additionally, as of June 30, 2021, CSA had net operating losses of R$1,044,845 (R$1,003,472 as of December 31, 2020) and social contribution tax losses of R$1,051,019 (R$1,009,600 as of December 31, 2020), whose tax assets were not recognized in the financial statements. As of June 30, 2021, the indirect subsidiary AMMO had net operating losses of R$369,486 (R$335,239 on December 31, 2020) and social contribution tax losses of R$367,947 (R$335,268 on December 31, 2020).

Deferred tax liabilities – investment properties:

Income and social contribution taxes resulting from added value in investment properties. See note 9.

	Investment properties São Gonçalo		Investment properties Montes Claros (9.3)	Total
	Business complex (9.1)	Residential complex (9.2)		
Fair value	306,511	45,034	53,776	405,321
Total residual cost	(110,837)	(93)	(39,860)	(150,790)
Surplus/added value	195,674	44,941	13,916	254,531
Income and social contribution taxes liability on surplus/added value (34%)	66,529	15,280	4,731	86,540

(2) Deferred taxes of subsidiary SGUS:

The subsidiary SGUS, based on its business plan and future projections, maintained deferred tax assets derived, primarily, from accumulated tax losses. Based on the projections of its operating results, the subsidiary SGUS had a deferred tax assets balance, as of June 30, 2021, totaling R$15,458 (R$16,059 as of December 31, 2020). The decrease in deferred taxes during the first six months of 2021 is due to the impact of the exchange rate variation. The revised projections consider the revenues and expenses of the subsidiary SGUS for the next 10 years.

Based on the assumptions utilized in the preparation of business plan, SGUS management expects to generate future taxable income that will allow the realization of the deferred tax credits.

The estimated realization for the deferred tax assets of subsidiary SGUS, as of June 30, 2021, is shown below:

Year	Subsidiary SGUS
2021	15,458

Temporary differences are fully deductible from taxable income and have no deadline for utilization. The net operating tax losses are also fully deductible, but the federal losses will expire between 2022 and 2034 and the state losses will expire between 2021 and 2034.

Additionally, on June 30, 2021, subsidiary SGUS had R$1,168,465 in tax losses (R$1,213,899 at December 31, 2020) whose tax assets were not recognized in the financial statements.

c. Recoverable taxes

	Company		Consolidated	
	06.30.2021	12.31.2020	06.30.2021	12.31.2020
ICMS (state VAT)	-	-	9,788	10,931
Income and social contribution taxes prepayments	11	160	12,907	11,420
Recoverable PIS and COFINS (*)	-	-	95,548	128,769
Recoverable INSS	-	-	65	-
IVA – Gross proceeds (Argentina)	-	-	6,898	4,354
IPTU credit	-	-	11,213	10,901
Recoverable IPI	-	-	83	83
Other recoverable taxes	-	-	124	477
	11	160	136,626	166,935
Current	(11)	(16)	(77,136)	(64,992)
Noncurrent	-	144	59,490	101,943

(*) Includes credits from purchases and amounts related to credits resulting from the elimination of ICMS from the PIS and COFINS calculation basis.

19. MISCELLANEOUS ACCRUALS

The Company and its subsidiaries are challenging in court the legality of certain taxes and civil and labor claims. The accrual was recognized based on the risk assessment made by Management and its legal counsel for all lawsuits in which losses are considered probable.

The Company and its subsidiaries have tax, labor and civil claims, whose loss was estimated as possible in the amount of R$27,018, R$3,904 and R$40,515, respectively, (R$27,204, R$3,683 and R$41,058, respectively, on December 31, 2020). The main tax claims relate to infraction notices referring to: (i) imports of raw materials under the Drawback program (R$7,559); (ii) calculation of presumed FAIN credit (R$5,871); and (iii) ex-tariff IPI exemption (R$3,160). The main labor lawsuits are related to labor claims of former employees and third parties. The main civil claims correspond to a writ of mandamus filed against the Electric Energy Trading Chamber (CCEE), in the amount of R$38,701, seeking to eliminate possible financial burdens arising from judicial decisions that determine the sharing of losses among power generators. The main labor claims correspond to labor claims by former employees and third parties.

The claims for which losses are considered probable are summarized as follows:

	Consolidated	
	06.30.2021	12.31.2020
Tax litigation claims – others	109	110
Labor	8,636	9,542
Civil and others	3,237	3,734
Total	11,982	13,386
Escrow deposits	10,018	10,691

Labor – The subsidiary CSA is the defendant in lawsuits from former employees and third parties.

Civil – The subsidiary CSA is a plaintiff in a lawsuit against the Federal Government disputing the legality of the collection of “COFURH – Compensação Financeira pela Utilização de Recursos Hídricos”.

