(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 September 30, 2021 and Report On
Review of Interim Financial Information

BDO RCS Auditores Independentes

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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, for the quarter ended September 30, 2021, which comprises the statement of financial position as at September 30, 2021, and the respective statements of operations and comprehensive income (loss) for the three and nine-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 enquiries 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 fact that leads us to believe that the individual and consolidated interim financial information included in the Quarterly Information referred to above has not been prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the Brazilian Securities and Exchange 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 nine-month period ended September 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 whole.

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

São Paulo, November 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 SEPTEMBER 30, 2021 AND DECEMBER 31,2020

(In thousands of Brazilian Reais)

ASSETS

| | Note | Company | | Consolidated | |
|---|---|---|---|---|---|
| | | 09.30.2021 | 12.31.2020 | 09.30.2021 | 12.31.2020 |
| CURRENT: | | | | | |
| Cash and cash equivalents | 3 | 93 | 332 | 179,661 | 168,793 |
| Marketable securities | 4 | - | - | 85,051 | 16,311 |
| Accounts receivable | 5 | - | - | 468,154 | 509,086 |
| Financial leases receivable | 11 | - | - | 17,128 | 16,230 |
| Inventories | 6.a | - | - | 486,789 | 403,669 |
| Advances to suppliers | 6.b | - | - | 36,257 | 11,575 |
| Recoverable taxes | 18.c | - | 16 | 74,036 | 64,992 |
| Cash holdback amount | | - | - | - | 20,787 |
| Other receivables | | 1,052 | 964 | 28,923 | 29,017 |
| Assets held for sale | 28 | - | - | 129,496 | 123,718 |
| Total current assets | | 1,145 | 1,312 | 1,505,495 | 1,364,178 |
| NONCURRENT: | | | | | |
| Long-term assets: | | | | | |
| Marketable securities | 4 | 1,712 | 1,671 | 7,592 | 1,671 |
| Receivable – clients | 7 | - | - | 18,135 | 25,171 |
| Related parties | 22 | - | - | 113,555 | 70,341 |
| Advances to suppliers | 6.b | - | - | 50,899 | 42,054 |
| Financial leases receivable | 11 | - | - | 96,329 | 96,659 |
| Recoverable taxes | 18.c | - | 144 | 48,291 | 101,943 |
| Deferred taxes | 18.b | 1,905 | 1,905 | 19,609 | 18,773 |
| Property, plant and equipment held for sale | 10.b | - | - | 17,260 | 16,725 |
| Escrow deposits | 19 | - | - | 10,311 | 10,691 |
| Others | | - | - | 55,935 | 74,335 |
| | | 3,617 | 3,720 | 437,916 | 458,363 |
| Investments in subsidiaries | 8.a | 1,065,995 | 1,146,045 | - | - |
| Investment properties | 9 | - | - | 405,525 | 405,046 |
| Property, plant and equipment | 10.a | - | - | 603,084 | 635,413 |
| Right-of-use assets | 11 | - | - | 209,336 | 204,641 |
| Intangible assets | 12 | - | - | 94,719 | 97,139 |
| Total noncurrent assets | | 1,069,612 | 1,149,765 | 1,750,580 | 1,800,602 |
| Total assets | | 1,070,757 | 1,151,077 | 3,256,075 | 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 SEPTEMBER 30, 2021 AND DECEMBER 31,2020

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

| | | Company | | Consolidated | |
|---|---|---|---|---|---|
| | Note | 09.30.2021 | 12.31.2020 | 09.30.2021 | 12.31.2020 |
| LIABILITIES | | | | | |
| CURRENT: | | | | | |
| Loans and financing | 13 | 12,162 | 19,387 | 505,886 | 522,536 |
| Debentures | 14 | - | - | 16,562 | 91,085 |
| Suppliers | 15 | 15 | 22 | 247,004 | 206,097 |
| Payroll and related charges | | 99 | 78 | 106,783 | 94,524 |
| Taxes | | 48 | 69 | 30,466 | 38,104 |
| Government concessions | 16 | - | - | 31,309 | 27,658 |
| Leases payable | 17 | - | - | 69,000 | 64,447 |
| Other payables | | - | - | 101,717 | 50,634 |
| Total current liabilities | | 12,324 | 19,556 | 1,108,727 | 1,095,085 |
| NONCURRENT: | | | | | |
| Loans and financing | 13 | 19,846 | 18,685 | 322,905 | 355,577 |
| Debentures | 14 | - | - | 141,504 | - |
| Leases payable | 17 | - | - | 282,634 | 281,307 |
| Related parties | 22 | 15,596 | 7,088 | 1,372 | - |
| Government concessions | 16 | - | - | 62,725 | 53,210 |
| Miscellaneous accruals | 19 | - | - | 13,107 | 13,386 |
| Employee benefit plans | 20 | - | - | 131,646 | 131,703 |
| Deferred taxes | 18.b | - | - | 75,200 | 85,042 |
| Other obligations | | - | - | 93,264 | 43,722 |
| Total noncurrent liabilities | | 35,442 | 25,773 | 1,124,357 | 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 | | 113,836 | 113,814 | 113,836 | 113,814 |
| Cumulative translation adjustments | | (168,385) | (185,663) | (168,385) | (185,663) |
| Accumulated deficit | | (862,106) | (762,049) | (862,106) | (762,049) |
| Total equity | | 1,022,991 | 1,105,748 | 1,022,991 | 1,105,748 |
| Total liabilities and equity | | 1,070,757 | 1,151,077 | 3,256,075 | 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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

(In thousands of Brazilian Reais)

| | | Company | | | |
|---|---|---|---|---|---|
| | Note | 07.01.2021 to 09.30.2021 | 01.01.2021 to 09.30.2021 | 07.01.2020 to 09.30.2020 | 01.01.2020 to 09.30.2020 |
| OPERATING EXPENSES: | | | | | |
| General and administrative expenses | | (205) | (747) | (187) | (801) |
| Management fees | | (293) | (792) | (229) | (685) |
| Equity in subsidiaries | 8.a | (32,808) | (97,350) | (36,160) | (243,574) |
| LOSS FROM OPERATIONS | | (33,306) | (98,889) | (36,576) | (245,060) |
| Financial expenses – interests and charges | | (904) | (2,196) | (774) | (2,495) |
| Financial expenses – taxes, discounts and others | | (100) | (301) | (73) | (837) |
| Financial income | | 28 | 60 | 8 | 20 |
| Exchange rate variations, net | | - | 1,269 | - | - |
| LOSS FROM OPERATIONS BEFORE TAXES | | (34,282) | (100,057) | (37,415) | (248,372) |
| Income and social contribution taxes: | | | | | |
| Current | 18.a | - | - | - | - |
| NET LOSS FOR THE PERIOD – CONTINUING OPERATIONS | | (34,282) | (100,057) | (37,415) | (248,372) |
| Equity in subsidiary – discontinued operations | 28 | - | - | 2,785 | (54,234) |
| NET LOSS FOR THE PERIOD | | (34,282) | (100,057) | (34,630) | (302,606) |
| BASIC AND DILUTED LOSS PER SHARE – R$ | 27 | | | | |
| Continuing operations | | (0.6856) | (2.0011) | (0.7482) | (4.9674) |
| Discontinued operations | | - | - | 0.0557 | (1.0847) |
| Total | | (0.6856) | (2.0011) | (0.6925) | (6.0521) |

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

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

(In thousands of Brazilian Reais)

| | | Consolidated | | | |
|---|---|---|---|---|---|
| | Note | 07.01.2021 to 09.30.2021 | 01.01.2021 to 09.30.2021 | 07.01.2020 to 09.30.2020 | 01.01.2020 to 09.30.2020 |
| NET REVENUES | 26 | 453,582 | 1,268,967 | 439,794 | 1,005,503 |
| COST OF GOODS SOLD | 25 | (291,903) | (808,715) | (295,771) | (670,169) |
| GROSS PROFIT | | 161,679 | 460,252 | 144,023 | 335,334 |
| OPERATING INCOME (EXPENSES): | | | | | |
| Selling expenses | 25 | (91,602) | (273,022) | (92,865) | (235,436) |
| General and administrative expenses | 25 | (30,124) | (89,382) | (27,827) | (81,264) |
| Management fees | 25 | (3,097) | (9,210) | (2,918) | (8,316) |
| Others, net | | (7,055) | (11,772) | (3,188) | (9,834) |
| INCOME (LOSS) FROM OPERATIONS | | 29,801 | 76,866 | 17,225 | 484 |
| Financial expenses – interests and charges | | (41,303) | (109,601) | (31,436) | (90,590) |
| Financial expenses – interest on leases | 17 | (3,699) | (9,879) | (3,529) | (10,818) |
| Financial expenses – taxes, discounts and others | | (24,814) | (82,241) | (22,813) | (66,911) |
| Financial income | | 6,845 | 19,421 | 7,351 | 21,048 |
| Exchange rate variations, net | | (3,108) | (3,370) | (2,712) | (30,097) |
| LOSS FROM OPERATIONS BEFORE TAXES | | (36,278) | (108,804) | (35,914) | (176,884) |
| Income and social contribution taxes: | | | | | |
| Current | 18.a | (130) | (435) | (161) | (441) |
| Deferred | 18.a | 2,126 | 9,182 | (1,340) | (71,047) |
| NET LOSS FOR THE PERIOD – CONTINUING OPERATIONS | | (34,282) | (100,057) | (37,415) | (248,372) |
| Net loss from subsidiary – discontinued operations | 28 | - | - | 2,785 | (54,234) |
| NET LOSS FOR THE PERIOD | | (34,282) | (100,057) | (34,630) | (302,606) |

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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

(In thousands of Brazilian Reais)

| | Company and consolidated | | | |
|---|---|---|---|---|
| | 07.01.2021 to 09.30.2021 | 01.01.2021 to 09.30.2021 | 07.01.2020 to 09.30.2020 | 01.01.2020 to 09.30.2020 |
| NET LOSS FOR THE PERIOD | (34,282) | (100,057) | (34,630) | (302,606) |
| Other comprehensive income (loss): | | | | |
| - Items that will impact the statements of operations: | | | | |
| Exchange rate variations on foreign investments | 24,987 | 17,278 | 3,280 | 53,875 |
| | 24,987 | 17,278 | 3,280 | 53,875 |
| - Items that will not impact the statements of operations: | | | | |
| Actuarial gain on pension plans | 35 | 22 | 35 | 133 |
| COMPREHENSIVE LOSS FOR THE PERIOD | (9,260) | (82,757) | (31,315) | (248,598) |
| ATTRIBUTABLE TO: | | | | |
| Owners of the Company | | | | |
| Continuing operations | (9,260) | (82,757) | (34,100) | (194,364) |
| Discontinued operations | - | - | 2,785 | (54,234) |
| | (9,260) | (82,757) | (31,315) | (248,598) |

