Listed company

Brazilian Corporate Tax Number (CNPJ/MF): 89.850.341/0001-60

NIRE: 23300021118-CE

Report of Management 2020

BOARD OF DIRECTORS

Alexandre Grendene Bartelle
Chair of the Board of Directors

Pedro Grendene Bartelle
Vice-Chair of the Board of Directors

Members of the Board of Directors
Maílson Ferreira da Nóbrega
Oswaldo de Assis Filho
Renato Ochman
Bruno Alexandre Licarião Rocha
Walter Janssen Neto

AUDIT BOARD

João Carlos Sfreddo
Chair of the Audit Board

Members of the Audit Board
Eduardo Cozza Magrisso
Herculano Aníbal Alves

THE EXECUTIVE BOARD

Rudimar Dall'Onder
Chief Executive Officer and
Chief Administrative and Financial Officer

Gelson Luis Rostirolla
Deputy CEO

Alceu Demartini de Albuquerque
Investor Relations Officer

Luiz Carlos Schneider
Accountant – CRC/CE – SEC – 70.520/O-5

INDEX

REPORT OF MANAGEMENT FOR 2020

In accordance with the provisions of law and the Bylaws, the management of Grendene S.A. presents below the Report of Management and the Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also based on accounting practices adopted in Brazil and the rules of the Brazilian Securities Commission (CVM). The Company has adopted all the rules, revisions of rules and interpretations issued by the IASB that are in effect for financial statements at December 31, 2020. The financial statements at December 31, 2019 are being re-presented, for correction, and recognition of the balance of contingent assets. These adjustments are presented backdated in accordance with CPC 23 – *Accounting Policies, Changes in Accounting Estimates and Correction of Errors* and CPC 26 (R1) – Presentation of Financial Statements. The effects re-represented are described in Note 2, item (e).

I. Message from Management

2020 was a year with a health crisis, and an economic crisis, without precedents in recent history. The coronavirus pandemic had an extreme effect on humanity, impacting countries and companies everywhere, and the whole of the world's population.

Social isolation measures (which included closures of retail stores, shutdown of industrial production and closing of frontiers) were adopted globally as a means of containing the spread of the virus, on a scale that no one living on the planet had ever seen – paralyzing economic activity all over the world, and adversely affecting industrial production, trade, employment and income.

We experienced, simultaneously, a supply shock, through the breakdown of global production chains, and a demand shock, in which families stopped consuming, or bought less, whether due to a fall in income or from fear of recession.

In this challenging scenario, we responded rapidly to adapt ourselves to the context created by Covid-19, giving priority to the health and safety of our employees and the continuation of our business, supporting suppliers and clients, thus complying with the responsibility that we believe we have to society.

With the support of partners, we voluntarily produced and distributed more than 4.5 million items protection items for health and safety professionals.
We began 1Q20 with a strong performance and a positive feeling for the year, but emergence of the first cases of Covid-19 in Brazil began to affect our operations directly. There were extensive social restrictions involving temporary closures of stores, and very large falls in the flow of clients into physical stores, allied to the fear of unemployment and uncertainty about the future of the economy, leading to a substantial reduction in our sales, especially in the second quarter of the year.

As well as the fall in demand for our products, we were severely impacted by the decrees issued by the government of the state of Ceará (where 100% of our production is located), which suspended activities considered not to be essential, preventing our production for almost the whole of the second quarter.

In the second half of the year, however, we saw a strong recovery in the volume of orders, as a result of (a) social restriction measures being eased (allowing physical retail stores to reopen), (b) the emergency financial support given to the low-income population, and (c) the excellent reception by our clients of our spring and summer collections. Due to this, our results in the second half of the year were the best in the Company's history in terms of gross revenue (R$ 1.802 billion) and the third largest ever in volume of pairs (115.1 million).

In this year, even with the fall in revenues, Grendene earned R$ 468.6 million, representing a return of 11.2% on Stockholders' equity at the start of the year. Of this profit, the company proposes to distribute R$ 219.5 million as dividends and Interest on Equity, reinvesting the rest in the company. Book value per share increased by 5.6% in the year, from R$ 4.44 to R$ 4.69. Considering the balance available for

distribution in relation to the 2019 business year, a total of R$ 260.8 million, management is proposing allocation of R$ 480.3 million in dividends and Interest on Equity.

Operational cash flow in 2020 was R$ 108.9 mn. The proposed dividends represent a dividend payout (defined as {sum of dividends and Interest on Equity} divided by {profit after the legally required reserves}) of 51.6%, and a dividend yield of 2.7%.

Although gross revenue was 7.1% lower than in 2019, and volume of pairs shipped was 3.6% lower, we are convinced that we have delivered a solid year, in the face of the totally unprecedented business environment that prevailed in 2020. We are proud of our employees, and of our recent execution.

We have accelerated the process of digital transformation inside the Company – holding innumerable courses, seminars and workshops to disseminate the digital culture, of speed and experimentation. We have begun the process of internalization of the online stores of our brands in Brazil and the rest of the world, with migration of five brands during the second half of the year – ***Zaxy, Rider, Grendene Kids, Ipanema*** and ***Melissa USA*** – over the period of 2H20. Our target is to complete migration of all the brands by the end of first quarter 2021.

In our digital transformation, we created ***Bergamotta Works***, our innovation laboratory, the objective of which is to find new ways of accessing the consumer and approximating Grendene to the ecosystem of startups. The first projects delivered by ***Bergamotta*** are already running in pilot mode, such as, for example, the sale of products of the ***Ipanema*** line in vending machines.

The process of expansion of ***Melissa*** continued over the year, even in the scenario of uncertainties generated by Covid-19. In the year we added 12 new ***Melissa Clubs*** to our franchise network, completing a total of 348 active Clubs in Brazil.

In December we began the project of internationalization of ***Melissa,*** opening our first company-owned ***Clube Melissa*** store in Los Angeles, California. As well as this unit, we intend to open other company-owned stores in 2021, in the United States and China (as from March 2021, after the Chinese New Year celebrations).

We have also made progress with the *Omnichannel* project in the ***Melissa*** brand, which was begun in the first half of 2019: to date, more than 200 *Melissa Clubs* are now able to serve the public in an integrated manner in two modes of operation: 'infinite shelf', or 'express delivery'. We expect integration of all the *Clubes Melissa* into the *Omnichannel* model in April 2021.

We have published our first **Sustainability Report**, using the Global Reporting Initiative (GRI) methodology, in which we present the results over a 10-year period of improving our processes, reducing environmental impacts and underlining our commitment to society. The report reflects the importance of sustainability for the Company, and our achievements and efforts to reduce our environmental footprint.

It underlines our commitment to sustainability: as you will remember, all our footwear is registered with the *Vegan Society*, being made of 100% recyclable PVC, and from material of which 30% has already been recycled.

We have further strengthened our governance, by: (i) structuring a Related Party Committee; (ii) establishing and disseminating our Financial Investments Policy; and (iii) increasing the number of independent members on the Company's Board of Directors.

We believe these initiatives, combined, will strengthen Grendene's resilience and contribute to its sustainable growth in the medium and long term.

We also believe that generation of value for the long term requires a constant approach focused on strategies that maximize expected value, even if the result is a lower net profit in the short term. We are confident in our strategy and the direction we are taking.

In 2020 we faced a profound crisis: the Covid-19 pandemic – not a crisis we created, nor one that we could resolve alone – but one that we faced with courage, conviction and resilience. We continue to be optimistic

and hopeful that better days will come. Looking to 2021, when we are celebrating 50 years since our foundation, we will continue to support our employees, clients and suppliers, while transforming ourselves into a more agile, innovative, sustainable and efficient organization.

Looking at 2021, when we are celebrating 50 years since our foundation, we will continue to support our employees, customers and suppliers, while transforming ourselves into a much more agile, innovative, sustainable and efficient organization.

We would like to take this opportunity to thank you for your continued trust and confidence.

The Management

II. Main consolidated indicators (IFRS)

R$ mn	2017	2018	2019	2020	Change, 2019–2020	CAGR[1] 2017–2020
Gross revenue from sales	2,727.7	2,825.0	2,513.3	2,334.8	(7.1%)	(5.1%)
Domestic market	2,106.6	2,168.0	1,979.5	1,903.6	(3.8%)	(3.3%)
Exports	621.1	657.0	533.8	431.2	(19.2%)	(11.5%)
Net revenue	2,252.0	2,333.4	2,071.0	1,896.8	(8.4%)	(5.6%)
Cost of goods sold	(1,151.2)	(1,227,3)	(1,126,5)	(1,022,3)	(9.2%)	(3.9%)
Gross profit	1,100.8	1,106.1	944.5	874.5	(7.4%)	(7.4%)
Operational expenses	(635.2)	(649,2)	(375,2)	(573,3)	52.8%	(3.4%)
Ebit	465.6	457.0	569.4	301.2	(47.1%)	(13.5%)
Recurring Ebit	*473.4*	*457.0*	*335.6*	*372.2*	*10.9%*	*(7.7%)*
Ebitda	526.2	522.7	646.6	389.2	(39.8%)	(9.6%)
Recurring Ebitda	*534.0*	*522.7*	*412.8*	*460.2*	*11.5%*	*(4.8%)*
Net financial revenue (expenses)	238.5	158.9	374.4	137.4	(63.3%)	(16.8%)
Adjusted Net financial revenue (expenses)	*238.5*	*158.9*	*178.1*	*137.4*	*(22.8%)*	*(16.8%)*
Net profit	660.9	585.5	819.2	405.2	(50.5%)	(15.0%)
Adjusted net profit	*668.7*	*585.5*	*478.8*	*468.6*	*(2.1%)*	*(11.2%)*
Capex (PP&E + Intangible)	107.5	72.3	52.4	73.2	39.6%	(12.0%)
Stockholders' equity	3,217.6	3,465.0	4,006.7	4,230.2	5.6%	9.5%

R$ per pair	2017	2018	2019	2020	Change, 2019–2020	CAGR[1] 2017–2020
Gross revenue per pair (R$)	15.91	16.33	16.66	16.06	(3.6%)	0.3%
Domestic market	16.66	16.36	16.50	15.94	(3.4%)	(1.5%)
Exports	13.81	16.22	17.30	16.60	(4.0%)	6.3%
Exports (in US$)	4.33	4.44	4.39	3.22	(26.7%)	(9.4%)
Cost of goods sold	6.71	7.09	7.47	7.03	(5.9%)	1.6%

R$	2017	2018	2019	2020	Change, 2019–2020	CAGR[1] 2017–2020
Basic profit per share	0.7328	0.6501	0.9084	0.4494	(50.5%)	(15.0%)
Diluted profit per share	0.7306	0.6483	0.9070	0.4491	(50.5%)	(15.0%)
Dividend per share	0.4188	0.3494	0.5949	0.2435	(59.1%)	(16.5%)

Millions of pairs	2017	2018	2019	2020	Change, 2019–2020	CAGR[1] 2017–2020
Volumes	171.4	173.0	150.9	145.4	(3.6%)	(5.3%)
Domestic market	126.4	132.5	120.0	119.4	(0.5%)	(1.9%)
Exports	45.0	40.5	30.9	26.0	(15.8%)	(16.7%)

Margins, %	2017	2018	2019	2020	Change, 2019–2020	CAGR[1] 2017–2020
Gross	48.9%	47.4%	45.6%	46.1%	0.5 pp	(2.8 pp)
Ebit	20.7%	19.6%	27.5%	15.9%	(11.6 pp)	(4.8 pp)
Recurring Ebit	*21.0%*	*19.6%*	*16.2%*	*19.6%*	*3.4 pp*	*(1.4 pp)*
Ebitda	23.4%	22.4%	31.2%	20.5%	(10.7 pp)	(2.9 pp)
Recurring Ebitda	*23.7%*	*22.4%*	*19.9%*	*24.3%*	*4.4 pp*	*0.6 pp*
Net	29.3%	25.1%	39.6%	21.4%	(18.2 pp)	(7.9 pp)
Recurring Net margin	*29.7%*	*25.1%*	*23.1%*	*24.7%*	*1.6 pp*	*(5.0 pp)*

R$	2017	2018	2019	2020	Change, 2019–2020	CAGR[1] 2017–2020
Dollar at end of period	3.3080	3.8748	4.0307	5.1967	28.9%	16.2%
Average US dollar	3.1920	3.6545	3.9451	5.1558	30.7%	17.3%

Liquidity	2017	2018	2019	2020	Change, 2019–2020	CAGR[1] 2017–2020
General liquidity ratio	8.7	8.6	7.7	9.3	20.8%	2.2%
Current liquidity ratio	8.8	8.0	6.5	9.1	40.0%	1.1%
Quick ratio	8.0	7.2	5.8	8.2	41.4%	0.8%

Notes:

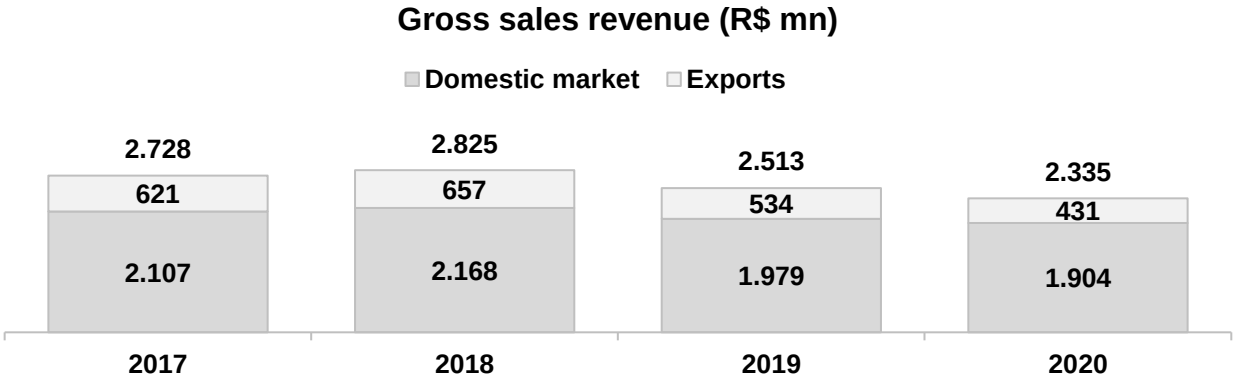
1) *CAGR = Compound annual growth rate.*
2) *pp = percentage points.*

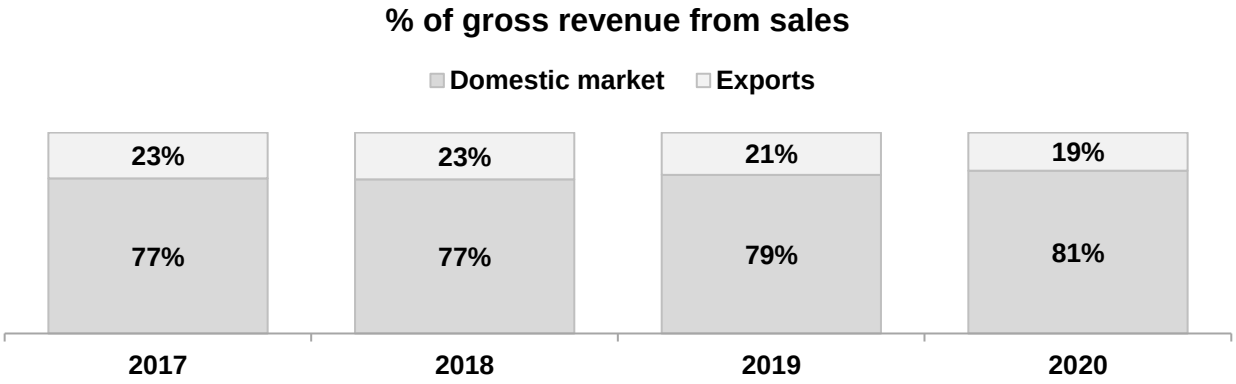
III. Results

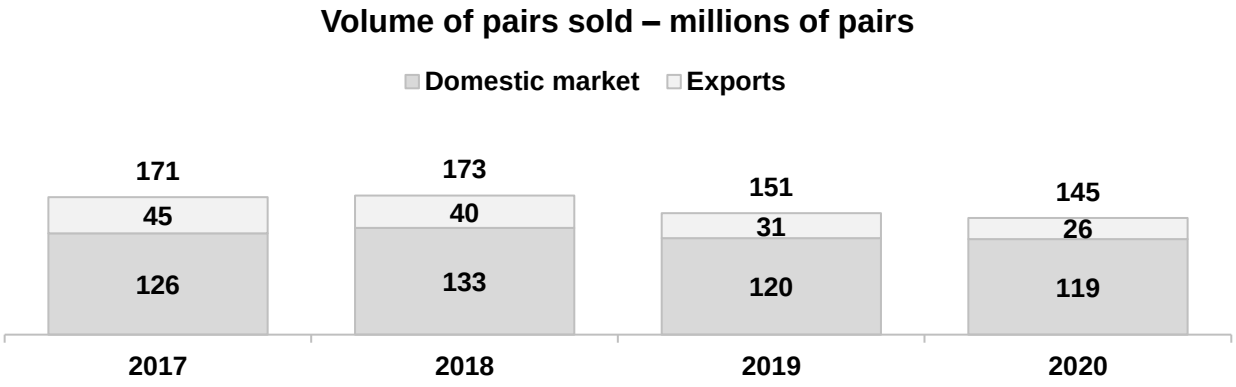
1. Gross sales revenue

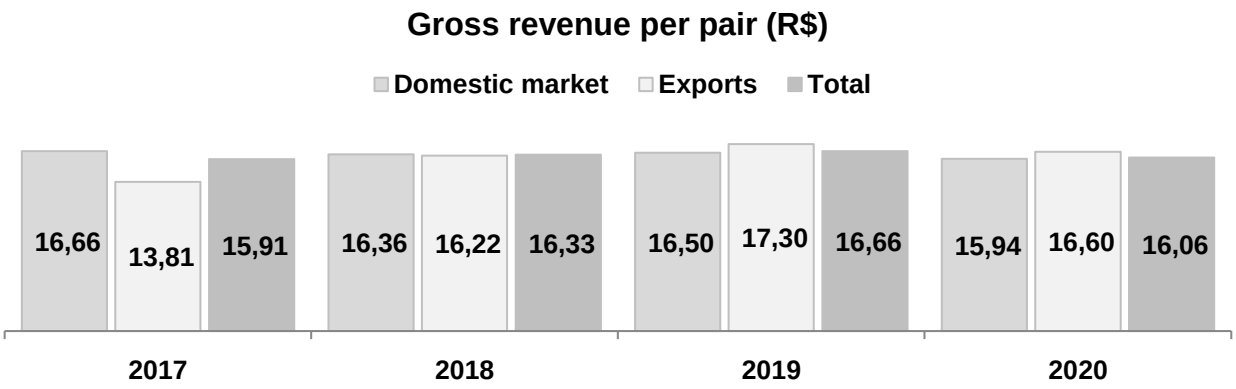
The strong performance of gross revenue in the second half of the year (an increase of 20.1%) was not enough to recover the losses caused by the pandemic in the first half of the year (a fall of 47.4%). The overall result for the year was gross revenue 7.1% lower than in 2019. The fall was lower in the domestic market – 3.8% – even with the recovery of the economy in the second half of the year, which mainly reflected good performance of the retail sector. In exports, it was a difficult year, with a fall of 19.2% compared to 2019, due to the exacerbation of the pandemic in various regions of the world in the second half of the year – especially Europe and the United States. Our export performance was weaker to those destinations, with a higher concentration of shipments to the countries of Latin America, which consume more basic products.

These charts give a clearer picture of the numbers:







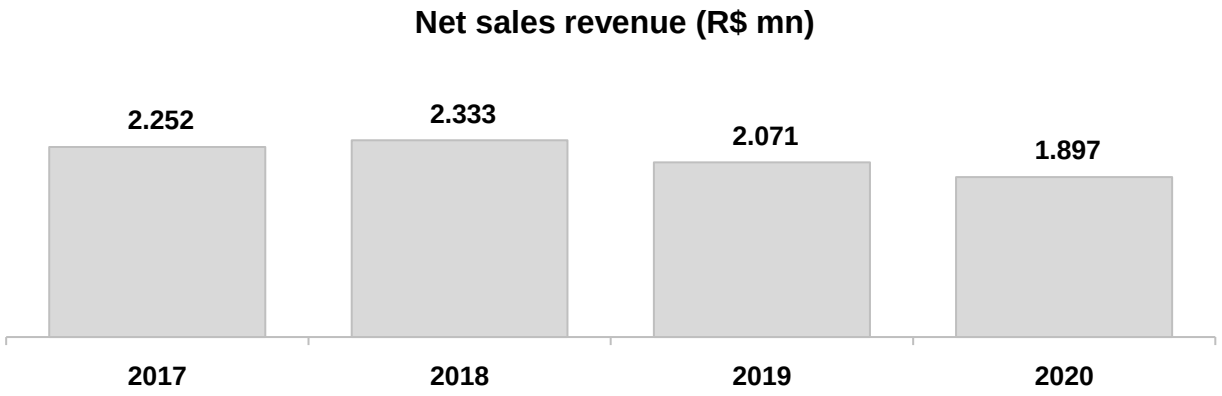


Data from the trade ministry, Secex and Abicalçados report Brazilian footwear in 2020 as 32.3% lower in dollar terms than in 2019, 18.6% lower in number of pairs sold, and 16.8% lower in average price in US$, per pair exported.

In comparison, Grendene's export revenue in dollars was 38.2% lower, and volume of pairs exported was 15.8% lower, with average price per pair exported 26.7% lower in US dollars.

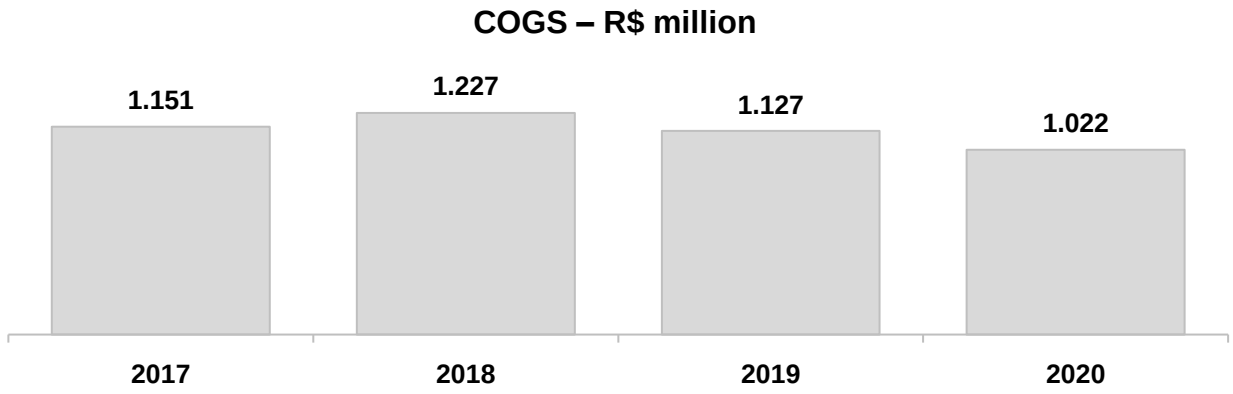
Our share in the total of Brazilian footwear exports (in number of pairs) in 2020 was 27.7% – compared to 26.8% in 2019.

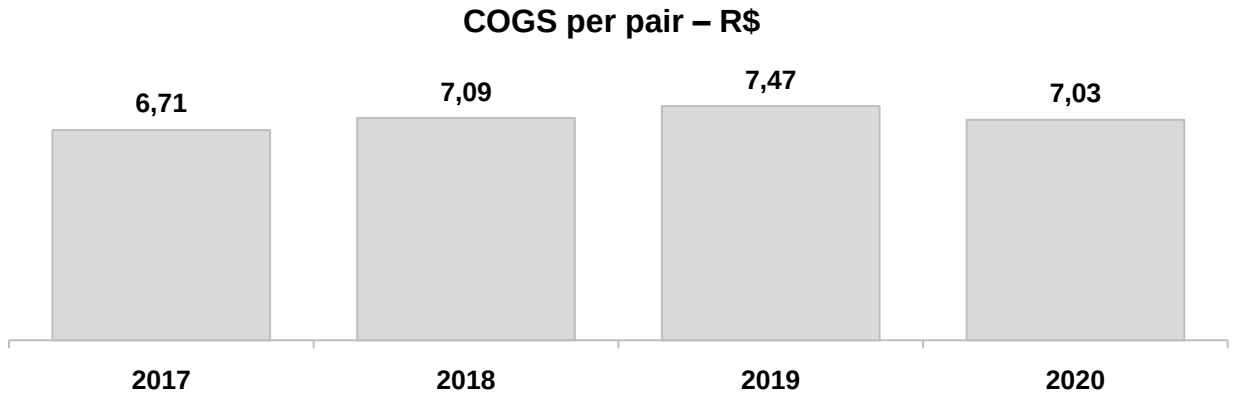
2. Net sales revenue



3. Cost of goods sold (COGS)

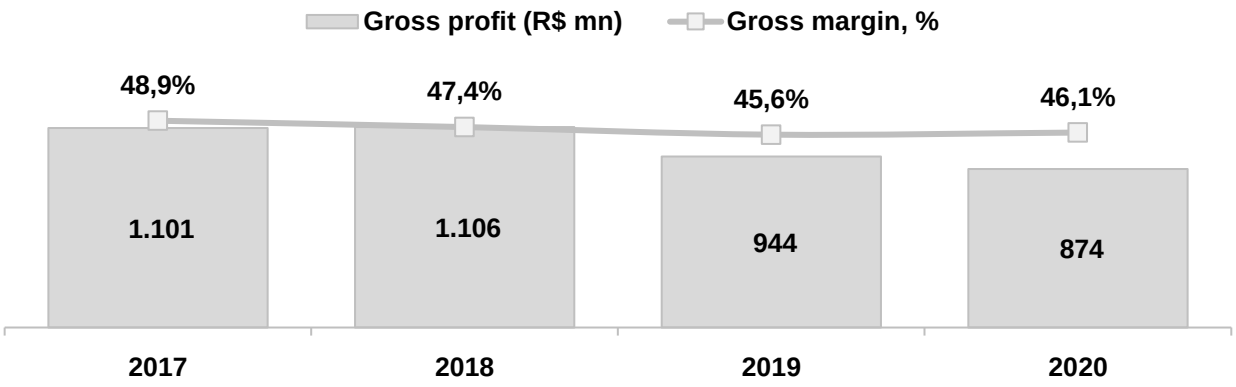
COGS in 2020 was primarily affected by the increase in the price of resin, which accentuated in the second half of the year. Cost of goods sold per pair was 5.9% lower, a reduction 0.9 percentage points (pp) greater than the fall in net revenue per pair (5.0%).





