Cia. Hering

Quartely Information June, 30, 2021
and Perfomance Report

(Free Translation into English from
The Original Previously Issued in
Portuguese for the Convenience of
Readers Outside Brazil)

KPMG Auditores Independentes

Blumenau, August 05th, 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 (2Q20), except when otherwise indicated.

Highlights of the Quarter

- Gross Revenue in 2Q21 was R$ 405.6 million, 185,0% growth vs 2Q20;
- E-commerce growth of 40.8%, representing 14.2% of sales in the domestic market;
- Gross Margin of 42.3% - pre-pandemic level - with growth of 2120 b.p.;
- Current EBITDA of R$ 35.5 million, increase of R$77million vs 2Q20;
- ROIC expansion by 140 b.p. to 15.1%;
- Total cash position of R$ 201.8 million with net cash of R$ 106.0 million.

Digital Sales

- **28% growth** in platform traffic and **49%** in new customers on the website;
- **11.5%** of sales generated from the CRM platform;
- **37% of sales** through Omnichannel modalities **and 2.5 days reduction** in delivery time;
- APP with a **46.3% growth in number of users** vs 1Q21;

Physical Retail

- Stores closed for 22 days in April, in the main cities;
- *Whatsapp Smart Sales* with sales **240.1%** higher vs 1Q21;
- **Own Store** Indicators: 18% expansion in the average ticket and 22% in the average price, vs 2Q20;
- **38 new stores** in the process of opening, with acceleration of the Mega Store project;
- CRM Digital Selller with a conversion rate of 3.9% and an average ticket 15% above that of other Cia channels.

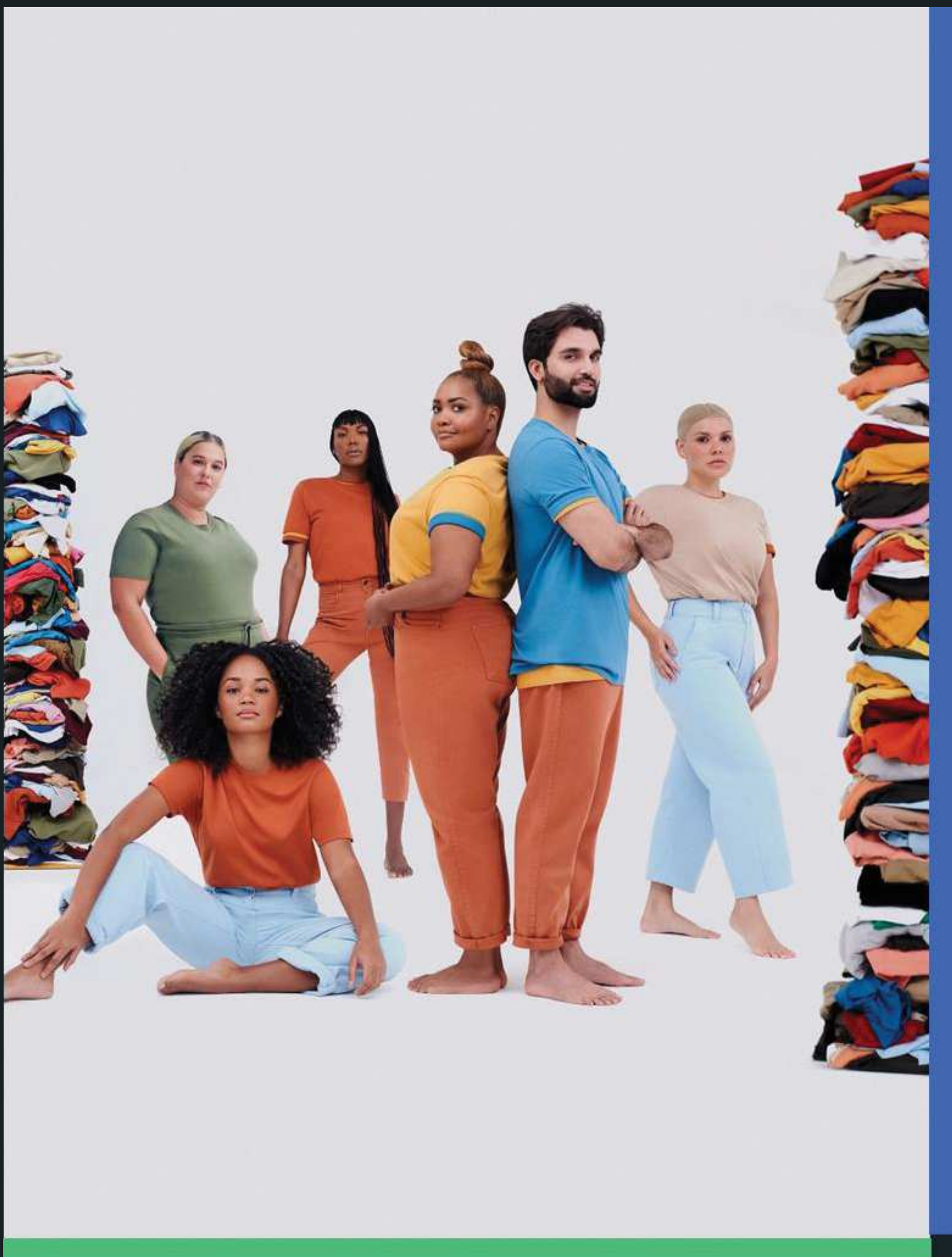
Client

- **10.5 million registered customers (14.7% growth vs. the previous year);**
- Excellent reputation in "**Reclame Aqui**";
- Frequency and Average Expense of the multichannel customer of **2.2x** and **2.3x** higher than the single channel, respectively;
- **93% SLA in all service channels;**
- **Consolidated NPS of 78,** growth of 2 points vs 2Q20.

Brands

- **Hering** brand with sales growth of 198.5% vs 2Q20;
- **Hering Intimates** with growth of 153.6% vs 2Q20;
- **Dzarm** sales up 168.9% vs. 2T20;
- **Hering Basic T-shirt is now carbon negative** - it offsets twice its own carbon footprint.

Message from Management



Message From Management

For the second quarter of 2021, we remain confident while focused on measurable deliverables and the advancement of our brand platform. We expanded our portfolio, concluded value chain projects, significantly enhanced our efforts towards ESG, and consolidated our customer relationships. These are the reasons for our existence and purpose.

Each of our 10 million customers is treated individually as human beings. Our customers are the principal agents of this strategy blending operational excellence, multichannel acceleration, and digitalization of the industry. We maintain growth through brand development, digital, and physical expansions. Innovation, sustainability, cultural evolution, and digital transformation are our key drivers.

Focused on the value chain in 2Q21, we completed strategic sourcing projects and reviewed planning for sales & operations (S&OP) by redesigning collection cycles. This initiative combines data intelligence applied to the industry and ensures greater predictability for our partners and effective delivery terms. In addition, we launched a new sales system for the multi-brand channel to facilitate the schedule of B2B orders.

In 2Q21 we saw an increasing trend of consumption upturn with results similar to 2019 (pre-pandemic). To reach former levels, we invested in new channels and strengthening our brands. Hering's intimate apparel portfolio already posted 106% growth since 2Q20. From the channel's viewpoint, we upheld an accelerated pace of 41% online sales in comparison to the same period of last year. This result reflects the integration of the entire chain of our stores and franchises with the omnichannel ecosystem, aimed at offering a “phygital” experience. The megastore format is one of the best examples of how this experience can be potentialized.

For Cia. Hering, megastores are drivers of development, and from a revenue perspective they also best represent the brand. Overall, all megastore indicators are positive. With greater interactions between products and services, customers tend to spend more time at the store which results in greater satisfaction and conversions. This format, which already generated positive results, recently gained newfound status inside one of Brazil’s main shopping malls. In May, a megastore was launched at Morumbi shopping mall in the city of São Paulo. Since opening, the megastore has performed very well with 42% growth since conversion.

Megastores are a one-stop shop with clothing options for adults, children, and babies. Convenience has been interwoven into the shopping experience with smart fitting rooms which allow the customer to remotely communicate with the salesperson. In addition, customers can access curatorship content, in-store mobile check-out, and the showroom which accepts online orders if any product is not available within the physical stores. These units include a smart wardrobe for those who prefer to shop online and pick up products in-store without requiring any salesperson assistance. Basic t-shirt customizations can also be made on our e-Commcerce site. Megastores operate as a strategic distribution point to increase express deliveries (made on the same day for the customer of the same primary region).

The evolution of our business correlates directly with innovation applied to new channels, products, and processes. To enhance project innovation, we participated in a retail startup acceleration program with 190+ startups enrolled to date. 15 finalists were selected for the program estimated to conclude by February 2022.

Historically at Cia. Hering, growth and innovation are anchored by sustainability. It would not be possible to sustain our future and planet otherwise. Thus in 2020, we improved our climate crisis analyses and participation in the solution seeking agenda. We conducted our annual inventory, built an action plan detailing the reduction and neutralization of greenhouse gas emissions with carbon credit solutions, the application of PLC (product's life cycle analysis), and training sessions with the production chain.

This quarter we delivered and advanced our goal of neutralizing greenhouse gas emissions by two years (from our own operations and franchises). Known as Scope 1, 2, and 3 in the GHG Protocol measurement, we are becoming a neutral carbon company. In addition, Hering's brand icon, the basic t-shirt, is now a carbon-negative product, which offsets twice its carbon footprint. Both operations were executed through a partnership with MOSS: one of the largest global carbon credit platforms. Together, these initiatives total in 2021, 9.8 million trees preserved in the Amazon by the Fortaleza Ituxi Farm project, which occupies 150,000 hectares, in an area of great deforestation pressure in the city of Lábrea (AM). At the same time the local community has access to nature, can work with extraction activities, and offer bioeconomy products. The social impact promoted by these projects is one of the assumptions in the creation of forest carbon credit.

Cia. Hering does not solely rely upon carbon credit as a sustainability strategy. All governance related to this topic can be found in the annual report published this quarter.

A new chapter of our successful history unfolds while remaining compliant with the Grupo Soma merger. In July, CADE (the Brazilian antitrust authority) approved the transaction, which shall be ratified at the shareholders meeting. This marks a transformational step for these two companies and Brazil's retail industry which rely on its largest brand platform. The benefits of this merger include learning converge, talent development, culture integration, and indicators directly related to business. With 11+ brands in the portfolio, the new composition of the group will reach a wider addressable market of women from A, B, and C classes, aged between 25 and 40 years. This target market is the driving force behind Brazil's fashion consumption. This strategy already adopted by Cia. Hering will gain traction with value chain development, an optimized digital journey, and a higher addressable market. Our shareholders will certainly benefit from high quality and greater efficiency.

Consolidated

Highlights

Consolidated Highlights

R$ Thousand	2Q21	2Q20	VAR. 2Q21 | 2Q20	1S21	1S20	VAR. 1S21 | 1S20
Gross Revenue	**405,557**	**142,284**	**185.0%**	**738,926**	**465,929**	**58.6%**
Domestic Market	395,362	140,738	180.9%	720,382	457,300	57.5%
Foreign Market	10,195	1,546	559.4%	18,544	8,629	114.9%
Net Revenue	**353,199**	**118,824**	**197.2%**	**638,280**	**390,936**	**63.3%**
Gross Profit	**149,452**	**25,084**	**495.8%**	**259,429**	**134,443**	**93.0%**
Gross Margin	*42.3%*	*21.1%*	*2120 b.p.*	*40.6%*	*34.4%*	*620 b.p.*
Net Income	**7,074**	**126,850**	**-94.4%**	**26,832**	**131,893**	**-79.7%**
Net Margin	*2.0%*	*106.8%*	*-10480 b.p.*	*4.2%*	*33.7%*	*-2950 b.p.*
EBITDA	**21,832**	**73,362**	**-70.2%**	**36,149**	**84,744**	**(57.34%)**
EBITDA Margin	*6.2%*	*61.7%*	*-5550 b.p.*	*5.7%*	*21.7%*	*-1600 b.p.*
EBITDA, current	**35,492**	**(41,417)**	**n.a.**	**46,305**	**(26,458)**	**n.a.**
EBITDA Margin, current	*10.0%*	*(34.86%)*	*4490 b.p.*	*7.3%*	*(6.77%)*	*1410 b.p.*
ROIC (a)	**15.1%**	**13.7%**	**140 b.p.**	**15.1%**	**13.7%**	**140 b.p.**
SSS[1]	**58.1%**	**-3.6%**	**6170 b.p.**	**2.5%**	**-18.7%**	**2120 b.p.**

(a) Last 12 months..
[1] Concept only considers Open Stores for the entire month and only Hering Network (Hering + Hering Kids)
Values in the table above include the effects of IFRS16.

Sales Performance

Gross Revenue - R$ Thousand	2Q21	2Q20	VAR. 2Q21 | 2Q20	1S21	1S20	VAR. 1S21 | 1S20
Gross Revenue	**405,557**	**142,284**	**185.0%**	**738,926**	**465,929**	**58.6%**
Domestic Market	395,362	140,738	180.9%	720,382	457,300	57.5%
Foreign Market	10,195	1,546	559.4%	18,544	8,629	114.9%
Domestic Market Gross Revenue	**395,362**	**140,738**	**180.9%**	**720,382**	**457,300**	**57.5%**
Hering	367,881	123,253	198.5%	669,877	400,061	67.4%
Dzarm	23,028	8,563	168.9%	45,187	28,571	58.2%
Others[1]	4,453	8,922	-50.1%	5,318	28,668	-81.4%

Domestic Market Share	2Q21	2Q20	VAR. 2Q21 | 2Q20	1S21	1S20	VAR. 1S21 | 1S20
Multibrand	147,094	69,081	112.9%	267,713	209,733	27.6%
Franchise	118,675	17,992	559.6%	222,284	112,761	97.1%
Stores	68,171	11,615	486.9%	110,694	70,058	58.0%
Omnicommerce	56,292	39,983	40.8%	110,586	60,636	82.4%
Others[1]	5,130	2,067	148.2%	9,105	4,112	121.4%
Total	**395,362**	**140,738**	**180.9%**	**720,382**	**457,300**	**57.5%**
Multibrand	37.2%	49.1%	-1190 b.p.	37.2%	45.9%	-870 b.p.
Frachise	30.0%	12.8%	1720 b.p.	30.9%	24.6%	630 b.p.
Stores	17.2%	8.2%	900 b.p.	15.4%	15.3%	10 b.p.
Omnicommerce	14.2%	28.4%	-1420 b.p.	15.3%	13.3%	200 b.p.
Others[1]	1.4%	1.5%	-10 b.p.	1.2%	0.9%	30 b.p.
Total	**100.0%**	**100.0%**	**-**	**100.0%**	**100.0%**	**-**

[1] Considers the sale of second-tier items and leftovers

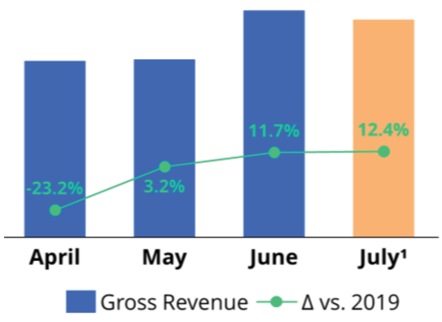
Operational

DATA

Performance in the Quarter

Gross Revenue for the quarter reached R$ 405.6 million, 185.0% up on 2Q20, mainly due to lower restrictions related to COVID and the gradual resumption of consumption. Compared to 2Q19, Gross Revenue decreased by 3.9%, mainly because Sell-in sales to the Multibrand and Franchise channels were impacted by the challenges of supplying winter products due to the closing of 22 days in the industrial parks. and logistics in Goiás at the end of 1Q21, in addition to the discontinuation of the PUC brand, which, in 2Q19, had revenue of R$21.3 million. The estimated impact on the Company's revenue due to restrictions of the supply chain was R$ 53,2 million in the quarter.

