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

Springs Global Participações S.A.

Individual and Consolidated Financial Statements for the Quarter ended September 30, 2020 and Report on Review of Interim Financial Information

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

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

Introduction

We have reviewed the individual and consolidated interim financial information of Springs Global Participações S.A. ("Company"), included in the Quarterly Information, for the quarter ended September 30, 2020, which comprises the statement of financial position as at September 30, 2020, and the respective statements of operations and comprehensive income (loss) for the three and nine-month period then ended, and of changes in equity and cash flows for the nine-month period then ended, including a summary of significant accounting policies and other notes.

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

Scope of the review

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

Conclusion on the individual and consolidated interim information

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

Other matters

Interim statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added for the nine-month period ended September 30, 2020, prepared under the responsibility of the Company's Management and presented as supplementary information for the purposes of IAS 34.

These statements were submitted to review procedures executed with the review of the quarterly information, with the purpose of concluding whether they are reconciled with the interim financial information and accounting records, as applicable, and if its form and contents meet the criteria defined in NBC TG 09 – Statements of Value Added. Based on our review, we are not aware of any fact that would lead us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria established in this Standard and consistently with the individual and consolidated interim financial information taken as whole.

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

São Paulo, November 12, 2020.

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

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

BALANCE SHEETS AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

(In thousands of Brazilian Reais)

ASSETS

		Company		Consolidated	
	Note	09.30.2020	12.31.2019	09.30.2020	12.31.2019
CURRENT:					
Cash and cash equivalents	3	309	154	168,979	151,935
Marketable securities	4	-	-	22,025	52,341
Accounts receivable	5	-	-	418,632	487,822
Financial leases receivable	11	-	-	17,570	6,601
Inventories	6.a	-	-	405,926	385,435
Advances to suppliers	6.b	-	-	27,381	43,040
Recoverable taxes	18.c	157	341	68,226	80,942
Cash holdback amount	28	-	-	35,536	25,393
Property, plant and equipment held for sale	10.b	-	-	-	12,327
Other receivables		1,021	960	32,157	32,976
Total current assets		1,487	1,455	1,196,432	1,278,812
NONCURRENT:					
Long-term assets:					
Marketable securities	4	1,662	-	1,662	71,010
Receivable – clients	7	-	-	26,596	23,968
Related parties	22	-	-	61,760	42,905
Advances to suppliers	6.b	-	-	54,138	66,181
Financial leases receivable	11	-	-	106,504	85,118
Recoverable taxes	18.c	-	-	120,990	163,393
Deferred taxes	18.b	1,905	1,905	19,897	69,280
Property, plant and equipment held for sale	10.b	-	-	16,777	12,094
Escrow deposits	19	-	-	10,507	13,403
Others		-	-	55,186	54,558
		3,567	1,905	474,017	601,910
Investments in subsidiaries	8.a	1,176,777	1,420,577	-	-
Investment in affiliate	8.b	-	-	38,154	137,946
Investment properties	9	-	-	399,525	406,764
Property, plant and equipment	10.a	-	-	639,357	618,468
Right-of-use assets	11	-	-	202,820	158,263
Intangible assets	12	-	-	188,611	92,702
Total noncurrent assets		1,180,344	1,422,482	1,942,484	2,016,053
Total assets		1,181,831	1,423,937	3,138,916	3,294,865

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

BALANCE SHEETS AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

		Company		Consolidated	
	Note	09.30.2020	12.31.2019	09.30.2020	12.31.2019
LIABILITIES					
CURRENT:					
Loans and financing	13	8,139	12,933	453,850	511,143
Debentures	14	-	-	89,351	87,008
Suppliers	15	21	6	158,166	155,402
Payroll and related charges		79	79	99,974	68,415
Taxes		71	59	28,624	15,335
Government concessions	16	-	-	24,199	22,212
Leases payable	17	-	-	66,425	53,049
Other payables		-	-	56,513	52,376
Total current liabilities		8,310	13,077	977,102	964,940
NONCURRENT:					
Loans and financing	13	12,865	7,979	398,660	431,495
Debentures	14	-	-	-	12,389
Leases payable	17	-	-	292,262	221,153
Related parties	22	22,628	16,255	48	-
Government concessions	16	-	-	48,667	43,771
Miscellaneous accruals	19	-	-	11,614	12,931
Employee benefit plans	20	-	-	142,366	106,167
Deferred taxes	18.b	-	-	85,635	83,629
Other obligations		-	-	44,534	31,764
Total noncurrent liabilities		35,493	24,234	1,023,786	943,299
EQUITY:	21				
Capital		1,860,265	1,860,265	1,860,265	1,860,265
Capital reserves		79,381	79,381	79,381	79,381
Assets and liabilities valuation adjustments		117,917	117,784	117,917	117,784
Cumulative translation adjustments		(175,820)	(229,695)	(175,820)	(229,695)
Accumulated deficit		(743,715)	(441,109)	(743,715)	(441,109)
Total equity		1,138,028	1,386,626	1,138,028	1,386,626
Total liabilities and equity		1,181,831	1,423,937	3,138,916	3,294,865

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

(In thousands of Brazilian Reais)

		Company			
	Note	07.01.2020 to 09.30.2020	01.01.2020 to 09.30.2020	07.01.2019 to 09.30.2019	01.01.2019 to 09.30.2019
OPERATING EXPENSES:					
General and administrative expenses		(187)	(801)	(38)	(880)
Management fees		(229)	(685)	(381)	(609)
Equity in subsidiaries	8.a	(33,375)	(297,808)	(62,439)	(120,174)
LOSS FROM OPERATIONS		(33,791)	(299,294)	(62,858)	(121,663)
Financial expenses – interests		(774)	(2,495)	(1,123)	(2,806)
Financial expenses – bank charges and others		(73)	(837)	(140)	(489)
Financial income		8	20	5	12
LOSS FROM OPERATIONS BEFORE TAXES		(34,630)	(302,606)	(64,116)	(124,946)
Income and social contribution taxes:					
Current	18.a	-	-	-	-
Deferred	18.a	-	-	-	-
NET LOSS FOR THE PERIOD – CONTINUING OPERATIONS		(34,630)	(302,606)	(64,116)	(124,946)
Equity in subsidiary – discontinued operations	28	-	-	-	194,362
NET INCOME (LOSS) FOR THE PERIOD		(34,630)	(302,606)	(64,116)	69,416
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE – R$	27				
Continuing operations		(0.6926)	(6.0521)	(1.2823)	(2.4989)
Discontinued operations		-	-	-	3.8872
Total		(0.6926)	(6.0521)	(1.2823)	1.3883

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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

(In thousands of Brazilian Reais)

		Consolidated			
	Note	07.01.2020 to 09.30.2020	01.01.2020 to 09.30.2020	07.01.2019 to 09.30.2019	01.01.2019 to 09.30.2019
NET REVENUES	26	439,794	1,005,503	380,431	1,049,319
COST OF GOODS SOLD	25	(295,771)	(670,169)	(254,167)	(731,091)
GROSS PROFIT		144,023	335,334	126,264	318,228
OPERATING INCOME (EXPENSES):					
Selling expenses	25	(92,865)	(235,436)	(71,330)	(204,202)
General and administrative expenses	25	(27,827)	(81,264)	(28,275)	(80,864)
Management fees	25	(2,918)	(8,316)	(2,903)	(8,350)
Others, net		(3,188)	(9,834)	4,887	23,990
		17,225	484	28,643	48,802
Equity in affiliate	8.b	2,785	(11,298)	-	-
Impairment of investment in affiliate	12	-	(42,936)	-	-
INCOME (LOSS) FROM OPERATIONS		20,010	(53,750)	28,643	48,802
Financial expenses – interests		(31,436)	(90,590)	(35,377)	(98,263)
Interest on leases	17	(3,529)	(10,818)	(7,201)	(20,734)
Financial expenses – bank charges and others		(22,813)	(66,911)	(14,691)	(41,047)
Financial income		7,351	21,048	8,072	28,293
Exchange rate variations, net		(2,712)	(30,097)	(43,386)	(38,663)
LOSS FROM OPERATIONS BEFORE TAXES		(33,129)	(231,118)	(63,940)	(121,612)
Income and social contribution taxes:					
Current	18.a	(161)	(441)	(176)	(482)
Deferred	18.a	(1,340)	(71,047)	-	(2,852)
NET LOSS FOR THE PERIOD – CONTINUING OPERATIONS		(34,630)	(302,606)	(64,116)	(124,946)
Net income from subsidiary – discontinued operations	28	-	-	-	194,362
NET INCOME (LOSS) FOR THE PERIOD		(34,630)	(302,606)	(64,116)	69,416

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

(In thousands of Brazilian Reais)

	Company and consolidated			
	07.01.2020 to 09.30.2020	01.01.2020 to 09.30.2020	07.01.2019 to 09.30.2019	01.01.2019 to 09.30.2019
NET INCOME (LOSS) FOR THE PERIOD	(34,630)	(302,606)	(64,116)	69,416
Other comprehensive income (loss):				
- Items that will impact the statements of operations:				
Exchange rate variations on foreign investments	3,280	53,875	32,546	30,708
Exchange rate variations on discontinued investments	-	-	-	(4,638)
	3,280	53,875	32,546	26,070
- Items that will not impact the statements of operations:				
Actuarial gain on pension plans	35	133	25	35
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(31,315)	(248,598)	(31,545)	95,521
ATTRIBUTABLE TO:				
Owners of the Company				
Continuing operations	(31,315)	(248,598)	(31,545)	(94,203)
Discontinued operations	-	-	-	189,724
	(31,315)	(248,598)	(31,545)	95,521

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 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		-	-	-	-	69,416	69,416
Exchange rate variations on foreign investments	2.1.b	-	-	-	32,593	-	32,593
Exchange rate variations on discontinued investments		-	-	-	(4,638)	-	(4,638)
Actuarial gain on pension plans		-	-	35	-	-	35
Impact of subsidiaries-							
Exchange rate variations on foreign investments	2.1.b	-	-	-	(1,885)	-	(1,885)
Total comprehensive income		-	-	35	26,070	69,416	95,521
BALANCES AS OF SEPTEMBER 30, 2019		1,860,265	79,381	114,071	(215,737)	(417,417)	1,420,563

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

(In thousands of Brazilian Reais)

	Note	Capital	Capital reserve	Assets and liabilities valuation adjustments	Cumulative translation adjustments	Accumulated deficit	Total equity
BALANCES AS OF DECEMBER 31, 2019		1,860,265	79,381	117,784	(229,695)	(441,109)	1,386,626
Comprehensive income (loss):							
Net loss for the period		-	-	-	-	(302,606)	(302,606)
Exchange rate variations on foreign investments	2.1.b	-	-	-	157,334	-	157,334
Actuarial gain on pension plans		-	-	133	-	-	133
Impact of subsidiaries-							
Exchange rate variations on foreign investments, net	2.1.b	-	-	-	(103,459)	-	(103,459)
Total comprehensive income (loss)		-	-	133	53,875	(302,606)	(248,598)
BALANCES AS OF SEPTEMBER 30, 2020		1,860,265	79,381	117,917	(175,820)	(743,715)	1,138,028

