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

Springs Global Participações S.A.

Individual and Consolidated
Interim Financial Information for the
Six-month Period Ended June 30, 2019 and
Report on Review of Interim
Financial Information

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Springs Global Participações S.A. (the "Company"), identified as Parent and Consolidated, respectively, included in the Interim Financial Information Form (ITR), for the six-month period ended June 30, 2019, which comprises the balance sheet as of June 30, 2019 and the related statements of operations and of comprehensive income for the three- and six-month periods ended June 30, 2019 and of changes in equity and of cash flows for the six-month period then ended, including the explanatory notes.

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

Scope of review

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

Basis for qualified conclusion

As mentioned in note 23 to the individual and consolidated interim financial information, the Company recognized a balance of R$194,269 thousand as of December 31, 2018 related to credits from taxes on revenue (PIS and COFINS), resulting from a lawsuit that challenge the exclusion of the State VAT (ICMS) from the PIS and COFINS calculation basis, filed by Coteminas S.A., a subsidiary of the Company, and which became final and unappealable in the first quarter of 2019. Technical pronouncement CPC 25 and international standard IAS 37 - Provisions, Contingent Liabilities and Contingent Assets provide that, when it becomes virtually certain that there will be an inflow of economic benefits, the asset and its corresponding gain are recognized in the financial statements for the period in which this change occurs. Considering that, as of December 31, 2018, the confirmation of these credits depended on the occurrence of uncertain future events, which were not fully under the control of the Company, the conditions required by CPC 25 and IAS 37 for recognition of this asset were met only in March 2019, even though they were not met on December 31, 2018. Consequently, the corresponding amounts related to December 31, 2018, presented for comparative purposes in the interim financial information for the six-month period ended June 30, 2019, include noncurrent assets as of December 31, 2018 which are overstated by R$194,269 thousand and shareholders' equity as of December 31, 2018 which is overstated by R$128,218 thousand, net of tax effects. Consequently, the net income for the six-month period ended June 30, 2019 is understated by R$128,218 thousand, net of tax effects.

As mentioned in notes 13 and 14 to the individual and consolidated interim financial information, certain loans, financing and debentures agreements of the subsidiary Coteminas S.A. provide for the possibility of immediate settlements when there is a breach of a financial covenant that is considered an event of default. In our assessment, due to the matter mentioned in the previous paragraph, the subsidiary Coteminas S.A. did not fulfill certain obligations required in these contracts at December 31, 2018. Therefore, technical pronouncement CPC 26 (R1) and international standard IAS 1 (revised in 2007) - Presentation of Financial Statements determine that, in this situation, the corresponding loans, financing and debentures should be classified as current liabilities, considering that as of December 31, 2018 they could be demanded immediately. Consequently, as of December 31, 2018, current liabilities are understated and noncurrent liabilities are overstated by R$415,758 thousand, net of marketable securities linked to these loans mentioned in note 4 to the individual and consolidated interim financial information, and the individual and consolidated interim financial information does not disclose this matter in the comparative information adequately.

Qualified conclusion on the individual and consolidated interim financial information

Based on our review, except for the effects of the matters described in the "Basis for qualified conclusion" section, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the ITR referred to above was not prepared, in all material respects, in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34, applicable to the preparation of ITR, and presented in accordance with the standards issued by CVM.

Deloitte.

Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added ("DVA") for the six-month period ended June 30, 2019, prepared under the responsibility of the Company's Management, the presentation of which is required by the standards issued by CVM applicable to the preparation of ITR and considered supplemental information for International Financial Reporting Standards - IFRS, which do not require the presentation of DVA. These statements were subject to the same review procedures described above, and, based on our review, except for the effects of the matters described in the "Basis for qualified conclusion" section, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the interim financial information taken as a whole.

The accompanying individual and consolidated interim financial information has been translated into English for the convenience of readers outside Brazil.

São Paulo, August 14, 2019

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Guilherme Jorge Dagli Júnior
Engagement Partner

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

BALANCE SHEETS AS OF JUNE 30, 2019 AND DECEMBER 31, 2018

(In thousands of Brazilian Reais)

ASSETS

		Company		Consolidated	
	Note	06.30.2019	12.31.2018	06.30.2019	12.31.2018
CURRENT:					
Cash and cash equivalents	3	377	49	189,615	139,474
Marketable securities	4	-	-	46,468	16,995
Derivative financial instruments	24.d.3.3	-	-	-	4,798
Accounts receivable	5	-	-	441,116	503,798
Leases receivable	11	-	-	5,911	-
Inventories	6.a	-	-	419,966	405,352
Advances to suppliers	6.b	-	-	62,685	56,614
Recoverable taxes	18.c	478	148	63,631	17,736
Other receivables		1,136	1,168	37,174	33,783
Assets held for sale	29	-	-	-	308,244
Total current assets		1,991	1,365	1,266,566	1,486,794
NONCURRENT:					
Long-term assets:					
Marketable securities	4	-	-	75,375	75,729
Cash holdback amount	29	-	-	24,143	-
Receivable – clients	7	-	-	24,489	39,934
Related parties	22	-	-	76,326	18,946
Advances to suppliers	6.b	-	-	53,914	53,914
Leases receivable	11	-	-	90,542	-
Recoverable taxes	18.c	-	-	222,282	228,231
Deferred taxes	18.b	1,906	1,905	68,252	150,033
Property, plant and equipment held for sale	10.b	-	-	36,205	37,444
Escrow deposits	19	-	-	11,716	12,541
Others		-	-	41,301	41,601
		1,906	1,905	724,545	658,373
Investments in subsidiaries	8.a	1,482,915	1,383,186	-	-
Investment in affiliate	8.b	-	-	137,959	-
Investment properties	9	-	-	360,199	347,823
Property, plant and equipment	10.a	-	-	657,174	649,181
Right-of-use assets	11	-	-	156,056	-
Intangible assets	12	-	27,303	81,119	81,873
Total noncurrent assets		1,484,821	1,412,394	2,117,052	1,737,250
Total assets		1,486,812	1,413,759	3,383,618	3,224,044

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 JUNE 30, 2019 AND DECEMBER 31, 2018

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

		Company		Consolidated	
	Note	06.30.2019	12.31.2018	06.30.2019	12.31.2018
LIABILITIES					
CURRENT:					
Loans and financing	13	12,844	4,759	473,157	527,241
Debentures	14	-	-	74,368	74,653
Suppliers	15	81	-	136,979	112,830
Taxes		59	189	15,045	19,451
Income and social contribution taxes payable		-	-	54	17,766
Payroll and related charges		65	79	65,967	62,983
Government concessions	16	-	-	20,937	21,361
Leases payable	17	-	-	34,238	8,765
Other payables		-	-	50,788	59,928
Liabilities related to assets held for sale	29	-	-	-	240,086
Total current liabilities		13,049	5,027	871,533	1,145,064
NONCURRENT:					
Loans and financing	13	11,955	-	509,053	417,818
Debentures	14	-	-	36,901	73,669
Leases payable	17	-	-	247,717	14,456
Related parties	22	9,700	83,690	-	58
Government concessions	16	-	-	44,027	44,087
Miscellaneous accruals	19	-	-	12,610	12,933
Employee benefit plans	20	-	-	99,282	103,968
Deferred taxes	18.b	-	-	83,255	64,394
Other obligations		-	-	27,132	22,555
Total noncurrent liabilities		21,655	83,690	1,059,977	753,938
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		114,046	114,036	114,046	114,036
Cumulative translation adjustments		(248,283)	(241,807)	(248,283)	(241,807)
Accumulated deficit		(353,301)	(486,833)	(353,301)	(486,833)
Total equity		1,452,108	1,325,042	1,452,108	1,325,042
Total liabilities and equity		1,486,812	1,413,759	3,383,618	3,224,044

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 AND SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

(In thousands of Brazilian Reais)

		Company			
	Note	04.01.2019 to 06.30.2019	01.01.2019 to 06.30.2019	04.01.2018 to 06.30.2018	01.01.2018 to 06.30.2018
OPERATING INCOME (EXPENSES):					
General and administrative expenses		(590)	(842)	(906)	(1,733)
Management fees		-	(228)	(257)	(572)
Equity in subsidiaries	8.a	(25,969)	(57,735)	(2,731)	(21,867)
INCOME (LOSS) FROM OPERATIONS		(26,559)	(58,805)	(3,894)	(24,172)
Financial expenses – interests		688	(1,683)	(2,138)	(3,889)
Financial expenses – bank charges and others		16	(349)	(254)	(493)
Financial income		7	7	(1)	-
INCOME (LOSS) FROM OPERATIONS BEFORE TAXES		(25,848)	(60,830)	(6,287)	(28,554)
Income and social contribution taxes:					
Current	18.a	-	-	-	-
Deferred	18.a	-	-	-	-
NET LOSS FOR THE PERIOD – CONTINUING OPERATIONS		(25,848)	(60,830)	(6,287)	(28,554)
Equity in subsidiary - discontinued operations	29	-	194,362	15,236	30,556
NET INCOME (LOSS) FOR THE PERIOD		(25,848)	133,532	8,949	2,002
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE — R$	28				
Continuing operations		(0.5170)	(1.2166)	(0.1258)	(0.5711)
Discontinued operations		-	3.8872	0.3047	0.6111
Total		(0.5170)	2.6706	0.1789	0.0400

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF OPERATIONS

FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

(In thousands of Brazilian Reais)

		Consolidated			
	Note	04.01.2019 to 06.30.2019	01.01.2019 to 06.30.2019	04.01.2018 to 06.30.2018	01.01.2018 to 06.30.2018
NET REVENUES	27	328,225	668,888	307,791	643,960
COST OF GOODS SOLD	26	(233,644)	(476,924)	(199,945)	(425,148)
GROSS PROFIT		94,581	191,964	107,846	218,812
OPERATING INCOME (EXPENSES):					
Selling expenses	26	(65,087)	(132,872)	(61,857)	(124,453)
General and administrative expenses	26	(26,831)	(52,589)	(26,341)	(52,536)
Management fees	26	(2,585)	(5,447)	(2,840)	(5,780)
Others, net		10,456	19,103	975	109
INCOME FROM OPERATIONS		10,534	20,159	17,783	36,152
Financial expenses – interests		(32,490)	(62,886)	(31,804)	(61,933)
Interest on leases	17	(7,481)	(13,533)	-	-
Financial expenses – bank charges and others		(14,674)	(26,356)	(10,743)	(23,830)
Financial income		12,125	20,221	6,923	11,846
Exchange rate variations, net		8,871	4,723	(35,423)	(37,750)
LOSS FROM OPERATIONS BEFORE TAXES		(23,115)	(57,672)	(53,264)	(75,515)
Income and social contribution taxes:					
Current	18.a	(172)	(306)	(74)	(90)
Deferred	18.a	(2,561)	(2,852)	47,051	47,051
NET LOSS FOR THE PERIOD – CONTINUING OPERATIONS		(25,848)	(60,830)	(6,287)	(28,554)
Net income from subsidiary – discontinued operations	29	-	194,362	15,236	30,556
NET INCOME (LOSS) FOR THE PERIOD		(25,848)	133,532	8,949	2,002

