Cia. Hering

Quartely Information March, 31, 2021
and Perfomance Report

(Free Translation into English from
The Original Previously Issued in
Portuguese for the Convenience of
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HERING HERINGKIDS HERINGINTIMATES DZARM

Earnings Release

1Q21

Blumenau, May 12th, 2021. The Company information, unless otherwise indicated, is based on consolidated figures in thousands of reais, according to the International Accounting Standards (IFRS). All comparisons refer to the same period of 2020 (1Q20), except when otherwise indicated.

Highlights Of The Quarter

- Gross Revenue in 1Q21 was R$ 333.4 milion, an increase of 3.0% vs. 1Q20;
- E-commerce growth of 162.9%, representing 16.7% of the Company's sales in the domestic market;
- Gross margin of 38.6% and a reduction of 3.1% in operating expenses vs. the previous year;
- EBITDA of R$ 14.3 million, EBITDA margin of 5.0%, and growth of 25.8% vs. 1Q20;
- Generation of free cash flow of R$ 20.5 million and expansion of ROIC by 80 b.p. to 16.3%;
- Total cash position of R$ 366.2 million with net cash of R$ 283.1 million.

Digital Sales

- **75%** traffic growth on the platform and **53%** new customers on the website;
- **11%** sales generated from the CRM platform;
- **28%** of sales through Omnichannel operation and a **reduction of 1.4 days** in the delivery time;
- APP accounts **for ~3% of online sales** with 45,000 downloads since launch in Nov/20;
- **Social Selling: 2,6 mil associates:** 30% growth vs. 1Q20.

Physical Retail

- On average, 72% of stores were closed in March;
- **Whatsapp Smart Sales tool**, available in 577 stores;
- 35% of sales in closed stores made by digital tools;
- Improvement in own stores indicators, with an expansion of 1010 b.p. in conversion and 16% in the average ticket;
- New version of CRM Digital Seller.

Client

- **10.4 million** registered customers (13% growth vs. the previous year);
- Recovery of **Reclame Aqui** notes during the months of February and March;
- Frequency and average spend of the multichannel customer **2.2x** and **2.3x** higher than the single channel, respectively;
- **92% SLA** in all service channels;
- **NPS of 85** in physical stores, growth of 10 points vs 1Q20.

Brands

- Hering Brand with 9.1% growth in sales vs. 1Q20;
- Hering Intimates with growth of 54.3% vs .1Q20;
- Sales of Dzarm with growth of 10.8% vs. 1Q20, now representing 6.8% of sales;
- International Women's Day Campaign: 24% new customers, reaching a new audience (A+ class); 50% of customers also added other products to the basket and 84% sell through;
- "New basic" capsule collection: 17% of new customers; reaching a new audience (average of 37 years), 75% of customers also added other products to the basket with 81% sell through.

Message from Management

Message From Management

As the world evolves to create new solutions that keep pace with today's transformative age, Cia. Hering is taking a stand. We are well aware of our role with each stakeholder. Confident in our vision, we are poised for new growth opportunities while staying grounded in our goals, strategic planning and brand architecture.

In 1Q21, we further advanced our positioning: a relevant step in our 140 years of successful company history. Our partnership with FutureBrand São Paulo only reinforced the company's objective to boost businesses that connect people with the brand.

This fuels our drive for entrepreneurship, connecting us with the future as far as portfolio comprehensiveness and digitalization are concerned. We are a business-connecting company, an expert in Brazilian fashion, committed to people. With bonds of trust, we built a sustainable ecosystem for all stakeholders involved. By activating a chain that surpasses 3,000 suppliers and 8,000 merchants, we join forces with partners, an essential factor of success.

Cia. Hering's customer-centric strategy focuses on humanizing relations by treating each customer individually. We have a customer base that exceeds 10 million+ people. This strategy blends brand management, expansions, channel integration, and the upgrading of supply chains. The strategy was built upon sustainability, culture, and digital transformation with operational excellence, growth, and innovation as its pillars.

With a deep understanding of the value chain that combines sourcing, logistics, distribution, and market intelligence, the company maintains sustainable relationships by fomenting a fairer and more inclusive fashion industry. With focus and experience, Cia. Hering pursues data intelligence with a formula that connects partners to channels, and people to fashion. The result is an ecosystem that creates a positive impact and balances high quality, exceptional designs, cutting-edge technology, and cost-benefits.

From a sustainability viewpoint, Cia. Hering's management addresses the key aspects of ESG indicators and adopts these concepts to guide any decision-making processes and eco-efficiency actions. The purpose is to foment entrepreneurship, develop products, and include various stakeholders.

Cia. Hering has undertaken sustainability initiatives and demonstrated results since the company's inception. A few examples include preserving an environmental reserve of 4.2 million square meters, innovating water treatment processes, and offering eco-friendly products since 1990. Cia. Hering has historic property and cultural adherence to rapidly evolve and innovate on these fronts. Currently, our operations combine the pillars of the production chain, brands, environment, diversity, and governance. Next quarter, the company will announce its 2021-2015 goals, connecting the present day to the future.

Culturally speaking, Cia. Hering will empower all employees and partners as agents of a digital transformation. Initiated two years ago, this transformation currently is seeing the strongest momentum. Our culture is concerned with serving our customers as best as possible, improving their experience, and empowering people from end-to-end. Ultimately, the business priority agenda pertains to everyone involved.

Cia. Hering's digital transformation has continuously upgraded the system architecture to stimulate an environment of innovation, evolve data management, and make more efficient decisions. Partners, from the production chain to merchants, are included in this evolution, ranging from order management to omnichannel.

Paths of Growth

Confident in our capacity to execute and deliver the strategy proposed, Cia. Hering has rapidly evolved to explore new opportunities. Growth is the company's main focus. We aim to combine the customer base growth and a higher addressable market with more connections and conversions. From an operational viewpoint, the company's business model combining industry and retail allows a larger scale of delivery, margins, and sales performance. Concerning growth, Cia. Hering believes in brand development along with physical and online expansions.

The Hering brand is at the top of mind in the fashion category. The company has been stepping up its product pyramid and communications with a focus on its proprietary style: the fashion basics. Under the Hering umbrella lies the brands of Hering Kids and Hering Intimates. We have been exploring the best potential for these segments, and their synergies along with Hering's positioning.

Hering Kids has continued to advance the assortment offered, communications, and merging PUC's customer base. Hering Intimates has been redesigned with new assortments, sourcing, and channel analysis to improve its presence in the women's lingerie and nightwear segment, estimated at R$ 25 billion. Within a short period, Dzarm, with denimwear as its core identity, has been delivering solid results, with same-store sales 49% higher than 1Q20.

With the Hering brand already consolidated along with the maturation of other brands, the company, fine-tuned to trends, has been developing new brands. Soon, the company will debut new launches in the market with sustainable brands in line with today's needs and the "phygital" experience. We hope to attract an inorganic agenda of new businesses that want to join Cia Hering, entrepreneurs who share the same values as the company and can contribute products, services, and experiences that meet new trends.

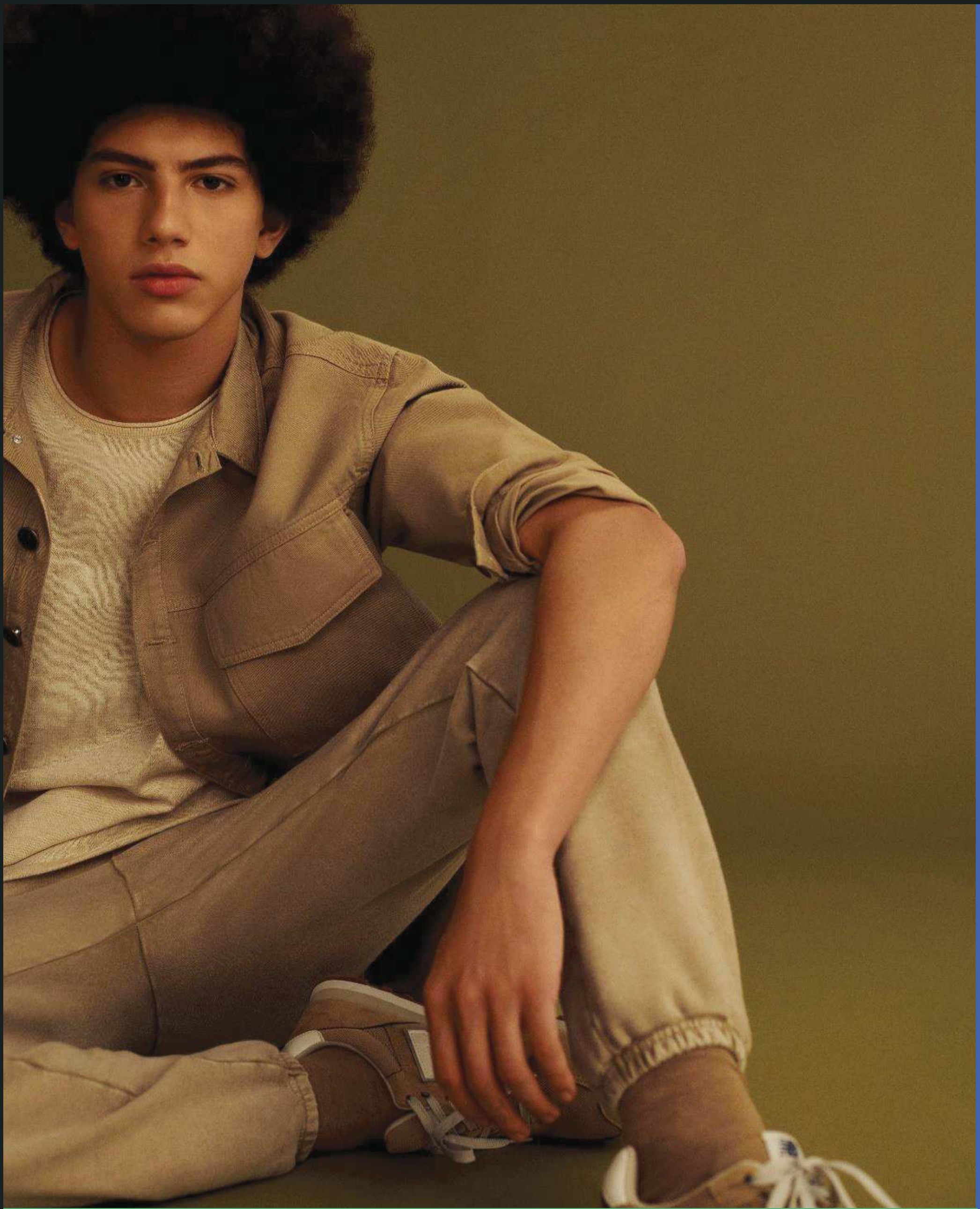
The evolution of channels is another path of growth for Cia. Hering. In 2020, we adopted a new platform for the Dzarm website which improved site browsing. We will also apply such improvements to Hering to make the shopping experience more intuitive. This also includes detailing the offering of content, promoting greater flow and conversions. In 2021, the company is making its largest investment in digitalization by consolidating all of the channels. With this omnichannel advancement, we can provide the best business experiences for everyone including franchisees and multi-brands.

As we become more digitally integrated, we will continue to consolidate megastores and diversify compact formats. With a surface area three times larger than a traditional store and a low incremental cost, this model has proved to be profitable. For the customer journey, this model reinforces the brand's image by offering a complete mix, convenient shopping, and the use of technology to facilitate the selection of products and purchases. The compact formats, light franchises and basic shops with an increased number of new franchisees participating in the transfer of know-how and accessible CapEx. With this partnership, the company and its brands now include regions not yet covered by competitors.

Having confidence in our business, a vision for the future, and sustainable value creation, we are moving the company into the next stages of growth.

Consolidated

Highlights



Consolidated Highlights

R$ Thousand	1Q21	1Q20	VAR. 1Q21 | 1Q20
Gross Revenue	**333,369**	**323,645**	**3.0%**
Domestic Market	325,020	316,562	2.7%
Foreign Market	8,349	7,083	17.9%
Net Revenue	**285,081**	**272,112**	**4.8%**
Gross Profit	**109,977**	**109,359**	**0.6%**
Gross Margin	*38.6%*	*40.2%*	*-160 b.p.*
Net Income	**19,758**	**5,043**	**291.8%**
Net Margin	*6.9%*	*1.9%*	*500 b.p.*
EBITDA	**14,317**	**11,383**	**25.8%**
EBITDA Margin	*5.0%*	*4.2%*	*80 b.p.*
ROIC (a)	**16.3%**	**15.5%**	**80 b.p.**
SSS[1]	**11.4%**	**-22.2%**	**3360 b.p.**

(a) Last 12 months.
[1] SSS in 1Q21 considers all brands of the Company, while 1Q20 considers only Hering Network (Hering + Hering Kids)
Values in the above table include the effects of IFRS16.

Sales Performance

Gross Revenue - R$ Thousand	1Q21	1Q20	VAR. 1Q21 | 1Q20
Gross Revenue	**333,369**	**323,645**	**3.0%**
Domestic Market	325,020	316,562	2.7%
Foreign Market	8,349	7,083	17.9%
Domestic Market Gross Revenue	**325,020**	**316,562**	**2.7%**
Hering	301,996	276,808	9.1%
Dzarm	22,159	20,008	10.8%
Others[1]	865	19,746	-95.6%

Domestic Market Share	1Q21	1Q20	VAR. 1Q21 | 1Q20
Multibrand	120,619	140,650	-14.2%
Franchise	103,609	94,770	9.3%
Stores	42,523	58,444	-27.2%
Omnicommerce	54,294	20,652	162.9%
Others[2]	3,975	2,046	94.3%
Total	**325,020**	**316,562**	**2.7%**
Multibrand	37.1%	44.4%	-730 b.p.
Frachise	31.9%	29.9%	200 b.p.
Stores	13.1%	18.5%	-540 b.p.
Omnicommerce	16.7%	6.5%	1020 b.p.
Others[2]	1.2%	0.7%	50 b.p.
Total	**100.0%**	**100.0%**	**-**

[1] Considers the sale of second-line items, leftovers, PUC and Folha brand
[2] Considers the sale of second-line items and leftovers

Operational

DATA

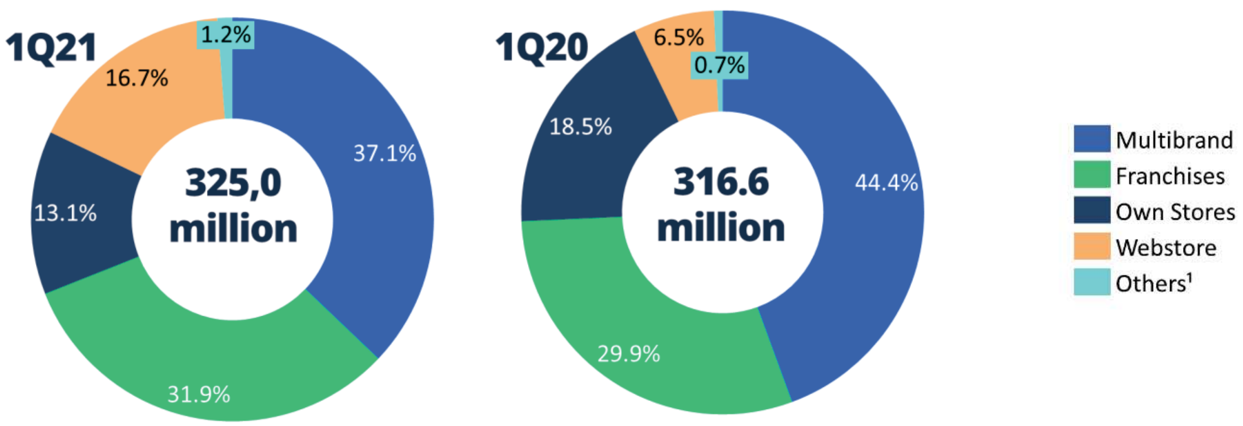
Performance in the Quarter

Gross Revenue for the quarter reached R$ 333.4 million, an increase of 3.0% vs 1Q20. Sales were impacted, mainly in the month of March, by the new wave of restrictions in relation to Covid, which reflected in the drop in flow in physical stores, and by the challenges in supplying orders from sell-in channels which, still due to the processes normalization of the production chain, caused delays in deliveries and postponement of the portfolio for subsequent months.

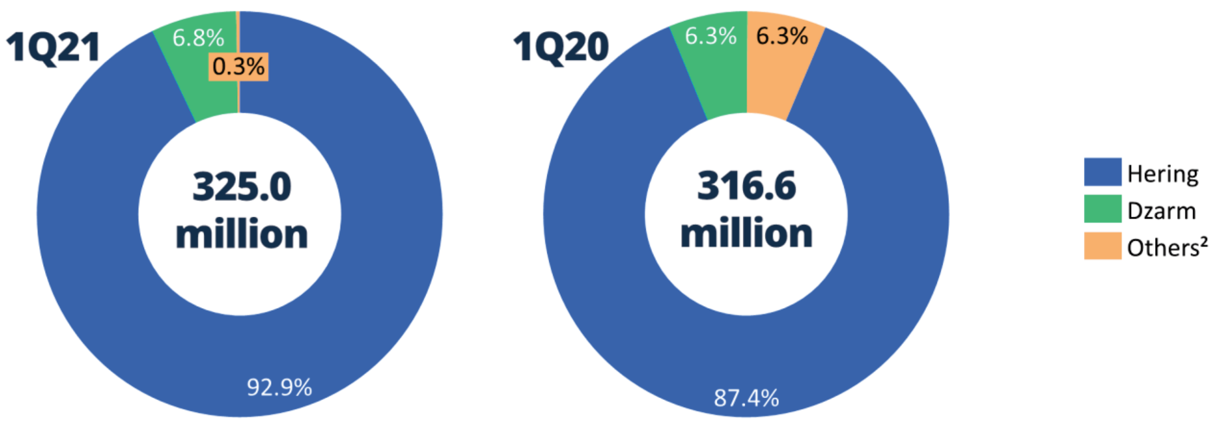
Even so, the Same Store Sales indicator for the quarter, adjusted to exclude closed days, was 11.4%.

The e-commerce channel, in turn, followed a positive trend, showing growth of 162.9% vs 1Q20, and penetration of 16.7% of sales, an increase of 1020 b.p. in relation to the same period of the previous year.

Representativeness of sales by channel



Representativeness of sales by brand

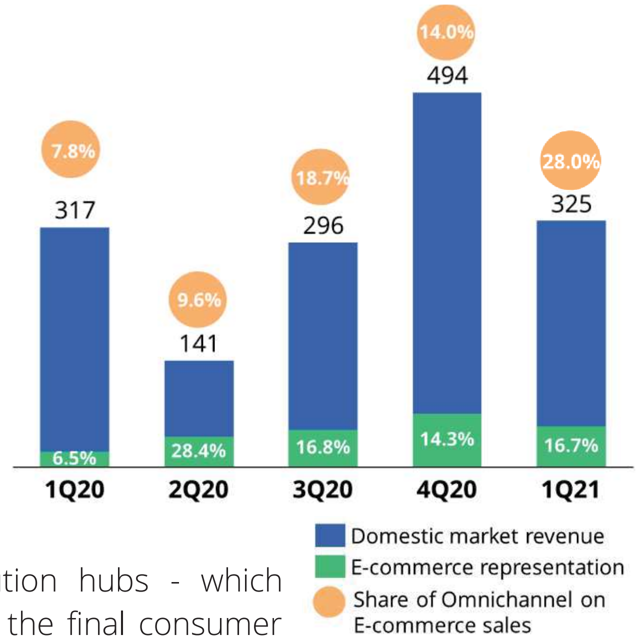


[1] Considers the sale of second-line items, leftovers, PUC and Folha brand
[2] Considers the sale of second-line items and leftovers

Sell-out

E-Commerce

E-commerce representation (R$ million)

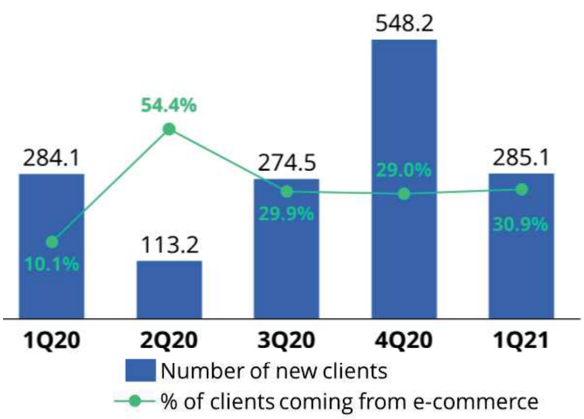


The e-commerce channel followed the trend of previous quarters, showing a three-digit growth, 162.9% vs 1Q20. Revenue reached R$ 54.3 million, with traffic growth of 75% and 53% of customers buying for the first time on the website. It is worth mentioning the continuous evolution in the shopping experience - without friction - in addition to the increase in the capacity to offer products, assortment and various services.

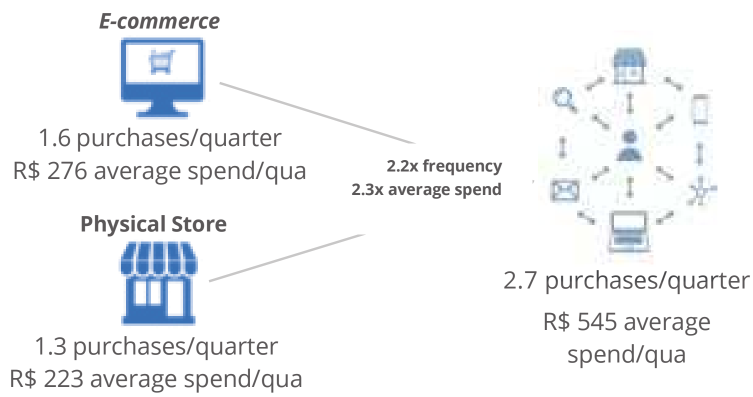
Sales through the *omnichannel* modality, once again showed growth, now representing 28.0% of online sales, driven mainly by regional distribution hubs - which presented itself as an effective resource to serve the final consumer more quickly and efficiently. In 1Q21, the 8 distribution hubs were responsible for more than 17 thousand deliveries, with an average delivery time 35% less than those coming from the DCs. In addition, the online channel had a reduction of 1.4 days in the average delivery time, an important evolution.

The successful integration with marketplace partners continues to bring positive results to the channel, which turns out to be a gateway for new customers, considering that around 65% of them made their first purchase on one of these platforms before migrating to Hering.com.br. In 1Q21, these sales represented 12% of total e-commerce sales.

New clients (in thousand)



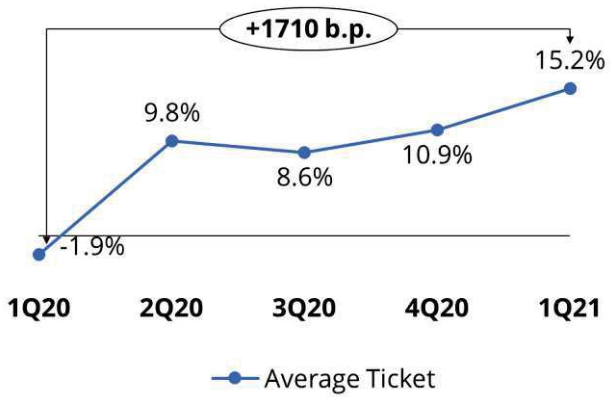
Multichannel Indicators



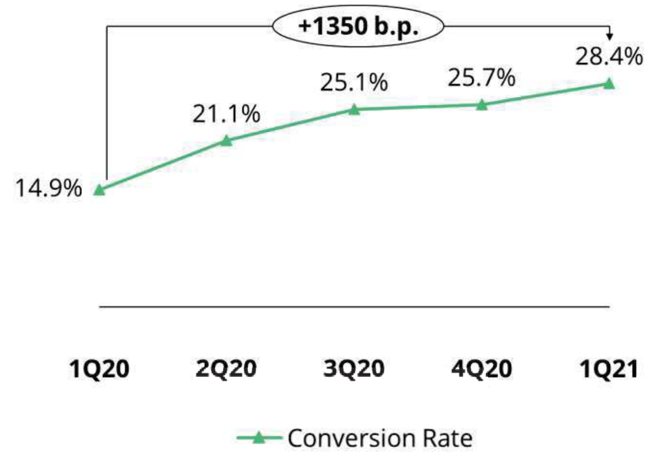
Own Stores

Sales of physical stores operated by the Company totaled R$ 42.5 million, 27.2% lower than 1Q20. This result is linked to the closing of trade in March in several markets where the company's own stores are primarily located. It is worth highlighting the evolution in the efficiency indicators of the operation, such as the 1010 b.p. growth in sales conversion, 16% expansion in the average ticket and an NPS of 82 in the quarter.