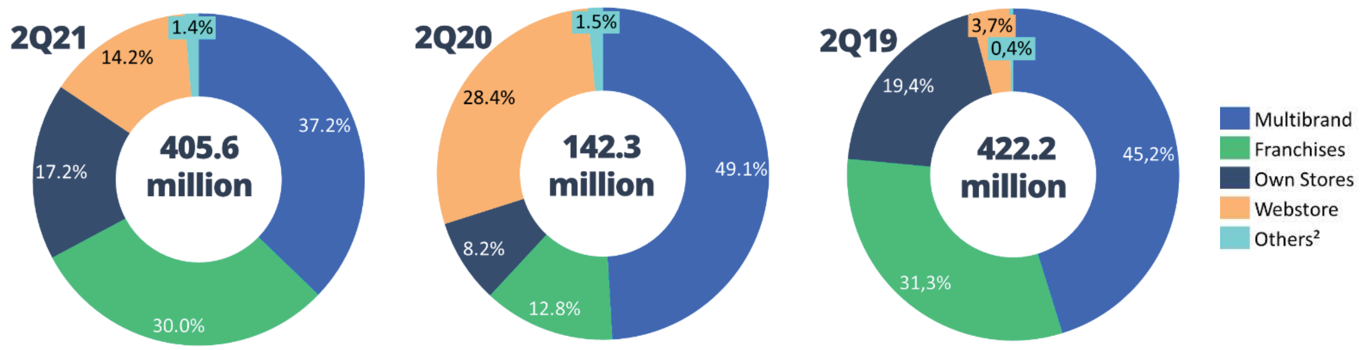
Gross Revenue Evolution



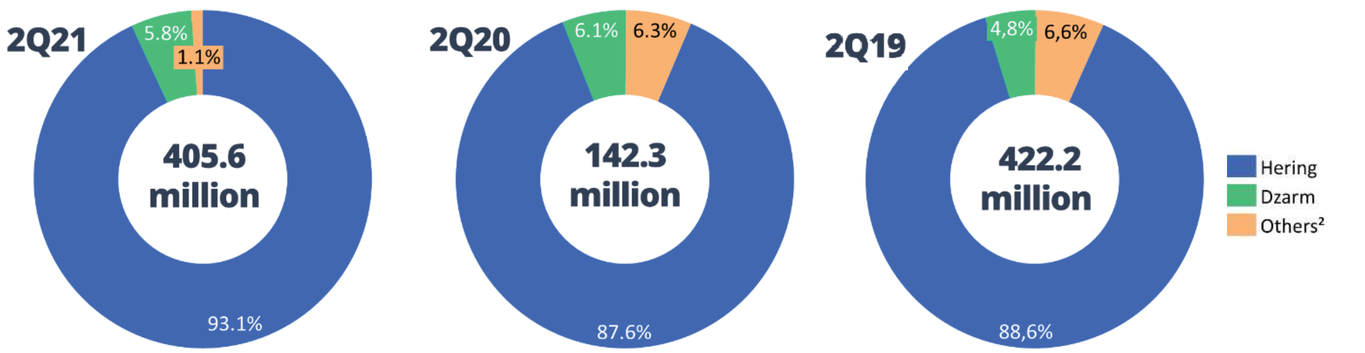
It is important to highlight the month-to-month performance within the quarter, showing an evolution after the month of April, which was impacted by the closing of stores, with a great impact on the main cities that reached 22 days closed in the month and had 10% of the industry operations closed. It is worth noting that the months of May and June combined, showed growth of 7.8% (vs. 2019), and the month of July showed growth of 12% vs. 2019. In 2Q21, the Same Store Sales indicator was 58.1% compared to the same period of the previous year and 3.7% versus 2Q19.

E-commerce, in turn, following the positive trend of previous periods, grew by 40.8% vs 2Q20 and 273.1% vs 2Q19, reaching a penetration of 14.2% of sales, an increase of 1050 b.p. in relation to 2019.

Representativeness of sales by channel



Representativeness of sales by brand



¹ Results not yet audited

² Considers the sale of second-tier items and leftovers

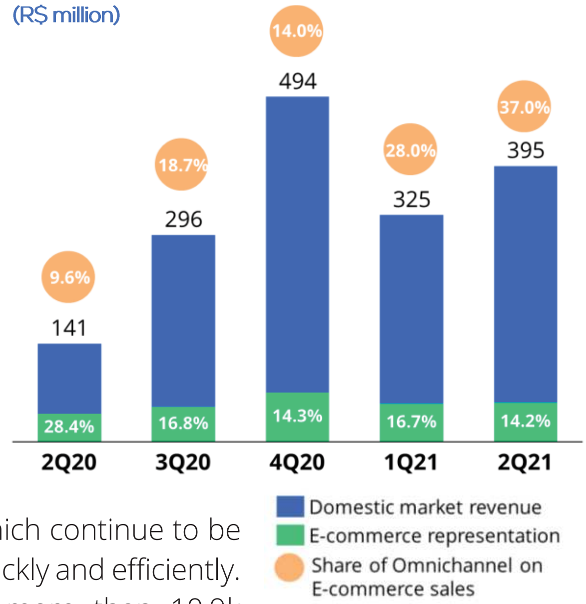
Sell-out

E-Commerce

The e-commerce channel followed the trend of previous quarters, showing growth of 40.8% vs 2Q20 and 273.1% vs 2Q19. Sales reached R$ 56.3 million, with the channel showing a traffic growth of 22.8% and 49% of customers buying for the first time on the site. 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.

Omnichannel modalities once again showed growth representing 37% of online sales in the quarter. Sales through Showrooming stand out, accounting for 13.4% of total e-commerce sales, and regional distribution hubs – which continue to be an effective resource for serving the final consumer more quickly and efficiently. In 2Q21, the 8 distribution hubs were responsible for more than 10,9k deliveries, with an average delivery time of 3.4 days, 42.4% less than those coming from the DC, with an average delivery time of 5.9 days.

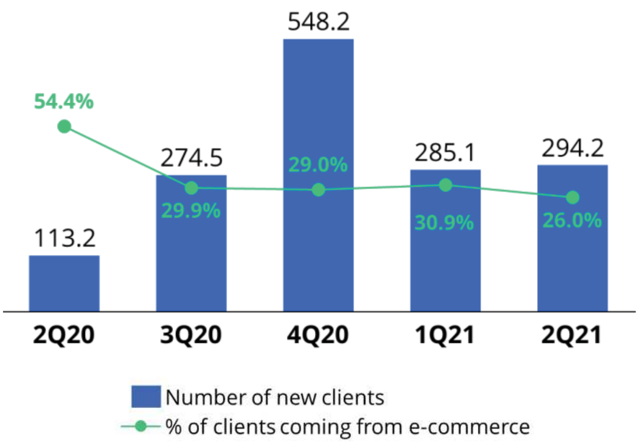
E-commerce representation
(R$ million)



The continuous development of the multichannel customer base is also observed, which grew by 73% versus 2Q20, with more than 57% of these customers buying at least once a month, with a frequency 2.2x higher than that of the single-channel customer, in addition to of an average expense 126% higher.

In addition, the successful integration with marketplace partners continues to bring positive results since its implementation in 1Q20, and also boosted channel sales in the quarter, accounting for 13% of total e-commerce sales, a growth of 745.4% vs 2Q20.

New clients (in thousand)



E-commerce Indicators

+22.8% traffic on the website vs 2Q20

11.5% of the revenue collected from CRM

+46.3% users on Hering App vs 1Q21

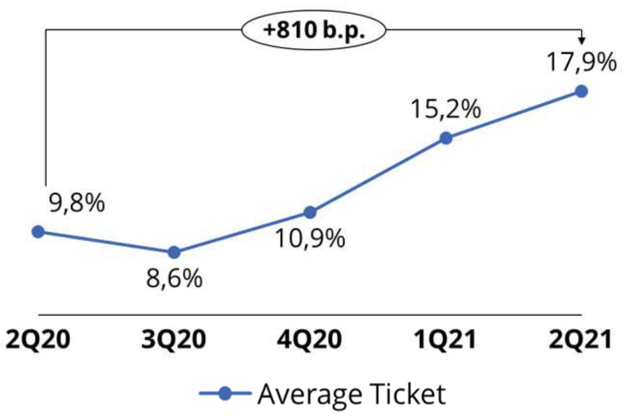
-2.5 days on average delivery time

Own Stores

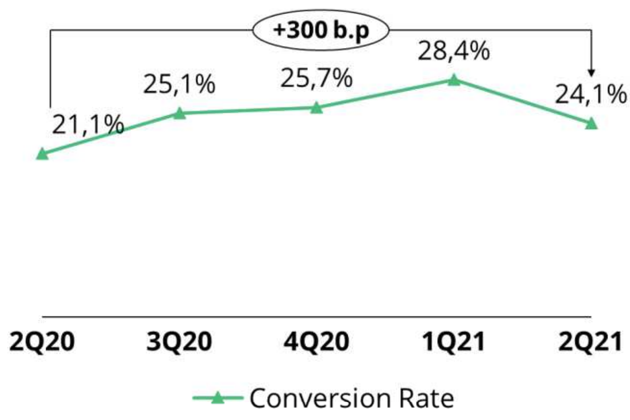
Sales in physical stores operated by the Company totaled R$ 68.2 million, 486.9% higher than in 2Q20, this performance being driven by the reopening of stores and the reduction of circulation restrictions. When compared to 2Q19, the result was 15% lower, considering the partial suspension of operations for 22 days in the main cities (SP and MG) throughout April. It is also worth highlighting the unfavorable effect of the calendar for the month of June/21, with one weekend less than 2019.

The important evolution in operating productivity indicators stands out, with an 18% expansion in the average ticket and 22% in the average price, vs 2Q20, in addition to a conversion rate of 24.1%. The flow measured in owned stores decreased 40% vs 2Q19, mainly in stores located in commercial centers and shopping centers, which represents approximately 90% of Cia Hering's operations.

Average Ticket growth vs. last year



Conversion rate evolution



Sell-in

The performance of the sell-in channels (franchises and multi-brands) was strongly impacted by supply challenges and the consequent postponement and cancellations of the order backlog, with R$ 53.2 million in sell-in not served in the period beyond the closing of 22 days in the manufacturing and logistics facilities in Goiás in 1Q21 that impacted the quarter.

Franchises

In 2Q21, sales to the franchise network totaled R$ 118.7 million, an increase of 559.6% compared to 2Q20 and 8.2% lower than 2Q19.

The supply challenges and the consequent cancellation of the portfolio were the main offenders for the performance of the sell-in channels in the quarter. However, it is worth emphasizing the Company's diligence in making the necessary adjustments to compensate for such scenarios by selling prompt delivery and prioritizing supply to the franchised networks.

In addition, we highlight the use of digital tools made available by the Company, which, together with the continuous sales effort and determination of the teams, are showing great evolution and increase in franchisee sales. The “CRM Digital Seller” platform, which offers functions for the chain of stores to contact and retain their customers, presented itself as a tool with great potential. Currently enabled in 1/3 of Hering's physical stores, in its first quarter of use, the 166k active customers brought more than 6k sales, a conversion rate of 3.9%, with an average ticket 15% above others Company's channels. There was also an evolution in sales via Whatsapp, which recorded revenues 240.1% above the previous quarter, with sales using this tool in 91% of the stores totals of the Company.

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

Multibrand

Sales to the multibrand channel totaled R$ 147.1 million in the quarter, 112.9% higher than 2Q20 and 21.1% lower than 2Q19. The channel's performance is also explained by the challenges of supplying and canceling the portfolio, partially offset by prompt delivery sales, as mentioned above. 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, representing 8.4% of the total sales of the Multibrand.

Operational Data

Within the development strategy of the B2B channel, the focus on the customer lifecycle stands out. In this sense, it is already possible to observe the focus on channel segmentation and the consequent reduction in the number of customers with an increase in the frequency and activity of orders. In 2Q21, the customer activity rate increased by 1470 b.p. compared to 2Q20, with more than 90% of customers making at least one purchase in the period.

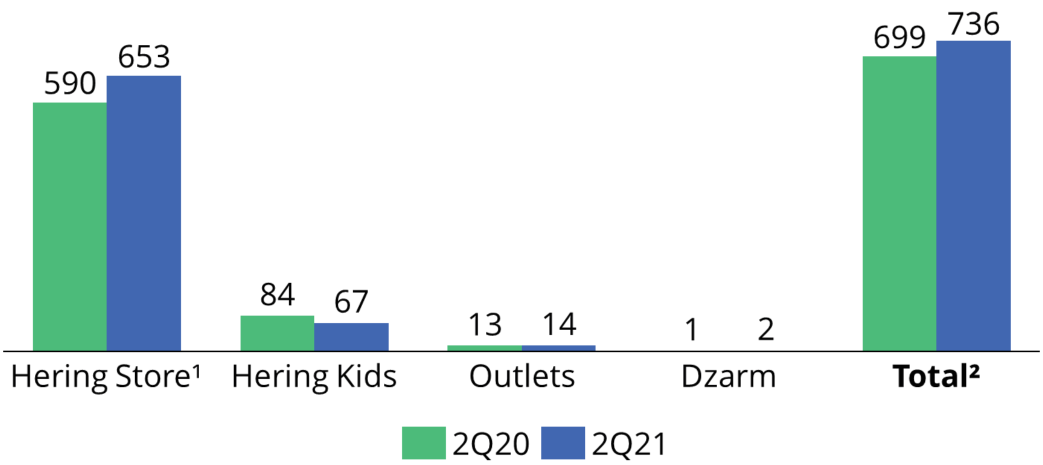
Geographic Expansion

The Company continues to evolve its management that emphasizes an integrated view 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 partners "from the Digital to the deep Brazil".

The Company ended the quarter with 756 stores, 736 of which in Brazil and 20 in the international market. In the quarter, 5 new stores were opened and 24 were closed. In the year, 08 stores were opened and 38 are approved and are being implemented over the next few weeks, in addition to the expansion/conversion of the Mega format in 04 stores. The opening schedule is in line with the guidance already disclosed, the Company should close 2021 with 110 new stores in compact formats and conversion of 25 mega stores.