4. Gross profit

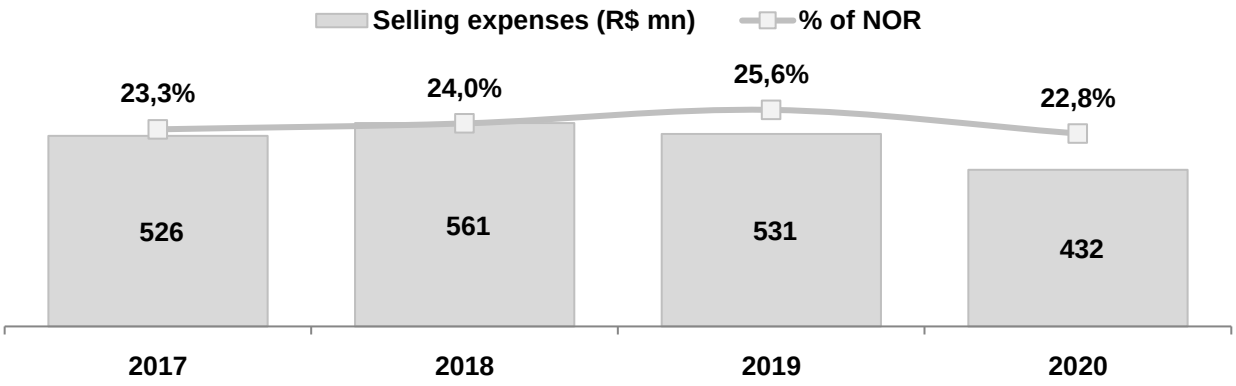
Gross profit in 2020 was 7.4% lower than in 2019. The efforts to increase productivity, together with changes in the mix and in the product portfolio, enabled us to keep gross margin stable (at around 46%).



5. Operational expenses (SG&A)

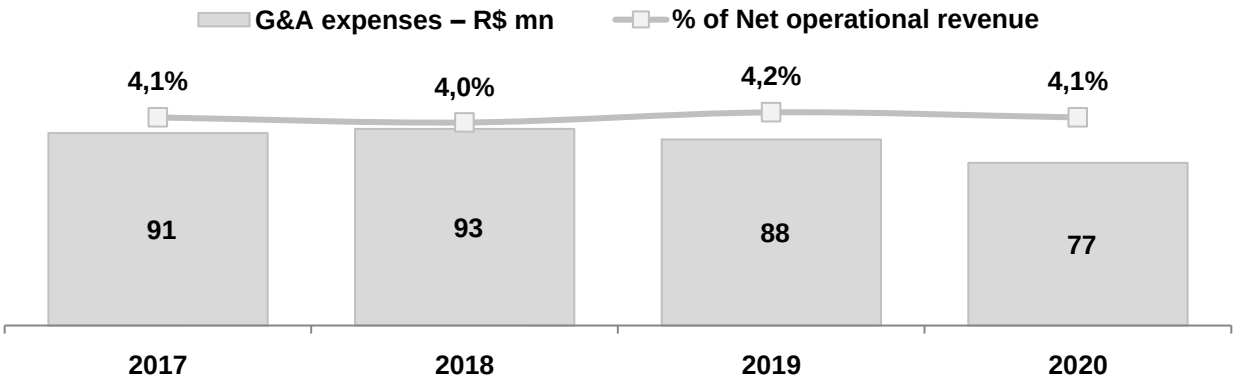
5.1. Selling expenses

Grendene's selling expenses predominantly comprise variable such as freight, licensings, commissions, advertising and marketing.



5.2. General and administrative (G&A) expenses

General and administrative expenses remained at the same percentage of net revenue, around 4% – still above the target we have for this ratio.



6. Ebit and Ebitda

6.1. Ebit

Ebit – Earnings before interest and taxes = Operational profit before Financial revenue (expenses). We believe that because we have a high cash position which generates significant financial revenues, the operational profit of our activity is best characterized by Ebit.

Reconciliation of Ebit and Ebitda* (R$ mn)	2017	2018	2019 (Re-presented)	2020	Change, % 2019–2020	CAGR 2017–2020
Net profit for the year, formal accounting	**668,710**	**585,530**	**478,789**	**468,598**	**(2.1%)**	**(11.2%)**
Non-recurring effect	(7,781)	–	340,428	(63,392)	–	–
Net profit for the year	**660,929**	**585,530**	**819,217**	**405,206**	**(50.5%)**	**(15.0%)**
Non-controlling stockholders	(26)	–	–	–	–	–
Taxes on profit	43,189	30,311	124,552	33,406	(73.2%)	(8.2%)
Net financial revenue (expenses)	(238,502)	(158,878)	(374,408)	(137,413)	(63.3%)	(16.8%)
Ebit	**465,590**	**456,963**	**569,361**	**301,199**	**(47.1%)**	**(13.5%)**
Non-recurring effect	7,781	–	(233,809)	70,955	–	–
Recurring Ebit	**473,371**	**456,963**	**335,552**	**372,154**	**10.9%**	**(7.7%)**
Depreciation and amortization	60,639	65,761	77,222	88,049	14.0%	13.2%
Ebitda	**526,229**	**522,724**	**646,583**	**389,248**	**(39.8%)**	**(9.6%)**
Recurring Ebitda	**534,010**	**522,724**	**412,774**	**460,203**	**11.5%**	**(4.8%)**
Ebit margin	**20.7%**	**19.6%**	**27.5%**	**15.9%**	**(11.6 pp)**	**(4.8 pp)**
Recurring Ebit margin	**21.0%**	**19.6%**	**16.2%**	**19.6%**	**3.4 pp**	**(1.4 pp)**
Ebitda margin	**23.4%**	**22.4%**	**31.2%**	**20.5%**	**(10.7 pp)**	**(2.9 pp)**
Recurring Ebitda margin	**23.7%**	**22.4%**	**19.9%**	**24.3%**	**4.4 pp**	**0.6 p.p**

* Stated as per CVM Instruction 527 of October 4, 2012.

Non-recurring items:

2017	The figure of R$ 7.8 million in 2017 refers to exchange rate losses on an investment in a subsidiary, recognized directly in Stockholders' equity of Grendene (holding company) accumulated over time, and transferred to the profit and loss account in 1Q17 (disposal of the subsidiary Grendene Argentina S.A.). This transfer is non-recurring, has no cash effect, and has no tax effect.
2019	In 2019 we had non-recurring expenses: a provision of R$ 11.3 million for receivables from a client that went into Judicial Recovery; an expense of R$ 14 million with rescission of commercial representatives; R$ 5.1 million for adjustment to present value of the *Proapi* export credit incentive; and other non-recurring items, of R$ 0.3 million. We also recognized a non-recurring gain of R$ 264.0 million, arising from the legal judgment to exclude amounts of ICMS tax from the basis for calculation of the PIS and Cofins taxes.
2020	In 2020 we had non-recurring expenses of R$ 71.0 million, as follows: R$ 48.0 million in expenses resulting from the effects of Covid-19; R$ 11 .0 million in provision for receivables from a client who entered Judicial Recovery; R$ 4.0 million in consultancy; and R$ 8.0 million in other non-recurring expenses.

6.2. Ebitda

Our business is low capital-intensive. Depreciation is around 4.0% of net revenue. The Company regularly invests an amount close to the amount of its depreciation in any period, to keep its production capacity up to date. It also maintains positive net cash, and has no costs of interest that need to be paid with funds from operations. As a result we believe that Ebit makes more sense as an indicator for operational management of the Company.

7. Net financial revenue (expenses)

The Company has a solid cash position, and its financial revenues are an important part of its net profit. The aim of foreign exchange transactions is hedging, mainly of receivables from exports. In these transactions Grendene is vendor of dollars, and the objective is that their net result in the long term should be very close to zero.

For 2020 Grendene reports net financial revenues, of R$ 137.4 mn, which in terms of recurring items is 22.8% less than in 2019, as follows: The item that contributed most was the gain on equity financial instruments, as shown in this table:

Net financial revenue (expenses) (R$ mn)	2017	2018	2019 Re-presented	2020	Change 2019–20	CAGR 2017–2020
Revenue from cash investments	**169,812**	**135,499**	**144,839**	**83,806**	**(42.1%)**	**(21.0%)**
Revenue from cash investments	169,812	135,499	144,839	83,806	(42.1%)	(21.0%)
Fair value of equity financial instruments	**–**	**–**	**–**	**76,418**	**–**	**–**
Fair value of equity financial instruments	–	–	–	76,418	–	–
Net gain (loss) on FX variations (2)	**13,431**	**(18,599)**	**5169**	**(52,864)**	**–**	**–**
Net gain (loss) on FX derivatives transactions – BM&F	**10,168**	**(19,804)**	**6377**	**(67,346)**	**–**	**–**
Gains on FX derivatives transactions – BM&F	29,976	62,052	53,975	64,331	19.2%	29.0%
Losses on FX derivatives transactions – BM&F	(19,808)	(81,856)	(47,598)	(131,677)	176.6%	88.0%
Net gain (loss) from FX variation	**3,263**	**1,205**	**(1,208)**	**14,482**	**–**	**64.3%**
Foreign exchange gains	34,503	75,213	54,209	109,033	101.1%	46.7%
FX variation – expense	(31,240)	(74,008)	(55,417)	(94,551)	70.6%	44.6%
Profit/loss on other financial assets – SCPs	**–**	**–**	**–**	**8,020**	**–**	**–**
Profit/loss on other financial assets (SCPs)	–	–	–	8,020	–	–
Other financial transactions	**(17,708)**	**(11,830)**	**181,930**	**(5,883)**	**–**	**(30.7%)**
Interest (received)	2,571	7,213	214,770	11,370	(94.7%)	64.1%
Interest received from clients	2,225	2,110	2,128	1,937	(9.0%)	(4.5%)
Borrowing costs	(10,852)	(10,445)	(9,007)	(7,891)	(12.4%)	(10.1%)
PIS and Cofins taxes on financial revenues	(8,346)	(6,949)	(16,024)	(4,902)	(69.4%)	(16.3%)
Other financial revenues (expenses)	(3,306)	(3,759)	(9,937)	(6,397)	(35.6%)	24.6%
Gains on adjustment to present value	**72,967**	**53,808**	**42,470**	**27,916**	**(34.3%)**	**(27.4%)**
Adjustments to present value	72,967	53,808	42,470	27,916	(34.3%)	(27.4%)
Net financial revenue (expenses)	**238,502**	**158,878**	**374,408**	**137,413**	**(63.3%)**	**(16.8%)**

Reconciliation of Net financial revenue (expenses) (R$ mn)	2,017	2,018	2,019 Re-presented	2,020	Change, 2019–20	CAGR 2017–2020
Net financial revenue – formal accounting	**238,502**	**158,878**	**374,408**	**137,413**	**(63.3%)**	**(16.8%)**
Non-recurring effect	–	–	(196,336)	–	–	–
Recurring Net financial revenue	**238,502**	**158,878**	**178,072**	**137,413**	**(22.8%)**	**(16.8%)**

8. Net profit for the year

Recurring net profit in 2020 was R$ 468.6 million, 2.1% lower than in 2019. The recovery in business in the second half of 2020 was not enough to offset the negative effects caused by Covid-19 in the Company's business in the first half of the year.

Over the period from 2017 to 2020 recurring net profit was reduced at a CAGR of 11.2% p.a., mainly reflecting (i) falls in revenues from sales, and in volumes; (ii) increasing costs, and (iii) the lower contribution of Financial revenue to net profit.

Net profit (R$ mn)	2017	2018	2019 (Re-presented)	2020	Change, 2019–20	CAGR 2017–2020
Net profit for the year, formal accounting	**660,929**	**585,530**	**819,217**	**405,206**	**(50.5%)**	**(15.0%)**
Non-recurring effect	7,781	–	(340,428)	63,392	**–**	**–**
Recurring net profit for the year	**668,710**	**585,530**	**478,789**	**468,598**	**(2.1%)**	**(11.2%)**
Net margin	**29.3%**	**25.1%**	**39.6%**	**21.4%**	**(18.2 pp)**	**(7.9 pp)**
Recurring net margin	**29.7%**	**25.1%**	**23.1%**	**24.7%**	**1.6 pp**	**(5.0 pp)**

A meeting of the Board of Directors in November 2020 approved the proposal presented by the Executive Board, also approved by the Audit Board, to recognize in the Company's accounts appropriation of the remaining balance of the PIS and Cofins credits in the total amount of R$ 450.124 million (this amount was published on September 30, 2020) – to be updated to the reporting date of the Financial Statements, with payment on that date of the taxes relating to this gain.

As a result, the financial statements for December, 31, 2019 are being re-presented with correction and recognition of the related contingent asset balance. These adjustments are presented backdated in accordance with CPC 23 – *Accounting Policies, Changes in Accounting Estimates and Correction of Errors* and CPC 26 (R1) Presentation of Financial Statements.

9. Cash generation

In 2020, cash generated from operations, of R$ 108.9mn, plus redemption of cash investments with net value of R$ 288.3mn, was consumed by: payment of loans and leasing obligations totaling R$ 156.4mn; investments in subsidiaries and affiliated companies, PP&E and intangible assets totaling R$ 77.9mn; payment of dividends and Interest on Equity totaling R$ 151.3 mn; and a negative result of R$ 10.5 million on transactions with treasury shares for exercise of stock options. This resulted in an increase of R$ 1.1mn in the amount held in cash and cash equivalents.

10. Net cash and cash equivalents

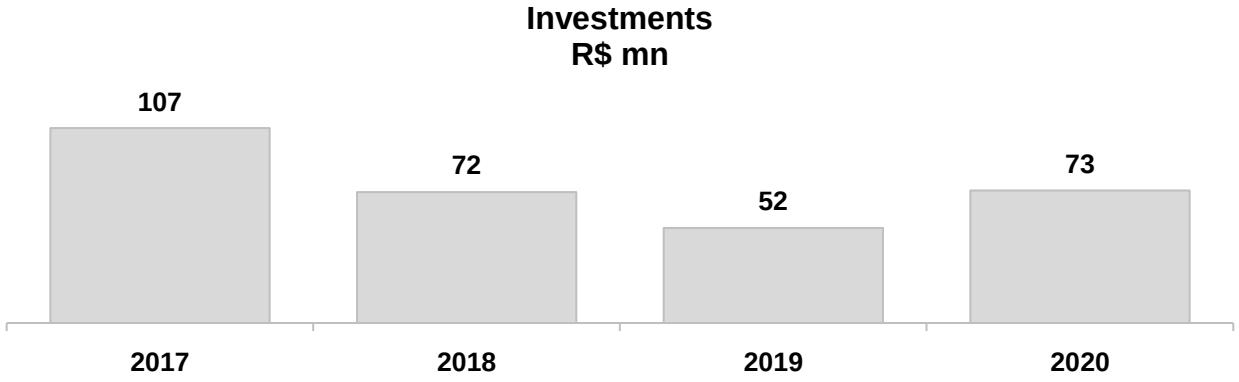
The chart below shows the distribution of the cash position (cash, cash equivalents and short- and long-term financial investments), loans and financings (short-term and long-term) and net cash:

R$ mn	2017	2018	2019	2020
Cash and cash equivalents plus cash investments (ST and LT*)	1,780.6	1,976.9	2,128.5	2,000.9
Loans and financings	(123.6)	(152,9)	(95,2)	(9,8)
Net cash	1,657.0	1,824.0	2,033.3	1,991.1

* Short-term and long-term.

11. Capex (fixed and intangible)

Our investments in 2020 were lower than expected, but sufficient for: maintenance of industrial buildings and facilities; replacement of fixed assets; and acquisition of new equipment for modernization of the manufacturing plant; and in various projects to improve the company's efficiency.



We are estimating that we will invest approximately R$ 100 mn in 2021.

12. External auditors – CVM Instruction 381/03

Complying with CVM Instruction 381/2003, we report that Grendene S.A. used the independent auditing services of Ernst & Young Auditores Independentes S.S. ('EY'), for a special review of its quarterly information and an audit of its financial statements for the year ended December 31, 2020. The total fees paid to EY were R$ 582,800. During this business year EY carried out other services relating to fiscal and tax advice, and to Technological Innovation Incentives, in the amount of R$ 300,100, or 34.0% of the total value of the external auditing services.

The Company's policy in contracting of the external auditors for any services not related to external auditing is based on the principles that preserve the auditor's independence, namely: (a) the auditor may not audit its own work; (b) the auditor must not exercise management functions in its client; and (c) the auditor must not promote the interests of its client.

The services provided by EY in relation to assurance work were executed in compliance with the Brazilian Accounting Rules - NBC PA 291 (R1) – *Independence – Other assurance work*, as approved by Federal Accounting Council Resolution 1311/10, of December 9, 2010, and do not include any services that could compromise independence as described in those rules.

12.1. External auditors' Statement of Reasons – EY

The rendering of other professional services not related to external auditing, described above, does not affect the independence nor the objectivity in conduct of external auditing examinations made on Grendene S.A. and its subsidiaries. Grendene's operational policy in provision of services not related to external auditing is based on the principles that preserve the independence of the External Auditor, and all these principles were complied with in provision of the said services.

IV. Capital markets and corporate governance

1. Capital markets

In 2020 a total of 444.8 million common shares were traded (equal to 1.65 times the free float), in 1.4 million trades, with total financial volume of R$ 3.7 billion. Daily averages were: quantity: 1,786,473 common shares (0.66% of the free float); financial volume: R$ 14.9 mn; number of trades: 5,656.

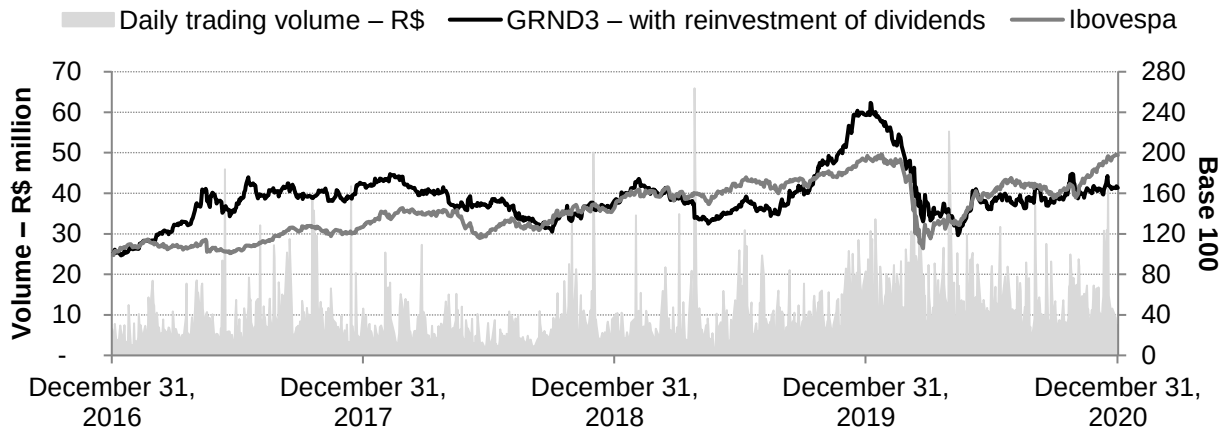
In full-year 2020 the price of Grendene's shares (GRND3) fell by 30.1%, when reinvestment of dividends is included, and the share price varied with a minimum of R$ 5.95 on May 14, 2020 and a maximum of R$ 12.99 on January 7. Over the same period (full-year 2020), the Ibovespa index rose by 2.9%. The dividend yield calculated on the basis of the weighted average price of the share in 2020 was 2.7% p.a. (6.7% p.a. in 2019).

This table gives the number of shares traded, financial volume, and daily average trading:

Year	No. of trading sessions	No. of trades	Number of shares	Volume R$	Price R$		Average number of shares		Average volume, R$	
					Weighted average	Closed	Per trade	Daily	Per trade	Daily
2017	246	381,336	264,217,200	2,202,354,443	8.34	9.48	693	1,074,054	5,775	8,952,660
2018	245	530,403	207,637,700	1,710,201,770	8.24	8.20	391	847,501	3,224	6,980,415
2019	248	928,550	282,204,700	2,428,829,992	8.61	12.28	304	1,137,922	2,616	9,793,669
2020	249	1,408,309	444,831,700	3,714,553,078	8.35	8.38	316	1,786,473	2,638	14,917,884

This chart shows the performance of Grendene ON shares compared to the Bovespa index (Base: Dec. 31, 2016 = 100), and daily trading volume:

GRND3 – Daily trading volume and stock price vs. Ibovespa



On December 31, 2020 Brazilian institutional investors held 10.2% of the share capital of Grendene S.A. (34% of the free float); foreign investors held 11.1% (37.3%% of the free float); small investors including individuals and shares held in treasury totaled 8.7% (28.7% of the free float); and the other 70% of the share capital was owned by the controlling stockholders and managers.

Participation in share capital, %	2017	2018	2019	2020
Controlling stockholders and managers	71.9%	70.0%	69.9%	70.0%
Non-Brazilian investors	17.9%	15.2%	13.7%	11.1%
Institutional investors	6.5%	7.3%	9.2%	10.2%
Individuals	2.8%	7.0%	7.2%	8.4%
Other	0.9%	0.5%	0.0%	0.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

% of free float	2017	2018	2019	2020
Non-Brazilian investors	63.5%	51.4%	45.1%	37.3%
Institutional investors	23.2%	24.4%	30.7%	34.0%
Individuals	9.9%	23.3%	23.8%	28.1%
Public and private companies	3.4%	0.8%	0.3%	0.5%
Financial institutions	0.0%	0.1%	0.1%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

2. Dividends

2.1. Dividend Policy

For 2021, we maintain our policy, established on February 13, 2014 and published in a Material Announcement on that date, of distributing, as dividends, after the constitution of the Legal reserve and the Reserve under the Bylaws, the totality of such profits as do not originate from tax incentive arrangements with individual Brazilian states. We remind you that these dividends may be paid in the form of Interest on Equity, as allowed by the legislation.

Additionally, we will maintain our policy of quarterly distribution of dividends.

2.2. Dividends and Interest on Equity declared

Under Grendene's Bylaws, the minimum obligatory dividend is calculated as 25% of the net profit remaining for the year after payments to the reserves specified by law.

This table shows the totals for payment of Interest on Equity, and dividends:

R$ mn	2017	2018	2019 Re-presented	2020
Minimum dividend - 25%	96.7	82.7	134.1	54.9
Additional dividend	281.1	232.4	402.4	164.6
Total	**377.8**	**315.1**	**536.5**	**219.5**

	2017	2018	2019 Re-presented	2020
Dividends + Net Interest on Equity, per share (R$)	0.3921	0.3278	0.5766	0.2252
Payout, % (*)	55.2%	52.0%	65.7%	51.6%
Dividend yield, % (**)	4.7%	4.0%	6.7%	2.7%

(*) Payout: (Dividend plus net Interest on Equity), divided by (net profit after constitution of the legal reserves).

(**) Dividend yield: (Dividend per share + net Interest on Equity per share in the period) divided by (weighted average price of the share in the period, annualized).

Under the Bylaws and the present dividend policy, based on the amount demonstrated below, management proposes allocation of the net profit for the 2020 business year, and distribution of the remaining balance relating to the business year 2019 due to the events recorded in the Material Announcement of November 20, 2020 as follows:

I. **R$ 260,779,579.07** as the balance of dividends for the 2019 business year; and

II. **R$ 219,529,373.03** as complementary dividends for the 2020 business year.

The sum of these amounts is a total of **R$ 480,308,952.10**, which after deduction of the quarterly interim payment of gross amount **R$ 21,521,546.57** (dividends), results in a balance of **R$ 458,787,405.53**, which the Company will pay, subject to confirmation by the Annual General Meeting that approves the accounts for the business year 2020, as from **May 12, 2021** as follows:

a) **R$ 110,000,000.00** as Interest on Equity (gross), which is imputed as part of and on account of the dividend (net amount R$ 93,500,000.00);

b) **R$ 348,787,405.53** (R$ 260,779,579.07 being the balance for 2019 and R$ 88,007,826.46 for the 2020 business year) as complementary dividends.

