(Convenience Translation into English from the Original Previously Issued in Portuguese)

Springs Global Participações S.A.

Individual and Consolidated Financial Statements for the Quarter ended March 31, 2020 and Report on Review of Interim Financial Information

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

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

Introduction

We have reviewed the individual and consolidated interim financial information of **Springs Global Participações S.A. ("Company")**, included in the Quarterly Information (ITR) related to the quarter ended March 31, 2020, which consist of the balance sheet at March 31, 2020 and the related statements of income and comprehensive income and the changes in equity and cash flows for the quarter then ended including a summary of significant accounting policies and other explanatory notes.

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

Scope of the review

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

Conclusion on the individual and consolidated interim information

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

Other matters

Review of amounts corresponding for the quarter ended March 31, 2019

The corresponding amounts, individual and consolidated, related to the statements of operations and comprehensive income and of changes in equity and cash flows for the quarter ended March 31, 2020, included in the Quarterly Information, were reviewed by other independent auditor, whose report thereon, dated May 18, 2019, was qualified regarding the following matters: (a) recognition of tax credits and (b) noncompliance with certain clauses of loans, financing and debentures due to the mentioned qualification.

Interim statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added for the quarter ended March 31, 2020, prepared under the responsibility of the Company's Management and presented as supplementary information for the purposes of IAS 34. These statements were submitted to review procedures executed with the review of the quarterly information, with the purpose of concluding whether they are reconciled with the interim financial information and accounting records, as applicable, and if its form and contents meet the criteria defined in NBC TG 09 – Statements of Value Added. Based on our review, we are not aware of any fact that would lead us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria established in this Standard and consistently with the individual and consolidated interim financial information taken as a whole.

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

São Paulo, June 25, 2020.

BDO RCS Auditores Independentes SS
CRC 2 MG 009485/F-0

Paulo Sérgio Tufani
Accountant CRC 1 SP 124504/O-9 – S – MG

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

BALANCE SHEETS AS OF MARCH 31, 2020 AND DECEMBER 31, 2019

(In thousands of Brazilian Reais)

ASSETS

		Company		Consolidated	
	Note	03.31.2020	12.31.2019	03.31.2020	12.31.2019
CURRENT:					
Cash and cash equivalents	3	238	154	168,668	151,935
Marketable securities	4	-	-	22,771	52,341
Accounts receivable	5	-	-	412,581	487,822
Financial leases receivable	11	-	-	16,110	6,601
Inventories	6.a	-	-	410,846	385,435
Advances to suppliers	6.b	-	-	27,003	43,040
Recoverable taxes	18.c	285	341	64,452	80,942
Cash holdback amount	28	-	-	32,752	25,393
Property, plant and equipment held for sale	10.b	-	-	-	12,327
Other receivables		1,093	960	33,250	32,976
Total current assets		1,616	1,455	1,188,433	1,278,812
NONCURRENT:					
Long-term assets:					
Marketable securities	4	-	-	-	71,010
Receivable – clients	7	-	-	23,779	23,968
Related parties	22	-	-	93,021	42,905
Advances to suppliers	6.b	-	-	66,181	66,181
Financial leases receivable	11	-	-	100,905	85,118
Recoverable taxes	18.c	-	-	160,935	163,393
Deferred taxes	18.b	1,905	1,905	18,709	69,280
Property, plant and equipment held for sale	10.b	-	-	15,468	12,094
Escrow deposits	19	-	-	11,676	13,403
Others		-	-	55,810	54,558
		1,905	1,905	546,484	601,910
Investments in subsidiaries	8.a	1,267,155	1,420,577	-	-
Investment in affiliate	8.b	-	-	44,646	137,946
Investment properties	9	-	-	407,154	406,764
Property, plant and equipment	10.a	-	-	648,105	618,468
Right-of-use assets	11	-	-	199,252	158,263
Intangible assets	12	-	-	173,800	92,702
Total noncurrent assets		1,269,060	1,422,482	2,019,441	2,016,053
Total assets		1,270,676	1,423,937	3,207,874	3,294,865

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

BALANCE SHEETS AS OF MARCH 31, 2020 AND DECEMBER 31, 2019

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

		Company		Consolidated	
	Note	03.31.2020	12.31.2019	03.31.2020	12.31.2019
LIABILITIES					
CURRENT:					
Loans and financing	13	12,951	12,933	467,882	511,143
Debentures	14	-	-	99,809	87,008
Suppliers	15	56	6	133,246	155,402
Payroll and related charges		79	79	72,351	68,415
Taxes		66	59	19,563	15,335
Government concessions	16	-	-	22,776	22,212
Leases payable	17	-	-	62,474	53,049
Other payables		-	-	35,879	52,376
Total current liabilities		13,152	13,077	913,980	964,940
NONCURRENT:					
Loans and financing	13	5,991	7,979	466,114	431,495
Debentures	14	-	-	-	12,389
Leases payable	17	-	-	283,258	221,153
Related parties	22	19,742	16,255	-	-
Government concessions	16	-	-	44,510	43,771
Miscellaneous accruals	19	-	-	13,319	12,931
Employee benefit plans	20	-	-	135,165	106,167
Deferred taxes	18.b	-	-	84,947	83,629
Other obligations		-	-	34,790	31,764
Total noncurrent liabilities		25,733	24,234	1,062,103	943,299
EQUITY:	21				
Capital		1,860,265	1,860,265	1,860,265	1,860,265
Capital reserves		79,381	79,381	79,381	79,381
Assets and liabilities valuation adjustments		117,877	117,784	117,877	117,784
Cumulative translation adjustments		(181,845)	(229,695)	(181,845)	(229,695)
Accumulated deficit		(643,887)	(441,109)	(643,887)	(441,109)
Total equity		1,231,791	1,386,626	1,231,791	1,386,626
Total liabilities and equity		1,270,676	1,423,937	3,207,874	3,294,865

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF OPERATIONS
FOR THE THREE -MONTH PERIODS ENDED MARCH 31, 2020 AND 2019
(In thousands of Brazilian Reais)

		Company		Consolidated	
	Note	03.31.2020	03.31.2019	03.31.2020	03.31.2019
NET REVENUES	26	-	-	302,414	340,663
COST OF GOODS SOLD	25	-	-	(208,457)	(243,280)
GROSS PROFIT		-	-	93,957	97,383
OPERATING INCOME (EXPENSES):					
Selling expenses	25	-	-	(66,159)	(67,785)
General and administrative expenses	25	(174)	(252)	(28,565)	(25,758)
Management fees	25	(228)	(228)	(2,918)	(2,862)
Equity in subsidiaries	8	(201,365)	(31,766)	-	-
Others, net		-	-	2,192	8,647
		(201,767)	(32,246)	(1,493)	9,625
Equity in affiliate	8	-	-	(8,198)	-
Impairment of investment in affiliate	12	-	-	(42,936)	-
INCOME (LOSS) FROM OPERATIONS		(201,767)	(32,246)	(52,627)	9,625
Financial expenses – interests and charges		(845)	(2,371)	(30,569)	(30,396)
Interest on leases, net		-	-	(3,930)	(6,052)
Financial expenses – bank charges and others		(168)	(365)	(29,825)	(11,682)
Financial income		2	-	8,690	8,096
Exchange rate variations, net		-	-	(24,695)	(4,148)
LOSS FROM OPERATIONS BEFORE TAXES		(202,778)	(34,982)	(132,956)	(34,557)
Income and social contribution taxes:					
Current	18.a	-	-	(115)	(134)
Deferred	18.a	-	-	(69,707)	(291)
NET LOSS FOR THE PERIOD – CONTINUING OPERATIONS		(202,778)	(34,982)	(202,778)	(34,982)
Net income from subsidiary – discontinued operations	28	-	194,362	-	194,362
NET INCOME (LOSS) FOR THE PERIOD		(202,778)	159,380	(202,778)	159,380
ATTRIBUTED TO:					
Owners of the Company					
Continuing operations				(202,778)	(34,982)
Discontinued operations				-	194,362
				(202,778)	159,380
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE — R$	27				
Continuing operations		(4.0556)	(0.6996)		
Discontinued operations		-	3.8872		
Total		(4.0556)	3.1876		

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

(In thousands of Brazilian Reais)

	Company and consolidated	
	03.31.2020	03.31.2019
NET INCOME (LOSS) FOR THE PERIOD	(202,778)	159,380
Other comprehensive income (loss):		
- Items that will impact the statements of operations:		
Exchange rate variations on foreign investments, net	47,850	2,120
Exchange rate variations on discontinued investments	-	(4,638)
	47,850	(2,518)
- Items that will not impact the statements of operations:		
Actuarial gain on pension plans	93	22
COMPREHENSIVE INCOME FOR THE PERIOD	(154,835)	156,884
ATTRIBUTABLE TO:		
Owners of the Company		
Continuing operations	(154,835)	(32,840)
Discontinued operations	-	189,724
	(154,835)	156,884

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019

(In thousands of Brazilian Reais)

	Note	Capital	Capital reserve	Assets and liabilities valuation adjustments	Cumulative translation adjustments	Accumulated deficit	Total equity
BALANCES AS OF DECEMBER 31, 2018		1,860,265	79,381	114,036	(241,807)	(486,833)	1,325,042
Comprehensive income (loss):							
Net income for the period		-	-	-	-	159,380	159,380
Exchange rate variations on foreign investments	2.1.b	-	-	-	3,105	-	3,105
Exchange rate variations on discontinued investments		-	-	-	(4,638)	-	(4,638)
Actuarial gain on pension plans		-	-	22	-	-	22
Impact of subsidiaries-							
Exchange rate variations on foreign investments	2.1.b	-	-	-	(985)	-	(985)
Total comprehensive income (loss)		-	-	22	(2,518)	159,380	156,884
BALANCES AS OF MARCH 31, 2019		1,860,265	79,381	114,058	(244,325)	(327,453)	1,481,926

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

(In thousands of Brazilian Reais)

	Note	Capital	Capital reserve	Assets and liabilities valuation adjustments	Cumulative translation adjustments	Accumulated deficit	Total equity
BALANCES AS OF DECEMBER 31, 2019		1,860,265	79,381	117,784	(229,695)	(441,109)	1,386,626
Comprehensive income (loss):							
Net loss for the period		-	-	-	-	(202,778)	(202,778)
Exchange rate variations on foreign investments	2.1.b	-	-	-	121,923	-	121,923
Actuarial gain on pension plans		-	-	93	-	-	93
Impact of subsidiaries- Exchange rate variations on foreign investments, net	2.1.b	-	-	-	(74,073)	-	(74,073)
Total comprehensive income		-	-	93	47,850	(202,778)	(154,835)
BALANCES AS OF MARCH 31, 2020		1,860,265	79,381	117,877	(181,845)	(643,887)	1,231,791

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

(In thousands of Brazilian Reais)

	Company		Consolidated	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019
Cash flows from operating activities				
Net income (loss) for the period	(202,778)	159,380	(202,778)	159,380
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	21,884	22,683
Equity in subsidiaries and affiliate	201,365	31,766	8,198	-
Equity in subsidiaries – discontinued operations	-	(194,362)	-	-
Gain from the sale of discontinued operations	-	-	-	(275,092)
Income and social contribution taxes	-	-	69,822	83,147
Impairment adjustments	-	-	42,936	-
Gain on disposal of property, plant and equipment	-	-	(249)	81
Monetary variations	-	-	1,584	272
Exchange rate variations	-	-	24,695	4,148
Bank charges, interests and commissions	953	2,268	55,238	31,451
Financial expenses – interest on leases	-	-	3,930	6,052
Other provisions	-	-	-	(301)
	(460)	(948)	25,260	31,821
Changes in assets and liabilities				
Marketable securities	-	-	127,593	5,583
Accounts receivable	-	-	89,071	32,706
Inventories	-	-	(20,308)	(11,571)
Advances to suppliers	-	-	16,185	(2,600)
Suppliers	51	39	(35,341)	(12,498)
Taxes and charges	-	-	(356)	(4,679)
Others	(28)	3	2,422	(30,525)
Net cash provided by (used in) operating activities	(437)	(906)	204,526	8,237
Interest paid	(363)	(568)	(20,938)	(26,094)
Interest and charges paid on loans	(108)	(365)	(18,108)	(4,998)
Taxes received (paid)	-	-	972	(748)
Net cash provided by (used in) operating activities after interest and income taxes	(908)	(1,839)	166,452	(23,603)
Cash flows from investing activities				
Acquisition of permanent Investment	-	-	(390)	(3,157)
Acquisition of property, plant and equipment	-	-	(30,143)	(24,557)
Proceeds from sale of fixed assets	-	-	12,579	609
Proceeds from sale of discontinued operations	-	-	-	329,350
Loans between related parties	3,000	(20,470)	(67,866)	(32,953)
Net cash provided by (used in) investing activities	3,000	(20,470)	(85,820)	269,292

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

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

(In thousands of Brazilian Reais)

	Company		Consolidated	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019
Cash flows from financing activities				
Proceeds from new loans, net of prepaid charges	28	24,381	207,832	103,528
Repayment of loans	(2,036)	(2,031)	(257,088)	(227,365)
Repayment of leases	-	-	(15,654)	(14,015)
Net cash provided by (used in) financing activities	(2,008)	22,350	(64,910)	(137,852)
Effect of exchange rate variations on cash and cash equivalents of foreign subsidiaries	-	-	1,011	1,183
Increase in cash and cash equivalents	84	41	16,733	109,020
Cash and cash equivalents:				
At the beginning of the period	154	49	151,935	139,474
At the end of the period	238	90	168,668	248,494
Increase in cash and cash equivalents	84	41	16,733	109,020

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF VALUE ADDED

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019

(In thousands of Brazilian Reais)