Changes in the consolidated accrual are as follows:

	Balance on 12.31.2020	Additions	Disposals	Exchange variation	Balance on 06.30.2021
Tax litigation claims:					
Others	110	-	(1)	-	109
Labor	9,542	753	(1,517)	(142)	8,636
Civil and others	3,734	7	(328)	(176)	3,237
	13,386	760	(1,846)	(318)	11,982

	Balance on 12.31.2019	Additions	Disposals	Exchange variation	Balance on 06.30.2020
Tax litigation claims:					
Others	108	3	-	-	111
Labor	9,472	383	(989)	72	8,938
Civil and others	3,351	33	(14)	137	3,507
	12,931	419	(1,003)	209	12,556

20. EMPLOYEE BENEFIT PLANS

Substantially all of the employees of the subsidiary SGUS are covered by defined-contribution plans. Some executives of SGUS are covered by defined-benefit plans. Subsidiary SGUS may make contributions to the defined-contribution plan at its discretion, and these contributions are considered by means of a percentage of each participant’s eligible compensation. In addition, should eligible participants contribute a percentage of their compensation to some defined-contribution plans, SGUS may, at its discretion, make a contribution in the proportion of the amounts contributed by the participants.

Subsidiary SGUS sponsors a defined-benefit pension plan for some of its employees, whose expected pension costs are accrued based on actuarial studies. Contributions of retired employees and subsidiary SGUS are adjusted periodically. Subsidiary SGUS' contributions to the defined-benefit plans are made pursuant to the "US Employee Retirement Income Security Act", and benefits are generally based on years of service and salary (compensation) levels.

The defined-benefit plans' assets are invested in diversified equity securities and fixed-income funds (including US government debt). Subsidiary SGUS also provides retirement benefits to eligible executives under nonqualified supplemental executive retirement plans.

The table below includes summarized information on the pension and postretirement plans as of June 30, 2021 and 2020:

	06.30.2021	06.30.2020
Components of net periodic benefit cost:		
Service cost	937	705
Interest cost, net	1,388	1,937
Net periodic benefit cost	2,325	2,642

SGUS' investment strategy is to invest in a diversified portfolio that will maximize returns, considering an acceptable risk level. Pension plan assets are invested in mutual funds which have a target allocation of 40% in equity securities and 60% in fixed income funds. The expected returns on plan assets were developed in conjunction with external advisors and take into account long-term expectations for future returns based on SGUS' current investment strategy.

The balances of employee benefit plans and deferred compensation are as follows:

	06.30.2021	12.31.2020
Pension plan obligations	133,442	142,019
Other employee benefit obligations	1,513	2,893
Total employee benefit plans	134,955	144,912
Current (a)	(12,714)	(13,209)
Noncurrent	122,241	131,703

(a) Presented on caption "Payroll and related charges".

21. EQUITY

a. Capital

The subscribed and paid-in capital is represented by 50,000,000 common shares with voting rights. There was no change in the number of shares subscribed and paid for the period between January 1, 2020 and June 30, 2021.

b. Dividends and realizable earnings reserve

Shareholders are entitled to dividends equivalent to 1/3 of annual net income, adjusted as per Company's bylaws and the Brazilian Corporate Law.

c. Retained earnings reserve

The retained earnings reserve is determined in compliance with article 196 of law 6,404/76 and it is intended to be used on future investments.

d. Cumulative translation adjustments

Represents the exchange variations on investments, net of foreign related parties' balances, in foreign direct and indirect subsidiaries.

e. Assets and liabilities valuation adjustments

Represents the unrealized gains and losses on: (i) subsidiaries' initial added value of investment properties at fair value; and (ii) actuarial gains and losses on defined benefit plans of subsidiaries.

22. RELATED-PARTY BALANCES AND TRANSACTIONS

	Receivable		Payable	
	06.30.2021	12.31.2020	06.30.2021	12.31.2020
Company:				
Coteminas S.A.	-	-	12,144	7,088
	----------	----------	----------	----------
	-	-	12,144	7,088
	======	======	======	======
Consolidated:				
Companhia de Tecidos Norte de Minas – Coteminas	75,483	51,622	92	-
Coteminas International Ltd.	4,766	5,681	651	-
Argentina branch	20	20	-	-
Santanense Argentina	43	50	-	-
Companhia Tecidos Santanense	17,842	12,968	-	-
Encorpar Empreendimentos Imobiliários Ltda.	-	-	410	-
	----------	----------	----------	----------
	98,154	70,341	1,153	-
	======	======	======	======

	Finance charges Income (expenses)	
	06.30.2021	06.30.2020
Company:		
Coteminas S.A.	(501)	(1,035)
Companhia de Tecidos Norte de Minas – Coteminas	(3)	(1)
	----------	----------
	(504)	(1,036)
	======	======
Consolidated:		
Companhia de Tecidos Norte de Minas – Coteminas	5,560	4,676
Companhia Tecidos Santanense	806	1,608
Coteminas International Ltd.	(37)	46
Encorpar Empreendimentos Imobiliários Ltda.	(4)	-
	----------	----------
	6,325	6,330
	======	======

The balances refer to loans contracted with the Company under fair conditions in accordance with market practices. The charges are calculated according to the average cost of the lending company's loans.