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

(In thousands of Brazilian Reais)

	Company			
	04.01.2019 to 06.30.2019	01.01.2019 to 06.30.2019	04.01.2018 to 06.30.2018	01.01.2018 to 06.30.2018
NET INCOME (LOSS) FOR THE PERIOD	(25,848)	133,532	8,949	2,002
Other comprehensive income (loss):				
- Items that will impact the statements of operations:				
Exchange rate variations on foreign investments	(3,958)	(1,838)	16,627	13,447
Exchange rate variations on discontinued investments	-	(4,638)	-	-
	(3,958)	(6,476)	16,627	13,447
- Items that will not impact the statements of operations:				
Actuarial gain (loss) on pension plans	(12)	10	(15)	-
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(29,818)	127,066	25,561	15,449

	Consolidated			
	04.01.2019 to 06.30.2019	01.01.2019 to 06.30.2019	04.01.2018 to 06.30.2018	01.01.2018 to 06.30.2018
NET INCOME (LOSS) FOR THE PERIOD	(25,848)	133,532	8,949	2,002
Other comprehensive income (loss):				
- Items that will impact the statements of operations:				
Exchange rate variations on foreign investments	(3,958)	(1,838)	16,627	13,447
Exchange rate variations on discontinued investments	-	(4,638)	-	-
	(3,958)	(6,476)	16,627	13,447
- Items that will not impact the statements of operations:				
Actuarial gain (loss) on pension plans	(12)	10	(15)	-
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(29,818)	127,066	25,561	15,449
ATTRIBUTABLE TO:				
Owners of the Company				
Continuing operations	(29,818)	(62,658)	10,325	(15,107)
Discontinued operations	-	189,724	15,236	30,556
	(29,818)	127,066	25,561	15,449

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

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

(In thousands of Brazilian Reais)

						Earnings reserves			
	Note	Capital	Capital reserve	Assets and liabilities valuation adjustments	Cumulative translation adjustments	Legal	Retained earnings	Accumulated deficit	Total equity
BALANCES AS OF DECEMBER 31, 2017		1,860,265	79,381	82,435	(274,173)	1,842	23,328	(623,571)	1,149,507
Effects of the hyperinflationary adjustment of the indirect subsidiary in Argentina	2.4	-	-	-	19,895	-	-	-	19,895
BALANCES AS OF JANUARY 1, 2018		1,860,265	79,381	82,435	(254,278)	1,842	23,328	(623,571)	1,169,402
Comprehensive income (loss):									
Net income for the period		-	-	-	-	-	-	2,002	2,002
Exchange rate variations on foreign investments	2.1.b	-	-	-	23,810	-	-	-	23,810
Impact of subsidiaries-									
Exchange rate variations on foreign investments	2.1.b	-	-	-	(10,363)	-	-	-	(10,363)
Total comprehensive income		-	-	-	13,447	-	-	2,002	15,449
BALANCES AS OF JUNE 30, 2018		1,860,265	79,381	82,435	(240,831)	1,842	23,328	(621,569)	1,184,851

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

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 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		-	-	-	-	133,532	133,532
Exchange rate variations on foreign investments	2.1.b	-	-	-	(4,015)	-	(4,015)
Exchange rate variations on discontinued investments		-	-	-	(4,638)	-	(4,638)
Actuarial gain on pension plans		-	-	10	-	-	10
Impact of subsidiaries-							
Exchange rate variations on foreign investments	2.1.b	-	-	-	2,177	-	2,177
Total comprehensive income (loss)		-	-	10	(6,476)	133,532	127,066
BALANCES AS OF JUNE 30, 2019		1,860,265	79,381	114,046	(248,283)	(353,301)	1,452,108

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 SIX-MONTH PERIODS JUNE 30, 2019 AND 2018

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2019 to 06.30.2019	01.01.2018 to 06.30.2018	01.01.2019 to 06.30.2019	01.01.2018 to 06.30.2018
Cash flows from operating activities				
Net income for the period	133,532	2,002	133,532	2,002
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	55,855	37,335
Equity in subsidiaries	57,735	21,867	-	-
Equity in subsidiaries – discontinued operations	(194,362)	(30,556)	-	-
Gain from the sale of discontinued operations	-	-	(275,092)	-
Income and social contribution taxes	-	-	85,879	(45,454)
Gain on disposal of property, plant and equipment	-	-	(597)	(3,768)
Monetary variations	-	-	1,406	3,318
Exchange rate variations	-	-	(4,723)	37,750
Bank charges, interests and commissions	2,031	3,889	78,148	58,533
	(1,064)	(2,798)	74,408	89,716
Changes in assets and liabilities				
Marketable securities	-	-	(22,702)	(3,954)
Derivative financial instruments	-	-	-	(17,914)
Accounts receivable	-	-	58,873	39,613
Inventories	-	-	(31,094)	(34,616)
Advances to suppliers	-	-	(6,123)	(4,481)
Cash holdback amount	-	-	(24,143)	-
Suppliers	80	66	19,471	(20,364)
Others	(790)	(13)	(71,797)	15,596
Net cash provided by (used in) operating activities	(1,774)	(2,745)	(3,107)	63,596
Interest paid	(1,230)	(1,316)	(52,015)	(50,179)
Income and social contribution taxes paid	-	-	(3,215)	(1,611)
Net cash provided by (used in) operating activities after interest and income taxes	(3,004)	(4,061)	(58,337)	11,806
Cash flows from investing activities				
Acquisition of permanent investments	-	-	(1,387)	-
Investment properties	-	-	(4,845)	(10,931)
Property, plant and equipment	-	-	(40,270)	(18,767)
Intangibles	-	-	(125)	(2,077)
Proceeds from sale of property, plant and equipment	-	-	628	4,436
Proceeds from sale of discontinued operations	-	-	329,350	-
Loans between related parties	(16,648)	4,044	(39,179)	(28,552)
Net cash provided by (used in) investing activities	(16,648)	4,044	244,172	(55,891)

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS JUNE 30, 2019 AND 2018

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2019 to 06.30.2019	01.01.2018 to 06.30.2018	01.01.2019 to 06.30.2019	01.01.2018 to 06.30.2018
Cash flows from financing activities				
Proceeds from new loans	24,042	-	240,191	458,980
Repayment of loans	(4,062)	-	(347,715)	(447,160)
Repayment of leases	-	-	(28,061)	-
Net cash provided by (used in) financing activities	19,980	-	(135,585)	11,820
Effect of exchange rate variations on cash and cash equivalents of foreign subsidiaries	-	-	(109)	5,539
Increase (decrease) in cash and cash equivalents	328	(17)	50,141	(26,726)
Cash and cash equivalents:				
At the beginning of the period	49	103	139,474	155,442
At the end of the period	377	86	189,615	128,716
Increase (decrease) in cash and cash equivalents	328	(17)	50,141	(26,726)

The accompanying notes are an integral part of these 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 JUNE 30, 2019 AND 2018

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2019 to 06.30.2019	01.01.2018 to 06.30.2018	01.01.2019 to 06.30.2019	01.01.2018 to 06.30.2018
REVENUES				
Sales of products, goods and services	-	-	798,071	766,468
Gain on disposal of property, plant and equipment and intangibles	-	-	597	3,768
	-	-	798,668	770,236
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(319,369)	(273,453)
Materials, energy, third party services, and others	(990)	(2,175)	(180,828)	(177,531)
	(990)	(2,175)	(500,197)	(450,984)
GROSS VALUE ADDED	(990)	(2,175)	298,471	319,252
RETENTIONS				
Depreciation and amortization	-	-	(54,014)	(36,026)
NET VALUE ADDED PRODUCED BY THE COMPANY	(990)	(2,175)	244,457	283,226
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries	(57,735)	(21,867)	-	-
Equity in subsidiaries – discontinued operations	194,362	30,556	-	-
Financial income	7	-	20,221	11,846
Exchange rate variation	-	-	14,753	23,477
Royalties	-	-	9,853	8,928
Net income for the period – discontinued operations	-	-	194,362	30,556
	136,634	8,689	239,189	74,807
TOTAL VALUE ADDED FOR DISTRIBUTION	135,644	6,514	483,646	358,033
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	-	-	164,000	162,680
Taxes, duties and contributions	429	623	90,315	43,738
Payments to third parties	1,683	3,889	95,799	149,613
Net income for the period	133,532	2,002	133,532	2,002
VALUE ADDED DISTRIBUTED	135,644	6,514	483,646	358,033

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2019

(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 29 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, 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 August 14, 2019.

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 June 30, 2019. 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, 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 affiliate are accounted for using the equity method based on the balance sheet of the respective subsidiaries as of the same date as the Company’s balance sheet. The value of the equity of foreign subsidiaries and affiliate is converted into Reais based on the current rate of its functional currency and the foreign exchange rate variation is recorded in "Cumulative translation adjustments" in equity and presented as other comprehensive income.

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

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

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

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

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

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

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

(n) Right-of-use assets--The measurement of the right-of-use asset corresponds to the beginning balance of the lease liability plus the initial direct costs incurred. Depreciation 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 actual discount 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 based on the actual discount rate, according to the remaining term of the contracts. The actual discount rate corresponds to market quotes (the Company's cost of capital).

(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 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 Ltda., LAT Capital Ltd., and C7S Tecnologia Ltda. 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 June 30, 2019 and December 31, 2018 for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	2019	2018	Variance %
Exchange rate as of:			
December 31	-	3.8748	-
June 30	3.8322	3.8558	(0.6 %)
Average exchange rate:			
June 30 (3 months)	3.9061	3.6913	5.8%
June 30 (6 months)	3.8342	3.4675	10.6%

In July 2018, considering that the accumulated inflation in the last three years in Argentina was over 100%, the application of the accounting and disclosure standard in highly inflationary economies (IAS29 - Financial Reporting in Hyperinflationary Economies) is now required. In accordance with IAS 29, non-monetary assets and liabilities, shareholders' equity and statements of income of subsidiaries operating in highly inflationary economies are adjusted by the change in the general purchasing power of the currency, applying a general price index.

