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

Companhia de Tecidos Norte de Minas - COTEMINAS

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

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

To the
Shareholders and Management of
Companhia de Tecidos Norte de Minas - Coteminas
Montes Claros - MG

Introduction

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

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

Scope of the review

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

Conclusion on the individual and consolidated interim information

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

Other matters

Interim statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added for the nine-month period ended September 30, 2020, prepared under the responsibility of the Company's Management and presented as supplementary information for the purposes of IAS 34. These statements were submitted to review procedures executed with the review of the quarterly information, with the purpose of concluding whether they are reconciled with the interim financial information and accounting records, as applicable, and if its form and contents meet the criteria defined in NBC TG 09 – Statements of Value Added. Based on our review, we are not aware of any fact that would lead us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria established in this Standard and consistently with the individual and consolidated interim financial information taken as whole.

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

São Paulo, November 16, 2020.

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

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

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

(In thousands of Brazilian Reais)

ASSETS

		Company		Consolidated	
	Note	09.30.2020	12.31.2019	09.30.2020	12.31.2019
CURRENT:					
Cash and cash equivalents	3	1,015	1,630	188,873	165,453
Marketable securities	4	-	-	32,790	59,491
Accounts receivable	5	-	-	549,678	604,592
Leases receivable	12	-	-	17,570	6,601
Inventories	6	-	-	507,758	501,950
Advances to suppliers		-	-	52,156	56,157
Recoverable taxes	21.c	2,250	1,724	82,113	86,727
Cash holdback amount	29	-	-	35,536	25,393
Receivable – sale of investment	8	23,744	19,340	23,744	19,340
Property, plant and equipment held for sale	11.b	-	-	-	12,327
Other receivables		1,072	895	31,336	31,067
Total current assets		28,081	23,589	1,521,554	1,569,098
NONCURRENT:					
Long-term assets:					
Marketable securities	4	2,342	1,529	5,889	72,539
Receivable – clients	7	-	-	26,596	23,968
Receivable – sale of investment	8	85,006	68,291	85,006	68,291
Advances to suppliers		-	-	72,482	96,568
Leases receivable	12	-	-	106,504	85,118
Recoverable taxes	21.c	75,314	75,475	284,913	336,870
Deferred taxes	21.b	-	-	20,258	69,280
Related parties	20	217,335	175,410	80,396	80,016
Property, plant and equipment held for sale	11.b	-	-	16,777	12,094
Escrow deposits	22	9,224	11,567	22,891	28,157
Other credits and receivables		240	20,254	48,823	65,583
		389,461	352,526	770,535	938,484
Investments in subsidiaries	9.a	786,871	923,203	-	-
Investments in affiliated companies	9.a	38,544	52,481	76,698	190,427
Investment properties	10	133,960	133,960	521,701	528,940
Other investments		3,088	3,088	4,826	4,826
Property, plant and equipment	11.a	74,557	6,500	943,249	836,016
Right-of-use assets	12	-	-	195,623	149,199
Intangible assets	13	2	2	188,623	92,716
Total noncurrent assets		1,426,483	1,471,760	2,701,255	2,740,608
Total assets		1,454,564	1,495,349	4,222,809	4,309,706

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

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

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

		Company		Consolidated	
	Note	09.30.2020	12.31.2019	09.30.2020	12.31.2019
LIABILITIES					
CURRENT:					
Loans and financing	14	147,118	170,743	777,210	825,161
Debentures	15	-	-	89,351	87,008
Suppliers	16	1,179	813	215,016	197,968
Payroll and related charges		1,269	1,059	120,668	81,727
Taxes and fees		2,238	4,220	32,007	20,383
Government concessions	17	-	-	24,199	22,212
Leases payable	18	-	-	63,955	50,486
Other payables		5,957	6,571	72,735	63,589
Total current liabilities		157,761	183,406	1,395,141	1,348,534
NONCURRENT:					
Loans and financing	14	189,849	86,713	648,846	607,594
Debentures	15	-	-	-	12,389
Government concessions	17	-	-	48,667	43,771
Leases payable	18	-	-	286,951	214,258
Related parties	20	218,805	176,724	-	1,194
Deferred taxes	21.b	33,660	25,336	126,340	120,659
Miscellaneous accruals	22	10,761	13,109	24,504	28,197
Employee benefit plans	23	-	-	142,366	106,167
Other obligations		8,431	11,049	41,882	37,663
Total noncurrent liabilities		461,506	312,931	1,319,556	1,171,892
EQUITY:	19				
Capital		882,236	882,236	882,236	882,236
Capital reserves		209,701	209,701	209,701	209,701
Assets and liabilities valuation adjustments		98,242	98,358	98,242	98,358
Cumulative translation adjustments		(55,378)	(85,800)	(55,378)	(85,800)
Accumulated deficit		(299,504)	(105,483)	(299,504)	(105,483)
Total equity attributable to the owners of the Company		835,297	999,012	835,297	999,012
NON-CONTROLLING INTERESTS	9.b	-	-	672,815	790,268
Total equity		835,297	999,012	1,508,112	1,789,280
Total liabilities and equity		1,454,564	1,495,349	4,222,809	4,309,706

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

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

(In thousands of Brazilian Reais)

		Company			
	Note	07.01.2020 to 09.30.2020	01.01.2020 to 09.30.2020	07.01.2019 to 09.30.2019	01.01.2019 to 09.30.2019
OPERATING INCOME (EXPENSES):					
General and administrative expenses		(2,654)	(6,962)	(3,297)	(8,927)
Management fees		(639)	(1,882)	(643)	(1,880)
Equity in subsidiaries	9.a	(20,785)	(166,148)	(41,210)	(78,273)
Others, net		867	2,665	(6,347)	(36,367)
		(23,211)	(172,327)	(51,497)	(125,447)
Equity in subsidiaries	9.a	(2,097)	(13,937)	(2,862)	(1,502)
LOSS FROM OPERATIONS		(25,308)	(186,264)	(54,359)	(126,949)
Financial expenses – interests		(13,630)	(38,464)	(8,266)	(24,711)
Financial expenses – bank charges and others		(1,158)	(5,281)	(2,189)	(4,990)
Financial income		10,795	31,665	4,303	11,882
Exchange rate variations, net		(325)	12,460	6,182	7,215
LOSS FROM OPERATIONS BEFORE TAXES		(29,626)	(185,884)	(54,329)	(137,553)
Income and social contribution taxes:					
Deferred	21.a	608	(8,324)	632	2,868
NET LOSS FOR THE PERIOD – CONTINUING OPERATIONS		(29,018)	(194,208)	(53,697)	(134,685)
Equity in indirect subsidiary - discontinued operations	29	-	-	-	102,856
NET LOSS FOR THE PERIOD		(29,018)	(194,208)	(53,697)	(31,829)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE - R$	28				
Continuing operations		(0.9472)	(6.3391)	(1.7527)	(4.3962)
Discontinued operations		-	-	-	3.3573
		(0.9472)	(6.3391)	(1.7527)	(1.0389)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

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

(In thousands of Brazilian Reais)

		Consolidated			
	Note	07.01.2020 to 09.30.2020	01.01.2020 to 09.30.2020	07.01.2019 to 09.30.2019	01.01.2019 to 09.30.2019
NET REVENUES	27	566,800	1,325,594	496,693	1,390,770
COST OF GOODS SOLD	26	(401,106)	(930,202)	(342,952)	(997,593)
GROSS PROFIT		165,694	395,392	153,741	393,177
OPERATING INCOME (EXPENSES):					
Selling expenses	26	(101,400)	(259,416)	(80,270)	(229,667)
General and administrative expenses	26	(38,698)	(108,749)	(37,251)	(106,839)
Management fees	26	(4,365)	(12,556)	(4,522)	(12,922)
Others, net		(4,543)	(15,157)	(18,728)	(49,119)
		16,688	(486)	12,970	(5,370)
Equity in affiliate	9.a	688	(25,235)	(2,862)	(1,502)
Impairment of investment in affiliate	13	-	(42,936)	-	-
LOSS FROM OPERATIONS		17,376	(68,657)	10,108	(6,872)
Financial expenses – interests		(43,878)	(127,578)	(45,230)	(128,606)
Interest on leases		(3,344)	(10,216)	(6,970)	(20,016)
Financial expenses – bank charges and others		(24,461)	(74,640)	(17,272)	(46,984)
Financial income		13,976	40,368	7,197	26,520
Exchange rate variations, net		(4,036)	(20,241)	(36,530)	(28,802)
LOSS FROM OPERATIONS BEFORE TAXES		(44,367)	(260,964)	(88,697)	(204,760)
Income and social contribution taxes:					
Current	21.a	(494)	(1,248)	(280)	1,485
Deferred	21.a	641	(74,355)	2,236	5,746
LOSS FOR THE PERIOD – CONTINUING OPERATIONS		(44,220)	(336,567)	(86,741)	(197,529)
Net income from indirect subsidiary – discontinued operations	29	-	-	-	194,362
NET LOSS FOR THE PERIOD		(44,220)	(336,567)	(86,741)	(3,167)
ATTRIBUTED TO:					
Owners of the Company					
Continuing operations		(29,018)	(194,208)	(53,697)	(134,685)
Discontinued operations		-	-	-	102,856
		(29,018)	(194,208)	(53,697)	(31,829)
Non-controlling interests	9.b				
Continuing operations		(15,202)	(142,359)	(33,044)	(62,844)
Discontinued operations		-	-	-	91,506
		(15,202)	(142,359)	(33,044)	28,662
		(44,220)	(336,567)	(86,741)	(3,167)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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

(In thousands of Brazilian Reais)

	Company			
	07.01.2020 to 09.30.2020	01.01.2020 to 09.30.2020	01.07.2019 to 09.30.2019	01.01.2019 to 09.30.2019
NET LOSS FOR THE PERIOD	(29,018)	(194,208)	(53,697)	(31,829)
Other comprehensive income (loss):				
- Items that will impact the statements of operations:				
Exchange rate variations on foreign investments	1,767	30,422	17,817	14,324
- Items that will not impact the statements of operations:				
Actuarial gain on pension plans	19	71	14	19
COMPREHENSIVE LOSS FOR THE PERIOD	(27,232)	(163,715)	(35,866)	(17,486)

	Consolidated			
	07.01.2020 to 09.30.2020	01.01.2020 to 09.30.2020	07.01.2019 to 09.30.2019	01.01.2019 to 09.30.2019
NET INCOME (LOSS) FOR THE PERIOD	(44,220)	(336,567)	(86,741)	(3,167)
Other comprehensive income (loss):				
- Items that will impact the statements of operations:				
Exchange rate variations on foreign investments	3,312	55,786	33,148	26,610
- Items that will not impact the statements of operations:				
Actuarial gain on pension plans	35	133	25	35
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(40,873)	(280,648)	(53,568)	23,478
ATTRIBUTABLE TO:				
Owners of the Company				
Continuing operations	(27,232)	(163,715)	(35,866)	(120,342)
Discontinued operations	-	-	-	102,856
	(27,232)	(163,715)	(35,866)	(17,486)
Non controlling interests				
Continuing operations	(13,641)	(116,933)	(17,702)	(50,542)
Discontinued operations	-	-	-	91,506
	(13,641)	(116,933)	(17,702)	40,964
	(40,873)	(280,648)	(53,568)	23,478

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

(In thousands of Brazilian Reais)

	Capital	Capital reserve Tax incentives	Assets and liabilities valuation adjustments	Cumulative translation adjustment	Accumulated deficit	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
BALANCES AS OF DECEMBER 31, 2018	882,236	209,701	97,511	(92,501)	(68,825)	1,028,122	773,057	1,801,179
Deemed cost of affiliated company	-	-	(357)	-	357	-	-	-
Disposal of investment property - indirect subsidiary	-	-	(778)	-	778	-	-	-
Comprehensive income:								
Net income (loss) for the period	-	-	-	-	(31,829)	(31,829)	28,662	(3,167)
Exchange rate variations on foreign investments (note 2.1)	-	-	-	520	-	520	-	520
Impact of subsidiaries -								
Exchange rate variations on foreign investments (note 2.1)	-	-	-	13,804	-	13,804	12,286	26,090
Actuarial gain on pension plans	-	-	19	-	-	19	16	35
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Total comprehensive income (loss)	-	-	19	14,324	(31,829)	(17,486)	40,964	23,478
Owners' contribution (distribution):								
Negative goodwill on acquisition of investments (Note 9.a.3)	-	-	-	-	18,292	18,292	-	18,292
Dividend paid at subsidiaries	-	-	-	-	-	-	(5,079)	(5,079)
Special dividend reserve	-	-	-	-	-	-	1,130	1,130
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Total owners' distribution	-	-	-	-	18,292	18,292	(3,949)	14,343
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BALANCES AS OF SEPTEMBER 30, 2019	882,236	209,701	96,395	(78,177)	(81,227)	1,028,928	810,072	1,839,000
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The accompanying notes are an integral part of these interim financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)
COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2030

(In thousands of Brazilian Reais)

	Capital	Capital reserve Tax incentives	Assets and liabilities valuation adjustments	Cumulative translation adjustment	Accumulated deficit	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
BALANCES AS OF DECEMBER 31, 2019	882,236	209,701	98,358	(85,800)	(105,483)	999,012	790,268	1,789,280
Deemed cost of affiliated company	-	-	(187)	-	187	-	-	-
Comprehensive income:								
Net loss for the period	-	-	-	-	(194,208)	(194,208)	(142,359)	(336,567)
Exchange rate variations on foreign investments (note 2.1)	-	-	-	1,917	-	1,917	-	1,917
Impact of subsidiaries -								
Exchange rate variations on foreign investments (note 2.1)	-	-	-	28,505	-	28,505	25,364	53,869
Actuarial gain on pension plans	-	-	71	-	-	71	62	133
Total comprehensive income (loss)	-	-	71	30,422	(194,208)	(163,715)	(116,933)	(280,648)
Owners' distribution:								
Dividend paid at subsidiaries	-	-	-	-	-	-	(520)	(520)
Total owners' distribution	-	-	-	-	-	-	(520)	(520)
BALANCES AS OF SEPTEMBER 30, 2020	882,236	209,701	98,242	(55,378)	(299,504)	835,297	672,815	1,508,112

