Cia. Hering

Quartely Information September, 30, 2020
and Perfomance Report

(Free Translation into English from
The Original Previously Issued in
Portuguese for the Convenience of
Readers Outside Brazil)

KPMG Auditores Independentes

Message From Management

In September we celebrated 140 years, a story that comes from the dream of two immigrant brothers in Blumenau, in the interior of Santa Catarina. Over the years, we have grown and evolved, learning **to become today's contemporary retailer**.

We got here **thanks to the entrepreneurial soul of our founders, the ability of our leaders to see things in an unconventional way, the commitment of our people, the willingness to take risks, the close relationship with the customer and the permanent sense of urgency to answer your demands**. The cycles of prosperity and challenges were equally important to shape the Company that we are.

Today, after fourteen decades of life and constant reinvention, we promote another journey of transformation, cultural in its essence and digital from end to end. The challenge is to move forward without losing sight of our history, guaranteeing the perpetuity of our business.

In a year with so many challenges, we test our ability to collaborate with all of our stakeholders by quickly building a systemic and effective response to the crisis experienced. The ambition goes further. Extend the value proposition to be once again a protagonist in our market and make a difference in the lives of our customers.

Sustainability

Our commitment to the longevity of Cia.Hering and our legacy is strengthened by the review of our performance in the ESG criteria (environmental, social and governance), enablers of our business strategy.

We support our communities in the south and midwest region, taking on the production and donation of more than 1.5 million protective items; we started the second greenhouse gas emission inventory - the basis for meeting our neutralization target by 2022 -, we added the product life cycle assessment to deliver more traceability and transparency to consumers, we launched two derivative products of the icon, the World T-shirt, based on sustainability attributes thought out since creation and production: **the H+ and Reuse t-shirts, which generated strong awareness on social networks, accounting for more than 9 million people impacted on Instagram**.

Our next steps are guided by the focus on the management of ESG indicators and the publication of our targets for 2022.

Client-centricity

The focus on the client is the foundation of this cultural transformation. An organization that directs all its efforts towards customer satisfaction. An ideology, not an isolated action, present in all attitudes and decisions and the basis for any and all incentives. **For this reason, we increased the weight of the NPS indicator, so that it becomes a fundamental indicator for the entire Company**.

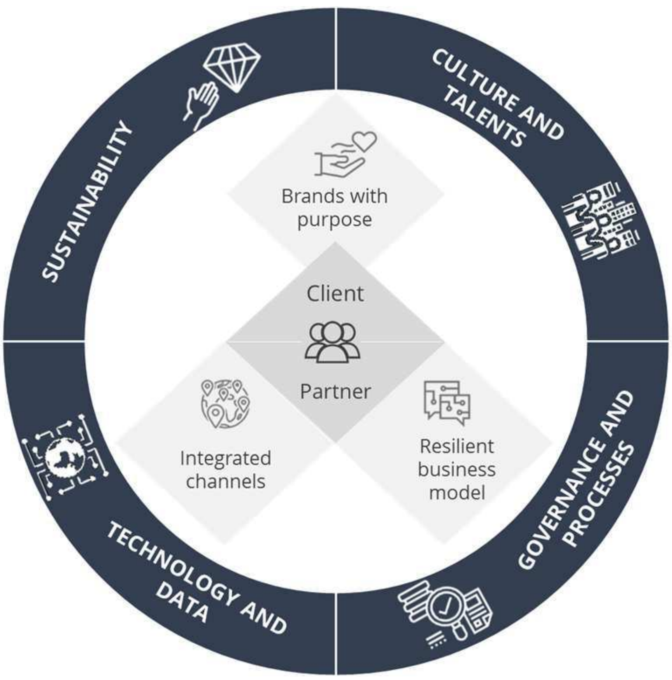
Promoting a journey of ultra convenience and without friction is just the starting point.

We want to expand the direct points of contact with our customers far beyond the transactional agenda

Through our different channels, offer a wide menu of products and services, promote the best experience and generate relevant content.

Know our client deeply, analyze and interpret behaviors, map pain and address solutions in an agile and effective way. **Ensuring the chain's feedback with valuable insights that promote adaptations in the offer and guide future developments is the only and true way to consolidate a vision of Customer centrality.**

The strategic journey



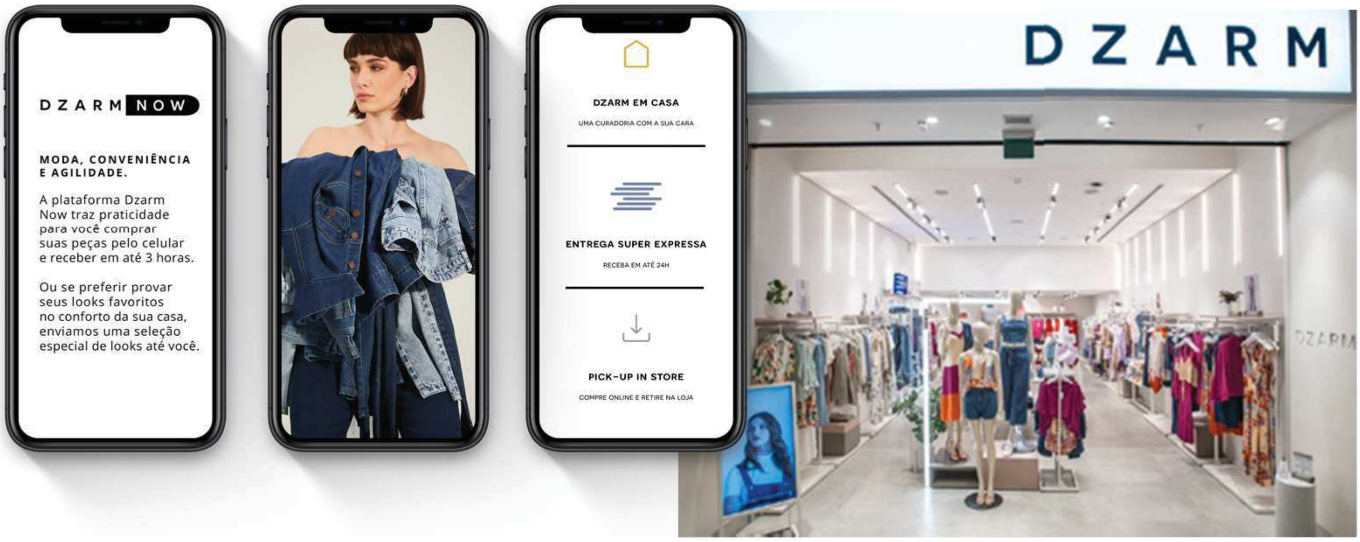
Brands with purpose

We believe in brands as agents of cultural change. The mission is to research and identify macro trends and human behaviors that generate new needs and demands and develop brand narratives with purpose that connect emotionally and make a difference in the lives of customers.

A platform vision and focusing on digital channels, investing in experience, content and personalization to expand the points of contact and ensure relevance and engagement.

A smart choice value proposition combining design, quality, technology, comfort and price.

Comfort is the attribute of the time. It is multidimensional, plays with all the senses. It is not just a product, it connects with service, experience and content. The moment reserves a unique opportunity for convergence between trend, behavior and our proprietary style. It is up to us to exceed expectations.



Integrated channels

In recent years, we have evolved in the integrated vision of online and offline channels, leveraging the offer of products and services through our own channels and partners and expanding the points of contact with the customer.

The consolidation of an Omnicommerce environment with a **unique journey, ease of purchase, ultra convenience and a high level of service and delivery** is the result of an integrated plan that involves the exponential growth of our e-commerce operation and the reframing of the role of the physical store.

We are investing in the development of new products and digital channels that leverage a **personalization strategy at scale, one-on-one engagement with customers under a multichannel platform vision, including e-commerce, APP, store and social media.**

In the e-commerce operation, we seek continuous evolution on the following fronts: customer acquisition (SEO[1] and performance); conversion (assortment, availability and UX/CX); and service (Omni, logistics and SAC).

We reviewed our portfolio of store formats, in light of the new purchase journey. **The mega store (OSS)**, which will be expanded later this year, represents the best translation of the **new role of the physical store as an experience center and distribution hub for express delivery**. On the other hand, compact formats such as **Basic Shop** and **Light Franchise, lighter in CAPEX, customized assortment and simpler management model**, enable the occupation of white areas and **capillarity as a potential for this Omnicommerce** in addition to fostering entrepreneurship in Brazil.

The evolution in the **management model of our Multibrands with a focus on the B2B customer life cycle,** increased productivity per m^2 and greater transfer of know-how should accelerate business maturation and the consequent evolution of partners into exclusive formats.

[1] Search Engine Optimization.

Resilient Business Model

Our business model proved to be quite resilient - **it leveraged virtuous cycles and overcame vicious cycles**. Today, it is essential to update the technology park ensuring modern, efficient and innovation-oriented architecture. We are finalizing the basic data structure to ensure a unique view of customers and indicators and agility in decision making.

In parallel, we are **redesigning our supply chain**, integrating from end to end and evolving in the use of technology and data to accelerate the adoption of predictive models by **improving the assertiveness of collections, ensuring availability in key categories and reducing Time-to-Market.**

Increasingly more directives in the recommendation of assortment also in the B2B channels, we observe an important challenge on the logistics front: **to evolve the operation model for push and pull** ensuring the best allocation and supply in all channels.

We are focused on building an **efficient, integrated, agile and data driven business model** to compete with global references and **exceed the expectations of our most demanding client.**

The future is now

We are experiencing a digital and cultural transformation as powerful as the one we did in the early 2000s, with the shift from industry to retail. There, we changed the dynamics of business and the potential of brands. **Today, this change has in technology and data a great optimizing tool, but there is no transformation without People, a diversity of intentions, talents and skills in the right place and at the right time.**

The binomial autonomy with alignment is the key **to building a digital and agile culture that stimulates innovation in balance with the operational excellence agenda in the best definition of an ambidextrous organization.**

This journey is challenging, intense and with stages to be covered, **but above all passionate and with exponential reach.**

Consolidated Highlights

R$ Thousand	3Q20	3Q19	VAR. 3Q20 | 3Q19	9M20	9M19	VAR. 9M20 | 9M19
Gross Revenue	**303,127**	**452,620**	**-33.0%**	**769,055**	**1,312,703**	**41.4%**
Domestic Market	296,456	442,382	-33.0%	753,755	1,282,793	41.2%
Foreign Market	6,671	10,238	-34.8%	15,300	29,910	-48.8%
Net Revenue	**257,780**	**388,471**	**-33.6%**	**648,716**	**1,122,400**	**42.2%**
Gross Profit	**99,976**	**174,706**	**-42.8%**	**234,419**	**493,434**	**52.5%**
Gross Margin	*38.8%*	*45.0%*	*-620 b.p.*	*36.1%*	*44.0%*	*-790 b.p.*
Net Income	**155,504**	**64,126**	**142.5%**	**287,345**	**151,494**	**89.7%**
Net Margin	*60.3%*	*16.5%*	*4380 b.p.*	*44.3%*	*13.5%*	*3080 b.p.*
EBITDA	**16,736**	**78,768**	**-78.8%**	**101,480**	**181,955**	**44.2%**
EBITDA Margin	*6.5%*	*20.3%*	*-1380 b.p.*	*15.6%*	*16.2%*	*-60 b.p.*
ROIC (a)	**16.9%**	**22.5%**	**-560 b.p.**	**16.9%**	**22.5%**	**-560 b.p.**
SSS[1]	**-10.4%**	**6.6%**	**-1700 b.p.**	**-37.1%**	**6.2%**	**-4330 b.p.**

(a) Last 12 months.

[1] Given the consolidation of Hering and Hering Kids brands, which from 2Q19 started to be managed within the same business unit, the data were unified.

Values in the above table include the effects of IFRS16.

Sales Performance

Gross Revenue - R$ Thousand	3Q20	3Q19	VAR. 3Q20 | 3Q19	9M20	9M19	VAR. 9M20 | 9M19
Gross Revenue	**303,127**	**452,620**	**-33.0%**	**769,055**	**1,312,703**	**41.4%**
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Foreign Market	6,671	10,238	-34.8%	15,300	29,910	-48.8%
Domestic Market Gross Revenue	**296,456**	**442,382**	**-33.0%**	**753,755**	**1,282,793**	**-41.2%**
Hering	267,912	393,509	-31.9%	667,973	1,139,759	-41.4%
Dzarm	14,586	20,177	-27.7%	43,156	58,079	-25.7%
Others[1]	13,958	28,696	-51.4%	42,626	84,955	-49.8%

Domestic Market Share	3Q20	3Q19	VAR. 3Q20 | 3Q19	9M20	9M19	VAR. 9M20 | 9M19
Multibrand	116,171	180,227	-35.5%	325,904	550,893	-40.8%
Franchise	79,540	160,327	-50.4%	192,300	444,417	-56.7%
Stores	48,834	81,338	-40.0%	118,893	235,053	-49.4%
Omnicommerce	49,724	19,034	161.2%	110,359	48,602	127.1%
Others[2]	2,187	1,456	50.2%	6,299	3,828	64.6%
Total	**296,456**	**442,382**	**-33.0%**	**753,755**	**1,282,793**	**-41.2%**
Multibrand	39.2%	40.7%	-150 b.p.	43.2%	42.9%	30 b.p.
Frachise	26.8%	36.2%	-940 b.p.	25.5%	34.6%	-910 b.p.
Stores	16.5%	18.4%	-190 b.p.	15.8%	18.3%	-250 b.p.
Omnicommerce	16.8%	4.3%	1250 b.p.	14.6%	3.8%	1080 b.p.
Others[2]	0.7%	0.3%	40 b.p.	0.8%	0.3%	50 b.p.
Total	**100.0%**	**100.0%**	**-**	**100.0%**	**100.0%**	**-**

[1] It considers the sale of second line items, leftovers, and PUC brand revenue, whose closure was announced in 1Q20.

[2] It considers the sale of second line items and leftovers.

Performance in the Quarter

Gross revenue for the quarter reached R$ 303.1 million, 33% lower than 3Q19. It is important to note that sales advanced in synchrony with the gradual resumption of stores, with emphasis on the improvement in sell-out over the quarter.

The cancellation of the summer collection was a wise decision taken in the foreshadowing of the pandemic by adjusting the product life cycle in the store and mitigating inventory risks for both the Company and the partner network.

The resumption of sell-out sales above the initial projection and the balance in inventories endorse a very positive outlook for 4Q20, the first signs of which could already be seen in September, with important replacement movements in all channels.

It is worth mentioning the diligent exercise in planning and controlling inventories for better allocation and supply of channels.

2S20 Collections Calendar

JUL	AUG	SEP	OCT	NOV	DEC
Cancellation of summer collection to protect stocks Showroom: Cycles 1 and 2 of the High-Summer Collection	Showroom: Cycle 3 of the High-Summer Collection	Showroom: Cycle 4 of the High-Summer Collection Sell-out: Cycle 1 of the High-Summer Collection	Sell-out: Cycle 2 of the High-Summer Collection	Sell-out: Cycle 3 of the High-Summer Collection	Sell-out: Cycle 4 of the High-Summer Collection

Showroom 100% Digital – High Summer

3 sell-in events held
+6K customers served/event

+ Content + Interaction
+ Technology + Data usage

Average order in accordance with the budget

High degree of customer engagement improving demand predictability

E-Commerce

Our **e-commerce channel** continues to expand exponentially, reaching revenue of R$ 49.7 million, growth of 161.2% vs. 3Q19 and 24.4% vs. 2Q20 due to changes in usability to promote a unique, frictionless and intuitive journey for customers.

Being an omnichannel network is not just about the technology used. The key point is the engagement of teams and the entire network to accelerate the penetration of omnichannel sales. We have enormous potential with more than 740 stores in Brazil and multi-brand outlets to build this large, advanced virtual inventory. Our omnichannel customer, who consumes in all of our channels, has gained relevance within our businesses with a growth of 42% on the basis of the last 12 months.

The omnichannel customer had a frequency and average spend of 2.5x and 2.8 times, higher than the single channel customer, respectively.

E-commerce Indicators

1.75% conversion, with peak of 4.27%

193% growth vs. 2Q20 Marketplace in e out

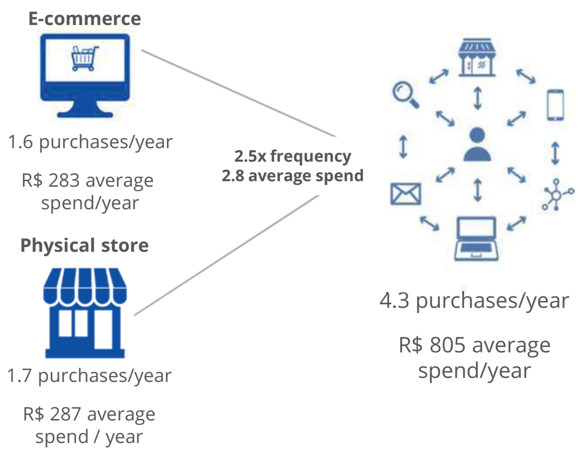
45% new customer

-1 day on delivery vs 2Q20

389 stores with “Ship from” active

66% of repurchases on the site in 3Q20

Omnichannel Indicators



Own Stores

Sales of **physical stores operated by the Company** totaled R$ 48.8 million, 40% less than 3Q19. Despite the 56% drop in flow impacted by the pandemic, mainly in shopping malls, where, primarily, the company stores are located - the operating efficiency indicators such as conversion, parts per service and average ticket showed significant growth. Good management of the product pyramid, guarantee of availability of essential items and adaptation of the VM strategy and store operation form the list of fundamental initiatives for greater productivity in the store.

Efficiency growth indicators vs 3Q19

+23%
Pieces per service

+500 b.p.
Conversion rate

+9%
Average ticket

Franchises

In sell-in sales, the **Franchise chain** totaled R$ 79.5 million, 50.4% lower than 3Q19. The unstable scenario promoted by the partial closing of stores and reduced opening hours, were detrimental to the channel's performance.

The acceleration of sales week after week and the consolidation of performance above the initial projections strengthened the level of confidence in the chain and caused a revision in the supply strategy with a positive impact on the Go-to-Market events of cycles 2 and 3 (sell out Nov and Dec/20) from the High Summer collection.

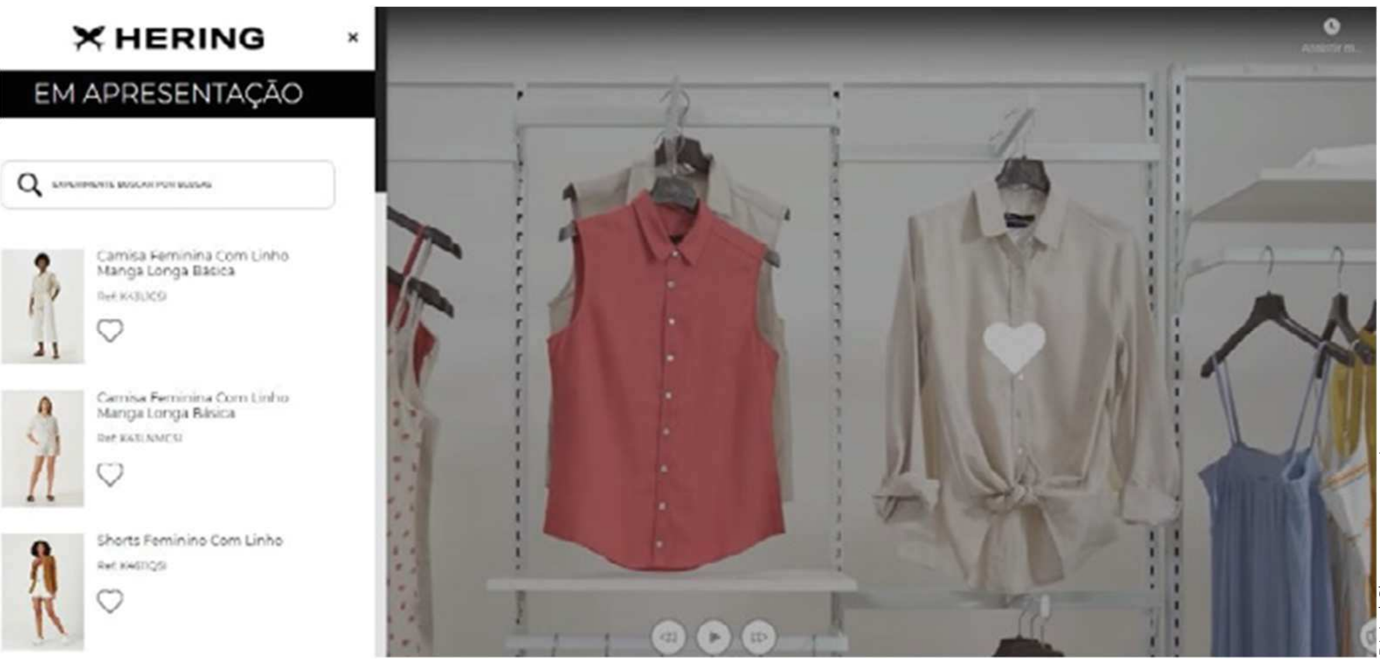
The Company and its teams have been very close to the franchisee in daily discussions on how to better supply and operate the store.

Multibrand

The **Multibrand channel** totaled R$ 116.2 million, 35.5% below 3Q19. Contrary to expectations, this channel proved to be highly resilient, with low levels of customer closings throughout the year and greater volume and recurrence of sell-in purchases.

Throughout the quarter, we introduced a new 100% digital Go-To-Market model, making the showroom journey more intuitive and amplifying the shopping experience. The new format, in addition to being dynamic, significantly reduces the cost of serving and translates greater wealth of data on purchasing behavior of this B2B customer.

It is worth noting the opening of traditional commerce in almost its entirety, with better performance of stores located on the streets versus stores in shopping centers. This behavior was due to the lesser restriction to operate, such as time and flow, in addition to the greater sense of security of consumers in these locations.

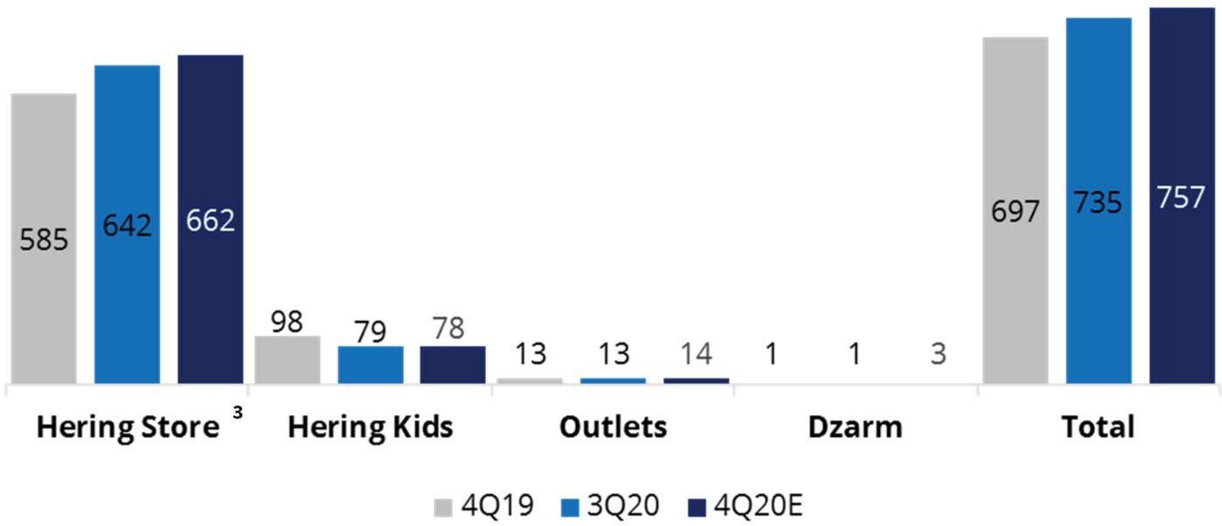


Digital Showroom experience

Expansion Physical Retail

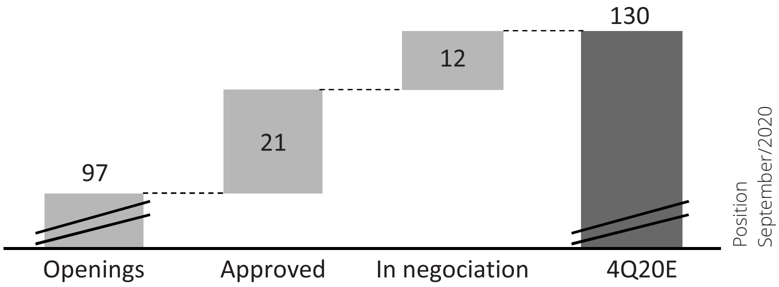
The Company ended the quarter with 763 stores, of which 743[1] in Brazil and 20 in the international market. In 3Q20, 61 new units were opened, with the highlight being the conversion of Qualified Retailers to the Light Franchise model, which has represented a great accelerator in terms of expansion - 58 stores in this format were opened in the quarter. Also in 3Q20, 13 stores[2] were closed, of which 6 refer to the consolidation of the Hering Kids Network within the Hering Store, strengthening the concept of the customer's unique journey.