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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2020 to 09.30.2020	01.01.2019 to 09.30.2019	01.01.2020 to 09.30.2020	01.01.2019 to 09.30.2019
Cash flows from operating activities				
Net income (loss) for the period	(302,606)	69,416	(302,606)	69,416
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	69,995	83,565
Equity in subsidiaries and affiliate	297,808	120,174	11,298	-
Equity in subsidiaries – discontinued operations	-	(194,362)	-	-
Gain from the sale of discontinued operations	-	-	-	(275,092)
Impairment adjustment on investment in affiliate	-	-	42,936	-
Income and social contribution taxes	-	-	71,488	86,055
Gain on disposal of property, plant and equipment	-	-	(1,656)	(89)
Renegotiation of leases	-	-	(5,673)	-
Monetary variations	-	-	7,238	3,090
Exchange rate variations	-	-	30,097	38,663
Bank charges, interests and commissions	3,329	3,189	128,173	123,642
Financial expenses – interest on leases	-	-	10,818	20,735
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	(1,469)	(1,583)	62,108	149,985
Changes in assets and liabilities				
Marketable securities	(1,662)	-	134,062	(25,847)
Derivative financial instruments	-	-	-	4,798
Accounts receivable	-	-	73,983	38,512
Inventories	-	-	(17,940)	(40,572)
Advances to suppliers	-	-	27,702	(1,980)
Recoverable taxes	184	(272)	58,269	(14,746)
Cash holdback amount	-	-	(10,356)	(24,143)
Suppliers	17	37	(9,942)	26,204
Others	(48)	(39)	22,304	(33,671)
	------------	------------	------------	------------
Net cash provided by (used in) operating activities	(2,978)	(1,857)	340,190	78,540
Interest paid	(909)	(1,955)	(51,096)	(74,759)
Interest and charges paid on loans	(836)	(489)	(30,630)	(19,781)
Taxes received (paid)	-	-	16	(3,337)
	------------	------------	------------	------------
Net cash provided by (used in) operating activities after interest and income taxes	(4,723)	(4,301)	258,480	(19,337)
	------------	------------	------------	------------
Cash flows from investing activities				
Investment properties	-	-	(661)	(5,380)
Property, plant and equipment	-	-	(49,340)	(59,065)
Intangibles	-	-	(2,644)	(125)
Proceeds from sale of fixed assets	-	-	16,212	1,073
Proceeds from sale of discontinued operations	-	-	-	329,350
Loans between related parties	4,768	(13,728)	(30,530)	(47,669)
	------------	------------	------------	------------
Net cash provided by (used in) investing activities	4,768	(13,728)	(66,963)	218,184
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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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2020 to 09.30.2020	01.01.2019 to 09.30.2019	01.01.2020 to 09.30.2020	01.01.2019 to 09.30.2019
Cash flows from financing activities				
Proceeds from new loans	24,741	24,194	367,797	294,619
Repayment of loans	(24,631)	(6,141)	(517,503)	(417,746)
Repayment of leases, net	-	-	(24,560)	(41,967)
Net cash provided by (used in) financing activities	110	18,053	(174,266)	(165,094)
Effect of exchange rate variations on cash and cash equivalents of foreign subsidiaries	-	-	(207)	(1,232)
Increase in cash and cash equivalents	155	24	17,044	32,521
Cash and cash equivalents:				
At the beginning of the period	154	49	151,935	139,474
At the end of the period	309	73	168,979	171,995
Increase in cash and cash equivalents	155	24	17,044	32,521

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF VALUE ADDED

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2020 to 09.30.2020	01.01.2019 to 09.30.2019	01.01.2020 to 09.30.2020	01.01.2019 to 09.30.2019
REVENUES				
Sales of products, goods and services	-	-	1,226,174	1,250,786
Gain on disposal of property, plant and equipment and intangible	-	-	1,656	89
	-	-	1,227,830	1,250,875
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(462,571)	(486,359)
Materials, energy, third party services, and others	(1,676)	(1,379)	(348,680)	(290,445)
Impairment adjustment on investment in affiliate	-	-	(42,936)	-
	(1,676)	(1,379)	(854,187)	(776,804)
GROSS VALUE ADDED	(1,676)	(1,379)	373,643	474,071
RETENTIONS				
Depreciation and amortization	-	-	(69,995)	(81,724)
NET VALUE ADDED PRODUCED BY THE COMPANY	(1,676)	(1,379)	303,648	392,347
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries	(297,808)	(120,174)	(11,298)	-
Equity in subsidiaries - discontinued operations	-	194,362	-	-
Financial income	20	12	21,048	28,293
Exchange rate variation	-	-	17,074	30,296
Royalties	-	-	11,796	15,725
Others - Net income - discontinued operations	-	-	-	194,362
	(297,788)	74,200	38,620	268,676
TOTAL VALUE ADDED FOR DISTRIBUTION (TO RETAIN)	(299,464)	72,821	342,268	661,023
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	-	-	231,225	251,145
Taxes, duties and contributions	647	599	237,415	135,641
Payments to third parties	2,495	2,806	176,234	204,821
Net income (loss) for the period	(302,606)	69,416	(302,606)	69,416
VALUE ADDED DISTRIBUTED (RETAINED)	(299,464)	72,821	342,268	661,023

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2020

(Amounts in thousands of Brazilian Reais)

1. OPERATIONS

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

On April 30, 2009, the Company started its bed, tabletop and bath retail operations, under the brands MMartan and Casa Moyses and later, in October 2011, with the brand Artex. The retail operation of these brands is run by AMMO Varejo Ltda. ("AMMO"), which became an indirect subsidiary of the Company.

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

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

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Company's Board of Directors on November 12, 2020.

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

The Company adopted all standards, review of standards and interpretations issued by the IASB and the CPC which were effective on September 30, 2020. All relevant information relating to the interim financial statements is included herein and corresponds to those used by Company's management in its administration.

2.1 – Translation of balances in foreign currency

a) Functional and presentation currency

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

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

b) Conversion of balances

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

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

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

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

2.2 – Accounting policies

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

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

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

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

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

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

ii) Non-derivative financial assets - measurement

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

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

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

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

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

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

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

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

iii) Non-derivative financial liabilities - measurement

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

iv) Derivatives measured at fair value through profit or loss

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

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

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

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

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

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

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

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

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

(f) Accounts receivable and allowance for expected losses on doubtful debt accounts--Accounts receivable from customers are initially recognized at transaction value and subsequently measured at amortized cost using the effective interest rate method less the estimated loss with doubtful accounts. The Company adopted the measurement of the estimated loss with doubtful accounts based on the entire life of the instruments, using the simplified approach, taking into account the history of movements and historical losses. As a general rule, accounts overdue at more than 180 days represent a relevant indicator of expected loss, and are evaluated individually.

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

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

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

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

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

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

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

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

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

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

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

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

(p) Impairment of non-financial assets--Assets included in property, plant and equipment, intangible assets, inventories and other current and 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 these assets may be reversed whenever there is an assessment or reliable evidence that the value of the asset has recovered (except for goodwill from investments). The reversal is recognized in the statement of operations to the extent it does not exceed the previously recognized impairment losses.

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

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

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

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

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

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

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

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

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

2.3 – Accounting estimates

The preparation of interim financial statements makes use of estimates in order to record certain assets, liabilities and other transactions. To make these estimates, Management used the best information available at the time of preparation of the interim financial statements, as well as the experience of past and/or current events, also considering estimates regarding future events. Therefore, the interim financial statements mainly include estimates related to the recovery value of financial assets (notes 2.2.c, No. 5 and No. 7), determination of useful lives of property, plant and equipment (notes 2.2.m and No. 10), estimated recoverable value of non-financial assets (notes 2.2.p, No. 6, No. 10, No. 11 and No. 12), fair value of investment properties (notes 2.2.l and No. 9), provisions necessary for tax, civil and labor liabilities (notes 2.2.t and No. 19), determination of provisions for income tax (notes 2.2.q and No. 18), determination of fair value of financial instruments (assets and liabilities) (notes 2.2.b and No. 23) and other similar instruments, estimates related to the selection of interest rate (note 23.d.5), expected return on assets and the choice of mortality table and expected wage increases applied to the actuarial calculations (notes 2.2.u and No. 20). Actual results of transactions and information could differ from the estimates.

In accordance with Circular Letters Instructions No. 02/20 and No. 03/20, issued by CVM, as well as taking into account the economic scenario and the risks and uncertainties arising from the impacts of COVID-19, we reviewed our accounting estimates listed above and mentioned our assessments in the respective notes, if applicable. In addition, we listed the impacts identified in the first nine months of 2020 due to this new economic reality in note 30.

2.4 – Consolidation criteria

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

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

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

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

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

The interim financial statements of foreign subsidiaries have been translated into Brazilian Reais based on the US Dollar exchange rate as of September 30, 2020 and December 31, 2019 for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	2020	2019	Variance %
Exchange rate as of:			
December 31	-	4.0307	-
September 30	5.6407	4.1644	35.5%
Average exchange rate:			
September 30 (3 months)	5.4384	4.0226	35.2%
September 30 (9 months)	5.1791	3.8970	32.9%

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	09.30.2020	12.31.2019	09.30.2020	12.31.2019
Repurchase transactions (*)	46	-	122,142	123,671
Foreign deposits	-	-	43,090	25,253
Checking accounts deposits	263	154	3,747	3,011
	-----------	-----------	------------	------------
	309	154	168,979	151,935
	======	======	=======	=======

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

4. MARKETABLE SECURITIES

	Consolidated	
	09.30.2020	12.31.2019
Fixed income – foreign	-	16,225
Investment fund – foreign	21,460	35,713
Restricted deposits (US$) (1)	-	71,010
Restricted cash (2)	2,227	403
	---------	---------
	23,687	123,351
Current	(22,025)	(52,341)
	---------	---------
Noncurrent	1,662	71,010
	=====	=====

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

(2) On September 30, 2020, the Company had R$1,662 of restricted cash in financial institutions, and subsidiary SGUS had restricted cash of R$565, equivalent to US$100 thousand (US$100 thousand as of December 31, 2019) related to a compensating balance arrangement.

5. ACCOUNTS RECEIVABLE

	Consolidated	
	09.30.2020	12.31.2019
Domestic customers	376,978	454,861
Foreign customers	57,672	49,477
Credit card companies	9,680	7,485
Related parties – domestic market	336	1,871
Related parties – foreign market	660	-
	-----------	-----------
	445,326	513,694
Allowance for expected losses on bad debts	(26,694)	(25,872)
	-----------	-----------
	418,632	487,822
	======	======

Accounts receivable from customers consist of receivables with an average collection period of approximately 92 days (100 days as of December 31, 2019).

As of September 30, 2020, considering the term extensions and cash receipts and subsequent information, up to the issuance date of the quarterly information, no additional losses for doubtful accounts were identified.

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

	09.30.2020	12.31.2019
Balance at the beginning of the period	(25,872)	(24,354)
Additions	-	(1,665)
Exchange rate variation	(822)	147
	-------------	-------------
Balance at the end of the period	(26,694)	(25,872)
	=======	=======

The aging list of the consolidated accounts receivable was presented in the annual financial statements for the year ended December 31, 2019. There was no significant change in the composition of the aging list during the nine months period ended September 30, 2020, except for maturity extensions provided, due to COVID-19, which have already settled in the subsequent period.

6. INVENTORIES AND ADVANCES TO SUPPLIERS

a. Inventories

	Consolidated	
	09.30.2020	12.31.2019
Raw materials and supplies	80,495	80,204
Work in process	115,449	95,391
Finished products	174,105	172,943
Repair parts	35,877	36,897
	------------	------------
	405,926	385,435
	=======	=======

Inventories are presented net of the provision for losses. Operating subsidiaries assess the realization of inventories annually or whenever there are indications of probable losses.