It should be noted that the Mega Store model is an important vector for growth, experience and profitability, and reinforces the integration of the on/off consumer journey. These stores showed growth in the order of 78% in sales, after their conversion.

Number of stores 2Q21 – Brazil



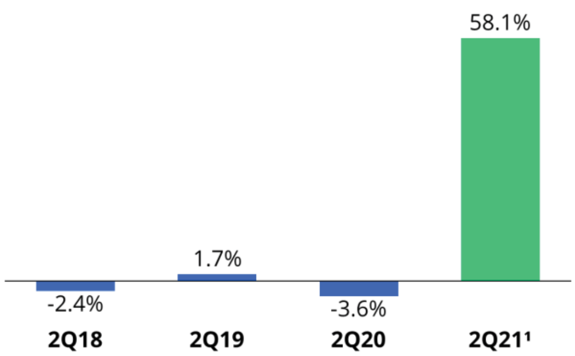
¹ Includes Hering Store, Light Franchise and Basic Shop
² 2Q20 total includes 11 PUC stores.

Hering Network Performance

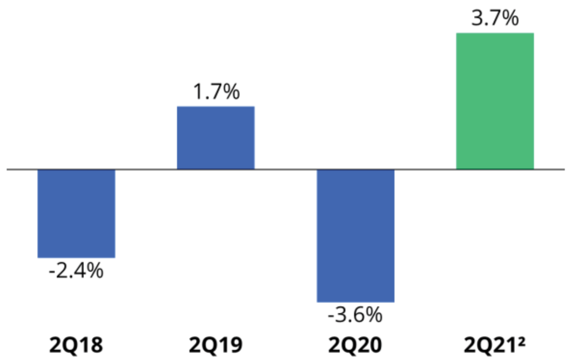
The Hering chain's total sales (sell-out) in 2Q21 reached R$ 293.4 million, 300,1% higher than the result of 2Q20 and 16.0% lower than 2Q19. The growth of important productivity indicators should be highlighted, even when compared to 2Q19, such as: parts per service (+16.3%) and average ticket (+19.4%). Adjusted SSS, which only considers stores opened during 2Q20 and 2Q21, grew by 58.1%. When compared to 2Q19, SSS for the period grew by 3.7%.

The quarter was also marked by being the period with the highest number of recovered customers (who were inactive - for more than 12 months without making purchases), with the physical store standing out as the channel with the highest percentage of recovery purchases, representing 85%. This recovery was due to the activations of our CRM tools.

Same Store Sales – SSS (vs 2020)



Same Store Sales – SSS (vs 2019)



[1] Concept only considers Open Stores for the entire month and only Hering Network (Hering + Hering Kids)
[2] 2Q21 SSS considers all of the Company's brands, while previous ones consider only Hering Network (Hering + Hering Kids)

Growth in efficiency indicators vs 2Q19

+16%
Pieces per service

+19%
Average Ticket

24.1%
Conversion Rate[1]

[1] Only considers Own Stores

Our Brands

Cia Hering reinforces the brand strategy by developing narratives that emotionally connect 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 contact points and strengthen the smart choice value proposition combining design, quality, technology, comfort and price are key points in this journey.

HERING

This quarter, we had two important dates on Hering's calendar: Mother's Day and Valentine's Day. In addition to these commercial activations, the brand worked on essential fronts of its strategic planning, namely: content, sustainability and diversity.

Hering once again excelled in one of the most important commercial periods of the semester – Mother's Day. We registered 24.8 million reach and 223.1 million impressions, in addition to 87 contents included in the press. Highlights, 112% growth in searches for the brand after the campaign was publicized on the national network. The campaign had the participation of Fernanda Montenegro, Fernanda Torres and different stories of mothers under the theme “No Ritmo das Mães do Brasil”, supported by the song “Sorte”. We built a 360º communication with a commercial and content focus, in which we boost combos and pieces in “like mother, like daughter” versions.

For Valentine's Day, we explored our diversity pillar through the “Month of Love” with weekly activations of capsule collections in which we communicated different ways of loving. In the social and sustainability pillar, we supported the Fashion Revolution movement in the #NósFazemosOBásico” campaign and carried out the special action "Hering Against Hunger: what's basic for you can be essential for others", in which, for 7 days, the sale of part of the line of basic products was 100% reverted to the NGOs CUFA and G10.

In the content pillar, Hering launched the “Hering Todo Momento” platform with fashion tips, interviews with influencers, posts about lifestyle and sustainability news. One of the fronts of the platform is organic growth and the results are already encouraging.

HERINGKIDS

For the Hering Kids brand, this quarter we started a new aesthetic language through colors, graphics, creativity, lightness and impact - bringing elements from the children's universe to orbit around our main focus: products. We develop playful and informative content with influencers and special guests from different segments of the children's market.

Our main products in all their categories - boy, girl, toddler and baby - reinforced the focus on basics and comfort in the collections *“Feita de Estrelas”, “De Outro Mundo”, “Básico é ser criança”, “Para ficar quentinho”, “Misture e Combine”* and *“Prontinhos para Explorar”.*

In harmony with Hering, we present a Mother's Day collection in April. May is the Month of Play, in which, throughout the period, playful and educational activities focused on “Do It Yourself” were disseminated through 4 themes: art, music, sport and cooking.

As in Hering, the special action “Hering Against Hunger: what is basic for you, can be essential for others” was present at Kids to reinforce the Social pillar, with 100% of the sale reverted to the NGOs CUFA and G10.

HERINGINTIMATES

At Hering Intimates, we continued to reformulate the entire brand with new products, raw materials and collections, in addition to a greater online presence and visual merchandising. The focus is on the consumer experience, through representation and diversity in all communications.

In the new portfolio of the underwear line, comfort and technology come together to inspire pieces that highlight and value the best in each person. We guaranteed the offer of best-seller models, worked on three attributes that guide the products: cotton, reinforcing Hering's DNA, microfiber with versatility and technology, and seamless with the appeal of comfort and invisibility.

To take the message of this great news and positioning to the public in an even more assertive and integrated way, in May, a pilot project was started in selected stores. As a result, this group of stores grew 28% more than the other stores in the chain, with the Intimates line doubling its share and reaching 8% of total revenue. In addition, in 85% of the stores, the sale of Intimates represents more than double the allocated area, boosting revenue per m².

The results have already started to appear with a growth of 82% in this quarter compared to the same period in 2019. It is noteworthy that in the sell-in the offer of the new summer collection had a good adherence in the channels, growing 132% compared to the summer of 2019. For the coming months, Hering Intimates will have an ambitious growth plan, which will include an increase in the product portfolio, greater presence in stores and roll out of the pilot project. In October, we will have the major launch of the brand campaign, accompanied by the 360º marketing strategy and support for the new positioning.

DZARM

Dzarm kicked off 2Q21 with activations of the Color Me and Fall Essentials fall collections; at the end of April, it launched the Mother's Day campaign. The intrinsic connection between mother and child was the starting point for the brand's tribute; with the theme “All Love in the World”. The collection included a selection of special gifts, which include different types of mothers, in addition to the Mini Me line.

In May, it launched the first exclusive collab with the Vicenza shoe brand, with pieces inspired by the authenticity and fun side of the brand's founder. Collab had an impactful fashion campaign, disseminated mainly in digital media, ensuring attraction of new followers and growth in engagement on the official Instagram channel.

The month of June was very busy with Valentine's Day and the launch of the Capsula College collection. For Valentine's Day, the theme was “I'm in love with Dzarm”, with t-shirts with prints that match (in female and male models), sweatshirts, jackets, pants and dresses in the winter mood. As part of the communication strategy we invited a squad of celebrities and influencers representing the diversity of couples. The squad produced content for their own social networks, which were replicated on DZARM networks, which impacted a reach of 8 million people on Instagram.

The College collection, inspired by the 1990s and American school uniforms, brought updated shapes of vests, t-shirts, sweatshirts with lettering, biker shorts, pantaloons and cropped polo shirts. For this launch, Dzarm teamed up with Elle Brasil for the #olhaELLE challenge, where the magazine invited its audience to post photos with the hashtag on social media and compete for a spot to integrate an editorial with DZARM clothing.

In 2Q21, the brand grew 169% vs 2020, with the highlight being the Multibrand channel, which grew +210% in revenue vs 2Q20. In the e-commerce channel, growth was 21% vs 2Q20, largely driven by the high performance of Jeans and Sarja, which brought +38% and +67% respectively. Also, positive highlight for the Essentials line, which guaranteed a +195% growth in the brand's accumulated.

Financial

Data

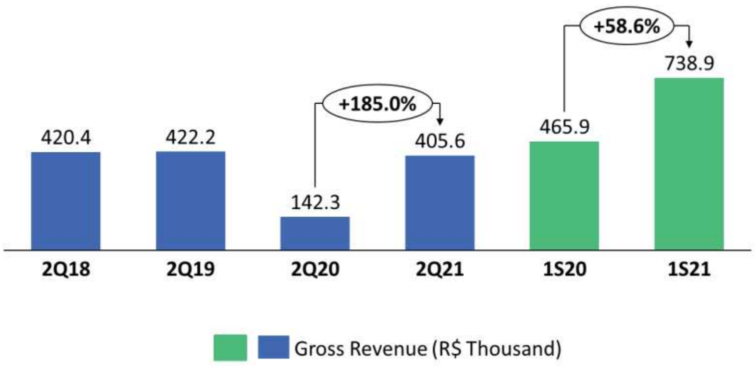
Economic and Financial Performance

R$ Thousand	2Q21	Part. (%)	2Q20	Part. (%)	VAR. 2Q21 | 2Q20	1S21	Part. (%)	1S20	Part. (%)	VAR. 1S21 | 1S20
Gross Revenue	**405,557**	**114.8%**	**142,284**	**119.7%**	**185.0%**	**738,926**	**115.8%**	**465,929**	**119.2%**	**58.6%**
Sales Deduction	(52,358)	-14.8%	(23,460)	-19.7%	123.2%	(100,646)	-15.8%	(74,993)	-19.2%	34.2%
Net Revenue	**353,199**	**100.0%**	**118,824**	**100.0%**	**197.2%**	**638,280**	**100.0%**	**390,936**	**100.0%**	**63.3%**
Cost of Goods Sold	(202,990)	-57.5%	(87,829)	-73.9%	131.1%	(375,746)	-58.9%	(249,451)	-63.8%	50.6%
AVP (Adjustment to Present Value)	4,436	1.3%	911	0.8%	386.9%	7,700	1.2%	4,766	1.2%	61.6%
Subvention for Expenditure	2,191	-0.6%	1,840	1.5%	19.1%	3,957	0.6%	5,659	1.4%	-30.1%
Depreciation and Amortization	(7,384)	-2.1%	(8,662)	-7.3%	-14.8%	(14,762)	-2.3%	(17,467)	-4.5%	-15.5%
Gross Profit	**149,452**	**42.3%**	**25,084**	**21.1%**	**495.8%**	**259,429**	**40.6%**	**134,443**	**34.4%**	**93.0%**
Operating Expenses	**(149,322)**	**-42.3%**	**25,906**	**21.8%**	**-676.4%**	**(265,990)**	**-41.7%**	**(94,519)**	**-24.2%**	**181.4%**
Selling Expenses	(96,801)	-27.4%	(49,121)	-41.3%	97.1%	(177,163)	-27.8%	(123,368)	-31.6%	43.6%
Loss due to non-recoverability of assets	(3,444)	-1.0%	(5,658)	-4.8%	-39.1%	(6,565)	-1.0%	(14,597)	-3.7%	-55.0%
Administrative and General Exp. and Management Remuneration	(15,601)	-4.4%	(11,301)	-9.5%	38.0%	(31,164)	-4.9%	(25,278)	-6.5%	23.3%
Depreciation and Amortization	(14,318)	-4.1%	(13,710)	-11.5%	4.4%	(27,948)	-4.4%	(27,353)	-7.0%	2.2%
Profit Sharing	(3,136)	-0.9%	-	-	-	(3,136)	-0.5%	-	-	-
Other operating Income (Expenses), net	(16,022)	-4.5%	105,696	89.0%	-115.2%	(20,014)	-3.1%	96,077	24.6%	-120.8%
Operating Income (Loss) Before Financial Results	**130**	**-0.0%**	**50,990**	**42.9%**	**-99.7%**	**(6,561)**	**-1.0%**	**39,924**	**10.2%**	**-116.4%**
Financial income	5,725	1.6%	128,716	108.3%	-95.6%	46,284	7.3%	152,912	39.1%	-69.7%
Financial expenses	(9,380)	-2.7%	(15,616)	-13.1%	-39.9%	(25,225)	-4.0%	(34,159)	-8.7%	-26.2%
Total Financial Income	**(3,655)**	**-1.0%**	**113,100**	**95.2%**	**-103.2%**	**21,059**	**3.3%**	**118,753**	**30.4%**	**-82.3%**
Operating Income (Loss) Before Interest in Subsidiaries	**(3,525)**	**-1.0%**	**164,090**	**138.1%**	**-102.1%**	**14,498**	**2.3%**	**158,677**	**40.6%**	**-90.9%**
Income and Social Contribution Taxes - Current	-	-	(26,558)	22.4%	-	-	-	(26,558)	-6.8%	-100.0%
Income and Social Contribution Taxes - Deferred	10,599	3.0%	(10,682)	-9.0%	-199.2%	12,334	1.9%	(226)	-0.1%	-5.557.5%
Net Income for the Period	**7,074**	**2.0%**	**126,850**	**106.8%**	**-94.4%**	**26,832**	**4.2%**	**131,893**	**33.7%**	**-79.7%**
Controlling shareholders	7,074	2.0%	126,850	106.8%	-94.4%	26,832	4.2%	131,893	33.7%	-79.7%
Basic earnings per share - R$										
Controlling shareholders	0.0424		0.7836		-94.6%	0.1662		0.8147		-79.6%
EBITDA	**21,832**	**6.2%**	**73,362**	**61.7%**	**-70.2%**	**36,149**	**5.7%**	**84,744**	**21.7%**	**(57.3%)**

Values in the above table include the effects of IFRS16

Gross Revenue

The Company gross revenue reached R$ 405.6 million in the second quarter, 185.0% higher the same period of previous year (2Q20).