Openings and number of stores expected - Brazil



We reinforced the integrated management of channels and the expansion of business formats in order to increase productivity per m² and better occupation of white areas. We remain engaged in our 2020 expansion plan, announced in the previous quarter, which includes: (i) 5 to 10 conversions from the Hering Store chain to Mega Stores (with 4 stores[4] already approved for 4Q20); (ii) expansion with compact formats and the opening of 130 stores (combining Qualified Retail[5] conversions and new stores); (iii) 2 stores of the new Dzarm concept and 1 new outlet.

Expansion Plan 2020 Light Franchise



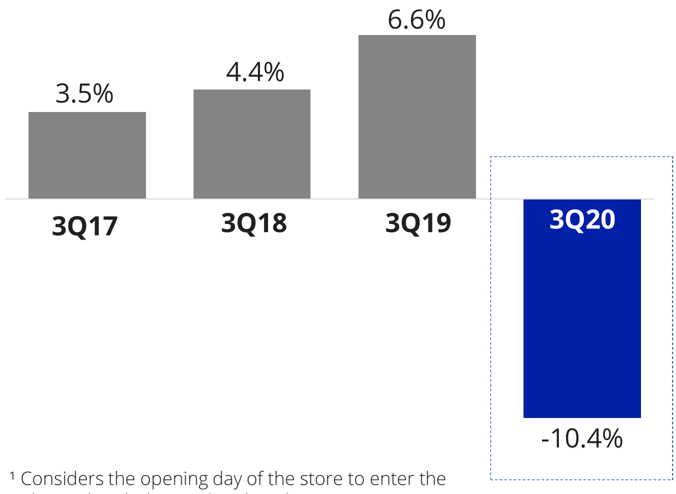
[1] Considers Rede Hering, Dzarm and eight PUC stores
[2] Does not include the closing of PUC stores
[3] Includes Hering Store, Franquia Light and Basic Shop.
[4] Plaza Sul, Grand Plaza, Mooca and Anália
[5] Estimated growth of 25% to 30% of sell-out

Hering Network Performance

The total sales of the Hering chain (sell-out) in 3Q20 reached R$ 213.4 million, 34.2% lower than 3Q19. Despite the increase in the sales area due to our successful expansion strategy, the flow in physical stores remained lower at the beginning of the quarter, compared to the previous year. Highlight for the growth in parts per service indicators (+19.8%) and average ticket (7.1%).

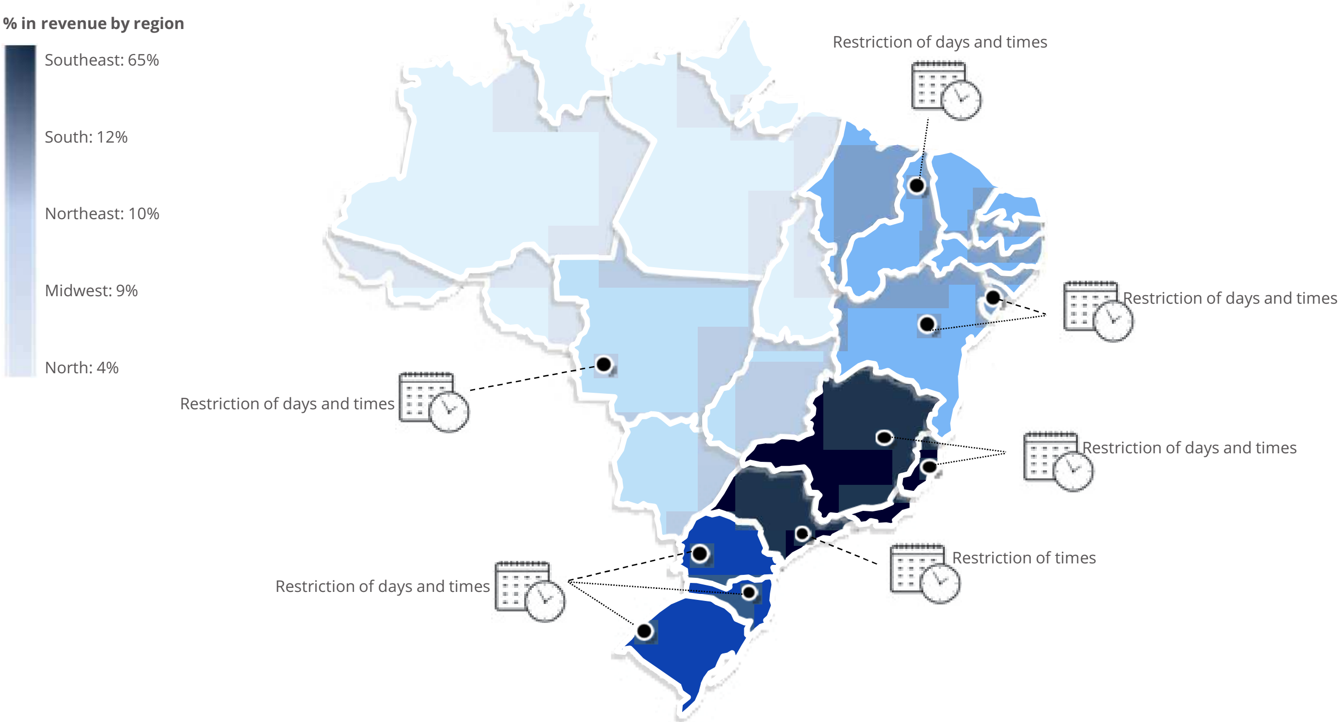
The SSS[1] decreased by 10.4% vs. 3Q19. The South and Southeast regions, which represent about 77% of revenue, were impacted by reduced operating hours, in addition to the closing of trade on weekends in important places. In contrast, the SSS in the North and Northeast regions grew by double digits vs. 3Q19.

Same Store Sales - SSS[1]



[1] Considers the opening day of the store to enter the index and excludes weekends without operation - Hering Store chain and e-commerce.

Representativeness of revenue by region and status of mall operations in 3Q20



Source: ABRASCE - Cenário Brasil, September 2020

Our Brands

Cia Hering reinforces the brands strategy by developing narratives that connect emotionally with our customers and having the product as the protagonist. Developing a platform vision and focusing on digital channels, investing in experience, content and personalization to expand customer touch points and strengthen the smart choice value proposition combining design, quality, technology, comfort and price are key points of this journey.

HERING

In 3Q20, **Hering** turned 140 years old and, in celebration, the brand launched the digital campaign "O Básico do Brasil", to the sound of the song "A sua" by Marisa Monte. With the purpose of guaranteeing consistency in communication and taking more ownership of the storytelling of the basic linked to comfort, the campaign reached more than 12 million people and brought a relevant increase in sales of basic categories. The quarter was also marked by the Father's Day campaign, with the theme "#AmoSerPai", in addition to eight capsule collections, launched with the objective of meeting the demand for current and desired items. In the social sphere and still in celebration of the brand's anniversary, the "Basic Day" was held, a charitable action with 100% of the sale reverted to the social platform Vestir o Brasil.

At **Hering Kids**, capsule collections were introduced in harmony with the launches of the Hering brand, in addition to the “Filho de Peixe, Peixinho é” collection designed for Father's Day, with ‘mini me’ clothes for father and children. It is also worth mentioning the generation of playful and informative content with influencers and special guests from different segments of the children's market.

DZARM

In the **Dzarm** brand, the record for sales in the e-commerce channel stands out, with growth of 238% vs. 3Q19, representing 16% of total revenue. In the quarter, the Tie Dye capsule collection and the new High Summer collection were launched. The new Dzarm store concept was also launched on a SaaS platform, which made the shopping journey more fluid, in addition to having the entire service rule omnichannel of Cia. Hering.

Economic and Financial Performance

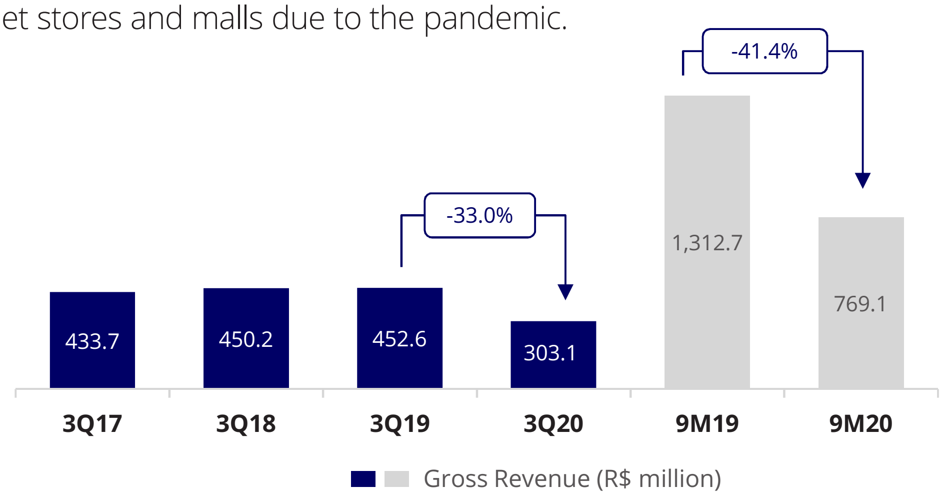
R$ Thousand	3Q20	Part. (%)	3Q19	Part. (%)	VAR. 3Q20 | 3Q19	9M20	Part. (%)	9M19	Part. (%)	VAR. 9M20 | 9M19
Gross Revenue	**303,126**	**117.6%**	**452,620**	**116.5%**	**-33.0%**	**769,055**	**118.6%**	**1,312,703**	**117.0%**	**41.4%**
Sales Deduction	(45,346)	-17.6%	(64,149)	-16.5%	-29.3%	(120,339)	-18.6%	(190,303)	-17.0%	-36.8%
Net Revenue	**257,780**	**100.0%**	**388,471**	**100.0%**	**-33.6%**	**648,716**	**100.0%**	**1,122,400**	**100.0%**	**42.2%**
Cost of Goods Sold	(154,186)	-59.8%	(215,050)	-55.4%	-28.3%	(403,637)	-62.2%	(632,450)	-56.3%	-36.2%
AVP (Adjustment to Present Value)	2,082	0.8%	5,130	1.3%	-59.4%	6,848	1.1%	15,683	1.4%	(56.33%)
Subvention for Expenditure	3,020	1.2%	4,857	1.3%	-37.8%	8,679	1.3%	13,297	1.2%	-34.7%
Depreciation and Amortization	(8,720)	-3.4%	(8,702)	-2.2%	0.2%	(26,187)	-4.0%	(25,496)	-2.3%	2.7%
Gross Profit	**99,976**	**38.8%**	**174,706**	**45.0%**	**-42.8%**	**234,419**	**36.1%**	**493,434**	**44.0%**	**52.5%**
Operating Expenses	**(105,530)**	**-40.9%**	**(118,466)**	**-30.5%**	**-10.9%**	**(200,049)**	**-30.8%**	**(377,087)**	**-33.6%**	**-46.9%**
Selling Expenses	(57,727)	-22.4%	(82,402)	-21.2%	-29.9%	(181,095)	-27.9%	(257,951)	-23.0%	-29.8%
Loss due to non-recoverability of assets	(4,848)	-1.9%	(3,531)	-0.9%	37.3%	(19,445)	-3.0%	(8,964)	-0.8%	116.9%
Administrative and General Exp. and Management Remuneration	(12,278)	-4.8%	(14,903)	-3.8%	-17.6%	(37,556)	-5.8%	(45,346)	-4.0%	-17.2%
Depreciation and Amortization	(13,570)	-5.3%	(13,826)	-3.6%	-1.9%	(40,923)	-6.3%	(40,112)	-3.6%	2.0%
Profit Sharing	-	-	(4,441)	-1.1%	-	-	-	(9,141)	-0.8%	-100.0%
Other Operating Income (Expenses), net	(17,107)	-6.6%	637	0.2%	-2.785.6%	78,970	12.2%	(15,573)	-1.4%	-607.1%
Operating Income Before Financial Results	**(5,554)**	**-2.2%**	**56,240**	**14.5%**	**-109.9%**	**34,370**	**5.3%**	**116,347**	**10.4%**	**-70.5%**
Financial income	84,026	32.6%	17,390	4.5%	383.2%	236,556	36.5%	53,204	4.7%	344.6%
Financial expenses	(18,820)	-7.3%	(11,507)	-3.0%	63.6%	(52,649)	-8.1%	(29,376)	-2.6%	79.2%
Total Financial Income	**65,206**	**25.3%**	**5,883**	**1.5%**	**1008.4%**	**183,907**	**28.3%**	**23,828**	**2.1%**	**671.8%**
Operating Income Before Interest in Subsidiaries	**59,652**	**23.1%**	**62,123**	**16.0%**	**-4.0%**	**218,277**	**33.6%**	**140,175**	**12.5%**	**55.7%**
Income and Social Contribution Taxes - Current	90,869	35.3%	(14)	0.0%	-	64,311	9.9%	214	0.0%	29951.9%
Income and Social Contribution Taxes - Deferred	4,983	1.9%	2,017	0.5%	147.1%	4,757	0.7%	11,105	1.0%	-57.2%
Net Income for the Period	**155,504**	**60.3%**	**64,126**	**16.5%**	**142.5%**	**287,345**	**44.3%**	**151,494**	**13.5%**	**89.7%**
Controlling shareholders	155,504	60.3%	64,126	16.5%	142.5%	287,345	44.3%	151,494	13.5%	89.7%
Basic earnings per share - R$										
Controlling shareholders	0.9661		0.3975		143.0%	1.7808		0.9383		89.8%
EBITDA	**16,736**	**6.5%**	**78,768**	**20.3%**	**-78.8%**	**101,480**	**15.6%**	**181,955**	**16.2%**	**44.2%**

Values in the table above include the effects of IFRS16.

Gross Revenue

The Company's gross revenue reached R$ 303.1 million in the third quarter, a decrease of 33.0% in relation to the same period of the previous year (3Q19). And in the year, gross revenue reached R$ 769.1 million, down 41.4% compared to 9M19.

This result was influenced by the positive highlight of 161.2% of the Omnicommerce channel and the retraction of the physical channels, mainly impacted by the closing and reduced operating hours of street stores and malls due to the pandemic.

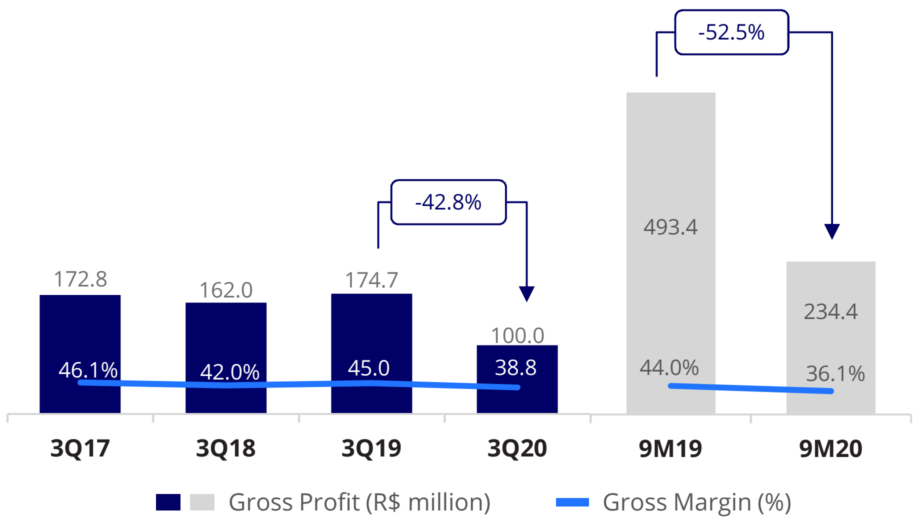


Gross Profit and Gross Margin

The Company's Gross Profit reached R$ 100.0 million in 3Q20, a decrease of 42.8% in relation to 3Q19, due to the lower revenue in the period.

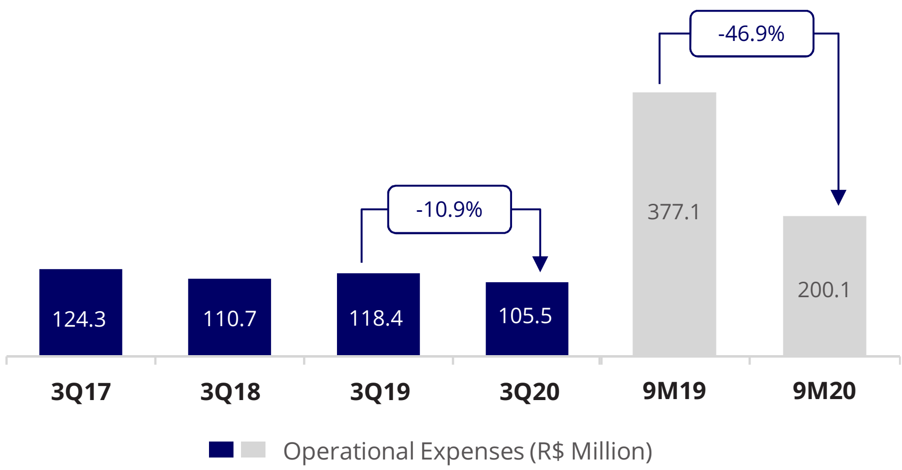
Gross Margin fell 620 b.p. in 3Q20 compared to 3Q19, mainly influenced by: (i) lower dilution of fixed costs due to lower sales (310 b.p.), despite the 17.3% cost reduction effort and (ii) lower participation of existing collections due to the cancellation of the summer collection (310 b.p.), despite the higher margin and share of the sell-out sale.

Year-to-date, the Company's gross profit reached R$ 234.4 million, down 52.5%. The 790 b.p. decrease in gross margin is related to lower sales during the pandemic and consequent lower operating leverage at the plant.



Operational Expenses

In 3Q20, operating expenses reached R$ 105.5 million, down 10.9% compared to 3Q19. Expenses were negatively impacted by non-recurring items in the amount of R$ 14.7 million in 3Q20 and positively in R$ 8.5 million in 3Q19, as shown in the table below



Excluding these effects, the Company reached the amount of R$ 90.8 million, 28.5% below 3Q19, mainly impacted by sales variable expenses, CTO negotiations for own stores, personnel expenses, in addition to various reductions in expenses operating costs and austere management of our resources.

Non-recurring items - R$ thousand	3Q20	3Q19	9M20	9M19
Temporary tax credits [1]	(3,854)	13,277	146,490	-
Restructuring indemnities [2]	(8,235)	(8,406)	(24,248)	(19,190)
Industry suitability [3]	(2,647)	3,664	(10,419)	-
Other non-recurring events	-	-	(15,357)	-
Total non-recurring items	**(14,736)**	**8,535**	**96,466**	**(19,190)**

[1] Includes attorney fees

[2] Includes labor and commercial representatives' compensation

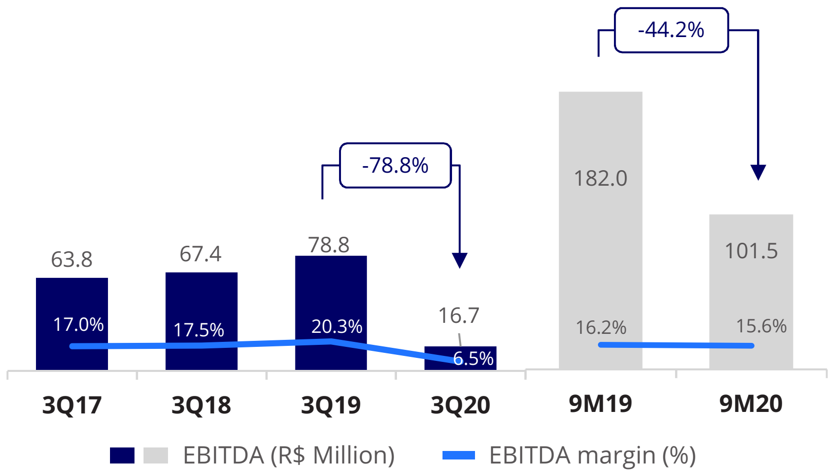
[3] Includes provision for losses of fixed assets of the industrial operation of RN and Daia

EBITDA and EBITDA Margin

Earnings before interest, taxes, depreciation and amortization ("EBITDA") reached R$ 16.7 million, 78.8% lower compared to 3Q19, essentially due to the lower sales volume, in addition to the non-recurring items already previously mentioned.

Excluding non-recurring effects, the Company's current EBITDA would be R$ 31.5 million and a margin of 12.2%, as shown in the table below.

Year-to-date, EBITDA reached R$ 101.5 million, a drop of 44.2% vs. 9M19 and a margin of 15.6%, a decrease of 60 b.p..

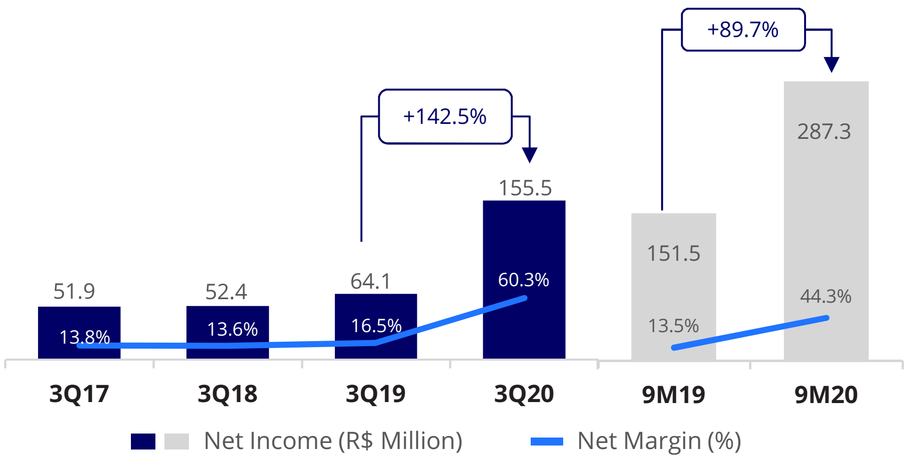


Reconciliation of EBITDA - R$ Thousand	3Q20	3Q19	VAR. 3Q20 | 3Q19	9M20	9M19	VAR. 9M20 | 9M19
Net Income	**155,504**	**64,126**	**142.5%**	**287,345**	**151,494**	**89.7%**
(+) Income and Social Contribution Tax	(95,852)	(2,003)	4685.4%	(69,068)	(11,319)	510.2%
(-) Net Financial Income	(65,206)	(5,883)	1008.4%	(183,907)	(23,828)	671.8%
(+) Depreciation and Amortization	22,290	22,528	-1.1%	67,110	65,608	2.3%
(=) EBITDA	**16,736**	**78,768**	**-78.8%**	**101,480**	**181,955**	**-44.2%**
EBITDA Margin	6.5%	20.3%	-1380 b.p.	15.6%	16.2%	-60 b.p.
Non-recurring items	14,736	(8,535)	-272.7%	(96,466)	19,190	-602.7%
(=) EBITDA, recurring	**31,472**	**70,233**	**-55.2%**	**5,014**	**201,145**	**-97.5%**
EBITDA Margin, recurring	12.2%	18.1%	-590 b.p.	.8%	17.9%	-1710 b.p.

Net Income And Net Margin

Net income in the quarter totaled R$ 155.5 million, an increase of 142.5% when compared to 3Q19, due to the action of presumed ICMS credits in the amount of R$ 178.3 million[1], generating financial income of R$ 72.2 million for monetary restatement and income tax credit of R$ 106.1 million.

