SPRINGS GLOBAL PARTICIPAÇÕES S.A.
CNPJ/MF – 07.718.269/0001-57
NIRE 3130002243-9
Publicly Traded Company

Dear Shareholders,

The management of Springs Global Participações S.A. submits for your consideration the Company's Management´s Discussion and Analysis and Financial Statements for the year of 2019. Such information, prepared in accordance with the International Financial Reporting Standards (IFRS), as well as the accounting practices adopted in Brazil and standards established by "CVM", the Brazilian Securities Exchange Commission, is accompanied by its Independent Auditors' report.

Year 2019

We started, in 2019, the resumption of economic growth, with the improvement of relevant indicators, such as the reduction in the unemployment rate, resuming of retail sales, and the continuation of the cycle of reduction in the basic interest rate, with inflation under control.

The main event was the approval of pension reform, which was the first and the most important step in the process of fiscal consolidation, which aims to reverse the trend of deteriorating public accounts.

Despite the initial optimism, there was a delay in Congress to approve new reforms of the economic agenda, which would allow productivity gains in the country. Hence, GDP growth was below expectations.

Aiming to improve our competitiveness and our profitability, we optimized our operations and expanded our addressable market from bedding, tabletop, and bath, totaling R$ 12 billion in Brazil, according to IBOPE, to home & decoration, with a total market estimated at R$ 86 billion, at consumer prices.

We have concluded, in mid-March, the combination of our North American operations with Keeco, receiving part of this valuation in cash and part in common shares of the combined company. This business combination strengthens our presence in the North American market and enables our management to focus on the South American business, with a more robust financial structure.

We combined two industrial plants in Brazil, at the end of June 2019, with productivity gains that have already enabled, together with the lower price of cotton, our main raw material, the achievement of gross margin of 35.3% in the last quarter, a quarterly record since 2011.

We started, in 2019, sales of non-textile products in our digital channels, such as decorative, kitchen and table products, through partners, and, therefore, with low risk and low working capital. The expanded offering of new product categories enables the growth of our revenue and the strengthening of our brands, increasing the average value and the frequency of purchase of our brands by our consumers.

We continue our transformation towards the digital channel. E-commerce sales grew 73% in 2019, and, in the last quarter of 2019, represented 17% of our retail sell-out revenues. Additionally, we started to provide to our multi-brand customers the PIX storefront system, which brings the concept of multichannel and enables retailers that distribute our products to also participate in our online sales, delivering them or making them available for pick up in their store. These retailers can also offer to their clients products that they do not have in their physical stock, through an online catalog, for future delivery or store pick-up, providing a better shopping experience for our customers.

These efforts resulted in a 48.6% yoy increase, in recurring terms, in cash generation from operations, as measured by EBITDA.

The Company had a free cash flow of R$ 223.6 million in 2019, positively impacted by the combination of North American assets, which was used to reduce net debt.

In the second half of 2019, the tax recovery credits, totaling R$ 208.9 million, recorded in 2018, were enabled and started to be compensated. During 2020, we will continue to realize their cash effect, reducing the Company's net debt.

New mission: "Innovate to deliver experiences that enchant and promote well-being"

The Company's mission, our purpose, motivates and inspires us to go beyond bedding, tabletop and bath products to make a difference in the lives of our customers. Our new mission is "Innovate to deliver experiences that enchant and promote well-being", and in our understanding well-being implies a state of full satisfaction of the body and/or spirit needs; a feeling of security, comfort and tranquility; and even being impacted by beauty and enchantment through our products and communication channels.

Our vision is customer-centric, we continue to want to delight them, but now we open new paths for products and services that involve their well-being, their health and their state of mind. Technology and a culture of innovation and experimentation will be fundamental in this process. We have already started this transformation, with the formation of a qualified and engaged team, and with renowned partners. As an example, we have developed sleep products with sensors, which will be launched in 2020. These products offer tips for the user to improve the quality of their sleep, with a positive impact on their productivity during the day, after a good night's sleep.

We are engaged and motivated to be the largest, the best and the most digital vertical company in the Home & Decoration segment in the Americas. Our growth will be focused on segments and categories that require low capital and are scalable, and therefore enabling greater profitability for our shareholders. We believe that the expansion of the product portfolio and brands; the growth of distribution channels, including a greater number of franchised stores; and the offering of technological solutions for retail, such as our PIX storefront technology, will be the drivers of the Company's growth in the coming years, in which we estimate a more balanced participation of wholesale and retail in our expanded revenue.

Our culture of entrepreneurship, innovation, and audaciousness will guide us in this new transformation, with a great emphasis on experimentation, opening room for new markets and opportunities. In this path, we will seek to exercise our leadership, through example and hard and ethical work, inspiring our peers, customers and society.

Relationship with independent auditors

In 2019, the Company did not engage its independent auditors for services other than those related to the audit work.

Acknowledgements

We would like to express our appreciation to SUDENE, BNDES, BDMG, BNB, Banco do Brasil, our network of commercial banks, the press, our customers and suppliers, our shareholders, government officials, trade and social organizations, our employees and everyone that has contributed directly or indirectly to the achievement of the Company´s social goals.

Management

Company overview

Springs Global Participações S.A. (Springs Global) is the Americas' largest company in bedding, tabletop and bath products, with traditional and leading brands in the segments in which it operates, strategically positioned to target customers of different socioeconomic profiles.

In Brazil, Springs Global´s main brands are Santista, Artex, MMartan, and Casa Moysés. The first is only sold in the wholesale channel, while the last two are only sold in the monobrand retail channel. The Artex brand is sold in both distribution channels. In Argentina, the Company has the brands Palette, Arco-Íris, and Fantasia, which are market leaders. Our brands have a high rate of awareness among consumers and specialists, being a quality reference in the sector.

Springs Global operates vertically integrated plants, from spinning, through weaving, preparation, dyeing, printing, finishing and cutting and sewing, with eight plants located in Brazil, and one in Argentina. All plants have high degree of automation and flexibility.

Springs Global's products sold in the wholesale market are classified as: (a) Bedding, Tabletop and Bath ("CAMEBA"), and (b) intermediate products. The CAMEBA line includes bed sheets and pillow cases, sheet sets, tablecloths, towels, rugs and bath accessories. Intermediate products are yarns and fabrics, in their natural state or dyed and printed, sold to small and medium-sized clothing, knitting and weaving companies.

The Company distributes its products through the wholesale channel, in all its markets, and in its monobrand retail stores, in Brazil.

Springs Global entered into an agreement, in December 2018, with Keeco, an American home fashion company, to combine its North American operations, valued at US$ 126 million, concluded on March 15, 2019, after the fulfillment of all precedent conditions.

Following the technical pronouncement CPC 31, Springs Global began presenting income from operations related to the operations sold to Keeco as "Discontinued operations".

Financial performance[1]

Springs Global reported in 2019 net revenues of R$ 1,422.5, 3.8% higher yoy[2], with gross margin of 31.6%.

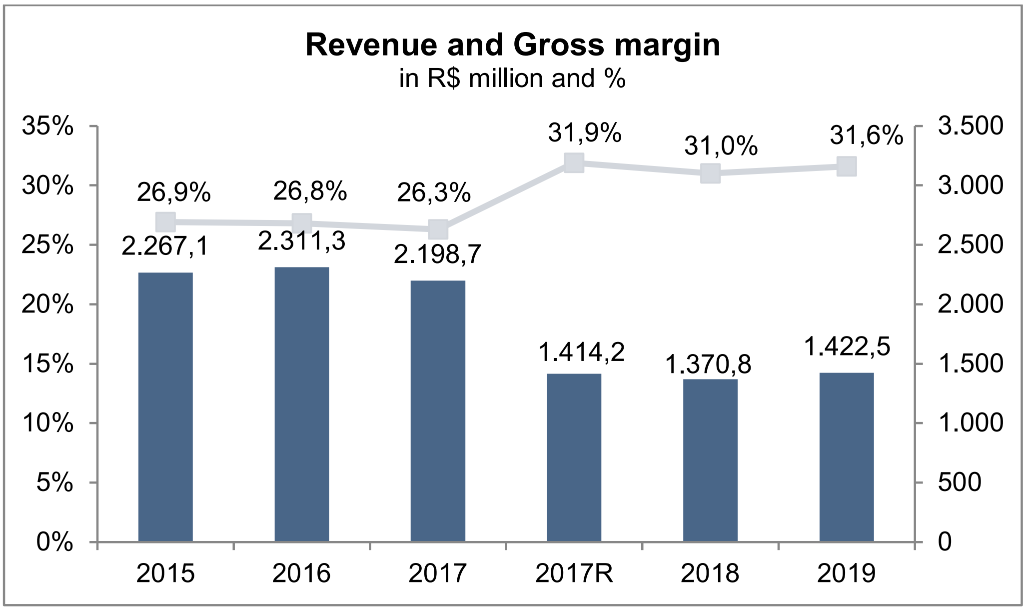
Due to the combination of its North American operations, the Company registered a book value gain of R$ 273.0 million in 2019, before taxes. There was absorption of deferred income

[1] *The financial and operational information presented in this release, except when otherwise indicated, is in accordance with accounting policies adopted in Brazil, which are in accordance with international accounting standards (*International Financial Reporting Standards – IFRS*).*

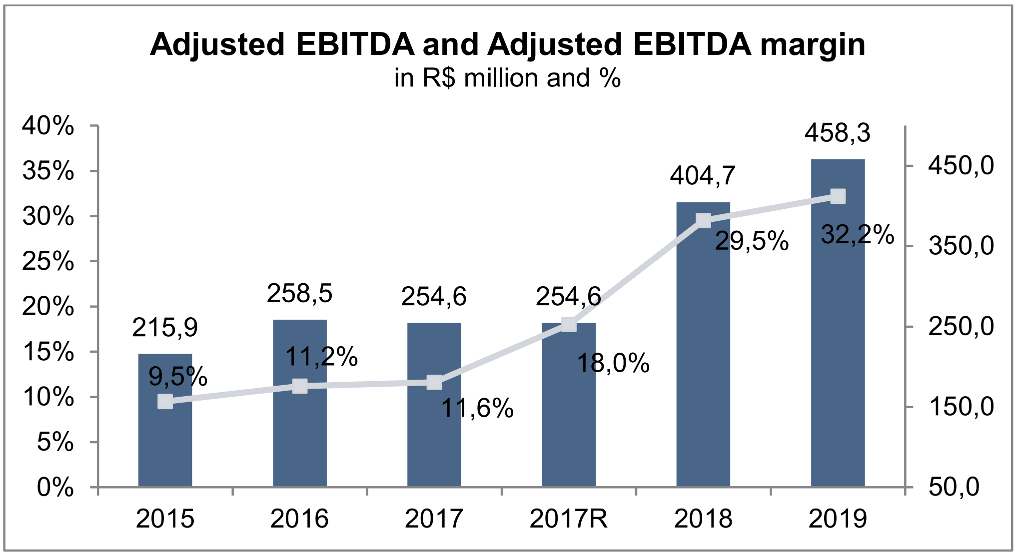
[2] Reclassified, excluding discontinued operations, for comparison purpose

tax of R$ 80.2 million, and, hence, with no cash effect. The net earnings totaled R$ 45.7 million.

Cash generation, as measured by EBITDA, reached R$ 458.3 million, of which R$ 177.7 million related to continuing operations and R$ 280.6 million related to discontinued operations. In recurring terms, excluding the impact from the combination or sale of assets, EBITDA reached R$ 191.8 million, 48.6% higher yoy.



2017R - Reclassified, excluding discontinued operations, for comparison purpose



2017R - Reclassified, excluding discontinued operations from net revenue to calculate EBITDA margin

Reconciliation of EBITDA

in R$ million	2019	2018 [1]	%
Income (Loss)	45.7	111.6	(59.0%)
(+) Income and social contribution taxes from continuing operations	(0.6)	7.5	n.a.
(+) Income and social contribution taxes from discontinued operations	82.7	3.7	n.a.
(+) Financial results from continuing operations	225.0	196.0	14.8%
(+) Financial results from discontinued operations	3.8	6.5	(42.7%)
(+) Depreciation and amortization from continuing operations	92.7	76.6	21.0%
(+) Depreciation and amortization from discontinued operations	1.8	2.7	(32.9%)
(-) Equity in subsidiaries	7.2	-	n.a.
EBITDA	**458.3**	**404.7**	**13.2%**
Continuing operations			
Income (Loss)	45.7	111.6	(59.0%)
(-) Result from discontinued operations	(192.2)	(53.7)	n.a.
(+) Income and social contribution taxes from continuing operations	(0.6)	7.5	n.a.
(+) Financial results from continuing operations	225.0	196.0	14.8%
(+) Depreciation and amortization from continuing operations	92.7	76.6	21.0%
(-) Equity in subsidiaries	7.2	-	n.a.
EBITDA from continuing operations	177.7	338.0	(47.4%)
(-) Result from asset sale	14.1	-	n.a.
Adjusted EBITDA from continuing operations	**191.8**	**338.0**	**(43.3%)**
(-) Tax Recovery	-	(208.9)	(100.0%)
Recurring EBITDA from continuing operations	**191.8**	**129.1**	**48.6%**
Discontinued operations			
Result from discontinued operations	192.2	53.7	258.2%
(+) Income and social contribution taxes from discontinued operations	82.7	3.7	n.a.
(+) Financial results from discontinued operations	3.8	6.5	(42.7%)
(+) Depreciation and amortization from discontinued operations	1.8	2.7	(32.9%)
Adjusted EBITDA from discontinued operations	**280.6**	**66.7**	**320.7%**
EBITDA	**458.3**	**404.7**	**13.2%**
Adjusted EBITDA[2]	**191.8**	**338.0**	**(43.3%)**
Recurring EBITDA[3]	**191.8**	**129.1**	**48.6%**

[1] Reclassified, excluding discontinued operations, for comparison purpose

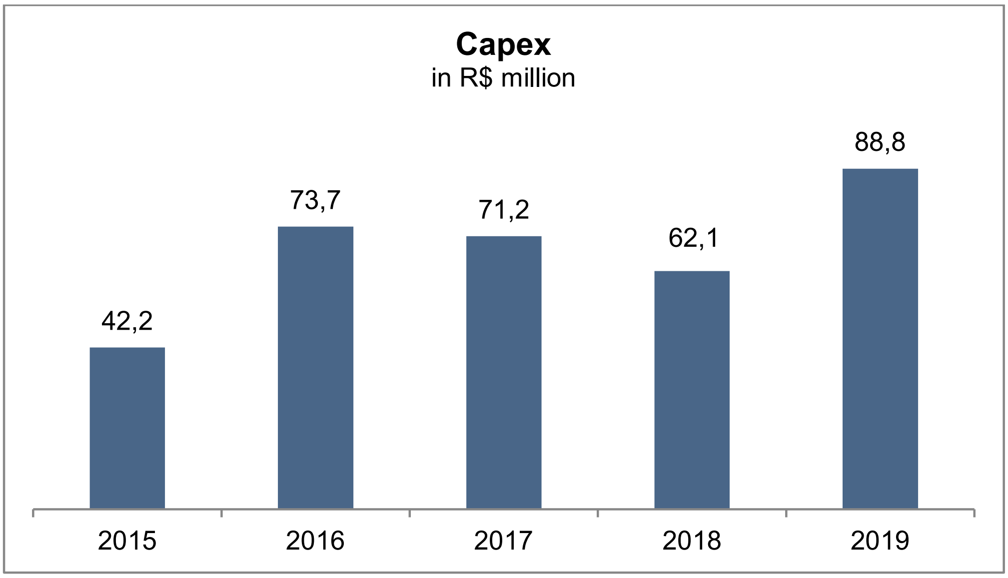
[2] Considering only continuing operations, excluding loss of R$ 14.4 million from sale of property in the USA in 2019

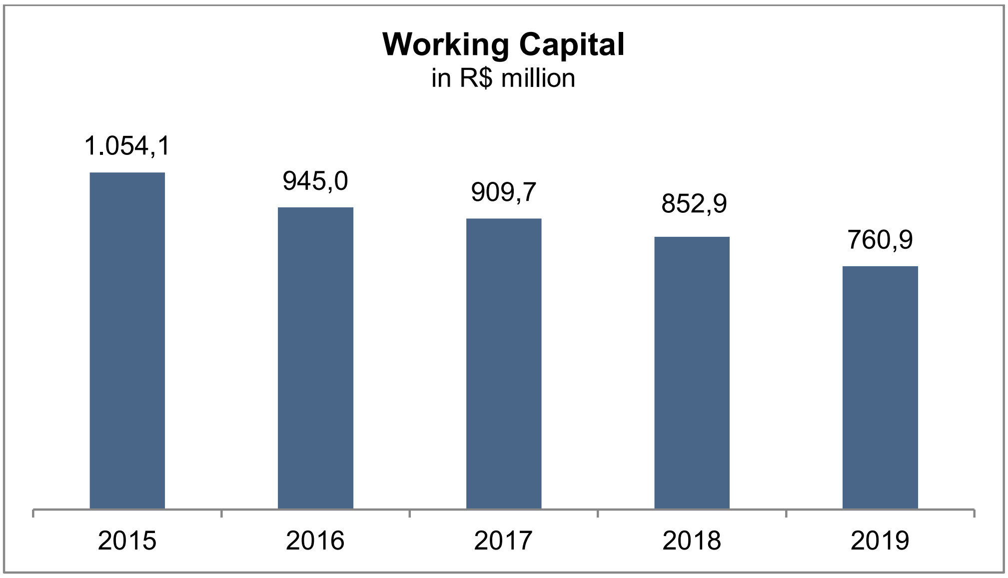
[3] Adjusted EBITDA less tax recovery of R$ 208.9 million in 2018

Capex and working capital

Capital expenditures (Capex) totaled R$ 88.8 million in 2019, mainly focused on asset modernization.

