(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 March 31, 2021 and Report On Review of Interim Financial Information

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

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

Introduction

We have reviewed the individual and consolidated interim financial information of **Springs Global Participações S.A. ("Company")**, included in the Quarterly Information (ITR) related to the quarter ended March 31, 2021, which consist of the balance sheet at March 31, 2021 and the related statements of income and comprehensive income and the changes in equity and cash flows for the quarter then ended including a summary of significant accounting policies and other explanatory notes.

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

Scope of the review

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

Conclusion on the individual and consolidated interim information

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

Other matters

Interim statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added for the quarter ended March 31, 2021, prepared under the responsibility of the Company's Management and presented as supplementary information for the purposes of IAS 34. These statements were submitted to review procedures executed with the review of the quarterly information, with the purpose of concluding whether they are reconciled with the interim financial information and accounting records, as applicable, and if its form and contents meet the criteria defined in NBC TG 09 - Statements of Value Added. Based on our review, we are not aware of any fact that would lead us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria established in this Standard and consistently with the individual and consolidated interim financial information taken as a whole.

São Paulo, May 13, 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 MARCH 31, 2021 AND DECEMBER 31,2020

(In thousands of Brazilian Reais)

ASSETS

	Note	Company 03.31.2021	Company 12.31.2020	Consolidated 03.31.2021	Consolidated 12.31.2020
CURRENT:					
Cash and cash equivalents	3	111	332	156,068	168,793
Marketable securities	4	-	-	18,367	16,311
Accounts receivable	5	-	-	501,426	509,086
Financial leases receivable	11	-	-	17,841	16,230
Inventories	6.a	-	-	444,762	403,669
Advances to suppliers	6.b	-	-	15,475	11,575
Recoverable taxes	18.c	15	16	77,062	64,992
Cash holdback amount		-	-	-	20,787
Other receivables		2,926	964	32,556	29,017
Assets held for sale	28	-	-	135,635	123,718
Total current assets		3,052	1,312	1,399,192	1,364,178
NONCURRENT:					
Long-term assets:					
Marketable securities	4	1,675	1,671	1,675	1,671
Receivable – clients	7	-	-	22,384	25,171
Related parties	22	-	-	80,121	70,341
Advances to suppliers	6.b	-	-	42,054	42,054
Financial leases receivable	11	-	-	104,321	96,659
Recoverable taxes	18.c	-	144	77,820	101,943
Deferred taxes	18.b	1,905	1,905	20,260	18,773
Property, plant and equipment held for sale	10.b	-	-	18,463	16,725
Escrow deposits	19	-	-	10,617	10,691
Others		-	-	75,708	74,335
		3,580	3,720	453,423	458,363
Investments in subsidiaries	8.a	1,130,065	1,146,045	-	-
Investment properties	9	-	-	405,187	405,046
Property, plant and equipment	10.a	-	-	631,017	635,413
Right-of-use assets	11	-	-	213,361	204,641
Intangible assets	12	-	-	96,912	97,139
Total noncurrent assets		1,133,645	1,149,765	1,799,900	1,800,602
Total assets		1,136,697	1,151,077	3,199,092	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 MARCH 31, 2021 AND DECEMBER 31,2020

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

		Company		Consolidated	
	Note	03.31.2021	12.31.2020	03.31.2021	12.31.2020
LIABILITIES					
CURRENT:					
Loans and financing	13	9,959	19,387	515,326	522,536
Debentures	14	-	-	87,189	91,085
Suppliers	15	56	22	205,871	206,097
Payroll and related charges		78	78	81,763	94,524
Taxes		46	69	21,241	38,104
Government concessions	16	-	-	29,368	27,658
Leases payable	17	-	-	68,847	64,447
Other payables		603	-	87,979	50,634
Total current liabilities		10,742	19,556	1,097,584	1,095,085
NONCURRENT:					
Loans and financing	13	26,294	18,685	340,063	355,577
Leases payable	17	-	-	295,846	281,307
Related parties	22	10,094	7,088	1,130	-
Government concessions	16	-	-	56,397	53,210
Miscellaneous accruals	19	-	-	13,176	13,386
Employee benefit plans	20	-	-	141,743	131,703
Deferred taxes	18.b	-	-	81,439	85,042
Other obligations		-	-	82,147	43,722
Total noncurrent liabilities		36,388	25,773	1,011,941	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		113,837	113,814	113,837	113,814
Cumulative translation adjustments		(173,860)	(185,663)	(173,860)	(185,663)
Accumulated deficit		(790,056)	(762,049)	(790,056)	(762,049)
Total equity		1,089,567	1,105,748	1,089,567	1,105,748
Total liabilities and equity		1,136,697	1,151,077	3,199,092	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-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020

(In thousands of Brazilian Reais)

	Note	Company 03.31.2021	Company 03.31.2020	Consolidated 03.31.2021	Consolidated 03.31.2020
NET REVENUES	26	-	-	430,358	302,414
COST OF GOODS SOLD	25	-	-	(271,524)	(208,457)
GROSS PROFIT		-	-	158,834	93,957
OPERATING INCOME (EXPENSES):					
Selling expenses	25	-	-	(91,234)	(66,159)
General and administrative expenses	25	(287)	(174)	(29,881)	(28,565)
Management fees	25	(228)	(228)	(3,159)	(2,918)
Equity in subsidiaries	8.a	(27,806)	(150,231)	-	-
Others, net		-	-	(6,312)	2,192
INCOME (LOSS) FROM OPERATIONS		(28,321)	(150,633)	28,248	(1,493)
Financial expenses – interests and charges		(767)	(845)	(31,246)	(30,569)
Financial expenses – interest on leases	17	-	-	(3,116)	(3,930)
Financial expenses – taxes, discounts and others		(109)	(168)	(28,157)	(29,825)
Financial income		19	2	6,023	8,690
Exchange rate variations, net		1,774	-	(2,631)	(24,695)
LOSS FROM OPERATIONS BEFORE TAXES		(27,404)	(151,644)	(30,879)	(81,822)
Income and social contribution taxes:					
Current	18.a	(603)	-	(747)	(115)
Deferred	18.a	-	-	3,619	(69,707)
NET LOSS FOR THE PERIOD – CONTINUING OPERATIONS		(28,007)	(151,644)	(28,007)	(151,644)
Equity in subsidiary - discontinued operations	28	-	(51,134)	-	-
Net loss from subsidiary – discontinued operations	28	-	-	-	(51,134)
NET LOSS FOR THE PERIOD		(28,007)	(202,778)	(28,007)	(202,778)
BASIC AND DILUTED LOSS PER SHARE — R$	27				
Continuing operations		(0.5601)	(3.0329)		
Discontinued operations		-	(1.0227)		
Total		(0.5601)	(4.0556)		

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-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020

(In thousands of Brazilian Reais)

	Company and consolidated	
	03.31.2021	03.31.2020
NET LOSS FOR THE PERIOD	(28,007)	(202,778)
Other comprehensive income (loss):		
- Items that will impact the statements of operations:		
Exchange rate variations on foreign investments	11,803	47,850
- Items that will not impact the statements of operations:		
Actuarial gain on pension plans	23	93
COMPREHENSIVE LOSS FOR THE PERIOD	(16,181)	(154,835)
ATTRIBUTABLE TO:		
Owners of the Company		
Continuing operations	(16,181)	(103,701)
Discontinued operations	-	(51,134)
	(16,181)	(154,835)

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

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 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		-	-	-	-	(202,778)	(202,778)
Exchange rate variations on foreign investments	2.1.b	-	-	-	121,923	-	121,923
Actuarial gain on pension plans		-	-	93	-	-	93
Impact of subsidiaries-							
Exchange rate variations on foreign investments	2.1.b	-	-	-	(74,073)	-	(74,073)
Total comprehensive income (loss)		-	-	93	47,850	(202,778)	(154,835)
BALANCES AS OF MARCH 31, 2020		1,860,265	79,381	117,877	(181,845)	(643,887)	1,231,791