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 NINE-MONTH PERIOD ENDED SEPTEMBER 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 | | - | - | - | - | (302,606) | (302,606) |
| Exchange rate variations on foreign investments | 2.1.b | - | - | - | 157,334 | - | 157,334 |
| Actuarial gain on pension plans | | - | - | 133 | - | - | 133 |
| Impact of subsidiaries- | | | | | | | |
| Exchange rate variations on foreign investments, net | 2.1.b | - | - | - | (103,459) | - | (103,459) |
| Total comprehensive income (loss) | | - | - | 133 | 53,875 | (302,606) | (248,598) |
| BALANCES AS OF SEPTEMBER 30, 2020 | | 1,860,265 | 79,381 | 117,917 | (175,820) | (743,715) | 1,138,028 |

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 NINE-MONTH PERIOD ENDED SEPTEMBER 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 | | - | - | - | - | (100,057) | (100,057) |
| Exchange rate variations on foreign investments | 2.1.b | - | - | - | 17,711 | - | 17,711 |
| Actuarial gain on pension plans | | - | - | 22 | - | - | 22 |
| Impact of subsidiaries- | | | | | | | |
| Exchange rate variations on foreign investments, net | 2.1.b | - | - | - | (433) | - | (433) |
| Total comprehensive income (loss) | | - | - | 22 | 17,278 | (100,057) | (82,757) |
| BALANCES AS OF SEPTEMBER 30, 2021 | | 1,860,265 | 79,381 | 113,836 | (168,385) | (862,106) | 1,022,991 |

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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

(In thousands of Brazilian Reais)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 01.01.2021 to 09.30.2021 | 01.01.2020 to 09.30.2020 | 01.01.2021 to 09.30.2021 | 01.01.2020 to 09.30.2020 |
| Cash flows from operating activities | | | | |
| Net loss for the period | (100,057) | (302,606) | (100,057) | (302,606) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | - | - | 75,060 | 69,995 |
| Equity in subsidiaries | 97,350 | 297,808 | - | 11,298 |
| Impairment adjustment on assets | - | - | - | 42,936 |
| Income and social contribution taxes | - | - | (8,747) | 71,488 |
| Loss on disposal of property, plant and equipment | - | - | 3,931 | (1,656) |
| Renegotiation of leases | - | - | (1,863) | (5,673) |
| Monetary variations | - | - | 12,303 | 7,238 |
| Exchange rate variations | (1,269) | - | 3,370 | 30,097 |
| Bank interests and charges, net | 2,436 | 3,329 | 159,229 | 128,173 |
| Financial expenses – interest on leases | - | - | 9,879 | 10,818 |
| | (1,540) | (1,469) | 153,105 | 62,108 |
| Changes in assets and liabilities | | | | |
| Marketable securities | (66) | (1,662) | (74,661) | 134,062 |
| Accounts receivable | - | - | 14,095 | 73,983 |
| Inventories | - | - | (85,667) | (17,940) |
| Advances to suppliers | - | - | 1,613 | 27,702 |
| Recoverable taxes | 160 | 184 | 44,608 | 58,269 |
| Cash holdback amount | - | - | 20,787 | (10,356) |
| Suppliers | (6) | 17 | 40,010 | (9,942) |
| Others | 1,264 | (48) | 53,052 | 22,304 |
| Net cash provided by (used in) operating activities before interest and income taxes | (188) | (2,978) | 166,942 | 340,190 |
| Interest paid on loans | (1,289) | (909) | (56,606) | (51,096) |
| Commissions and fees paid on loans | (299) | (836) | (18,313) | (30,630) |
| Taxes paid | - | - | (240) | 16 |
| Net cash provided by (used in) operating activities after interest and income taxes | (1,776) | (4,723) | 91,783 | 258,480 |
| Cash flows from investing activities | | | | |
| Investment properties | - | - | (479) | (661) |
| Property, plant and equipment | - | - | (28,255) | (49,340) |
| Intangibles | - | - | - | (2,644) |
| Proceeds from sale of fixed assets | - | - | 9,276 | 16,212 |
| Loans between related parties | 7,631 | 4,768 | (51,378) | (30,530) |
| Net cash provided by (used in) investing activities | 7,631 | 4,768 | (70,836) | (66,963) |

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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

(In thousands of Brazilian Reais)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 01.01.2021 to 09.30.2021 | 01.01.2020 to 09.30.2020 | 01.01.2021 to 09.30.2021 | 01.01.2020 to 09.30.2020 |
| Cash flows from financing activities | | | | |
| Proceeds from new loans | - | 24,741 | 363,916 | 367,797 |
| Repayment of loans | (6,094) | (24,631) | (351,202) | (517,503) |
| Repayment of leases, net | - | - | (29,868) | (24,560) |
| Net cash provided by (used in) financing activities | (6,094) | 110 | (17,154) | (174,266) |
| Effect of exchange rate variations on cash and cash equivalents of foreign subsidiaries | - | - | 7,075 | (207) |
| Increase (decrease) in cash and cash equivalents | (239) | 155 | 10,868 | 17,044 |
| Cash and cash equivalents: | | | | |
| At the beginning of the period | 332 | 154 | 168,793 | 151,935 |
| At the end of the period | 93 | 309 | 179,661 | 168,979 |
| Increase (decrease) in cash and cash equivalents | (239) | 155 | 10,868 | 17,044 |

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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

(In thousands of Brazilian Reais)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 01.01.2021 to 09.30.2021 | 01.01.2020 to 09.30.2020 | 01.01.2021 to 09.30.2021 | 01.01.2020 to 09.30.2020 |
| REVENUES | | | | |
| Sales of products, goods and services | - | - | 1,532,967 | 1,226,174 |
| Loss on disposal of property, plant and equipment | - | - | (3,931) | 1,656 |
| | - | - | 1,529,036 | 1,227,830 |
| MATERIALS ACQUIRED FROM THIRD PARTIES | | | | |
| Cost of goods and services sold | - | - | (604,162) | (462,571) |
| Materials, energy, third party services, and others | (1,418) | (1,676) | (404,000) | (348,680) |
| | (1,418) | (1,676) | (1,008,162) | (811,251) |
| GROSS VALUE ADDED | (1,418) | (1,676) | 520,874 | 416,579 |
| RETENTIONS | | | | |
| Depreciation and amortization | - | - | (75,060) | (69,995) |
| NET VALUE ADDED PRODUCED BY THE COMPANY | (1,418) | (1,676) | 445,814 | 346,584 |
| VALUE ADDED RECEIVED BY TRANSFER | | | | |
| Equity in subsidiaries | (97,350) | (243,574) | - | - |
| Equity in subsidiaries - discontinued operations | - | (54,234) | - | - |
| Financial income | 60 | 20 | 19,421 | 21,048 |
| Exchange rate variation | 1,269 | - | 3,738 | 17,074 |
| Royalties | - | - | 16,741 | 11,796 |
| Others - Net –loss from discontinued operations | - | - | - | (54,234) |
| | (96,021) | (297,788) | 39,900 | (4,316) |
| TOTAL VALUE ADDED FOR DISTRIBUTION (TO RETAIN) | (97,439) | (299,464) | 485,714 | 342,268 |
| DISTRIBUTION OF VALUE ADDED | | | | |
| Salary, wages and compensation | - | - | 264,993 | 231,225 |
| Taxes, duties and contributions | 422 | 647 | 144,477 | 237,415 |
| Payments to third parties | 2,196 | 2,495 | 176,301 | 176,234 |
| Net loss for the period | (100,057) | (302,606) | (100,057) | (302,606) |
| VALUE ADDED DISTRIBUTED (RETAINED) | (97,439) | (299,464) | 485,714 | 342,268 |

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 SEPTEMBER 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. The sale is expected to be completed in the first quarter of 2022.

## 2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Company's Board of Directors on November 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 September 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. The Company has been operating normally since September 2020 and does not expect any losses in the realization of its assets or in its profitability for the next period.

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 September 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 | - |
| September 30 | 5.4394 | 5.6407 | (3.6%) |
| | | | |
| Average exchange rate: | | | |
| September 30 (3 months) | 5.2348 | 5.4384 | (3.7%) |
| September 30 (9 months) | 5.3384 | 5.1791 | 3.1% |

3. CASH AND CASH EQUIVALENTS

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 09.30.2021 | 12.31.2020 | 09.30.2021 | 12.31.2020 |
| Repurchase transactions (*) | 41 | 68 | 124,464 | 122,947 |
| Foreign exchange funds | - | - | - | 62 |
| Foreign deposits | - | - | 44,417 | 38,956 |
| Checking accounts deposits | 52 | 264 | 10,780 | 6,828 |
| | ----------- | ----------- | ----------- | ------------ |
| | 93 | 332 | 179,661 | 168,793 |
| | ====== | ====== | ======= | ======= |

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

4. MARKETABLE SECURITIES

| | Consolidated | |
|---|---|---|
| | 09.30.2021 | 12.31.2020 |
| Investment fund – foreign | 20,399 | 15,792 |
| Restricted cash (1) (2) | 66,364 | 2,190 |
| Reserve fund (2) | 5,880 | - |
| | --------- | --------- |
| Current | 92,643 | 17,982 |
| | (85,051) | (16,311) |
| Noncurrent | --------- | --------- |
| | 7,592 | 1,671 |
| | ===== | ===== |

(1) On September 30, 2021, the Company had R$1,712 of restricted cash in financial institutions (R$1,671 on December 31, 2020), and subsidiary SGUS had restricted cash of R$545, equivalent to US$100 thousand (US$100 thousand as of December 31, 2020) related to a compensating balance arrangement.

(2) Includes amounts related to the 5th series of the debentures of the subsidiary CSA, being: (i) R$64 million linked to certain conditions precedent with release scheduled for the end of the year, and (ii) R$5,880 referring to reserve fund equivalent to 3 future installments. See note 14.

## 5. ACCOUNTS RECEIVABLE

| | Consolidated | |
|---|---|---|
| | 09.30.2021 | 12.31.2020 |
| Domestic customers | 424,525 | 488,445 |
| Foreign customers | 55,883 | 27,704 |
| Credit card companies | 3,943 | 12,847 |
| Related parties – domestic market | 7,114 | 4,182 |
| Related parties – foreign market | 3,783 | 2,918 |
| | 495,248 | 536,096 |
| Allowance for expected losses on bad debts | (27,094) | (27,010) |
| | 468,154 | 509,086 |

Accounts receivable from customers consist of receivables with an average collection period of approximately 77 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 nine months period ended September 30, 2021.