The Interest on Equity, and the complementary dividends, will be payable to holders of record (GRND3) inscribed on April 22, 2021 (the cut-off date). As from this date, the credits of Interest on Equity will be credited individually to stockholders, with retention of the income tax applicable at source, in accordance with the legislation. Thus Grendene shares (GRND3) will be traded ex-dividend and ex-Interest on Equity on April 23, 2021 on the B3 (São Paulo stock exchange).

Basis for the distribution of dividends in 2019 (Re-presentation)

Grendene S.A. (Holding company)	R$
Net profit for the year	819,217,543.91
(–) Tax Incentives reserve	(254,503,221.42)
Basis for calculation of the Legal reserve	564,714,322.49
(–) Constitution of Legal reserve	(28,235,716.12)
Amount of the dividend resulting from the whole business year 2019 (Interest on Equity + Dividends)	536,478,606.37
(-) Distribution of dividends and Interest on Equity	(275,699,027.30)
Balance available for distribution for the 2019 business year	**260,779,579.07**
Minimum mandatory dividend – 25%	*134,119,651.59*
Dividend proposed in excess of the obligatory minimum dividend	*402,358,954.78*

Basis for the distribution of dividends in 2020

Grendene S.A. (Holding company)	R$
Net profit for the year	405,205,580.69
(–) Tax Incentives reserve	(174,122,030.13)
Basis for calculation of the Legal reserve	231,083,550.56
(–) Constitution of Legal reserve	(11,554,177.53)
Amount of the dividend resulting from the whole business year 2020 (Interest on Equity + Dividends)	219,529,373.03
(–) Interim distribution of dividends on November 18, 2020	(21,521,546.57)
Balance available for distribution for the 2020 business year	**198,007,826.46**
Minimum mandatory dividend – 25%	*54,882,343.26*
Dividend proposed in excess of the obligatory minimum dividend	*164,647,029.77*

Allocation of the proposed corporate action payments (Interest on Equity and Dividends)

Grendene S.A. (Holding company)	R$
Total of dividends and Interest on Equity proposed by management (balance for the business years 2019 and 2020)	**480,308,952.10**
(–) Interim dividends paid in 2020	(21,521,546.57)
(=) Balance available for the 2019 and 2020 business years	**458,787,405.53**
Balance to be distributed in the form of dividends	348,787,405.53
Balance to be distributed in the form of Interest on Equity	110,000,000.00
(–) Income tax withheld at source (15%)	(16,500,000.00)
(+) Interest on Equity net of tax	93,500,000.00

Dividends + Interest on Equity distributed / proposed							
Dividends + Interest on Equity	**Date approved**	**Ex-dividend date**	**Date of start of payment**	**Gross value R$**	**Gross value per share R$**	**Net value R$**	**Net value per share R$**
Dividend [1]	October 29, 2020	November 6, 2020	November 18, 2020	21,521,546.57	0.023872975	21,521,546.57	0.023872975
Dividend [1]	March 4, 2021	April 23, 2021	May 12, 2021	348,787,405.53	0.386895657	348,787,405.53	0.386895657
Interest on Equity [1 and 2]	March 4, 2021	April 23, 2021	May 12, 2021	110,000,000.00	0.122018518	93,500,000.00	0.103715740
Total				**480,308,952.10**	**0.532787150**	**463,808,952.10**	**0.514484372**

[1] Dividends approved subject to approval by the Annual General Meeting of Stockholders that considers the financial statements for the 2020 business year.

2 Value per share subject to alteration depending on the balance of shares in treasury on the cutoff date (April 22, 2021).

3. Statement by the Executive Board

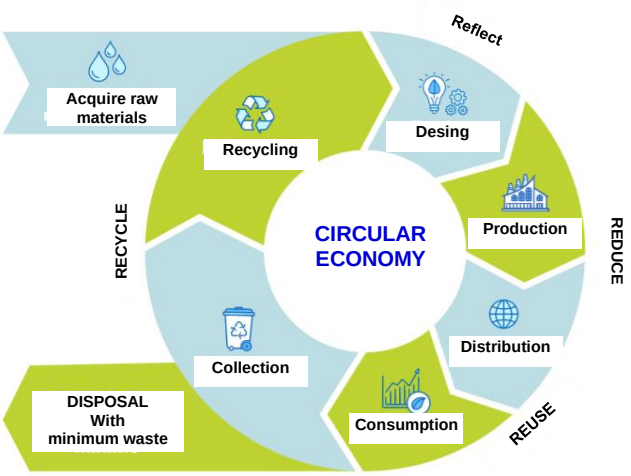
We declare, as Statutory Officers of Grendene SA, in accordance with CVM Instruction No. 480, of December 7, 2009, Subsection III - Financial Statements, item VI of article 25, that we have reviewed, discussed and agreed with the information presented in the Financial Statements of the Company and its subsidiaries (Consolidated), referring to the fiscal years ended on December 31, 2020 and 2019 (Re-presented).

V. Sustainable Development

2020 was a challenging year in our operations, but even with the pandemic we remained firm in delivery of our plans for sustainable development, under the guidelines of our Sustainable Development Policy.

The Circular Economy

With an eye to our future and the future of the planet, **We are committed to constant awareness and development** of the way we manufacture our products and manage our operations and materials. The concept of the circular economy helps to create a model that is prosperous for a more sustainable world.



In the circular economy, products already used or reused, and unable to be used any further, are transformed into something new. That is to say, the objective is that materials continue to be used instead of being wrongly thrown away (ending up, for example, in landfills).

Since October 2019 the 340 *Clubs* and all the *Galerias* of the ***Melissa*** brand have been receiving footwear products that are no longer usable, as gifts or for exchange, so as to provide a better for them in the future: this is recycling. One year later, commemorating the launch of the program, **Melissa Flox M** was born – manufacture from the products that had been collected.

The manufacturing process involves various stages after receipt of the products, such as the logistics for sending the footwear back to the manufacturing plants, separation of pairs by color and components, and milling of the materials to be used in production of new Melissa products.

In 2020, our ***Rider*** brand launched its first collection of lesser impact: the **Rider R4 Program.** This is based on the idea that it is possible to do something new through sustainable design. Four iconic products of the brand were recreated, based on production guided by “the four Rs” – *Reduce, Reuse, Recycle* and *Re-create the future*. The models are vegan, produced with up to 82% of recycled material, from factory waste and PET bottles.

Accompanying all these new products, a partnership was signed between ***Rider*** and ***Melissa***. Now all *Clubes Melissa* will be able also to accept and collect any ***Rider*** products that are no longer usable, reusable or able to be donated.

Material announcements

In June we published our first **Grendene Sustainability Report**, created under the guidelines of the *Global Reporting Initiative* (GRI). A significant milestone for the Company. This report gives us the opportunity to publish the results of our Sustainable Development Policy, and our plans to achieve a more sustainable future.

The ***Melissa*** and ***Ipanema*** brands were highlighted in the **Brazil Fashion Transparency Index** (*Índice de Transparência da Moda Brasil*), published by the *Fashion Revolution Brasil* movement.

This index reports a ranking of the publication of data, by 40 large brands and retailers of the Brazilian market, on their social and environmental policies, practices and impacts. Among other factors, the assessment takes into consideration aspects such as: working conditions, racial and gender equality, greenhouse gas emissions, disposal of waste, recycling, and circularity.

In 2020 we began to quantify our greenhouse gas emissions and published our first bold CO_2 Equivalent Emissions Inventory. For the first time, we took part in the questionnaire organized by **CDP** (the *Carbon Disclosure Project*, of the UK).

CDP publishes environmental data of companies at the request of groups of investors and clients. Its mission is to establish a prosperous economy that functions in the long term for people and the planet.

In this first year, we obtained a Climate Change **C Rating** from CDP. We were assessed for our gas emissions through consumption of electricity, fuels, refrigerant gases, among other factors.

The following topics provide information on our indicators for energy, wastes and water:

As from 2020, the data presented refer to the Company's global result – and because of this we are re-presenting the data for 2018 and 2019. We include management aspects, and development in environmental performance indicators.

Energy efficiency: Through monitoring and control of processes, together with management of industrial indicators, we achieved reduction of 3.7% in energy consumption, in kWh/pair, from 2019 to 2020. This is equivalent to a yearly reduction of 3,425 MWh, corresponding to avoiding production of 196.24 tons of CO_2 equivalent* (tCO_2).

Own consumption of electricity	2018	2019	2020	Change, 2019–2020
Annual consumption (GWh)	115,269,454	100,756,580	92,127,784	(8.6%)
Consumption of electricity (kWh/pair)	0.664	0.670	0.646	(3.7%)

With the responsibility to use carbon-free energy, our photovoltaic solar generation plant in our unit at Sobral (Ceará State) generated 3,879 MWh in the period from June 2018 to December 2020, corresponding to elimination of 267.98 tCO_2 equivalent*.

* *Basis of calculation: Brazilian National CO_2 Equivalents Inventory, as calculated under the current structure of Brazilian supply. Average for January-November 2020.*
(Available at: https://www.mctic.gov.br/mctic/opencms/ciencia/SEPED/clima/textogeral/emissao_despacho.html. Accessed on January 19, 2020).

Management of wastes: Our principal raw material, PVC, is a continued-use material, and 100% recyclable, and we have our own technology for recycling. Industrial wastes that are not reused are allocated to external recycling or co-processing (use for energy), which results in zero industrial wastes sent to landfills.

Due to the Covid-19 pandemic, we have included new procedures relating to hygiene and care for our employees. In accordance with municipal decrees, we have removed electric hand dryers and replaces them with paper towels in all units. In the restaurant rooms, we now deliver food in individual packaging. As a further contribution to virus prevention, we practice daily disposal of all paper and cloth used in

cleaning of workstations and tools. All these actions have resulted in excellent control of the spread of Covid-19, but as a consequence, common waste generated per employee has increased by 32%.

In 2020, we developed a new polymer in our products, and until this process is stabilized, this will have an impact on our generation of this material.

	2018	2019	2020	Change, 2019–2020
Waste (grams/pair)	9.21	9.27	9.37	1.08%

Water consumption: Our industrial operations are in an arid region, which strengthens our efforts to increase availability of water – and consequently reduce our water-consumption footprint.

a) We re-used 88 million liters of wastewater. The re-used water is currently employed in toilet flushing, and for irrigation of the Company's green area and gardens.
b) We currently have one of the lowest water-consumption footprints in footwear production.
c) Approximately 75% of the consumption of water is for human use.

Target achieved

In December, we achieved our target of 100% reuse in our industrial operations. Through this volume of reuse, we have increased availability of water in the communities where we operate.

In 2020, we have improved our system of monitoring data on water consumption. We invested in IOT systems, for instantaneous report of information. One of the greatest benefits of this system is identification of variations in consumption from expected levels, enabling action to be taken fast.

	2018	2019	2020	Change, 2019–2020
Consumption of drinking water (liters/pair)	1.58	1.67	1.74	4.2%

Sustainable development audits and certifications for operations

GOLD

We are regularly audited by the Brazilian Textile Retailers' Association (ABVTex), which attests to practices in the whole of our production chain. In our latest audit, in October this year, we were recognized with the **ABVTex Gold Seal**, the highest score in this process.

This year we were also audited by **SMETA** (*Sedex Members Ethical Trade Audit*), one of the world's most widely recognized audits of ethics and social responsibility. The excellent results in these audits attest to our commitment to ethical work practices and responsible production, with improved impact for the planet, people and the business.

VEGAN: All **Grendene** footwear is registered with the Vegan Society and bears the **Vegan Seal.** This seal is recognized worldwide and is granted by the Vegan Society (headquartered in the UK), which grants registration of vegan products all over the world. The Seal certifies that Grendene footwear does not contain any component of animal origin, and that we do not carry out any tests on animals.

More information: http://www.grendene.com.br/sustainability

VI. Human resources

As part of the Company's principles, Grendene recognizes a protagonist attitude taken by people for their growth. This is why people are at the center of everything we do. We believe that when people grow, we also grow, and it is through respect that we build the relationship with our employees.

Challenges that are shared by **Grendene**'s HR department and *Universidade Grendene* include developing and updating the employees' knowledge, skills and abilities to ensure that business and human abilities are maintained, and continuous training of managers for the exercise of leadership.

Our Human Resources area has the mission of contributing to the strategy of the business, through integrated and competitive actions in people management. Aligned with our values, we give priority to professional realization – both individually and as a part of a team, through constant feedback, education programs and training. We also encourage the collaborative environment, and balance between professional and personal life.

In other words, we work hard in our human resources initiatives, mainly on the culture of learning. The return on the investment in our people is reflected in the Company's low turnover, and in the maintenance of its track record of good results.

Social and corporate data	2017	2018	2019	2020
Employees (average/yr)	20,080	20,240	18,809	18,340
Hours of training (per employee)	86	65	76	68
Meals (year)	5,247,901	5,147,132	4,363,688	2,896,659
Employees with special needs	1,012	1,001	948	847
Dental service (appointments/year)	17,822	13,530	14,685	3,521
Absenteeism	1.83%	2.01%	1.71%	3.47%
Turnover (month)	1.49%	1.53%	1.29%	1.75%
"Basic food baskets" distributed (units/yr) *	233,419	244,012	220,066	210,374

(*) Grendene's policy for distribution of "basic food baskets" aims to reinforce the employee's food security. It has been adopted since 1990. The nutritional value of this 'basic basket' is maintained over time, with a varying set of options in the items offered. All the employees and interns of Grendene, without distinction, receive it after the first month of work, until they leave the Company.

Grendene University (Universidade Grendene – UG)

Since 2005, Grendene has been investing in and improving its corporate education, based on the needs of employees and the business. We are focused on optimization of employees' potential, through an integrated system of training and development, aligned with the Company's values.

The structure of the Grendene University includes educational schools and solutions that set out the central issues for knowledge and Grendene technical and behavioral learning.

One of our highlights in 2020 has been the expansion of online training, boosted by the scenario of pandemic and social isolation.

Through learning methodologies, constructive collective work and themes linked to the needs of the business and of people, we boost organizational efficiency, and innovation. We also encourage employees to take home the knowledge that they acquire at Grendene and share it with their family and the community.

Appendix I

OPINION OF THE AUDIT BOARD

The Audit Board of Grendene S.A., in compliance with the provisions of law and the Bylaws, has examined the Report of Management and the Individual Financial Statements of the Company (Holding company) prepared in accordance with accounting practices adopted in Brazil, and the Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) for the business year ended Thursday, December 31, 2020, which were approved by the Company's Board of Directors on March 4, 2021. Based on our reviews, and further considering the report of Ernst & Young Auditores Independentes S.S., without qualification, dated March 4, 2021, and the information and explanations received during the business year, it is the opinion of this Audit Board that the said documents are in the proper condition to be considered by the Annual General Meeting of Stockholders.

Farroupilha, March 4, 2021.

João Carlos Sfreddo
Member of the Audit Board

Eduardo Cozza Magrisso
Member of the Audit Board

Herculano Aníbal Alves
Member of the Audit Board

Appendix II

Grendene®

Parent company and consolidated financial statements for the years ended December 31, 2020 and 2019.

Grendene®

Financial statements
December 31, 2020 and 2019

INDEX

Independent auditor's report on individual and consolidated financial statements

To the Shareholders, Board of Directors and Officers of
Grendene S.A.
Sobral - CE

Opinion

We have audited the individual and consolidated financial statements of Grendene S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2020, and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Grendene S.A. as at December 31, 2020, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy ("CFC") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis - Restatement of corresponding individual and consolidated figures

As mentioned in Note 2.e) to the individual and consolidated financial statements, with the registration of PIS and Cofins tax credits arising from a final unappealable court decision on February 13, 2019, which released the Company from the obligation to include ICMS in the PIS and Cofins tax bases, and other reclassifications as described in that Note, the prior year corresponding figures, presented for comparison purposes, have been adjusted and are being restated to reflect these changes, as defined in NBC TG 23 (IAS 8) - Accounting Policies, Changes in Accounting Estimates and Correction of Errors. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

<u>Exclusion of ICMS from the PIS and COFINS contribution tax bases</u>

As discussed in Note 2.e), in February 2019, the Company obtained a final unappealable court decision which released it from the obligation to include ICMS in the PIS and Cofins tax bases, thus, ensuring the right to offset the amounts paid in the period from April 2002 to February 2019. In September 2019, the Brazilian Revenue Service (RFB) approved the Company's habilitation claim for this credit. Accordingly, the Company recorded PIS and COFINS tax credits totaling R$462,831 thousand, including principal and inflation adjustment, which were measured considering management's judgments and assumptions; in addition, the process of measuring such credits involved a significant volume of operations.

This was considered a key audit matter given the significance of the amounts involved and the existence of critical judgment by management, supported by the opinion of legal and tax advisors, in measuring the impacts resulting from the final unappealable proceeding, as well as the capacity to realize the tax credits.

How our audit addressed this matter

Our audit procedures included, among others: understanding management's process for measuring and recognizing the tax credits, together with our tax experts; reviewing, with the assistance of our tax and legal experts, the documentation relating to the final unappealable court decision, as well as the legal opinions issued in connection with the subject; reperforming the calculation of tax credits determined by the Company on a sample basis, including a review of the supporting documentation of the items selected for testing, together with the performance of substantive analytical audit procedures; reviewing the estimated tax credit recovery prepared by management; and reviewing the disclosures made by the Company regarding the subject in the footnotes.

Based on the result of the audit procedures carried out, which are consistent with management's assessment, we consider that the criteria and assumptions adopted by management for measuring and recognizing the related tax credits, as well as the respective disclosures in Note 2.e), are acceptable, in the context of the individual and consolidated financial statements taken as a whole.

Sales revenues recognition

The Company produces and ships daily a large number of products ordered by its customers, which are grouped according to orders and transported by independent carrier trucks, delivered to all regions of the country.

In view of the large volume sales and number of customers, and the significance of the respective amount recorded in its financial statements, the Company controls the product delivery confirmation to account for these revenues in the appropriate accrual period. The determination of the amount of revenue to be recognized, as well as the timing of its recognition, requires Company management to carry out a detailed analysis of the sales terms and conditions, in addition to involving the use of professional judgment. This professional judgment can lead to the risk of early recognition of revenue, especially with regard to the monthly accounting closing period. The disclosure of revenues earned by the Company is included in Note 22 and its recognition criteria are described in Note 4 (a).

Due to these aspects, we consider revenue recognition a key audit matter.

How our audit addressed this matter:

Our procedures included, among others: (i) the assessment of the design and the operational effectiveness of the key controls implemented by the Company on determining the timing of revenue recognition; (ii) analysis of the monthly changes in revenue balances recognized by the Company in order to assess the existence of variations contrary to our expectations established based on our knowledge of the sector and the Company; and (iii) for a sample of sales recorded in the year, we obtained the respective supporting documentation to assess whether the revenue was recognized in the appropriate accounting period.

Additionally, we performed audit tests on sales transactions carried out at the end of the year in order to confirm the consistency of the application of the accounting policy for revenue recognition, having identified an audit adjustment indicating the need to reverse certain revenues and costs recognized in advance by the Company in the cut-off period, which was not adjusted by the Company due to its immateriality on the financial statements taken as a whole.

Deficiencies in the design of internal controls related to the cut-off in revenue recognition that resulted in the adjustment identified by the aforementioned audit, altered our assessment as to the nature, timing and expanded the scope of our planned substantive procedures to obtain sufficient and appropriate audit evidence regarding Company's revenues. Based on the foregoing, based on the results of the audit procedures performed, which are consistent with management's assessment, we considered the estimates prepared by management to be acceptable, as well as the related disclosures in Notes 22 and 4(a) in the context of the financial statements taken as a whole.

<u>Government grants</u>

As mentioned in Note 16, the Company benefits from a tax incentive related to State VAT (ICMS) arising from the Program to Encourage the Industrial Development (PROVIN) on its activities located in the state of Ceará.

This incentive represents part of the Company's consolidated net revenue and its recognition arises from compliance with the conditions established in the agreements, among which are the compliance with specific clauses related to the corresponding requirements and the effectiveness of the respective programs.

In this context, we consider this a key audit matter due to the significance of the tax benefit amounts when compared to the result of its operations and the necessary rigor to comply with the requirements of each of the agreements, in addition to the process of determining these incentives, which require controls and criteria to comply with current legislation.

How our audit addressed this matter:

Our procedures included, among others: (i) the understanding and tests in the calculations for determining the benefit; (ii) the analysis of the documentation to fulfill the conditions for the enjoyment of said tax incentive; and (iii) checking the reasonableness of sales taxes and the tax benefit recognized under Revenues, in comparison to the net sales revenue.

Based on the result of the audit procedures carried out, which is consistent with management's assessment, we consider the policies adopted by management for the recognition and measurement of government grants appropriate to support judgments, estimates and information contained therein in the context of the financial statements taken as whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for year ended December 31, 2020, prepared under the responsibility of Company's management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – Statement of Value Added. In our opinion, the individual and consolidated statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined abovementioned accounting pronouncement and are consistent in relation to the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for such other information, which comprise the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the scope and timing of the planned audit procedures and significant audit findings, including deficiencies in internal control that we may have identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Porto Alegre, March 04, 2021.

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP015199/O-6

Guilherme Ghidini Neto
Accountant CRC-RS 067795/O-5

Grendene

Balance sheet
December 31, 2020 and 2019
(All amounts in thousands of reais)

	Note	Parent company		Consolidated	
		2020	2019 Re-presented	2020	2019 Re-presented
Assets					
Current assets					
Cash and cash equivalents		**5,248**	5,984	**19,162**	18,072
Financial investments	6	**1,483,706**	1,314,338	**1,483,706**	1,314,338
Trade receivables	7	**1,170,084**	912,136	**1,162,538**	908,297
Inventories	8	**295,919**	258,263	**316,360**	277,106
Tax credits	9	**155,443**	163,238	**159,645**	167,216
Income tax and social contribution recoverable		**736**	-	**1,140**	276
Securities receivable	16	**12,221**	19,026	**12,280**	19,063
Costs and prepaid expenses		**7,094**	4,323	**10,293**	7,719
Other receivables		**37,034**	22,295	**37,750**	22,407
Total current assets		**3,167,485**	2,699,603	**3,202,874**	2,734,494
Non-current assets					
Long-term receivables:					
Financial investments	6	**498,004**	796,047	**498,004**	796,047
Judicial deposits		**1,243**	1,096	**1,312**	1,164
Tax credits	9	**334,736**	368,394	**334,736**	368,394
Income tax and social contribution recoverable		**16,852**	14,584	**16,852**	14,584
Deferred income tax and social contribution	17	**32,259**	49,876	**31,560**	49,287
Advance against future capital increase in subsidiary		**-**	5,860	**-**	-
Securities to receive	16	**38,958**	37,247	**38,958**	37,247
Other receivables		**1,979**	850	**11,008**	7,390
		924,031	1,273,954	**932,430**	1,274,113
Investments	10	**60,401**	42,375	**12,091**	412
Property, plant and equipment	11	**386,766**	391,641	**491,638**	484,823
Intangible assets	12	**33,044**	29,695	**36,673**	32,339
Total non-current assets		**1,404,242**	1,737,665	**1,472,832**	1,791,687
Total assets		**4,571,727**	4,437,268	**4,675,706**	4,526,181

The effects re-represented are described in Note 2, letter e.
The accompanying notes are an integral part of these financial statements.

Grendene

Balance sheets
December 31, 2020 and 2019
(All amounts in thousands of reais)

	Note	Parent company		Consolidated	
		2020	2019 Re-presented	2020	2019 Re-presented
Liabilities					
Current liabilities					
Borrowings	13	**577**	77,110	**577**	77,110
Leasing contracts	13	**-**	-	**20,366**	15,768
Trade payables		**78,163**	30,296	**81,441**	31,036
Contractual obligations - Licensing		**18,484**	16,259	**24,113**	20,641
Commissions payable		**59,361**	45,080	**59,710**	45,191
Taxes and contributions		**46,000**	39,568	**46,077**	39,752
Income tax and social contribution payable		**7,063**	115,223	**7,063**	115,223
Salaries and social security charges payable		**55,092**	53,941	**56,463**	55,666
Provision for labor risks, tax and civil	14	**2,807**	2,772	**2,818**	2,780
Minimum mandatory dividend payable		**33,361**	-	**33,361**	-
Advances from clients		**18,048**	16,854	**18,860**	17,181
Other payables		**56**	403	**180**	465
Total current liabilities		**319,012**	397,506	**351,029**	420,813
Non-current liabilities					
Borrowings	13	**9,244**	18,082	**9,244**	18,082
Leasing contracts	13	**-**	-	**70,590**	64,205
Trade payables		**13,019**	14,600	**13,019**	14,600
Provision for labor risks	14	**284**	381	**284**	381
Other debits		**-**	-	**1,372**	1,401
Total non-current liabilities		**22,547**	33,063	**94,509**	98,669
Equity	15				
Share capital		**1,231,302**	1,231,302	**1,231,302**	1,231,302
Capital reserves		**3,275**	6,658	**3,275**	6,658
Revenue reserves		**(4,945)**	(3,928)	**(4,945)**	(3,928)
Treasury shares		**2,968,738**	2,752,717	**2,968,738**	2,752,717
Other comprehensive income		**31,798**	19,950	**31,798**	19,950
Total equity		**4,230,168**	4,006,699	**4,230,168**	4,006,699
Total liabilities and equity		**4,571,727**	4,437,268	**4,675,706**	4,526,181

The effects re-represented are described in Note 2, letter e.
The accompanying notes are an integral part of these financial statements.