The indexes used by the Company in the analysis of impacts on the indirect subsidiary headquartered in Argentina were based on resolution 539/18 issued by the Argentinian Federation of Professional Councils in Economic Science and were as follows: i) until December 31, 2016 the IPIM (domestic wholesale price index); and ii) from January 1, 2017 onward the national CPI (national consumer price index).

The impact on the net assets of this indirect subsidiary as of December 31, 2017 is as follows:

	Balances on 12.31.2017	Hyperinflationary adjustment	Balances on 01.01.2018
Assets:			
Inventories	58,720	967	59,687
Property, plant and equipment	17,806	26,801	44,607
Intangible	9,157	2,271	11,428
Other credits	359	28	387
	-----------	-----------	-----------
	86,042	30,067	116,109
Liabilities:			
Deferred income taxes	-	10,172	10,172
	-----------	-----------	-----------
	-	10,172	10,172
Equity	45,162	19,895	65,057
	======	======	======

2.5 – New IFRS, revised IFRS and IFRIC interpretations (IASB International Financial Reporting Interpretations Committee).

a) The IASB accounting pronouncements listed below were published and/or revised and are applicable for the annual periods beginning on or after January 1, 2019.

CPC 06 R2 (IFRS 16) - Leasing operations

In January 2016, the IASB issued IFRS 16 - Leasing, with the main objective of redefining the recognition of operating leases. The corresponding Technical Pronouncement CPC 06 (R2) - Leasing Operations was issued on December 21, 2017.

The new pronouncement introduces a single model for accounting for leasing contracts, eliminating the distinction between operating and financial leases, resulting in the accounting of most lease agreements in the lessee’s balance sheets. The accounting of lessors remains substantially unchanged and the distinction between operating and financial lease contracts is maintained. IFRS 16 replaces IAS 17 and its interpretations.

Transition approach:

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.

Impacts on the balance sheet:

The balance sheet has been amended by recognition of all future commitments arising from contracts within the scope of the lease. On the initial adoption date, the right-of-use asset is equal to the lease payable adjusted to the present value. Shareholders' equity was not impacted by the initial adoption because of the simplified retrospective approach.

See notes 11 and 17 to the interim financial statements.

CPC 32 (IFRIC 23) - Uncertainty over the treatment of taxes on profit

In June 2017, the IASB issued IFRIC 23 - Uncertainty Over Income Tax Treatments, with the purpose of clarifying the accounting when there are uncertainties of the taxes on profit regulated by IAS 12 - Income Taxes, being the corresponding technical pronouncement or CPC 32. This standard did not have significant impact in the interim financial statements.

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018
Repurchase transactions (*)	-	-	132,694	89,141
Foreign exchange funds (US$)	-	-	574	78
Foreign deposits	-	-	34,985	43,274
Checking accounts deposits	377	49	21,362	6,981
	377	49	189,615	139,474

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

4. MARKETABLE SECURITIES

	Consolidated	
	06.30.2019	12.31.2018
Fixed income – foreign	14,859	6,142
Investment fund – foreign	30,518	10,138
Restricted deposits (US$) (1)	75,375	75,729
Restricted cash (2)	1,091	715
	121,843	92,724
Current	(46,468)	(16,995)
Noncurrent	75,375	75,729

(1) Refers to foreign deposits, linked to the loan obtained from Santander S.A. The yield is 1.3% per annum and the deadline for redemption coincides with the terms of the loan.

(2) On June 30, 2019, the subsidiary SGUS had restricted cash in financial institutions in the amount of US$285 thousand (US$185 thousand as of December 31, 2018) related to a compensating balance arrangement.

5. ACCOUNTS RECEIVABLE

	Consolidated	
	06.30.2019	12.31.2018
Domestic customers	396,338	474,147
Foreign customers	48,437	38,069
Credit card companies	15,047	10,648
Related parties – domestic market	2,537	2,474
Related parties – foreign market	3,035	2,814
	465,394	528,152
Allowance for expected losses on bad debts	(24,278)	(24,354)
	441,116	503,798

Accounts receivable from customers consist of receivables with an average collection period of approximately 99 days (108 days as of December 31, 2018).

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, 2018. There was no significant change in the composition of the aging list during the six-month period ended June 30, 2019. Changes in the consolidated allowance for doubtful accounts are as follows:

	06.30.2019	12.31.2018
Balance at the beginning of the period	(24,354)	(25,792)
Additions	-	(1,730)
Exchange rate variation	76	(233)
Discontinued operations (*)	-	3,401
Balance at the end of the period	(24,278)	(24,354)

(*) Portion of the provision related to trade receivables classified in 2018 as "Assets held for sale" (see note 29 to the interim financial statements).

6. INVENTORIES AND ADVANCES TO SUPPLIERS

a. Inventories

	Consolidated	
	06.30.2019	12.31.2018
Raw materials and supplies	71,092	85,828
Work in process	90,742	92,537
Finished products	217,632	186,897
Repair parts	40,500	40,090
	419,966	405,352

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:

	12.31.2018	(Additions) disposals	Exchange rate variations	06.30.2019
Raw materials and supplies	(2,446)	(379)	704	(2,121)
Work in process	(186)	(10)	60	(136)
Finished products	(5)	(2)	2	(5)
Repair parts	(1,203)	-	-	(1,203)
	(3,840)	(391)	766	(3,465)

	12.31.2017	(Additions) disposals	Exchange rate variations	06.30.2018
Raw materials and supplies	(544)	-	-	(544)
Finished products	(3,837)	755	(893)	(3,975)
Repair parts	(2,614)	-	216	(2,398)
	(6,995)	755	(677)	(6,917)

b. Advances to suppliers

	Consolidated	
	06.30.2019	12.31.2018
Raw material supplier (*)	78,000	78,000
Other advances	38,599	32,528
	116,599	110,528
Current	(62,685)	(56,614)
Noncurrent	53,914	53,914

(*) Refers to payments made by the Company to cotton suppliers, transferred to CSA subsidiary in 2018.

7. RECEIVABLE – CLIENTS

	Consolidated	
	06.30.2019	12.31.2018
Clients in out-of-court recovery plan (a)	13,356	14,611
Clients in court recovery plan (b)	2,108	2,103
Installment plan agreed with clients (c)	1,331	719
Clients in court recovery plan (d)	1,499	1,499
Sale of real estate (e)	12,529	14,057
Financing on stores transfer (f)	5,084	6,362
Other credits (g)	-	11,151
Others	367	449
	------------	------------
	36,274	50,951
Current (*)	(11,785)	(11,017)
	------------	------------
Noncurrent	24,489	39,934
	=======	=======

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

(a) Payments in 55 equal monthly installments with interest equivalent to 80% of the Interbank Deposit Certificates – CDI rate.

(b) Payment in 20 semiannual installments including a grace period of 42 months before the first payment in March 2020, with interest of 0.5% per year plus Reference Rate (TR).

(c) Payment up to 42 fixed installments.

(d) Payment in 10 increasing annual installments, with interest between 2% to 3% per year.

(e) Payments in 41 equal monthly installments with interest of 0.5% per month.

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

(g) In 2019, the total outstanding balance of the other credits was converted into intercompany receivable with Companhia de Tecidos Norte de Minas - COTEMINAS.

8. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANY

a) Direct investments:

Subsidiaries	Equity	Ownership interest %	Net income (loss) for the period	Total investment 06.30.2019	Total investment 12.31.2018	Equity in subsidiaries (Company) 06.30.2019	Equity in subsidiaries (Company) 06.30.2018
SGUS (*)	425,785	100.0	(14,255)	425,785	251,491	(11,425)	35,286
CSA	1,057,130	100.0	(46,310)	1,057,130	1,101,263	(46,310)	(47,339)
AMMO (**)	110,832	100.0	(6,766)	-	30,432	-	(9,814)
				1,482,915	1,383,186	(57,735)	(21,867)

(*) The net income for the period does not include the discontinued portion of the equity in subsidiaries in the statement of operations of R$194,362 (R$30,556 on June 30, 2018). See note 29.

(**) On January 1, 2019, the Company sold to its subsidiary CSA all the shares representing the capital stock of AMMO Varejo Ltda. for the book value of R$57,735 (R$30,432 in investments and R$27,303 of goodwill), using part of the intercompany notes.

b) Indirect investments:

SGUS' investments

	Equity (deficit)	Ownership interest %	Total investment 06.30.2019	Total investment 12.31.2018	Equity in subsidiaries 06.30.2019	Equity in subsidiaries 06.30.2018
Subsidiaries						
Warbird Corporation (Delaware, US)	(39)	100.0	(39)	(38)	(1)	(1)
Springs Home Textiles Reynosa, S.A. de C.V. (Mexico) (1)	2,024	100.0	2,024	2,064	(25)	(5)
Casa Springs S.A. de C.V. (Mexico) (1)	1,668	100.0	1,668	1,760	(0)	(1)
Springmaid International, Inc. (India)	65	100.0	65	71	-	(80)
Springs Canada, Inc. (Ontario, Canada) (2)	-	-	-	63,357	1,203	3,672
Springs Cayman Holding Ltd. (Cayman Islands)	4,238	100.0	4,238	4,286	-	-
Springs Shanghai Trading Co., Ltd. (China) (3)	(1,338)	100.0	(1,338)	(931)	(578)	(838)
			6,618	70,569	599	2,747
Affiliate						
Keeco, LLC (California, US) (4)	135,526	17.5	137,959	-	-	-

(1) Warbird Corporation's (Delaware, US) wholly-owned subsidiaries.

(2) As of March 15, 2019, this company becomes a wholly-owned subsidiary of Keeco Holdings, LLC, see note 29.

(3) Springs Cayman Holding Ltd.'s (Cayman Islands) wholly-owned subsidiary.

(4) As of March 15, 2019, the subsidiary SGUS now holds 17.5% of Keeco Holdings, LLC, which combines the operations of Keeco and the operations sold by SGUS, and ceases to directly market its products. 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. The amount presented as investment includes goodwill based on future profitability.