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 THREE-MONTH PERIOD ENDED MARCH 31, 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		-	-	-	-	(28,007)	(28,007)
Exchange rate variations on foreign investments	2.1.b	-	-	-	36,958	-	36,958
Actuarial gain on pension plans		-	-	23	-	-	23
Impact of subsidiaries-							
Exchange rate variations on foreign investments, net	2.1.b	-	-	-	(25,155)	-	(25,155)
Total comprehensive income (loss)		-	-	23	11,803	(28,007)	(16,181)
BALANCES AS OF MARCH 31, 2021		1,860,265	79,381	113,837	(173,860)	(790,056)	1,089,567

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 THREE-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020

(In thousands of Brazilian Reais)

	Company		Consolidated	
	03.31.2021	03.31.2020	03.31.2021	03.31.2020
Cash flows from operating activities				
Net loss for the period	(28,007)	(202,778)	(28,007)	(202,778)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	24,547	21,884
Equity in subsidiaries	27,806	201,365	-	8,198
Income and social contribution taxes	603	-	(2,872)	69,822
Impairment adjustment on assets	-	-	-	42,936
(Gain) loss on disposal of property, plant and equipment	-	-	1,893	(249)
Monetary variations	-	-	4,844	1,584
Exchange rate variations	(1,774)	-	2,631	24,695
Bank charges, interests and commissions	674	953	48,263	55,238
Financial expenses – interest on leases	-	-	3,116	3,930
	(698)	(460)	54,415	25,260
Changes in assets and liabilities				
Marketable securities	-	-	2,045	127,593
Accounts receivable	-	-	3,886	89,071
Inventories	-	-	(40,801)	(20,308)
Advances to suppliers	-	-	(3,857)	16,185
Recoverable taxes	145	56	12,053	18,948
Cash holdback amount	-	-	22,120	-
Suppliers	34	51	(2,770)	(35,341)
Others	(197)	(84)	16,933	(16,882)
Net cash provided by (used in) operating activities	(716)	(437)	64,024	204,526
Interest paid on loans	(148)	(363)	(17,320)	(20,938)
Commissions and fees paid on loans	(108)	(108)	(4,445)	(18,108)
Taxes received (paid)	-	-	(46)	972
Net cash provided by (used in) operating activities after interest and income taxes	(972)	(908)	42,213	166,452
Cash flows from investing activities				
Investment properties	-	-	(141)	(390)
Property, plant and equipment	-	-	(12,844)	(30,143)
Proceeds from sale of fixed assets	-	-	2,582	12,579
Loans between related parties	2,782	3,000	(9,987)	(67,866)
Net cash provided by (used in) investing activities	2,782	3,000	(20,390)	(85,820)

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

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020

(In thousands of Brazilian Reais)

	Company		Consolidated	
	03.31.2021	03.31.2020	03.31.2021	03.31.2020
Cash flows from financing activities				
Proceeds from new loans and debentures, net of prepaid charges	-	28	51,077	207,832
Repayment of loans and debentures	(2,031)	(2,036)	(80,760)	(257,088)
Repayment of leases, net	-	-	(10,060)	(15,654)
Net cash used in financing activities	(2,031)	(2,008)	(39,743)	(64,910)
Effect of exchange rate variations on cash and cash equivalents of foreign subsidiaries	-	-	5,195	1,011
Increase (decrease) in cash and cash equivalents	(221)	84	(12,725)	16,733
Cash and cash equivalents:				
At the beginning of the period	332	154	168,793	151,935
At the end of the period	111	238	156,068	168,668
Increase (decrease) in cash and cash equivalents	(221)	84	(12,725)	16,733

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 THREE-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020

(In thousands of Brazilian Reais)

	Company		Consolidated	
	03.31.2021	03.31.2020	03.31.2021	03.31.2020
REVENUES				
Sales of products, goods and services	-	-	516,124	366,777
Gain (loss) on disposal of property, plant and equipment	-	-	(1,893)	249
	-	-	514,231	367,026
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(207,888)	(158,166)
Materials, energy, third party services, and others	(509)	(376)	(137,616)	(74,247)
	(509)	(376)	(345,504)	(232,413)
GROSS VALUE ADDED	(509)	(376)	168,727	134,613
RETENTIONS				
Depreciation and amortization	-	-	(24,547)	(21,884)
	-	-	(24,547)	(21,884)
NET VALUE ADDED PRODUCED BY THE COMPANY	(509)	(376)	144,180	112,729
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries	(27,806)	(150,231)	-	-
Equity in subsidiaries - discontinued operations	-	(51,134)	-	-
Financial income	19	2	6,023	8,690
Exchange rate variation	1,774	-	4,437	13,440
Royalties	-	-	4,136	4,563
Others - Net income - discontinued operations	-	-	-	(51,134)
	(26,013)	(201,363)	14,596	(24,441)
TOTAL VALUE ADDED FOR DISTRIBUTION (TO RETAIN)	(26,522)	(201,739)	158,776	88,288
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	-	-	93,300	82,116
Taxes, duties and contributions	718	195	42,056	123,441
Payments to third parties	767	844	51,427	85,509
Net loss for the period	(28,007)	(202,778)	(28,007)	(202,778)
VALUE ADDED DISTRIBUTED (RETAINED)	(26,522)	(201,739)	158,776	88,288

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 MARCH 31, 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 Ltda. ("AMMO"), which became an indirect subsidiary of the Company.

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

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

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Company's Board of Directors on May 13, 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 March 31, 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 period.

(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. Amortization is calculated using the straight-line method according to the remaining term of the contracts.

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

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

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

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

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

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

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

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

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

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

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

2.3 – Accounting estimates

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

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

2.4 – Consolidation criteria

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

The subsidiary CSA, parent company of Coteminas Argentina S.A., da AMMO Varejo Ltda., LAT Capital Ltd., C7S Tecnologia Ltda. and Compañia Textil Guaraní S.R.L., with ownership interest of 100%, 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); (iii) Casa Springs S.A. de C.V. (Mexico); (iv) Springmaid International, Inc. (India), 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 March 31, 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	-
March 31	5.6973	5.1987	9.6%
Average exchange rate:			
March 31 (3 months)	5.5678	4.6556	19.6%

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	03.31.2021	12.31.2020	03.31.2021	12.31.2020
Repurchase transactions (*)	50	68	121,365	122,947
Foreign exchange funds	-	-	-	62
Foreign deposits	-	-	29,016	38,956
Checking accounts deposits	61	264	5,687	6,828
	111	332	156,068	168,793

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

4. MARKETABLE SECURITIES

	Consolidated	
	03.31.2021	12.31.2020
Investment fund – foreign	17,796	15,792
Restricted cash (1)	2,246	2,190
	20,042	17,982
Current	(18,367)	(16,311)
Noncurrent	1,675	1,671

(1) On March 31, 2021, the Company had R$1,675 of restricted cash in financial institutions (R$1,671on December 31, 2020), and subsidiary SGUS had restricted cash of R$571, equivalent to US$100 thousand (US$100 thousand as of December 31, 2020) related to a compensating balance arrangement.

5. ACCOUNTS RECEIVABLE

	Consolidated	
	03.31.2021	12.31.2020
Domestic customers	470,263	488,445
Foreign customers	44,608	27,704
Credit card companies	6,324	12,847
Related parties – domestic market	6,062	4,182
Related parties – foreign market	1,425	2,918
	528,682	536,096
Allowance for expected losses on bad debts	(27,256)	(27,010)
	501,426	509,086

Accounts receivable from customers consist of receivables with an average collection period of approximately 81 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 three months period ended March 31, 2021.