Grendene

Statements of income
December 31, 2020 and 2019
(All amounts in thousands of reais, except earnings per share)

	Note	Parent company		Consolidated	
		2020	2019 Re-presented	2020	2019 Re-presented
Net sales revenue	22	**1,873,204**	2,040,821	**1,896,785**	2,071,034
Cost of goods sold	24	**(1,017,965)**	(1,119,728)	**(1,022,330)**	(1,126,511)
Gross profit		**855,239**	921,093	**874,455**	944,523
Selling expenses	24	**(373,766)**	(470,580)	**(431,846)**	(530,825)
General and administrative expenses	24	**(72,725)**	(83,541)	**(77,471)**	(87,631)
Other operating income	25	**5,187**	291,365	**7,906**	291,576
Other operating expenses	25	**(20,366)**	(46,515)	**(23,870)**	(48,282)
Non-recurring expenses (Covid-19)	1.b	**(47,732)**	-	**(47,980)**	-
Equity in the results of subsidiaries	10.b	**(46,097)**	(43,208)	**5**	-
Operating profit before finance result and taxes		**299,740**	568,614	**301,199**	569,361
Finance result	26				
Finance income		**377,827**	495,800	**378,478**	496,467
Finance costs		**(239,065)**	(120,903)	**(241,065)**	(122,059)
		138,762	374,897	**137,413**	374,408
Profit before taxation		**438,502**	943,511	**438,612**	943,769
Income tax and social contribution	17				
Current		**(15,679)**	(118,940)	**(15,679)**	(118,940)
Deferred		**(17,617)**	(5,354)	**(17,727)**	(5,612)
		(33,296)	(124,294)	**(33,406)**	(124,552)
Profit for the year		**405,206**	819,217	**405,206**	819,217
Total comprehensive income attributed to:					
Controlling interests		**405,206**	819,217	**405,206**	819,217
Profit per share					
Basic earnings per share	15.g	**0.4494**	0.9084	**0.4494**	0.9084
Diluted earnings per share	15.g	**0.4491**	0.9070	**0.4491**	0.9070

The effects re-represented are described in Note 2, letter e.
The accompanying notes are an integral part of these financial statements.

Grendene

Statements of comprehensive income
December 31, 2020 and 2019
(All amounts in thousands of reais)

	Parent company		Consolidated	
	2020	2019 Re-presented	2020	2019 Re-presented
Profit for the year	**405,206**	819,217	**405,206**	819,217
Items potentially reclassifiable to the Statement of income in the future:				
Exchange differences on subsidiaries abroad	**11,848**	1,794	**11,848**	1,794
Comprehensive income for the year, net of taxes	**417,054**	821,011	**417,054**	821,011
Total comprehensive income attributed to:				
Controlling interests	**417,054**	821,011	**417,054**	821,011

The effects re-represented are described in Note 2, letter e.
The accompanying notes are an integral part of these financial statements.

(A free translation of the original in Portuguese)

GRENDENE S.A.

Statements of changes in equity
December 31, 2020 and 2019
(All amounts in thousands of reais)

			Capital reserves			Income reserves				Comprehensive income		
		Share capital	Options granted	Gains from sale of treasury shares	Treasury shares	Legal reserve	Reserve for the acquisition of shares	Tax incentives	Additional proposed dividends	Retained earnings	Other comprehensive income	Total
On December 31, 2018		1,231,302	9,109	-	(15,565)	165,353	31,915	1,900,838	123,934	-	18,156	3,465,042
Total comprehensive income		-	-	-	-	-	-	-	-	*819,217*	*1,794*	*821,011*
Profit for the year		-	-	-	-	-	-	-	-	819,217	-	819,217
Exchange differences on subsidiaries abroad	10.b	-	-	-	-	-	-	-	-	-	1,794	1,794
Purchase of treasury shares	15.c	-	-	-	(3,928)	-	-	-	-	-	-	(3,928)
Change of the stock option or purchase subscription plan:												
Stock options exercised in the exercise	15.c	-	-	(15,565)	15,565	-	-	-	-	-	-	-
Sale of treasury shares through exercise of purchase options	21	-	-	6,660	-	-	-	-	-	-	-	6,660
Result on sale of shares related to the stock option or subscription plan	21.b	-	(6,758)	8,905	-	-	(2,147)	-	-	-	-	-
Expenses with stock option or subscription plan	21.b	-	4,307	-	-	-	-	-	-	-	-	4,307
Proposed appropriations:												
Tax incentives reserve	15.d	-	-	-	-	-	-	254,503	-	(254,503)	-	-
Legal reserve	15.d	-	-	-	-	28,235	-	-	-	(28,235)	-	-
Dividends distributed	15.f	-	-	-	-	-	-	-	(13,434)	(145,959)	-	(159,393)
Additional proposed dividends	15.f	-	-	-	-	-	-	-	19,741	(19,741)	-	-
Additional proposed dividends in 2020 (Re-presented)	15.f								260,779	(260,779)	-	-
Interest on Equity distributed	15.f	-	-	-	-	-	-	-	(110,500)	-	-	(110,500)
Interest on Equity (counted as part of total dividends)	15.f	-	-	-	-	-	-	-	93,500	(110,000)	-	(16,500)
On December 31, 2019		**1,231,302**	**6,658**	**-**	**(3,928)**	193,588	**29,768**	**2,155,341**	374,020	**-**	**19,950**	4,006,699
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***405,206***	***11,848***	***417,054***
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**405,206**	**-**	**405,206**
Exchange differences on subsidiaries abroad	10.b	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,848**	**11,848**
Purchase of treasury shares	15.c	**-**	**-**	**-**	**(16,079)**	**-**	**-**	**-**	**-**	**-**	**-**	**(16,079)**
Change of the stock option or purchase subscription plan:												
Stock options exercised in the exercise	15.c	**-**	**-**	**(15,062)**	**15,062**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Sale of treasury shares through exercise of purchase options	21	**-**	**-**	**5,543**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,543**
Result on sale of shares related to the stock option or subscription plan	21.b	**-**	**(4,957)**	**9,519**	**-**	**-**	**(4,562)**	**-**	**-**	**-**	**-**	**-**
Expenses with stock option or subscription plan	21.b	**-**	**1,574**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,574**
Proposed appropriations:												
Tax incentives reserve	15.d	**-**	**-**	**-**	**-**	**-**	**-**	**174,122**	**-**	**(174,122)**	**-**	**-**
Legal reserve	15.d	**-**	**-**	**-**	**-**	**11,554**	**-**	**-**	**-**	**(11,554)**	**-**	**-**
Dividends distributed	15.f	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(19,741)**	**(21,521)**	**-**	**(41,262)**
Minimum mandatory dividend	15.f	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(33,361)**	**-**	**(33,361)**
Additional proposed dividends	15.f	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**54,648**	**(54,648)**	**-**	**-**
Interest on Equity distributed	15.f	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(93,500)**	**-**	**-**	**(93,500)**
Interest on Equity (counted as part of total dividends)	15.f	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**93,500**	**(110,000)**	**-**	**(16,500)**
On December 31, 2020		**1,231,302**	**3,275**	**-**	**(4,945)**	**205,142**	**25,206**	**2,329,463**	**408,927**	**-**	**31,798**	**4,230,168**

The effects re-represented are described in Note 2, letter e.
The accompanying notes are an integral part of these financial statements.

Grendene

Statements of cash flows
December 31, 2020 and 2019
(All amounts in thousands of reais)

	Parent company		Consolidated	
	2020	2019 Re-presented	2020	2019 Re-presented
Cash flows from operating activities				
Profit for the year	**405,206**	819,217	**405,206**	819,217
Adjustments to reconcile results to cash generated by operating activities:				
Equity in the results of subsidiaries	**46,097**	43,208	**(5)**	-
Depreciation and amortization	**64,181**	63,684	**88,049**	77,222
Deferred income tax and social contribution	**17,617**	5,354	**17,727**	5,612
Residual value after write-down the property, plant and equipment and intangible	**1,813**	3,925	**2,019**	4,006
Stock option or subscription plan	**1,574**	4,307	**1,574**	4,307
Reducing accounts receivable from clients	**32,933**	8,439	**33,163**	8,153
Estimated losses for obsolete inventories	**(5,069)**	(2,305)	**(2,419)**	(519)
Provision for labor, tax and civil risks	**(62)**	(513)	**(59)**	(882)
Interest expenses on loans, financings and leasing contracts	**878**	1,484	**486**	4,790
Interest income on financial investments	**(84,826)**	(143,763)	**(84,826)**	(143,763)
Fair value of equity financial investments	**(74,824)**	-	**(74.824)**	-
Tax credits arising from legal action	**-**	(496,035)	**-**	(496,035)
Provision for tax on the credits arising from the legal action	-	119,680	-	119,680
Provision of services relating to legal action	-	17,791	-	17,791
Foreign exchange variations, net	**50,898**	6,878	**58,406**	7,890
	456,416	451,351	**444,497**	427,469
Changes in assets and liabilities:				
Trade receivables	**(290,881)**	34,853	**(287,404)**	27,764
Inventories	**(32,587)**	7,976	**(36,835)**	11,533
Tax credits	**41,453**	6,353	**41,229**	5,782
Other receivables	**(16,696)**	(13,391)	**(19,743)**	(13,663)
Trade payables	**46,286**	(13,901)	**48,824**	(14,250)
Salaries and social security charges payable	**1,151**	(15,912)	**797**	(15,456)
Taxes and contributions	**6,432**	(2.328)	**6,325**	(2.321)
Income tax and social contribution paid	**(108,160)**	(166)	**(108,160)**	(166)
Advances from clients	**1,194**	(2,263)	**1,679**	(2,255)
Other payables	**16,159**	2,888	**17,677**	2,389
Net cash provided by operating activities	**120,767**	455,460	**108,886**	426,826
Cash flows from investing activities:				
Investment in subsidiaries and affiliated company	**(46,415)**	(35,536)	**(11,674)**	-
Purchases of property, plant and equipment and intangible	**(64,468)**	(52,177)	**(66,247)**	(52,431)
Financial investments	**(2,804,483)**	(3,641,820)	**(2,804,483)**	(3,641,820)
Redemption of financial investments	**2,990,301**	3,490,409	**2,990,301**	3,490,409
Interest received of financial investments	**102,507**	145,185	**102,507**	145,185
Loss on disposal of investment	**-**	(5,860)	**-**	-
Net cash provided by (used in) investing activities	**177,442**	(99,799)	**210,404**	(58,657)
Cash flows from financing activities:				
New borrowings	**143,698**	328,358	**143,698**	328,358
Payments of loans, financings and leasing contracts	**(280,362)**	(393,370)	**(298,566)**	(407,271)
Interest paid on loans, financings and leasing contracts	**(483)**	(1,085)	**(1,534)**	(1,085)
Dividends paid	**(41,262)**	(159,393)	**(41,262)**	(159,393)
Interest on Equity paid	**(110,000)**	(130,000)	**(110,000)**	(130,000)
Purchase of treasury shares	**(16,079)**	(3,928)	**(16,079)**	(3,928)
Sale of treasury shares through exercise of purchase options	**5,543**	6,660	**5,543**	6,660
Net cash used in financing activities	**(298,945)**	(352,758)	**(318,200)**	(366,659)
Increase (decrease) in cash and cash equivalents	**(736)**	2,903	**1,090**	1,510
At the beginning of the year	**5,984**	3,081	**18,072**	16,562
At the end of the year	**5,248**	5,984	**19,162**	18,072
Item not affecting cash flow:				
Foreign exchange variations on investments	**(11,848)**	(1,794)	**-**	-
Right of use – initial recognition	**-**	-	**(6,926)**	(90,568)
Minimum mandatory dividend payable	**33,361**	-	**33,361**	-

The effects re-represented are described in Note 2, letter e.
The accompanying notes are an integral part of these financial statements.

Grendene

Statements of value added
December 31, 2020 and 2019
(All amounts in thousands of reais)

	Parent company				Consolidated			
	2020		2019 Re-presented		2020		2019 Re-presented	
Revenue								
Sales of goods	**2,139,177**		2,318,954		**2,165,142**		2,350,274	
Other income /expenses	**(627)**		285,033		**(135)**		285,002	
Provision for impairment of trade receivables	**(11,362)**		(9,801)		**(11,539)**		(9,519)	
	2,127,188		2,594,186		**2,153,468**		2,625,757	
Inputs acquired from third parties								
Raw materials used	**(585,552)**		(602,798)		**(571,850)**		(588,510)	
Other production costs	**(4,939)**		(4,535)		**(22,585)**		(24,608)	
Materials, electricity, outsourced services and other	**(458,521)**		(564,012)		**(481,128)**		(591,361)	
Impairment and recovery of assets	**5,069**		2,305		**2,955**		504	
	(1,043,943)		(1,169,040)		**(1,072,608)**		(1,203,975)	
Gross value added	**1,083,245**		1,425,146		**1,080,860**		1,421,782	
Retentions								
Depreciation and amortization	**(72,247)**		(61,861)		**(96,122)**		(75,397)	
	(72,247)		(61,861)		**(96,122)**		(75,397)	
Net value added	**1,010,998**		1,363,285		**984,738**		1,346,385	
Value added received through transfer								
Equity in the results of subsidiaries	**(46,097)**		(43,208)		**5**		-	
Finance income	**386,483**		511,873		**387,147**		512,568	
Rentals	**109**		105		**134**		105	
	340,495		468,770		**387,286**		512,673	
Value added to distribute	**1,351,493**		1,832,055		**1,372,024**		1,859,058	
Distribution of value added								
Personnel								
Direct compensation	**392,805**		436,342		**406,428**		449,153	
Benefits	**45,936**		49,938		**46,114**		50,152	
Government Severance Indemnity Fund for Employees (FGTS)	**35,783**		50,518		**36,004**		50,626	
	474,524	**35.11%**	536,798	29.30%	**488,546**	**35.61%**	549,931	29.58%
Taxes and contributions								
Federal	**182,357**		298,654		**183,868**		299,840	
State	**47,154**		52,536		**48,441**		53,392	
Municipal	**822**		895		**2,526**		3,258	
	230,333	**17.04%**	352,085	19.21%	**234,835**	**17.12%**	356,490	19.17%
Third-party capital remuneration								
Interest, discounts and financial charges	**239,065**		120,903		**241,065**		122,059	
Rentals	**2,365**		3,052		**2,372**		11,361	
	241,430	**17.86%**	123,955	6.77%	**243,437**	**17.74%**	133,420	7.18%
Remuneration of own capital								
Dividends	**109,530**		426,479		**109,530**		426,479	
Interest on Equity (counted as part of total dividends)	**110,000**		110,000		**110,000**		110,000	
Profits for the year	**185,676**		282,738		**185,676**		282,738	
	405,206	**29.99%**	819,217	44.72%	**405,206**	**29.53%**	819,217	44.07%
	1,351,493	**100%**	1,832,055	100%	**1,372,024**	**100%**	1,859,058	100%

The effects re-represented are described in Note 2, letter e.
The accompanying notes are an integral part of these financial statements.

1. General information

a) Operational Context

Mercado segment, trading under the ticker GRND3, on the São Paulo stock exchange (B3 S.A. – Brasil, Bolsa, Balcão). It began trading in 1971. Its head office is at Av. Pimentel Gomes 214, Sobral, Ceará State, Brazil. Grendene S.A. is controlled by Alexandre Grendene Bartelle.

The Company and its subsidiaries ('the Group') have the following principal activities: development, production, distribution and sale of plastic footwear for all the socio-economic classes, in the women's, men's and children's market segments.

The Group currently has five industrial plants, in three States of Brazil: Ceará, Bahia and Rio Grande do Sul. It owns the brands Melissa, Grendha, Zaxy, Rider, Cartago, Ipanema, Pega Forte and Grendene Kids.

b) Impacts of Covid-19

Management is monitoring the possible impacts of Covid-19 on the businesses of the Company and its subsidiaries. The Company does not see any risk to continuity of its businesses, nor to the accounting estimates and judgments made.

We highlight some of the actions taken to minimize the effects Covid-19: (i) Collective vacations given to employees for 21 days from March 23, 2020, for all the units in Brazil, for return to work in April, for the unit in the South, with 50% reduction in working hours and salaries; and in May, for the units of the Northeast, with reduction of 70% in working hours and salaries. The Company's activities were normalized, in all the units in Brazil, by July 13, 2020, obeying the municipal and state decrees in force, and also the Controlled Distancing Model of the State of Rio Grande do Sul and the Plan for Responsible Resumption of Economic Activities and Behavior of Ceará State; (ii) In the domestic market, 30 days' extension on receivables with due dates between March 23 and April 17, 2020, with no charge or penalty. In the second quarter we engaged in individual negotiations, including receivables from the export market, dealing with each case in accordance with the client's needs; *(iii)* Analysis of financial investments, no resulting losses of value have been identified; and *(iv)* Confirmation of the continuity of the investments by affiliated companies in real estate projects, no delays are expected, nor risks of non-execution.

1. General information--Continued

b) Impacts of Covid-19--Continued

However, even with these actions, there was an impact on our results. The fixed costs incurred in the second quarter, correlating with the significant fall in the Company's levels of production, were considered to be costs of plant idle time. In addition, the Company also incurred expenses on donations, and protective measures aiming to combat dissemination of the Coronavirus to ensure the safety of its employees, its clients and store owners, suppliers and society. This table shows these effects on the results of the Company and its subsidiaries:

	Parent company	Consolidated
Idle capacity costs	**(44,120)**	**(44,393)**
Donations	**(1,502)**	**(1,502)**
Expense on protection measures	**(2,110)**	**(2,085)**
	(47,732)	**(47,980)**

c) Authorization for issuance of the financial statements

Issuance of the Company's financial statements for the period ended December 31, 2020, was authorized by the Statutory Board on March 4, 2021.

2. Basis of preparation and presentation of the financial statements

Of the accounting policies presented on December 31, 2019, those which have changed are the result to updates of accounting rules which came into effect on January 1, 2020, and they do not present any significant effect on the individual and consolidated financial statements.

a) Statement of compliance

The parent company financial statements of the Company has been prepared in accordance with accounting policies adopted in Brazil and rules of the Brazilian Securities Commission (*Comissão de Valores Mobiliários* – CVM), obeying the accounting rules stated in the Brazilian Corporation Law legislation (Law 6.406 of 1976) and also International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

All the material information in the financial statements accounting information, and only that information, is being presented, and is the information used by the Company in its management.

2. Basis of preparation and presentation of the financial statements -- Continued

b) Basis of measurement

The financial statements have been prepared considering the historic cost as the basis of value, except in the case of certain financial instruments and the stock options plan, when applicable.

c) Functional currency and currency of presentation

These individual and consolidated financial statements are presented in Reais, which is the Company's functional currency.

d) Rules, and interpretations of rules, not yet in force

In 2020, the Accounting Pronouncements Committee (CPC) issued revisions to the following rules in effect:

Rules	Nature of change
IAS 1 / CPC 26 and IAS 8 / CPC 23 – Definition of "material"	Changes the definition of "material", clarifying aspects of the application of the concept of materiality in information published.
Review of Technical Pronouncement 15 – CPC 38, CPC 40 (R1) and CPC 48	Changes in technical pronouncements, arising from (i) the Reform of the Reference Interest Rate, and (ii) discontinuation of the use of Libor as a reference rate after 2021.
Revision of Technical Pronouncement 16 – IFRS 16 / CPC 6	Grants benefits related to Covid-19 to lessees, in leasing contracts.

The Company's management has assessed the alterations: they have no significant impacts on its financial statements.

The rules, revisions and interpretations issued by the IASB, but not yet adopted up to the reporting date of these financial statements, are as follows:

Rules	Nature of change	Comes into force
IFRS 17 – Insurance Contracts	IFRS 17 replaces IFRS 4 / CPC11 – Insurance Contracts. The objective of the change is to ensure that the entity provides material information that faithfully represents the essence of these contracts, through a consistent accounting model.	1/01/2023
IAS 1 – Classification of liabilities as current or non-current	Specifies the requirements for classifying a liability as current or non-current.	1/01/2023

Management's assessment is that IFRS 17 / CPC 50 does not apply to the Group. Additionally, the Company does not expect that adoption of IAS 1 will have any impact on its individual or consolidated financial statements.

These are the only rules and interpretations issued which have not yet been adopted and which might, in the opinion of Management, have a significant effect on the profit or net equity disclosed by the Company.

2. Basis of preparation and presentation of the financial statements -- Continued

e) Re-presentation of prior year

On February 13, 2019 all appeals expired on the judgment given by the Regional Federal Appeal Court of the 5th Region, which had awarded the Company an order of mandamus determining that the amount paid or payable in ICMS (value-added) tax could not be included in the amount on which the applicable PIS and COFINS taxes are calculated – and recognized the right to receive a tax credit. Since the legal action was filed in 2007, applicability of the amounts recoverable backdates to 2002.

However, in Management's understanding, there was a certain insecurity as to precisely what value of ICMS tax should be excluded from the basis of calculation of the PIS and COFINS taxes, for the purposes of determining the amount of the credit and in particular whether only the ICMS tax actually paid on operations, or the ICMS tax stated and included in tax invoices to customers, should be used as the base figure, since the decision recognized the Company's right to exclude the ICMS from the PIS and COFINS calculation basis, but it was not explicit in relation to the ICMS to be excluded, whether the one highlighted in the sales invoices or the one actually paid.

We continue our description of the procedural steps necessary for us to receive compensation for the excess tax paid. The Company filed the administrative procedure for initial qualification with the national tax authority (*Secretaria da Receita Federal*), applying for the total amount updated to December 31, 2019, a total of R$496,035, which was calculated based on the amounts of ICMS tax shown on the tax invoices issued for sales. This was in accordance with the best interpretation of management and of its legal advisors. The request was granted on September 19, 2019.

Thus, on September 30, 2019 the Company after the Brazilian Tax Authority (*Secretaria da Receita Federal*) had issued its ratification of the application for this tax credit, Grendene and its managers opted for a conservative stance in relation to recognition of this credit, and in accordance with the decision given by Cosit (Brazil's tax oversight body) on Internal Consultation 13/2018, posted in its accounts only R$51,258, the amount of the credits of PIS and COFINS tax relating to exclusion of the ICMS tax actually paid in the Company's operations, and not the value of the amounts of ICMS tax stated on the Company's tax invoices to customers, considering the rest of the claim to be a contingent asset.

2. Basis of preparation and presentation of the financial statements -- Continued

e) Re-presentation of prior year--Continued

Over recent months, the Company has taken into account the following: *(i)* Regional Federal Courts (TRFs), including the TRF of the 5th Region, which has jurisdiction over the Company, have decided that the ICMS tax stated on tax invoices for sales should be excluded from the amounts used as the basis of calculation of the PIS and COFINS taxes; *(ii)* A draft law has proposed instituting the Social Contribution tax on Transactions in Goods and Services (CBS); and, principally, *(iii)* Risk of expiry of the credits: Under Article 103 of Normative Instruction (I.N.) 1.717/2017 of the Brazilian Tax Authority (*Receita Federal*), the period for presentation of a request for offsetting of the tax credits referred to, including those relating to the amount of ICMS tax stated on the tax invoices for sales, expires at five years from the date of final judgment against which there is no further appeal.

In this scenario, it was understood to be necessary to re-evaluate the assumptions which had guided the accounting and tax procedures adopted. As part of its process of reassessment of the accounting treatment to be given to this matter, the Company obtained a legal opinion from its legal advisers, covering, among other subjects: (i) aspects of the questions that were pending judgment by the Federal Supreme Court; (ii) the possible effects of the Motions for Clarification; and (iii) the amounts of the ICMS tax to be excluded.

After detailed analysis of the subject, the conclusion was reached that there are solid arguments to support recognition of the entirety of the PIS and COFINS tax credits, calculated on the amounts of ICMS tax stated on the tax invoices on sales. Thus, in light of what is established by CPC 25, it was considered that the asset is not contingent, since receipt of the economic benefits is practically certain, for reasons which include the following: (i) offsetting of the tax amounts has already begun; and (ii) the amount in question was measured with a significant degree of reliability.

Management has the expectation that the tax credit, the updated balance of which at December 31, 2020 is R$462,831, net of the offsets already deducted, will be offset in full by 2024.