Average Ticket growth vs. last year



Conversion rate evolution



Sell-in

The performance of the sell-in channels (franchises and multi-brand) was strongly impacted by the total closure of the chain of stores throughout the month of March as well as of our industrial and logistics park in the state of Goiás for 22 days. The scenario in question brought important challenges to better supply the channels and necessary adjustments in the network's inventory planning (OTB).

Franchises

In 1Q21, sales to the Franchise chain totaled R$ 103.6 million, an increase of 9.3% compared to 1Q20.

The challenge in supplying the sell-in channels, in addition to the closing of stores in practically the entire country, were the main offenders for the performance in the quarter. However, it is worth mentioning the sales effort and determination of the teams, some stores delivered 35% sales (vs. 1Q19) even with the stores closed, using the digital tools provided by the Company. Whatsapp sales were enabled in 77% of the stores, increasing the penetration of digital tools. There was also an evolution in the social selling platform, which already has more than 2,600 social sellers. In addition, we launched yet another digital solution: seller's CRM, which allows our store teams to activate their consumers locally through personalized campaigns, increasing the chance of customer loyalty and conversion of results.

In view of this scenario, the actions that continue to be taken by the Company to guarantee support to franchisees stand out, which include review of commercial planning, inventory management and markdowns, CRM initiatives, launch of new digital products, training and sharing of good practices and renegotiation of the main contracts aiming at the generation of new sources of revenue and the preservation and sustainability of the network.

Multibrand

Sales to the multi-brand channel totaled R$ 120.6 million in the quarter, 11.4% below 1Q20. The channel's performance is also explained by the supply challenges and postponement of goods deliveries, as already mentioned. It is worth highlighting the continuous effort to develop and increase the productivity of key customers (Key-Account), which proved to be an important growth lever for the channel.

In 1Q21, there was an evolution in the customer activation rate, with a growth of 1410 b.p. compared to 1Q20 with more than 80% of customers making at least one purchase.

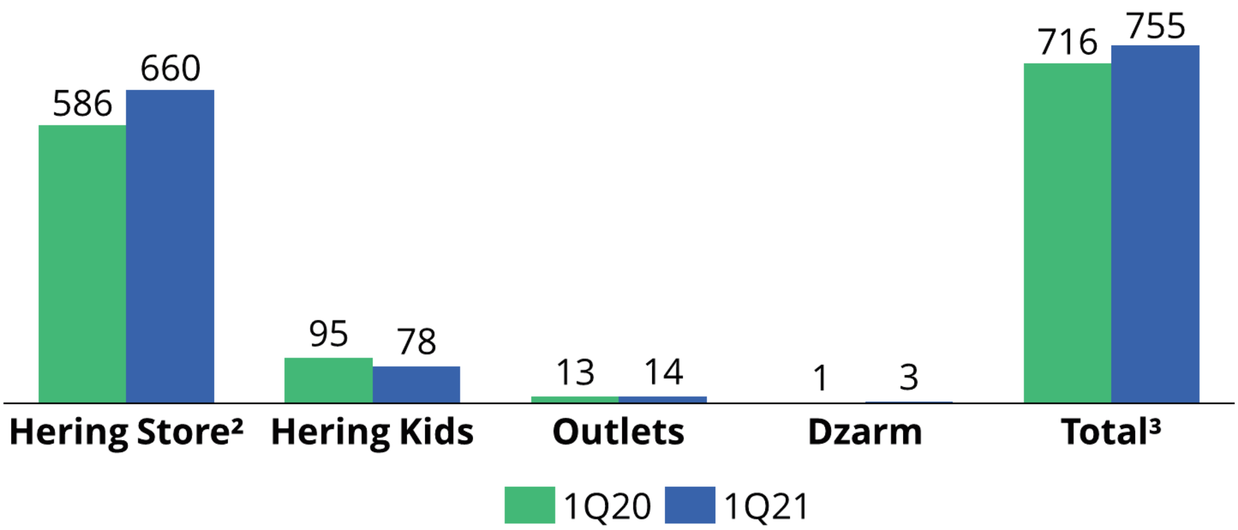
It is also important to highlight the conversion of Qualified Retail customers to the Light Franchise model, consolidating the B2B retail life cycle and consequent increase in productivity.

Geographic Expansion

The Company ended the quarter with 775 stores, of which 755 in Brazil and 20 in the international market. In the quarter, 3 new stores were opened and 4 were closed[1], of which two will have their revenues strategically reallocated in nearby stores, which already exist.

In 2Q21, the opening schedule should be resumed, in a scenario of less restriction of circulation caused by Covid. The Company reinforces the opening osf stores guidance and should close 2021 with 125 new stores in compact formats and conversion of 10 mega stores.

Number of stores 1Q21 – Brazil



The Company is evolving in an integrated vision of online and offline channels, translating an intuitive and frictionless journey with ease of purchase and the best experience, expanding the offer of products and services through our Digital partners to deep Brazil.

The integrated expansion gains strength with the the evolution of geomarketing tools and the revision of the rules of coexistence with a focus on capturing the total consumption potential and minimizing cannibalization between channels.

[1] Does not include 2 PUC stores
[2] Includes Hering Store, Light Franchise and Basic Shop
[3] Total of 1Q20 includes 22 PUC stores.

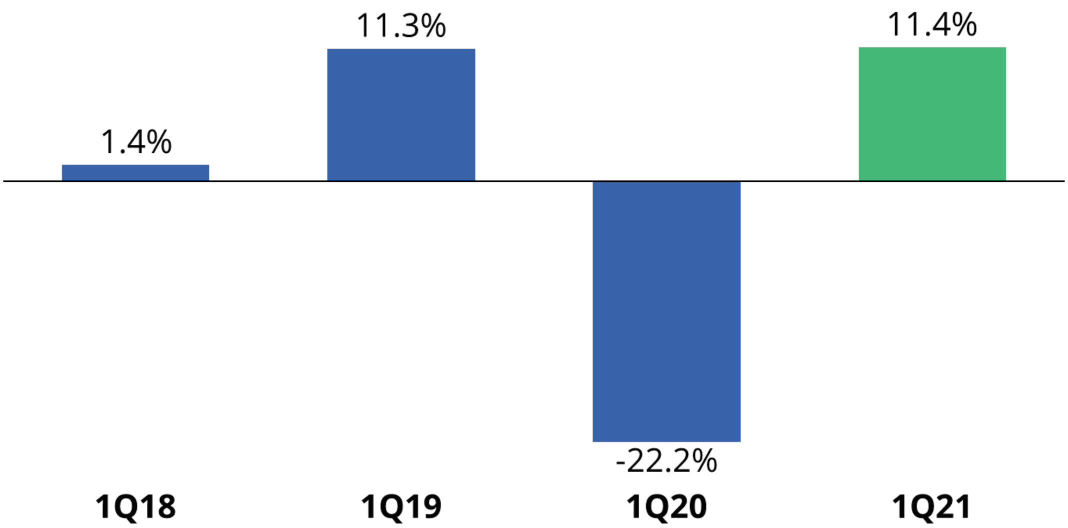
Hering Network Performance

The total sales of the Hering chain (sell-out) in 1Q21 reached R$ 186.6 million, 18.4% lower than 1Q20. Noteworthy is the growth in important productivity indicators such as: parts per service (+11.4%) and average ticket (+11.5%).

Despite the closing of stores in large markets and the reduction in the opening hours of physical stores in the last month of the quarter, the adjusted SSS[1] of all chains, which does not consider days when stores were closed, grew by 11.4% vs 1Q20. NPS of 85 in physical stores, growth of 10 points vs 1Q20.

The South and Southeast regions, which represent about 67% of revenue, were impacted by reduced operating hours according to the new restrictions imposed by Covid.

Same Store Sales - SSS[1]



[1] SSS in 1Q21 considers all brands of the Company, while 1Q20 considers only Hering Network (Hering + Hering Kids)

Growth in efficiency indicators vs 1Q20

+11%
Pieces per service

+11%
Average ticket

Our Brands

Cia Hering reinforces the brands strategy by developing narratives that connect emotionally with our customers and having the product as the protagonist. Developing a platform vision and focusing on digital channels, investing in experience, content and personalization to expand customer touch points and strengthen the smart choice value proposition combining design, quality, technology, comfort and price are key points of this journey.

HERING

The year 2020 at Hering ended with consistency in the communication of storytelling from basic to comfort. The first quarter of 2021 continued the proprietary positioning of the basics in an assertive way to ensure brand reputation and commercial return.

January and February were months marked by the renovation of the wardrobe for the summer. With a focus on promoting news for the season, the pieces and fabrics characteristic of the hottest season of the year stand out, such as dresses, shorts and shorts and linen.

In March, the Women's Month, the brand joined visual artist Verena Smit and the “Rede Mulher Empreendedora Institute” to launch the “Juntas Somos Infinito” capsule collection. The items sold positively impacted the lives of 1,044 women through the “Rede Mulher Empreendedora Institute”, the first female entrepreneurship support network in Brazil.

For Hering Kids, the bet was on attractive content about the main products in all categories: boy, girl, toddler and baby.

In tune with Hering, stories were presented with a focus on summer and the basics. For this reason, the activation of light pieces for children to enjoy the season, as well as the swimwear line, were prioritized.

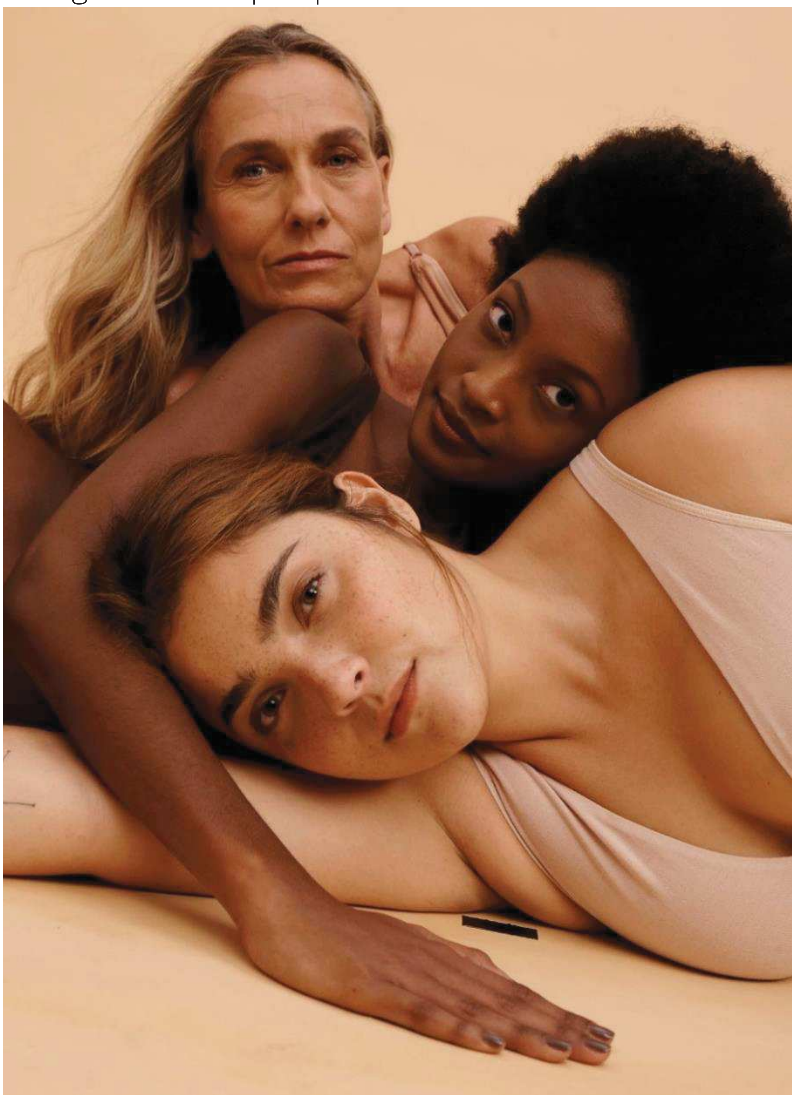
In the month of January, the collection "Meu Paraíso" presented to the children audience practical clothes with fluid fabrics for the freshness of summer days. In February, the comfort identity gave rise to the “Basic is to be happy” capsule, and the last month of the quarter, was the moment of “Coloring Stories”, for children from 1 to 3 years old.

HERINGINTIMATES

Hering Intimates reinforces the basics of Hering and launches a portfolio with underwear, pajamas and loungewear for women and men. In the last year, comfort has taken on a new meaning and now is the time for an increasingly versatile wardrobe that works both inside and outside the home.

Soon, in addition to news in the entire line, the big launch will be in the reformulation of the entire Hering Intimates brand with new products, raw materials and collections, in addition to greater presence in online and visual merchandising. The main focus will be on the consumer experience, through representativeness and diversity in all communications.

In May, it will be the start of the pilot project in store formulated with a 360º strategy. At Hering Intimates, comfort and technology come together to inspire pieces that enhance and value the best of each person. There are four product attributes that guide our products: cotton, known for maximum comfort, microfiber with versatility and technology, seamless and the appeal of invisibility, and the piece for the whole day, like lace.



DZARM

In January, Dzarm launched the Endless Summer collection, which, with the promotional season, was responsible for a boom in sales in the period and a new record in e-commerce, surpassing the results of Black Friday 2020, with a 113% revenue growth vs 1Q20.

In February, the Day By Denim and In Natura collections were launched. As a result of the new digital media strategy, in the month, the brand gained 500% more followers on Instagram vs 1Q20. March was an intense stage of campaigns and activations: launch of the Denim Vibes campaign and International Women's Day in partnership with the artist Rita Wainer. In addition, the Hoodies collection was responsible for the greater reach and impressions of online media campaigns focused on awareness of the period, closing the month with 28.4 million impacts.

The 1Q21 ends with a growth of +10.8% in the brand, with emphasis on the online channel, which brought an increase of 65% vs 1Q20 in e-commerce. In the Multibrand channel, the highlights were the 25% and 57% growth in January and February, respectively.

Financial

Data

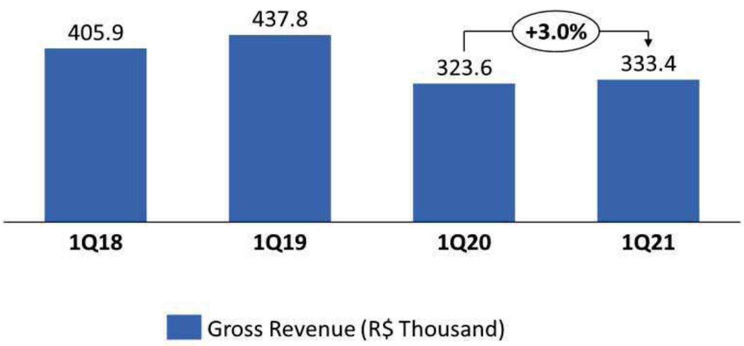
Economic and Financial Performance

R$ Thousand	1Q21	Part. (%)	1Q20	Part. (%)	VAR. 1Q21 | 1Q20
Gross Revenue	**333,369**	**116.9%**	**323,645**	**118.9%**	**3.0%**
Sales Deduction	(48,288)	-16.9%	(51,533)	-18.9%	-6.3%
Net Revenue	**285,081**	**100.0%**	**272,112**	**100.0%**	**4.8%**
Cost of Goods Sold	(173,195)	-60.8%	(161,621)	-59.4%	7.2%
AVP (Adjustment to Present Value)	3,703	1.3%	3,854	1.4%	-3.9%
Subvention for Expenditure	1,766	.6%	3,819	1.4%	-53.8%
Depreciation and Amortization	(7,378)	-2.6%	(8,805)	-3.2%	-16.2%
Gross Profit	**109,977**	**38.6%**	**109,359**	**40.2%**	**0.6%**
Operating Expenses	**(116,668)**	**-40.9%**	**(120,424)**	**-44.3%**	**-3.1%**
Selling Expenses	(80,362)	-28.2%	(74,247)	-27.3%	8.2%
Loss due to non-recoverability of assets	(3,121)	-1.1%	(8,939)	-3.3%	-65.1%
Administrative and General Exp. and Management Remuneration	(15,563)	-5.5%	(13,976)	-5.1%	11.4%
Depreciation and Amortization	(13,630)	-4.8%	(13,643)	-5.0%	´-0.1%
Other operating income/expenses	(3,992)	-1.4%	(9,619)	-3.5%	-58.5%
Operating Income Before Financial Results	**(6,691)**	**-2.3%**	**(11,065)**	**(4.07%)**	**-39.5%**
Financial income	40,559	14.2%	24,196	8.9%	67.6%
Financial expenses	(15,845)	-5.6%	(18,544)	-6.8%	-14.6%
Total Financial Income	**24,714**	**8.7%**	**5,652**	**2.1%**	**337.3%**
Operating Income Before Interest in Subsidiaries	**18,023**	**6.3%**	**(5,413)**	**(1.99%)**	**-433.0%**
Income and Social Contribution Taxes - Current	-	-	-	-	-
Income and Social Contribution Taxes - Deferred	1,735	0.6%	10,456	3.8%	-83.4%
Net Income for the Period	**19,758**	**6.9%**	**5,043**	**1.9%**	**291.8%**
Controlling shareholders	19,758	6.9%	5,043	1.9%	291.8%
Basic earnings per share - R$					
Controlling shareholders	0.1238		0.0311		298.2%
EBITDA	**14,317**	**5.0%**	**11,383**	**4.2%**	**25.8%**

Values in the above table include the effects of IFRS16 (see reconciliation table – page 8).

Gross Revenue

The Company's gross revenue reached R$ 333.4 million in the first quarter, 3.0% higher than the same period of previous year (1Q20).

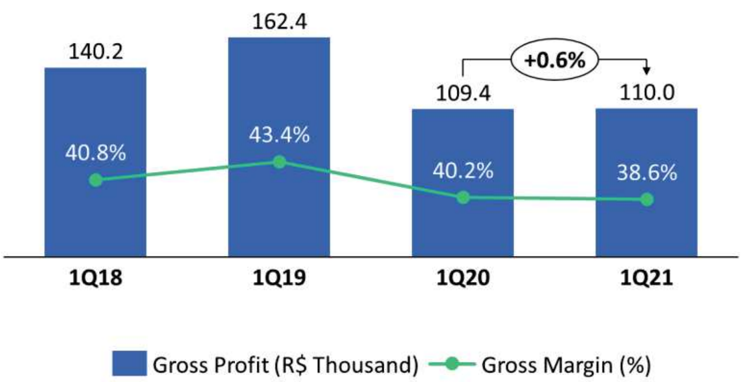


The sales performance in the sell-out channels presented an increase of 22.4% vs. 1Q20, highlight mainly for the Omnicommerce Channel with a growth of 162.9%, offsetting the reduction in the flow in the own stores and the closure in large centers in march due to the pandemic. It is worth mentioning the increase in productivity indicators in own stores, in addition to the increase in flow and conversion on the website.

The performance of the sell-in channels (franchises and multi-brand) was strongly impacted by the total closure of the chain of stores throughout the month of March as well as of our industrial and logistics park in the state of Goiás for 22 days. The scenario in question brought important challenges to better supply the channels and necessary adjustments in the network's inventory planning (OTB).

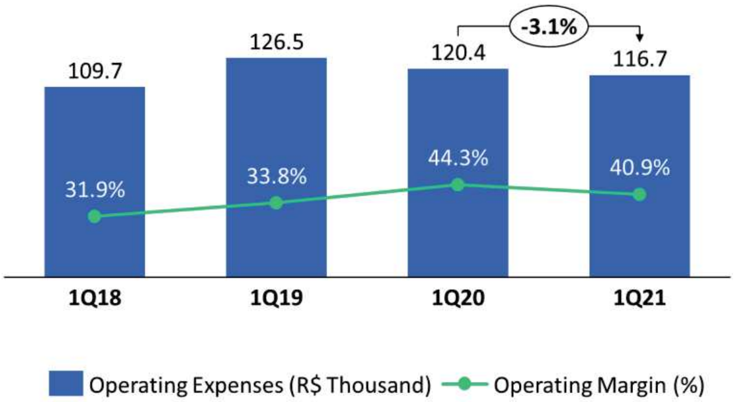
Gross Profit and Gross Margin

The Company's gross profit reached R$ 110.0 million in 1Q21, increase of 0.6% related to 1Q20. The gross margin decreased 160 b.p. in 1Q21 vs. 1Q20, mainly influenced by higher share of Omnicommerce in sell-out channels and great depth of markdowns on this channel. In addition, was an increase in raw material costs, especially those with commodities, with lower price transfer to consumer in this period.



Operational Expenses

In 1Q21, the operational expenses reached the amount of R$ 116.7 million, a reduction of 3.1% compared to 1Q20.



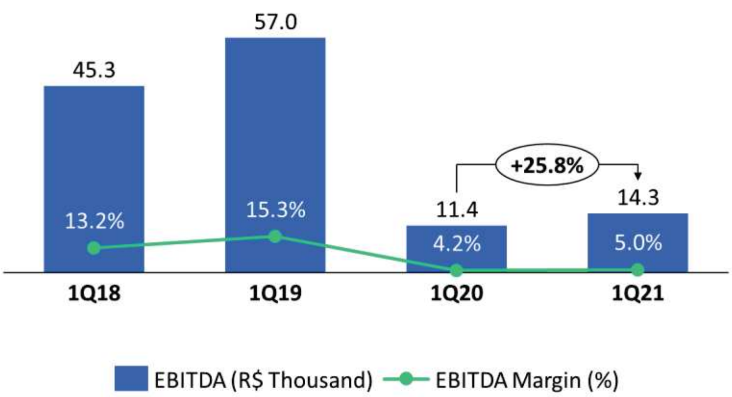
Despite the increase in freight expenses due to increased online sales and expenditure on third-party services related to investments in strategic areas (SAC, CRM and Web store), the Company emphasizes a strict management in controlling costs and expenses with focus on maintaining the business sustainability.

On the other hand, there was a considerable reduction in travel expenses, commissions related to sales performance, rental of real estate through timely renegotiations and lower provision for doubtful accounts.

Additionally, there was an increase in other operating income referring to judicial credits, more than offsetting expenses with strategic projects.

EBITDA and EBITDA Margin

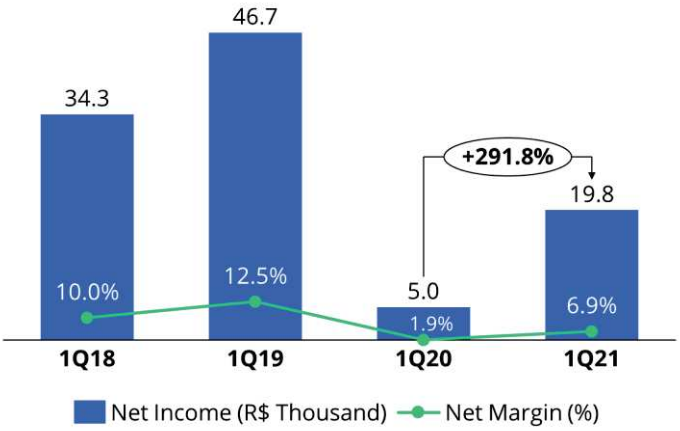
Earnings before interest, taxes, depreciation and amortization ("EBITDA") reached R$ 14.3 million, 25.8% higher than 1Q20, essentially impacted by sales growth and reduction in operating expenses.



Reconciliation of EBITDA - R$ Thousand	1Q21	1Q20	VAR. 1Q21 | 1Q20
Net Income	**19,758**	**5,043**	**291.8%**
(-) Income and Social Contribution Tax	(1,735)	(10,456)	-83.4%
(-) Net Financial Income	(24,714)	(5,652)	337.3%
(+) Depreciation and Amortization	21,008	22,448	-6.4%
(=) EBITDA	**14,317**	**11,383**	**25.8%**
EBITDA Margin	5.0%	4.2%	80 b.p.

Net Income and Net Margin

Net income in 1Q21 totaled R$ 19.8 million, an increase of 291.8% compared to 1Q20 and reaching 6.9% of net margin, influenced by better operating result, an increase in the net financial result of R$ 19.1 million, mainly due to the monetary restatement of PIS and COFINS credits in the amount of R$ 28.9 million[1], more than offsetting the lower income tax constitution deferred.



Investments

The investments in 1Q21 totaled R$ 9.0 million, 82.3% above 1Q20. The main projects are directly related store experience, improvements in operational efficiency with CRM, technology, robotization (RPA) projects and e-commerce platform (B2C), in addition to the renovation of Shopping Morumbi Store to a Mega Store format.

[1] PIS and COFINS credit for the cumulative period recorded in the first quarter with interest and principal in the amount of R$ 38.5 million, of which R$ 28.9 million refers to interest and monetary restatements, which, if excluding the 34% income tax, would be R$ 25.4 million.