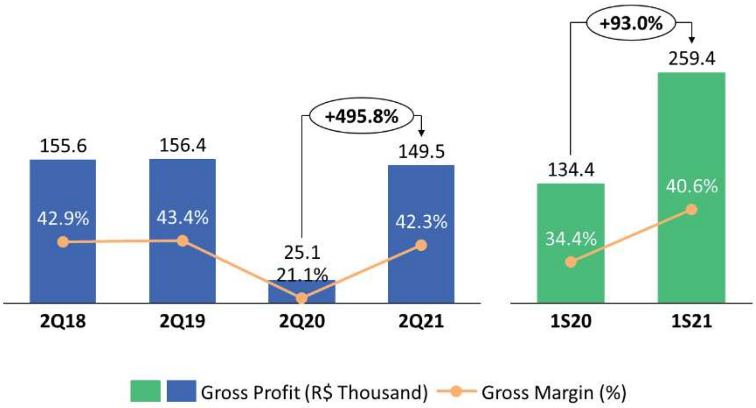
The sales performance in the sell-out channels presented an increase of 141.2% vs. 2Q20, highlight mainly for the Own Stores Channel with a growth of 486.9% due to decreasing circulation restrictions and the gradual resumption of consumption, in addition to e-commerce, which grew 40.8% vs. 2Q20. It is worth mentioning the increase in productivity indicators in own stores with an improvement in the average ticket and pieces per service, in addition to the increase in flow of digital platforms and the showrooming service.

Financial Data

The performance of the sell-in channels (franchises and multi-brand) increased 203.9% vs. 2Q20, mainly influenced by the expansion of Franchise Channel, also due to decreasing circulation restrictions and the gradual resumption of consumption.

Gross Profit and Gross Margin

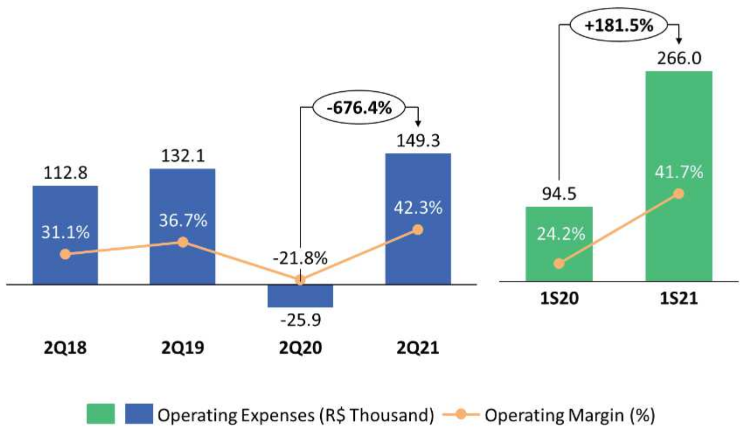
The Company's gross profit reached R$ 149.5 million in 2Q21, increase of 495.8% related to 2Q20, due to higher sales in the period.



The gross margin increased 2120 b.p. vs. 2Q20 to 42.3% mainly influenced by higher operating leverage, 110 b.p. below 2Q19, pre-pandemic. It is worth mentioning that the increased pressure on the purchase of raw materials, inputs and outsourced labor was partially mitigated by the management of the factory's fixed cost.

Operational Expenses

In 2Q21 the operational expenses reached the amount of R$ 149.3 million, compared to the revenue of R$ 25.9 million in 2Q20, primarily for the improvement of PIS and COFINS judicial credit recognized in the same period of the previous year.



The current expenses[1] of the quarter, totaled R$ 135.6 million, increase of 52.6% vs. 2Q20, mainly due to higher investments in performance marketing and branding campaigns, in addition to variable sales expenses and personnel expenses due to MP 936 in previous year. Compared to 2Q19, the current expenses grew 3.2% with greater investment intensity in marketing, customer service (SAC) and strengthening of strategic areas.

[1] Current Expenses exclude non-recurring items and provision for profit sharing

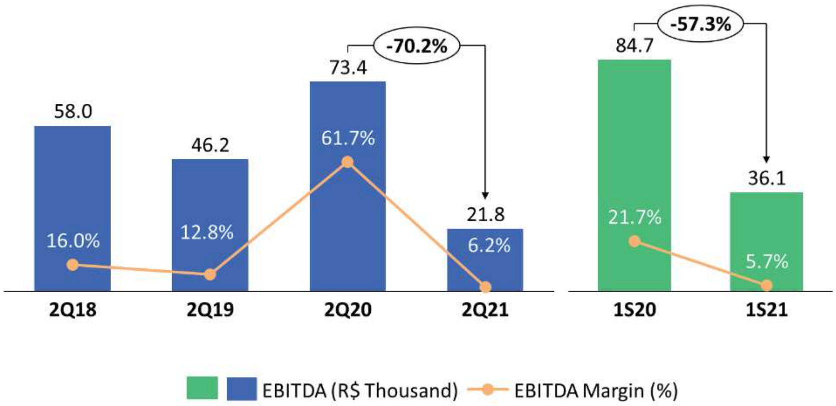
Financial Data

Non-recurring items - R$ Thousand	2Q21	2Q20	1S21	1S20
PIS and COFINS judicial credit[1]	-	150,344	9,545	150,344
Compensation from restructuring	(2,149)	(12,436)	(2,542)	(16,013)
Resizing of RN Plant and closure of PUC	-	(7,772)	-	(7,772)
Other exceptional items	(16,103)	(15,357)	(21,751)	(15,357)
Reversal of DIFAL provision[2]	7,728	-	7,728	-
Total one off items	**(10,524)**	**114,779**	**(7,020)**	**111,202**
Provision for profit sharing	(3,136)	-	(3,136)	-
Total non-recurring items	**(13,660)**	**114,779**	**(10,156)**	**111,202**

Explanatory note to the financial statement: (1) Nr. 31, (2) Nr.31.

EBITDA and EBITDA Margin

Earnings before interest, taxes, depreciation and amortization ("EBITDA") reached R$ 21.8 million, 70.2% lower than 2Q20, essentially impacted by the improvement of PIS and COFINS judicial credit in 2Q20 and the increase in operating expenses, as mentioned above.



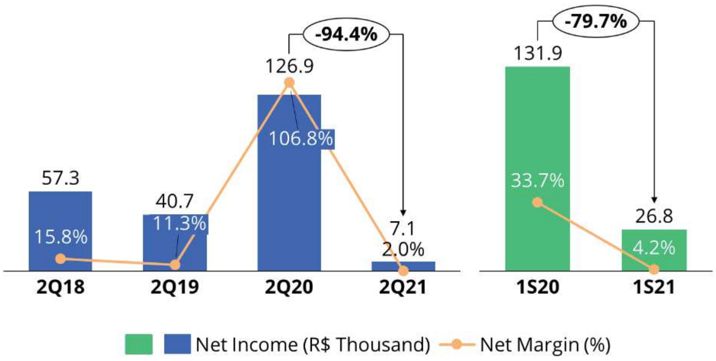
Excluding the non-recurring items and profit sharing, the EBITDA reached R$ 35.5 million, increase of R$77 million vs. 2Q20. Compared to 2Q19, the current EBITDA retracted 24.2% mainly impacted by lower sales and pressure on Gross Margin due to higher input inflation and product cost.

Financial Data

Reconciliation of EBITDA - R$ Thousand	2Q21	2Q20	VAR. 2Q21 | 2Q20	1S21	1S20	VAR. 1S21 | 1S20
Net Income	**7,074**	**126,850**	**-94.4%**	**26,832**	**131,893**	**-79.7%**
(-) Income and Social Contribution Tax	(10,599)	37,240	-128.5%	(12,334)	26,784	-146.0%
(-) Net Financial Income	3,655	(113,100)	-103.2%	(21,059)	(118,753)	-82.3%
(+) Depreciation and Amortization	21,702	22,372	-3.0%	42,710	44,820	-4.7%
(=) EBITDA	**21,832**	**73,362**	**-70.2%**	**36,149**	**84,744**	**-57.3%**
EBITDA Margin	6.2%	61.7%	-5550 b.p.	5.7%	21.7%	-1600 b.p.
Non-recurring items	(13,660)	114,779	-111.9%	(10,156)	111,202	-109.1%
(=) EBITDA, recurring	**35,492**	**(41,417)**	**-185.7%**	**46,305**	**(26,458)**	**-275.0%**
EBITDA Margin, recurring	10.0%	-34.9%	4490 b.p.	7.3%	-6.8%	1410 b.p.

Net Income and Net Margin

Net income in 2Q21 totaled R$ 7.1 million, retraction of 94.4% compared to 2Q20 and reaching 2.0% of net margin, due to the decrease in net financial result, mainly influenced by the improvement of the update of PIS and COFINS credits, recognized in the second quarter of 2020.



Investments

The investments in 2Q21 totaled R$ 16.9 million, 249.4% above 2Q20. The main projects are directly related to improvements in operational efficiency with CRM, technology, robotization (RPA) projects and e-commerce platform (B2C). It is also worth noting the stores' renovation and change of format to Mega Store, in addition, the creation of a new clothing area in the manufacturing units in São Luiz de Montes Belos and Itororó.

The allocation of resources was distributed in the following order:

Investments - R$ Thousands	2Q21	2Q20	VAR. 2Q21 | 2Q20	1S21	1S20	VAR. 1S21 | 1S20
Digital transformation	8,865	4,122	115.1%	14,410	5,931	143.0%
Stores	6,210	65	9453.8%	8,436	1,557	441.8%
Industrial Plant	1,474	495	197.8%	2,074	1,756	18.1%
Others	398	168	-	1,047	554	89.0%
Total	**16,947**	**4,850**	**249.4%**	**25,967**	**9,798**	**165.0%**

Cash Flow

In 2Q21 the Company had free cash flow of R$ 98.2 million, R$ 39.8 million above 2Q20, due to higher investments in working capital in the operation, where there was an increase in accounts receivable from customers due to the sales growth, in addition to stock building to meet the expected demand throughout the second half of the year.

Cash Flow - Consolidated - R$ Thousand	2Q21	2Q20	VAR. 2Q21 | 2Q20	1S21	1S20	VAR. 1S21 | 1S20
EBITDA	**21,832**	**73,362**	**(51,530)**	**36,149**	**84,744**	**(48,595)**
No cash items	(10,173)	(136,520)	126,347	(9,556)	(124,281)	114,725
Lease Effect	(7,719)	(8,265)	546	(14,986)	(16,405)	1,419
AVP (Adjustment to Present Value) - Clients and Suppliers	(1,803)	1,516	(3,319)	(2,407)	6,286	(8,693)
Current Income tax and Social Contribution	-	(26,558)	26,558	-	(26,558)	26,558
Working Capital Capex	**(83,351)**	**42,916**	**(126,267)**	**(60,917)**	**53,574**	**(114,491)**
Accounts receivable from clients	(91,335)	76,202	(167,537)	13,806	171,031	(157,225)
Inventories	(55,794)	9,192	(64,986)	(127,803)	(62,154)	(65,649)
Accounts payable to suppliers	41,533	(112,424)	153,957	66,570	(76,440)	143,010
Taxes payable	14,426	34,591	(20,165)	8,513	15,045	(6,532)
Others	7,819	35,355	(27,536)	(22,003)	6,092	(28,095)
CapEx	**(16,946)**	**(4,850)**	**(12,096)**	**(25,966)**	**(9,798)**	**(16,168)**
Free Cash Flow	**(98,160)**	**(58,399)**	**(39,761)**	**(77,683)**	**(32,438)**	**(45,245)**

Net Cash

The Company ended 2Q21with cash of R$ 201.8 million, and net cash of R$ 106.0 million, primarily impacted by the settlement of debt raised in 2020, by buyback program and greater investments in working capital in the operation.

It is worth to mentioning that 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	2Q21	2Q20	4Q20
Cash and cash equivalents	201,827	512,527	467,842
Interest-earning bank deposits - long term	5,249	5,153	5,194
Loans and financing - short term	-	(203,149)	(207,967)
Loans and financing - long term	(101,108)	-	-
Net cash	**105,968**	**314,531**	**265,069**

Return on Invested Capital – ROIC

In 2Q21, the return on invested capital was 15.1%[2], 120 b.p. below 1Q21 and 140 b.p. above 2Q20, with an impact arising from the growth of the operating result in addition to the control of invested capital in the last 12 months, which had a reduction of 4.5%.

Return on Invested Capital (ROIC) - R$ Thousands	2Q21	1Q21	VAR. 2Q21 | 2Q20	2Q20	VAR. 2Q21 | 2Q20
EBITDA	121,410	172,938	-29.8%	246,214	-50.7%
(-) Depretiation and Amortization	(86,722)	(87,391)	-.8%	(90,164)	-3.8%
(+) Amortization - Right of use properties [1]	(3,965)	290	-1.467.2%	236	-1.780.1%
(+) Financial Results - APV [2]	(662)	2,656	-124.9%	14,068	-104.7%
(+) IR&CS - Effective rate [3]	117,469	69,631	68.7%	(30,325)	-487.4%
Operating Income	**147,530**	**158,124**	**-6.7%**	**140,029**	**5.4%**
Fixed Assets	439,215	435,140	.9%	453,817	-3.2%
Accumulated amortization - Right of use properties[1]	54,578	55,170	-1.1%	54,993	-.8%
Working capital	485,203	477,843	1.5%	515,897	-5.9%
Average Invested Capital*	**978,996**	**968,153**	**1.1%**	**1,024,707**	**-4.5%**
ROIC	**15.1%**	**16.3%**	**-120 b.p.**	**13.7%**	**140 b.p.**

Notes to the financial statements: (1) Nr. 15; (2) Nr. 32; (3) Nr. 33

(*) Last 4 quarters average

[2] Excluding the effects of the transaction of business combination with Grupo Soma, ROIC would have been 15.7% in 2Q21.

Shareholders Remuneration

At the Ordinary General Meeting on 04/29/2021, the distribution of complementary dividends to the mandatory minimum for the year of 2020 was approved, in the amount of R$ 16.6 million, corresponding to R$ 0.1068510589 per share.

The Company's shares were traded "ex dividends" as of April 30, 2021 and the payment was made on May 26, 2021.

Buyback Program

During the second quarter of 2021 the Company repurchased the total of 2.928.600 shares, in the total amount of R$ 61.8 million. The buyback program is effective until 08/19/2021.

Subsequent Events

On July 1, 2021, the General Superintendence of the Administrative Council for the Defense of Competition (CADE) published an order the transaction of business combination between the Company and Grupo de Moda SOMA S.A, through its subsidiary Cidade Maravilhosa Indústria e Comércio de Roupas S.A., which will fully incorporate the shares of Cia. Hering.

Cia. Hering

(Publicly-held company)

Financial statements

June 30, 2021 and December 31, 2020

Table of contents

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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, individual and consolidated, of Cia Hering ("Company") contained within the Quarterly Information for the quarter ended June 30, 2021, which comprise the balance sheet as of June 30, 2021 and the related statements of income, comprehensive income, for the three and six months period then ended and the changes in shareholders' equity and cash flows for the six months period then ended, including the notes to the financial statements.