	Company		Consolidated	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019
REVENUES				
Sales of products, goods and services	-	-	366,777	408,034
Gain on disposal of property, plant and equipment	-	-	249	470
	-	-	367,026	408,504
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(158,166)	(143,506)
Materials, energy, third party services, and others	(376)	(459)	(74,247)	(106,912)
Impairment adjustments	-	-	(42,936)	-
	(376)	(459)	(275,349)	(250,418)
GROSS VALUE ADDED	(376)	(459)	91,677	158,086
RETENTIONS				
Depreciation and amortization	-	-	(21,884)	(25,924)
	-	-	(21,884)	(25,924)
NET VALUE ADDED PRODUCED BY THE COMPANY	(376)	(459)	69,793	132,162
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries	(201,365)	(31,766)	(8,198)	-
Equity in subsidiaries - discontinued operations	-	194,362	-	-
Financial income	2	-	8,690	8,096
Exchange rate variation	-	-	13,440	8,495
Royalties	-	-	4,563	5,238
Others - Net income - discontinued operations	-	-	-	194,362
	(201,363)	162,596	18,495	216,191
TOTAL VALUE ADDED FOR DISTRIBUTION (TO RETAIN)	(201,739)	162,137	88,288	348,353
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	-	-	82,116	82,140
Taxes, duties and contributions	195	386	123,441	52,475
Payments to third parties	844	2,371	85,509	54,358
Net income (loss) for the period	(202,778)	159,380	(202,778)	159,380
VALUE ADDED DISTRIBUTED (RETAINED)	(201,739)	162,137	88,288	348,353

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

AS OF MARCH 31, 2020

(Amounts in thousands of Brazilian Reais)

1. OPERATIONS

Springs Global Participações S.A. (the “Company”), headquartered at Avenida Lincoln Alves dos Santos, number 955, in Montes Claros – MG, Brazil, was incorporated on November 24, 2005. On January 24, 2006 received as capital contribution 100% of the shares of Coteminas S.A. (“CSA”) and Springs Global US, Inc. (“SGUS”), privately-held companies headquartered in Brazil and in the United States, respectively, whose shareholders were Companhia de Tecidos Norte de Minas – Coteminas (“CTNM”), the Company’s parent company, and the former shareholders of Springs Industries, Inc. (“SI”), respectively.

On April 30, 2009, the Company started its bed, tabletop and bath retail operations, under the brands MMartan and Casa Moyses and later, in October 2011, with the brand Artex. The retail operation of these brands is run by subsidiary AMMO Varejo Ltda. (“AMMO”). On January 1, 2019, the Company sold to its subsidiary CSA all the shares representing the capital of AMMO Varejo Ltda., which became an indirect subsidiary of the Company.

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

As disclosed in note 28 of the interim financial statements, on March 15, 2019, the sale of the operating assets and liabilities of the North American subsidiary SGUS was concluded. As of that date, the subsidiary SGUS holds 17.5% of Keeco Holdings, LLC, which combined the operations of the two companies.

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Company’s Board of Directors on June 25, 2020.

The Company presents its individual (“Company”) and consolidated (“Consolidated”) interim financial statements prepared simultaneously in accordance with technical pronouncement CPC 21 (R1) – Interim Financial Statements and in accordance with international standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB, as well as the standards issued by CVM (Brazilian Securities and Exchange Commission), applicable to the preparation of the Interim Financial Information.

The Company adopted all standards, review of standards and interpretations issued by the IASB and the CPC which were effective on March 31, 2020. All relevant information relating to the interim financial statements is included herein and corresponds to those used by Company’s management in its administration.

2.1 – Translation of balances in foreign currency

a) Functional and presentation currency

The interim financial statements of each subsidiary included in the consolidation of the Company and used as a basis for valuation of investments under the equity method are prepared using the functional currency of each entity. The functional currency of an entity is the currency of the primary economic environment in which it operates. To determine the functional currency of each of its subsidiaries, Management considered which currency significantly influences the selling price of their products and services, and the currency in which most of the production cost inputs are paid or incurred.

The consolidated interim financial statements are presented in Reais (R$), which is the functional and presentation currency of the Company.

b) Conversion of balances

The results and financial position of all subsidiaries included in the consolidation that have functional currencies different from the presentation currency are translated to the presentation currency as follows:

i) assets and liabilities are translated at the exchange rate prevailing on the date of the consolidated interim financial statements;

ii) income and expenses are translated at the monthly exchange rate; and

iii) all differences resulting from the translation are recognized in equity under the caption "Cumulative translation adjustments" and are presented as other comprehensive income in the statement of comprehensive income.

2.2 – Accounting policies

The significant accounting policies used in the preparation of the interim financial statements are as follows:

(a) Results of operations--Results of operations are calculated in accordance with the accrual basis of accounting. Revenue is not recognized if there is significant uncertainty regarding its realization. Interest income and expense are recognized using the effective interest rate as financial income and expenses in the statements of operations. The extraordinary gains and losses and the transactions and provisions involving property, plant and equipment are recorded in the statements of operations as "Others, net ".

(b) Financial instruments--The Company classifies financial assets and liabilities in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI") and at amortized cost.

i) Non-derivative financial assets and liabilities - recognition and derecognition

The Company recognizes financial assets and liabilities when and only when it becomes part of the contractual provisions of the instruments. The Company derecognizes a financial asset when the contractual rights to the asset's cash flows benefits expire, or when the Company transfers the rights to the receipt of contractual cash flows on a financial asset in a transaction in which substantially all the risks and benefits of ownership of the financial asset are transferred. Any participation that is created or retained by the Company in such transferred financial assets is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligation is withdrawn, canceled or expired.

The financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends to liquidate them on a net basis or to realize the asset and settle the liability simultaneously.

ii) Non-derivative financial assets - measurement

A financial asset is measured at amortized cost if it meets both of the following conditions:

- the asset is kept within a business model with the purpose of collecting contractual cash flows; and

- the contractual terms of the financial asset give rise, on specific dates, to the cash flows that are only payments of principal and interest on the outstanding principal amount.

A debt instrument is measured at fair value through other comprehensive income only if it satisfies both of the following conditions:

- the asset is kept within a business model which the purpose is achieved by collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise, on specific dates, to the cash flows that are only payments of principal and interest on the outstanding principal amount.

All other financial assets are classified as measured at fair value through profit or loss.

In addition, at initial recognition, the Company may irrevocably designate a financial asset or liability as measured at fair value through profit or loss in order to eliminate or significantly reduce a possible accounting mismatch resulting from the result of the respective asset or liability.

iii) Non-derivative financial liabilities - measurement

Financial instruments classified as liabilities, after their initial recognition at fair value, are measured based on the amortized cost method based on the effective interest rate. Interest, monetary restatement and exchange variation are recognized in income, as financial income or expenses, when incurred.

iv) Derivatives measured at fair value through profit or loss

Contracted derivative instruments are not designated for hedge accounting. Changes in the fair value of any of these derivative instruments are recognized immediately in the statement of operations.

(c) Impairment of financial instruments--Financial assets not classified as financial assets at fair value through profit or loss, are valued at each balance sheet date to determine whether there is objective evidence of impairment loss. Objective evidence that financial assets had a loss of value includes:

- default or delays by the debtor;
- restructuring of a value due to the Company under conditions that would not be accepted under normal conditions;
- indications that the debtor or issuer will go into bankruptcy or judicial recovery;
- negative changes in the payment situation of debtors or issuers;
- the disappearance of an active market for the instrument due to financial difficulties; or
- observable data indicating that there was a decline in the measurement of the expected cash flows of a group of financial assets.

The Company considers evidence of impairment of assets measured at amortized cost both individually and collectively. All individually significant assets are evaluated for impairment. Those that have not individually suffered a loss of value are then evaluated collectively for any loss of value that may have occurred, but has not yet been identified, which includes the expected credit losses. Assets that are not individually significant are evaluated collectively as to the loss of value based on the grouping of assets with similar risk characteristics.

In evaluating the impairment loss on a collective basis, the Company uses historical trends of the recovery period and the amounts of loss incurred, adjusted to reflect management's judgment as to whether current economic and credit conditions are such that losses are likely to be higher or lower than those suggested by historical trends.

An impairment loss is calculated as the difference between the book value and the present value of the estimated future cash flows discounted at the original effective interest rate of the asset. Losses are recognized in the statement of operations and reflected in the impairment provision account. When the Company considers that there are no reasonable expectations of recovery, the amounts are written off. When a subsequent event indicates a reduction of the impairment loss, the reduction of the impairment provision is reversed through the statement of operations.

An impairment loss relating to an investment accounted for under the equity method is measured by comparing the recoverable value of the investment with its carrying amount. An impairment loss is recognized in profit or loss and reversed if there was a favorable change in the estimates used to determine recoverable value.

(d) Cash and cash equivalents--Includes cash, deposits, cash in transit and short-term investments with immediate liquidity and original maturities of 90 days or less (or without fixed maturity), which are subject to an insignificant risk of change in its value. Cash and cash equivalents are classified as non-derivative financial assets, measured at amortized cost, and interest earned is recognized in the statements of operations of the period.

(e) Marketable securities--Represented by amounts of immediate liquidity with maturities of more than 90 days and are subject to an insignificant risk of change in their value. The marketable securities relating to investment funds in equity instruments are classified as non-derivative financial assets, and are measured fair value through the statement of operations. All other marketable securities are classified as non-derivative financial assets measured at amortized cost and interest earned is recognized in the statements of operations of the period.

(f) Accounts receivable and allowance for expected losses on doubtful debt accounts--Accounts receivable from customers are initially recognized at transaction value and subsequently measured at amortized cost using the effective interest rate method less the estimated loss with doubtful accounts.

The Company adopted the measurement of the estimated loss with doubtful accounts based on the entire life of the instruments, using the simplified approach, taking into account the history of movements and historical losses. As a general rule, accounts overdue at more than 180 days represent a relevant indicator of expected loss, and are evaluated individually.

(g) Inventories--Valued at average acquisition or production cost, which is lower than net realizable value and are stated net of provision for losses on discontinued and/or obsolete items. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion of manufacturing and directly related selling expenses.

(h) Property, plant and equipment held for sale--Includes out-of-use machinery and equipment measured at fair value less selling expenses, when this amount is lower than net book value.

(i) Investments--Investments in subsidiaries and affiliated companies are accounted for using the equity method based on the balance sheet of the respective subsidiaries and affiliated companies as of the same date as the Company’s balance sheet. The value of the equity of foreign subsidiaries and affiliated companies are converted into Reais based on the current rate of its functional currency and the foreign exchange rate variation is recorded in "Cumulative translation adjustments" in equity and presented as other comprehensive income.

(j) Business combinations--The cost of the acquired entity is allocated to the acquired assets and liabilities, based on their estimated fair value at the acquisition date. Any difference between the entity’s cost and the fair value of the acquired assets and liabilities is recognized as goodwill.

(k) Research and development expenses--Are recognized as expenses when incurred, except when they meet the criteria for capitalization.

(l) Investment properties--Are held for income or capital appreciation. Investment properties are initially recorded at cost and include transaction costs. After initial recognition, investment properties are measured at fair value against comprehensive income (loss) net of taxes, and thereafter, are measured annually at fair value and the variations arising from this valuation and taxes are recognized in the statements of operations.

(m) Property, plant and equipment--Recorded at acquisition or construction cost. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets. Expenses incurred that increase the value and extend the estimated useful lives of the assets are capitalized; maintenance and repairs are recorded as expenses when incurred.

The estimated useful life of property, plant and equipment is as follows:

	Useful life
Buildings	40 years
Installations	15 years
Machinery and equipment	15 years
Hydroelectric Plant - Porto Estrela	35 years
Furniture, fixtures and others	5 to 10 years

The residual value and useful life of the assets are assessed by Management at least at the end of each year.

(n) Right-of-use assets--The measurement of the right-of-use asset corresponds to the beginning balance of the lease liability plus the initial direct costs incurred. Amortization is calculated using the straight-line method according to the remaining term of the contracts.

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

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

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

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

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

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

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

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

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

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

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

2.3 – Accounting estimates

The preparation of interim financial statements makes use of estimates in order to record certain assets, liabilities and other transactions. To make these estimates, Management used the best information available at the time of preparation of the interim financial statements, as well as the experience of past and/or current events, also considering estimates regarding future events. Therefore, the interim financial statements include estimates related mainly to the determination of useful lives of property, plant and equipment, estimated recoverable value of non-financial assets, fair value of investment properties, provisions necessary for tax, civil and labor liabilities, determination of provisions for income tax, determination of fair value of financial instruments (assets and liabilities) and other similar instruments, estimates related to the selection of interest rate, expected return on assets and the choice of mortality table and expected wage increases applied to the actuarial calculations. Actual results of transactions and information could differ from the estimates.

2.4 – Consolidation criteria

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

The subsidiary CSA, parent company of Coteminas Argentina S.A., da AMMO Varejo Ltda., LAT Capital Ltd., C7S Tecnologia Ltda. and Compañia Textil Guaraní S.R.L., with ownership interest of 100%, was included in consolidation based on its consolidated interim financial statements.

The subsidiary SGUS, parent company of: (i) Warbird Corporation (Delaware, US); (ii) Springs Home Textiles Reynosa, S.A. de C.V. (Mexico); (iii) Casa Springs S.A. de C.V. (Mexico); (iv) Springmaid International, Inc. (India); (v) Springs Cayman Holding Ltd. (Cayman Islands); and (vi) Springs Shanghai Trading Co., Ltd. (China), all wholly-owned, was included in consolidation based on its consolidated interim financial statements.