Year-to-date, net income reached R$ 287.3 million, an increase of 89.7% vs 9M19 and a margin of 44.3%, an expansion of 3080 b.p.



[1] Not yet audited.
The total impact of the presumed ICMS credits is R$ 178.3 million, which net of PIS/COFINS, fees and if excluding the 34% income tax only on monetary restatement (R$ 42.9 million), would be R$ 156.2 million.

Investments

Third quarter investments totaled R$ 7.7 million, 36.2% below 3Q19 and year-to-date, totaled R$ 17.5 million, down 42.8% vs. 9M19, as a result of the prioritization of investments and measures to avoid deteriorating cash during the pandemic period.

The main projects are directly related to Data Driven development and deployment items, integration of the web operation distribution center with the main CD and store openings.

The allocation of resources was distributed in the following order:

Investments (R$ Thousands)	3Q20	3Q19	VAR. 3Q20 | 3Q19	9M20	9M19	VAR. 9M20 | 9M19
Industrial Plant	1,013	1,537	-34.1%	2,769	8,555	-67.6%
IT	3,329	3,140	6.0%	9,260	10,116	-8.5%
Stores	2,538	7,380	-65.6%	4,095	11,595	-64.7%
Others	807	-	-	1,361	280	386.1%
Total	**7,687**	**12,057**	**-36.2%**	**17,485**	**30,546**	**-42.8%**

Cash Flow

In 3Q20, Cia. Hering had free cash flow of R$ 22.6 million, R$ 0.5 million below 3Q19, despite the lower operating result. Noteworthy is the timely management of cash by the Company, including a focus on working capital management and re-prioritization of investments.

Year-to-date consumption of free cash was R $ 9.9 million, impacted by the operating result.

Cash Flow - Consolidated (R$ thousand)	3Q20	3Q19	VAR. 3Q20 | 3Q19	9M20	9M19	VAR. 9M20 | 9M19
EBITDA	**16,736**	**78,768**	**(62,032)**	**101,480**	**181,955**	**(80,475)**
No cash items	12,181	6,222	5,959	(112,100)	19,278	(131,378)
Lease Effect	(8,320)	(7,046)	(1,274)	(24,725)	(20,931)	(3,794)
AVP (Adjustment to Present Value) - Clients and Suppliers	900	4,294	(3,394)	7,186	12,815	(5,629)
Current Income tax and Social Contribution	(10,459)	(14)	(10,445)	(37,017)	214	(37,231)
Working Capital Capex	**19,230**	**(47,064)**	**66,294**	**72,804**	**(48,306)**	**121,110**
Accounts receivable from clients	(53,819)	(9,882)	(43,937)	117,212	29,827	87,385
Inventories	(13,321)	(24,898)	11,577	(75,475)	(93,141)	17,666
Accounts payable to suppliers	67,513	(9,394)	76,907	(8,927)	26,968	(35,895)
Others	18,857	(2,890)	21,747	39,994	(11,960)	51,954
CapEx	**(7,687)**	**(12,057)**	**4,370**	**(17,485)**	**(30,546)**	**13,061**
Free Cash Flow	**22,581**	**23,102**	**(521)**	**(9,857)**	**114,478**	**(124,335)**

Net Cash

The Company ended 3Q20 with cash of R$ 493.4 million, and net cash of R$ 292.4 million. It is worth mentioning the execution of the share buyback program in the amount of R$ 37.8 million during the quarter.

Net cash - R$ Thousands	3Q20	3Q19	4Q19
Cash and Cash Equivalents	493,403	331,874	364,824
Interest-earning banc deposits - long term	5,173	5,011	5.064
Loans and financing - short term	(206,190)	-	-
Net cash	**292,386**	**336,885**	**369,888**

Return On Invested Capital - ROIC

In 3Q20, Cia Hering's return on invested capital was 16.9%, 320 b.p. less than in 2Q20, an impact resulting from the reduction in operating income, despite the control of invested capital.

Return on Invested Capital (ROIC) R$ thousands	3Q20	3Q20	VAR. 3Q20 | 3Q19	3Q19	VAR. 3Q20 | 3Q19
EBITDA	184,182	246,214	-25.2%	270,824	-32.0%
(-) Depretiation and Amortization	(89,927)	(90,164)	-0.3%	(81,079)	10.9%
(+) Amortization - Right of use properties [1]	(589)	236	-349.6%	5,319	-111.1%
(+) Financial Results - APV [2]	12,128	14,068	-13.8%	14,734	-17.7%
(+) IR&CS - Effective rate [3]	63,526	(30,325)	-309.5%	20,495	210.0%
Operating Income	**169,320**	**140,029**	**20.9%**	**230,293**	**-26.5%**
Fixed Assets	442,859	453,817	-2.4%	449,744	-1.5%
Accumulated amortization - Right of use properties	55,053	54,993	0.1%	52,460	4.9%
Working capital	501,885	515,897	-2.7%	524,843	-4.4%
Average Invested Capital*	**999,797**	**1,024,707**	**-2.4%**	**1,027,047**	**-2.7%**
ROIC	**16.9%**	**13.7%**	**320 b.p.**	**22.5%**	**-560 b.p.**

Notes to the financial statements: (1) Nr. 15; (2) Nr. 31; (3) Nr. 32

(*) Last 4 quarters average

Shareholders Remuneration

In 3Q20, no earnings were resolved. In 9M20, the distribution of interest on equity in the amount of R$ 35.3 million (R$ 0.2196 per share) was approved based on the shareholding position of 07/06/2020. The shares of Cia. Hering started to be traded “ex dividends” as of 07/07/2020 and the payment will be made until 12/31/2020, on a date to be established by the Company's Management.

Buyback Program

The program that authorized the acquisition of up to 835,456 thousand shares was executed and ended on August 18, 2020. At the Board of Directors' Meeting held on the same day, the Board approved a new Share Buyback program that authorizes the acquisition of up to 5 million shares, corresponding to 4.0% of the total free float, effective until 8/19/2021. Of the open program, 2.3 million shares were repurchased, in the amount of R$ 37.8 million.

Subsequent Events

In the first week of October, another store was opened in the new concept of Dzarm, at Shopping Center Norte, in São Paulo. Based on a more technological shopping experience, which integrates the physical and digital channels in a personalized and convenient way, the store presents functions that allow the consumer to buy and receive the product at home, in addition to offering a product curation so that she can try pieces in the comfort of your home before you buy.

Cia. Hering

(Publicly-held company)

Financial statements

September 30, 2020 and December 31, 2019

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Caixa Postal 2077 - CEP 89201-970 - Joinville/SC - Brasil
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Quarterly Information Review Report

To the Shareholders and Board of Directors
Cia Hering
Blumenau - SC

Introduction
We have reviewed the interim financial statements, individual and consolidated, of Cia Hering ("Company") contained within the Quarterly Information for the quarter ended September 30, 2020, which comprise the balance sheet as of September 30, 2020 and the related statements of income and comprehensive income, for the three and nine-months periods then ended and the changes in shareholders' equity and cash flows for the nine-months period then ended, including the notes to the financial statements.

Management is responsible for the preparation of the interim financial statements in accordance with the technical pronouncement CPC 21(R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of these 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 the interim financial statements 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 mainly in making enquiries and having discussions with persons responsible for financial and accounting matters, and applying analytical and other review procedures. An interim review is substantially less in scope than an audit conducted in accordance with auditing standards and, consequently, 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 about the interim financial statements
Based on our review, we are not aware of any fact that leads us to believe that the individual and consolidated interim financial statements included in the quarterly information referred to above have not been prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34 issued by the IASB applicable to the Quarterly Information and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Other issues

Statements of value added
The individual and consolidated interim financial statements, in relation to the statements of value added for the nine-month period ended in September 30, 2020, prepared under the responsibility of the Company's Management and presented as supplementary information regarding IAS 34, were submitted to review procedures performed jointly with the review of the interim quarterly information of the Company. In order to form our conclusion, we assessed if the statements are reconciled with the interim accounting information and records, as applicable, and if their form and content are in accordance with the criteria defined in CPC 09 - Statements of Value Added. Based on our review, we are not aware of any fact that would lead us to believe that the statements of value added aforementioned have not been fairly stated, in all material aspects, in relation to the interim financial statements, individual and consolidated, taken as a whole.

Joinville November 4, 2020

KPMG Auditores Independentes
CRC SC-000071/F-8
Original report in Portuguese signed by
Cristiano Jardim Seguecio
Accountant CRC SP-244525/O-9 T-RS

CIA. HERING

BALANCE SHEETS
SEPTEMBER 30, 2020 AND DECEMBER 31, 2019
(In thousands of Brazilian Reais - R$)

Assets	Note	Parent company 09/30/20	Parent company 12/31/19	Consolidated 09/30/20	Consolidated 12/31/19
Current assets					
Cash and cash equivalents	5	493,113	364,423	493,403	364,824
Trade accounts receivable	7	309,874	441,479	309,902	441,508
Inventories	9	398,985	322,824	398,985	322,824
Recoverable taxes	10	151,386	63,233	151,392	63,239
Other accounts receivable	8	13,733	17,348	13,733	17,348
Derivative financial Instruments	24.e	2,684	1,419	2,684	1,419
Prepaid expenses		1,848	2,453	1,848	2,453
		1,371,623	1,213,179	1,371,947	1,213,615
Noncurrent assets					
Interest-earning bank deposits	6	5,173	5,064	5,173	5,064
Recoverable taxes	10	351,024	27,399	351,024	27,399
Deferred taxes	11	64,312	59,041	64,312	59,041
Trade accounts receivable	7	5,825	10,876	5,825	10,876
Other accounts receivable	8	27,650	28,391	27,650	28,391
Investments in subsidiaries	12	2,994	2,448	-	-
Property, plant and equipment	13	268,198	298,511	268,198	298,511
Intangible assets	14	87,123	92,973	87,123	92,973
Right of use	15	62,480	75,903	62,480	75,903
		874,779	600,606	871,785	598,158
		2,246,402	1,813,785	2,243,732	1,811,773

Liabilities	Note	Parent company 09/30/20	Parent company 12/31/19	Consolidated 09/30/20	Consolidated 12/31/19
Current liabilities					
Borrowings and financing	22	206,190	-	206,190	-
Trade accounts payable	23	189,263	187,008	189,263	187,008
Payroll and related taxes	16	44,648	36,337	44,648	36,337
Taxes in installments		128	369	324	500
Income and social contribution taxes	17	10,292	136	10,292	136
Taxes payable	17	18,526	24,690	18,530	24,694
Provisions for contingencies	19	2,420	2,420	2,420	2,420
Other provisions	19	39,455	29,384	39,455	29,384
Interest on equity and dividends payable	25.e	32,617	807	32,617	807
Other accounts payable		5,960	19,357	3,029	17,138
Leases	15	21,241	26,779	21,241	26,779
		570,740	327,287	568,009	325,203
Noncurrent liabilities					
Taxes in installments		1,102	1,161	1,163	1,233
Provisions for contingencies	19	13,981	12,708	13,981	12,708
Other provisions	19	104	104	104	104
Employee Benefits	21	6,216	5,769	6,216	5,769
Tax incentive obligations	18	490	490	490	490
Other accounts payable		2,550	1,165	2,550	1,165
Leases	15	34,904	38,704	34,904	38,704
		59,347	60,101	59,408	60,173
Shareholders' equity	25				
Capital		381,166	381,166	381,166	381,166
Capital reserve		45,807	41,480	45,807	41,480
Treasury shares		(66,968)	(1,551)	(66,968)	(1,551)
Earnings reserve		998,325	998,325	998,325	998,325
Valuation adjustments to equity		5,867	6,017	5,867	6,017
Other comprehensive income		(37)	960	(37)	960
Accumulated income		252,155	-	252,155	-
Controlling shareholders		1,616,315	1,426,397	1,616,315	1,426,397
		2,246,402	1,813,785	2,243,732	1,811,773

The notes are an integral part of the financial statements.

CIA. HERING

INCOME STATEMENTS
SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019
(In thousands of Brazilian Reais - R$)

		Parent company				Consolidated			
	Note	3st Quarter 20	9 Months 20	3st Quarter 19	9 Months 19	3st Quarter 20	9 Months 20	3st Quarter 19	9 Months 19
Net operating revenue	27	257,780	648,716	388,471	1,122,400	257,780	648,716	388,471	1,122,400
Cost of goods sold	28	(157,804)	(414,297)	(213,765)	(628,966)	(157,804)	(414,297)	(213,765)	(628,966)
Gross profit		99,976	234,419	174,706	493,434	99,976	234,419	174,706	493,434
Operating income (expenses)									
Selling expenses	29	(57,727)	(181,095)	(82,402)	(257,951)	(57,727)	(181,095)	(82,402)	(257,951)
Impairment of accounts receivable	24.a(ii)	(4,848)	(19,445)	(3,531)	(8,964)	(4,848)	(19,445)	(3,531)	(8,964)
Administrative and general expenses	30	(10,024)	(30,874)	(12,560)	(38,272)	(10,110)	(31,132)	(12,662)	(38,468)
Management remuneration	20	(2,063)	(6,109)	(2,128)	(6,639)	(2,168)	(6,424)	(2,241)	(6,878)
Depreciation and amortization		(13,570)	(40,923)	(13,826)	(40,112)	(13,570)	(40,923)	(13,826)	(40,112)
Profit sharing	19	-	-	(4,441)	(9,141)	-	-	(4,441)	(9,141)
Other net operating income (expenses)	31	(17,107)	78,995	542	(15,527)	(17,107)	78,970	637	(15,573)
Net income before financial results, equity and taxes		(5,363)	34,968	56,360	116,828	(5,554)	34,370	56,240	116,347
Financial income	32	84,000	236,482	17,369	53,150	84,026	236,556	17,390	53,204
Financial expenses	32	(18,902)	(53,469)	(11,679)	(29,525)	(18,820)	(52,649)	(11,507)	(29,376)
Net financial income (expenses)		65,098	183,013	5,690	23,625	65,206	183,907	5,883	23,828
Equity in income	12	(83)	296	73	(278)	-	-	-	-
Net income before income and social contribution taxes		59,652	218,277	62,123	140,175	59,652	218,277	62,123	140,175
Income and contribution taxes - current	32	90,869	64,311	(14)	214	90,869	64,311	(14)	214
Income and contribution taxes - deferred	32	4,983	4,757	2,017	11,105	4,983	4,757	2,017	11,105
Net income for the period		155,504	287,345	64,126	151,494	155,504	287,345	64,126	151,494
Allocated to:									
Controlling shareholders		155,504	287,345	64,126	151,494	155,504	287,345	64,126	151,494
Earnings per share - R$									
Basic earnings per share	34	-		-		0.96608	1.78078	0.39750	0.93830
Diluted earnings per share	34	-		-		0.95119	1.75178	0.39199	0.92039

The notes are an integral part of the financial statements.

CIA. HERING

STATEMENT OF COMPREHENSIVE INCOME
SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019
(In thousands of Brazilian Reais - R$)

		Parent company				Consolidated			
	Note	3st Quarter 20	9 Months 20	3st Quarter 19	9 Months 19	3st Quarter 20	9 Months 20	3st Quarter 19	9 Months 19
Net income for the period		155,504	287,345	64,126	151,494	155,504	287,345	64,126	151,494
Other comprehensive income									
Items that can be subsequently reclassified to the income statement:									
Fair value of financial instruments of cash flow hedge net of taxes	24	(1,028)	(995)	1,690	2,183	(1,028)	(995)	1,690	2,183
		(1,028)	(995)	1,690	2,183	(1,028)	(995)	1,690	2,183
Comprehensive income		154,476	286,350	65,816	153,677	154,476	286,350	65,816	153,677
Total comprehensive income allocated to:									
Controlling shareholders		154,476	286,350	65,816	153,677	154,476	286,350	65,816	153,677

The notes are an integral part of the financial statements.

CIA. HERING

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
SEPTEMBER 30, 2020 AND DECEMBER 31,2019
(In thousands of Brazilian Reais - R$)

	Parent Company and Consolidated								
			Profit reserves					Equity valuation adjustment	
	Capital	Capital reserve	Tax incentives	Legal reserve	Profit retention	Treasury shares	Accumulated profit	Other comprehensive income	Total equity
Balances at December 31, 2019	381,166	41,480	937,587	59,959	779	(1,551)	-	6,977	1,426,397
Stock option plan (note 26)	-	4,327	-	-	-	-	-	-	4,327
Treasury shares acquisition (note 25.b)	-	-	-	-	-	(65,417)	-	-	(65,417)
Realization of indexation of PP&E	-	-	-	-	-	-	152	(152)	-
Adjustment financial instruments - hedge accounting (note 24.e)	-	-	-	-	-	-	-	(995)	(995)
Net income for the period	-	-	-	-	-	-	287,345	-	287,345
Destinations:			-						
Interest on shareholders' equity (note 25.e)	-	-	-	-	-	-	(35,342)	-	(35,342)
Balances at September 30, 2020	381,166	45,807	937,587	59,959	779	(66,968)	252,155	5,830	1,616,315

The notes are an integral part of the financial statements.

CIA. HERING

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
SEPTEMBER 30, 2019 AND DECEMBER 31, 2018
(In thousands of Brazilian Reais - R$)

	Parent Company and Consolidated								
			Profit reserves					Equity valuation adjustment	
	Capital	Capital reserve	Tax incentives	Legal reserve	Profit retention	Treasury shares	Accumulated profit	Other comprehensive income	Total equity
Balances at December 31, 2018	369,618	35,982	841,261	56,556	16,877	(6,372)	-	6,154	1,320,076
Stock option plan	-	4,123	-	-	-	-	-	-	4,123
Treasury shares sold	-	-	-	-	1,571	4,821	-	-	6,392
Realization of indexation of PP&E	-	-	-	-	-	-	717	(717)	-
Adjustment financial instruments - hedge accounting	-	-	-	-	-	-	-	2,183	2,183
Capital Increase with Tax Incentives Reserves	330	-	(330)	-	-	-	-	-	-
Capital Increase with Stock Option exercise	11,218	-	-	-	-	-	-	-	11,218
Net income for the year	-	-	-	-	-	-	151,494	-	151,494
Destinations:			-						
Dividends and interest on shareholders' equity	-	-	(49,992)	-	-	-	-	-	(49,992)
Interest on shareholders' equity	-	-	-	-	-	-	(62,974)	-	(62,974)
Balances at September 30, 2019	381,166	40,105	790,939	56,556	18,448	(1,551)	89,237	7,620	1,382,520

The notes are an integral part of the financial statements.

CIA. HERING

STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019
(In thousands of Brazilian Reais - R$)

		Parent company		Consolidated	
	Note	09/30/20	09/30/19	09/30/20	09/30/19
Cash flows from operating activities					
Net income for the period		287,345	151,494	287,345	151,494
Adjustments to reconcile net income to net cash generated by operating activities:					
Net deferred income and social contribution taxes	33	(4,757)	(11,105)	(4,757)	(11,105)
Net current income and social contribution taxes	33	37,017	(214)	37,017	(214)
Monetary, exchange rate and interest variations	15	9,444	3,696	9,444	3,696
Depreciation and amortization	13/14 / 15	67,110	65,608	67,110	65,608
Write-off of fixed assets	13/14	1,932	(2,574)	1,932	(2,574)
Income from write-off of lease and trade fund	15	1,010	177	1,010	177
Provision for doubtful accounts	24	19,445	8,964	19,445	8,964
Stock option plan	26	4,328	4,123	4,328	4,123
Equity in (loss) income of subsidiaries	12	(296)	278	-	-
Provision for adjustment to inventory realization value	9	(686)	4,023	(686)	4,023
Provisions for contingencies	19	6,566	4,298	6,566	4,298
Employee benefits	21	447	268	447	268
Provision for Non Recoverability of Fixed Assets	15	7,885	-	7,885	-
Judicial Credit PIS Cofins	10.e	(260,486)	-	(260,486)	-
Judicial Credit IRPJ CSLL restatement and others	10.g	(64,966)	-	(64,966)	-
Judicial Credit IRPJ CSLL current	10.g	(101,328)	-	(101,328)	-
Changes in assets and liabilities					
Trade accounts receivable		117,211	29,832	117,212	29,827
Inventories		(75,475)	(93,141)	(75,475)	(93,141)
Recoverable taxes		(872)	606	(872)	606
Other assets		3,696	(7,521)	3,708	(7,521)
Accounts payable to suppliers		(8,927)	26,968	(8,927)	26,968
Accounts payable and provisions		(7,494)	5,632	(7,506)	5,549
Income and social contribution taxes		(1,151)	-	(1,151)	(56)
Taxes payable		2,206	(10,518)	2,260	(10,325)
Dividends received	12	-	510	-	-
Interest paid on loans	15	(3,254)	(3,696)	(3,254)	(3,696)
Net cash provided by operating activities		35,950	177,708	36,301	176,969
Cash flows from investing activities					
Purchase of property, plant and equipment	13	(8,785)	(18,953)	(8,785)	(18,953)
Purchase of intangible assets	14	(7,202)	(6,533)	(7,202)	(6,533)
Purchase of rights use assets	15	(1,498)	(5,060)	(1,498)	(5,060)
Related parties		(250)	-	-	-
Net cash used in investing activities		(17,735)	(30,546)	(17,485)	(30,546)
Cash flows from financing activities					
Capital increase		-	11,218	-	11,218
Interest earning bank deposits		(109)	(181)	(109)	(181)
Interest on equity and dividends		(3,532)	(135,283)	(3,532)	(135,283)
Related parties		712	381	-	-
Acquisition of treasury shares	25.b	(65,417)	-	(65,417)	-
Payment of principal - Lease	15	(21,179)	(17,235)	(21,179)	(17,235)
Loans taken	22	200,000	-	200,000	-
Disposal of treasury shares for the stock option plan	25.b	-	6,392	-	6,392
Net cash used in financing activities		110,475	(134,708)	109,763	(135,089)
Increase in cash and cash equivalents		128,690	12,454	128,579	11,334
Demonstration of the increase in cash and cash equivalents					
At the beginning of the period		364,423	319,417	364,824	320,540
At the end of the period		493,113	331,871	493,403	331,874
		128,690	12,454	128,579	11,334

CIA. HERING

STATEMENT OF ADDED VALUE

SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019

(In thousands of Brazilian Reais - R$)

	Parent company		Consolidated	
	09/30/20	09/30/19	09/30/20	09/30/19
Revenues				
Products sold (gross revenue)	769,055	1,312,703	769,055	1,312,703
Provision for doubtful accounts	(19,445)	(8,964)	(19,445)	(8,964)
	749,610	1,303,739	749,610	1,303,739
Inputs acquired from third parties (including ICMS and IPI)				
Raw materials consumed	(142,068)	(230,887)	(142,068)	(230,887)
Costs of goods sold	(123,882)	(186,218)	(123,882)	(186,218)
Materials, power, third-party services and other operating expenses	(281,695)	(326,498)	(282,126)	(326,933)
	(547,645)	(743,603)	(548,076)	(744,038)
Retentions				
Depreciation and amortization	(67,110)	(65,608)	(67,110)	(65,608)
Net added value created by the Company	134,855	494,528	134,424	494,093
Value added received in transfer				
Equity in income (loss) of subsidiaries	296	(278)	-	-
Financial income	236,482	53,150	236,556	53,204
Rent	170,352	514	170,352	514
	407,130	53,386	406,908	53,718
Total added value to be distributed	541,985	547,914	541,332	547,811
Distribution of added value				
Employees				
Direct compensation	155,810	195,090	155,810	195,090
Benefits	16,083	20,113	16,083	20,113
Severance Fund (FGTS)	8,856	11,472	8,856	11,472
	180,749	226,675	180,749	226,675
Taxes				
Federal	5,055	92,557	5,055	92,557
State	20,289	27,511	20,289	27,511
Municipal	1,606	1,512	1,606	1,512
	26,950	121,580	26,950	121,580
Financiers				
Interest	9,441	3,697	9,441	3,697
Rent	3,272	19,557	3,272	19,557
Others	34,228	24,911	33,575	24,808
	46,941	48,165	46,288	48,062
Equity capital				
Interest on shareholder's equity	35,342	62,974	35,342	62,974
Dividends	-	49,992	-	49,992
Retained earnings	252,003	38,528	252,003	38,528
	287,345	151,494	287,345	151,494
Total added value distributed	541,985	547,914	541,332	547,811

The notes are an integral part of the financial statements.