The working capital needs amounted to R$ 760.9 million at the end of 2019.





Debt and debt indicators

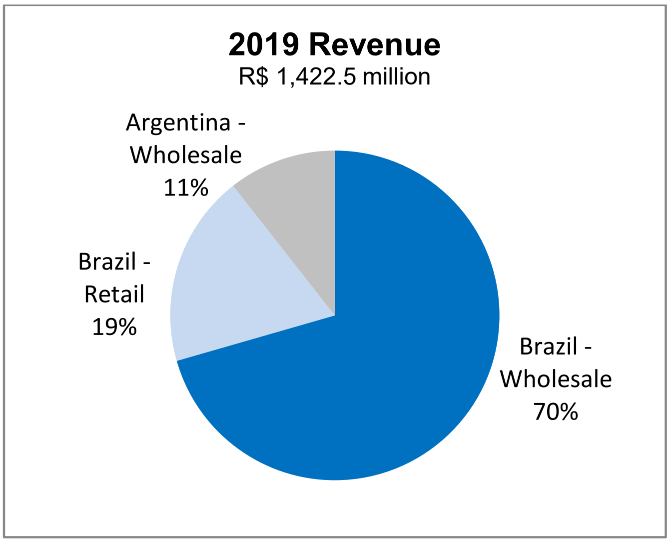
Springs Global's net debt was R$ 741.4 million as of December 31, 2019.

The Company entered into an agreement to combine its North American operations with Keeco, valued at US$ 126 million, which closed on March 15, 2019. The main uses of the proceeds, in percentage terms, were: (i) 29% - ownership of 17.5% in Keeco; (ii) 23% - payment of loans from discontinued operations; (iii) 6% - transaction expenses; and (iv) 42% - reduction of net debt from continuing operations.

The Company recognized R$ 208.9 million in tax recovery in 2018, which was enabled and started to be compensated in the second half of 2019. During 2020, we will continue to realize its cash effect, reducing the Company's net debt.

Performance of the business units

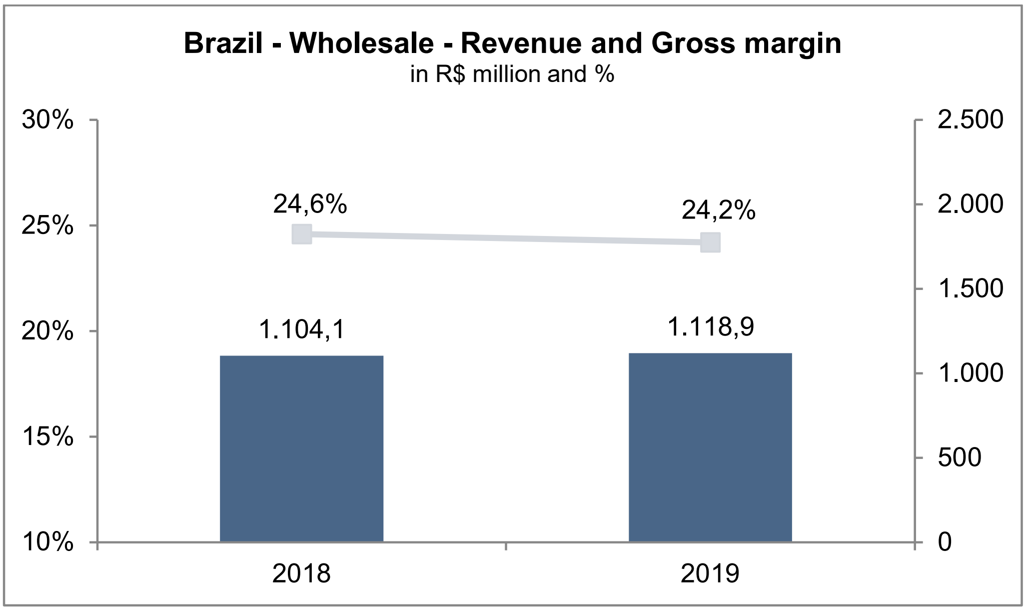
Springs Global presents its results segregated in the following business units: (a) Brazil – Wholesale, (b) Brazil – Retail, and (c) Argentina – Wholesale.



South America - Wholesale

Net revenue from the South America – Wholesale business unit amounted to R$ 1,118.9 million in 2019, with a 1.3% yoy increase, positively affected by a better sales mix, with a lower share of intermediate products in the sales mix and higher average prices in bedding, tabletop, and bath products. Gross profit totaled R$ 271.0 million, with gross margin of 24.2%.

Beginning in the second half, we had reduction in costs, due to the lower price of cottons, our main raw material, and the combination of operations that started in July 2019.



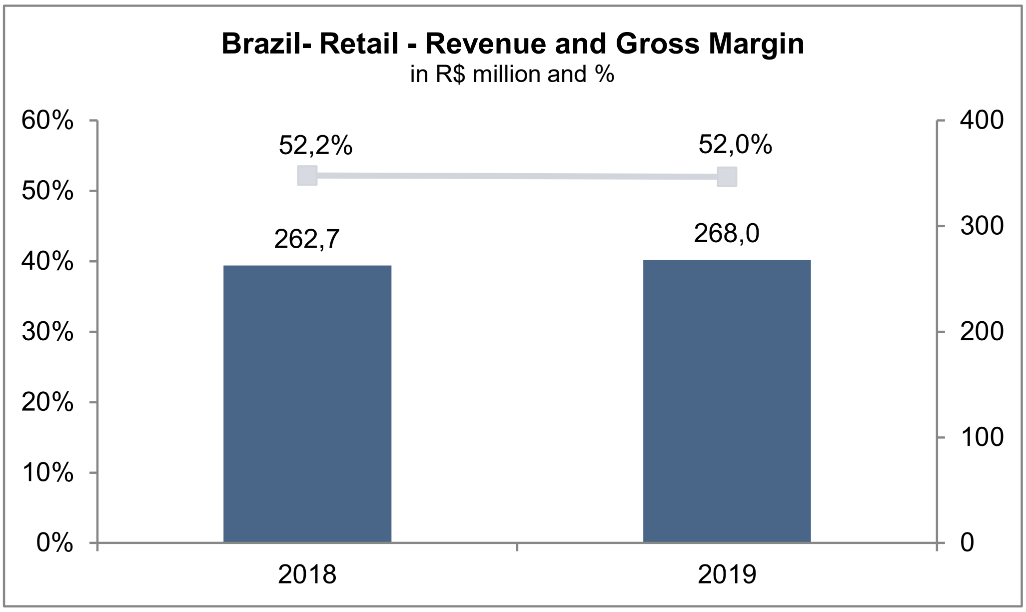
Brasil - Retail

The sell-out revenue from the Brazil – Retail business unit amounted to R$ 565.3 million in 2019, 7.4% higher yoy. Net revenue totaled R$ 268.0 million in 2019, 2.0% higher yoy.

We are increasing sell-out revenue much faster than net revenue as we are transferring sales to our franchisees, through the digital franchise model. E-commerce revenue was R$ 75.3 million in 2019, 73.0% higher yoy, representing 13.3% of our Retail sales in 2019.

At the end of 2019 we had 238 stores, of which 67 were owned and 171 franchises, compared to 234 at the end of 2018. Therefore, the revenue growth was essentially from same store sales.

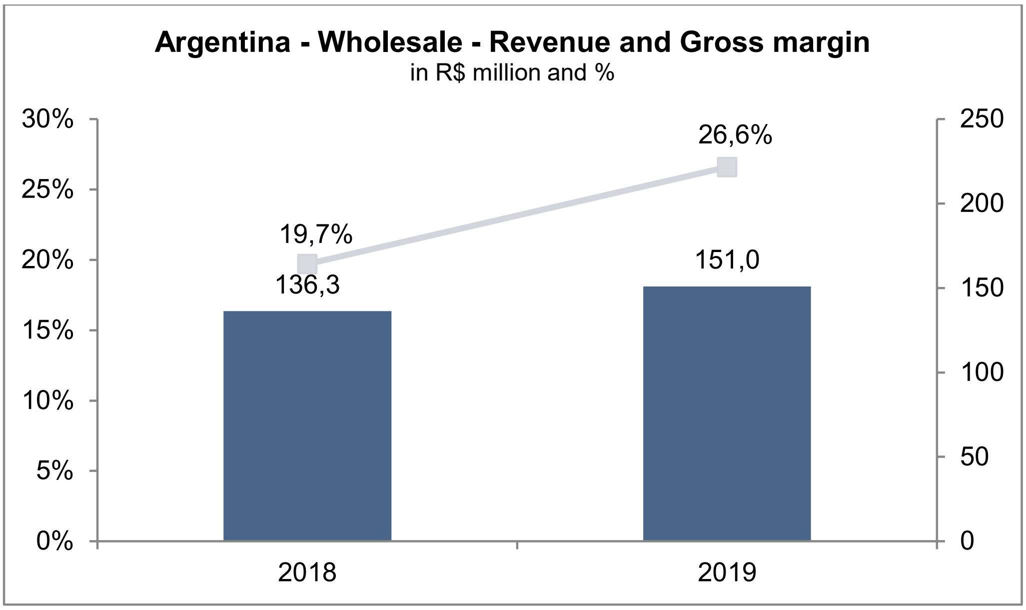
Gross profit amounted to R$ 139.3 million, with gross margin of 52.0%.



Argentina - Wholesale

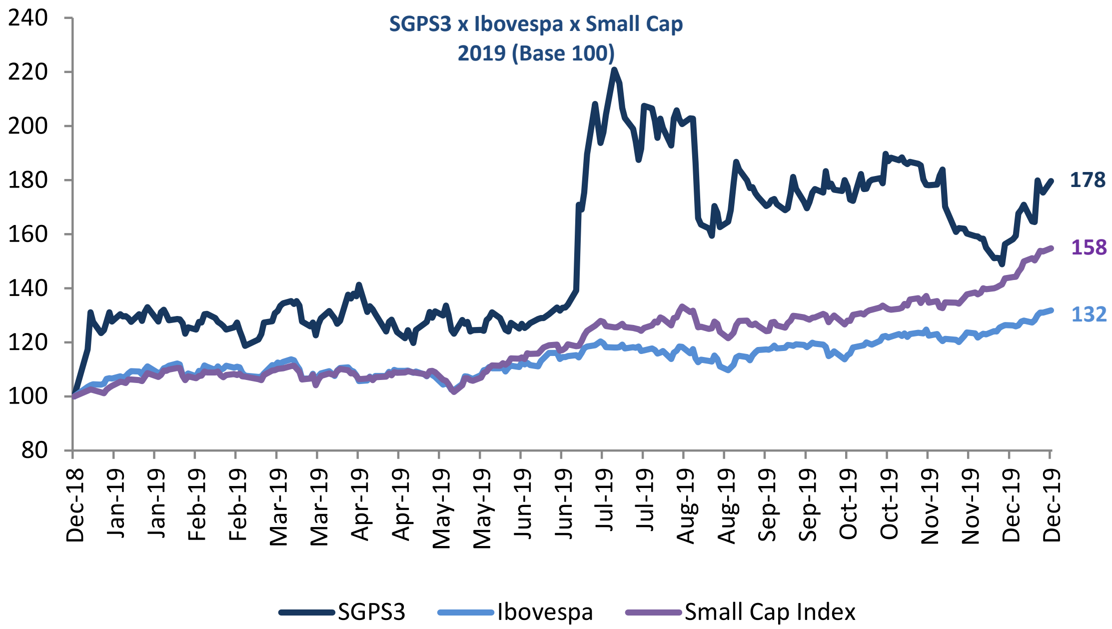
Net revenue from the Argentina – Wholesale business unit reached R$ 151.0 million in 2019, 10.8% higher yoy.

The gross profit totaled R$ 40.1 million, with gross margin of 26.6% in 2019.



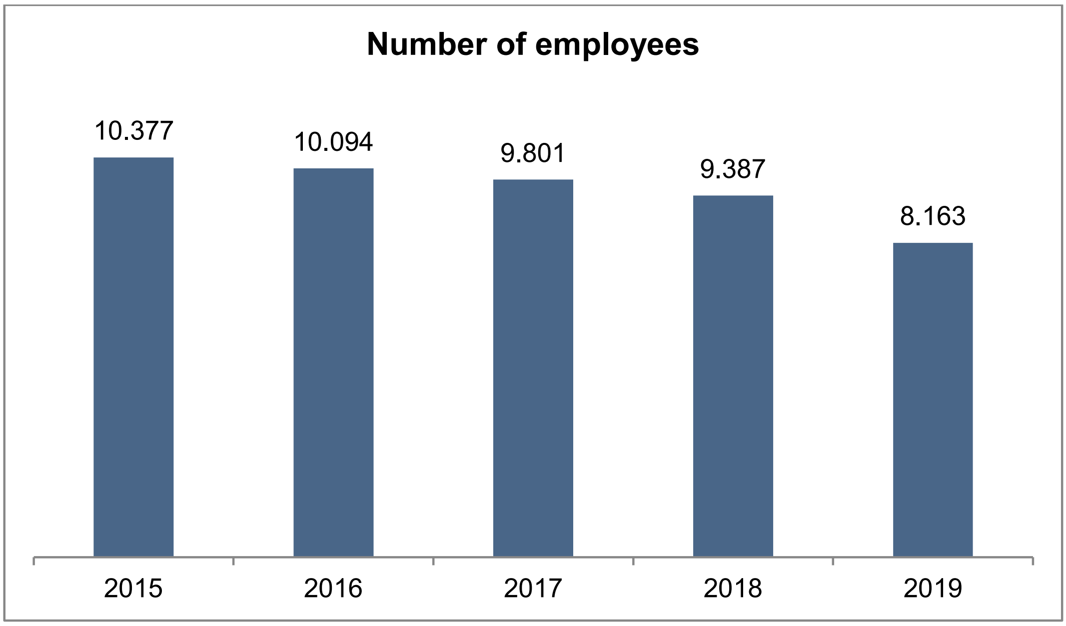
Value generation to shareholders

The 2019 closing price of Springs Global's shares, traded on the B3 under the ticker SGPS3, was R$ 12.29, 78.1% higher than the 2018 closing price, while the IBOVESPA and Small Cap indices increased 31.9% and 58.2%, respectively, in the same period.