CSA's investment

	Equity	Ownership interest %	Net income (loss) for the year	Total investment 06.30.2019	Total investment 12.31.2018	Equity in subsidiaries 06.30.2019	Equity in subsidiaries 06.30.2018
Subsidiaries -							
Coteminas Argentina S.A. (1)	38,478	100.0	(7,809)	38,478	38,426	(7,809)	(22,179)
LAT Capital Ltd.	6,961	100.0	4,143	6,961	2,805	4,143	320
C7S Tecnologia Ltda.	9,491	100.0	572	9,491	8,919	572	212
AMMO Varejo Ltda. (2)	110,832	100.0	(6,766)	110,832	-	(6,766)	-
				----------	----------	----------	----------
				165,762	50,150	(9,860)	(21,647)
				======	======	======	======

(1) In 2019, the Company subscribed and paid capital in the subsidiary in the amount of R$5,697.

(2) On January 1, 2019, CSA acquired from the Company all the shares representing the capital stock of AMMO Varejo Ltda. for the book value of R$57,735 (R$30,432 in investments and R$27,303 of goodwill), using part of the intercompany notes. On the same date, it contributed capital in AMMO Varejo, in the amount of R$87,166, also using intercompany notes with AMMO.

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, 2017	211,176	-	-	211,176
Additions and disposals	16,022	93	55,276	71,391
Transfer from PP&E	2,744	-	-	2,744
Surplus/added value (equity) (*)	-	44,203	-	44,203
Change in fair value (P&L) (**)	18,309	-	-	18,309
	----------	------------	----------	------------
Balances as of December 31, 2018	248,251	44,296	55,276	347,823
Additions and disposals	4,845	-	-	4,845
Change in fair value (P&L) (**)	-	-	7,531	7,531
	----------	------------	----------	------------
Balances as of June 30, 2019	253,096	44,296	62,807	360,199
	======	======	======	======

(*) Values recorded in assets and liabilities valuation adjustments, in shareholders' equity, net of taxes.
(**) Amounts recognized in the statement of operations in the respective period/year.

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: In the year ended December 31, 2017, the subsidiary CSA consolidated and started the phased implementation of a lease project of its facility located in São Gonçalo do Amarante - RN, which had previously ceased operations. As a way of implementing the project, throughout that year, the subsidiary CSA prepared and vacated the area designated for leasing and has already entered into lease agreements with large retailers. The complex is 247.3 thousand m² where 61.7 thousand m² have already been leased, and new lease agreements are in progress. In the first six-month period of 2019, rental income and services was R$3,537 (R$860 in the first six-month period of 2018).

The calculated values were as follows:

	12.31.2018	Additions (disposals)	06.30.2019
Residual cost of the property:			
Land and improvements	3,801	-	3,801
Buildings	22,414	-	22,414
Installations	12,795	-	12,795
Construction in progress	23,478	4,845	28,323
	----------	----------	----------
Total residual cost	62,488	4,845	67,333
Surplus/added value (a)	185,763	-	185,763
	----------	----------	----------
Fair value (b)	248,251	4,845	253,096
	=======	=======	=======

(a) Calculated deferred tax liability of R$63,159. See note 18.b.1.

(b) Fair value based on the valuation report from Mercato Assessoria e Ratings 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 2018. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information being used were the comparable prices per m² of similar properties in the region and area of the real estate.

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

	2018
Residual cost of the property:	
Land and improvements	93

Total residual cost	93
Surplus/added value (a)	44,203

Fair value (b)	44,296
	=======

(a) Deferred tax liability of R$15,029. See note 18.b.1.

(b) Fair value based on the valuation report from Mercato Assessoria e Ratings 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 2018. 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:

	12.31.2018	Change in fair value	06.30.2019
Land and installations (old MECA) (44,623 m²)	18,386	11,714	30,100
Land of the ESURB behind CODEVASF (2,770 m²)	2,781	-	2,781
Land of the ESURB Santa Rita II neighborhood (11,700 m²)	4,602	-	4,602
Two lots at Reserva Real (11,287 m²)	3,574	-	3,574
Land in Ibituruna (11,842 m²)	11,842	(4,142)	7,700
Land new municipality region (72,491 m²)	14,091	(41)	14,050
	----------	----------	----------
	55,276	7,531	62,807
	======	======	======

These properties were evaluated by experts contracted by the subsidiary CSA and the Municipality of Montes Claros to determine their fair value and were received in payment of overdue loans held by the Municipality of Montes Claros in 2018. Therefore, its cost is equivalent to the fair value as of December 31, 2018.

In 2019, a new evaluation was performed. The fair value was based on an appraisal report issued by 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 measurement of fair value, the "market approach" (classification level 2) was applied, the main information used were the comparable prices per m² of similar properties in the region and area of the real estate. In the fair value evaluation, a deferred tax liability of R$2,561 was calculated. See note 18.b.1.

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

a. Property, plant and equipment

		06.30.2019			12.31.2018
	Rate (*) %	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	0.9	42,124	(16,865)	25,259	25,490
Buildings	2.4	376,369	(163,801)	212,568	216,271
Installations	6.4	214,652	(157,473)	57,179	58,683
Machinery and equipment	7.1	1,180,590	(904,461)	276,129	282,875
Hydroelectric Plant - Porto Estrela (**)	3.8	37,666	(18,741)	18,925	19,610
Furniture and fixtures	10.4	108,637	(85,965)	22,672	24,315
Others	-	44,442	-	44,442	21,937
Construction in progress		--------------	--------------	---------------	---------------
		2,004,480	(1,347,306)	657,174	649,181
		=========	=========	=========	=========

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

Considering the operating profitability and operational cash generation, the Company and its subsidiaries concluded that there is no evidence of deterioration or failure to recover the balances held as property, plant and equipment.

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

	Land and improvements	Buildings	Installations	Machinery and equipment	Hydroelectric plant - Porto Estrela (a)	Furniture, fixtures and others	Construction in progress	Total
Balance as of December 31, 2018	25,490	216,271	58,683	282,875	19,610	24,315	21,937	649,181
Additions	624	10	236	5,325	32	1,149	32,894	40,270
Net disposals	(234)	-	(12)	(185)	-	(15)	-	(446)
Transfers								
- PP&E	(53)	135	2,273	8,203	-	79	(10,637)	-
Exchange rate variations	565	579	299	866	-	66	248	2,623
Depreciation in the period	(952)	(4,427)	(4,206)	(20,954)	(717)	(2,698)	-	(33,954)
Impairment adjustment	(181)	-	(94)	(1)	-	(224)	-	(500)
Balance as of June 30, 2019	----------	----------	----------	----------	----------	----------	----------	----------
	25,259	212,568	57,179	276,129	18,925	22,672	44,442	657,174
	=======	=======	=======	=======	=======	=======	=======	=======
Balance as of December 31, 2017	20,182	213,222	58,447	305,318	20,997	23,355	27,644	669,165
Monetary restated – Argentina (b)	5,713	9,136	3,968	7,457	-	236	291	26,801
	----------	----------	----------	----------	----------	----------	----------	----------
Balance as of January 1, 2018	25,895	222,358	62,415	312,775	20,997	23,591	27,935	695,966
Additions	161	1,047	420	3,511	6	1,288	12,334	18,767
Net disposals	(50)	-	(53)	(202)	-	(275)	(23)	(603)
Transfers								
- PP&E	38	265	2,140	7,691	-	242	(10,376)	-
- Investment properties	-	-	-	-	-	-	(2,743)	(2,743)
Exchange rate variations	(794)	1,013	(611)	(593)	-	158	(1,159)	(1,986)
Depreciation in the period	(628)	(4,310)	(4,016)	(23,095)	(717)	(2,717)	-	(35,483)
	----------	----------	----------	----------	----------	----------	----------	----------
Balance as of June 30, 2018	24,622	220,373	60,295	300,087	20,286	22,287	25,968	673,918
	=======	=======	=======	=======	=======	=======	=======	=======

(a) See note 16.
(b) See note 2.4.

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 a result of this analysis, the recoverable value of R$36,205 (R$37,444 as of December 31, 2018) was presented in noncurrent assets under "Property, plant and equipment held for sale", and consequently, its book value is eliminated from the table above.

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

	12.31.2018	Additions	Disposals	Exchange rate variations	06.30.2019
Cost	435,217	-	(686)	(4,696)	429,835
Depreciation	(367,074)	(838)	684	3,987	(363,241)
Provision for losses	(30,699)	-	-	310	(30,389)
	----------	----------	----------	----------	----------
	37,444	(838)	(2)	(399)	36,205
	======	======	======	======	======

	12.31.2017	Additions	Disposals	Exchange rate variations	06.30.2018
Cost	385,546	-	(1,749)	60,611	444,408
Depreciation	(324,971)	(597)	1,684	(51,392)	(375,276)
Provision for losses	(26,844)	614	-	(3,989)	(30,219)
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	33,731	17	(65)	5,230	38,913
	======	======	======	======	======

11. RIGHT-OF–USE ASSETS AND LEASES RECEIVABLE

The composition of assets contracted as leases are as follows:

		Consolidated		
		06.30.2019		
	Rate (2) % a.a.	Cost (3)	Accumulated amortization	Net book value
Properties	52.1	13,743	(1,588)	12,155
Properties – SGUS (1)	9.1	34,018	(1,417)	32,601
Properties – stores	32.9	54,881	(8,470)	46,411
Vehicles	24.7	693	(402)	291
Investment properties (1)		67,449	(2,851)	64,598
		------------	------------	------------
Total right-of-use assets		170,784	(14,728)	156,056
Leases receivable (1)		101,455	(5,002)	96,453
		------------	------------	------------
		272,239	(19,730)	252,509
		=======	=======	=======

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

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

(3) See note 17 for the initial adoption of IFRS16/CPC06.