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

	03.31.2021	12.31.2020
Balance at the beginning of the period	(27,010)	(25,872)
Additions	-	(597)
Exchange rate variation	(246)	(541)
Balance at the end of the period	(27,256)	(27,010)

6. INVENTORIES AND ADVANCES TO SUPPLIERS

a. Inventories

	Consolidated	
	03.31.2021	12.31.2020
Raw materials and supplies	80,322	84,629
Work in process	131,769	129,705
Finished products	194,633	151,320
Repair parts	38,038	38,015
	444,762	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 March 31, 2021, no additional potential losses were identified in realizing these inventories. Idle costs (including loss resulting from COVID-19) are recognized directly in the income statement for the period and are not considered in the production cost of the finished goods produced.

Changes in the provision are as follows:

	12.31.2020	(Additions) Disposals	Exchange rate variations	03.31.2021
Raw materials and supplies	(2,251)	(559)	1	(2,809)
Finished products	(23)	8	-	(15)
Repair parts	(885)	(318)	-	(1,203)
	----------	----------	----------	----------
	(3,159)	(869)	1	(4,027)
	======	======	======	======

	12.31.2019	(Additions) Disposals	Exchange rate variations	03.31.2020
Raw materials and supplies	(1,667)	(769)	(380)	(2,816)
Work in process	(102)	107	(5)	-
Finished products	(3)	(22)	(4)	(29)
Repair parts	(1,171)	-	-	(1,171)
	-------------	----------	----------	----------
	(2,943)	(684)	(389)	(4,016)
	======	======	======	======

b. Advances to suppliers

	Consolidated	
	03.31.2021	12.31.2020
Raw material supplier	18,900	18,900
Other advances	38,629	34,729
	-----------	-----------
	57,529	53,629
	(15,475)	(11,575)
Current	-----------	-----------
Noncurrent	42,054	42,054
	======	======

7. RECEIVABLE – CLIENTS

	Consolidated	
	03.31.2021	12.31.2020
Clients in judicial reorganization (a)	11,389	11,389
Clients in court recovery plan (b)	1,469	1,469
Installment plan agreed with clients (c)	3,867	4,301
Financing on stores transfer (d)	2,393	3,208
Sale of real estates (e)	15,605	16,165
Others	1,277	914
	------------	------------
	36,000	37,446
Current (*)	(13,616)	(12,275)
	------------	------------
Noncurrent	22,384	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 44 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 34 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 March 31, 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 03.31.2021	Total investment 12.31.2020	Equity in subsidiaries (Company) 03.31.2021	Equity in subsidiaries (Company) 03.31.2020
SGUS (*)	416,862	100.0	(5,513)	416,862	385,394	(5,513)	(73,272)
CSA	713,203	100.0	(22,293)	713,203	760,651	(22,293)	(76,959)
				-------------	-------------	-------------	-------------
				1,130,065	1,146,045	(27,806)	(150,231)
				========	========	========	=======

(*) The net loss for the first quarter of 2020 does not include the discontinued portion of the equity in subsidiaries in the statement of operations of R$51,134. 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 2021. Keeco Holdings, LLC, is a company with a portfolio of leading products and brands in the curtain, utility bedding, and decorative bedding markets, as well as a diversified portfolio of customers, including the leading traditional and digital retail companies in the North American market.

In the fourth quarter of 2020, the subsidiary SGUS made this investment available for sale with the expectation of completion in 2021, and therefore reclassified the investment to the line “Assets held for sale”.

The equity losses of this investment together with the goodwill impairment in the first quarter 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 03.31.2021	Total investment 12.31.2020	Equity in subsidiaries 03.31.2021	Equity in subsidiaries 03.31.2020
Subsidiaries -							
Coteminas Argentina S.A.	75,691	100.0	4,442	75,691	62,850	4,442	(4,982)
LAT Capital Ltd.	15,203	100.0	752	15,203	13,175	752	1,247
C7S Tecnologia Ltda.	23,907	100.0	(827)	23,907	24,734	(827)	(520)
AMMO Varejo Ltda. (1)	93,929	100.0	(18,143)	121,232	139,375	(18,143)	(13,513)
Compañía Textil Guaraní S.R.L. (2)	5,859	100.0	(540)	5,859	4,449	(540)	(466)
				----------	----------	----------	----------
				241,892	244,583	(14,316)	(18,234)
				======	======	======	======

(1) 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.

(2) During 2021, the subsidiary CSA subscribed and paid-in capital in the indirect subsidiary in the amount of R$727.

d) Changes in investments in subsidiaries and affiliate:

	12.31.2020	Equity	Exchange rate variations on foreign investments (1)	Assets and liabilities valuation adjustments	03.31.2021
Subsidiaries					
SGUS	385,394	(5,513)	36,958	23	416,862
CSA	760,651	(22,293)	(25,155)	-	713,203
	1,146,045	(27,806)	11,803	23	1,130,065

	12.31.2019	Equity	Exchange rate variations on foreign investments (1)	Assets and liabilities valuation adjustments	Goodwill allocation (2)	03.31.2020
Subsidiaries						
SGUS	422,901	(124,406)	121,923	93	-	420,511
CSA	997,676	(76,959)	(74,073)	-	-	846,644
	1,420,577	(201,365)	47,850	93	-	1,267,155
Affiliate						
Keeco Holdings, LLC	137,946	(8,198)	11,872	-	(96,974)	44,646

(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	141	-	-	141
Balances as of March 31, 2021	306,377	45,034	53,776	405,187

	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	390	-	-	390
Balances as of March 31, 2020	301,940	44,974	60,240	407,154

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

(1) Business complex: It is a commercial complex of 319.7 thousand m², known as Centro Comercial Seridó, where 122.2 thousand m² have already been developed and leased. In the first quarter of 2021, rental income was R$2,515 (R$2,219 in the first quarter 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:

	03.31.2021	12.31.2020
Residual cost of the property	110,703	110,562
Surplus/added value (a)	195,674	195,674
	----------	----------
Fair value (b)	306,377	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:

	03.31.2021	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:

	03.31.2021	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

		03.31.2021			12.31.2020
	Rate (*) %	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	3.2	50,157	(22,040)	28,117	26,356
Buildings	2.4	352,558	(163,824)	188,734	187,549
Installations	5.6	215,800	(160,567)	55,233	47,687
Machinery and equipment	6.7	1,155,859	(902,219)	253,640	259,418
Hydroelectric Plant - Porto Estrela (**)	3.8	37,666	(21,253)	16,413	16,772
Furniture, fixtures and others	8.7	160,426	(132,219)	28,207	28,344
Construction in progress	-	60,673	-	60,673	69,287
		--------------	--------------	--------------	--------------
		2,033,139	(1,402,122)	631,017	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	745	70	93	2,492	-	3,767	5,677	12,844
Net disposals	(12)	-	(53)	(2,393)	-	(3,169)	(268)	(5,895)
Transfers								
- PP&E	175	1,616	8,934	3,689	-	845	(15,259)	-
- Assets held for sale	-	-	(15)	(431)	-	-	-	(446)
- Assets received in lending	-	-	-	-	-	202	-	202
Exchange rate variations	1,267	1,496	439	1,276	-	19	1,236	5,733
Depreciation in the period	(414)	(1,997)	(1,852)	(10,411)	(359)	(1,801)	-	(16,834)
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Balance as of March 31, 2021	28,117	188,734	55,233	253,640	16,413	28,207	60,673	631,017
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	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	20	4	194	20,341	-	501	9,083	30,143
Net disposals	(204)	-	(7)	(13)	-	(175)	(451)	(850)
Transfers								
- PP&E	-	(49)	595	16,017	-	205	(16,768)	-
- Assets in lending	-	-	-	-	-	5,072	-	5,072
Exchange rate variations	2,242	2,722	1,018	2,821	-	99	1,533	10,435
Depreciation in the period	(441)	(2,020)	(1,777)	(9,204)	(359)	(1,362)	-	(15,163)
	----------	----------	----------	----------	----------	----------	----------	----------
Balance as of March 31, 2020	26,750	193,080	48,469	275,831	17,849	24,751	61,375	648,105
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(1) See note 16.