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

| | 09.30.2021 | 12.31.2020 |
|---|---|---|
| Balance at the beginning of the period | (27,010) | (25,872) |
| Additions | - | (597) |
| Exchange rate variation | (84) | (541) |
| Balance at the end of the period | (27,094) | (27,010) |

## 6. INVENTORIES AND ADVANCES TO SUPPLIERS

a. Inventories

| | Consolidated | |
|---|---|---|
| | 09.30.2021 | 12.31.2020 |
| Raw materials and supplies | 73,025 | 84,629 |
| Work in process | 128,145 | 129,705 |
| Finished products | 246,635 | 151,320 |
| Repair parts | 38,984 | 38,015 |
| | 486,789 | 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 September 30, 2021, no additional potential losses were identified in realizing these inventories. Idle costs (including loss resulting from COVID-19), when incurred, 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 | 09.30.2021 |
|---|---|---|---|---|
| Raw materials and supplies | (2,251) | (618) | 282 | (2,587) |
| Finished products | (23) | 8 | 2 | (13) |
| Repair parts | (885) | - | - | (885) |
| | (3,159) | (610) | 284 | (3,485) |

| | 12.31.2019 | (Additions) Disposals | Exchange rate variations | 09.30.2020 |
|---|---|---|---|---|
| Raw materials and supplies | (1,667) | (769) | (174) | (2,610) |
| Work in process | (102) | 107 | (5) | - |
| Finished products | (3) | (22) | (1) | (26) |
| Repair parts | (1,171) | - | - | (1,171) |
| | (2,943) | (684) | (180) | (3,807) |

b. Advances to suppliers

| | Consolidated | |
|---|---|---|
| Year | 09.30.2021 | 12.31.2020 |
| 2021 | 36,257 | 11,575 |
| 2022 | 25,698 | 24,269 |
| 2023 | 25,201 | 17,785 |
| | 87,156 | 53,629 |
| Current | (36,257) | (11,575) |
| Noncurrent | 50,899 | 42,054 |

## 7. RECEIVABLE – CLIENTS

| | Consolidated | |
|---|---|---|
| | 09.30.2021 | 12.31.2020 |
| Clients in judicial reorganization (a) | 11,389 | 11,389 |
| Clients in court recovery plan (b) | 1,492 | 1,469 |
| Installment plan agreed with clients (c) | 3,859 | 4,301 |
| Financing on stores transfer (d) | 1,432 | 3,208 |
| Sale of real estates (e) | 12,254 | 16,165 |
| Others | 1,568 | 914 |
| | ------------ | ------------ |
| | 31,994 | 37,446 |
| Current (*) | (13,859) | (12,275) |
| | ------------ | ------------ |
| Noncurrent | 18,135 | 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 38 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 28 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  September 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 09.30.2021 | Total investment 12.31.2020 | Equity in subsidiaries (Company) 09.30.2021 | Equity in subsidiaries (Company) 09.30.2020 |
|---|---|---|---|---|---|---|---|
| SGUS (*) | 388,310 | 100.0 | (14,817) | 388,310 | 385,394 | (14,817) | (74,633) |
| CSA | 677,685 | 100.0 | (82,533) | 677,685 | 760,651 | (82,533) | (168,941) |
| | | | | 1,065,995 | 1,146,045 | (97,350) | (243,574) |

(*) The net loss for the nine months of 2020 does not include the discontinued portion of the equity in subsidiaries in the statement of operations of R$54,234. 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, and therefore reclassified the investment to the line “Assets held for sale”. The sale is expected to be completed in the first quarter of 2022.

The equity losses of this investment together with the goodwill impairment in the nine 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 09.30.2021 | Total investment 12.31.2020 | Equity in subsidiaries 09.30.2021 | Equity in subsidiaries 09.30.2020 |
|---|---|---|---|---|---|---|---|
| Subsidiaries - | | | | | | | |
| Coteminas Argentina S.A. | 97,202 | 100.0 | 18,802 | 97,202 | 62,850 | 18,802 | (3,241) |
| LAT Capital Ltd. | 13,613 | 100.0 | (199) | 13,613 | 13,175 | (199) | 1,274 |
| C7S Tecnologia Ltda. (1) | - | - | - | - | 24,734 | (1,346) | (1,398) |
| AMMO VAREJO S.A. (2) | 68,718 | 100.0 | (43,354) | 96,021 | 139,375 | (43,354) | (43,394) |
| Compañía Textil Guaraní S.R.L. (3) | 4,179 | 100.0 | (1,826) | 4,179 | 4,449 | (1,826) | (2,162) |
| | | | | 211,015 | 244,583 | (27,923) | (48,921) |

(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$1,327.

c) Changes in investments in subsidiaries and affiliate:

| | 12.31.2020 | Equity | Exchange rate variations on foreign investments (1) | Assets and liabilities valuation adjustments | 09.30.2021 |
|---|---|---|---|---|---|
| Subsidiaries | | | | | |
| SGUS | 385,394 | (14,817) | 17,711 | 22 | 388,310 |
| CSA | 760,651 | (82,533) | (433) | - | 677,685 |
| | 1,146,045 | (97,350) | 17,278 | 22 | 1,065,995 |

| | 12.31.2019 | Equity | Exchange rate variations on foreign investments (1) | Assets and liabilities valuation adjustments | Goodwill allocation (2) | 09.30.2020 |
|---|---|---|---|---|---|---|
| Subsidiaries | | | | | | |
| SGUS | 422,901 | (128,867) | 157,334 | 133 | - | 451,501 |
| CSA | 997,676 | (168,941) | (103,459) | - | - | 725,276 |
| | 1,420,577 | (297,808) | 53,875 | 133 | - | 1,176,777 |
| Affiliate | | | | | | |
| Keeco Holdings, LLC | 137,946 | (11,298) | 13,491 | - | (101,985) | 38,154 |

(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 | 479 | - | - | 479 |
| Balances as of September 30, 2021 | 306,715 | 45,034 | 53,776 | 405,525 |

| | 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 | - | - | 3,942 | 3,942 |
| Disposals (cost) | 661 | - | - | 661 |
| Disposals (change in fair value) | - | - | (11,842) | (11,842) |
| Balances as of September 30, 2020 | 302,211 | 44,974 | 52,340 | 399,525 |

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 nine months of 2021, rental income was R$8,402 (R$6,452 in the same period 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:

| | 09.30.2021 | 12.31.2020 |
|---|---|---|
| Residual cost of the property | 111,041 | 110,562 |
| Surplus/added value (a) | 195,674 | 195,674 |
| | ---------- | ---------- |
| Fair value (b) | 306,715 | 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:

| | 09.30.2021 | 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:

| | 09.30.2021 | 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

| | | 09.30.2021 | | | 12.31.2020 |
|---|---|---|---|---|---|
| | Rate (*) % | Cost | Accumulated depreciation | Net book value | Net book value |
| Land and improvements | 3.2 | 51,692 | (23,047) | 28,645 | 26,356 |
| Buildings | 2.4 | 358,038 | (168,379) | 189,659 | 187,549 |
| Installations | 5.6 | 224,963 | (165,336) | 59,627 | 47,687 |
| Machinery and equipment | 6.7 | 1,179,638 | (922,865) | 256,773 | 259,418 |
| Hydroelectric Plant - Porto Estrela (**) | 3.8 | 38,066 | (21,971) | 16,095 | 16,772 |
| Furniture, fixtures and others | 8.7 | 125,012 | (107,059) | 17,953 | 28,344 |
| Construction in progress | - | 34,332 | - | 34,332 | 69,287 |
| | | -------------- | -------------- | -------------- | -------------- |
| | | 2,011,741 | (1,408,657) | 603,084 | 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 | 1,309 | 141 | 251 | 8,967 | 400 | 5,506 | 11,681 | 28,255 |
| Net disposals | (12) | (1) | (358) | (4,541) | - | (3,223) | (448) | (8,583) |
| Transfers | | | | | | | | |
| - PP&E | 175 | 5,637 | 17,147 | 23,237 | - | 947 | (47,143) | - |
| - Assets received in lending | - | - | - | - | - | (8,476) | - | (8,476) |
| - Assets held for sale | - | - | (15) | (242) | - | - | - | (257) |
| Exchange rate variations | 2,120 | 2,484 | 632 | 1,503 | - | (146) | 955 | 7,548 |
| Depreciation in the period | (1,303) | (6,151) | (5,717) | (31,569) | (1,077) | (4,999) | - | (50,816) |
| | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- |
| Balance as of September 30, 2021 | 28,645 | 189,659 | 59,627 | 256,773 | 16,095 | 17,953 | 34,332 | 603,084 |
| | ======= | ======= | ======= | ======= | ======= | ======= | ======= | ======= |

| | 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 | 574 | 22 | 768 | 25,691 | - | 1,472 | 20,813 | 49,340 |
| Net disposals | (205) | (6) | (274) | (717) | - | (181) | (601) | (1,984) |
| Transfers | | | | | | | | |
| - PP&E | - | 178 | 1,405 | 20,702 | - | 437 | (22,722) | - |
| - Assets in lending | - | - | - | - | - | 9,667 | - | 9,667 |
| Exchange rate variations | 2,641 | 3,199 | 1,179 | 3,251 | - | 131 | 1,756 | 12,157 |
| Depreciation in the period | (1,254) | (6,154) | (5,437) | (29,789) | (1,076) | (4,581) | - | (48,291) |
| | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- | ---------- |
| Balance as of September 30, 2020 | 26,889 | 189,662 | 46,087 | 265,007 | 17,132 | 27,356 | 67,224 | 639,357 |
| | ======= | ======= | ======= | ======= | ======= | ======= | ======= | ======= |

(1) See note 16.