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

	Properties	Properties – SGUS	Properties – stores	Vehicles	Investment properties	Leases receivables	Total
Balance as of December 31, 2018	-	-	-	-	-	-	-
Initial adoption of IFRS16/CPC06 (R2)	13,743	34,591	44,230	693	68,584	103,163	265,004
Additions (*)	-	-	10,651	-	-	-	10,651
Amortization in the period	(1,588)	(1,443)	(8,470)	(402)	(2,902)	(5,093)	(19,898)
Exchange rate variations	-	(547)	-	-	(1,084)	(1,617)	(3,248)
	----------	----------	----------	----------	----------	----------	----------
Balance as of June 30, 2019	12,155	32,601	46,411	291	64,598	96,453	252,509
	======	======	=======	======	=======	=======	=======

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

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

Year	Lease receivable
2019	7,802
2020	15,788
2021	16,040
2022	16,304
2023	14,948
2024 then after	94,487

	165,369
Present value adjustment	(68,916)

	96,453
Current	(5,911)

Noncurrent	90,542
	=======

12. INTANGIBLE ASSETS

	Consolidated	
	06.30.2019	12.31.2018
Goodwill on the acquisition of AMMO (parent company) (1)	27,303	27,303
Trademarks – owned (2)	16,348	16,348
Trademarks – use license (*) (3)	9,325	9,043
Intellectual property (4)	6,578	7,378
Store locations (real estate intangible) (5)	21,565	21,801
	-----------	-----------
Total	81,119	81,873
	======	======

<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 business units that have 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 2018 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) Trademarks – owned: Trademarks owned are recorded at the acquisition cost, have indefinite useful lives, and therefore are not amortized.

(3) 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.

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

(5) 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$11,786 (R$11,786 as of December 31, 2018), based on its market value determined by an independent broker with valuation expertise.

Items (2) 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 intangibles.

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

	12.31.2018	Additions (disposals)	Amortiza-tion	Exchange rate variations	06.30.2019
Goodwill on the acquisition of AMMO	27,303	-	-	-	27,303
Trademarks – owned	16,348	-	-	-	16,348
Trademarks – use license	9,043	-	(365)	647	9,325
Intellectual property	7,378	-	(800)	-	6,578
Store locations (real estate intangible)	21,801	(236)	-	-	21,565
	-----------	---------	---------	---------	-----------
Total	81,873	(236)	(1,165)	647	81,119
	======	=====	=====	=====	======

	12.31.2017	Additions (disposals)	Amortization	Exchange rate variations	Hyper-inflationary adjustment – Argentina (a)	06.30.2018
Goodwill on the acquisition of North American companies	37,748	-	-	5,937	-	43,685
Goodwill on the acquisition of AMMO	27,303	-	-	-	-	27,303
Trademarks – owned	16,339	7	-	-	-	16,346
Trademarks – use license	9,157	-	(300)	(2,213)	2,271	8,915
Intellectual property	3,139	-	(314)	-	-	2,825
Store locations (real estate intangible)	21,102	978	-	-	-	22,080
	-----------	---------	---------	---------	---------	-----------
Total	114,788	985	(614)	3,724	2,271	121,154
	======	=====	=====	=====	=====	======

(a) See note 2.4.

13. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated 06.30.2019	Consolidated 12.31.2018
Local currency (*):					
Banco do Brasil S.A. (a)	R$	127.5 to 130.0 of CDI	2023	412,508	442,033
Banco do Brasil S.A. – CDC	R$	9.3	2019	32,973	32,925
Banco BBM S.A. – CCB	R$	149.0 and 150.5 of CDI and 4.0 + CDI	2021	57,583	70,344
Banco ABC do Brasil S.A. – CCB/CCE	R$	4.2 + CDI	2022	48,181	48,297
Banco Bradesco S.A. (*)	R$	4.4 + CDI	2019	19,820	19,577
BNDES (Finame)	R$	3.0 to 9.5	2023	644	1,206
Banco Daycoval S.A.	R$	4.5 + CDI	2020	25,878	30,375
Banco Itaú Unibanco S.A. - CCB	R$	2.8 + CDI	2019	-	25,260
Banco Santander S.A.	R$	16.1	2019	34,803	-
Banco Safra S.A. - CCB	R$	5.3 + CDI	2020	52,673	50,476
Banco Fibra S.A.	R$	6.3 and 6.5 + CDI	2020	10,301	9,098
Banco Sofisa S.A.	R$	6.8 + CDI	2019	10,011	-
Caixa Econômica Federal - CCB (*)	R$	149.6 of CDI	2021	19,945	-
Others	R$	-	2019	9,867	7,849
				-----------	-----------
				735,187	737,440
Foreign currency:					
Banco Patagônia	$ARG	24.3 to 68.0	2019	8,271	11,740
Banco Luso Brasileiro S.A.	US$	8.9	2019	9,609	9,712
Banco do Brasil S.A.	US$	5.6 to 6.0	2019	40,492	43,672
Banco Santander S.A. PPE (b)	US$	8.1	2021	117,690	125,004
JP Morgan	US$	Libor + 0.9	2019	17,309	17,491
Banco Pine S.A.	US$	8.5	2020	7,495	-
Banco Itaú Unibanco S.A.	US$	7.6	2019	26,899	-
Banco Fibra S.A.	US$	5.4	2019	19,258	-
				-----------	-----------
				247,023	207,619
				-----------	-----------
Total				982,210	945,059
Current				(473,157)	(527,241)
				-----------	-----------
Noncurrent				509,053	417,818
				=======	=======

(*) Loans held in part by the Company in the amount of R$24,799.

(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 guaranteed by linked marketable securities in the amount of US$18,900 thousand (see note 4). The loan contains covenants where the Company, as guarantor, agreed to comply with the following financial ratios in its annual consolidated financial statements: (i) Net Debt to EBITDA ratio, no greater than 3.5 during the year 2017; 3.25 during the year 2018; 3.0 during the year 2019; (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.

Loans are collateralized by: (i) registered security interest in real estate, machinery and equipment located in the city of Montes Claros, as well as a guarantee from the controlling shareholder for various loans; and (ii) sureties and bank guarantees for the remaining financing.

Maturities are as follows:

	2019	2020 Current	2020 Noncurrent	2021	2022 and 2023	Total
Local currency:						
Banco do Brasil S.A.	23,173	20,863	20,958	130,051	217,463	412,508
Banco do Brasil S.A. - CDC	32,973	-	-	-	-	32,973
Banco BBM S.A. - CCB	12,786	12,744	12,745	19,308	-	57,583
Banco ABC do Brasil S.A. CCB/CCE	4,730	9,311	9,311	18,622	6,207	48,181
Banco Bradesco S.A.	19,820	-	-	-	-	19,820
BNDES (Finame)	484	109	16	15	20	644
Banco Daycoval S.A.	10,217	10,063	5,598	-	-	25,878
Banco Santander S.A.	34,803	-	-	-	-	34,803
Banco Safra S.A. - CCB	51,840	833	-	-	-	52,673
Banco Fibra S.A.	6,968	2,857	476	-	-	10,301
Banco Sofisa S.A.	10,011	-	-	-	-	10,011
Caixa Econômica Federal - CCB	4,013	3,977	3,996	7,959	-	19,945
Others	9,867	-	-	-	-	9,867
	221,685	60,757	53,100	175,955	223,690	735,187
Foreign currency:						
Banco Patagônia	8,271	-	-	-	-	8,271
Banco Luso Brasileiro S.A.	9,609	-	-	-	-	9,609
Banco do Brasil S.A.	40,492	-	-	-	-	40,492
Banco Santander S.A. PPE	23,354	38,028	41,035	15,273	-	117,690
JP Morgan	17,309	-	-	-	-	17,309
Banco Pine S.A.	-	7,495	-	-	-	7,495
Banco Itaú Unibanco S.A.	26,899	-	-	-	-	26,899
Banco Fibra S.A.	19,258	-	-	-	-	19,258
	145,192	45,523	41,035	15,273	-	247,023
Total	366,877	106,280	94,135	191,228	223,690	982,210

Changes in consolidated loans and debentures were as follows:

	06.30.2019 Loans	06.30.2019 Debentures	06.30.2019 Total	06.30.2018 Total
Begining balance	945,059	148,322	1,093,381	1,075,636
Debt proceeds or renewal	201,827	-	201,827	458,980
Accrued interest	44,370	5,673	50,043	51,493
Paid principal	(153,273)	(37,500)	(190,773)	(447,160)
Paid interest	(45,040)	(6,006)	(51,046)	(50,179)
Exchange rate variations	(4,549)	-	(4,549)	41,108
Prepaid charges, net	(6,184)	780	(5,404)	(670)
Ending balance	982,210	111,269	1,093,479	1,129,208

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 SA ("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. On June 30, 2019, the ratios were met.

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:

The Company has no commitment to maintain financial ratios.

Balances of the debentures on June 30, 2019 and December 31, 2018 were as follows:

	Debentures from			
	3rd series	4th series	06.30.2019	12.31.2018
Original amount	25,000	87,500	112,500	150,000
Prepaid interest	(587)	(1,591)	(2,178)	(2,958)
Accrued interest	54	893	947	1,280
Debentures total	24,467	86,802	111,269	148,322
Current	(24,467)	(49,901)	(74,368)	(74,653)
Noncurrent	-	36,901	36,901	73,669

15. SUPPLIERS

	Consolidated	
	06.30.2019	12.31.2018
Domestic market	117,505	96,452
Foreign market	19,474	16,378
	----------	----------
	136,979	112,830
	======	======

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 52 days (44 days as of December 31, 2018).

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	6,684	639,537	1,041,526
	===========	===========	==========

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 June 30, 2019, this amount represents R$64,964, of which, R$20,937 is classified in current liabilities and R$44,027 is classified as noncurrent liabilities (R$65,448, of which, R$21,361 is classified in current liabilities and R$44,087 is classified as noncurrent liabilities on December 31, 2018).

As of June 30, 2019, the net book value of the property, plant and equipment related to the current concession is R$18,925 (R$19,610 as of December 31, 2018) (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	06.30.2019
Properties	2023	12,421
Properties – SGUS (sublease)	2030	220,969
Properties – stores	2024	48,268
Vehicles	2020	297

		281,955
Current		(34,238)

Noncurrent		247,717
		=======

Changes in the leases payable were as follows:

	Consolidated
Balances on December 31, 2018 (1)	23,221
Exchange variation	131
Initial adoption IFRS 16 / CPC 06 R2 (2)	265,004

Balance on January 1, 2019	288,356
Additions (3)	10,651
Charges	14,628
Payments	(28,061)
Exchange variation	(3,713)
Others	94

Balances on June 30, 2019	281,955
	========

(1) Balances held as nonrecoverable leases, net of subleases, prior to application of IFRS 16.

(2) 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 actual discount rate. Financial charges are recognized as financial expenses. The actual discount rate corresponds to market quotes (the Company's weighted average cost of capital that varies between 9% and 10% per year).