It is worth mentioning that the capital investment plan for 2021 will continue to be executed, where it reinforces the guidance of R$ 131 million, mainly directed to projects focused on digital transformation and opening and renovation of stores.

The allocation of resources was distributed in the following order:

Investments - R$ Thousands	1Q21	1Q20	VAR. 1Q21 | 1Q20
IT	5,545	1,809	206.5%
Stores	2,226	1,492	49.2%
Industrial Plant	600	1,261	-52.4%
Others	649	386	-
Total	**9,020**	**4,948**	**82.3%**

Cash Flow

In 1Q21 the Company had free cash flow of R$ 20.5 million, R$ 5.5 million below 1Q20, due to higher investments in capex.

It is worth mentioning that the reduction in working capital investments, as a result of the timely management of cash by the Company.

Cash Flow - Consolidated - R$ Thousand	1Q21	1Q20	VAR. 1Q21 | 1Q20
EBITDA	**14,317**	**11,383**	**2,934**
No cash items	617	12,238	(11,621)
Lease Effect	(7,267)	(8,140)	873
AVP (Adjustment to Present Value) - Clients and Suppliers	(604)	4,770	(5,374)
Working Capital Capex	**22,434**	**10,659**	**11,775**
Accounts receivable from clients	105,141	94,829	10,312
Inventories	(72,009)	(71,346)	(663)
Accounts payable to suppliers	25,037	35,984	(10,947)
Others	(35,735)	(48,808)	13,073
CapEx	**(9,020)**	**(4,948)**	**(4,072)**
Free Cash Flow	**20,477**	**25,962**	**(5,485)**

Net Cash

The Company ended 1Q21 with cash of R$ 366.2 million, and net cash of R$ 283.1 million.

Additionally, the Company obtained a financial loan, in the amount of R$ 100 million, in April, mainly to strengthen the liquidity, the share buyback program and strategic projects.

Net Cash - R$ Thousand	1Q21	4Q20	1Q20
Cash and Cash Equivalents	360,945	467,842	485,318
Interest-earning bank deposits - long term	5,214	5,194	5,105
Loans and financing - short term	(83,076)	(207,967)	(120,119)
Net Cash	**283,083**	**265,069**	**370,304**

Return on Invested Capital - ROIC

In 1Q21, the return on invested capital was 16.3%, 90 b.p. below 4Q20 and 80 b.p above 1Q20, with an impact resulting the reduction in operating income despite the control of invested capital with a decrease by 6.6%.

Return on Invested Capital (ROIC) - R$ Thousands	1Q21	4Q20	VAR. 1Q21 | 4Q20	1Q20	VAR. 1Q21 | 1Q20
EBITDA	172,938	170,005	1.7%	219,004	-21.0%
(-) Depretiation and Amortization	(87,391)	(88,831)	-1.6%	(89,687)	-2.6%
(+) Amortization - Right of use properties [1]	290	447	-35.1%	2,158	-86.6%
(+) Financial Results - APV [2]	2,656	8,030	-66.9%	15,908	-83.3%
(+) IR&CS - Effective rate [3]	69,631	78,352	-11.1%	12,355	463.6%
Operating Income	**158,124**	**168,003**	**-5.9%**	**159,738**	**-1.0%**
Fixed Assets	435,140	436,785	-0.4%	461,311	-5.7%
Accumulated amortization - Right of use properties	55,170	55,068	0.2%	54,677	0.9%
Working capital	477,843	486,906	-1.9%	520,590	-8.2%
Average Invested Capital*	**968,153**	**978,759**	**-1.1%**	**1,036,578**	**-6.6%**
ROIC	**16.3%**	**17.2%**	**-90 b.p.**	**15.5%**	**80 b.p.**

Notes to the financial statements: (1) Nr. 15; (2) Nr. 31; (3) Nr. 32

(*) Average for the last 12 months.

Shareholders Remuneration

In 1Q21 no earnings were deliberated.

Buyback Program

No share buyback was made during the first quarter of 2021.

Subsequent Events

After March 31, 2021, the Company obtained a new loan in the amount of R$ 100,000,000 with an average rate of CDI + 1.98% p.y., term of 720 days, payment of semiannual interest and principal at the end of the contract, to strengthen the Company's liquidity, strategic projects and the share buyback program.

On April 26, 2021, the Company published a Material Fact celebrating an Association Agreement with Grupo Soma. Hering and Grupo Soma estimate that the Transaction will be transformational regarding the consolidation of a brand platform in the fashion retail market, expanding its total addressable market, connecting different audiences and opening up a new space and growth avenue given the highly complementary portfolio. The Transaction offers relevant opportunities for generating value by capturing operational synergies between the parties, especially with regard to revenue and gross margin growth, as well as through greater efficiency in expenses and investments.

Cia. Hering

(Publicly-held company)

Financial statements

March 31, 2021 and December 31, 2020

Table of contents

KPMG Auditores Independentes
R. São Paulo, 31 - 1º andar - Sala 11 - Bairro Bucarein
89202-200 - Joinville/SC - Brasil
Caixa Postal 2077 - CEP 89201-970 - Joinville/SC - Brasil
Telefone +55 (47) 3205-7800
kpmg.com.br

Quarterly Information Review Report

(A free translation of the original report in Portuguese)

To the Shareholders and Board of Directors
Cia Hering
Blumenau - SC

Introduction
We have reviewed the interim financial statements, Parent Company and Consolidated, of Cia Hering ("Company") contained within the Quarterly Information for the quarter ended March 31, 2021, which comprise the balance sheet as of March 31, 2021 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three month period then ended, including the notes to the financial statements.

Management is responsible for the preparation of these interim financial statements in accordance with the CPC 21(R1) and (IAS) 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and for the presentation of these interim financial statements 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 the interim financial statements based on our review.

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

Conclusion about the interim financial statements
Based on our review, we are not aware of any fact that leads us to believe that the interim financial statements included in the quarterly information referred to above have not been prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34 applicable to the Quarterly Information and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Other matter

Statements of value added
We have also reviewed the statements of value added, Company and Consolidated, for the quarter ended March 31, 2021, prepared under the responsibility of the Company's Management, whose disclosure in the interim financial statements is required in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information and considered as supplemental information by international accounting standards (IFRS), which do not require the disclosure of the statement of value added. This statement was submitted to the same review procedures previously described and, based on our review, we are not aware of any fact that would lead us to believe that they have not been fairly stated, in all material respects, in relation to the interim financial statements, Company and Consolidated, taken as a whole.

Joinville, April 28, 2021

KPMG Auditores Independentes
CRC SC-000071/F-8
Original report in Portuguese signed by
Felipe Brutti da Silva
Accountant CRC RS-083891/O-0 T-SC

CIA. HERING

BALANCE SHEETS
MARCH 31, 2021 AND DECEMBER 31, 2020
(In thousands of Brazilian Reais - R$)

Assets	Note	Parent company 03/31/21	Parent company 12/31/20	Consolidated 03/31/21	Consolidated 12/31/20
Current assets					
Cash and cash equivalents	5	360,297	467,431	360,945	467,842
Trade accounts receivable	7	325,114	431,773	325,143	431,802
Inventories	9	444,705	373,266	444,705	373,266
Recoverable taxes	10	155,941	140,218	155,947	140,224
Other accounts receivable	8	11,588	12,092	11,588	12,092
Derivative financial Instruments	24.e	1,521	-	1,521	-
Prepaid expenses		3,426	4,054	3,426	4,054
		1,302,592	1,428,834	1,303,275	1,429,280
Noncurrent assets					
Interest-earning bank deposits	6	5,214	5,194	5,214	5,194
Recoverable taxes	10	368,896	346,261	368,896	346,261
Deferred taxes	11	68,203	66,463	68,203	66,463
Trade accounts receivable	7	1,986	3,589	1,986	3,589
Other accounts receivable	8	30,976	30,072	30,976	30,072
Investments in subsidiaries	12	3,448	2,845	-	-
Property, plant and equipment	13	264,628	271,383	264,628	271,383
Intangible assets	14	98,676	98,857	98,676	98,857
Right of use	15	85,650	89,506	85,650	89,506
		927,677	914,170	924,229	911,325
		2,230,269	2,343,004	2,227,504	2,340,605

Liabilities	Note	Parent company 03/31/21	Parent company 12/31/20	Consolidated 03/31/21	Consolidated 12/31/20
Current liabilities					
Borrowings and financing	22	83,076	207,967	83,076	207,967
Trade accounts payable	23	284,738	259,701	284,738	259,701
Payroll and related taxes	16	39,638	35,572	39,638	35,572
Taxes in installments		1,175	104	1,370	363
Income and social contribution taxes		6	232	6	232
Taxes payable	17	7,727	29,402	7,732	29,407
Provisions for contingencies	19	3,120	3,120	3,120	3,120
Other provisions	19	33,137	47,531	33,137	47,531
Interest on equity and dividends payable	25.e	17,476	17,614	17,476	17,614
Derivative financial Instruments	24.e	-	663	-	663
Other accounts payable		11,622	11,867	8,601	9,145
Leases	15	22,013	22,753	22,013	22,753
		503,728	636,526	500,907	634,068
Noncurrent liabilities					
Taxes in installments		-	1,081	56	1,140
Provisions for contingencies	19	18,004	13,786	18,004	13,786
Other provisions	19	104	104	104	104
Employee Benefits	21	6,273	6,116	6,273	6,116
Tax incentive obligations		490	490	490	490
Other accounts payable		1,285	1,897	1,285	1,897
Leases	15	56,577	60,706	56,577	60,706
		82,733	84,180	82,789	84,239
Shareholders' equity	25				
Capital		381,166	381,166	381,166	381,166
Capital reserve		49,303	47,542	49,303	47,542
Treasury shares		(66,968)	(66,968)	(66,968)	(66,968)
Earnings reserve		1,254,687	1,254,687	1,254,687	1,254,687
Valuation adjustments to equity		5,767	5,817	5,767	5,817
Other comprehensive income		46	54	46	54
Accumulated income		19,807	-	19,807	-
Controlling shareholders		1,643,808	1,622,298	1,643,808	1,622,298
		2,230,269	2,343,004	2,227,504	2,340,605

The notes are an integral part of the financial statements.

CIA. HERING

INCOME STATEMENTS
MARCH 31, 2021 AND MARCH 31, 2020
(In thousands of Brazilian Reais - R$)

		Parent company		Consolidated	
	Note	1st Quarter 21	1st Quarter 20	1st Quarter 21	1st Quarter 20
Net operating revenue	27	285,081	272,112	285,081	272,112
Cost of goods sold	28	(175,104)	(162,753)	(175,104)	(162,753)
Gross profit		109,977	109,359	109,977	109,359
Operating income (expenses)					
Selling expenses	29	(80,362)	(74,247)	(80,362)	(74,247)
Impairment of accounts receivable	24.a(ii)	(3,121)	(8,939)	(3,121)	(8,939)
Administrative and general expenses	30	(13,191)	(11,473)	(13,272)	(11,558)
Management remuneration	20	(2,186)	(2,313)	(2,291)	(2,418)
Depreciation and amortization		(13,630)	(13,643)	(13,630)	(13,643)
Other operating income	31	13,717	1,590	13,717	1,590
Other operating expenses	31	(17,709)	(11,186)	(17,709)	(11,209)
Net income before financial results, equity and taxes		(6,505)	(10,852)	(6,691)	(11,065)
Financial income	32	40,528	23,911	40,559	24,196
Financial expenses	32	(16,103)	(18,877)	(15,845)	(18,544)
Net financial income (expenses)		24,425	5,034	24,714	5,652
Equity in income	12	103	405	-	-
Net income before income and social contribution taxes		18,023	(5,413)	18,023	(5,413)
Income and contribution taxes - current	33	-	-	-	-
Income and contribution taxes - deferred	33	1,735	10,456	1,735	10,456
Net income for the period		19,758	5,043	19,758	5,043
Allocated to:					
Controlling shareholders		19,758	5,043	19,758	5,043
Earnings per share - R$					
Basic earnings per share	34			0.1238	0.0311
Diluted earnings per share	34			0.1220	0.0305

The notes are an integral part of the financial statements.

CIA. HERING

STATEMENT OF COMPREHENSIVE INCOME
MARCH 31, 2021 AND MARCH 31, 2020
(In thousands of Brazilian Reais - R$)

		Parent company		Consolidated	
	Note	1st Quarter 21	1st Quarter 20	1st Quarter 21	1st Quarter 20
Net income for the period		19,758	5,043	19,758	5,043
Other comprehensive income					
Items that can be subsequently reclassified to the income statement:					
Fair value of financial instruments of cash flow hedge net of taxes	24	(9)	(412)	(9)	(412)
		(9)	(412)	(9)	(412)
Comprehensive income		19,749	4,631	19,749	4,631
Total comprehensive income allocated to:					
Controlling shareholders		19,749	4,631	19,749	4,631

The notes are an integral part of the financial statements.

CIA. HERING

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
MARCH 31, 2021 AND DECEMBER 31,2020
(In thousands of Brazilian Reais - R$)

	Parent Company and Consolidated								
			Profit reserves					Equity valuation adjustment	
	Capital	Capital reserve	Tax incentives	Legal reserve	Profit retention	Treasury shares	Accumulated profit	Other comprehensive income	Total equity
Balances at December 31, 2020	381,166	47,542	937,587	76,233	240,867	(66,968)	-	5,871	1,622,298
Stock option plan (note 26)	-	1,761	-	-	-	-	-	-	1,761
Realization of indexation of PP&E	-	-	-	-	-	-	49	(49)	-
Adjustment financial instruments - hedge accounting (note 24.e)	-	-	-	-	-	-	-	(9)	(9)
Net income for the period	-	-	-	-	-	-	19,758	-	19,758
Balances at March 31, 2021	381,166	49,303	937,587	76,233	240,867	(66,968)	19,807	5,813	1,643,808

The notes are an integral part of the financial statements.

CIA. HERING

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
MARCH 31, 2020 AND DECEMBER 31,2019
(In thousands of Brazilian Reais - R$)

	Parent Company and Consolidated								
			Profit reserves					Equity valuation adjustment	
	Capital	Capital reserve	Tax incentives	Legal reserve	Profit retention	Treasury shares	Accumulated profit	Other comprehensive income	Total equity
Balances at December 31, 2019	381,166	41,480	937,587	59,959	779	(1,551)	-	6,977	1,426,397
Stock option plan	-	1,374	-	-	-	-	-	-	1,374
Treasury shares sold	-	-	-	-	-	(27,602)	-	-	(27,602)
Realization of indexation of PP&E	-	-	-	-	-	-	48	(48)	-
Adjustment financial instruments - hedge accounting	-	-	-	-	-	-	-	(412)	(412)
Net income for the period	-	-	-	-	-	-	5,043	-	5,043
Balances at March 31, 2020	381,166	42,854	937,587	59,959	779	(29,153)	5,091	6,517	1,404,800

The notes are an integral part of the financial statements.

CIA. HERING

STATEMENT OF CASH FLOWS
MARCH 31, 2021 AND MARCH 31, 2020
(In thousands of Brazilian Reais - R$)

		Parent company		Consolidated	
	Note	1st Quarter 21	1st Quarter 20	1st Quarter 21	1st Quarter 20
Cash flows from operating activities					
Net income for the period		19,758	5,043	19,758	5,043
Adjustments to reconcile net income to net cash generated by operating activities:					
Net deferred income and social contribution taxes	33	(1,735)	(10,456)	(1,735)	(10,456)
Monetary, exchange rate and interest variations	15	4,535	1,290	4,535	1,290
Depreciation and amortization	13/14/15	21,008	22,448	21,008	22,448
Write-off of fixed assets	13/14	1,993	8	1,993	8
Income from write-off of lease and trade fund	15	(38)	(12)	(38)	(12)
Provision for doubtful accounts	24	3,121	8,939	3,121	8,939
Stock option plan	26	1,761	1,374	1,761	1,374
Equity in (loss) income of subsidiaries	12	(103)	(405)	-	-
Provision for adjustment to inventory realization value	9	570	(26)	570	(26)
Provisions for contingencies	19	4,806	1,806	4,806	1,806
Employee benefits	21	157	149	157	149
Reversal of provision for non recoverability of fixed assets	13	(2,208)	-	(2,208)	-
Judicial credit PIS and COFINS	10.e	(38,491)	-	(38,491)	-
Changes in assets and liabilities					
Trade accounts receivable		105,141	94,831	105,141	94,829
Inventories		(72,009)	(71,346)	(72,009)	(71,346)
Recoverable taxes		(14,036)	(4,163)	(14,036)	(4,163)
Other assets		(1,293)	(14,096)	(1,293)	(14,096)
Accounts payable to suppliers		25,037	35,984	25,037	35,984
Accounts payable and provisions		(14,492)	(11,004)	(14,493)	(11,003)
Income and social contribution taxes		(226)	(129)	(226)	(129)
Taxes payable		(5,621)	(19,415)	(5,687)	(19,417)
Interest paid on leasing	15	(1,303)	(1,171)	(1,303)	(1,171)
Interest paid on loans	22	(8,123)	-	(8,123)	-
Net cash provided by operating activities		28,209	39,649	28,245	40,051
Cash flows from investing activities					
Capital increase in subsidiary	12	(500)	-	-	-
Purchase of property, plant and equipment	13	(1,731)	(3,033)	(1,731)	(3,033)
Purchase of intangible assets	14	(4,931)	(1,915)	(4,931)	(1,915)
Purchase of rights use assets	15	(2,358)	-	(2,358)	-
Net cash used in investing activities		(9,520)	(4,948)	(9,020)	(4,948)
Cash flows from financing activities					
Interest earning bank deposits		(20)	(41)	(20)	(41)
Interest on equity and dividends		(138)	(9)	(138)	(9)
Related parties		299	468	-	-
Acquisition of treasury shares	25.b	-	(27,602)	-	(27,602)
Payment of principal - Lease	15	(5,964)	(6,957)	(5,964)	(6,957)
Loans taken	22	-	120,000	-	120,000
Repayments of loans		(120,000)	-	(120,000)	-
Net cash used in financing activities		(125,823)	85,859	(126,122)	85,391
Increase in cash and cash equivalents		(107,134)	120,560	(106,897)	120,494
Demonstration of the increase in cash and cash equivalents					
At the beginning of the period		467,431	364,423	467,842	364,824
At the end of the period		360,297	484,983	360,945	485,318
		(107,134)	120,560	(106,897)	120,494

The notes are an integral part of the financial statements.

CIA. HERING

STATEMENT OF ADDED VALUE
MARCH 31, 2021 AND MARCH 31, 2020
(In thousands of Brazilian Reais - R$)

	Parent company		Consolidated	
	1st Quarter 21	1st Quarter 20	1st Quarter 21	1st Quarter 20
Revenues				
Products sold (gross revenue)	333,369	323,645	333,369	323,645
Provision for doubtful accounts	(3,121)	(8,939)	(3,121)	(8,939)
	330,248	314,706	330,248	314,706
Inputs acquired from third parties (including ICMS and IPI)				
Raw materials consumed	(77,540)	(64,285)	(77,540)	(64,285)
Costs of goods sold	(50,680)	(44,558)	(50,680)	(44,558)
Materials, power, third-party services and other operating expenses	(111,211)	(105,235)	(111,394)	(105,426)
	(239,431)	(214,078)	(239,614)	(214,269)
Retentions				
Depreciation and amortization	(21,008)	(22,448)	(21,008)	(22,448)
Net added value created by the Company	69,809	78,180	69,626	77,989
Value added received in transfer				
Equity in income (loss) of subsidiaries	103	405	-	-
Financial income	40,528	23,911	40,559	24,196
Others	13,256	39	13,249	39
	53,887	24,355	53,808	24,235
Total added value to be distributed	123,696	102,535	123,434	102,224
Distribution of added value				
Employees				
Direct compensation	45,843	43,258	45,843	43,258
Benefits	5,924	6,243	5,924	6,243
Severance Fund (FGTS)	3,410	3,385	3,410	3,385
	55,177	52,886	55,177	52,886
Taxes				
Federal	24,143	15,340	24,143	15,340
State	6,669	5,437	6,669	5,437
Municipal	500	463	500	463
	31,312	21,240	31,312	21,240
Financiers				
Interest	4,536	1,290	4,536	1,290
Rent	4,414	4,814	4,414	4,814
Others	8,499	17,262	8,237	16,951
	17,449	23,366	17,187	23,055
Equity capital				
Retained earnings	19,758	5,043	19,758	5,043
	19,758	5,043	19,758	5,043
Total added value distributed	123,696	102,535	123,434	102,224

The notes are an integral part of the financial statements.

1 General information

Cia. Hering, with main offices in Blumenau, Santa Catarina, and manufacturing units in the States of Santa Catarina and Goiás, was founded in 1880 and its key activity is the production and marketing of threads, fabrics, and knitwear, textiles and knitwear, and clothing in general.

The Company's shares are traded on the New Market segment of São Paulo Stock Exchange (Bovespa), under the ticker symbol HGTX3.

- Coronavírus (COVID-19)

The World Health Organization (WHO), on March 11, 2020, declared the outbreak of the new coronavirus (COVID-19) a pandemic. The outbreak triggered significant decisions by governments and private sector entities, which added to the potential impact of the outbreak, increased the degree of uncertainty for economic agents and may generate impacts on the figures recognized in the Company's quartely information.

The Company maintains periodic monitoring of its operations, through its Crisis Committee, formed by Management and a group of leaders from various areas, and has been taking the necessary measures to minimize the impact of the COVID-19 outbreak, preserve the integrity and health of our employees - our absolute priority, as well as ensure the sustainability of our network and business. Since March 2020, Cia Hering have been constantly monitoring the evolution of the relevant legislation in the cities in which we operate. With respect to health procedures, we are following all necessary hygiene and detachment measures in order to guarantee the safety of all those involved.

The Company Management has taken the following main measures related to the confrontation of the crisis caused by the COVID 19 pandemic: (i) adoption of remote work (home office) for the administrative areas, closure of factories and stores in compliance with the protocols established by the competent public authorities, suspension of trips and events and holding of virtual showrooms, donations of masks, donations of uniforms to hospitals and of T-shirts with love that raised funds for the purchase of respirators; (ii) adoption of measures to strengthen Cash with daily monitoring of cash needs, renegotiation of suppliers to postpone payments and reduce future contract values, renegotiation of store occupancy cost expenses, contingency of expenses and investments, review of production and purchase volume, raising of loans for Working Capital (R$ 120,000 in March and R$ 80,000 in April 2020); (iii) adherence to government assistance measures such as postponement of PIS/COFINS payment, Social Security Contribution, FGTS installment payment, reduction of contribution rates to autonomous social services; (iv) adhesion to the emergency program for maintenance of employment and income under the terms of Law 14,020 of July 7, 2020, applying in the months of April to June a reduction of 25% in the working day and base salary, and/or (ii) suspension of the employment contract with the maintenance of benefits and compensatory aid from the Company of 30% on the gross salary for Industry, CD and Stores.

The Company performed a set of analyses on the impact of COVID-19, which involved (i) the review of the useful life of property, plant and equipment and the review of the assumptions of the annual impairment test, the analysis of which demonstrated the need to recognize a provision for losses in property, plant and equipment as described in Note 13; (ii) analysis of deferred tax realization, resulting in an extension of the credit period, as described in Note 11; (iii) analysis of lease classification and accounting, due to discounts granted by lessors on the minimum contractual rent and evaluation of the useful life of the right to use asset, as described in Note 15; (iv) analysis of risk provisions and other provisions; (v) analysis of the recoverability of financial instruments, specifically analysis of possible expected credit losses of accounts receivable, whose impacts are disclosed in Note 24 a; (vi) analysis of possible losses due to inventory obsolescence, maintaining the provisions policy adopted, considering the position of perennial inventories and the commercial policy of not realizing inventories below cost price, there was no need for additional provision; (vii) business continuity analyzes with assessment of positive future results, positive future cash flows and among others and subsequent events.

The continuity of operations and preservation of the sustainability of our network and business is a priority of the Company's management, and the management is not aware of any material uncertainty that could generate significant doubts about its ability to continue operating.

2 Preparation basis

(a) Statement of compliance

The individual and consolidated quarterly information were prepared in accordance with the International Financial Reporting Standards (IFRS), IAS 24/CPC 21, issued by the International Accounting Standards Board (IASB), and also in accordance with the accounting practices adopted in Brazil (BR GAAP).

This financial statement is presented in thousands of Reais and were authorized for conclusion by Management on April 28, 2021.

All relevant information specific to the quartely information, and only such information, is being evidenced, and corresponds to the information used in management.

The presentation of the individual and consolidated Statement of Added Value is required by Brazilian corporate law and the accounting practices adopted in Brazil applicable to publicly-held companies. The IFRSs do not require the presentation of this statement.

(b) Measurement basis

The individual and consolidated quarterly information were prepared based on the historical cost, except when the explanatory notes indicate otherwise.