Management is responsible for the preparation of the interim financial statements in accordance with the technical pronouncement CPC 21(R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of these information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the Quarterly Information. Our responsibility is to express a conclusion on 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 making enquiries and having discussions with persons responsible for financial and accounting matters, and applying analytical and other review procedures. An interim review is substantially less in scope than an audit conducted in accordance with auditing standards and, consequently, does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Conclusion about the interim financial statements
Based on our review, we are not aware of any fact that leads us to believe that the individual and consolidated 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 issued by the IASB applicable to the Quarterly Information and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Other issues

Statements of value added
The individual and consolidated interim financial statements, in relation to the statements of value added for the six months period ended in June 30, 2021, prepared under the responsibility of the Company's Management and presented as supplementary information regarding IAS 34, were submitted to review procedures performed jointly with the review of the interim quarterly information of the Company. In order to form our conclusion, we assessed if the statements are reconciled with the interim accounting information and records, as applicable, and if their form and content are in accordance with the criteria defined in CPC 09 - Statements of Value Added. Based on our review, we are not aware of any fact that would lead us to believe that the statements of value added aforementioned have not been fairly stated, in all material aspects, in relation to the interim financial statements, individual and consolidated, taken as a whole.

Joinville July 29, 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
JUNE 30, 2021 AND DECEMBER 31, 2020
(In thousands of Brazilian Reais - R$)

		Parent company		Consolidated	
Assets	Note	06/30/21	12/31/20	06/30/21	12/31/20
Current assets					
Cash and cash equivalents	5	201,348	467,431	201,827	467,842
Trade accounts receivable	7	413,857	431,773	413,886	431,802
Inventories	9	501,191	373,266	501,191	373,266
Recoverable taxes	10	158,137	140,218	158,142	140,224
Other accounts receivable	8	13,175	12,092	13,175	12,092
Prepaid expenses		1,882	4,054	1,882	4,054
		1,289,590	1,428,834	1,290,103	1,429,280
Noncurrent assets					
Interest-earning bank deposits	6	5,249	5,194	5,249	5,194
Recoverable taxes	10	374,746	346,261	374,746	346,261
Deferred taxes	11	79,272	66,463	79,272	66,463
Trade accounts receivable	7	1,134	3,589	1,134	3,589
Other accounts receivable	8	42,265	30,072	42,265	30,072
Investments in subsidiaries	12	2,970	2,845	-	-
Property, plant and equipment	13	261,508	271,383	261,508	271,383
Intangible assets	14	103,576	98,857	103,576	98,857
Right of use	15	98,110	89,506	98,110	89,506
		968,830	914,170	965,860	911,325
		2,258,420	2,343,004	2,255,963	2,340,605

		Parent company		Consolidated	
Liabilities	Note	06/30/21	12/31/20	06/30/21	12/31/20
Current liabilities					
Borrowings and financing	22	-	207,967	-	207,967
Trade accounts payable	23	326,271	259,701	326,271	259,701
Payroll and related taxes	16	49,767	35,572	49,767	35,572
Taxes in installments		1,168	104	1,328	363
Income and social contribution taxes		6	232	6	232
Taxes payable	17	14,688	29,402	14,692	29,407
Provisions for contingencies	19	3,120	3,120	3,120	3,120
Other provisions	19	36,285	47,531	36,285	47,531
Interest on equity and dividends payable	25.e	843	17,614	843	17,614
Derivative financial Instruments	24.e	2,555	663	2,555	663
Other accounts payable		16,124	11,867	13,450	9,145
Leases	15	24,563	22,753	24,563	22,753
		475,390	636,526	472,880	634,068
Noncurrent liabilities					
Borrowings and financing	22	101,108	-	101,108	-
Taxes in installments		-	1,081	53	1,140
Provisions for contingencies	19	16,934	13,786	16,934	13,786
Other provisions	19	104	104	104	104
Employee Benefits	21	6,430	6,116	6,430	6,116
Tax incentive obligations		490	490	490	490
Other accounts payable		365	1,897	365	1,897
Leases	15	67,751	60,706	67,751	60,706
		193,182	84,180	193,235	84,239
Shareholders' equity	25				
Capital		381,166	381,166	381,166	381,166
Capital reserve		50,949	47,542	50,949	47,542
Treasury shares		(128,735)	(66,968)	(128,735)	(66,968)
Earnings reserve		1,254,687	1,254,687	1,254,687	1,254,687
Valuation adjustments to equity		5,717	5,817	5,717	5,817
Other comprehensive income		(867)	54	(867)	54
Accumulated income		26,931	-	26,931	-
Controlling shareholders		1,589,848	1,622,298	1,589,848	1,622,298
		2,258,420	2,343,004	2,255,963	2,340,605

The notes are an integral part of the financial statements.

CIA. HERING

INCOME STATEMENTS
JUNE 30, 2021 AND JUNE 30, 2020
(In thousands of Brazilian Reais - R$)

		Parent company				Consolidated			
	Note	2nd Quarter 21	6 Months 21	2nd Quarter 20	6 Months 20	2nd Quarter 21	6 Months 21	2nd Quarter 20	6 Months 20
Net operating revenue	27	353,199	638,280	118,824	390,936	353,199	638,280	118,824	390,936
Cost of goods sold	28	(203,747)	(378,851)	(93,740)	(256,493)	(203,747)	(378,851)	(93,740)	(256,493)
Gross profit		149,452	259,429	25,084	134,443	149,452	259,429	25,084	134,443
Operating income (expenses)									
Selling expenses	29	(96,801)	(177,163)	(49,121)	(123,368)	(96,801)	(177,163)	(49,121)	(123,368)
Impairment of accounts receivable	24.a(ii)	(3,444)	(6,565)	(5,658)	(14,597)	(3,444)	(6,565)	(5,658)	(14,597)
Administrative and general expenses	30	(13,277)	(26,468)	(9,377)	(20,850)	(13,363)	(26,635)	(9,463)	(21,022)
Management remuneration	20	(2,185)	(4,371)	(1,733)	(4,046)	(2,238)	(4,529)	(1,838)	(4,256)
Depreciation and amortization		(14,318)	(27,948)	(13,710)	(27,353)	(14,318)	(27,948)	(13,710)	(27,353)
Profit sharing	19	(3,136)	(3,136)	-	-	(3,136)	(3,136)	-	-
Other operating income	31	12,476	26,193	150,281	151,871	12,476	26,193	150,279	151,871
Other operating expenses	31	(28,508)	(46,217)	(44,583)	(55,769)	(28,498)	(46,207)	(44,583)	(55,794)
Net income (loss) before financial results, equity and taxes		259	(6,246)	51,183	40,331	130	(6,561)	50,990	39,924
Financial income	32	5,816	46,344	128,638	152,550	5,725	46,284	128,716	152,912
Financial expenses	32	(9,122)	(25,225)	(15,705)	(34,583)	(9,380)	(25,225)	(15,616)	(34,159)
Net financial income (expenses)		(3,306)	21,119	112,933	117,967	(3,655)	21,059	113,100	118,753
Equity in income	12	(478)	(375)	(26)	379	-	-	-	-
Net income (loss) before income and social contribution taxes		(3,525)	14,498	164,090	158,677	(3,525)	14,498	164,090	158,677
Income and contribution taxes - current	33	-	-	(26,558)	(26,558)	-	-	(26,558)	(26,558)
Income and contribution taxes - deferred	33	10,599	12,334	(10,682)	(226)	10,599	12,334	(10,682)	(226)
Net income for the period		7,074	26,832	126,850	131,893	7,074	26,832	126,850	131,893
Allocated to:									
Controlling shareholders		7,074	26,832	126,850	131,893	7,074	26,832	126,850	131,893
Earnings per share - R$									
Basic earnings per share	34					0.0424	0.1662	0.7836	0.8147
Diluted earnings per share	34					0.0423	0.1643	0.7701	0.8006

The notes are an integral part of the financial statements.

CIA. HERING

STATEMENT OF COMPREHENSIVE INCOME
JUNE 30, 2021 AND JUNE 30, 2020
(In thousands of Brazilian Reais - R$)

		Parent company				Consolidated			
	Note	2nd Quarter 21	6 Months 21	2nd Quarter 20	6 Months 20	2nd Quarter 20	6 Months 20	2nd Quarter 20	6 Months 20
Net income for the period		7,074	26,832	126,850	131,893	7,074	26,832	126,850	131,893
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	(913)	(922)	(460)	33	(913)	(922)	(460)	33
		(913)	(922)	(460)	33	(913)	(922)	(460)	33
Comprehensive income		6,161	25,910	126,390	131,926	6,161	25,910	126,390	131,926
Total comprehensive income allocated to:									
Controlling shareholders		6,161	25,910	126,390	131,926	6,161	25,910	126,390	131,926

The notes are an integral part of the financial statements.

CIA. HERING

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
JUNE 30, 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)	-	3,407	-	-	-	-	-	-	3,407
Treasury shares sold	-	-	-	-	-	(61,767)	-	-	(61,767)
Realization of indexation of PP&E	-	-	-	-	-	-	99	(99)	-
Adjustment financial instruments - hedge accounting (note 24.e)	-	-	-	-	-	-	-	(922)	(922)
Net income for the period	-	-	-	-	-	-	26,832	-	26,832
Balances at June 30, 2021	381,166	50,949	937,587	76,233	240,867	(128,735)	26,931	4,850	1,589,848

The notes are an integral part of the financial statements.

CIA. HERING

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
JUNE 30, 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	-	2,654	-	-	-	-	-	-	2,654
Treasury shares sold	-	-	-	-	-	(27,602)	-	-	(27,602)
Realization of indexation of PP&E	-	-	-	-	-	-	100	(100)	-
Adjustment financial instruments - hedge accounting	-	-	-	-	-	-	-	33	33
Net income for the period	-	-	-	-	-	-	131,893	-	131,893
Destinations:			-						
Interest on shareholders' equity	-	-	-	-	-	-	(35,342)	-	(35,342)
Balances at June 30, 2020	381,166	44,134	937,587	59,959	779	(29,153)	96,651	6,910	1,498,033

The notes are an integral part of the financial statements.

CIA. HERING

STATEMENT OF CASH FLOWS
JUNE 30, 2021 AND JUNE 30, 2020
(In thousands of Brazilian Reais - R$)

		Parent company		Consolidated	
	Note	06/30/21	06/30/20	06/30/21	06/30/20
Cash flows from operating activities					
Net income for the period		26,832	131,893	26,832	131,893
Adjustments to reconcile net income to net cash generated by operating activities:					
Net deferred income and social contribution taxes	33	(12,334)	226	(12,334)	226
Monetary, exchange rate and interest variations	15	7,122	3,298	7,122	3,298
Depreciation and amortization	13/14/15	42,710	44,820	42,710	44,820
Write-off of fixed assets	13/14	3,006	484	3,006	484
Income from write-off of lease and trade fund	15	113	1,233	113	1,233
Provision for doubtful accounts	24	6,565	14,597	6,565	14,597
Stock option plan	26	3,407	2,654	3,407	2,654
Equity in (loss) income of subsidiaries	12	375	(379)	-	-
Provision (reversal) for adjustment to inventory realization value	9	(122)	1,520	(122)	1,520
Provisions for contingencies	19	5,148	4,041	5,148	4,041
Employee benefits	21	314	298	314	298
Provision (reversal) of provision for non recoverability of fixed assets	13	(2,821)	7,772	(2,821)	7,772
Judicial credit PIS and COFINS	10.e	(38,491)	(267,024)	(38,491)	(267,024)
DIFAL provision net reversal	19	(15,621)	-	(15,621)	-
Changes in assets and liabilities					
Trade accounts receivable		13,806	171,030	13,806	171,031
Inventories		(127,803)	(62,154)	(127,803)	(62,154)
Recoverable taxes		(28,992)	9,191	(28,991)	9,191
Other assets		5,445	(397)	5,445	(397)
Accounts payable to suppliers		66,570	(76,440)	66,570	(76,440)
Accounts payable and provisions		1,543	(2,703)	1,543	(2,702)
Income and social contribution taxes		(226)	25,581	(226)	25,581
Taxes payable		8,845	(10,679)	8,739	(10,536)
Interest paid on leasing	15	(2,600)	(2,299)	(2,600)	(2,299)
Interest paid on loans	22	(11,381)	-	(11,381)	-
Net cash provided by operating activities		(48,590)	(3,437)	(49,070)	(2,913)
Cash flows from investing activities					
Capital increase in subsidiary	12	(500)	-	-	-
Purchase of property, plant and equipment	13	(8,214)	(6,430)	(8,214)	(6,430)
Purchase of intangible assets	14	(15,394)	(3,368)	(15,394)	(3,368)
Purchase of rights use assets	15	(2,358)	-	(2,358)	-
Net cash used in investing activities		(26,466)	(9,798)	(25,966)	(9,798)
Cash flows from financing activities					
Interest earning bank deposits		(55)	(89)	(55)	(89)
Interest on equity and dividends		(16,771)	(10)	(16,771)	(10)
Related parties		(48)	602	-	-
Acquisition of treasury shares	25.b	(61,767)	(27,602)	(61,767)	(27,602)
Payment of principal - Lease	15	(12,386)	(11,885)	(12,386)	(11,885)
Loans taken	22	100,000	200,000	100,000	200,000
Repayments of loans		(200,000)	-	(200,000)	-
Net cash used in financing activities		(191,027)	161,016	(190,979)	160,414
Increase in cash and cash equivalents		(266,083)	147,781	(266,015)	147,703
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		201,348	512,204	201,827	512,527
		(266,083)	147,781	(266,015)	147,703

The notes are an integral part of the financial statements.

CIA. HERING

STATEMENT OF ADDED VALUE
JUNE 30, 2021 AND JUNE 30, 2020
(In thousands of Brazilian Reais - R$)

	Parent company		Consolidated	
	06/30/21	06/30/20	06/30/21	06/30/20
Revenues				
Products sold (gross revenue)	738,926	465,929	738,926	465,929
Provision for doubtful accounts	(6,565)	(14,597)	(6,565)	(14,597)
	732,361	451,332	732,361	451,332
Inputs acquired from third parties (including ICMS and IPI)				
Raw materials consumed	(167,736)	(84,546)	(167,736)	(84,546)
Costs of goods sold	(113,698)	(75,970)	(113,698)	(75,970)
Materials, power, third-party services and other operating expenses	(233,049)	(31,988)	(233,363)	(32,229)
	(514,483)	(192,504)	(514,797)	(192,745)
Retentions				
Depreciation and amortization	(42,710)	(44,820)	(42,710)	(44,820)
Net added value created by the Company	175,168	214,008	174,854	213,767
Value added received in transfer				
Equity in income (loss) of subsidiaries	(375)	379	-	-
Financial income	46,344	152,550	46,284	152,912
Others	26,737	61	26,840	61
	72,706	152,990	73,124	152,973
Total added value to be distributed	247,874	366,998	247,978	366,740
Distribution of added value				
Employees				
Direct compensation	115,886	100,306	115,886	100,306
Benefits	12,135	10,301	12,135	10,301
Severance Fund (FGTS)	6,964	5,847	6,964	5,847
	134,985	116,454	134,985	116,454
Taxes				
Federal	43,094	72,357	43,094	72,357
State	9,557	10,907	9,557	10,907
Municipal	1,111	960	1,111	960
	53,762	84,224	53,762	84,224
Financiers				
Interest	7,122	5,445	7,122	5,445
Rent	9,210	5,966	9,210	5,966
Others	15,963	23,016	16,067	22,758
	32,295	34,427	32,399	34,169
Equity capital				
Interest on shareholder's equity and dividends	-	35,342	-	35,342
Retained earnings	26,832	96,551	26,832	96,551
	26,832	131,893	26,832	131,893
Total added value distributed	247,874	366,998	247,978	366,740

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, already paid in March and April 2021, respectively); (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 in 2020; (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 2020 a reduction of 25% in the working day and base salary, and/or 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.