1 General information

Cia. Hering, with main offices in Blumenau, Santa Catarina, and manufacturing units in the States of Santa Catarina, Goiás, and Rio Grande do Norte, was founded in 1880 and its key activity is the production and marketing of threads, fabrics, and knitwear, textiles and knitwear, and clothing in general.

The Company's shares are traded on the New Market segment of São Paulo Stock Exchange (Bovespa), under the ticker symbol HGTX3.

- Coronavírus (COVID-19)

The World Health Organization (WHO), on March 11, 2020, declared the outbreak of the new coronavirus (COVID-19) a pandemic. The outbreak triggered significant decisions by governments and private sector entities, which added to the potential impact of the outbreak, increased the degree of uncertainty for economic agents and may generate impacts on the figures recognized in the Company's quarterly information.

The Company maintains periodic monitoring of its operations, through its Crisis Committee, formed by Management and a group of leaders from various areas, and has been taking the necessary measures to minimize the impact of the COVID-19 outbreak, preserve the integrity and health of our employees - our absolute priority, as well as ensure the sustainability of our network and business. Since the closure of the physical stores, which began on March 19, we have been constantly monitoring the evolution of the relevant legislation in the cities in which we operate. Based on this analysis and following the regulations of each region, it has gradually resumed the reopening of physical stores in specific locations. Currently 100% of physical stores (own stores and franchises) of the Company have already resumed their commercial activities and are open, following the local rules, in addition to the implementation of all necessary measures of hygiene and social distancing, in order to ensure the safety of all those involved. Additionally, the distribution center in Anápolis (GO), returned to its activities on April 20, after careful evaluation of data and the adoption of a series of measures, such as the mandatory use of masks and temperature measurement of all employees. The distribution center of Blumenau (SC), remained operating with reduced capacity focused on e-commerce and key accounts operations.

The Company Management has taken the following main measures related to the confrontation of the crisis caused by the COVID 19 pandemic: (i) adoption of remote work (home office) for the administrative areas, closure of factories and stores in compliance with the protocols established by the competent public authorities, suspension of trips and events and holding of virtual showrooms, donations of masks, donations of uniforms to hospitals and of T-shirts with love that raised funds for the purchase of respirators; (ii) adoption of measures to strengthen Cash with daily monitoring of cash needs, renegotiation of suppliers to postpone payments and reduce future contract values, renegotiation of store occupancy cost expenses, contingency of expenses and investments, review of production and purchase volume, raising of loans for Working Capital (R$ 120,000 in March and R$ 80,000 in April 2020); (iii) adherence to government assistance measures such as postponement of PIS/Cofins payment, Social Security Contribution, FGTS installment payment, reduction of contribution rates to autonomous social services; (iv) adhesion to the emergency program for maintenance of employment and income under the terms of Law 14,020 of July 7, 2020, applying in the months of April to June a reduction of 25% in the working day and base salary, and/or (ii) suspension of the employment contract with the maintenance of benefits and compensatory aid from the Company of 30% on the gross salary for Industry, CD and Stores.

The Company performed a set of analyses on the impact of COVID-19, which involved (i) the review of the useful life of property, plant and equipment and the review of the assumptions of the annual impairment test, the analysis of which demonstrated the need to recognize a provision for losses in property, plant and equipment as described in Note 13; (ii) analysis of deferred tax realization, resulting in an extension of the credit period, as described in Note 11; (iii) analysis of lease classification and accounting, due to discounts granted by lessors on the minimum contractual rent and evaluation of the useful life of the right to use asset, as described in Note 15; (iv) analysis of risk provisions and other provisions; (v) analysis of the recoverability of financial instruments, specifically analysis of possible expected credit losses of accounts receivable, whose impacts are disclosed in Note 24 a; (vi) analysis of possible losses due to inventory obsolescence, maintaining the provisions policy adopted, considering the position of perennial inventories and the commercial policy of not realizing inventories below cost price, there was no need for additional provision; (vii) business continuity analyzes with assessment of positive future results, positive future cash flows and among others and subsequent events.

The continuity of operations and preservation of the sustainability of our network and business is a priority of the Company's management, and the management is not aware of any material uncertainty that could generate significant doubts about its ability to continue operating.

2 Preparation basis

(a) Statement of compliance

The individual and consolidated quartely information were prepared in accordance with the International Financial Reporting Standards (IFRS), IAS 24/CPC 21, issued by the International Accounting Standards Board (IASB), and also in accordance with the accounting practices adopted in Brazil (BR GAAP).

This financial statement is presented in thousands of Reais and were authorized for conclusion by Management on November 04, 2020.

All relevant information specific to the quartely information, and only such information, is being evidenced, and corresponds to the information used in management.

The presentation of the individual and consolidated Statement of Added Value is required by Brazilian corporate law and the accounting practices adopted in Brazil applicable to publicly-held companies. The IFRSs do not require the presentation of this statement.

(b) Measurement basis

The individual and consolidated quartely information were prepared based on the historical cost, except when the explanatory notes indicate otherwise.

(c) Functional currency and reporting currency

The individual and consolidated quartely information are presented in Brazilian Reais, which is the Company's functional currency. All quartely information presented in Brazilian Reais has been rounded to the nearest value.

(d) Use of estimates and judgments

The preparation of the individual and consolidated quartely information according to IFRS and BR GAAP standards requires Management to make judgments, estimates and assumptions that affect the application of accounting principles and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Revisions related to accounting estimates are recognized in the period when the estimates are revised and in any future period affected.

The accounting policies and areas that require a higher level of judgment and use of estimates in the preparation of the quartely information are as follows:

Note 3g – Useful life of fixed assets
Note 11 – Realization of deferred income tax
Note 15 – Classification and recording of lease agreements
Note 19 – Provision for risk and other provisions
Note 24 – Risk management and financial instruments

3 Significant accounting policies

(a) Consolidation basis

The consolidated quartely information includes the quartely information of Cia. Hering and its subsidiaries, as listed below:

		Participation (%)	
	Country	**09/30/20**	**12/31/19**
HRG Comércio do Vestuário e Intermediação de Serviços Financeiros Ltda.	Brasil	99.99	99.99
Hering Internacional SAFI	Uruguai	100.00	100.00

The quartely information of the subsidiaries is included in the consolidated quartely information as from the date they start to be controlled by the Company until the date such control ceases.

The criteria adopted in the consolidation are those provided in CPC 36 – Consolidated quarterly information, of which we highlight the following:

- The Company includes in its consolidation all subsidiaries in which the parent company, directly or indirectly, has significant influence to ensure its shareholders permanent and predominant power to elect the majority of directors.

- All intra-group balances, and unrealized income, expenses, gains and losses arising from intragroup transactions are eliminated in full.

- Removal of portions of the results, retained earnings or losses and the cost of inventories or non-current assets that match results, not yet achieved, of business between the companies.

- Elimination of the relevant investment in proportion to its respective equity.

(b) Foreign currency

The Company's Management has defined that its functional currency is the Real in foreign currency, all transactions that are not carried out in the functional currency, are translated at the exchange rate on the dates of each transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate on the closing date. The gains and losses from the fluctuations in the exchange rates on monetary assets and liabilities are recognized in the statement of income.

(c) Financial instruments

(i) Non-derivative financial assets

Recognition and measurement

Financial assets are initially recognized and measured in accordance with the classification of financial instruments in the following categories: (i) amortized cost: (ii) fair value through comprehensive income and (iii) fair value through income. In order to define the classification of financial assets according to CPC 48 / IFRS9, the company evaluated the business model in which the financial asset is managed and its characteristics of contractual cash flows.

The Company recognizes the loans, receivables and deposits initially as of the date of origination. All other financial assets (including assets designated at fair value through profit or loss) are initially recognized on the trade date on which the Company becomes a party to the contractual provisions of the instrument.

The Company lowers a financial asset when contractual rights to the cash flows of the asset expire, or when it transfers the rights to the receipt of the contractual cash flows on a financial asset in a transaction in which essentially all the risks and benefits of ownership of the financial asset are transferred.

The financial assets held by the Company as of September 30, 2020 are classified as follows:

Amortized cost

Financial assets held by the Company to obtain contractual cash flows arising from the principal and interest, when applicable. These assets are subsequently measured at amortized cost using the effective interest method (when applicable) and are assessed for impairment at each balance sheet date. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss, as well as any gain or loss on derecognition. Cash and cash equivalents, trade accounts receivable and other assets are classified in this category, with the variations recognized in the Financial Result.

(ii) Non-derivative financial liabilities

The Company recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial are recognized initially on the negotiation date on which the Company becomes a party to the contractual provisions of the instrument. The Company writes off a financial liability when its contractual obligations are discharged, cancelled or settled.

The Company has the following non-derivative financial liabilities: suppliers, other accounts payable, dividends payable, lease liabilities and related parties. Such financial liabilities are initially recognized at fair value plus any transaction costs directly assignable. After their initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial liabilities

The Company has derivative financial instruments to manage its exposure to currency risks, including forward foreign exchange contracts.

Derivatives are initially recognized at fair value on contracting date and subsequently re-measured at fair value on year. Possible gains or losses are immediately recognized in income, unless derivative is assigned and effective as a hedge instrument, in this case, time of recognition in income depends on hedging relationship nature.

The Company assigns certain hedging instruments for risk in foreign exchange rates variation in firm commitments, as cash flow hedge.

At the beginning of hedging relationship, for the adoption of the “Hedge Accounting” the Company documents the relation between the hedge instrument and the hedged item with its objectives in risk management and its strategy to assume several hedging transactions. In addition, in the beginning of the hedge operation and continuously, the Company documents if the hedging instrument used in a hedging relationship is highly effective to offset in the hedged item's fair value or cash flow, attributable to the hedged risk.

The effective portion of changes in derivatives fair value that is assigned and qualified as cash flow hedge is recognized in other comprehensive income. Gains or losses related to the ineffective portion are immediately recognized under “financial income”.

Amounts previously recognized in other comprehensive income and accumulated in shareholders' equity are reclassified into income for the period in which the hedged item affects income, under the same statement of income caption in which such item is recognized. However, when a foreseen hedged transaction results in the recognition of a non-financial asset or liability, gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred to the initial measurement of this asset or liability cost.

“Hedge accounting” is interrupted when the Company cancels the hedging relationship, the hedge instrument matures or is sold, rescinded or executed, or no longer qualifies as hedge accounting. Any gains or losses recognized in other comprehensive income and accumulated in equity on that date remain in equity and are recognized when foreseen transaction is finally recognized in income. When the foreseen transaction is no longer expected to occur, accumulated gains or losses that are deferred in shareholders' equity are immediately recognized in income.

Derivatives that are not assigned as hedging instruments are classified as current assets or liabilities.

Note 24 includes more detailed information on derivative financial instruments.

(d) Cash and cash equivalents

Includes cash balances, current accounts (demand bank deposits), short term investments (interest earning bank deposits) considered immediately marketable or convertible into a known sum of cash and subject to an insignificant risk of change of value, with a three-month maturity date or less from the date of operation contracting.

Financial investments are recorded at cost of acquisition amount plus income earned through the reporting date of the balance sheets, which approximate their fair values and do not exceed their market or realizable value.

(e) Trade accounts receivable

Trade accounts receivable are recorded at the amount invoiced, adjusted to present value. The amount recorded as Expected credit losses is considered sufficient by management to cover any losses on the realization of the receivables.

(f) Inventories

These are measured at the average cost of acquisition or production, adjusted to the replacement cost or net realizable value, when applicable. The cost of finished products and work in process comprises the cost of raw materials, labor and other indirect costs related to production based on the normal capacity occupancy. Provisions for realization of inventories (reduction to market value) and slow-moving and/or obsolete inventories are formed when they are identified.

The net realizable value is the estimated price at which inventories can be realized in the normal course of business, deducted from the estimated completion costs and selling expenses.

(g) Property, plant and equipment (PP&E)

(i) Recognition and measurement

PP&E items are stated at historical acquisition or construction cost, net of accumulated depreciation and impairment losses, when applicable.

When parts of a PP&E item have different useful lives, they are accounted for as separate items (major components) of PP&E.

Gains and losses on disposal of a PP&E item are determined by comparing the proceeds from disposal with the carrying amount of PP&E and are recognized net within "Other income" in the income statement.

(ii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost. The residual value of the assets written off is not material, and, accordingly, is not considered in the determination of the depreciable amount.

Depreciation is recognized in the income statement using the straight-line method over the estimated useful life of each part of an item of property, plant and equipment, since this is the method that best reflects the consumption pattern of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives for the current period were calculated using the weighted average useful life of the assets of each group, are presented below:

Description	**Average useful life (years)**
Buildings and improvements	31.26
Facilities and production equipament	10.04
Furniture and fixtures	6.21
Computer and peripherals	4.67
Vehicles	4.53
Leasehold improvements	7.27

The depreciation methods, useful lives and residual values will be reviewed at each reporting date and potential adjustments will be recognized as a change in accounting estimates prospectively.

(iii) Subsequent costs

The replacement cost of a component of PP&E is recognized in the carrying value of the item when it is probable that the future economic benefits embodied in the component will flow to the Company and its cost can be reliably measured. The carrying amount of the component that is replaced is written off. Costs of normal maintenance on property, plant and equipment are charged to the income statement as incurred.

(h) Intangible assets

(i) Recognition and measurement

The Company has brands and patents and software recognized as intangible assets. The value of trademarks and patents refers to the registration of the Company's trademarks with national entities and competent international institutions, which are amortized according to the validity period of the records. The value software, refers to software acquired from third parties and generated internally that is amortized for the useful life defined in the appraisal report. All have defined useful lives and are measured at cost, less accumulated amortization and impairment losses accumulated.

(ii) Amortization

Amortization is calculated over the cost of the asset, or other amount substituted for cost. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use, since this is the method that best reflects the consumption pattern of the future economic benefits embodied in the asset.

The useful estimated lives are as follows:

Description	Average useful life (years)
Trademarks and patents	10.00
Software licenses	8.48

The amortization methods, useful lives and residual values will be reviewed at each reporting date and potential adjustments will be recognized as a change in accounting estimates prospectively.

(iii) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the income statement as incurred.

(i) Impairment

(i) Financial assets

Financial assets are valued at initial recognition based on a study of expected losses (when applicable) and when there is evidence of an impairment loss. Any asset will have a loss in its recoverable amount if objective evidence indicates that a loss event occurred after the initial recognition such asset, and that such loss event has had a negative effect on projected future cash flows that can be estimated in a reliable way.

The objective evidence that financial assets lost value can include the non-payment or delay in payment by the debtor, the restructuring of the amount due the company under condition that the company would not consider other transactions or indications that the debtor or issuer will enter bankruptcy proceedings.

Provisions for losses on trade accounts receivable are measured at an amount equal to the expected credit loss for the entire life of instrument.

An impairment with respect to a financial asset measured at amortized cost is calculated as the difference between the book and present value of estimated future cash flows discounted at the original effective interest rate of asset. Losses are recognized in the result and reflected in an account of a provision against receivables. The interest on the assets that lost value continue to be recognized through the discount reversal. When a subsequent event indicates reversal of loss of value, the reduction in the loss of value is reversed and recorded in the income (loss).

(ii) Non-financial assets

The carrying values of non-financial assets of the Company are reviewed each period to determine whether there is sign of loss in the recovery value (impairment). If such indication exists, the asset's recoverable amount is determined.

The Administration has not identified any information that showed loss of recoverable value of nonfinancial assets.

(j) Rights to use assets and leases

(i) Leases

A contract is, or contains, a lease if the contract transfers the right to control the use of an identified asset for a period of time in exchange for payment s, for which it is necessary to assess whether: (i) the contract involves the use of an identified asset, which may be explicit or implicit, and may be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantial right to replace the asset, then the asset is not identified; (ii) the Company has the right to obtain substantially all the economic benefits from use of the asset during the term of the contract; and (iii) the Company has the right to direct the use of the asset. This means that the Company has decision-making rights to change how and for what purpose the asset is used.

A lessee recognizes a right of use asset, which represents its right to use the leased asset, and a lease liability, which represents its obligation to make lease payments.

The right-of-use asset is initially measured at cost and comprises the initial amount of the lease liability adjusted for any payment made on or before the contract start date, plus any initial direct costs incurred and estimated cost of dismantling, removal, restoration of the asset in the place where it is located, minus any incentive received. The right-of-use asset is subsequently depreciated using the straight-line method from the start date to the end of the useful life of the right-of-use or the end of the lease term.

The lease liability is initially measured at the present value of the payments yet to be made, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, by the incremental loan rate.

After the initial measurement, the lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change: (i) in future payments resulting from a change in the index or rate; (ii) in the estimate of the expected amount to be paid in the guaranteed residual value; or (iii) in the evaluation as to whether the Company will exercise a purchase, extension or termination option. When the lease liability is remeasured, the corresponding adjustment amount is recorded at the book value of the right-of-use asset or in P/L, if the book value of the right-of-use asset has been reduced to zero.

Operating lease agreements are recognized as an expense over the lease period.

(ii) Trade Fund

The trade fund refers to the registration of the commercial points of the own stores which are amortized over the term of the contracts. The trade fund amortization is calculated on cost and is recognized in the income statement based on the linear method in relation to the useful life estimated, from the date they are available for use. The useful life of the trade fund is estimated at 5 years, being reviewed at each year-end and adjusted if necessary.

(k) Employee benefits

The Company grants to its administrators, executives and employees many benefits that are usual in the market. To improve the alignment of the interest of its administrators, executives and team of employees, the Company also grants the following benefits:

(i) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Company possess private pension plan for its employees (defined benefit plans). The actuarial calculations are performed annually by a qualified and independent actuary hired by the Company. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to their present value. Any unrecognized prior service costs and the fair values of any plan assets are deducted. The discount rate is the yield of prime debt securities at the reporting date, whose maturity dates approximate the terms and conditions of the Company's obligations and are denominated in the same currency in which the benefits are expected to be settled. When the calculation results in a benefit for the Company, the asset to be recognized is limited to the total of any unrecognized prior service costs and the present value of the economic benefits available as future plan refunds or reduction in the future payments.

In order to calculate the present value of the economic benefits, consideration is given to any minimum funding requirements that apply to any Company plan. An economic benefit is available to the Company when it is realizable over the plan life, or upon settlement of the plan's liabilities.

When the benefits of a plan are increased, the portion of the increased benefit relating to past service by employees is recognized as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.

Remeasurements, composed of gains and losses, the effect of the limit of assets (assets ceiling) and the return on plan assets, both excluding net interest, are recognized in the statement of comprehensive income, if at all, in the period in which they occur.

Remeasurements are not reclassified to profit or loss in subsequent periods.

The Company recognizes all actuarial gains and losses resulting from defined benefit plans in other comprehensive income.

(ii) Other long-term benefits to employees

The Company’s net obligation in relation to employee benefits other than pension plans and health plans is the amount of the future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to calculate its present value, and the fair value of any related assets is deducted. The calculation is performed on the projected unit credit method. Any actuarial gains and losses are recognized in the income (loss) in the period they occur.

(iii) Short-term benefits to employees

Obligations for short-term employee benefits are measured on a non-discounted basis and incurred as expenses as the related service is rendered.

The liability is recognized at the amount expected to be paid under the cash bonus plans or short-term profit sharing if the Company has a legal or constructive obligation to pay this amount as a result of prior service rendered by the employee, and the obligation can be reliably estimated.

(iv) Stock-based plan transactions and restricted stocks

The effects of the stock options plan are calculated based on the fair value and recognized in the balance sheet and statement of income at the extent the contractual conditions are met. The fair value calculated of share-based payment agreements is recognized at the grant date, as expenses, with a corresponding increase in shareholders' equity, over the period when employees become unconditionally entitled to the premiums.

On July 29, 2020, the Company approved a restricted stock plan. The Program consists of the concession, by the Company, of common shares, nominative and without par value, representing the Company's capital stock ("Restricted Shares"), free of charge, with a total value equivalent to the value of the approved long-term incentive by the Board of Directors for each executive, at the time of granting the Restricted Shares and subsequent transfer of ownership. The expense is recorded on a "pro rata temporis" basis that begins on the grant date, up to the date on which the Company transfers the right of shares to the beneficiary. The expense corresponds to the number of shares granted multiplied by the fair value of the share on the grant date. Details of the Company's program can be found in Note 26.

(l) Provisions

A provision is recorded when the Company has a legal or constructive obligation as a result of a past event, which can be reliably estimated, and it is probable that an outflow of funds will be required to settle the obligation. The expense referring to any provision is presented in the statement of income, net of any reimbursement.

(m) Adjustment to present value

Fixed purchase and sale transactions in installments were brought to present value on transactions date, based on deadlines and at the rate of 0.45% p.m.. These rates represent SELIC rate for the period in purchase transactions and discount rate in early payment of sale transactions. No assumptions were made that took into account credit risk factors or other risks, because the Company uses a simplified model and because of the operations' characteristics. The average days sales outstanding is 127 days and the average days payable outstanding is 116 days.

The adjustment to present value of purchases is recorded to trade payables and charged to financial income/loss, over the duration of the term in the case of trade payables. The adjustment to present value of credit sales is charged to trade receivables and the realization thereof is recorded under financial income/loss over the duration of the term.

(n) Capital

(i) Common Shares

Common shares are classified as shareholders' equity. Additional costs directly attributable to the issue of shares and share options are recognized as a deduction from shareholders' equity. Effects from taxes related to these transactions' costs are accounted for in accordance with CPC 32/IAS 12.

(ii) Treasury Shares

The Company's own equity instruments that are repurchased (treasury shares) are recorded at cost, as a reduction of equity. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(o) Operating income - Sale of goods

The Company has the practice of recognizing its revenues, taking into account the assessment of the following steps: (i) Identify the contract with the customer; (ii) Identify performance obligations in the contract; (iii) Determine the price of the transactions; (iv) Allocating the price of the transaction to the performance obligations; (v) Recognize revenue when performance obligations are met.

Therefore, revenue is measured based on the consideration specified in the contract with the customer and is recognized when the products are delivered and accepted by the customers in their facilities. For contracts that allow the customer to return the goods, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of recognized accumulated revenue will not occur.

The operating revenue of our own stores is recognized after invoicing and delivery of the merchandise to the customer. The operating revenue of the retail and franchise network of the national and international market is recognized after the billing and exit of the merchandise from the Company's establishment. The Company also monitors the deadline for the delivery of goods to customers and makes adjustments to operating revenue when necessary.

If discounts are likely to be granted and the amount can be measured reliably, then the discount is recognized as a reduction in operating income as sales are recognized.

(p) Government grants and assistance

Government grants and assistance are recognized when there is reasonable assurance that the terms and conditions set forth by the granting governments have been fulfilled and are calculated and recorded in accordance with the contracts, agreements and legislation applicable to each incentive, as described in note18. The effects on income are recorded on the accrual basis of accounting, where gains are recorded in the group of sales deductions (taxes levied) and cost of goods sold, against current liabilities.

(q) Financial income and expenses

Financial revenues comprise income from interest on interest earning bank deposits, adjustment to present value and other sundry revenues. These interest incomes are recognized in profit or loss. The Company also has revenue from foreign exchange, which is also accounted for directly in profit or loss. The distributions received from investees recorded under the equity method reduce the amount of the investment.

Financial expenses include interest expenses on borrowings, financial charges on taxes and adjustment to present value. These interest expenses and revenue are recognized in profit or loss. The Company also has an expense from foreign exchange, which is also accounted for directly in profit or loss.

Borrowing costs which are not directly attributable to the acquisition, construction, or production of a qualifying asset are accounted for in profit or loss using the effective interest rate method.

(r) Income and social contribution taxes

Current tax assets and liabilities of the last year and of previous years are measured at recoverable value expected or payable to the tax authorities. Current income and social contribution taxes are calculated with a basis on the effective rates of income and social contribution taxes on net income and consider the offset of tax loss and negative basis of social contribution, limited to 30% of taxable income and are recognized in the statement of income, except to the extent they are related to items directly recognized in shareholders' equity or comprehensive income. In that case, the tax is also recorded in shareholders' equity or comprehensive income.

The deferred income and social contribution tax assets are due to tax losses, negative contribution basis and asset and liability temporary differences. Such taxes are supported by a study of future taxable results generation.

The recording of these deferred taxes took into account the expectation of future taxable income, as well as the expectations of realization of the temporary difference assets and liabilities and are calculated based on the rates currently in force under the tax legislation as shown in Note 33.