2. Basis of preparation and presentation of the of the financial statements --Continued

e) Re-presentation of prior year--Continued

The table below shows the breakdown of the financial impacts on Net profit and Stockholders' equity in the Consolidation and Holding company results:

	Parent company/Consolidated	
	Net profit	Stockholders' equity
Balances originally presented on 12/31/2019	**494,954**	**3,682,436**
(i) Principal value of the balance receivable as a result of the legal action	254,133	254,133
(ii) Interest (assets)	190,273	190,273
(iii) PIS and COFINS taxes on financial revenues	(8,848)	(8,848)
(iv) Interest (liabilities)	(5,598)	(5,598)
(v) Provision of services relating to the legal action	(17,791)	(17,791)
(vi) Current income tax and Social Contribution tax	(87,906)	(87,906)
Net effect	324,263	324,263
Balance re-presented on 12/31/2019	**819,217**	**4,006,699**

The table below shows the amounts reclassified in the financial statements for 2019.

	Other operating income	Other operating expenses	Finance income	Finance costs
Parent company				
(vii) Interest (assets) of PIS and COFINS	(21,509)	-	21,509	-
(viii) Interest (liabilities) of PIS and COFINS	-	1,000	-	(1,000)
(ix) Taxes on financial income	-	-	(7,225)	7,225
	(21,509)	**1,000**	**14,284**	**6,225**
Consolidated				
(vii) Interest (assets) of PIS and COFINS	(21,509)	-	21,509	-
(viii) Interest (liabilities) of PIS and COFINS	-	1,000	-	(1,000)
(ix) Taxes on financial income	-	-	(7,253)	7,253
	(21,509)	**1,000**	**14,256**	**6,253**

Additionally, the Company is altering the form of presentation of the investments in certain Silent Partner Companies (SCPs), since, considering facts subsequent to December 31, 2019, it has concluded that it does not exercise significant influence on them. Thus, these investments, in the amount of R$31,486, are being reclassified from Investments in affiliated companies to Other financial assets, without alteration of the totals of non-current assets.

As a result, the financial statements at December 31, 2019 are being re-presented to reflect the effects of these matters. These adjustments are presented backdated in accordance with IAS 8/CPC 23 – *Accounting Policies, Changes in Accounting Estimates and Correction of Errors* and IAS 1/CPC 26 (R1) – *Presentation of Financial Statements*.

2. Basis of preparation and presentation of the of the financial statements --Continued

e) Re-presentation of prior year--Continued

The results of these impacts, and also the accounting reclassification of the amounts of updating that were recorded at December 31, 2019, are presented in the individual and consolidated financial statements as follows:

e.1) *Impacts on the balance sheets*

		Parent company			Consolidated		
	Description	Disclosed	Settings	Re-presented	Disclosed	Settings	Re-presented
Assets							
Current assets		**2,619,833**	**79,770**	**2,699,603**	**2,654,724**	**79,770**	**2,734,494**
Tax credits	i and ii	83,468	79,770	163,238	87,446	79,770	167,216
Other current assets		2,536,365	-	2,536,365	2,567,278	-	2,567,278
Non-current assets		**1,355,701**	**381,964**	**1,737,665**	**1,409,723**	**381,964**	**1,791,687**
Tax credits	i and ii	1,014	367,380	368,394	1,014	367,380	368,394
Income tax and social contribution recoverable	vi	-	14,584	14,584	-	14,584	14,584
Other non-current assets		1,354,687	-	1,354,687	1,408,709	-	1,408,709
Total assets		**3,975,534**	**461,734**	**4,437,268**	**4,064,447**	**461,734**	**4,526,181**
Liabilities							
Current liabilities		**274,635**	**122,871**	**397,506**	**297,942**	**122,871**	**420,813**
Trade payables	v	27,105	3,191	30,296	27,845	3,191	31,036
Taxes and contributions	iii and iv	29,331	10,237	39,568	29,515	10,237	39,752
Income tax and social contribution payable	iv and vi	5,780	109,443	115,223	5,780	109,443	115,223
Other current liabilities		212,419	-	212,419	234,802	-	234,802
Non-current liabilities		**18,463**	**14,600**	**33,063**	**84,069**	**14,600**	**98,669**
Trade payables	v	-	14,600	14,600	-	14,600	14,600
Other non-current liabilities		18,463	-	18,463	84,069	-	84,069
Equity		**3,682,436**	**324,263**	**4,006,699**	**3,682,436**	**324,263**	**4,006,699**
Revenue reserves		2,428,454	324,263	2,752,717	2,428,454	324,263	2,752,717
Oher types of equity		1,253,982	-	1,253,982	1,253,982	-	1,253,982
Total liabilities and equity		**3,975,534**	**461,734**	**4,437,268**	**4,064,447**	**461,734**	**4,526,181**

2. Basis of preparation and presentation of the of the financial statements --Continued

e) Re-presentation of prior year--Continued

e.2) *Impacts on the statements of income*

	Description	Parent company			Consolidated		
		Disclosed	Settings	Re-presented	Disclosed	Settings	Re-presented
Net sales revenue		**2,040,821**	**-**	**2,040,821**	**2,071,034**	**-**	**2,071,034**
Cost of goods sold		(1,119,728)	-	(1,119,728)	(1,126,511)	-	(1,126,511)
Gross profit		**921,093**	**-**	**921,093**	**944,523**	**-**	**944,523**
Selling expenses		(470,580)	-	(470,580)	(530,825)	-	(530,825)
General and administrative expenses		(83,541)	-	(83,541)	(87,631)	-	(87,631)
Other operating income	i and vii	58,741	232,624	291,365	58,952	232,624	291,576
Other operating expenses	v and viii	(29,724)	(16,791)	(46,515)	(31,491)	(16,791)	(48,282)
Equity in the results of subsidiaries		(43,208)	-	(43,208)	-	-	-
Operating profit before finance result and taxes		**352,781**	**215,833**	**568,614**	**353,528**	**215,833**	**569,361**
Finance result							
Finance income	ii, iii and ix	300,091	195,709	495,800	300,786	195,681	496,467
Finance costs	iv, viii and ix	(121,530)	627	(120,903)	(122,714)	655	(122,059)
		178,561	196,336	374,897	178,072	196,336	374,408
Profit before taxation		**531,342**	**412,169**	**943,511**	**531,600**	**412,169**	**943,769**
Income tax and social contribution							
Current	vi	(31,034)	(87,906)	(118,940)	(31,034)	(87,906)	(118,940)
Deferred		(5,354)	-	(5,354)	(5,612)	-	(5,612)
		(36,388)	(87,906)	(124,294)	(36,646)	(87,906)	(124,552)
Profit for the year		**494,954**	**324,263**	**819,217**	**494,954**	**324,263**	**819,217**
Profit per share							
Basic earnings per share		0.5489	0.3595	0.9084	0.5489	0.3595	0.9084
Diluted earnings per share		0.5480	0.3590	0.9070	0.5480	0.3590	0.9070

e.3) *Impacts on the statements of comprehensive income*

	Parent company			Consolidated		
	Disclosed	Settings	Re-presented	Disclosed	Settings	Re-presented
Profit for the year	**494,954**	**324,263**	**819,217**	**494,954**	**324,263**	**819,217**
Exchange differences on subsidiaries abroad	1,794	-	1,794	1,794	-	1,794
Comprehensive income for the year, net of taxes	**496,748**	**324,263**	**821,011**	**496,748**	**324,263**	**821,011**

e.4) *Impacts on the statements of changes in equity*

	Income reserves			Retained earnings	Total
	Legal reserves	Tax incentives	Additional proposed dividends		
Balances at 12/31/2019 - Discloses	179,863	2,105,582	113,241	-	3,682,436
Profit for the year	-	-	-	324,263	324,263
Tax incentives reserve	-	49,759	-	(49,759)	-
Legal reserve	13,725	-	-	(13,725)	-
Additional proposed dividends	-	-	260,779	(260,779)	-
Balances at 12/31/2019 - Re-presented	**193,588**	**2,155,341**	**374,020**	**-**	**4,006,699**

2. Basis of preparation and presentation of the of the financial statements --Continued

e) Re-presentation of prior year--Continued

e.5) *Impacts on the statements of cash flows*

Although there are alterations between the lines in the statements of cash flow, these did not generate differences in the totals for the operational activities, investments and financings for the period re-presented.

e.6) *Impacts on the statements of value added*

	Parent company			Consolidated		
	Disclosed	Settings	Re-presented	Disclosed	Settings	Re-presented
Revenue	**2,361,562**	**232,624**	**2,594,186**	**2,393,133**	**232,624**	**2,625,757**
Sales of goods	2,370,158	(51,204)	2,318,954	2,401,478	(51,204)	2,350,274
Other income /expenses	1,205	283,828	285,033	1,174	283,828	285,002
Inputs acquired from third parties	**(1,151,249)**	**(17,791)**	**(1,169,040)**	**(1,186,184)**	**(17,791)**	**(1,203,975)**
Materials, electricity, outsourced services and other	(546,221)	(17,791)	(564,012)	(573,570)	(17,791)	(591,361)
Value added received through transfer	**256,988**	**211,782**	**468,770**	**300,891**	**211,782**	**512,673**
Finance income	300,091	211,782	511,873	300,786	211,782	512,568
Taxes and contributions	**256,254**	**95,831**	**352,085**	**260,659**	**95,831**	**356,490**
Federal	202,823	95,831	298,654	204,009	95,831	299,840
Third-party capital remuneration	**117,434**	**6,521**	**123,955**	**126,899**	**6,521**	**133,420**
Interest, discounts and financial charges	114,382	6,521	120,903	115,538	6,521	122,059
Remuneration of own capital	**494,954**	**324,263**	**819,217**	**494,954**	**324,263**	**819,217**
Dividends	165,700	260,779	426,479	165,700	260,779	426,479
Profit for the year	219,254	63,484	282,738	219,254	63,484	282,738

3. The consolidated of the financial statements

The consolidated financial statements include the operations of the Company and its subsidiaries, as shown in this table:

	Principal characteristics	Country of head office	Stake	Percentage interest (%)	
				2020	2019
MHL Calçados Ltda.	Manufacture and sale of footwear.	Brazil	Direct	**99.998%**	99.998%
Grendene USA, Inc.	Commercial representative, selling and distributing our products in the US market. This is the parent company of Grendene New York L.L.C., which has head office in United States and operates in the same market segment.	USA	Direct	**100.00%**	100.00%
Grendene UK Limited.	Commercial representative, selling and distributing our products. Parent company of Grendene Italy S.R.L., a company with head office in Italy which operates in the same market segment.	United Kingdom	Direct	**100.00%**	100.00%
Grendene New York, L.L.C. (through Grendene USA, Inc.)	Commercial representative, selling and distributing our products in the US market.	USA	Indirect	**100.00%**	100.00%
Grendene Italy, S.R.L. (through Grendene UK Limited)	Commercial representative, selling and distributing our products.	Italy	Indirect	**100.00%**	100.00%

The business years of the financial statements of the subsidiaries included in the consolidation are coincident with those of the parent company, and the accounting policies having been applied uniformly in the consolidated companies and are consistent with international accounting rules and with accounting practice adopted in Brazil.

4. Accounting policies

a) Recognition of revenue

Revenue is recognized in the Profit and loss account when its amount can be reliably measured and reflects the consideration that the entity expects to have the right to an exchange for transfer of products to clients. Revenue is measured based on fair value of the consideration received, excluding discounts, deductions and taxes or charges on the sale. The Company evaluates revenue transactions in accordance with the specific criteria for determining whether it is acting as agent or principal and, in the last analysis, has concluded that it is acting as principal in all its revenue contracts. A revenue is not recognized if there is significant uncertainty of its realization.

a.1) *Revenue from sale*

Revenue from sale of products is recognized in the Profit and loss account, when the control of the product is transferred to the client and the Company and its subsidiary have no further control or responsibility over the merchandise sold.

4. Accounting policies--Continued

a) Recognition of revenue--Continued

a.2) *Financial revenue*

Interest income is recognized using the effective interest rate. Interest revenues are included in the account line financial revenues, in the profit and loss account.

b) Transactions and balances in foreing currency

The monetary assets and liabilities of transactions in foreign currency are converted to the entity's functional currency, using the exchange rate of the reporting date, and profit and loss account items are converted at the average monthly rates for the periods. Non-monetary assets are converted from their functional currency to Reais at the FX rate of the accounting transaction. The functional currencies used in the conversion of the financial statements of these subsidiaries outside Brazil are: US dollars, pounds sterling and Euros.

c) Financial instruments

Financial instruments are measured at amortized cost or at fair value and classified in one of the following three categories:

1. Financial instruments at amortized cost.
2. Financial instruments measured at fair value through Comprehensive income.
3. Financial instruments measured at fair value through Profit or loss.

Subsequent measurement

Their subsequent measurement takes place at each recording date in accordance with the rules established for each type of classification of financial assets and liabilities.

The Company and its subsidiaries have classified their financial assets and liabilities in the category of amortized cost or at fair value through profit of loss, in accordance with the purpose for which they were acquired or issued:

a. Financial assets at amortized cost: These are measured in a business model the objective of which is to receive contractual cash flows where the contractual terms give rise to cash flows which are, exclusively, payment of the principal and/or interest on it.

4. Accounting policies--Continued

c) Financial instruments--Continued

b. Financial assets measured at fair value through profit or loss: Any financial assets that are not classified in the aforementioned category stated above are measured and recognized at fair value through Profit or loss. Financial assets that are held for training and managed on the basis of fair value are also included in this category.

c. Financial liabilities: The entity should classify all financial liabilities as measured at amortized cost, except in the case of: (a) financial liabilities measured at fair value through Profit or loss; (b) financial liabilities that arise when the transfer of the financial asset does not qualify for derecognition, or when the continuing involvement approach is applicable; (c) a financial guarantee contract; (d) undertakings to grant loans with interest rates below market; or (e) a contingent consideration recognized by an acquiring party in a business combination to which CPC 15 should be applied.

c.1) *Derivative financial instruments and hedging activities*

The Company operates with derivative financial statements for the purpose of hedging, but does not use the practice of hedge accounting to account for its derivative transactions, which are not made for speculative purposes.

Derivatives are recorded initially at fair value on the date of contracting, and subsequently revalued, also at fair value, with any gains or losses being recognized in Financial revenue/expenses.

d) Cash and equivalents

Cash and equivalents include amounts in physical cash, bank deposits not attracting interest, and cash investments with immediate liquidity, able to be redeemed within three months or less from the date of acquisition, and with insignificant risk of change in value.

e) Trade receivables

These are initially recognized at sale value; augmented by variation, when applicable; and subsequently recorded at amortized cost, less estimated losses on doubtful receivables, and discounts for punctuality.

4. Accounting policies--Continued

e) Trade receivables--Continued

The estimated credit losses are analyzed and constituted based on the amount billed to the customer, based on the track record of default and individual analysis of clients, and excluding those that have court or out-of-court agreements, or guarantees. Management considers the amounts to be sufficient to cover any losses.

Estimated discounts for punctuality are recorded at the estimated amount of discount to be given, on trade bills becoming due at maturity, with counterpart in Deductions from sales.

Transactions in accounts receivable from clients have been adjusted to present value, taking into account the cash flows of the transaction and the implicit interest rate of the related assets.

f) Inventories

Valued at the average of acquisition or production cost, not exceeding their net realizable value. The net realizable value is calculated as the difference between the sale price in the Company's normal operation, less costs incurred to achieve the sale.

Estimated losses, for low-turnover or obsolete stock, are constituted on the basis of application of the average non-recoverable percentage on the balance of this inventory. The percentage takes into account the history of loss on resale of inventory, in which the Company recovers part of this cost. The Company's Management considers that estimated losses have been constituted in an amount sufficient for the low-turnover or obsolete inventory.

g) Investments

The Company has investments in directly and indirectly-controlled and affiliated companies, which are valued by the equity method. The other investments are recorded at acquisition cost and adjusted to market cost when applicable.

In the acquisition of the investment, any differences between the cost of the investment and the investor's share in the net fair value of the identifiable assets and liabilities of the investee should be considered as goodwill.

4. Accounting policies--Continued

h) Property, plant and equipment

PP&E is recorded as cost of acquisition or construction, less depreciation, net of credits of PIS, COFINS and ICMS taxes, and reduced to recovery value if appropriate. Depreciation of goods is calculated by the straight-line method at the rates mentioned in Note 11 and takes into consideration the estimated useful life of the assets. Residual values and the useful life of assets are reviewed and adjusted, if appropriate, at the end of each business year.

When significant parts of PP&E need to be replaced, their cost is recognized at the book value of the asset as a replacement, if the criteria for recognition had been met. All other expenses on repairs and maintenance are recognized in the profit and loss account, when they take place, and the book value of items or parts replaced is written off.

i) Intangible assets

Intangible assets have a defined useful life and are recognized at acquisition cost, net of accumulated amortization and impairment if any. Amortizations are calculated by the straight-line method at the rates mentioned in Note 12.

j) Perda por redução ao valor recuperável de ativos *(impairment)*

Fixed assets, intangible assets and other assets which present indications that their recorded costs are higher than their recovery value should be revised in detail to determine the need for posting of any impairment.

The Company carries out an annual analysis of impairment. In the December 31, 2020 and 2019 business year no assets were identified that presented a need to calculate impairment.

k) Taxation

k.1) *Current income tax and social contribution*

The provisions for current income tax and Social Contribution tax are calculated individually, by the Company and its subsidiaries, based on the tax laws in effect on the reporting date, in the countries where they generate tax revenue.

Current taxes are presented net and reported in assets when the balances paid in advance exceed the total payable on the reporting date, or in liabilities when there is an amount payable.

4. Accounting policies--Continued

k) Taxation--Continued

k.2) *Deferred income tax and social contribution*

Deferred taxes are recognized only if there is a possibility of future generation of taxable profit in an amount significant to enable those temporal differences to be used.

Deferred income tax and Social Contribution tax are calculated by applying the rates expected to be in force on the reporting date at which the temporary differences are expected to be realized or demanded.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets with current tax liabilities, and if they are related with the taxed imposed by the same tax authority.

l) Borrowings

Borrowings are posted at contracted value, plus agreed charges including interest and monetary or FX updating incurred. After initial recognition they are measured at amortized cost using the effective rates method.

5. Judgments, estimated and accounting assumptions

The preparation of the individual and financial statements requires the use of certain critical accounting estimates and also the exercise of judgment by Management in the process of application of the accounting policies, for the accounting of certain assets, liabilities, revenues and expenses.

Estimates and the exercise of judgment are continuously reviewed and the results of this process are recognized in a timely manner and in any future periods affected. Actual results may diverge from these estimates when they materialize.

5. Judgments, estimated and accounting assumptions--Continued

Information on judgments, estimates and accounting assumptions that could result in significant effects on the amounts recognized in the financial statements are as follows:

Notes	Nature
Note 6	The fair value of the measurement of the investments in Other financial assets;
Note 7	Estimated losses for doubtful receivables, estimated discounts for punctuality and the rates and periods applied in determining adjustments to present value;
Note 8	Estimated losses for obsolete inventory;
Notes 11 and 12	Selection of useful lives of fixed and intangible assets, and impairments;
Note 14	Provisions for employment-law, tax, civil and environmental risk and contingent assets;
Note 17	Deferred income tax and Social Contribution tax;
Note 19	Sensitivity analyses of financial instruments;
Note 21	The fair value of measuring the stock option or subscription plan.

6. Financial investments

The Company's cash investments comprise the following components:

Type	Index	Average rate of return (y.y)	Parent company / Consolidated	
			2020	2019 Re-presented
Current assets				
Financial investments				
Bank certificates of deposit (CDBs)	CDI	101.27% and 102.23%	**597,989**	818,344
Assignment of receivables	CDI +	3.25%	**16,768**	30,181
Debentures with repurchase guarantees	CDI	72.43% and 100.75%	**74,081**	2,414
Leasing Receivable Notes	CDI	101.33%	**-**	258,726
Treasury Bills	CDI	105.86% and 111%	**513,214**	204,673
Treasury notes (NTNs)	IPCA +	6.26%	**25,237**	-
			1,227,289	1,314,338
Other financial assets				
Variable income – Shares	(i)	-	**256,417**	-
			256,417	-
			1,483,706	1,314,338
Non-current assets				
Financial investments				
Bank certificates of deposit (CDBs)	CDI	99%	**66**	8,809
Treasury Bills	CDI	140.38% and 105.86%	**33,275**	498,594
Treasury Bills	IPCA +	5.66%	**188,457**	171,279
Treasury notes (NTNs)	IPCA +	5.89% and 6.05%	**34,172**	56,908
Non-convertible debentures	CDI +	5.85%	**8,420**	10,976
Investment funds	CDI +	6.00%	**28,847**	17,995
Term deposits with specific guarantee	IPCA +	4.50%	**34,954**	-
			328,191	764,561
Other financial assets				
SCP Parque Raposo (ii)	CDI +	6.00%	**107,286**	-
Silent partner companies – SCPs	(iii)	-	**62,527**	31,486
			169,813	31,486
			498,004	796,047

6. Financial investments--Continued

i) Variable income - Shares: financial assets at fair value through profit or loss include equity interests in listed entities. The fair value of these shares is determined based on the prices available in an active market.
ii) It corresponds to 100% of SCP Parque Raposo Empreendimentos Imobiliários Ltda., which has the objective of jointly exploiting real property undertakings, through funds and efforts for the conclusion of the works. This financial instrument is recorded for the acquisition cost updated by the balance date according to the contractual clause.
iii) This refers to ownership interests in Silent Partnership Companies (SCP), the corporate objects of which are: acquisition of real estate properties; and structuring, development, consolidation, subdivision, commercial operation and sale of real estate projects, through funds and efforts for conclusion of works. This financial instrument is registered at fair value through profit or loss, determined on the basis of discounted cash flow, in accordance with the expected curve of sales.

Cash investments are reported at acquisition value, updated to the reporting date – these amounts are close to fair value and do not exceed market or realization value. Note 18 gives the classification of these securities.

Note 19 gives the exposure of the Company and its subsidiaries to interest rate risks, and a sensitivity analysis of their effects on financial assets and liabilities.

7. Trade receivables

	Parent company		Consolidated	
	2020	2019	2020	2019
Domestic market	**1,062,381**	749,365	**1,062,381**	749,494
Foreing market	**195,449**	217,584	**188,181**	213,664
	1,257,830	966,949	**1,250,562**	963,158
Estimated losses on doubtful receivables	**(25,373)**	(14,011)	**(25,651)**	(14,050)
Punctuality discounts estimated	**(55,955)**	(31,476)	**(55,955)**	(31,484)
Adjustment to Present Value (AVP)	**(6,418)**	(9,326)	**(6,418)**	(9,327)
	1,170,084	912,136	**1,162,538**	908,297

On December 31, 2020 the average period for receipt of sales in the domestic market was 118 days (107 days in 2019), and for sales in 76 days (82 days in 2019).

The amounts of accounts receivable from clients are not subject to any lien or charge, nor guarantee given, nor any restrictions.

7. Trade receivables--Continued

a) Classification by maturity and estimated losses for doubtful receivables

The constitution of estimated losses for doubtful receivables on past due trade bills, by maturity, is as follows:

	Parent company			
	2020		2019	
	Balance	Provision	Balance	Provision
Not yet due	**1,173,256**	**-**	926,392	-
Overdue for up to 30 days	**12,518**	**-**	20,984	(4,342)
Overdue from 31 to 60 days	**1,769**	**(10)**	1,704	(473)
Overdue from 61 to 90 days	**4,812**	**(1,321)**	1,864	(1,353)
Past due for more than 91 days	**65,475**	**(24,042)**	16,005	(7,843)
	1,257,830	**(25,373)**	966,949	(14,011)

	Consolidated			
	2020		2019	
	Balance	Provision	Balance	Provision
Not yet due	**1,164,888**	**-**	921,508	-
Overdue for up to 30 days	**12,693**	**-**	21,091	(4,342)
Overdue from 31 to 60 days	**1,889**	**(10)**	1,893	(473)
Overdue from 61 to 90 days	**4,840**	**(1,321)**	2,051	(1,353)
Past due for more than 91 days	**66,252**	**(24,320)**	16,615	(7,882)
	1,250,562	**(25,651)**	963,158	(14,050)

b) Changes

The changes in estimated losses on doubtful receivables and estimated discounts for punctuality are as follows:

	Estimated losses on doubtful receivables		Punctuality discounts estimated	
	Parent company	Consolidated	Parent company	Consolidated
Balances at 12/31/2018	(4,210)	(4,519)	(32,012)	(32,037)
Additions	(15,086)	(15,417)	(91,756)	(91,786)
Realizations	3,105	3,655	76,607	76,652
Reversals	2,182	2,245	15,685	15,687
Exchange variation	(2)	(14)	-	-
Balances at 12/31/2019	(14,011)	(14,050)	(31,476)	(31,484)
Additions	**(15,200)**	**(15,954)**	**(100,279)**	**(100,284)**
Realizations	**3,455**	**3,932**	**58,999**	**59,012**
Reversals	**473**	**573**	**15,651**	**15,651**
Exchange variation	**(90)**	**(152)**	**1,150**	**1,150**
Balances at 12/31/2020	**(25,373)**	**(25,651)**	**(55,955)**	**(55,955)**

8. Inventories

	Parent company		Consolidated	
	2020	2019	2020	2019
Footwear	**38,373**	48,579	**62,983**	68,777
Inputs and components	**38,200**	32,886	**38,200**	32,993
Raw materials	**80,524**	86,831	**80,524**	86,842
Packaging materials	**12,691**	15,812	**12,691**	15,825
Intermediate and other materials	**33,848**	27,901	**33,848**	28,005
Goods for resale	**403**	555	**670**	751
Molds and tooling	**20,393**	23,294	**20,393**	23,294
Advances to suppliers	**29,576**	14,106	**29,576**	14,106
Imports in transit	**32,989**	6,851	**32,989**	6,851
Inventories held by third parties	**19,197**	16,792	**19,197**	16,792
Estimated losses for obsolete inventories	**(10,275)**	(15,344)	**(14,711)**	(17,130)
	295,919	258,263	**316,360**	277,106

The changes in the estimated losses for obsolete inventories were as follows:

	Parent company	Consolidated
Balances at 12/31/2018	(17,649)	(17,649)
Additions	(25,875)	(27,756)
Realizations	7,119	7,153
Reversals	21,061	21,107
Exchange variation	-	15
Balances at 12/31/2019	(15,344)	(17,130)
Additions	**(13,793)**	**(17,336)**
Realizations	**8,251**	**8,338**
Reversals	**10,611**	**11,953**
Exchange variation	**-**	**(536)**
Balances at 12/31/2020	**(10,275)**	**(14,711)**

There are no liens, pledges and/or restrictions to the full utilization of the inventories.