- Association Agreement

On April 26, 2021, the Company comunicatted the Association and Other Covenants Agreement, with Amendment on july 02, 2021, which deals with the combination of the businesses of the Company and the Grupo de Moda Soma S.A.. The total value of the business combination estimated at the date of the association agreement is R$5.1 billion, of which R$1.5 billion will be paid in cash and R$3.6 billion in shares.

Cidade Maravilhosa Indústria e Comércio de Roupas S.A, subsidiary of Grupo de Moda S.A, which is engaged in the confection/manufacture of clothing and accessories, as well as wholesale sales, will fully incorporate the shares of Cia. Hering. The implementation of the Transaction will result in the receipt, by the Company's shareholders, for each common share of the Company that they own on the closing date of the Transaction, of: (i) a portion in local currency of R$ 9.630957, to be paid in cash, in a single installment, within 10 (ten) business days after the closing of the Transaction, updated by the CDI; and (ii) 1.625107 common share issued by Grupo Soma. In relation to Cia Hering, stock options and restricted shares to be granted will be anticipated at the closing of the Transaction.

The business combination between Cidade Maravilhosa and Cia. Hering, companies operating in the apparel and wholesale market, will result in great operational synergy given the sharing of industrial know-how and expertise in working with multi-brands and franchises, thus enabling growth in the productive and commercial scale. In addition, the business will also enable great expansion capacity through the commercial and logistical intelligence of Grupo de Moda Soma, given its strong presence in physical and digital retail.

The closing of the Transaction is subject to compliance with the usual precedent conditions for this type of transaction, including (i) the approval of its consummation by the Administrative Council for Economic Defense – CADE (whose approval occurred on July 1, 2021 (ii) approval by the General Shareholders Meeting.

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 July 29, 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	**06/30/21**	**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 June 30, 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	31.43
Facilities and production equipament	10.22
Furniture and fixtures	6.27
Computer and peripherals	4.73
Vehicles	4.65
Leasehold improvements	7.03

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	7.55

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 payments, 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 0.44% 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 101 days and the average days payable outstanding is 88 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 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	**06/30/21**	**12/31/20**	**06/30/21**	**12/31/20**
Cash and banks	13,734	7,876	14,213	8,287
Cash and banks/foreign currency	88	70	88	70
Financial investments:				
Fixed Income – Bank Deposit Certificate CDB	187,526	459,485	187,526	459,485
	201,348	467,431	201,827	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$ 5,249 (R$ 5,194 on December 31, 2020) of investments in Bank Deposit Certificates (CDB), earning interests from 100.5% 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	**06/30/21**	**12/31/20**	**06/30/21**	**12/31/20**
Domestic market	442,017	456,405	442,046	456,434
Foreign market	14,103	14,859	14,103	14,859
	456,120	471,264	456,149	471,293
Adjustments to present value	(1,392)	(1,437)	(1,392)	(1,437)
Expected credit losses (note 24 aii)	(40,871)	(38,054)	(40,871)	(38,054)
	(42,263)	(39,491)	(42,263)	(39,491)
	413,857	431,773	413,886	431,802
Non Current				
Domestic market	1,134	3,589	1,134	3,589
	414,991	435,362	415,020	435,391

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

	Parent company and Consolidated	
	06/30/21	**12/31/20**
Balance at beginning of period	(1,437)	(5,542)
Additions	(3,915)	(13,768)
Write-offs	3,960	17,873
Balance at end of period	(1,392)	(1,437)

The adjustment to present value will be realized according to the accounts receivable maturity date, which is 101 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	**06/30/21**	**12/31/20**
Advance to domestic suppliers	4,535	1,783
Advance to employees	2,071	2,137
Trade accounts receivable refurbishment plan Franchisee	330	1,281
Accounts receivable sale of fixed assets (a)	3,600	3,600
Other	2,639	3,291
	13,175	12,092

	Parent company and Consolidated	
Noncurrent	**06/30/21**	**12/31/20**
Judicial deposits - tributaries (b)	30,323	13,162
Judicial deposits - Labor and Civil	9,447	12,504
Accounts receivable sale of fixed assets (a)	-	2,020
Other	2,495	2,386
	42,265	30,072

(a) The most relevant values of this line refer to sales of Encano factory unit Ibirama and Rodeio / SC.
(b) The increase in the period is justified by the reversal of the provision for ICMS DIFAL, as per note "(iii) Reversal of ICMS DIFAL deposited judicially" in Note 19.

9 Inventories

	Parent company and Consolidated	
	06/30/21	**12/31/20**
Finished goods	148,800	111,507
Resale goods	126,531	94,464
Work in process	97,905	80,820
Inventories held by third parties	36,341	25,766
Raw materials	92,139	54,873
Imports in transit	7,306	13,789
Provision for adjustment to realizable value	(7,831)	(7,953)
	501,191	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	
	06/30/21	**12/31/20**
Balance at beginning of period	(7,953)	(16,458)
Constitution of provision	(3,493)	(5,039)
Reversal of provision by sale	3,615	13,544
Balance at end of period	(7,831)	(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	**06/30/21**	**12/31/20**	**06/30/21**	**12/31/20**
IPI	2,715	1,785	2,715	1,785
ICMS to recover (State VAT) (a)	42,304	41,989	42,304	41,989
ICMS to recover (PP&E)	2,153	2,143	2,153	2,143
IRPJ and CSLL to offset (b)	5,154	5,056	5,154	5,056
INSS to recover (c)	1,195	1,321	1,195	1,321
Withholding Income Tax (IRRF) to offset	5,723	4,994	5,723	4,994
PIS and COFINS to recover (d)	2,736	2,204	2,736	2,204
PIS and COFINS with fixed assets	800	728	800	728
PIS and COFINS Judicial Credit (e)	92,310	76,539	92,310	76,539
Other	3,047	3,459	3,052	3,465
	158,137	140,218	158,142	140,224

	Parent company and Consolidated	
Noncurrent	**06/30/21**	**12/31/20**
IPTU (f)	2,424	2,424
ICMS to recover (State VAT) (a)	42,052	18,000
ICMS to recover (PP&E)	2,472	2,782
PIS and COFINS with fixed assets	5,504	5,208
PIS and COFINS Judicial Credit (e)	128,268	125,963
IRPJ and CSLL Judicial Credit (g)	188,600	187,379
Other	5,426	4,505
	374,746	346,261

(a) ICMS to recover - Credits arising from the Company's normal flow of operations in Santa Catarina. There was a significant increase in the ICMS balance to be recovered in 2021. The increase is due to some specific factors that impacted Cia. Hering's operations, such as: i) large-scale purchase of inputs carried out by the SC units; ii) reduction in store revenue; iii) Purchase within the state at higher rates.

(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$ 98. 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 offsets in the amount of R$ 888, as well as additional credits of R$ 762 (including update).

(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 2021, there was a new withdrawal, in the amount of R$ 4,264, R$ 1,528 was offset, leaving a balance for use of R$ 2,736.

(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. In 2021, there were offsets of around R$ 24,988 and financial adjustment of around R$ 1,417.

(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. In 2021, there was no compensation, however, there was a financial adjustment (Selic), in the amount of R$ 1,221.

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)	42,052	-	-	42,052
PIS and COFINS Judicial Credit (e)	111,555	16,713	-	128,268
IRPJ and CSLL Judicial Credit (g)	-	125,512	63,088	188,600
	153,607	142,225	63,088	358,920

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	**06/30/21**	**12/31/20**
Tax Losses and Negative Basis	52,205	31,054
Provision for contingencies	6,819	8,699
Impairment of accounts receivable	4,761	7,439
Provision for administrative expenses	2,004	1,272
Profit sharing provision - PPR	1,090	-
Provision for commercial expenses	3,368	5,590
Provision for variable selling expenses	5,537	8,508
Provision for slow moving inventories	2,393	2,246
Actuarial liabilities employee benefits	2,186	2,080
Exchange gains and losses (net)	966	-
Provision for fixed assets	346	1,305
Other temporary differences	94	1,501
Total assets	81,769	69,694
Liabilities		
Taxes on indexation of PP&E	(2,946)	(2,997)
Exchange gains and losses (net)	-	(408)
Taxes on hedge accounting	449	(26)
Other temporary differences	-	200
Total liabilities	(2,497)	(3,231)
Total Net	79,272	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, and updated according to results realized through June 30, 2021 and projected for future periods in accordance with current expectations. 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	6,791
2023	9,815
2024	14,081
2025	16,685
2026	20,548
2027	13,849
	81,769

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**	**06/30/21**
Tax Losses and Negative Basis	31,256	(202)	-	31,054	21,151	-	52,205
Actuarial liabilities employee	1,961	203	(84)	2,080	106	-	2,186
Temporary provisions	29,567	6,993	-	36,560	(10,148)	-	26,412
Exchange gains and losses (net)	-	-	-	-	966	-	966
	62,784	6,994	(84)	69,694	12,075	-	81,769
Liabilities							
Taxes on indexation of PP&E	(3,101)	104	-	(2,997)	51	-	(2,946)
Exchange gains and losses (net)	190	(598)	-	(408)	408	-	-
Taxes on hedge accounting	(495)	-	469	(26)	-	475	449
Other temporary differences	(337)	537	-	200	(200)	-	-
	(3,743)	43	469	(3,231)	259	475	(2,497)
Total net	59,041	7,037	385	66,463	12,334	475	79,272

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	06/30/21	12/31/20
Current and noncurrent assets total	513	2,674	3,187	3,167
Current and noncurrent liabilities total	217	-	217	322
Shareholders' equity	296	2,674	2,970	2,845
Result for the period	(327)	54	(273)	(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	(327)	(48)	(375)	(103)
Equity method investment	296	2,674	2,970	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	06/30/21
Cost:											
Buildings and improvements	116,494	-	2,742	-	-	119,236	-	1,012	-	-	120,248
Facilities and prod. equipament	283,550	2,260	12,744	(12,530)	(2,124)	283,900	429	950	(6,869)	1,903	280,313
Furniture and fixtures	42,621	2,699	416	(4,086)	(169)	41,481	1,680	404	(2,084)	342	41,823
Computer and peripherals	49,989	2,657	378	(908)	-	52,116	1,272	75	(1,563)	-	51,900
Vehicles	1,949	-	-	(256)	-	1,693	-	-	(140)	-	1,553
Leasehold improvements	72,143	-	2,361	(15,829)	(2,447)	56,228	6	5,620	(3,564)	664	58,954
Lands	27,638	-	-	-	-	27,638	-	-	-	-	27,638
Construction in progress	21,662	13,513	(19,616)	(562)	-	14,997	4,827	(8,812)	-	-	11,012
	616,046	21,129	(975)	(34,171)	(4,740)	597,289	8,214	(751)	(14,220)	2,909	593,441
Depreciation:											
Buildings and improvements	(39,453)	(3,810)	-	-	-	(43,263)	(1,959)	-	-	-	(45,222)
Facilities and prod. equipament	(154,278)	(18,955)	-	10,711	543	(161,979)	(9,008)	-	4,866	(50)	(166,171)
Furniture and fixtures	(31,803)	(3,770)	-	3,808	148	(31,617)	(1,654)	-	1,763	(4)	(31,512)
Computer and peripherals	(40,228)	(4,174)	-	885	-	(43,517)	(1,908)	-	1,544	-	(43,881)
Vehicles	(1,560)	(122)	-	256	-	(1,426)	(57)	-	140	-	(1,343)
Leasehold improvements	(50,213)	(6,672)	-	12,570	211	(44,104)	(2,567)	-	2,901	(34)	(43,804)
	(317,535)	(37,503)	-	28,230	902	(325,906)	(17,153)	-	11,214	(88)	(331,933)
Net:											
Buildings and improvements	77,041	(3,810)	2,742	-	-	75,973	(1,959)	1,012	-	-	75,026
Facilities and prod. equipament	129,272	(16,695)	12,744	(1,819)	(1,581)	121,921	(8,579)	950	(2,003)	1,853	114,142
Furniture and fixtures	10,818	(1,071)	416	(278)	(21)	9,864	26	404	(321)	338	10,311
Computer and peripherals	9,761	(1,517)	378	(23)	-	8,599	(636)	75	(19)	-	8,019
Vehicles	389	(122)	-	-	-	267	(57)	-	-	-	210
Leasehold improvements	21,930	(6,672)	2,361	(3,259)	(2,236)	12,124	(2,561)	5,620	(663)	630	15,150
Lands	27,638	-	-	-	-	27,638	-	-	-	-	27,638
Construction in progress	21,662	13,513	(19,616)	(562)	-	14,997	4,827	(8,812)	-	-	11,012
	298,511	(16,374)	(975)	(5,941)	(3,838)	271,383	(8,939)	(751)	(3,006)	2,821	261,508

* The amount of R$ 751 (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 June 30, 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. In 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$ 1,017.

For the period ended June 30, 2021, Management revised the cash flow projections for assets and did not find the need for provisions for the recoverable amount of assets.

14 Intangible assets

(a) Changes in cost and in amortization

	Parent Company and Consolidated						
	12/31/19	**Additions**	**Transfer**	**12/31/20**	**Additions**	**Transfer**	**06/30/21**
Cost:							
Trademarks and patents	2,952	-	-	2,952	-	-	2,952
Software	164,155	1,564	13,233	178,952	68	15,575	194,595
Intangible assets in progress software	7,020	21,919	(13,233)	15,706	15,326	(15,575)	15,457
	174,127	23,483	-	197,610	15,394	-	213,004
Amortization:							
Trademarks and patents	(2,720)	(73)	-	(2,793)	(31)	-	(2,824)
Software	(78,434)	(17,526)	-	(95,960)	(10,644)	-	(106,604)
	(81,154)	(17,599)	-	(98,753)	(10,675)	-	(109,428)
Net:							
Trademarks and patents	232	(73)	-	159	(31)	-	128
Software	85,721	(15,962)	13,233	82,992	(10,576)	15,575	87,991
Intangible assets in progress software	7,020	21,919	(13,233)	15,706	15,326	(15,575)	15,457
	92,973	5,884	-	98,857	4,719	-	103,576

(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 June 30, 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	06/30/21
Cost:											
Store		71,408	21,948	3,372	-	(6,226)	90,502	25,308	407	(10,601)	105,616
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	-	(7,691)	58,838
		154,922	27,386	29,136	-	(17,942)	193,502	27,666	407	(18,292)	203,283
Depreciation:											
Store	2 to 5	(19,162)	(21,963)	-	-	2,440	(38,685)	(11,015)	-	6,154	(43,546)
Distribution center	10	(2,993)	(4,652)	-	-	1,809	(5,836)	(919)	-	-	(6,755)
Buildings	5	(1,424)	(1,974)	-	-	-	(3,398)	(765)	-	-	(4,163)
Trade fund	5	(55,440)	(5,140)	-	-	4,503	(56,077)	(2,183)	-	7,551	(50,709)
		(79,019)	(33,729)	-	-	8,752	(103,996)	(14,882)	-	13,705	(105,173)
Net:											
Store		52,246	(15)	3,372	-	(3,786)	51,817	14,293	407	(4,447)	62,070
Distribution center		2,911	(4,652)	25,764	6,432	(4,103)	26,352	(919)	-	-	25,433
Buildings		8,589	1,086	-	(6,432)	-	3,243	(765)	-	-	2,478
Trade fund		12,157	(2,762)	-	-	(1,301)	8,094	175	-	(140)	8,129
		75,903	(6,343)	29,136	-	(9,190)	89,506	12,784	407	(4,587)	98,110

The right-to-use assets have their recoverable value analyzed at least annually. As for the period ended June 30, 2021, Management did not find the need to set up a provision for the recoverable amount.