Human Resources

At the end of 2019, we had 8,163 direct employees, of which 7,642 were in Brazil and 521 overseas, against 9,387 at the end of 2018. The reduction is mostly abroad, as a result of the combination of North American operating assets, which resulted in the transfer of employees from that region to the combined company.



Awards and Recognitions

The company received several awards and recognitions in 2019, among them: *Reclame Aqui* Award – 1st, 2nd and 3rd places in 2019 *Reclame Aqui* Award in the bedding, tabletop and bath category, represented by the Santista, MMartan and Artex brands; Recognition for Excellence in Franchising from ABF; *Ser Humano* award, regional level, in Paraíba state, promoted by the *Associação Brasileira de Recursos Humanos*; and QCC (Quality Control Circle) Award from state of Santa Catarina.

In addition, all manufacturing units were certified with the Gold seal, by ABVTEX (Brazilian Textile Retail Association), which recognizes good practices in the supply chain in favor of a sustainable environment and compliance with decent working conditions.

Shareholder structure

At the beginning and end of 2019, Springs Global's voting and total capital stock was represented by 50,000,000 common shares. The free float was 46.8%.

Business outlook

We are engaged and motivated to be the largest, the best and the most digital vertical company in the Home & Decoration segment in the Americas. Our growth will be focused on segments and categories with lower capital needs and a great scalability, and therefore enabling greater profitability for our shareholders. We believe that (i) the expansion of the portfolio of products and brands; (ii) the growth of distribution channels, including a greater number of franchised stores; and (iii) the offering of technological solutions for retail, such as our PIX storefront technology, will be the drivers of the Company's growth in the coming years.

In 2019, we started to provide to our multi-brand customers the PIX storefront system. The PIX system brings the concept of multichannel and allows that retailers who carry our products to participate in our online sales, delivering or making product available for pick-up in the store, and also offer products to their customers, even if they do not have them in stock, through an online catalog, for future delivery or pick up, providing a better shopping experience for our customers.

We also started last year sales of new product categories in our digital channels, such as decorative, kitchen and table products, through partners, and, therefore, with low risk and low working capital. In 2020, we will launch sales of mattresses and modular sofas. The expansion of the offer of new product categories enables the growth of our revenue and the strengthening of our brands, increasing the average value and the frequency of purchase of our brands by our consumers.

Due to the COVID-19 (coronavirus) crisis, the Company has decided, for now, to discontinue providing a projection for the year 2020. Unfortunately, the scenario has deteriorated and we do not know, to date, the magnitude of the impact of this crisis in the Brazilian and Argentine economies, and, consequently, in our sales, and in our production chain, during the course of 2020. However, given the facts that have already occurred and government actions in Brazil and Argentina, it is certain that there will be a reduction in demand, although it is not possible to estimate how much, and the consequent impact on the Company's results in 2020.

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

Springs Global Participações S.A.

Individual and Consolidated Financial Statements for the Year ended December 31, 2019 and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the
Shareholders, Board Members and Management of
SPRINGS GLOBAL PARTICIPAÇÕES S.A.
Montes Claros - MG

Opinion

We have audited the individual and consolidated financial statements of **SPRINGS GLOBAL PARTICIPAÇÕES S.A. (the "Company")**, identified as parent company and consolidated, respectively, which comprise the individual and consolidated statement of financial position as at December 31, 2019 and the respective individual and consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of **SPRINGS GLOBAL PARTICIPAÇÕES S.A.** as at December 31, 2019, its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with Brazilian accounting practices and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Individual and Consolidated Financial Statements" section of our report. We are independent of the Company and its controlled companies in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Association of Accountants (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Initial adoption of CPC 06 (R2) - Leases (IFRS 16 - Leases).

The subsidiaries and affiliates maintain relevant commitments arising from lease agreements, mainly for properties where they operate stores, administrative headquarters, industrial plants, distribution centers, among others, see note 11.

The new accounting pronouncement CPC 06 (R2) - Leases (IFRS 16 - Leases), which came into effect as of January 1, 2019, introduced complex accounting requirements that serve as basis the recognition of a right of use asset and corresponding lease payables, and are related to: i) determination of the discount rate for each lease; ii) determination of the terms of each lease, which includes the assessment on the renewal rights and/or early terminations; iii) determination of the lease and non-lease components of the contracts.

Due to the significant amounts, the inherent level of judgement involved to recognize the right-of-use assets and corresponding lease payables, as well as the fact that the variations in the assumptions used may significantly impact the individual and consolidated financial statements for the year ended on December 31, 2019, we consider this matter to be significant for our audit.

Audit response to the matter.

Our audit procedures mainly included:

- Assessed management's process to identify the lease agreements and the controls implemented to capture the information from the lease agreements necessary to recognize the right-of-use assets and lease payables.
- Assessed the reasonableness of the assumptions applied to determine the discount rates.
- For a representative sample of the contracts, we compared the lease terms and amounts considered in the measurement with the respective contracts, as well as assessed the reasonableness of the judgments applied by the Company to determine the lease terms, including the Company's assessment of the reasonable certainty of the contract renewals.
- Assessed whether the disclosures in the individual and consolidated financial statements considered the relevant information.

Based on the evidence obtained through the procedures described above, we consider the recognition of the right-of-use assets and corresponding lease payables to be acceptable, as well as the disclosures made, in the context of the individual and consolidated financial statements taken as a whole, for the year ended on December 31, 2019.

Relevant components under the caption investments in the individual financial statements and in the consolidation of the financial statements.

The individual and consolidated financial statements are prepared in accordance with Brazilian accounting practices and the IFRS issued by IASB and some relevant and significant controlled companies are audited by other independent auditors. See Note 8.

We understand that, through the evaluation process of these investments, given their relevance in the breakdown of balances, transactions and disclosures in the individual and consolidated financial statements, they are a key audit matter.

Additionally, the consolidation process has complexities due to the diversified businesses, different functional currencies and elimination of the related parties balances.

Audit response

Our audit procedures included communication with the significant component auditors in order to discuss the identified audit risks, the emphasis, scope and time of the work.

We issued audit instructions and reviewed the documentation of sufficient and appropriate audit that supported the opinion of other independent auditors of the significant components, as well as discussed the results achieved.

Regarding the identified key audit matters, we discussed with the auditors of the significant components and evaluated their impacts on the accompanying individual and consolidated financial statements.

Regarding the consolidation process, we verified whether the balances and information used were reconciled with the financial statements and accounting records of the investees, and whether they are in accordance with the accounting policies.

Our exams did not identify significant exceptions in accounting for the investments and in the consolidation process carried out by the Company's Management, therefore, the amounts and information disclosed in the financial statements are adequate.

Other matters

Statements of value added

The individual and consolidated statements of value added, prepared under the responsibility of the Company's Management and its controlled companies for the year ended December 31, 2019, and presented as supplemental information for IFRS purposes, were submitted to the same audit procedures followed for the audit of the Company's and controlled companies' individual and consolidated financial statements. In order to form an opinion, we have checked whether these individual and consolidated statements are reconciled with the individual and consolidated financial statements and accounting records, as applicable, and whether its form and contents meet the criteria established in Technical Pronouncement CPC 09 - Statement of Value Added. In our opinion, the individual and consolidated statements of value added were properly prepared, in all material respects, in accordance with the criteria established in the mentioned Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

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

The Management of the Company's and its controlled companies is responsible for this other information that comprises the Management Report.

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

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

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Brazilian accounting practices and with the IFRS, issued by IASB, and for such internal control as Management determines is necessary to enable the preparation of individual and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with Brazilian standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s and its controlled companies' internal controls;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s and its controlled companies’ ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company and its controlled companies to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the individual and consolidated financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

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

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

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

São Paulo, March 30, 2020.

BDO RCS Auditores Associados Ltda.
CRC 2 SP 015165/0-8 – S - MG

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 DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian Reais)

ASSETS

		Company		Consolidated	
	Note	2019	2018	2019	2018
CURRENT:					
Cash and cash equivalents	3	154	49	151,935	139,474
Marketable securities	4	-	-	52,341	16,995
Derivative financial instruments	24.d.3.3	-	-	-	4,798
Accounts receivable	5	-	-	487,822	503,798
Financial leases receivable	11	-	-	6,601	-
Inventories	6.a	-	-	385,435	405,352
Advances to suppliers	6.b	-	-	43,040	56,614
Recoverable taxes	18.c	341	148	80,942	17,736
Cash holdback amount	29	-	-	25,393	-
Property, plant and equipment held for sale	10.b	-	-	12,327	-
Other receivables		960	1,168	32,976	33,783
Assets held for sale	29	-	-	-	308,244
Total current assets		1,455	1,365	1,278,812	1,486,794
NONCURRENT:					
Long-term assets:					
Marketable securities	4	-	-	71,010	75,729
Receivable – clients	7	-	-	23,968	39,934
Related parties	22	-	-	42,905	18,946
Advances to suppliers	6.b	-	-	66,181	53,914
Financial leases receivable	11	-	-	85,118	-
Recoverable taxes	18.c	-	-	163,393	228,231
Deferred taxes	18.b	1,905	1,905	69,280	150,033
Property, plant and equipment held for sale	10.b	-	-	12,094	37,444
Escrow deposits	19	-	-	13,403	12,541
Others		-	-	54,558	41,601
		1,905	1,905	601,910	658,373
Investments in subsidiaries	8.a	1,420,577	1,383,186	-	-
Investment in affiliate	8.b	-	-	137,946	-
Investment properties	9	-	-	406,764	347,823
Property, plant and equipment	10.a	-	-	618,468	649,181
Right-of-use assets	11	-	-	158,263	-
Intangible assets	12	-	27,303	92,702	81,873
Total noncurrent assets		1,422,482	1,412,394	2,016,053	1,737,250
Total assets		1,423,937	1,413,759	3,294,865	3,224,044

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2019 AND 2018

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

		Company		Consolidated	
	Note	2019	2018	2019	2018
LIABILITIES					
CURRENT:					
Loans and financing	13	12,933	4,759	511,143	527,241
Debentures	14	-	-	87,008	74,653
Suppliers	15	6	-	155,402	112,830
Payroll and related charges		79	79	68,415	62,983
Taxes		59	189	15,335	19,451
Income and social contribution taxes payable		-	-	80	17,766
Government concessions	16	-	-	22,212	21,361
Leases payable	17	-	-	53,049	8,765
Other payables		-	-	52,296	59,928
Liabilities related to assets held for sale	29	-	-	-	240,086
Total current liabilities		13,077	5,027	964,940	1,145,064
NONCURRENT:					
Loans and financing	13	7,979	-	431,495	417,818
Debentures	14	-	-	12,389	73,669
Leases payable	17	-	-	221,153	14,456
Related parties	22	16,255	83,690	-	58
Government concessions	16	-	-	43,771	44,087
Miscellaneous accruals	19	-	-	12,931	12,933
Employee benefit plans	20	-	-	106,167	103,968
Deferred taxes	18.b	-	-	83,629	64,394
Other obligations		-	-	31,764	22,555
Total noncurrent liabilities		24,234	83,690	943,299	753,938
EQUITY:	21				
Capital		1,860,265	1,860,265	1,860,265	1,860,265
Capital reserves		79,381	79,381	79,381	79,381
Assets and liabilities valuation adjustments		117,784	114,036	117,784	114,036
Cumulative translation adjustments		(229,695)	(241,807)	(229,695)	(241,807)
Accumulated deficit		(441,109)	(486,833)	(441,109)	(486,833)
Total equity		1,386,626	1,325,042	1,386,626	1,325,042
Total liabilities and equity		1,423,937	1,413,759	3,294,865	3,224,044

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of Brazilian Reais)

	Note	Company 2019	Company 2018	Consolidated 2019	Consolidated 2018
NET REVENUES	27	-	-	1,422,517	1,370,837
COST OF GOODS SOLD	26	-	-	(972, 577)	(945,686)
GROSS PROFIT		-	-	449,940	425,151
OPERATING INCOME (EXPENSES):					
Selling expenses	26	-	-	(267,299)	(261,667)
General and administrative expenses	26	(1,037)	(3,314)	(103,627)	(105,075)
Management fees	26	(913)	(1,029)	(12,025)	(12,116)
Equity in subsidiaries	8.a	(140,279)	72,210	(7,159)	-
Tax recovery	23	-	-	-	208,924
Others, net		-	-	18,053	6,178
INCOME (LOSS) FROM OPERATIONS		(142,229)	67,867	77,883	261,395
Financial expenses – interests and charges		(3,668)	(8,493)	(137,478)	(124,696)
Financial expenses – interest on leases	17	-	-	(27,659)	-
Financial expenses – bank charges and others		(636)	(1,481)	(64,216)	(49,333)
Financial income		16	1	35,079	24,916
Exchange rate variations, net		-	-	(30,683)	(46,925)
INCOME (LOSS) FROM OPERATIONS BEFORE TAXES		(146,517)	57,894	(147,074)	65,357
Income and social contribution taxes:					
Current	18.a	-	-	4,317	(19,562)
Deferred	18.a	-	-	(3,760)	12,099
NET INCOME (LOSS) FOR THE YEAR – CONTINUING OPERATIONS		(146,517)	57,894	(146,517)	57,894
Equity in subsidiary - discontinued operations	29	192,241	53,674	-	-
Net income from subsidiary – discontinued operations	29	-	-	192,241	53,674
NET INCOME FOR THE YEAR		45,724	111,568	45,724	111,568
ATTRIBUTED TO:					
Owners of the Company					
Continuing operations				(146,517)	57,894
Discontinued operations	29			192,241	53,674
				45,724	111,568
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE — R$	28				
Continuing operations		(2.9303)	1.1579		
Discontinued operations		3.8448	1.0735		
Total		0.9145	2.2314		

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of Brazilian Reais)

	Company and consolidated	
	2019	2018
NET INCOME FOR THE YEAR	45,724	111,568
Other comprehensive income (loss):		
- Items that will impact the statements of operations:		
Exchange rate variations on foreign investments	12,112	12,471
- Items that will not impact the statements of operations:		
Actuarial gain (loss) on pension plans	(3,837)	2,427
Initial valuation adjustment on investment properties	7,585	29,174
COMPREHENSIVE INCOME FOR THE YEAR	61,584	155,640
ATTRIBUTABLE TO:		
Owners of the Company		
Continuing operations	(126,019)	101,966
Discontinued operations	187,603	53,674
	61,584	155,640

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)
SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

(In thousands of Brazilian Reais)