The inventory groups of raw materials and supplies and work in process have a low risk of loss, since the conversion into finished products can be managed. The finished products inventory group is evaluated based on its profitability, especially inventories considered to be discontinued and obsolete.

As of September 30, 2020, no additional potential losses were identified in realizing these inventories. Idle costs are recognized directly in the income statement and are not considered in the production cost of the finished goods produced.

Changes in the provision are as follows:

	12.31.2019	(Additions) Disposals	Exchange rate variations	09.30.2020
Raw materials and supplies	(1,667)	(769)	(174)	(2,610)
Work in process	(102)	107	(5)	-
Finished products	(3)	(22)	(1)	(26)
Repair parts	(1,171)	-	-	(1,171)
	(2,943)	(684)	(180)	(3,807)

	12.31.2018	(Additions) Disposals	Exchange rate variations	09.30.2019
Raw materials and supplies	(2,446)	65	627	(1,754)
Work in process	(186)	29	47	(110)
Finished products	(5)	-	2	(3)
Repair parts	(1,203)	-	-	(1,203)
	(3,840)	94	676	(3,070)

b. Advances to suppliers

	Consolidated	
	09.30.2020	12.31.2019
Raw material supplier	44,929	78,000
Other advances	36,590	31,221
	81,519	109,221
	(27,381)	(43,040)
Current		
Noncurrent	54,138	66,181

7. RECEIVABLE – CLIENTS

	Consolidated	
	09.30.2020	12.31.2019
Clients in judicial reorganization (a)	11,389	11,317
Clients in court recovery plan (b)	3,630	3,599
Installment plan agreed with clients (c) (*)	5,061	4,921
Financing on stores transfer (d) (*)	3,743	2,731
Sale of real estates (e)	18,072	13,141
Others	590	857
	------------	------------
	42,485	36,566
Current (*)	(15,889)	(12,598)
	------------	------------
Noncurrent	26,596	23,968
	=======	=======

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

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

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

(c) Payment up to 50 fixed installments, with monthly interest from 1.56% to 1.97% per month.

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

(e) Payment up to 53 monthly installments with interest from 0.5% to 0.7% per month, and adjusted based on the IGP-M (general market price index).

Considering the information subsequent to September 30, 2020, up to the issuance date of the quarterly information, no additional losses were identified.

8. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANY

a) Direct investments:

Subsidiaries	Equity	Ownership interest %	Net income (loss) for the period	Total investment		Equity in subsidiaries (Company)	
				09.30.2020	12.31.2019	09.30.2020	09.30.2019
SGUS (*)	451,501	100.0	(128,867)	451,501	422,901	(128,867)	(17,173)
CSA	725,276	100.0	(168,941)	725,276	997,676	(168,941)	(103,001)
				1,176,777	1,420,577	(297,808)	(120,174)

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

b) Indirect investments:

SGUS' investments

Affiliate	Equity	Ownership interest %	Total investment		Equity in subsidiaries	
			09.30.2020	12.31.2019	09.30.2020	09.30.2019
Keeco Holdings, LLC (California, US) (1)	267,381	14.27	38,154	137,946	(11,298)	-

(1) As of March 15, 2019, the subsidiary SGUS now holds 17.5% of Keeco Holdings, LLC, which combines its operations with the operations sold by SGUS. Keeco Holdings, LLC, is a company with a portfolio of leading products and brands in the curtain, utility bedding, and decorative bedding markets, as well as a diversified portfolio of customers, including the leading traditional and digital retail companies in the North American market. In the first quarter of 2020, the purchase price allocation of this investment was determined, allowing the subsidiary SGUS to calculate the goodwill paid for the investment. See note 12.2. In May 2020, a new capital contribution was made to affiliate Keeco, with the entry of a new shareholder. Accordingly, as of that date, the subsidiary holds 14.27% of that affiliate.

CSA's investment

	Equity	Ownership interest %	Net income (loss) for the period	Total investment		Equity in subsidiaries	
				09.30.2020	12.31.2019	09.30.2020	09.30.2019
Subsidiaries -							
Coteminas Argentina S.A. (1)	69,058	100.0	(3,241)	69,058	21,636	(3,241)	(21,031)
LAT Capital Ltd.	14,370	100.0	1,274	14,370	9,219	1,274	3,407
C7S Tecnologia Ltda.	17,840	100.0	(1,398)	17,840	19,238	(1,398)	542
AMMO Varejo Ltda.	89,006	100.0	(43,394)	89,006	132,400	(43,394)	(10,273)
Compañía Textil Guaraní S.R.L. (2)	4,355	100.0	(2,162)	4,355	3,008	(2,162)	-
				194,629	185,501	(48,921)	(27,355)

(1) In 2020, the subsidiary CSA subscribed and paid-in capital in the indirect subsidiary in the amount of R$38,347.

(2) Textil Guarani is headquartered in Paraguay, and will begin its operations in 2020. During 2020, the subsidiary CSA subscribed and paid-in capital in the indirect subsidiary in the amount of R$2,525.

c) Supplemental information on investments in affiliated company:

	Keeco Holdings, LLC 09.30.2020	Keeco Holdings, LLC 12.31.2019
Current assets	1,475,527	1,061,992
Noncurrent assets	1,174,667	1,464,611
Total assets	2,650,194	2,526,603
Current liabilities	1,270,871	1,064,559
Noncurrent liabilities	1,111,942	763,856
Total liabilities	2,382,813	1,828,415
Equity – Company	267,381	698,188
Net revenues (9 months)	3,060,796	-
Loss for the period – Company	(77,195)	-
	========	=========

d) Changes in investments in subsidiaries and affiliate:

	12.31.2019	Equity	Exchange rate variations on foreign investments (1)	Assets and liabilities valuation adjustments	Goodwill allocation (2)	09.30.2020
Subsidiaries						
SGUS	422,901	(128,867)	157,334	133	-	451,501
CSA	997,676	(168,941)	(103,459)	-	-	725,276
	-------------	-------------	-------------	-------------	-------------	-------------
	1,420,577	(297,808)	53,875	133	-	1,176,777
	========	========	========	========	========	========
Affiliate						
Keeco Holdings, LLC	137,946	(11,298)	13,491	-	(101,985)	38,154
	========	========	========	========	========	========

	12.31.2018	Equity	Exchange rate variations on foreign investments (1)	Assets and liabilities valuation adjustments	Investment disposal (3)	Discontinued operations (4)	09.30.2019
Subsidiaries							
SGUS	251,491	(17,173)	32,593	35	-	189,724	456,670
CSA	1,101,263	(103,001)	(1,885)	-	-	-	996,377
AMMO	30,432	-	-	-	(30,432)	-	-
	-------------	-------------	-------------	-------------	-------------	-------------	-------------
	1,383,186	(120,174)	30,708	35	(30,432)	189,724	1,453,047
	========	========	========	========	========	========	========

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

(2) Goodwill allocation in the amount equivalent to US$25,302 thousand. See note 12.2.

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

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

9. INVESTMENT PROPERTIES

The consolidated balances of investment properties are as follows:

	Investment properties São Gonçalo		Investment	
	Business complex (1)	Residential complex (2)	properties Montes Claros (3)	Total
Balances as of December 31, 2019	301,550	44,974	60,240	406,764
Additions	661	-	-	661
Disposals (cost)	-	-	(11,842)	(11,842)
Disposals (change in fair value)	-	-	3,942	3,942
	----------	------------	----------	------------
Balances as of September 30, 2020	302,211	44,974	52,340	399,525
	======	======	======	======

	Investment properties São Gonçalo		Investment	
	Business complex (1)	Residential complex (2)	properties Montes Claros (3)	Total
Balances as of December 31, 2018	248,251	44,296	55,276	347,823
Additions and disposals	5,380	-	-	5,380
Change in fair value	-	-	7,531	7,531
	----------	------------	----------	------------
Balances as of September 30, 2019	253,631	44,296	62,807	360,734
	======	======	======	======

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.

Fair value assessments are performed annually, in the last quarter of the year. Due to the economic scenario currently experienced, it is possible that the fair value assessments of these properties could decline when compared to previous assessments and their accounting balances. The subsidiary CSA's management, the owner of the properties, understands that the properties designated to obtain rental income will not have significant impacts, since they have an active portfolio of tenants and, to date, there have been no relevant cancellations or defaults. For properties intended for valuation, with the purpose of future sale, there may be a fluctuation in their valuation; however, CSA's management does not expect actual losses on these properties.

(1) Business complex: It is a commercial complex of 319.7 thousand m², known as Centro Comercial Seridó, where 122.2 thousand m² have already been developed and leased. In the nine months of 2020, rental income was R$6,452 (R$5,627 in the same period of 2019).

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

The calculated values were as follows:

	09.30.2020	12.31.2019
Residual cost of the property	110,368	109,707
Surplus/added value (a)	191,843	191,843
	----------	----------
Fair value (b)	302,211	301,550
	=======	=======

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

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

(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:

	09.30.2020	12.31.2019
Residual cost of the property	93	93
Surplus/added value (a)	44,881	44,881
	----------	----------
Fair value (b)	44,974	44,974
	=======	=======

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

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

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

	09.30.2020	12.31.2019
Land and installations (old MECA) (44,402 m²)	30,270	30,270
Land of the ESURB behind CODEVASF (2,770 m²)	3,750	3,750
Land of the ESURB Santa Rita II neighborhood (11,700 m²)	4,200	4,200
Land in Ibituruna (11,842 m²)	-	7,900
Land new municipality region (72,491 m²)	14,120	14,120
	----------	----------
	52,340	60,240
	======	======
Residual cost of the properties	39,860	51,702
Surplus/added value (a)	12,480	8,538
	----------	----------
Fair value (b)	52,340	60,240
	======	======

(a) Calculated deferred tax liability of R$4,243 (R$2,903 on December 31, 2019). See note 18.b.1.