As of June 30, 2021, there were no changes to existing lease agréments.

(b) Leasing

As of June 30, 2021, the Company had 71 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 June 30, 2021, the Company recalculated the average discount rate used to 6.3% per year.

(i) Composition and movement

	Parent Company and Consolidated							
	01/01/20	Additions	Remeasure ment	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	Remeasure ment	Transfers	Payment of principal and interest	Interest	Write-off	06/30/21
Store	53,656	25,308	407	-	(12,705)	1,609	(4,474)	63,801
Distribution center	26,092	-	-	-	(1,477)	931	-	25,546
Buildings	3,711	-	-	-	(804)	60	-	2,967
	83,459	25,308	407	-	(14,986)	2,600	(4,474)	92,314
							Current liabilities	24,563
							Noncurrent liabilities	67,751

(ii) Settlement estimate

	Leases	Interest	Present value of
2021	15,276	(2,432)	12,844
2022	25,566	(3,845)	21,721
2023	18,691	(2,817)	15,874
2024	14,677	(2,146)	12,531
2025	10,518	(1,652)	8,866
2026 so on	28,605	(8,127)	20,478
Net June 30, 2021	**113,333**	**(21,019)**	**92,314**

(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 June 30, 2021, using the real cash flows as a basis, the value of the Company's lease liabilities would be R$ 118,099, with the net effect of R$ 4,769.

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 June 30, 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, 63 of which are store lease agreements, with effect on the result of R$ 3,775 (43 store lease agreements, with an effect on the result of R$ 2,150 in the period ended June 30, 2020).

16 Payroll and related taxes

	Parent company and Consolidated	
	06/30/21	**12/31/20**
Payroll	10,032	9,427
Vacation	15,299	13,475
13º Payroll	5,748	-
INSS	12,074	8,418
FGTS	4,947	2,728
Others	1,667	1,524
	49,767	35,572

17 Taxes payable

	Parent company		Consolidated	
	06/30/21	12/31/20	06/30/21	12/31/20
ICMS on sales (VAT)	6,271	12,343	6,271	12,343
PIS and COFINS	1,457	9,236	1,457	9,236
Withholding Income Tax (IRRF)	4,210	4,786	4,210	4,786
Goiás Protege Fund	1,653	1,939	1,653	1,939
Others	1,097	1,098	1,101	1,103
	14,688	29,402	14,692	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	
	06/30/21	06/30/20	06/30/21	06/30/20
Crédito outorgado Lei do Vestuário (GO) (a)	34,528	24,101	3,120	4,457
Crédito outorgado Atacadista (GO) (b)	4,262	340	372	47
Produzir (c)	11,456	1,963	-	-
PROEDI - RN (d)	-	-	-	826
TTD - Tratamento Tributário Diferenciado (SC) (e)	2,203	2,831	465	329
Crédito Presumido Internet (SC) (f)	-	3,870	-	-
	52,449	33,105	3,957	5,659

(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 June 30, 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$ 19,178 in the quarter ended on June 30, 2021 (R$ 13,180 in the quarter ended on June 30, 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:	**06/30/21**	**12/31/20**	**06/30/21**	**12/31/20**
Labor (a)	3,120	3,120	7,907	7,120
Tax (b)	-	-	2,813	2,778
Civil (c)	-	-	6,214	3,888
	3,120	3,120	16,934	13,786
Other provisions:				
Selling expenses (d)	26,330	42,236	-	-
Administrative expenses (e)	6,748	5,224	104	104
Accrued profit sharing - PPR (f)	3,207	71	-	-
	36,285	47,531	104	104
Total	39,405	50,651	17,038	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$ 8,704 (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$ 743 (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. On June 30, 2021 there was a provision of R$ 3,136 (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	Realization	06/30/21
Provision for risks								
Labor	9,438	5,154	-	(4,352)	10,240	2,547	(1,760)	11,027
Tax	2,737	8,862	(8,682)	(139)	2,778	35	-	2,813
Civil	2,953	2,684	-	(1,749)	3,888	2,566	(240)	6,214
	15,128	16,700	(8,682)	(6,240)	16,906	5,148	(2,000)	20,054
Other provisions								
Selling expenses	24,431	175,225	-	(157,420)	42,236	115,636	(131,542)	26,330
Administrative expenses	4,986	64,438	-	(64,096)	5,328	30,956	(29,432)	6,852
Accrued profit sharing - PPR	71	-	-	-	71	3,136	-	3,207
	29,488	239,663	-	(221,516)	47,635	149,728	(160,974)	36,389
Total	44,616	256,363	(8,682)	(227,756)	64,541	154,876	(162,974)	56,443

(*) 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. On June 30, 2021, the provision for ICMS DIFAL was reversed as per note "(iii) Reversion of ICMS DIFAL deposited judicially" in Note 19.

• 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$ 561,345 on June 30, 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$ 65,994 (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$ 38,647 (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$ 26,534 (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$ 40,538 (R$ 40,269 on December 31, 2020, at the administrative level) and PIS, COFINS, IRPJ and CSLL, in the amount of R$ 166,907 (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$ 15,172, (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. amount guaranteed in court with a letter of guarantee at the updated value of the debt plus 30%. (thirty percent) required by Law, as determined by the court.

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 June 30, 2021, results in R$ 241,761 (R$ 231,975 up to December 31, 2020). The likelihood of loss by the Company is considered remote to R$ 155,309 (R$ 146,576 on December 31, 2020) and possible to R$ 86,452 (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$ 20,225 (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. After the instruction hearing, the Company is awaiting the utterance of a decision. The risk of loss for the Company in this process is considered as possible and assessed at R$ 518, 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 June 30, 2021 is estimated at R$ 294,924 (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.

(iii) Reversal of ICMS DIFAL deposited judicially

The Company has 21 (twenty-one) writs of mandamus filed against the States AL, BA, CE, DF, ES, GO, MA, MG, MS, MT, PA, PB, PE, PI, PR, RJ, RN, RO, RS, SP and TO with judicial deposits made of ICMS DIFAL required by the aforementioned Federal Units, based on Constitutional Amendment No. 87/2015 and State Regulations. The STF defined, in General Repercussion, the Topic 1,093 (RE 1,287,019) the unconstitutionality of these requirements, on February 24, 2021, whose decision was published on March 3, 2021. The Company adopts the accounting provision of the amounts as a practice deposited judicially, however, in view of the situation of these deposits in view of the current jurisprudential scenario and after a legal analysis of this scenario and of the processes in which this issue is discussed, the reversal of the related provisions was concluded. The amount calculated up to June 30, 2021 is R$ 16,549 (R$ 15,621 net of attorney's fees). In the reversal entry, R$ 7,728 was credited in other operating income related to provisions made in prior periods, net of legal fees of R$ 928. The amount of R$ 146 was reversed from financial expenses and R$ 7,747 reversed from taxes on sales, relative to the calculation of the current year.

• 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 June 30, 2021 and R$ 1,285 on June 30, 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	
	06/30/21	**06/30/20**	**06/30/21**	**06/30/20**
Management remuneration	4,371	4,046	4,529	4,256
Variable remuneration	10,776	3,718	10,776	3,718
Short-term benefits	598	625	598	625
Others (INSS)	2,274	809	2,274	809
Indemnity	2,048	-	2,048	-
Stock options payments	2,012	2,146	2,012	2,146
	22,079	11,344	22,237	11,554

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 June 30, 2021 was R$ 2,674 (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 June 30, 2021, the amount spent with this operation was of R$ 1,510 (R$ 1,778 on June 30, 2020), recognized in the income statement in the group costs.

As of June 30, 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 June 30, 2021, these transactions totaled R$ 12,848 (R$ 9,388 on June 30, 2020), of which, R$ 4,948 is recorded under Trade accounts receivable on June 30, 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 June 30, 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 4,371 as of June 30, 2021 (4,672 as of December 31, 2020).

The number of contributors to the private pension plan (defined contribution) as at June 30, 2021 was 288 people (257 at December 31, 2020), contributing R$ 536 in the period (R$ 515 on June 30, 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	
	06/30/21	**12/31/20**
Present value of actuarial obligations with coverage	(44,119)	(43,805)
Fair value of the plan assets	37,689	37,689
Deficit	(6,430)	(6,116)

The change in the defined benefit plan for the year ended June 30, 2021 was the recognition of R$ 314 (R$ 298 on June 30, 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:

		Project Scenarios	
	Baseline	**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

				Parent company and Consolidated	
Description	**Annual charges**	**Maturity**	**Currency**	**06/30/21**	**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$	-	40,419
Working capital	CDI+3.4%	2021	R$	-	41,573
Working capital	CDI+1.98%	2023	R$	101,108	-
			Total	101,108	207,967
			Current liabilities	-	207,967
			Noncurrent liabilities	101,108	-

In April 2021, the Company took out a new loan in the amount of R$ 100,000, with an average rate of CDI + 1.98% p.y., 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) Movement

	Parent company and Consolidated
Balance on December 31, 2020	207,967
Loans taken	100,000
Interest provision	4,522
(-) Payment of Principal	(200,000)
(-) Payment of interest	(11,381)
Balance on June 30, 2021	101,108

23 Trade accounts payable

	Parent Company e consolidated	
	06/30/21	**12/31/20**
Accounts payable to internal suppliers	182,601	143,383
Accounts payable to external suppliers	26,704	47,182
Payor Risk (i)	120,188	71,025
Adjustments to present value	(3,222)	(1,889)
	326,271	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 June 30, 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$ 40,871 (R$ 38,054 on December 31, 2020), which represents 8.94% 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	
	06/30/21	**12/31/20**
Cash and cash equivalents	201,827	467,842
Interest-earning bank deposits	5,249	5,194
Trade accounts receivable	457,283	474,882
Other receivables	55,440	42,164

(ii) Impairment losses

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

	Consolidated	
Accounts receivable	**06/30/21**	**12/31/20**
Current	400,868	424,746
Past-due:		
0 to 30 days	6,909	2,784
31 to 90 days	6,217	2,070
91 to 180 days	4,576	3,493
181 to 360 days	3,851	11,701
Over 360 days	34,862	30,088
	457,283	474,882

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

	Consolidated	
	06/30/21	**12/31/20**
Balance at beginning of period	(38,054)	(24,290)
Additions	(6,565)	(20,398)
Write-offs	3,748	6,634
Balance at end of period	(40,871)	(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 June 30, 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 June 30, 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 June 30, 2021:

	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
		Consolidated						
Cash and cash equivalents	-	201,827	-	-	-	-	-	201,827
Trade accounts receivable and others	0.17%	183,226	155,397	89,315	1,105	539	5	429,587
Borrowing and financing	0.50%	-	-	-	(111,586)	-	-	(111,586)
Leases	0.64%	(2,646)	(5,187)	(21,235)	(22,162)	(16,010)	(46,093)	(113,333)
Suppliers and other payables	0.44%	(138,653)	(132,983)	(70,942)	(558)	(172)	-	(343,308)
		243,754	17,227	(2,862)	(133,201)	(15,643)	(46,088)	63,187

• 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	
	06/30/21	**12/31/20**
Financial instruments - Variable rate	187,526	459,485
Financial instruments - Fixed rate	5,249	5,194
Financial instruments - Variable rate (Financial liabilities)	(101,108)	(207,967)
	91,667	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	
	06/30/21	**12/31/20**
Cash in foreign currency (note 5)	88	70
Trade accounts receivable (note 7)	14,103	14,859
Accounts payable to suppliers (note 23)	(26,704)	(47,182)
Derivative financial instruments (note 24.d)	72,523	37,789
	60,010	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 June 30, 2021, the Company held USD 17,403 (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			
	06/30/21		12/31/20	
	Book value	Fair value	Book value	Fair value
Amortized cost:				
Borrowings and financing	(101,108)	(101,108)	(207,967)	(207,967)
Leases	(92,314)	(92,314)	(83,459)	(83,459)
Derivative financial instruments assigned at fair value through income	(1,242)	(1,242)	(744)	(744)
Derivative financial instruments assigned to hedge accounting relationships	(1,313)	(1,313)	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	**06/30/21**	**12/31/20**
Cash and cash equivalents	201,827	467,842
(-) Long term debt	(101,108)	-
(-) Short term debt	-	(207,967)
Net cash	100,719	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 June 30, 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)	192,775	Low CDI	2.26	-	1.70	(1,089)	1.13	(2,178)
Working capital (ii)	(101,108)	Low CDI	2.26	-	2.83	571	3.39	1,143
	91,667					**(518)**		**(1,035)**

(i) Balance on June 30, 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 June 30, 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 June 30, 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):

			Consolidated				
Operation	Amount	Notional Amount	Probable	Possible		Remote	
	06/30/21 R$	06/30/21 USD	Rate USD	Rate USD	Gain (Loss)	Rate USD	Gain (Loss)
Cash in foreign currency	88	-	5.0016	6.2520	22	7.5024	44
Trade accounts receivable	14,103	-	5.0016	6.2520	3,526	7.5024	7,052
Accounts payable to suppliers	(26,704)	-	5.0016	6.2520	(6,676)	7.5024	(13,352)
Derivative financial instruments	72,523	14,500	5.0016	6.2520	18,131	7.5024	36,262
Exchange rate gain (loss) net	60,010	14,500			15,003		30,006

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 June 30, 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 June 30, 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
05/07/2021	08/02/2021	500	5.2810	(140)	-	15	(155)
05/07/2021	09/01/2021	600	5.2970	(165)	-	3	(168)
05/07/2021	10/01/2021	1,300	5.3140	(354)	-	4	(358)
05/07/2021	11/01/2021	1,800	5.3310	(480)	-	(162)	(318)
05/07/2021	12/01/2021	2,000	5.3495	(521)	(521)	-	-
05/07/2021	01/03/2022	2,000	5.3720	(509)	(509)	-	-
06/17/2021	08/02/2021	1,000	5.0590	(59)	18	205	(282)
06/17/2021	09/01/2021	400	5.0805	(26)	-	(10)	(16)
06/17/2021	10/01/2021	2,000	5.1040	(129)	(129)	-	-
06/17/2021	12/01/2021	2,000	5.1430	(117)	(117)	-	-
06/17/2021	01/03/2022	900	5.1735	(55)	(55)	-	-
		14,500		(2,555)	(1,313)	55	(1,297)

The settlements of NDF operations in the year ended June 30, 2021 amounted to a Notional of USD 6,700 (whose goods were sold), generating an amount that represented a gain of R$ 1.319 for the Company, of which R$ 531 (revenue of R$ 551 in 2021 and expense of R$ 20 in 2020) was recognized as a revenue in Operating Income and R$ 788 (revenue of R$ 1,411 in 2021 and loss of R$ 623 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:

Contract date	Maturity date	Hedged amount US$'000	Average target quotation	Open Fair Value	Recognized in: Other comprehensive income	Recognized in: Operating Income	Recognized in: 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 June 30, 2021 consisted of 162,533,937 common shares (including the 6,786,181 shares held in treasury) held by the following shareholders (interests over 5%):

	06/30/21		12/31/20	
Atmos Capital Gestão de Recursos Ltda	20,358,789	12.5%	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	13,595,300	8.4%	9,188,874	5.7%
Velt Partners	8,471,960	5.2%	8,931,998	5.5%
Others	97,217,173	59.9%	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 June 30, 2021 is 6,786,181, in the amount of R$ 128,735, average price of R$ 18.97.