9. Tax credits

	Parent company		Consolidated	
	2020	2019 Re-presented	2020	2019 Re-presented
Income tax withheld at source	**14,266**	23,101	**16,274**	24,029
IPI tax recoverable	**699**	733	**699**	956
ICMS tax recoverable	**10,957**	10,567	**12,096**	12,500
PIS and COFINS taxes recoverable (*)	**464,192**	497,231	**464,192**	497,231
Other expenses	**65**	-	**1,120**	894
	490,179	531,632	**494,381**	535,610
Current assets	**155,443**	163,238	**159,645**	167,216
Non-current assets	**334,736**	368,394	**334,736**	368,394

(*) On December 31, 2020 the amount of R$462,831 (R$496,035 in 2019) refers to the tax legal action to exclude amounts of ICMS tax from the basis of calculation of the PIS and COFINS taxes. Final judgment in this action, subject to no further appeal, was given on February 13, 2019, and the application to qualify for rebate related to this amount was granted on September 19, 2019, are described in Note 2, letter e. In the 2020 business year the company began the process of use of the credit, through a declaration of offsetting.

10. Investments

a) Breakdown of investments

The Company's investments are as follows:

	Parent company		Consolidated	
	2020	2019 Re-presented	2020	2019 Re-presented
Holdings in subsidiaries	**52,894**	45,865	**-**	-
Equity interest in affiliated company	**11,679**	-	**11,679**	-
Unrealized profits in subsidiaries	**(4,584)**	(3,902)	**-**	-
Other investments	**412**	412	**412**	412
	60,401	42,375	**12,091**	412

b) Changes in investments

The changes in investments are as follows:

	Balances at 12/31/2019 Re-presented	Investments		Equity in the results of subsidiaries	Exchange differences on subsidiaries abroad	Balances at 12/31/2020
		Acquisitions in affiliated company s	Capital increase			
Subsidiaries						
MHL Calçados Ltda.	13,016	-	-	(771)	-	12,245
Grendene USA, Inc. (i/ii)	23,476	-	22,618	(29,238)	7,559	24,415
Grendene UK Limited (i/ii)	5,471	-	17,983	(16,093)	4,289	11,650
	41,963	-	40,601	(46,102)	11,848	48,310
Affiliated company (*)						
YOUPE Participações S.A. (iii)	-	2,369	9,305	5	-	11,679
	-	2,369	9,305	5	-	11,679
Other investments						
Others	412	-	-	-	-	412
	412	-	-	-	-	412
	42,375	2,369	49,906	(46,097)	11,848	60,401

10. Investments--Continued

b) Changes in investments--Continued

	Balances at 12/31/2018	Capital increase	Equity in the results of subsidiaries	Exchange differences on subsidiaries abroad	Balances at 12/31/2019 Re-presented
Subsidiaries					
MHL Calçados Ltda.	14,088	-	(1,072)	-	13,016
Grendene USA, Inc. (i/ii)	22,647	26,926	(27,208)	1,111	23,476
Grendene UK Limited (i/ii)	11,106	8,610	(14,928)	683	5,471
	47,841	35,536	(43,208)	1,794	41,963
Other investments					
Others	412	-	-	-	412
	412	-	-	-	412
	48,253	35,536	(43,208)	1,794	42,375

c) Summarized financial information of direct and indirect subsidiaries (consolidated) and affiliated company

	2020							
	Investments		Balance sheet			P&L		
	Percentage of interest	Interest in equity	Assets	Liabilities	Equity	Revenue	Costs and expenses	Net income
Subsidiaries								
MHL Calçados Ltda.	**99.998%**	**12,245**	**12,260**	**15**	**12,245**	**1,567**	**(2,338)**	**(771)**
Grendene USA, Inc. (i/ii)	**100.00%**	**27,941**	**116,305**	**88,364**	**27,941**	**33,053**	**(61,090)**	**(28,037)**
Grendene UK Limited (i/ii)	**100.00%**	**12,708**	**40,417**	**27,709**	**12,708**	**16,775**	**(32,587)**	**(15,812)**
Affiliated company (*)								
YOUPE Participações S.A. (iii)	**18.952%**	**6,240**	**32,926**	**1**	**32,925**	**26**	**(1)**	**25**

(*) The end date of the reporting period of the summary information for the affiliated companies was November 30, 2020.

	2019 - Re-presented							
	Investments		Balance sheet			P&L		
	Percentage of interest	Interest in equity	Assets	Liabilities	Equity	Revenue	Costs and expenses	Net income
Subsidiaries								
MHL Calçados Ltda.	99.998%	13,016	13,200	184	13,016	1,444	(2,516)	(1,072)
Grendene USA, Inc. (i/ii)	100.00%	26,601	101,187	74,586	26,601	36,696	(64,357)	(27,661)
Grendene UK Limited (i/ii)	100.00%	6,248	35,730	29,482	6,248	16,505	(31,702)	(15,197)

i) Review by other independent auditors.
ii) Amount consolidated in the subsidiary Grendene USA Inc, and indirect subsidiary Grendene New York L.L.C.; and
Amount consolidated in the subsidiary Grendene UK Limited and indirect subsidiary Grendene Italy, S.R.L..
iii) Principal characteristics: Management of own assets, and participation, directly or through subsidiaries, in the share capital of other companies, in Brazil or the rest of the world, including silent partner companies.

11. Property, plant and equipment

	Parent Company						
	Land, buildings, facilities and leasehold improvements	Machinery, equipment, tools and parts and replacement sets	Furniture and fittings	Data processing equipment	PPE in progress	Other	Total
Cost of PPE							
Balances at 12/31/2018	360,900	407,350	30,841	42,310	22,696	5,626	869,723
Purchases	2,966	13,564	1,447	3,969	22,014	-	43,960
Disposals	(944)	(7,000)	(270)	(1,705)	(1,204)	(176)	(11,299)
Transfers	20,337	4,255	1,110	-	(25,707)	5	-
Balances at 12/31/2019	383,259	418,169	33,128	44,574	17,799	5,455	902,384
Purchases	**51**	**21,000**	**1,031**	**3,072**	**28,626**	**795**	**54,575**
Disposals	**(5,313)**	**(4,340)**	**(385)**	**(735)**	**(942)**	**-**	**(11,715)**
Transfers	**5,169**	**5,713**	**54**	**136**	**(11,099)**	**27**	**-**
Balances at 12/31/2020	**383,166**	**440,542**	**33,828**	**47,047**	**34,384**	**6,277**	**945,244**
Accumulated depreciation	**4%, 10% and 20%**	**10% and 20%**	**10%**	**20%**	**-**	**5% and 10%**	**-**
Balances at 12/31/2018	(198,865)	(214,075)	(16,524)	(27,939)	-	(3,805)	(461,208)
Depreciation	(18,031)	(30,848)	(2,510)	(4,953)	-	(568)	(56,910)
Disposals	600	5,193	225	1,294	-	63	7,375
Balances at 12/31/2019	(216,296)	(239,730)	(18,809)	(31,598)	-	(4,310)	(510,743)
Depreciation	**(18,525)**	**(31,481)**	**(2,526)**	**(4,856)**	**-**	**(469)**	**(57,857)**
Disposals	**5,312**	**3,916**	**214**	**680**	**-**	**-**	**10,122**
Transfers	**-**	**7**	**-**	**(7)**	**-**	**-**	**-**
Balances at 12/31/2020	**(229,509)**	**(267,288)**	**(21,121)**	**(35,781)**	**-**	**(4,779)**	**(558,478)**
Net book value							
At 12/31/2019	166,963	178,439	14,319	12,976	17,799	1,145	391,641
At 12/31/2020	**153,657**	**173,254**	**12,707**	**11,266**	**34,384**	**1,498**	**386,766**
Assets in use fully depreciated							
At 12/31/2019	77,135	107,302	7,369	19,687	-	1,860	213,353
At 12/31/2020	**86,891**	**116,530**	**8,337**	**22,331**	**-**	**2,245**	**236,334**

11. Property, plant and equipment--Continued

	Consolidated							
	Land, buildings, facilities and leasehold improvements	Machinery, equipment, tools and parts and replacement sets	Furniture and fittings	Data processing equipment	PPE in progress	Right of use (*)	Other	Total
Cost of PPE								
Balances at 12/31/2018	380,427	408,467	33,572	45,188	22,696	-	5,853	896,203
Initial recognition (*)	-	-	-	-	-	90,568	-	90,568
Purchases	2,966	13,564	1,601	4,020	22,014		-	44,165
Disposals	(944)	(7,231)	(323)	(1,719)	(1,204)	-	(176)	(11,597)
Transfers	20,337	4,255	1,110	-	(25,707)	-	5	-
Foreign exchange variation	1,120	-	113	110	-	-	6	1,349
Balances at 12/31/2019	403,906	419,055	36,073	47,599	17,799	90,568	5,688	1,020,688
Purchases	**996**	**21,000**	**1,309**	**3,370**	**28,626**	**6,926**	**795**	**63,022**
Disposals	**(5,342)**	**(5,226)**	**(431)**	**(1,007)**	**(942)**	**-**	**(164)**	**(13,112)**
Transfers	**5,169**	**5,713**	**54**	**136**	**(11,099)**	**-**	**27**	**-**
Foreign exchange variation	**6,440**	**-**	**877**	**817**	**-**	**27,170**	**20**	**35,324**
Balances at 12/31/2020	**411,169**	**440,542**	**37,882**	**50,915**	**34,384**	**124,664**	**6,366**	**1,105,922**
Accumulated depreciation	**4%, 10% and 20%**	**10% e 20%**	**10%**	**20%**	**–**	**3% and 7%**	**5% and 10%**	
Balances at 12/31/2018	(205,608)	(215,025)	(18,341)	(29,614)	-	-	(3,869)	(472,457)
Depreciation	(20,226)	(30,882)	(2,737)	(5,314)	-	(10,595)	(606)	(70,360)
Disposals	600	5,399	255	1,308	-	-	63	7,625
Foreign exchange variation	(528)	-	(74)	(69)	-	-	(2)	(673)
Balances at 12/31/2019	(225,762)	(240,508)	(20,897)	(33,689)	-	(10,595)	(4,414)	(535,865)
Depreciation	**(21,421)**	**(31,492)**	**(2,819)**	**(5,328)**	**-**	**(20,116)**	**(512)**	**(81,688)**
Disposals	**5,338**	**4,705**	**245**	**942**	**-**	**-**	**82**	**11,312**
Transfers	**-**	**7**	**-**	**(7)**	**-**	**-**	**-**	
Foreign exchange variation	**(3,147)**	**-**	**(619)**	**(553)**	**-**	**(3,717)**	**(7)**	**(8,043)**
Balances at 12/31/2020	**(244,992)**	**(267,288)**	**(24,090)**	**(38,635)**	**-**	**(34,428)**	**(4,851)**	**(614,284)**
Net book value								
At 12/31/2019	178,144	178,547	15,176	13,910	17,799	79,973	1,274	484,823
At 12/31/2020	**166,177**	**173,254**	**13,792**	**12,280**	**34,384**	**90,236**	**1,515**	**491,638**
Assets in use fully depreciated								
At 12/31/2019	77,272	107,909	8,693	20,877	-	-	1,860	216,611
At 12/31/2020	**87,100**	**116,530**	**10,312**	**23,649**	**-**	**-**	**2,245**	**239,836**

(*) This refers to the value of the Right of Use within a leasing contract (IFRS 16 / CPC 06 (R2)), as described in Note 13, Sub-item (b).

Certain property, plant and equipment items are pledged in guarantee of borrowings, as disclosed in Note 13 letter a.5.

12. Intangible assets

	Parent Company					
	Software	Trademarks and patents	Goodwill	Technology	Development of software	Total
Cost of intangible assets						
Balances at 12/31/2018	57,352	22,037	4,374	9,500	10,765	104,028
Purchases	1,025	1,257	-	968	4,967	8,217
Disposals	(3)	(456)	(2,077)	-	-	(2,536)
Transfers	5,628	-	-	-	(5,628)	-
Balances at 12/31/2019	64,002	22,838	2,297	10,468	10,104	109,709
Purchases	**1,206**	**1,369**	**-**	**1,459**	**5,859**	**9,893**
Disposals	**(31)**	**(247)**	**(1,497)**	**-**	**(191)**	**(1,966)**
Transfers	**2,848**	**-**	**-**	**-**	**(2,848)**	**-**
Balances at 12/31/2020	**68,025**	**23,960**	**800**	**11,927**	**12,924**	**117,636**
Accumulated amortization	**20%**	**10%**	**20%**	**20%**	–	
Balances at 12/31/2018	(49,998)	(14,561)	(4,374)	(6,842)	-	(75,775)
Amortization	(4,162)	(1,377)	-	(1,235)	-	(6,774)
Disposals	2	456	2,077	-	-	2,535
Balances at 12/31/2019	(54,158)	(15,482)	(2,297)	(8,077)	-	(80,014)
Amortization	**(3,723)**	**(1,414)**	**-**	**(1,187)**	**-**	**(6,324)**
Disposals	**15**	**234**	**1,497**	**-**	**-**	**1,746**
Balances at 12/31/2020	**(57,866)**	**(16,662)**	**(800)**	**(9,264)**	**-**	**(84,592)**
Net book value						
At 12/31/2019	9,844	7,356	-	2,391	10,104	29,695
At 12/31/2020	**10,159**	**7,298**	**-**	**2,663**	**12,924**	**33,044**

	Consolidated					
	Software	Trademarks and patents	Goodwill	Technology	Development of software	Total
Cost of intangible assets						
Balances at 12/31/2018	58,255	24,574	4,374	9,500	10,765	107,468
Purchases	1,074	1,257	-	968	4,967	8,266
Disposals	(55)	(456)	(2,077)	-	-	(2,588)
Transfers	5,628	-	-	-	(5,628)	-
Foreign exchange variation	41	101	-	-	-	142
Balances at 12/31/2019	64,943	25,476	2,297	10,468	10,104	113,288
Purchases	**1,464**	**1,369**	**-**	**1,459**	**5,859**	**10,151**
Disposals	**(31)**	**(264)**	**(1,497)**	**-**	**(191)**	**(1,983)**
Transfers	**2,848**	**-**	**-**	**-**	**(2,848)**	**-**
Foreign exchange variation	**276**	**757**	**-**	**-**	**-**	**1,033**
Balances at 12/31/2020	**69,500**	**27,338**	**800**	**11,927**	**12,924**	**122,489**
Accumulated amortization	**20%**	**10%**	**20%**	**20%**	–	
Balances at 12/31/2018	(50,810)	(14,579)	(4,374)	(6,842)	-	(76,605)
Amortization	(4,250)	(1,377)	-	(1,235)	-	(6,862)
Disposals	21	456	2,077	-	-	2,554
Foreign exchange variation	(36)	-	-	-	-	(36)
Balances at 12/31/2019	(55,075)	(15,500)	(2,297)	(8,077)	-	(80,949)
Amortization	**(3,760)**	**(1,414)**	**-**	**(1,187)**	**-**	**(6,361)**
Disposals	**15**	**252**	**1,497**	**-**	**-**	**1,764**
Foreign exchange variation	**(270)**	**-**	**-**	**-**	**-**	**(270)**
Balances at 12/31/2020	**(59,090)**	**(16,662)**	**(800)**	**(9,264)**	**-**	**(85,816)**
Net book value						
At 12/31/2019	9,868	9,976	-	2,391	10,104	32,339
At 12/31/2020	**10,410**	**10,676**	**-**	**2,663**	**12,924**	**36,673**

At December 31, 2020 and 2019, the Company does not have internally generated intangible assets.

13. Borrowings

a) Loans and financing

Obligations under loans and financings are as follows:

	Parent company / Consolidated							
			2020			2019		
	Index	Interest rate (p.y.)	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
In local currency								
Property, plant and equipment	Fixed	4.12%	-	-	-	10,352	10,341	20,693
Provin and Proapi	Long-term Interest Rate (TJLP)	4.55%	**577**	**9,244**	**9,821**	56	7,741	7,797
			577	**9,244**	**9,821**	10,408	18,082	28,490
In foreign currency								
Working capital - ACE	US Dollar +	2.44%	-	-	-	66,702	-	66,702
			-	-	-	66,702	-	66,702
			577	**9,244**	**9,821**	77,110	18,082	95,192

a.1) Fixed assets

These obligations refer to the financing contracted by the Company with Banco do Nordeste do Brasil S.A., through the FNE (*Fundo Constitucional de Financiamento do Nordeste*), for construction of a distribution center at the principal industrial plant; and financing for acquisition of industrial machines and equipment.

a.2) Provin and Proapi

The financings classified here relate to non-incentive-bearing portions of the government subsidies (Note 16) granted through the Industrial Development Fund (FDI) of the state of Ceará, through the financing agents established by that Fund as intermediary, arising from ICMS tax owed (Provin) and products exported (Proapi) which must be settled within 36 or 60 months after the granting.

The benefit of the reduction in the amounts owed is recognized at the moment of obtaining the financings, as the most appropriate reflection of the accrual method of accounting, since the costs of the taxes referring to the incentive-bearing transactions are registered simultaneously with the benefits.

a.3) Working capital – ACEs

The Company has contracted funding for financing of its exports in the modality, known as Advances on Delivered Shipping Documents, or ACEs.

13. Borrowings--Continued

a) Loans and financing--Continued

a.4) Payment schedule

Maturities of the long-term portions are as follows:

Maturities	2022	2023	2024	2025	Total
Proapi	4,551	-	-	397	**4,948**
Provin	606	1,685	1,117	888	**4,296**
Total	**5,157**	**1,685**	**1,117**	**1,285**	**9,244**

a.5) Guarantees

The amounts financed are covered by fiduciary liens on the goods acquired, and by a surety guarantee given by the majority stockholders of the Company.

b) Leasing contracts

The Group assesses, on the start date of the contract, whether that contract is or contains leasing, that is to say, whether the contract transmits the right to control the use of an identified asset for a given period.

The Group applies a single approach of recognition and measurement to all leasing arrangements, except contracts for leasing whose periods end in 12 months, and leasing arrangements in which the assets are of low value.

The Group has rental contracts for stores and distribution centers, signed with third parties, which are being classified as commercial leasing, and which provide an option for renewal or rescission. These options are negotiated by Management to obtain flexibility in management of the portfolio of leased assets, and so as to be aligned with the Group's business needs. The Company and its subsidiaries are not allowed to assign or sub-license the assets that are leased.

13. Borrowings--Continued

b) Leasing contracts--Continued

The discount rates that express the time of realization of the rights of use have been obtained based on the principal inflation indices of the market and an estimated rate for interest on lending, in the event that the Company were to opt to obtain the object of the leasing for similar periods and in similar scenarios. The table below shows the rates practiced, the maturities and the periods of the contract:

Real estate rental contracts	End date	Maturity	Average rates (p.a.)
Grendene USA, Inc. – Distribution center	11/30/2021	5 years	3.00%
Grendene USA, Inc. – Store	11/30/2027	7 years	3.00%
Grendene New York, L.L.C. – Store	11/30/2025	10 years	4.00%
Grendene UK Limited. – Store	5/12/2023	10 years	6.00%
Grendene Italy, S.R.L. – Distribution center	8/31/2025	5 years	6.84%

The changes in liabilities corresponding to the leases are as follows:

	Consolidated
Balances at 12/31/2019	79,973
Purchases (*)	6,926
Interest appropriated and paid	(1,443)
Payments	(18,204)
Foreign exchange variation	23,704
Balance at 12/31/2020	**90,956**
Current	20,366
Non-current	70,590

(*) Refers to the rental contract for the real estate property of the new Los Angeles store of Grendene USA, Inc.

This table shows the future commitments arising from these contracts:

Maturity	2022	2023	2024	2025	2026	2027	Total
Leasing contracts – Long term	**20,121**	**20,336**	**13,897**	**14,267**	**1,028**	**941**	**70,590**

14. Provisions, contingent liabilities and contingent asset

The Company and its subsidiaries are parties in administrative and court actions of an employment-law, tax, civil and environmental nature, arising from the normal course of business.

The Company periodically revises its list of contingencies, upon assessment by its legal department and external legal advisors and classifies the changes of loss into three categories: *(i)* Probable; *(ii)* Possible; and *(iii)* Remote.

a) Provisions – Probable loss risk

The estimated losses have been provisioned in an amount sufficient to cover any adverse judgments.

The changes in provisions for employment-law, tax and civil risks are as follows:

	Parent company				Consolidated			
	Labor	Tax	Civil	Total	Labor	Tax	Civil	Total
Balances at 12/31/2018	1,117	2,399	150	3,666	1,494	2,399	150	4,043
Additions	1,987	345	36	2,368	1,992	345	36	2,373
Realizations	(1,373)	(1,094)	(150)	(2,617)	(1,567)	(1,094)	(150)	(2,811)
Reversals	(264)	-	-	(264)	(444)	-	-	(444)
Balances at 12/31/2019	1,467	1,650	36	3,153	1,475	1,650	36	3,161
Current liabilities	*1,086*	*1,650*	*36*	*2,772*	*1,094*	*1,650*	*36*	*2,780*
Non-current liabilities	*381*	-	-	*381*	*381*	-	-	*381*
Balances at 12/31/2019	**1,467**	**1,650**	**36**	**3,153**	**1,475**	**1,650**	**36**	**3,161**
Additions	**1,511**	**-**	**810**	**2,321**	**1,518**	**-**	**810**	**2,328**
Realizations	**(1,677)**	**-**	**(36)**	**(1,713)**	**(1,677)**	**-**	**(36)**	**(1,713)**
Reversals	**(137)**	**(473)**	**-**	**(610)**	**(141)**	**(473)**	**-**	**(614)**
Monetary updating	**-**	**(60)**	**-**	**(60)**	**-**	**(60)**	**-**	**(60)**
Balances at 12/31/2020	**1,164**	**1,117**	**810**	**3,091**	**1,175**	**1,117**	**810**	**3,102**
Current liabilities	***918***	***1,117***	***772***	***2,807***	***929***	***1,117***	***772***	***2,818***
Non-current liabilities	***246***	**-**	***38***	***284***	***246***	**-**	***38***	***284***

Employment-law cases: These refer claims from former employees for alleged non-compliance with employment-law rules, relating to severance pay, additional payment for unhealthy conditions, and amounts alleged to be due for subsidiary liability.

Tax issues: This refers to PIS and COFINS taxes on imports, on services received from outside Brazil.

Civil cases: This refers to indemnity in a legal action relating to intellectual property.

b) Contingent liabilities – Possible loss risk

The Company has labor, tax, civil and environmental contingencies involving risks classified by management as possible losses, based on the evaluation of the legal advisors, for which no provision was recognized. The analysis and the estimates are as follows:

14. Provisions, contingent liabilities and contingent asset--Continued

b) Contingent liabilities – Possible loss risk--Continued

	Parent company		Consolidated	
	2020	2019	2020	2019
Labor	**1,968**	2,032	**2,475**	2,212
Tax	**12,263**	8,577	**12,263**	8,577
Civil	**28,612**	29,154	**28,612**	29,154
Environmental	**722**	500	**722**	500
	43,565	40,263	**44,072**	40,443

Employment-law cases: These refer complaints by former employees of the Company and its subsidiaries, for alleged non-compliance with employment-law rules indemnity amounts and additional payments for alleged unhealthy conditions.

Tax issues: These refer to the following notifications of postings of tax debts*: (i)* Social Security contribution on the collective life insurance made available to the employees (R$541); *(ii)* exclusion of offsetting of a presumed credit of IPI tax, calculated as reimbursement relating to the Social Security Financing Contribution (COFINS) and the Social Integration Program (PIS) (R$7,470); *(iii)* exclusion of offsetting of COFINS tax (R$1,219); *(iv)* exclusion of offsetting of a tax loss in Corporate income tax with a debit of Social Contribution tax on Net Profit (CSLL) (R$941); (*v)* exclusion of offsetting of credits recognized under the *Reintegra* program with debits of COFINS tax (R$1,392); and (*vi)* alleged undue use of ICMS tax credits on electricity (R$700).

Civil cases: The actions for indemnity by former commercial representatives (R$18,376); an action for indemnity by a former client alleging the existence of a distribution contract (R$6,000); actions to annul a tax claim for supposed non-compliance with consumer rules (R$3,567) and various other actions for indemnity (R$669).