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

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

a. Property, plant and equipment

		09.30.2020			12.31.2019
	Rate (*) %	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	-	47,192	(20,303)	26,889	25,133
Buildings	2.4	349,209	(159,547)	189,662	192,423
Installations	7.6	202,382	(156,295)	46,087	48,446
Machinery and equipment	7.4	1,163,588	(898,581)	265,007	245,869
Hydroelectric Plant - Porto Estrela (**)	3.8	37,666	(20,534)	17,132	18,208
Furniture, fixtures and others	12.2	152,453	(125,097)	27,356	20,411
Construction in progress	-	67,224	-	67,224	67,978
		--------------	--------------	--------------	--------------
		2,019,714	(1,380,357)	639,357	618,468
		=========	=========	========	=========

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

Considering the operating profitability and cash generation, including the impacts of COVID-19, the Company and its subsidiaries did not identify evidence of deterioration or non-recovery of 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 (1)	Furniture, fixtures and others	Construction in progress (2)	Total
Balance as of December 31, 2019	25,133	192,423	48,446	245,869	18,208	20,411	67,978	618,468
Additions	574	22	768	25,691	-	1,472	20,813	49,340
Net disposals	(205)	(6)	(274)	(717)	-	(181)	(601)	(1,984)
Transfers								
- PP&E	-	178	1,405	20,702	-	437	(22,722)	-
- Lending goods	-	-	-	-	-	9,667	-	9,667
Exchange rate variations	2,641	3,199	1,179	3,251	-	131	1,756	12,157
Depreciation in the period	(1,254)	(6,154)	(5,437)	(29,789)	(1,076)	(4,581)	-	(48,291)
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Balance as of September 30, 2020	26,889	189,662	46,087	265,007	17,132	27,356	67,224	639,357
	=======	=======	=======	=======	=======	=======	=======	=======

	Land and improvements	Buildings	Installations	Machinery and equipment	Hydroelectric plant - Porto Estrela (1)	Furniture, fixtures and others	Construction in progress (2)	Total
Balance as of December 31, 2018	25,490	216,271	58,683	282,875	19,610	24,315	21,937	649,181
Additions	717	38	392	10,786	32	1,697	45,403	59,065
Net disposals	(243)	-	(24)	(366)	-	-	-	(633)
Transfers								
- PP&E	216	261	4,432	8,365	-	281	(13,555)	-
Exchange rate variations	(232)	506	(118)	(220)	-	47	(117)	(134)
Depreciation in the period	(1,345)	(6,698)	(6,337)	(31,476)	(1,077)	(3,986)	-	(50,919)
Impairment adjustment	(181)	-	(94)	(1)	-	(224)	-	(500)
	----------	----------	----------	----------	----------	----------	----------	----------
Balance as of September 30, 2019	24,422	210,378	56,934	269,963	18,565	22,130	53,668	656,060
	=======	=======	=======	=======	=======	=======	=======	=======

(1) See note 16.

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

b. Property, plant and equipment held for sale

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

As of September 30, 2020, this amount represented R$16,777, classified in non-current assets (R$24,421, of which R$12,327 was classified in current assets and R$12,094 in non-current assets as of December 31, 2019).

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

	12.31.2019	Additions	Disposals	Exchange rate variations	09.30.2020
Cost	396,489	652	(53,829)	134,275	477,587
Depreciation	(334,561)	(377)	40,055	(116,263)	(411,146)
Provision for loss	(37,507)	-	1,264	(13,421)	(49,664)
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	24,421	275	(12,510)	4,591	16,777
	======	======	======	======	======

	12.31.2018	Additions	Disposals	Exchange rate variations	09.30.2019
Cost	435,217	-	(694)	32,065	466,588
Depreciation	(367,074)	(1,235)	691	(27,200)	(394,818)
Provision for loss	(30,699)	-	-	(2,245)	(32,944)
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	37,444	(1,235)	(3)	2,620	38,826
	======	======	======	======	======

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

The composition of assets contracted as leases are as follows:

		Consolidated			
		09.30.2020			12.31.2019
	Rate (2) %	Cost	Accumulated amortization	Net book value	Net book value
Properties (CSA and AMMO – own use)	44.1	14,114	(5,586)	8,528	10,895
Properties – plants (Guarani – own use)	11.7	11,558	(1,010)	10,548	-
Properties (SGUS – own use)	8.3	50,072	(7,302)	42,770	32,798
Properties – stores (AMMO – own use)	24.9	67,987	(27,901)	40,086	42,836
Vehicles	35.8	1,357	(1,003)	354	566
Investment properties (1)		100,534	-	100,534	71,168
		------------	------------	------------	------------
Total right-of-use assets		245,622	(42,802)	202,820	158,263
Financial leases receivable (1)		124,074	-	124,074	91,719
		------------	------------	------------	------------
		369,696	(42,802)	326,894	249,982
		=======	=======	=======	=======

(1) Properties leased and partially subleased by subsidiary SGUS.
(2) The annual average amortization rate corresponds to the average term of the lease contracts of the respective right-of-use assets.

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

	Properties	Properties – plants	Properties – SGUS	Properties – stores	Vehicles	Investment properties	Financial leases receivable	Total
Balance as of December 31, 2019	10,895	-	32,798	42,836	566	71,168	91,719	249,982
Exchange rate variations	-	2,771	12,845	-	-	28,560	36,290	80,466
Additions (1)	8	8,749	-	12,987	94	-	-	21,838
Disposals (2)	-	-	-	(3,267)	-	-	-	(3,267)
Amortization in the period	(2,375)	(972)	(2,873)	(12,470)	(306)	-	-	(18,996)
Interest	-	-	-	-	-	7,248	8,706	15,954
Sublease cash receipts	-	-	-	-	-	(6,442)	(12,641)	(19,083)
	----------	----------	----------	----------	----------	----------	----------	----------
Balance as of September 30, 2020	8,528	10,548	42,770	40,086	354	100,534	124,074	326,894
	======	======	======	=======	======	=======	=======	=======

	Properties	Properties – SGUS	Properties – stores	Vehicles	Investment properties	Financial leases receivable	Total
Balance as of December 31, 2018	-	-	-	-	-	-	-
Initial adoption of IFRS 16/CPC 06 (3)	13,743	34,590	44,230	693	68,585	103,163	265,004
Additions (1)	36	-	12,760	-	875	-	13,671
Disposals (2)	-	-	-	-	-	(10,491)	(10,491)
Amortization in the period	(2,400)	(2,187)	(12,798)	(581)	(4,435)	(7,270)	(29,671)
Exchange rate variations	-	2,253	-	-	4,464	6,587	13,304
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Balance as of September 30, 2019	11,379	34,656	44,192	112	69,489	91,989	251,817
	======	=======	=======	=======	=======	=======	=======

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

(2) Early termination of lease contract.

(3) See note 17 for the initial adoption of IFRS 16/CPC 06.

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

	Lease receivable	
Year	09.30.2020	12.31.2019
2020	4,628	13,145
2021	18,587	13,282
2022	18,789	13,426
2023	19,004	13,580
2024 then after	139,870	96,361
	200,878	149,794
Present value adjustment	(76,804)	(58,075)
	124,074	91,719
Current	(17,570)	(6,601)
Noncurrent	106,504	85,118

The amounts recognized as finance leases have an expectation of compliance with long-term contracts with sub-tenants and also, for some properties, an expectation of occupancy after a vacancy period, which are updated and evaluated annually. As of September 30, 2020, the subsidiary SGUS had no defaults with the current sub-lease agreements. For properties with expectation of future occupancy after vacancy periods, a new assessment will be made at the end of the year. The management of subsidiary SGUS does not expect significant adjustments in the annual assessment.

12. INTANGIBLE ASSETS

	Consolidated	
	09.30.2020	12.31.2019
Goodwill on the acquisition of AMMO (1)	27,303	27,303
Goodwill on the acquisition of Keeco (2)	96,133	-
Trademarks – owned (3)	16,267	16,267
Trademarks – use license (4)	10,533	8,388
Intellectual property (5)	15,388	15,387
Store locations (real estate intangible) (6)	22,987	25,357
Total	188,611	92,702

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

	Goodwill on the acquisition of AMMO (1)	Goodwill on the acquisition of Keeco (2)	Trademarks – owned (3)	Trademarks – use license (4)	Intellectual property (5)	Store locations (real estate intangible) (6)	Total
Balance as of December 31, 2019	27,303	-	16,267	8,388	15,387	25,357	92,702
Transfers (goodwill allocation)	-	101,985	-	-	-	-	101,985
Additions	-	-	-	-	2,644	-	2,644
Disposals	-	-	-	-	-	(2,370)	(2,370)
Amortization	-	-	-	(687)	(2,643)	-	(3,330)
Exchange rate variations	-	37,084	-	2,832	-	-	39,916
Impairment adjustment (2)	-	(42,936)	-	-	-	-	(42,936)
Balance as of September 30, 2020	27,303	96,133	16,267	10,533	15,388	22,987	188,611

	Goodwill on the acquisition of AMMO (1)	Trademarks – owned (3)	Trademarks – use license (4)	Intellectual property (5)	Store locations (real estate intangible) (6)	Total
Balance as of December 31, 2018	27,303	16,348	9,043	7,378	21,801	81,873
Additions	-	-	-	-	125	125
Disposals	-	-	-	-	(361)	(361)
Amortization	-	-	(540)	(1,200)	-	(1,740)
Exchange rate variations	-	-	(261)	-	-	(261)
Balance as of September 30, 2019	27,303	16,348	8,242	6,178	21,565	79,636

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

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

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

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

The subsidiary CSA did not identify signs of deterioration or non-recovery of the recognized goodwill, considering operating profitability and cash generation of the indirect subsidiary AMMO, including the impacts of COVID-19.

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

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

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

The changes were as follows:

	US$ thousand	R$ thousand
Breakdown between equity participation and goodwill paid:		
Investment on December 31, 2019 (a)	8,922	35,961
Equity in affiliate for the period of nine months of 2020	(2,158)	(11,298)
Exchange variation	-	13,491
	-----------	-----------
Investment on September 30, 2020	6,764	38,154
	======	======
Investment on December 31, 2019 (a)	25,302	101,985
Impairment in the 1st quarter of 2020 (b)	(8,259)	(42,936)
Exchange variation	-	37,084
	-----------	-----------
Goodwill on September 30, 2020	17,043	96,133
	======	======

(a) Investment balance on December 31, 2019 in the amount of R$137,946, or US$34,224.

(b) The investment in Keeco was significantly affected by the COVID-19 pandemic and, given the revised projections received by the Company, it was necessary to recognize impairment in the amount of R$42,936 or US$8,259. The recovery of this asset is being monitored by the management of the subsidiary SGUS. New losses are not expected in addition to the probable losses already recognized in the first quarter of 2020.

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

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

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

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

(6) Store locations (real estate intangible): The amounts related to the store locations (real estate intangible) are recorded at the acquisition cost of the respective store, net of impairment of R$7,994 (R$7,994 as of December 31, 2019), based on its market value determined by an independent broker with valuation expertise. The post-pandemic economic recovery may have an impact on the recovery values of these assets, which are assessed annually, in the last quarter of the year. The subsidiary AMMO does not expect to close stores and its lease agreements are entitled to be renewed for at least 5 years from their expiration date. Therefore, company's management believes that the recovery of these amounts is possible over time, and consequently does not expect significant losses in the mid to long term.

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

13. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated	
				09.30.2020	12.31.2019
Local currency (*):					
Banco do Brasil S.A. (a)	R$	130.0 and 294.0 of CDI	2023	381,180	390,936
Banco do Brasil S.A. – CDC	R$	7.1 to 9.0	2021	57,440	57,761
Banco BBM S.A. – CCB	R$	149.0 and 150.5 of CDI and 4.0 + CDI	2021	19,381	44,821
Banco ABC do Brasil S.A. – CCE	R$	4.3 + CDI	2022	41,367	46,637
Banco Bradesco S.A. (*)	R$	6.1 + CDI	2024	20,440	19,760
BNDES (Finame)	R$	3.0 to 9.5	2023	43	168
Banco Daycoval S.A.	R$	5.2 and 6.5 + CDI	2023	36,787	15,743
Banco Santander S.A. (b)	R$	3.5 and 4.7 + CDI	2021	55,154	-
Banco Safra S.A. – CCB	R$	7.4 + CDI	2020	44,040	46,976
Banco Fibra S.A. – CCE	R$	6.5 + CDI	2020	20,512	3,350
Banco Sofisa S.A.	R$	6.8 + CDI	2020	20,124	30,251
Caixa Econômica Federal – CCB (*) (c)	R$	180.0 of CDI	2023	21,004	15,944
Banco Pine S.A.	R$	7.8 + CDI	2022	9,598	12,046
Banco Industrial do Brasil S.A.	R$	5.2 + CDI	2021	2,510	-
Banco BTG Pactual S.A. (d)	R$	12.5	2022	42,399	-
Others	R$	-	2020	7,622	6,637
				-----------	-----------
				779,601	691,030
Foreign currency:					
Banco Patagônia	$ARG	30.0	2020	661	4,657
Banco Luso Brasileiro S.A.	US$	8.5	2020	12,750	9,960
Banco do Brasil S.A.	US$	4.8 to 6.3	2020	43,222	36,671
Banco Santander S.A. PPE	US$	8.1	2021	-	124,252
JP Morgan	US$	Libor + 0.9	2020	-	18,198
Banco Pine S.A.	US$	9.5	2021	11,102	8,221
Banco Itaú Unibanco S.A.	US$	7.6	2020	5,174	29,388
Banco Fibra S.A.	US$	5.0	2020	-	20,261
				-----------	-----------
				72,909	251,608
				-----------	-----------
Total				852,510	942,638
Current				(453,850)	(511,143)
				-----------	-----------
Noncurrent				398,660	431,495
				=======	=======

(*) Loans held in part by the Company in the amount of R$21,004 (R$15,944 plus R$4,968 with Banco do Brasil S.A. on December 31, 2019).