(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**

Tax incentives

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

	06/30/21	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

Interest on shareholders's equity

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 June 30, 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		
	10th	1st	2nd	3nd
Approval date	05/24/16	12/13/17	08/29/18	05/08/19
Number of shares granted	1,226,445	701,541	1,181,229	594,903
Exercise price / R$ share	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 10th program of the 2008 plan and for the 1st to 3rd 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			
	10th	1st	2nd	3rd	
Granting date	05/24/16	12/13/17	08/29/18	05/08/19	
Number of shares	1,226,445	701,541	1,181,229	594,903	
Exercise price	14.25	26.50	16.16	29.73	R$/share
Closing price	13.08	26.21	16.74	31.75	R$/share
Volatility (daily)	2.49%	2.67%	2.67%	2.67%	
Volatility (annualy)	39.50%	37.44%	37.43%	37.65%	
Dividend yeld	5.50%	4.70%	5.40%	3.17%	p.y
Termination fee (*)	14.29%	-	-	-	p.y
Termination fee (*)	13.64%	-	-	-	p.y
Market to Strike Ratio	2.24	2.09	2.09	2.09	
IPCA coupon (**)	6.13%	5.12%	5.70%	4.19%	p.y
Total term	7	7	7	7	years
Price per share	2.90	7.96	5.15	11.37	R$/share
Total amount	3,561	5,585	6,083	6,764	R$ thousand

(*) The company's termination fee, from the 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 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		
	10th	1st	2nd	3rd
Starting date	05/26/09	03/15/10	12/08/10	08/03/11
End date	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 June 30, 2021, the current shareholders' capital would be diluted by 0.26% (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:

	06/30/21		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	(531,966)	36.75	(215,513)	54.28
Avaliable options at the end of the year	420,137	17.74	952,103	27.27
Exercisable options at the end of the year	420,137	17.74	952,103	27.27

On June 30, 2020, the Company recognized in the result an amount of R$ 350 referring to the fair value of the plan and as of June 30, 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 June 30, 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:

	06/30/21		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	25.79	1,490,761	24.80
Exercisable options at the end of the year	908,521	27.06	708,522	24.65

In the period ended June 30, 2021, the Company recognized in the income statement the amount of R$ 2,188 (R$ 2,304 on June 30, 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 June 30, 2021, the Company recognized the amount of R$ 1.219 in the result, 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 June 30, 2021	**566,271**	**14.72**

27 Revenue

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

	Parent Company and Consolidated	
	06/30/21	**06/30/20**
Domestic market	633,659	417,467
Own stores	129,002	79,001
Foreing market	18,544	8,629
Royalties	6,448	3,316
Returns	(48,727)	(42,484)
Gross revenue	738,926	465,929
Adjustments to present value - revenue	(3,915)	(8,611)
Rebates and IBCC	(4,578)	(6,660)
Sales tax	(92,153)	(59,722)
Deductions	(100,646)	(74,993)
Net revenue	638,280	390,936

28 Costs of goods or services sold

	Parent company and Consolidated	
	06/30/21	**06/30/20**
Raw material and Resale goods	(235,273)	(135,770)
Salaries, charges and benefits	(56,297)	(50,679)
Depreciation	(14,762)	(17,467)
Outsource labor	(50,751)	(37,363)
Energy	(4,116)	(3,490)
Other costs	(17,652)	(11,724)
	(378,851)	(256,493)

The Company didn’t identify idle production for the period ended June 30, 2021. For the period ended June 30, 2020, 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	
	06/30/21	06/30/20
Sales commissions expenses	(19,975)	(15,996)
Sales freight expenses	(28,660)	(15,871)
Personnel expenses	(50,288)	(39,237)
Advertising and promotions expense	(37,620)	(24,224)
Property rental expenses	(8,389)	(5,705)
Expenses with samples and product development	(7,887)	(6,074)
Traveling expenses	(1,297)	(2,696)
Expenses for third-party services	(11,781)	(3,800)
Other expenses	(11,266)	(9,765)
	(177,163)	(123,368)

30 Administrative and general expenses

	Parent Company		Consolidated	
	06/30/21	06/30/20	06/30/21	06/30/20
Personnel expenses	(15,828)	(11,585)	(15,828)	(11,616)
Expenses for third-party services	(4,917)	(4,403)	(4,917)	(4,458)
Institutional advertising expense	(550)	(579)	(550)	(579)
Expenses with donations	(453)	-	(453)	-
Expenses for information technology service	(3,136)	(2,555)	(3,136)	(2,555)
Traveling expenses	(106)	(177)	(106)	(177)
Property rental expenses	(26)	(180)	(26)	(180)
Other expenses	(1,452)	(1,371)	(1,619)	(1,457)
	(26,468)	(20,850)	(26,635)	(21,022)

31 Other net operating (expenses) and income

	Parent Company		Consolidated	
Other operating income	**06/30/21**	**06/30/20**	**06/30/21**	**06/30/20**
Tax credit	4,763	1,086	4,763	1,086
PIS and COFINS judicial credit (i)	9,545	150,344	9,545	150,344
Reversal of DIFAL provision (ii)	7,728	-	7,728	-
Claims received	354	87	354	87
Revenue from sale of PP&E and intangible assets	2,019	310	2,019	310
Others	1,784	44	1,784	44
	26,193	151,871	26,193	151,871
Other operating expenses				
Formation and reversals of labor and civil provisions	(5,465)	(4,240)	(5,465)	(4,240)
Stock option plan	(3,407)	(2,654)	(3,407)	(2,654)
Actuarial evaluation of pension plans	(314)	(298)	(314)	(298)
Cost from write-off of PP&E/intangible	(1,264)	(1,706)	(1,264)	(1,706)
Labor indemnities	(2,106)	(10,058)	(2,106)	(10,058)
Goiás Protege Fund and Produzir Fund	(7,165)	(3,339)	(7,165)	(3,339)
Representatives indemnities	(436)	(5,955)	(436)	(5,955)
Prêmio Acelara 2020	-	(7,024)	-	(7,024)
Award	(8,400)	-	(8,400)	-
COVID-19 salary recomposition	(6,403)	-	(6,403)	-
Strategic projects	(4,415)	-	(4,415)	-
Provision for non-recoverability of property, plant and equipment	-	(7,772)	-	(7,772)
Loss of non-recoverable tax credits	-	(3,211)	-	(3,211)
Provision for non-receipt of claim	-	(2,640)	-	(2,640)
Others	(6,842)	(6,872)	(6,832)	(6,897)
	(46,217)	(55,769)	(46,207)	(55,794)
Other net operating income and expenses	(20,024)	96,102	(20,014)	96,077

(i) According to note 10 (e).
(ii) As per note "(iii) Reversion of ICMS DIFAL deposited judicially" in note 19.

32 Net financial result

	Parent Company		Consolidated	
	06/30/21	06/30/20	06/30/21	06/30/20
Financial income				
Interest on financial operations	4,276	7,720	4,276	7,720
Interest on taxes recovered	1,752	-	1,752	-
Adjustment to present value	3,960	12,290	3,960	12,290
Interest received and renegotiated	5,478	4,781	5,478	4,781
PIS and COFINS judicial credit update (i)	30,357	115,910	30,357	115,910
Derivative income	114	6,618	114	6,618
Exchange variation - Others	111	-	8	315
Exchange variation - motion account	-	105	-	105
Exchange variation - accounts receivable	-	4,589	-	4,589
Other income	296	537	339	584
	46,344	152,550	46,284	152,912
Financial expenses				
Interest on financial operations	(4,522)	(3,149)	(4,522)	(3,149)
Adjustment to present value	(6,365)	(6,004)	(6,365)	(6,004)
Interest lease (note 15)	(2,600)	(2,299)	(2,600)	(2,299)
Bank fees and commissions	(6,499)	(2,334)	(6,499)	(2,334)
Pis and Cofins without updating PIS and COFINS judicial credit (i)	(1,412)	(5,372)	(1,412)	(5,372)
Exchange variation - others	-	(543)	-	-
Exchange variation - accounts receivable	(1,485)	-	(1,485)	-
Exchange variation - motion account	(494)	-	(494)	-
Exchange variation - accounts payable	(115)	(13,578)	(115)	(13,578)
Other expenses	(1,733)	(1,304)	(1,733)	(1,423)
	(25,225)	(34,583)	(25,225)	(34,159)
Net financial result	21,119	117,967	21,059	118,753

(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	
	06/30/21	06/30/20
Current taxes:		
Social contribution	-	(7,237)
Income tax	-	(19,321)
	-	(26,558)
Deferred taxes:		
Social contribution	3,310	(51)
Income tax	9,024	(175)
	12,334	(226)

(b) Reconciliation at the effective rate

	Parent company and consolidated	
	06/30/21	06/30/20
Net income (loss) before tax	14,498	158,677
Current rate:	34%	34%
Estimated expense according to the current rate	(4,929)	(53,950)
Tax impact on permanent additions and exclusions :		
Tax incentives (Note 18)	19,178	13,180
Interest on shareholder's capital (Note 25 e)	-	12,016
PAT, Rouanet Law and FIA Incentives	-	(1,218)
Other permanents (additions) exclusions	(1,915)	3,188
Income and social contribution taxes	**12,334**	**(26,784)**
Effective rate	**-**	**17%**
Income and social contribution taxes	**12,334**	**(26,784)**
Income and social contribution taxes - current	-	(26,558)
Income and social contribution taxes - deferred	12,334	(226)
Income and social contribution taxes	**12,334**	**(26,784)**

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

	Parent company and Consolidated	
	06/30/21	06/30/20
Constitution on temporary additions	(9,834)	3,242
Reversal on temporary exclusions	966	(1,881)
Constitution (Reversal) of tax loss and negative calculation basis	21,151	(1,640)
Realization of the monetary correction of the asset	51	53
	12,334	(226)

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	
	06/30/21	06/30/20
Profit attributable to the Company's shareholders	26,832	131,893
Weighted average number of common shares - thousands	165,534	162,471
Weighted average number of common treasury shares - thousands	(4,129)	(575)
	161,405	161,896
Basic earnings per share - R$	0.1662	0.8147

(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	
	06/30/21	**06/30/20**
Profit attributable to the Company's shareholders	26,832	131,893
Weighted average number of common shares - thousands	161,405	161,896
Share purchase option adjustment - thousands	1,911	2,849
Weighted average number of common shares (diluted) - thousands	163,316	164,745
Diluted earnings per share - R$	0.1643	0.8006

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	**06/30/21**	**06/30/20**
Hering	669,877	400,061
DZARM.	45,187	28,571
Others (i)	5,318	28,668
Gross revenue domestic market	720,382	457,300
Gross revenue foreign market	18,544	8,629
Total gross revenue	738,926	465,929

(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 June 30, 2021 an amount of R$ 1,098 (R$ 20,252 at June 30, 2020).

	Consolidated	
Channel	**06/30/21**	**06/30/20**
Retail	267,713	209,733
Franchise	222,284	112,761
Own stores	110,694	70,058
Webstore	110,586	60,636
Others (i)	9,105	4,112
Gross revenue domestic market	720,382	457,300
Gross revenue foreign market	18,544	8,629
Total gross revenue	738,926	465,929

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

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

	Consolidated	
	06/30/21	**06/30/20**
Gross revenue domestic market	720,382	457,300
Gross revenue foreign market	18,544	8,629
Gross revenue	738,926	465,929
Deductions	(100,646)	(74,993)
Net revenue	638,280	390,936

Foreign revenue is not recorded separately by geographical area, as it represents only 2.91% of total net revenue as of June 30, 2021 (2.21% on June 30, 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 June 30, 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.

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 June 30, 2021:

1.1 Cia Hering

Shareholder	06/30/21		12/31/20	
Atmos Capital Gestão de Recursos Ltda	20,358,789	12.5%	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	13,595,300	8.4%	9,188,874	5.7%
Velt Partners	8,471,960	5.2%	8,931,998	5.5%
Others	97,217,173	59.9%	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 06/30/2021

Shareholder	Common Shares	%	Total	%
Controlling Shareholder	33,204,231	20.4%	33,204,231	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	6,786,181	4.2%	6,786,181	4.2%
Others Shareholders	122,177,781	75.2%	122,177,781	75.2%
TOTAL	162,533,937	100%	162,533,937	100%
Outstanding Shares	122,177,781	75.2%	122,177,781	75.2%

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%

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 June 30, 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 June 30, 2021.

EXECUTIVE BOARD

Thiago 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 - Customer and Omnicommerce Director
Galeno Augusto Jung - Strategy, Technology and Innovation Director
Marcelo Toledo - Industrial Director
Marciel Eder Costa - Administrative and Supply Director
Marcus Yamamoto - Supply Chain Director
Rafael Bossolani - Chief Financial and Investor Relations Officer
Renata Vivan Del Bove - People, Culture and Sustainability Director

BOARD OF DIRECTORS

Fábio Hering - President
Andrea Oliveira Mota Baril - Advisor
Celso Luis Loducca - Advisor
Claudia Worms Sciama - Advisor
Haroldo Luiz Rodrigues Filho - Advisor
Patrick Charles Morin Junior - Advisor
Rodrigo de Queirós Cabrera Nasser – Advisor

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