The Board of Directors meeting held on December 29, 2015 also approved payment of 2% commission (two percent annually), limited to the cumulative amount of R$47,750, on sureties/guarantees provided by the controlling shareholder on loans and financing contracted by the Company and its subsidiaries. As of June 30, 2021, the amount of R$7,339 was recorded with R$2,936 (R$3,380 as of December 31, 2020) in the caption “Other receivables” in current assets and R$4,403 in the caption “Others” in noncurrent assets (R$5,871 as of December 31, 2020), related to guarantees on existing contracts and credit facilities. In the first six months of 2021, the amount of R$1,912 was recorded as interest expenses under the caption “Financial expenses – bank charges and others” (R$2,418 in the same period of 2020).

In the first six months of 2021, the subsidiary CSA supplied intermediate products to a related party, Companhia Tecidos Santanense, in the amount of R$20,656 (R$16,392 in the first six months of 2020). The receivable balance related to these transactions is presented in note 5.

CTNM and the indirect subsidiary AMMO have a rental agreement for the property where their distribution center and office are located. In the first six months of 2021, payments were made in the amount of R$2,048 (R$1,908 in the first six months of 2020).

On June 30, 2021, the indirect subsidiary LAT Capital Ltd. had R$10,853 (R$15,792 as of December 31, 2020) in investments in foreign funds and deposit accounts, received from Coteminas International Ltd., a company under common control.

All of the above transactions, buying and selling products and loan transactions, are conducted at market prices and rates.

The amounts paid to key Management personnel are disclosed in the statements of operations, under caption "Management fees" and include existing long-term and post-employment benefits.

The management fees balances are described below:

	Company		Consolidated	
	06.30.2021	12.31.2020	06.30.2021	12.31.2020
Advisers	499	456	499	456
Statutory officers	-	-	1,062	1,194
Other directors	-	-	4,552	3,748
	-------	-------	-------	-------
	499	456	6,113	5,398
	====	====	====	====

23. FINANCIAL INSTRUMENTS

a) General--The Company and its subsidiaries can conduct transactions derivatives and non-derivatives financial instruments, whose risks are managed through strategic financial positions and controls to limit exposure to such risks. All transactions are fully recognized in the interim financial statements and their balances are described in the table below.

	Company		Consolidated	
	06.30.2021	12.31.2020	06.30.2021	12.31.2020
FINANCIAL ASSETS				
Amortized cost:				
Cash and cash equivalents	87	332	162,247	168,793
Marketable securities (current)	-	-	11,545	16,311
Accounts receivable	-	-	422,373	509,086
Cash holdback amount	-	-	-	20,787
Other receivables	1,135	964	28,643	29,017
Marketable securities (noncurrent)	1,686	1,671	1,686	1,671
Receivable – clients	-	-	19,700	25,171
Related parties	-	-	98,154	70,341
Escrow deposits	-	-	10,018	10,691
Others	-	-	55,637	74,335
FINANCIAL LIABILITIES				
Amortized cost:				
Loans and financing (current)	10,964	19,387	537,671	522,536
Debentures	-	-	85,734	91,085
Suppliers	24	22	190,586	206,097
Government concessions (current)	-	-	31,946	27,658
Other accounts payable	-	-	90,249	50,634
Loans and financing (noncurrent)	23,070	18,685	291,349	355,577
Related parties	12,144	7,088	1,153	-
Government concessions (noncurrent)	-	-	61,347	53,210
Other obligations	-	-	80,067	43,722

The main risk factors to which the Company and its subsidiaries are exposed reflect strategic-operational and economic-financial matters. The strategic-operational risks (such as demand trend, competition, technological innovation, significant changes in the industry structure, among others) are inherent to the Company's operating activities and are addressed by its Management.

The economic-financial risks mainly reflect customers' delinquency, macro-economic trends, such as currency exchange and interest rates, as well as the nature of the derivative instruments used by the Company, its subsidiaries, and its counter-parties. These risks are managed through internal control policies, specific strategies and establishment of approval authorities.

<u>b) Fair value</u>--The fair values of loans and financing and debentures are similar to their amortized cost recorded in the interim financial statements because they are indexed to floating interest rates (TJLP, CDI and LIBOR), which accompany market rates. Considering the maturities of other financial instruments, the Company estimates that their fair values approximate book values.