The consolidation of the balance sheets and statement of operations accounts corresponds to the sum of assets, liabilities, revenues and expenses, according to their nature, after eliminating investments in subsidiaries, unrealized profits or losses and intercompany balances.

The effects of the exchange rate variations on foreign investments and equity valuation adjustments are disclosed in a separate caption in the statement of changes in equity, “Cumulative translation adjustments” and “Assets and liabilities valuation adjustments” respectively, and are recognized in the statement of operations upon the sale of the investments that gave rise to them. The accounting practices of the foreign subsidiaries were adjusted to comply with the Company’s accounting practices.

The interim financial statements of foreign subsidiaries have been translated into Brazilian Reais based on the US Dollar exchange rate as of March 31, 2020 and December 31, 2019 for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	2020	2019	Variance %
Exchange rate as of:			
December 31	-	4.0307	-
March 31	5.1987	3.8967	33.4%
Average exchange rate:			
March 31 (3 months)	4.6556	3.7624	23.7%

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	03.31.2020	12.31.2019	03.31.2020	12.31.2019
Repurchase transactions (*)	34	-	123,392	123,671
Foreign deposits	-	-	26,964	25,253
Checking accounts deposits	204	154	18,312	3,011
	238	154	168,668	151,935

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

4. MARKETABLE SECURITIES

	Consolidated	
	03.31.2020	12.31.2019
Fixed income – foreign	-	16,225
Investment fund – foreign	22,251	35,713
Restricted deposits (US$) (1)	-	71,010
Restricted cash (2)	520	403
	---------	---------
	22,771	123,351
Current	(22,771)	(52,341)
	---------	---------
Noncurrent	-	71,010
	=====	=====

(1) Refers to foreign deposits, linked to the loan obtained from Santander S.A. The amount was withdrawn in 2020 with the repayment of the respective loan.

(2) On March 31, 2020, the subsidiary SGUS had restricted cash in financial institutions in the amount of US$100 thousand (US$100 thousand as of December 31, 2019) related to a compensating balance arrangement.

5. ACCOUNTS RECEIVABLE

	Consolidated	
	03.31.2020	12.31.2019
Domestic customers	380,833	454,861
Foreign customers	46,978	49,477
Credit card companies	7,292	7,485
Related parties – domestic market	1,785	1,871
Related parties – foreign market	2,206	-
	-----------	-----------
	439,094	513,694
Allowance for expected losses on bad debts	(26,513)	(25,872)
	-----------	-----------
	412,581	487,822
	======	======

Accounts receivable from customers consist of receivables with an average collection period of approximately 100 days (100 days as of December 31, 2019).

The allowance for expected losses on doubtful debts accounts is considered by Management sufficient to cover expected losses from these receivables.

The aging list of the consolidated accounts receivable was presented in the annual financial statements for the year ended December 31, 2019. There was no significant change in the composition of the aging list during the three-month period ended March 31, 2020, except for some maturity extensions provided, due to COVID-19, which have already settled in the subsequent period.

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

	03.31.2020	12.31.2019
Balance at the beginning of the period	(25,872)	(24,354)
Additions	-	(1,665)
Exchange rate variation	(641)	147
	-------------	-------------
Balance at the end of the period	(26,513)	(25,872)
	=======	=======

6. INVENTORIES AND ADVANCES TO SUPPLIERS

a. Inventories

	Consolidated	
	03.31.2020	12.31.2019
Raw materials and supplies	75,578	80,204
Work in process	102,064	95,391
Finished products	196,677	172,943
Repair parts	36,527	36,897
	------------	------------
	410,846	385,435
	=======	=======

Inventories are presented net of the provision for losses, which, based on Management's assessment, is considered sufficient to cover losses related to obsolete and/or discontinued inventories. Changes in the provision are as follows:

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

	12.31.2018	Disposals	Exchange rate variations	03.31.2019
Raw materials and supplies	(2,446)	60	272	(2,114)
Work in process	(186)	27	23	(136)
Finished products	(5)	-	1	(4)
Repair parts	(1,203)	-	-	(1,203)
	-------------	----------	----------	----------
	(3,840)	87	296	(3,457)
	======	======	======	======

b. Advances to suppliers

	Consolidated	
	03.31.2020	12.31.2019
Raw material supplier	58,894	78,000
Other advances	34,290	31,221
	-----------	-----------
	93,184	109,221
Current	(27,003)	(43,040)
	-----------	-----------
Noncurrent	66,181	66,181
	======	======

7. RECEIVABLE – CLIENTS

	Consolidated	
	03.31.2020	12.31.2019
Clients in judicial reorganization (a)	11,389	11,317
Clients in court recovery plan (b)	3,609	3,599
Installment plan agreed with clients (c)	4,600	4,921
Financing on stores transfer (d)	4,614	2,731
Sale of real estates (e)	12,154	13,141
Others	1,149	857
	------------	------------
	37,515	36,566
Current (*)	(13,736)	(12,598)
	------------	------------
Noncurrent	23,779	23,968
	=======	=======

(*) Included in “Other Receivables” in current assets.

(a) Lojas Leader S.A. filed for Judicial Reorganization (RJ) on March 3, 2020, which was deferred on March 6, 2020. Leader recognized all credits with subsidiary CSA. The management of subsidiary CSA is awaiting approval by RJ and expects to recover all credits. As of December 31, 2019, there was an extrajudicial recovery agreement with payment in 48 equal monthly installments, and adjusted based on 80% of the index of interbank deposit certificates – CDI.

(b) Increasing semi-annual payments with interest from 0.5% to 3% per year with final maturity in September 2029.

(c) Payment up to 53 fixed installments, with monthly interest from 1.56% to 1.97% per month.

(d) Financing on store transfers to franchisees, with payment in equal monthly installments, and adjusted based on the IGP-M (general market price index).

(e) Payment up to 58 monthly installments with interest from 0.5% to 0.7% per month.

8. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANY

a) Direct investments:

Subsidiaries	Equity	Ownership interest %	Net income (loss) for the period	Total investment 03.31.2020	Total investment 12.31.2019	Equity in subsidiaries (Company) 03.31.2020	Equity in subsidiaries (Company) 03.31.2019
SGUS (*)	420,511	100.0	(124,406)	420,511	422,901	(124,406)	(3,356)
CSA	846,644	100.0	(76,959)	846,644	997,676	(76,959)	(28,410)
				------------	------------	------------	------------
				1,267,155	1,420,577	(201,365)	(31,766)
				========	========	========	=======

(*) In the first quarter of 2019, the net income (loss) for the period does not include the discontinued portion of the equity in subsidiaries in the statement of operations of R$194,362. See note 28.

b) Indirect investments:

SGUS' investments

Affiliate	Equity	Ownership interest %	Total investment 03.31.2020	Total investment 12.31.2019	Equity in subsidiaries 03.31.2020	Equity in subsidiaries 03.31.2019
Keeco Holdings, LLC (California, US) (1)	255,119	17.5	44,646	137,946	(8,198)	-
			=======	=======	=======	=======

(1) As of March 15, 2019, the subsidiary SGUS now holds 17.5% of Keeco Holdings, LLC, which combines its operations with the operations sold by SGUS. Keeco Holdings, LLC, is a company with a portfolio of leading products and brands in the curtain, utility bedding, and decorative bedding markets, as well as a diversified portfolio of customers, including the leading traditional and digital retail companies in the North American market. In the first quarter of 2020, the purchase price allocation of this investment was determined, allowing the Company to calculate the goodwill paid for the investment. See note 12.2.

CSA's investment

	Equity	Ownership interest %	Net income (loss) for the period	Total investment 03.31.2020	Total investment 12.31.2019	Equity in subsidiaries 03.31.2020	Equity in subsidiaries 03.31.2019
Subsidiaries -							
Coteminas Argentina S.A. (1)	52,631	100.0	(4,982)	52,631	21,636	(4,982)	(8,480)
LAT Capital Ltd.	13,222	100.0	1,247	13,222	9,219	1,247	1,719
C7S Tecnologia Ltda.	18,718	100.0	(520)	18,718	19,238	(520)	569
AMMO Varejo Ltda.	118,887	100.0	(13,513)	118,887	132,400	(13,513)	(6,362)
Compañía Textil Guaraní S.R.L. (2)	4,569	100.0	(466)	4,569	3,008	(466)	-
				----------	----------	----------	----------
				208,027	185,501	(18,234)	(12,554)
				======	======	======	======

(1) In 2020, the Company subscribed and paid-in capital in the subsidiary in the amount of R$25,737.

(2) Textil Guarani is headquartered in Paraguay, and will begin its operations in 2020. During the first quarter of 2020, the Company subscribed and paid-in capital in the subsidiary in the amount of R$1.231.

c) Supplemental information on investments in affiliated company:

	Keeco Holdings, LLC	
	03.31.2020	12.31.2019
Current assets	1,189,733	1,061,992
Noncurrent assets	1,174,103	1,464,611
Total assets	2,363,836	2,526,603
Current liabilities	1,125,274	1,064,559
Noncurrent liabilities	983,443	763,856
Total liabilities	2,108,717	1,828,415
Equity – Company	255,119	698,188
Net revenues (3 months)	722,884	-
Loss for the period – Company	(46,846)	-
	========	=========

d) Changes in investments in subsidiaries and affiliate:

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

(1) Exchange rate variations effect on net investments. See note 23.d.3.1.

(2) Goodwill allocation in the amount equivalent to US$24,059 thousand. See note 12.2.

	12.31.2018	Equity	Exchange rate variations on foreign investments (1)	Assets and liabilities valuation adjustments	Investment disposal (3)	Discontinued operations (4)	03.31.2019
Subsidiaries							
SGUS	251,491	(3,356)	3,105	22	-	189,724	440,986
CSA	1,101,263	(28,410)	(985)	-	-	-	1,071,868
AMMO	30,432	-	-	-	(30,432)	-	-
	-------------	-------------	-------------	-------------	-------------	-------------	-------------
	1,383,186	(31,766)	2,120	22	(30,432)	189,724	1,512,854
	=======	=======	=======	=======	=======	=======	=======

(3) On January 1, 2019, CSA acquired from the Company all the shares representing the capital stock of AMMO Varejo Ltda., which became an indirect subsidiary of the Company.

(4) Amount related to equity (R$194,362) and exchange rate variations on investment (R$4,638) from subsidiary discontinued operations. See note 28.

9. INVESTMENT PROPERTIES

The consolidated balances of investment properties are as follows:

	Investment properties São Gonçalo		Investment	
	Business complex (1)	Residential complex (2)	properties Montes Claros (3)	Total
Balances as of December 31, 2019	301,550	44,974	60,240	406,764
Additions	390	-	-	390
	----------	------------	----------	------------
Balances as of March 31, 2020	301,940	44,974	60,240	407,154
	======	======	======	======

	Investment properties São Gonçalo		Investment	
	Business complex (1)	Residential complex (2)	properties Montes Claros (3)	Total
Balances as of December 31, 2018	248,251	44,296	55,276	347,823
Additions	2,649	-	-	2,649
	----------	------------	----------	------------
Balances as of March 31, 2019	250,900	44,296	55,276	350,472
	======	======	======	======

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

(1) Business complex: It is a commercial complex of 319.7 thousand m², known as Centro Comercial Seridó, where 122.2 thousand m² have already been developed and leased. In the first quarter of 2020, rental income was R$2,219 (R$1,284 in the first quarter of 2019).

With the designation of this property for rental activity and with specific returns different from the Company's textile operations, its residual value, previously recorded as property, plant and equipment at cost, was transferred to the investment properties, during their respective vacancy years.

The calculated values were as follows:

	03.31.2020	12.31.2019
Residual cost of the property	110,097	109,707
Surplus/added value (a)	191,843	191,843
	----------	----------
Fair value (b)	301,940	301,550
	=======	=======

(a) Calculated deferred tax liability of R$65,227 (R$65,227 on December 31, 2019). See note 18.b.1.

(b) Fair value based on the valuation report from Mercato Assessoria e Avaliações Ltda., Independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT - Brazilian Association of Technical Standards for the year of 2019. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information being used were the comparable prices per m² of similar properties in the region and area of the real estate.

<u>(2) Residential complex:</u> In 2018, the subsidiary CSA made available a new area in the municipality of São Gonçalo do Amarante - RN containing 520 thousand m² to start a housing development. The calculated values were as follows:

	03.31.2020	12.31.2019
Residual cost of the property	93	93
Surplus/added value (a)	44,881	44,881
	----------	----------
Fair value (b)	44,974	44,974
	=======	=======

(a) Deferred tax liability of R$15,259 (R$15,259 on December 31, 2019). See note 18.b.1.

(b) Fair value based on the valuation report from Mercato Assessoria e Avaliações Ltda., Independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT - Brazilian Association of Technical Standards for the year of 2019. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information being used were the comparable prices per m² of similar properties in the region and area of real estate.

(3) Investment property Montes Claros: These properties are classified as properties for investment by the subsidiary CSA and are composed as follows:

	03.31.2020	12.31.2019
Land and installations (old MECA) (44,402 m²)	30,270	30,270
Land of the ESURB behind CODEVASF (2,770 m²)	3,750	3,750
Land of the ESURB Santa Rita II neighborhood (11,700 m²)	4,200	4,200
Land in Ibituruna (11,842 m²)	7,900	7,900
Land new municipality region (72,491 m²)	14,120	14,120
	----------	----------
	60,240	60,240
	======	======
Residual cost of the property	51,702	51,702
Surplus/added value (a)	8,538	8,538
	----------	----------
Fair value (b)	60,240	60,240
	======	======

(a) Calculated deferred tax liability of R$2,903 (R$2,903 on December 31, 2019). See note 18.b.1.