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

The Company annually, or when circumstances indicate that the net book value may not be recoverable, assesses the recoverability of property, plant and equipment, considering cash flow for the period of 5 years. On September 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 | 09.30.2021 |
|---|---|---|---|---|---|---|
| Cost | 453,232 | - | (3,724) | 20,255 | 2,158 | 471,921 |
| Depreciation | (388,593) | (351) | 3,672 | (17,551) | (1,901) | (404,724) |
| Provision for loss | (47,914) | - | - | (2,023) | - | (49,937) |
| | 16,725 | (351) | (52) | 681 | 257 | 17,260 |

| | 12.31.2019 | Additions | Disposals | Exchange rate variations | 09.30.2020 |
|---|---|---|---|---|---|
| Cost | 396,489 | 652 | (53,829) | 134,275 | 477,587 |
| Depreciation | (334,561) | (377) | 40,055 | (116,263) | (411,146) |
| Provision for loss | (37,507) | - | 1,264 | (13,421) | (49,664) |
| | 24,421 | 275 | (12,510) | 4,591 | 16,777 |

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

The composition of assets contracted as leases are as follows:

| | | Consolidated | | | |
|---|---|---|---|---|---|
| | | 09.30.2021 | | | 12.31.2020 |
| | Rate (2) % | Cost | Accumulated amortization | Net book value | Net book value |
| Properties (CSA and AMMO – own use) | 44.1 | 14,114 | (8,575) | 5,539 | 7,772 |
| Properties – plants (Guarani – own use) | 11.7 | 11,160 | (2,275) | 8,885 | 9,419 |
| Properties (SGUS – own use) | 8.3 | 48,284 | (11,065) | 37,219 | 38,442 |
| Properties – stores (AMMO – own use) | 25.4 | 105,747 | (41,427) | 64,320 | 56,091 |
| Vehicles | 38.8 | 1,881 | (1,550) | 331 | 273 |
| Investment properties (1) | | 93,042 | - | 93,042 | 92,644 |
| Total right-of-use assets | | 274,228 | (64,892) | 209,336 | 204,641 |
| Financial leases receivable (1) | | 113,457 | - | 113,457 | 112,889 |
| | | 387,685 | (64,892) | 322,793 | 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 | - | 430 | 1,739 | - | - | 4,252 | 5,183 | 11,604 |
| Additions (1) | - | - | - | 24,101 | 524 | - | - | 24,625 |
| Disposals (2) | - | - | - | (1,344) | - | - | - | (1,344) |
| Amortization in the period | (2,233) | (964) | (2,962) | (14,528) | (466) | - | - | (21,153) |
| Interest | - | - | - | - | - | 7,359 | 8,548 | 15,907 |
| Sublease cash receipts | - | - | - | - | - | (11,213) | (13,163) | (24,376) |
| Balance as of September 30, 2021 | 5,539 | 8,885 | 37,219 | 64,320 | 331 | 93,042 | 113,457 | 322,793 |

| | 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 | - | 2,771 | 12,845 | - | - | 28,560 | 36,290 | 80,466 |
| Additions (1) | 8 | 8,749 | - | 12,987 | 94 | - | - | 21,838 |
| Disposals (2) | - | - | - | (3,267) | - | - | - | (3,267) |
| Amortization in the period | (2,375) | (972) | (2,873) | (12,470) | (306) | - | - | (18,996) |
| Interest | - | - | - | - | - | 7,248 | 8,706 | 15,954 |
| Sublease cash receipts | - | - | - | - | - | (6,442) | (12,641) | (19,083) |
| Balance as of September 30, 2020 | 8,528 | 10,548 | 42,770 | 40,086 | 354 | 100,534 | 124,074 | 326,894 |

(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 | 09.30.2021 | 12.31.2020 |
| 2021 | 4,512 | 17,124 |
| 2022 | 18,119 | 17,310 |
| 2023 | 18,326 | 17,508 |
| 2024 then after | 134,878 | 128,860 |
| | 175,835 | 180,802 |
| Present value adjustment | (62,378) | (67,913) |
| | 113,457 | 112,889 |
| Current | (17,128) | (16,230) |
| Noncurrent | 96,329 | 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 September 30, 2021, the subsidiary SGUS had no defaults with the current sub-lease agreements.

## 12. INTANGIBLE ASSETS

| | Consolidated | |
|---|---|---|
| | 09.30.2021 | 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) | 10,842 | 9,559 |
| Intellectual property (5) | 15,230 | 18,933 |
| Store locations (real estate intangible) (6) | 25,077 | 25,077 |
| Total | 94,719 | 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 | - | - | (756) | (3,703) | - | (4,459) |
| Exchange rate variations | - | - | 2,039 | - | - | 2,039 |
| Balance as of September 30, 2021 | 27,303 | 16,267 | 10,842 | 15,230 | 25,077 | 94,719 |

| | 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 | - | - | - | (687) | (2,643) | - | (3,330) |
| Exchange rate variations | - | 37,084 | - | 2,832 | - | - | 39,916 |
| Impairment adjustment (2) | - | (42,936) | - | - | - | - | (42,936) |
| Balance as of September 30, 2020 | 27,303 | 96,133 | 16,267 | 10,533 | 15,388 | 22,987 | 188,611 |

<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.

(6) Store locations (real estate intangible): 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.

## 13. LOANS AND FINANCING

| | | | | Consolidated | |
|---|---|---|---|---|---|
| | Currency | Annual interest rate - % | Maturity | 09.30.2021 | 12.31.2020 |
| Local currency (*): | | | | | |
| Banco do Brasil S.A. (a) | R$ | 130.0 to 294.0 of CDI | 2023 | 350,221 | 382,011 |
| Banco do Brasil S.A. – CDC | R$ | 7.3 to 12.5 | 2022 | 57,004 | 55,657 |
| Banco BBM S.A. – CCB | R$ | 149.0 of CDI and 7.0 + CDI | 2024 | 12,682 | 24,481 |
| Banco ABC do Brasil S.A. – CCE | R$ | 4.9 + CDI | 2024 | 31,339 | 36,320 |
| Banco Bradesco S.A. (b) | R$ | 6.1 + CDI | 2024 | 15,456 | 17,543 |
| BNDES (Finame) | R$ | 3.0 to 9.5 | 2023 | 24 | 35 |
| Banco Daycoval S.A. | R$ | 5.2 to 9.0 + CDI | 2024 | 46,661 | 47,030 |
| Banco Santander S.A. (c) | R$ | 3.5 and 4.7 + CDI | 2021 | 11,601 | 55,228 |
| Banco Safra S.A. – CCB | R$ | 6.8 and 7.4 + CDI | 2024 | 78,436 | 54,054 |
| Banco Fibra S.A. – CCE | R$ | 7.5 + CDI | 2022 | 11,721 | 20,075 |
| Banco Sofisa S.A. | R$ | 6.8 + CDI | 2024 | 20,167 | 20,131 |
| Caixa Econômica Federal – CCB (*) (d) | R$ | 180.0 of CDI | 2023 | 12,892 | 18,971 |
| Banco Pine S.A. | R$ | 7.8 and 8.7 + CDI | 2022 | 12,979 | 11,926 |
| Banco Industrial do Brasil S.A. | R$ | 6.8 and 7.7 + CDI | 2022 | 15,868 | 1,255 |
| Banco ABC do Brasil S.A. – CCB | R$ | 3.9 and 4.0 + CDI | 2024 | 40,028 | 10,003 |
| Banco BTG Pactual S.A. (e) | R$ | 12.5 and 13.9 | 2023 | 32,982 | 36,885 |
| Financiadora de Estudos e Projetos – FINEP (*) | R$ | 4,4 | 2025 | 19,116 | 19,101 |
| Others | R$ | - | 2021 | 5,901 | 7,864 |
| | | | | ----------- | ----------- |
| | | | | 775,078 | 818,570 |
| Foreign currency: | | | | | |
| Banco Patagônia | $ARG | 38.7 | 2022 | 8,137 | 1,194 |
| Banco Luso Brasileiro S.A. | US$ | 9.5 | 2021 | 5,415 | 10,019 |
| Banco do Brasil S.A. | US$ | 5.0 and 5.1 | 2021 | 40,161 | 37,859 |
| Banco Pine S.A. | US$ | 9.5 | 2021 | - | 10,471 |
| | | | | ----------- | ----------- |
| | | | | 53,713 | 59,543 |
| | | | | ----------- | ----------- |
| Total | | | | 828,791 | 878,113 |
| Current | | | | (505,886) | (522,536) |
| | | | | ----------- | ----------- |
| Noncurrent | | | | 322,905 | 355,577 |
| | | | | ======= | ======= |

(*) Loans held in part by the Company in the amount of R$32,008 (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) Loans of the subsidiary CSA, with early maturity covenants, where the subsidiary CSA has committed to comply with the following financial ratios in its annual financial statements as of December 31, 2021: ratio between Net Financial Debt and EBITDA, no greater than 2.0 times.

(c) 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.

(d) 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.

(e) 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. | 67,323 | 64,888 | 54,534 | 163,476 | - | 350,221 |
| Banco do Brasil S.A. – CDC | 15,606 | 41,398 | - | - | - | 57,004 |
| Banco BBM S.A. – CCB | 2,960 | 2,500 | 833 | 3,333 | 3,056 | 12,682 |
| Banco ABC do Brasil S.A. – CCE | 3,175 | 9,053 | 3,018 | 12,070 | 4,023 | 31,339 |
| Banco Bradesco S.A. | 3,115 | 2,468 | 2,469 | 4,936 | 2,468 | 15,456 |
| BNDES (Finame) | 3 | 11 | 4 | 6 | - | 24 |
| Banco Daycoval S.A. | 6,375 | 19,284 | 5,265 | 14,626 | 1,111 | 46,661 |
| Banco Santander S.A. | 11,601 | - | - | - | - | 11,601 |
| Banco Safra S.A. – CCB | 70,579 | 1,905 | 714 | 2,857 | 2,381 | 78,436 |
| Banco Fibra S.A. – CCE | 5,054 | 6,667 | - | - | - | 11,721 |
| Banco Sofisa S.A. | 445 | 12,500 | 833 | 3,333 | 3,056 | 20,167 |
| Caixa Econômica Federal – CCB | 2,059 | 6,093 | 2,032 | 2,708 | - | 12,892 |
| Banco Pine S.A. | 5,601 | 6,578 | 800 | - | - | 12,979 |
| Banco Industrial do Brasil S.A. | 6,323 | 9,545 | - | - | - | 15,868 |
| Banco ABC do Brasil S.A. – CCB | 30,361 | 3,000 | 1,000 | 4,000 | 1,667 | 40,028 |
| Banco BTG Pactual S.A. | 7,750 | 18,042 | 5,392 | 1,798 | - | 32,982 |
| Financiadora de Estudos e Projetos – FINEP | 432 | 3,578 | 1,193 | 4,771 | 9,142 | 19,116 |
| Others | 5,901 | - | - | - | - | 5,901 |
| | ------------ | ------------ | ------------ | ------------ | ------------ | ----------- |
| | 244,663 | 207,510 | 78,087 | 217,914 | 26,904 | 775,078 |
| Foreign currency: | | | | | | |
| Banco Patagônia | - | 8,137 | - | - | - | 8,137 |
| Banco Luso Brasileiro S.A. | 5,415 | - | - | - | - | 5,415 |
| Banco do Brasil S.A. | 40,161 | - | - | - | - | 40,161 |
| | ------------ | ------------ | ------------ | ------------ | ------------ | ------------ |
| | 45,576 | 8,137 | - | - | - | 53,713 |
| | ------------ | ------------ | ------------ | ------------ | ------------ | ----------- |
| Total | 290,239 | 215,647 | 78,087 | 217,914 | 26,904 | 828,791 |
| | ======= | ======= | ======= | ======= | ======= | ======= |

Changes in consolidated loans and debentures were as follows:

| | 09.30.2021 | | | 09.30.2020 |
|---|---|---|---|---|
| | Loans | Debentures | Total | Total |
| Beginning balance | 878,113 | 91,085 | 969,198 | 1,042,035 |
| Debt proceeds or renewal | 205,288 | 160,000 | 365,288 | 363,443 |
| Accrued interest | 50,135 | 8,828 | 58,963 | 52,909 |
| Paid principal | (261,035) | (90,167) | (351,202) | (517,503) |
| Paid interest | (47,409) | (9,197) | (56,606) | (51,096) |
| Exchange rate variations | 2,588 | - | 2,588 | 47,719 |
| Prepaid charges, net | 1,111 | (2,483) | (1,372) | 4,354 |
| Ending balance | 828,791 | 158,066 | 986,857 | 941,861 |

14. DEBENTURES

a) 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 |

(*) 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.

b) On July 26, 2021, the subsidiary CSA issued 160,000 debentures not convertible into shares (5th series of the debentures), which, on August 4, 2021, was fully subscribed by Virgo Companhia de Securitização ("Virgo"). The terms of the debentures are as follows:

5th Series Debentures Terms

| | |
|---|---|
| Quantity of issued Debentures | 160,000 |
| Debentures unit price (amount in Brazilian Reais) | R$1,000 |
| Amortization | 120 equal installments |
| Initial maturity | 08/18/2021 |
| Final maturity | 07/17/2031 |
| Return | IPCA + 8% per annum |
| Interest amortization | monthly |
| Guarantees | (1) |
| Covenants | (2) |

The Debenture was subject to public distribution with restricted placement efforts, pursuant to CVM Instruction 476, being coordinated by Banco Votorantim.