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

The Company annually assesses the recoverability of property, plant and equipment, considering cash flow for the period of 5 years. On March 31, 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	03.31.2021
Cost	453,232	-	(1,133)	41,777	2,217	496,093
Depreciation	(388,593)	(122)	1,132	(36,189)	(1,771)	(425,543)
Provision for loss	(47,914)	-	-	(4,173)	-	(52,087)
	----------	----------	----------	----------	----------	----------
	16,725	(122)	(1)	1,415	446	18,463
	======	======	======	======	======	======

	12.31.2019	Additions	Disposals	Exchange rate variations	03.31.2020
Cost	396,489	157	(53,500)	97,398	440,544
Depreciation	(334,561)	(112)	39,909	(84,333)	(379,097)
Provision for loss	(37,507)	-	1,264	(9,736)	(45,979)
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	24,421	45	(12,327)	3,329	15,468
	======	======	======	======	======

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

The composition of assets contracted as leases are as follows:

		Consolidated			
		03.31.2021			12.31.2020
	Rate (2) %	Cost	Accumulated amortization	Net book value	Net book value
Properties (CSA and AMMO – own use)	44.1	14,114	(7,087)	7,027	7,772
Properties – plants (Guarani – own use)	11.7	11,688	(1,702)	9,986	9,419
Properties (SGUS – own use)	8.3	50,574	(9,483)	41,091	38,442
Properties – stores (AMMO – own use)	25.4	87,170	(32,777)	54,393	56,091
Vehicles	38.8	1,881	(1,253)	628	273
Investment properties (1)		100,236	-	100,236	92,644
		------------	------------	------------	------------
Total right-of-use assets		265,663	(52,302)	213,361	204,641
Financial leases receivable (1)		122,162	-	122,162	112,889
		------------	------------	------------	------------
		387,825	(52,302)	335,523	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	-	908	3,679	-	-	8,895	10,838	24,320
Additions (1)			-	3,867	524	-	-	4,391
Disposals (2)	-	-	-	(965)	-	-	-	(965)
Amortization in the period	(745)	(341)	(1,030)	(4,600)	(169)	-	-	(6,885)
Interest	-	-	-	-	-	2,592	3,011	5,603
Sublease cash receipts	-	-	-	-	-	(3,895)	(4,576)	(8,471)
Balance as of March 31, 2021	7,027	9,986	41,091	54,393	628	100,236	122,162	335,523

	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	-	1,870	9,404	-	-	20,691	26,445	58,410
Additions (1)	8	8,749	-	8,656	70	-	-	17,483
Disposals (2)	-	-	-	(3,267)	-	-	-	(3,267)
Amortization in the period	(817)	(309)	(861)	(3,672)	(125)	-	-	(5,784)
Interest	-	-	-	-	-	2,165	2,639	4,804
Sublease cash receipts	-	-	-	-	-	(1,573)	(3,788)	(5,361)
Balance as of March 31, 2020	10,086	10,310	41,341	44,553	511	92,451	117,015	316,267

(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:

Year	Lease receivable 03.31.2021	12.31.2020
2021	14,091	17,124
2022	18,978	17,310
2023	19,195	17,508
2024 then after	141,273	128,860
	193,537	180,802
Present value adjustment	(71,375)	(67,913)
	122,162	112,889
Current	(17,841)	(16,230)
Noncurrent	104,321	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 March 31, 2021, the subsidiary SGUS had no defaults with the current sub-lease agreements.

12. INTANGIBLE ASSETS

	Consolidated 03.31.2021	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)	10,566	9,559
Intellectual property (5)	17,699	18,933
Store locations (real estate intangible) (6)	25,077	25,077
Total	96,912	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	-	-	(248)	(1,234)	-	(1,482)
Exchange rate variations	-	-	1,255	-	-	1,255
Balance as of March 31, 2021	27,303	16,267	10,566	17,699	25,077	96,912

	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)	-	96,974	-	-	-	-	96,974
Disposals	-	-	-	-	-	(2,370)	(2,370)
Amortization	-	-	-	(212)	(881)	-	(1,093)
Exchange rate variations	-	28,101	-	2,422	-	-	30,523
Impairment adjustment (2)	-	(42,936)	-	-	-	-	(42,936)
Balance as of March 31, 2020	27,303	82,139	16,267	10,598	14,506	22,987	173,800

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

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.

(2) Goodwill on the acquisition of Keeco: 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.

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

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

(5) Intellectual property: 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

	Currency	Annual interest rate - %	Maturity	Consolidated 03.31.2021	12.31.2020
Local currency (*):					
Banco do Brasil S.A. (a)	R$	130.0 and 294.0 of CDI	2023	371,704	382,011
Banco do Brasil S.A. – CDC	R$	7.2 to 9.9	2022	56,906	55,657
Banco BBM S.A. – CCB	R$	149.0 and 150.5 of CDI and 3.9 and 7.0 + CDI	2024	17,952	24,481
Banco ABC do Brasil S.A. – CCE	R$	4.3 + CDI	2022	31,270	36,320
Banco Bradesco S.A.	R$	6.1 + CDI	2024	17,876	17,543
BNDES (Finame)	R$	3.0 to 9.5	2023	32	35
Banco Daycoval S.A.	R$	5.2 to 7.1 + CDI	2024	44,577	47,030
Banco Santander S.A. (b)	R$	3.5 and 4.7 + CDI	2021	40,662	55,228
Banco Safra S.A. – CCB	R$	6.8 and 7.4 + CDI	2024	54,091	54,054
Banco Fibra S.A. – CCE	R$	7.5 + CDI	2022	20,065	20,075
Banco Sofisa S.A.	R$	6.8 + CDI	2024	20,135	20,131
Caixa Econômica Federal – CCB (*) (c)	R$	180.0 of CDI	2023	16,946	18,971
Banco Pine S.A.	R$	7.8 + CDI	2022	10,070	11,926
Banco Industrial do Brasil S.A.	R$	6.8 + CDI	2021	8,900	1,255
Banco ABC do Brasil S.A. - CCB	R$	3.9 + CDI	2022	10,004	10,003
Banco BTG Pactual S.A. (d)	R$	12.5 and 13.9	2022	44,150	36,885
Financiadora de Estudos e Projetos - FINEP (*)	R$	4,4	2025	19,307	19,101
Others	R$	-	2021	5,391	7,864
				-----------	-----------
				790,038	818,570
Foreign currency:					
Banco Patagônia	$ARG	30.0	2021	919	1,194
Banco Luso Brasileiro S.A.	US$	8.5	2021	11,199	10,019
Banco do Brasil S.A.	US$	4.8 and 5.0	2021	42,019	37,859
Banco Pine S.A.	US$	9.5	2021	11,214	10,471
				-----------	-----------
				65,351	59,543
				-----------	-----------
Total				855,389	878,113
Current				(515,326)	(522,536)
				-----------	-----------
Noncurrent				340,063	355,577
				=======	=======

(*) Loans held in part by the Company in the amount of R$36,253 (R$38,072 on December 31, 2020).