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

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

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

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

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

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

Maturities are as follows:

		2021				
	2020	Current	Noncurrent	2022	2023 and 2024	Total
Local currency:						
Banco do Brasil S.A.	147	86,473	65,843	119,875	108,842	381,180
Banco do Brasil S.A. - CDC	29,324	28,116	-	-	-	57,440
Banco BBM S.A. - CCB	73	16,641	2,667	-	-	19,381
Banco ABC do Brasil S.A. - CCE	5,138	15,141	7,713	13,375	-	41,367
Banco Bradesco S.A.	3,164	2,468	2,468	4,936	7,404	20,440
BNDES (Finame)	8	11	4	14	6	43
Banco Daycoval S.A.	194	10,969	4,285	14,047	7,292	36,787
Banco Santander S.A.	9,835	38,241	7,078	-	-	55,154
Banco Safra S.A. - CCB	44,040	-	-	-	-	44,040
Banco Fibra S.A. - CCE	20,512	-	-	-	-	20,512
Banco Sofisa S.A.	20,124	-	-	-	-	20,124
Caixa Econômica Federal - CCB	4,076	4,063	4,063	8,125	677	21,004
Banco Pine S.A.	2,964	2,633	1,067	2,934	-	9,598
Banco Industrial do Brasil S.A.	1,260	1,250	-	-	-	2,510
Banco BTG Pactual S.A.	8,355	18,099	5,473	10,472	-	42,399
Others	7,622	-	-	-	-	7,622
	156,836	224,105	100,661	173,778	124,221	779,601
Foreign currency:						
Banco Patagônia	661	-	-	-	-	661
Banco Luso Brasileiro S.A.	12,750	-	-	-	-	12,750
Banco do Brasil S.A.	43,222	-	-	-	-	43,222
Banco Pine S.A.	-	11,102	-	-	-	11,102
Banco Itaú Unibanco S.A.	5,174	-	-	-	-	5,174
	61,807	11,102	-	-	-	72,909
Total	218,643	235,207	100,661	173,778	124,221	852,510

Changes in consolidated loans and debentures were as follows:

	09.30.2020			09.30.2019
	Loans	Debentures	Total	Total
Beginning balance	942,638	99,397	1,042,035	1,093,381
Debt proceeds or renewal	363,443	-	363,443	254,615
Accrued interest	48,304	4,605	52,909	75,967
Paid principal	(505,003)	(12,500)	(517,503)	(260,805)
Paid interest	(47,937)	(3,159)	(51,096)	(73,790)
Exchange rate variations	47,719	-	47,719	14,497
Prepaid charges, net	3,346	1,008	4,354	(3,750)
Ending balance	852,510	89,351	941,861	1,100,115

14. DEBENTURES

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

3rd Series 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

The debentures were fully settled at maturity.

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.

On May 14, 2020, at a general meeting, the Debenture Holders resolved to: (i) change the interest rate of the debentures, by changing the spread from 2.75% per year to 4.75% per year; (ii) change the frequency of payment of the interest on the debentures to a single payment on the maturity date; and (iii) change the frequency of payment of the amortization of the nominal unit value of the debentures, to a single payment on the maturity date. The debenture holders' changes and approvals were reflected in the respective minutes.

	4th Series Debentures Terms	
	February 2018	May 2020
Quantity of issued Debentures	150,000	87,500
Debentures unit price (amount in Brazilian Reais)	R$1,000	R$1,000
Amortization	12 equal quarterly installments	1 installment
Initial maturity	05/19/2018	-
Final maturity	02/19/2021	02/19/2021
Return	100% of CDI + 2.75% per annum	100% of CDI + 4.75% per annum
Interest amortization	12 equal quarterly installments	1 installment on 02/19/2021
Guarantees	(1)	(1)
Covenants	(2)	(2)

(1) Guarantees:

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

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

(2) Covenants:

No commitment to maintain financial ratios.

Balances of the debentures on September 30, 2020 and December 31, 2019 were as follows:

	Debentures from		Company and consolidated	
	3rd series	4th series	09.30.2020	12.31.2019
Original amount	-	87,500	87,500	100,000
Prepaid interest	-	(376)	(376)	(1,385)
Accrued interest	-	2,227	2,227	782
Debentures total	-	89,351	89,351	99,397
Current	-	(89,351)	(89,351)	(87,008)
Noncurrent	-	-	-	12,389

15. SUPPLIERS

	Consolidated	
	09.30.2020	12.31.2019
Domestic market	129,725	128,390
Foreign market	28,441	27,012
	----------	----------
	158,166	155,402
	======	======

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 65 days (58 days as of December 31, 2019).

16. GOVERNMENT CONCESSIONS

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

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

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

Total annual installments of the concession:

	Years 5 to 15 2002 to 2012	Years 16 to 25 2013 to 2022	Years 26 to 35 2023 to 2032
Historical amounts:			
Minimum installment	120	120	120
Additional installment	-	12,510	20,449
Annual installment	120	12,630	20,569
Total installments	1,320	126,300	205,690
Monetarily adjusted installments	7,795	745,869	1, 214,696
	===========	===========	==========

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 September 30, 2020, this amount represents R$72,866, of which, R$24,199 is classified in current liabilities and R$48,667 is classified as noncurrent liabilities (R$65,983, of which, R$22,212 is classified in current liabilities and R$43,771 is classified as noncurrent liabilities on December 31, 2019).

As of September 30, 2020, the net book value of the property, plant and equipment related to the current concession is R$17,132 (R$18,208 as of December 31, 2019) (see note 10), considering CSA's equity interest in the investments for the construction of the Porto Estrela Hydroelectric Plant, located on the Santo Antônio River, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

17. LEASES PAYABLE

The breakdown of leases payable is as follows:

		Consolidated	
	Maturity	09.30.2020	12.31.2019
Properties	2024	9,193	11,366
Properties – plant	2028	10,928	-
SGUS (*)	2030	292,773	217,120
Properties – stores	2025	45,425	45,142
Vehicles	2021	368	574
		358,687	274,202
Current		(66,425)	(53,049)
Noncurrent		292,262	221,153

The maturities of leases payable are as follows:

		2021					
	2020	Current	Noncurrent	2022	2023	2024 to 2030	Total
Properties	929	2,750	917	3,666	2,174	70	10,506
Properties – plant	489	1,469	490	1,958	1,958	8,974	15,338
SGUS (*)	11,169	34,368	11,260	45,147	45,512	329,075	476,531
Properties – stores	4,911	13,097	3,363	10,791	9,442	9,350	50,954
Vehicles	89	255	45	-	-	-	389
Gross total	17,587	51,939	16,075	61,562	59,086	347,469	553,718
Adjust to present value	(286)	(2,815)	(1,782)	(9,788)	(13,952)	(166,408)	(195,031)
Total payable	17,301	49,124	14,293	51,774	45,134	181,061	358,687

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

Changes in the consolidated leases payable were as follows:

	09.30.2020						09.30.2019
	Properties	Properties – plant	SGUS	Properties – stores	Vehicles	Total	Total
Balance at the beginning of the period	11,366	-	217,120	45,142	574	274,202	23,221
Initial adoption IFRS 16/CPC 06 R2 (1)	-	-	-	-	-	-	265,004
Additions (2)	8	8,749	-	12,987	94	21,838	12,796
Disposals (3)	-	-	-	(3,492)	-	(3,492)	(10,854)
Charges	723	754	20,968	4,505	34	26,984	21,829
Payments	(2,904)	(1,361)	(31,000)	(8,044)	(334)	(43,643)	(41,967)
Renegotiations (4)	-	-	-	(5,673)	-	(5,673)	-
Exchange variation	-	2,786	85,834	-	-	88,620	15,412
Others	-	-	(149)	-	-	(149)	93
	-------------	-------------	-------------	-------------	-------------	-------------	-------------
Balance at the end of the period	9,193	10,928	292,773	45,425	368	358,687	285,534
	=======	========	=======	========	========	========	========

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

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

(3) Early termination of lease contract.

(4) Due to the COVID-19 pandemic, the indirect subsidiary AMMO Varejo renegotiated the rent of some stores with the lessors, obtaining an exemption or reduction in the minimum rent for the months in which the stores were closed, in accordance with the guidelines of each municipality. According to the revision of CPC 06 (R2), the indirect subsidiary AMMO Varejo adopted the practical expedient, and adjusted the lease liabilities in the amount of the reductions obtained.

The effects on results as of September 30, 2020 and 2019 are as follows:

	09.30.2020						09.30.2019
Continuing operations	Properties	Properties – plant	SGUS	Properties – stores	Vehicles	Consolidated	Consolidated
Lease payments in the period	2,904	1,361	31,000	8,044	334	43,643	40,140
PIS and COFINS recovered	-	-	-	(801)	-	(801)	-
Renegotiations	-	-	-	5,673	-	5,673	-
Amortization of right-of-use assets	(2,375)	(972)	(2,873)	(12,470)	(306)	(18,996)	(28,425)
PIS and COFINS on amortization	-	-	-	589	-	589	-
Interest net	(723)	(754)	(5,014)	(4,505)	(34)	(11,030)	(20,734)
PIS and COFINS on interest	-	-	-	212	-	212	-
Disposals, net	-	-	-	225	-	225	363
Sublease cash receipts	-	-	(19,083)	-	-	(19,083)	-
Total effects with the application of IFRS 16	(194)	(365)	4,030	(3,033)	(6)	432	(8,656)

	Consolidated	
Discontinued operations	09.30.2020	09.30.2019
Lease payments in the period	-	1,827
Amortization of right-of-use assets	-	(1,246)
Interest on leases in the period	-	(1,095)
Total effects with the application of IFRS 16	-	(514)