(b) Fair value based on the valuation report from Mercato Assessoria e Avaliações Ltda., Independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT - Brazilian Association of Technical Standards for the year of 2019. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information being used were the comparable prices per m² of similar properties in the region and area of the real estate.

10. PROPERTY, PLANT AND EQUIPMENT AND PROPERTY, PLANT AND EQUIPMENT HELD FOR SALE

a. Property, plant and equipment

		03.31.2020			12.31.2019
	Rate (*) %	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	-	46,187	(19,437)	26,750	25,133
Buildings	2.4	348,071	(154,991)	193,080	192,423
Installations	7.6	202,085	(153,616)	48,469	48,446
Machinery and equipment	7.4	1,168,052	(892,221)	275,831	245,869
Hydroelectric Plant - Porto Estrela (**)	3.8	37,666	(19,817)	17,849	18,208
Furniture, fixtures and others	12.2	121,588	(96,837)	24,751	20,411
Construction in progress	-	61,375	-	61,375	67,978
		--------------	--------------	--------------	--------------
		1,985,024	(1,336,919)	648,105	618,468
		=========	=========	=========	=========

(*) Weighted average annual depreciation rate.
(**) See note 16.

The changes in consolidated property, plant and equipment are as follows:

	Land and improvements	Buildings	Installations	Machinery and equipment	Hydroelectric plant - Porto Estrela (1)	Furniture, fixtures and others	Construction in progress (2)	Total
Balance as of December 31, 2019	25,133	192,423	48,446	245,869	18,208	20,411	67,978	618,468
Additions	20	4	194	20,341	-	501	9,083	30,143
Net disposals	(204)	-	(7)	(13)	-	(175)	(451)	(850)
Transfers								
- PP&E	-	(49)	595	16,017	-	205	(16,768)	-
- Lending goods	-	-	-	-	-	5,072	-	5,072
Exchange rate variations	2,242	2,722	1,018	2,821	-	99	1,533	10,435
Depreciation in the period	(441)	(2,020)	(1,777)	(9,204)	(359)	(1,362)	-	(15,163)
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Balance as of March 31, 2020	26,750	193,080	48,469	275,831	17,849	24,751	61,375	648,105
	=======	=======	=======	=======	=======	=======	=======	=======

	Land and improvements	Buildings	Installations	Machinery and equipment	Hydroelectric plant - Porto Estrela (1)	Furniture, fixtures and others	Construction in progress (2)	Total
Balance as of December 31, 2018	25,490	216,271	58,683	282,875	19,610	24,315	21,937	649,181
Additions	334	10	153	3,312	8	286	20,454	24,557
Net disposals	(291)	(2)	(47)	-	-	(227)	-	(567)
Transfers								
- PP&E	-	22	1,561	494	-	97	(2,174)	-
Exchange rate variations	(232)	(233)	(135)	(331)	-	3	(100)	(1,028)
Depreciation in the period	(494)	(2,201)	(2,072)	(10,205)	(359)	(1,333)	-	(16,664)
	----------	----------	----------	----------	----------	----------	----------	----------
Balance as of March 31, 2019	24,807	213,867	58,143	276,145	19,259	23,141	40,117	655,479
	=======	=======	=======	=======	=======	=======	=======	=======

(1) See note 16.

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

b. Property, plant and equipment held for sale

The Company's subsidiaries identified assets that were removed from operations and considered held for sale. These assets include machinery and equipment removed as a result of the modernization of the Brazilian subsidiary manufacturing facilities and machinery and equipment from the American subsidiary manufacturing facilities that were shut down. Additionally, the equipment available for sale from the readjustment of productive capacities was also included in this category. These assets were measured at the lower of the net book value or market value, resulting in the recognition of probable impairment losses (reduction of recoverable value).

As of March 31, 2020, this amount represented R$15,468, classified in non-current assets (R$24,421, of which R$12,327 was classified in current assets and R$12,094 in non-current assets as of December 31, 2019).

Changes in property, plant and equipment held for sale are as follows:

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

	12.31.2018	Additions	Disposals	Exchange rate variations	03.31.2019
Cost	435,217	-	(686)	2,552	437,083
Depreciation	(367,074)	(343)	684	(2,061)	(368,794)
Provision for loss	(30,699)	-	-	(296)	(30,995)
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	37,444	(343)	(2)	195	37,294
	======	======	======	======	======

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

The composition of assets contracted as leases are as follows:

		Consolidated			
		03.31.2020			12.31.2019
	Rate (2) %	Cost	Accumulated amortization	Net book value	Net book value
Properties (CSA and AMMO – own use)	44,1	14,114	(4,028)	10,086	10,895
Properties – plants (Guarani – own use)	11,7	10,619	(309)	10,310	-
Properties (SGUS – own use)	8,3	46,148	(4,807)	41,341	32,798
Properties – stores (AMMO – own use)	24,9	64,637	(20,084)	44,553	42,836
Vehicles	35,1	1,333	(822)	511	566
Investment properties (1)		92,451	-	92,451	71,168
		------------	------------	------------	------------
Total right-of-use assets		229,302	(30,050)	199,252	158,263
Financial leases receivable (1)		117,015	-	117,015	91,719
		------------	------------	------------	------------
		346,317	(30,050)	316,267	249,982
		=======	=======	=======	=======

(1) Properties leased and partially subleased by subsidiary SGUS.

(2) The annual average amortization rate corresponds to the average term of the lease contracts of the respective right-of-use assets.

Changes in the right-of-use assets of the leases are as follows:

	Properties	Properties – plants	Properties – SGUS	Properties – stores	Vehicles	Investment properties	Financial leases receivable	Total
Balance as of December 31, 2019	10,895	-	32,798	42,836	566	71,168	91,719	249,982
Exchange rate variations	-	1,870	9,404	-	-	20,691	26,445	58,410
Additions (1)	8	8,749	-	8,656	70	-	-	17,483
Disposals (2)	-	-	-	(3,267)	-	-	-	(3,267)
Amortization in the period	(817)	(309)	(861)	(3,672)	(125)	-	-	(5,784)
Interest	-	-	-	-	-	2,165	2,639	4,804
Sublease cash receipts	-	-	-	-	-	(1,573)	(3,788)	(5,361)
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Balance as of March 31, 2020	10,086	10,310	41,341	44,553	511	92,451	117,015	316,267
	======	======	======	=======	======	=======	=======	=======

(1) Includes new lease agreements, renewal of existing agreements and update of lease amounts.
(2) Early termination of lease contract.

	Properties	Properties – SGUS	Properties – stores	Vehicles	Investment properties	Financial leases receivable	Total
Balance as of December 31, 2018	-	-	-	-	-	-	-
Initial adoption of IFRS 16/CPC 06 (1)	13,743	34,591	44,230	693	68,584	103,163	265,004
Amortization in the period	(794)	(721)	(4,266)	(201)	(1,429)	(2,543)	(9,954)
	----------	----------	----------	----------	----------	----------	----------
Balance as of March 31, 2019	12,949	33,870	39,964	492	67,155	100,620	255,050
	======	=======	=======	=======	=======	=======	=======

(1) See note 17 for the initial adoption of IFRS16/CPC 06.

The amounts receivable arising from the subleasing of the properties at their contracted amounts are as follows:

Year	Lease receivable
2020	12,725
2021	17,131
2022	17,317
2023	17,515
2024 then after	128,910

	193,598
Present value adjustment	(76,583)

	117,015
Current	(16,110)

Noncurrent	100,905
	=======

12. INTANGIBLE ASSETS

	Consolidated	
	03.31.2019	12.31.2019
Goodwill on the acquisition of AMMO (1)	27,303	27,303
Goodwill on the acquisition of Keeco (2)	82,139	-
Trademarks – owned (3)	16,267	16,267
Trademarks – use license (4)	10,598	8,388
Intellectual property (5)	14,506	15,387
Store locations (real estate intangible) (6)	22,987	25,357
	-----------	-----------
Total	173,800	92,702
	======	======

Changes in consolidated intangible assets for the period were as follows:

	Goodwill on the acquisition of AMMO (1)	Goodwill on the acquisition of Keeco (2)	Trademarks – owned (3)	Trademarks – use license (4)	Intellectual property (5)	Store locations (real estate intangible) (6)	Total
Balance as of December 31, 2019	27,303	-	16,267	8,388	15,387	25,357	92,702
Transfers (goodwill allocation)	-	96,974	-	-	-	-	96,974
Disposals	-	-	-	-	-	(2,370)	(2,370)
Amortization	-	-	-	(212)	(881)	-	(1,093)
Exchange rate variations	-	28,101	-	2,422	-	-	30,523
Impairment adjustment (2)	-	(42,936)	-	-	-	-	(42,936)
	-----------	-----------	-----------	-----------	-----------	-----------	-----------
Balance as of March 31, 2020	27,303	82,139	16,267	10,598	14,506	22,987	173,800
	======	======	======	======	======	======	======

	Goodwill on the acquisition of AMMO (1)	Trademarks – owned (2)	Trademarks – use license (3)	Intellectual property (4)	Store locations (real estate intangible) (5)	Total
Balance as of December 31, 2018	27,303	16,348	9,043	7,378	21,801	81,873
Additions	-	-	-	-	125	125
Amortization	-	-	(175)	(400)	-	(575)
Exchange rate variations	-	-	(274)	-	-	(274)
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Balance as of March 31, 2019	27,303	16,348	8,594	6,978	21,926	81,149
	======	======	======	======	======	======

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

The Company evaluates the recoverability of this goodwill annually, using accepted market practices, such as discounted cash flow for the business unit that has goodwill. Recoverability of goodwill is evaluated based on analysis and identification of facts and circumstances that could require the tests to be performed at an earlier date. If a fact or circumstance indicates that the recoverability of goodwill is affected, then the test is anticipated.

The projection period for the December 2019 cash flows was five years. The assumptions used to determine the fair value through the discounted cash flow method include: cash flow projections based on management estimates for future cash flows, discount rates and growth rates for determining the perpetuity. Additionally, the perpetuity has been calculated considering the stabilization of operating margins, working capital and investments levels.

The annual discount rate used was 13.3% per year and the perpetuity growth rate considered was 3% per year. The discount rates used were determined taking into consideration market information available on the test date.

(2) Goodwill on the acquisition of Keeco: Goodwill originated from the investment in Keeco Holdings, LLC.

On March 15, 2019, the subsidiary SGUS became the holder of 17.5% of Keeco Holdings, LLC, which combined its operations with the operations acquired from SGUS on that date. As of December 31, 2019, the investment was accounted for in the total amount paid by SGUS for its interest in Keeco, US$36,000, which included the goodwill supported by future profitability, less the result of that 9 ½ months period in the amount of US$1,776, totaling US$34,224 or R$137,946.

In the first quarter of 2020, SGUS received the financial statements of that affiliated company with the adjustment of purchase price allocations, thus being able to separate the amount paid on the investment between equity investment and goodwill.

The changes were as follows:

	US$ thousand	R$ thousand
Investment balance on December 31, 2019	34,224	137,946
Breakdown between equity participation and goodwill paid:		
Investment on December 31, 2019	10,165	40,972
Equity in affiliate for the 1st quarter of 2020	(1,577)	(8,198)
Exchange variation	-	11,872
	---------	-----------
Investment on March 31, 2020	8,588	44,646
	=====	=====
Investment on December 31, 2019	24,059	96,974
Impairment for the 1st quarter of 2020	(8,259)	(42,936)
Exchange variation	-	28,101
	---------	-----------
Goodwill on March 31, 2020	15,800	82,139
	=====	=====

(a) The investment in Keeco was significantly affected by the COVID-19 pandemic and, given the revised projections received by the Company, it was necessary to recognize impairment in the amount of R$42,936 or US$8,259.

The projection period for the cash flows mentioned above was five years. The assumptions used to determine the fair value through the discounted cash flow method include: cash flow projections based on management estimates for future cash flows, discount rates and growth rates for determining the perpetuity. Additionally, the perpetuity has been calculated considering the stabilization of operating margins, working capital and investments levels. The annual discount rate used was 13.3% per year and the perpetuity growth rate considered was 1% per year. The discount rates used were determined taking into consideration market information available on the test date.

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

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

(5) Intellectual property: Refers to software developed to integrate retail sales channels (physical stores and E-commerce), and it is amortized over 5 years.

(6) Store locations (real estate intangible): The amounts related to the store locations (real estate intangible) are recorded at the acquisition cost of the respective store, net of impairment of R$7,994 (R$7,994 as of December 31, 2019), based on its market value determined by an independent broker with valuation expertise.

Items (3) to (5) above are tested annually for recoverability. The Company did not identify signs of deterioration or non-recovery of the balances held in these items.

13. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated 03.31.2020	Consolidated 12.31.2019
Local currency (*):					
Banco do Brasil S.A. (a)	R$	127.5 and 130.0 of CDI	2023	380,316	390,936
Banco do Brasil S.A. – CDC	R$	8.9 to 9.1	2021	56,451	57,761
Banco BBM S.A. – CCB	R$	149.0 and 150.5 of CDI and 4.0 + CDI	2021	38,442	44,821
Banco ABC do Brasil S.A. – CCE	R$	4.3 + CDI	2022	46,637	46,637
Banco Bradesco S.A. (*)	R$	4.4 and 4.5 + CDI	2020	20,039	19,760
BNDES (Finame)	R$	3.0 to 9.5	2023	74	168
Banco Daycoval S.A.	R$	4.5 and 5.2 + CDI	2023	45,234	15,743
Banco Santander S.A. (b)	R$	3.5 + CDI	2021	58,128	-
Banco Safra S.A. – CCB	R$	5.3 + CDI	2020	46,172	46,976
Banco Fibra S.A. – CCE	R$	6.5 + CDI	2020	1,914	3,350
Banco Sofisa S.A.	R$	6.8 + CDI	2020	30,262	30,251
Caixa Econômica Federal – CCB (*) (c)	R$	149.6 of CDI	2021	13,951	15,944
Banco Pine S.A.	R$	7.8 + CDI	2022	13,821	12,046
Banco Industrial do Brasil S.A.	R$	5.2 + CDI	2021	5,028	-
Banco BTG Pactual S.A. (d)	R$	12.5	2022	46,435	-
Others	R$	-	2020	7,407	6,637
				810,311	691,030
Foreign currency:					
Banco Patagônia	$ARG	58.8 to 59.0	2020	4,678	4,657
Banco Luso Brasileiro S.A.	US$	8.5	2020	13,122	9,960
Banco do Brasil S.A.	US$	4.8 to 5.8	2020	38,814	36,671
Banco Santander S.A. PPE	US$	8.1	2021	-	124,252
JP Morgan	US$	Libor + 0.9	2020	-	18,198
Banco Pine S.A.	US$	8.5	2020	10,205	8,221
Banco Itaú Unibanco S.A.	US$	7.6	2020	30,406	29,388
Banco Fibra S.A.	US$	5.0	2020	26,460	20,261
				123,685	251,608
Total				933,996	942,638
Current				(467,882)	(511,143)
Noncurrent				466,114	431,495

(*) Loans held in part by the Company in the amount of R$18.942 (R$20,912 on December 31, 2019).

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

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

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

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

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

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

Maturities are as follows:

		2021				
	2020	Current	Noncurrent	2022	2023	Total
Local currency:						
Banco do Brasil S.A.	32,739	10,469	119,642	108,624	108,842	380,316
Banco do Brasil S.A. - CDC	55,906	545	-	-	-	56,451
Banco BBM S.A. - CCB	19,134	6,372	12,936	-	-	38,442
Banco ABC do Brasil S.A. - CCE	12,497	4,655	13,967	15,518	-	46,637
Banco Bradesco S.A.	20,039	-	-	-	-	20,039
BNDES (Finame)	39	4	11	14	6	74
Banco Daycoval S.A.	18,496	2,431	7,292	9,723	7,292	45,234
Banco Santander S.A.	26,308	8,678	23,142	-	-	58,128
Banco Safra S.A. - CCB	46,172	-	-	-	-	46,172
Banco Fibra S.A. - CCE	1,914	-	-	-	-	1,914
Banco Sofisa S.A.	30,262	-	-	-	-	30,262
Caixa Econômica Federal - CCB	5,971	1,989	5,991	-	-	13,951
Banco Pine S.A.	6,921	1,300	2,400	3,200	-	13,821
Banco Industrial do Brasil S.A.	3,778	1,250	-	-	-	5,028
Banco BTG Pactual S.A.	13,006	5,915	17,041	10,473	-	46,435
Others	7,407	-	-	-	-	7,407
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	300,589	43,608	202,422	147,552	116,140	810,311
Foreign currency:						
Banco Patagônia	4,678	-	-	-	-	4,678
Banco Luso Brasileiro S.A.	13,122	-	-	-	-	13,122
Banco do Brasil S.A.	38,814	-	-	-	-	38,814
Banco Pine S.A.	10,205	-	-	-	-	10,205
Banco Itaú Unibanco S.A.	30,406	-	-	-	-	30,406
Banco Fibra S.A.	26,460	-	-	-	-	26,460
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	123,685	-	-	-	-	123,685
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Total	424,274	43,608	202,422	147,552	116,140	933,996
	=======	=======	=======	======	=======	=======

Changes in consolidated loans and debentures were as follows:

	03.31.2020			03.31.2019
	Loans	Debentures	Total	Total
Beginning balance	942,638	99,397	1,042,035	1,093,381
Debt proceeds or renewal	205,979	-	205,979	65,756

Accrued interest	18,302	1,615	19,917	24,453
Paid principal	(257,088)	-	(257,088)	(70,423)
Paid interest	(19,343)	(1,595)	(20,938)	(24,931)
Exchange rate variations	42,047	-	42,047	(98)
Prepaid charges, net	1,461	392	1,853	(6,463)
Ending balance	933,996	99,809	1,033,805	1,081,675

14. DEBENTURES

a) On June 12, 2017, subsidiary CSA issued the 3rd series of non-convertible debentures with the following terms, which, on the same date, were fully subscribed by Gaia Agro Assessoria Financeira Ltda. ("Subscriber"). Subsequently, the Subscriber sold the debentures to Gaia Securitizadora Agro S.A. ("Securitization"), with the objective of relating the resources of the debentures to the issuance of Agribusiness Receivables Certificates ("CRA").

Debentures' Terms	
Quantity of issued debentures	50,000
Debentures unit price (amount in Brazilian Reais)	R$1,000
Amortization:	
Maturity of 1st installment – 25.00%	12/18/2018
Maturity of 2nd installment – 25.00%	06/18/2019
Maturity of 3rd installment – 25.00%	12/18/2019
Maturity of 4th installment – 25.00%	06/18/2020
Return	110% of CDI
Interest amortization	Semiannual
Guarantees	(1)
Covenants	(2)

The funds were available to the subsidiary on the subscription date of the debentures. The issuance costs of the debentures and the subsequent issuance costs of the CRA, in the amount of approximately R$1,977, equivalent to 3.95% of the total issuance amount, will be amortized as transaction cost, along with the debentures charges, prorated to the outstanding debt balance.

(1) Guarantees:

Secured guarantee: Real estate of subsidiary CSA which market valuation is greater than 200% of the CRA issuance value. At any time, one or more real estate may be disposed at the discretion of subsidiary CSA and without consent of the CRA holders, provided that: (i) such sale shall not decrease the rate of 200% guarantee of the secured obligations to the CRA holders; and (ii) subsidiary CSA uses the net proceeds of the disposed assets for repayment of bank loans.

Fidejussory guarantee: Surety given by the Company.

(2) Covenants:

In addition to the usual covenants, the Company has agreed to comply with the following financial ratios: (i) Net Debt to Adjusted EBITDA ratio, equal to or less than 4.0 (four); (ii) Net Debt to Shareholders' Equity ratio, equal to or less than 0.7 (seven tenths) except for June 2018, equal to or less than 0.8 (eight tenths); and (iii) EBITDA to Interest ratio, equal to or greater than 2.0 (two).

The above ratios are required for the entire contract period and are measured semiannually starting in December 2017. The terms used to describe the ratios have their particular definition set forth in the contract and may differ from the financial statement lines.

b) On February 19, 2018, subsidiary CSA issued the 4th series of non-convertible debentures with the following terms, which, on February 19, 2018, was fully subscribed.

4th Series Debentures Terms	
Quantity of issued Debentures	150,000
Debentures unit price (amount in Brazilian Reais)	R$1,000
Amortization	12 equal quarterly installments
Maturity of 1st installment	05/19/2018
Maturity of 12th installment	02/19/2021
Return	100% of CDI + 2.75% per annum
Interest amortization	12 equal quarterly installments
Guarantees	(1)
Covenants	(2)

(1) Guarantees:

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

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

(2) Covenants:

No commitment to maintain financial ratios.

Balances of the debentures on March 31, 2020 and December 31, 2019 were as follows:

	Debentures from		Company and consolidated	
	3rd series	4th series	03.31.2020	12.31.2019
Original amount	12,500	87,500	100,000	100,000
Prepaid interest	(131)	(862)	(993)	(1,385)
Accrued interest	159	643	802	782
Debentures total	12,528	87,281	99,809	99,397
Current	(12,528)	(87,281)	(99,809)	(87,008)
Noncurrent	-	-	-	12,389

15. SUPPLIERS

	Consolidated	
	03.31.2020	12.31.2019
Domestic market	108,009	128,390
Foreign market	25,237	27,012
	----------	----------
	133,246	155,402
	======	======

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 58 days (58 days as of December 31, 2019).

16. GOVERNMENT CONCESSIONS

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

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

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

Total annual installments of the concession:

	Years 5 to 15 2002 to 2012	Years 16 to 25 2013 to 2022	Years 26 to 35 2023 to 2032
Historical amounts:			
Minimum installment	120	120	120
Additional installment	-	12,510	20,449
Annual installment	120	12,630	20,569
Total installments	1,320	126,300	205,690
Monetarily adjusted installments	7,141	683,274	1, 112,756
	===========	===========	==========

For accounting purposes, subsidiary CSA recognizes expenses incurred on an accrual basis, as a contra entry to noncurrent liabilities, on a straight-line basis, based on its share in the total concession amount, 33.33%, at present value, considering a basic interest rate, monetarily adjusted based on the IGP-M. As of March 31, 2020, this amount represents R$67,286, of which, R$22,776 is classified in current liabilities and R$44,510 is classified as noncurrent liabilities (R$65,983, of which, R$22,212 is classified in current liabilities and R$43,771 is classified as noncurrent liabilities on December 31, 2019).

As of March 31, 2020, the net book value of the property, plant and equipment related to the current concession is R$17,849 (R$18,208 as of December 31, 2019) (see note 10), considering CSA's equity interest in the investments for the construction of the Porto Estrela Hydroelectric Plant, located on the Santo Antônio River, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

17. LEASES PAYABLE

The breakdown of leases payable is as follows:

		Consolidated	
	Maturity	03.31.2020	12.31.2019
Properties	2024	10,637	11,366
Properties – plant	2028	10,431	-
SGUS (*)	2030	276,316	217,120
Properties – stores	2025	47,827	45,142
Vehicles	2021	521	574
		345,732	274,202
Current		(62,474)	(53,049)
Noncurrent		283,258	221,153

The maturities of leases payable are as follows:

		2021					
	2020	Current	Noncurrent	2022	2023	2024 to 2030	Total
Properties	2,840	916	2,750	3,666	2,174	70	12,416
Properties – plant	1,350	450	1,348	1,799	1,799	8,247	14,993
SGUS (*)	30,397	11,078	30,975	41,610	41,945	303,290	459,295
Properties – stores	13,885	4,628	10,786	9,857	8,566	8,452	56,174
Vehicles	278	82	201	-	-	-	561
Gross total	48,750	17,154	46,060	56,932	54,484	320,059	543,439
Adjust to present value	(1,960)	(1,470)	(5,900)	(11,455)	(14,924)	(161,998)	(197,707)
Total payable	46,790	15,684	40,160	45,477	39,560	158,061	345,732

(*) Liability corresponding to right-of-use assets classified as: (i) Real Estate - SGUS; (ii) Investment properties; and (iii) Leases receivable. See note 11.

Changes in the consolidated leases payable were as follows:

	03.31.2020						03.31.2019
	Properties	Properties – plant	SGUS	Properties – stores	Vehicles	Total	Total
Balance at the beginning of the period	11,366	-	217,120	45,142	574	274,202	23,221
Initial adoption IFRS 16/CPC 06 R2 (1)	-	-	-	-	-	-	265,004
Additions (2)	8	8,749	-	8,656	70	17,483	-
Disposals (3)	-	-	-	(3,491)	-	(3,491)	-
Charges	258	245	6,366	1,998	13	8,880	7,147
Payments	(995)	(433)	(9,612)	(4,478)	(136)	(15,654)	(14,015)
Exchange variation	-	1,870	62,591	-	-	64,461	131
Others	-	-	(149)	-	-	(149)	94
	-------------	-------------	-------------	-------------	-------------	-------------	-------------
Balance at the end of the period	10,637	10,431	276,316	47,827	521	345,732	281,582
	=======	========	=======	========	========	========	========

(1) The Company's management opted for the simplified retrospective transition approach. This approach does not impact retained earnings (shareholders' equity) on the initial adoption date, since the amount of the right-of-use asset is equal to the lease payable amount adjusted to present value and enables the use of practical expedients. The Company's management considered as leasing component for stores only the fixed minimum rent value for purposes of assessing the liabilities. The measurement of the lease liability corresponds to the total of future payments of fixed rents, considering the terms of the contracts. These payment flows are adjusted to present value, considering the incremental borrowing rate. Financial charges are recognized as financial expenses. The incremental borrowing rate corresponds to the interest rate that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment (varies between 9% and 10% per year).

(2) Includes new lease agreements, renewal of existing agreements and update of lease amounts.

(3) Early termination of lease contract.