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

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

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

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

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

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

Maturities are as follows:

		2022				
	2021	Current	Noncurrent	2023	2024 and 2025	Total
Local currency:						
Banco do Brasil S.A.	142,988	10,911	108,955	108,850	-	371,704
Banco do Brasil S.A. – CDC	55,753	1,153	-	-	-	56,906
Banco BBM S.A. – CCB	9,619	714	2,143	2,857	2,619	17,952
Banco ABC do Brasil S.A. – CCE	15,230	5,047	10,993	-	-	31,270
Banco Bradesco S.A.	5,536	-	4,936	4,936	2,468	17,876
BNDES (Finame)	11	4	11	6	-	32
Banco Daycoval S.A.	15,460	5,117	12,264	10,903	833	44,577
Banco Santander S.A.	40,662	-	-	-	-	40,662
Banco Safra S.A. – CCB	45,996	714	2,381	2,857	2,143	54,091
Banco Fibra S.A. – CCE	13,398	5,000	1,667	-	-	20,065
Banco Sofisa S.A.	11,801	714	2,382	2,857	2,381	20,135
Caixa Econômica Federal – CCB	6,113	2,031	6,771	2,031	-	16,946
Banco Pine S.A.	6,870	800	2,400	-	-	10,070
Banco Industrial do Brasil S.A.	8,900	-	-	-	-	8,900
Banco ABC do Brasil S.A. – CCB	4,449	1,667	3,888	-	-	10,004
Banco BTG Pactual S.A.	20,216	5,895	18,039	-	-	44,150
Financiadora de Estudos e Projetos – FINEP	622	1,193	3,578	4,771	9,143	19,307
Others	5,391	-	-	-	-	5,391
	------------	------------	------------	------------	------------	------------
	409,015	40,960	180,408	140,068	19,587	790,038
Foreign currency:						
Banco Patagônia	919	-	-	-	-	919
Banco Luso Brasileiro S.A.	11,199	-	-	-	-	11,199
Banco do Brasil S.A.	42,019	-	-	-	-	42,019
Banco Pine S.A.	11,214	-	-	-	-	11,214
	------------	------------	------------	------------	------------	------------
	65,351	-	-	-	-	65,351
	------------	------------	------------	------------	------------	------------
Total	474,366	40,960	180,408	140,068	19,587	855,389
	=======	=======	=======	=======	=======	=======

Changes in consolidated loans and debentures were as follows:

	03.31.2021			03.31.2020
	Loans	Debentures	Total	Total
Beginning balance	878,113	91,085	969,198	1,042,035
Debt proceeds or renewal	50,163	-	50,163	205,979
Accrued interest	13,324	1,445	14,769	19,917
Paid principal	(80,260)	(500)	(80,760)	(257,088)
Paid interest	(12,346)	(4,974)	(17,320)	(20,938)
Exchange rate variations	5,615	-	5,615	42,047
Prepaid charges, net	780	133	913	1,853
Ending balance	855,389	87,189	942,578	1,033,805

14. DEBENTURES

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

4th Series Debentures Terms

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

(*) Maturity extended to 08/19/2021.

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

(1) Guarantees:

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

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

(2) Covenants:

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

	Consolidated	
	03.31.2021	12.31.2020
Original amount	87,000	87,500
Prepaid interest	-	(132)
Accrued interest	189	3,717
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Debentures total	87,189	91,085
	======	======

15. SUPPLIERS

	Consolidated	
	03.31.2021	12.31.2020
Domestic market	180,818	181,301
Foreign market	25,053	24,796
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	205,871	206,097
	======	======

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 69 days (75 days as of December 31, 2020).

16. GOVERNMENT CONCESSIONS

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

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

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

Total annual installments of the concession:

	Years 5 to 15 2002 to 2012	Years 16 to 25 2013 to 2022	Years 26 to 35 2023 to 2032
Historical amounts:			
Minimum installment	120	120	120
Additional installment	-	12,510	20,449
Annual installment	120	12,630	20,569
Total installments	1,320	126,300	205,690
Monetarily adjusted installments	9,208	881,046	1,434,840

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	
	03.31.2021	03.31.2020
Opening balance	80,868	65,983
Appropriation of the grant installment	1,324	1,051
Payments	(5,900)	(5,479)
Interest (7.5% p.a.)	5,735	4,263
Monetary variation (IGPM)	3,738	1,468
	85,765	67,286
Current	(29,368)	(22,776)
Noncurrent	56,397	44,510

As of March 31, 2021, the net book value of the property, plant and equipment related to the current concession is R$16,413 (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	03.31.2021	12.31.2020
Properties	2024	7,745	8,471
Properties – plant	2028	10,594	9,877
SGUS (*)	2030	288,061	266,286
Properties – stores	2025	57,648	60,833
Vehicles	2022	645	287
		364,693	345,754
Current		(68,847)	(64,447)
Noncurrent		295,846	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	2,749	916	2,750	2,174	70	8,659
Properties – plant	1,485	495	1,485	1,980	9,077	14,522
SGUS (*)	33,946	12,233	34,222	45,967	332,378	458,746
Properties – stores	15,707	4,434	12,128	15,242	21,726	69,237
Vehicles	445	75	166	-	-	686
Gross total	54,332	18,153	50,751	65,363	363,251	551,850
Adjust to present value	(2,074)	(1,564)	(6,623)	(13,224)	(163,672)	(187,157)
Total payable	52,258	16,589	44,128	52,139	199,579	364,693

(*) 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:

	03.31.2021						03.31.2020
	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)	-	-	-	3,867	524	4,391	17,483
Disposals (2)	-	-	-	(1,056)	-	(1,056)	(3,491)
Charges	191	247	7,241	1,128	20	8,827	8,880
Payments	(917)	(481)	(11,030)	(5,918)	(186)	(18,532)	(15,654)
Renegotiations (3)	-	-	-	(1,206)	-	(1,206)	-
Exchange variation	-	951	25,564	-	-	26,515	64,461
Others	-	-	-	-	-	-	(149)
Balance at the end of the period	7,745	10,594	288,061	57,648	645	364,693	345,732

(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 Varejo 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 Varejo adopted the practical expedient, and adjusted the lease liabilities in the amount of the reductions obtained.

The effects on results as of March 31, 2021 and 2020 are as follows:

	03.31.2021						03.31.2020
Continuing operations	Properties	Properties – plant	SGUS	Properties – stores	Vehicles	Consolidated	Consolidated
Lease payments in the period	917	481	11,030	5,918	186	18,532	15,654
PIS and COFINS recovered	-	-	-	(547)	-	(547)	(414)
Renegotiations	-	-	-	1,206	-	1,206	-
Amortization of right-of-use assets	(745)	(341)	(1,030)	(4,600)	(169)	(6,885)	(5,784)
PIS and COFINS on amortization	-	-	-	439	-	439	268
Interest net	(191)	(247)	(1,638)	(1,128)	(20)	(3,224)	(4,076)
PIS and COFINS on interest	-	-	-	108	-	108	146
Disposals, net	-	-	-	91	-	91	224
Sublease cash receipts	-	-	(8,471)	-	-	(8,471)	(5,361)
Total effects with the application of IFRS 16	(19)	(107)	(109)	1,487	(3)	1,249	657

18. INCOME TAX AND OTHER TAXES

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

	03.31.2021				
	SGPSA (Parent Co.)	CSA Consolidated	SGUS	Others (2)	Consolidated
Income (loss) from operations before taxes	(27,404)	(25,852)	(5,573)	27,950	(30,879)
Equity in subsidiaries	27,806	-	-	(27,806)	-
Investment support	-	(15,976)	-	-	(15,976)
Permanent differences from foreign subsidiaries	-	-	(507)	-	(507)
Other	-	185	-	-	185
Income tax basis	402	(41,643)	(6,080)	144	(47,177)
34% income tax rate	(137)	14,159	2,068	(49)	16,041
Unrecognized tax credits	(466)	(10,544)	(2,152)	49	(13,113)
Others	-	(56)	-	-	(56)
Total income taxes	(603)	3,559	(84)	-	2,872
Continuing operations					
Income taxes – current	(603)	(60)	(84)	-	(747)
Income taxes – deferred	-	3,619	-	-	3,619
	(603)	3,559	(84)	-	2,872