The deferred tax assets accounting value is reviewed at each reporting date and is offset at the extent that it is no longer probable that taxable profits will be available to allow that all of part of the tax asset is utilized.

Deferred tax assets and liabilities are offset when there is a legal enforceable right to set off current tax assets against tax liabilities, and if they relate to income taxes levied by the same tax authority on the same taxable entity.

(s) Income per share

The basic earnings per share are calculated based on the result for the period attributable to the Company's controlling and non-controlling shareholders and the weighted average of outstanding common shares in the respective period. The diluted earnings per share are calculated based on the mentioned average of outstanding shares, adjusted by instruments that can be converted into shares, with a dilution effect, in the periods presented, pursuant to CPC 41 and IAS 33.

(t) Segment information

An operating segment is a component of the Company which engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Company. All operating results of the operating segments are frequently reviewed by the Executive Management for decisions regarding the resources to be allocated to the segment to be taken and to assess their performance, for which individual quarterly information is available.

The Company and its subsidiaries have a single operating segment: the manufacture and sale of apparel and accessories, as disclosed in note 35.

(u) Statement of Added Value

The Company prepared statements of added value in accordance with the rules of technical pronouncement CPC 09 - Statement of Added Value, which are presented as an integral part of the quartely information under BRGAAP applicable to publicly-held companies, whereas under IFRS they represent supplementary quartely information.

4 Determination of the fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade accounts receivable and other credits

The fair value of accounts receivable and other receivables is estimated as the present value of future cash flows, discounted at the market interest rate on presentation date.

(ii) Non-derivative financial assets and liabilities

The fair value that is determined for disclosure purposes is calculated based on the present value of principal and future cash flows, discounted at market interest rate on quartely information date.

(iii) Derivative financial assets and liabilities

Foreign exchange futures contracts are measured at fair value.

(iv) Share-based plan, liquidated in shares

The fair value of employee stock options and stock appreciation rights are measured using the Binomial formula for the 7th to 10th program of the 2008 Plan and 1st to 3rd program of the 2017 Plan.

Measurement variations occur for share prices on measurement date, instrument exercise price, estimated volatility (based on historic volatility weighted average adjusted for expected changes based on publicly-available information), life of instruments weighted average (based on historic experience and general behavior of the option owner), expected dividends and interest rate free of risk (based on public securities).

Out-of-market service and performance conditions inherent to transactions are not taken into consideration on fair value determination.

The effects of the share based plan are calculated based on the fair value and recognized in the balance sheet and statement of income at the extent the contractual conditions are met (note 26).

Restricted share program

The Company measures the cost of transactions to be settled with shares based on fair value of equity instruments on grant date. Estimates of share-based payments' fair values require the most adequate evaluation method for the granting of equity instruments, which depends on grant terms and conditions. This also requires determining the most appropriate data and assumptions for evaluation model, including the expected life of the option and share, volatility and risk-free interest rate. Assumptions and models used in fair value estimates of share-based payments are explained in Note 26 b.

5 Cash and cash equivalents

	Parent company		Consolidated	
Current assets	**09/30/20**	**12/31/19**	**09/30/20**	**12/31/19**
Cash and banks	5,028	25,317	5,318	25,718
Cash and banks/foreign currency	177	3,258	177	3,258
Financial investments:				
Fixed Income – Bank Deposit Certificate CDB	487,908	335,848	487,908	335,848
	493,113	364,423	493,403	364,824

The company has amounts in cash, checking account, and financial investments in fixed income - CDB of instant redemption, the remuneration ranging from 98.2% to 101.5% of the change in CDI, which average maturity period is three months.

Short-term investments are readily convertible into a known amount of cash and subject to an insignificant risk of a change in value and have therefore been considered as cash equivalents in the cash flow statements.

The Company's exposure to interest rate risk and a sensitivity analysis of financial assets and liabilities are disclosed in note 24.

6 Interest-earning bank deposits restricted

The Company maintains in its own bank account, the amount of R$ 5,173 (R$ 5,064 on December 31, 2019) of investments in Bank Deposit Certificates (CDB), earning interests from 99.00% of CDI, which will be held until maturity, are related to the Hering-Prev Benefit Plan, to tackle the resulting deficit existing in the plan existing in the plan, as determined by the legislation.

7 Trade accounts receivable

	Parent company		Consolidated	
Current	**09/30/20**	**12/31/19**	**09/30/20**	**12/31/19**
Domestic market	339,445	454,788	339,473	454,817
Foreign market	11,709	16,523	11,709	16,523
	351,154	471,311	351,182	471,340
Adjustments to present value	(1,889)	(5,542)	(1,889)	(5,542)
Expected credit losses (note 24 aii)	(39,391)	(24,290)	(39,391)	(24,290)
	(41,280)	(29,832)	(41,280)	(29,832)
	309,874	441,479	309,902	441,508
Non Current				
Domestic market	5,825	10,876	5,825	10,876
	315,699	452,355	315,727	452,384

Changes in the adjustment to present value during the period was as follows:

	Parent company and consolidated	
	09/30/20	**12/31/19**
Balance at beginning of period	(5,542)	(6,225)
Additions	(11,161)	(33,768)
Write-offs	14,814	34,451
Balance at end of period	(1,889)	(5,542)

The adjustment to present value will be realized according to the accounts receivable maturity date, which is 127 days on average (85 days as of December 31, 2019).

The company's exposure to credit and currency risks related to accounts receivable is disclosed in note 24.

8 Other accounts receivable

	Parent company and Consolidated	
Current	**09/30/20**	**12/31/19**
Advance to domestic suppliers	2,499	28
Advance to employees	1,575	3,023
Trade accounts receivable refurbishment plan Franchisee	3,248	6,091
Accounts receivable sale of fixed assets (a)	3,600	5,556
Other	2,811	2,650
	13,733	17,348

	Parent company and Consolidated	
Noncurrent	**09/30/20**	**12/31/19**
Fomentar	-	838
Judicial deposits - tributaries	13,151	8,131
Judicial deposits - Labor and Civil	9,084	11,602
Accounts receivable sale of fixed assets (a)	2,920	5,400
Other	2,495	2,420
	27,650	28,391

(a) The most relevant values of this line refer to sales of Encano units Ibirama and Rodeio / SC.

9 Inventories

	Parent company and Consolidated	
	09/30/20	**12/31/19**
Finished goods	153,663	137,743
Resale goods	111,685	64,677
Work in process	70,968	64,064
Inventories held by third parties	15,607	17,610
Raw materials	48,967	43,425
Imports in transit	13,867	11,763
Provision for adjustment to realizable value	(15,772)	(16,458)
	398,985	322,824

Certain items considered obsolete, or slow moving, as well as surplus collections, were subject to the formation of provisions for adjustment to the realizable value.

During the period, the provision for adjustment of inventories to the net realizable value showed the following movement:

	Parent company and consolidated	
	09/30/20	12/31/19
Balance at beginning of period	(16,458)	(13,457)
Constitution of provision	(5,001)	(14,962)
Reversal of provision by sale	5,687	11,961
Balance at end of period	(15,772)	(16,458)

No inventories have been pledged as collateral.

10 Recoverable taxes

The Company and its subsidiaries have tax credits that are recorded in current and in non-current assets according to the expected realization period, as shown below:

	Parent Company		Consolidated	
Current	**09/30/20**	**12/31/19**	**09/30/20**	**12/31/19**
IPI	1,561	1,086	1,561	1,086
ICMS to recover (State VAT) (a)	43,503	40,241	43,503	40,241
ICMS to recover (PP&E)	2,024	1,924	2,024	1,924
IRPJ and CSLL to offset (b)	5,034	4,817	5,034	4,817
INSS to recover (c)	951	4,391	951	4,391
Withholding Income Tax (IRRF) to offset	5,400	3,657	5,400	3,657
PIS and COFINS to recover (d)	4,687	4,069	4,687	4,069
PIS and COFINS with fixed assets	674	532	674	532
PIS and COFINS Judicial Credit (e)	85,301	-	85,301	-
Other	2,251	2,516	2,257	2,522
	151,386	63,233	151,392	63,239

	Parent Company and Consolidated	
Noncurrent	**09/30/20**	**12/31/19**
IPTU (f)	2,424	2,424
ICMS to recover (State VAT) (a)	11,187	12,973
ICMS to recover (PP&E)	2,537	3,519
PIS and COFINS with fixed assets	5,096	4,778
PIS and COFINS Judicial Credit (e)	152,382	-
IRPJ and CSLL Judicial Credit (g)	173,504	-
Other	3,894	3,705
	351,024	27,399

(a) ICMS recoverable - Credits arising from the Company's normal flow of operations in Santa Catarina and from the purchase of ICMS credits from the states of Rio de Janeiro, São Paulo and Minas Gerais that will be offset against ICMS debts calculated in future periods.

(b) IRPJ and CSLL to be offset - The Company paid income tax and social contribution based on the balance sheet for suspension and reduction in 2017 and 2018. Advances were paid in excess of the amount determined in the year. The amounts collected in the period were reverted to this item for purposes of offsetting with income tax and social contribution due in future periods of calculation. Calculated amounts to be offset, for the base period 2017, were consumed in 2019.

(c) INSS to be recovered - The Company carried out a credit check for the social security contribution that was improperly paid on the discounted amounts of the payrolls as transportation vouchers and meal vouchers from June 2013 to July 2018 and FAP paid on higher in the period from April 2014 to December 2015. In 2019, a new complementary credit of R$ 10,777 was recognized, R$ 8,320 of principal and R$ 2,457 of monetary restatement, the amount of R$ 8,210 being used during the year. In September 2020, there was a further withdrawal of credits in the total amount of R$ 707, of which R$ 697 was principal and R$ 10 was monetary restatement. In 2020, credits of R$ 4,147 were used.

(d) PIS and COFINS recoverable - The Company carried out a survey of PIS and COFINS credits in 2019, in the amount of R$ 24,286, referring to essential expenses not previously credited, being part of this credit offset in the year. In 2020, the amount of R$ 5,552 was raised from new credits, referring to essential expenses, and a total of R$ 4,934 was used to offset current taxes.

(e) Judicial Credit PIS and COFINS On May 19, 2020, the Company received the certification of the final and unappealable decision regarding the writ of mandamus, whose object was the Company’s claim for recognition of the tax credits resulting from the exclusion of ICMS from the PIS and COFINS calculation basis. The restated amount of the credit recorded in May 2020 was R$ 279,540, of which R$ 164,024 refers to the principal, recognized in Other Operating Revenues, and R$ 115,516 refers to inflation adjustment, recognized in Financial Income (loss). PIS and COFINS in the amount of R$ 5,372 were levied on the inflation adjustment recognized in Financial Income (loss). Regarding credit, there was an expense of R$ 13,680 referring to attorneys’ fees, recognized in Other Operating Revenues and Expenses. The period of the aforementioned credit that was the subject of the Request for Eligibility from the Brazil’s Federal Revenue Service, extended from the beginning of the non-cumulative calculation through March 31, 2017, since – starting in April 2017 – the Company began registering such effects under Income (loss). The Company has already been granted the Request for Eligibility and has already started offsetting it against other federal taxes calculated. Up to September 30, 2020, the amount of R$ 43,112 was used in offsets, and inflation adjustment in the amount of R$ 1,255 was recognized.

(f) Urban property and land tax (IPTU) - in 2006, the Company registered the credit related to IPTU, due to the gain of the Ordinary Action, aiming at the recognition of unconstitutionality in the progressive IPTU requirements in relation to the period from 1999 to 2003, with transit ruled on October 9, 2006. The balance, monetarily restated in the amount of R$ 2,424.

g) Judicial credit of IRPJ and CSLL - The final and unappealable decision was recorded after the handing down of TRF4 on September 28, 2020; Cia. Hering recognized the effects on the financial statements of September 30, 2020, the restated amount of which is R$ 178,310, of which R$ 101,328 is overpaid, R$ 72,176 refers to inflation adjustment (recognized under the Recoverable Taxes, having – as a contra entry in Income (loss) – current income tax and social contribution and financial income (loss), respectively), and R$ 4,806 referring to tax loss and negative base recognized under Deferred Taxes. The amount of R$ 3,356 in PIS and COFINS was levied on inflation adjustment, recognized in Financial Income (loss). Regarding credit, there was an expense of attorneys’ fees in the amount of R$ 3,854 recognized in Other Operating Revenues and Expenses.

11 Deferred taxes

(a) Breakdown

The Company has tax credits deriving from tax losses and social contribution negative calculation bases for current year, with no prescription period, and also deriving from temporary additions and exclusions, as follows:

	Parent company and Consolidated	
Assets	**09/30/20**	**12/31/19**
Tax Losses and Negative Basis	29,801	31,256
Adjustments to present value - clients and suppliers	150	1,127
Provision for contingencies	6,848	5,143
Impairment of accounts receivable	8,270	8,259
Provision for administrative expenses	2,956	1,278
Provision for commercial expenses	5,072	2,887
Provision for variable selling expenses	5,614	5,381
Provision for slow moving inventories	3,967	4,741
Actuarial liabilities employee benefits	2,112	1,961
Provision for fixed assets	2,681	-
Other temporary differences	1,134	751
Total assets	68,605	62,784
Liabilities		
Taxes on indexation of PP&E	(3,023)	(3,101)
Exchange gains and losses (net)	(1,274)	190
Taxes on hedge accounting	19	(495)
Other temporary differences	(15)	(337)
Total liabilities	(4,293)	(3,743)
Total Net	64,312	59,041

Management believes that the deferred assets arising from temporary differences will be realized in proportion to the final resolution of the contingencies and the events to which they refer when they will be offset against taxable income.

The registration of the tax credit is supported by projections that demonstrate that the Company will calculate taxable profits in future years, in amounts considered sufficient for the realization of such amounts. Such projections were prepared based on the future business plan, prepared by the Company's Management, which was approved by the Board of Directors at a meeting held on December 12, 2019. To prepare the projections of future taxable profits, the Company uses assumptions aligned with its corporate strategies, such as revenue growth and increased profit margins, in the macroeconomic scenario, considering current and past performance and expected growth in the market. For the period ended September 30, 2020, Management revised the projections of taxable income and taxable income for the year 2020, due to the possible impacts of Covid-19 on business. This revision changed the expectation of realization of the credits, extending the estimated period, which on December 31, 2019 started in 2020, and in the current estimate only from 2021.

Management, based on your updated revenue projections, estimates that the tax credits recorded will be fully realized, as shown below:

2021	1,916
2022	4,767
2023	8,017
2024	11,713
2025	15,903
2026 so on	26,289
	68,605

The assumptions related to the business perspective, the projections of operational and financial results and the Company's potential of growth are forecasts and were based on management expectations regarding the Company's future. As a consequence, the estimates may not occur in the future, taking into account the inherent uncertainties to these forecasts.

(b) Change of deferred income tax and of social contribution

	Parent company and Consolidated						
Assets	**12/31/18**	**Recognized in the income statement**	**Recognized in other comprehen-sive results**	**12/31/19**	**Recognized in the income statement**	**Recognized in other comprehen-sive results**	**09/30/20**
Tax Losses and Negative Basis	23,140	8,116	-	31,256	(1,455)	-	29,801
APV - Clients and Suppliers	1,072	55	-	1,127	(977)	-	150
Actuarial liabilities employee benefits	850	121	990	1,961	151	-	2,112
Temporary provisions	28,106	334	-	28,440	8,102	-	36,542
	53,369	8,615	990	62,784	5,821	-	68,605
Liabilities							
Taxes on indexation of PP&E	(3,496)	395	-	(3,101)	78	-	(3,023)
Exchange gains and losses (net)	201	(11)	-	190	(1,464)	-	(1,274)
Taxes on hedge accounting	326	-	(821)	(495)	-	514	19
Other temporary differences	(222)	(115)	-	(337)	322	-	(15)
	(3,392)	280	(821)	(3,743)	(1,064)	514	(4,293)
Total net	49,977	8,895	169	59,041	4,757	514	64,312

12 Investments in subsidiaries

Below is a summary of the invested companies' information and equity in subsidiaries recorded during the period.

	HRG Com. Vest. Interm. de Serviços Finan. Ltda.	Hering Internac. S.A – SAFI	09/30/20	12/31/19
Current and noncurrent assets total	325	2,931	3,256	2,654
Current and noncurrent liabilities total	262	-	262	206
Shareholders' equity	63	2,931	2,994	2,448
Result for the year	(575)	48	(527)	(541)
Interest in capital (%)	99.99%	100.00%		
Balance at the beginning of the year	388	2,060	2,448	3,013
Capital increased	250	-	250	400
Dividends	-	-	-	(510)
Equity in subsidiaries	(575)	871	296	(455)
Equity method investment	63	2,931	2,994	2,448

13 Property, plant and equipment

(a) Changes in cost and in depreciation

	Parent Company and Consolidated									
	12/31/18	Additions	Transfer	Write-off	12/31/19	Additions	*Transfer	Write-off	Provision for non-recoverability of property, plant and equipment	09/30/20
Cost:										
Buildings and improvements	127,395	30	760	(11,691)	116,494	-	2,614	-	-	119,108
Facilities and prod. equipament	270,832	17,903	12,398	(17,583)	283,550	903	11,014	(7,092)	(13,696)	274,679
Furniture and fixtures	43,878	2,500	54	(3,811)	42,621	1,221	19	(1,937)	(2,388)	39,536
Computer and peripherals	48,237	4,299	300	(2,847)	49,989	885	214	(481)	(1,531)	49,076
Vehicles	2,433	111	-	(595)	1,949	-	-	(229)	(53)	1,667
Leasehold improvements	70,505	256	2,958	(1,576)	72,143	-	725	(4,385)	(11,458)	57,025
Lands	28,995	-	-	(1,357)	27,638	-	-	-	-	27,638
Construction in progress	17,212	23,564	(18,912)	(202)	21,662	5,776	(15,561)	(562)	-	11,315
	609,487	48,663	(2,442)	(39,662)	616,046	8,785	(975)	(14,686)	(29,126)	580,044
Depreciation:										
Buildings and improvements	(40,398)	(4,019)	-	4,964	(39,453)	(2,834)	-	-	-	(42,287)
Facilities and prod. equipament	(150,786)	(18,451)	-	14,959	(154,278)	(14,229)	-	6,482	8,704	(153,321)
Furniture and fixtures	(30,356)	(4,493)	-	3,046	(31,803)	(2,878)	-	1,817	1,953	(30,911)
Computer and peripherals	(37,943)	(5,030)	-	2,745	(40,228)	(3,188)	-	460	1,474	(41,482)
Vehicles	(1,913)	(208)	-	561	(1,560)	(93)	-	229	53	(1,371)
Leasehold improvements	(42,396)	(9,113)	-	1,296	(50,213)	(5,084)	-	3,766	9,057	(42,474)
	(303,792)	(41,314)	-	27,571	(317,535)	(28,306)	-	12,754	21,241	(311,846)
Net:										
Buildings and improvements	86,997	(3,989)	760	(6,727)	77,041	(2,834)	2,614	-	-	76,821
Facilities and prod. equipament	120,046	(548)	12,398	(2,624)	129,272	(13,326)	11,014	(610)	(4,992)	121,358
Furniture and fixtures	13,522	(1,993)	54	(765)	10,818	(1,657)	19	(120)	(435)	8,625
Computer and peripherals	10,294	(731)	300	(102)	9,761	(2,303)	214	(21)	(57)	7,594
Vehicles	520	(97)	-	(34)	389	(93)	-	-	-	296
Leasehold improvements	28,109	(8,857)	2,958	(280)	21,930	(5,084)	725	(619)	(2,401)	14,551
Lands	28,995	-	-	(1,357)	27,638	-	-	-	-	27,638
Construction in progress	17,212	23,564	(18,912)	(202)	21,662	5,776	(15,561)	(562)	-	11,315
	305,695	7,349	(2,442)	(12,091)	298,511	(19,521)	(975)	(1,932)	(7,885)	268,198

* The amount of R$ 975 (R$ 2,442 as of December 31, 2019) in the transfer column, refers to PIS and COFINS credits on property, plant and equipment from previous periods, which were reduced from property and equipment accounts and added in taxes to be recovered.

(b) Useful life review

The depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if necessary.

(c) Assets pledged as collateral and pledge

As of September 30, 2020 and December 31, 2019, the Company had property, plant and equipment items pledged as collateral for tax incentives in the amount of R$ 1,103, as shown in Note 18.c.

(d) Impairment of assets

Property, plant and equipment have their recoverable value analyzed, at least, annually, and for the period ended September 30, 2020, Management assessed the recoverability and identified the need to set up a provision mainly for assets used in the production of Jeans located in the branch of Rio Grande do Norte, as this product category will no longer be produced domestically and will be acquired from national sourcing suppliers. The industrial activities of the Rio Grande do Norte branch, except for the production of Jeans, are being migrated to the Goianésia branch, with the fixed assets related to these activities being transferred.

14 Intangible assets

(a) Changes in cost and in amortization

	Parent Company and Consolidated							
	12/31/18	Additions	Transfer	Write-off	12/31/19	Additions	Transfer	09/30/20
Cost:								
Trademarks and patents	2,952	-	-	-	2,952	-	-	2,952
Right to use properties	64,731	-	(64,731)	-	-	-	-	-
Software	140,354	638	23,422	(259)	164,155	1,337	9,217	174,709
Intangible assets in progress software	20,119	10,323	(23,422)	-	7,020	5,865	(9,217)	3,668
	228,156	10,961	(64,731)	(259)	174,127	7,202	-	181,329
Amortization:								
Trademarks and patents	(2,636)	(84)	-	-	(2,720)	(57)	-	(2,777)
Right to use properties	(51,056)	-	51,056	-	-	-	-	-
Software	(63,135)	(15,558)	-	259	(78,434)	(12,995)	-	(91,429)
	(116,827)	(15,642)	51,056	259	(81,154)	(13,052)	-	(94,206)
Net:								
Trademarks and patents	316	(84)	-	-	232	(57)	-	175
Right to use properties	13,675	-	(13,675)	-	-	-	-	-
Software	77,219	(14,920)	23,422	-	85,721	(11,658)	9,217	83,280
Intangible assets in progress software	20,119	10,323	(23,422)	-	7,020	5,865	(9,217)	3,668
	111,329	(4,681)	(13,675)	-	92,973	(5,850)	-	87,123

* The balance of transfers, as of December 31, 2019, refers to the reclassification of the Trade Fund from Intangible Assets to Rights of Use under IFRS 16 / CPC 06 R(2) (Note 15).

(b) Useful life review

The amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if necessary.

(c) Impairment of intangible assets

The intangible assets have their recoverable value analyzed, at least, annually, and for the period ended September 30, 2020, Management revised asset cash flow projections and did not find the need for provisions for recoverable value of assets.

15 Right to use assets and leasing

(a) Right to use assets

In the initial adoption, the measurement of the right-of-use asset corresponds to the initial value of the lease liability. Depreciation is calculated using the straight-line method, according to the term of the contracts.

(i) Composition and movement

	Parent Company and Consolidated								
	Averege term (years)	01/01/19	Additions	Write-off	12/31/19	Additions	Transfer	Write-off	09/30/20
Cost:									
Store		64,176	13,983	(6,751)	71,408	20,022		(6,226)	85,204
Distribution center		5,154	750	-	5,904	-	6,432	(4,103)	8,233
Buildings		5,307	4,706	-	10,013	-	(6,432)	-	3,581
Trade fund		64,731	5,060	(2,194)	67,597	1,498	-	(5,501)	63,594
		139,368	24,499	(8,945)	154,922	21,520	-	(15,830)	160,612
Depreciation:									
Store	2 to 5	-	(20,650)	1,488	(19,162)	(16,552)		2,440	(33,274)
Distribution center	2	-	(2,993)	-	(2,993)	(3,596)	-	-	(6,589)
Buildings	5	-	(1,424)	-	(1,424)	(1,719)	-	-	(3,143)
Trade fund	5	(51,056)	(6,401)	2,017	(55,440)	(3,885)	-	4,199	(55,126)
		(51,056)	(31,468)	3,505	(79,019)	(25,752)	-	6,639	(98,132)
Net:									
Store		64,176	(6,667)	(5,263)	52,246	3,470	-	(3,786)	51,930
Distribution center		5,154	(2,243)	-	2,911	(3,596)	6,432	(4,103)	1,644
Buildings		5,307	3,282	-	8,589	(1,719)	(6,432)	-	438
Trade fund		13,675	(1,341)	(177)	12,157	(2,387)	-	(1,302)	8,468
		88,312	(6,969)	(5,440)	75,903	(4,232)	-	(9,191)	62,480

The right-to-use assets have their recoverable value analyzed at least annually. As for the period ended September 30, 2020, Management did not find the need to set up a provision for the recoverable amount.