Environmental: These are for amounts arising under inspection notices for supposed non-compliance with conditions of environmental licenses.

c) Contingent asset

The Group is in discussion, in the courts and in the administrative system, on reimbursement of federal taxes. The possibility of success in these matters has been assessed by our legal advisors as ‘probable’, as follows:

Nature	Description	Estimate
Tax matters	Inclusion of ICMS tax within the basis of calculation of the Social Security contribution on Gross Revenue.	R$ 7,500

15. Equity

a) Capital

On December 31, 2020 and 2019 the share capital, fully paid-up, comprised 902,160,000 nominal book-entry common shares without par value. The shares are all of the same class as regards their holders' rights, and all have equal right to vote, subject to the conditions of law.

This table shows the Company's ownership structure:

	Ownership structure			
	2020		2019	
	Common Shares	%	Common Shares (*)	%
Alexandre Grendene Bartelle	**371,651,807**	**41.20%**	371,651,807	41.20%
Pedro Grendene Bartelle	**125,312,376**	**13.89%**	125,312,376	13.89%
Giovana Bartelle Veloso	**37,132,797**	**4.12%**	37,132,797	4.12%
Pedro Bartelle	**35,557,397**	**3.94%**	35,760,597	3.96%
André de Camargo Bartelle	**29,201,277**	**3.24%**	29,201,277	3.24%
Gabriella de Camargo Bartelle	**28,912,677**	**3.20%**	28,912,677	3.20%
3G Radar Gestora de Recursos Ltda	**62,919,700**	**6.97%**	45,851,300	5.08%
Executive Board and Boar of Directors' Members	**2,561,173**	**0.28%**	2,259,156	0.25%
Treasury shares	**657,490**	**0.07%**	370,000	0.04%
Outstanding shares	**208,253,306**	**23.09%**	225,708,013	25.02%
	902,160,000	**100.00%**	902,160,000	100.00%

b) Capital reserve

This corresponds to the amount of stock options granted by the Company to its managers as described in Note 21.

c) Treasury shares

The Company has acquired its own shares, for compliance with the stock options plan (Note 21) as decided at the 85st meeting of the Board of Directors on March 25, 2020, without reduction of the share capital.

15. Equity--Continued

c) Treasury shares--Continued

The following shows the changes in treasury shares, taking into account the effects of the split:

	Parent company	
	Common shares	R$
Balances at 12/31/2018	(1,905,000)	(15,565)
Acquisition of shares	(370,000)	(3,928)
Share options exercised	1,905,000	15,565
Balances at 12/31/2019	(370,000)	(3,928)
Acquisition of shares	**(1,605,103)**	**(16,079)**
Share options exercised	**1,317,613**	**15,062**
Balances at 12/31/2020	**(657,490)**	**(4,945)**

	Stock price		
	Minimum	Maximum	Medium cost
At 12/31/2019	7.28	12.50	10.62
At 12/31/2020	**7.30**	**12.50**	**10.02**

d) Income reserves

d.1) Legal reserve

Constituted on December 31, 2020 in the amount of R$205,142 (R$193,588 in 2019), based on 5% of the net profit for the year, less the amount of the tax incentives, limited to 20% of the paid-up share capital.

d.2) Reserve for acquisition of shares

This is the balance of R$25,206 on December 31, 2020 (R$29,768 in 2019), used for repurchase or acquisition of shares in the Company, in compliance with the share-based remuneration offered to participants in the Company's stock options plan.

The reserve is limited to a total value equal to 20% of the share capital; it may be made up of up to 100% of the net profit remaining after the deductions required by law and by the by-laws.

15. Equity--Continued

d) Income reserves--Continued

d.3) Tax incentives

This is the portion of profit arising from government subsidies for investments as described in Note 16. These amounts have been excluded from the basis for calculation of dividends.

The changes are as follows:

	Parent company / Consolidated		
	ICMS and Exports	Income Tax Re-presented	Total tax Incentives Re-presented
Balances at 12/31/2018	1,235,290	665,548	1,900,838
Incentives generated by the operation	141,953	112,550	254,503
Balances at 12/31/2019	1,377,243	778,098	2,155,341
Incentives generated by the operation	**131,659**	**42,463**	**174,122**
Balances at 12/31/2020	**1,508,902**	**820,561**	**2,329,463**

e) Other comprehensive income

This corresponds to the accumulated effect of FX conversion from the functional currency to the original currency of the financial statements of the subsidiaries outside Brazil, calculated on the stockholding investments held outside Brazil, valued by the equity method. This accumulated effect will be reverted to the profit for the business year as a gain or loss, when the investment is sold or written off.

f) Dividends and interest on equity

In accordance with the Company's bylaws, the minimum mandatory dividend is calculated as 25% of the profit for the year, after deduction of the transfers to reserves required by law.

The Company calculated Interest on Equity using the Long-term Interest Rate (TJLP) in effect during the period. This is counted as part of the total of dividends. The Interest on Equity is posted in Stockholders' equity, and its tax effect in the Profit and loss account.

Based on the profits for the years ended December 31, 2020 and 2019 and on the Company's capacity of generating operating cash, management submitted for approval at the General Meeting of Stockholders the distribution of dividends above the minimum mandatory, as follows:

15. Equity--Continued

f) Dividends and interest on equity--Continued

	Parent company	
	2020	2019 Re-presented
Profit for the year	**405,206**	819,217
Legal reserve	**(11,554)**	(28,235)
Tax incentive reserve	**(174,122)**	(254,503)
Minimum mandatory dividends calculation basis	**219,530**	536,479
Minimum mandatory dividend – 25%	**54,882**	134,120
Dividend proposed in addition to the minimum mandatory amount	**164,648**	402,359
Total of dividends proposed by management	**219,530**	536,479
Proposed allocation:		
Prepaid corporate action payments:		
Interim dividends	**21,521**	145,959
Corporate action payments proposed:		
Minimum mandatory dividend	**33,361**	-
Additional dividend proposed	**54,648**	19,741
Additional dividend proposed in 2020 (Re-presented)	**-**	260,779
Interest on equity imputed as part of dividends (R$93,500, net of tax withheld at source)	**110,000**	110,000
	219,530	536,479

The 83rd Meeting of the Board of Directors, held at February 13, 2020, approved payment of an additional dividend proposed at December 31, 2019 by the management in the amount of R$19,741, and Interest on Equity in the amount of R$110,000 (R$93,500, net of income tax withheld at source), which were paid in May 06, 2020.

Management opted in the first quarter, for not proposing the payment of interim dividends, due to the impacts caused by the crisis of COVID-19 in the economy and in the activities of the Company, which caused, among others, the suspension its operational activities and of predict the impacts on the results of the next quarters. In the second quarter, as a result of this scenario, the Company did not report a profit, for proposal of interim dividends.

Having maintained the interim dividend policy, the Management proposes the first early distribution of dividends regarding the balance appraised by September 30, 2020, in the amount of R$21,521 (representing R$0.2387 per share), which were paid as of November 18, 2020.

The minimum mandatory complementary dividend on the net profit for the 2020 business year, in the amount of R$33,361, was recognized in Current liabilities. The remaining amount of dividends has been submitted by management for approval by the Annual General Meeting, with proposals for payment of: (i) additional dividends, in the amount of R$54,648; and (ii) Interest on Equity, in the amount of R$110,000 (R$93,500, net of income tax withheld at source). Additionally, as complementary dividends for the 2019 business year, arising from the re-presentation (see Note 2, item ‘e’), the amount of R$260,779.

15. Equity--Continued

g) Earnings per share

Reconciliation of net income to the amounts used to calculate basic and diluted earnings per share (all amounts in thousands of Reais, except earnings per share), are as follows:

	Parent company	
	2020	2019 Re-presented
Numerator		
Profit for the year (a)	**405,206**	819,217
Denominator (Thousands of shares)		
Weighted average number of common shares	**902,160,000**	902,160,000
Weighted average number of common treasury shares	**(465,137)**	(361,250)
Weighted average number of outstanding common shares (b)	**901,694,863**	901,798,750
Potential increase in common shares due to the stock option or subscription plan	**594,236**	1,423,473
Weighted average of the number of common shares, considering potential increment (c)	**902,289,099**	903,222,223
Basic earnings per common share (a/b)	**0.4494**	0.9084
Diluted earnings per common share (a/c)	**0.4491**	0.9070

16. Government grants for investments

The government subsidies received by the Company and its subsidiary MHL Calçados Ltda. have the nature of a subsidy for investment, and are as follows: *(i)* tax incentives applying to ICMS tax, relating to its operational activities located in the states of Ceará and Bahia; and *(ii)* reduction, of 75%, in the ICMS tax payable on profits of enterprises established in the state of Ceará calculated on the operational profit.

Government subsidies are recognized when there is reasonable certainty that the conditions established in the agreements governing them have been complied with.

16. Government grants for investments--Continued

a) State tax incentives

Provin – Program of Incentive to the Industrial Development Fund of Ceará (FDI), which consists of the deferral equivalent to 75% for the unit of Sobral and 81% for the unit of Crato and Fortaleza of the effectively paid ICMS, levied on the Company's production. Of the amount of each portion of the benefit, the equivalent to 1% will be paid at once, on the last day of the maturity month, after 60 months and will be dully restated, from the date of the disbursement up to the maturity date, by applying the Long-Term Interest Rate (TJLP).

Units benefited by the incentive	Percentage reduction	Expiration date
Sobral – CE	75%	Apr/2025
Crato – CE	81%	Sep/2022
	75%	Apr/2025
Fortaleza – CE	81%	Apr/2025

Proapi – The incentive program for port and industrial activities of the State of Ceará, which was in effect up to March 31, 2017, for the Company's unit at Sobral, in the State of Ceará.

Resolution 131 of the Industrial Development Council (CEDIN) of Ceará State, published on November 14, 2019, enabled the State to pay the balance of the credits of the Proapi incentive amounts receivable in 60 successive, equal monthly installments.

As a result, the balance posted by the Company as amounts receivable – which was R$53,805 – when brought to present value is reduced to R$48,725 at December 31, 2020 (the amount of the adjustment to present value is R$5,080).

Procomex – Program of Incentive of Foreign Trade, with the purpose of stimulating exports of products manufactured in the State of Bahia and the financing of the tax on import of products for sale and manufacture promoted by industrial units headquartered in the state, Subsidiary MHL Calçados Ltda. has ICMS tax credit equivalent to 11% of the FOB value of the transactions of exports of footwear and its components. The incentive is valid up to December, 2021.

Probahia – Program for the Development of Bahia, with the purpose of promoting diversification, and stimulating the transformation and industrial processes of the state.

Subsidiary MHL Calçados Ltda. has ICMS tax credit of 90% of the incurring tax on transactions of output and footwear and its components and deferral of the ICMS paid in relation to the differential of rate by the acquisition of property, plant and equipment and in the imports and internal operations with inputs, packages and components, for the moment in which the output of their products occurs. The incentive is valid up to November 2021.

16. Government grants for investments--Continued

a) State tax incentives--Continued

The balances of the incentive amounts are reported in the Profit and loss account of the Holding company and in the Consolidated accounts, under Net sales revenue, as shown in Note 22. These amounts were allocated to the *Tax incentives reserve* account in Profit reserves. The amounts arising from the incentives given by States may be allocated differently, as specified in Law 12,973 of May 13, 2014.

b) Federal fiscal tax incentive

The Company is beneficiary of the following tax incentive: reduction of 75% in income tax on the profits of undertakings located in the industrial units headquartered in the area of activity of Sudene, as shown in the table below:

Units benefited by the incentive	Project	Percentage reduction	Expiration date
Fortaleza – CE	Modernization	75%	Dec/2020
Sobral – CE	Modernization	75%	Dec/2022
	Modernization	75%	Dec/2023
Crato – CE	Modernization	75%	Dec/2026

The balances of this incentive are posted in the Company's Profit and loss account, under Current income tax, as shown in Note 17. In counterpart, these amounts were posted in the Tax incentives reserve account, in Profit reserves, in Stockholders' equity.

17. Income tax and social contribution tax

a) Current income tax and social contribution tax

Current income tax and social contribution tax amounts recorded in the expense for the year, net of tax incentives, are as follows:

	Parent company		Consolidated	
	2020	2019 Re-presented	2020	2019 Re-presented
Income tax				
Amount due	**(42,463)**	(168,226)	**(42,463)**	(168,226)
Tax incentives	**42,463**	112,550	**42,463**	112,550
	-	(55,676)	**-**	(55,676)
Social contribution				
Amount due	**(15,679)**	(63,264)	**(15,679)**	(63,264)
	(15,679)	(118,940)	**(15,679)**	(118,940)

17. Income tax and social contribution tax--Continued

b) Deferred income tax and social contribution tax

Deferred income tax and social contribution tax are comprised as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Estimated losses on doubtful receivables	**4,001**	2,267	**4,001**	2,268
Punctuality discounts estimated	**8,533**	4,800	**8,533**	4,803
Adjustment to Present Value	**1,753**	2,202	**1,753**	2,202
Fair value of equity financial instruments	**(22,080)**	-	**(22,080)**	-
Estimated losses for obsolete inventory	**1,567**	2,340	**1,567**	2,340
Provision for labor risks, tax and civil	**471**	481	**471**	483
Interest on equity (counted as part of total dividends	**37,400**	37,400	**37,400**	37,400
Other	**614**	386	**(85)**	(209)
	32,259	49,876	**31,560**	49,287

c) Estimate for realization of deferred income tax and Social Contribution tax

Realization of deferred income tax and Social Contribution tax is supported by technical feasibility studies, which show an estimate of the realization of the differed assets.

Below is the timetable of the estimated periods for realization of the tax credits which exist at December 31, 2020:

	Party company	Consolidated
2021	**29,926**	**29,577**
2022	**747**	**397**
2023	**801**	**801**
2024	**603**	**603**
2025	**182**	**182**
	32,259	**31,560**

17. Income tax and social contribution tax--Continued

d) Reconciliation of tax expense to statutory rates

The amounts of income tax and Social Contribution tax, calculated at nominal rates, reported in the Profit and loss account, are reconciled as follows:

	Party company		Consolidated	
	2020	2019 Re-presented	2020	2019 Re-presented
Pretax income	**438,502**	943,511	**438,612**	943,769
Income tax and social contribution tax (at nominal rates of 25% and 9% respectively)	**(149,091)**	(320,794)	**(149,128)**	(320,882)
Adjustments to show effective rate				
Equity in the results of subsidiaries	**(15,441)**	(14,936)	**(2)**	-
Non-deductible costs and expenses	**(1,461)**	(2,283)	**(1,461)**	(2,349)
Adjustments to present value – AVP	**551**	(804)	**551**	(804)
Adjustments to fair value	**2,283**	-	**2,283**	-
Stock options plan	**(535)**	(1,464)	**(535)**	(1,464)
Special System for Refund of Tax Amounts to Exporting Companies (Reintegra)	**135**	170	**135**	170
State tax incentives	**44,764**	48,264	**44,772**	48,271
Technological innovation incentive	**9,442**	11,069	**9,442**	11,069
Corporate tax incentive deductions – Income tax	**1,065**	7,484	**1,065**	7,484
Interest on equity counted as part of total dividends	**37,400**	37,400	**37,400**	37,400
Other additions and exclusions	**(4,871)**	(950)	**(20,391)**	(15,997)
Amount before deduction of corporate tax incentives	**(75,759)**	(236,844)	**(75,869)**	(237,102)
Tax incentive reductions of corporate income tax (calculated on operational profit)	**42,463**	112,550	**42,463**	112,550
Total taxes posted in profit and loss account	**(33,296)**	(124,294)	**(33,406)**	(124,552)
Current taxes	**(15,679)**	(118,940)	**(15,679)**	(118,940)
Deferred taxes	**(17,617)**	(5,354)	**(17,727)**	(5,612)
Effective rate	**-7.6%**	-13.2%	**-7.6%**	-13.2%

18. Financial instruments

The Company has transactions with financial instruments, the risks of which are managed through financial position strategies and exposure limit systems. All transactions are fully recognized in the accounting records.

18. Financial instruments--Continued

The table below gives the classification of the principal financial assets and liabilities of the Company and its subsidiary.

	Party company		Consolidated	
	2020	2019 Re-presented	2020	2019 Re-presented
Financial assets at amortized cost (*)				
Cash and cash equivalents	**5,248**	5,984	**19,162**	18,072
Financial investments (ii)	**1,662,766**	2,078,899	**1,662,766**	2,078,899
Trade receivables	**1,170,084**	912,136	**1,162,538**	908,297
Financial instruments measured at fair value through profit of loss				
Financial investments (iii)	**62,527**	31,486	**62,527**	31,486
Financial investments (i)	**256,417**	-	**256,417**	-
Derivatives (ii)	**559**	1,371	**559**	1,371
Financial liabilities at amortized cost (*)				
Borrowings	**9,821**	95,192	**9,821**	95,192
Leasing contracts	**-**	-	**90,956**	79,973
Trade payables	**91,182**	44,896	**94,460**	45,636
Commissions payable	**59,361**	45,080	**59,710**	45,191

(*) The accounting balances at December 31, 2020 and 2019 reflect the fair values of the financial instruments.
(i) Level 1: Items valued by prices quoted in an active market (without any adjustments) for similar assets of liabilities.
(ii) Level 2: Items on which there is observable information for assets and liabilities, but which do not have prices quoted on an active market.
(iii) Level 3: Items for which there are no observable data for assets and liabilities that reflect assumptions for pricing.

a) Foreign exchange rate hedging transactions

The strategy when contracting these transactions is to hedge the sales revenue and financial assets of the Company and its subsidiaries that are subject to foreign exchange exposure. These instruments are used for the specific purpose of hedging, and the portfolio includes sale of U.S. dollar futures through financial instruments used for this purpose such as: sales on the São Paulo Futures, Commodities and Securities Exchange – BM&F and advances on future exports (ACE).

In transactions involving BM&F sales, the impact on the cash flow of the Company and its subsidiaries is assessed through the calculation of daily adjustments to the U.S. dollar exchange rate until the settlement of the contracts.

18. Financial instruments--Continued

a) Foreign exchange rate hedging transactions--Continued

To reduce the net effects of exposure of its business, the Company's management determines the managers may negotiate future contracts for sale of USD, exclusively at BM&F up to the maximum limit defined by the sum of the following items: *(i)* bank balances in foreign currency held outside Brazil; *(ii)* financial investments held outside Brazil; *(iii)* balances of accounts receivable (denominated in USD) of exchange transactions to be contracted; *(iv)* up to 25% of the forecasts of annual exports equivalent to approximately 90 days of forecast exports (normally corresponding to orders in the order book and negotiations for sales in progress), less: *(a)* balances of suppliers held in foreign currency; *(b)* imports in progress; and *(c)* ACCs (Advances against exchange contract).

The risks are monitored daily and administered through internal controls aimed to demonstrate the limits of exposure and adapt them to the Company's risk management policy.

Foreign exchange hedging transactions are usually made with the BM&F, are carried out through specialized brokers, with specific guarantees. The guarantee amounted to R$59,410 at December 31, 2020 (R$56,908 in 2019), comprises the Company's investments in government securities, observing the limits and exposures to foreign exchange risk, as defined in the policy for management of counterparty risk.

The table below shows the positions at December 31, 2020 and 2019, with the notional and fair value.

	Notional value – US$		Notional value – R$		Amount receivable (payable)	
	2020	2019	2020	/2019	2020	2019
Futures contracts						
Sell commitment	**34,500**	50,000	**178,700**	201,122	**559**	1,371

It should be noted that these transactions are linked to sales and financial assets in foreign currency, which are also subject to foreign exchange rate changes, offsetting any gains or losses. The balance receivable at December 31, 2020 in the amount of R$559 (R$1,371 in 2019) is classified in securities receivable.

19. Financial risk management

The activities of the Company and its subsidiaries, and their financial conditions and results of operations, may be adversely affected by financial risk factors.

The Company's risk management is administered based on the internal control policy, which establishes techniques of continuous accompaniment, measuring and monitoring of its exposure, under the management of its directors. The Company does not have transactions with speculative derivative financial instruments or any other type of speculative transactions.

a) Risk factors that could affect the business

a.1) *Credit risk*

The Group is exposed to credit risk in its operational activities arising from accounts receivable from clients and counterparties in financial investments, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The following are the risk management practices: *(i) Accounts receivable from clients*: Management aims to minimize any problems arising from default by its clients, through analysis of credit in the client portfolio, establishment of sales limits and sales well spread out between multiple clients. No single client represented more than 5% of the total of the Company's accounts receivable on December 31, 2020, nor on December 31, 2019; and *(ii) Financial instruments, cash and cash equivalents, and other financial assets:* The Company's financial resources are allocated in a diversified manner in financial assets that may be securities issued by financial institutions that are considered by the market to be first-tier (the country's 10 largest banks by assets), or public securities or private securities such as, for example, debentures, real estate receivable certificates, real estate financing transactions, credits receivable, or others, that seek remuneration tied to a basket of indicators, such as: the CDI rate, and securities with fixed rates or indexed to inflation indices.

Investment opportunities of greater risk (those made in private securities) are evaluated by the investment committee created for this purpose, which, under the Company's policy, may allocate up to R$850 million for this type of investment.

19. Financial risk management--Continued

a) Risk factors that could affect the business—Continued

a.2) *Liquidity risk*

The Company monitors the policy on cash generated by its activities, to avoid mismatch between accounts receivable and accounts payable, thus ensuring liquidity for compliance with its obligations. The principal source of funds used by the company is the volume of proceeds from the sale of its products. One characteristic of the strong cash flow generation is low default. The Company, additionally, holds balances in cash investments that may be redeemed at any moment, and has solid financial and equity conditions, for complying with its short and medium term obligations.

This table shows the requirements for contractual payments arising from the Company's financial liabilities:

	Parent company / Consolidated					
	2020			2019		
	Up to 1 year	From 1 to 9 years	Total	Up to 1 year	From 1 to 9 years	Total
PP&E financing	-	-	-	10,352	10,341	20,693
Financing – Proapi and Provin	577	9,244	9,821	56	7,741	7,797
Working capital and ACE	-	-	-	66,702	-	66,702
	577	9,244	9,821	77,110	18,082	95,192
Projection including future interest						
PP&E financing	-	-	-	11,008	10,570	21,578
Financing – Proapi and Provin	594	10,501	11,095	59	9,018	9,077
Working capital and ACE	-	-	-	67,389	-	67,389
	594	10,501	11,095	78,456	19,588	98,044

a.3) *Market risks*

These market risks principally involve the possibility of variation in interest rates, foreign exchange rates and prices of commodities and stock prices.

i) Interest rate risk

This risk arises from the possibility that the Company may incur losses due to fluctuations in interest rates that lead to an increase in its finance costs related to borrowings, or a decrease in its earnings on financial investments. The Company continuously monitors the volatility of market interest rates.

19. Financial risk management--Continued

a) Risk factors that could affect the business--Continued

a.3) *Market risks--Continued*

i) Interest rate risk--Continued

The Company's policy is to keep its funds invested in instruments indexed to the CDI rate, at fixed rates or rates adjusted by inflation – since this ensures reduction of the impacts arising from variations in market interest rates.

ii) Exchange rate risk

The Company's risk in this case arises from transactions in accounts receivable originating from exports, or from financial or other investments outside Brazil – which form a natural hedge against exchange rate variations. Management values its assets and liabilities that are subject to foreign exchange risk, and if necessary contracts additional derivative financial instruments.

On December 31, 2019, the Company had coverage for exposures to fluctuations in the exchange rate for conversion of its export contracts to Reais at maturity, in the amount of US$16,551. On December 31, 2020 there were no transactions of this nature. Also, there are no other financings or loans contracted or indexed to any foreign currency.

iii) Commodity price risk

This risk refers to the possibility of fluctuations in the price of raw materials and other inputs used in the production process, As the Company uses commodities as raw materials, its cost of sales can be affected by fluctuations in the international prices of these materials. In order to minimize this risk, the Company maintains ongoing monitoring of price fluctuations in the domestic and foreign markets and, if necessary, maintains strategic inventories to support its commercial activities.

iv) Stock price risk

The Company has stock exchange-listed equity instruments of other companies in its portfolio of investments. Risk arises from possible changes in market value of the shares of these companies.

19. Financial risk management--Continued

b) Sensitivity analysis

To analyze the sensitivity of the indexors governing financial investments and the financings to which the Company was exposed on the base date December 31, 2020, we set three different scenarios, and prepared a sensitivity analysis of the effect of variations in the indicators of these instruments. The scenarios are calculated leaving out of account the probable cash flow of payments from financings and redemptions of investments.

b.1) *Interest rate fluctuation sensitity analysis*

The yields from financial investments, and the financial expenses arising from the Company's financings, are affected by the variations in rates or indicators, such as the CDI rate, the IPCA inflation index and the TJLP long-term interest rate. For these instruments, our analysis considered variations of 25% and 50% from the probable scenario – downward for financial investments, upward for financings.