	Note	Capital	Capital reserve	Assets and liabilities valuation adjustments	Cumulative translation adjustments	Earnings reserves - Legal	Earnings reserves - Retained earnings	Accumulated deficit	Total equity
BALANCES AS OF DECEMBER 31, 2017		1,860,265	79,381	82,435	(274,173)	1,842	23,328	(623,571)	1,149,507
Effects of the hyperinflationary adjustment of the indirect subsidiary in Argentina	2.4	-	-	-	19,895	-	-	-	19,895
BALANCES AS OF JANUARY 1, 2018		1,860,265	79,381	82,435	(254,278)	1,842	23,328	(623,571)	1,169,402
Comprehensive income (loss):									
Net income for the year		-	-	-	-	-	-	111,568	111,568
Exchange rate variations on foreign investments	2.1.b	-	-	-	22,656	-	-	-	22,656
Actuarial gain on pension plans		-	-	2,427	-	-	-	-	2,427
Impact of subsidiaries-									
Exchange rate variations on foreign investments	2.1.b	-	-	-	(10,185)	-	-	-	(10,185)
Initial valuation adjustment on investment properties	9	-	-	29,174	-	-	-	-	29,174
Total comprehensive income		-	-	31,601	12,471	-	-	111,568	155,640
Absorption of accumulated deficit		-	-	-	-	(1,842)	(23,328)	25,170	-
BALANCES AS OF DECEMBER 31, 2018		1,860,265	79,381	114,036	(241,807)	-	-	(486,833)	1,325,042

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

(In thousands of Brazilian Reais)

	Note	Capital	Capital reserve	Assets and liabilities valuation adjustments	Cumulative translation adjustments	Accumulated deficit	Total equity
BALANCES AS OF DECEMBER 31, 2018		1,860,265	79,381	114,036	(241,807)	(486,833)	1,325,042
Comprehensive income (loss):							
Net income for the year		-	-	-	-	45,724	45,724
Exchange rate variations on foreign investments	2.1.b	-	-	-	18,069	-	18,069
Exchange rate variations on discontinued investments	2.1.b	-	-	-	(4,638)	-	(4,638)
Actuarial loss on pension plans		-	-	(3,837)	-	-	(3,837)
Impact of subsidiaries-							
Exchange rate variations on foreign investments	2.1.b	-	-	-	(1,319)	-	(1,319)
Initial valuation adjustment on investment properties	9	-	-	7,585	-	-	7,585
Total comprehensive income		-	-	3,748	12,112	45,724	61,584
BALANCES AS OF DECEMBER 31, 2019		1,860,265	79,381	117,784	(229,695)	(441,109)	1,386,626

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2019	2018	2019	2018
Cash flows from operating activities				
Net income for the year	45,724	111,568	45,724	111,568
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	94,537	79,364
Equity in subsidiaries	140,279	(72,210)	7,159	-
Equity in subsidiaries – discontinued operations	(192,241)	(53,674)	-	-
Change in fair value of investment properties	-	-	(3,803)	(18,309)
Gain from the sale of discontinued operations	-	-	(272,971)	-
Income and social contribution taxes	-	-	82,164	11,183
Tax recovery	-	-	-	(208,924)
Impairment adjustments	-	-	(1,871)	-
(Gain) loss on disposal of property, plant and equipment and intangibles	-	-	11,203	(2,748)
Monetary variations	-	-	4,975	7,536
Exchange rate variations	-	-	30,683	46,925
Bank charges, interests and commissions	4,182	8,490	159,599	139,355
Financial expenses – interest on leases	-	-	28,754	-
Other provisions	-	-	1,665	(69)
	(2,056)	(5,826)	187,818	165,881
Changes in assets and liabilities				
Marketable securities	-	-	(16,403)	29,727
Accounts receivable	-	-	4,341	(152,935)
Inventories	-	-	(5,134)	(30,997)
Advances to suppliers	-	-	1,313	(73,231)
Cash holdback amount	-	-	(25,393)	-
Suppliers	5	(4)	32,290	105,067
Others	(115)	(853)	(59,363)	(8,433)
Net cash provided by (used in) operating activities before interest and income taxes	(2,166)	(6,683)	119,469	35,079
Interest paid	(2,434)	(1,316)	(99,982)	(101,975)
Interest and charges paid on loans	(635)	(1,481)	(26,732)	(16,972)
Income and social contribution taxes received (paid)	-	-	1,355	(3,645)
Net cash provided by (used in) operating activities after interest and income taxes	(5,235)	(9,480)	(5,890)	(87,513)
Cash flows from investing activities				
Investment properties	-	-	(5,679)	(17,609)
Property, plant and equipment	-	-	(88,752)	(44,487)
Intangibles	-	-	(125)	(2,081)
Proceeds from sale of property, plant and equipment	-	-	14,300	8,505
Proceeds from sale of discontinued operations	-	-	329,350	-
Loans between related parties	(10,780)	26,765	(19,644)	30,215
Net cash provided by (used in) investing activities	(10,780)	26,765	229,450	(25,457)

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 YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2019	2018	2019	2018
Cash flows from financing activities				
Proceeds from new loans and debentures, net of prepaid charges	24,288	-	370,523	913,283
Repayment of loans and debentures	(8,168)	(17,339)	(541,160)	(823,115)
Repayment of leases, net	-	-	(39,028)	-
Net cash provided by (used in) financing activities	16,120	(17,339)	(209,665)	90,168
Effect of exchange rate variations on cash and cash equivalents of foreign subsidiaries	-	-	(1,434)	6,834
Increase (decrease) in cash and cash equivalents	105	(54)	12,461	(15,968)
Cash and cash equivalents:				
At the beginning of the year	49	103	139,474	155,442
At the end of the year	154	49	151,935	139,474
Increase (decrease) in cash and cash equivalents	105	(54)	12,461	(15,968)

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF VALUE ADDED

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2019	2018	2019	2018
REVENUES				
Sales of products, goods and services	-	-	1,693,277	1,637,129
Allowance for expected losses on doubtful accounts	-	-	(1,665)	(609)
Gain on disposal of property, plant and equipment and intangibles	-	-	(11,203)	513
Tax recovery	-	-	-	208,925
	-	-	1,680,409	1,845,958
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(648,051)	(585,424)
Materials, energy, third party services, and others	(1,739)	(4,394)	(398,480)	(415,236)
Impairment adjustments	-	-	1,871	-
Change in fair value of investment properties	-	-	3,803	18,309
	(1,739)	(4,394)	(1,040,857)	(982,351)
GROSS VALUE ADDED	(1,739)	(4,394)	639,552	863,607
RETENTIONS				
Depreciation and amortization	-	-	(92,696)	(76,567)
NET VALUE ADDED PRODUCED BY THE COMPANY	(1,739)	(4,394)	546,856	787,040
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries	(140,279)	72,210	(7,159)	-
Equity in subsidiaries - discontinued operations	192,241	53,674	-	-
Financial income	16	1	35,079	24,916
Exchange rate variation	-	-	52,855	38,168
Royalties	-	-	26,574	19,318
Others - Net income - discontinued operations	-	-	192,241	53,674
	51,978	125,885	299,590	136,076
TOTAL VALUE ADDED FOR DISTRIBUTION	50,239	121,491	846,446	923,116
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	79	-	333,800	320,923
Taxes, duties and contributions	769	1,430	180,958	212,217
Payments to third parties	3,667	8,493	285,964	278,408
Net income for the year	45,724	111,568	45,724	111,568
VALUE ADDED DISTRIBUTED	50,239	121,491	846,446	923,116

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019

(Amounts in thousands of Brazilian Reais)

1. OPERATIONS

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

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

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

As disclosed in note 29 to the financial statements, on March 15, 2019, the sale of the operating assets and liabilities of the North American subsidiary SGUS was concluded. As of that date, the subsidiary SGUS holds 17.5% of Keeco, LLC, which combined the operations of the two companies.

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s Board of Directors on March 30, 2020.

The Company presents its individual (“Company”) and consolidated (“Consolidated”) financial statements, prepared, simultaneously, in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board ("IASB"), and accounting practices adopted in Brazil, which include the standards in the Brazilian Corporate Law and the pronouncements, orientations and interpretations issued by Brazilian Committee of Accounting Pronouncements (“CPC”), approved by the CVM (Brazilian Securities and Exchanges Commission) and the CFC (Federal Accounting Council).

The Company adopted all standards, review of standards and interpretations issued by the IASB and the CPC which were effective on December 31, 2019. All relevant information relating to the 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 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 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 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 financial statements are as follows:

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

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

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

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

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

ii) Non-derivative financial assets - measurement

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

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

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

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

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

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

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

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

iii) Non-derivative financial liabilities - measurement

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

iv) Derivatives measured at fair value through profit or loss

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

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

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

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

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

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

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

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

(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 year.

(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. Depreciation is calculated using the straight-line method according to the remaining term of the contracts.

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

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

(q) Income and social contribution taxes--The provision for income and social contribution taxes is calculated at the rate of approximately 34% on taxable income and is recognized net of the portion related to the income tax exemption. The accrual balance is net of prepayments made during the year, 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 year 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 year, 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 year. They are presented by the Company as required by the Brazilian Corporate Law, as part of its individual financial statements and as supplemental information for the consolidated 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 financial statements.

2.3 – Accounting estimates

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

2.4 – Consolidation criteria

The consolidated 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 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 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 financial statements of foreign subsidiaries have been translated into Brazilian Reais based on the US Dollar exchange rate as of December 31, 2019 and 2018 for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	2019	2018	Variance %
Exchange rate as of:			
December 31	4.0307	3.8748	4.0%
Average exchange rate:			
December 31 (12 months)	3.9443	3.6796	7.2%

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

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

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

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

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

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

CPC 06 R2 (IFRS 16) - Leasing operations

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

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

Transition approach:

The Company's management opted for the simplified retrospective transition approach. This approach does not impact retained earnings (shareholders' equity) on the initial adoption date, since the amount of the right-of-use asset is equal to the lease payable amount adjusted to present value and enables the use of practical expedients.

Impacts on the balance sheet:

The balance sheet has been amended by recognition of all future commitments arising from contracts within the scope of the lease. On the initial adoption date, the right-of-use asset is equal to the lease payable adjusted to the present value. Shareholders' equity was not impacted by the initial adoption because of the simplified retrospective approach. See notes 11 and 17 to the financial statements.

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

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

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	2019	2018	2019	2018
Repurchase transactions (*)	-	-	123,671	89,141
Foreign exchange funds (US$)	-	-	-	78
Foreign deposits	-	-	25,253	43,274
Checking accounts deposits	154	49	3,011	6,981
	154	49	151,935	139,474

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

4. MARKETABLE SECURITIES

	Consolidated	
	2019	2018
Fixed income – foreign	16,225	6,142
Investment fund – foreign	35,713	10,138
Restricted deposits (US$) (1)	71,010	75,729
Restricted cash (2)	403	715
	123,351	92,724
Current	(52,341)	(16,995)
Noncurrent	71,010	75,729

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

(2) On December 31, 2019, the subsidiary SGUS had restricted cash in financial institutions in the amount of US$100 thousand (US$185 thousand as of December 31, 2018) related to a compensating balance arrangement.

5. ACCOUNTS RECEIVABLE

	Consolidated	
	2019	2018
Domestic customers	454,861	474,147
Foreign customers	49,477	38,069
Credit card companies	7,485	10,648
Related parties – domestic market	1,871	2,474
Related parties – foreign market	-	2,814
	513,694	528,152
Allowance for expected losses on bad debts	(25,872)	(24,354)
	487,822	503,798

Accounts receivable from customers consist of receivables with an average collection period of approximately 100 days (108 days as of December 31, 2018). Past due amounts are presented below and the allowance for expected losses on doubtful debts accounts is considered by Management sufficient to cover expected losses from these receivables.

The Company's Management believes that the risk related to accounts receivable is minimized because the composition of the Company's customer portfolio is diluted. The Company has over 10,000 active clients as of December 31, 2019 and only one customer accounts for approximately 6% of sales.

The aging list of the consolidated accounts receivable is as follows:

	2019	2018
Current	450,650	462,278
Past due up to 30 days	10,227	16,863
Past due from 31 to 60 days	1,521	940
Past due from 61 to 90 days	529	487
Past due from 91 to 180 days	1,768	1,069
Past due greater than 180 days	48,999	46,515
	513,694	528,152

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

	2019	2018
Balance at the beginning of the year	(24,354)	(25,792)
Additions	(1,665)	(1,730)
Exchange rate variation	147	(233)
Discontinued operations (*)	-	3,401
Balance at the end of the year	(25,872)	(24,354)

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

6. INVENTORIES AND ADVANCES TO SUPPLIERS

a. Inventories

	Consolidated	
	2019	2018
Raw materials and supplies	80,204	85,828
Work in process	95,391	92,537
Finished products	172,943	186,897
Repair parts	36,897	40,090
	385,435	405,352

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

	Raw materials and supplies	Work in process	Finished products	Repair parts	Total
Balances as of December 31, 2017	(544)	-	(3,837)	(2,614)	(6,995)
(Additions) disposals	(1,902)	(186)	(1,521)	1,042	(2,567)
Exchange rate variations	-	-	(824)	369	(455)
Discontinued operations (*)	-	-	6,177	-	6,177
Balances as of December 31, 2018	(2,446)	(186)	(5)	(1,203)	(3,840)
(Additions) disposals	50	29	-	32	111
Exchange rate variations	729	55	2	-	786
Balances as of December 31, 2019	(1,667)	(102)	(3)	(1,171)	(2,943)

(*) Portion of the provision related to inventories classified under "Assets held for sale" (see note 29).

b. Advances to suppliers

	Consolidated	
	2019	2018
Raw material supplier (*)	78,000	78,000
Other advances	31,221	32,528
	109,221	110,528
Current	(43,040)	(56,614)
Noncurrent	66,181	53,914

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

7. RECEIVABLE – CLIENTS

	Consolidated	
	2019	2018
Clients in out-of-court recovery plan (a)	11,317	14,611
Clients in court recovery plan (b)	2,115	2,103
Installment plan agreed with clients (c)	4,921	719
Financing on stores transfer (d)	2,731	6,362
Clients in court recovery plan (e)	1,484	1,499
Sale of real estate (f)	13,141	14,057
Other credits (g)	-	11,151
Others	857	449
	------------	------------
	36,566	50,951
Current (*)	(12,598)	(11,017)
	------------	------------
Noncurrent	23,968	39,934
	=======	=======

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

(a) Payments in 48 equal monthly installments with interest equivalent to 80% of the Interbank Deposit Certificates – CDI rate.

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

(c) Payment up to 56 fixed installments, with monthly interest from 1.56% to 1.97%.

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

(f) Payments up to 37 monthly installments with interest from 0.5% to 0.7% per month.

(g) Payment in single installment in June 2021, with interest of 5% per year plus US dollar exchange variation. In 2019, the total adjusted credits were transferred to intercompany notes with CTNM.

8. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANY

a) Direct investments:

Subsidiaries	Equity	Ownership interest %	Net loss for the year	Total investment 2019	Total investment 2018	Equity in subsidiaries (Company) 2019	Equity in subsidiaries (Company) 2018
SGUS (*)	422,901	100.0	(30,426)	422,901	251,491	(30,426)	22,689
CSA	997,676	100.0	(109,853)	997,676	1,101,263	(109,853)	54,516
AMMO (**)	132,400	100.0	(9,784)	-	30,432	-	(4,995)
				1,420,577	1,383,186	(140,279)	72,210

(*) The net income for the year does not include the discontinued portion of the equity in subsidiaries in the statement of operations of R$192,241 (R$53,674 on December 31, 2018). See note 29.