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

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

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2020 to 09.30.2020	01.01.2019 to 09.30.2019	01.01.2020 to 09.30.2020	01.01.2019 to 09.30.2019
Cash flows from operating activities				
Net loss for the period	(194,208)	(31,829)	(336,567)	(3,167)
Adjustments to reconcile net loss for the period to net cash provided by (used in) operating activities:				
Depreciation and amortization	395	31	77,469	90,655
Equity in subsidiaries	166,148	78,273	-	-
Equity in affiliates	13,937	1,502	25,235	1,502
Equity in subsidiaries – discontinued operations	-	(102,856)	-	-
Gain from the sale of discontinued operations	-	-	-	(275,092)
Income and social contribution taxes	8,324	(2,868)	75,603	75,490
Loss on disposal of property, plant and equipment and investments	-	39,128	(3,008)	51,738
Impairment adjustments	-	-	42,936	-
Renegotiation of leases	-	-	(5,673)	-
Monetary variations	(15,384)	-	(8,146)	3,115
Exchange rate variations	(12,460)	(7,215)	20,241	28,802
Bank charges and interests, net	26,648	16,608	168,295	160,014
Financial expenses – interest on leases	-	-	10,216	20,017
	(6,600)	(9,226)	66,601	153,074
Changes in assets and liabilities				
Marketable securities	(813)	110	130,419	6,694
Derivative financial instruments	-	-	-	4,798
Accounts receivable	-	-	70,847	26,048
Inventories	-	-	(10,725)	(34,778)
Advances to suppliers	-	126	28,087	(1,745)
Recoverable taxes	(365)	-	59,705	(14,746)
Cash holdback amount	-	-	(10,356)	(24,143)
Receivable – sale of investment	29,082	-	29,082	-
Suppliers	367	1,628	4,025	43,728
Others	(277)	(1,187)	25,921	(7,949)
Net cash provided by (used in) operating activities	21,394	(8,549)	393,606	150,981
Interest paid	(12,501)	(10,839)	(76,240)	(106,812)
Commissions and fees paid on loans	(4,519)	(4,430)	(38,939)	(27,918)
Income and social contribution taxes paid	-	-	(450)	(3,379)
Net cash provided by (used in) operating activities after interest and income taxes	4,374	(23,818)	277,977	12,872

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

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

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2020 to 09.30.2020	01.01.2019 to 09.30.2019	01.01.2020 to 09.30.2020	01.01.2019 to 09.30.2019
Cash flows from investing activities				
Investment properties	-	-	(661)	(5,380)
Property, plant and equipment	(39,192)	-	(103,437)	(61,710)
Intangibles	-	-	(2,644)	(125)
Proceeds from sale of property, plant and equipment	-	41	18,343	2,182
Proceeds from sale of discontinued operations	-	-	-	329,350
Proceeds from dividends	-	-	321	1,225
Loans between related parties	11,064	8,858	(117)	(47,789)
Net cash provided by (used in) investing activities	(28,128)	8,899	(88,195)	217,753
Cash flows from financing activities				
Proceeds from new loans	104,397	54,762	595,806	464,474
Repayment of loans	(81,258)	(38,422)	(736,850)	(609,476)
Repayment of leases, net	-	-	(22,655)	(40,109)
Dividends paid	-	-	(1,051)	(5,831)
Net cash provided by (used in) financing activities	23,139	16,340	(164,750)	(190,942)
Effect of exchange rate variations on cash and cash equivalents of foreign subsidiaries	-	-	(1,612)	(1,185)
Increase (decrease) in cash and cash equivalents	(615)	1,421	23,420	38,498
Cash and cash equivalents:				
At the beginning of the period	1,630	167	165,453	145,067
At the end of the period	1,015	1,588	188,873	183,565
Increase (decrease) in cash and cash equivalents	(615)	1,421	23,420	38,498

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)
COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF VALUE ADDED

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

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2020 to 09.30.2020	01.01.2019 to 09.30.2019	01.01.2020 to 09.30.2020	01.01.2019 to 09.30.2019
REVENUES				
Sales of products, goods and services	-	-	1,609,454	1,657,242
Gain (loss) on disposal of noncurrent assets	-	(39,128)	3,008	(70,633)
	-	(39,128)	1,612,462	1,586,609
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(651,835)	(682,131)
Materials, energy, third party services, and others	(5,123)	(4,669)	(475,131)	(396,798)
Impairment adjustments	-	-	(42,936)	-
	(5,123)	(4,669)	(1,169,902)	(1,078,929)
GROSS VALUE ADDED	(5,123)	(43,797)	442,560	507,680
RETENTIONS				
Depreciation and amortization	(395)	(31)	(77,469)	(88,814)
NET VALUE ADDED PRODUCED BY THE COMPANY	(5,518)	(43,828)	365,091	418,866
VALUE ADDED RECEIVED BY TRANSFER				
Equity	(180,085)	(79,775)	(25,235)	(1,502)
Equity in subsidiaries – discontinued operations	-	102,856	-	-
Financial income	31,665	11,882	40,368	26,520
Exchange rate variation	72,246	19,789	100,055	54,943
Royalties	-	-	11,796	15,725
Net income for the period – discontinued operations	-	-	-	194,362
	(76,174)	54,752	126,984	290,048
TOTAL VALUE ADDED FOR DISTRIBUTION (TO RETAIN)	(81,692)	10,924	492,075	708,914
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	2,433	3,018	280,687	309,955
Taxes, duties and contributions	11,833	2,450	261,098	151,208
Payments to third parties	98,250	37,285	286,857	250,918
Net income (loss) for the period	(194,208)	(31,829)	(336,567)	(3,167)
VALUE ADDED DISTRIBUTED (RETAINED)	(81,692)	10,924	492,075	708,914

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

NOTES TO THE INTERIM FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2020

(Amounts in thousands of Brazilian Reais)

1. OPERATIONS

Companhia de Tecidos Norte de Minas – COTEMINAS (the "Company") is a Brazilian publicly-held company, a subsidiary of Wembley S.A., headquartered at Avenida Lincoln Alves dos Santos, 955, in Montes Claros – MG, engaged in the production and marketing of yarns and fabrics in general, imports and exports, and may hold equity interest in other companies and acquire marketable securities in the capital market. The Company's shares are traded on the B3 S.A. – Brazilian Stocks, Commodities and Futures Exchange ("B3"), under the codes "CTNM3" and "CTNM4".

The Company is the parent company of Springs Global Participações S.A. ("SGPSA"), which is the parent company of Coteminas S.A. ("CSA") and Springs Global US, Inc. ("SGUS"), companies that focus their manufacturing operations on bed and bath linens previously carried out by the Company and by Springs Industries, Inc. ("SI"), respectively. In April 2009, subsidiary SGPSA started its bed, tabletop and bath retail operations under the brand MMartan, and later, in October 2011, under the brand Artex. The retail operations, under these two brands, are operated by the indirect subsidiary AMMO Varejo Ltda. ("AMMO").

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

The Company is the parent company of Oxford Comércio e Participações S.A., which is the parent company of Companhia Tecidos Santanense ("CTS"), a publicly-held company, which operates in the textile and related industries, manufacturing and marketing of clothing apparel, including professional uniforms, accessories and personal protective equipment for occupational safety.

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Company's Board of Directors on November 16, 2020.

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

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

2.1 – Translation of balances in foreign currency

a) Functional and presentation currency

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

b) Conversion of balances

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

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

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

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

2.2 – Accounting policies

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

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

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

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

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

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

ii) Non-derivative financial assets - measurement

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

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

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

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

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

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

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

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

iii) Non-derivative financial liabilities - measurement

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

iv) Derivatives measured at fair value through profit or loss

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

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

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

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

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

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

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

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

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

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

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

(g) Inventories--Valued at average acquisition or production cost, which is lower than net realizable value and are stated at 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 is converted into Reais based on the current rate of its functional currency and the foreign exchange rate variation is recorded in "Cumulative translation adjustments" in equity and presented as other comprehensive income.

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

(k) Research and development expenses--Are recognized as expenses when incurred.

(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 tax effects 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 plants	15 to 35 years
Furniture, fixtures and others	5 to 10 years

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

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

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

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

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

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

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

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

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

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

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

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

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

(z) Owners of the Company and non-controlling interests--In the interim financial statements, "owners of the Company" represents all the shareholders of the Company and “non-controlling interests" represents the minority interest of the Company’s subsidiaries.

2.3 – Accounting estimates

The preparation of interim financial statements makes use of estimates in order to record certain assets, liabilities and other transactions. To make these estimates, management used the best information available at the time of preparation of the interim financial statements, as well as the experience of past and/or current events, also considering estimates regarding future events. Therefore, the interim financial statements mainly include estimates related to the recovery value of financial assets (notes 2.2.c, No. 5 and No. 8), determination of useful lives of property, plant and equipment (notes 2.2.m and No. 11), estimated recoverable value of non-financial assets (notes 2.2.p, No. 6, No. 11, No. 12 and No. 13), fair value of investment properties (notes 2.2.l and No. 10), provisions necessary for tax, civil and labor liabilities (notes 2.2.t and No. 22), determination of provisions for income tax (notes 2.2.q and No. 21), determination of fair value of financial instruments (assets and liabilities) (notes 2.2.b and No. 24) and other similar instruments, estimates related to the selection of interest rate (note 24.d.5), expected return on assets and the choice of mortality table and expected wage increases applied to the actuarial calculations (notes 2.2.u and No. 23). Actual results of transactions and information could differ from the estimates.

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In accordance with Circular Letters Instructions No. 02/20 and No. 03/20, issued by CVM, as well as taking into account the economic scenario and the risks and uncertainties arising from the impacts of COVID-19, we reviewed our accounting estimates listed above and mentioned our assessments in the respective notes, if applicable. In addition, we listed the impacts identified in the nine months period of 2020 due to this new economic reality in note 31.

2.4 – Consolidation criteria

The consolidated interim financial statements include the accounts of the Company and the following subsidiaries:

	Direct and indirect interest in total capital - %	
	09.30.2020	12.31.2019
Coteminas International Ltd.	100.00	100.00
Coteminas (Argentina Branch)	100.00	100.00
Springs Global Participações S.A.	52.92	52.92
Oxford Comércio e Participações S.A.	63.37	63.37
O4D Comércio e Participações S.A.	63.37	-
Companhia Tecidos Santanense	56.51	56.51

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 and transactions. The effect of the exchange rate variations on foreign investments is disclosed in a separate caption in the statement of changes in equity, "Cumulative translation adjustments". The accounting practices of the foreign subsidiaries were adjusted to comply with the Company's accounting practices. Non-controlling interests were presented separately in the statements of operations and equity.

The subsidiary SGPSA, parent company of CSA and SGUS, with ownership interest of 100%, was included in consolidation based on its consolidated interim financial statements.

The subsidiary Oxford Comércio e Participações S.A., parent company of CTS, with ownership interest of 85.9%, was included in consolidation based on its consolidated interim financial statements.

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

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

3.CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	09.30.2020	12.31.2019	09.30.2020	12.31.2019
Repurchase transactions (*)	151	1,423	122,875	128,418
Foreign exchange funds (US$)	-	-	12,589	6,473
Foreign deposits	-	-	45,544	25,677
Checking accounts deposits	864	207	7,865	4,885
	----------	----------	----------	----------
	1,015	1,630	188,873	165,453
	======	======	======	======

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

4. MARKETABLE SECURITIES

	Consolidated	
	09.30.2020	12.31.2019
Fixed income – foreign	-	16,225
Investment fund – foreign	32,225	42,863
Restricted deposits (US$) (1)	-	71,010
Restricted cash	6,454	1,932
	---------	---------
	38,679	132,030
Current	(32,790)	(59,491)
	---------	---------
Noncurrent	5,889	72,539
	======	======

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

5. ACCOUNTS RECEIVABLE

	Consolidated	
	09.30.2020	12.31.2019
Domestic customers	498,565	559,547
Foreign customers	85,630	80,060
Credit card companies	9,680	7,485
Related parties		
Domestic market	336	1,871
Foreign market	660	-
	594,871	648,963
Allowance for expected losses on doubtful debts accounts	(45,193)	(44,371)
	549,678	604,592

Accounts receivable from customers consist of receivables with an average collection period of approximately 96 days (98 days as of December 31, 2019).