(c) Functional currency and reporting currency

The individual and consolidated quarterly information are presented in Brazilian Reais, which is the Company’s functional currency. All quartely information presented in Brazilian Reais has been rounded to the nearest value.

(d) Use of estimates and judgments

The preparation of the individual and Consolidated quarterly information according to IFRS and BR GAAP standards requires Management to make judgments, estimates and assumptions that affect the application of accounting principles and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Revisions related to accounting estimates are recognized in the period when the estimates are revised and in any future period affected.

The accounting policies and areas that require a higher level of judgment and use of estimates in the preparation of the quartely information are as follows:

Note 3g – Useful life of fixed assets
Note 11 – Realization of deferred income tax
Note 15 – Classification and recording of lease agreements
Note 19 – Provision for contingencies and other provisions
Note 24 – Risk management and financial instruments

3 Significant accounting policies

(a) Consolidation basis

The consolidated quarterly information includes the quartely information of Cia. Hering and its subsidiaries, as listed below:

		Participation (%)	
	País	**03/31/21**	**12/31/20**
HRG Comércio do Vestuário e Intermediação de Serviços Financeiros Ltda.	Brasil	99.99	99.99
Hering Internacional SAFI	Uruguai	100.00	100.00

The quartely information of the subsidiaries is included in the consolidated quarterly information as from the date they start to be controlled by the Company until the date such control ceases.

The criteria adopted in the consolidation are those provided in CPC 36 / IFRS 10 – Consolidated quarterly information, of which we highlight the following:

- The Company includes in its consolidation all subsidiaries in which the parent company, directly or indirectly, has significant influence to ensure its shareholders permanent and predominant power to elect the majority of directors.

- All intra-group balances, and unrealized income, expenses, gains and losses arising from intragroup transactions are eliminated in full.

- Removal of portions of the results, retained earnings or losses and the cost of inventories or non-current assets that match results, not yet achieved, of business between the companies.

- Elimination of the relevant investment in proportion to its respective equity.

(b) Foreign currency

The Company's Management has defined that its functional currency is the Real in foreign currency, all transactions that are not carried out in the functional currency, are translated at the exchange rate on the dates of each transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate on the closing date. The gains and losses from the fluctuations in the exchange rates on monetary assets and liabilities are recognized in the statement of income.

(c) Financial instruments

(i) Non-derivative financial assets

Recognition and measurement

Financial assets are initially recognized and measured in accordance with the classification of financial instruments in the following categories: (i) amortized cost: (ii) fair value through comprehensive income and (iii) fair value through income. In order to define the classification of financial assets according to CPC 48 / IFRS 9, the company evaluated the business model in which the financial asset is managed and its characteristics of contractual cash flows.

The Company recognizes the loans, receivables and deposits initially as of the date of origination. All other financial assets (including assets designated at fair value through profit or loss) are initially recognized on the trade date on which the Company becomes a party to the contractual provisions of the instrument.

The Company lowers a financial asset when contractual rights to the cash flows of the asset expire, or when it transfers the rights to the receipt of the contractual cash flows on a financial asset in a transaction in which essentially all the risks and benefits of ownership of the financial asset are transferred.

The financial assets held by the Company as of March 31, 2021 are classified as follows:

Amortized cost

Financial assets held by the Company to obtain contractual cash flows arising from the principal and interest, when applicable. These assets are subsequently measured at amortized cost using the effective interest method (when applicable) and are assessed for impairment at each balance sheet date. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss, as well as any gain or loss on derecognition. Cash and cash equivalents, trade accounts receivable and other assets are classified in this category, with the variations recognized in the Financial Result.

(ii) Non-derivative financial liabilities

The Company recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial are recognized initially on the negotiation date on which the Company becomes a party to the contractual provisions of the instrument. The Company writes off a financial liability when its contractual obligations are discharged, cancelled or settled.

The Company has the following non-derivative financial liabilities: suppliers, other accounts payable, dividends payable, lease liabilities and related parties. Such financial liabilities are initially recognized at fair value plus any transaction costs directly assignable. After their initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial liabilities

The Company has derivative financial instruments to manage its exposure to currency risks, including forward foreign exchange contracts.

Derivatives are initially recognized at fair value on contracting date and subsequently re-measured at fair value on year. Possible gains or losses are immediately recognized in income, unless derivative is assigned and effective as a hedge instrument, in this case, time of recognition in income depends on hedging relationship nature.

The Company assigns certain hedging instruments for risk in foreign exchange rates variation in firm commitments, as cash flow hedge.

At the beginning of hedging relationship, for the adoption of the "Hedge Accounting" the Company documents the relation between the hedge instrument and the hedged item with its objectives in risk management and its strategy to assume several hedging transactions. In addition, in the beginning of the hedge operation and continuously, the Company documents if the hedging instrument used in a hedging relationship is highly effective to offset in the hedged item's fair value or cash flow, attributable to the hedged risk.

The effective portion of changes in derivatives fair value that is assigned and qualified as cash flow hedge is recognized in other comprehensive income. Gains or losses related to the ineffective portion are immediately recognized under "financial income".

Amounts previously recognized in other comprehensive income and accumulated in shareholders' equity are reclassified into income for the period in which the hedged item affects income, under the same statement of income caption in which such item is recognized. However, when a foreseen hedged transaction results in the recognition of a non-financial asset or liability, gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred to the initial measurement of this asset or liability cost.

"Hedge accounting" is interrupted when the Company cancels the hedging relationship, the hedge instrument matures or is sold, rescinded or executed, or no longer qualifies as hedge accounting. Any gains or losses recognized in other comprehensive income and accumulated in equity on that date remain in equity and are recognized when foreseen transaction is finally recognized in income. When the foreseen transaction is no longer expected to occur, accumulated gains or losses that are deferred in shareholders' equity are immediately recognized in income.

Derivatives that are not assigned as hedging instruments are classified as current assets or liabilities.

Note 24 includes more detailed information on derivative financial instruments.

(d) Cash and cash equivalents

Includes cash balances, current accounts (demand bank deposits), short term investments (interest earning bank deposits) considered immediately marketable or convertible into a known sum of cash and subject to an insignificant risk of change of value, with a three-month maturity date or less from the date of operation contracting.

Financial investments are recorded at cost of acquisition amount plus income earned through the reporting date of the balance sheets, which approximate their fair values and do not exceed their market or realizable value.

(e) Trade accounts receivable

Trade accounts receivable are recorded at the amount invoiced, adjusted to present value. The amount recorded as Expected credit losses is considered sufficient by management to cover any losses on the realization of the receivables.

(f) Inventories

These are measured at the average cost of acquisition or production, adjusted to the replacement cost or net realizable value, when applicable. The cost of finished products and work in process comprises the cost of raw materials, labor and other indirect costs related to production based on the normal capacity occupancy. Provisions for realization of inventories (reduction to market value) and slow-moving and/or obsolete inventories are formed when they are identified.

The net realizable value is the estimated price at which inventories can be realized in the normal course of business, deducted from the estimated completion costs and selling expenses.

(g) Property, plant and equipment (PP&E)

(i) Recognition and measurement

PP&E items are stated at historical acquisition or construction cost, net of accumulated depreciation and impairment losses, when applicable.

When parts of a PP&E item have different useful lives, they are accounted for as separate items (major components) of PP&E.

Gains and losses on disposal of a PP&E item are determined by comparing the proceeds from disposal with the carrying amount of PP&E and are recognized net within "Other income" in the income statement.

(ii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost. The residual value of the assets written off is not material, and, accordingly, is not considered in the determination of the depreciable amount.

Depreciation is recognized in the income statement using the straight-line method over the estimated useful life of each part of an item of property, plant and equipment, since this is the method that best reflects the consumption pattern of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives for the current period were calculated using the weighted average useful life of the assets of each group, are presented below:

Description	Average useful life (years)
Buildings and improvements	31.47
Facilities and production equipament	10.22
Furniture and fixtures	6.29
Computer and peripherals	4.69
Vehicles	4.65
Leasehold improvements	6.91

The depreciation methods, useful lives and residual values will be reviewed at each reporting date and potential adjustments will be recognized as a change in accounting estimates prospectively.

(iii) Subsequent costs

The replacement cost of a component of PP&E is recognized in the carrying value of the item when it is probable that the future economic benefits embodied in the component will flow to the Company and its cost can be reliably measured. The carrying amount of the component that is replaced is written off. Costs of normal maintenance on property, plant and equipment are charged to the income statement as incurred.

(h) Intangible assets

(i) Recognition and measurement

The Company has brands and patents and software recognized as intangible assets. The value of trademarks and patents refers to the registration of the Company's trademarks with national entities and competent international institutions, which are amortized according to the validity period of the records. The value software, refers to software acquired from third parties and generated internally that is amortized for the useful life defined in the appraisal report. All have defined useful lives and are measured at cost, less accumulated amortization and impairment losses accumulated.

(ii) Amortization

Amortization is calculated over the cost of the asset, or other amount substituted for cost. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use, since this is the method that best reflects the consumption pattern of the future economic benefits embodied in the asset.

The useful estimated lives are as follows:

Description	Average useful life (years)
Trademarks and patents	10.00
Software licenses	7.61

The amortization methods, useful lives and residual values will be reviewed at each reporting date and potential adjustments will be recognized as a change in accounting estimates prospectively.

(iii) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the income statement as incurred.

(i) Impairment

(i) Financial assets

Financial assets are valued at initial recognition based on a study of expected losses (when applicable) and when there is evidence of an impairment loss. Any asset will have a loss in its recoverable amount if objective evidence indicates that a loss event occurred after the initial recognition such asset, and that such loss event has had a negative effect on projected future cash flows that can be estimated in a reliable way.

The objective evidence that financial assets lost value can include the non-payment or delay in payment by the debtor, the restructuring of the amount due the company under condition that the company would not consider other transactions or indications that the debtor or issuer will enter bankruptcy proceedings.

Provisions for losses on trade accounts receivable are measured at an amount equal to the expected credit loss for the entire life of instrument.

An impairment with respect to a financial asset measured at amortized cost is calculated as the difference between the book and present value of estimated future cash flows discounted at the original effective interest rate of asset. Losses are recognized in the result and reflected in an account of a provision against receivables. The interest on the assets that lost value continue to be recognized through the discount reversal. When a subsequent event indicates reversal of loss of value, the reduction in the loss of value is reversed and recorded in the income (loss).

(ii) Non-financial assets

The carrying values of non-financial assets of the Company are reviewed each period to determine whether there is sign of loss in the recovery value (impairment). If such indication exists, the asset's recoverable amount is determined.

(j) Rights to use assets and leases

(i) Leases

A contract is, or contains, a lease if the contract transfers the right to control the use of an identified asset for a period of time in exchange for payment s, for which it is necessary to assess whether: (i) the contract involves the use of an identified asset, which may be explicit or implicit, and may be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantial right to replace the asset, then the asset is not identified; (ii) the Company has the right to obtain substantially all the economic benefits from use of the asset during the term of the contract; and (iii) the Company has the right to direct the use of the asset. This means that the Company has decision-making rights to change how and for what purpose the asset is used.

A lessee recognizes a right of use asset, which represents its right to use the leased asset, and a lease liability, which represents its obligation to make lease payments.

The right-of-use asset is initially measured at cost and comprises the initial amount of the lease liability adjusted for any payment made on or before the contract start date, plus any initial direct costs incurred and estimated cost of dismantling, removal, restoration of the asset in the place where it is located, minus any incentive received. The right-of-use asset is subsequently depreciated using the straight-line method from the start date to the end of the useful life of the right-of-use or the end of the lease term.

The lease liability is initially measured at the present value of the payments yet to be made, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, by the incremental loan rate.

After the initial measurement, the lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change: (i) in future payments resulting from a change in the index or rate; (ii) in the estimate of the expected amount to be paid in the guaranteed residual value; or (iii) in the evaluation as to whether the Company will exercise a purchase, extension or termination option. When the lease liability is remeasured, the corresponding adjustment amount is recorded at the book value of the right-of-use asset or in P/L, if the book value of the right-of-use asset has been reduced to zero.

Operating lease agreements are recognized as an expense over the lease period.

(ii) Trade Fund

The trade fund refers to the registration of the commercial points of the own stores which are amortized over the term of the contracts. The trade fund amortization is calculated on cost and is recognized in the income statement based on the linear method in relation to the useful life estimated, from the date they are available for use. The useful life of the trade fund is estimated at 5 years, being reviewed at each year-end and adjusted if necessary.

(k) Employee benefits

The Company grants to its administrators, executives and employees many benefits that are usual in the market. To improve the alignment of the interest of its administrators, executives and team of employees, the Company also grants the following benefits:

(i) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Company possess private pension plan for its employees (defined benefit plans). The actuarial calculations are performed annually by a qualified and independent actuary hired by the Company. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to their present value. Any unrecognized prior service costs and the fair values of any plan assets are deducted. The discount rate is the yield of prime debt securities at the reporting date, whose maturity dates approximate the terms and conditions of the Company's obligations and are denominated in the same currency in which the benefits are expected to be settled. When the calculation results in a benefit for the Company, the asset to be recognized is limited to the total of any unrecognized prior service costs and the present value of the economic benefits available as future plan refunds or reduction in the future payments.

In order to calculate the present value of the economic benefits, consideration is given to any minimum funding requirements that apply to any Company plan. An economic benefit is available to the Company when it is realizable over the plan life, or upon settlement of the plan's liabilities.

When the benefits of a plan are increased, the portion of the increased benefit relating to past service by employees is recognized as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.

Remeasurements, composed of gains and losses, the effect of the limit of assets (assets ceiling) and the return on plan assets, both excluding net interest, are recognized in the statement of comprehensive income, if at all, in the period in which they occur.

Remeasurements are not reclassified to profit or loss in subsequent periods.

The Company recognizes all actuarial gains and losses resulting from defined benefit plans in other comprehensive income.

(ii) Other long-term benefits to employees

The Company's net obligation in relation to employee benefits other than pension plans and health plans is the amount of the future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to calculate its present value, and the fair value of any related assets is deducted. The calculation is performed on the projected unit credit method. Any actuarial gains and losses are recognized in the income (loss) in the period they occur.

(iii) Short-term benefits to employees

Obligations for short-term employee benefits are measured on a non-discounted basis and incurred as expenses as the related service is rendered.

The liability is recognized at the amount expected to be paid under the cash bonus plans or short-term profit sharing if the Company has a legal or constructive obligation to pay this amount as a result of prior service rendered by the employee, and the obligation can be reliably estimated.

(iv) Stock-based plan transactions and restricted stocks

The effects of the stock options plan are calculated based on the fair value and recognized in the balance sheet and statement of income at the extent the contractual conditions are met. The fair value calculated of share-based payment agreements is recognized at the grant date, as expenses, with a corresponding increase in shareholders' equity, over the period when employees become unconditionally entitled to the premiums.

On July 29, 2020, the Company approved a restricted stock plan. The Program consists of the concession, by the Company, of common shares, nominative and without par value, representing the Company's capital stock ("Restricted Shares"), free of charge, with a total value equivalent to the value of the approved long-term incentive by the Board of Directors for each executive, at the time of granting the Restricted Shares and subsequent transfer of ownership. The expense is recorded on a "pro rata temporis" basis that begins on the grant date, up to the date on which the Company transfers the right of shares to the beneficiary. The expense corresponds to the number of shares granted multiplied by the fair value of the share on the grant date. Details of the Company's program can be found in Note 26.

(l) Provisions

A provision is recorded when the Company has a legal or constructive obligation as a result of a past event, which can be reliably estimated, and it is probable that an outflow of funds will be required to settle the obligation. The expense referring to any provision is presented in the statement of income, net of any reimbursement.

(m) Adjustment to present value

Fixed purchase and sale transactions in installments were brought to present value on transactions date, based on deadlines and at the rate of 0.39% p.m. and 0.17% p.m. These rates represent SELIC rate for the period in purchase transactions and discount rate in early payment of sale transactions. No assumptions were made that took into account credit risk factors or other risks, because the Company uses a simplified model and because of the operations' characteristics. The average days sales outstanding is 70 days and the average days payable outstanding is 83 days.

The adjustment to present value of purchases is recorded to trade payables and charged to financial income/loss, over the duration of the term in the case of trade payables. The adjustment to present value of credit sales is charged to trade receivables and the realization thereof is recorded under financial income/loss over the duration of the term.

(n) Capital

(i) Common Shares

Common shares are classified as shareholders' equity. Additional costs directly attributable to the issue of shares and share options are recognized as a deduction from shareholders' equity. Effects from taxes related to these transactions' costs are accounted for in accordance with CPC 32/IAS 12.

(ii) Treasury Shares

The Company's own equity instruments that are repurchased (treasury shares) are recorded at cost, as a reduction of equity. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(o) Operating income - Sale of goods

The Company has the practice of recognizing its revenues, taking into account the assessment of the following steps: (i) Identify the contract with the customer; (ii) Identify performance obligations in the contract; (iii) Determine the price of the transactions; (iv) Allocating the price of the transaction to the performance obligations; (v) Recognize revenue when performance obligations are met.

Therefore, revenue is measured based on the consideration specified in the contract with the customer and is recognized when the products are delivered and accepted by the customers in their facilities. For contracts that allow the customer to return the goods, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of recognized accumulated revenue will not occur.

The operating revenue of our own stores is recognized after invoicing and delivery of the merchandise to the customer. The operating revenue of the retail and franchise network of the national and international market is recognized after the billing and exit of the merchandise from the Company's establishment. The Company also monitors the deadline for the delivery of goods to customers and makes adjustments to operating revenue when necessary.

If discounts are likely to be granted and the amount can be measured reliably, then the discount is recognized as a reduction in operating income as sales are recognized.

(p) Government grants and assistance

Government grants and assistance are recognized when there is reasonable assurance that the terms and conditions set forth by the granting governments have been fulfilled and are calculated and recorded in accordance with the contracts, agreements and legislation applicable to each incentive, as described in note 18. The effects on income are recorded on the accrual basis of accounting, where gains are recorded in the group of sales deductions (taxes levied) and cost of goods sold, against current liabilities.

(q) Financial income and expenses

Financial revenues comprise income from interest on interest earning bank deposits, adjustment to present value and other sundry revenues. These interest incomes are recognized in profit or loss. The Company also has revenue from foreign exchange, which is also accounted for directly in profit or loss.

The distributions received from investees recorded under the equity method reduce the amount of the investment.

Financial expenses include interest expenses on borrowings, financial charges on taxes and adjustment to present value. These interest expenses and revenue are recognized in profit or loss. The Company also has an expense from foreign exchange, which is also accounted for directly in profit or loss.

Borrowing costs which are not directly attributable to the acquisition, construction, or production of a qualifying asset are accounted for in profit or loss using the effective interest rate method.

(r) Income and social contribution taxes

Current tax assets and liabilities of the last year and of previous years are measured at recoverable value expected or payable to the tax authorities. Current income and social contribution taxes are calculated with a basis on the effective rates of income and social contribution taxes on net income and consider the offset of tax loss and negative basis of social contribution, limited to 30% of taxable income and are recognized in the statement of income, except to the extent they are related to items directly recognized in shareholders' equity or comprehensive income. In that case, the tax is also recorded in shareholders' equity or comprehensive income.

The deferred income and social contribution tax assets are due to tax losses, negative contribution basis and asset and liability temporary differences. Such taxes are supported by a study of future taxable results generation.

The recording of these deferred taxes took into account the expectation of future taxable income, as well as the expectations of realization of the temporary difference assets and liabilities and are calculated based on the rates currently in force under the tax legislation as shown in Note 33.

The deferred tax assets accounting value is reviewed at each reporting date and is offset at the extent that it is no longer probable that taxable profits will be available to allow that all of part of the tax asset is utilized.

Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets against tax liabilities, and if they relate to income taxes levied by the same tax authority on the same taxable entity.

(s) Income per share

The basic earnings per share are calculated based on the result for the period attributable to the Company's controlling and non-controlling shareholders and the weighted average of outstanding common shares in the respective period. The diluted earnings per share are calculated based on the mentioned average of outstanding shares, adjusted by instruments that can be converted into shares, with a dilution effect, in the periods presented, pursuant to CPC 41 and IAS 33.

(t) Segment information

An operating segment is a component of the Company which engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Company. All operating results of the operating segments are frequently reviewed by the Executive Management for decisions regarding the resources to be allocated to the segment to be taken and to assess their performance, for which individual quartely information is available.

The Company and its subsidiaries have a single operating segment: the manufacture and sale of apparel and accessories, as disclosed in note 35.

(u) Statement of Added Value

The Company prepared statements of added value in accordance with the rules of technical pronouncement CPC 09 - Statement of Added Value, which are presented as an integral part of the quartely information under BRGAAP applicable to publicly-held companies, whereas under IFRS they represent supplementary quartely information.

4 Determination of the fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade accounts receivable and other credits

The fair value of accounts receivable and other receivables is estimated as the present value of future cash flows, discounted at the market interest rate on presentation date.

(ii) Non-derivative financial assets and liabilities

The fair value that is determined for disclosure purposes is calculated based on the present value of principal and future cash flows, discounted at market interest rate on quartely information date.

(iii) Derivative financial assets and liabilities

Foreign exchange futures contracts are measured at fair value.

(iv) Share-based plan, liquidated in shares

Stock option plan

The fair value of employee stock options and stock appreciation rights are measured using the Binomial formula for the 7th to 10th program of the 2008 Plan and 1st to 3rd program of the 2017 Plan.

Measurement variations occur for share prices on measurement date, instrument exercise price, estimated volatility (based on historic volatility weighted average adjusted for expected changes based on publicly-available information), life of instruments weighted average (based on historic experience and general behavior of the option owner), expected dividends and interest rate free of risk (based on public securities).

Out-of-market service and performance conditions inherent to transactions are not taken into consideration on fair value determination.

The effects of the share based plan are calculated based on the fair value and recognized in the balance sheet and statement of income at the extent the contractual conditions are met (Note 26 (a)).

Restricted share program

The Company measures the cost of transactions to be settled with shares based on fair value of equity instruments on grant date. Estimates of share-based payments' fair values require the most adequate evaluation method for the granting of equity instruments, which depends on grant terms and conditions. This also requires determining the most appropriate data and assumptions for evaluation model, including the expected life of the option and share, volatility and risk-free interest rate. Assumptions and models used in fair value estimates of share-based payments are explained in (Note 26 (b)).

5 Cash and cash equivalents

	Parent company		Consolidated	
Current assets	**03/31/21**	**12/31/20**	**03/31/21**	**12/31/20**
Cash and banks	1,866	7,876	2,514	8,287
Cash and banks/foreign currency	142	70	142	70
Financial investments:				
Fixed Income – Bank Deposit Certificate CDB	358,289	459,485	358,289	459,485
	360,297	467,431	360,945	467,842

The company has amounts in cash, checking account, and financial investments in fixed income - CDB of instant redemption, the remuneration ranging from 98.2% to 101.5% of the change in CDI, which average maturity period is three months.

Short-term investments are readily convertible into a known amount of cash and subject to an insignificant risk of a change in value and have therefore been considered as cash equivalents in the cash flow statements.

The Company's exposure to interest rate risk and a sensitivity analysis of financial assets and liabilities are disclosed in note 24.

6 Interest-earning bank deposits restricted

The Company maintains in its own bank account, the amount of R$ 5,214 (R$ 5,194 on December 31, 2020) of investments in Bank Deposit Certificates (CDB), earning interests from 99.00% of CDI, which will be held until maturity, are related to the Hering-Prev Benefit Plan, to tackle the resulting deficit existing in the plan existing in the plan, as determined by the legislation.

7 Trade accounts receivable

	Parent company		Consolidated	
Current	**03/31/21**	**12/31/20**	**03/31/21**	**12/31/20**
Domestic market	349,897	456,405	349,926	456,434
Foreign market	15,826	14,859	15,826	14,859
	365,723	471,264	365,752	471,293
Adjustments to present value	(951)	(1,437)	(951)	(1,437)
Expected credit losses (note 24 aii)	(39,658)	(38,054)	(39,658)	(38,054)
	(40,609)	(39,491)	(40,609)	(39,491)
	325,114	431,773	325,143	431,802
Non Current				
Domestic market	1,986	3,589	1,986	3,589
	327,100	435,362	327,129	435,391

Changes in the adjustment to present value during the period was as follows:

	Parent company and Consolidated	
	03/31/21	**12/31/20**
Balance at beginning of period	(1,437)	(5,542)
Additions	(1,705)	(13,768)
Write-offs	2,191	17,873
Balance at end of period	(951)	(1,437)

The adjustment to present value will be realized according to the accounts receivable maturity date, which is 70 days on average (97 days as of December 31, 2020).

The company's exposure to credit and currency risks related to accounts receivable is disclosed in note 24.