The effects on results as of March 31, 2020 and 2019 are as follows:

	03.31.2020						03.31.2019
Continuing operations	Properties	Properties – plant	SGUS	Properties – stores	Vehicle	Consolidated	Consolidated
Lease payments in the period	995	433	9,612	4,478	136	15,654	12,188
PIS and COFINS recovered	-	-	-	(414)	-	(414)	-
Amortization of right-of-use assets	(817)	(309)	(861)	(3,672)	(125)	(5,784)	(8,708)
PIS and COFINS on amortization	-	-	-	268	-	268	-
Interest net	(258)	(245)	(1,562)	(1,998)	(13)	(4,076)	(6,052)
PIS and COFINS on interest	-	-	-	146	-	146	-
Disposals, net	-	-	-	224	-	224	-
Sublease cash receipts	-	-	(5,361)	-	-	(5,361)	-
	------------	------------	------------	------------	------------	------------	------------
Total effects with the application of IFRS 16	(80)	(121)	1,828	(968)	(2)	657	(2,572)
	=======	=======	=======	=======	=======	=======	=======

Discontinued operations	Consolidated	
	03.31.2020	03.31.2019
Lease payments in the period	-	1,827
Amortization of right-of-use assets	-	(1,246)
Interest on leases in the period	-	(1,095)
	------------	------------
Total effects with the application of IFRS 16	-	(514)
	=======	=======

18. INCOME TAX AND OTHER TAXES

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

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

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

	03.31.2019				
	SGPSA (Parent Co.)	CSA Consolidated	SGUS	Others (1)	Consolidated
Income (loss) from operations before taxes (2)	159,380	(28,276)	274,184	(162,762)	242,526
Equity in subsidiaries	(162,596)	-	-	162,596	-
Investment support	-	(10,514)	-	-	(10,514)
Permanent differences from foreign subsidiaries	-	-	(2,370)	-	(2,370)
Other	-	242	(2)	-	240
	------------	------------	------------	------------	------------
Income tax basis	(3,216)	(38,548)	271,812	(166)	229,882
34% income tax rate	1,093	13,106	(92,416)	57	(78,160)
Unrecognized tax credits	(1,093)	(13,110)	92,600	(57)	78,340
Tax credit of foreign subsidiary	-		(83,225)	-	(83,225)
Others	-	(130)	29	-	(101)
	------------	------------	------------	------------	------------
Total income taxes	-	(134)	(83,012)	-	(83,146)
	=======	=======	=======	=======	=======
Continuing operations					
Income taxes – current	-	(134)	-	-	(134)
Income taxes – deferred	-	-	(291)	-	(291)
	------------	------------	------------	------------	------------
	-	(134)	(291)	-	(425)
	=======	=======	=======	=======	=======
Discontinued operations					
Income taxes – current	-	-	(2,535)	-	(2,535)
Income taxes – deferred	-	-	(80,186)	-	(80,186)
	------------	------------	------------	------------	------------
	-	-	(82,721)	-	(82,721)
	=======	=======	=======	=======	=======

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

(2) Includes income from discontinued operations before taxes. See notes 28 and 29.

b. Deferred income and social contribution taxes

As a holding Company, the Company's operations consist of equity in subsidiaries and income from investment activities. Foreign subsidiaries' income is taxed as an addition to the taxable income and they receive tax credits for taxes paid in their respective countries, which is up to 25% of its income tax base. If there are tax losses, tax credits are not considered in Brazil, but they are offset with future income generated by the foreign subsidiary. Therefore, as a holding Company, tax credit recognition is allowed in specific situations.

Deferred income and social contribution taxes recorded in the consolidated interim financial statements arise from subsidiaries' temporarily nondeductible provisions, transferred tax credit, and subsidiaries' net operating losses.

Deferred income and social contribution taxes are composed as follows:

	12.31.2019	Recognized in: Statement of operations	Equity	Exchange rate variations	Other	03.31.2020
Assets:						
Temporary differences (CSA – Argentina) (1) (a)	649	-	-	-	(142)	507
Temporary differences (CSA – Brasil) (1) (p)	15,635	(3,394)	-	-	-	12,241
Net operating losses (CSA – Brasil) (1) (p)	1,148	3,394	-	-	-	4,542
Tax credits from foreign subsidiary (CSA – Brasil) (1) (p)	7,167	-	-	-	-	7,167
Net operating losses (SGUS – EUA) (2) (a)	66,501	(69,707)	-	19,271	-	16,065
Temporary differences (AMMO – Brasil) (1) (a)	225	-	-	-	7	232
Net operating losses (SGPSA – Brasil) (a)	1,905	-	-	-	-	1,905
	-----------	----------	----------	----------	----------	-----------
	93,230	(69,707)	-	19,271	(135)	42,659
Deferred tax liabilities:						
Investment properties (CSA – Brasil) (1) (p)	(83,389)	-	-	-	-	(83,389)
Hyperinflationary adjustment (CSA – Argentina) (1) (p)	(6,651)	-	-	-	(1,318)	(7,969)
Temporary differences (CSA – Brasil) (1) (p)	(17,539)	-	-	-	-	(17,539)
	-----------	----------	----------	----------	----------	-----------
Total deferred taxes, net	(14,349)	(69,707)	-	19,271	(1,453)	(66,238)
	======	======	======	======	======	======
Noncurrent assets (sum of a)	69,280	(69,707)	-	19,271	(135)	18,709
Noncurrent liabilities (sum of p)	(83,629)	-	-	-	(1,318)	(84,947)
	======	======	======	======	=====	======

(1) Deferred taxes of subsidiary CSA:

Deferred tax assets:

The subsidiary CSA, based on its business plan and future projections, maintained deferred tax assets derived, from accumulated tax losses. Future projections consider the Company's operating results for the next 10 years adjusted to present value and a reduction of interest rates during that period and the resulting cost of debt, among other actions.

Based on these actions and the assumptions used in the preparation of the business plan, the management of that subsidiary has expectations to generate future taxable income that will allow the realization of the deferred tax credits shown as follows:

	Consolidated		
Year	Temporary differences	Operating losses (*)	CSA consolidated
2023 and thereafter	12,980	11,709	24,689
	======	======	======

(*) Includes compensation of taxes paid in Argentina.

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

Additionally, as of March 31, 2020, CSA had net operating losses of R$976,609 (R$915,612 as of December 31, 2019) and social contribution tax losses of R$982,737 (R$921,695 as of December 31, 2019), whose tax assets were not recognized in the financial statements. As of March 31, 2020, the indirect subsidiary AMMO had net operating losses of R$299,497 (R$283,948 on December 31, 2019) and social contribution tax losses of R$299,525 (R$282,322 on December 31, 2019).

Deferred tax liabilities – investment properties:

Income and social contribution taxes resulting from added value in investment properties. See note 9.

	Investment properties São Gonçalo		Investment properties Montes Claros (9.3)	Total
	Business complex (9.1)	Residential complex (9.2)		
Fair value	301,940	44,974	60,240	407,154
Total residual cost	(110,097)	(93)	(51,702)	(161,892)
	----------	----------	----------	----------
Surplus/added value	191,843	44,881	8,538	245,262
	----------	----------	----------	----------
Income and social contribution taxes liability on surplus/added value (34%)	65,227	15,259	2,903	83,389
	======	======	======	======

(2) Deferred taxes of subsidiary SGUS:

The subsidiary SGUS, based on its business plan and future projections, maintained deferred tax assets derived, primarily, from accumulated tax losses. Based on the projections of its operating results, the subsidiary SGUS had a deferred tax assets balance, as of March 31, 2020, totaling R$16,210 (R$66,501 as of December 31, 2019). The reduction in the deferred tax assets was caused by the negative impact of COVID-19 on the profitability projections of its affiliate Keeco Holdings, LLC. The revised projections of the continuing operations considers the revenues and expenses of the subsidiary SGUS, including the profitability of its affiliate, for the next 10 years.

Based on the assumptions utilized in the preparation of business plan, SGUS management expects to generate future taxable income that will allow the realization of the deferred tax credits.

The estimated realization for the deferred tax assets of subsidiary SGUS, as of March 31, 2020, is shown below:

Year	Subsidiary SGUS
2024	92
2025 and thereafter	16,118

	16,210
	======

Temporary differences are fully deductible from taxable income and have no deadline for utilization. The net operating tax losses are also fully deductible, but the federal losses will expire between 2022 and 2034 and the state losses will expire between 2020 and 2034.

Additionally, on March 31, 2020, subsidiary SGUS had R$993,988 in tax losses (R$499,688 at December 31, 2019) whose tax assets were not recognized in the interim financial statements.

c. Recoverable taxes

	Company		Consolidated	
	03.31.2020	12.31.2019	03.31.2020	12.31.2019
ICMS (state VAT)	-	-	11,199	9,878
Income and social contribution taxes prepayments	285	341	9,498	12,390
Recoverable PIS and COFINS (*)	-	-	198,462	204,754
Recoverable INSS	-	-	65	15,391
IVA – Gross proceeds (Argentina)	-	-	5,544	1,416
Recoverable IPI	-	-	83	83
Other recoverable taxes	-	-	536	423
	-----------	-----------	-----------	-----------
	285	341	225,387	244,335
Current	(285)	(341)	(64,452)	(80,942)
	-----------	-----------	-----------	-----------
Noncurrent	-	-	160,935	163,393
	=======	=======	=======	=======

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

19. MISCELLANEOUS ACCRUALS

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

The Company and its subsidiaries have tax, labor and civil claims, whose loss was estimated as possible in the amount of R$22,985, R$4,649 and R$40,043, respectively, (R$22,799, R$4,402 and R$40,043, respectively, on December 31, 2019). The main tax claims relate to infraction notices referring to: (i) imports of raw materials under the Drawback program (R$7,559); (ii) calculation of presumed FAIN credit (R$5,871); and (iii) ex-tariff IPI exemption (R$3,160). The main labor lawsuits are related to labor claims of former employees and third parties. The main civil claims correspond to a writ of mandamus filed against the Electric Energy Trading Chamber (CCEE), in the amount of R$38,701, seeking to eliminate possible financial burdens arising from judicial decisions that determine the sharing of losses among power generators. The main labor claims correspond to labor claims by former employees and third parties.

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

	Consolidated	
	03.31.2020	12.31.2019
Tax litigation claims - others	111	108
Labor	9,675	9,472
Civil and others	3,533	3,351
	----------	-----------
Total	13,319	12,931
	=====	=====
Escrow deposits	11,676	13,403
	=====	=====

Labor – The subsidiary CSA is the defendant in lawsuits from former employees and third parties.

Civil – The subsidiary CSA is a plaintiff in a lawsuit against the Federal Government disputing the legality of the collection of "COFURH – Compensação Financeira pela Utilização de Recursos Hídricos".

Changes in the consolidated accrual are as follows:

	Balances on 12.31.2019	Additions	Disposals	Exchange variation	Balances on 03.31.2020
Tax litigation claims - others	108	3	-	-	111
Labor	9,472	225	(114)	92	9,675
Civil and others	3,351	20	(14)	176	3,533
	----------	---------	---------	----------	----------
	12,931	248	(128)	268	13,319
	======	======	======	======	======

	12.31.2018	Additions	Disposals	03.31.2019
Tax litigation claims - others	98	-	-	98
Labor	11,468	136	(310)	11,294
Civil and others	1,367	285	(169)	1,483
	-----------	---------	---------	-----------
	12,933	421	(479)	12,875
	======	=====	=====	======

20. EMPLOYEE BENEFIT PLANS

Substantially all of the employees of the subsidiary SGUS are covered by defined-contribution plans. Some executives of SGUS are covered by defined-benefit plans. Subsidiary SGUS may make contributions to the defined-contribution plan at its discretion, and these contributions are considered by means of a percentage of each participant's eligible compensation. In addition, should eligible participants contribute a percentage of their compensation to some defined-contribution plans, SGUS may, at its discretion, make a contribution in the proportion of the amounts contributed by the participants.

Subsidiary SGUS sponsors a defined-benefit pension plan for some of its employees, whose expected pension costs are accrued based on actuarial studies. Contributions of retired employees and subsidiary SGUS are adjusted periodically. Subsidiary SGUS' contributions to the defined-benefit plans are made pursuant to the “US Employee Retirement Income Security Act”, and benefits are generally based on years of service and salary (compensation) levels.

The defined-benefit plans’ assets are invested in diversified equity securities and fixed-income funds (including US government debt). Subsidiary SGUS also provides retirement benefits to eligible executives under nonqualified supplemental executive retirement plans.

The table below includes summarized information on the pension plans as of March 31, 2020 and 2019:

	03.31.2020	03.31.2019
Components of net periodic benefit cost:		
Service cost	325	250
Interest cost, net	893	1,001
Net periodic benefit cost	1,218	1,251

SGUS’ investment strategy is to invest in a diversified portfolio that will maximize returns, considering an acceptable risk level. Pension plan assets are invested in mutual funds which have a target allocation of 36% in equity securities and 64% in fixed income funds. The expected returns on plan assets were developed in conjunction with external advisors and take into account long-term expectations for future returns based on SGUS’ current investment strategy.

The balances of employee benefit plans and deferred compensation are as follows:

	03.31.2020	12.31.2019
Pension plan obligations	144,849	113,023
Other employee benefit obligations	2,720	2,761
Total employee benefit plans	147,569	115,784
Current (a)	(12,404)	(9,617)
Noncurrent	135,165	106,167

(a) Presented on caption “Payroll and related charges”.

21. EQUITY

a. Capital

The subscribed and paid-in capital is represented by 50,000,000 common shares with voting rights. There was no change in the number of shares subscribed and paid for the period between January 1, 2019 and March 31, 2020.

b. Dividends and realizable earnings reserve

Shareholders are entitled to dividends equivalent to 1/3 of annual net income, adjusted as per Company’s bylaws and the Brazilian Corporate Law.

c. Retained earnings reserve

The retained earnings reserve is determined in compliance with article 196 of law 6,404/76 and it is intended to be used on future investments.

d. Cumulative translation adjustments

Represents the exchange variations on investments, net of foreign related parties' balances, in foreign direct and indirect subsidiaries.

e. Assets and liabilities valuation adjustments

Represents the unrealized gains and losses on: (i) subsidiaries' initial added value of investment properties at fair value and; (ii) actuarial gains and losses on defined benefit plans of subsidiaries.

22. RELATED-PARTY BALANCES AND TRANSACTIONS

	Receivable		Payable	
	03.31.2020	12.31.2019	03.31.2020	12.31.2019
Company:				
Coteminas S.A.	-	-	19,742	16,255
	----------	----------	----------	----------
	-	-	19,742	16,255
	======	======	======	======
Consolidated:				
Companhia de Tecidos Norte de Minas - Coteminas	45,105	32,368	-	-
Coteminas International Ltd.	3,847	1,795	-	-
Santanense Argentina	22	17	-	-
Argentina branch	62	51	-	-
Fazenda do Cantagalo Ltda.	4	-	-	-
Companhia Tecidos Santanense	43,981	8,674	-	-
	----------	----------	----------	----------
	93,021	42,905	-	-
	======	======	======	======

	Finance charges	
	03.31.2020	03.31.2019
Company:		
Coteminas S.A.	(485)	(1,721)
Companhia de Tecidos Norte de Minas - Coteminas	(1)	-
	----------	----------
	(486)	(1,721)
	======	======
Consolidated:		
Companhia de Tecidos Norte de Minas - Coteminas	2,747	2,165
Companhia Tecidos Santanense	419	23
Coteminas International Ltd.	22	20
Wembley S.A.	-	4
	----------	----------
	3,188	2,212
	======	======

The balances refer to loans contracted with the Company under fair conditions in accordance with market practices. The charges are calculated according to the average cost of the lending company's loans.