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

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

	09.30.2020	12.31.2019
Balance at the beginning of the period	(44,371)	(42,216)
Additions	-	(2,302)
Exchange rate variation	(822)	147
Balance at the end of the period	(45,193)	(44,371)

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

6. INVENTORIES

	Consolidated	
	09.30.2020	12.31.2019
Raw materials and supplies	112,239	104,767
Work in process	141,003	114,425
Finished products	200,044	219,190
Repair parts	54,472	63,568
	------------	------------
	507,758	501,950
	=======	=======

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

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

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

Changes in the consolidated provision are as follows:

	12.31.2019	(Additions) Disposals	Exchange rate variations	09.30.2020
Raw materials and supplies	(1,667)	(769)	(174)	(2,610)
Work in process	(102)	107	(5)	-
Finished products	(3)	(22)	(1)	(26)
Repair parts	(1,865)	-	-	(1,865)
	-------------	-------------	-------------	-------------
	(3,637)	(684)	(180)	(4,501)
	=======	=======	======	======

	12.31.2018	(Additions) Disposals	Exchange rate variations	09.30.2019
Raw materials and supplies	(2,446)	65	627	(1,754)
Work in process	(186)	29	47	(110)
Finished products	(5)	-	2	(3)
Repair parts	(1,892)	-	-	(1,892)
	-------------	-------------	-------------	-------------
	(4,529)	94	676	(3,759)
	=======	=======	======	======

7. RECEIVABLE – CLIENTS

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

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

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

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

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

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

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

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

8. RECEIVABLE – SALE OF INVESTMENT

In 2019, the Company and its subsidiary Oxford Comércio e Participações S.A. sold their total capital shares of Tropical Agroparticipações S.A.

The receivable balances are as follows:

	Consolidated	
	09.30.2020	12.31.2019
Nominal receivable	141,018	129,858
Present value adjustment (*)	(32,268)	(42,227)
Total	108,750	87,631
Current	(23,744)	(19,340)
Noncurrent	85,006	68,291

(*) Includes commission fees and expenses from the advancing of receivables transaction.

Receipt in 4 annual installments with maturity and remuneration coinciding with the loan maintained with SP Investidor IV, LLC as shown in note 14.

As of September 30, 2020, no potential losses were identified in realizing these receivables.

	Company and consolidated
Balance on December 31, 2019	87,631
Accrued interest	16,056
Amounts received	(29,082)
Exchange variation	34,145
Balance on September 30, 2020	108,750

9. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

a. Investments attributable to the owners of the Company:

	Equity	Ownership interest - %	Net income (loss)	Total investments 09.30.2020	Total investments 12.31.2019	Equity in subsidiaries and affiliated companies 09.30.2020	Equity in subsidiaries and affiliated companies 09.30.2019
Investments in subsidiaries:							
Springs Global Participações S.A. (1)	1,138,028	52.92	(302,606)	602,192	733,740	(160,125)	(66,124)
Oxford Comércio e Participações S.A.	245,510	63.37	540	155,580	177,730	342	(8,839)
O4D Comércio e Participações S.A. (2)	34,769	63.37	308	22,033	-	195	-
Tropical Agroparticipações S.A. (3)	-	-	-	-	-	-	(278)
Coteminas International Ltd.	1,195	100.00	(6,920)	1,195	5,798	(6,524)	(3,215)
Companhia Tecidos Santanense	285,461	2.07	(1,575)	5,909	5,967	(33)	187
Coteminas (Argentina branch)	(38)	100.00	(3)	(38)	(32)	(3)	(4)
Total subsidiaries				786,871	923,203	(166,148)	(78,273)
Investments in affiliated companies (direct):							
Cantagalo General Grains S.A.	(563,471)	27.50	(158,230)	-	-	-	-
Companhia de Fiação e Tecidos Cedro e Cachoeira	126,789	30.40	(45,845)	38,544	52,481	(13,937)	(1,502)
Total affiliated companies (direct)				38,544	52,481	(13,937)	(1,502)
Investments in affiliated companies (indirect):							
Keeco Holdings, LLC (4)	267,381	14.27	(77,195)	38,154	137,946	(11,298)	-
Total affiliated companies - Consolidated				76,698	190,427	(25,235)	(1,502)

(1) In the nine months period of 2019 the net income (loss) for the period does not include the discontinued portion of the equity in subsidiaries in the statement of operations of R$102,856. See note 29.

(2) On August 28, 2020, the assets of Oxford Comércio e Participações S.A. were divided, creating O4D Comércio e Participações S.A. (“O4D”). O4D is engaged in the production and marketing, import and export yarns and fabrics and may hold equity interest in other companies as a shareholder, member or associate.

(3) In 2018, the Company and its subsidiary Oxford sold their total capital shares of Tropical Agroparticipações S.A., recognizing a gain in the amount of R$30,644 (Company) and R$47,001 (consolidated), recorded under Other operating income, net.

In May 2019, the Company and the buyer, by mutual agreement, decided to undo the transaction at no cost to both parties. The Company reestablished its investment from the subsidiary's shareholders' equity as of May 31, 2019 in the amount of R$127,741, and recorded negative goodwill in the amount of R$18,292, net of the reversal of the previously determined gain on sale, recorded in the caption “Other, net” in the amount of R$31,416 (Company) and R$46,387 (consolidated). Additionally, the provision for deferred taxes was reversed in the amount of R$6,464 (Company) and R$14,810 (consolidated). In September 2019, the Company sold again the subsidiary Tropical Agroparticipações S.A. (see note 8).

(4) As of March 15, 2019, the indirect subsidiary SGUS now holds 17.5% of Keeco Holdings, LLC, which combines its operations with the operations sold by SGUS. In the first quarter of 2020, the purchase price allocation of this investment was determined, allowing the indirect subsidiary SGUS to calculate the goodwill paid

for the investment. See note 13.2. In May 2020, a new capital contribution was made to affiliate Keeco, with the entry of a new shareholder. Accordingly, as of that date, the subsidiary holds 14.27% of that affiliate.

b. Non-controlling interests of the Company's subsidiaries:

				Non-controlling interest			
				On subsidiaries' equity		On subsidiaries' net income (loss)	
	Equity	Ownership interest - %	Net income (loss)	09.30.2020	12.31.2019	09.30.2020	09.30.2019
Springs Global Participações S.A.	1,138,028	47.08	(302,606)	535,836	652,886	(142,481)	(58,822)
Oxford Comércio e Participações S.A.	245,510	36.63	540	89,930	102,735	198	(5,109)
O4D Comércio e Participações S.A.	34,769	36.63	308	12,736	-	113	-
Companhia Tecidos Santanense	285,461	12.02	(1,575)	34,313	34,647	(189)	1,087
				-----------	-----------	------------	------------
				672,815	790,268	(142,359)	(62,844)
Total discontinued operations (*)				-	-	-	91,506
				-----------	-----------	------------	------------
Total non-controlling interests				672,815	790,268	(142,359)	28,662
				=======	=======	=======	=======

(*) See note 29.

c. Supplemental information on investments in affiliated companies:

	Keeco, LLC (1)		Cantagalo General Grains S.A. (2)		Companhia de Fiação e Tecidos Cedro e Cachoeira (3)	
	09.30.2020	12.31.2019	09.30.2020	12.31.2019	09.30.2020	12.31.2019
Current assets	1,475,527	1,061,992	116,653	97,465	257,953	315,249
Noncurrent assets	1,174,667	1,464,611	640,876	611,515	412,920	417,222
Total assets	2,650,194	2,526,603	757,529	708,980	670,873	732,471
Current liabilities	1,270,871	1,064,559	1,488,418	1,051,878	308,754	325,668
Noncurrent liabilities	1,111,942	763,856	109,473	127,348	217,000	212,028
Total liabilities	2,382,813	1,828,415	1,597,891	1,179,226	525,754	537,696
Equity – Company	267,381	698,188	(563,471)	(288,328)	126,789	172,634
Net revenues (6 months)	3,060,796	-	92,480	71,013	407,993	499,683
Income (loss) for the period – Company	(77,195)	-	(158,230)	(12,148)	(45,845)	(4,941)

(1) Keeco, LLC - 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.

(2) Cantagalo General Grains S.A. – Cantagalo General Grains S.A. is a private company, based in Avenida Magalhães de Castro, 4800, 11th floor, Suite 2, city of São Paulo - SP, incorporated on October 25, 2010 with the objective of growing soybeans, corn, cotton and other grains; production of seeds and certified seeds, seedling and other forms of certified plant propagation; earthworking, farming and harvesting; production of fertilizers; trading of agricultural products in domestic and foreign markets (import and export), especially vegetables grains and its by-products, fertilizers, its raw materials and other by-products, and pesticides among other similar

activities. It has investments in subsidiaries and jointly-owned subsidiaries, in Tropical Empreendimentos e Participações Ltda., Siqueira Empreendimentos e Participações Ltda. and CGG Trading S.A.

As of September 30, 2020, the affiliate Cantagalo General Grains S.A. had a deficit of R$563,471 (R$288,328 on December 31, 2019), therefore the Company continues to present the investment reduced to zero. The Company has no legal or constructive obligations to the Affiliate.

(3) Companhia de Fiação e Tecidos Cedro e Cachoeira – is based in Belo Horizonte, Minas Gerais, established on August 12, 1872 and is a publicly-held company, which operates in the textile and related industries; manufacturing and marketing of clothing apparel, including professional uniforms; accessories and personal protective equipment for occupational safety; the export and import of products related to its operations and in the agricultural, livestock and forestry businesses, as well as the generation, distribution and transmission of electricity for its own consumption, however, it can sell the surplus power not used.

Considering the operating profitability and cash generation of its affiliate, the Company concluded that there is no evidence of deterioration or non-recovery of its investment.

d. The changes in investments in subsidiaries and affiliated companies are as follows:

	12.31.2019	Equity	Exchange rate variations on foreign investments	Assets and liabilities valuation adjustments	Oxford spin-off	Dividends	Goodwill allocation	09.30.2020
Subsidiaries								
Springs Global Participações S.A.	733,740	(160,125)	28,506	71	-	-	-	602,192
Oxford Comércio e Participações S.A.	177,730	342	(2)	-	(21,838)	(652)	-	155,580
O4D Comércio e Participações S.A.	-	195	-	-	21,838	-	-	22,033
Coteminas International Ltd.	5,798	(6,524)	1,921	-	-	-	-	1,195
Companhia Tecidos Santanense	5,967	(33)	-	-	-	(25)	-	5,909
Coteminas (Argentina branch)	(32)	(3)	(3)	-	-	-	-	(38)
	923,203	(166,148)	30,422	71	-	(677)	-	786,871
Affiliated companies (direct)								
Companhia de Fiação e Tecidos Cedro e Cachoeira	52,481	(13,937)	-	-	-	-	-	38,544
Affiliated company (indirect)								
Keeco Holdings, LLC	137,946	(11,298)	13,491	-	-	-	(101,985)	38,154

	12.31.2018	Equity	Exchange rate variations on foreign investments	Assets and liabilities valuation adjustments	Tropical sale net impact	Dividends	Keeco acquisition	09.30.2019
Subsidiaries								
Springs Global Participações S.A.	701,152	36,732	13,794	19	-	-	-	751,697
Oxford Comércio e Participações S.A.	200,331	(8,839)	11	-	-	(6,830)	-	184,673
Tropical Agroparticipações S.A.	-	(278)	-	-	278	-	-	-
Coteminas International Ltd.	9,188	(3,215)	507	-	-	-	-	6,480
Companhia Tecidos Santanense	5,747	187	-	-	-	-	-	5,934
Coteminas (Argentina branch)	(42)	(4)	13	-	-	-	-	(33)
	916,376	24,583	14,325	19	278	(6,830)	-	948,751
Affiliated companies (direct)								
Companhia de Fiação e Tecidos Cedro e Cachoeira	57,816	(1,502)	-	-	-	-	-	56,315
Affiliated company (indirect)								
Keeco Holdings, LLC	-	-	9,637	-	-	-	140,281	149,918

10. INVESTMENT PROPERTY

The consolidated investment property balances are as follows:

	Income properties				Investment property		
	Commercial complex SGA (1)	Residential complex SGA (2)	Land subdivision (3)	Vinhedo building (4) (a)	Montes Claros Building (5)	Montes Claros land (6) (a)	Total
Balance as of December 31, 2019	301,550	44,974	36,066	-	60,240	86,110	528,940
Additions	661	-	-	-	-	-	661
Disposals (cost)	-	-	-	-	(11,842)	-	(11,842)
Disposals (change in fair value)	-	-	-	-	3,942	-	3,942
Balance as of September 30, 2020	302,211	44,974	36,066	-	52,340	86,110	521,701

	Income properties				Investment property			
	Commercial complex SGA (1)	Residential complex SGA (2)	Land subdivision (3)	Vinhedo building (4) (a)	Montes Claros building (5)	Montes Claros land (6) (a)	Fazenda Tropical (7)	Total
Balance as of December 31, 2018	248,251	44,296	37,536	-	55,276	76,995	-	462,354
Additions	5,380	-	-	-	-	-	157,284	162,664
Change in fair value (b)	-	-	-	-	7,531	-	(386)	7,145
Disposals	-	-	(1,481)	-	-	-	(156,898)	(158,379)
Balance as of September 30, 2019	253,631	44,296	36,055	-	62,807	76,995	-	473,784

(a) Balances held by the Company R$133,960 (R$133,960 as of December 31, 2019) including Vinhedo building in the amount of R$47,850 presented under Property, plant and equipment. See note 11.

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

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

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

With the designation of this property for rental activity and with specific returns different from the 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:

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

(a) Calculated deferred tax liability of R$65,227 (R$65,227 on December 31, 2019). See note 21.b.1.

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

2) Residential complex SGA: In 2018, the indirect 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.

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

(a) Deferred tax liability of R$15,259 (R$15,259 on December 31, 2019). See note 21.b.1.

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

3) Land for subdivision: In 2018, the indirect subsidiary Santanense Empreendimentos Imobiliários Ltda. began the preparation of a joint project with a partner company for the subdivision of the lots in the land located in the region of Itaúna in Minas Gerais. The subsidiary will cede its land to the installation of the subdivisions, in exchange for approximately 36.5% interest in the total sales value of this subdivision, net of taxes and sales commissions.

With the targeting of these properties for this new project, the land values were transferred to the caption "Investment properties", measured at fair value.