8 Other accounts receivable

	Parent company and Consolidated	
Current	**03/31/21**	**12/31/20**
Advance to domestic suppliers	1,154	1,783
Advance to employees	1,776	2,137
Trade accounts receivable refurbishment plan Franchisee	839	1,281
Accounts receivable sale of fixed assets (a)	3,600	3,600
Other	4,219	3,291
	11,588	12,092

	Parent company and Consolidated	
Noncurrent	**03/31/21**	**12/31/20**
Judicial deposits - tributaries	13,174	13,162
Judicial deposits - Labor and Civil	14,297	12,504
Accounts receivable sale of fixed assets (a)	1,010	2,020
Other	2,495	2,386
	30,976	30,072

(a) The most relevant values of this line refer to sales of Encano factory unit Ibirama and Rodeio / SC.

9 Inventories

	Parent company and Consolidated	
	03/31/21	12/31/20
Finished goods	108,109	111,507
Resale goods	119,221	94,464
Work in process	108,849	80,820
Inventories held by third parties	37,464	25,766
Raw materials	75,032	54,873
Imports in transit	4,553	13,789
Provision for adjustment to realizable value	(8,523)	(7,953)
	444,705	373,266

Certain items considered obsolete, or slow moving, as well as surplus collections, were subject to the formation of provisions for adjustment to the realizable value.

During the period, the provision for adjustment of inventories to the net realizable value showed the following movement:

	Parent company and Consolidated	
	03/31/21	12/31/20
Balance at beginning of period	(7,953)	(16,458)
Constitution of provision	(1,413)	(5,039)
Reversal of provision by sale	843	13,544
Balance at end of period	(8,523)	(7,953)

No inventories have been pledged as collateral.

10 Recoverable taxes

The Company and its subsidiaries have tax credits that are recorded in current and in non-current assets according to the expected realization period, as shown below:

	Parent Company		Consolidated	
Current	**03/31/21**	**12/31/20**	**03/31/21**	**12/31/20**
IPI	2,181	1,785	2,181	1,785
ICMS to recover (State VAT) (a)	43,187	41,989	43,187	41,989
ICMS to recover (PP&E)	2,123	2,143	2,123	2,143
IRPJ and CSLL to offset (b)	5,076	5,056	5,076	5,056
INSS to recover (c)	1,321	1,321	1,321	1,321
Withholding Income Tax (IRRF) to offset	5,340	4,994	5,340	4,994
PIS and COFINS to recover (d)	3,951	2,204	3,951	2,204
PIS and COFINS with fixed assets	729	728	729	728
PIS and COFINS Judicial Credit (e)	89,336	76,539	89,336	76,539
Other	2,697	3,459	2,703	3,465
	155,941	140,218	155,947	140,224

	Parent company and Consolidated	
Noncurrent	**03/31/21**	**12/31/20**
IPTU (f)	2,424	2,424
ICMS to recover (State VAT) (a)	28,072	18,000
ICMS to recover (PP&E)	2,542	2,782
PIS and COFINS with fixed assets	5,174	5,208
PIS and COFINS Judicial Credit (e)	137,879	125,963
IRPJ and CSLL Judicial Credit (g)	187,859	187,379
Other	4,946	4,505
	368,896	346,261

(a) ICMS to recover - Credits arising from the Company's normal flow of operations in Santa Catarina.

(b) IRPJ and CSLL to offset - The Company paid income tax and social contribution based on the balance sheet of suspension and reduction in 2018. Advances were paid in excess of the amount determined in the year. The amounts collected in the period were reverted to this item for purposes of offsetting with income tax and social contribution due in future periods of calculation. In 2020, the balance to be offset based on Selic was updated, in the amount of R$ 133 and a payment of R$ 106 related to the rectification of the ECF 2016 requested by the Federal Revenue Service. In 2021, the balance to be offset based on Selic was updated, in the amount of R$ 20. There was no payments in 2021.

(c) INSS to recover - The Company carried out a credit check for the social security contribution that was improperly paid on the discounted amounts of payrolls as transportation vouchers and meal vouchers from June 2013 to July 2018 and FAP overpaid in April 2014 until December 2015. In 2019, a new complementary credit of R$ 10,777 was recognized, of which R$ 8,320 of principal and R$ 2,457 of monetary restatement. In 2019, the amount of R$ 8,210 was used to offset the credits raised. In 2020, there were new withdrawals of credits in the total amount of R$ 2,646 (including updating). There were compensations in 2020, in the order of R$ 5,716. In 2021 there were still no compensations.

(d) PIS and COFINS to recover - The Company carried out a survey of PIS and COFINS credits in 2019, in the amount of R$ 24,286, referring to essential expenses not previously credited, part of which was offset in the year. In 2020 there were new withdrawals of credits, in the amount of R$ 7,755. Of the total amount of credits raised, a total of R$ 9,620 was offset in 2020. In the first quarter of 2021, there was a new withdrawal, in the amount of R$ 2,353 and after the closing of the March calculation, and offsetting of the respective debts, there is a balance for use of R$ 3,951.

(e) PIS and COFINS Judicial Credit - The Company had on May 19, 2020, the certification of the unappealable transit of the writ of mandamus, whose object was the Company's claim for recognition of the tax credits resulting from the exclusion of ICMS from the tax base. calculation of PIS and COFINS. After a careful analysis, taking into consideration its procedural situation and the specific circumstance pertinent to the case and considering the unappealable decision that recognized the right to the exclusion of the ICMS amount highlighted in the outgoing invoice, the Company has reasonable confidence in measuring the amounts recorded, within the limits of the recognized provision and following the analysis of the fiscal documentation for the period and technical opinion of its legal advisors. The Company assessed that the entry of economic benefits is practically certain, thus recognizing this credit as an asset. The updated amount of the credit recorded in May 2020 was R$ 279,540, of which R$ 164,024 of principal, recognized in other operating income and R$ 115,516 of monetary restatement, recognized in the financial result. PIS and COFINS of R$ 5,372 were charged on monetary restatement recognized in financial results. Regarding credit, there was an expense fee of R$ 13,680 recognized in other operating income and expenses. The period of the referred credit that was the subject of the qualification request with the Federal Revenue of Brazil extended from the beginning of the non-cumulative calculation until

March 31, 2017, since as of April 2017, the Company has started to register the effects on the result. The Company has already granted the request for a license and has already started offsetting it against other federal taxes. In December 31, 2020, the amount of R$ 78,938 was used in compensation and recognized financial update in the amount of R$ 1,900. In the first quarter of 2021, it was final and unappealable regarding the cumulative period of PIS and COFINS. The updated amount of the credit recorded was R$ 41,648, of which R$ 11,291 was principal, recognized in other operating income and R$ 30,357 from monetary restatement, recognized in the financial result. PIS and COFINS were levied on monetary restatement R$ 1,412 recognized in financial results. Regarding credit, there was an amount of expenses fee of R$ 1,745 recognized in other operating expenses.

(f) Urban property and land tax (IPTU) - in 2006, the Company registered the credit related to IPTU, due to the gain of the Ordinary Action, aiming at the recognition of unconstitutionality in the progressive IPTU requirements in relation to the period from 1999 to 2003, with transit ruled on October 9, 2006. The balance, monetarily restated in the amount of R$ 2,424, a sum that awaits in the line of court payment sentences at the town hall in favor of the Company.

g) IRPJ and CSLL Judicial Credit - The unappealable transit was registered after the write-off to TRF4 on September 28, 2020, the effects were recognized on September 30, 2020. The updated amount is R$ 178,310, R$ 101,328 of which is overpayment, R$ 72,176 of monetary restatement (recognized under the heading of recoverable taxes, with a corresponding entry in the current income tax and social contribution and financial result respectively), and R$ 4,806 of tax loss and negative basis recognized in the deferred tax account. On December 31, 2020, there was a complement to the credit related to the exclusion of the presumed ICMS credits from Goiás and also a recognition due to the unappealable decision in the other judicial measure of the presumed ICMS credits from Santa Catarina, whose sum and updated value is of R$ 13,711, R$ 7,660 of which are overpaying, R$ 6,051 of monetary restatement (recognized in the heading of recoverable taxes, against current income tax and social contribution and financial result, respectively) and R$ 1,546 of tax loss and negative basis recognized under deferred taxes. Regarding credit, there was an expense fee amount of R$ 4,481 recognized in other operating income and expenses, and PIS and COFINS of R$ 3,637 were recognized in the financial result on monetary restatement. In 2020, there were no compensations, however, there was monetary restatement (Selic), in the amount of R$ 164. Until March 31, 2021, there were no compensations, however, there was monetary restatement (Selic), in the amount of R$ R$ 480.

The expected realization of the main credits recorded in non-current assets is shown in the table below:

	2022	**2023**	**2024**	**Total**
ICMS to recover (State VAT) (a)	28,072	-	-	28,072
PIS and COFINS Judicial Credit (e)	44,015	52,957	40,907	137,879
IRPJ and CSLL Judicial Credit (g)	60,000	72,154	55,705	187,859
	132,087	125,111	96,612	353,810

11 Deferred taxes

(a) Breakdown

The Company has tax credits deriving from tax losses and social contribution negative calculation bases for current year and previous years, with no prescription period, and also deriving from temporary additions and exclusions, as follows:

	Parent company and Consolidated	
Assets	**03/31/21**	**12/31/20**
Tax Losses and Negative Basis	36,434	31,054
Provision for contingencies	11,443	8,699
Impairment of accounts receivable	6,806	7,439
Provision for administrative expenses	1,013	1,272
Provision for commercial expenses	3,729	5,590
Provision for variable selling expenses	5,958	8,508
Provision for slow moving inventories	2,402	2,246
Actuarial liabilities employee benefits	2,133	2,080
Exchange gains and losses (net)	260	-
Provision for fixed assets	554	1,305
Other temporary differences	529	1,501
Total assets	71,261	69,694
Liabilities		
Taxes on indexation of PP&E	(2,971)	(2,997)
Exchange gains and losses (net)	-	(408)
Taxes on hedge accounting	(21)	(26)
Other temporary differences	(66)	200
Total liabilities	(3,058)	(3,231)
Total Net	68,203	66,463

Management believes that the deferred assets arising from temporary differences will be realized in proportion to the final resolution of the contingencies and the events to which they refer when they will be offset against taxable income.

The registration of the tax credit is supported by projections that demonstrate that the Company will calculate taxable profits in future years, in amounts considered sufficient for the realization of such amounts. Such projections were prepared based on the future business plan, prepared by the Company's Management, which was approved by the Board of Directors at a meeting held on December 16, 2020. To prepare the projections of future taxable profits, the Company uses assumptions aligned with its corporate strategies, such as revenue growth and increased profit margins, in the macroeconomic scenario, considering current and past performance and expected growth in the market. According to this business plan, such credits will be realized until the year 2027.

Management periodically reassesses the actual result of this business plan in the generation of taxable profits and, consequently, reassesses the expectation of realization of these taxable credits recorded.

Management, based on its updated earnings projections, estimates that the tax credits recorded will be fully realized, as shown below:

2022	6,226
2023	9,354
2024	13,453
2025	16,781
2026	21,258
2027	4,189
	71,261

The assumptions related to the business perspective, the projections of operational and financial results and the Company's potential of growth are forecasts and were based on management expectations regarding the Company's future. As a consequence, the estimates may not occur in the future, taking into account the inherent uncertainties to these forecasts.

(b) Change of deferred income tax and of social contribution

	Parent company and Consolidated						
Assets	**12/31/19**	**Recognized in the income statement**	**Recognized in other comprehen-sive results**	**12/31/20**	**Recognized in the income statement**	**Recognized in other comprehen-sive results**	**03/31/21**
Tax Losses and Negative Basis	31,256	(202)	-	31,054	5,380	-	36,434
Actuarial liabilities employee	1,961	203	(84)	2,080	53	-	2,133
Temporary provisions	29,567	6,993	-	36,560	(4,126)	-	32,434
Exchange gains and losses (net)	-	-	-	-	260	-	260
	62,784	6,994	(84)	69,694	1,567	-	71,261
Liabilities							
Taxes on indexation of PP&E	(3,101)	104	-	(2,997)	26	-	(2,971)
Exchange gains and losses (net)	190	(598)	-	(408)	408	-	-
Taxes on hedge accounting	(495)	-	469	(26)	-	5	(21)
Other temporary differences	(337)	537	-	200	(266)	-	(66)
	(3,743)	43	469	(3,231)	168	5	(3,058)
Total net	59,041	7,037	385	66,463	1,735	5	68,203

12 Investments in subsidiaries

Below is a summary of the invested companies' information and equity in subsidiaries recorded during the period.

	HRG Com. Vest. Interm. de Serviços Finan. Ltda.	**Hering Internac. S.A – SAFI**	**03/31/21**	**12/31/20**
Current and noncurrent assets total	683	3,021	3,704	3,167
Current and noncurrent liabilities total	256	-	256	322
Shareholders' equity	427	3,021	3,448	2,845
Result for the period	(196)	36	(160)	(699)
Interest in capital (%)	99.99%	100.00%		
Balance at the beginning of the year	123	2,722	2,845	2,448
Capital increased	500	-	500	500
Equity in subsidiaries	(196)	299	103	(103)
Equity method investment	427	3,021	3,448	2,845

13 Property, plant and equipment

(a) Changes in cost and in depreciation

	Parent Company and Consolidated										
	12/31/19	Additions	Transfer*	Write-off	Provision for non-recoverability of property, plant and equipment	12/31/20	Additions	Transfer*	Write-off	Reversal of provision for non-recoverability of fixed assets	03/31/21
Cost:											
Buildings and improvements	116,494	-	2,742	-	-	119,236	-	766	-	-	120,002
Facilities and prod. equipament	283,550	2,260	12,744	(12,530)	(2,124)	283,900	24	818	(4,338)	1,329	281,733
Furniture and fixtures	42,621	2,699	416	(4,086)	(169)	41,481	603	-	(815)	107	41,376
Computer and peripherals	49,989	2,657	378	(908)	-	52,116	746	75	(49)	-	52,888
Vehicles	1,949	-	-	(256)	-	1,693	-	-	(130)	-	1,563
Leasehold improvements	72,143	-	2,361	(15,829)	(2,447)	56,228	-	437	(2,224)	593	55,034
Lands	27,638	-	-	-	-	27,638	-	-	-	-	27,638
Construction in progress	21,662	13,513	(19,616)	(562)	-	14,997	358	(2,248)	-	-	13,107
	616,046	21,129	(975)	(34,171)	(4,740)	597,289	1,731	(152)	(7,556)	2,029	593,341
Depreciation:											
Buildings and improvements	(39,453)	(3,810)	-	-	-	(43,263)	(969)	-	-	-	(44,232)
Facilities and prod. equipament	(154,278)	(18,955)	-	10,711	543	(161,979)	(4,508)	-	3,058	127	(163,302)
Furniture and fixtures	(31,803)	(3,770)	-	3,808	148	(31,617)	(819)	-	701	17	(31,718)
Computer and peripherals	(40,228)	(4,174)	-	885	-	(43,517)	(948)	-	43	-	(44,422)
Vehicles	(1,560)	(122)	-	256	-	(1,426)	(29)	-	130	-	(1,325)
Leasehold improvements	(50,213)	(6,672)	-	12,570	211	(44,104)	(1,276)	-	1,631	35	(43,714)
	(317,535)	(37,503)	-	28,230	902	(325,906)	(8,549)	-	5,563	179	(328,713)
Net:											
Buildings and improvements	77,041	(3,810)	2,742	-	-	75,973	(969)	766	-	-	75,770
Facilities and prod. equipament	129,272	(16,695)	12,744	(1,819)	(1,581)	121,921	(4,484)	818	(1,280)	1,456	118,431
Furniture and fixtures	10,818	(1,071)	416	(278)	(21)	9,864	(216)	-	(114)	124	9,658
Computer and peripherals	9,761	(1,517)	378	(23)	-	8,599	(202)	75	(6)	-	8,466
Vehicles	389	(122)	-	-	-	267	(29)	-	-	-	238
Leasehold improvements	21,930	(6,672)	2,361	(3,259)	(2,236)	12,124	(1,276)	437	(593)	628	11,320
Lands	27,638	-	-	-	-	27,638	-	-	-	-	27,638
Construction in progress	21,662	13,513	(19,616)	(562)	-	14,997	358	(2,248)	-	-	13,107
	298,511	(16,374)	(975)	(5,941)	(3,838)	271,383	(6,818)	(152)	(1,993)	2,208	264,628

* The amount of R$ 152 (R$ 975 as of December 31, 2020) in the transfer column, refers to PIS and COFINS credits on property, plant and equipment from previous periods, which were reduced from property and equipment accounts and added in taxes to be recovered.

(b) Useful life review

The depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if necessary.

(c) Assets pledged as collateral and pledge

As of March 31, 2021 and December 31, 2020, the Company had property, plant and equipment items pledged as collateral for tax incentives in the amount of R$ 1,103, as shown in Note 18.c.

(d) Impairment of assets

Property, plant and equipment have their recoverable value analyzed, at least, annually, and for the year ended December 31, 2020, Management assessed the recoverability and identified the need to set up a provision of R$ 2,304 mainly for assets used in the production of Jeans located in the branch of Rio Grande do Norte, as this product category will no longer be produced domestically and will be acquired from national sourcing suppliers. The industrial activities of the Rio Grande do Norte branch, except for the production of Jeans, were migrated to the Goianésia branch, and fixed assets related to these activities were transferred. In addition, a provision for impairment of assets was set up in the amount of R$ 1,533 for assets related to owned stores with closed activities and other items. On March 31, 2021 part of the provision constituted was reversed due to the sale or write-off of items of property, plant and equipment of the provision, remaining the amount of R$ 1,629.

14 Intangible assets

(a) Changes in cost and in amortization

	Parent Company and Consolidated						
	12/31/19	Additions	Transfer	12/31/20	Additions	Transfer	03/31/21
Cost:							
Trademarks and patents	2,952	-	-	2,952	-	-	2,952
Software	164,155	1,564	13,233	178,952	65	11,480	190,497
Intangible assets in progress software	7,020	21,919	(13,233)	15,706	4,866	(11,480)	9,092
	174,127	23,483	-	197,610	4,931	-	202,541
Amortization:							
Trademarks and patents	(2,720)	(73)	-	(2,793)	(16)	-	(2,809)
Software	(78,434)	(17,526)	-	(95,960)	(5,096)	-	(101,056)
	(81,154)	(17,599)	-	(98,753)	(5,112)	-	(103,865)
Net:							
Trademarks and patents	232	(73)	-	159	(16)	-	143
Software	85,721	(15,962)	13,233	82,992	(5,031)	11,480	89,441
Intangible assets in progress software	7,020	21,919	(13,233)	15,706	4,866	(11,480)	9,092
	92,973	5,884	-	98,857	(181)	-	98,676

(b) Useful life review

The amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if necessary.

(c) Impairment of intangible assets

The intangible assets have their recoverable value analyzed, at least, annually, and for the period ended March 31, 2021, Management revised asset cash flow projections and did not find the need for provisions for recoverable value of assets.

15 Right to use assets and leasing

(a) Right to use assets

In the initial adoption, the measurement of the right-of-use asset corresponds to the initial value of the lease liability. Depreciation is calculated using the straight-line method, according to the term of the contracts.

(i) Composition and movement

	Parent Company and Consolidated										
	Averege term (years)	01/01/20	Additions	Remeasurement	Transfer	Write-off	12/31/20	Additions	Remeasurement	Write-off	03/31/21
Cost:											
Store		71,408	21,948	3,372	-	(6,226)	90,502	2,324	223	(3,662)	89,387
Distribution center		5,904	-	25,764	6,432	(5,912)	32,188	-	-	-	32,188
Buildings		10,013	3,060	-	(6,432)	-	6,641	-	-	-	6,641
Trade fund		67,597	2,378	-	-	(5,804)	64,171	2,358	-	(2,791)	63,738
		154,922	27,386	29,136	-	(17,942)	193,502	4,682	223	(6,453)	191,954
Depreciation:											
Store	2 to 5	(19,162)	(21,963)	-	-	2,440	(38,685)	(5,402)	-	2,248	(41,839)
Distribution center	10	(2,993)	(4,652)	-	-	1,809	(5,836)	(459)	-	-	(6,295)
Buildings	5	(1,424)	(1,974)	-	-	-	(3,398)	(383)	-	-	(3,781)
Trade fund	5	(55,440)	(5,140)	-	-	4,503	(56,077)	(1,103)	-	2,791	(54,389)
		(79,019)	(33,729)	-	-	8,752	(103,996)	(7,347)	-	5,039	(106,304)
Net:											
Store		52,246	(15)	3,372	-	(3,786)	51,817	(3,078)	223	(1,414)	47,548
Distribution center		2,911	(4,652)	25,764	6,432	(4,103)	26,352	(459)	-	-	25,893
Buildings		8,589	1,086	-	(6,432)	-	3,243	(383)	-	-	2,860
Trade fund		12,157	(2,762)	-	-	(1,301)	8,094	1,255	-	-	9,349
		75,903	(6,343)	29,136	-	(9,190)	89,506	(2,665)	223	(1,414)	85,650

The right-to-use assets have their recoverable value analyzed at least annually. As for the period ended March 31, 2021, Management did not find the need to set up a provision for the recoverable amount.

As of March 31, 2021, there were no changes to existing lease agréments.

(b) Leasing

As of March 31, 2021, the Company had 77 lease agreements (81 on December 31, 2020) for its commercial, industrial and administrative units, which were classified as operating leases. Some of these contracts provide for a variable lease expense, applied on sales, the amount of which remains recorded according to the reporting period of the expense.

For contracts that were within the scope of the standard, we considered – as a component of lease liabilities – the amount of future fixed rent payments (net of taxes), discounted at a nominal interest rate.

In the initial adoption of IFRS 16 / CPC 06 (R2), the weighted average discount rate used was 7.5% per year. On March, 31, 2021, the Company recalculated the average discount rate used to 6.8% per year.

(i) Composition and movement

	Parent Company and Consolidated							
	01/01/20	Additions	Remeasurement	Transfers	Payment of principal and interest	Interest	Write-off	12/31/20
Store	53,479	21,948	3,372	-	(24,774)	3,709	(4,078)	53,656
Distribution center	4,484	-	25,764	4,887	(5,284)	344	(4,103)	26,092
Buildings	7,520	3,060	-	(4,887)	(2,091)	109	-	3,711
	65,483	25,008	29,136	-	(32,149)	4,162	(8,181)	83,459
							Current liabilities	22,753
							Noncurrent liabilities	60,706

	Parent Company and Consolidated							
	12/31/20	Additions	Remeasurement	Transfers	Payment of principal and interest	Interest	Write-off	03/31/21
Store	53,656	2,324	223	-	(6,127)	803	(1,452)	49,427
Distribution center	26,092	-	-	-	(738)	468	-	25,822
Buildings	3,711	-	-	-	(402)	32	-	3,341
	83,459	2,324	223	-	(7,267)	1,303	(1,452)	78,590
							Current liabilities	22,013
							Noncurrent liabilities	56,577

(ii)Settlement estimate

	Leases	Interest	Present value of
2021	20,219	(3,345)	16,874
2022	21,520	(3,315)	18,205
2023	14,031	(2,372)	11,659
2024	9,310	(1,859)	7,451
2025	5,928	(1,538)	4,390
2026 so on	28,131	(8,120)	20,011
Net March 31, 2021	**99,139**	**(20,549)**	**78,590**

(iii) Additional Information

To measure the lease liability, the Company adopted the nominal interest rate. For disclosure purposes, according to CVM Circular Letter 01/2020, we measured the value of the lease liability using nominal flow versus nominal rate. The difference between the calculation method for accounting (real flow versus nominal rate) and the form imposed by the CVM for disclosure (nominal flow versus nominal rate) is considered by the Company to be immaterial. On March 31, 2021, using the real cash flows as a basis, the value of the Company's lease liabilities would be R$ 104,523, with the net effect of R$ 5,384.

Upon initial adoption of IFRS 16 / CPC 06 R (2), the Company understood that the value used to measure the lease liability should be net of taxes (PIS and COFINS). In view of CVM's statement, where it mentions that the value considered for calculation must be gross, the Company surveyed the amounts and considered the difference immaterial.

The Company applied for the financial statements for the period ended March 31, 2021, the practical file provided for in CVM Deliberation 859 approved by CMV (securities commission) on July 7, 2020. As a practical file, the lessee may choose to fail to assess whether a Covid-19 Benefit Granted to a Tenant under a Lease Agreement, which meets the requirements of item 46B, is a modification of the lease. The lessee who makes this option must account for any change in the lease payment resulting from the benefit granted in the lease agreement in the same way that he would account for the change by applying this Standard if the change were not a modification of the lease. The Company adopted the practical expedient for all contracts that have a benefit granted, 27 of which are store lease agreements, with effect on the result of R$ 750.