On August 4, 2021, a public distribution with restricted efforts of Certificates of Real Estate Receivables - CRI in the Brazilian market was signed with Virgo, pursuant to CVM Instruction No. 414 and CVM Instruction No. 476 and other relevant legal and regulatory provisions, backed by the debentures issued by CSA, which were fully subscribed.

The proceeds were available to CSA on the date of the CRI subscription. The expenses of issuing the Debenture and the CRI, in the amount of approximately R$5,887, equivalent to 3.67% of the total issuance amount, will be amortized as issuing transaction cost, together with the debenture charges, prorated to the outstanding debt balance.

Part of the proceeds were mandatorily allocated for full payment of the 4th debenture issuance with Banco Itaú BBA S.A.

(1) Secured Guarantee: Property of CSA, see items 1 and 2 of the note 9 of the interim financial statements, whose fair value must remain higher than 1.8 times the outstanding balance of the Debentures in the first year, and in the following years, higher than 2 times the debenture balance. 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:

The Company as guarantor, has agreed to comply with the following financial ratios in its semi-annual consolidated financial statements: (i) Net Debt to EBITDA ratio, no greater than 3.0 in 2021, 2.5 in 2022 and 2.25 starting in 2023; (ii) Net Debt to Shareholders' Equity ratio, no greater than 0.7 in 2021, 0.65 in 2022 and 2023 and 0.60 starting in 2024; and (iii) Current Assets to Current Liabilities ratio (excluding the impacts from Springs Global U.S.) at a minimun of 1.2.

(3) Forecast for the step down of the interest spread of 8% per annum to 7.5% per annum if verified for two consecutive semesters that the ratio between Net Financial Debt and EBITDA is no more than 2.0 times.

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

| | Consolidado | |
|---|---|---|
| | 09.30.2021 | 12.31.2020 |
| Original amount | 157,333 | 87,500 |
| Prepaid interest | (2,615) | (132) |
| Accrued interest | 3,348 | 3,717 |
| | ---------- | ---------- |
| Debentures total | 158,066 | 91,085 |
| Current | (16,562) | (91,085) |
| | ---------- | ---------- |
| Noncurrent | 141,504 | - |
| | ====== | ====== |

15. SUPPLIERS

| | Consolidated | |
|---|---|---|
| | 09.30.2021 | 12.31.2020 |
| Domestic market | 220,616 | 181,301 |
| Foreign market | 24,998 | 24,796 |
| Related parties | 1,390 | - |
| | ---------- | ---------- |
| | 247,004 | 206,097 |
| | ====== | ====== |

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 84 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<br>2002 to 2012 | Years 16 to 25<br>2013 to 2022 | Years 26 to 35<br>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 | 10,222 | 978,074 | 1,592,856 |

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 | |
|---|---|---|
| | 09.30.2021 | 09.30.2020 |
| Opening balance | 80,868 | 65,983 |
| Appropriation of the grant installment | 4,251 | 3,244 |
| Payments | (18,445) | (16,561) |
| Interest (7.5% p.a.) | 18,758 | 13,377 |
| Monetary variation (IGP-M) | 8,602 | 6,823 |
| | 94,034 | 72,866 |
| Current | (31,309) | (24,199) |
| Noncurrent | 62,725 | 48,667 |

As of September 30, 2021, the net book value of the property, plant and equipment related to the current concession is R$16,095 (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:

| | | Consolidated | |
|---|---|---|---|
| | Maturity | 09.30.2021 | 12.31.2020 |
| Properties | 2024 | 6,242 | 8,471 |
| Properties – plant | 2028 | 9,541 | 9,877 |
| SGUS (*) | 2030 | 267,332 | 266,286 |
| Properties – stores | 2027 | 68,174 | 60,833 |
| Vehicles | 2023 | 345 | 287 |
| | | 351,634 | 345,754 |
| Current | | (69,000) | (64,447) |
| Noncurrent | | 282,634 | 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:

| | | 2022 | | | | |
|---|---|---|---|---|---|---|
| | 2021 | Current | Noncurrent | 2023 | 2024 to 2030 | Total |
| Properties | 916 | 2,750 | 916 | 2,174 | 70 | 6,826 |
| Properties – plant | 473 | 1,418 | 473 | 1,891 | 8,665 | 12,920 |
| SGUS (*) | 10,858 | 33,405 | 10,947 | 43,887 | 317,332 | 416,429 |
| Properties – stores | 6,015 | 16,448 | 5,261 | 20,283 | 33,839 | 81,846 |
| Vehicles | 121 | 224 | 17 | - | - | 362 |
| Gross total | 18,383 | 54,245 | 17,614 | 68,235 | 359,906 | 518,383 |
| Adjust to present value | (232) | (3,396) | (1,912) | (10,983) | (150,226) | (166,749) |
| Total payable | 18,151 | 50,849 | 15,702 | 57,252 | 209,680 | 351,634 |

(*) 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:

| | 09.30.2021 | | | | | | 09.30.2020 |
|---|---|---|---|---|---|---|---|
| | 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) | - | - | - | 24,101 | 524 | 24,625 | 21,838 |
| Disposals (2) | - | - | - | (1,475) | - | (1,475) | (3,492) |
| Charges | 520 | 687 | 20,552 | 4,363 | 44 | 26,166 | 26,984 |
| Payments | (2,749) | (1,474) | (31,726) | (17,785) | (510) | (54,244) | (43,643) |
| Renegotiations (3) | - | - | - | (1,863) | - | (1,863) | (5,673) |
| Exchange variation | - | 451 | 12,220 | - | - | 12,671 | 88,620 |
| Others | - | - | - | - | - | - | (149) |
| Balance at the end of the period | 6,242 | 9,541 | 267,332 | 68,174 | 345 | 351,634 | 358,687 |

(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 September 30, 2021 and 2020 are as follows:

| | 09.30.2021 | | | | | | 09.30.2020 |
|---|---|---|---|---|---|---|---|
| Continuing operations | Properties | Properties – plant | SGUS | Properties – stores | Vehicles | Consolidated | Consolidated |
| Lease payments in the period | 2,749 | 1,474 | 31,726 | 17,785 | 510 | 54,244 | 43,643 |
| PIS and COFINS recovered | - | - | - | (1,645) | - | (1,645) | (801) |
| Renegotiations | - | - | - | 1,863 | - | 1,863 | 5,673 |
| Amortization of right-of-use assets | (2,233) | (964) | (2,962) | (14,528) | (466) | (21,153) | (18,996) |
| PIS and COFINS on amortization | - | - | - | 1,265 | - | 1,265 | 589 |
| Interest net | (520) | (687) | (4,645) | (4,363) | (44) | (10,259) | (11,030) |
| PIS and COFINS on interest | - | - | - | 380 | - | 380 | 212 |
| Disposals, net | - | - | - | 131 | - | 131 | 225 |
| Sublease cash receipts | - | - | (24,376) | - | - | (24,376) | (19,083) |
| Total effects with the application of IFRS 16 | (4) | (177) | (257) | 888 | - | 450 | 432 |

## 18. INCOME TAX AND OTHER TAXES

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

| | 09.30.2021 | | | | |
|---|---|---|---|---|---|
| | SGPSA (Parent Co.) | CSA Consolidated | SGUS | Others (1) | Consolidated |
| Income (loss) from operations before taxes | (100,057) | (91,519) | (14,843) | 97,615 | (108,804) |
| Equity in subsidiaries | 97,350 | - | - | (97,350) | - |
| Investment support | - | (30,527) | - | - | (30,527) |
| Permanent differences from foreign subsidiaries | - | - | (1,500) | - | (1,500) |
| Deferred income taxes reversal | - | 98 | - | - | 98 |
| Other | ------------ | ------------ | ------------ | ------------ | ------------ |
| | (2,707) | (121,948) | (16,343) | 265 | (140,733) |
| Income tax basis | 921 | 41,462 | 5,558 | (91) | 47,850 |
| 34% income tax rate | (921) | (41,466) | (5,797) | 91 | (48,093) |
| Unrecognized tax credits | - | 9,182 | - | - | 9,182 |
| Others | - | (192) | - | - | (192) |
| | ------------ | ------------ | ------------ | ------------ | ------------ |
| Total income taxes | - | 8,986 | (239) | - | 8,747 |
| | ======= | ======= | ======= | ======= | ======= |
| Continuing operations | | | | | |
| Income taxes – current | - | (196) | (239) | - | (435) |
| Income taxes – deferred | - | 9,182 | - | - | 9,182 |
| | ------------ | ------------ | ------------ | ------------ | ------------ |
| | - | 8,986 | (239) | - | 8,747 |
| | ======= | ======= | ======= | ======= | ======= |

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

| | 09.30.2020 | | | | |
|---|---|---|---|---|---|
| | SGPSA (Parent Co.) | CSA Consolidated | SGUS | Others (2) | Consolidated |
| Income (loss) from operations before taxes | (302,606) | (167,393) | (70,381) | 309,262 | (231,118) |
| Equity in subsidiaries (1) | 297,808 | - | 11,298 | (297,808) | 11,298 |
| Investment support | - | (18,758) | - | - | (18,758) |
| Permanent differences from foreign subsidiaries | - | - | (1,725) | - | (1,725) |
| Other | - | 428 | - | - | 428 |
| Income tax basis | (4,798) | (185,723) | (60,808) | 11,454 | (239,875) |
| 34% income tax rate | 1,631 | 63,146 | 20,675 | (3,894) | 81,558 |
| Unrecognized tax credits | (1,631) | (64,490) | (20,675) | 3,894 | (82,902) |
| Valuation allowance adjustment | - | - | (69,707) | - | (69,707) |
| Others | - | (204) | (233) | - | (437) |
| Total income taxes | - | (1,548) | (69,940) | - | (71,488) |
| Continuing operations | | | | | |
| Income taxes – current | - | (208) | (233) | - | (441) |
| Income taxes – deferred | - | (1,340) | (69,707) | - | (71,047) |
| | - | (1,548) | (69,940) | - | (71,488) |