The calculated values were as follows:

	09.30.2020	12.31.2019
Residual cost of the property	1,272	1,272
Surplus/added value (a)	34,794	34,794
	------------	------------
Fair value (b)	36,066	36,066
	=======	=======

(a) Deferred tax liability of R$2,341 (R$2,341 on December 31, 2019). See note 21.b.

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

4) Vinhedo Building: In 2018, the Company purchased a property in the city of Vinhedo - SP, with 51 thousand square meters, where the distribution center and administrative office of the indirect subsidiary AMMO Varejo are located.

The calculated values were as follows:

	09.30.2020	12.31.2019
Residual cost of the property	25,137	25,137
Surplus/added value (a)	22,713	22,713
	------------	------------
Fair value (b)	47,850	47,850
	=======	=======

(a) Calculated deferred tax liability of R$7,723 (R$7,723 on December 31, 2019). See note 21.b.

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

5) Investment properties Montes Claros: These properties are classified as investment properties by the indirect subsidiary CSA and are comprised as follows:

	09.30.2020	12.31.2019
Land and installations (old MECA) (44,402 m²)	30,270	30,270
Land of the ESURB behind CODEVASF (2,770 m²)	3,750	3,750
Land of the ESURB Santa Rita II neighborhood (11,700 m²)	4,200	4,200
Land in Ibituruna (11,842 m²)	-	7,900
Land new municipality region (72,491 m²)	14,120	14,120
	----------	----------
	52,340	60,240
	======	======

Residual cost of the property	39,860	51,702
Surplus/added value	12,480	8,538
	----------	----------
Fair value	52,340	60,240
	======	======

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. The tax effects in the amount of R$4,243 (R$2,903 on December 31, 2019) were recorded under deferred income taxes. See note 21.b.

6) Montes Claros land: In 2016 the Company invested in land in the city of Montes Claros - MG, with 214 thousand square meters from its indirect affiliate Encorpar Empreendimentos Imobiliários. This land completes a contiguous area already owned by the Company, totaling 549 thousand square meters. With the targeting of these properties for income, the land was recorded under the caption "Investment properties" on that date, at fair value.

The calculated values were as follows:

	09.30.2020	12.31.2019
Residual cost of the property	50,310	50,310
Surplus/added value (a)	35,800	35,800
	------------	------------
Fair value (b)	86,110	86,110
	=======	=======

Fair value was based on the valuation report from Mercato Assessoria e Avaliações Ltda., Independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT - Brazilian Association of Technical Standards for the year 2019. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information being used were the comparable prices per m² of similar properties in the region and area of real estate. The tax effects in the amount of R$9,209 (R$9,209 on December 31, 2019) were recorded under deferred income taxes. See note 21.b.

1) Fazenda Tropical: In 2018 the Company sold its subsidiary Tropical Agroparticipações S.A., owner of Fazenda Tropical. In 2019, the Company and the buyer, by mutual agreement, decided to undo the transaction at no cost to both parties (see notes 8 and 9).

In June 2019, a new evaluation was performed by the subsidiary Tropical Agroparticipações. 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$5,935 was calculated.

In September 2019, the Company sold again its subsidiary Tropical Agroparticipações S.A., (see notes 8 and 9).

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

a. Property, plant and equipment

Consolidated balances of property, plant and equipment are as follows:

		09.30.2020			12.31.2019
	Rate (*) %	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	0.7	55,132	(20,303)	34,829	33,073
Buildings	2.4	408,524	(192,483)	216,041	219,017
Installations	6.4	259,196	(198,361)	60,835	64,476
Machinery and equipment	7.0	1,351,300	(1,022,612)	328,688	307,599
Hydroelectric plants	3.9	57,836	(31,636)	26,200	27,640
Furniture, fixtures and others	10.9	245,883	(157,370)	88,513	21,874
Construction in progress	-	140,293	-	140,293	114,487
		2,518,164	(1,622,765)	895,399	788,166
Properties for indirect subsidiary use (**)		47,850	-	47,850	47,850
		2,566,014	(1,622,765)	943,249	836,016

(*) Weighted average annual depreciation rate, excluding fully depreciated items.
(**) See note 10.4.

Considering the operating profitability and cash generation, including the impacts of COVID-19, the Company and its subsidiaries did not identify evidence of deterioration or non-recovery of balances held as property, plant and equipment.

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

	Land and improvements	Buildings	Installations	Machinery and equipment	Hydroelectric plants	Furniture, fixtures and others (1)	Construction in progress (2)	Total
Balance as of December 31, 2019	33,073	219,017	64,476	307,599	27,640	21,874	114,487	788,166
Additions	574	22	992	26,098	60	70,019	34,933	132,698
Net disposals	(205)	(6)	(448)	(1,182)	-	(294)	(601)	(2,736)
Transfers								
- PP&E	-	945	1,524	21,945	1	358	(24,773)	-
- Repair parts	-	-	-	5,863	-	1,606	-	7,469
Exchange rate variations	2,641	3,199	1,179	3,251	-	131	16,247	26,648
Depreciation in the period	(1,254)	(7,136)	(6,888)	(34,886)	(1,501)	(5,181)	-	(56,846)
Balance as of September 30, 2020	34,829	216,041	60,835	328,688	26,200	88,513	140,293	895,399

	Land and improvements	Buildings	Installations	Machinery and equipment	Hydroelectric plants	Furniture, fixtures and others	Construction in progress	Total
Balance as of December 31, 2018	33,430	243,938	76,162	351,669	28,744	26,024	30,707	790,674
Additions	717	38	424	11,127	644	1,837	82,539	97,326
Net disposals	(243)	-	(55)	(596)	-	(43)	(767)	(1,704)
Transfers								
- PP&E	216	489	4,727	8,394	(2)	287	(14,111)	-
Exchange rate variations	(232)	506	(118)	(220)	-	47	1,757	1,740
Depreciation in the period	(1,345)	(7,672)	(7,732)	(36,943)	(1,517)	(4,249)	-	(59,458)
Impairment adjustment	(181)	-	(94)	(1)	-	(224)	-	(500)
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Balance as of September 30, 2019	32,362	237,299	73,314	333,430	27,869	23,679	100,125	828,078
	=======	=======	=======	=======	=======	=======	=======	=======

(1) Includes aircraft acquisition in the amount of R$68,349, acquired in September 2020 by the Company. Payment made, in part, through a lease which was classified as a financing lease in the amount of R$39,089. See note 14.f and 20.

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

b. Property, plant and equipment held for sale

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

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

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

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

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

12. RIGHT-OF-USE ASSETS AND FINANCIAL LEASES RECEIVABLE

The composition of assets contracted as leases are as follows:

		Consolidated			
		09.30.2020			12.31.2019
	Rate (2) %	Cost	Accumulated amortization	Net book value	Net book value
Properties (CSA and CTS – own use)	35.7	2,602	(1,591)	1,011	1,666
Properties – plants (Guarani – own use)	11.7	11,558	(1,010)	10,548	-
Properties (SGUS – own use)	8.3	50,072	(7,302)	42,770	32,798
Properties – stores (AMMO – own use)	24.9	67,987	(27,901)	40,086	42,836
Vehicles	35.8	2,248	(1,574)	674	731
Investment properties (1)		100,534	-	100,534	71,168
Total right-of-use assets		235,001	(39,378)	195,623	149,199
Financial leases receivable (1)		124,074	-	124,074	91,719
		359,075	(39,378)	319,697	240,918

(1) Properties leased and partially subleased by indirect 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	Property – plant	Properties – SGUS	Properties – stores	Vehicles	Investment properties	Financial leases receivable	Total
Balance as of December 31, 2019	1,666	-	32,798	42,836	731	71,168	91,719	240,918
Exchange rate variations	-	2,771	12,845	-	-	28,560	36,290	80,466
Additions (1)	8	8,749	-	12,987	468	-	-	22,212
Disposals (2)	-	-	-	(3,267)	-	-	-	(3,267)
Amortization in the period	(663)	(972)	(2,873)	(12,470)	(525)	-	-	(17,503)
Interest	-	-	-	-	-	7,248	8,706	15,954
Sublease cash receipts	-	-	-	-	-	(6,442)	(12,641)	(19,083)
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Balance as of September 30, 2020	1,011	10,548	42,770	40,086	674	100,534	124,074	319,697
	======	======	======	=======	======	=======	=======	=======

	Properties	Properties – SGUS	Properties – stores	Vehicles	Investment properties	Financial leases receivable	Total
Balance as of December 31, 2018	-	-	-	-	-	-	-
Initial adoption of IFRS 16/CPC 06 (3)	2,231	34,591	44,230	1,158	68,584	103,163	253,957
Additions (1)	36	-	12,760	51	875	-	13,722
Disposals (2)	-	-	-	-	-	(10,491)	(10,491)
Amortization in the period	(688)	(2,187)	(12,798)	(844)	(4,435)	(7,270)	(28,222)
Exchange rate variations	-	2,252	-	-	4,465	6,587	13,304
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Balance as of September 30, 2019	1,579	34,656	44,192	365	69,489	91,989	242,270
	======	=======	=======	=======	=======	=======	=======

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

(2) Early termination of lease contract.

(3) See note 18 for the initial adoption of IFRS 16/CPC 06.

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

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

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

13. INTANGIBLE ASSETS

	Consolidated	
	09.30.2020	12.31.2019
Goodwill on the acquisition of AMMO (parent company) (1)	27,303	27,303
Goodwill on the acquisition of Keeco (2)	96,133	-
Trademarks – owned (3)	16,267	16,267
Trademarks – use license (4)	10,533	8,388
Intellectual property (5)	15,388	15,387
Store locations (real estate intangible) (6)	22,987	25,357
Others	12	14
	-----------	-----------
Total	188,623	92,716
	======	======

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

	Goodwill on the acquisition of AMMO (1)	Goodwill on the acquisition of Keeco (2)	Trademarks – owned (3)	Trademarks – use license (4)	Intellectual property (5)	Store locations (real estate intangible) (6)	Others	Total
Balance as of December 31, 2019	27,303	-	16,267	8,388	15,387	25,357	14	92,716
Transfers (goodwill allocation)	-	101,985	-	-	-	-	-	101,985
Additions	-	-	-	-	2,644	-	-	2,644
Disposals	-	-	-	-	-	(2,370)	-	(2,370)
Amortization	-	-	-	(687)	(2,643)	-	(2)	(3,332)
Exchange rate variations	-	37,084	-	2,832	-	-	-	39,916
Impairment adjustment (2)	-	(42,936)	-	-	-	-	-	(42,936)
Balance as of September 30, 2020	27,303	96,133	16,267	10,533	15,388	22,987	12	188,623

	Goodwill on the acquisition of AMMO (1)	Trademarks – owned (3)	Trademarks – use license (4)	Intellectual property (5)	Store locations (real estate intangible) (6)	Others	Total
Balance as of December 31, 2018	27,303	16,348	9,043	7,378	21,801	16	81,889
Additions	-	-	-	-	125	-	125
Disposals	-	-	-	-	(361)	(2)	(363)
Amortization	-	-	(540)	(1,200)	-	-	(1,740)
Exchange rate variations	-	-	(261)	-	-	-	(261)
Balance as of September 30, 2019	27,303	16,348	8,242	6,178	21,565	14	79,650

<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.

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

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

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

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

The changes were as follows:

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

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

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

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

The annual discount rate used was 13.3% per year and the perpetuity growth rate considered was 1% per year. The discount rates used were determined taking into consideration market information available on the test date.

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

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

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

(6) Store locations (real estate intangible): The amounts related to the store locations (real estate intangible) are recorded at the acquisition cost of the respective store, net of impairment of R$7,994 (R$7,994 as of December

31, 2019), based on its market value determined by an independent broker with valuation expertise. The post-pandemic economic recovery may have an impact on the recovery values of these assets, which are assessed annually, in the last quarter of the year. The indirect subsidiary AMMO does not expect to close stores and its lease agreements are entitled to be renewed for at least 5 years from their expiration date. Therefore, management of the indirect subsidiary AMMO believes that the recovery of these amounts is possible over time, and consequently does not expect significant losses in the mid to long term.