18. INCOME TAX AND OTHER TAXES

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

	09.30.2020				
	SGPSA (Parent Co.)	CSA Consolidated	SGUS	Others (1)	Consolidated
Income (loss) from operations before taxes	(302,606)	(167,393)	(70,381)	309,262	(231,118)
Equity in subsidiaries	297,808	-	11,298	(297,808)	11,298
Investment support	-	(18,758)	-	-	(18,758)
Permanent differences from foreign subsidiaries	-	-	(1,725)	-	(1,725)
Other	-	428	-	-	428
Income tax basis	(4,798)	(185,723)	(60,808)	11,454	(239,875)
34% income tax rate	1,631	63,146	20,675	(3,894)	81,558
Unrecognized tax credits	(1,631)	(64,490)	(20,675)	3,894	(82,902)
Valuation allowance adjustment	-	-	(69,707)	-	(69,707)
Others	-	(204)	(233)	-	(437)
Total income taxes	-	(1,548)	(69,940)	-	(71,488)
Continuing operations					
Income taxes – current	-	(208)	(233)	-	(441)
Income taxes – deferred	-	(1,340)	(69,707)	-	(71,047)
	-	(1,548)	(69,940)	-	(71,488)

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

	09.30.2019				
	SGPSA (Parent Co.)	CSA Consolidated	SGUS	Others (1)	Consolidated
Income (loss) from operations before taxes (2)	69,416	(100,196)	272,945	(86,694)	155,471
Equity in subsidiaries	(74,188)	-	-	74,188	-
Investment support	-	(30,279)	-	-	(30,279)
Permanent differences from foreign subsidiaries	-	-	(4,049)	-	(4,049)
Other	-	689	(1)	-	688
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Income tax basis	(4,772)	(129,786)	268,895	(12,506)	121,831
34% income tax rate	1,622	44,127	(91,423)	4,251	(41,423)
Unrecognized tax credits	(1,622)	(46,939)	8,649	(4,251)	(44,163)
Tax credit of foreign subsidiary	-	-	(291)	-	(291)
Others	-	7	(185)	-	(178)
	------------	------------	------------	------------	------------
Total income taxes	-	(2,805)	(83,250)	-	(86,055)
	=======	=======	=======	=======	=======
Continuing operations					
Income taxes – current	-	(244)	(238)	-	(482)
Income taxes – deferred	-	(2,561)	(291)	-	(2,852)
	------------	------------	------------	------------	------------
	-	(2,805)	(529)	-	(3,334)
	=======	=======	=======	=======	=======
Discontinued operations					
Income taxes – current	-	-	(2,535)	-	(2,535)
Income taxes – deferred	-	-	(80,186)	-	(80,186)
	------------	------------	------------	------------	------------
	-	-	(82,721)	-	(82,721)
	=======	=======	=======	=======	=======

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

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

b. Deferred income and social contribution taxes

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

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

Deferred income and social contribution taxes are composed as follows:

	12.31.2019	Recognized in: Statement of operations	Recognized in: Equity	Exchange rate variations	Other	09.30.2020
Assets:						
Temporary differences (CSA – Argentina) (1) (a)	649	-	-	-	(184)	465
Temporary differences (CSA – Brasil) (1) (p)	15,635	1,148	-	-	-	16,783
Net operating losses (CSA – Brasil) (1) (p)	1,148	(1,148)	-	-	-	-
Tax credits from foreign subsidiary (CSA – Brasil) (1) (p)	7,167	-	-	-	-	7,167
Net operating losses (SGUS – EUA) (2) (a)	66,501	(69,707)	-	20,638	-	17,432
Temporary differences (AMMO – Brasil) (1) (a)	225	-	-	-	(130)	95
Net operating losses (SGPSA – Brasil) (a)	1,905	-	-	-	-	1,905
	93,230	(69,707)	-	20,638	(314)	43,847
Deferred tax liabilities:						
Investment properties (CSA – Brasil) (1) (p)	(83,389)	(1,340)	-	-	-	(84,729)
Hyperinflationary adjustment (CSA – Argentina) (1) (p)	(6,651)	-	-	-	(666)	(7,317)
Temporary differences (CSA – Brasil) (1) (p)	(17,539)	-	-	-	-	(17,539)
Total deferred taxes, net	(14,349)	(71,047)	-	20,638	(980)	(65,738)
Noncurrent assets (sum of a)	69,280	(69,707)	-	20,638	(314)	19,897
Noncurrent liabilities (sum of p)	(83,629)	(1,340)	-	-	(666)	(85,635)

(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
2021	4,971	(4,971)	-
2023 and thereafter	12,372	12,138	24,510
	17,343	7,167	24,510

(*) 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 September 30, 2020, CSA had net operating losses of R$1,020,592 (R$915,612 as of December 31, 2019) and social contribution tax losses of R$1,026,721 (R$921,695 as of December 31, 2019), whose tax assets were not recognized in the financial statements. As of September 30, 2020, the indirect subsidiary AMMO had net operating losses of R$355,372 (R$283,948 on December 31, 2019) and social contribution tax losses of R$355,400 (R$282,322 on December 31, 2019).

Deferred tax liabilities – investment properties:

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

	Investment properties São Gonçalo		Investment properties Montes Claros (9.3)	Total
	Business complex (9.1)	Residential complex (9.2)		
Fair value	302,211	44,974	52,340	399,525
Total residual cost	(110,368)	(93)	(39,860)	(150,321)
Surplus/added value	191,843	44,881	12,480	249,204
Income and social contribution taxes liability on surplus/added value (34%)	65,227	15,259	4,243	84,729

(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 September 30, 2020, totaling R$17,432 (R$66,501 as of December 31, 2019). The reduction in the deferred tax assets was caused by the negative impact of COVID-19 on the profitability projections of its affiliate Keeco Holdings, LLC. The revised projections of the continuing operations consider the revenues and expenses of the subsidiary SGUS, including the profitability of its affiliate, for the next 10 years.

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

The estimated realization for the deferred tax assets of subsidiary SGUS, as of September 30, 2020, is shown below:

Year	Subsidiary SGUS
2024	100
2025 and thereafter	17,332
	17,432

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

Additionally, on September 30, 2020, subsidiary SGUS had R$1,078,498 in tax losses (R$499,688 at December 31, 2019) whose tax assets were not recognized in the interim financial statements.

c. Recoverable taxes

	Company		Consolidated	
	09.30.2020	12.31.2019	09.30.2020	12.31.2019
ICMS (state VAT)	-	-	8,937	9,878
Income and social contribution taxes prepayments	157	341	11,201	12,390
Recoverable PIS and COFINS (*)	-	-	161,002	204,754
Recoverable INSS	-	-	-	15,391
IVA – Gross proceeds (Argentina)	-	-	6,605	1,416
Recoverable IPI	-	-	83	83
Other recoverable taxes	-	-	1,388	423
	157	341	189,216	244,335
Current	(157)	(341)	(68,226)	(80,942)
Noncurrent	-	-	120,990	163,393

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

19. MISCELLANEOUS ACCRUALS

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

The Company and its subsidiaries have tax, labor and civil claims, whose loss was estimated as possible in the amount of R$22,820, R$3,789 and R$41,101, respectively, (R$22,799, R$4,402 and R$40,043, respectively, on December 31, 2019). The main tax claims relate to infraction notices referring to: (i) imports of raw materials under the Drawback program (R$7,559); (ii) calculation of presumed FAIN credit (R$5,871); and (iii) ex-tariff IPI exemption (R$3,160). The main labor lawsuits are related to labor claims of former employees and third parties. The main civil claims correspond to a writ of mandamus filed against the Electric Energy Trading Chamber (CCEE), in the amount of R$38,701, seeking to eliminate possible financial burdens arising from judicial decisions that determine the sharing of losses among power generators. The main labor claims correspond to labor claims by former employees and third parties.

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

	Consolidated	
	09.30.2020	12.31.2019
Tax litigation claims – others	111	108
Labor	7,918	9,472
Civil and others	3,585	3,351
	----------	-----------
Total	11,614	12,931
	=====	=====
Escrow deposits	10,507	13,403
	=====	=====

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

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

Changes in the consolidated accrual are as follows:

	12.31.2019	Additions	Disposals	Exchange variation	09.30.2020
Tax litigation claims - others	108	3	-	-	111
Labor	9,472	669	(2,270)	47	7,918
Civil and others	3,351	193	(48)	89	3,585
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	12,931	865	(2,318)	136	11,614
	======	======	======	======	======

	12.31.2018	Additions	Disposals	Exchange variation	09.30.2019
Tax litigation claims - others	98	2	-	-	100
Labor	11,468	861	(1,522)	(193)	10,614
Civil and others	1,367	650	(166)	(279)	1,572
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	12,933	1,513	(1,688)	(472)	12,286
	======	=====	=====	======	======

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 September 30, 2020 and 2019:

	09.30.2020	09.30.2019
Components of net periodic benefit cost:		
Service cost	1,100	777
Interest cost, net	3,018	3,111
Net periodic benefit cost	4,118	3,888

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:

	09.30.2020	12.31.2019
Pension plan obligations	154,748	113,023
Other employee benefit obligations	1,076	2,761
Total employee benefit plans	155,824	115,784
Current (a)	(13,458)	(9,617)
Noncurrent	142,366	106,167

(a) Presented on caption "Payroll and related charges".

21. EQUITY

a. Capital

The subscribed and paid-in capital is represented by 50,000,000 common shares with voting rights. There was no change in the number of shares subscribed and paid for the period between January 1, 2019 and September 30, 2020.

b. Dividends and realizable earnings reserve

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

c. Retained earnings reserve

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

d. Cumulative translation adjustments

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

e. Assets and liabilities valuation adjustments

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

22. RELATED-PARTY BALANCES AND TRANSACTIONS

	Receivable		Payable	
	09.30.2020	12.31.2019	09.30.2020	12.31.2019
Company:				
Coteminas S.A.	-	-	22,628	16,255
	----------	----------	----------	----------
	-	-	22,628	16,255
	======	======	======	======
Consolidated:				
Companhia de Tecidos Norte de Minas – Coteminas	48,036	32,368	-	-
Coteminas International Ltd.	5,889	1,795	-	-
Argentina branch	23	17	-	-
Santanense Argentina	58	51	-	-
Companhia Tecidos Santanense	7,754	8,674	-	-
Encorpar Empreendimentos Imobiliários Ltda.	-	-	48	-
	----------	----------	----------	----------
	61,760	42,905	48	-
	======	======	======	======

	Finance charges	
	09.30.2020	09.30.2019
Company:		
Coteminas S.A.	(1,604)	(698)
Companhia de Tecidos Norte de Minas – Coteminas	(1)	-
	----------	----------
	(1,605)	(698)
	======	======
Consolidated:		
Companhia de Tecidos Norte de Minas – Coteminas	7,776	10,556
Companhia Tecidos Santanense	1,745	219
Coteminas International Ltd.	69	61
Wembley S.A.	-	4
Encorpar Empreendimentos Imobiliários Ltda.	(1)	-
	----------	----------
	9,589	10,840
	======	======

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 September 30, 2020, the amount of R$10,251 was recorded with R$3,646 (R$4,418 as of December 31, 2019) in the caption “Other receivables” in current assets and R$6,605 in the caption “Others” in noncurrent assets (R$9,251 as of December 31, 2019), related to guarantees on existing contracts and credit facilities. In the period of nine months of 2020, the amount of R$3,418 was recorded as interest expenses under the caption “Financial expenses – bank charges and others” (R$4,037 in the same period of 2019).

In the period of nine months of 2020, the subsidiary CSA supplied intermediate products to a related party, Companhia Tecidos Santanense, in the amount of R$23,018 (R$12,915 in the same period of 2019). The receivable balance related to these transactions is presented in note 5.

CTNM and the indirect subsidiary AMMO Varejo have a rental agreement for the property where their distribution center and office are located. In the period of nine months of 2020, payments were made in the amount of R$2,862 (R$2,608 in the same period of 2019).