16 Payroll and related taxes

	Parent company and Consolidated	
	03/31/21	**12/31/20**
Payroll	9,086	9,427
Vacation	13,754	13,475
13º Payroll	3,001	-
INSS	9,584	8,418
FGTS	2,637	2,728
Others	1,576	1,524
	39,638	35,572

17 Taxes payable

	Parent company		Consolidated	
	03/31/21	**12/31/20**	**03/31/21**	**12/31/20**
ICMS on sales (VAT)	2,913	12,343	2,913	12,343
PIS and COFINS	-	9,236	-	9,236
Withholding Income Tax (IRRF)	3,277	4,786	3,277	4,786
Goiás Protege Fund	698	1,939	698	1,939
Others	839	1,098	844	1,103
	7,727	29,402	7,732	29,407

18 Tax incentives

The Company has the tax incentives described below, for which we present the following amounts recorded in the income statement in the period.

	Parent company and Consolidated			
	Deductions		Costs of goods or services sold	
	03/31/21	**03/31/20**	**03/31/21**	**03/31/20**
Crédito outorgado Lei do Vestuário (GO) (a)	15,991	18,017	1,504	3,081
Crédito outorgado Atacadista (GO) (b)	1,358	274	115	27
Produzir (c)	5,349	1,254	-	-
PROEDI - RN (d)	-	-	-	444
TTD - Tratamento Tributário Diferenciado (SC) (e)	1,202	2,013	147	267
Crédito Presumido Internet (SC) (f)	-	1,337	-	-
	23,900	22,895	1,766	3,819

(a) Crédito outorgado Lei do Vestuário (GO), which grants garment manufacturers and their wholesale establishments a presumed credit of 12% on the value of interstate operations (sales and transfers) and 10% on the value of operations in the state of Goiás, with articles manufactured by the establishment itself, whether intended for industrialization or intended to be marketed. Such credit is conditional upon the prohibition of the use of ICMS tax credits on incoming raw materials and inputs consumed in the production process, as well as contribution to the Goiás State Social Protection Fund (PROTEGE GOIÁS) in the amount of 15% applied on the difference between the amount of tax calculated by applying full taxation and the amount calculated by using tax benefit. This incentive is valid through December 31, 2032, as established by Supplementary Law.

(b) Crédito outorgado Atacadista (GO), grants wholesale establishments a presumed credit of 3% on the value of interstate transactions (sales and transfers) of goods acquired for resale, destined for commercialization or industrialization. Such credit is conditional on the contribution to the Social Protection Fund of the State of Goiás - PROTEGE GOIÁS, in the amount of 15% applied on the difference between the amount of tax calculated with the application of full taxation and that calculated using tax benefit. Said incentive is valid until December 31, 2022, as established by Complementary Law.

(c) Programa de Desenvolvimento Industrial de Goiás (PRODUZIR), aimed at strengthening working capital for the implementation of the unit located in the municipality of São Luís from Montes Belos-GO. The portion to be released is used by deducting the ICMS payment due in the month, of which 2% of the tax to be collected related to the incentive activities is paid and 98% constitute the benefit amount. From each released installment, two contributions are made to the PROTEGE Fund, a contribution of 4% established by the concession contract of the incentive and another introduced by Decree 9433/19, which had regressive rates until March 2020, starting to have contribution of 15% fixed from April/2020 to September/2020, because on 11/23/2020 a new Decree nº 9.747 was introduced, which started to have regressive rates again, such as October/2020 to January/2021 of 10%, February/2021 to July/2021 of 13% and from August/2021 of 15%. In addition to Protege, the anticipation fee FUNPRODUZIR, with a rate of 5% on the benefit amount. The main obligations of the Company for the use of the benefit comprise investments in its unit industrial and the payment of its labor, social security and tax obligations, which are being properly fulfilled. For the benefit of the benefit, the Company offered property, plant and equipment as mortgage guarantees, whose book value on March 31, 2021 is R$ 1,103, comprising for Cia. Hering properties. Said incentive has an expiration date until December 31, 2032, as established by Complementary Law.

(d) Programa de Estímulo ao Desenvolvimento Industrial do Rio Grande do Norte (PROEDI), starting August 2019 when PROADI was extinguished, the Company started using the PROEDI benefit, which consists of a presumed ICMS credit of 76.5% through December 31, 2032. In return for the use of this benefit, the Company will contribute 0.5% to the State Fund for Scientific and Technological Development (FUNDET), and 2.5% to the Rio Grande do Norte Commercial and Industrial Development Fund (FDCI). As the main obligation for enjoyment of the benefit, the Company must maintain on-time payment of all its labor, social security and tax related obligations. All obligations are being properly met by the Company.

(e) TTD - Tratamento Tributário Diferenciado (SC), for operations (sales and transfers) with imported articles intended for resale, which grants presumed ICMS credit of 3% of the value of interstate operations, 3% of the value of internal operations destined to companies with "normal" ICMS calculation regime in which is 4% ICMS is indicated, and 13.4% of the value of the internal operations destined to companies operating under the "Simples Nacional" regime, in which 17% ICMS is indicated. Such credit is conditional upon the prohibition of the use of ICMS credits by incoming goods, as well as the contribution of 0.4% on the value of sales attained by the benefit, to the Social Development Fund (FUNDOSOCIAL) and to the Higher Education Maintenance and Development Support Fund. Other obligations include the on-time payment of taxes and specific controls on the transactions of imported and resold goods, for purposes of proving the credit used. The aforementioned incentive is valid through December 31, 2025, as established by Supplementary Law.

(f) Crédito Presumido Internet (SC), which grants on direct interstate sales to end consumers made over the internet – a presumed ICMS credit of 10% on operations that indicate 12% ICMS; of 5% on operations that indicate 7% ICMS; and of 3% ICMS for operations that indicate 4% ICMS. Such credit is subject to the prohibition of the use of ICMS credits from the incoming goods, as well as to the contribution of 0.4% on the value of sales achieved by the benefit to the Social Development Fund (FUNDOSOCIAL). The aforementioned incentive is valid through December 31, 2022, as established by Supplementary Law. During the year 2020, there was a transition from the web sales of the SC subsidiary to the GO subsidiary, and this benefit is no longer used gradually and in 2021 is inactive. Currently, sales through the Internet are contemplated for the benefit of the state of Goiás, when the items are produced in this state.

The Company's tax incentives are characterized as waivers by the states granting taxation and aim at regional development, and are recognized in the accrual month and recorded directly on the income statement under the heading of Deductions From Revenue or Cost Of Goods Sold, as a counterpart entry to the liability in ICMS Payable. Because they are characterized as an investment grant, the incentives are excluded from the calculation basis of Income Tax and Social Contribution, resulting in a reduction of R$ 8,726 on March 31, 2021 (R$ 9,083 on March 31, 2020), as shown in Note 33b.

19 Provisions for contingencies liabilities, contingent assets and other provisions

The Company has several labor, civil and tax lawsuits in progress, arising from the normal course of its business.

- Contingent liabilities considered as probable losses

Provisions for contingencies were recorded for risks considered a probable loss by the legal advisors of the Company. The Company believes that the provisions formed, as presented below, are sufficient to cover loss with the lawsuits and court fees.

	Parent company and Consolidated			
	Current		**Noncurrent**	
Provision for contingencies:	**03/31/21**	**12/31/20**	**03/31/21**	**12/31/20**
Labor (a)	3,120	3,120	7,791	7,120
Tax (b)	-	-	2,788	2,778
Civil (c)	-	-	7,425	3,888
	3,120	3,120	18,004	13,786
Other provisions:				
Selling expenses (d)	28,979	42,236	-	-
Administrative expenses (e)	4,087	5,224	104	104
Accrued profit sharing - PPR (f)	71	71	-	-
	33,137	47,531	104	104
Total	36,257	50,651	18,108	13,890

(a) Labor - consist mainly of requests from representatives and employees that recognize a possible employment relationship with the Company and occupational accident compensation. There are also lawsuits claiming hazard pay to which some employees from the production units are allegedly entitled and occupational accident compensation and subsidiary with the Company. There are judicial deposits on these proceedings in the amount of R$ 14,269 (R$ 12,476 on December 31, 2020), as shown in Note 8.

(b) Tax lawsuits - refers to legal disputes relating to INSS maternity leave and garbage collection fee for which there are judicial deposits in the same amount and IRPJ and CSLL tax assessment notices.

(c) Civil - the main lawsuits are related to indemnity actions in connection to the normal operations of the Company. For these cases there are judicial deposits in the amount of R$ 28 (R$ 28 on December 31, 2020), as shown in Note 8.

(d) Provision for commercial expenses - refers to provision for the payment of commissions to representatives, freight on sales, rents and provisions referring to sales campaign.

(e) Provision for administrative expenses - Consists mainly of the provision for payment of consulting fees and electricity supply.

(f) Provision for profit sharing - the company grants all employees bonuses related to the profit sharing plan, which is linked to the achievement of specific objectives, based on the achievement of individual and corporate goals, established and agreed upon at the beginning of each year. As of March 31, 2021 and December 31, 2020, there was no provision due to the Company's result not being sufficient to achieve the goals set.

The change in provisions for risks and other provision is show below:

	Parent company and Consolidated								
	12/31/19	Additions	Judicial Deposits (*)	Realization	12/31/20	Additions	Judicial Deposits (*)	Realization	12/31/21
Provision for risks									
Labor	9,438	5,154	-	(4,352)	10,240	1,134	-	(463)	10,911
Tax	2,737	8,862	(8,682)	(139)	2,778	3,862	(3,852)	-	2,788
Civil	2,953	2,684	-	(1,749)	3,888	3,662	-	(125)	7,425
	15,128	16,700	(8,682)	(6,240)	16,906	8,658	(3,852)	(588)	21,124
Other provisions									
Selling expenses	24,431	175,225	-	(157,420)	42,236	54,395	-	(67,652)	28,979
Administrative expenses	4,986	64,438	-	(64,096)	5,328	14,333	-	(15,470)	4,191
Accrued profit sharing - PPR	71	-	-	-	71	-	-	-	71
	29,488	239,663	-	(221,516)	47,635	68,728	-	(83,122)	33,241
Total	44,616	256,363	(8,682)	(227,756)	64,541	77,386	(3,852)	(83,710)	54,365

(*) The Company filed lawsuits against some states, seeking security to avoid being burdened by the ICMS Tax Differential on sales to final consumers, making judicial deposits, whose chance of success in the opinion of the office that sponsors the measures is possible.

- Contingent liabilities considered as possible loss

No accounting provisions were recorded for the amounts of risks considered possible losses by the legal counsel of the Company, in conformity with accounting practices. These contingencies are spread out in tax, labor and civil lawsuits, which totals R$ 559,188 on March 31, 2021 (R$ 555,337 on December 31, 2020).

(i) Tax

In relation to possible tax contingencies, the Company litigates at the federal administrative level regarding credit disallowances and / or non-homologation of IPI, PIS, COFINS, IRPJ and CSLL tax compensations, whose updated amount corresponds to R$ 65,698 (R$ 65,526 on December 31, 2020) and Tax Notices of CIDE, IRRF, PIS, COFINS, IRPJ, CSLL and Social Security Contributions, whose updated amount corresponds to R$ 38,330 (R$ 38,288 on December 31, 2020). It also litigates in the state administrative level of Goiás, regarding the ICMS tax, whose updated amount corresponds to R$ 25,109 (R$ 24,364 on December 31, 2020). In the judicial sphere against the Federal Union, INSS claims are disputed in the updated amount of R$ 40,375 (R$ 40,269 on December 31, 2020), IRRF in the updated amount of R$ 1,500 (R$ 1,494 on December 31, 2020), and PIS, COFINS, IRPJ and CSLL, in the amount of R$ 166,156 (R$ 165,669 on December 31, 2020, still at the administrative level) all these amounts insured by Guarantee Insurance. In the judicial sphere against the State of Goiás, ICMS requirements are disputed in the updated amount of R$ 13,448, (R$ 13,060 on December 31, 2020) amounts secured by judicial deposits.

(ii) Civil

With respect to civil contingencies, the Company promotes against the Bankruptcy of Banco Santos, a process requiring the declaration of full settlement of debts with Banco Santos. On the other hand, the Bankruptcy Bank of Banco Santos promotes four lawsuits against Cia. Hering, which deal with the

Credit Limit and Financing Agreements through the Opening of BNDES-Exim Credit. Two processes demand the revocation of letters of discharge linked to these operations, the third process has the request for the execution of the Financing Contract through Credit Opening BNDES-Exim. The executive process is based on the alleged non-settlement of the obligation assumed in the aforementioned Financing Agreement. The amount executed at the time of filing the execution amounted to R$ 50,003. The Company offered the execution embargoes in a timely manner, guaranteeing the judgment with bank guarantee in the amount of R$ 65,006, contracted with Itaú BBA, whose replacement was requested in a petition filed on June 25, 2018, so that it would correspond to the updated debt value, plus the 30% required by law, as determined by the court. The new bank guarantee was contracted with Banco Santander on June 4, 2018, in the amount of R$ 152,321.

The fourth lawsuit seeks to convict the Company to pay the debt arising from the alleged breach of the Credit Limit Agreement (monitorial action), the amount of which, at the time of filing the lawsuit, amounted to R$ 26,916. This action is in the provisional fulfillment of sentence, while the appeals to the higher courts are pending judgment, which was received with suspensive effect. The judgment was guaranteed on September 29, 2020 with judicial guarantee insurance, contracted with BMG Seguros S.A., corresponding to the updated amount of the debt, plus the 30% required by law. Due to the beginning of the provisional fulfillment of the sentence, the amount of the claim was adjusted to the amount of the bankruptcy claim of Banco Santos.

In summary, Banco Santos' total bankruptcy claim, monetarily restated up to March 31, 2021, results in R$ 240,184 (R$ 231,975 up to December 31, 2020). The likelihood of loss by the Company is considered remote to R$ 153,093 (R$ 146,576 on December 31, 2020) and possible to R$ 87,091 (R$ 85,399 on December 31, 2020).

(iii) Labor

With regard to labor contingencies, the Company appears as Defendant in two Public Civil Actions. A proposal by the Public Ministry of Labor in the State of Goiás regarding alleged irregularities in the company's faction contract model and aims, among other requests, to recognize the employment bond between the Company and all current and future workers hired through factions ; the responsibility of the Company with respect to the labor costs arising from these contracts, with condemnation of the obligation of not doing consistently to abstain from using or hiring employees through a faction contract; alternatively that the configuration of an industrial economic group be recognized between the Company and all the factions that provide services, recognizing the joint and several liability of the company for the fulfillment of all rights and social charges arising from the employment contracts signed by the suppliers and the condemnation Company to pay indemnity for collective pain and suffering in the amount of R$ 36,833. In this action, the Company filed a defense in the present lawsuit, informing, in short, that there are no irregularities in the hiring of the factions mentioned by the Public Ministry of Labor, as well as requiring the dismissal of the demand. The lawsuit is currently awaiting an instruction hearing that has been suspended due to the pandemic caused by COVID-19. According to the lawyer responsible for representing the Company in the lawsuit in question, the likelihood of loss by the company is considered possible in the total amount of R$ 20,099 (R$ 20,486 on December 31, 2020).

The Company was sued by the Public Prosecutor's Office of Santa Catarina involving the closure of the Indaial / SC Unit and requesting judicial pronouncement to determine that the company refrains from making collective layoffs for employees without prior collective bargaining, setting indemnity for collective moral damages and provisional emergency relief. The Company filed a defense contesting formal and material aspects of the extraordinary and informing that the number of dismissals is reduced in proportion to the number of jobs held by the company. He also informed that the dismissals that occurred are motivated by the need to restructure the company in the face of the abrupt drop in sales from March 2020 and its reflexes caused by the pandemic of COVID-19. As an interlocutory decision, the First Degree Judge dismissed the request for provisional relief based on the consolidated understanding in the specialized session 2 of the Regional Labor Court of Santa Catarina. The instruction hearing was scheduled for May 2021. The risk of loss for the Company in this process is considered as possible and assessed at R$ 2,262, according to the analysis of the company's lawyer.

• Contingent tax assets

(i) IPI credit

The Company has a final judicial decision in the case record nº 0000927-93.1994.4.01.3400, which recognized its right to IPI premium credit, arising from export transactions from January 24, 1989 to October 5, 1990, currently in the phase of compliance with the sentence, in which the amounts (quantum debeatur) to be received by the Company will be defined. The probability of success in the opinion of the attorneys in charge is classified as probable and the updated gross amount of the credit up to March 31, 2021 is estimated at R$ 283,396 (R$ 272,898 on December 31, 2020), gross amount without discounting taxes and legal fees, which may change due to the fact that there has not yet been a final decision in the phase of compliance with the sentence.

(ii) ICMS subsidies – IRPJ and CSLL taxation

The Company has several legal measures seeking the recognition that ICMS subsidies granted by the States of the Federation based on state laws cannot be taxed by the Corporate Income Tax (IRPJ) and the Social Contribution on Net Income (CSLL). Through Common Shares No. 5017717-74.2018.404.7205 / SC and 5021318-54.2019.404.7205 / SC, the Company seeks security so that its right to not tax the IRPJ and CSLL tax incentives granted by the tax legislation of the State of Santa Catarina, included in the Differentiated Tax Treatments (TTD) nros. 409 and 410, related to the calendar years of 2013, 2014 and 2015. Both lawsuits have a sentence granting security in favor of the Company, the first of which is awaiting definition of the judgment maintaining the sentence favorable to Cia. Hering, and the second, a judgment has already been rendered maintaining the sentence favorable to the Company, partially granting the Federal Appeal in relation to the calculation of interest. For the present lawsuits, the Company estimates a tax credit effect in the order of R$ 16,970, in historical values.

• CVM/SNC/SEP MEMORANDUM CIRCULAR 01/2021 - PIS AND COFINS TAX CREDITS ON INPUTS

After being defined by the STJ in REsp 1,221,170 / PR, it reassessed its expenses within the concept of relevance and essentiality for the development of its specific economic activity and appropriated non-cumulative PIS and COFINS credits in relation to these expenses in the amount of R$ 2,353 on March 31, 2021 and R$ 1,285 on March 31, 2020 (recognized in other operating income and expenses). Based on this interpretation and on the assessment of its legal advisors, that the amounts raised have a degree of risk of loss from remote to possible, no provision was recorded.

20 Related parties

Transactions involving intercompany loans and management compensation are as follows:

(a) Key Personnel from management

The Company provides their directors with health care, health care benefits, life insurance, retirement planning, and food aid, as shown in the short-term benefits line item, below. The benefits are partially funded by their managers and are recorded as expenses when incurred. Directors also participate in the Company's stock option plan, as defined in note 26 a.

Amounts referring to remuneration and benefits of management key personnel, represented by the Board of Directors and statutory officers, are as follows:

	Parent Company		Consolidated	
	03/31/21	03/31/20	03/31/21	03/31/20
Management remuneration	2,186	2,313	2,291	2,418
Short-term benefits	466	333	547	333
Others (INSS)	468	463	487	463
Stock options payments	1,047	1,035	1,047	1,035
	4,167	4,144	4,372	4,249

The Company is managed by a Board of directors and Executive Board, both of which have been elected for two years, subject to reelection.

(b) Other related-party transactions

Transactions refer to loan agreements with Subsidiaries, whose balance as of March 31, 2021 was R$ 3,021 (R$ 2,722 as of December 31, 2020). The term of validity of these contracts is indeterminate. There is no incidence of interest.

On May 25, 2011 Cia. Hering began operating with a representation office in the city of Nanjing in China. This office has as its object the quality inspection of products imported, as well as the prospection of new suppliers. As of March 31, 2021, the amount spent with this operation was of R$ 794 (R$ 860 on March 31, 2020), recognized in the income statement in the group costs.

As of March 31, 2021 and December 31, 2020, there were no loan operations for franchise reforms related to the Company's Management.

(c) Sales to related parties

The Company performed commercial transactions (sales) with franchises related to some of its Directors. On March 31, 2021, these transactions totaled R$ 6,503 (R$ 8,388 on March 31, 2020), of which, R$ 1,056 is recorded under Trade accounts receivable on March 31, 2021 (R$ 6,392 on December 31, 2020). The transactions with these related parties are held under the same usual terms and conditions applicable to the other franchisees of the Company.

21 Employee benefits

The Company sponsors defined benefit and defined contribution pension plans for its employees, and maintains health plans as described below:

Private pension plan

The supplementary pension plans made available to employees are of the defined benefit and defined, serving all Company employees, and contribution type for Company employees who adhere to the plan, the monthly contributions of the sponsor are calculated with a basis on the salary and contribution of the participants, whether contributors or not.

The defined benefit plan gives taxpaying employees the right to receive lifetime monthly income (with or without a 5-year guaranteed period). This option was open only to those employees enrolled in the plan and eligible for the life retirement benefit until October 2018, when the Previc Plan amendment was approved, limiting the defined benefit to a portion of employees. In Mach 31, 2021 was 12 people (13 as of December 31, 2020). Non-contributory employees are guaranteed the amount corresponding to up to three salaries paid in a single installment, was of 4,372 as of March 31, 2021 (4,672 as of December 31, 2020).

The number of contributors to the private pension plan (defined contribution) as at March 31, 2021 was 281 people (257 at December 31, 2020), contributing R$ 277 in the period (R$ 264 on March 31, 2020) and the sponsor contributed the same amount.

The Company had its last actuarial valuation calculated on December 31, 2020, whose effects are shown below:

(a) Balances of the pension plan – Defined Benefit

	Parent company and Consolidated	
	03/31/21	**12/31/20**
Present value of actuarial obligations with coverage	(43,962)	(43,805)
Fair value of the plan assets	37,689	37,689
Deficit	(6,273)	(6,116)

The change in the defined benefit plan for the year ended March 31, 2021 was the recognition of R$ 157 (R$ 149 on March 31, 2020) in the income statement, whose counterpart was the employee benefit liability.

(b) Changes in the present value of the defined benefit obligations

	Parent company and Consolidated
	12/31/20
Defined benefit obligations as of January 1	48,546
Current service costs and interest	157
Interest on actuarial obligation	3,694
Actuarial (gains) losses recognized in other comprehensive income	(5,174)
Benefits paid in the year	(3,418)
Defined benefit obligations	43,805

(c) Change in the present value of the plan's assets

	Parent company and Consolidated
	12/31/20
Fair value of plan assets as of January 1	42,777
Expected return on plan assets	3,255
Actuarial (losses) gains on the plan's assets	(5,176)
Contributions from sponsor	251
Benefits paid by the plan	(3,418)
Fair value of plan asset sas of December 31	37,689

The plan's assets are represented by quotas of participation in funds. On December 31, 2020, the sum of equity Instruments was R$ 37,689, whose expected return for the following fiscal year is R$ 2,996. The assessment of expected return performed by the Management is based on historical trends and market analyst projections for the asset during the life of the respective obligation.

(d) Actuarial gains and losses recognized in other comprehensive income

	Parent company and Consolidated
	12/31/20
Amount accrued as of January 1	4,958
Actuarial (gain) losses recognised	(249)
Amount accrued as of December 31	4,709

The amounts above are immediately incorporated to the accumulated income account, as permitted by CPC 33(R1) and IAS19.

(e) Components of the projected expenses / (income) of the plan

	Parent company and Consolidated
	12/31/21
Gross current service cost (with interest)	142
Interest on actuarial obligation	3,482
Expected yield of the assets	(2,996)
	628

The Company expects to contribute R$ 652 defined benefit plans during 2021.

(f) History of experience adjustments

	Parent company and Consolidated				
Pension Plan	**2020**	**2019**	**2018**	**2017**	**2016**
Present value of actuarial obligations	(43,805)	(48,546)	(40,782)	(38,406)	(33,706)
Fair value of the plan assets	37,689	42,777	38,283	37,019	33,552
(Deficit) surplus for the covered plans	(6,116)	(5,769)	(2,499)	(1,387)	(154)
Adjustment for experience in plan liabilities	5,174	(6,950)	(1,595)	(3,708)	(5,733)
Adjustment for experience in plan assets	(5,176)	3,774	503	2,258	4,321

(g) Actuarial assumptions

The asset and liability were determined by means of actuarial calculations made by an independent actuary following the premises identified below:

	Parent company and Consolidated
(i) Weighted average of the hypotheses used to determine the actuarial obligation and the expense/(income) to be recognized	**12/31/20**
Nominal discount rate	7.95%
Nominal salary adjustment rate	5.40%
Estimated inflation rate	4.00%
Nominal discount rate (revenue/expense)	7.95%
Post-retirement mortality table	AT-2000 Softened in 10%
(ii) Assumed life expectations on retirement at age 65	
Retiring today (member age 65)	20.4
Retiring in 25 years (member age 40 today)	20.4

Assumptions about future mortality are based on published statistics and mortality tables. At The tables used were: (i) Mortality table AT-2000 Smoothed by 10%, (ii) Entry table in Disability Álvaro Vindas reduced by 85% and (iii) Table of Mortality for Invalids RRB-44 (MI). The age of entry into retirement considered is 55 years, and that 100% retire in the 1st early retirement eligibility.