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

14. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated 09.30.2020	Consolidated 12.31.2019
Local currency:					
Banco do Brasil S.A. (a)	R$	130.0 and 294.0 of CDI	2023	418,242	434,941
Bradesco S.A.	R$	6.1 + CDI	2024	20,440	19,760
Banco Votorantim S.A. (b)	R$	100.0 and 120.0 of CDI	2021	80,394	81,437
Banco BBM S.A. – CCB	R$	149.0 and 150.5 of CDI and 4.0 + CDI	2021	19,381	44,821
Banco ABC do Brasil S.A.	R$	4.3 + CDI	2022	116,142	128,475
Banco Fibra S.A. – CCE (b)	R$	6.5 + CDI	2020	51,221	22,713
Banco Fibra S.A. – CCB (b)	R$	115.0 of CDI	2022	39,879	39,997
Banco Fibra S.A. – CCE	R$	15.8	2022	819	819
Banco do Brasil S.A. – CDC	R$	7.1 to 9.0	2021	77,217	77,391
BNDES (Finame)	R$	3.0 to 9.5	2023	43	168
Banco Safra S.A. (b)	R$	7.4 and 8.6 + CDI	2020	49,064	54,960
Caixa Econômica Federal (b) (c)	R$	166.3 and 180.0 of CDI	2023	66,212	54,322
Banco Daycoval S.A.	R$	5.2 and 6.5 + CDI	2023	36,787	15,743
Banco Pine S.A.	R$	7.8 + CDI	2022	11,237	23,782
Banco Sofisa S.A.	R$	6.8 + CDI	2020	20,124	30,251
Banco Industrial do Brasil S.A.	R$	5.2 + CDI	2021	2,510	-
Banco BTG Pactual S.A. (d)	R$	12.5	2022	42,399	-
Banco Santander S.A. (e)	R$	3.5 and 4.7 + CDI	2021	55,154	-
Others (b)	R$	-	2023	10,048	14,654
				------------	------------
				1,117,313	1,044,234
Foreign currency:					
Banco Patagonia	$ARG	30.0	2020	661	4,657
Banco Luso Brasileiro S.A.	US$	8.5	2020	12,750	9,960
Banco do Brasil S.A.	US$	4.8 to 6.3	2020	43,222	36,671
Banco Santander S.A. PPE	US$	8.1	2021	-	124,252
JP Morgan	US$	Libor + 0.9	2020	-	32,648
Banco Industrial do Brasil S.A. PPE/ACE (b)	US$	7.7 and 8.0	2022	22,708	27,504
Banco Pine S.A.	US$	9.5	2021	11,102	8,221
Banco Safra S.A.	US$	5.7	2021	17,565	7,328
Banco Itaú Unibanco S.A.	US$	7.5 to 7.6	2020	5,174	29,388
Banco Fibra S.A. (b)	US$	5.0	2020	-	20,261
SP Investidor IV, LLC (b)	US$	13.05	2023	108,750	87,631
ICBC do Brasil Banco Múltiplo S.A.	US$	8.0	2021	46,941	-
SFG Equipment Leasing (b) (f)	US$	3.8	2029	39,870	-
				------------	------------
				308,743	388,521
				------------	------------
Total				1,426,056	1,432,755
Current				(777,210)	(825,161)
				------------	------------
Noncurrent				648,846	607,594
				=======	=======

(a) Loan of indirect subsidiary CSA (R$381,180 as of September 30, 2020), with early maturity covenants, in which the Company, SGPSA, as guarantor, agreed to comply with the following financial ratios: Net Debt to EBITDA ratio, no greater than 4.0 during the year 2017; 3.5 during the year 2018; 3.0 as of the year 2019, in its annual consolidated financial statements.

(b) Loans held by the Company.

(c) Includes loan of subsidiary SGPSA (R$21,004 as of September 30, 2020), with early maturity covenants, in which the subsidiary has committed to comply with the following financial ratios in its annual consolidated financial statements: (i) Net Debt to EBITDA ratio, no greater than 3.0, in its annual consolidated financial statements; (ii) Net Debt to Shareholders' Equity ratio, no greater than 0.7 during the period of the agreement; and (iii) EBITDA to net financial expenses ratio, no less than 2.0.

(d) Includes loan of indirect subsidiary CSA, with early maturity covenants, in which the indirect subsidiary CSA has committed to comply with the following financial ratio: (i) Net Debt to EBITDA ratio, no greater than 3.0, in its annual consolidated financial statements.

(e) Loan of indirect subsidiary CSA, with early maturity covenants, where the subsidiary SGPSA, 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 3.0; (ii) Net Debt to Shareholders' Equity ratio, no greater than 0.7; and (iii) EBITDA to net financial expenses ratio, no less than 2.0.

(f) Loan obtained by the Company to finance the purchase of fixed assets under a financing lease.

The terms used to describe the financial ratios described in items (a), (c), (d) and (e) 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 Company; and (iii) receivables.

Maturities are as follows:

	2020	2021 Current	2021 Noncurrent	2022	2023 and 2024	Total
Local currency:						
Banco do Brasil S.A.	207	108,475	73,343	127,375	108,842	418,242
Bradesco S.A.	3,164	2,468	2,468	4,936	7,404	20,440
Banco Votorantim S.A.	20,288	60,106	-	-	-	80,394
Banco BBM S.A. - CCB	73	16,641	2,667	-	-	19,381
Banco ABC do Brasil S.A.	16,093	41,772	16,614	41,663	-	116,142
Banco Fibra S.A. - CCE	51,221	-	-	-	-	51,221
Banco Fibra S.A. - CCB	879	-	-	39,000	-	39,879
Banco Fibra S.A. - CCE	9	-	-	810	-	819
Banco do Brasil S.A. - CDC	47,713	29,504	-	-	-	77,217
BNDES (Finame)	8	11	4	14	6	43
Banco Safra S.A.	49,064	-	-	-	-	49,064
Caixa Econômica Federal	12,571	15,882	11,808	23,368	2,583	66,212
Banco Daycoval S.A.	194	10,969	4,285	14,047	7,292	36,787
Banco Pine S.A.	3,953	3,283	1,067	2,934	-	11,237
Banco Sofisa S.A.	20,124	-	-	-	-	20,124
Banco Industrial do Brasil S.A.	1,260	1,250	-	-	-	2,510
Banco BTG Pactual S.A.	8,355	18,099	5,473	10,472	-	42,399
Banco Santander S.A.	9,835	38,241	7,078	-	-	55,154
Others	9,194	307	103	410	34	10,048
	254,205	347,008	124,910	265,029	126,161	1,117,313
Foreign currency:						
Banco Patagônia	661	-	-	-	-	661
Banco Luso Brasileiro S.A.	12,750	-	-	-	-	12,750
Banco do Brasil S.A.	43,222	-	-	-	-	43,222
Banco Industrial do Brasil S.A. - PPE/ACE	71	11,356	-	11,281	-	22,708
Banco Pine S.A.	-	11,102	-	-	-	11,102
Banco Safra S.A.	-	17,565	-	-	-	17,565
Banco Itaú Unibanco S.A.	5,174	-	-	-	-	5,174
SP Investidor IV, LLC	-	23,744	11,368	39,980	33,658	108,750
ICBC do Brasil Banco Múltiplo S.A.	-	46,941	-	-	-	46,941
SFG Equipment Leasing	842	2,569	874	3,577	32,008	39,870
	62,720	113,277	12,242	54,838	65,666	308,743
Total	316,925	460,285	137,152	319,867	191,827	1,426,056

Changes in consolidated loans and debentures were as follows:

	09.30.2020			09.30.2019
	Loans	Debentures	Total	Total
Beginning balance	1,432,755	99,397	1,532,152	1,548,367
Debt proceeds or renewal	590,120	-	590,120	423,288
Accrued interest	84,651	4,605	89,256	105,284
Paid principal	(724,350)	(12,500)	(736,850)	(452,805)
Paid interest	(73,081)	(3,159)	(76,240)	(105,843)
Exchange rate variations	111,283	-	111,283	19,450
Prepaid charges, net	4,678	1,008	5,686	(2,568)
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Ending balance	1,426,056	89,351	1,515,407	1,535,173
	=======	=======	=======	=======

15. DEBENTURES

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

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

The debentures were fully settled at maturity.

b) On February 19, 2018, indirect subsidiary CSA issued the 4th series of non-convertible debentures with the following terms, which, on February 19, 2018, was fully subscribed and modified on May 14, 2020.

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

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

(1) Guarantees:

Secured Guarantee: Property of that indirect subsidiary, see note 10.2, 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 SGPSA and by Josué Christiano Gomes da Silva.

(2) Covenants:

Usual early maturity clauses without commitment for maintaining financial ratios.

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

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

16. SUPPLIERS

	Consolidated	
	09.30.2020	12.31.2019
Domestic market	186,437	168,239
Foreign market	28,579	29,729
	----------	----------
	215,016	197,968
	======	======

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 63 days (55 as of December 31, 2019).

17. GOVERNMENT CONCESSIONS

The indirect 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 Company's control.

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

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

Total annual installments of the concession:

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

For accounting purposes, indirect subsidiary CSA recognizes expenses incurred on an accrual basis, as a contra entry to noncurrent liabilities, on a straight-line basis, based on its share in the total concession amount, 33.33%, at present value, considering a basic interest rate, monetarily adjusted based on the IGP-M. As of September 30, 2020, this amount represents R$72,866, of which, R$24,199 is classified in current liabilities and R$48,667 is classified as noncurrent liabilities (R$65,983 as of December 31, 2019, of which, R$22,212 is classified in current liabilities and R$43,771 is classified as noncurrent liabilities).

As of September 30, 2020, the net book value of the property, plant and equipment related to the current concession is R$17,132 (R$18,208 as of December 31, 2019), 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.

18. LEASES PAYABLE

The breakdown of leases payable is as follows:

	Maturity	Consolidated 09.30.2020	Consolidated 12.31.2019
Properties	2024	1,088	1,735
Properties – plant	2028	10,928	-
SGUS (*)	2030	292,773	217,120
Properties – stores	2025	45,425	45,142
Vehicles	2022	692	747
		350,906	264,744
Current		(63,955)	(50,486)
Noncurrent		286,951	214,258

(*) Liability corresponding to right-of-use assets classified as: (i) Real Estate - SGUS; (ii) Investment properties; and (iii) Financial leases receivable. See note 12.

The maturities of leases payable are as follows:

	2020	2021 Current	2021 Noncurrent	2022	2023	2024 to 2030	Total
Properties	215	604	141	84	84	70	1,198
Properties – plant	489	1,469	490	1,958	1,958	8,974	15,338
SGUS	11,169	34,368	11,260	45,147	45,512	329,075	476,531
Properties – stores	4,911	13,097	3,363	10,791	9,442	9,350	50,954
Vehicles	165	445	101	23	-	-	734
Gross total	16,949	49,983	15,355	58,003	56,996	347,469	544,755
Adjust to present value	(276)	(2,701)	(1,710)	(9,246)	(13,508)	(166,408)	(193,849)
Total payable	16,673	47,282	13,645	48,757	43,488	181,061	350,906

Changes in the consolidated leases payable were as follows:

	09.30.2020						09.30.2019
	Properties	Properties – plant	SGUS	Properties – stores	Vehicles	Total	Total
Balance at the beginning of the period	1,735	-	217,120	45,142	747	264,744	23,221
Initial adoption IFRS 16/CPC 06 R2 (1)	-	-	-	-	-	-	253,957
Additions (2)	8	8,749	-	12,987	468	22,212	12,847
Disposals (3)	-	-	-	(3,492)	-	(3,492)	(10,854)
Charges	107	754	20,968	4,505	48	26,382	21,111
Payments	(762)	(1,361)	(31,000)	(8,044)	(571)	(41,738)	(40,109)
Renegotiations (4)	-	-	-	(5,673)	-	(5,673)	-
Exchange variation	-	2,786	85,834	-	-	88,620	15,412
Others	-	-	(149)	-	-	(149)	93
Balance at the end of the period	1,088	10,928	292,773	45,425	692	350,906	275,678

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

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

(3) Early termination of lease contracts.

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

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

	09.30.2020						09.30.2019
Continuing operations	Properties	Properties – plant	SGUS	Properties – stores	Vehicle	Consolidated	Consolidated
Lease payments in the period	762	1,361	31,000	8,044	571	41,738	38,282
PIS and COFINS recovered	-	-	-	(801)	-	(801)	-
Renegotiations	-	-	-	5,673	-	5,673	-
Amortization of right-of-use assets	(663)	(972)	(2,873)	(12,470)	(525)	(17,503)	(26,976)
PIS and COFINS on amortization	-	-	-	589	-	589	-
Interest net	(107)	(754)	(5,014)	(4,505)	(48)	(10,428)	(20,016)
PIS and COFINS on interest	-	-	-	212	-	212	-
Disposals, net	-	-	-	225	-	225	363
Sublease cash receipts	-	-	(19,083)	-	-	(19,083)	-
Total effects with the application of IFRS 16	(8)	(365)	4,030	(3,033)	(2)	622	(8,347)

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

19. EQUITY

a. Capital

Capital, as of September 30, 2020 and December 31, 2019, is represented as follows:

	Number of shares	
	09.30.2020	12.31.2019
Common	13,912,800	13,912,800
Preferred	16,723,657	16,723,657
	30,636,457	30,636,457

There was no change in the number of shares subscribed and paid for the period between January 1, 2019 and September 30, 2020.

All shares are registered and without par value. Preferred shareholders do not have voting rights, but have the following advantages: (a) priority to capital redemption in the event of liquidation; and (b) right to be included in any public offering for the sale of the controlling interest, as legally determined, and to receive dividends at least equivalent to those paid to common shares.

b. Dividends

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 was determined in compliance with article 196 of Law 6,404/76 and it is intended to be used on future investments.

20. RELATED PARTY BALANCES AND TRANSACTIONS

	Receivable		Payable	
	09.30.2020	12.31.2019	09.30.2020	12.31.2019
Consolidated:				
Innotex International Ltd.	16,477	11,564	-	-
Holtex Inc.	1,929	1,378	-	-
Empr. Nac. Com. Rédito e Particip. S.A. – ENCORPAR	61,990	52,016	-	-
Wembley S.A.	-	9,750	-	-
Companhia Tropical de Alimentos e Participações	-	5,308	-	-
Encorpar Empr. Imob. Ltda.	-	-	-	1,194
	80,396	80,016	-	1,194

	Finance charges (consolidated)	
	09.30.2020	09.30.2019
Wembley S.A.	4,515	285
Empr. Nac. Com. Rédito e Particip. S.A. – ENCORPAR	3,902	3,009
JAGS – José Alencar Gomes da Silva	341	70
Innotex International Ltd.	267	408
Seda S.A.	103	84
Encorpar Empr. Imob. Ltda.	(136)	(24)
Seda, Inc.	573	66
Companhia Tropical de Alimentos e Participações	914	-
	10,479	3,898

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 of subsidiary SGPSA, held on December 29, 2015, approved payment of 2% commission (two percent annually), limited to the cumulative amount of R$47,750, on sureties/guarantees provided by the Company on loans and financing contracted by SGPSA and its subsidiaries. As of September 30, 2020, the amount of R$10,251 was recorded with R$3,646 in the caption "Other accounts payable" in current liabilities (R$4,418 as of December 31, 2019) and R$6,605 in the caption "Other obligations" in noncurrent liabilities (R$9,251 as of December 31, 2019), related to guarantees on existing contracts and credit facilities. In the nine month period of 2020, the amount of R$3,418 was recorded as interest income (R$4,037 in the same period of 2019). These amounts are eliminated in the consolidated financial statements.