On September 30, 2020, the indirect subsidiary LAT Capital Ltd. had R$23,553 (R$32,495 as of December 31, 2019) in investments in foreign funds and deposit accounts, received from Coteminas International Ltd., a company under common control.

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

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

23. FINANCIAL INSTRUMENTS

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

	Company		Consolidated	
	09.30.2020	12.31.2019	09.30.2020	12.31.2019
FINANCIAL ASSETS				
Amortized cost:				
Cash and cash equivalents	309	154	168,979	151,935
Marketable securities (current)	-	-	22,025	33,976
Accounts receivable	-	-	418,632	487,822
Cash holdback amount	-	-	35,536	25,393
Other receivables	1,021	960	32,157	32,976
Marketable securities (noncurrent)	1,662	-	1,662	71,010
Receivable – clients	-	-	26,596	23,968
Related parties	-	-	61,760	42,905
Escrow deposits	-	-	10,507	13,403
Others	-	-	55,186	54,558
Fair value through profit or loss:				
Marketable securities (current)	-	-	-	18,365
FINANCIAL LIABILITIES				
Amortized cost:				
Loans and financing (current)	8,139	12,933	453,850	511,143
Debentures (current)	-	-	89,351	87,008
Suppliers	21	6	158,166	155,402
Government concessions (current)	-	-	24,199	22,212
Other accounts payable	-	-	56,513	52,376
Loans and financing (noncurrent)	12,865	7,979	398,660	431,495
Debentures (noncurrent)	-	-	-	12,389
Related parties	22,628	16,255	48	-
Government concessions (noncurrent)	-	-	48,667	43,771
Other obligations	-	-	44,534	31,764

The main risk factors to which the Company and its subsidiaries are exposed reflect strategic-operational and economic-financial matters. The strategic-operational risks (such as demand trend, competition, technological innovation, significant changes in the industry structure, among others) are inherent to the Company's operating activities and are addressed by its Management.

The economic-financial risks mainly reflect customers' delinquency, macro-economic trends, such as currency exchange and interest rates, as well as the nature of the derivative instruments used by the Company, its subsidiaries, and its counter-parties. These risks are managed through internal control policies, specific strategies and establishment of approval authorities.

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

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

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

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

The purpose of derivative transactions is always related to the elimination of market risks, identified in our policies and guidelines and, also, to the management of the volatility of financial flows. The measurement of efficiency and evaluation of results occurs throughout the life of the contracts. The monitoring of the impact of these transactions is analyzed quarterly by the Cash and Debt Management Committee where the mark-to-market of these transactions is discussed and validated. All derivative financial instruments are recorded at fair value in the Company’s interim financial statements. As of September 30, 2020 and December 31, 2019, except for the transaction described in item d.4 below, there were no outstanding derivative financial instruments.

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

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

d.3.1) Exchange rate risk on foreign investments:

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

	09.30.2020				
	R$	$ARG	US$	$PYG	Exchange rate variation on foreign investments R$
Foreign investments:					
Coteminas Argentina	69,058	933,216	-	-	12,316
LAT Capital	14,370	-	2,548	-	3,877
Textil Guarani	4,355	-	-	5,443,750	984
SGUS	451,501	-	80,043	-	157,334
	539,284	933,216	82,591	5,443,750	174,511
Related parties:					
LAT Capital	(125,939)	-	(22,327)	-	(35,169)
SGUS	(290,521)	-	(51,504)	-	(85,467)
	(416,460)	-	(73,831)	-	(120,636)
Total of foreign investments net	122,824	933,216	8,760	5,443,750	53,875

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

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

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

Financial instruments	09.30.2020	12.31.2019
Accounts receivable	25,101	46,415
Marketable securities	-	71,010
Suppliers	(8,745)	(7,933)
Loan and financing	(72,248)	(228,753)
Related parties	2,587	(295,050)
	-----------	-----------
Total exposure in Brazilian Reais	(53,305)	(414,311)
	======	======
Total exposure in equivalent thousands of US Dollars	(9,450)	(102,789)
	======	======

The sensitivity analysis of financial instruments, considering the US Dollar denominated cash flows, as of September 30, 2020, is shown below:

			Scenarios		
Maturity	Risk	Exposure value in thousands of US$	Probable	II	III
2020	US Dollar appreciation	(7,711)	9	(10,863)	(21,735)
2021	US Dollar appreciation	(1,739)	(3)	(2,456)	(4,909)
		======	======	======	======

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

d.4 – Commodities price risk (cotton)--This risk arises from the possibility of the Company and its subsidiaries may incur losses due to fluctuations in the price of cotton, its main raw material. As of September 30, 2020 there were no outstanding contracts.

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

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

Interest rates swap contracts--Are presented and measured at fair value and are based on the cash flow of the loans denominated in foreign currency. Gains or losses are recorded under the “Financial expenses – interest” caption in the statements of operations. There were no interest rate derivatives in the periods ended September 30, 2020 and 2019.

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

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

	09.30.2020				12.31.2019
Description	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: 130.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	165,000	289	(2,495)	162,794	162,464
Loan Agreement -- Interest: 130.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	165,000	289	(2,495)	162,794	162,464
Loan Agreement -- Interest: 294.0% of CDI Counterpart: Banco Brasil S.A. – CCB Maturity: March/2022	56,250	136	(794)	55,592	66,008
(Refer to Note 13)				381,180	390,936
Loan Agreement -- Interest: 149.0% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: June/2021	6,644	37	-	6,681	22,992
Loan Agreement -- Interest: CDI + 4.0% Counterpart: Banco BBM S.A. – CCB Maturity: July/2021	1,447	17	-	1,464	5,018
Loan Agreement -- Interest: 150.5% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: July/2021	3,216	19	-	3,235	8,807
Loan Agreement -- Interest: 149.0% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: November/2021	8,000	1	-	8,001	8,004
(Refer to Note 13)				19,381	44,821
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC Brasil S.A. – CCB Maturity: April/2022	15,535	35	-	15,570	17,552
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2022	8,580	19	-	8,599	9,695
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2022	8,580	19	-	8,599	9,695
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2022	8,580	19	-	8,599	9,695
(Refer to Note 13)				41,367	46,637

Description	09.30.2020				12.31.2019
	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: CDI + 6.1% Counterpart: Banco Bradesco S.A. Maturity: April/2024	19,746	694	-	20,440	-
(Refer to Note 13)				20,440	-
Loan Agreement -- Interest: CDI + 4.5% Counterpart: Banco Daycoval S.A. Maturity: September/2020	-	-	-	-	10,072
Loan Agreement -- Interest: CDI + 4.5% Counterpart: Banco Daycoval S.A. Maturity: October/2020	-	-	-	-	5,671
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Daycoval S.A. Maturity: July/2023	12,814	72	-	12,886	-
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Daycoval S.A. Maturity: July/2023	12,658	71	-	12,729	-
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Daycoval S.A. Maturity: July/2022	11,120	52	-	11,172	-
(Refer to Note 13)				36,787	15,743
Loan Agreement -- Interest: CDI + 3.5% Counterpart: Banco Santander S.A. – CCE Maturity: October/2021	40,498	151	-	40,649	-
Loan Agreement -- Interest: CDI + 4.7% Counterpart: Banco Santander S.A. – CCE Maturity: December/2021	2,893	8	-	2,901	-
Loan Agreement -- Interest: CDI + 4.7% Counterpart: Banco Santander S.A. – CCE Maturity: December/2021	2,893	8	-	2,901	-
Loan Agreement -- Interest: CDI + 4.7% Counterpart: Banco Santander S.A. – CCE Maturity: December/2021	2,893	8	-	2,901	-
Loan Agreement -- Interest: CDI + 4.7% Counterpart: Banco Santander S.A. – CCE Maturity: December/2021	2,893	8	-	2,901	-
Loan Agreement -- Interest: CDI + 4.7% Counterpart: Banco Santander S.A. – CCE Maturity: December/2021	2,893	8	-	2,901	-
(Refer to Note 13)				55,154	-

Description	09.30.2020 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2019 Payable
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: February/2020	-	-	-	-	838
Loan Agreement -- Interest: CDI + 8.6% Counterpart: Banco Safra S.A. – CCB Maturity: July/2020	-	-	-	-	20,007
Loan Agreement -- Interest: CDI + 8.6% Counterpart: Banco Safra S.A. – CCB Maturity: August/2020	-	-	-	-	20,129
Loan Agreement -- Interest: CDI + 5.5% Counterpart: Banco Safra S.A. – CCB Maturity: September/2020	-	-	-	-	4,001
Loan Agreement -- Interest: CDI + 5.5% Counterpart: Banco Safra S.A. – CCB Maturity: September/2020	-	-	-	-	2,001
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: November/2020	40,000	11	-	40,011	-
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: November/2020	4,000	29	-	4,029	-
(Refer to Note 13)				44,040	46,976
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Fibra S.A. Maturity: July/2020	-	-	-	-	3,350
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Fibra S.A. Maturity: October/2020	20,000	512	-	20,512	-
(Refer to Note 13)				20,512	3,350
Loan Agreement -- Interest: CDI + 7.9% Counterpart: Banco Sofisa S.A. Maturity: July/2020	-	-	-	-	10,093
Loan Agreement -- Interest: CDI + 12.7% Counterpart: Banco Sofisa S.A. Maturity: July/2020	-	-	-	-	10,067
Loan Agreement -- Interest: CDI + 12.7% Counterpart: Banco Sofisa S.A. Maturity: July/2020	-	-	-	-	10,091

Description	09.30.2020 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2019 Payable
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Sofisa S.A. Maturity: November/2020	20,000	124	-	20,124	-
(Refer to Note 13)				20,124	30,251
Loan Agreement -- Interest: 180.0% of CDI Counterpart: Caixa Econômica Federal – CCB Maturity: April/2023	20,990	14	-	21,004	15,944
(Refer to Note 13)				21,004	15,944
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: November/2020	444	3	-	447	2,015
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: December/2020	667	5	-	672	2,001
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: February/2021	1,250	10	-	1,260	-
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: December/2022	7,200	19	-	7,219	8,030
(Refer to Note 13)				9,598	12,046
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Industrial do Brasil S.A. Maturity: March/2021	2,500	10	-	2,510	-
(Refer to Note 13)				2,510	-
Debentures 3rd series -- Interest: 110.0% of CDI Counterpart: Gaia Agro Sec. S.A. Maturity: June/2020	-	-	-	-	12,237
Debentures 4th series -- Interest: CDI + 4.75% Counterpart: Several debenture holders Maturity: February/2021	87,500	2,227	(376)	89,351	87,160
(Refer to Note 14)				89,351	99,397
	762,684	4,924	(6,160)	761,448	706,101

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of September 30, 2020, is as follows:

		Principal	Scenarios		
Maturity	Risk	average balance	Probable	II	III
2020	CDI increase	690,256	5,476	6,561	7,506
2021	CDI increase	611,177	19,045	31,654	36,641
2022	CDI increase	232,640	6,834	21,902	25,961
2023	CDI increase	92,725	2,325	9,939	11,834
2024	CDI increase	2,468	95	200	226
			======	======	======

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.

<u>d.6 – Credit risk</u>--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.

<u>d.7 – Liquidity risk management</u>--The Company presented the consolidated financial assets and liabilities, according to their cash flows, based on their approximate maturity date, and using nominal contractual interest rates, in its annual financial statements for the year ended December 31, 2019. As of September 30, 2020, there was no significant change in relation to the amounts disclosed in the annual financial statements.