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

	03.31.2020				
	SGPSA (Parent Co.)	CSA Consolidated	SGUS	Others (2)	Consolidated
Income (loss) from operations before taxes	(202,778)	(76,913)	(55,159)	201,894	(132,956)
Equity in subsidiaries	201,365	-	8,198	(201,365)	8,198
Investment support	-	(5,526)	-	-	(5,526)
Permanent differences from foreign subsidiaries	-	-	(549)	-	(549)
Other	-	190	-	-	190
	------------	------------	------------	------------	------------
Income tax basis	(1,413)	(82,249)	(47,510)	529	(130,643)
34% income tax rate	480	27,965	16,154	(180)	44,419
Unrecognized tax credits	(480)	(27,969)	(16,154)	180	(44,423)
Valuation allowance adjustment	-	-	(69,707)	-	(69,707)
Others	-	(42)	(69)	-	(111)
	------------	------------	------------	------------	------------
Total income taxes	-	(46)	(69,776)	-	(69,822)
	=======	=======	=======	=======	=======
Continuing operations					
Income taxes – current	-	(46)	(69)	-	(115)
Income taxes – deferred	-	-	(69,707)	-	(69,707)
	------------	------------	------------	------------	------------
	-	(46)	(69,776)	-	(69,822)
	=======	=======	=======	=======	=======

(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:

		Recognized in:				
	12.31.2020	Statement of operations	Equity	Exchange rate variations	Other	03.31.2021
Assets:						
Temporary differences (CSA – Argentina) (1) (a)	388	-	-	-	-	388
Temporary differences (CSA – Brasil) (1) (p)	16,783	-	-	-	-	16,783
Tax credits from foreign subsidiary (CSA – Brasil) (1) (p)	7,167	-	-	-	-	7,167
Net operating losses (SGUS – EUA) (2) (a)	16,059	-	-	1,547	-	17,606
Temporary differences (AMMO – Brasil) (1) (a)	421	-	-	-	(60)	361
Net operating losses (SGPSA – Brasil) (a)	1,905	-	-	-	-	1,905
	-----------	----------	----------	----------	----------	-----------
	42,723	-	-	1,547	(60)	44,210
Deferred tax liabilities:						
Investment properties (CSA – Brasil) (1) (p)	(86,540)	-	-	-	-	(86,540)
Hyperinflationary adjustment (CSA – Argentina) (1) (p)	(6,103)	-	-	(16)	-	(6,119)
Temporary differences (CSA – Brasil) (1) (p)	(16,349)	3,619	-	-	-	(12,730)
	-----------	----------	----------	----------	----------	-----------
Total deferred taxes, net	(66,269)	3,619	-	1,531	(60)	(61,179)
	======	======	======	======	======	======
Noncurrent assets (sum of a)	18,773	-	-	1,547	(60)	20,260
Noncurrent liabilities (sum of p)	(85,042)	3,619	-	(16)	-	(81,439)
	======	======	======	======	=====	======

As of March 31, 2021, the Company had net operating losses of R$126,938 (R$131,172 as of December 31, 2020) and social contribution tax losses of R$126,866 (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	13,766	10,933	24,699
	----------	----------	----------
	17,532	7,167	24,699
	======	======	======

(*) Includes compensation of taxes paid in Argentina.

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

Additionally, as of March 31, 2021, CSA had net operating losses of R$1,014,357 (R$1,003,472 as of December 31, 2020) and social contribution tax losses of R$1,020,531 (R$1,009,600 as of December 31, 2020), whose tax assets were not recognized in the financial statements. As of December 31, 2020, the indirect subsidiary AMMO had net operating losses of R$354,661 (R$335,239 on December 31, 2020) and social contribution tax losses of R$353,787 (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	306,377	45,034	53,776	405,187
Total residual cost	(110,703)	(93)	(39,860)	(150,656)
	----------	----------	----------	----------
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 March 31, 2021, totaling R$17,606 (R$16,059 as of December 31, 2020). The increase in deferred taxes during the first three months of 2021 is due to the impact of the exchange rate variation.

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 March 31, 2021, is shown below:

Year	Subsidiary SGUS
2021	17,606
	======

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 March 31, 2021, subsidiary SGUS had R$1,330,834 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	
	03.31.2021	12.31.2020	03.31.2021	12.31.2020
ICMS (state VAT)	-	-	12,470	10,931
Income and social contribution taxes prepayments	14	160	6,412	11,420
Recoverable PIS and COFINS (*)	1	-	110,579	128,769
Recoverable INSS	-	-	5,716	-
IVA – Gross proceeds (Argentina)	-	-	8,227	4,354
IPTU credit	-	-	11,014	10,901
Recoverable IPI	-	-	83	83
Other recoverable taxes	-	-	381	477
	15	160	154,882	166,935
Current	(15)	(16)	(77,062)	(64,992)
Noncurrent	-	144	77,820	101,943

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

19. MISCELLANEOUS ACCRUALS

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

The Company and its subsidiaries have tax, labor and civil claims, whose loss was estimated as possible in the amount of R$27,511, R$4,124 and R$41,003, respectively, (R$27,204, R$3,683 and R$41,058, respectively, on December 31, 2020). The main tax claims relate to infraction notices referring to: (i) imports of raw materials under the Drawback program (R$7,559); (ii) calculation of presumed FAIN credit (R$5,871); and (iii) ex-tariff IPI exemption (R$3,160). The main labor lawsuits are related to labor claims of former employees and third parties. The main civil claims correspond to a writ of mandamus filed against the Electric Energy Trading Chamber (CCEE), in the amount of R$38,701, seeking to eliminate possible financial burdens arising from judicial decisions that determine the sharing of losses among power generators. The main labor claims correspond to labor claims by former employees and third parties.

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

	Consolidated	
	03.31.2021	12.31.2020
Tax litigation claims – others	108	110
Labor	9,514	9,542
Civil and others	3,554	3,734
	----------	----------
Total	13,176	13,386
	======	=====
Escrow deposits	10,617	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:

	Tax litigation claims		Civil and	
	Others	Labor	Others	Total
Balance on December 31, 2020	110	9,542	3,734	13,386
Additions	-	152	7	159
Disposals	(2)	(183)	(190)	(375)
Exchange variation	-	3	3	6
	----------	---------	---------	----------
Balance on March 31, 2021	108	9,514	3,554	13,176
	======	======	======	======

	Tax litigation claims		Civil and	
	Others	Labor	Others	Total
Balance on December 31, 2019	108	9,472	3,351	12,931
Additions	3	225	20	248
Disposals	-	(114)	(14)	(128)
Exchange variation	-	92	176	268
	----------	---------	---------	----------
Balance on March 31, 2020	111	9,675	3,533	13,319
	======	======	======	======

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 March 31, 2021 and 2020:

	03.31.2021	12.31.2020
Components of net periodic benefit cost:		
Service cost	484	325
Interest cost, net	717	893
	-----------	-----------
Net periodic benefit cost	1,201	1,218
	======	======

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:

	03.31.2021	12.31.2020
Pension plan obligations	153,848	142,019
Other employee benefit obligations	2,376	2,893
	------------	------------
Total employee benefit plans	156,224	144,912
Current (a)	(14,481)	(13,209)
	------------	------------
Noncurrent	141,743	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 March 31, 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	
	03.31.2021	12.31.2020	03.31.2021	12.31.2020
Company:				
Coteminas S.A.	-	-	10,094	7,088
	----------	----------	----------	----------
	-	-	10,094	7,088
	======	======	======	======
Consolidated:				
Companhia de Tecidos Norte de Minas – Coteminas	49,705	51,622	58	-
Coteminas International Ltd.	3,642	5,681	1,072	-
Argentina branch	22	20	-	-
Santanense Argentina	50	50	-	-
Companhia Tecidos Santanense	26,698	12,968	-	-
Empr. Nac. Com. Rédito e Particip. S.A. - ENCORPAR	4	-	-	-
	----------	----------	----------	----------
	80,121	70,341	1,130	-
	======	======	======	======