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

The effects on results as of June 30, 2019 are as follows:

Continuing operations	Consolidated
Lease payments in the period	26,234
Amortization of right-of-use assets	(18,652)
Interest on leases in the period	(13,533)
Exchange variation, net	334
Total effects with the application of IFRS 16	(5,617)

Discontinued operations	Consolidated
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)

	Company		Consolidated	
	06.30.2019	06.30.2018	06.30.2019	06.30.2018
Income (loss) from operations before taxes (*)	133,532	2,002	219,411	(43,452)
Equity in subsidiaries	(136,627)	(8,689)	-	-
Investment support	-	-	(18,515)	(20,849)
Permanent differences from foreign subsidiaries	-	-	(3,454)	(1,200)
Other	-	-	509	81
Income tax basis	(3,095)	(6,687)	197,951	(65,420)
34% income tax rate	1,052	2,273	(67,303)	22,243
Unrecognized tax credits	(1,052)	(2,273)	(18,250)	(23,544)
Tax credit of foreign subsidiary	-	-	(291)	47,051
Others	-	-	(35)	(296)
Total income taxes	-	-	(85,879)	45,454
Continuing operations				
Income taxes – current	-	-	(306)	(90)
Income taxes – deferred	-	-	(2,852)	47,051
	-	-	(3,158)	46,961
Discontinued operations				
Income taxes – current	-	-	(2,535)	(1,507)
Income taxes – deferred	-	-	(80,186)	-
	-	-	(82,721)	(1,507)

(*) Includes income from discontinued operations before taxes. See note 29 and 30.

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:

	12.31.2018	Recognized in: Statement of operations	Recognized in: Equity	Exchange rate variations	Other	06.30.2019
Assets:						
Temporary differences (CSA – Argentina) (1) (a)	646	-	-	-	230	876
Temporary differences (CSA – Brasil) (1) (p)	13,734	2,209	-	-	-	15,943
Net operating losses (CSA – Brasil) (1) (p)	3,049	(2,209)	-	-	-	840
Tax credits from foreign subsidiary (CSA – Brasil) (1) (p)	7,167	-	-	-	-	7,167
Net operating losses (SGUS – EUA) (2)	145,182	(80,477)	-	(244)	(1,235)	63,226
Temporary differences (AMMO – Brasil) (1) (a)	257	-	-	-	(55)	202
Net operating losses (AMMO – Brasil) (1) (a)	2,042	-	-	-	-	2,042
Net operating losses (SGPSA – Brasil) (a)	1,906	-	-	-	-	1,906
	-----------	----------	----------	----------	----------	-----------
	173,983	(80,477)	-	(244)	(1,060)	92,202
Deferred tax liabilities:						
Investment properties (CSA – Brasil) (1) (p)	(78,188)	(2,561)	-	-	-	(80,749)
Hyperinflationary adjustment (CSA – Argentina) (1) (p)	(10,156)	-	-	-	1,238	(8,918)
Temporary differences (CSA – Brasil) (1) (p) (*)	-	-	-	-	(17,538)	(17,538)
	-----------	----------	----------	----------	---------	-----------
Total deferred taxes, net	85,639	(83,038)	-	(244)	(17,360)	(15,003)
	======	======	======	======	=====	======
Noncurrent assets (sum of a)	150,033	(80,477)	-	(244)	(1,060)	68,252
Noncurrent liabilities (sum of p)	(64,394)	(2,561)	-	-	(16,300)	(83,255)
	======	======	======	======	====	======

(*) Deferred income taxes on PIS and COFINS taxcredits transferred from current liabilities. See note 23.

(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:

Year	Consolidated: Temporary differences	Consolidated: Operating losses (*)	Consolidated: CSA consolidated
2020	3,081	(2,209)	872
2021	-	14	14
2022	-	3,237	3,237
2023 and thereafter	13,940	9,007	22,947
	----------	----------	----------
	17,021	10,049	27,070
	======	======	======

(*) 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 June 30, 2019, CSA had net operating losses of R$749,341 (R$689,919 as of December 31, 2018) and social contribution tax losses of R$755,665 (R$696,197 as of December 31, 2018), whose tax assets were not recognized in the financial statements. As of June 30, 2019, the subsidiary AMMO had net operating losses of R$282,584 and social contribution tax losses of R$282,584.

Deferred tax liabilities:

Income and social contribution taxes resulting from added value in investment properties and hyperinflationary adjustment for Argentina's hyperinflation. See, respectively, notes 9 and 2.4 to the interim financial statements.

	Investment properties São Gonçalo		(3) Investment properties Montes Claros	
	Business complex (note 1)	Residential complex (note 2)		Total
Fair value	211,176	44,296	62,807	318,279
Total residual cost	(43,722)	(93)	(62,807)	(106,622)
	----------	----------	----------	----------
Initial surplus/added value (equity)	167,454	44,203	-	211,657
Change in fair value (P&L)	18,309	-	7,531	25,840
	----------	----------	----------	----------
Surplus/added value	185,763	44,203	7,531	237,497
	----------	----------	----------	----------
Income and social contribution taxes liability on surplus/added value (34%)	63,159	15,029	2,561	80,749
	======	======	======	----------
Hyperinflationary adjustment (Argentina)				8,918
Temporary differences (CSA – Brasil) (*)				17,538

Deferred tax liabilities				107,205
				======

(*) Deferred income taxes on PIS and COFINS tax credits transferred from current liabilities. See note 23.

(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 June 30, 2019, totaling R$63,226 (R$145,182 as of December 31, 2018). The change during period 2019 is due to realization of tax loss carryforwards on the sale of SGUS assets. The updated projections considered the impacts resulting from the transaction between the subsidiary SGUS and Keeco, as disclosed in notes 29 and 30, comprising (i) the taxable income on the sale of the assets and liabilities of the discontinued operations and (ii) projections of continuing operations considering the revenues and expenses of the subsidiary SGUS after the sale of assets and liabilities 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 June 30, 2019, is shown below:

Year	Subsidiary SGUS
2020	2,423
2021	4,739
2022	5,849
2023	8,011
2024 and thereafter	42,204

	63,226
	======

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 2019 and 2034.

Additionally, on June 30, 2019, subsidiary SGUS had R$468,812 in tax losses (R$472,625 at December 31, 2018) whose tax assets were not recognized in the interim financial statements.

c. Recoverable taxes

	Company		Consolidated	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018
ICMS (state VAT)	-	-	8,808	5,078
Income and social contribution taxes prepayments	478	148	17,172	15,491
Recoverable PIS and COFINS (*)	-	-	252,080	221,228
IVA – Gross proceeds (Argentina)	-	-	1,558	2,119
VAT – China and Mexico	-	-	1,283	1,294
Recoverable IPI	-	-	860	83
Recoverable INSS	-	-	3,813	-
Other recoverable taxes	-	-	339	674
	-----------	-----------	-----------	-----------
	478	148	285,913	245,967
Current	(478)	(148)	(63,631)	(17,736)
	-----------	-----------	-----------	-----------
Noncurrent	-	-	222,282	228,231
	=======	=======	=======	=======

(*) Includes credits from purchases and amounts related to credits resulting from the elimination of ICMS from the PIS and COFINS calculation basis. See note 23.

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$86,753, R$2,045 and R$41,557 respectively (R$90,003, R$4,165 and R$41,687, respectively, on December 31, 2018). The main tax claims relate to the use of ICMS credits in the purchase of electricity and raw material imported in the state of Paraíba in the amount of R$68,064. 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 claims for which losses are considered probable are summarized as follows:

	Consolidated	
	06.30.2019	12.31.2018
Tax litigation claims - others	98	98
Labor	10,759	11,468
Civil and others	1,753	1,367
	-----------	-----------
Total	12,610	12,933
	=====	=====
Escrow deposits	11,716	12,541
	=====	=====

INSS – The subsidiary CSA is a plaintiff in a lawsuit against the Brazilian Treasury Department, disputing the INSS tax assessment on amounts considered to be employee termination costs and FAP (Accident Prevention Factor).

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:

	12.31.2018	Additions	Reductions	06.30.2019
Tax litigation claims - others	98	-	-	98
Labor	11,468	221	(930)	10,759
Civil and others	1,367	552	(166)	1,753
	-----------	---------	---------	-----------
	12,933	773	(1,096)	12,610
	======	=====	=====	======

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 June 30, 2019 and 2018:

	06.30.2019	06.30.2018
Components of net periodic benefit cost:		
Service cost	510	579
Interest cost, net	2,040	1,662
Net periodic benefit cost	2,550	2,241

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:

	06.30.2019	12.31.2018
Pension plan obligations	105,880	109,149
Other employee benefit obligations	3,208	4,734
Total employee benefit plans	109,088	113,883
Current (a)	(9,806)	(9,915)
Noncurrent	99,282	103,968

(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, 2018 and June 30, 2019.

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 variation on investments 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	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018
Company:				
Coteminas S.A. (1)	-	-	9,700	83,690
	----------	----------	----------	----------
	-	-	9,700	83,690
	======	======	======	======
Consolidated:				
Companhia de Tecidos Norte de Minas – Coteminas	69,662	17,203	-	-
Coteminas International Ltd.	2,347	1,654	-	-
Santanense Argentina	68	74	-	-
Argentina branch	20	15	-	-
Companhia Tecidos Santanense	4,229	-	-	-
Seda, Inc.	-	-	-	58
	----------	----------	----------	----------
	76,326	18,946	-	58
	======	======	======	======

(1) On January 1, 2019, the Company sold to its subsidiary CSA the total shares representing the capital of AMMO Varejo Ltda. for its book value of R$57,735 (R$30,432 in investment and R$27,303 in goodwill), utilizing a part of the intercompany notes.

	Finance charges	
	06.30.2019	12.31.2018
Company:		
Coteminas S.A.	(392)	(2,572)
	----------	----------
	(392)	(2,572)
	======	======
Consolidated:		
Companhia de Tecidos Norte de Minas – Coteminas	6,852	5,586
Companhia Tecidos Santanense	63	(326)
Coteminas International Ltd.	41	-
Wembley S.A.	4	-
	----------	----------
	6,960	5,260
	======	======

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 June 30, 2019, the amount of R$16,174 was recorded with R$4,922 (R$5,288 as of December 31, 2018) in the caption “Other receivables” in current assets and R$11,252 in the caption “Others” in noncurrent assets (R$13,669 as of December 31, 2018), related to guarantees on existing contracts and credit facilities. In the first six-month period of 2019, the amount of R$2,784 was recorded as interest expenses under the caption “Financial expenses – bank charges and others” (R$3,895 in the first six-month period of 2018).