Encorpar Empreendimentos Imobiliários Ltda., affiliated company, and the subsidiary Santanense, entered into a lease agreement related to the building where the subsidiary's office is located. In the nine month period of 2020, R$383 was accrued (R$356 in the same period of 2019).

On August 14, 2020, the Board of Directors approved the acquisition of an aircraft by its parent company Wembley SA, for the lowest price between the two publications specializing in the disclosure of market prices for the aircraft ("*Aircraft BLUE BOOK*" e "Guia Oficial da AOPA – *VREF Aircraft Values & Appraisals*"). In addition, on the same date, the signing of a financing lease contract for part of the aircraft acquisition value was approved. See note 14.f.

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.

21. INCOME AND SOCIAL CONTRIBUTION TAXES AND OTHER TAXES

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

	09.30.2020					
	CTNM (Parent Co.)	Oxford Consolidated	CSA Consolidated	SGUS	Others (1)	CTNM Consolidated
Income (loss) from operations before taxes	(185,884)	(3,891)	(167,393)	(70,381)	166,585	(260,964)
Equity in subsidiaries and affiliated companies	180,085	3	-	11,298	(166,151)	25,235
Investment support	-	(8,222)	(18,758)	-	-	(26,980)
Permanent differences from foreign subsidiaries	-	-	-	(1,725)	-	(1,725)
Others, net	483	124	428	-	-	1,035
	------------	------------	------------	------------	------------	------------
Income tax basis	(5,316)	(11,986)	(185,723)	(60,808)	434	(263,399)
34% income tax and social contribution rate	1,808	4,075	63,146	20,675	(148)	89,556
Unrecognized tax credits	(10,132)	146	(64,490)	(20,675)	148	(95,003)
Valuation allowance adjustment	-	-	-	(69,707)	-	(69,707)
Other	-	(12)	(204)	(233)	-	(449)
	------------	------------	------------	------------	------------	------------
Total income taxes	(8,324)	4,209	(1,548)	(69,940)	-	(75,603)
	=======	=======	=======	=======	=======	=======
Continuing operations						
Income taxes – current	-	(807)	(208)	(233)	-	(1,248)
Income taxes – deferred	(8,324)	5,016	(1,340)	(69,707)	-	(74,355)
	------------	------------	------------	------------	------------	------------
	(8,324)	4,209	(1,548)	(69,940)	-	(75,603)
	=======	=======	=======	=======	=======	=======

(1) Includes effect of exchange rate variations of foreign subsidiaries, income (expenses) from non-operational subsidiaries and eliminations for consolidations.

	09.30.2019						
	CTNM (Parent Co.)	Oxford Consolidated	CSA Consolidated	SGUS	Tropical Agroparti-cipações	Others (2)	CTNM Consolidated
Income (loss) from operations before taxes (1)	(34,697)	(20,329)	(100,196)	272,945	(528)	(44,872)	72,323
Equity in subsidiaries and affiliated companies	(23,081)	208	-	-	-	24,375	1,502
Investment support	-	(11,771)	(30,279)	-	-	-	(42,050)
Permanent differences from foreign subsidiaries	-	-	-	(4,049)	-	2,370	(1,679)
Others, net	102	354	689	(1)	-	-	1,144
	------------	------------	------------	------------	------------	------------	------------
Income tax basis	(57,676)	(31,538)	(129,786)	268,895	(528)	(18,127)	31,240
34% income tax and social contribution rate	19,610	10,722	44,127	(91,423)	179	6,163	(10,622)
Unrecognized tax credits	(16,750)	(3,067)	(46,939)	8,649	(6)	(3,594)	(61,707)
Tax credit of foreign subsidiary	-	-	-	(291)	-	(2,561)	(2,852)
Other	8	-	7	(185)	(131)	(8)	(309)
	------------	------------	------------	------------	------------	------------	------------
Total income taxes	2,868	7,655	(2,805)	(83,250)	42	-	(75,490)
	=======	=======	=======	=======	=======	=======	=======
Continuing operations							
Income taxes – current	-	1,794	(244)	(238)	173	-	1,485
Income taxes – deferred	2,868	5,861	(2,561)	(291)	(131)	-	5,746
	------------	------------	------------	------------	------------	------------	------------
	2,868	7,655	(2,805)	(529)	42	-	7,231
	=======	=======	=======	=======	=======	=======	=======
Continuing 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, income (expenses) from non-operational 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 interim financial statements arise from subsidiaries’ temporarily nondeductible provisions, transferred tax credit, and subsidiaries’ net operating losses.

Deferred income and social contribution taxes are composed as follows:

	12.31.2019	Recognized in: Statement of operations	Recognized in: Equity	Exchange rate variations	Other	09.30.2020
Assets:						
Net operating losses (Company) (p)	3,454	-	-	-	-	3,454
Temporary differences (Company) (p)	6,299	(4,000)	-	-	-	2,299
Temporary differences (CSA – Argentina) (1) (a)	649	-	-	-	(184)	465
Temporary differences (CSA – Brasil) (1) (p)	15,635	1,148	-	-	-	16,783
Net operating losses (CSA – Brasil) (1) (p)	1,148	(1,148)	-	-	-	-
Tax credits from foreign subsidiary (CSA) (1) (p)	7,167	-	-	-	-	7,167
Net operating losses (SGUS – EUA) (2) (a)	66,501	(69,707)	-	20,638	-	17,432
Temporary differences (AMMO – Brasil) (1) (a)	225	-	-	-	(130)	95
Net operating losses (SGPSA – Brasil) (a)	1,905	-	-	-	-	1,905
Temporary differences (Santanense) (3) (a) (*)	2,400	250	-	-	-	2,650
Net operating losses (Santanense) (3) (a) (*)	19,939	4,476	-	-	-	24,415
Reclassifications for balance sheet presentation (a) (*)	(22,339)	(4,365)	-	-	-	(26,704)
	-----------	----------	----------	----------	----------	-----------
	102,983	(73,346)	-	20,638	(314)	49,961
Liabilities:						
Temporary differences (Company) (p)	(3,704)	(3,912)	-	-	-	(7,616)
Negative goodwill in subsidiary (Company) (p)	(426)	-	-	-	-	(426)
Investment properties (Company) (p)	(16,932)	-	-	-	-	(16,932)
Temporary differences (Company) (p)	(14,027)	(412)	-	-	-	(14,439)
Temporary differences (Company – Argentina) (p)	(75)	-	-	-	(9)	(84)
Investment properties (CSA – Brazil) (p)	(83,389)	(1,340)	-	-	-	(84,729)
Hyperinflationary adjustment (CSA – Argentina) (1) (p)	(6,651)	-	-	-	(666)	(7,317)
Investment properties (Santanense) (3) (p)	(2,341)	-	-	-	-	(2,341)
Temporary differences (CSA – Brasil) (1) (p)	(17,539)	-	-	-	-	(17,539)
Temporary differences (Santanense) (3) (p)	(26,994)	290	-	-	-	(26,704)
Negative goodwill in subsidiary (Oxford) (p)	(4,623)	-	-	-	3	(4,620)
Reclassifications for balance sheet presentation (a) (*)	22,339	4,365	-	-	-	26,704
	-----------	----------	----------	----------	----------	-----------
	(154,362)	(1,009)	-	-	(672)	(156,043)
Total deferred taxes, net	(51,379)	(74,355)	-	20,638	(986)	(106,082)
	======	======	=====	=====	=====	======
Noncurrent assets – deferred taxes (total of a)	69,280	(69,346)	-	20,638	(314)	20,258
Noncurrent liabilities – deferred taxes (total of p)	(120,659)	(5,009)	-	-	(672)	(126,340)
	======	======	=====	=====	=====	======

(*) Reclassifications performed for balance sheet presentation.

As of September 30, 2020, the Company had net operating losses of R$250,704 (R$214,301 as of December 31, 2019) and social contribution tax losses of R$264,934 (R$228,470 as of December 31, 2019), whose tax assets were not recognized in the interim financial statements.

(1) Deferred taxes of indirect subsidiary CSA:

The indirect subsidiary CSA, based on its business plan and future projections, maintained deferred tax assets derived, from accumulated tax losses. Future projections consider the Company's operating results for the next 10 years adjusted to present value and a reduction of interest rates during that period and the resulting cost of debt, among other actions. Based on these actions and the assumptions used in the preparation of the business plan, the management of that subsidiary has expectations to generate future taxable income that will allow the realization of the deferred tax credits shown as follows:

	Consolidated		
Year	Temporary differences	Operating losses (*)	CSA consolidated
2021	4,971	(4,971)	-
2023 and thereafter	12,372	12,138	24,510
	-----------	-----------	-----------
	17,343	7,167	24,510
	======	======	======

(*) Includes compensation of taxes paid in Argentina.

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

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

Deferred tax liabilities – investment properties:

Income and social contribution taxes resulting from added value in investment properties. See note 10.

	Investment properties São Gonçalo			
	Business complex (10.1)	Residential complex (10.2)	Investment properties Montes Claros (10.5)	Total
Fair value	302,211	44,974	52,340	399,525
Total residual cost	(110,368)	(93)	(39,860)	(150,321)
	----------	----------	----------	----------
Surplus/added value	191,843	44,881	12,480	249,204
	----------	----------	----------	----------
Income and social contribution taxes liability on surplus/added value (34%)	65,227	15,259	4,243	84,729
	======	======	======	======

(2) Deferred taxes of indirect subsidiary SGUS:

The indirect 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 indirect subsidiary SGUS had a deferred tax assets balance, as of September 30, 2020, totaling R$17,432 (R$66,501 as of December 31, 2019).

The reduction in the deferred tax assets was caused by the negative impacts of COVID-19 on the future projections. The revised projections of the continuing operations considers the revenues and expenses of the indirect subsidiary SGUS for the next 10 years.

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

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

Year	Indirect subsidiary SGUS
2024	100
2025 and thereafter	17,332

	17,432
	======

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

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

(3) Deferred taxes of indirect subsidiary Santanense:

Santanense, 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:

	Company and Consolidated		
Year	Temporary differences	Operating losses	Total
2022	-	600	600
2023	-	849	849
2024 and thereafter	2,650	22,966	25,616
	----------	----------	----------
	2,650	24,415	27,065
	======	======	======

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

c. Recoverable taxes

	Company		Consolidated	
	09.30.2020	12.31.2019	09.30.2020	12.31.2019
ICMS (state VAT)	-	-	26,783	24,449
Income and social contribution taxes prepayments	2,229	1,724	15,009	15,536
Recoverable PIS and COFINS (*)	69,991	70,134	309,173	358,393
Recoverable INSS	-	-	2,492	17,858
IVA – Gross proceeds (Argentina)	-	-	6,606	1,417
Recoverable IPI	-	-	83	83
ILL (tax on net income)	5,341	5,341	5,341	5,341
Other recoverable taxes	3	-	1,539	520
	-----------	-----------	-----------	-----------
Current assets	77,564	77,199	367,026	423,597
	(2,250)	(1,724)	(82,113)	(86,727)
Noncurrent assets	-----------	-----------	-----------	-----------
	75,314	75,475	284,913	336,870
	======	======	======	======

(*) Includes credits from purchases and amounts related to credits generated by the exclusion of ICMS from the PIS and COFINS calculation basis.

22. MISCELLANEOUS ACCRUALS

The Company and its subsidiaries are challenging in court the legality of certain taxes, 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, civil claims and labor, whose loss was estimated as possible in the amounts of R$33,637, R$140,570 and R$3,789, respectively (R$34,042, R$139,512 and R$4,402, respectively in 2019). The main tax claims relate to infraction notices referring to: (i) imports of raw materials under the Drawback program (R$7,559); (ii) calculation of presumed FAIN credit (R$5,871); (iii) ex-tariff IPI exemption (R$3,160); and (iv) partial rejection of compensation of IPI credit and exemption on the aircraft’s custom clearance (R$2,651). 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. Annulment Actions with an injunction request to cancel some "Dations in payment" of several properties, due to the debts generated by the non-delivery of cotton in an amount corresponding to R$91,668 and the seizure of cotton feather corresponding to R$5,768. The main labor lawsuits are related to labor claims of former employees and third parties.

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

	Company		Consolidated	
	09.30.2020	12.31.2019	09.30.2020	12.31.2019
Tax litigation claims:				
INSS	232	232	825	825
IPI foreign flag	2,893	2,893	2,893	2,893
Others	971	1,806	2,157	2,990
Labor	-	-	8,225	9,807
Civil and others	6,665	8,178	10,404	11,682
	10,761	13,109	24,504	28,197
Escrow deposits	9,224	11,567	22,891	28,157

INSS – Administrative litigation referring to tax entries in the Company and its indirect subsidiaries CSA and CTS. The indirect subsidiaries CSA and CTS are plaintiffs in a lawsuit against the Brazilian Treasury Department, disputing the levy of INSS on amounts considered to be employee termination costs and FAP (Accident Prevention Factor).

IPI – Foreign Flag – The Company is a plaintiff in a lawsuit against the levy of IPI on the acquisition of an aircraft under a lease contract.

Labor – The Company and its subsidiaries are defendants in lawsuits from former employees and third parties.

Civil – The Company and its indirect subsidiary CSA are plaintiffs in lawsuits against the Federal Government disputing the legality of “COFURH - Compensação Financeira pela Utilização de Recursos Hídricos”.