<u>c) Classification of financial instruments</u>--Except for derivatives, and certain marketable securities, which are classified and measured at fair value through profit or loss, all financial assets and liabilities listed above are classified and measured as "Amortized Cost". The derivative financial instruments are measured at fair value through profit or loss and the portion related to the cash flow hedge, which effectiveness can be measured, has its gains and losses recognized directly in shareholders' equity as valuation adjustments and presented in the statement of comprehensive income.

<u>d) Risk management and derivative and non-derivative financial instruments</u>:

<u>d.1 – Objectives and risk management strategies</u>--The Company believes that risk management is important in driving its strategy of profitable growth. The Company is exposed to market risks, mainly related to changes in exchange rates, commodity prices (cotton) and volatility of interest rates. The goal of managing these risks is to eliminate possible unexpected variations in the results of the group's companies, arising from these variations.

The purpose of derivative transactions is always related to the elimination of market risks, identified in our policies and guidelines and, also, to the management of the volatility of financial flows. The measurement of efficiency and evaluation of results occurs throughout the life of the contracts. The monitoring of the impact of these transactions is analyzed quarterly by the Cash and Debt Management Committee where the mark-to-market of these transactions is discussed and validated. All derivative financial instruments are recorded at fair value in the Company's financial statements. As of June 30, 2021 and December 31, 2020 there were no outstanding derivative financial instruments. In the first six months of 2021, the Company recognized a gain of R$1,269.

<u>d.2 – Derivatives use policy</u>--According to internal policies, the Company's financial results should be related to cash provided by its business and not by gains in the financial market. Therefore, it considers the use of derivatives as a tool to protect eventual exposures related to risks arising from such exposures, and not for speculative purposes. The derivative transactions goal is to reduce Company's market risks exposures.

<u>d.3 – Exchange rate risk</u>--This risk arises from the possibility that the Company and its subsidiaries may incur losses due to exchange rate fluctuations that would reduce the nominal billed amounts or increase funds raised in the market.

d.3.1) Exchange rate risk on foreign investments:

The Company has foreign investments that increase its foreign currency exchange exposure, as follows:

	06.30.2021				
	R$	$ARG	US$	$PYG	Exchange rate variation on foreign investments R$
Foreign investments:					
Coteminas Argentina	76,449	1,461,740	-	-	3,479
LAT Capital	13,527	-	2,704	-	(586)
Textil Guarani	4,120	-	-	5,885,714	(150)
SGUS	361,597	-	72,288	-	(13,655)
	455,693	1,461,740	74,992	5,885,714	(10,912)
Related parties:					
LAT Capital	(118,880)	-	(23,766)	-	5,096
SGUS	(245,020)	-	(48,982)	-	9,910
	(363,900)	-	(72,748)	-	15,006
Total of foreign investments net	91,793	1,461,740	2,244	5,885,714	4,094

	12.31.2020				
	R$	$ARG	US$	$PYG	Exchange rate variation on foreign investments R$
Foreign investments:					
Coteminas Argentina	62,850	1,017,728	-	-	7,319
LAT Capital	13,175	-	2,535	-	2,733
Textil Guarani	4,449	-	-	5,943,094	479
SGUS	385,394	-	74,161	-	122,042
	465,868	1,017,728	76,696	5,943,094	132,573
Related parties:					
LAT Capital	(115,329)	-	(22,193)	-	(25,403)
SGUS	(256,291)	-	(49,318)	-	(63,138)
	(371,620)	-	(71,511)	-	(88,541)
Total of foreign investments net	94,248	1,017,728	5,185	5,943,094	44,032

d.3.2) Exchange rate risks on financial instruments of the Company and its subsidiaries:

The financial instruments exposure of the Company and its Brazilian subsidiaries is as follows:

Financial instruments	06.30.2021	12.31.2020
Cash and cash equivalents	-	62
Accounts receivable	20,260	22,038
Suppliers	(8,430)	(10,467)
Loan and financing	(41,548)	(58,349)
Related parties	(651)	2,405
	-----------	-----------
Total exposure in Brazilian Reais	(30,369)	(44,311)
	======	======
Total exposure in equivalent thousands of US Dollars	(6,071)	(8,527)
	======	======

The sensitivity analysis of financial instruments, considering the US Dollar denominated cash flows, as of June 30, 2021, is shown below:

		Exposure value in	Scenarios		
Maturity	Risk	thousands of US$	Probable	II	III
2021	US Dollar appreciation	(6,071)	(676)	(8,437)	(16,197)
		======	======	======	======