As of September 30, 2020, there were no changes to existing lease agréments.

(b) Leasing

As of September 30, 2020, the Company had 77 lease agreements (73 on December 31, 2019) for its commercial, industrial and administrative units, which were classified as operating leases. Some of these contracts provide for a variable lease expense, applied on sales, the amount of which remains recorded according to the reporting period of the expense.

For contracts that were within the scope of the standard, we considered – as a component of lease liabilities – the amount of future fixed rent payments (net of taxes), discounted at a nominal interest rate.

In the initial adoption of IFRS 16 / CPC 06 (R2), the weighted average discount rate used was 7.5% per year. For the addition of new contracts after initial adoption, the Company assessed and there was no need to change the average discount rate used. In 2020, the Company evaluated the weighted average discount rate used and for new contracts, the average rate used was 4% per year.

(i) Composition and movement

Parent Company and Consolidated

	01/01/19	Additions	Transfers	Payment of principal and interest	Interest	Write-off	12/31/19
Store	64,176	13,983	-	(23,552)	4,218	(5,346)	53,479
Distribution center	5,153	750	-	(1,738)	319	-	4,484
Buildings	5,308	4,706	-	(2,785)	291	-	7,520
	74,637	19,439	-	(28,075)	4,828	(5,346)	65,483
						Current liabilities	26,779
						Noncurrent liabilities	38,704

Parent Company and Consolidated

	12/31/19	Additions	Transfers	Payment of principal and interest	Interest	Write-off	09/30/20
Store	53,479	20,022	-	(18,646)	2,826	(4,078)	53,603
Distribution center	4,484	-	4,887	(3,963)	343	(4,103)	1,648
Buildings	7,520	-	(4,887)	(1,824)	85	-	894
	65,483	20,022	-	(24,433)	3,254	(8,181)	56,145
						Current liabilities	21,241
						Noncurrent liabilities	34,904

(ii) Settlement estimate

	Leases	Interest	Present value of Leases
2020	7,754	(859)	6,895
2021	21,348	(2,536)	18,812
2022	16,077	(1,402)	14,675
2023	9,991	(593)	9,398
2024 so on	6,597	(232)	6,365
september 30, 2020	**61,767**	**(5,622)**	**56,145**

(iii) Additional Information

To measure the lease liability, the Company adopted the nominal interest rate. For disclosure purposes, according to CVM Circular Letter 01/2020, we measured the value of the lease liability using nominal flow versus nominal rate. The difference between the calculation method for accounting (real flow versus nominal rate) and the form imposed by the CVM for disclosure (nominal flow versus nominal rate) is considered by the Company to be immaterial. On September 30, 2020, using the real cash flows as a basis, the value of the Company's lease liabilities would be R$ 60,383, with the net effect of R$ 1,384.

Upon initial adoption of IFRS 16 / CPC 06 R (2), the Company understood that the value used to measure the lease liability should be net of taxes (PIS and COFINS). In view of CVM's statement, where it mentions that the value considered for calculation must be gross, the Company surveyed the amounts and considered the difference immaterial.

The Company applied for the financial statements for the period ended September 30, 2020, the practical file provided for in CVM Deliberation 859 approved by CMV (securities commission) on July 7, 2020. As a practical file, the lessee may choose to fail to assess whether a Covid-19 Benefit Granted to a Tenant under a Lease Agreement, which meets the requirements of item 46B, is a modification of the lease. The lessee who makes this option must account for any change in the lease payment resulting from the benefit granted in the lease agreement in the same way that he would account for the change by applying this Standard if the change were not a modification of the lease. The Company adopted the practical expedient for all contracts that have a benefit granted, 44 of which are store lease agreements, with effect on the result of R$ 4,185.

16 Payroll and related taxes

	Parent Company and Consolidated	
	09/30/20	12/31/19
Payroll	10,241	8,003
Vacation	11,736	14,532
13º Payroll	7,016	-
INSS	11,049	9,621
FGTS	3,277	2,857
Others	1,329	1,324
	44,648	36,337

17 Taxes payable

	Parent company		Consolidated	
	09/30/20	12/31/19	09/30/20	12/31/19
ICMS on sales (VAT)	4,864	10,712	4,864	10,712
PIS and COFINS	9,589	9,262	9,589	9,262
Income tax and social contribution	10,292	136	10,292	136
Withholding Income Tax (IRRF)	1,861	2,776	1,861	2,776
Goiás Protege Fund	1,732	1,297	1,732	1,297
Others	480	643	484	647
	28,818	24,826	28,822	24,830

18 Tax incentives

The Company has the tax incentives described below, for which we present the following amounts recorded in the income statement in the period.

	Parent company and Consolidated			
	Deductions		Costs of goods or services sold	
	09/30/20	09/30/19	09/30/20	09/30/19
Crédito outorgado Lei do Vestuário (GO) (a)	40,048	76,665	6,227	10,584
Crédito outorgado Atacadista (GO) (b)	761	1,086	76	127
Produzir (c)	5,908	3,025	-	-
PROADI - RN (d)	-	-	-	855
PROEDI - RN (e)	-	-	1,687	1,018
TTD - Tratamento Tributário Diferenciado (SC) (f)	3,763	8,173	689	713
Crédito Presumido Internet (SC) (g)	5,109	3,058	-	-
	55,589	92,007	8,679	13,297

(a) Crédito outorgado Lei do Vestuário (GO), which grants garment manufacturers and their wholesale establishments a presumed credit of 12% on the value of interstate operations (sales and transfers) and 10% on the value of operations in the state of Goiás, with articles manufactured by the establishment itself, whether intended for industrialization or intended to be marketed. Such credit is conditional upon the prohibition of the use of ICMS tax credits on incoming raw materials and inputs consumed in the production process, as well as contribution to the Goiás State Social Protection Fund (PROTEGE GOIÁS) in the amount of 15% applied on the difference between the amount of tax calculated by applying full taxation and the amount calculated by using tax benefit. This incentive is valid through December 31, 2032, as established by Supplementary Law.

(b) Crédito outorgado Atacadista (GO), grants wholesale establishments a presumed credit of 3% on the value of interstate transactions (sales and transfers) of goods acquired for resale, destined for commercialization or industrialization. Such credit is conditional on the contribution to the Social Protection Fund of the State of Goiás - PROTEGE GOIÁS, in the amount of 15% applied on the difference between the amount of tax calculated with the application of full taxation and that calculated using tax benefit. Said incentive is valid until December 31, 2022, as established by Complementary Law.

(c) Programa de Desenvolvimento Industrial de Goiás (PRODUZIR), aimed at strengthening working capital for the implementation of the unit located in the municipality of São Luís from Montes Belos-GO. The portion to be released is used by deducting the ICMS payment due in the month, of which 2% of the tax to be collected related to the incentive activities is paid and 98% constitute the benefit amount. From each released installment, two contributions are made to the PROTEGE Fund, a contribution of 4% established by the concession contract of the incentive and another introduced by Decree 9433/19 in regressive rates, being from April 2019 until September 2019 fixed at 15%, and from October 2019 reducing 1% per month until March 2020. As of April 2020, according to Law 20.677 of December 26, 2019, the fixed rate of 15%, for an indefinite period. In addition to Protege, the anticipation fee FUNPRODUZIR, with a rate of 5% on the benefit amount. The main obligations of the Company for the use of the benefit comprise investments in its unit industrial and the payment of its labor, social security and tax obligations, which are being properly fulfilled. For the benefit of the benefit, the Company offered property, plant and equipment as mortgage guarantees, whose book value on December 31, 2019 is R$ 1,103, comprising for Cia. Hering properties. Said incentive has an expiration date until December 31, 2032, as established by Complementary Law.

(d) Programa de Apoio ao Desenvolvimento Industrial do Rio Grande do Norte (PROADI), earmarked to comprise the current assets of the unit located in the municipality of Parnamirim. Under this agreement, the incentive period is 360 months, beginning in October 2001 and ending in 2031. Financing charges consist of interest of 3% p.a. per annum and correction for inflation according to changes in the Reference Rate ("TR"). There is no limit-value in this benefit. The amount of the released portion corresponds to seventy-five percent (75%) of the ICMS due in the month, and 1% of this released amount is fully settled with a grace period of 60 days. As the main obligation for enjoyment of the benefit, the Company must maintain on-time payment of all its labor-, social security- and tax-related obligations. All obligations are being properly met by the Company. This program was terminated in July 2019, and in August 2019, the Rio Grande do Norte Industrial Development Stimulus Program (PROEDI) went into effect.

(e) Programa de Estímulo ao Desenvolvimento Industrial do Rio Grande do Norte (PROEDI), starting August 2019 when PROADI was extinguished, the Company started using the PROEDI benefit, which consists of a presumed ICMS credit of 77% through Dezembro 31, 2032. In return for the use of this benefit, the Company will contribute 0.5% to the State Fund for Scientific and Technological Development (FUNDET), and 2.5% to the Rio Grande do Norte Commercial and Industrial Development Fund (FDCI). As the main obligation for enjoyment of the benefit, the Company must maintain on-time payment of all its labor, social security and tax related obligations. All obligations are being properly met by the Company.

(f) TTD - Tratamento Tributário Diferenciado (SC), for operations (sales and transfers) with imported articles intended for resale, which grants presumed ICMS credit of 3% of the value of interstate operations, 3% of the value of internal operations destined to companies with "normal" ICMS calculation regime in which is 4% ICMS is indicated, and 13.4% of the value of the internal operations destined to companies operating under the "Simples Nacional" regime, in which 17% ICMS is indicated. Such credit is conditional upon the prohibition of the use of ICMS credits by incoming goods, as well as the contribution of 0.4% on the value of sales attained by the benefit, to the Social Development Fund (FUNDOSOCIAL) and to the Higher Education Maintenance and Development Support Fund. Other obligations include the on-time payment of taxes and specific controls on the transactions of imported and resold goods, for purposes of proving the credit used. The aforementioned incentive is valid through December 31, 2025, as established by Supplementary Law.

(g) Crédito presumido internet (SC), which grants on direct interstate sales to end consumers made over the internet – a presumed ICMS credit of 10% on operations that indicate 12% ICMS; of 5% on operations that indicate 7% ICMS; and of 3% ICMS for operations that indicate 4% ICMS. Such credit is subject to the prohibition of the use of ICMS credits from the incoming goods, as well as to the contribution of 0.4% on the value of sales achieved by the benefit to the Social Development Fund (FUNDOSOCIAL). The aforementioned incentive is valid through December 31, 2022, as established by Supplementary Law.

The Company's tax incentives are characterized as subsidies for investment, and are recognized in the accrual month and recorded directly on the income statement under the heading of Deductions From Revenue or Cost Of Goods Sold, as a counterpart entry to the liability in ICMS Payable. Because they are characterized as an investment grant, the incentives are excluded from the calculation basis of Income Tax and Social Contribution, resulting in a reduction of R$ 21,851 on September 30, 2020 (R$ 35,803 on September 30, 2019), as shown in Note 33b.

At the end of the fiscal year, the Company records the amounts received as investment grant of tax incentives in the "Tax Incentive Reserve" account, per article 195-A of Brazil's Corporation Law (Note 25.d).

19 Provisions for contingencies liabilities, contingent assets and other provisions

The Company has several labor, civil and tax lawsuits in progress, arising from the normal course of its business.

- Contingent liabilities considered as probable losses

Provisions for contingencies were recorded for risks considered a probable loss by the legal advisors of the Company. The Company believes that the provisions formed, as presented below, are sufficient to cover loss with the lawsuits and court fees.

	Parent company and Consolidated			
	Current		Noncurrent	
Provision for contingencies:	**09/30/20**	**12/31/19**	**09/30/20**	**12/31/19**
Labor (a)	2,420	2,420	7,074	7,018
Tax (b)	-	-	2,769	2,737
Civil (c)	-	-	4,138	2,953
	2,420	2,420	13,981	12,708
Other provisions:				
Selling expenses (d)	29,844	24,431	-	-
Administrative expenses (e)	9,540	4,882	104	104
Accrued profit sharing - PPR(f)	71	71	-	-
	39,455	29,384	104	104
Total	41,875	31,804	14,085	12,812

(a) Labor - consist mainly of requests from representatives and employees that recognize a possible employment relationship with the Company and occupational accident compensation. There are also lawsuits claiming hazard pay to which some employees from the production units are allegedly entitled and occupational accident compensation and subsidiary with the Company. There are judicial deposits on these proceedings in the amount of R$ 9,056 (R$ 11,574 on December 31, 2019).

(b) Tax lawsuits - refers to legal disputes relating to INSS maternity leave and garbage collection fee for which there are judicial deposits in the same amount and IRPJ and CSLL tax assessment notices.

(c) Civil - the main lawsuits are related to indemnity actions in connection to the normal operations of the Company. For these cases there are judicial deposits in the amount of R$ 28 (R$ 28 on December 31, 2019).

(d) Provision for commercial expenses - refers to provision for the payment of commissions to representatives, freight on sales, rents and provisions referring to sales campaign.

(e) Provision for administrative expenses - Consists mainly of the provision for payment of consulting fees and electricity supply.

(f) Provision for profit sharing - the company grants all employees bonuses related to the profit sharing plan, which is linked to the achievement of specific objectives, based on the achievement of individual and corporate goals, established and agreed upon at the beginning of each year. As of December 31, 2019 and September 30, 2020, there was no provision due to the Company's result not being sufficient to achieve the goals set.

The change in provisions for risks and other provision is show below:

	Parent company and Consolidated							
	12/31/18	Additions	Reversal	Realization	12/31/19	Additions	Realization	09/30/20
Provision for risks								
Labor	9,462	4,837	-	(4,861)	9,438	4,022	(3,966)	9,494
Tax	2,576	172	(11)	-	2,737	171	(139)	2,769
Civil	4,691	746	-	(2,484)	2,953	2,373	(1,188)	4,138
	16,729	5,755	(11)	(7,345)	15,128	6,566	(5,293)	16,401
Other provisions								
Selling expenses	24,865	131,599	-	(132,033)	24,431	110,919	(105,506)	29,844
Administrative expenses	7,430	87,133	-	(89,577)	4,986	49,580	(44,922)	9,644
Accrued profit sharing - PPR	71	9,141	(9,141)	-	71	-	-	71
	32,366	227,873	(9,141)	(221,610)	29,488	160,499	(150,428)	39,559
Total	49,095	233,628	(9,152)	(228,955)	44,616	167,065	(155,721)	55,960

• Contingent liabilities considered as possible loss

No accounting provisions were recorded for the amounts of risks considered possible losses by the legal counsel of the Company, in conformity with accounting practices. These contingencies are spread out in tax, labor and civil lawsuits, which totals R$ 538,681 on September 30, 2020 (R$ 491,605 on December 31, 2019).

(i) Tax

With regard to possible tax contingencies, the Company is in litigation at the federal administrative level in relation to disallowances of credit and/or non-approvals tax offsets for IPI, PIS, COFINS, IRPJ and CSLL, the restated amount corresponds to R$ 65,126 (R$ 61,208 as of December 31, 2019) and tax assessment notices regarding CIDE, IRRF, PIS, COFINS, IRPJ, CSLL and Social Security contributions, and the restated amount corresponds to R$ 38,179 (R$ 172,099 as of December 31, 2019). It is also in litigation at the state administrative level in the State of Goiás, relating to ICMS tax, and the restated amount corresponds to R$ 21,443 (R$ 27,553 as of December 31, 2019). In the judicial sphere against the Federal Government, INSS claims are disputed in the restated amount of R$ 40,157 (R$ 39,567 on December 31, 2019), IRRF (corporate income tax withholdings) in the restated amount of R$ 1,488 (there were no balances on December 31 of 2019), as well as PIS, COFINS, IRPJ and CSLL, in the amount of R$ 165,150 (R$ 135,362 on December 31, 2019, still at the administrative level), and all these amounts are insured by a Performance Bond. In the judicial sphere against the Goiás State Government, ICMS requirements are disputed in the restated amount of R$ 11,488, (R$ 10,477 on December 31, 2019, still in the administrative level), and these amounts are secured by judicial deposits.

(ii) Civil

Concerning civil contingencies, the Company started a lawsuit against Banco Santos' Bankruptcy Estate claiming a declaration of total release of its debts with Banco Santos. Whereas, Banco Santos' Bankruptcy Estate started four lawsuits against Cia. Hering involving Credit Limit Contracts and BNDES-Exim Financing Agreement. Two of the lawsuits claims the revocation of Letters of Debt Release related to these transactions and the third lawsuit claim the execution of BNDES-Exim Financing Agreement. The execution lawsuit alleges that obligation assumed under said Financing Agreement was not settled. The executed amount at the time the lawsuit was started totaled R$ 50,003. The Company filed an appeal against the execution and, as collateral, obtained a letter of guarantee in the amount of R$ 65,006 from Itaú BBA, whose replacement was requested in a petition filed on June, 25, 2018, in order for it to correspond to the updated amount of the debt, plus the 30% required by law, according to a court decision. The new bank guarantee was contracted with Banco Santander on June 04, 2018, in the amount of R$ 152,321.

The fourth lawsuit seeks to convict the Company to pay the debt arising from the alleged breach of the Credit Limit Agreement (monitorial action), the amount of which, at the time of filing the lawsuit, amounted to R$ 26,916. This action is in the provisional fulfillment of sentence, while the appeals to the higher courts are pending judgment, which was received with suspensive effect. The judgment was guaranteed on September 29, 2020 with judicial guarantee insurance, contracted with BMG Seguros S.A., corresponding to the updated amount of the debt, plus the 30% required by law. Due to the beginning of the provisional fulfillment of the sentence, the amount of the claim was adjusted to the amount of the bankruptcy claim of Banco Santos.

In summary, the total claim of Banco Santos' Bankruptcy, monetarily restated until September 30, 2020 results in R$ 231,975 (R$ 213,698 until December 31, 2019). The likelihood of loss by the Company is considered remote to R$ 146,576 (R$ 135,971 on December 31, 2019) and possible to R$ 85,399 (R$ 77,727 on December 31, 2019).

(iii) Labor

With regard to labor contingencies, the Company is listed as a Defendant in a Public Civil Action proposed by the Public Labor Ministry in the State of Goiás regarding alleged irregularities in the model of the company's faction contract. The Public Labor Ministry intends, among other recognition of the employment relationship between the Company and all current and futures contracted through factions; responsibility of the Company in relation to the amounts labor contracts arising from these contracts; the company's obligation not to do consisting of refraining from using or hiring employees by means of a faction contract; alternatively that the configuration of industrial economic group be recognized between the Company and all factions that provide services to the company, recognizing the joint and several liability of the company for the fulfillment of all the rights and social charges resulting from the employment contracts entered into by the suppliers and the condemnation of the Company to the payment of compensation for moral damages collective in the amount of R$ 36,833. he Company filed a defense in the present lawsuit informing, in short, that there are no irregularities in the hiring of the factions mentioned by the Public Ministry of Labor, as well as requesting the dismissal of the demand. Currently, the process awaits the witnesses' eighths that will be heard through a precatory letter in the Labor Courts of Blumenau/SC, Rio do Sul/SC, Anápolis/GO and Goiás/GO. According to the lawyer responsible for representing the Company in the action in question, the likelihood of loss is considered possible in the total amount of R$ 20,486 (R$ 19,000 as of December 31, 2019).

The Company was sued by the Santa Catarina State Public Prosecutor's Office involving the closure of the Indaial/SC Unit and requesting judicial pronouncement to determine that the company refrain from carrying out collective layoffs for employees without prior collective bargaining, setting of indemnity for collective pain and suffering, and provisional emergency relief. The Company filed a defense, contesting formal and material aspects of the initial complaint and informing that the number of lay-offs is low relative to the number of job positions maintained by the company. It also informed that the layoffs that occurred are justified by the need to restructure the company vis-à-vis the abrupt downturn in sales beginning in March 2020 and the effects of the COVID-19 pandemic. As an interlocutory decision, the Lower Court Judge dismissed the request for provisional relief based on the consolidated understanding in the specialized session 2 of the Regional Labor Court of Santa Catarina. The case is awaiting the parties' deadline to elapse in terms of the content of the aforementioned decision, for subsequent inclusion in the agenda for holding an evidentiary hearing. The risk of loss for the Company in this lawsuit is considered as possible, and valuated at R$ 2,073, according to the analysis of the company's lawyer.

• Contingent tax assets

(i) IPI credit

The Company has a final judicial decision in the case record nº 0000927-93.1994.4.01.3400, which recognized its right to IPI premium credit, arising from export transactions from January 24, 1989 to October 5, 1990, currently in the phase of compliance with the sentence, in which the amounts (quantum debeatur) to be received by the Company will be defined. The probability of success in the opinion of the attorneys in charge is classified as probable and the updated gross amount of the credit up to September 30, 2020 is estimated at R$ 262,243, gross amount without discounting taxes and legal fees, which may change due to the fact that there has not yet been a final decision in the phase of compliance with the sentence.

(ii) ICMS subsidies – IRPJ and CSLL taxation

The Company has been adopting several legal measures seeking the recognition that ICMS subsidies granted by the States of the Federal Government based on state laws cannot be taxed by the Corporate Income Tax (IRPJ) and the Social Contribution on Net Income (CSLL).

Through the Writ of Mandamus No. 5007756-51.2014.404.7205/SC, the Company seeks security regarding its right not to collect the IRPJ and CSLL taxes on the tax incentives granted by the tax legislation of the State of Santa Catarina, pursuant to item XXX, article 15, of Annex 2 of the RICMS/SC (Decree No. 2,870/01), later migrated to item XV, article 21, of Annex 2 of the RICMS/SC, called deemed credit on sales over the Internet, as it does not constitute taxable income. After the TRF4 ruling and judgment, unfavorable to the Company, and based on an Interlocutory Appeal filed in the Special Appeal, the Superior Court of Justice (STJ) recognized the right pleaded in favor of the Company, following the EREsp Appeal No. 1.517.492. The final and unappealable decision was handed down of May 5, 2020, and the case returned to TRF4 for the decision regarding the possibility of offsetting. The period covered by this judicial measure relates to the incentives enjoyed for the calendar years 2010 to 2016. For this lawsuit, the Company estimates a tax credit effect of approximately R$ 2,618 in historical values.

Finally, through Lawsuits No. 5017717-74.2018.404.7205/SC and 5021318-54.2019.404.7205/SC, the Company seeks security regarding its right not to collect the IRPJ and CSLL taxes on the tax incentives granted by the tax legislation of the State of Santa Catarina, contained in Differentiated Tax Treaties (TTD) No. 409 and 410 for the calendar years 2013, 2014 and 2015. Both lawsuits received a decision favorable to the Company, awaiting judgment of the Appeal filed by the Federal Government with the TRF4. For said lawsuits, the Company estimates a tax credit effect of approximately R$ 16,970 in historical values.

20 Related parties

Transactions involving intercompany loans and management compensation are as follows:

(a) Key Personnel from management

The Company provides their directors with health care, health care benefits, life insurance, retirement planning, and food aid, as shown in the short-term benefits line item, below. The benefits are partially funded by their managers and are recorded as expenses when incurred. Directors also participate in the Company's stock option plan, as defined in note 26.

Amounts referring to remuneration and benefits of management key personnel, represented by the Board of Directors and statutory officers, are as follows:

	Parent Company		Consolidated	
	09/30/20	09/30/19	09/30/20	09/30/19
Management remuneration	6,109	6,639	6,424	6,878
Variable remuneration	3,718	1,986	3,718	1,986
Short-term benefits	918	1,033	1,134	1,033
Others (INSS)	1,122	1,327	1,183	1,327
Stock options payments	3,275	3,202	3,275	3,202
	15,142	14,187	15,734	14,426

The Company is managed by a Board of directors and Executive Board, both of which have been elected for two years, subject to reelection.

(b) Other related-party transactions

Transactions refer to loan agreements with Subsidiaries, whose balance as of September 30, 2020 was R$ 2,930 (R$ 2,219 as of December 31, 2019). The term of validity of these contracts is indeterminate.