(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 | 09.30.2021 |
|---|---|---|---|---|---|---|
| Assets: | | | | | | |
| Temporary differences (CSA – Argentina) (1) (a) | 388 | - | - | - | (42) | 346 |
| Temporary differences (CSA – Brazil) (1) (p) | 16,783 | - | - | - | - | 16,783 |
| Tax credits from foreign subsidiary (CSA – Brazil) (1) (p) | 7,167 | (7,167) | - | - | - | - |
| Net operating losses (SGUS – USA) (2) (a) | 16,059 | - | - | 750 | - | 16,809 |
| Temporary differences (AMMO – Brazil) (1) (a) | 421 | - | - | - | 128 | 549 |
| Net operating losses (SGPSA – Brazil) (a) | 1,905 | - | - | - | - | 1,905 |
| | 42,723 | (7,167) | - | 750 | 86 | 36,392 |
| Deferred tax liabilities: | | | | | | |
| Investment properties (CSA – Brazil) (1) (p) | (86,540) | - | - | - | - | (86,540) |
| Hyperinflationary adjustment (CSA – Argentina) (1) (p) | (6,103) | - | - | 660 | - | (5,443) |
| Temporary differences (CSA – Brazil) (1) (p) (*) | (16,349) | 16,349 | - | - | - | - |
| Total deferred taxes, net | (66,269) | 9,182 | - | 1,410 | 86 | (55,591) |
| Noncurrent assets (sum of a) | 18,773 | - | - | 750 | 86 | 19,609 |
| Noncurrent liabilities (sum of p) | (85,042) | 9,182 | - | 660 | - | (75,200) |

(*) The Supreme Court – STF, in terms of general repercussion declared the unconstitutionality of the income tax and social contribution tax charges levied on interest (SELIC) received by taxpayers on tax refunds.

As of September 30, 2021, the Company had net operating losses of R$128,275 (R$131,172 as of December 31, 2020) and social contribution tax losses of R$128,276 (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:

| | Consolidated | | |
|---|---|---|---|
| Year | Temporary differences | Operating losses | CSA consolidated |
| 2021 | 3,766 | (3,766) | - |
| 2023 and thereafter | 13,912 | 3,766 | 17,678 |
| | ----------- | ----------- | ----------- |
| | 17,678 | - | 17,678 |
| | ====== | ====== | ====== |

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

As of September 30, 2021, the subsidiary CSA had net operating losses of R$1,091,015 (R$1,003,472 as of December 31, 2020) and social contribution tax losses of R$1,097,188 (R$1,009,600 as of December 31, 2020), whose tax assets were not recognized in the financial statements. As of September 30, 2021, the indirect subsidiary AMMO had net operating losses of R$377,193 (R$335,239 on December 31, 2020) and social contribution tax losses of R$377,222 (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 | | | |
|---|---|---|---|---|
| | Business complex (9.1) | Residential complex (9.2) | Investment properties Montes Claros (9.3) | Total |
| Fair value | 306,715 | 45,034 | 53,776 | 405,525 |
| Total residual cost | (111,041) | (93) | (39,860) | (150,994) |
| | ---------- | ---------- | ---------- | ---------- |
| 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 September 30, 2021, totaling R$16,809 (R$16,059 as of December 31, 2020). The decrease in deferred taxes during the nine 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 September 30, 2021, is shown below:

| Year | Subsidiary SGUS |
|---|---|
| 2021 | 16,809 |
| | ====== |

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 September 30, 2021, subsidiary SGUS had R$1,273,880 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 | |
|---|---|---|---|---|
| | 09.30.2021 | 12.31.2020 | 09.30.2021 | 12.31.2020 |
| ICMS (state VAT) | - | - | 11,730 | 10,931 |
| Income and social contribution taxes prepayments | - | 160 | 10,247 | 11,420 |
| Recoverable PIS and COFINS (*) | - | - | 80,029 | 128,769 |
| IVA – Gross proceeds (Argentina) | - | - | 8,814 | 4,354 |
| IPTU credit | - | - | 11,014 | 10,901 |
| Other recoverable taxes | - | - | 493 | 560 |
| | ----------- | ----------- | ----------- | ----------- |
| | - | 160 | 122,327 | 166,935 |
| Current | - | (16) | (74,036) | (64,992) |
| | ----------- | ----------- | ----------- | ----------- |
| Noncurrent | - | 144 | 48,291 | 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$41,343, R$4,208 and R$40,560, 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); (iii) disallowance of COFINS credits (R$7,244); (iv) reversal of ICMS credit on electricity (R$4,547); and (v) 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 | |
|---|---|---|
| | 09.30.2021 | 12.31.2020 |
| Tax litigation claims – others | 114 | 110 |
| Labor | 8,956 | 9,542 |
| Civil and others | 4,037 | 3,734 |
| | ---------- | ---------- |
| Total | 13,107 | 13,386 |
| | ====== | ===== |
| Escrow deposits | 10,311 | 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 09.30.2021 |
|---|---|---|---|---|---|
| Tax litigation claims: | | | | | |
| Others | 110 | 6 | (2) | - | 114 |
| Labor | 9,542 | 1,183 | (1,667) | (102) | 8,956 |
| Civil and others | 3,734 | 737 | (310) | (124) | 4,037 |
| | ---------- | --------- | --------- | ---------- | ---------- |
| | 13,386 | 1,926 | (1,979) | (226) | 13,107 |
| | ====== | ====== | ====== | ====== | ====== |

| | Balance on 12.31.2019 | Additions | Disposals | Exchange variation | Balance on 09.30.2020 |
|---|---|---|---|---|---|
| Tax litigation claims: | | | | | |
| Others | 108 | 3 | - | - | 111 |
| Labor | 9,472 | 669 | (2,270) | 47 | 7,918 |
| Civil and others | 3,351 | 193 | (48) | 89 | 3,585 |
| | ---------- | --------- | --------- | ---------- | ---------- |
| | 12,931 | 865 | (2,318) | 136 | 11,614 |
| | ====== | ====== | ====== | ====== | ====== |

## 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 September 30, 2021 and 2020:

| | 09.30.2021 | 09.30.2020 |
|---|---|---|
| Components of net periodic benefit cost: | | |
| Service cost | 1,392 | 1,100 |
| Interest cost, net | 2,062 | 3,018 |
| Net periodic benefit cost | 3,454 | 4,118 |

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:

| | 09.30.2021 | 12.31.2020 |
|---|---|---|
| Pension plan obligations | 144,373 | 142,019 |
| Other employee benefit obligations | 1,098 | 2,893 |
| Total employee benefit plans | 145,471 | 144,912 |
| Current (a) | (13,825) | (13,209) |
| Noncurrent | 131,646 | 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 September 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 | |
|---|---|---|---|---|
| | 09.30.2021 | 12.31.2020 | 09.30.2021 | 12.31.2020 |
| Company: | | | | |
| Coteminas S.A. | - | - | 15,596 | 7,088 |
| | ---------- | ---------- | ---------- | ---------- |
| | - | - | 15,596 | 7,088 |
| | ====== | ====== | ====== | ====== |
| Consolidated: | | | | |
| Companhia de Tecidos Norte de Minas – Coteminas | 89,442 | 51,622 | - | - |
| Coteminas International Ltd. | 5,182 | 5,681 | 726 | - |
| Argentina branch | 23 | 20 | - | - |
| Santanense Argentina | 48 | 50 | - | - |
| Companhia Tecidos Santanense | 18,860 | 12,968 | - | - |
| Encorpar Empreendimentos Imobiliários Ltda. | - | - | 646 | - |
| | ---------- | ---------- | ---------- | ---------- |
| | 113,555 | 70,341 | 1,372 | - |
| | ====== | ====== | ====== | ====== |

| | Finance charges Income (expenses) | |
|---|---|---|
| | 09.30.2021 | 09.30.2020 |
| Company: | | |
| Coteminas S.A. | (875) | (1,604) |
| Companhia de Tecidos Norte de Minas – Coteminas | (3) | (1) |
| | ---------- | ---------- |
| | (878) | (1,605) |
| | ====== | ====== |
| Consolidated: | | |
| Companhia de Tecidos Norte de Minas – Coteminas | 9,240 | 7,776 |
| Companhia Tecidos Santanense | 1,044 | 1,745 |
| Coteminas International Ltd. | (54) | 69 |
| Encorpar Empreendimentos Imobiliários Ltda. | (19) | (1) |
| | ---------- | ---------- |
| | 10,211 | 9,589 |
| | ====== | ====== |

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 September 30, 2021, the amount of R$6,605 was recorded with R$2,936 (R$3,380 as of December 31, 2020) in the caption “Other receivables” in current assets and R$3,669 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 nine months of 2021, the amount of R$2,646 was recorded as interest expenses under the caption “Financial expenses – bank charges and others” (R$3,418 in the same period of 2020).

In the nine months of 2021, the subsidiary CSA supplied intermediate products to a related party, Companhia Tecidos Santanense, in the amount of R$48,331 (R$23,018 in the same period 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 its distribution center and office are located. In the nine months of 2021, were recorded as rent expenses in the amount of R$3,342 (R$2,862 in the same period of 2020).