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

b) Indirect investments:

SGUS' investments

	Equity (deficit)	Ownership interest %	Total investment 2019	Total investment 2018	Equity in subsidiaries 2019	Equity in subsidiaries 2018
Subsidiaries						
Warbird Corporation (Delaware, US)	(40)	100.0	(40)	(38)	(1)	(1)
Springs Home Textiles Reynosa, S.A. de C.V. (Mexico) (1)	2,120	100.0	2,120	2,064	(27)	(10)
Casa Springs S.A. de C.V. (Mexico) (1)	1,830	100.0	1,830	1,760	-	(2)
Springmaid International, Inc. (India)	74	100.0	74	71	-	(80)
Springs Canada, Inc. (Ontario, Canada) (2)	-	-	-	63,357	1,203	8,624
Springs Cayman Holding Ltd. (Cayman Islands)	4,458	100.0	4,458	4,286	-	-
Springs Shanghai Trading Co., Ltd. (China) (3)	(1,504)	100.0	(1,504)	(931)	(608)	90
			6,938	70,569	567	8,621
Affiliate						
Keeco, LLC (California, US) (4)	698,188	17.5	137,946	-	(7,159)	-

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

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

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

(4) As of March 15, 2019, the subsidiary SGUS now holds 17.5% of Keeco Holdings, LLC, which combines the operations of Keeco and the operations sold by SGUS, and ceases to directly market its products. Keeco Holdings, LLC, is a company with a portfolio of leading products and brands in the curtain, utility bedding, and decorative bedding markets, as well as a diversified portfolio of customers, including the leading traditional and digital retail companies in the North American market. The amount presented as investment includes goodwill based on future profitability, which will be segregated when the affiliate informs the allocation in the Purchase Price Allocation.

CSA's investment

	Equity	Ownership interest %	Net income (loss) for the year	Total investment 2019	Total investment 2018	Equity in subsidiaries 2019	Equity in subsidiaries 2018
Subsidiaries -							
Coteminas Argentina S.A. (1)	21,636	100.0	(20,717)	21,636	38,426	(20,717)	(44,708)
LAT Capital Ltd.	9,219	100.0	6,048	9,219	2,805	6,048	(862)
C7S Tecnologia Ltda. (2)	19,238	100.0	709	19,238	8,919	709	2,541
AMMO Varejo Ltda. (3)	132,400	100.0	(9,784)	132,400	-	(9,784)	-
Compañía Textil Guaraní S.R.L. (4)	3,008	100.0	-	3,008	-	-	-
				----------	----------	----------	----------
				185,501	50,150	(23,744)	(43,029)
				======	======	======	======

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

(2) In 2019, the Company subscribed and paid-in capital in the subsidiary in the amount of R$9,610, with intercompany notes.

(3) On January 1, 2019, CSA acquired from the Company all the shares representing the capital stock of AMMO Varejo Ltda. for the book value of R$57,735 (R$30,432 in investments and R$27,303 of goodwill), using part of the intercompany notes. On the same date, it contributed capital in AMMO Varejo, in the amount of R$87,166, also using intercompany notes with AMMO. On December 31, 2019, the Company made a new capital increase in the amount of R$24,586, using intercompany notes.

(4) Textil Guarani is headquartered in Paraguay. In 2019, it was in its pre-operating stage and will begin its operations starting in the first half of 2020.

c) Supplemental information on investments in affiliated company:

	Keeco, LLC 2019
Current assets	1,061,992
Noncurrent assets	1,464,611
Total assets	2,526,603
Current liabilities	1,064,559
Noncurrent liabilities	763,856
Total liabilities	1,828,415
Equity – Company	698,188
Net revenues	2,695,121
Loss for the year – Company	(40,910)

9. INVESTMENT PROPERTIES

The consolidated balances of investment properties are as follows:

	Investment properties São Gonçalo		Investment properties	
	Business complex (1)	Residential complex (2)	Montes Claros (3)	Total

Balances as of December 31, 2017	211,176	-	-	211,176
Additions and disposals	16,022	93	55,276	71,391
Transfer from PP&E	2,744	-	-	2,744
Surplus/added value (equity) (a)	-	44,203	-	44,203
Change in fair value (P&L) (b)	18,309	-	-	18,309
	----------	------------	----------	------------
Balances as of December 31, 2018	248,251	44,296	55,276	347,823
Additions	5,679	-	-	5,679
Disposal, net	-	-	(3,574)	(3,574)
Transfer from AHFS	276	-	-	276
Transfer from PP&E	41,264	-	-	41,264
Surplus/added value (equity) (a)	11,493	-	-	11,493
Change in fair value (P&L) (b)	(5,413)	678	8,538	3,803
	----------	------------	----------	------------
Balances as of December 31, 2019	301,550	44,974	60,240	406,764
	======	======	======	======

(a) Values recorded in assets and liabilities valuation adjustments, in shareholders' equity, net of taxes.

(b) Amounts recognized in the statement of operations in the respective year.

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

<u>(1) Business complex:</u> In 2017, the subsidiary CSA started the phased implementation of a lease project of its facility located in São Gonçalo do Amarante - RN, which had ceased operations. In 2019, the subsidiary CSA vacated the remainder of the facility, approximately 72.4 thousand m², previously used in its operations, consolidating it with the Montes Claros plant.

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 2019, rental income was R$7,676 (R$2,848 in 2018).

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

The calculated values were as follows:

	2019	2018
Residual cost of the property	109,707	62,488
Surplus/added value (a)	191,843	185,763
	----------	----------
Fair value (b)	301,550	248,251
	=======	=======

(a) Calculated deferred tax liability of R$65,227 (R$63,159 in 2018). 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 respective years. 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:

	2019	2018
Residual cost of the property	93	93
Surplus/added value (a)	44,881	44,203
	----------	----------
Fair value (b)	44,974	44,296
	=======	=======

(a) Deferred tax liability of R$15,259 (R$15,029 in 2018). 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 respective years. 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:

	2019	2018
Land and installations (old MECA) (44,402 m²)	30,270	18,386
Land of the ESURB behind CODEVASF (2,770 m²)	3,750	2,781
Land of the ESURB Santa Rita II neighborhood (11,700 m²)	4,200	4,602
Two lots at Reserva Real (11,287 m²)	-	3,574
Land in Ibituruna (11,842 m²)	7,900	11,842
Land new municipality region (72,491 m²)	14,120	14,091
	----------	----------
	60,240	55,276
	======	======
Residual cost of the property	51,702	55,276
Surplus/added value (a)	8,538	-
	----------	----------
Fair value (b)	60,240	55,276
	======	======

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

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

In the fair value evaluation, a deferred tax liability of R$2,903 was calculated. See note 18.b.1.

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

a. Property, plant and equipment

		2019			2018
	Rate (*) %	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	-	44,775	(19,642)	25,133	25,490
Buildings	2.4	344,555	(152,132)	192,423	216,271
Installations	7.6	197,022	(148,576)	48,446	58,683
Machinery and equipment	7.4	1,109,905	(864,036)	245,869	282,875
Hydroelectric Plant - Porto Estrela (**)	3.8	37,666	(19,458)	18,208	19,610
Furniture, fixtures and others	12.2	108,379	(87,968)	20,411	24,315
Construction in progress	-	67,978	-	67,978	21,937
		1,910,280	(1,291,812)	618,468	649,181

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

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

	Land and improvements	Buildings	Installations	Machinery and equipment	Hydroelectric plant - Porto Estrela (a)	Furniture, fixtures and others	Construction in progress (e)	Total
Balance as of December 31, 2017	20,182	213,222	58,447	305,318	20,997	23,355	27,644	669,165
Monetary restated – Argentina (b)	5,713	9,136	3,968	7,457	-	236	291	26,801
	----------	----------	----------	----------	----------	----------	----------	----------
Balance as of January 1, 2018	25,895	222,358	62,415	312,775	20,997	23,591	27,935	695,966
Additions	185	1,056	825	9,981	47	1,907	27,855	41,856
Net disposals	(92)	-	(34)	(239)	-	(162)	(65)	(592)
Transfers								
- PP&E	38	1,826	5,489	14,108	-	6,028	(27,489)	-
- AHFS	-	-	-	274	-	-	(551)	(277)
- Investment properties	-	-	-	-	-	-	(2,744)	(2,744)
Exchange rate variations	(1,299)	(20)	(956)	(1,190)	-	164	(517)	(3,818)
Depreciation in the year	(1,143)	(8,949)	(8,906)	(49,315)	(1,434)	(5,970)	-	(75,717)
Impairment adjustment (c)	1,906	-	(150)	(48)	-	(437)	-	1,271
Discontinued operations (d)	-	-	-	(3,471)	-	(806)	(2,487)	(6,764)
	----------	----------	----------	----------	----------	----------	----------	----------
Balance as of December 31, 2018	25,490	216,271	58,683	282,875	19,610	24,315	21,937	649,181
Additions	1,304	45	450	13,631	32	2,203	71,087	88,752
Net disposals	(52)	-	(7)	-	-	-	(19)	(78)
Transfers								
- PP&E	75	325	5,085	12,741	-	273	(18,499)	-
- AHFS	(580)	(4,927)	(7,439)	(21,745)	-	(101)	(6,472)	(41,264)
- Investment properties	-	(10,999)	-	(111)	-	(65)	-	(11,175)
Exchange rate variations	64	512	25	122	-	20	(56)	687
Depreciation in the year	(1,610)	(8,804)	(8,394)	(41,659)	(1,434)	(5,214)	-	(67,115)
Impairment adjustment (c)	442	-	43	15	-	(1,020)	-	(520)
	----------	----------	----------	----------	----------	----------	----------	----------
Balance as of December 31, 2019	25,133	192,423	48,446	245,869	18,208	20,411	67,978	618,468
	=======	=======	=======	=======	=======	=======	=======	=======

(a) See note 16.

(b) See note 2.4.

(c) The Company annually assesses the recoverability of property, plant and equipment, considering cash flow for the period of 5 years. In 2019, the consolidated fixed assets are reduced by a provision for loss in the amount of R $ 5,303 (R $ 4,783 as of December 31, 2018).

(d) See note 29.

(e) 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 possible realization value, resulting in the recognition of probable losses on their realization (reduction of recoverable value).

As of December 31, 2019, this amount represented R$24,421, of which R$12,327 was classified in current assets and R$12,094 in non-current assets (R$37,444 in non-current assets as of December 31, 2018).

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

	2018	Additions	Disposals	Transfers from PP&E	Transfers to investment property	Exchange rate variations	2019
Cost	435,217	-	(77,599)	22,181	(485)	17,175	396,489
Depreciation	(367,074)	(1,334)	59,282	(11,006)	209	(14,638)	(334,561)
Provision for loss	(30,699)	(1,401)	(4,272)	-	-	(1,135)	(37,507)
	----------	----------	----------	----------	----------	----------	----------
	37,444	(2,735)	(22,589)	11,175	(276)	1,402	24,421
	======	======	======	======	======	======	======

	2017	Additions	Disposals	Transfer from/to PP&E	Exchange rate variations	2018
Cost	385,546	-	(8,164)	(4,767)	62,602	435,217
Depreciation	(324,971)	(1,300)	7,318	5,044	(53,165)	(367,074)
Provision for loss	(26,844)	(485)	619	-	(3,989)	(30,699)
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	33,731	(1,785)	(227)	277	5,448	37,444
	======	======	======	======	======	======

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

The composition of assets contracted as leases are as follows:

		Consolidated		
		2019		
	Rate (2) % a.a.	Cost	Accumulated amortization	Net book value
Properties (CSA and AMMO – own use)	44.1	14,106	(3,211)	10,895
Properties (SGUS – own use)	8.3	35,780	(2,982)	32,798
Properties – stores (AMMO – own use)	27.9	59,248	(16,412)	42,836
Vehicles	53.7	1,263	(697)	566
Investment properties (1)		71,168	-	71,168
		------------	------------	------------
Total right-of-use assets		181,565	(23,302)	158,263
Financial leases receivable (1)		91,719	-	91,719
		------------	------------	------------
		273,284	(23,302)	249,982
		=======	=======	=======

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

(2) The 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 – SGUS	Properties – stores	Vehicles	Investment properties	Financial leases receivable	Total
Balance as of December 31, 2018	-	-	-	-	-	-	-
Initial adoption of IFRS 16/CPC 06 (R2) (*)	13,743	34,590	44,230	693	68,585	103,163	265,004
Exchange rate variations	-	1,151	-	-	2,330	3,765	7,246
Additions (**)	363	-	17,059	570	875	-	18,867
Disposals (***)	-	-	(1,613)	-	-	(10,491)	(12,104)
Amortization in the year	(3,211)	(2,943)	(16,840)	(697)	-	(1,466)	(25,157)
Updated sublease contracts	-	-	-	-	4,279	9,705	13,984
Sublease cash receipts	-	-	-	-	(4,901)	(12,957)	(17,858)
	----------	----------	----------	----------	----------	----------	----------
Balance as of December 31, 2019	10,895	32,798	42,836	566	71,168	91,719	249,982
	======	======	=======	======	=======	=======	=======

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

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

(***) Early termination of lease contract.

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

Year	Financial lease receivable
2020	13,145
2021	13,282
2022	13,426
2023	13,580
2024 then after	96,361

	149,794
Present value adjustment	(58,075)

	91,719
Current	(6,601)

Noncurrent	85,118
	=======

12. INTANGIBLE ASSETS

	Consolidated	
	2019	2018
Goodwill on the acquisition of AMMO (1)	27,303	27,303
Trademarks – owned (2)	16,267	16,348
Trademarks – use license (*) (3)	8,388	9,043
Intellectual property (4)	15,387	7,378
Store locations (real estate intangible) (5)	25,357	21,801
	-----------	-----------
Total	92,702	81,873
	======	======

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

	Goodwill on the acquisition of AMMO (1)	Trademarks – owned (2)	Trademarks – use license (3)	Intellectual property (4)	Store locations (real estate intangible) (5)	Total
Balance as of December 31, 2018	27,303	16,348	9,043	7,378	21,801	81,873
Additions	-	-	-	9,609	125	9,734
Disposals	-	(81)	-	-	(361)	(442)
Amortization	-	-	(718)	(1,600)	-	(2,318)
Exchange rate variations	-	-	63	-	-	63
Impairment adjustment	-	-	-	-	3,792	3,792
Balance as of December 31, 2019	27,303	16,267	8,388	15,387	25,357	92,702

	Goodwill on the acquisition of North American companies (*)	Goodwill on the acquisition of AMMO (1)	Trademarks – owned (2)	Trademarks – use license (3)	Intellectual property (4)	Store locations (real estate intangible) (5)	Total
Balance as of December 31, 2017	37,748	27,303	16,339	9,157	3,139	21,102	114,788
Additions	-	-	9	-	4,867	979	5,855
Amortization	-	-	-	(723)	(628)	-	(1,351)
Exchange rate variations	5,933	-	-	(1,662)	-	-	4,271
Discontinued operations (*)	(43,681)	-	-	-	-	-	(43,681)
Hyper-inflationary adjustment– Argentina (**)	-	-	-	2,271	-	-	2,271
Impairment adjustment	-	-	-	-	-	(280)	(280)
Balance as of December 31, 2018	-	27,303	16,348	9,043	7,378	21,801	81,873

(*) See note 29.

(**) See note 2.4.

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

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

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

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

<u>(2) Trademarks – owned:</u> Trademarks owned are recorded at the acquisition cost, have indefinite useful lives, and therefore are not amortized.

<u>(3) Trademarks – use license:</u> Represents the license to use the trademark "Santista" in Argentina and it is amortized over the term of the contract in 15 years.