On May 25, 2011 Cia. Hering began operating with a representation office in the city of Nanjing in China. This office has as its object the quality inspection of products imported, as well as the prospection of new suppliers. As of September 30, 2020, the amount spent with this operation was of R$ 2,690 (R$ 3,565 on December 31, 2019), recognized in the income statement in the group costs.

As of September 30, 2020, there were no loan operations for franchise reforms related to the Company's Management, in 2019 the amount was R$ 1,144.

(c) Sales to related parties

The Company performed commercial transactions (sales) with franchises related to some of its Directors. On September 30, 2020, these transactions totaled R$ 14,974 (R$ 31,369 on September 30, 2019), of which, R$ 5,328 is recorded under Trade accounts receivable on September 30, 2020 (R$ 9,072 on December 31, 2019). The transactions with these related parties are held under the same usual terms and conditions applicable to the other franchisees of the Company.

21 Employee benefits

The Company sponsors defined benefit and defined contribution pension plans for its employees, and maintains health plans as described below:

Private pension plan

The supplementary pension plans made available to employees are of the defined benefit and defined, serving all Company employees, and contribution type for Company employees who adhere to the plan, the monthly contributions of the sponsor are calculated with a basis on the salary and contribution of the participants, whether contributors or not.

The defined benefit plan gives taxpaying employees the right to receive lifetime monthly income (with or without a 5-year guaranteed period). This option was open only to those employees enrolled in the plan and eligible for the life retirement benefit until October 2018, when the Previc Plan amendment was approved, limiting the defined benefit to a portion of employees. In September 30, 2020 was 13 people (19 as of December 31, 2019). Non-contributory employees are guaranteed the amount corresponding to up to three salaries paid in a single installment, was of 4,217 as of september 30, 2020 (5,693 as of December 31, 2019).

The number of contributors to the private pension plan (defined contribution) as at September 30, 2020 was 242 people (272 at December 31, 2019), contributing R$ 754 in the period (R$ 763 on September 30, 2019) and the sponsor contributed the same amount.

The Company had its last actuarial valuation calculated on December 31, 2019, whose effects are shown below:

(a) Balances of the pension plan – Defined Benefit

	Parent company and Consolidated	
	Pension Plan	
	09/30/20	**12/31/19**
Present value of actuarial obligations with coverage	(48,993)	(48,546)
Fair value of the plan assets	42,777	42,777
Deficit	(6,216)	(5,769)

The change in the defined benefit plan for the year ended September 30, 2020 was the recognition of R$ 447 (R$ 268 on September 30, 2019) in the income statement, whose counterpart was the employee benefit liability.

(b) Changes in the present value of the defined benefit obligations

	Parent company and Consolidated
	Pension Plan
	12/31/19
Defined benefit obligations as of January 1	40,782
Current service costs and interest	130
Interest on actuarial obligation	3,687
Actuarial (gains) losses recognized in other comprehensive income	6,950
Benefits paid in the year	(3,003)
Defined benefit obligations as of December 31	48,546

(c) Change in the present value of the plan's assets

	Parent company and Consolidated
	Pension Plan
	12/31/19
Fair value of plan assets as of January 1	38,283
Expected return on plan assets	3,460
Actuarial (losses) gains on the plan's assets	3,774
Contributions from sponsor	263
Benefits paid by the plan	(3,003)
Fair value of plan assets as of December 31	42,777

The plan's assets are represented by quotas of participation in funds. On December 31, 2019, the sum of equity Instruments was R$ 42,777, whose expected return for the following fiscal year is R$ 3,255. The assessment of expected return performed by the Management is based on historical trends and market analyst projections for the asset during the life of the respective obligation.

(d) Actuarial gains and losses recognized in other comprehensive income

	Parent company and Consolidated
	Pension Plan
	12/31/19
Amount accrued as of January 1	2,045
Actuarial (gain) losses recognised	2,913
Amount accrued as of December 31	4,958

The amounts above are immediately incorporated to the accumulated income account, as permitted by CPC 33(R1) and IAS19.

(e) Components of the projected expenses / (income) of the plan

	Parent company and Consolidated
	Pension Plan
	12/31/20
Gross current service cost (with interest)	157
Interest on actuarial obligation	3,694
Expected yield of the assets	(3,255)
	596

The Company expects to contribute R$ 378 defined benefit plans during 2020.

(f) History of experience adjustments

	Parent company and Consolidated				
Pension Plan	**2019**	**2018**	**2017**	**2016**	**2015**
Present value of actuarial obligations	(48,546)	(40,782)	(38,406)	(33,706)	(27,117)
Fair value of the plan assets	42,777	38,283	37,019	33,552	27,927
Effect of asset ceiling	-	-	-	-	(810)
(Deficit) surplus for the covered plans	(5,769)	(2,499)	(1,387)	(154)	-
Adjustment for experience in plan liabilities	(6,950)	(1,595)	(3,708)	(5,733)	(4,337)
Adjustment for experience in plan assets	3,774	503	2,258	4,321	4,071

(g) Actuarial assumptions

The asset and liability were determined by means of actuarial calculations made by an independent actuary following the premises identified below:

	Parent company and consolidated
	Pension Plan
(i) Weighted average of the hypotheses used to determine the actuarial obligation and the expense/(income) to be recognized	**12/31/19**
Nominal discount rate	7.61%
Nominal salary adjustment rate	5.81%
Estimated inflation rate	4.40%
Nominal discount rate (revenue/expense)	7.61%
Post-retirement mortality table	AT-2000 Softened in 10%
(ii) Assumed life expectations on retirement at age 65	
Retiring today (member age 65)	20.4
Retiring in 25 years (member age 40 today)	20.4

Assumptions about future mortality are based on published statistics and mortality tables. At The tables used were: (i) Mortality table AT-2000 Smoothed by 10%, (ii) Entry table in Disability Álvaro Vindas reduced by 85% and (iii) Table of Mortality for Invalids RRB-44 (MI). The age of entry into retirement considered is 55 years, and that 100% retire in the 1st early retirement eligibility.

(h) Sensitivity analysis

The following tables present the sensitivity analysis for December 31, 2019 that demonstrate the effect on the present value of the defined benefit obligations arising from the variation of half a percentage point of the discount rate and the variation of the expectation of survival of the participants in 1 year, an increase of R$ 2,282 and a reduction of R$ 2,502 in the discount rate, an increase of R$ 1,393 and a reduction of R$ 764 in the mortality table:

	Pension Plan		
		Project Scenarios	
	Baseline	0.5% increase	0.5% decrease
Impacts on pensions plan obligations			
Discount rate	48,546	46,264	51,045
Inflation rate	48,546	48,546	48,546
Mortality table (+1 -1)	48,546	49,939	47,782
Weighted average of the defined benefit obligation (in years)	9.84	9.63	10.04

22 Borrowings and financing

Description	Annual charges	Maturity	Currency	Parent company and Consolidated	
				09/30/20	12/31/19
Working capital	CDI+4.3%	2021	R$	82,725	-
Working capital	CDI+4.8%	2021	R$	41,394	-
Working capital	CDI+3.4%	2021	R$	41,044	-
Working capital	CDI+3.4%	2021	R$	41,027	-
				206,190	-

Funding in 2020 did not contain transaction costs, does not have restrictive clauses (financial covenants) and have no guarantees. Loans and financing were raised with the objective of mitigating the financial impacts of the COVID-19 outbreak. The maturity will be in March and April 2021, payment in a single installment.

23 Trade accounts payable

	Parent Company e consolidated	
	09/30/20	12/31/19
Accounts payable to internal suppliers	112,009	96,495
Accounts payable to external suppliers	48,179	25,374
Payor Risk (i)	30,522	67,365
Adjustments to present value	(1,447)	(2,226)
	189,263	187,008

(i) The Company has an agreement for mutual collaboration with the financial institution in transactions for acquisition of "Payor Risk" credit, which consists in suppliers advancing outstanding trade notes, the Bank advances that amount to the supplier on request date and then receives amount owed by the Company on maturity date. This transaction cost is charged from the supplier by the bank, the Company does not incur interest or other costs. The credit limit for this operation is approved at a Meeting of the Board of Directors and does not use the Company's remaining credit limit with the bank. On these amounts, as well as for the amounts of other vendors, the adjustment to present value is registered, considering the rate and terms described in note 3 (m). The terms of the operations under debtor risk do not differ significantly from the normal operations of supply, as for example in relation to the usual payment deadlines. The decision to carry out this operation is solely and exclusively of the supplier, which bears the financial costs of the operation. Management evaluates that there are no risks to the Company in this transaction and maintains the amount recorded in suppliers caption, considering that this presentation better reflects the basics of the operation performed.

24 Risk management and financial instruments

(a) Risk management

The Company carries out operations with financial instruments. The management of these instruments is done through operating strategies and internal controls aimed at assuring liquidity, profitability and security. The use of financial instruments for hedging purposes is done through a periodic analysis of the risk exposure that management intends to mitigate (exchange, interest rate, etc.). The control policy consists of permanent monitoring of the contracted conditions versus the existing conditions on the market. The Company does not invest in derivatives or any other risky assets on a speculative basis.

Operations instruments are approved and monitored by the Board of Directors of the Company.

The values of the asset and liability financial instruments contained in the quartely information for the period ended September 30, 2020 were determined in accordance with the criteria and the accounting practices disclosed in specific notes.

The Company presents exposure to the following risks related to the usage of financial instruments:

• Credit risk

This arises from the possibility of the Company suffering losses due to the default of their customers or of financial institutions where they have funds or financial investments.

To mitigate these risks, the Company has a policy of analyzing the financial position of their customers, for which it manages the credit risk by means of a credit qualification and concession policy.

The Company also accounts for expected credit losses, in the amount of R$ 39,391 (R$ 24,290 on December 31, 2019), which represents 11,03% of the balance of the accounts receivable (R$ 5.04% on December 31, 2019), to counter credit risk.

As required by CPC 40, the Company discloses the maximum risk exposure of accounts receivable without considering guarantees received or other instruments that could improve credit recovery level, analysis of accounts receivable per maturity and guarantees.

(i) Credit risk exposure

The carrying amounts of financial assets represent the maximum credit exposure. The maximum credit risk exposure on the quartely information date was:

	Consolidated	
	09/30/20	**12/31/19**
Cash and cash equivalents	493,403	364,824
Interest-earning bank deposits	5,173	5,064
Trade accounts receivable	357,007	482,216
Other receivables	41,383	45,739

(ii) Impairment losses

The maturities of the accounts receivable on the quartely information date was:

	Consolidated	
Accounts receivable	**09/30/20**	**12/31/19**
Current	307,824	435,054
Past-due:		
0 to 30 days	4,137	7,134
31 to 90 days	3,684	5,393
91 to 180 days	9,785	6,313
181 to 360 days	8,249	6,315
Over 360 days	23,328	22,007
	357,007	482,216

Changes of expected credit losses in relation to the loans and receivables during the year was as follows:

	Consolidated	
	09/30/20	**12/31/19**
Balance at beginning of period	(24,290)	(20,593)
Additions	(19,445)	(12,197)
Write-offs	4,344	8,500
Balance at end of period	(39,391)	(24,290)

The Company assesses the need for provision for doubtful accounts through an individual analysis of overdue credits, conjugated with the rate of loss. The Company also evaluates the need for a provision of losses with expected credits, considering the projected future billing growth and the increment of new clients.

During the period ended September 30, 2020 the Company analyzed its receivables portfolio considering the scenario of economic uncertainties triggered by the COVID-19 pandemic and considers that the provision recorded is sufficient. In order to ensure sustainability and support its network of customers and franchisees, the Company extended securities maturing in March, April, and May (with no financial charges), implemented an installment plan during May and June, and monitor the status of customers' receipts by carrying out timely renegotiations as necessary, in addition to monitoring and communicating to customers government support measures aimed at the sustainability of operations. The extensions occurred in the period ended September 30, 2020, represent the amount of R$ 34,797. The Company continues to monitor possible economic impacts in its operations and in the network operations, to identify possible need to supplement the provision for expected losses.

The expense on the recognition of the provision of losses with expected credits was recorded in “Impairment of accounts receivable” in the statement of income. When there is no expectation of recovery amount, the amounts credited to line account “Impairment of accounts receivable” are in general reversed against the definite write-off of the receivable against income or loss for the year.

(iii) Guarantees

The Company does not keep any guarantees for past due notes.

• Liquidity risk

It arises from the likelihood of reduction in funds intended for debt payments.Management monitors the continuous forecasts of liquidity requirements to ensure the Company has sufficient cash to meet its operational needs.

In addition, the Company maintains short-term investment balances which may be redeemed at any time to cover possible mismatches between maturity dates of its contract obligations and its cash generation.

The Company invests excess cash in financial assets subject to interest (note 5) by choosing instruments with appropriate maturity or sufficient liquidity to provide a safety margin as determined by the provisions above mentioned.

As of September 30, 2020 the Company's cash equivalents have immediate liquidity and are considered to manage liquidity risk.

The following table shows the expected maturity for the financial assets and liabilities contracted by the Company, and the values shown include the estimated principal and interest levied on the operations, calculated utilizing rates prevailing on September 30, 2020:

		Consolidated						
	Average interest rate	**Until 1 month**	**1 to 3 months**	**4 to 12 months**	**1 to 2 years**	**2 to 3 years**	**Over to 3 years**	**Total**
Cash and cash equivalents	-	493,403	-	-	-	-	-	493,403
Trade accounts receivable and others	0.45%	137,482	105,427	83,131	4,721	209	379	331,349
Borrowing and financing	0.71%	-	-	(217,803)	-	-	-	(217,803)
Leases	0.60%	(2,649)	(7,027)	(16,126)	(28,385)	(7,580)	-	(61,767)
Suppliers and other payables	0.45%	(15,251)	(88,223)	(87,399)	(5,341)	(56)	(19)	(196,289)
		612,985	10,177	(238,197)	(29,005)	(7,427)	360	348,893

• Market risk

It arises from the possibility of fair value or the future cash flows of financial instruments oscillate due to changes in market prices. Market risk comprises the following types of risks:

(i) Interest rate risk

This arises from the possibility of the Company sustaining gains or losses arising from fluctuations in interest rates on its financial assets and liabilities. In order to mitigate this type of risk, the Company seeks to diversify the raising of funds and, in certain circumstances, protection operations are performed to reduced the financial cost of operations.

The Company has the following financial instruments:

	Consolidated	
	09/30/20	**12/31/19**
Financial instruments - Variable rate	487,908	335,848
Financial instruments - Fixed rate	5,173	5,064
Financial instruments - Variable rate (Financial liabilities)	(206,190)	-
	286,891	340,912

(ii) Exchange rate risk

This arises from the possibility of fluctuations in the exchange rates of the foreign currencies, mainly the U.S. dollar and Euro (EUR), used by the Company for the purchase of imports, the sale of products and the contracting of financial instruments, as well as the amounts payable and receivable in foreign currency. Transactions are denominated mainly in the following currencies: USD and EUR.

The Company understands that its net exposure is maintained at an acceptable level, and permanently assesses the utilization of hedge transactions to mitigate these risks.

The foreign exchange rate exposure of the Company is represented as follows:

	Consolidated	
	09/30/20	**12/31/19**
Cash in foreign currency (note 5)	177	3,258
Trade accounts receivable (note 7)	11,709	16,523
Accounts payable to suppliers	(48,179)	(25,374)
Derivative financial instruments	48,505	44,331
	12,212	38,738

The derivative financial instruments referring to future contracts of purchase or sale of US dollars are used mainly to hedge financial outflows resulting for the import of finished products.

As of September 30, 2020, the Company held USD 17,138 (USD 22,697 on December 31, 2019) in letters of credit related the imports contracted with suppliers.

(iii) Operating risk

Operating risk is the risk of direct or indirect losses arising from different causes related to the Company's processes, personnel, technology and infrastructure and external factors, such as credit, market and liquidity risks, as well as those arising from legal and regulatory requirements and from generally accepted corporate behavior standards. Operating risks are associated to all operations of the Company.

The Company's objective is to manage operating risk and avoid financial losses and damages to the Company's reputation, as well as seeking cost effectiveness.

Top management is responsible for developing and implementing controls to address operating risks. This responsibility is supported by the development of general standards regarding operating risk management.

(iv) Other pricing risks

This arises from the possibility of fluctuations in the market of the inputs used in the production process, mainly regarding the cotton thread. These fluctuations in prices can cause substantial changes in the costs of the Company and it is not possible for the Company to assure the ability to pass on - in part or in whole - these costs in the selling price of its products. To mitigate these risks, the Company manages inventories by forming regulating inventories of this raw material.

(b) Financial instruments – fair value

The table below presents the main financial instruments operations contracted, as well as the respective fair values calculated by Company's management.

For disclosure purposes, the fair value of financial liabilities, with the book value, are the following:

	Consolidated			
	09/30/20		12/31/19	
	Book value	Fair value	Book value	Fair value
Amortized cost:				
Borrowings and financing	(206,190)	(206,190)	-	-
Leases	(56,145)	(56,145)	(65,483)	(65,483)
Derivative financial instruments assigned at fair value through income	2,740	2,740	(36)	(36)
Derivative financial instruments assigned to hedge accounting relationships	(56)	(56)	1,455	1,455

The accounting values of financial instruments recorded in the balance sheet are equivalent to their respective fair values and do not reflect changes in future economy such as interest rates and rates of taxes and other variables that may affect their determination.

The following methods and premises were adopted in the determination of the fair value:

• Borrowings and financing – Are classified as financial liabilities not measured at fair value and are recorded by the amortized cost method in accordance with the contractual conditions. This definition was adopted because the values are not held for trading that in accordance with understanding of the Management reflects the most relevant accounting information. The fair value of these transactions are similar to its book values, due to being financial instruments whose rates are similar to the market rates and having specific characteristics.

• Derivatives - foreign exchange futures are measured based on foreign exchange rates and yield curves obtained based on quotations and for the same maturities of the contracts.

When measuring fair value of an asset or liability, the Company uses observable data as much as possible. Fair values are classified at different levels according to hierarchy based on information (inputs) used in valuation techniques. Level 2 fair value measurements are used for the Company's derivatives.

(c) Capital management

The Company manages its capital to safeguard continuous return to its shareholders and benefit other interested parties, in addition to maintaining an ideal capital structure to invest in its growth. Among the strategies adopted by the Company, the following stand out:

Debt Management: One of the Company's goals is not to renew bank loans bearing high interest, and to focus on long-term financing transactions linked to productive investments with more attractive maturities and interest rates.

The debt management indicators are shown below:

	Consolidated	
Capital management indicators	**09/30/20**	**12/31/19**
Cash and cash equivalents	493,403	364,824
(-) Short term debt	(206,190)	-
Net cash	287,213	364,824

In line with the working capital and debt management strategies, the Company pursues its goal of not renewing bank loans at high interest rates, which allows it to reduce debt and increase its free cash generation.

(d) Sensitivity analysis

(i) Interest rate variation sensitivy analysis

The income from financial investments and interest from the Company's loans are affected by changes in interest rates, such as CDI.

As at September 30, 2020, Management considered the annualized rate for the reference period as the probable scenario. The income from financial investments and loan expensed was projected for the next 12 months.

			Consolidated					
Description	**Amount R$**	**Risk**	**Probable**		**Possible**		**Remote**	
			%	**Gain (Loss)**	**%**	**Gain (Loss)**	**%**	**Gain (Loss)**
Financial investments (i)	493,081	Low CDI	3.50	-	2.63	(4,314)	1.75	(8,629)
Working capital (ii)	(206,190)	Low CDI	3.50	-	4.38	1,804	5.25	3,608
	286,891					**(2,510)**		**(5,021)**

(i) Balance on September 30, 2020 of investments in CDB and Repurchase agreements classified in cash and cash equivalentes and non-current subject to variation in the CDI.

(ii) Balance on September 30, 2020 of short-term loans, subject to the CDI variation.

(ii) Exchange rate variation sensitivity analysis

The Company has assets and liabilities linked to foreign currency in the balance sheet as at September 30, 2020 and adopted, for sensitivity analysis purposes, the market rate in effect during the preparation of this quartely information as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

Accordingly, the table below simulates the effects of currency fluctuations on the future income/(loss):

Operation	Amount	Notional Amount	Consolidated				
			Probable	Possible		Remote	
	09/30/20 R$	09/30/20 USD	Rate USD	Rate USD	Gain (Loss)	Rate USD	Gain (Loss)
Cash in foreign currency	177	-	5.6401	7.0501	44	8.4602	89
Trade accounts receivable	11,709	-	5.6401	7.0501	2,927	8.4602	5,855
Accounts payable to suppliers	(48,179)	-	5.6401	7.0501	(12,045)	8.4602	(24,090)
Derivative financial instruments	48,505	8,600	5.6401	7.0501	12,126	8.4602	24,252
Exchange rate gain (loss) net	12,212	8,600			3,052		6,106

In addition to the sensitivity analysis required by CVM Instruction 475/08, the Company evaluates its financial instruments considering their possible effects on profit or loss and equity on relation to the risks assessed by on the quartely information reporting date, as suggested by CPC 40 and IFRS 7. Based on the equity position outstanding as at September 30, 2020, these effects are estimated to approximate the values mentioned in the "Probable" column, in the table above.

(e) Derivative financial instruments

The Company has the policy of conducting derivative transactions to mitigate or eliminate the inherent risks to its business, consisting of US Dollar future purchase contracts that are primarily used as hedging instruments of financial outflows resulting for imports. Such operations, when they exist, are monitored through their internal controls.

The operations assigned as "hedge accounting", whose item referred to highly probable imports and future purchases of merchandise for resale in foreign currency. The bookkeeping adopted by the Company is the cash flow hedge. These derivative transactions are accounted for in the Company's balance at fair value, and the effective portion of changes in derivatives' fair value that is assigned and classified as cash flow hedge is recognized under other comprehensive income in shareholders' equity, being reclassified into income at the time the hedged item affects income, under the same caption in which such item is recognized. Gains or losses related to the ineffective portion or not assigned are immediately recognized in financial income.

On September 30, 2020, derivative operations (NDF - Non Deliverable Forward) maintained by the Company designated for "hedge accounting" were contracted, in the following amounts and conditions:

					Recognized in		
Contract date	**Maturity date**	**Hedged amount US$'000**	**Average target quotation**	**Open Fair Value**	**Other comprehensive income**	**Operating Income**	**Financial Income**
05/29/2020	10/01/2020	4,400	5.4580	804	-	(181)	985
05/29/2020	11/03/2020	1,300	5.4620	220	(56)	(154)	430
06/03/2020	10/01/2020	2,200	5.0648	1,267	-	-	1,267
06/03/2020	11/03/2020	700	5.0695	393	-	82	311
		8,600		2,684	(56)	(253)	2,993

The settlements of NDF operations in the year ended September 30, 2020 amounted to a Notional of USD 14,500 (whose goods were sold), generating an amount that represented a gain of R$ 9,268 for the Company, of which R$ 2,495 (revenue of R$ 2,144 in 2020 and revenue of R$ 351 in 2019) was recognized as a gain in Operating Income and R$ 6,773 (revenue of R$ 7,161 in 2020 and loss of R$ 388 in 2019) recognized as revenue in financial income.

25 Shareholders' equity and reserves

(a) Capital

The authorized share capital comprises 350,000,000 common shares, with no par value, and the subscribed and paid-in capital as of September 30, 2020 consisted of 162,533,937 common shares (including the 3,857,581 shares held in treasury) held by the following shareholders (interests over 5%):

	09/30/20		12/31/19	
Atmos Capital Gestão de Recursos Ltda	16,703,535	10.3%	16,211,835	10.0%
Ivo Hering	11,768,370	7.2%	11,768,370	7.2%
Investimento e Participação INPASA S/A	11,122,345	6.8%	11,964,724	7.4%
Verde Asset	9,188,874	5.7%	8,217,325	5.0%
Velt Partners	8,931,998	5.5%	-	-
Others	104,818,815	64.5%	114,371,683	70.4%
	162,533,937	100%	162,533,937	100%

(b) Shares in Treasury

The shares acquired by the Company are held in treasury to face the "Company Stock Option Plan" and "Restricted Stock Plan", or for subsequent cancellation or sale. The repurchase programs for Common Shares Issued by the Company are approved by the Board of Directors.