Amounts in parenthesis (negative numbers) stated in the scenarios above refer to exchange rate variance losses. The positive amounts relate to exchange rate variations gains. The “Probable” scenario represents the result of the probable exchange rate variation, considering the cash flow of the assets and liabilities presented above, applying future dollar exchange rates and comparing to the dollar exchange rate at the end of the current period. Scenarios II and III reflect 25% and 50% deterioration of future dollar exchange rates, respectively. The future dollar exchange rates were obtained from B3 S.A. – Brasil, Bolsa, Balcão.

d.4 – Commodities price risk (cotton)--This risk arises from the possibility of the Company and its subsidiaries may incur losses due to fluctuations in the price of cotton, its main raw material. As of June 30, 2021 and December 31, 2020 there were no outstanding contracts subject to price fluctuation.

d.5 – Interest rates risk--Cash and cash equivalents and marketable securities yield, approximately, the equivalent to CDI (Certificate of Interbank Deposit) rates. Interest-bearing liabilities (except as described in d.5.1 and d.5.2 below), which reflect rates equivalent to LIBOR, or fixed interest rates, are disclosed in notes 13 and 22. Considering the cash flows of these liabilities and the contracted interest rates, Management determined that the exposure to market changes on the contracted interest rates is not significant. Therefore, the sensitivity analysis is deemed unnecessary.

d.5.1 – Variable interest rate risks on derivative financial instruments:

Interest rates swap contracts--Are presented and measured at fair value and are based on the cash flow of the loans denominated in foreign currency. Gains or losses are recorded under the “Financial expenses – interest” caption in the statements of operations. There were no interest rate derivatives in the periods ended June 30, 2021 and December 31, 2020.

d.5.2 – Variable interest rate risk on non-derivatives financial instruments:

The amounts related to the Company and its subsidiaries' non-derivatives financial instruments subject to variable interest rate exposure are as follows:

	06.30.2021				12.31.2020
Description	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: 130.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	137,500	474	(1,730)	136,244	163,068
Loan Agreement -- Interest: 130.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	137,500	474	(1,730)	136,244	163,068
Loan Agreement -- Interest: 294.0% of CDI Counterpart: Banco Brasil S.A. – CCB Maturity: March/2022	33,750	171	-	33,921	55,875
Loan Agreement -- Interest: 208.0% of CDI Counterpart: Banco Brasil S.A. – CCB Maturity: August/2021	55,000	303	-	55,303	-
(Refer to Note 13)				361,712	382,011
Loan Agreement -- Interest: 149.0% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: June/2021	-	-	-	-	6,729
Loan Agreement -- Interest: CDI + 3.9% Counterpart: Banco BBM S.A. – CCB Maturity: July/2021	139	-	-	139	1,485
Loan Agreement -- Interest: 150.5% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: July/2021	444	2	-	446	3,258
Loan Agreement -- Interest: 149.0% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: November/2021	3,000	1	-	3,001	3,001
Loan Agreement -- Interest: CDI + 7.0% Counterpart: Banco BBM S.A. – CCB Maturity: November/2024	10,000	36	-	10,036	10,008
(Refer to Note 13)				13,622	24,481
Loan Agreement -- Interest: CDI + 4.9% Counterpart: Banco ABC Brasil S.A. – CCB Maturity: April/2024	11,736	42	-	11,778	13,670
Loan Agreement -- Interest: CDI + 4.9% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2024	6,482	22	-	6,504	7,550

Description	06.30.2021 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2020 Payable
Loan Agreement -- Interest: CDI + 4.9% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2024	6,482	22	-	6,504	7,550
Loan Agreement -- Interest: CDI + 4.9% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2024	6,482	22	-	6,504	7,550
(Refer to Note 13)				31,290	36,320
Loan Agreement -- Interest: CDI + 6.1% Counterpart: Banco Bradesco S.A. Maturity: April/2024	14,809	250	-	15,059	17,543
(Refer to Note 13)				15,059	17,543
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Daycoval S.A. Maturity: July/2023	10,484	152	-	10,636	12,988
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Daycoval S.A. Maturity: July/2023	11,393	165	-	11,558	12,831
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Daycoval S.A. Maturity: July/2022	8,031	46	-	8,077	11,174
Loan Agreement -- Interest: CDI + 7.1% Counterpart: Banco Daycoval S.A. Maturity: April/2024	9,444	41	-	9,485	10,037
Loan Agreement -- Interest: CDI + 9.0% Counterpart: Banco Daycoval S.A. Maturity: April/2023	12,002	-	-	12,002	-
(Refer to Note 13)				51,758	47,030
Loan Agreement -- Interest: CDI + 3.5% Counterpart: Banco Santander S.A. – CCE Maturity: October/2021	14,464	81	-	14,545	32,012
Loan Agreement -- Interest: CDI + 4.7% Counterpart: Banco Santander S.A. – CCE Maturity: December/2021	11,568	48	-	11,616	23,216
(Refer to Note 13)				26,161	55,228
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: November/2021	40,000	356	-	40,356	40,003