On September 30, 2021, the indirect subsidiary LAT Capital Ltd. had R$20,197 (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 | |
|---|---|---|---|---|
| | 09.30.2021 | 12.31.2020 | 09.30.2021 | 12.31.2020 |
| Advisers | (792) | (685) | (792) | (1,081) |
| Statutory officers | - | - | (1,579) | (1,610) |
| Other directors | - | - | (6,839) | (5,625) |
| | (792) | (685) | (9,210) | (8,316) |

## 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 | |
|---|---|---|---|---|
| | 09.30.2021 | 12.31.2020 | 09.30.2021 | 12.31.2020 |
| FINANCIAL ASSETS | | | | |
| Amortized cost: | | | | |
| Cash and cash equivalents | 93 | 332 | 179,661 | 168,793 |
| Marketable securities (current) | - | - | 85,051 | 16,311 |
| Accounts receivable | - | - | 468,154 | 509,086 |
| Cash holdback amount | - | - | - | 20,787 |
| Other receivables | 1,052 | 964 | 28,923 | 29,017 |
| Marketable securities (noncurrent) | 1,712 | 1,671 | 7,592 | 1,671 |
| Receivable – clients | - | - | 18,135 | 25,171 |
| Related parties | - | - | 113,555 | 70,341 |
| Escrow deposits | - | - | 10,311 | 10,691 |
| Others | - | - | 55,935 | 74,335 |
| | | | | |
| FINANCIAL LIABILITIES | | | | |
| Amortized cost: | | | | |
| Loans and financing (current) | 12,162 | 19,387 | 505,886 | 522,536 |
| Debentures (current) | - | - | 16,562 | 91,085 |
| Suppliers | 15 | 22 | 247,004 | 206,097 |
| Government concessions (current) | - | - | 31,309 | 27,658 |
| Other accounts payable | - | - | 101,717 | 50,634 |
| Loans and financing (noncurrent) | 19,846 | 18,685 | 322,905 | 355,577 |
| Debentures (noncurrent) | - | - | 141,504 | - |
| Related parties | 15,596 | 7,088 | 1,372 | - |
| Government concessions (noncurrent) | - | - | 62,725 | 53,210 |
| Other obligations | - | - | 93,264 | 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.

b) Fair value--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.

c) Classification of financial instruments--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.

d) Risk management and derivative and non-derivative financial instruments:

d.1 – Objectives and risk management strategies--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 September 30, 2021 and December 31, 2020 there were no outstanding derivative financial instruments. In the nine months of 2021, the Company recognized a gain of R$1,269.

d.2 – Derivatives use policy--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.

d.3 – Exchange rate risk--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:

| | 09.30.2021 | | | | |
|---|---|---|---|---|---|
| | R$ | $ARG | US$ | $PYG | Exchange rate variation on foreign investments R$ |
| Foreign investments: | | | | | |
| Coteminas Argentina | 97,202 | 1,764,482 | - | - | 15,550 |
| LAT Capital | 13,613 | - | 2,503 | - | 637 |
| Têxtil Guarani | 4,179 | - | - | 5,301,954 | 229 |
| SGUS | 388,310 | - | 71,388 | - | 17,711 |
| | 503,304 | 1,764,482 | 73,891 | 5,301,954 | 34,127 |
| Related parties: | | | | | |
| LAT Capital | (130,673) | - | (24,023) | - | (5,348) |
| SGUS | (265,410) | - | (48,794) | - | (11,501) |
| | (396,083) | - | (72,817) | - | (16,849) |
| Total of foreign investments net | 107,221 | 1,764,482 | 1,074 | 5,301,954 | 17,278 |

| | 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 |
| Têxtil 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 | 09.30.2021 | 12.31.2020 |
|---|---|---|
| Cash and cash equivalents | - | 62 |
| Accounts receivable | 21,785 | 22,038 |
| Suppliers | (8,026) | (10,467) |
| Loan and financing | (45,576) | (58,349) |
| Related parties | (726) | 2,405 |
| | ----------- | ----------- |
| Total exposure in Brazilian Reais | (32,543) | (44,311) |
| | ====== | ====== |
| Total exposure in equivalent thousands of US Dollars | (5,983) | (8,527) |
| | ====== | ====== |

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

| | | | Scenarios | | |
|---|---|---|---|---|---|
| Maturity | Risk | Exposure value in thousands of US$ | Probable | II | III |
| 2021 | US Dollar appreciation | (5,983) | (467) | (8,719) | (16,972) |
| | | ====== | ====== | ====== | ====== |

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 September 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 September 30, 2021 and December 31, 2020.

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

The main amounts related to the Company and its subsidiaries' non-derivatives financial instruments subject to variable interest rate by Interbank Deposit Certificates - CDI and General Consumer Price Index – IPCA exposure are as follows:

| | 09.30.2021 | | | | 12.31.2020 |
|---|---|---|---|---|---|
| Description | Principal amount R$ thousands | Accrued interest | Prepaid interest | Payable | Payable |
| Loan Agreement --<br>Interest: 130.0% of CDI<br>Counterpart: Banco Brasil S.A. – NCE<br>Maturity: November/2023 | 137,500 | 520 | (1,473) | 136,547 | 163,068 |
| Loan Agreement --<br>Interest: 130.0% of CDI<br>Counterpart: Banco Brasil S.A. – NCE<br>Maturity: November/2023 | 137,500 | 520 | (1,472) | 136,548 | 163,068 |
| Loan Agreement --<br>Interest: 294.0% of CDI<br>Counterpart: Banco Brasil S.A. – CCB<br>Maturity: March/2022 | 22,500 | 158 | - | 22,658 | 55,875 |
| Loan Agreement --<br>Interest: 191.0% of CDI<br>Counterpart: Banco Brasil S.A. – NCE<br>Maturity: November/2023 | 55,000 | 397 | (929) | 54,468 | - |
| (Refer to Note 13) | | | | 350,221 | 382,011 |
| Loan Agreement --<br>Interest: 149.0% of CDI<br>Counterpart: Banco BBM S.A. – CCB<br>Maturity: September/2021 | - | - | - | - | 6,729 |
| Loan Agreement --<br>Interest: CDI + 3.9%<br>Counterpart: Banco BBM S.A. – CCB<br>Maturity: July/2021 | - | - | - | - | 1,485 |
| Loan Agreement --<br>Interest: 150.5% of CDI<br>Counterpart: Banco BBM S.A. – CCB<br>Maturity: July/2021 | - | - | - | - | 3,258 |
| Loan Agreement --<br>Interest: 149.0% of CDI<br>Counterpart: Banco BBM S.A. – CCB<br>Maturity: November/2021 | 2,667 | 2 | - | 2,669 | 3,001 |
| Loan Agreement --<br>Interest: CDI + 7.0%<br>Counterpart: Banco BBM S.A. – CCB<br>Maturity: November/2024 | 10,000 | 13 | - | 10,013 | 10,008 |
| (Refer to Note 13) | | | | 12,682 | 24,481 |
| Loan Agreement --<br>Interest: CDI + 4.9%<br>Counterpart: Banco ABC Brasil S.A. – CCB<br>Maturity: April/2024 | 11,736 | 58 | - | 11,794 | 13,670 |
| Loan Agreement --<br>Interest: CDI + 4.9%<br>Counterpart: Banco ABC Brasil S.A. – CCE | | | | | |

| Description | 09.30.2021 Principal amount R$ thousands | Accrued interest | Prepaid interest | Payable | 12.31.2020 Payable |
|---|---|---|---|---|---|
| Maturity: April/2024 | 6,482 | 33 | - | 6,515 | 7,550 |
| Loan Agreement --<br>Interest: CDI + 4.9%<br>Counterpart: Banco ABC Brasil S.A. – CCE<br>Maturity: April/2024 | 6,482 | 33 | - | 6,515 | 7,550 |
| Loan Agreement --<br>Interest: CDI + 4.9%<br>Counterpart: Banco ABC Brasil S.A. – CCE<br>Maturity: April/2024 | 6,482 | 33 | - | 6,515 | 7,550 |
| (Refer to Note 13) | | | | 31,339 | 36,320 |
| Loan Agreement --<br>Interest: CDI + 6.1%<br>Counterpart: Banco Bradesco S.A.<br>Maturity: April/2024 | 14,809 | 647 | - | 15,456 | 17,543 |
| (Refer to Note 13) | | | | 15,456 | 17,543 |
| Loan Agreement --<br>Interest: CDI + 5.2%<br>Counterpart: Banco Daycoval S.A.<br>Maturity: July/2023 | 9,319 | 164 | - | 9,483 | 12,988 |
| Loan Agreement --<br>Interest: CDI + 5.2%<br>Counterpart: Banco Daycoval S.A.<br>Maturity: July/2023 | 10,126 | 178 | - | 10,304 | 12,831 |
| Loan Agreement --<br>Interest: CDI + 6.5%<br>Counterpart: Banco Daycoval S.A.<br>Maturity: July/2022 | 6,178 | 40 | - | 6,218 | 11,174 |
| Loan Agreement --<br>Interest: CDI + 7.1%<br>Counterpart: Banco Daycoval S.A.<br>Maturity: April/2024 | 8,612 | 42 | - | 8,654 | 10,037 |
| Loan Agreement --<br>Interest: CDI + 9.0%<br>Counterpart: Banco Daycoval S.A.<br>Maturity: April/2023 | 12,002 | - | - | 12,002 | - |
| (Refer to Note 13) | | | | 46,661 | 47,030 |
| Loan Agreement --<br>Interest: CDI + 3.5%<br>Counterpart: Banco Santander S.A. – CCE<br>Maturity: October/2021 | 5,785 | - | - | 5,785 | 32,012 |
| Loan Agreement --<br>Interest: CDI + 4.7%<br>Counterpart: Banco Santander S.A. – CCE<br>Maturity: December/2021 | 5,784 | 32 | - | 5,816 | 23,216 |
| (Refer to Note 13) | | | | 11,601 | 55,228 |
| Loan Agreement --<br>Interest: CDI + 7.4%<br>Counterpart: Banco Safra S.A. – CCB<br>Maturity: November/2021 | 40,000 | 399 | - | 40,399 | 40,003 |

| Description | 09.30.2021 Principal amount R$ thousands | Accrued interest | Prepaid interest | Payable | 12.31.2020 Payable |
|---|---|---|---|---|---|
| Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: November/2021 | 4,000 | 37 | - | 4,037 | 4,029 |
| Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Safra S.A. – CCB Maturity: October/2024 | 8,810 | 21 | - | 8,831 | 10,022 |
| Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: October/2021 | 10,000 | 9 | - | 10,009 | - |
| Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: November/2021 | 5,000 | 42 | - | 5,042 | - |
| Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: November/2021 | 5,041 | 31 | - | 5,072 | - |
| Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: December/2021 | 5,000 | 46 | - | 5,046 | - |
| (Refer to Note 13) | | | | 78,436 | 54,054 |
| Loan Agreement -- Interest: CDI + 7.5% Counterpart: Banco Fibra S.A. Maturity: April/2022 | 11,667 | 54 | - | 11,721 | 20,075 |
| (Refer to Note 13) | | | | 11,721 | 20,075 |
| Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Sofisa S.A. Maturity: January/2022 | 10,000 | 93 | - | 10,093 | 10,073 |
| Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Sofisa S.A. Maturity: November/2024 | 10,000 | 74 | - | 10,074 | 10,058 |
| (Refer to Note 13) | | | | 20,167 | 20,131 |
| Loan Agreement -- Interest: 180.0% of CDI Counterpart: Caixa Econômica Federal – CCB Maturity: April/2023 | 12,865 | 27 | - | 12,892 | 18,971 |
| (Refer to Note 13) | | | | 12,892 | 18,971 |
| Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: February/2021 | - | - | - | - | 504 |