The Board of Directors meeting held on December 29, 2015 also approved payment of 2% commission (two percent annually), limited to the cumulative amount of R$47,750, on sureties/ guarantees provided by the controlling shareholder on loans and financing contracted by the Company and its subsidiaries. As of March 31, 2020, the amount of R$12,419 was recorded with R$4,168 (R$4,418 as of December 31, 2019) in the caption “Other receivables” in current assets and R$8,251 in the caption “Others” in noncurrent assets (R$9,251 as of December 31, 2019), related to guarantees on existing contracts and credit facilities. In the first quarter of 2020, the amount of R$1,251 was recorded as interest expenses under the caption “Financial expenses – bank charges and others” (R$1,530 in the same period of 2019).

In the first quarter of 2020, the subsidiary CSA supplied intermediate products to a related party, Companhia Tecidos Santanense, in the amount of R$11,008 (R$4,066 in the same period of 2019). The receivable balance related to these transactions is presented in note 5.

CTNM and the indirect subsidiary AMMO Varejo have a rental agreement for the property where their distribution center and office are located. In the first quarter of 2020, payments were made in the amount of R$896 (R$817 in the same period of 2019).

On March 31, 2020, the indirect subsidiary LAT Capital Ltd. had R$22,589 (R$32,495 as of December 31, 2019) in investments in foreign funds and deposit accounts, received from Coteminas International Ltd., a company under common control.

All of the above transactions, buying and selling products and loan transactions, are conducted at market prices and rates.

The amounts paid to key Management personnel are disclosed in the statements of operations, under caption “Management fees” and include existing long-term and post-employment benefits.

23. FINANCIAL INSTRUMENTS

a) General--The Company and its subsidiaries maintain derivatives and non-derivatives financial instruments transactions, whose risks are managed through strategic financial positions and controls to limit exposure to such risks. All transactions are fully recorded in the Company's books and described in the table below.

	Company		Consolidated	
	03.31.2020	12.31.2019	03.31.2020	12.31.2019
FINANCIAL ASSETS				
Amortized cost:				
Cash and cash equivalents	238	154	168,668	151,935
Marketable securities (current)	-	-	22,771	33,976
Accounts receivable	-	-	412,581	487,822
Cash holdback amount	-	-	32,752	25,393
Other receivables	1,093	960	33,250	32,976
Marketable securities (noncurrent)	-	-	-	71,010
Receivable – clients	-	-	23,779	23,968
Related parties	-	-	93,021	42,905
Escrow deposits	-	-	11,676	13,403
Others	-	-	55,810	54,558
Fair value through profit or loss:				
Marketable securities (current)	-	-	-	18,365
FINANCIAL LIABILITIES				
Amortized cost:				
Loans and financing (current)	12,951	12,933	467,882	511,143
Debentures (current)	-	-	99,809	87,008
Suppliers	56	6	133,246	155,402
Government concessions (current)	-	-	22,776	22,212
Other accounts payable	-	-	35,879	52,376
Loans and financing (noncurrent)	5,991	7,979	466,114	431,495
Debentures (noncurrent)	-	-	-	12,389
Related parties	19,742	16,255	-	-
Government concessions (noncurrent)	-	-	44,510	43,771
Other obligations	-	-	34,790	31,764

The main risk factors to which the Company and its subsidiaries are exposed reflect strategic-operational and economic-financial matters. The strategic-operational risks (such as demand trend, competition, technological innovation, significant changes in the industry structure, among others) are inherent to the Company's operating activities and are addressed by its Management. The economic-financial risks mainly reflect customers' delinquency, macro-economic trends, such as currency exchange and interest rates, as well as the nature of the derivative instruments used by the Company, its subsidiaries, and its counter-parties. These risks are managed through internal control policies, specific strategies and establishment of approval authorities.

b) Fair value--The fair values of loans and financing and debentures are similar to their amortized cost recorded in the interim financial statements because they are indexed to floating interest rates (TJLP, CDI and LIBOR), which accompany market rates. Considering the maturities of other financial instruments, the Company estimates that their fair values approximate book values.

c) Classification of financial instruments--Except for derivatives, and certain marketable securities, which are classified and measured at fair value through profit or loss, all financial assets and liabilities listed above are classified and measured as “Amortized Cost”. The derivative financial instruments are measured at fair value through profit or loss and the portion related to the cash flow hedge, which effectiveness can be measured, has its gains and losses recognized directly in shareholders' equity as valuation adjustments and presented in the statement of comprehensive income.

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

d.1 – Objectives and risk management strategies--The Company believes that risk management is important in driving its strategy of profitable growth. The Company is exposed to market risks, mainly related to changes in exchange rates, commodity prices (cotton) and volatility of interest rates. The goal of managing these risks is to eliminate possible unexpected variations in the results of the group’s companies, arising from these variations.

The purpose of derivative transactions is always related to the elimination of market risks, identified in our policies and guidelines and, also, to the management of the volatility of financial flows. The measurement of efficiency and evaluation of results occurs throughout the life of the contracts. The monitoring of the impact of these transactions is analyzed quarterly by the Cash and Debt Management Committee where the mark-to-market of these transactions is discussed and validated. All derivative financial instruments are recorded at fair value in the Company’s interim financial statements. As of March 31, 2020 and December 31, 2019, except for the transaction described in item d.4 below, there were no outstanding derivative financial instruments.

d.2 – Derivatives use policy--According to internal policies, the Company’s financial results should be related to cash provided by its business and not by gains in the financial market. Therefore, it considers the use of derivatives as a tool to protect eventual exposures related to risks arising from such exposures, and not for speculative purposes. The derivative transactions goal is to reduce Company’s market risks exposures.

d.3 – Exchange rate risk--This risk arises from the possibility that the Company and its subsidiaries may incur losses due to exchange rate fluctuations that would reduce the nominal billed amounts or increase funds raised in the market.

d.3.1) Exchange rate risk on foreign investments:

The Company has foreign investments that increase its foreign currency exchange exposure, as follows:

	03.31.2020				
	R$	$ARG	US$	$PYG	Exchange rate variation on foreign investments R$
Foreign investments:					
Coteminas Argentina	52,631	652,676	-	-	10,240
LAT Capital	13,222	-	2,543	-	2,756
Textil Guarani	4,569	-	-	5,793,077	796
SGUS	420,511	-	80,888	-	121,923
	490,933	652,676	83,431	5,793,077	135,715
Related parties:					
LAT Capital	(113,496)	-	(21,832)	-	(25,419)
SGUS	(278,533)	-	(53,577)	-	(62,446)
	(392,029)	-	(75,409)	-	(87,865)
Total of foreign investments net	98,904	652,676	8,022	5,793,077	47,850

	12.31.2019				
	R$	$ARG	US$	$PYG	Exchange rate variation on foreign investments R$
Foreign investments:					
Coteminas Argentina	21,636	321,478	-	-	(1,770)
LAT Capital	9,219	-	2,287	-	366
Textil Guarani	3,008	-	-	4,824,379	85
SGUS	422,901	-	104,920	-	18,069
Total of foreign investments net	456,764	321,478	107,207	4,824,379	16,750

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

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

Financial instruments	03.31.2020	12.31.2019
Accounts receivable	29,297	46,415
Marketable securities	-	71,010
Suppliers	(7,248)	(7,933)
Loan and financing	(119,007)	(228,753)
Related parties	2,339	(295,050)
	-----------	-----------
Total exposure in Brazilian Reais	(94,619)	(414,311)
	======	======
Total exposure in equivalent thousands of US Dollars	(18,201)	(102,789)
	======	======

The sensitivity analysis of financial instruments, considering the US Dollar denominated cash flows, as of March 31, 2020, is shown below:

			Scenarios		
Maturity	Risk	Exposure value in thousands of US$	Probable	II	III
2020	US Dollar appreciation	(18,201)	(507)	(24,289)	(48,070)
		======	======	======	======

Amounts in parenthesis (negative numbers) stated in the scenarios above refer to exchange rate variance losses. The positive amounts relate to exchange rate variations gains. The “Probable” scenario represents the result of the probable exchange rate variation, considering the cash flow of the assets and liabilities presented above, applying future dollar exchange rates and comparing to the dollar exchange rate at the end of the current period. Scenarios II and III reflect 25% and 50% deterioration of future dollar exchange rates, respectively. The future dollar exchange rates were obtained from B3 S.A. – Brasil, Bolsa, Balcão.

d.4 – Commodities price risk (cotton)--This risk arises from the possibility of the Company and its subsidiaries may incur losses due to fluctuations in the price of cotton, its main raw material. As of March 31, 2020 there were no outstanding contracts.

d.5 – Interest rates risk--Cash and cash equivalents and marketable securities yield, approximately, the equivalent to CDI (Certificate of Interbank Deposit) rates. Interest-bearing liabilities (except as described in d.5.1 and d.5.2 below), which reflect rates equivalent to LIBOR, or fixed interest rates, are disclosed in notes 13 and 22. Considering the cash flows of these liabilities and the contracted interest rates, Management determined that the exposure to market changes on the contracted interest rates is not significant. Therefore, the sensitivity analysis is deemed unnecessary.

d.5.1 – Variable interest rate risks on derivative financial instruments:

Interest rates swap contracts--Are presented and measured at fair value and are based on the cash flow of the loans denominated in foreign currency. Gains or losses are recorded under the “Financial expenses – interest” caption in the statements of operations. There were no interest rate derivatives in the periods ended March 31, 2020 and 2019.

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

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

	03.31.2020				12.31.2019
Description	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: 130.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	165,000	661	(3,008)	162,653	162,464
Loan Agreement -- Interest: 130.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	165,000	661	(3,008)	162,653	162,464
Loan Agreement -- Interest: 127.5% of CDI Counterpart: Banco Brasil S.A. – CCB Maturity: June/2021	56,250	117	(1,357)	55,010	66,008
(Refer to Note 13)				380,316	390,936
Loan Agreement -- Interest: 149.0% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: June/2021	18,896	9	-	18,905	22,992
Loan Agreement -- Interest: CDI + 4.0% Counterpart: Banco BBM S.A. – CCB Maturity: July/2021	4,122	3	-	4,125	5,018
Loan Agreement -- Interest: 150.5% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: July/2021	7,406	3	-	7,409	8,807
Loan Agreement -- Interest: 149.0% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: November/2021	8,000	3	-	8,003	8,004
(Refer to Note 13)				38,442	44,821
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC Brasil S.A. – CCB Maturity: April/2022	17,522	30	-	17,552	17,552
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC Brasil S.A. – CCB Maturity: April/2022	9,677	18	-	9,695	9,695
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2022	9,677	18	-	9,695	9,695
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2022	9,677	18	-	9,695	9,695
(Refer to Note 13)				46,637	46,637
Loan Agreement -- Interest: CDI + 4.5% Counterpart: Banco Daycoval S.A. Maturity: September/2020	6,667	46	-	6,713	10,072

	03.31.2020				12.31.2019
Description	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: CDI + 4.5% Counterpart: Banco Daycoval S.A. Maturity: October/2020	3,963	6	-	3,969	5,671
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Daycoval S.A. Maturity: July/2023	16,309	250	-	16,559	-
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Daycoval S.A. Maturity: July/2023	17,722	271	-	17,993	-
(Refer to Note 13)				45,234	15,743
Loan Agreement -- Interest: CDI + 3.5% Counterpart: Banco Santander S.A. – CCE Maturity: October/2021	57,855	273	-	58,128	-
(Refer to Note 13)				58,128	-
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: February/2020	-	-	-	-	838
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: May/2020	20,000	-	-	20,000	20,007
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: June/2020	20,000	126	-	20,126	20,129
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: September/2020	4,000	31	-	4,031	4,001
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: September/2020	2,000	15	-	2,015	2,001
(Refer to Note 13)				46,172	46,976
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Fibra S.A. Maturity: July/2020	1,905	9	-	1,914	3,350
(Refer to Note 13)				1,914	3,350
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Sofisa S.A. Maturity: June/2020	10,000	87	-	10,087	10,093
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Sofisa S.A. Maturity: April/2020	10,000	88	-	10,088	10,067

Description	03.31.2020 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2019 Payable
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Sofisa S.A. Maturity: May/2020	10,000	87	-	10,087	10,091
				------------	------------
(Refer to Note 13)				30,262	30,251
				------------	------------
Loan Agreement -- Interest: 149.6% of CDI Counterpart: Caixa Econômica Federal – CCB Maturity: December/2021	14,219	28	(296)	13,951	15,944
				------------	------------
(Refer to Note 13)				13,951	15,944
				------------	------------
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: November/2020	1,778	13	-	1,791	2,015
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: December/2020	1,500	-	-	1,500	2,001
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: February/2021	2,500	-	-	2,500	-
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: December/2022	8,000	30	-	8,030	8,030
				------------	------------
(Refer to Note 13)				13,821	12,046
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Industrial do Brasil S.A. Maturity: March/2021	5.000	28	-	5.028	-
				------------	------------
(Refer to Note 13)				5.028	-
				------------	------------
Debentures 3rd series -- Interest: 110.0% of CDI Counterpart: Gaia Agro Sec. S.A. Maturity: June/2020	12,500	159	(131)	12,528	12,237
Debentures 4th series -- Interest: CDI + 2.75% Counterpart: Several debenture holders Maturity: February/2021	87,500	643	(862)	87,281	87,160
				------------	------------
(Refer to Note 14)				99,809	99,397
	------------	-----------	------------	------------	------------
	784,645	3,731	(8,662)	779,714	706,101
	=======	=======	=======	=======	=======

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of March 31, 2020, is as follows:

Maturity	Risk	Principal average balance	Scenarios Probable	II	III
2020	CDI increase	693,735	24,746	26,993	31,284
2021	CDI increase	414,977	19,752	28,446	33,531
2022	CDI increase	211,626	9,785	22,749	27,132
2023	CDI increase	84,861	3,319	9,052	10,840
			======	======	======

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

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

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

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

d.7 – Liquidity risk management--The Company presented the consolidated financial assets and liabilities, according to their cash flows, based on their approximate maturity date, and using nominal contractual interest rates, in its annual financial statements for the year ended December 31, 2019. As of March 31, 2020, there was no significant change in relation to the amounts disclosed in the annual financial statements.

d.8 – Capital management risk--The Company manages its capital structure to ensure the continuity of its operational activities and, at the same time, to maximize the returns to its shareholders. The Company’s strategy remained unchanged in the period covered by these interim financial statements.