Description	Principal amount R$ thousands (06.30.2021)	Accrued interest (06.30.2021)	Prepaid interest (06.30.2021)	Payable (06.30.2021)	Payable (12.31.2020)
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: August/2021	4,000	69	-	4,069	4,029
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Safra S.A. – CCB Maturity: October/2024	9,524	20	-	9,544	10,022
(Refer to Note 13)				53,969	54,054
Loan Agreement -- Interest: CDI + 7.5% Counterpart: Banco Fibra S.A. Maturity: April/2022	16,667	61	-	16,728	20,075
(Refer to Note 13)				16,728	20,075
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Sofisa S.A. Maturity: September/2021	10,000	84	-	10,084	10,073
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Sofisa S.A. Maturity: November/2024	10,000	69	-	10,069	10,058
(Refer to Note 13)				20,153	20,131
Loan Agreement -- Interest: 180.0% of CDI Counterpart: Caixa Econômica Federal – CCB Maturity: April/2023	14,896	21	-	14,917	18,971
(Refer to Note 13)				14,917	18,971
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: February/2021	-	-	-	-	504
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: December/2022	4,800	17	-	4,817	6,417
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: November/2021	2,778	2	-	2,780	5,005
Loan Agreement -- Interest: CDI + 8.7% Counterpart: Banco Pine S.A. Maturity: April/2022	10,000	81	-	10,081	-
(Refer to Note 13)				17,678	11,926
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Industrial do Brasil S.A. Maturity: March/2021	-	-	-	-	1,255

Description	06.30.2021 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2020 Payable
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Industrial do Brasil S.A. Maturity: November/2021	5,556	3	-	5,559	-
Loan Agreement -- Interest: CDI + 7.7% Counterpart: Banco Industrial do Brasil S.A. Maturity: July/2022	15,000	6	-	15,006	-
(Refer to Note 13)				20,565	1,255
Loan Agreement -- Interest: CDI + 3.9% Counterpart: Banco ABC do Brasil S.A. – CCE Maturity: May/2024	10,000	6	-	10,006	10,003
(Refer to Note 13)				10,006	10,003
Debentures 4th series -- Interest: CDI + 4.75% Counterpart: Several debenture holders Maturity: August/2021	85,500	234	-	85,734	91,085
(Refer to Note 14)				85,734	91,085
	739,431	3,381	(3,460)	739,352	790,113

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of June 30, 2021, is as follows:

Maturity	Risk	Principal average balance	Scenarios Probable	II	III
2021	CDI increase	694,010	19,793	28,075	32,404
2022	CDI increase	307,913	19,985	37,948	44,374
2023	CDI increase	126,688	7,526	15,512	18,151
2024	CDI increase	11,320	685	1,117	1,259

Amounts shown in the scenarios above represent projected interest expense, in their respective years and scenarios, considering the average loan balances on each year.

The “Probable” scenario represents the result of the CDI variations, considering future CDI index and the principal and interest maturity dates. Scenarios II and III reflect 25% and 50% increase in the future CDI index, respectively. The future CDI rates were obtained at B3 S.A. – Brasil, Bolsa, Balcão.

d.6 – Credit risk--The Company is subject to credit risk on its cash and cash equivalents and marketable securities. This risk is mitigated by the policy of entering into transactions only with major financial institutions.

The credit risk on accounts receivable is reduced due to the selectivity of customers and credit policy. The Company has a credit management system based on the combination of information originated by several departments of the Company, primarily sales, finance, accounting, legal and external sources that enable the credit and collection departments to establish credit limits for its customers that are approved by a credit committee.

<u>d.7 – Liquidity risk management</u>-- The Company presented the consolidated financial assets and liabilities, according to their cash flows, based on their approximate maturity date, and using nominal contractual interest rates, in its annual financial statements for the year ended December 31, 2020. As of June 30, 2021, there was no significant change in relation to the amounts disclosed in the annual financial statements.

<u>d.8 – Capital management risk</u>--The Company manages its capital structure to ensure the continuity of its operational activities and, at the same time, to maximize the returns to its shareholders. The Company's strategy remained unchanged in the period covered by these interim financial statements.
The Company's net debt is as follows:

	Consolidated	
	06.30.2021	12.31.2020
Loans and financing	829,020	878,113
Debentures	85,734	91,085
Cash and cash equivalents	(162,247)	(168,793)
Marketable securities	(13,231)	(17,982)
Total net debt	739,276	782,423
Total equity	1,044,054	1,105,748
Total net debt and equity	1,783,330	1,888,171

24. SEGMENT INFORMATION

Operating segments are defined as components of an enterprise for which separate financial statements are available and evaluated regularly by the decision maker, with the purpose of determining the allocation of resources to an individual segment and evaluate its performance. Decisions on strategic planning, finance, purchasing, investment and application of resources, as well as evaluation of investment and key executives' performance of the Company are made on a consolidated basis. The Company and its subsidiaries have concluded that they have two operating segments: "Wholesale" and "Retail".