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

<u>(5) Store locations (real estate intangible):</u> 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$11,786 as of December 31, 2018), based on its market value determined by an independent broker with valuation expertise.

Items (2) to (4) 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 2019	Consolidated 2018
Local currency (*):					
Banco do Brasil S.A. (a)	R$	127.5 and 130.0 of CDI	2023	390,936	442,033
Banco do Brasil S.A. – CDC	R$	8.9 and 9.3	2020	57,761	32,925
Banco BBM S.A. – CCB	R$	149.0 and 150.5 of CDI and 4.0 + CDI	2021	44,821	70,344
Banco ABC do Brasil S.A. – CCE	R$	4.3 + CDI	2022	46,637	48,297
Banco Bradesco S.A. (*)	R$	4.4 and 4.5 + CDI	2020	19,760	19,577
BNDES (Finame)	R$	3.0 to 9.5	2023	168	1,206
Banco Daycoval S.A.	R$	4.5 + CDI	2020	15,743	30,375
Banco Itaú Unibanco S.A. – CCB	R$	2.8 + CDI	2019	-	25,260
Banco Safra S.A. – CCB	R$	5.3 + CDI	2020	46,976	50,476
Banco Fibra S.A. – CCE	R$	6.5 + CDI	2020	3,350	9,098
Banco Sofisa S.A.	R$	6.8 + CDI	2020	30,251	-
Caixa Econômica Federal – CCB (*) (b)	R$	149.6 of CDI	2021	15,944	-
Banco Pine S.A.	R$	7.8 + CDI	2022	12,046	-
Others	R$	-	2020	6,637	7,849
				691,030	737,440
Foreign currency:					
Banco Patagônia	$ARG	58.8 to 59.0	2020	4,657	11,740
Banco Luso Brasileiro S.A.	US$	8.5	2020	9,960	9,712
Banco do Brasil S.A.	US$	5.6 to 6.2	2020	36,671	43,672
Banco Santander S.A. PPE (c)	US$	8.1	2021	124,252	125,004
JP Morgan	US$	Libor + 0.9	2020	18,198	17,491
Banco Pine S.A.	US$	8.5	2020	8,221	-
Banco Itaú Unibanco S.A.	US$	7.6	2020	29,388	-
Banco Fibra S.A.	US$	5.4	2020	20,261	-
				251,608	207,619
Total				942,638	945,059
Current				(511,143)	(527,241)
Noncurrent				431,495	417,818

(*) Loans held in part by the Company in the amount of R$20,912.

(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. On December 31, 2019, the ratios were met.

(b) Parent company loan (R$15,944), 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 starting in 2019, 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. On December 31, 2019, the ratios were met.

(c) Loan guaranteed by linked marketable securities in the amount of US$17,617 thousand (see note 4). The loan contains covenants where the Company, as guarantor, agreed to comply with the following financial ratios in its annual consolidated financial statements: (i) Net Debt to EBITDA ratio, no greater than 3.5 during the year 2017; 3.25 during the year 2018; 3.0 during the year 2019; (ii) Net Debt to Shareholders' Equity ratio, no greater than 0.7 during the period of the agreement; and (iii) EBITDA to net financial expenses ratio, no less than 2.0. On December 31, 2019, the ratios were met.

The terms used to describe the financial ratios described in items (a), (b) and (c) 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:

	2020	2021	2022	2023	Total
Local currency:					
Banco do Brasil S.A.	43,370	130,102	108,622	108,842	390,936
Banco do Brasil S.A. – CDC	57,761	-	-	-	57,761
Banco BBM S.A. – CCB	25,513	19,308	-	-	44,821
Banco ABC do Brasil S.A. CCE	12,497	18,622	15,518	-	46,637
Banco Bradesco S.A.	19,760	-	-	-	19,760
BNDES (Finame)	134	14	14	6	168
Banco Daycoval S.A.	15,743	-	-	-	15,743
Banco Safra S.A. – CCB	46,976	-	-	-	46,976
Banco Fibra S.A. – CCE	3,350	-	-	-	3,350
Banco Sofisa S.A.	30,251	-	-	-	30,251
Caixa Econômica Federal – CCB	7,965	7,979	-	-	15,944
Banco Pine S.A.	5,646	3,200	3,200	-	12,046
Others	6,637	-	-	-	6,637
	275,603	179,225	127,354	108,848	691,030
Foreign currency:					
Banco Patagônia	4,657	-	-	-	4,657
Banco Luso Brasileiro S.A.	9,960	-	-	-	9,960
Banco do Brasil S.A.	36,671	-	-	-	36,671
Banco Santander S.A. PPE	108,184	16,068	-	-	124,252
JP Morgan	18,198	-	-	-	18,198
Banco Pine S.A.	8,221	-	-	-	8,221
Banco Itaú Unibanco S.A.	29,388	-	-	-	29,388
Banco Fibra S.A.	20,261	-	-	-	20,261
	235,540	16,068	-	-	251,608
Total	511,143	195,293	127,354	108,848	942,638

Changes in consolidated loans and debentures were as follows:

	2019			2018
	Loans	Debentures	Total	Total
Begining balance	945,059	148,322	1,093,381	1,075,636
Debt proceeds or renewal	328,820	-	328,820	914,806
Accrued interest	89,049	10,112	99,161	102,820
Paid principal	(334,219)	(50,000)	(384,219)	(823,115)
Paid interest	(88,403)	(10,610)	(99,013)	(98,477)
Exchange rate variations	5,956	-	5,956	34,913
Prepaid charges, net	(3,624)	1,573	(2,051)	(1,523)
Discontinued operations	-	-	-	(111,679)
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Ending balance	942,638	99,397	1,042,035	1,093,381
	=======	=======	========	========

14. DEBENTURES

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

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

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

(1) Guarantees:

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

Fidejussory guarantee: Surety given by the Company.

(2) Covenants:

In addition to the usual covenants, the Company has agreed to comply with the following financial ratios: (i) Net Debt to Adjusted EBITDA ratio, equal to or less than 4.0 (four); (ii) Net Debt to

Shareholders' Equity ratio, equal to or less than 0.7 (seven tenths) except for June 2018, equal to or less than 0.8 (eight tenths); and (iii) EBITDA to Interest ratio, equal to or greater than 2.0 (two).

The above ratios are required for the entire contract period and are measured semiannually starting in December 2017. The terms used to describe the ratios have their particular definition set forth in the contract and may differ from the financial statement lines. On December 31, 2019, the ratios were met.

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

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

(1) Guarantees:

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

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

(2) Covenants:

No commitment to maintain financial ratios.

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

	Debentures from			
	3rd series	4th series	2019	2018
Original amount	12,500	87,500	100,000	150,000
Prepaid interest	(282)	(1,103)	(1,385)	(2,958)
Accrued interest	19	763	782	1,280
Debentures total	12,237	87,160	99,397	148,322
Current	(12,237)	(74,771)	(87,008)	(74,653)
Noncurrent	-	12,389	12,389	73,669

15. SUPPLIERS

	Consolidated 2019	Consolidated 2018
Domestic market	128,390	96,452
Foreign market	27,012	16,378
	155,402	112,830

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 58 days (44 days as of December 31, 2018).

16. GOVERNMENT CONCESSIONS

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

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

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

Total annual installments of the concession:

	Years 5 to 15 2002 to 2012	Years 16 to 25 2013 to 2022	Years 26 to 35 2023 to 2032
Historical amounts:			
Minimum installment	120	120	120
Additional installment	-	12,510	20,449
Annual installment	120	12,630	20,569
Total installments	1,320	126,300	205,690
Monetarily adjusted installments	6,964	666,356	1,085,202

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 December 31, 2019, this amount represents R$65,983, of which, R$22,212 is classified in current liabilities and R$43,771 is classified as noncurrent liabilities (R$65,448, of which, R$21,361 is classified in current liabilities and R$44,087 is classified as noncurrent liabilities on December 31, 2018).

As of December 31, 2019, the net book value of the property, plant and equipment related to the current concession is R$18,208 (R$19,610 as of December 31, 2018) (see note 10), considering CSA's equity interest in the investments for the construction of the Porto Estrela Hydroelectric Plant, located on the Santo Antônio River, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

17. LEASES PAYABLE

The breakdown of leases payable is as follows:

		Consolidated
	Maturity	2019
Properties	2024	11,366
SGUS (*)	2030	217,120
Properties – stores	2025	45,142
Vehicles	2021	574

		274,202
Current		(53,049)

Noncurrent		221,153
		=======

The maturities of leases payable are as follows:

	2020	2021	2022	2023	2024 to 2030	Total
Properties	3,835	3,666	3,666	2,174	70	13,411
SGUS (*)	32,890	31,933	32,193	32,453	234,675	364,144
Properties – stores	18,921	14,163	8,675	6,903	4,390	53,052
Vehicles	378	248	-	-	-	626
	------------	------------	------------	------------	------------	------------
Gross total	56,024	50,010	44,534	41,530	239,135	431,233
Adjust to present value	(2,975)	(7,099)	(9,986)	(12,127)	(124,844)	(157,031)
	------------	------------	------------	------------	------------	------------
Total payable	53,049	42,911	34,548	29,403	114,291	274,202
	======	======	======	======	======	======

(*) 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:

	Properties	SGUS (*)	Properties - stores	Vehicles	Total
Balances on December 31, 2018 (1)	-	23,221	-	-	23,221
Exchange variation	-	131	-	-	131
Initial adoption IFRS 16/CPC 06 R2 (2)	13,743	206,338	44,230	693	265,004
Balance on January 1, 2019	13,743	229,690	44,230	693	288,356
Additions (3)	363	-	17,059	570	17,992
Disposals (4)	-	(10,854)	(1,701)	-	(12,555)
Charges	1,170	22,933	5,021	44	29,168
Payments	(3,910)	(32,776)	(19,467)	(733)	(56,886)
Exchange variation	-	8,034	-	-	8,034
Others	-	93	-	-	93
Balances on December 31, 2019	11,366	217,120	45,142	574	274,202

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

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

(2) The Company's management opted for the simplified retrospective transition approach. This approach does not impact retained earnings (shareholders' equity) on the initial adoption date, since the amount of the right-of-use asset is equal to the lease payable amount adjusted to present value and enables the use of practical expedients. The Company's management considered as leasing component for stores only the fixed minimum rent value for purposes of assessing the liabilities. The measurement of the lease liability corresponds to the total of future payments of fixed rents, considering the terms of the contracts. These payment flows are adjusted to present value, considering the 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).

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

(4) Early termination of lease contract.

The effects on results as of December 31, 2019 are as follows:

Continuing operations	Properties	Properties – stores	Properties – SGUS	Vehicle	Investment property	Financial leases	Consolidated
Lease payments in the year	3,910	19,467	4,898	733	11,934	14,117	55,059
PIS and COFINS recovered	-	(1,801)	-	-	-	-	(1,801)
Amortization of right-of-use assets	(3,211)	(16,840)	(2,943)	(697)	-	(220)	(23,911)
PIS and COFINS on amortization	-	1,387	-	-	-	-	1,387
Interest on leases payable	(1,170)	(5,021)	(3,466)	(44)	(8,777)	(9,595)	(28,073)
PIS and COFINS on interest	-	414	-	-	-	-	414
Disposals, net	-	88	-	-	-	363	451
Updated sublease contracts	-	-	-	-	4,279	9,705	13,984
Sublease cash receipts	-	-	-	-	(4,901)	(12,957)	(17,858)
Total effects with the application of IFRS 16	(471)	(2,306)	(1,511)	(8)	2,535	1,413	(348)

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

18. INCOME TAX AND OTHER TAXES

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

	2019				
	SGPSA (Parent Co.)	CSA Consolidated	SGUS	Others (2)	Consolidated
Income (loss) from operations before taxes (1)	45,724	(106,061)	246,733	(58,508)	127,888
Equity in subsidiaries	(51,962)	-	7,159	51,962	7,159
Investment support	-	(40,447)	-	-	(40,447)
Permanent differences from foreign subsidiaries	-	-	(4,338)	-	(4,338)
Other	79	1,072	-	-	1,151
	------------	------------	------------	------------	------------
Income tax basis	(6,159)	(145,436)	249,554	(6,546)	91,413
34% income tax rate	2,094	49,448	(84,848)	2,226	(31,080)
Unrecognized tax credits	(2,094)	(52,819)	6,537	(2,226)	(50,602)
Tax credit of foreign subsidiary	-	(120)	(291)	-	(411)
Others	-	(301)	230	-	(71)
	------------	------------	------------	------------	------------
Total income taxes	-	(3,792)	(78,372)	-	(82,164)
	=======	=======	=======	=======	=======
Continuing operations					
Income taxes – current	-	(323)	4,640	-	4,317
Income taxes – deferred	-	(3,469)	(291)	-	(3,760)
	------------	------------	------------	------------	------------
	-	(3,792)	4,349	-	557
	=======	=======	=======	=======	=======
Discontinued operations					
Income taxes – current	-	-	(2,535)	-	(2,535)
Income taxes – deferred	-	-	(80,186)	-	(80,186)
	------------	------------	------------	------------	------------
	-	-	(82,721)	-	(82,721)
	=======	=======	=======	=======	=======

(1) Includes income from discontinued operations before taxes. See notes 29 and 30.

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

	2018					
	SGPSA (Parent Co.)	CSA Consolidated	SGUS	AMMO Varejo	Others (2)	Consolidated
Income (loss) from operations before taxes (1)	111,568	109,000	35,281	(4,995)	(128,103)	122,751
Equity in subsidiaries	(125,884)	-	-	-	125,884	-
Investment support	-	(45,169)	-	-	-	(45,169)
Permanent differences from foreign subsidiaries	-	-	(2,153)	-	-	(2,153)
Other	-	285	234	-	-	519
Income tax basis	(14,316)	64,116	33,362	(4,995)	(2,219)	75,948
34% income tax rate	4,867	(21,799)	(11,343)	1,699	754	(25,822)
Unrecognized tax credits	(4,867)	(30,669)	7,979	(1,699)	(754)	(30,010)
Tax credit of foreign subsidiary	-	(1,569)	46,998	-	-	45,429
Others	-	(447)	(333)	-	-	(780)
Total income taxes	-	(54,484)	43,301	-	-	(11,183)
Continuing operations						
Income taxes – current	-	(19,562)	-	-	-	(19,562)
Income taxes – deferred	-	(34,922)	47,021	-	-	12,099
	-	(54,484)	47,021	-	-	(7,463)
Discontinued operations						
Income taxes – current	-	-	(3,700)	-	-	(3,700)
Income taxes – deferred	-	-	(20)	-	-	(20)
	-	-	(3,720)	-	-	(3,720)

(1) Includes income from discontinued operations before taxes. See notes 29 and 30.