<u>d.8 – Capital management risk</u>--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	
	09.30.2020	12.31.2019
Loans and financing	852,510	942,638
Debentures	89,351	99,397
Cash and cash equivalents	(168,979)	(151,935)
Marketable securities	(23,687)	(123,351)
Total net debt	749,195	766,749
Total equity	1,138,028	1,386,626
Total net debt and equity	1,887,223	2,153,375
Total net debt	749,195	766,749
Cash holdback amount	(35,536)	(25,393)
Total net debt after cash holdback amount	713,659	741,356

24. SEGMENT INFORMATION

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

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

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

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

	09.30.2020 (continuing operations)			
	Wholesale	Retail	(*) Others unallocated	Total
Net revenues	707.9	297.6	-	1,005.5
Cost of goods sold	(524.6)	(145.6)	-	(670.2)
Gross profit	183.3	152.0	-	335.3
Selling, general and administrative expenses	(162.1)	(150.0)	(12.9)	(325.0)
Other	(15.7)	(1.0)	6.9	(9.8)
Results of operations	5.5	1.0	(6.0)	0.5
Equity loss of affiliate	-	-	(11.3)	(11.3)
Goodwill impairment of in affiliate	-	-	(42.9)	(42.9)
Financial results (without exchange rate variations)	-	-	(147.2)	(147.2)
Exchange rate variations	-	-	(30.1)	(30.1)
Income (loss) before taxes	5.5	1.0	(237.5)	(231.0)
Depreciation and amortization	47.3	19.2	3.5	70.0

	09.30.2019 (continuing operations)			
	Wholesale	Retail	(*) Others unallocated	Total
Net revenues	857.1	192.2	-	1,049.3
Cost of goods sold	(638.1)	(93.0)	-	(731.1)
Gross profit	219.0	99.2	-	318.2
Selling, general and administrative expenses	(178.6)	(103.6)	(11.2)	(293.4)
Other	6.4	5.7	11.9	24.0
Results of operations	46.8	1.3	0.7	48.8
Financial results (without exchange rate variations)	-	-	(131.7)	(131.7)
Exchange rate variations	-	-	(38.7)	(38.7)
Income (loss) before taxes	46.8	1.3	(169.7)	(121.6)
Depreciation and amortization	49.0	18.9	13.8	81.7

(*) 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	
	09.30.2020	09.30.2019
Net revenues (in millions of Reais):		
Bedding, tabletop and bath	534.5	671.6
Intermediate products	173.4	185.5
Retail	297.6	192.2
	-------------	-------------
	1,005.5	1,049.3
	========	========
Volume (in thousands of tons):		
Bedding, tabletop and bath	13.7	19.5
Intermediate products	16.7	17.6
	-------------	-------------
	30.4	37.1
	========	========

The Company has over 10,000 active clients as of September 30, 2020.

25. EXPENSES BY NATURE

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

By nature:

	Consolidated	
	09.30.2020	09.30.2019
Cost of raw materials, goods and services acquired from third parties	(689,599)	(656,766)
Employee benefits	(231,225)	(251,146)
INSS	(25,506)	(26,992)
Depreciation and amortization	(69,995)	(81,724)
Finished goods and work in process inventory variations	21,140	(8,103)
Other	-	224
	--------------	--------------
Total by nature	(995,185)	(1,024,507)
	========	========

By function:

	Consolidated	
	09.30.2020	09.30.2019
Cost of goods sold	(670,169)	(731,091)
Selling expenses	(235,436)	(204,202)
General and administrative expenses	(81,264)	(80,864)
Management fees	(8,316)	(8,350)
	--------------	--------------
Total by function	(995,185)	(1,024,507)
	========	========

26. NET REVENUES

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

	Consolidated	
	09.30.2020	09.30.2019
OPERATING REVENUES:		
Gross revenues	1,339,633	1,404,462
Revenue deductions	(334,130)	(355,143)
	-------------	-------------
NET REVENUES	1,005,503	1,049,319
	========	========

27. BASIC AND DILUTED INCOME (LOSS) PER SHARE

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

	09.30.2020	09.30.2019
NET LOSS FOR THE PERIOD OF THE CONTINUED OPERATIONS	(302,606)	(124,946)
NET INCOME FOR THE PERIOD OF THE DISCONTINUED OPERATIONS	-	194,362
	-------------	-------------
NET INCOME (LOSS) FOR THE PERIOD	(302,606)	69,416
Weighted-average outstanding common shares	50,000,000	50,000,000
BASIC AND DILUTED INCOME (LOSS) PER SHARE (R$)		
From continuing operations	(6.0521)	(2.4989)
From discontinued operations	-	3.8872
	-----------	-----------
	(6.0521)	1.3883
	======	=====

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

28. DISCONTINUED OPERATIONS

(a) On December 28, 2018, the Company announced a material fact, informing it had entered into an "Asset Purchase and Contribution Agreement" ("Agreement") with Keeco, a US company for home products, to combine its North American operations. Under the terms of the Agreement, concluded on March 15, 2019 (see note 29), SGUS agreed to sell the assets and liabilities used in its operations to Keeco for US$126 million, including: US$90 million in cash, of which US$83.7 million at closing and US$6.3 million as cash holdback amount retained for 18 months 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.

(b) In September 2020, Keeco was expected to pay the cash holdback amount of US$6.3 million, equivalent to R$ 35,536 on September 30, 2020. While not paying it, Keeco claimed that there were divergences in the working capital amount, among other matters, and retained the entire holdback amount until the dispute is resolved. The subsidiary SGUS, advised by its lawyers, understands that the amount is due, and responded to Keeco by requesting immediate payment or the initiation of the dispute resolution procedures defined in the contract. Unsuccessful in its request, the subsidiary SGUS filed legal action in the US court, in November, requesting that the procedures provided for in the contract be initiated, which includes engaging a dispute resolution auditor to provide a final determination.

The results of discontinued operations highlighted in the statements of operations for the period ended on September 30, 2019 are presented below:

	Company		Consolidated	
	09.30.2020	09.30.2019	09.30.2020	09.30.2019
NET REVENUES	-	-	-	199,739
COST OF GOODS SOLD	-	-	-	(177,698)
GROSS PROFIT	-	-	-	22,041
OPERATING INCOME (EXPENSES):				
Selling expenses	-	-	-	(5,320)
General and administrative expenses	-	-	-	(8,054)
Equity in subsidiaries	-	194,362	-	-
Others, net	-	-	-	(2,926)
INCOME FROM OPERATIONS	-	194,362	-	5,741
Financial expenses – interests and other charges	-	-	-	(3,750)
INCOME FROM OPERATIONS BEFORE TAXES	-	194,362	-	1,991
Income and social contribution taxes:				
Current	-	-	-	(197)
Deferred	-	-	-	-
Income for the period from discontinued operations, before gain on sale of the net assets held for sale	-	194,362	-	1,794
Gain on sale of the net assets held for sale	-	-	-	192,568
NET INCOME FOR THE PERIOD – DISCONTINUED OPERATIONS	-	194,362	-	194,362

The cash flow statements of discontinued operations are presented below:

	Company		Consolidated	
	09.30.2020	09.30.2019	09.30.2020	09.30.2019
Cash flows from discontinued operations activities:				
Net income for the period	-	194,362	-	194,362
Depreciation and amortization	-	-	-	1,841
Equity in subsidiaries	-	(194,362)	-	-
Income and social contribution taxes	-	-	-	82,721
Gain on the sale of discontinued operations	-	-	-	(275,092)
Bank charges, interests and commissions	-	-	-	2,668
	-	-	-	6,500
Changes in assets and liabilities				
Accounts receivable	-	-	-	(1,617)
Inventories	-	-	-	(11,635)
Suppliers	-	-	-	(6,173)
Others	-	-	-	3,031
Net cash used in discontinued operations activities before interest and taxes	-	-	-	(9,894)
Interest paid	-	-	-	(969)
Income and social contribution taxes paid	-	-	-	(521)
Net cash used in discontinued operations activities after interest and income taxes	-	-	-	(11,384)
Cash flows from investing discontinued operations activities:				
Proceeds from sale of discontinued operations	-	-	-	469,631
Net cash provided by investing discontinued operations activities	-	-	-	469,631
Cash flows from discontinued financing activities:				
Proceeds from new loans	-	-	-	43,754
Repayment of loans	-	-	-	(156,941)
Net cash used in financing activities	-	-	-	(113,187)
Total cash provided by discontinued operations	-	-	-	345,060

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

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

(*) Amounts in Reais calculated using the exchange rate as of March 30, 2019, of R$3.8967.

30. PANDEMIC-RELATED EFFECTS – COVID-19

1 - Effects in the nine months ended September 30, 2020:

On March 23, 2020, the Company issued a statement to the market informing about the closure of its physical stores, and that they would remain closed in accordance with the directives issued by health authorities and local authorities. The digital channels continued to sell products through the websites and applications of the brands Santista, Artex, MMartan and Casas Moysés. In June, the reopened stores were mostly, operating at reduced hours, following the determination of the authorities of each municipality. In the third quarter, the stores were still operating with some schedule reductions in the months of July and August, and returned to their regular operation hours in September.

As determined by the Argentine authorities, our industrial plant located in the province of Santiago del Estero has remained closed since March 20, 2020, and partially resumed operations in early June 2020. In the third quarter, the plant partially operated in July and returned to regular operation in August and September.

The subsidiary CSA continued to operate normally at its Montes Claros, Campina Grande and Blumenau facilities and, at a reduced level, at the João Pessoa and Macaíba facilities, since March, including the entire second quarter. In the third quarter, starting in mid-August, all facilities resumed regular operation.

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

The 40% devaluation of the real against the US currency during the nine months period impacted our financial expense on foreign currency loans by R$37 million, increasing the corresponding debt by the same amount. Additionally, the currency devaluation impacted the cost of raw materials that are linked to the US currency.

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

<u>Wholesale</u>: In Brazil, in the first quarter, a decrease in sales in March of approximately R$40 million. In the second quarter, the sales reduction was approximately R$110 million. In Argentina, in the first quarter, sales stalled in March with effects of approximately of R$15 million in sales reduction. In the second quarter, sales partially resumed in May and June, with a significant reduction in sales in the quarter of approximately R$20 million. The profitability of the wholesale segment was affected by the reduction in sales and also by the fixed costs not absorbed by the reduction in production volumes.

Retail: Physical stores closed on March 23, 2020. We had an increase in expenses with digital media for sales at our websites, digital channels and applications. In the first quarter, the reduction in net sales, in the physical stores in March, without the corresponding reduction in rental and personnel expenses, which started in April, impacted margins and affected EBITDA. In the second quarter, physical stores were closed for much of the quarter, but the loss of sales in physical stores was more than offset by the 8.7 times increase in sales through the digital channel. In the third quarter, the stores were still operating with some schedule reductions in the months of July and August, and returned to their regular operation hours in September.

We estimated the total impacts of COVID-19 in the six months period ended on June 30, 2020 at R$65 million in EBITDA reduction, driven by the reduction in sales and the increase in unit costs due to the reduction in volumes produced and residual costs of physical stores, which remained closed for approximately 90 days. The impacts for the third quarter were not estimated.

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

2 - Probable effects for the next quarter:

No significant impacts related to the pandemic are expected for the 4th quarter of the year.

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