The Company owns several factories that supply each other so that, together, they form an integrated industry in spinning, weaving, finishing and manufacturing of home textile products. The Company does not have separate operating segments in its sales categories and the reports used for strategic and operational decision making are always consolidated. There are no specific operational units for each category of goods sold. Therefore, these operations are denominated "Wholesale" because its products are not sold to the final consumer.

The indirect subsidiaries AMMO and C7S have a set of separate information and investment decisions, pricing, store expansion multichannel sales, and others that are individually made, and are denominated "Retail" as its products are sold directly to the final consumer.

The interim financial statements, segregated by the segments previously explained, are presented below (in millions of Reais):

	06.30.2021 (continuing operations)			
	Wholesale	Retail	(*) Others unallocated	Total
Net revenues	576.8	238.6	-	815.4
Cost of goods sold	(408.1)	(108.7)	-	(516.8)
Gross profit	168.7	129.9	-	298.6
Selling, general and administrative expenses	(121.8)	(114.4)	(10.6)	(246.8)
Other	(4.6)	0.2	(0.3)	(4.7)
Results of operations	42.3	15.7	(10.9)	47.1
Financial results (without exchange rate variations)	-	-	(119.3)	(119.3)
Exchange rate variations	-	-	(0.3)	(0.3)
Income (loss) before taxes	42.3	15.7	(130.5)	(72.5)
Depreciation and amortization	32.7	13.6	2.4	48.7

	06.30.2020 (continuing operations)			
	Wholesale	Retail	(*) Others unallocated	Total
Net revenues	391.8	173.9	-	565.7
Cost of goods sold	(290.2)	(84.2)	-	(374.4)
Gross profit	101.6	89.7	-	191.3
Selling, general and administrative expenses	(98.2)	(95.5)	(7.7)	(201.4)
Other	(11.7)	1.9	3.2	(6.6)
Results of operations	(8.3)	(3.9)	(4.5)	(16.7)
Financial results (without exchange rate variations)	-	-	(96.9)	(96.9)
Exchange rate variations	-	-	(27.4)	(27.4)
Income (loss) before taxes	(8.3)	(3.9)	(128.8)	(141.0)
Depreciation and amortization	31.2	12.2	2.3	45.7

(*) Includes Company expenses and the results from the continuing operations of subsidiary SGUS.

The Company, through the analysis of sales performance, classifies its products under the categories of sales (or product lines) such as: bedding, tabletop and bath, intermediate products, and retail.

Revenue information by category or product lines is as follows:

	Consolidated	
	06.30.2021	06.30.2020
Net revenues (in millions of Reais):		
Bedding, tabletop and bath	431.1	294.5
Intermediate products	145.7	97.3
Retail	238.6	173.9
	815.4	565.7
Volume (in thousands of tons):		
Bedding, tabletop and bath	8.9	8.3
Intermediate products	10.7	8.3
	19.6	16.6

The Company has over 10,000 active clients in the wholesale segment as of June 30, 2021.

25. EXPENSES BY NATURE

The Company presents its consolidated statements of operations by function. The expenses by nature and their classification by function are presented as follows:

By nature:

	Consolidated	
	06.30.2021	06.30.2020
Cost of raw materials, goods and services acquired from third parties	(573,642)	(393,759)
Employee benefits	(175,586)	(145,590)
INSS	(21,101)	(15,957)
Depreciation and amortization	(48,723)	(45,678)
Finished goods and work in process inventory variations	55,449	25,180
Total by nature	(763,603)	(575,804)

By function:

	Consolidated	
	06.30.2021	06.30.2020
Cost of goods sold	(516,812)	(374,398)
Selling expenses	(181,420)	(142,571)
General and administrative expenses	(59,258)	(53,437)
Management fees	(6,113)	(5,398)
Total by function	(763,603)	(575,804)

26. NET REVENUES

The reconciliation between gross revenues and net revenues presented in the statements of operations is as follows:

	Consolidated	
	06.30.2021	06.30.2020
OPERATING REVENUES:		
Gross revenues	1,159,016	774,035
Revenue deductions	(343,631)	(208,326)
NET REVENUES	815,385	565,709

27. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share was calculated as follows:

	06.30.2021	06.30.2020
NET LOSS FOR THE PERIOD OF THE CONTINUED OPERATIONS	(65,775)	(210,957)
NET LOSS FOR THE PERIOD OF THE DISCONTINUED OPERATIONS	-	(57,019)
NET LOSS FOR THE PERIOD	(65,775)	(267,976)
Weighted-average outstanding common shares	50,000,000	50,000,000
BASIC AND DILUTED LOSS PER SHARE (R$)		
From continuing operations	(1.3155)	(4.2191)
From discontinued operations	-	(1.1404)
Total	(1.3155)	(5.3595)

The Company does not have shares with dilutive potential. Therefore, the basic loss per share equals the diluted loss per share.