Request for refund and indemnification (“PERDCOMP”) - The Company is a plaintiff in a claim for refund of overpayment that is challenging the retroactive application of IN323/2005, which establishes deadlines for the delivery of PERDCOMP.

Changes in the consolidated accrual are as follows:

	12.31.2019	Additions	Reductions	Exchange variation	09.30.2020
Tax litigation claims:					
INSS	825	-	-	-	825
IPI foreign flag	2,893	-	-	-	2,893
Others	2,990	2	(835)	-	2,157
Labor	9,807	823	(2,452)	47	8,225
Civil and others	11,682	194	(1,561)	89	10,404
	28,197	1,019	(4,848)	136	24,504

23. EMPLOYEE BENEFIT PLANS

Substantially all of the employees of the indirect subsidiary SGUS are covered by defined-contribution plans. Some executives of indirect subsidiary SGUS are covered by a defined-benefit plan. Indirect 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, indirect subsidiary SGUS may, at its discretion, make a contribution in the proportion of the amounts contributed by the participants.

Indirect 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 indirect subsidiary SGUS are adjusted periodically. Indirect 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 plan's assets are invested in diversified equity securities and fixed-income funds (including US government debt). Indirect subsidiary SGUS also provides retirement benefits to eligible executives under nonqualified supplemental executive retirement plans.

The table below includes summarized information on the pension plans as of September 30, 2020 and 2019:

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

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

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

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

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

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	
	09.30.2020	12.31.2019	09.30.2020	12.31.2019
FINANCIAL ASSETS --				
Amortized cost:				
Cash and cash equivalents	1,015	1,630	188,873	165,453
Marketable securities (current)	-	-	32,790	41,126
Accounts receivable	-	-	549,678	604,592
Cash holdback amount	-	-	35,536	25,393
Receivable - sale of investment (current)	23,744	19,340	23,744	19,340
Other receivables	1,072	895	31,336	31,067
Marketable securities (noncurrent)	2,342	1,529	5,889	72,539
Receivable - clients	-	-	26,596	23,968
Receivable - sale of investment (noncurrent)	85,006	68,291	85,006	68,291
Related parties	217,335	175,410	80,396	80,016
Escrow deposits	9,224	11,567	22,891	28,157
Others credits and receivables	240	20,254	48,823	65,583
Fair value through profit or loss:				
Marketable securities (current)	-	-	-	18,365
FINANCIAL LIABILITIES --				
Amortized cost:				
Loans and financing (current)	147,118	170,743	777,210	825,161
Debentures (current)	-	-	89,351	87,008
Suppliers	1,179	813	215,016	197,968
Government concessions (current)	-	-	24,199	22,212
Other accounts payable	5,957	6,571	72,735	63,589
Loans and financing (noncurrent)	189,849	86,713	648,846	607,594
Debentures (noncurrent)	-	-	-	12,389
Government concessions (noncurrent)	-	-	48,667	43,771
Related parties	218,805	176,724	-	1,194
Other obligations	8,431	11,049	41,882	37,663

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

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

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

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

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

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

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

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

d.3.1 – Exchange rate risk on foreign investments:

The Company and its direct and indirect subsidiaries have foreign investments that increase its foreign currency exchange exposure, as follows:

	09.30.2020				
	R$	$ARG	US$	$PYG	Exchange rate variation on foreign investments R$
Foreign investments:					
Coteminas Argentina	69,058	933,216	-	-	12,316
LAT Capital	14,370	-	2,548	-	3,877
Textil Guarani	4,355	-	-	5,443,750	984
SGUS	451,501	-	80,043	-	157,334
Santanense Argentina S.A.	(67)	(905)	-	-	(6)
Coteminas International Ltd.	1,195	-	212	-	1,920
Coteminas (Argentina branch)	(38)	(514)	-	-	(3)
	540,374	931,797	82,803	5,443,750	176,422
Related parties:					
LAT Capital	(125,939)	-	(22,327)	-	(35,169)
SGUS	(290,521)	-	(51,504)	-	(85,467)
	(416,460)	-	(73,831)	-	(120,636)
Total of foreign investments net	123,914	931,797	8,972	5,443,750	55,786

	12.31.2019				
	R$	$ARG	US$	$PYG	Exchange rate variation on foreign investments R$
Foreign investments:					
Coteminas Argentina	21,636	321,478	-	-	(1,770)
LAT Capital	9,219	-	-	2,287	366
Textil Guarani	3,008	-	4,824,379	-	85
SGUS	422,901	-	-	104,920	18,069
Santanense Argentina S.A.	(61)	(906)	-	-	25
Coteminas International Ltd.	5,798	-	-	1,438	263
Coteminas (Argentina branch)	(32)	(475)	-	-	16
Total of foreign investments	462,469	320,097	4,824,379	108,645	17,054

d.3.2 – Exchange rate risks on the Company and on its direct and indirect subsidiaries in the financial instruments in Brazil:

The amounts related to financial instruments with foreign currency exchange exposure of the Company and its Brazilian direct and indirect subsidiaries as follows:

Financial instruments	09.30.2020	12.31.2019
Cash and cash equivalents	12,589	6,473
Accounts receivable	55,190	76,998
Marketable securities	-	71,010
Receivable – sale of investment	108,750	87,631
Suppliers	(8,851)	(10,621)
Loan and financing	(308,082)	(351,217)
Related parties	141,635	(217,996)
Total exposure in Brazilian Reais	1,231	(337,722)
Total exposure in equivalent thousands of US Dollars	218	(83,787)

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

			Scenarios		
Maturity	Risk	Exposure value in thousands of US$	Probable	II	III
2020	US dollar depreciation	(691)	(41)	943	1,928
2021	US dollar depreciation	9,230	1,724	(11,723)	(25,170)
2022	US dollar depreciation	(2,646)	(704)	3,204	7,113
2023	US dollar depreciation	(659)	(396)	632	1,660
2024	US dollar depreciation	(684)	(704)	436	1,576
2025	US dollar depreciation	(711)	(1,084)	189	1,462
2026	US dollar depreciation	(738)	(1,519)	(98)	1,322
2027	US dollar depreciation	(767)	(2,033)	(443)	1,146
2028	US dollar depreciation	(796)	(2,611)	(836)	940
2029	US dollar depreciation	(1,320)	(4,970)	(1,865)	1,240
		218	(12,338)	(9,561)	(6,783)

Amounts in parenthesis (negative numbers) stated in the scenarios above refer to exchange rate variance losses. The positive amounts relate to exchange rate variations gains.

The "Probable" scenario represents the result of the probable exchange rate variation, considering the cash flow of the assets and liabilities presented above, applying future dollar exchange rates and comparing to the dollar exchange rate at the end of the current period. Scenarios II and III reflect 25% and 50% deterioration of future dollar exchange rates, respectively.

The future dollar exchange rates were obtained from B3 S.A. – Brasil, Bolsa, Balcão.

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

d.5 – Interest rates risk--Cash and cash equivalents and marketable securities yield, approximately, the equivalent to CDI (Certificate of Interbank Deposit) rates. Interest-bearing liabilities, which reflect rates equivalent to LIBOR, or fixed interest rates, are disclosed in notes 14 and 20. Considering the cash flows of these liabilities (except as described in d.5.1 and d.5.2 below) 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 for these financial instruments.

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 – interests" caption in the statements of operations. There were no interest rate derivatives in the periods ended September 30, 2020 and 2019.

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

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

	09.30.2020				12.31.2019
Description	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: 130.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	165,000	289	(2,495)	162,794	162,464
Loan Agreement -- Interest: 130.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	165,000	289	(2,495)	162,794	162,464
Loan Agreement -- Interest: 294.0% of CDI Counterpart: Banco Brasil S.A. – CCB Maturity: March/2022	56,250	136	(794)	55,592	66,008
Loan Agreement -- Interest: 294.0% of CDI Counterpart: Banco Brasil S.A. Maturity: March/2022	37,500	91	(529)	37,062	44,005
(Refer to Note 14)				418,242	434,941
Loan Agreement -- Interest: CDI + 6.1% Counterpart: Banco Bradesco S.A. Maturity: April/2024	19,746	694	-	20,440	-
(Refer to Note 14)				20,440	-
Loan Agreement -- Interest: 100.0% of CDI Counterpart: Banco Votorantim S.A. Maturity: February/2021	40,000	82	-	40,082	40,813

Description	09.30.2020 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2019 Payable
Loan Agreement -- Interest: 100.0% of CDI Counterpart: Banco Votorantim S.A. Maturity: February/2021	20,000	24	-	20,024	20,351
Loan Agreement -- Interest: 120.0% of CDI Counterpart: Banco Votorantim S.A. Maturity: October/2020	20,000	288	-	20,288	20,273
(Refer to Note 14)				80,394	81,437
Loan Agreement -- Interest: 149.0% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: June/2021	6,644	37	-	6,681	22,992
Loan Agreement -- Interest: CDI + 4.0% Counterpart: Banco BBM S.A. – CCB Maturity: July/2021	1,447	17	-	1,464	5,018
Loan Agreement -- Interest: 150.5% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: July/2021	3,216	19	-	3,235	8,807
Loan Agreement -- Interest: 149.0% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: November/2021	8,000	1	-	8,001	8,004
(Refer to Note 14)				19,381	44,821
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. – CCB Maturity: April/2022	15,535	35	-	15,570	17,552
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. Maturity: April/2022	14,047	31	-	14,078	15,871
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. Maturity: April/2022	16,053	35	-	16,088	18,138
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. Maturity: April/2022	18,060	40	-	18,100	20,405
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. Maturity: April/2022	16,053	35	(157)	15,931	17,728
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. Maturity: April/2022	8,580	19	-	8,599	9,696

Description	09.30.2020 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2019 Payable
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. – CCE Maturity: April/2022	8,580	19	-	8,599	9,695
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. – CCE Maturity: April/2022	8,580	19	-	8,599	9,695
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. – CCE Maturity: April/2022	8,580	19	-	8,599	9,695
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. Maturity: November/2020	1,975	4	-	1,979	-
(Refer to Note 14)				116,142	128,475
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Fibra S.A. Maturity: July/2020	-	-	-	-	3,350
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Fibra S.A. Maturity: June/2020	-	-	-	-	4,349
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Fibra S.A. Maturity: October/2020	20,000	512	-	20,512	-
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Fibra S.A. – CCE Maturity: October/2020	15,000	374	-	15,374	-
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Fibra S.A. – CCE Maturity: October/2020	15,000	335	-	15,335	15,014
(Refer to Note 14)				51,221	22,713
Loan Agreement -- Interest: 115.0% of CDI Counterpart: Banco Fibra S.A. Maturity: January/2022	39,000	879	-	39,879	39,997
(Refer to Note 14)				39,879	39,997
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: February/2020	-	-	-	-	838
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. Maturity: February/2020	-	-	-	-	838

Description	09.30.2020 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2019 Payable
Loan Agreement -- Interest: CDI + 8.6% Counterpart: Banco Safra S.A. – CCB Maturity: July/2020	-	-	-	-	20,007
Loan Agreement -- Interest: CDI + 8.6% Counterpart: Banco Safra S.A. Maturity: August/2020	-	-	-	-	20,129
Loan Agreement -- Interest: CDI + 5.5% Counterpart: Banco Safra S.A. – CCB Maturity: September/2020	-	-	-	-	4,001
Loan Agreement -- Interest: CDI + 5.5% Counterpart: Banco Safra S.A. – CCB Maturity: September/2020	-	-	-	-	2,001
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. Maturity: May/2020	-	-	-	-	2,120
Loan Agreement -- Interest: CDI + 8.6% Counterpart: Banco Safra S.A. Maturity: October/2020	5,000	24	-	5,024	5,026
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. Maturity: November/2020	40,000	11	-	40,011	-
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. Maturity: November/2020	4,000	29	-	4,029	-
(Refer to Note 14)				49,064	54,960
Loan Agreement -- Interest: 180.0% of CDI Counterpart: Caixa Econômica Federal Maturity: April/2023	29,536	20	-	29,556	16,535
Loan Agreement -- Interest: 180.0% of CDI Counterpart: Caixa Econômica Federal – CCB Maturity: April/2023	20,990	14	-	21,004	15,944
Loan Agreement -- Interest: 166.3% of CDI Counterpart: Caixa Econômica Federal Maturity: July/2022	15,972	42	(362)	15,652	21,843
(Refer to Note 14)				66,212	54,322
Loan Agreement -- Interest: CDI + 4.5% Counterpart: Banco Daycoval S.A. Maturity: September/2020	-	-	-	-	10,072

Description	09.30.2020 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2019 Payable
Loan Agreement -- Interest: CDI + 4.5% Counterpart: Banco Daycoval S.A. Maturity: October/2020	-	-	-	-	5,671
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Daycoval S.A. Maturity: July/2023	12,814	72	-	12,886	-
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Daycoval S.A. Maturity: July/2023	12,658	71	-	12,729	-
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Daycoval S.A. Maturity: July/2022	11,120	52	-	11,172	-
(Refer to Note 14)				36,787	15,743
Loan Agreement -- Interest: CDI + 7.0% Counterpart: Banco Pine S.A. Maturity: February/2020	-	-	-	-	2,677
Loan Agreement -- Interest: CDI + 6.3% Counterpart: Banco Pine S.A. Maturity: June/2020	-	-	-	-	2,547
Loan Agreement -- Interest: CDI + 6.3% Counterpart: Banco Pine S.A. Maturity: August/2020	-	-	-	-	4,677
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: November/2020	333	-	-	333	1,835
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: March/2021	1,300	6	-	1,306	-
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: November/2020	444	3	-	447	2,015
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: December/2020	667	5	-	672	2,001
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: February/2021	1,250	10	-	1,260	-