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

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 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:

	2018	Recognized in: Statement of operations	Recognized in: Equity	Exchange rate variations	Other	2019
Assets:						
Temporary differences (CSA – Argentina) (1) (a)	646	-	-	3	-	649
Temporary differences (CSA – Brasil) (1) (p)	13,734	1,901	-	-	-	15,635
Net operating losses (CSA – Brasil) (1) (p)	3,049	(1,901)	-	-	-	1,148
Tax credits from foreign subsidiary (CSA – Brasil) (1) (p)	7,167	-	-	-	-	7,167
Net operating losses (SGUS – EUA) (2) (a)	145,183	(80,477)	-	3,031	(1,236)	66,501
Temporary differences (AMMO – Brasil) (1) (a)	257	(546)	-	-	514	225
Net operating losses (AMMO – Brasil) (1) (a)	2,042	(1,510)	-	-	(532)	-
Net operating losses (SGPSA – Brasil) (a)	1,905	-	-	-	-	1,905
	-----------	----------	----------	----------	----------	-----------
	173,983	(82,533)	-	3,034	(1,254)	93,230
Deferred tax liabilities:						
Investment properties (CSA – Brasil) (1) (p)	(78,188)	(1,293)	(3,908)	-	-	(83,389)
Hyperinflationary adjustment (CSA – Argentina) (1) (p)	(10,156)	(120)	-	-	3,625	(6,651)
Temporary differences (CSA – Brasil) (1) (p) (*)	-	-	-	-	(17,539)	(17,539)
	-----------	----------	----------	----------	----------	-----------
Total deferred taxes, net	85,639	(83,946)	(3,908)	3,034	(15,168)	(14,349)
	======	======	======	======	======	======
Noncurrent assets (sum of a)	150,033	(82,533)	-	3,034	(1,254)	69,280
Noncurrent liabilities (sum of p)	(64,394)	(1,413)	(3,908)	-	(13,914)	(83,629)
	======	======	======	======	=====	======

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

(1) Deferred taxes of subsidiary CSA:

Deferred tax assets:

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

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

Year	Consolidated: Temporary differences	Consolidated: Operating losses (*)	Consolidated: CSA consolidated
2023	16,509	8,315	24,824
	======	======	======

(*) 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 December 31, 2019, CSA had net operating losses of R$915,612 (R$689,919 as of December 31, 2018) and social contribution tax losses of R$921,695 (R$696,197 as of December

31, 2018), whose tax assets were not recognized in the financial statements. As of December 31, 2019, the indirect subsidiary AMMO had net operating losses of R$283,948 and social contribution tax losses of R$282,322.

Deferred tax liabilities – investment properties:

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

	Investment properties São Gonçalo		Investment properties Montes Claros (9.3)	Total
	Business complex (9.1)	Residential complex (9.2)		
Fair value	301,550	44,974	60,240	406,764
Total residual cost	(109,707)	(93)	(51,702)	(161,502)
Surplus/added value	191,843	44,881	8,538	245,262
Income and social contribution taxes liability on surplus/added value (34%)	65,227	15,259	2,903	83,389

(2) Deferred taxes of subsidiary SGUS:

The subsidiary SGUS, based on its business plan and future projections, maintained deferred tax assets derived, primarily, from accumulated tax losses. Based on the projections of its operating results, the subsidiary SGUS had a deferred tax assets balance, as of December 31, 2019, totaling R$66,501 (R$145,183 as of December 31, 2018). The change during 2019 is due to realization of tax loss carryforwards on the sale of SGUS assets. The updated projections considered the impacts resulting from the transaction between the subsidiary SGUS and Keeco, as disclosed in notes 29 and 30, comprising (i) the taxable income on the sale of the assets and liabilities of the discontinued operations and (ii) projections of continuing operations considering the revenues and expenses of the subsidiary SGUS after the sale of assets and liabilities for the next 10 years.

Based on the assumptions utilized in the preparation of business plan, SGUS management expects to generate future taxable income that will allow the realization of the deferred tax credits. The estimated realization for the deferred tax assets of subsidiary SGUS, as of December 31, 2019, is shown below:

Year	Subsidiary SGUS
2020	594
2021	1,090
2022	3,284
2023	7,250
2024	9,799
2025 and thereafter	44,484
	66,501

Temporary differences are fully deductible from taxable income and have no deadline for utilization. The net operating tax losses are also fully deductible, but the federal losses will expire between 2022 and 2034 and the state losses will expire between 2019 and 2034.

Additionally, on December 31, 2019, subsidiary SGUS had R$499,688 in tax losses (R$472,625 at December 31, 2018) whose tax assets were not recognized in the financial statements.

c. Recoverable taxes

	Company		Consolidated	
	2019	2018	2019	2018
ICMS (state VAT)	-	-	9,878	5,078
Income and social contribution taxes prepayments	341	148	12,390	15,491
Recoverable PIS and COFINS (*)	-	-	204,754	221,228
Recoverable INSS	-	-	15,391	-
IVA – Gross proceeds (Argentina)	-	-	1,416	2,119
VAT – China and Mexico	-	-	-	1,294
Recoverable IPI	-	-	83	83
Other recoverable taxes	-	-	423	674
	341	148	244,335	245,967
Current	(341)	(148)	(80,942)	(17,736)
Noncurrent	-	-	163,393	228,231

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

19. MISCELLANEOUS ACCRUALS

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

The Company and its subsidiaries have tax, labor and civil claims, whose loss was estimated as possible in the amount of R$22,799, R$4,402 and R$41,799, respectively, (R$90,003, R$4,165 and R$40,043, respectively, on December 31, 2018). 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). In 2019, due to the favorable ruling in one of the actions related to the improper use of ICMS credits in the purchase of electricity and raw material imported in the state of Paraíba in the amount of R$68,064, the subsidiary CSA, reduced the amount of losses which were considered possible by R$43,635, and the remaining balance was considered a remote risk. 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	
	2019	2018
Tax litigation claims – others	108	98
Labor	9,472	11,468
Civil and others	3,351	1,367
	-----------	-----------
Total	12,931	12,933
	=====	=====
Escrow deposits	13,403	12,541
	=====	=====

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

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

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

Changes in the consolidated accrual are as follows:

	Tax litigation claims			Civil and	
	INSS	Others	Labor	others	Total
Balances on December 31, 2017	1,998	149	13,589	2,874	18,610
Additions	-	-	1,168	20	1,188
Disposals	(1,998)	(51)	(3,289)	(1,527)	(6,865)
	----------	----------	---------	---------	----------
Balances on December 31, 2018	-	98	11,468	1,367	12,933
Additions	-	10	1,295	2,518	3,823
Disposals	-	-	(3,066)	(210)	(3,276)
Exchange variation	-	-	(225)	(324)	(549)
	----------	----------	---------	---------	----------
Balances on December 31, 2019	-	108	9,472	3,351	12,931
	======	======	======	=====	======

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 and postretirement plans as of December 31, 2019 and 2018:

	2019	2018
Changes in benefit obligation:		
Benefit obligation at beginning of year	155,727	145,481
Service cost	1,049	1,229
Interest cost	6,779	6,453
Actuarial (gain) loss	9,995	(7,554)
Benefit payments	(14,898)	(14,067)
Exchange rate variation	6,331	24,185
Benefit obligation at end of year	164,983	155,727
Changes in plan assets:		
Fair value of plan assets at beginning of year	46,578	46,118
Return on assets	8,796	(2,388)
Employer contributions	9,533	9,390
Benefit payments	(14,898)	(14,067)
Exchange rate variation	1,951	7,525
Fair value of plan assets at end of year	51,960	46,578
Present value of unfunded obligations	113,023	109,149
Actuarial assumptions to determine the benefit obligations at year end:		
Discount rate (per annum)	3.05% to 3.25%	4.15% to 4.30%
Rate of compensation increase (per annum)	-	-
Assumptions used to determine net expense for the years ended:		
Discount rate and expected rate of return on assets (per annum)	4.15% to 4.30%	3.45% to 3.60%
Rate of compensation increase (per annum)	-	-
Components of net periodic benefit cost:		
Service cost	1,049	1,229
Interest cost, net	4,196	3,528
Net periodic benefit cost	5,245	4,757

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.

	2019	2018
Investments in plan assets:		
Equity securities	17,938	15,358
Fixed income	33,254	30,640
Cash and cash equivalents	768	580
Plan assets fair value at the end of year	51,960	46,578

The subsidiary SGUS expects to contribute R$13,004 to the defined-benefit plans in 2019. Expected benefit payments for the next 10 years are:

	Defined-benefit pension plans
2020	13,624
2020	13,188
2021	12,765
2022	12,288
2023	11,814
2024 – 2029	52,261

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

	2019	2018
Pension plan obligations	113,023	109,149
Other employee benefit obligations	2,761	4,734
Total employee benefit plans	115,784	113,883
Current (a)	(9,617)	(9,915)
Noncurrent	106,167	103,968

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

21. EQUITY

a. Capital

The subscribed and paid-in capital is represented by 50,000,000 common shares with voting rights. There was no change in the number of shares subscribed and paid for the period between January 1, 2018 and December 31, 2019.

b. Dividends and realizable earnings reserve

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

c. Retained earnings reserve

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

d. Cumulative translation adjustments

Represents the exchange variation on investments in foreign direct and indirect subsidiaries.

e. Assets and liabilities valuation adjustments

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

22. RELATED-PARTY BALANCES AND TRANSACTIONS

	Receivable		Payable	
	2019	2018	2019	2018
Company:				
Coteminas S.A. (1)	-	-	16,255	83,690
	----------	----------	----------	----------
	-	-	16,255	83,690
	======	======	======	======
Consolidated:				
Companhia de Tecidos Norte de Minas – Coteminas	32,368	17,203	-	-
Coteminas International Ltd.	1,795	1,654	-	-
Santanense Argentina	17	74	-	-
Argentina branch	51	15	-	-
Seda, Inc.	-	-	-	58
Companhia de Tecidos Santanense	8,674	-	-	-
	----------	----------	----------	----------
	42,905	18,946	-	58
	======	======	======	======

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

	Finance charges revenue (expenses)	
	2019	2018
Company:		
Coteminas S.A.	(1,094)	(6,745)
Companhia de Tecidos Norte de Minas - Coteminas	-	(3)
	----------	----------
	(1,094)	(6,748)
	======	======
Consolidated:		
Companhia de Tecidos Norte de Minas – Coteminas	12,991	13,550
Companhia Tecidos Santanense	242	(560)
Coteminas International Ltd.	82	57
Wembley S.A.	4	(2)
	----------	----------
	13,319	13,045
	======	======

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 December 31, 2019, the amount of R$13,669 was recorded with R$4,418 (R$5,288 as of December 31, 2018) in the caption “Other receivables” in current assets and R$9,251 in the caption “Others” in noncurrent assets (R$13,669 as of December 31, 2018), related to guarantees on existing contracts and credit facilities. In 2019, the amount of R$5,288 was recorded as interest expenses under the caption “Financial expenses – bank charges and others” (R$7,418 in 2018).

In 2019, the subsidiary CSA supplied intermediate products to a related party, Companhia Tecidos Santanense, in the amount of R$18,232 (R$29,342 in 2018). On December 31, 2019, there were no advances from clients in the caption “Other payables” under current liabilities (R$7,500 on December 31, 2018).

On December 31, 2018, the subsidiary CSA had credits in the amount of R$11,151, included in "Receivable - clients" in noncurrent assets. In 2019, the total adjusted balance was transferred to intercompany notes with the Company.

CTNM and the indirect subsidiary AMMO Varejo have a rental agreement for the property where their distribution center and office are located. In 2019, payments were made in the amount of R$3,621.

On December 31, 2019, the indirect subsidiary LAT Capital Ltd. had R$32,495 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, when applicable.

23. TAX RECOVERY

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

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

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

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

The credits of subsidiary CSA and indirect subsidiary AMMO Varejo were cleared in the third quarter and fourth quarter, respectively, and are being compensated.

24. FINANCIAL INSTRUMENTS

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

	Company		Consolidated	
	2019	2018	2019	2018
FINANCIAL ASSETS				
Amortized cost:				
Cash and cash equivalents	154	49	151,935	139,474
Marketable securities (current)	-	-	33,976	7,045
Accounts receivable	-	-	487,822	503,798
Cash holdback amount	-	-	25,393	-
Other receivables	960	1,168	32,976	33,783
Marketable securities (noncurrent)	-	-	71,010	75,729
Receivable – clients	-	-	23,968	39,934
Related parties	-	-	42,905	18,946
Escrow deposits	-	-	13,403	12,541
Others	-	-	54,558	41,601
Fair value through profit or loss:				
Derivative financial instruments	-	-	-	4,798
Marketable securities (current)	-	-	18,365	9,950
FINANCIAL LIABILITIES				
Amortized cost:				
Loans and financing (current)	12,933	4,759	511,143	527,241
Debentures (current)	-	-	87,008	74,653
Suppliers	6	-	155,402	112,830
Government concessions (current)	-	-	22,212	21,361
Other accounts payable	-	-	52,296	59,928
Loans and financing (noncurrent)	7,979	-	431,495	417,818
Debentures (noncurrent)	-	-	12,389	73,669
Related parties	16,255	83,690	-	58
Government concessions (noncurrent)	-	-	43,771	44,087
Other obligations	-	-	31,764	22,555

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

b) Fair value--The fair values of loans and financing and debentures are similar to their amortized cost recorded in the 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 financial statements. As of December 31, 2019 and 2018, except for the transaction described in items d.3.3 and d.4 below, there were no outstanding derivative financial instruments.

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

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

d.3.1) Exchange rate risk on foreign investments:

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

	2019				
	R$	$ARG	US$	$PYG	Exchange rate variation on foreign investments R$
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	456,764	321,478	107,207	4,824,379	16,750

	2018			
	R$	$ARG	US$	Exchange rate variation on foreign investments R$
Coteminas Argentina (*)	38,426	373,794	-	(10,616)
LAT Capital	2,805	-	724	431
SGUS	251,491	-	64,904	22,656
	------------	------------	------------	------------
Total of foreign investments	292,722	373,794	65,628	12,471
	=======	=======	=======	=======

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

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

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

Financial instruments	2019	2018
Cash and cash equivalents	-	78
Derivative financial instruments	-	4,798
Accounts receivable	46,415	42,867
Marketable securities	71,010	75,729
Receivable - clients	-	11,151
Suppliers, net	(7,933)	(1,430)
Loan and financing	(228,753)	(178,388)
Related parties	(295,050)	(125,915)
	-----------	-----------
Total exposure in Brazilian Reais	(414,311)	(171,110)
	======	======
Total exposure in equivalent thousands of US Dollars	(102,789)	(44,160)
	======	======

The sensitivity analysis of financial instruments, considering the US Dollar denominated cash flows, as of December 31, 2019, is shown below:

			Scenarios		
Maturity	Risk	Exposure value in thousands of US$	Probable	II	III
2020	US Dollar appreciation	(98,790)	(1,088)	(100,908)	(200,728)
2021	US Dollar appreciation	(3,999)	(331)	(4,443)	(8,556)
		----------	----------	----------	-----------
		(102,789)	(1,419)	(105,351)	(209,284)
		======	======	======	======

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 year. Scenarios II and III reflect 25% and 50% deterioration of future dollar exchange rates, respectively. The future dollar exchange rates were obtained from B3 S.A. – Brasil, Bolsa, Balcão.

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

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

Description	Notional Value – US$ thousands		Fair Value – Asset (Liability)	
	2019	2018	2019	2018
Option Contract -- Position: Sell Currency: US$ Dollar settlement: R$3.8700 Counterpart: Itaú BBA Other information: 2 contracts of US$35,000 thousands (each), maturing on February/19	-	70,000	-	5,359
Option Contract -- Position: Buy Currency: US$ Dollar settlement: R$4.2700 Counterpart: Itaú BBA Other information: 1 contract of US$35,000 thousands, maturing on February/19	-	35,000	-	(260)
Option Contract -- Position: Buy Currency: US$ Dollar settlement: R$4.2050 Counterpart: Itaú BBA Other information: 1 contract of US$35,000 thousands, maturing on February/19	-	35,000	-	(301)
Total			-	4,798

Options contracts--Are recorded at fair value through the statement of operations. The fair value of the contracts was obtained directly from the counterpart financial institution, which evaluates these financial instruments based on the data obtained in B3 S.A. – Brazil, Bolsa, Balcão, such as the future Dollar rate, volatility, interest rates and own algorithms. The financial instruments above, were settled upon receipt of R$9,450 in February 2019.

d.4 – Commodities price risk (cotton)--This risk arises from the possibility of the Company and its subsidiaries may incur losses due to fluctuations in the price of cotton, its main raw material. In 2019, the subsidiary CSA recognized a gain of R$3,080 (R$10,859 in 2018). As of December 31, 2019 there were no outstanding contracts.