| Description | 09.30.2021 Principal amount R$ thousands | 09.30.2021 Accrued interest | 09.30.2021 Prepaid interest | 09.30.2021 Payable | 12.31.2020 Payable |
|---|---|---|---|---|---|
| Loan Agreement --<br>Interest: CDI + 7.8%<br>Counterpart: Banco Pine S.A.<br>Maturity: December/2022 | 4,000 | 15 | - | 4,015 | 6,417 |
| Loan Agreement --<br>Interest: CDI + 7.8%<br>Counterpart: Banco Pine S.A.<br>Maturity: November/2021 | 1,111 | 2 | - | 1,113 | 5,005 |
| Loan Agreement --<br>Interest: CDI + 8.7%<br>Counterpart: Banco Pine S.A.<br>Maturity: April/2022 | 7,778 | 73 | - | 7,851 | - |
| (Refer to Note 13) | | | | 12,979 | 11,926 |
| Loan Agreement --<br>Interest: CDI + 5.2%<br>Counterpart: Banco Industrial do Brasil S.A.<br>Maturity: March/2021 | - | - | - | - | 1,255 |
| Loan Agreement --<br>Interest: CDI + 6.8%<br>Counterpart: Banco Industrial do Brasil S.A.<br>Maturity: November/2021 | 2,222 | 3 | - | 2,225 | - |
| Loan Agreement --<br>Interest: CDI + 7.7%<br>Counterpart: Banco Industrial do Brasil S.A.<br>Maturity: July/2022 | 13,637 | 6 | - | 13,643 | - |
| (Refer to Note 13) | | | | 15,868 | 1,255 |
| Loan Agreement --<br>Interest: CDI + 3.9%<br>Counterpart: Banco ABC do Brasil S.A. – CCE<br>Maturity: May/2024 | 10,000 | 7 | - | 10,007 | 10,003 |
| Loan Agreement --<br>Interest: CDI + 4.0%<br>Counterpart: Banco ABC do Brasil S.A. – CCE<br>Maturity: November/2021 | 30,000 | 21 | - | 30,021 | - |
| (Refer to Note 13) | | | | 40,028 | 10,003 |
| Debentures 4th series --<br>Interest: CDI + 4.75%<br>Counterpart: Several debenture holders<br>Maturity: August/2021 | - | - | - | - | 91,085 |
| Debentures 5th series --<br>Interest: IPCA + 8.0%<br>Counterpart: Several debenture holders<br>Maturity: July/2031 | 157,333 | 3,348 | (2,615) | 158,066 | - |
| (Refer to Note 14) | | | | 158,066 | 91,085 |
| | 817,428 | 7,178 | (6,489) | 818,117 | 790,113 |

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

| | | Principal | Scenarios | | |
|---|---|---|---|---|---|
| Maturity | Risk | average balance | Probable | II | III |
| 2021 | Rate increase | 721,861 | 15,553 | 19,616 | 22,556 |
| 2022 | Rate increase | 464,006 | 49,255 | 62,923 | 72,169 |
| 2023 | Rate increase | 312,085 | 44,505 | 65,364 | 78,057 |
| 2024 | Rate increase | 125,320 | 18,387 | 13,400 | 14,238 |
| 2025 | Rate increase | 98,000 | 15,064 | 10,945 | 11,624 |
| 2026 | Rate increase | 82,000 | 12,572 | 9,135 | 9,701 |
| 2027 | Rate increase | 66,000 | 10,126 | 7,357 | 7,813 |
| 2028 | Rate increase | 50,000 | 7,755 | 5,635 | 5,984 |
| 2029 | Rate increase | 34,000 | 5,222 | 3,794 | 4,030 |
| 2030 | Rate increase | 18,000 | 2,763 | 2,007 | 2,132 |
| 2031 | Rate increase | 5,333 | 474 | 344 | 365 |
| | | | ====== | ====== | ====== |

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 interest variations, considering future CDI and IPCA rates and the principal and interest maturity dates. Scenarios II and III reflect 25% and 50% increase in the future CDI and IPCA rates, respectively. The future CDI rates were obtained at B3 S.A. – Brasil, Bolsa, Balcão and the future IPCA rates were obtained from the Brazilian Central Bank – Focus report.

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.

d.7 – Liquidity risk management-- 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 September 30, 2021, there was no significant change in relation to the amounts disclosed in the annual financial statements.

d.8 – Capital management risk--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 | |
|---|---|---|
| | 09.30.2021 | 12.31.2020 |
| Loans and financing | 828,791 | 878,113 |
| Debentures | 158,066 | 91,085 |
| Leases payable | 351,634 | 345,754 |
| Cash and cash equivalents | (179,661) | (168,793) |
| Marketable securities | (92,643) | (17,982) |
| Total net debt | 1,066,187 | 1,128,177 |
| Total equity | 1,022,991 | 1,105,748 |
| Total net debt and equity | 2,089,178 | 2,233,925 |

## 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):

| | 09.30.2021 (continuing operations) | | | |
|---|---|---|---|---|
| | Wholesale | Retail | (*) Others unallocated | Total |
| Net revenues | 907.3 | 361.7 | - | 1,269.0 |
| Cost of goods sold | (642.0) | (166.7) | - | (808.7) |
| Gross profit | 265.3 | 195.0 | | 460.3 |
| Selling, general and administrative expenses | (186.0) | (170.0) | (15.6) | (371.6) |
| Other | (9.5) | (1.6) | (0.7) | (11.8) |
| Results of operations | 69.8 | 23.4 | (16.3) | 76.9 |
| Financial results (without exchange rate variations) | - | - | (182.3) | (182.3) |
| Exchange rate variations | - | - | (3.4) | (3.4) |
| Income (loss) before taxes | 69.8 | 23.4 | (202.0) | (108.8) |
| Depreciation and amortization | 49.7 | 21.8 | 3.6 | 75.1 |

| | 09.30.2020 (continuing operations) | | | |
|---|---|---|---|---|
| | Wholesale | Retail | (*) Others unallocated | Total |
| Net revenues | 707.9 | 297.6 | - | 1,005.5 |
| Cost of goods sold | (524.7) | (145.5) | - | (670.2) |
| Gross profit | 183.2 | 152.1 | - | 335.3 |
| Selling, general and administrative expenses | (167.3) | (150.0) | (7.7) | (325.0) |
| Other | (14.9) | 1.9 | 3.2 | (9.8) |
| Results of operations | 1.0 | 4.0 | (4.5) | 0.5 |
| Financial results (without exchange rate variations) | - | - | (147.2) | (147.2) |
| Exchange rate variations | - | - | (30.1) | (30.1) |
| Income (loss) before taxes | 1.0 | 4.0 | (181.8) | (176.8) |
| Depreciation and amortization | 47.3 | 19.2 | 3.5 | 70.0 |

(*) 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 | |
|---|---|---|
| | 09.30.2021 | 09.30.2020 |
| Net revenues (in millions of Reais): | | |
| Bedding, tabletop and bath | 725.3 | 534.5 |
| Intermediate products | 182.0 | 173.4 |
| Retail | 361.7 | 297.6 |
| | 1,269.0 | 1,005.5 |
| Volume (in thousands of tons): | | |
| Bedding, tabletop and bath | 15.6 | 13.7 |
| Intermediate products | 13.7 | 16.7 |
| | 29.3 | 30.4 |

The Company has over 10,000 active clients in the wholesale segment as of September 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 | |
|---|---|---|
| | 09.30.2021 | 09.30.2020 |
| Cost of raw materials, goods and services acquired from third parties | (884,277) | (689,599) |
| Employee benefits | (264,993) | (231,225) |
| INSS | (31,269) | (25,506) |
| Depreciation and amortization | (75,060) | (69,995) |
| Finished goods and work in process inventory variations | 75,270 | 21,140 |
| Total by nature | (1,180,329) | (995,185) |

By function:

| | Consolidated | |
|---|---|---|
| | 09.30.2021 | 09.30.2020 |
| Cost of goods sold | (808,715) | (670,169) |
| Selling expenses | (273,022) | (235,436) |
| General and administrative expenses | (89,382) | (81,264) |
| Management fees | (9,210) | (8,316) |
| Total by function | (1,180,329) | (995,185) |

## 26. NET REVENUES

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

| | Consolidated | |
|---|---|---|
| | 09.30.2021 | 09.30.2020 |
| OPERATING REVENUES: | | |
| Gross revenues | 1,782,031 | 1,339,633 |
| Revenue deductions | (513,064) | (334,130) |
| NET REVENUES | 1,268,967 | 1,005,503 |

## 27. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share was calculated as follows:

| | 09.30.2021 | 09.30.2020 |
|---|---|---|
| NET LOSS FOR THE PERIOD OF THE CONTINUED OPERATIONS | (100,057) | (248,372) |
| NET LOSS FOR THE PERIOD OF THE DISCONTINUED OPERATIONS | - | (54,234) |
| NET LOSS FOR THE PERIOD | (100,057) | (302,606) |
| Weighted-average outstanding common shares | 50,000,000 | 50,000,000 |
| BASIC AND DILUTED LOSS PER SHARE (R$) | | |
| From continuing operations | (2.0011) | (4.9674) |
| From discontinued operations | - | (1.0847) |
| Total | (2.0011) | (6.0521) |

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 September 30, 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 September 30, 2020, are restated for comparison purposes, as discontinued operations.

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

| | 12.31.2020 | Exchange rate variations | 09.30.2021 |
|---|---|---|---|
| ASSETS | | | |
| NONCURRENT: | | | |
| Investment | 35,151 | 1,642 | 36,793 |
| Goodwill | 88,567 | 4,136 | 92,703 |
| ASSETS HELD FOR SALE | 123,718 | 5,778 | 129,496 |

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 September 30, 2021 and 2020 are presented below:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 09.30.2021 | 09.30.2020 | 09.30.2021 | 09.30.2020 |
| OPERATING EXPENSES: | | | | |
| Equity in subsidiaries | - | (54,234) | - | (11,298) |
| Impairment adjustment on assets | - | - | - | (42,936) |
| LOSS FROM OPERATIONS | - | (54,234) | - | (54,234) |
| NET LOSS FOR THE PERIOD – DISCONTINUED OPERATIONS | - | (54,234) | - | (54,234) |

The cash flow statements of discontinued operations are presented below:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 09.30.2021 | 09.30.2020 | 09.30.2021 | 09.30.2020 |
| Cash flows from discontinued operations activities: | | | | |
| Net loss for the period | - | (54,234) | - | (54,234) |
| Equity in subsidiaries | - | 54,234 | - | 11,298 |
| Impairment adjustment on assets | - | - | - | 42,936 |
| Total cash provided by discontinued operations | - | - | - | - |

29. 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 initial public offering of primary and secondary distribution of common shares, 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 CSA. 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 CSA, as a selling shareholder.

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