(h) Sensitivity analysis

The following tables present the sensitivity analysis for December 31, 2020 that demonstrate the effect on the present value of the defined benefit obligations arising from the variation of half a percentage point of the discount rate and the variation of the expectation of survival of the participants in 1 year, an increase of R$ 2,459 and a reduction of R$ 2,062 in the discount rate, an increase of R$ 690 and a reduction of R$ 1,339 in the mortality table:

	Baseline	Project Scenarios 0.5% increase	0.5% decrease
Impacts on pensions plan obligations			
Discount rate	43,805	46,264	45,867
Inflation rate	43,805	43,805	43,805
Mortality table (+1 -1)	43,805	43,115	45,144
Weighted average of the defined benefit obligation (in years)	11.44	11.20	11.68

22 Borrowings and financing

a) Balances

Description	Annual charges	Maturity	Currency	Parent company and Consolidated 03/31/21	12/31/20
Working capital	CDI+4.3%	2021	R$	-	83,930
Working capital	CDI+4.8%	2021	R$	-	42,045
Working capital	CDI+3.4%	2021	R$	40,955	40,419
Working capital	CDI+3.4%	2021	R$	42,121	41,573
			Current liabilities	83,076	207,967

Funding in 2020 did not contain transaction costs, does not have restrictive clauses (financial covenants) and have no guarantees. Loans and financing were raised with the objective of mitigating the financial impacts of the COVID-19 outbreak. The maturity of the balance the remainder will be in April 2021, payment in a single installment.

b) Movement

	Parent company and Consolidated
Balance on December 31, 2020	207,967
Interest provision	3,232
(-) Payment of Principal	(120,000)
(-) Payment of interest	(8,123)
Balance on March 31, 2021	83,076

23 Trade accounts payable

	Parent Company e consolidated	
	03/31/21	**12/31/20**
Accounts payable to internal suppliers	146,940	143,383
Accounts payable to external suppliers	31,537	47,182
Payor Risk (i)	108,617	71,025
Adjustments to present value	(2,356)	(1,889)
	284,738	259,701

(i) The Company has an agreement for mutual collaboration with the financial institution in transactions for acquisition of "Payor Risk" credit, which consists in suppliers advancing outstanding trade notes, the Bank advances that amount to the supplier on request date and then receives amount owed by the Company on maturity date. This transaction cost is charged from the supplier by the bank, the Company does not incur interest or other costs. The credit limit for this operation is approved at a Meeting of the Board of Directors and does not use the Company's remaining credit limit with the bank. On these amounts, as well as for the amounts of other vendors, the adjustment to present value is registered, considering the rate and terms described in note 3 (m). The terms of the operations under debtor risk do not differ significantly from the normal operations of supply, as for example in relation to the usual payment deadlines. The decision to carry out this operation is solely and exclusively of the supplier, which bears the financial costs of the operation. Management evaluates that there are no risks to the Company in this transaction and maintains the amount recorded in suppliers caption, considering that this presentation better reflects the basics of the operation performed.

24 Risk management and financial instruments

(a) Risk management

The Company carries out operations with financial instruments. The management of these instruments is done through operating strategies and internal controls aimed at assuring liquidity, profitability and security. The use of financial instruments for hedging purposes is done through a periodic analysis of the risk exposure that management intends to mitigate (exchange, interest rate, etc.). The control policy consists of permanent monitoring of the contracted conditions versus the existing conditions on the market. The Company does not invest in derivatives or any other risky assets on a speculative basis.

Operations instruments are approved and monitored by the Board of Directors of the Company.

The values of the asset and liability financial instruments contained in the quartely information for the period ended March 31, 2021 were determined in accordance with the criteria and the accounting practices disclosed in specific notes.

The Company presents exposure to the following risks related to the usage of financial instruments:

•Credit risk

This arises from the possibility of the Company suffering losses due to the default of their customers or of financial institutions where they have funds or financial investments.

To mitigate these risks, the Company has a policy of analyzing the financial position of their customers, for which it manages the credit risk by means of a credit qualification and concession policy.

The Company also accounts for expected credit losses, in the amount of R$ 39,658 (R$ 38,054 on December 31, 2020), which represents 10.78% of the balance of the accounts receivable (R$ 8.01% on December 31, 2020), to counter credit risk.

As required by CPC 40, the Company discloses the maximum risk exposure of accounts receivable without considering guarantees received or other instruments that could improve credit recovery level, analysis of accounts receivable per maturity and guarantees.

(i) Credit risk exposure

The carrying amounts of financial assets represent the maximum credit exposure. The maximum credit risk exposure on the quartely information date was:

	Consolidated	
	03/31/21	**12/31/20**
Cash and cash equivalents	360,945	467,842
Interest-earning bank deposits	5,214	5,194
Trade accounts receivable	367,738	474,882
Other receivables	42,564	42,164

(ii) Impairment losses

The maturities of the accounts receivable on the quartely information date was:

	Consolidated	
Accounts receivable	**03/31/21**	**12/31/20**
Current	299,201	424,746
Past-due:		
0 to 30 days	17,075	2,784
31 to 90 days	7,870	2,070
91 to 180 days	2,552	3,493
181 to 360 days	7,816	11,701
Over 360 days	33,224	30,088
	367,738	474,882

Changes of expected credit losses in relation to the loans and receivables during the year was as follows:

	Consolidated	
	03/31/21	**12/31/20**
Balance at beginning of period	(38,054)	(24,290)
Additions	(3,121)	(20,398)
Write-offs	1,517	6,634
Balance at end of period	(39,658)	(38,054)

The Company assesses the need for provision for doubtful accounts through an individual analysis of overdue credits, conjugated with the rate of loss. The Company also evaluates the need for a provision of losses with expected credits, considering the projected future billing growth and the increment of new clients.

During the period ended March 31, 2021 the Company analyzed its receivables portfolio considering the scenario of economic uncertainties triggered by the COVID-19 pandemic and considers that the provision recorded is sufficient.

The expense on the recognition of the provision of losses with expected credits was recorded in "Impairment of accounts receivable" in the statement of income.

(iii) Guarantees

The Company does not keep any guarantees for past due notes.

• Liquidity risk

It arises from the likelihood of reduction in funds intended for debt payments. Management monitors the continuous forecasts of liquidity requirements to ensure the Company has sufficient cash to meet its operational needs.

In addition, the Company maintains short-term investment balances which may be redeemed at any time to cover possible mismatches between maturity dates of its contract obligations and its cash generation.

The Company invests excess cash in financial assets subject to interest (note 5) by choosing instruments with appropriate maturity or sufficient liquidity to provide a safety margin as determined by the provisions above mentioned.

As of March 31, 2021, the Company's cash equivalents have immediate liquidity and are considered to manage liquidity risk.

The following table shows the expected maturity for the financial assets and liabilities contracted by the Company, and the values shown include the estimated principal and interest levied on the operations, calculated utilizing rates prevailing on March 31, 2021:

		Consolidated						
	Average interest rate	**Until 1 month**	**1 to 3 months**	**4 to 12 months**	**1 to 2 years**	**2 to 3 years**	**Over to 3 years**	**Total**
Cash and cash equivalents	-	360,945	-	-	-	-	-	360,945
Trade accounts receivable and others	0.17%	173,982	102,957	60,955	1,364	404	6	339,668
Borrowing and financing	0.50%	(83,076)	-	-	-	-	-	(83,076)
Leases	0.64%	(2,337)	(4,644)	(19,395)	(19,787)	(12,107)	(40,869)	(99,139)
Suppliers and other payables	0.39%	(102,508)	(120,774)	(71,128)	(2,382)	(186)	(2)	(296,980)
		347,006	(22,461)	(29,568)	(20,805)	(11,889)	(40,865)	221,418

• Market risk

It arises from the possibility of fair value or the future cash flows of financial instruments oscillate due to changes in market prices. Market risk comprises the following types of risks:

(i) Interest rate risk

This arises from the possibility of the Company sustaining gains or losses arising from fluctuations in interest rates on its financial assets and liabilities. In order to mitigate this type of risk, the Company seeks to diversify the raising of funds and, in certain circumstances, protection operations are performed to reduced the financial cost of operations.

The Company has the following financial instruments:

	Consolidated	
	03/31/21	**12/31/20**
Financial instruments - Variable rate	358,289	459,485
Financial instruments - Fixed rate	5,214	5,194
Financial instruments - Variable rate (Financial liabilities)	(83,076)	(207,967)
	280,427	256,712

(ii) Exchange rate risk

This arises from the possibility of fluctuations in the exchange rates of the foreign currencies, mainly the U.S. dollar and Euro (EUR), used by the Company for the purchase of imports, the sale of products and the contracting of financial instruments, as well as the amounts payable and receivable in foreign currency. Transactions are denominated mainly in the following currencies: USD and EUR.

The Company understands that its net exposure is maintained at an acceptable level, and permanently assesses the utilization of hedge transactions to mitigate these risks.

The foreign exchange rate exposure of the Company is represented as follows:

	Consolidated	
	03/31/21	**12/31/20**
Cash in foreign currency (note 5)	142	70
Trade accounts receivable (note 7)	15,826	14,859
Accounts payable to suppliers (note 23)	(31,537)	(47,182)
Derivative financial instruments (note 24.d)	17,945	37,789
	2,376	5,536

The derivative financial instruments referring to future contracts of purchase or sale of US dollars are used mainly to hedge financial outflows resulting for the import of finished products.

As of March 31, 2021, the Company held USD 7,544 (USD 13,031 on December 31, 2020) in letters of credit related the imports contracted with suppliers.

(iii) Operating risk

Operating risk is the risk of direct or indirect losses arising from different causes related to the Company's processes, personnel, technology and infrastructure and external factors, such as credit, market and liquidity risks, as well as those arising from legal and regulatory requirements and from generally accepted corporate behavior standards. Operating risks are associated to all operations of the Company.

The Company's objective is to manage operating risk and avoid financial losses and damages to the Company's reputation, as well as seeking cost effectiveness.

Top management is responsible for developing and implementing controls to address operating risks. This responsibility is supported by the development of general standards regarding operating risk management.

(iv) Other pricing risks

This arises from the possibility of fluctuations in the market of the inputs used in the production process, mainly regarding the cotton thread. These fluctuations in prices can cause substantial changes in the costs of the Company and it is not possible for the Company to assure the ability to pass on - in part or in whole - these costs in the selling price of its products. To mitigate these risks, the Company manages inventories by forming regulating inventories of this raw material.

(b) Financial instruments – fair value

The table below presents the main financial instruments operations contracted, as well as the respective fair values calculated by Company's management.

For disclosure purposes, the fair value of financial liabilities, with the book value, are the following:

	Consolidated			
	03/31/21		12/31/20	
	Book value	Fair value	Book value	Fair value
Amortized cost:				
Borrowings and financing	(83,076)	(83,076)	(207,967)	(207,967)
Leases	(78,590)	(78,590)	(83,459)	(83,459)
Derivative financial instruments assigned at fair value through income	1,451	1,451	(744)	(744)
Derivative financial instruments assigned to hedge accounting relationships	70	70	81	81

The accounting values of financial instruments recorded in the balance sheet are equivalent to their respective fair values and do not reflect changes in future economy such as interest rates and rates of taxes and other variables that may affect their determination.

The following methods and premises were adopted in the determination of the fair value:

• Borrowings and financing – Are classified as financial liabilities not measured at fair value and are recorded by the amortized cost method in accordance with the contractual conditions. This definition was adopted because the values are not held for trading that in accordance with understanding of the Management reflects the most relevant accounting information. The fair value of these transactions are similar to its book values, due to being financial instruments whose rates are similar to the market rates and having specific characteristics.

• Derivatives - foreign exchange futures are measured based on foreign exchange rates and yield curves obtained based on quotations and for the same maturities of the contracts.

When measuring fair value of an asset or liability, the Company uses observable data as much as possible. Fair values are classified at different levels according to hierarchy based on information (inputs) used in valuation techniques. Level 2 fair value measurements are used for the Company's derivatives.

(c) Capital management

The Company manages its capital to safeguard continuous return to its shareholders and benefit other interested parties, in addition to maintaining an ideal capital structure to invest in its growth. Among the strategies adopted by the Company, the following stand out:

Debt Management: One of the Company's goals is not to renew bank loans bearing high interest, and to focus on long-term financing transactions linked to productive investments with more attractive maturities and interest rates.

The debt management indicators are shown below:

	Consolidated	
Capital management indicators	**03/31/21**	**12/31/20**
Cash and cash equivalents	360,945	467,842
(-) Short term debt	(83,076)	(207,967)
Net cash	277,869	259,875

In line with the working capital and debt management strategies, the Company pursues its goal of not renewing bank loans at high interest rates, which allows it to reduce debt and increase its free cash generation.

(d) Sensitivity analysis

(i) Interest rate variation sensitivy analysis

The income from financial investments and interest from the Company's loans are affected by changes in interest rates, such as CDI.

As at March 31, 2021, Management considered the annualized rate for the reference period as the probable scenario. The income from financial investments and loan expensed was projected for the next 12 months.

			Consolidated					
Description	**Amount R$**	**Risk**	**Probable**		**Possible**		**Remote**	
			%	**Gain (Loss)**	**%**	**Gain (Loss)**	**%**	**Gain (Loss)**
Financial investments (i)	363,503	Low CDI	2.22	-	1.67	(2,017)	1.11	(4,035)
Working capital (ii)	(83,076)	Low CDI	2.22	-	2.78	461	3.33	922
	280,427					**(1,556)**		**(3,113)**

(i) Balance on March 31, 2021 of investments in CDB and Repurchase agreements classified in cash and cash equivalentes and non-current subject to variation in the CDI.

(ii) Balance on March 31, 2021 of short-term loans, subject to the CDI variation.

(ii) Exchange rate variation sensitivity analysis

The Company has assets and liabilities linked to foreign currency, mainly the American dollar (USD) in the balance sheet as at March 31, 2021 and adopted, for sensitivity analysis purposes, the market rate in effect during the preparation of this quartely information as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

Accordingly, the table below simulates the effects of currency fluctuations on the future income/(loss):

Operation	Amount	Notional Amount	Consolidated				
			Probable	Possible		Remote	
	2020 R$	2020 USD	Rate USD	Rate USD	Gain (Loss)	Rate USD	Gain (Loss)
Cash in foreign currency	142	-	5.6967	7.1209	36	8.5451	71
Trade accounts receivable	15,826	-	5.6967	7.1209	3,957	8.5451	7,913
Accounts payable to suppliers	(31,537)	-	5.6967	7.1209	(7,884)	8.5451	(15,769)
Derivative financial instruments	17,945	3,150	5.6967	7.1209	4,486	8.5451	8,972
Exchange rate gain (loss) net	2,376	3,150			595		1,187

In addition to the sensitivity analysis required by CVM Instruction 475/08, the Company evaluates its financial instruments considering their possible effects on profit or loss and equity on relation to the risks assessed by on the quartely information reporting date, as suggested by CPC 40 and IFRS 7. Based on the equity position outstanding as at March 31, 2021, these effects are estimated to approximate the values mentioned in the "Probable" column, in the table above.

(e) Derivative financial instruments

The Company has the policy of conducting derivative transactions to mitigate or eliminate the inherent risks to its business, consisting of US Dollar future purchase contracts that are primarily used as hedging instruments of financial outflows resulting for imports. Such operations, when they exist, are monitored through their internal controls.

The operations assigned as "hedge accounting", whose item referred to highly probable imports and future purchases of merchandise for resale in foreign currency. The bookkeeping adopted by the Company is the cash flow hedge. These derivative transactions are accounted for in the Company's balance at fair value, and the effective portion of changes in derivatives' fair value that is assigned and classified as cash flow hedge is recognized under other comprehensive income in shareholders' equity, being reclassified into income at the time the hedged item affects income, under the same caption in which such item is recognized. Gains or losses related to the ineffective portion or not assigned are immediately recognized in financial income.

On March 31, 2021, derivative operations (NDF - Non Deliverable Forward) maintained by the Company designated for "hedge accounting" were contracted, in the following amounts and conditions:

					Recognized in		
Contract date	Maturity date	Hedged amount US$'000	Average target quotation	Open Fair Value	Other comprehensive income	Operating Income	Financial Income
12/02/2020	04/01/2021	1,150	5.2485	516	-	(2)	518
12/08/2020	05/03/2021	1,000	5.1390	503	-	307	196
12/08/2020	06/01/2021	1,000	5.1500	502	70	119	313
		3,150		1,521	70	424	1,027

The settlements of NDF operations in the year ended March 31, 2021 amounted to a Notional of USD 3,550 (whose goods were sold), generating an amount that represented a gain of R$ 437 for the Company, of which R$ 23 (expense of R$ 20 in 2021 and expense of R$ 3 in 2020) was recognized as a loss in Operating Income and R$ 460 (revenue of R$ 1,134 in 2021 and loss of R$ 674 in 2020) recognized as revenue in financial income.

On December 31, 2020, derivative operations (NDF - Non Deliverable Forward) maintained by the Company designated for "hedge accounting" were contracted, in the following amounts and conditions:

					Recognized in		
Contract date	Maturity date	Hedged amount US$'000	Average target quotation	Open Fair Value	Other comprehensive income	Operating Income	Financial Income
11/11/2020	01/01/2021	1,900	5.4227	(460)	-	(18)	(442)
11/18/2020	02/01/2021	1,650	5.3265	(236)	(3)	-	(233)
12/02/2020	04/01/2021	1,150	5.2485	(69)	(18)	-	(51)
12/08/2020	05/03/2021	1,000	5.1390	54	54	-	-
12/08/2020	06/01/2021	1,000	5.1500	48	48	-	-
		6,700		(663)	81	(18)	(726)

The settlements of NDF operations in the year ended December 31, 2020 amounted to a Notional of USD 23,100 (whose goods were sold), generating an amount that represented a gain of R$ 12,233 for the Company, of which R$ 3,659 (revenue of R$ 3,308 in 2020 and revenue of R$ 351 in 2019) was recognized as a gain in Operating Income and R$ 8,574 (revenue of R$ 8,962 in 2020 and loss of R$ 388 in 2019) recognized as revenue in financial income.

25 Shareholders' equity and reserves

(a) Capital

The authorized share capital comprises 350,000,000 common shares, with no par value, and the subscribed and paid-in capital as of March 31, 2021 consisted of 162,533,937 common shares (including the 3,857,581 shares held in treasury) held by the following shareholders (interests over 5%):

	03/31/21		12/31/20	
Atmos Capital Gestão de Recursos Ltda	16,711,488	10.3%	16,703,535	10.3%
Ivo Hering	11,768,370	7.2%	11,768,370	7.2%
Investimento e Participação INPASA S/A	11,122,345	6.8%	11,122,345	6.8%
Verde Asset	11,640,023	7.2%	9,188,874	5.7%
Velt Partners	12,053,995	7.4%	8,931,998	5.5%
Others	99,237,716	61.1%	104,818,815	64.5%
	162,533,937	100%	162,533,937	100%

(b) Shares in Treasury

The shares acquired by the Company are held in treasury to face the "Company Stock Option Plan" and "Restricted Stock Plan", or for subsequent cancellation or sale. The repurchase programs for Common Shares Issued by the Company are approved by the Board of Directors.

The total number of treasury shares on March 31, 2021 is 3,857,581, in the amount of R$ 66,968, average price of R$ 17.36.

(c) Capital reserve

Stock options granted as described in Note 26 are recorded as capital reserves.

(d) Earnings reserves

▪ **Legal reserve**

Recognized at a rate of 5% of net income, according to the provisions of Article 193 of Law 6,404/76, up to the limit of 20% of the Shareholder's Equity.

▪ **Profit retention**

Refers to the remaining amount of net income for the year, after the recognition of legal reserve, tax incentive reserve, proposal for dividend distribution and interest on shareholders' equity, created for the realization of investments, expansion and reinforcement of working capital.

▪ **Other profit reserves**

<u>Tax incentives</u>

Refers to amounts of tax incentives received, represented by the tax incentives granted (note 18) and reduction incentives of IRPJ, as follows:

	03/31/21	**12/31/20**
Lei do Vestuário - GO	681,803	681,803
Pró-Emprego - SC	59,264	59,264
Proadi - RN	69,234	69,234
Proedi - RN	1,920	1,920
Fomentar - GO	31,750	31,750
Tax (IRPJ) Operating Profit	29,526	29,526
Créd. Presumido Importados/Internet - SC	46,361	46,361
Produzir - GO	11,824	11,824
Crédito Atacadista - GO	5,899	5,899
Reinvestment income tax reduction	6	6
	937,587	937,587

(e) Remuneration to shareholders

<u>Interest on shareholders's equity</u>

The Company calculates interest on capital according to the option provided for in Law No. 9,249 / 95.

Dividends

The corporate by-laws determine the distribution of a minimum dividend of 25% of the net profit for the year, adjusted in accordance with article 195-A and article 202 of Law 6,404/76.

(f) Equity evaluation adjustment

The balance comprises the effect of the recording of the employee's benefits of HeringPrev Private Pension Plan (Note 21) and derivative financial instruments assigned to Hedge Accounting (Note 24). and monetary restatement of property, plant and equipment being the most representative balance.

26 Stock option plan and restricted stock plan

(a) Stock options

On at March 31, 2021 the Company had two outstanding Stock Option Purchase Plan, one of which was approved at the Ordinary and Extraordinary General Meeting held on April 10, 2008 (Plan 2008) and a new Stock Option Purchase Plan approved at the Ordinary and Extraordinary General Meeting held on December 04, 2017 (Plan 2017). The approval of the programs of granting of shares under each plan is carried out by the Company's Board of Directors. The approval by the Board of Directors, the number of shares granted by program and the exercise price per share is disclosed below:

	Stock Option Purchase Plan					
	Plan 2008			Plan 2017		
	8th	9th	10th	1st	2nd	3nd
Approval date	05/21/14	07/29/15	05/24/16	12/13/17	08/29/18	05/08/19
Number of shares granted	953,850	1,335,112	1,226,445	701,541	1,181,229	594,903
Exercise price / R$ share	25.05	12.64	14.25	26.50	16.16	29.73

The programs provide that the options granted to beneficiaries can only be exercised according to the following terms and conditions: (vesting condition): (a) up to 25% (twenty five per cent) of total amount of shares of the option from the end of the first year counted from the date of signature of the respective Adhesion Agreement between the Company and each beneficiary; (b) up to 50% (fifty per cent) of total amount of shares of the option, less those already exercised, from the end of the second year counted from the date of signature of the respective Adhesion Agreement between the Company and each beneficiary; (c) up to 75% (seventy five per cent) of total amount of shares of the option, less those already exercised, from the end of the third year counted from the date of signature of the respective Adhesion Agreement between the Company and each beneficiary; and (d) up to 100% (one hundred per cent) of total amount of shares of the option, minus those already exercised, from the end of the fourth year counted from the date of signature of the respective Adhesion Agreement between the Company and each beneficiary.

The exercise of the options may only occur once the legal relationship between the Beneficiary and the Company or any of its subsidiaries or affiliates is verified, up to the date of the effective exercise of the options.

The programs also provide the right to exercise, in case of the death, retirement or permanent disability of the participant. After an option becomes exercisable, the beneficiary may exercise it at any time, up to the end of the period of seven years from the date of the granting of such option. Each option refers to the right of subscribing one share of the Company.

The exercise of the option provides the beneficiaries the same rights granted to other shareholders of the Company. The plan is administered by a committee appointed by the Board of Directors.

As established by the CPC Technical Pronouncement 10 – Share-based payment, the Company booked the fair value of options. The amount was calculated by a third party with the expertise in this type of methodology that calculated using the Black & Scholes method to the Binomial model for the 8th to 10th program of the 2008 plan and for the 1st to 3nd program of the 2017 (this method was used because it adequately allows the inclusion of premises such as anticipated exercise, expiration due to loss of bond and other characteristics).