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

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

Interest rates swap contracts--Are presented and measured at fair value and are based on the cash flow of the loans denominated in foreign currency. Gains or losses are recorded under the “Financial expenses – interest” caption in the statements of operations. There were no interest rate derivatives in the years ended December 31, 2019 and 2018.

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

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

	2019				2018
Description	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: 130.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	165,000	727	(3,263)	162,464	165,962
Loan Agreement -- Interest: 130.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	165,000	727	(3,263)	162,464	166,046
Loan Agreement -- Interest: 127.5% of CDI Counterpart: Banco Brasil S.A. – CCB Maturity: June/2021	67,500	147	(1,639)	66,008	110,025
(Refer to Note 13)				390,936	442,033
Loan Agreement -- Interest: 149.0% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: June/2021	22,980	12	-	22,992	39,345
Loan Agreement -- Interest: CDI + 4.0% Counterpart: Banco BBM S.A. – CCB Maturity: July/2021	5,014	4	-	5,018	8,589
Loan Agreement -- Interest: 150.5% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: July/2021	8,802	5	-	8,807	14,404
Loan Agreement -- Interest: 149.0% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: November/2021	8,000	4	-	8,004	8,006
(Refer to Note 13)				44,821	70,344
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC Brasil S.A. – CCB Maturity: April/2022	17,522	30	-	17,552	18,188
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2022	9,677	18	-	9,695	10,047
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC Brasil S.A. – CCB Maturity: April/2022	9,677	18	-	9,695	10,047
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2022	9,677	18	-	9,695	10,015
(Refer to Note 13)				46,637	48,297
Loan Agreement -- Interest: CDI + 4.5% Counterpart: Banco Daycoval S.A. Maturity: September/2020	10,000	72	-	10,072	20,165

Description	2019 Principal amount R$ thousands	2019 Accrued interest	2019 Prepaid interest	2019 Payable	2018 Payable
Loan Agreement -- Interest: CDI + 4.5% Counterpart: Banco Daycoval S.A. Maturity: October/2020	5,662	9	-	5,671	10,210
(Refer to Note 13)				15,743	30,375
Loan Agreement -- Interest: CDI + 2.8% Counterpart: Banco Itaú Unibanco S.A. – CCE Maturity: April/2019	-	-	-	-	25,260
(Refer to Note 13)				-	25,260
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: December/2019	-	-	-	-	5,089
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: February/2020	833	5	-	838	5,071
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: May/2020	20,000	7	-	20,007	20,179
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: June/2020	20,000	129	-	20,129	20,137
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: March/2020	4,000	1	-	4,001	-
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: March/2020	2,000	1	-	2,001	-
(Refer to Note 13)				46,976	50,476
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Fibra S.A. Maturity: July/2020	3,333	17	-	3,350	9,098
(Refer to Note 13)				3,350	9,098
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Sofisa S.A. Maturity: February/2020	10,000	93	-	10,093	-
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Sofisa S.A. Maturity: April/2020	10,000	67	-	10,067	-
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Sofisa S.A. Maturity: January/2020	10,000	91	-	10,091	-
(Refer to Note 13)				30,251	-

Description	2019 Principal amount R$ thousands	2019 Accrued interest	2019 Prepaid interest	2019 Payable	2018 Payable
Loan Agreement -- Interest: 149.6% of CDI Counterpart: Caixa Econômica Federal – CCB Maturity: December/2021	16,250	33	(339)	15,944	-
(Refer to Note 13)				15,944	-
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: November/2020	2,000	15	-	2,015	-
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: December/2020	2,000	1	-	2,001	-
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: December/2022	8,000	30	-	8,030	-
(Refer to Note 13)				12,046	-
Loan Agreement (*) -- Interest: 89.0% of CDI Counterpart: Banco Santander S.A. – PPE Maturity: May/2019	-	-	-	-	44,335
Loan Agreement (*) -- Interest: 103.0% of CDI Counterpart: Banco Santander S.A. – PPE Maturity: February/2020	-	-	-	-	37,896
Loan Agreement (*) -- Interest: 118.8% of CDI Counterpart: Banco Santander S.A. – PPE Maturity: November/2020	-	-	-	-	42,773
(Refer to Note 13)				-	125,004
Debentures 3rd series -- Interest: 110.0% of CDI Counterpart: Gaia Agro Sec. S.A. Maturity: June/2020	12,500	19	(282)	12,237	36,734
Debentures 4th series -- Interest: CDI + 2.75% Counterpart: Several debenture holders Maturity: February/2021	87,500	763	(1,103)	87,160	111,588
(Refer to Note 14)				99,397	148,322
	712,927	3,063	(9,889)	706,101	949,209

(*) Agreements renegotiated in 2019 at a rate of 8.1% per annum + exchange variation, with maturity extended to 2021.

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of December 31, 2019, is as follows:

Maturity	Risk	Principal average balance	Scenarios Probable	II	III
2020	CDI increase	626,055	33,915	42,692	50,213
2021	CDI increase	366,088	19,811	32,525	38,756
2022	CDI increase	196,524	10,108	19,265	23,105
2023	CDI increase	80,000	3,613	7,481	8,986
			======	======	======

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

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

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

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

d.7 – Liquidity risk management--The Company’s financial liabilities, according to their cash flows, based on their approximate maturity date, and using nominal contractual interest rates, are summarized as follows:

Contractual obligations	Total	Estimated settlement Less than 1 year	From 1 to 3 years	From 3 to 5 years
Loans and financing	1,014,574	550,440	351,311	112,823
Debentures	102,818	90,316	12,502	-
Suppliers	155,402	155,402	-	-
Lease payable, net	281,439	42,879	67,836	170,724
	------------	------------	------------	------------
	1,554,233	839,037	431,649	283,547
	=======	=======	=======	=======

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

The Company's net debt is as follows:

	Consolidated	
	2019	2018
Loans and financing	942,638	945,059
Debentures	99,397	148,322
Cash and cash equivalents	(151,935)	(139,474)
Marketable securities	(123,351)	(92,724)
Derivative financial instruments	-	(4,798)
Total net debt	766,749	856,385
Total equity	1,386,626	1,325,042
Total net debt and equity	2,153,375	2,181,427
Total net debt	766,749	856,385
Cash holdback amount	(25,393)	-
Total net debt after cash holdback amount	741,356	856,385

25. SEGMENT INFORMATION

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

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

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

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

	2019 (continuing operations)				
	Brasil		Argentina	(*) Others	
	Wholesale	Retail	Wholesale	unallocated	Total
Net revenues	1,118.9	268.0	151.0	(115.4)	1,422.5
Cost of goods sold	(847.9)	(128.7)	(110.9)	114.9	(972.6)
Gross profit	271.0	139.3	40.1	(0.5)	449.9
Selling, general and administrative expenses	(202.6)	(144.2)	(22.3)	(13.9)	(383.0)
Equity	-	-	-	(7.2)	(7.2)
Other	4.7	12.5	(3.6)	4.5	18.1
Operating results	73.1	7.6	14.2	(17.1)	77.8
Financial results	-	-	-	(224.9)	(224.9)
Income (loss) before taxes	73.1	7.6	14.2	(242.0)	(147.1)
Depreciation and amortization	58.9	23.3	6.0	4.5	92.7

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

	2018 (continuing operations)				
	Brasil		Argentina	(*) Others	
	Wholesale	Retail	Wholesale	unallocated	Total
Net revenues	1,104.1	262.7	136.3	(132.3)	1,370.8
Cost of goods sold	(832.5)	(125.7)	(109.4)	122.0	(945.6)
Gross profit	271.6	137.0	26.9	(10.3)	425.2
Selling, general and administrative expenses	(198.2)	(143.6)	(25.3)	11.8	(378.9)
Other	194.3	14.6	-	-	208.9
	14.5	1.2	(2.7)	(6.8)	6.2
Operating results					
Financial results	282.2	9.2	(1.1)	(28.9)	261.4
	-	-	-	(196.0)	(196.0)
Income (loss) before taxes					
	282.2	9.2	(1.1)	(224.9)	65.4
Depreciation and amortization					
	66.8	3.7	5.4	0.7	76.6

(*) 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	
	2019	2018
Net revenues (in millions of Reais):		
Bedding, tabletop and bath	914.3	847.6
Intermediate products	240.2	260.5
Retail	268.0	262.7
	1,422.5	1,370.8
Volume (in thousands of tons):		
Bedding, tabletop and bath	26.8	26.5
Intermediate products	22.7	23.8
	49.5	50.3

The Company has over 10,000 active clients as of December 31, 2019.

26. EXPENSES BY NATURE

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

By nature:

	Consolidated	
	2019	2018
Cost of raw materials, goods and services acquired from third parties	(872,284)	(815,567)
Employee benefits	(333,800)	(320,923)
INSS	(36,690)	(33,767)
Depreciation and amortization	(92,696)	(76,567)
Finished goods and work in process inventory variations	(12,758)	(18,759)
Exchange rate variations on inventories of foreign subsidiaries	(6,315)	(12,927)
Other	(985)	(46,034)
Total by nature	(1,355,528)	(1,324,544)

By function:

	Consolidated	
	2019	2018
Cost of goods sold	(972,577)	(945,686)
Selling expenses	(267,299)	(261,667)
General and administrative expenses	(103,627)	(105,075)
Management fees	(12,025)	(12,116)
	(1,355,528)	(1,324,544)

27. NET REVENUES

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

	Consolidated	
	2019	2018
OPERATING REVENUES:		
Gross revenues	1,911,114	1,781,136
Revenue deductions	(488,597)	(410,299)
NET REVENUES	1,422,517	1,370,837

28. BASIC AND DILUTED INCOME (LOSS) PER SHARE

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

	2019	2018
NET INCOME (LOSS) FOR THE YEAR OF THE CONTINUED OPERATIONS	(146,517)	57,894
NET INCOME FOR THE YEAR OF THE DISCONTINUED OPERATIONS	192,241	53,674
NET INCOME FOR THE YEAR	45,724	111,568
Weighted-average outstanding common shares	50,000,000	50,000,000
BASIC AND DILUTED INCOME (LOSS) PER SHARE (R$)		
From continuing operations	(2.9303)	1.1579
From discontinued operations	3.8448	1.0735
	0.9145	2.2314

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

29. DISCONTINUED OPERATIONS

On December 28, 2018, the Company announced a material fact, informing it had entered into an "Asset Purchase and Contribution Agreement" ("Agreement") with Keeco, a US company for home products, to combine its North American operations. Under the terms of the Agreement, concluded on March 15, 2019 (see note 30), SGUS agreed to sell the assets and liabilities used in its operations to Keeco for US$126 million, including: US$90 million in cash, of which US$83.7 million at closing and US$6.3 million as cash holdback amount retained for 18 months (R$25,393 presented in current assets at December 31, 2019) and US$36 million in common shares of the combined company, representing an interest of 17.5% in the combined company's capital, Keeco Holdings, LLC.

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

	Consolidated
ASSETS	
CURRENT:	
Accounts receivable	91,053
Inventories	161,120
Other receivables	4,852
NONCURRENT:	
Others	774
Property, plant and equipment	6,764
Intangible assets	43,681
Total assets held for sale	308,244
LIABILITIES	
CURRENT:	
Loans and financing	111,679
Suppliers	112,689
Payroll and related charges	866
Other payables	4,867
NONCURRENT:	
Other obligations	9,985
Total liabilities directly related to assets held for sale	240,086
ASSETS HELD FOR SALE, NET	68,158

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

	Company		Consolidated	
	2019	2018	2019	2018
NET REVENUES	-	-	199,739	905,575
COST OF GOODS SOLD	-	-	(177,698)	(783,981)
GROSS PROFIT	-	-	22,041	121,594
OPERATING INCOME (EXPENSES):				
Selling expenses	-	-	(5,320)	(25,841)
General and administrative expenses	-	-	(8,054)	(35,150)
Equity in subsidiaries	192,241	53,674	-	-
Others, net	-	-	(2,926)	3,340
INCOME FROM OPERATIONS	192,241	53,674	5,741	63,943
Financial expenses – interests and other charges	-	-	(3,750)	(6,549)
INCOME FROM OPERATIONS BEFORE TAXES	192,241	53,674	1,991	57,394
Income and social contribution taxes:				
Current	-	-	(197)	(3,700)
Deferred	-	-	-	(20)
Income for the year from discontinued operations, before gain on sale of the net assets held for sale	192,241	53,674	1,794	53,674
Gain on sale of the net assets held for sale	-	-	190,447	-
NET INCOME FOR THE YEAR – DISCONTINUED OPERATIONS	192,241	53,674	192,241	53,674

The cash flow statements of discontinued operations are presented below:

	Company		Consolidated	
	2019	2018	2019	2018
Cash flows from discontinued operations activities:				
Net income for the year	192,241	53,674	192,241	53,674
Depreciation and amortization	-	-	1,841	2,743
Equity in subsidiaries	(192,241)	(53,674)	-	-
Income and social contribution taxes	-	-	82,721	3,720
Gain on the sale of discontinued operations	-	-	(272,971)	-
Bank charges, interests and commissions	-	-	2,668	4,995
Reversal of impairment on the recoverable value of assets	-	-	-	(1,047)
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	-	-	6,500	64,085
Changes in assets and liabilities				
Accounts receivable	-	-	(1,617)	(5,099)
Inventories	-	-	(11,635)	(19,839)
Suppliers	-	-	(6,173)	15,505
Others	-	-	3,031	775
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Net cash provided by (used in) discontinued operations activities before interest and taxes	-	-	(9,894)	55,427
Interest paid	-	-	(969)	(3,498)
Income and social contribution taxes paid	-	-	(521)	(663)
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Net cash provided by (used in) discontinued operations activities after interest and income taxes	-	-	(11,384)	51,266
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Cash flows from investing discontinued operations activities:				
Acquisition of property, plant and equipment in discontinued operations	-	-	-	(2,631)
Proceeds from sale of discontinued operations	-	-	469,631	-
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Net cash provided by (used in) investing discontinued operations activities	-	-	469,631	(2,631)
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Cash flows from discontinued financing activities:				
Proceeds from new loans	-	-	43,754	171,888
Repayment of loans	-	-	(156,941)	(178,899)
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Net cash used in financing activities	-	-	(113,187)	(7,011)
Total cash provided by discontinued operations	-	-	345,060	41,624
	======	======	======	======

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

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

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

31. SUBSEQUENT EVENTS

The Company clarifies that, in accordance with the provisions of CPC 24 - Subsequent Events, with the current information and data regarding the Coronavirus (COVID-19) and the impact on its operations, no relevant effects that may impact its financial statements, business continuity and/or accounting estimates have been identified at this time.

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

It also informed that, as determined by the Argentine authorities, its industrial plant located in the province of Santiago del Estero will remain closed from March 20 to March 31, 2020.

Nevertheless, the Company continues to diligently monitor any and all information on the subject, and will assess, according to its evolution, the need to disclose a material fact and/or change the projections and estimates related to the risks reported in its referenced form, in order to keep its shareholders and the market informed about changes in valuation that have significant effects.

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