28. DISCONTINUED OPERATIONS

As described in note 8, in the fourth quarter of 2020 the subsidiary SGUS made the investment in the affiliate Keeco Holdings, LLC available for sale.

Accordingly, in accordance with CPC 31 and IFRS 5, the results of the operations of this affiliate were presented as “Discontinued operations” in the income statement for the period ended June 2020, as well as the investment and goodwill balances are presented in the balance sheet as “Assets held for sale”. The statements of comprehensive income and cash flows, for the period ended June 30, 2020, are restated for comparison purposes, as discontinued operations.

The balance of the discontinued operations on June 30, 2021 and December 31, 2020 are as follow:

	12.31.2020	Exchange rate variations	06.30.2021
ASSETS			
NONCURRENT:			
Investment	35,151	(1,316)	33,835
Goodwill	88,567	(3,315)	85,252
	--------------	--------------	--------------
ASSETS HELD FOR SALE	123,718	(4,631)	119,087
	========	========	========

The subsidiary SGUS does not expect any losses on the realization of the investment.

The results of discontinued operations highlighted in the statements of operations for the periods ended on June 30, 2021 and 2020 are presented below:

	Company		Consolidated	
	06.30.2021	06.30.2020	06.30.2021	06.30.2020
OPERATING EXPENSES:				
Equity in subsidiaries	-	(57,019)	-	(14,083)
Impairment adjustment on assets	-	-	-	(42,936)
	-------------	-------------	-------------	-------------
LOSS FROM OPERATIONS	-	(57,019)	-	(57,019)
	------------	------------	------------	------------
NET LOSS FOR THE PERIOD – DISCONTINUED OPERATIONS	-	(57,019)	-	(57,019)
	=======	=======	=======	=======

The cash flow statements of discontinued operations are presented below:

	Company		Consolidated	
	06.30.2021	06.30.2020	06.30.2021	06.30.2020
Cash flows from discontinued operations activities:				
Net loss for the period	-	(57,019)	-	(57,019)
Equity in subsidiaries	-	57,019	-	14,083
Impairment adjustment on assets	-	-	-	42,936
	----------	----------	----------	----------
Total cash provided by discontinued operations	-	-	-	-
	======	======	======	======

29. PANDEMIC-RELATED EFFECTS – COVID-19

The Company has been operating normally since September 2020 and does not expect any losses in the realization of its assets and in its profitability for the next period.

30. SUBSEQUENT EVENTS

1- PUBLIC OFFERING FOR THE DISTRIBUTION OF SECURITIES – AMMO VAREJO S.A.

On July 28, 2021, the indirect subsidiary AMMO VAREJO S.A. submitted an application for registration as a publicly-held company, as well as the public offering of primary and secondary distribution of common shares, to be held in the non-organized over-the-counter market, pursuant to CVM Instruction No. 480 of December 7, 2009, CVM instruction No. 400 of December 29, 2003 ("CVM Instruction 400") and other applicable legal provisions, under the coordination of financial institutions that are part of the securities distribution system, including efforts to place shares abroad in compliance with applicable foreign regulations ("Offer").

The Offer was approved at AMMO's special General Board Meeting held on July 27, 2021, in which the Board also approved the submission of AMMO's application to join the special listing segment called Novo Mercado of B3 S.A. – Brasil, Bolsa, Balcão. The quantity and price of the shares of the offering will be fixed in due course, including the volume of shares to be sold by the subsidiary Coteminas S.A. in the Offer, after determining the results of the bookbuilding procedure for collecting investment intentions from institutional investors, to be carried out in Brazil and abroad, in accordance with the provisions of article 44 of CVM Instruction 400.

The Offer is subject to conditions usually applied to transactions of this nature, including the granting of the relevant registrations by CVM, market conditions and corporate approvals of AMMO and Coteminas S.A., as a selling shareholder.

2- NEW DEBENTURE ISSUANCE

On July 26, 2021, Coteminas S.A. issued simple debentures, not convertible into shares, with real guarantee of the São Gonçalo do Amarante property and surety given by the Company, in the total amount of R$ 160 million, with a term of 10 years, with monthly amortization payments of the principal and interest. The issuance will not change the financial leverage of Coteminas S.A. and is in line with the objective of extending its average debt term.

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