	Finance charges Income (expenses)	
	03.31.2021	03.31.2020
Company:		
Coteminas S.A.	(222)	(485)
Companhia de Tecidos Norte de Minas – Coteminas	(3)	(1)
	----------	----------
	(225)	(486)
	======	======
Consolidated:		
Companhia de Tecidos Norte de Minas – Coteminas	2,596	2,747
Companhia Tecidos Santanense	137	419
Coteminas International Ltd.	(5)	22
	----------	----------
	2,728	3,188
	======	======

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 March 31, 2021, the amount of R$8,250 was recorded with R$3,113 (R$3,380 as of December 31, 2020) in the caption “Other receivables” in current assets and R$5,137 in the caption “Others” in noncurrent assets (R$5,871 as of December 31, 2020), related to guarantees on existing contracts and credit facilities. In the first quarter of 2021, the amount of R$1,000 was recorded as interest expenses under the caption “Financial expenses – bank charges and others” (R$1,251 in the same period of 2020).

In the first quarter of 2021, the subsidiary CSA supplied intermediate products to a related party, Companhia Tecidos Santanense, in the amount of R$11,083 (R$11,008 in the same period of 2020). The receivable balance related to these transactions is presented in note 5.

CTNM and the indirect subsidiary AMMO Varejo have a rental agreement for the property where their distribution center and office are located. In the first quarter of 2021, payments were made in the amount of R$1,024 (R$896 in the same period of 2020).

On March 31, 2021, the indirect subsidiary LAT Capital Ltd. had R$17,796 (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	
	03.31.2021	12.31.2020	03.31.2021	12.31.2020
Advisers	228	228	228	228
Statutory officers	-	-	576	576
Other directors	-	-	2,355	2,114
	-------	-------	-------	-------
	228	228	3,159	2,918
	====	====	====	====

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	
	03.31.2021	12.31.2020	03.31.2021	12.31.2020
FINANCIAL ASSETS				
Amortized cost:				
Cash and cash equivalents	111	332	156,068	168,793
Marketable securities (current)	-	-	18,367	16,311
Accounts receivable	-	-	501,426	509,086
Cash holdback amount	-	-	-	20,787
Other receivables	2,926	964	32,556	29,017
Marketable securities (noncurrent)	1,675	1,671	1,675	1,671
Receivable – clients	-	-	22,384	25,171
Related parties	-	-	80,121	70,341
Escrow deposits	-	-	10,617	10,691
Others	-	-	75,708	74,335
FINANCIAL LIABILITIES				
Amortized cost:				
Loans and financing (current)	9,959	19,387	515,326	522,536
Debentures	-	-	87,189	91,085
Suppliers	56	22	205,871	206,097
Government concessions (current)	-	-	29,368	27,658
Other accounts payable	603	-	87,979	50,634
Loans and financing (noncurrent)	26,294	18,685	340,063	355,577
Related parties	10,094	7,088	1,130	-
Government concessions (noncurrent)	-	-	56,397	53,210
Other obligations	-	-	82,147	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 March 31, 2021, the Company reported the amount of R$1,773 under "Other receivables" related to derivative financial instruments, settled in April 2021.

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:

	03.31.2021				
	R$	$ARG	US$	$PYG	Exchange rate variation on foreign investments R$
Foreign investments:					
Coteminas Argentina	75,691	1,222,258	-	-	8,399
LAT Capital	15,203	-	2,668	-	1,276
Textil Guarani	5,859	-	-	6,353,312	1,223
SGUS	416,862	-	73,168	-	36,958
	513,615	1,222,258	75,836	6,353,312	47,856
Related parties:					
LAT Capital	(133,947)	-	(23,511)	-	(11,299)
SGUS	(286,268)	-	(50,246)	-	(24,754)
	(420,215)	-	(73,757)	-	(36,053)
Total of foreign investments net	93,400	1,222,258	2,079	6,353,312	11,803

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

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

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

Financial instruments	03.31.2021	12.31.2020
Cash and cash equivalents	-	62
Accounts receivable	21,303	22,038
Suppliers	(8,654)	(10,467)
Loan and financing	(64,432)	(58,349)
Related parties	(1,071)	2,405
	-----------	-----------
Total exposure in Brazilian Reais	(52,854)	(44,311)
	======	======
Total exposure in equivalent thousands of US Dollars	(9,277)	(8,527)
	======	======

The sensitivity analysis of financial instruments, considering the US Dollar denominated cash flows, as of March 31, 2021, is shown below:

			Scenarios		
Maturity	Risk	Exposure value in thousands of US$	Probable	II	III
2021	US Dollar appreciation	(9,277)	317	(12,818)	(25,952)
		======	======	======	======

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 March 31, 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 March 31, 2021 and December 31, 2020.

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

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

	03.31.2021				12.31.2020
Description	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: 130.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	165,000	377	(1,985)	163,392	163,068
Loan Agreement -- Interest: 130.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	165,000	377	(1,985)	163,392	163,068
Loan Agreement -- Interest: 294.0% of CDI Counterpart: Banco Brasil S.A. – CCB Maturity: March/2022	45,000	154	(234)	44,920	55,875
(Refer to Note 13)				371,704	382,011
Loan Agreement -- Interest: 149.0% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: June/2021	2,560	1	-	2,561	6,729
Loan Agreement -- Interest: CDI + 3.9% Counterpart: Banco BBM S.A. – CCB Maturity: July/2021	555	2	-	557	1,485
Loan Agreement -- Interest: 150.5% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: July/2021	1,820	-	-	1,820	3,258
Loan Agreement -- Interest: 149.0% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: November/2021	3,000	1	-	3,001	3,001
Loan Agreement -- Interest: CDI + 7.0% Counterpart: Banco BBM S.A. – CCB Maturity: November/2024	10,000	13	-	10,013	10,008
(Refer to Note 13)				17,952	24,481
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC Brasil S.A. – CCB Maturity: April/2022	11,736	34	-	11,770	13,670
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2022	6,482	18	-	6,500	7,550
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2022	6,482	18	-	6,500	7,550

	03.31.2021				12.31.2020
Description	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2022	6,482	18	-	6,500	7,550
(Refer to Note 13)				31,270	36,320
Loan Agreement -- Interest: CDI + 6.1% Counterpart: Banco Bradesco S.A. Maturity: April/2024	17,278	598	-	17,876	17,543
(Refer to Note 13)				17,876	17,543
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Daycoval S.A. Maturity: July/2023	11,649	141	-	11,790	12,988
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Daycoval S.A. Maturity: July/2023	12,658	153	-	12,811	12,831
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Daycoval S.A. Maturity: July/2022	9,885	51	-	9,936	11,174
Loan Agreement -- Interest: CDI + 7.1% Counterpart: Banco Daycoval S.A. Maturity: April/2024	10,000	40	-	10,040	10,037
(Refer to Note 13)				44,577	47,030
Loan Agreement -- Interest: CDI + 3.5% Counterpart: Banco Santander S.A. – CCE Maturity: October/2021	23,142	100	-	23,242	32,012
Loan Agreement -- Interest: CDI + 4.7% Counterpart: Banco Santander S.A. – CCE Maturity: December/2021	17,360	60	-	17,420	23,216
(Refer to Note 13)				40,662	55,228
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: May/2021	40,000	12	-	40,012	40,003
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: February/2021	4,000	58	-	4,058	4,029
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Safra S.A. – CCB Maturity: October/2024	10,000	21	-	10,021	10,022
(Refer to Note 13)				54,091	54,054