In the first six-month period of 2019, the subsidiary CSA supplied intermediate products to a related party, Companhia Tecidos Santanense, in the amount of R$8,768 (R$15,662 in the first six-month period of 2018). On June 30, 2019, there were no advances from clients in the caption “Other payables” under current liabilities (R$15,893 on December 31, 2018).

In 2018, the subsidiary CSA had credits in the amount of R$11,151 ceded by CTNM, included in "Receivable - clients" in noncurrent assets. In 2019, the outstanding balance of the other credits was transferred to an Intercompany account with subsidiary CSA.

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 six-month period of 2019, payments were made in the amount of R$1,713, see notes 11 and 17.

On June 30, 2019, the subsidiary LAT Capital had R$27,630 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. TAX RECOVERY

In March 2017, the Federal Supreme Court ruled in the leading case RE nº 574,706/PR (Judgment published in October 2017) that the inclusion of ICMS in the calculation base of PIS and COFINS was unconstitutional, with general repercussion.

In May 2018, a favorable judgement was delivered by the Federal Regional Court (TRF) of the 1st Region to the Company, which, in retraction judgment, granted the appeal filed by its subsidiaries, to determine the exclusion of ICMS from the PIS and COFINS calculation base. This judgment gives the subsidiaries the right to obtain a refund for the excess taxes paid and the right to exclude the ICMS from the PIS and COFINS calculation base from that date. Subsequently, the Vice-Presidency of the Federal Regional Court of the 1st Region denied the extraordinary appeal filed by the Federal Government, and after the legal deadline, the decision became final and unappealable in 2019.

The Company, supported by the position of its technical and legal advisors, understood that the tax credits in question came to represent a valid and virtually certain asset under the Basic Conceptual Pronouncement (R1) for Financial Statement Preparation and Disclosures and the CPC 25 - Provisions, Contingent Liabilities and Contingent Assets, ceasing to be a contingent asset in 2018.

In December 2018, the subsidiaries CSA and AMMO Varejo recognized credits in the amount of R$208,924 for the periods from January 2006 to February 2017 and January 2011 to July 2017 respectively, which updated are recorded in the caption "Tax recovery".

The credits are being enabled for compensation.

24. 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	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018
FINANCIAL ASSETS				
Amortized cost:				
Cash and cash equivalents	377	49	189,615	139,474
Marketable securities (current)	-	-	30,090	7,045
Accounts receivable	-	-	441,116	503,798
Other receivables	1,136	1,168	37,174	33,783
Marketable securities (noncurrent)	-	-	75,375	75,729
Cash holdback amount	-	-	24,143	-
Receivable – clients	-	-	24,489	39,934
Related parties	-	-	76,326	18,946
Escrow deposits	-	-	11,716	12,541
Others	-	-	41,301	41,601
Fair value through profit or loss:				
Derivative financial instruments	-	-	-	4,798
Marketable securities (current)	-	-	16,378	9,950
FINANCIAL LIABILITIES				
Amortized cost:				
Loans and financing (current)	12,844	4,759	473,157	527,241
Debentures (current)	-	-	74,368	74,653
Suppliers	81	-	136,979	112,830
Government concessions (current)	-	-	20,937	21,361
Other accounts payable	-	-	50,788	59,928
Loans and financing (noncurrent)	11,955	-	509,053	417,818
Debentures (noncurrent)	-	-	36,901	73,669
Related parties	9,700	83,690	-	58
Government concessions (noncurrent)	-	-	44,027	44,087
Other obligations	-	-	27,132	22,555

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 June 30, 2019 and December 31, 2018, except for the transaction described in item d.3.3 and 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:

	06.30.2019			
	R$	$ARG	US$	Exchange rate variation on foreign investments R$
Coteminas Argentina	38,478	426,359	-	2,164
LAT Capital	6,961	-	1,816	13
SGUS	425,785	-	111,107	(4,015)
Total of foreign investments	471,224	426,359	112,923	(1,838)

	12.31.2018			
	R$	$ARG	US$	Exchange rate variation on foreign investments R$
Coteminas Argentina (*)	38,426	373,794	-	(10,616)
LAT Capital	2,805	-	724	431
SGUS	251,491	-	64,904	22,656
	------------	------------	-----------	------------
Total of foreign investments	292,722	373,794	65,628	12,471
	=======	=======	=======	=======

(*) Investment in Coteminas Argentina is adjusted for inflation. See note 2.4.

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	06.30.2019	12.31.2018
Cash and cash equivalents	574	78
Derivative financial instruments	-	4,798
Accounts receivable	46,558	42,867
Marketable securities	75,375	75,729
Receivable - clients	-	11,151
Suppliers, net	(6,892)	(1,430)
Loan and financing	(221,443)	(178,388)
Related parties	(271,003)	(125,915)
	-----------	-----------
Total exposure in Brazilian Reais	(376,831)	(171,110)
	======	======
Total exposure in equivalent thousands of US Dollars	(98,333)	(44,160)
	======	======

The sensitivity analysis of financial instruments, considering the US Dollar denominated cash flows, as of June 30, 2019, is shown below:

			Scenarios		
Maturity	Risk	Exposure value in thousands of US$	Probable	II	III
2019	US Dollar appreciation	(91,334)	(5,043)	(93,806)	(182,569)
2020	US Dollar appreciation	(3,000)	(705)	(3,755)	(6,805)
2021	US Dollar appreciation	(3,999)	(884)	(4,936)	(8,989)
		----------	----------	----------	-----------
		(98,333)	(6,632)	(102,497)	(198,363)
		======	======	======	======

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.3.3) Exchange rate risk on derivative instruments transactions of the Company and its subsidiaries:

Consolidated information for derivative instruments with exchange rate risk is shown below:

Description	Notional Value – US$ thousands		Fair Value – Asset (Liability)	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018
Option Contract -- Position: Sell Currency: US$ Dollar settlement: R$3.8700 Counterpart: Itaú BBA Other information: 2 contracts of US$35,000 thousands (each), maturing on February/19	-	70,000	-	5,359
Option Contract -- Position: Buy Currency: US$ Dollar settlement: R$4.2700 Counterpart: Itaú BBA Other information: 1 contract of US$35,000 thousands, maturing on February/19	-	35,000	-	(260)
Option Contract -- Position: Buy Currency: US$ Dollar settlement: R$4.2050 Counterpart: Itaú BBA Other information: 1 contract of US$35,000 thousands, maturing on February/19	-	35,000	-	(301)
Total			-	4,798

Options contracts--Are recorded at fair value through the statement of operations. The fair value of the contracts are obtained directly from the counterpart financial institution, which evaluates these financial instruments based on the data obtained in B3 S.A. – Brazil, Bolsa, Balcão, such as the future Dollar rate, volatility, interest rates and own algorithms.

The financial instruments above, were settled upon receipt of R$9,450 in February 2019.

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. In the first six-month period ended on June 30, 2019, the subsidiary CSA recognized a gain of R$3,080 (R$17,914 in the same period of 2018). As of June 30, 2019 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 June 30, 2019 and 2018.

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:

	06.30.2019				12.31.2018
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	1,006	(3,778)	162,228	165,962
Loan Agreement -- Interest: 130.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	165,000	1,006	(3,778)	162,228	166,046
Loan Agreement -- Interest: 127.5% of CDI Counterpart: Banco Brasil S.A. – CCB Maturity: June/2021	90,000	255	(2,203)	88,052	110,025
(Refer to Note 13)				412,508	442,033
Loan Agreement -- Interest: 149.0% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: June/2021	31,148	23	-	31,171	39,345
Loan Agreement -- Interest: CDI + 4.0% Counterpart: Banco BBM S.A. – CCB Maturity: July/2021	6,797	6	-	6,803	8,589
Loan Agreement -- Interest: 150.5% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: July/2021	11,595	8	-	11,603	14,404
Loan Agreement -- Interest: 149.0% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: November/2021	8,000	6	-	8,006	8,006
(Refer to Note 13)				57,583	70,344
Loan Agreement -- Interest: CDI + 4.2% Counterpart: Banco ABC Brasil S.A. – CCB Maturity: April/2022	18,106	27	-	18,133	18,188
Loan Agreement -- Interest: CDI + 4.2% Counterpart: Banco ABC Brasil S.A. – CCB Maturity: April/2022	10,000	16	-	10,016	10,047
Loan Agreement -- Interest: CDI + 4.2% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2022	10,000	16	-	10,016	10,047
Loan Agreement -- Interest: CDI + 4.2% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2022	10,000	16	-	10,016	10,015
(Refer to Note 13)				48,181	48,297
Loan Agreement -- Interest: CDI + 4.5% Counterpart: Banco Daycoval S.A. Maturity: September/2020	16,667	135	-	16,802	20,165

Description	06.30.2019 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2018 Payable
Loan Agreement -- Interest: CDI + 4.5% Counterpart: Banco Daycoval S.A. Maturity: October/2020	9,058	18	-	9,076	10,210
(Refer to Note 13)				25,878	30,375
Loan Agreement -- Interest: CDI + 2.8% Counterpart: Banco Fibra S.A. – CCE Maturity: April/2019	-	-	-	-	25.260
(Refer to Note 13)				-	25.260
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: December/2019	2,917	24	-	2,941	5,089
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: February/2020	3,333	20	-	3,353	5,071
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: November/2019	20,000	203	-	20,203	20,179
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: December/2019	20,000	151	-	20,151	20,137
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: October/2019	6,000	25	-	6,025	-
(Refer to Note 13)				52,673	50,476
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Fibra S.A. Maturity: July/2020	6,190	34	-	6,224	9,098
Loan Agreement -- Interest: CDI + 6.3% Counterpart: Banco Safra S.A. Maturity: August/2019	4,000	77	-	4,077	-
(Refer to Note 13)				10,301	9,098
Loan Agreement -- Interest: CDI +6.8% Counterpart: Banco Sofisa S.A. Maturity: October/2019	10,000	11	-	10,011	-
(Refer to Note 13)				10,011	-
Loan Agreement -- Interest: 149.6% of CDI Counterpart: Caixa Econômica Federal – CCB Maturity: December/2021	20,312	60	(427)	19,945	-

Description	06.30.2019 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2018 Payable
(Refer to Note 13)				19,945	-
				------------	------------
Loan Agreement (*) -- Interest: 89.0% of CDI Counterpart: Banco Santander S.A. – PPE Maturity: May/2019	-	-	-	-	44,335
Loan Agreement (*)-- Interest: 103.0% of CDI Counterpart: Banco Santander S.A. – PPE Maturity: February/2020	-	-	-	-	37,896
Loan Agreement (*)-- Interest: 118.8% of CDI Counterpart: Banco Santander S.A. – PPE Maturity: November/2020	-	-	-	-	42,773
				------------	------------
(Refer to Note 13)				-	125,004
				------------	------------
Debentures 3rd series -- Interest: 110.0% of CDI Counterpart: Gaia Agro Sec. S.A. Maturity: June/2020	25,000	54	(587)	24,467	36,734
Debentures 4th series -- Interest: CDI + 2.75% Counterpart: Several debenture holders Maturity: February/2021	87,500	893	(1,591)	86,802	111,588
				------------	------------
(Refer to Note 14)				111,269	148,322
	------------	-----------	------------	------------	------------
	756,623	4,090	(12,364)	748,349	949,209
	=======	=======	=======	=======	=======

(*) Agreements renegotiated in 2019 to US$ + 8.1% per annum.