Description	09.30.2020 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2019 Payable
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: December/2022	7,200	19	-	7,219	8,030
(Refer to Note 14)				11,237	23,782
Loan Agreement -- Interest: CDI + 7.9% Counterpart: Banco Sofisa S.A. Maturity: July/2020	-	-	-	-	10,093
Loan Agreement -- Interest: CDI + 12.7% Counterpart: Banco Sofisa S.A. Maturity: July/2020	-	-	-	-	10,067
Loan Agreement -- Interest: CDI + 12.7% Counterpart: Banco Sofisa S.A. Maturity: July/2020	-	-	-	-	10,091
Loan Agreement -- Interest: CDI + 6.8.7% Counterpart: Banco Sofisa S.A. Maturity: November/2020	20,000	124	-	20,124	-
(Refer to Note 14)				20,124	30,251
Loan Agreement -- Interest: 5.2% of CDI Counterpart: Banco Industrial do Brasil S.A. Maturity: March/2021	2,500	10	-	2,510	-
(Refer to Note 14)				2,510	-
Loan Agreement -- Interest: CDI + 3.5% Counterpart: Banco Santander S.A. Maturity: October/2021	40,498	151	-	40,649	-
Loan Agreement -- Interest: CDI + 4.7% Counterpart: Banco Santander S.A. Maturity: December/2021	2,893	8	-	2,901	-
Loan Agreement -- Interest: CDI + 4.7% Counterpart: Banco Santander S.A. Maturity: December/2021	2,893	8	-	2,901	-
Loan Agreement -- Interest: CDI + 4.7% Counterpart: Banco Santander S.A. Maturity: December/2021	2,893	8	-	2,901	-
Loan Agreement -- Interest: CDI + 4.7% Counterpart: Banco Santander S.A. Maturity: December/2021	2,893	8	-	2,901	-

Description	09.30.2020 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2019 Payable
Loan Agreement -- Interest: CDI + 4.7% Counterpart: Banco Santander S.A. Maturity: December/2021	2,893	8	-	2,901	-
(Refer to Note 14)				55,154	-
Debentures 3rd series -- Interest: 110.0% of CDI Counterpart: Gaia Agro Sec., S.A. Maturity: June/2020	-	-	-	-	12,237
Debentures 4th series -- Interest: CDI + 4.75% Counterpart: Several debenture holders Maturity: February/2021	87,500	2,227	(376)	89,351	87,160
(Refer to Note 15)				89,351	99,397
	1,076,093	7,253	(7,208)	1,076,138	1,030,839

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

Maturity	Risk	Principal average balance	Scenarios Probable	II	III
2020	CDI increase	884,750	7,817	8,683	9,904
2021	CDI increase	773,853	24,872	40,666	47,059
2022	CDI increase	314,139	9,253	26,857	31,862
2023	CDI increase	95,107	2,828	10,730	12,784
2024	CDI increase	2,468	95	200	226

Amounts shown in the scenarios above represent projected interest expense, in their respective years and scenarios, considering the average loan balances on each year. The “Probable” scenario represents the result of the probable CDI variations, considering the principal and interest maturity dates. Scenarios II and III reflect 25% and 50% increase in the future CDI index, respectively. The future CDI rates were obtained at B3 S.A. - Brasil, Bolsa, Balcão.

d.6 – Credit risk--The Company is subject to credit risk on its cash and cash equivalents and marketable securities. This risk is mitigated by the policy of entering into transactions only with major financial institutions. The credit risk on accounts receivable is reduced due to the selectivity of customers and credit policy. The Company has a credit management system based on the combination of information originated by several departments of the Company, primarily sales, finance, accounting, legal and external sources that enable the credit and collection departments to establish credit limits for its customers that are approved by a credit committee.

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

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

The Company's net debt is as follows:

	Company		Consolidated	
	09.30.2020	12.31.2019	09.30.2020	12.31.2019
Loans and financing	336,967	257,456	1,426,056	1,432,755
Debentures	-	-	89,351	99,397
Cash and cash equivalents	(1,015)	(1,630)	(188,873)	(165,453)
Marketable securities	(2,342)	(1,529)	(38,679)	(132,030)
Total net debt	333,610	254,297	1,287,855	1,234,669
Total equity	835,297	999,012	1,508,112	1,789,280
Total net debt and equity	1,168,907	1,253,309	2,795,967	3,023,949
Total net debt	333,610	254,297	1,287,855	1,234,669
Cash holdback amount	-	-	(35,536)	(25,393)
Amount tied to loans (*)	(108,750)	(87,631)	(108,750)	(87,631)
Total net debt after cash holdback amount	224,860	166,666	1,143,569	1,121,645

(*) Refers to amounts receivable on the sale of investment, tied to the loan with SP Investidor IV, LLC. See notes 8 and 14.

25. SEGMENT INFORMATION

Operating segments are defined as components of an enterprise for which separate interim financial information is 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. Given that 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 separately by each direct subsidiary, the Company and its subsidiaries have concluded that they have three distinct operating segments: Wholesale, Retail and Denim.

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 indirect subsidiary AMMO and C7S have a set of separate information and investment decisions, pricing, store expansion, multichannel sales, and others, which are individually made, and are denominated “Retail” as its products are sold directly to the final consumer.

The indirect subsidiary CTS has three plants that supply each other so that, together, form an integrated industry in spinning, weaving and finishing of woven fabrics (“Denim”) mainly used for garments. There is no operating segment between the sales categories of the Company, where supporting reports to make strategic and operating decisions are always consolidated. There are no specific operating units for each category of goods sold.

The Company presents below the information by segment (expressed in millions of Reais):

	09.30.2020 (continuing operations)				
	Wholesale	Retail	Denim	(*) Others unallocated	Total
Net revenues	684.9	297.6	343.1	-	1,325.6
Cost of goods sold	(501.6)	(145.6)	(283.0)	-	(930.2)
Gross profit	183.3	152.0	60.1	-	395.4
Selling, general and administrative expenses	(162.1)	(150.0)	(43.8)	(24.8)	(380.7)
Other	(15.7)	(1.0)	(5.1)	6.6	(15.2)
Results of operations	5.5	1.0	11.2	(18.2)	(0.5)
Equity loss of affiliate	-	-	-	(25.2)	(25.2)
Goodwill impairment of affiliate	-	-	-	(42.9)	(42.9)
Operating results	5.5	1.0	11.2	(86.3)	(68.6)
Financial results (without exchange rate variations)	-	-	-	(172.2)	(172.2)
Exchange rate variations	-	-	-	(20.2)	(20.2)
Income (loss) before taxes	5.5	1.0	11.2	(278.7)	(261.0)
Depreciation and amortization	47.3	19.2	9.3	1.6	77.4

	09.30.2019 (continuing operations)				
	Wholesale	Retail	Denim	(*) Others unallocated	Total
Net revenues	844.2	192.2	354.4	-	1,390.8
Cost of goods sold	(625.2)	(93.0)	(279.4)	-	(997.6)
Gross profit	219.0	99.2	75.0	-	393.2
Selling, general and administrative expenses	(178.6)	(103.6)	(46.1)	(21.2)	(349.5)
Other	6.4	5.7	(2.8)	(58.4)	(49.1)
Results of operations	46.8	1.3	26.1	(79.6)	(5.4)
Equity loss of affiliate	-	-	-	(1.5)	(1.5)
Operating results	46.8	1.3	26.1	(81.1)	(6.9)
Financial results (without exchange rate variations)	-	-	-	(169.1)	(169.1)
Exchange rate variations	-	-	-	(28.8)	(28.8)
Income (loss) before taxes	46.8	1.3	26.1	(279.0)	(204.8)
Depreciation and amortization	49.0	18.9	9.2	11.7	88.8

(*) Relates to the expenses of the Company and non-operating subsidiaries, equity in affiliated companies and unallocated financial results.

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

Revenue information by category or product lines is as follows:

	Consolidated	
	09.30.2020	09.30.2019
Net revenues (in millions of Reais):		
Bedding, tabletop and bath	534.5	671.2
Intermediate products	493.5	527.0
Retail	297.6	192.6
	1,325.6	1,390.8
Volume (thousands of metric tons):		
Bedding, tabletop and bath	13.7	19.5
Intermediate products	27.6	30.4
	41.3	49.9

The Company and its subsidiaries have over 13,000 active clients as of September 30, 2020.

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	
	09.30.2020	09.30.2019
Cost of raw materials, goods and services acquired from third parties	(922,863)	(899,734)
Employee benefits	(280,687)	(309,955)
INSS	(37,055)	(40,256)
Depreciation and amortization	(77,469)	(88,814)
Finished goods and work in process inventory variations	7,354	(6,315)
Others costs and expenses	(203)	(1,947)
Total by nature	(1,310,923)	(1,347,021)

By function:

	Consolidated	
	09.30.2020	09.30.2019
Cost of goods sold	(930,202)	(997,593)
Selling expenses	(259,416)	(229,667)
General and administrative expenses	(108,749)	(106,839)
Management fees	(12,556)	(12,922)
Total by function	(1,310,923)	(1,347,021)

27. NET REVENUES

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

	Consolidated	
	09.30.2020	09.30.2019
OPERATING REVENUES:		
Gross revenues		
Sales of products, services and others	1,722,961	1,814,903
Sales deductions	(397,367)	(424,133)
NET REVENUES	1,325,594	1,390,770

28. BASIC AND DILUTED INCOME (LOSS) PER SHARE

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

	09.30.2020	09.30.2019
NET LOSS FOR THE PERIOD OF THE CONTINUED OPERATIONS	(194,208)	(134,685)
NET INCOME FOR THE PERIOD OF THE DISCONTINUED OPERATIONS	-	102,856
NET LOSS FOR THE PERIOD	(194,208)	(31,829)
Weighted-average outstanding shares:		
Common shares	13,912,800	13,912,800
Preferred shares	16,723,657	16,723,657
	30,636,457	30,636,457
BASIC AND DILUTED INCOME (LOSS) PER SHARE - R$		
From continuing operations	(6.3391)	(4.3962)
From discontinued operations	-	3.3573
	(6.3391)	(1.0389)

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

(a) On December 28, 2018, the subsidiary SGPSA 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), the indirect subsidiary SGUS agreed to sell the assets and liabilities used in its operations to Keeco for US$126 million, including: US$90 million in cash, of which US$83.7 million at closing and US$6.3 million as cash holdback amount retained for 18 months and US$36 million in common shares of the combined company, representing an interest of 17.5% in the combined company's capital, Keeco Holdings, LLC.

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

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

	Company		Consolidated	
	09.30.2020	09.30.2019	09.30.2020	09.30.2019
NET REVENUES	-	-	-	199,739
COST OF GOODS SOLD	-	-	-	(177,698)
GROSS PROFIT	-	-	-	22,041
OPERATING INCOME (EXPENSES):				
Selling expenses	-	-	-	(5,320)
General and administrative expenses	-	-	-	(8,054)
Equity in subsidiaries	-	102,856	-	-
Others, net	-	-	-	(2,926)
INCOME FROM OPERATIONS	-	102,856	-	5,741
Financial expenses – interests and other charges	-	-	-	(3,750)
INCOME FROM OPERATIONS BEFORE TAXES	-	102,856	-	1,991
Income and social contribution taxes:				
Current	-	-	-	(197)
Deferred	-	-	-	-
Income (loss) for the period from discontinued operations, before gain on sale of the net assets held for sale	-	102,856	-	1,794
Gain on sale of the net assets held for sale	-	-	-	192,568
NET INCOME FOR THE PERIOD – DISCONTINUED OPERATIONS	-	102,856	-	194,362

The cash flow statements of discontinued operations are presented below:

	Company		Consolidated	
	09.30.2020	09.30.2019	09.30.2020	09.30.2019
Cash flows from discontinued operations activities:				
Net income for the period	-	102,856	-	194,362
Depreciation and amortization	-	-	-	1,841
Equity in subsidiaries	-	(102,856)	-	-
Income and social contribution taxes	-	-	-	82,721
Gain on the sale of discontinued operations	-	-	-	(275,092)
Bank charges, interests and commissions	-	-	-	2,668
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	-	-	-	6,500
Changes in assets and liabilities				
Accounts receivable	-	-	-	(1,617)
Inventories	-	-	-	(11,635)
Suppliers	-	-	-	(6,173)
Others	-	-	-	3,031
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Net cash used in discontinued operations activities before interest and taxes	-	-	-	(9,894)
Interest paid	-	-	-	(969)
Income and social contribution taxes paid	-	-	-	(521)
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Net cash used in discontinued operations activities after interest and income taxes	-	-	-	(11,384)
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Cash flows from investing discontinued operations activities:				
Proceeds from sale of discontinued operations	-	-	-	469,631
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Net cash provided by investing discontinued operations activities	-	-	-	469,631
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Cash flows from discontinued financing activities:				
Proceeds from new loans	-	-	-	43,754
Repayment of loans	-	-	-	(156,941)
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Net cash used in financing activities	-	-	-	(113,187)
Total cash provided by discontinued operations	-	-	-	345,060
	======	======	======	======

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 30, 2019, of R$3.8967.

31. PANDEMIC-RELATED EFFECTS – COVID-19

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

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

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

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

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

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

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

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

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

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

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

Santanense: In the first quarter of 2020, Santanense fully achieved its production and sales plan without any major difficulties. A few customers had their payments extended, already settled in a subsequent period. In the second quarter of 2020, Santanense had a 31.1% reduction in sales volumes, partially impacting the production volumes, and consequently, the absorption of fixed production costs. In the third quarter, operations were fully resumed.

2 - Probable effects for the next quarter:

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

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