The table below shows the outstanding positions at December 31, 2020, with the notional values and interest of each contracted instrument:

Risk factor	% y.y.	Balances at 12/31/2020	Sensitivity scenarios		
			Probable – Book value	Possible Δ 25%	Remote Δ 50%
Fixed income cash investments					
Reduction in the CDI rate	**1.9000%**	**1,379,946**	**28,978**	**23,900**	**18,817**
Reduction in the IPCA rate	**4.3111%**	**282,820**	**28,252**	**25,207**	**22,161**
Financings – *Provin* and *Proapi*					
Increase in the TJLP	**4.5500%**	**9,821**	**(447)**	**(559)**	**(670)**

b.2) *Sensitivity analysis for variations in the exchange rate*

The Company has projected the effect of the transactions designed for Exchange rate protection in three scenarios, considering the transactions would be settled, on the basic of the position becoming due on January 31, 2021, as follows:

Risk factor	Short position in USD	FX rate	Balances at 12/31/2020	Sensitivity scenarios		
				Probable – Book value	Possible Δ 25%	Remote Δ 50%
Contracted derivative - Hedge						
Dollar rise	**34,500**	**5.1797**	**178,700**	**559**	**(44,674)**	**(89,351)**

19. Financial risk management--Continued

b) Sensitivity analysis--Continued

b.3) *Sensitivity analysis for variations in stock prices*

The Company projected the effects of transactions that are intended to protect the risk of financial investments in listed equities, considering that the transactions would be closed out, on December 31, 2020, as follows:

Risk factor	Number of shares	Average price	Balances at 12/31/2020	Sensitivity scenarios	
				Possible Δ 25%	Remote Δ 50%
Financial investments in equities					
Reduction in price of the shares	**8,443,200**	**30.3696**	**256,417**	**(64,104)**	**(128,208)**

c) Capital management

Management has the objective of ensuring continuity of the Company's business, protecting its capital from economic changes and conditions, so as to support reduction of costs of capital and maximize return to stockholders. To maintain or adjust the capital structure, the Company may, among other possible actions, make adjustments to its dividend payment policy, or contract loans, or issue securities in the financial markets.

The Company's policy of a low level of leverage is monitored through the financial leverage index, as shown below.

	Parent company		Consolidated	
	2020	2019 Re-presented	2020	2019 Re-presented
Current and non-current borrowings	**9,821**	95,192	**9,821**	95,192
Leasing contracts	**-**	-	**90,956**	79,973
(-) Cash and cash equivalents	**(5,248)**	(5,984)	**(19,162)**	(18,072)
Net debt	**4,573**	89,208	**81,615**	157,093
Equity	**4,230,168**	4,006,699	**4,230,168**	4,006,699
Gearing ratio	**0.1%**	2.2%	**1.9%**	3.9%

At December 31, 2020, the leverage index was lower than at the end of 2019, mainly due to the settlement of financing of fixed assets, and loans related to exports.

20. Related parties

Transactions with related parties arise from transactions between the Company and its (direct and indirect) subsidiaries, affiliated company and other companies with participation of the Company's stockholders, key professionals of the administration and other related parties.

a) Amounts of balances and transactions with subsidiaries (direct and indirect), affiliated company and other companies controlled by a stockholder or the Company

			Parent company / Consolidated					
			2020			2019		
	Nature of transaction	Maturity	Assets	Liabilities	P&L	Assets	Liabilities	P&L
Direct subsidiaries								
MHL Calçados Ltda.	Accounts receivable from clients	–	-	-	-	50	-	-
	Sale of input materials	77 days	-	-	**60**	-	-	321
	Sales of PP&E	29 days	-	-	-	-	-	11
	Purchase of inputs	58 days	-	-	**(1,177)**	-	-	(58)
Grendene USA, Inc.	Accounts receivable from clients	–	**8,298**	-	-	7,326	-	-
	Commissions payable	–	-	**278**	-	-	231	-
	Sales of footwear	176 days	-	-	**9,715**	-	-	11,945
	Fees for services	12 days	-	-	**(493)**	-	-	(566)
	Financial revenues	–	-	-	**3,265**	-	-	1,955
	Financial expenses	–	-	-	**(845)**	-	-	(1,666)
Grendene UK Limited.	Accounts receivable from clients	–	**1,343**	-	-	483	-	-
	Advance against future capital increase in subsidiary	–	-	-	-	5,860	-	-
	Sales of footwear	204 days	-	-	**1,430**	-	-	832
	Financial revenues	–	-	-	**3,227**	-	-	1,427
	Financial expenses	–	-	-	**(3,220)**	-	-	(1,327)
Indirect subsidiary								
Grendene Italy SRL.	Accounts receivable from clients	–	**2,200**	-	-	1,318	-	-
	Sales of footwear	278 days	-	-	**2,251**	-	-	1,605
	Advisory services	9 days	-	-	**(5,742)**	-	-	(2,988)
	Financial revenues	–	-	-	**625**	-	-	656
	Financial expenses	–	-	-	**(307)**	-	-	(40)
Affiliated company								
YOUPE Participações S.A.	Investments in interests in other companies	–	**11,679**	-	-	-	-	-
Other transactions								
Vulcabras Azaleia – CE, Calçados e Artigos Esportivos S.A.	Sales of input materials and molds	30 days	-	-	**2**	-	-	2
	Purchase of inputs	30 days	-	-	-	-	-	(9)
Vulcabras Azaleia – BA, Calçados e Artigos Esportivos S.A.	Sale of molds	43 days	-	-		-	-	423
SCP Henrique Monteiro	Other financial assets	–	**16,333**	-	-	15,945	-	-
	Financial revenues	–	-	-	**4,224**	-	-	-
SCP Jesuíno Maciel	Other financial assets	–	**5,414**	-	-	541	-	-
SCP Mairinque	Other financial assets	–	**16,690**	-	-	-	-	-
SCP Neto de Araujo	Other financial assets	–	**6,717**	-	-	7,000	-	-
	Financial revenues	–	-	-	**1,447**	-	-	-
SCP Parque Raposo	Other financial assets	–	**107,286**	-	-	-	-	-
SCP Pensilvânia	Other financial assets	–	**7,373**	-	-	8,000	-	-
	Financial revenues	–	-	-	**2,349**	-	-	-
SCP Saioá	Other financial assets	–	**5,000**	-	-	-	-	-
SCP Venâncio	Other financial assets	–	**5,000**	-	-	-	-	-

20. Related parties--Continued

b) Remuneration of key personnel

This table gives the total remuneration of the key personnel of management:

	Parent company			
	2020		2019	
	Fees	Variable (*)	Fees	Variable (*)
Board of Directors	**1,179**	**-**	1,188	-
Audit Board	**381**	**-**	446	-
Executive Board	**3,467**	**503**	4,201	1,432
	5,027	**503**	5,835	1,432

(*) Refers to expenses on the stock options plan, as described in Note 21, in the period.

c) Other related parties

The Company uses travel agency and consultancy services provided by companies that are the property of a related party, as follows:

	Parent company	
	2020	2019
Dall'Onder Viagens & Turismo Ltda.	**65**	247
Mailson da Nóbrega Consultoria S/C Ltda.	**72**	72
Ochman, Real Amadeo Advogados Associados	**312**	187
	449	506

The transactions with related parties are carried out on a commutative basis and in accordance with the criteria for evaluation and selection of suppliers. The amounts spent on these services total approximately 0.03% of the Company's general expenses. There were no outstanding balances at December 31, 2020.

20. Related parties--Continued

c) Other related parties--Continued

On December 31, 2020 and 2019, there were transactions with related parties, as follows:

Company	Date of the transaction	Transaction	Related parties
Casa de Pedra Securitizadora de Créditos S.A.	8/19/2019	Service provider ('Servicer') for the non-convertible debenture transaction (Alphaville Urbanismo S.A.)	The stockholder Alexandre Grendene Bartelle
Even Construtora e Incorporadora S.A.	9/23/2019	Guarantor of the obligations of the project of the SCP Pensilvânia, in which ostensive partner is Valdepino Emprendimentos Imobiliários Ltda. which is an investee of Even Construtora e Incorporadora S.A.	Even Construtora e Incorporadora S.A, in turn, is an investee of Nova Milano Investimentos (Melpar), with an equity stake of 46.88%. Nova Milano is a fund in which Alexandre Grendene Bartelle (related party) holds an interest of 31.63%.
Even Construtora e Incorporadora S.A.	11/19/2019	Guarantor of the obligations of the project of the SCP Neto de Araujo, in which ostensive partner is Remigio Empreendimentos Imobiliários Ltda. which is an investee of Even Construtora e Incorporadora S.A.	Even Construtora e Incorporadora S.A, in turn, is an investee of Nova Milano Investimentos (Melpar), with an equity stake of 46.88%. Nova Milano is a fund in which Alexandre Grendene Bartelle (related party) holds an interest of 31.63%. Stockholder Andre Carvalho Bartelle, investor in the SCP (silent partnership), with 5.761%
Even Construtora e Incorporadora S.A.	12/18/2019	Guarantor of the obligations of the project of the SCP Jesuíno Maciel, in which ostensive partner is Jaracatiá Empreendimentos Imobiliários Ltda. which is an investee of Even Construtora e Incorporadora S.A.	Even Construtora e Incorporadora S.A, in turn, is an investee of Nova Milano Investimentos (Melpar), with an equity stake of 46.88%. Nova Milano is a fund in which Alexandre Grendene Bartelle (related party) holds an interest of 31.63%.
Even Construtora e Incorporadora S.A.	4/2/2020	Guarantor of the obligations of the project of the SCP Saioá, in which ostensive partner is Arabica Empreendimentos Imobiliários Ltda, which is an investee of Even Construtora e Incorporadora S.A.	Even Construtora e Incorporadora S.A, in turn, is an investee of Nova Milano Investimentos (Melpar), with an equity stake of 46.88%. Nova Milano is a fund in which Alexandre Grendene Bartelle (related party) holds an interest of 31.63%.
EVEN Construtora e Incorporadora S.A.	4/2/2020	Guarantor of the obligations of the project of the SCP Venâncio, in which the ostensive partner is Pouliche Empreendimentos Imobiliários Ltda, which is an investee of Even Construtora e Incorporadora S.A.	Even Construtora e Incorporadora S.A, in turn, is an investee of Nova Milano Investimentos (Melpar), with an equity stake of 46.88%. Nova Milano is a fund in which Alexandre Grendene Bartelle (related party) holds an interest of 31.63%.
EVEN Construtora e Incorporadora S.A.	4/7/2020	Guarantor of the obligations of the project of the SCP Mairinque, in which the ostensive partner is Icatu Empreendimentos Imobiliários Ltda, which is an investee of Even Construtora e Incorporadora S.A.	Even Construtora e Incorporadora S.A, in turn, is an investee of Nova Milano Investimentos (Melpar), with an equity stake of 46.88%. Nova Milano is a fund in which Alexandre Grendene Bartelle (related party) holds an interest of 31.63%.
Casa de Pedra Securitizadora de Créditos S.A.	5/12/2020	Managers and administrators of receipt and allocation of the receivables under 'Fiduciary Assignment' (chattel mortgage) agreement signed by the parties of the SCP Parque Raposo.	Stockholder Alexandre Grendene Bartelle
Veneza Negócios e Participação S.A.	10/14/2020	Shareholder of YOUPE Participações S.A.	Shareholders: Alexandre Grendene Bartelle and Pedro Grendene Bartelle
Nova Milano Investimentos Ltda.	10/14/2020	Shareholder of YOUPE Participações S.A.	Shareholders: Alexandre Grendene Bartelle e Vice-president: Gelson Luiz Rostirolla.
André de Camargo Bartelle	10/14/2020	Shareholder of YOUPE Participações S.A	André de Camargo Bartelle stockholder of Grendene S.A.
Gabriela de Camargo Bartelle	10/14/2020	Shareholder of YOUPE Participações S.A.	Gabriela de Camargo Bartelle stockholder o Grendene S.A.
Rudimar Dall' Onder	10/14/2020	Shareholder of YOUPE Participações S.A.	Rudimar Dall'Onder CEO, Administrative and Financial Director of Grendene S.A.

d) Vulcabras Azaleia S.A. Partnership

On September 24, 2020, the Committee with Related Parties approved the "Azaleia" brand use license agreement, which brand is owned by Vulcabras Azaleia – RS, Calçados e Artigos Esportivos S.A., a subsidiary of Vulcabras Azaleia S.A., related party, for the production and trade of women's footwear in general in Brazil and abroad, except for Peru, Chile and Colombia, for the term of three (3) years, which can be renewed for an additional period of three (3) years. This transaction had no impact on the individual and consolidated financial statements.

There are no other transactions between the Company and its related parties, other than dividends and Interest on Equity paid.

21. Stock option or subscription plan

The stock options or subscription plan, approved the stockholders or the Company in a Extraordinary General Meeting of April 14, 2008, grants stock options, on the terms described in the plan, to directors and managers, other than the controlling stockholders.

The share options may be exercised in up to six years from the date of grant, with a vesting period of three years, under which 33% is released as from expiry of the first year, 66% on completion of the second year and 100% on completion of the third year.

For compliance with exercises of stock options, a total of 1,605,103 shares were acquired in 2020, at an average cost of R$10.02, totalling an amount of R$16,079. In first quarter 2019, options for a total of 1,317,613 shares were exercised, at an average price of R$4.21, totaling R$5,543.

The difference between the average exercise price of the options and the average cost of the shares acquired for compliance with the exercise of stock options resulted in recognition of R$4,562. This was posted in Stockholders' equity, since settlement of the stock option plans takes place with equity instruments.

a) Bases for recognition of expenses on share-based remuneration

Shares are valued at fair value on the date of the grant, and expenses recognized in the Profit and loss account as Personnel expenses, over the period in which the right to the exercise of the option is acquired, with counterpart in Stockholders' equity.

The fair value of the options granted was estimated using the Black & Scholes options pricing model. The economic parameters used were: *(i)* expected dividends, obtained on the basis of the average of dividend payments per share, in relation to the market value of the shares in the last 12 months; *(ii)* volatility, based on the historic average variation of the share price in the 18 months prior to the date of the grant; and *(iii)* the risk-free interest rate, assumed to be the projected average of the Selic rate, published by the Central Bank. This table gives this information in detail:

	9th Plan	10th Plan	11th Plan	12th Plan
Grant date	2/25/2016	2/16/2017	2/22/2018	2/14/2019
Total purchase options granted	2,675,538	2,181,456	1,524,825	695,892
Exercise price	2.96	3.27	5.16	4.68
Estimated volatility	29.89%	20.16%	15.58%	17.11%
Expected dividends	6%	6%	4%	4%
Weighted average risk-free interest rate	14.25%	9.50%	6.75%	6.50%
Maximum maturity	6 years	6 years	6 years	6 years
Average maturity	2.5 years	2.5 years	2.5 years	2.5 years
Option premium	2.58	3.16	4.43	4.12

The Company has no commitment to re-purchase such shares as are acquired by the beneficiaries.

21. Stock option or subscription plan--Continued

b) Movement stock options plan

This table shows the changes arising from the transactions of purchase or subscription of shares:

	9th Plan	10th Plan	11th Plan	12th Plan	Final Balance
Total at 12/31/2018	799,950	1,337,376	1,501,137	-	3,638,463
Granted	-	-	-	695,892	695,892
Exercised	(799,950)	(653,667)	(451,383)	-	(1,905,000)
Canceled	-	(72,582)	(104,568)	(67,707)	(244,857)
Total at 12/31/2019	-	611,127	945,186	628,185	2,184,498
Exercised	**-**	**(611,127)**	**(497,091)**	**(209,395)**	**(1,317,613)**
Total at 12/31/2020	**-**	**-**	**448,095**	**418,790**	**866,885**
Options exercisable in 2021	**-**	**-**	**448,095**	**209,395**	**657,490**
Options exercisable in 2022	**-**	**-**	**-**	**209,395**	**209,395**
	-	**-**	**448,095**	**418,790**	**866,885**
Result of options granted, recognized on 12/31/2019	(2,088)	(2,257)	(2,318)	(95)	(6,758)
Result of options granted, recognized on 12/31/2020	**-**	**(1,877)**	**(2,205)**	**(875)**	**(4,957)**
Expense on personnel at 12/31/2019	(58)	(745)	(1,953)	(1,551)	(4,307)
Expense on personnel at 12/31/2020	**-**	**(51)**	**(736)**	**(787)**	**(1,574)**

22. Net sales and services revenue

Net sales and services revenue is comprised as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Gross sales and services revenue	**2,305,678**	2,477,511	**2,334,797**	2,513,301
Domestic market	***1,926,902***	*2,015,012*	***1,926,944***	*2,015,355*
Adjustment to Present Value (AVP)	***(23,379)***	*(35,840)*	***(23,379)***	*(35,840)*
Foreign market	***403,356***	*503,642*	***432,433***	*539,089*
Adjustment to Present Value (AVP)	***(1,597)***	*(5,804)*	***(1,597)***	*(5,804)*
Special System for Refund of Tax Amounts to Exporting Companies (Reintegra)	***396***	*501*	***396***	*501*
Sales returns	**(59,096)**	(56,937)	**(61,746)**	(59,016)
Financial discounts	**(103,196)**	(94,548)	**(105,546)**	(97,092)
Taxes on sales and services	**(373,560)**	(394,669)	**(374,113)**	(395,631)
ICMS tax incentives – Provin/ Development Promotion Program of the State of Bahia (Probahia)	**131,659**	141,953	**131,683**	141,973
INSS	**(27,389)**	(28,774)	**(27,396)**	(28,784)
State Fiscal Balance Fund (FEEF)	**(892)**	(3,715)	**(894)**	(3,717)
	1,873,204	2,040,821	**1,896,785**	2,071,034

23. Segment reporting

The Group operates in the following market segment production and sale of synthetic footwear for the domestic and external markets.

Although the Company's footwear products are designed to serve the various publics and socio-economic groups, management does not monitor and manage them as independent market segments: the Company's results are accompanied, monitored and evaluated as an integrated whole.

This table shows consolidated sales in the domestic and export markets, and non-current assets:

	Parent company				Consolidated	
	2020		2019		2020	2019
	Gross sales	Non-current assets	Gross sales	Non-current assets	Gross sales	Gross sales
Footwear						
Domestic market	**1,903,523**	**12,245**	1,979,172	13,016	**1,903,565**	1,979,515
Foreign market	**402,155**	**36,065**	498,339	28,947	**431,232**	533,786
	2,305,678	**48,310**	2,477,511	41,963	**2,334,797**	2,513,301

Non-current assets outside Brazil refers to the investments in the Company's direct and indirect subsidiaries and represents approximately 3% of the total of the Company's non-current assets. The summarized financial information of these subsidiaries is presented in Note 10.

The information on gross sales of products in the export market by geographical segment has been itemized by country of origin of the revenue, as follows:

	Consolidated	
	2020	2019
Brazil	**388,759**	483,958
USA	**31,406**	36,129
Italy	**8,628**	8,652
United Kingdom	**2,439**	5,047
	431,232	533,786

No customer individually represented more than 4% of sales in the domestic or foreign market.

24. Costs and expenses by nature

The Company presents the Profit and loss account itemized by function. The classification of operational costs and expenses by type is as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Cost of goods sold				
Raw materials	**(483,658)**	(472,834)	**(485,325)**	(475,164)
Personnel expenses	**(338,487)**	(427,718)	**(340,273)**	(430,779)
Depreciation and amortization	**(55,578)**	(54,140)	**(55,592)**	(54,181)
Outsourced services	**(21,665)**	(25,208)	**(21,668)**	(25,241)
Travel and accommodation	**(1,523)**	(2,189)	**(1,533)**	(2,191)
Electricity	**(24,276)**	(23,730)	**(24,340)**	(23,940)
Other costs	**(92,778)**	(113,909)	**(93,599)**	(115,015)
	(1,017,965)	(1,119,728)	**(1,022,330)**	(1,126,511)
Selling expenses				
Commissions	**(94,034)**	(104,549)	**(95,238)**	(105,796)
Freight	**(100,857)**	(107,118)	**(104,896)**	(110,293)
Copyrights	**(39,430)**	(47,606)	**(39,430)**	(47,606)
Advertising and publicity	**(55,086)**	(111,080)	**(61,113)**	(123,229)
Personnel expenses	**(35,681)**	(39,798)	**(48,228)**	(51,488)
Depreciation and amortization	**(2,525)**	(2,193)	**(26,089)**	(15,619)
Outsourced services	**(9,044)**	(9,747)	**(13,229)**	(12,342)
Travel and accommodation	**(1,763)**	(5,755)	**(1,934)**	(6,097)
Congresses	**(1,574)**	(5,878)	**(1,574)**	(5,948)
Rentals	**(2,197)**	(2,889)	**(2,197)**	(10,859)
Other expenses	**(31,575)**	(33,967)	**(37,918)**	(41,548)
	(373,766)	(470,580)	**(431,846)**	(530,825)
General and administrative expenses				
Personnel expenses	**(50,909)**	(60,399)	**(52,998)**	(62,383)
Depreciation and amortization	**(4,204)**	(5,528)	**(4,495)**	(5,597)
Outsourced services	**(9,310)**	(9,002)	**(11,270)**	(10,194)
Travel and accommodation	**(206)**	(908)	**(268)**	(946)
Tax expenses	**(4,661)**	(4,142)	**(4,728)**	(4,205)
Other expenses	**(3,435)**	(3,562)	**(3,712)**	(4,306)
	(72,725)	(83,541)	**(77,471)**	(87,631)

25. Other operational revenues and expenses

In the 2019 business year the Company recorded the amount of R$263,971, net of fees of counsel, for recognition of the effects arising from the process of exclusion of ICMS tax from the basis of calculation of the PIS and COFINS taxes, as set out in Note 2 letter e.

26. Finance result

	Parent company		Consolidated	
	2020	2019 Re-presented	2020	2019 Re-presented
Financial income				
Gains on foreign exchange hedge – BM&F	**64,331**	53,975	**64,331**	53,975
Foreign exchange gains	**108,658**	54,099	**109,033**	54,209
Income from financial investments	**83,548**	144,267	**83,806**	144,839
Result of variable income financial instruments	**76,418**	-	**76,418**	-
Profit/loss on other financial assets - SCPs	**8,020**	-	**8,020**	-
Adjustment to Present Value	**27,916**	42,470	**27,916**	42,470
Interest (assets) (*)	**11,361**	214,757	**11,370**	214,770
Interest received from customers	**1,921**	2,128	**1,937**	2,128
PIS and COFINS tax on financial revenues	**(4,889)**	(15,996)	**(4,902)**	(16,024)
Other financial income	**543**	100	**549**	100
	377,827	495,800	**378,478**	496,467
Financial expenses				
Losses on foreign exchange hedge – BM&F	**(131,677)**	(47,598)	**(131,677)**	(47,598)
Foreign exchange losses	**(94,359)**	(54,906)	**(94,551)**	(55,417)
Financing expenses	**(7,891)**	(9,007)	**(7,891)**	(9,007)
Other finance expenses	**(5,138)**	(9,392)	**(6,946)**	(10,037)
	(239,065)	(120,903)	**(241,065)**	(122,059)
	138,762	374,897	**137,413**	374,408

(*) Refers mainly to balances of updating (by the Selic rate) arising from the successful legal action which ruled that amounts of ICMS tax should be excluded from the basis for calculation of the PIS and COFINS taxes, as described in Note 2, letter e.

27. Insurance

For protection against operational risks, the Company's Management contracts insurance cover in sufficient amounts to cover possible losses, taking into account the nature of its activities and the risk involved, in accordance with the orientation of its insurance consultants. The principal coverages contracted have the follow Maximum Limits of Indemnity, under their respective policies:

Type	Coverage	Coverage amount
Balance sheet	Fixed assets and inventories are insured against fire, gales, flooding, electrical damage and damage in movement of merchandise and stationary equipment and furniture.	R$414,300
Loss of profits	Coverage of fixed expenses arising from payroll.	R$32,250
Civil liability	Industrial operations, employer, products and damages for pain and suffering.	R$4,310
Aviation	Fuselage, third party liability, medical expenses, rescue/emergency, substitute aircraft and personal damages.	U$3,500
Vehicles	Fuselage, third party liability for property and corporate damage and pain and suffering.	100% of Fipe valuation plus R$100 MD R$200 third party property damages and R$1,000 third party personal injury
Transportation	Export and import.	U$2,500 per shipment and/or consolidation

28. Subsequent events

As per the guidelines established by its Investments Committee, the Company made: *(i)* investments of R$5,500 in bank credit notes for the construction of a real estate project; and *(ii)* purchase of shares traded on the stock exchange (B3) of a financial institution, in the amount of R$ R$30.037.

Grendene

Members of Boards, Executive Board and Controller
December 31, 2020 and 2019

Board of Directors

CEO
Alexandre Grendene Bartelle

Deputy CEO
Pedro Grendene Bartelle

Board member
Maílson Ferreira da Nóbrega
Oswaldo de Assis Filho
Renato Ochman
Walter Janssen Neto
Bruno Alexandre Licarião Rocha

Audit Board

CEO
João Carlos Sfreddo

Board member
Eduardo Cozza Magrisso
Herculano Aníbal Alves

Executive Board

Chief Executive Officer, Finance and Administration
Rudimar Dall"Onder

Deputy Chief Executive Officer
Gelson Luis Rostirolla

Chief Officer for Investor Relations
Alceu Demartini de Albuquerque

Controller's Departament

Controller
Luiz Carlos Schneider
Accountant: CRC 70.520/O-5 "S" CE