The Company's net debt is as follows:

	Consolidated	
	03.31.2020	12.31.2019
Loans and financing	933,996	942,638
Debentures	99,809	99,397
Cash and cash equivalents	(168,668)	(151,935)
Marketable securities	(22,771)	(123,351)
Total net debt	842,366	766,749
Total equity	1,231,791	1,386,626
Total net debt and equity	2,074,157	2,153,375
Total net debt	842,366	766,749
Cash holdback amount	(32,752)	(25,393)
Total net debt after cash holdback amount	809,614	741,356

24. SEGMENT INFORMATION

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

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

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

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

	03.31.2020 (continuing operations)				
	Brasil		Argentina	(*) Others	
	Wholesale	Retail	Wholesale	unallocated	Total
Net revenues	238.8	61.2	31.9	(29.5)	302.4
Cost of goods sold	(185.6)	(29.7)	(22.6)	29.5	(208.4)
Gross profit	53.2	31.5	9.3	-	94.0
Selling, general and administrative expenses	(47.1)	(39.8)	(6.1)	(4.7)	(97.7)
Other	3.6	(1.0)	(0.8)	0.4	2.2
Results of operations	9.7	(9.3)	2.4	(4.3)	(1.5)
Equity loss of affiliate	-	-	-	(8.2)	(8.2)
Goodwill impairment of in affiliate	-	-	-	(42.9)	(42.9)
Financial results (without exchange rate variations)	-	-	-	(55.6)	(55.6)
Exchange rate variations	-	-	-	(24.7)	(24.7)
Income (loss) before taxes	9.7	(9.3)	2.4	(135.7)	(132.9)
Depreciation and amortization	13.1	6.2	1.5	1.1	21.9

	03.31.2019 (continuing operations)				
	Brasil		Argentina	(*) Others	
	Wholesale	Retail	Wholesale	unallocated	Total
Net revenues	275.7	62.5	31.8	(29.3)	340.7
Cost of goods sold	(215.4)	(30.0)	(26.8)	28.9	(243.3)
Gross profit	60.3	32.5	5.0	(0.4)	97.4
Selling, general and administrative expenses	(53.9)	(35.0)	(4.9)	(2.6)	(96.4)
Other	2.9	0.2	-	5.5	8.6
Results of operations	9.3	(2.3)	0.1	2.5	9.6
Financial results (without exchange rate variations)	-	-	-	(40.1)	(40.1)
Exchange rate variations	-	-	-	(4.1)	(4.1)
Income (loss) before taxes	9.3	(2.3)	0.1	(41.7)	(34.6)
Depreciation and amortization	14.7	6.3	1.3	3.6	25.9

(*) Includes Company expenses and the results from the continuing operations of subsidiary SGUS.

The Company, through the analysis of sales performance, classifies its products under the categories of sales (or product lines) such as: bedding, tabletop and bath, intermediate products, and retail.

Revenue information by category or product lines is as follows:

	Consolidated	
	03.31.2020	03.31.2019
Net revenues (in millions of Reais):		
Bedding, tabletop and bath	182.0	221.1
Intermediate products	59.2	57.1
Retail	61.2	62.5
	-------------	-------------
	302.4	340.7
	========	========
Volume (in thousands of tons):		
Bedding, tabletop and bath	5.1	6.7
Intermediate products	5.3	5.2
	-------------	-------------
	10.4	11.9
	========	========

The Company has over 10,000 active clients as of March 31, 2020.

25. EXPENSES BY NATURE

The Company presents its consolidated statements of operations by function. The expenses by nature and their classification by function are presented as follows:

By nature:

	Consolidated	
	03.31.2020	03.31.2019
Cost of raw materials, goods and services acquired from third parties	(224,691)	(231,507)
Employee benefits	(82,116)	(82,140)
INSS	(5,807)	(9,554)
Depreciation and amortization	(21,884)	(25,924)
Finished goods and work in process inventory variations	26,036	5,420
Exchange rate variations on inventories of foreign subsidiaries	2,363	4,861
Other	-	(841)
	--------------	--------------
Total by nature	(306,099)	(339,685)
	========	========

By function:

	Consolidated	
	03.31.2020	03.31.2019
Cost of goods sold	(208,457)	(243,280)
Selling expenses	(66,159)	(67,785)
General and administrative expenses	(28,565)	(25,758)
Management fees	(2,918)	(2,862)
	--------------	--------------
Total by function	(306,099)	(339,685)
	========	========

26. NET REVENUES

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

	Consolidated	
	03.31.2020	03.31.2019
OPERATING REVENUES:		
Gross revenues	409,414	447,697
Revenue deductions	(107,000)	(107,034)
	-------------	-------------
NET REVENUES	302,414	340,663
	========	========

27. BASIC AND DILUTED INCOME (LOSS) PER SHARE

Basic income (loss) per share was calculated as follows:

	03.31.2020	03.31.2019
NET LOSS FOR THE PERIOD OF THE CONTINUED OPERATIONS	(202,778)	(34,982)
NET INCOME FOR THE PERIOD OF THE DISCONTINUED OPERATIONS	-	194,362
	-------------	-------------
NET INCOME (LOSS) FOR THE PERIOD	(202,778)	159,380
Weighted-average outstanding common shares	50,000,000	50,000,000
BASIC AND DILUTED INCOME (LOSS) PER SHARE (R$)		
From continuing operations	(4.0556)	(0.6996)
From discontinued operations	-	3.8872
	-----------	-----------
	(4.0556)	3.1876
	======	======

The Company does not have shares with dilutive potential. Therefore, the basic income (loss) per share equals the diluted income (loss) per share.

28. DISCONTINUED OPERATIONS

On December 28, 2018, the Company announced a material fact, informing it had entered into an "Asset Purchase and Contribution Agreement" ("Agreement") with Keeco, a US company for home products, to combine its North American operations. Under the terms of the Agreement, concluded on March 15, 2019 (see note 29), SGUS agreed to sell the assets and liabilities used in its operations to Keeco for US$126 million, including: US$90 million in cash, of which US$83.7 million at closing and US$6.3 million as cash holdback amount retained for 18 months (R$32,752 presented in current assets at March 31, 2020) and US$36 million in common shares of the combined company, representing an interest of 17.5% in the combined company's capital, Keeco Holdings, LLC.

The results of discontinued operations highlighted in the statements of operations are presented below:

	Company		Consolidated	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019
NET REVENUES	-	-	-	199,739
COST OF GOODS SOLD	-	-	-	(177,698)
GROSS PROFIT	-	-	-	22,041
OPERATING INCOME (EXPENSES):				
Selling expenses	-	-	-	(5,320)
General and administrative expenses	-	-	-	(8,054)
Equity in subsidiaries	-	194,362	-	-
Others, net	-	-	-	(2,926)
INCOME FROM OPERATIONS	-	194,362	-	5,741
Financial expenses – interests and other charges	-	-	-	(3,750)
INCOME FROM OPERATIONS BEFORE TAXES	-	194,362	-	1,991
Income and social contribution taxes:				
Current	-	-	-	(197)
Deferred	-	-	-	-
Income for the period from discontinued operations, before gain on sale of the net assets held for sale	-	194,362	-	1,794
Gain on sale of the net assets held for sale	-	-	-	192,568
NET INCOME FOR THE PERIOD – DISCONTINUED OPERATIONS	-	194,362	-	194,362

The cash flow statements of discontinued operations are presented below:

	Company		Consolidated	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019
Cash flows from discontinued operations activities:				
Net income for the period	-	194,362	-	194,362
Depreciation and amortization	-	-	-	571
Equity in subsidiaries	-	(194,362)	-	-
Income and social contribution taxes	-	-	-	82,721
Gain on the sale of discontinued operations	-	-	-	(275,092)
Bank charges, interests and commissions	-	-	-	2,668
	----------	----------	----------	----------
	-	-	-	5,230
Changes in assets and liabilities				
Accounts receivable	-	-	-	(1,617)
Inventories	-	-	-	(11,635)
Suppliers	-	-	-	(6,173)
Others	-	-	-	4,301
	----------	----------	----------	----------
Net cash used in discontinued operations activities before interest and taxes	-	-	-	(9,894)
Interest paid	-	-	-	(969)
Income and social contribution taxes paid	-	-	-	(521)
	----------	----------	----------	----------
Net cash used in discontinued operations activities after interest and income taxes	-	-	-	(11,384)
	----------	----------	----------	----------
Cash flows from investing discontinued operations activities:				
Proceeds from sale of discontinued operations	-	-	-	469,631
	----------	----------	----------	----------
Net cash provided by investing discontinued operations activities	-	-	-	469,631
	----------	----------	----------	----------
Cash flows from discontinued financing activities:				
Proceeds from new loans	-	-	-	43,754
Repayment of loans	-	-	-	(156,941)
	----------	----------	----------	----------
Net cash used in financing activities	-	-	-	(113,187)
Total cash provided by discontinued operations	-	-	-	345,060
	======	======	======	======

29. GAIN ON SALE OF THE NET ASSETS HELD FOR SALE

	March 15, 2019	
	US$ thousand	R$ thousand (*)
Proceed from the sale of assets and liabilities	126,000	490,984
Net assets held for sale	(49,924)	(194,538)
Change on net working capital	1,723	6,643
Transaction costs	(7,729)	(30,118)
	---------	-----------
Gain before income taxes	70,070	272,971
Current income tax absorption	(600)	(2,338)
Deferred income tax realization (noncash)	(20,578)	(80,186)
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Gain on sale of the net assets held for sale	48,892	190,447
	=====	=====

(*) Amounts in Reais calculated using the exchange rate as of March 31, 2019, of R$3.8967.

30. PANDEMIC-RELATED EFFECTS – COVID-19

1 - Effects in the quarter ended March 31, 2020:

On March 23, 2020, the Company issued a statement to the market informing about the closure of its physical stores, and that they would remain closed in accordance with the directives issued by health authorities and local authorities. The digital channels remained available for the sale of products, through the websites and applications of the brands Santista, Artex, MMartan and Casas Moysés.

As determined by the Argentine authorities, our industrial unit located in the province of Santiago del Estero has remained closed since March 20, 2020.

The Company continued to operate normally at its Montes Claros, Campina Grande and Blumenau facilities and, at a reduced level, at the João Pessoa and Macaíba facilities.

Clients have requested, and the subsidiaries have granted several payment extensions in all markets in which we operate, impacting our working capital.

The 29% devaluation of the real against the US currency impacted our financial expense on foreign currency loans by R$31 million, increasing the corresponding debt by the same amount.

The impacts on sales, margins, expenses and results can be summarized as follows:

<u>Argentina:</u> Sales stalled since March with effects of approximately of R$15 million in sales reduction with impact of R$4 million on EBITDA.

<u>Coteminas S.A. (wholesale):</u> March sales decreased by approximately R$40 million, with an impact of approximately R$8 million in gross profit and R$7 million in EBITDA.

<u>AMMO:</u> Physical stores closed on March 23, 2020. We had an increase in expenses with digital media for sales at our websites, digital channels and applications. The reduction in sales in March, without the corresponding reduction in rental and personnel expenses, which started in April, impacted margins and affected EBITDA by approximately R$4.0 million.

SGUS: SGUS' results are basically comprised of lease expenses (net of sublease) and pension plan expenses, among others of lesser importance, which remained unchanged. Our investment in the affiliate Keeco was significantly affected by the pandemic in the United States and, due to the new profitability projections received by the Company, it was necessary to recognize a partial goodwill impairment, determined on the acquisition of that investment, in the amount of R$43 million. In addition, as a result of these new projections, we reassessed the realization of deferred tax assets of that subsidiary, resulting in a valuation allowance adjustment of R$70 million.

2 - Probable effects for the next quarter:

In addition to the impacts on working capital, net debt and exchange rate effects mentioned above, the Company has renegotiated maturing installments on part of its loans and financing, and an increase in the costs of these loans is expected.

Argentina: Sales resumed in part in May and the plant will return at the end of the 2nd quarter.

Coteminas S.A. (wholesale): The sharpest drop in sales was in April. In May, the Company quickly mobilized and started the production of cloth and surgical masks, and sales volumes for May and June are expected to be sufficient to partially recover sales of its regular products.

AMMO: Physical stores remained closed until mid-June with occasional openings in certain states of the federation. Sales on websites and electronic channels have largely offset sales from physical stores. Rent, condominium and personnel expenses, although reduced, will impact retail results.

SGUS: No significant effects are expected.

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