Description	03.31.2021 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2020 Payable
Loan Agreement -- Interest: CDI + 7.5% Counterpart: Banco Fibra S.A. Maturity: April/2022	20,000	65	-	20,065	20,075
(Refer to Note 13)				20,065	20,075
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Sofisa S.A. Maturity: May/2021	10,000	76	-	10,076	10,073
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Sofisa S.A. Maturity: November/2024	10,000	59	-	10,059	10,058
(Refer to Note 13)				20,135	20,131
Loan Agreement -- Interest: 180.0% of CDI Counterpart: Caixa Econômica Federal – CCB Maturity: April/2023	16,927	19	-	16,946	18,971
(Refer to Note 13)				16,946	18,971
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: February/2021	-	-	-	-	504
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: December/2022	5,600	19	-	5,619	6,417
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: November/2021	4,444	7	-	4,451	5,005
(Refer to Note 13)				10,070	11,926
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Industrial do Brasil S.A. Maturity: March/2021	-	-	-	-	1,255
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Industrial do Brasil S.A. Maturity: November/2021	8,889	11	-	8,900	-
(Refer to Note 13)				8,900	1,255
Loan Agreement -- Interest: CDI + 3.9% Counterpart: Banco ABC do Brasil S.A. – CCE Maturity: October/2022	10,000	4	-	10,004	10,003
(Refer to Note 13)				10,004	10,003

Description	03.31.2021 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2020 Payable
Debentures 4th series -- Interest: CDI + 4.75% Counterpart: Several debenture holders Maturity: February/2021	87,000	189	-	87,189	91,085
				------------	------------
(Refer to Note 14)				87,189	91,085
	------------	-----------	------------	------------	------------
	752,949	2,696	(4,204)	751,441	790,113
	=======	=======	=======	=======	=======

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of March 31, 2021, is as follows:

Maturity	Risk	Principal average balance	Scenarios Probable	II	III
2021	CDI increase	638,008	20,836	34,529	39,826
2022	CDI increase	274,446	11,543	31,590	37,204
2023	CDI increase	107,903	4,299	13,779	16,246
2024	CDI increase	7,329	433	888	1,001
			======	======	======

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

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

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

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

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 March 31, 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	
	03.31.2021	12.31.2020
Loans and financing	855,389	878,113
Debentures	87,189	91,085
Cash and cash equivalents	(156,068)	(168,793)
Marketable securities	(20,042)	(17,982)
Total net debt	766,468	782,423
Total equity	1,089,567	1,105,748
Total net debt and equity	1,856,035	1,888,171

24. SEGMENT INFORMATION

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

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

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

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

	03.31.2021 (continuing operations)			
	Wholesale	Retail	(*) Others unallocated	Total
Net revenues	326.0	104.4	-	430.4
Cost of goods sold	(221.7)	(49.8)	-	(271.5)
Gross profit	104.3	54.6	-	158.9
Selling, general and administrative expenses	(64.1)	(54.5)	(5.7)	(124.3)
Other	(6.6)	0.2	0.1	(6.3)
Results of operations	33.6	0.3	(5.6)	28.3
Financial results (without exchange rate variations)	-	-	(56.5)	(56.5)
Exchange rate variations	-	-	(2.6)	(2.6)
Income (loss) before taxes	33.6	0.3	(64.7)	(30.8)
Depreciation and amortization	16.4	6.9	1.2	24.5

	03.31.2020 (continuing operations)			
	Wholesale	Retail	(*) Others unallocated	Total
Net revenues	224.8	77.6	-	302.4
Cost of goods sold	(167.8)	(40.6)	-	(208.4)
Gross profit	57.0	37.0	-	94.0
Selling, general and administrative expenses	(50.8)	(42.4)	(4.5)	(97.7)
Other	2.6	(1.0)	0.6	2.2
Results of operations	8.8	(6.4)	(3.9)	(1.5)
Financial results (without exchange rate variations)	-	-	(55.6)	(55.6)
Exchange rate variations	-	-	(24.7)	(24.7)
Income (loss) before taxes	8.8	(6.4)	(84.2)	(81.8)
Depreciation and amortization	14.9	6.0	1.0	21.9

(*) 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	
	03.31.2021	03.31.2020
Net revenues (in millions of Reais):		
Bedding, tabletop and bath	238.9	165.6
Intermediate products	87.1	59.2
Retail	104.4	77.6
	-------------	-------------
	430.4	302.4
	========	========
Volume (in thousands of tons):		
Bedding, tabletop and bath	5.1	4.8
Intermediate products	6.5	5.3
	-------------	-------------
	11.6	10.1
	========	========

The Company has over 10,000 active clients in the wholesale segment as of March 31, 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	
	03.31.2021	03.31.2020
Cost of raw materials, goods and services acquired from third parties	(323,443)	(222,328)
Employee benefits	(93,300)	(82,116)
INSS	(10,996)	(5,807)
Depreciation and amortization	(24,547)	(21,884)
Finished goods and work in process inventory variations	56,488	26,036
	--------------	--------------
Total by nature	(395,798)	(306,099)
	========	========

By function:

	Consolidated	
	03.31.2021	03.31.2020
Cost of goods sold	(271,524)	(208,457)
Selling expenses	(91,234)	(66,159)
General and administrative expenses	(29,881)	(28,565)
Management fees	(3,159)	(2,918)
	--------------	--------------
Total by function	(395,798)	(306,099)
	========	========

26. NET REVENUES

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

	Consolidated	
	03.31.2021	12.31.2020
OPERATING REVENUES:		
Gross revenues	597,487	409,414
Revenue deductions	(167,129)	(107,000)
	-------------	-------------
NET REVENUES	430,358	302,414
	========	========

27. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share was calculated as follows:

	03.31.2021	03.31.2020
NET LOSS FOR THE PERIOD OF THE CONTINUED OPERATIONS	(28,007)	(151,644)
NET LOSS FOR THE PERIOD OF THE DISCONTINUED OPERATIONS	-	(51,134)
	-------------	-------------
NET LOSS FOR THE PERIOD	(28,007)	(202,778)
Weighted-average outstanding common shares	50,000,000	50,000,000
BASIC AND DILUTED LOSS PER SHARE (R$)		
From continuing operations	(0.5601)	(3.0329)
From discontinued operations	-	(1.0227)
	-----------	-----------
	(0.5601)	(4.0556)
	======	======

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 March 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 March 31, 2020, are restated for comparison purposes, as discontinued operations.

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

	12.31.2020	Exchange rate variations	03.31.2021
ASSETS			
NONCURRENT:			
Investment	35,151	3,386	38,537
Goodwill	88,567	8,531	97,098
ASSETS HELD FOR SALE	123,718	11,917	135,635

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 period ended on March 31, 2021 and 2020 are presented below:

	Company		Consolidated	
	03.31.2021	03.31.2020	03.31.2021	03.31.2020
OPERATING INCOME (EXPENSES):				
Equity in subsidiaries	-	(51,134)	-	(8,198)
Impairment adjustment on assets	-	-	-	(42,936)
LOSS FROM OPERATIONS	-	(51,134)	-	(51,134)
NET LOSS FOR THE PERIOD – DISCONTINUED OPERATIONS	-	(51,134)	-	(51,134)

The cash flow statements of discontinued operations are presented below:

	Company		Consolidated	
	03.31.2021	03.31.2020	03.31.2021	03.31.2020
Cash flows from discontinued operations activities:				
Net loss for the period	-	(51,134)	-	(51,134)
Equity in subsidiaries	-	51,134	-	8,198
Impairment adjustment on assets	-	-	-	42,936
Total cash provided by discontinued operations	-	-	-	-

29. PANDEMIC-RELATED EFFECTS – COVID-19

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

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