The fair value of options on the granting date is shown in the Total amount in the table below and consider the following assumptions:

	Stock Option Purchase Plan						
	Plan 2008			Plan 2017			
	8th	9th	10th	1st	2nd	3nd	
Granting date	05/21/14	07/29/15	05/24/16	12/13/17	08/29/18	05/08/19	
Number of shares	953,850	1,335,112	1,226,445	701,541	1,181,229	594,903	
Exercise price	25.05	12.64	14.25	26.50	16.16	29.73	R$/share
Closing price	21.79	11.64	13.08	26.21	16.74	31.75	R$/share
Volatility (daily)	2.19%	2.75%	2.49%	2.67%	2.67%	2.67%	
Volatility (annualy)	34.63%	43.71%	39.50%	37.44%	37.43%	37.65%	
Dividend yeld	5.10%	5.50%	5.50%	4.70%	5.40%	3.17%	p.a
Termination fee (*)	1.10%	5.00%	14.29%	-	-	-	p.a
Termination fee (*)	-	15.00%	13.64%	-	-	-	p.a
Market to Strike Ratio	2.25	2.25	2.24	2.09	2.09	2.09	
IPCA coupon (**)	6.16%	6.65%	6.13%	5.12%	5.70%	4.19%	p.a
Total term	7	7	7	7	7	7	years
Price per share	5.38	3.30	2.90	7.96	5.15	11.37	R$/share
Total amount	5,128	4,404	3,561	5,585	6,083	6,764	R$ thousand

(*) The company's termination fee, from the 9th and 10th program onwards, is presented segregated between Executive Officers and Other.
(**) Risk free interest rate

The closing rate of the price per share of the Company Hering, with code HGTX3 and the volatility rate reported above for the for the 8th until 10th programs of the 2008 plan and for the 1st to 3nd program of the 2017 was taken directly from the Bloomberg service. The IPCA curve coupon was obtained from the site of the Futures and Commodities Exchange (BM&F) in the Historical Data field, Search by trading floor, file "Derivatives Market - Swap Market Rates". The contract coupon IPCA is traded under the symbol DAP. For rate volatility, it was taken a series of closing prices of Company stock under the code HGTX3, and it was calculated on the daily historical volatility, which was later annual for use in calculating the fair value of stock options.

The periods analyzed were:

	Stock Option Purchase Plan					
	Plan 2008			Plan 2017		
	8th	9th	10th	1st	2nd	3nd
Starting date	11/23/11	07/29/08	05/26/09	03/15/10	12/08/10	08/03/11
End date	05/21/14	07/29/15	05/24/16	12/04/17	08/31/18	05/03/19

(i) Stock Option Plan 2008, liquidated in shares (Plan 2008)

In the Stock Option Plan 2008, ten stock option programs were issued. The shares granted in the first, second and third stock option program were fully exercised by the beneficiaries.

After observing the vesting periods established in the Programs, each granted Stock Option entitles the Beneficiary, defined by the Board of Directors, the subscription of one share of the Company.

If all the options available were exercised on March 31, 2021, the current shareholders' capital would be diluted by 0.59% (0.59% on December 31, 2020).

Presented according to the change in the options, the average exercise price for the stock options is as follows:

	03/31/21		12/31/20	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Avaliable options at the beginning of the year	952,103	27.27	1,167,616	31.40
Cancelled options	-	-	(215,513)	54.28
Avaliable options at the end of the year	952,103	27.83	952,103	27.27
Exercisable options at the end of the year	952,103	27.83	952,103	27.27

On March 31, 2020, the Company recognized in the result an amount of R$ 223 referring to the fair value of the plan and as of March 31, 2021 there was no remaining balance of fair value to be recognized.

(ii) New Stock Option Plan 2017, liquidated in shares (Plan 2017)

Cia Hering approved a New Stock Option Plan in the Extraordinary Shareholders' meeting of December 4, 2017. After observing the vesting periods established in the Programs, each granted Stock Option entitles the Beneficiary, defined by the Board of Directors, the subscription of one share of the Company.

The calculation of the exercise price of the Stock Option payable by the Beneficiaries will be established, under the terms of the Stock Option Plans, by the weighted average by the trading volume of the closing quotations of the common shares of the Company in B3 Brasil Bolsa Balcão, in the 90 (ninety) trading sessions prior to the approval date of each Stock Option Program by the Board of Directors (Exercise

Price), which exercise price will be adjusted by IPC-A, from the grant date of the respective Stock Option to the exercise date. Stock Options may be fully or partially exercised within the term and period fixed in each Program, counted as from its approval/grant date by the Board of Directors.

Considering the hypothesis that all options that were available were exercised as of March 31, 2021, the dilution of capital of current shareholders would be 0.92% (0.92% December 31, 2020).

The average exercise price of the stock options, presented according to the movements of the options are shown below:

	03/31/21		12/31/20	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Avaliable options at the beginning of the year	1,490,761	24.80	1,889,915	23.73
Cancelled options	-	-	(399,154)	24.52
Avaliable options at the end of the year	1,490,761	25.31	1,490,761	24.80
Exercisable options at the end of the year	708,522	25.16	708,522	24.65

In the period ended March 31, 2021, the Company recognized in the income statement the amount of R$ 1,151 (R$ 1,151 on March 31, 2020) referring to the fair value of the plan.

(b) Restricted stock plan

On July 29, 2020, at a meeting of the Board of Directors, the Long-Term Incentive Program with Restricted Shares for the year 2020 (“2020 Program”) was approved, within the scope of the Incentive Plan Linked to Shares, approved at the Extraordinary General Meeting held on December 4, 2017.

The Program consists of the concession, by the Company, of common shares, nominative and with no par value, representing the Company's capital (“Restricted Shares”), free of charge, with a total value equivalent to the value of the long-term incentive approved by the Board of Directors for each executive, at the time of granting the Restricted Shares and subsequent transfer of ownership. The program’s vesting period will be three years, counted from the signing of the respective acceptance agreement. The Dilution of the Company's shareholder base with the implementation of the program will be up to 0.61% of the voting capital. The Plan will be managed under the responsibility of the Company's Board of Directors, assisted by the People Management Committee and the Culture and People Department. The first granting of the Action Plan, approved at a meeting of the Board of Directors on July 29, 2020.

On March 31, 2021, the Company recognized the amount of R$ 610 in Income (loss), referring to expenses of the Restricted Shares plan.

2020 Restricted Stock Plan

	1st Award 2020	
	Number of stock	Fair value
Balance on December 31, 2020	**579,219**	**14.72**
Cancellation	(12,948)	14.72
Balance on March 31, 2021	**566,271**	**14.72**

27 Revenue

The Company's net revenue is broken down as follows:

	Parent Company and Consolidated	
	03/31/21	**03/31/20**
Domestic market	293,145	267,675
Own stores	51,270	64,997
Foreing market	8,349	7,083
Royalties	3,016	2,995
Returns	(22,411)	(19,105)
Gross revenue	333,369	323,645
Adjustments to present value - revenue	(1,705)	(5,991)
Rebates and IBCC	(1,828)	(5,530)
Sales tax	(44,755)	(40,012)
Deductions	(48,288)	(51,533)
Net revenue	285,081	272,112

28 Costs of goods or services sold

	Parent company and Consolidated	
	03/31/21	**03/31/20**
Raw material and Resale goods	(107,054)	(91,415)
Salaries, charges and benefits	(27,310)	(29,357)
Depreciation	(7,378)	(8,805)
Outsource labor	(24,009)	(25,274)
Energy	(2,027)	(2,055)
Other costs	(7,326)	(5,847)
	(175,104)	(162,753)

The Company assessed idle production for the period ended March 31, 2021 due to plant shutdown caused by the COVID-19 pandemic, and kept the amounts related to this idleness recorded at cost (did not appropriate the inventory) mainly due to salaries, charges, benefits and compensatory aid.

29 Selling expenses

	Parent company and consolidated	
	03/31/21	03/31/20
Sales commissions expenses	(9,525)	(10,464)
Sales freight expenses	(14,205)	(9,257)
Personnel expenses	(24,621)	(23,702)
Advertising and promotions expense	(12,311)	(12,462)
Property rental expenses	(4,004)	(4,566)
Expenses with samples and product development	(3,841)	(3,403)
Traveling expenses	(527)	(2,313)
Expenses for third-party services	(5,725)	(2,253)
Other expenses	(5,603)	(5,827)
	(80,362)	(74,247)

30 Administrative and general expenses

	Parent Company		Consolidated	
	03/31/21	03/31/20	03/31/21	03/31/20
Personnel expenses	(7,968)	(6,127)	(7,968)	(6,158)
Expenses for third-party services	(2,174)	(2,356)	(2,174)	(2,410)
Institutional advertising expense	(373)	(436)	(373)	(436)
Expenses for information technology service	(1,622)	(1,319)	(1,622)	(1,319)
Traveling expenses	(61)	(136)	(61)	(136)
Property rental expenses	(120)	(231)	(120)	(231)
Other expenses	(873)	(868)	(954)	(868)
	(13,191)	(11,473)	(13,272)	(11,558)

31 Other net operating (expenses) and income

	Parent Company		Consolidated	
Other operating income	**03/31/21**	**03/31/20**	**03/31/21**	**03/31/20**
Tax credit	2,432	1,086	2,432	1,086
PIS and COFINS judicial credit (i)	9,545	-	9,545	-
Claims received	194	87	194	87
Revenue from sale of PP&E and intangible assets	663	231	663	231
Others	883	186	883	186
	13,717	1,590	13,717	1,590
Other operating expenses				
Formation and reversals of labor and civil provisions	(4,755)	(2,015)	(4,755)	(2,015)
Stock option plan	(1,761)	(1,374)	(1,761)	(1,374)
Actuarial evaluation of pension plans	(157)	(149)	(157)	(149)
Cost from write-off of PP&E/intangible	(534)	(400)	(534)	(400)
Labor indemnities	(67)	(39)	(67)	(39)
Goiás Protege Fund	(2,578)	(2,555)	(2,578)	(2,555)
Representatives indemnities	(326)	(3,538)	(326)	(3,538)
COVID-19 salary recomposition	(1,795)	-	(1,795)	-
Strategic projects	(3,853)	-	(3,853)	-
Produzi Fund	(561)	-	(561)	-
Others	(1,322)	(1,116)	(1,322)	(1,139)
	(17,709)	(11,186)	(17,709)	(11,209)

(i) According to note 10 (e).

32 Net financial result

	Parent Company		Consolidated	
	03/31/21	03/31/20	03/31/21	03/31/20
Financial income				
Interest on financial operations	2,297	3,973	2,297	3,973
Adjustment to present value	2,191	8,326	2,191	8,326
Interest received and renegotiated	1,975	1,751	1,975	1,773
PIS and COFINS judicial credit update (i)	30,357	-	30,357	-
Derivative income	2,213	5,732	2,213	5,732
Exchange variation - Others	-	-	31	263
Exchange variation - motion account	-	89	-	89
Exchange variation - accounts receivable	1,316	3,788	1,316	3,788
Other income	179	252	179	252
	40,528	23,911	40,559	24,196
Financial expenses				
Interest on financial operations	(3,233)	-	(3,233)	-
Financial charges on taxes	(118)	-	(118)	-
Adjustment to present value	(2,795)	(3,556)	(2,795)	(3,556)
Provision for risks update	(73)	-	(73)	-
Interest lease (note 15)	(1,303)	(1,171)	(1,303)	(1,171)
Bank fees and commissions	(2,557)	(1,340)	(2,557)	(1,340)
Pis and Cofins without updating PIS and COFINS judicial credit (i)	(1,412)	-	(1,412)	-
Exchange variation - others	(232)	(333)	(232)	-
Exchange variation - motion account	(73)	-	(73)	-
Exchange variation - accounts payable	(3,720)	(11,586)	(3,720)	(11,586)
Other expenses	(587)	(891)	(329)	(891)
	(16,103)	(18,877)	(15,845)	(18,544)
Net financial result	24,425	5,034	24,714	5,652

(i) According to note 10 (e).

33 Income and social contribution taxes

(a) Breakdown of income tax and of social contribution

	Parent company and consolidated	
	03/31/21	**03/31/20**
Deferred taxes:		
Social contribution	473	2,775
Income tax	1,262	7,681
	1,735	10,456

(b) Reconciliation at the effective rate

	Parent company and consolidated	
	03/31/21	**03/31/20**
Net income (loss) before tax	18,023	(5,413)
Current rate:	34%	34%
Estimated expense according to the current rate	(6,128)	1,840
Tax impact on permanent additions and exclusions :		
Tax incentives (Note 18)	8,726	9,083
Other permanents (additions) exclusions	(863)	(467)
Income and social contribution taxes	**1,735**	**10,456**
Effective rate	**(10%)**	**-**
Income and social contribution taxes	**1,735**	**10,456**
Income and social contribution taxes - current	-	-
Income and social contribution taxes - deferred	1,735	10,456
Income and social contribution taxes	**1,735**	**10,456**

(c) Breakdown of deferred taxes in the income of statements

	Parent company and Consolidated	
	03/31/21	**03/31/20**
Constitution on temporary additions	(3,931)	(589)
Reversal on temporary exclusions	260	634
Constitution (Reversal) of tax loss and negative calculation basis	5,380	10,385
Realization of the monetary correction of the asset	26	26
	1,735	10,456

34 Earnings per share

(a) Basic earnings per share

Earnings per share are calculated by dividing income from the Company's shareholders by the weighted average value of common shares issued in the year, minus shares bought by the Company and held as treasury shares.

	Consolidated	
	03/31/21	**03/31/20**
Profit attributable to the Company's shareholders	19,758	5,043
Weighted average number of common shares - thousands	162,534	162,333
Weighted average number of common treasury shares - thousands	(2,970)	(236)
	159,564	162,097
Basic earnings per share - R$	0.1238	0.0311

(b) Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares to presume the conversion of all potential diluted common shares. The Company has a class of potential diluted common shares that refers to the stock option.

For stock options, the number of shares that could have been acquired at fair value (market annual average price of the Company's share) is calculated based on the monetary value of subscription rights linked to outstanding stock options. The number of shares calculated as described above is compared to the number of issued shares, assuming that the stock option is exercised.

	Consolidated	
	03/31/21	**03/31/20**
Profit attributable to the Company's shareholders	19,758	5,043
Weighted average number of common shares - thousands	159,564	162,097
Share purchase option adjustment - thousands	2,443	3,058
Weighted average number of common shares (diluted) - thousands	162,007	165,155
Diluted earnings per share - R$	0.1220	0.0305

35 Operating segments

The Company has a single operating segment defined as textile, which embodies the production of apparel and accessories. The Company is organized, and has its performance assessed, as a single business unit for operating, commercial, managerial and administrative purposes. This view is supported by the following factors:

- there are no divisions in its structure for managing different product lines, markets or sales channels;
- its plants operate for all the product lines, markets and sales channels;
- the Company's strategic decisions are supported by studies that show market opportunities, and not only by the performance by product, trademark or channel.

The Company's products are distributed into different trademarks and channels (Trademarks: Hering and DZARM.; Channels: Retail, Franchise, Own Stores and Webstore). However, these units are controlled and managed as a single segment, and results are monitored and evaluated in a centralized manner.

Management makes a follow-up of gross revenues, on the domestic market, by trademark and distribution channel, as shown below:

	Consolidated	
Trademarks	**03/31/21**	**03/31/20**
Hering	301,996	276,808
DZARM.	22,159	20,008
Others (i)	865	19,746
Gross revenue domestic market	325,020	316,562
Gross revenue foreign market	8,349	7,083
Total gross revenue	333,369	323,645

(i) At the beginning of the 2nd quarter of 2020, the Company announced that the PUC brand would be closed. The PUC brand does not represent an important separate line of business, and is not part of a coordinated sales plan. Its production line was incorporated by Hering Kids, therefore as of June 30, 2020 it is no longer presented as a brand for revenue purposes and its invoicing was included in the line of others being at March 31, 2021 an amount of R$ 653 (R$ 14,878 at March 31, 2020).

	Consolidated	
Channel	**03/31/21**	**03/31/20**
Retail	120,619	140,650
Franchise	103,609	94,770
Own stores	42,523	58,444
Webstore	54,294	20,652
Others (i)	3,975	2,046
Gross revenue domestic market	325,020	316,562
Gross revenue foreign market	8,349	7,083
Total gross revenue	333,369	323,645

(i) Considers the sale of second line items and leftovers

The net revenues from the domestic and foreign markets are as follows:

	Consolidated	
	03/31/21	**03/31/20**
Gross revenue domestic market	325,020	316,562
Gross revenue foreign market	8,349	7,083
Gross revenue	333,369	323,645
Deductions	(48,288)	(51,533)
Net revenue	285,081	272,112

Foreign revenue is not recorded separately by geographical area, as it represents only 2.93% of total net revenue as of March 31, 2021 (2.60% on March 31, 2020) (Company and consolidated balances).

There is no client that is individually responsible for more than 10% of domestic and foreign sales.

36 Insurance

The Company adopts the policy of contracting insurance coverage for assets subject to risks for amounts considered to be sufficient to cover eventual casualties, considering the nature of its activity.

As at March 31, 2021, operating risk insurance coverage was comprised of R$ 445,494 for material damage, R$ 186,528 for loss of profit and R$ 60,000 for civil liability.

37 Subsequent events

(a) Raising of loans

After March 31, 2021, the Company took out a new loan in the amount of R$ 100,000, with an average rate of CDI + 1.98% p.a., term of 720 days, semiannual interest payment and principal to theend of the contract, to reinforce the company's liquidity, strategic projects and strengthen the share program for the repurchase.

(b) Program for the repurchase

In April 2021, the Company repurchased 2,928,600 shares issued by the Company under the Program for the Repurchase 2020-2021, totaling R$ 61,767 at an average cost of R$ 21.09.

(c) Association agreement

On April 26, the Association and Other Covenants Agreement was signed by the Company and Grupo de Moda SOMA S.A. with the intervention and consent of certain reference shareholders of the Companies, which deals with the combination of the businesses of the Company and the Grupo Soma ("Operation"). The Company released a Material Fact to the market with information on the operation.

OTHER RELEVANT COMPANY INFORMATION

In compliance with the Rules of Corporate Governance Practices, we present below some additional information about the company.

1 - Considering the Rules of Corporate Governance Practices (Novo Mercado), we present below, the shareholding on March 31, 2021:

1.1 Cia Hering

Shareholder	03/31/21		12/31/20	
Atmos Capital Gestão de Recursos Ltda	16,711,488	10.3%	16,703,535	10.3%
Ivo Hering	11,768,370	7.2%	11,768,370	7.2%
Investimento e Participação INPASA S/A	11,122,345	6.8%	11,122,345	6.8%
Verde Asset	11,640,023	7.2%	9,188,874	5.7%
Velt Partners	12,053,995	7.4%	8,931,998	5.5%
Others	99,237,716	61.1%	104,818,815	64.5%
Total	162,533,937	100%	162,533,937	100%

1.2 Investimento e Participações Inpasa S.A

	Common Shares	%	Total	%
Ivo Hering	211,855	28.4%	211,855	28.4%
Amaral Invest. e Partic. Ltda	95,181	12.8%	95,181	12.8%
JGP Adm. De Bens e Part. Ltda	66,370	8.9%	66,370	8.9%
Clamaro Adm. Part. de Bens Ltda	59,618	8.0%	59,618	8.0%
IPE Inv. e Part. Empr. Ltda	58,422	7.8%	58,422	7.8%
Rene Werner Linnenkamp	50,032	6.7%	50,032	6.7%
Others	204,770	27.4%	204,770	27.4%
Total	746,248	100%	746,248	100%

1.2.1 JGP Adm. De Bens e Participações Ltda

Shareholder	Shares	%
Gil Prayon	1,149,361	48.0%
Jean Prayon	1,129,362	47.2%
Others	113,617	4.8%
Total	2,392,340	100%

1.2.2 Amaral Investimentos e Participações Ltda

Shareholder	Shares	%
Carlos Tavares D'Amaral	6,500	50.0%
Marcio Tavares D'Amaral	6,500	50.0%
Total	13,000	100%

1.2.3 Clamaro Administração e Participação de Bens Ltda

Shareholder	Shares	%
Cláudio Hering Meyer	2,560,228	30.6%
Marcos Hering Meyer	2,560,228	30.6%
Roberto Hering Meyer	2,560,228	30.6%
Uta Hedy Hering Meyer	682,002	8.2%
Total	8,362,686	100%

1.2.4 IPE Investimentos e Participação de Bens Ltda

Shareholder	Shares	%
Ivo Hering	8,364,858	26.9%
Andrea Hildegard Hering Vila Boas	7,426,166	23.8%
Karin Hering de Miranda	7,426,166	23.8%
Cristiane Hering de Toni	7,426,166	23.8%
Rotraud Katharina Hering	535,775	1.7%
Total	31,179,131	100%

2 - Shareholding of controlling parties, management and outstanding shares

Shareholding on 03/31/2021

Shareholder	Common Shares	%	Total	%
Controlling Shareholder	33,221,324	20.4%	33,221,324	20.4%
Management				
- Board of Directors	169,003	0.1%	169,003	0.1%
- Executive Board	196,741	0.1%	196,741	0.1%
Treasury Shares	3,857,581	2.4%	3,857,581	2.4%
Others Shareholders	125,089,288	77.0%	125,089,288	77.0%
TOTAL	162,533,937	100%	162,533,937	100%
Outstanding Shares	125,089,288	77.0%	125,089,288	77.0%

Shareholding on 12/31/2020

Shareholder	Common Shares	%	Total	%
Controlling Shareholder	33,650,260	21.0%	33,650,260	21.0%
Management				
- Board of Directors	158,003	0.1%	158,003	0.1%
- Executive Board	177,741	0.1%	177,741	0.1%
Treasury Shares	3,857,581	2.4%	3,857,581	2.4%
Others Shareholders	124,690,352	76.4%	124,690,352	76.4%
TOTAL	162,533,937	100%	162,533,937	100%
Outstanding Shares	124,690,352	76.4%	124,690,352	76.4%

Shareholding on 09/30/2020

Shareholder	Common Shares	%	Total	%
Controlling Shareholder	34,115,244	21.0%	34,115,244	21.0%
Management				
- Board of Directors	156,003	0.1%	156,003	0.1%
- Executive Board	212,268	0.1%	212,268	0.1%
Treasury Shares	3,857,581	2.4%	3,857,581	2.4%
Others Shareholders	124,192,841	76.4%	124,192,841	76.4%
TOTAL	162,533,937	100%	162,533,937	100%
Outstanding Shares	124,192,841	76.4%	124,192,841	76.4%

Shareholding on 06/30/2020

Shareholder	Common Shares	%	Total	%
Controlling Shareholder	34,385,744	21.2%	34,385,744	21.2%
Management				
- Board of Directors	148,003	0.1%	148,003	0.1%
- Executive Board	214,268	0.1%	214,268	0.1%
Treasury Shares	1,597,425	1.0%	1,597,425	1.0%
Others Shareholders	126,188,497	77.6%	126,188,497	77.6%
TOTAL	162,533,937	100%	162,533,937	100%
Outstanding Shares	126,188,497	77.6%	126,188,497	77.6%

3 - Arbitration clause.

The Company, its shareholders, managers and the Fiscal Board (when stablished) members undertake to resolve by arbitration, every and all dispute or controversy which may arise among them, especially related to or derived from enforcement, validity, effectiveness, construal, violation and its effects of provisions contained in the Brazilian Corporation Law number 6,404/76, in the Company's Bylaws, in the rules issued by the Brazilian Monetary Committee (CMN), by the Brazilian Central Bank and by the Brazilian Securities and Exchange Commission (CVM), as well as other rules related to the capital markets operation in general besides those included in the "Novo Mercado" Listing Regulation, in the "Novo Mercado" Listing Agreement and in the Arbitration Regulation of the Market Arbitration Panel.

4 - Independent Auditors

Cia. Hering policy with its independent auditors is referred to the provision of services not related to external auditing based on principles that preserve the independence of the auditors. These principles are based on the fact that the auditor should not assess his/her own work, nor carry out managerial functions or even advocate for its customer. During the period ended on March 31, 2021, the Company's independent auditors were not contracted for other services beyond the examination of the quarterly financial statements of the period.

5- Declaration of Directors

Pursuant to CVM Instruction 480/09, the Executive Board declares that it has reviewed, discussed and agreed with the opinion expressed in the Independent Auditors' Report and with the quarterly financial statement for the period ended March 31, 2021.

EXECUTIVE BOARD

Fabio Hering - Chief Executive Officer
Carolina de Freitas Pires Simões - B2B Business and Expansion Director
Fabiola Falanghe Guimarães - Brand and Product Director
Filipe Lento Brilhante de Albuquerque - Consumer and Retail Director
Galeno Augusto Jung - Strategy, Technology and Innovation Directorate
Marciel Eder Costa - Administrative and Supply Director
Marcelo Toledo - Industrial Director
Marcus Yamamoto - Supply Chain Director
Rafael Bossolani - Chief Financial and Investor Relations Officer
Renata Vivan Del Bove - Director of Culture and People
Thiago Hering - Executive Director

BOARD OF DIRECTORS

Ivo Hering - President
Fábio Hering - Advisor
Andrea Oliveira Mota Baril - Advisor
Celso Luis Loducca - Advisor
Claudia Worms Sciama - Advisor or
Fabio Colletti Barbosa - Advisor
Patrick Charles Morin Junior - Advisor

Cleonice Ghidolin Destri
Accountant CRC - SC nº 27.477 / O-4