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of June 30, 2019, is as follows:

Maturity	Risk	Principal average balance	Scenarios Probable	II	III
2019	CDI increase	724,054	29,313	34,132	40,253
2020	CDI increase	525,057	43,079	48,550	57,686
2021	CDI increase	351,844	26,489	35,385	42,354
2022	CDI increase	187,213	14,151	20,656	24,805
2023	CDI increase	80,000	5,197	8,283	9,951
			======	======	======

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, 2018. As of June 30, 2019, 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	
	06.30.2019	12.31.2018
Loans and financing	982,210	945,059
Debentures	111,269	148,322
Cash and cash equivalents	(189,615)	(139,474)
Marketable securities	(121,843)	(92,724)
Derivative financial instruments	-	(4,798)
Total net debt	782,021	856,385
Total equity	1,452,108	1,325,042
Total net debt and equity	2,234,129	2,181,427
Total net debt	782,021	856,385
Cash holdback amount	(24,143)	-
Total net debt after cash holdback amount	757,878	856,385

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

	06.30.2019 (continuing operations)				
	Brasil		Argentina	(*) Others	
	Wholesale	Retail	Wholesale	unallocated	Total
Net revenues	535.8	120.9	68.3	(56.1)	668.9
Cost of goods sold	(420.2)	(57.0)	(55.3)	55.6	(476.9)
Gross profit	115.6	63.9	13.0	(0.5)	192.0
Selling, general and administrative expenses	(105.2)	(68.3)	(10.4)	(7.0)	(190.9)
Other	5.6	5.7	-	7.8	19.1
Operating results	16.0	1.3	2.6	0.3	20.2
Financial results	-	-	-	(77.9)	(77.9)
Income (loss) before taxes	16.0	1.3	2.6	(77.6)	(57.7)
Depreciation and amortization	29.5	12.6	2.9	9.0	54.0

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

	06.30.2018 (continuing operations)				
	Brasil		Argentina	(*) Others	
	Wholesale	Retail	Wholesale	unallocated	Total
Net revenues	502.0	122.0	81.0	(61.0)	644.0
Cost of goods sold	(362.7)	(58.1)	(64.9)	60.6	(425.1)
Gross profit	139.3	63.9	16.1	(0.4)	218.9
Selling, general and administrative expenses	(91.2)	(67.3)	(14.7)	(9.6)	(182.8)
Other	4.9	0.2	-	(5.0)	0.1
Operating results	53.0	(3.2)	1.4	(15.0)	36.2
Financial results	-	-	-	(111.7)	(111.7)
Income (loss) before taxes	53.0	(3.2)	1.4	(126.7)	(75.5)
Depreciation and amortization	32.9	1.9	0.8	0.4	36.0

(*) 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	
	06.30.2019	06.30.2018
Net revenues (in millions of Reais):		
Bedding, tabletop and bath	429.3	396.7
Intermediate products	118.7	126.1
Retail	120.9	121.2
	-------------	-------------
	668.9	644.0
	========	========
Volume (in thousands of tons):		
Bedding, tabletop and bath	12.3	12.5
Intermediate products	11.0	12.0
	-------------	-------------
	23.3	24.5
	========	========

The Company has over 10,000 active clients as of June 30, 2019.

26. 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	
	06.30.2019	06.30.2018
Cost of raw materials, goods and services acquired from third parties	(445,423)	(422,510)
Employee benefits	(164,000)	(162,680)
INSS	(17,887)	(17,649)
Depreciation and amortization	(54,014)	(36,026)
Finished goods and work in process inventory variations	16,476	37,833
Exchange rate variations on inventories of foreign subsidiaries	(1,959)	11,116
Other	(1,025)	(18,001)
	--------------	--------------
Total by nature	(667,832)	(607,917)
	========	========

By function:

	Consolidated	
	06.30.2019	06.30.2018
Cost of goods sold	(476,924)	(425,148)
Selling expenses	(132,872)	(124,453)
General and administrative expenses	(52,589)	(52,536)
Management fees	(5,447)	(5,780)
	--------------	--------------
Total by function	(667,832)	(607,917)
	========	========

27. NET REVENUES

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

	Consolidated	
	06.30.2019	06.30.2018
OPERATING REVENUES:		
Gross revenues	880,080	831,789
Sales deductions	(211,192)	(187,829)
	-------------	-------------
NET REVENUES	668,888	643,960
	========	========

28. BASIC AND DILUTED INCOME (LOSS) PER SHARE

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

	06.30.2019	06.30.2018
NET LOSS FOR THE PERIOD OF THE CONTINUED OPERATIONS	(60,830)	(28,554)
NET INCOME FOR THE PERIOD OF THE DISCONTINUED OPERATIONS	194,362	30,556
	-------------	-------------
NET INCOME FOR THE PERIOD	133,532	2,002
Weighted-average outstanding common shares	50,000,000	50,000,000
BASIC AND DILUTED INCOME (LOSS) PER SHARE (R$)		
From continuing operations	(1.2166)	(0.5711)
From discontinued operations	3.8872	0.6111
	-----------	----------
	2.6706	0.0400
	======	=====

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

29. 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 30), 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$24,143) 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.

Accordingly, under CPC 31 and IFRS 5, revenues and expenses from operations sold to Keeco previously presented in the “North America – Wholesale” operating segment were presented as “Discontinued operations” in the statements of operations for the six-month period ended June 30, 2019. The statements of operations, comprehensive income and cash flows for the six-month period ended June 30, 2018 have been restated for comparison purposes, considering the discontinued operations.

The balance of discontinued operations as of December 31, 2018 is as follows:

	12.31.2018

ASSETS	
CURRENT:	
Accounts receivable	91,053
Inventories	161,120
Other receivables	4,852
NONCURRENT:	
Others	774
Property, plant and equipment	6,764
Intangible assets	43,681

Total assets held for sale	308,244
	========
LIABILITIES	
CURRENT:	
Loans and financing	111,679
Suppliers	112,689
Payroll and related charges	866
Other payables	4,867
NONCURRENT:	
Other obligations	9,985

Total liabilities directly related to assets held for sale	240,086
	========
ASSETS HELD FOR SALE, NET	68,158
	========

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

	Company		Consolidated	
	06.30.2019	06.30.2018	06.30.2019	06.30.2018
NET REVENUES	-	-	199,739	408,584
COST OF GOODS SOLD	-	-	(177,698)	(346,799)
GROSS PROFIT	-	-	22,041	61,785
OPERATING INCOME (EXPENSES):				
Selling expenses	-	-	(5,320)	(12,032)
General and administrative expenses	-	-	(8,054)	(16,942)
Equity in subsidiaries	194,362	30,556	-	-
Others, net	-	-	(2,926)	2,095
INCOME FROM OPERATIONS	194,362	30,556	5,741	34,906
Financial expenses – interests and other charges	-	-	(3,750)	(2,843)
INCOME FROM OPERATIONS BEFORE TAXES	194,362	30,556	1,991	32,063
Income and social contribution taxes:				
Current	-	-	(197)	(1,507)
Deferred	-	-	-	-
Income for the period from discontinued operations, before gain on sale of the net assets held for sale	194,362	30,556	1,794	30,556
Gain on sale of the net assets held for sale	-	-	192,568	-
NET INCOME FOR THE PERIOD – DISCONTINUED OPERATIONS	194,362	30,556	194,362	30,556

The cash flow statements of discontinued operations are presented below:

	Company		Consolidated	
	06.30.2019	06.30.2018	06.30.2019	06.30.2018
Cash flows from discontinued operations activities:				
Net income for the year	194,362	30,556	194,362	30,556
Depreciation and amortization	-	-	1,841	1,309
Equity in subsidiaries	(194,362)	(30,556)	-	-
Income and social contribution taxes	-	-	82,721	1,507
Gain on the sale of discontinued operations	-	-	(275,092)	-
Bank charges, interests and commissions	-	-	2,668	2,123
Reversal of impairment on the recoverable value of assets	-	-	-	(1,047)
	-	-	6,500	34,448
Changes in assets and liabilities				
Accounts receivable	-	-	(1,617)	(3,104)
Inventories	-	-	(11,635)	(17,922)
Suppliers	-	-	(6,173)	(8,035)
Others	-	-	3,031	(441)
Net cash provided by (used in) discontinued operations activities before interest and taxes	-	-	(9,894)	4,946
Interest paid	-	-	(969)	(1,402)
Income and social contribution taxes paid	-	-	(521)	(442)
Net cash provided by (used in) discontinued operations activities after interest and income taxes	-	-	(11,384)	3,102
Cash flows from investing discontinued operations activities:				
Acquisition of property, plant and equipment in discontinued operations	-	-	-	(164)
Proceeds from sale of discontinued operations	-	-	469,631	-
Net cash provided by (used in) investing discontinued operations activities	-	-	469,631	(164)
Cash flows from discontinued financing activities :				
Proceeds from new loans	-	-	43,754	98,059
Repayment of loans	-	-	(156,941)	(92,296)
Net cash provided by (used in) financing activities	-	-	(113,187)	5,763
Total cash provided by discontinued operations	-	-	345,060	8,701

30. 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	2,249	8,764
Transaction costs	(7,729)	(30,118)
Gain before income taxes	70,596	275,092
Current income tax absorption	(600)	(2,338)
Deferred income tax realization (noncash)	(20,578)	(80,186)
Gain on sale of the net assets held for sale	49,418	192,568

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

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