The total number of treasury shares on September 30, 2020 is 3,857,581, as shown in the table below:

	Share buyback limit in the Plan	Shares in Treasury (thousands)	Total cost R$ thousand	Average cost R$
Balances at December 31, 2019		**108**	**1,551**	**14,40**
Repurchase program February 5, 2020	1,490	1,490	27.602	18,52
Repurchase program March 16, 2020	835	835	12.792	15,32
Repurchase program August 18, 2020	5,000	1,424	25.023	17,57
Balances at September 30, 2020		**3,857**	**66.968**	**17,36**

(c) Capital reserve

Stock options granted as described in Note 26 are recorded as capital reserves.

(d) Earnings reserves

▪ **Legal reserve**

Recognized at a rate of 5% of net income, according to the provisions of Article 193 of Law 6,404/76, up to the limit of 20% of the Shareholder's Equity.

▪ **Profit retention**

Refers to the remaining amount of net income for the year, after the recognition of legal reserve, tax incentive reserve, proposal for dividend distribution and interest on shareholders' equity, created for the realization of investments, expansion and reinforcement of working capital. In 2018 and 2019 part of the Profit Retention Reserve was used to pay dividends and interest on shareholders' equity.

▪ **Other profit reserves**

Tax incentives

Refers to amounts of investment grants received, represented by the tax incentives granted (note 18) and reduction incentives of IRPJ, as follows:

	09/30/20	**12/31/19**
Lei do Vestuário - GO	681,803	681,803
Pró-Emprego - SC	59,264	59,264
Proadi - RN	69,234	69,234
Proedi - RN	1,920	1,920
Fomentar - GO	31,750	31,750
Tax (IRPJ) Operating Profit	29,526	29,526
Créd. Presumido Importados/Internet - SC	46,361	46,361
Produzir - GO	11,824	11,824
Crédito Atacadista - GO	5,899	5,899
Reinvestment income tax reduction	6	6
	937,587	937,587

(e) Remuneration to shareholders

Dividends

The corporate by-laws determine the distribution of a minimum dividend of 25% of the net profit for the year, adjusted in accordance with article 195-A and article 202 of Law 6,404/76.

Interest on equity

The Company calculates interest on capital according to the option provided for in Law No. 9,249 / 95.

On June 30, 2020 the Board of Directors approved the amount of R$ 32,892 (net of IRRF in the amount of R$ 2,450) for payment of interest on equity based on profit to be earned in the current fiscal year. The payment will be made until December 31, 2020 without monetary updates.

(f) Equity evaluation adjustment

The balance comprises the effect of the recording of the employee's benefits of HeringPrev Private Pension Plan, Health Plan (Note 21) and derivative financial instruments assigned to Hedge Accounting (Note 24). and monetary restatement of property, plant and equipment being the most representative balance.

26 Stock option plan

(a) Stock options

On at September 30, 2020 the Company had two outstanding Stock Option Purchase Plan, one of which was approved at the Ordinary and Extraordinary General Meeting held on April 10, 2008 (Plan 2008) and a new Stock Option Purchase Plan approved at the Ordinary and Extraordinary General Meeting held on December 04, 2017 (Plan 2017). The approval of the programs of granting of shares under each plan is carried out by the Company's Board of Directors. The approval by the Board of Directors, the number of shares granted by program and the exercise price per share is disclosed below:

	Stock Option Purchase Plan					
	Plan 2008			Plan 2017		
	8th	9th	10th	1st	2nd	3nd
Approval date	05/21/14	07/29/15	05/24/16	12/13/17	08/29/18	05/08/19
Number of shares granted	953,850	1,335,112	1,226,445	701,541	1,181,229	594,903
Exercise price / R$ share	25.05	12.64	14.25	26.50	16.16	29.73

The programs provide that the options granted to beneficiaries can only be exercised according to the following terms and conditions: (vesting condition) (a) up to 25% (twenty five per cent) of total amount of shares of the option from the end of the first year counted from the date of signature of the respective Adhesion Agreement between the Company and each beneficiary; (b) up to 50% (fifty per cent) of total amount of shares of the option, less those already exercised, from the end of the second year counted from the date of signature of the respective Adhesion Agreement between the Company and each beneficiary; (c) up to 75% (seventy five per cent) of total amount of shares of the option, less those already exercised, from the end of the third year counted from the date of signature of the respective Adhesion Agreement between the Company and each beneficiary; and (d) up to 100% (one hundred per cent) of total amount of shares of the option, minus those already exercised, from the end of the fourth year counted from the date of signature of the respective Adhesion Agreement between the Company and each beneficiary.

The exercise of the options may only occur once the legal relationship between the Beneficiary and the Company or any of its subsidiaries or affiliates is verified, up to the date of the effective exercise of the options.

The programs also provide the right to exercise, in case of the death, retirement or permanent disability of the participant. After an option becomes exercisable, the beneficiary may exercise it at any time, up to the end of the period of seven years from the date of the granting of such option. Each option refers to the right of subscribing one share of the Company.

The exercise of the option provides the beneficiaries the same rights granted to other shareholders of the Company. The plan is administered by a committee appointed by the Board of Directors.

As established by the CPC Technical Pronouncement 10 – Share-based payment, the Company booked the fair value of options. The amount was calculated by a third party with the expertise in this type of methodology that calculated using the Black & Scholes method to the Binomial model for the 8th to 10th program of the 2008 plan and for the 1st to 3nd program of the 2017 (this method was used because it adequately allows the inclusion of premises such as anticipated exercise, expiration due to loss of bond and other characteristics).

The fair value of options on the granting date is shown in the Total amount in the table below and consider the following assumptions:

	Stock Option Purchase Plan						
	Plan 2008			**Plan 2017**			
	8th	**9th**	**10th**	**1st**	**2nd**	**3nd**	
Granting date	05/21/14	07/29/15	05/24/16	12/13/17	08/29/18	05/08/19	
Number of shares	953,850	1,335,112	1,226,445	701,541	1,181,229	594,903	
Exercise price	25.05	12.64	14.25	26.50	16.16	29.73	R$/share
Closing price	21.79	11.64	13.08	26.21	16.74	31.75	R$/share
Volatility (daily)	2.19%	2.75%	2.49%	2.67%	2.67%	2.67%	
Volatility (annualy)	34.63%	43.71%	39.50%	37.44%	37.43%	37.65%	
Dividend yeld	5.10%	5.50%	5.50%	4.70%	5.40%	3.17%	p.a
Termination fee (*)	1.10%	5.00%	14.29%	-	-	-	p.a
Termination fee (*)	-	15.00%	13.64%	-	-	-	p.a
Market to Strike Ratio	2.25	2.25	2.24	2.09	2.09	2.09	
IPCA coupon (**)	6.16%	6.65%	6.13%	5.12%	5.70%	4.19%	p.a
Total term	7	7	7	7	7	7	years
Price per share	5.38	3.30	2.90	7.96	5.15	11.37	R$/share
Total amount	5,128	4,404	3,561	5,585	6,083	6,764	R$ thousand

(*) The company's termination fee, from the 9th and 10th program onwards, is presented segregated between Executive Officers and Other.

(**) Risk free interest rate

The closing rate of the price per share of the Company Hering, with code HGTX3 and the volatility rate reported above for the for the 7th until 10th programs of the 2008 plan and for the 1st to 3nd program of the 2017 was taken directly from the Bloomberg service. The IPCA curve coupon was obtained from the site of the Futures and Commodities Exchange (BM&F) in the Historical Data field, Search by trading floor, file “Derivatives Market - Swap Market Rates”. The contract coupon IPCA is traded under the symbol DAP. For rate volatility, it was taken a series of closing prices of Company stock under the code HGTX3, and it was calculated on the daily historical volatility, which was later annual for use in calculating the fair value of stock options.

The periods analyzed were:

	Stock Option Purchase Plan					
	Plan 2008			**Plan 2017**		
	8th	**9th**	**10th**	**1st**	**2nd**	**3nd**
Starting date	11/23/11	07/29/08	05/26/09	03/15/10	12/08/10	08/03/11
End date	05/21/14	07/29/15	05/24/16	12/04/17	08/31/18	05/03/19

(i) Stock Option Plan 2008, liquidated in shares (Plan 2008)

In the Stock Option Plan 2008, ten stock option programs were issued. The shares granted in the first, second and third stock option program were fully exercised by the beneficiaries.

After observing the vesting periods established in the Programs, each granted Stock Option entitles the Beneficiary, defined by the Board of Directors, the subscription of one share of the Company.

If all the options available were exercised on September 30, 2020, the current shareholders' capital would be diluted by 0.59% (0.72% on December 31, 2019).

Presented according to the change in the options, the average exercise price for the stock options is as follows:

	09/30/20		12/31/19	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Avaliable options at the beginning of the year	1,167,616	31.40	2,003,224	28.51
Exercised options	-	-	(656,808)	15.55
Cancelled options	(215,513)	54.28	(178,800)	68.86
Avaliable options at the end of the year	952,103	26.50	1,167,616	31.40
Exercisable options at the end of the year	952,103	26.50	992,648	34.05

In the period ended September 30, 2020, the Company recognized in the income statement the amount of R$ 350 (R$ 1,231 on September 30, 2019) referring to the fair value of the plan.

(ii) New Stock Option Plan 2017, liquidated in shares (Plan 2017)

Cia Hering approved a New Stock Option Plan in the Extraordinary Shareholders' meeting of December 4, 2017. After observing the vesting periods established in the Programs, each granted Stock Option entitles the Beneficiary, defined by the Board of Directors, the subscription of one share of the Company.

The calculation of the exercise price of the Stock Option payable by the Beneficiaries will be established, under the terms of the Stock Option Plans, by the weighted average by the trading volume of the closing quotations of the common shares of the Company in B3 Brasil Bolsa Balcão, in the 90 (ninety) trading sessions prior to the approval date of each Stock Option Program by the Board of Directors (Exercise Price), which exercise price will be adjusted by IPC-A, from the grant date of the respective Stock Option to the exercise date. Stock Options may be fully or partially exercised within the term and period fixed in each Program, counted as from its approval/grant date by the Board of Directors.

Considering the hypothesis that all options that were available were exercised as of September 30, 2020, the dilution of capital of current shareholders would be 1.06% (1.16% December 31,2019).

The average exercise price of the stock options, presented according to the movements of the options are shown below:

	09/30/20		12/31/19	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Avaliable options at the beginning of the year	1,889,915	23.73	1,749,797	19.99
Granted options	-	-	594,903	29.73
Exercised options	-	-	(366,745)	20.18
Cancelled options	(170,551)	23.41	(88,040)	24.51
Avaliable options at the end of the year	1,719,364	24.15	1,889,915	23.73
Exercisable options at the end of the year	869,930	24.13	360,594	24.20

In the period ended September 30, 2020, the Company recognized in the income statement the amount of R$ 3,511 (R$ 1,741 on September 30, 2019) referring to the fair value of the plan.

(b) Restricted stock option plan

On July 29, 2020, at a meeting of the Board of Directors, the Long-Term Incentive Program with Restricted Shares for the year 2020 (“2020 Program”) was approved, within the scope of the Incentive Plan Linked to Shares, approved at the Extraordinary General Meeting held on December 4, 2017.

The Program consists of the concession, by the Company, of common shares, nominative and with no par value, representing the Company's capital (“Restricted Shares”), free of charge, with a total value equivalent to the value of the long-term incentive approved by the Board of Directors for each executive, at the time of granting the Restricted Shares and subsequent transfer of ownership. The program’s vesting period will be three years, counted from the signing of the respective acceptance agreement. The Dilution of the Company's shareholder base with the implementation of the program will be up to 0.61% of the voting capital. The Plan will be managed under the responsibility of the Company's Board of Directors, assisted by the People Management Committee and the Culture and People Department. A total of 562,447 restricted shares was the object of the first granting of the Action Plan, approved at a meeting of the Board of Directors on July 29, 2020, the fair value of which, on the granting date, was R$ 14.51 per share.

On September 30, 2020, the Company recognized the amount of R$ 466 in Income (loss), referring to expenses of the Restricted Shares plan.

27 Revenue

The Company's net revenue is broken down as follows:

	Parent Company and Consolidated	
	09/30/20	**09/30/19**
Domestic market	674,289	1,070,138
Own stores	138,175	254,368
Foreing market	15,300	29,910
Royalties	5,740	12,853
Returns	(64,449)	(54,566)
Gross revenue	769,055	1,312,703
Adjustments to present value - revenue	(11,161)	(24,803)
Rebates and IBCC	(9,714)	(3,093)
Sales tax	(99,464)	(162,407)
Deductions	(120,339)	(190,303)
Net revenue	648,716	1,122,400

28 Costs of goods or services sold

	Parent company and Consolidated	
	09/30/20	**09/30/19**
Raw material and Resale goods	(224,549)	(350,817)
Salaries, charges and benefits	(77,429)	(112,643)
Depreciation	(26,187)	(25,496)
Outsource labor	(61,887)	(110,168)
Energy	(5,595)	(8,261)
Other costs	(18,650)	(21,581)
	(414,297)	(628,966)

The Company assessed idle production for the period ended September 30, 2020 due to plant shutdown caused by the COVID-19 pandemic, and kept the amounts related to this idleness recorded at cost (did not appropriate the inventory) mainly due to salaries, charges, benefits and compensatory aid.

29 Selling expenses

	Parent company and consolidated	
	09/30/20	09/30/19
Sales commissions expenses	(23,384)	(39,676)
Sales freight expenses	(26,050)	(31,864)
Personnel expenses	(58,694)	(71,901)
Advertising and promotions expense	(37,303)	(52,587)
Property rental expenses	(3,233)	(16,734)
Expenses with samples and product development	(9,536)	(14,526)
Traveling expenses	(2,938)	(7,425)
Expenses for third-party services	(5,919)	(7,342)
Other expenses	(14,038)	(15,896)
	(181,095)	(257,951)

30 Administrative and general expenses

	Parent Company		Consolidated	
	09/30/20	09/30/19	09/30/20	09/30/19
Personnel expenses	(18,234)	(23,992)	(18,266)	(23,992)
Expenses for third-party services	(5,826)	(5,693)	(5,881)	(5,693)
Institutional advertising expense	(946)	(979)	(946)	(979)
Expenses with donations	(112)	(25)	(112)	(25)
Expenses for information technology service	(3,691)	(2,947)	(3,691)	(2,947)
Traveling expenses	(198)	(1,205)	(198)	(1,205)
Other expenses	(1,867)	(3,431)	(2,038)	(3,627)
	(30,874)	(38,272)	(31,132)	(38,468)

31 Other net operating (expenses) and income

	Parent Company		Consolidated	
Other operating income	**09/30/20**	**09/30/19**	**09/30/20**	**09/30/19**
Tax credit	5,861	22,408	5,861	22,408
PIS and COFINS judicial credit (i)	150,344	-	150,344	-
Claims received	91	591	91	591
Revenue from sale of PP&E and intangible assets	2,688	4,072	2,688	4,072
Others	448	1,811	448	1,811
	159,432	28,882	159,432	28,882
Other operating expenses				
Formation and reversals of labor and civil provisions	(6,024)	(4,424)	(6,024)	(4,424)
Stock option plan	(4,327)	(4,123)	(4,327)	(4,123)
Actuarial evaluation of pension plans	(447)	(268)	(447)	(268)
Cost from write-off of PP&E/intangible	(2,604)	-	(2,604)	-
Labor indemnities	(15,453)	(11,778)	(15,453)	(11,778)
Goiás Protege Fund	(5,983)	(10,599)	(5,983)	(10,599)
Representatives indemnities	(8,795)	(7,412)	(8,795)	(7,412)
Prêmio Acelera 2020	(7,024)	-	(7,024)	-
Provision for non-recoverability of property, plant and equipment	(7,885)	-	(7,885)	-
Loss of non-recoverable tax credits	(3,211)	-	(3,211)	-
Provision for non-receipt of claim	(2,640)	-	(2,640)	-
Loss of other receivables	(2,483)	-	(2,483)	-
Judicial credit grant fees (ii)	(3,854)		(3,854)	
Others	(9,707)	(5,805)	(9,732)	(5,851)
	(80,437)	(44,409)	(80,462)	(44,455)
Other net operaing (expenses) and income	78,995	(15,527)	78,970	(15,573)

(i) According to note 10 (e).
(ii) According to note 10 (g).

32 Net financial result

	Parent Company		Consolidated	
	09/30/20	09/30/19	09/30/20	09/30/19
Financial income				
Interest on financial operations	10,304	14,953	10,304	14,953
Adjustment to present value	14,814	25,316	14,814	25,316
Interest received and renegotiated	15,478	7,451	15,478	7,451
PIS and COFINS judicial credit update (i)	111,399	-	111,399	-
IRPJ and CSLL judicial credit update (ii)	68,820	-	68,820	-
Derivative income	10,154	443	10,154	443
Exchange variation - motion account	37	-	37	-
Exchange variation - accounts receivable	4,615	796	4,615	796
Other income	861	4,191	935	4,245
	236,482	53,150	236,556	53,204
Financial expenses				
Interest on financial operations	(6,190)	-	(6,190)	-
Adjustment to present value	(7,627)	(15,166)	(7,627)	(15,166)
Interest lease (note 15)	(3,254)	(3,696)	(3,254)	(3,696)
Bank fees and commissions	(6,955)	(3,750)	(6,955)	(3,750)
Exchange variation - others	(510)	(157)	312	(6)
Exchange variation - motion account	-	(114)	-	(114)
Exchange variation - accounts payable	(14,935)	(4,072)	(14,935)	(4,072)
Other expenses	(13,998)	(2,570)	(14,000)	(2,572)
	(53,469)	(29,525)	(52,649)	(29,376)
Net financial result	183,013	23,625	183,907	23,828

(i) According to note 10 (e).
(ii) According to note 10 (g).

33 Income and social contribution taxes

(a) Breakdown of income tax and of social contribution

	Parent company		Consolidated	
	09/30/20	09/30/19	09/30/20	09/30/19
Current taxes:				
Social contribution	18,588	262	18,588	262
Income tax	45,723	(48)	45,723	(48)
	64,311	214	64,311	214
Deferred taxes:				
Social contribution	1,272	3,534	1,272	3,534
Income tax	3,485	7,571	3,485	7,571
	4,757	11,105	4,757	11,105

(b) Reconciliation at the effective rate

	Parent company		Consolidated	
	09/30/20	09/30/19	09/30/20	09/30/19
Net income (loss) before tax	218,277	140,175	218,277	140,175
Current rate:	34%	34%	34%	34%
Estimated expense according to the current rate	(74,214)	(47,660)	(74,214)	(47,660)
Tax impact on permanent additions and exclusions :				
Investment subsidy (Note 18)	21,851	35,803	21,851	35,803
Interest on shareholder's capital	12,016	21,411	12,016	21,411
PAT, Rouanet Law and FIA Incentives	(1,218)	-	(1,218)	-
Other permanents (additions) exclusions	4,499	1,765	4,499	1,765
Income and social contribution taxes	**(37,066)**	**11,319**	**(37,066)**	**11,319**
Effective rate	**17%**	**(8%)**	**17%**	**(8%)**
Income and social contribution taxes deferred from previous periods (i)	4,806	-	4,806	-
IRPJ and CSLL judicial credit - exclusion of presumed ICMS tax (i)	101,328	-	101,328	-
Income and social contribution taxes	**69,068**	**11,319**	**69,068**	**11,319**
Income and social contribution taxes - current	64,311	214	64,311	214
Income and social contribution taxes - deferred	4,757	11,105	4,757	11,105
Income and social contribution taxes	**69,068**	**11,319**	**69,068**	**11,319**

(c) Breakdown of deferred taxes in the income of statements

	Parent company and Consolidated	
	09/30/20	09/30/19
Constitution on temporary additions	6,134	3,202
Reversal on temporary exclusions	-	308
Constitution (Reversal) of tax loss and negative calculation basis	(1,455)	7,225
Realization of the monetary correction of the asset	78	370
	4,757	11,105

34 Earnings per share

(a) Basic earnings per share

Earnings per share are calculated by dividing income from the Company's shareholders by the weighted average value of common shares issued in the year, minus shares bought by the Company and held as treasury shares.

	Consolidated	
	09/30/20	09/30/19
Profit attributable to the Company's shareholders	287,345	151,494
Weighted average number of common shares - thousands	162,535	161,805
Weighted average number of common treasury shares - thousands	(1,176)	(354)
	161,359	161,451
Basic earnings per share - R$	1.7808	0.9383

(b) Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares to presume the conversion of all potential diluted common shares. The Company has a class of potential diluted common shares that refers to the stock option.

For stock options, the number of shares that could have been acquired at fair value (market annual average price of the Company's share) is calculated based on the monetary value of subscription rights linked to outstanding stock options. The number of shares calculated as described above is compared to the number of issued shares, assuming that the stock option is exercised.

	Consolidated	
	09/30/20	**09/30/19**
Profit attributable to the Company's shareholders	287,345	151,494
Weighted average number of common shares - thousands	161,359	161,451
Share purchase option adjustment - thousands	2,671	3,146
Weighted average number of common shares (diluted) - thousands	164,030	164,597
Diluted earnings per share - R$	1.7518	0.9204

35 Operating segments

The Company has a single operating segment defined as textile, which embodies the production of apparel and accessories. The Company is organized, and has its performance assessed, as a single business unit for operating, commercial, managerial and administrative purposes. This view is supported by the following factors:

- there are no divisions in its structure for managing different product lines, markets or sales channels;
- its plants operate for all the product lines, markets and sales channels;
- the Company's strategic decisions are supported by studies that show market opportunities, and not only by the performance by product, trademark or channel.

The Company's products are distributed into different trademarks and channels (Trademarks: Hering and DZARM.; Channels: Retail, Franchise, Own Stores and Webstore). However, these units are controlled and managed as a single segment, and results are monitored and evaluated in a centralized manner.

Management makes a follow-up of gross revenues, on the domestic market, by trademark and distribution channel, as shown below:

	Consolidated	
Trademarks	**09/30/20**	**09/30/19**
Hering	667,973	1,139,759
DZARM.	43,156	58,079
*Others (i)	42,626	84,955
Gross revenue domestic market	753,755	1,282,793
Gross revenue foreign market	15,300	29,910
Total gross revenue	769,055	1,312,703

(i) At the beginning of the 2nd quarter of 2020, the Company announced that the PUC brand would be closed. The PUC brand does not represent an important separate line of business, and is not part of a coordinated sales plan. Its production line was incorporated by Hering Kids, therefore as of June 30, 2020 it is no longer presented as a brand for revenue purposes and its invoicing was included in the line of others being at September 30, 2020 an amount of R$ 27,689 (R$ 67,998 at September 30, 2019).

	Consolidated	
Channel	**09/30/20**	**09/30/19**
Retail	325,904	550,893
Franchise	192,300	444,417
Own stores	118,893	235,053
Webstore	110,359	48,602
*Others	6,299	3,828
Gross revenue domestic market	753,755	1,282,793
Gross revenue foreign market	15,300	29,910
Total gross revenue	769,055	1,312,703

* Considers the sale of second line items and leftovers

The net revenues from the domestic and foreign markets are as follows:

	Consolidated	
	09/30/20	**09/30/19**
Gross revenue domestic market	753,755	1,282,793
Gross revenue foreign market	15,300	29,910
Gross revenue	769,055	1,312,703
Deductions	(120,339)	(190,303)
Net revenue	648,716	1,122,400

Foreign revenue is not recorded separately by geographical area, as it represents only 2.36% of total net revenue as of September 30, 2020 (2.66% on September 30, 2019) (Company and consolidated balances).

There is no client that is individually responsible for more than 10% of domestic and foreign sales.

36 Insurance

The Company adopts the policy of contracting insurance coverage for assets subject to risks for amounts considered to be sufficient to cover eventual casualties, considering the nature of its activity.

As at September 30, 2020, operating risk insurance coverage was comprised of R$ 445,494 for material damage, R$ 186,528 for loss of profit and R$ 60,000 for civil liability.

37 Subsequent events

The potential impacts of the COVID-19 pandemic on the Company's future results are uncertain, in our assessment the results for the 4th quarter of 2020 are expected to resume, considering the reopening of 100% of stores. In October 2020, the Company's total net revenue increased by 16.5% when compared to October 2019. The Webstore channel presented an increase in net revenue in October 2020 by 171.4% in relation to the same month of the previous year and is responsible for 10% of the billing for the month of October 2020.

OTHER RELEVANT COMPANY INFORMATION

In compliance with the Rules of Corporate Governance Practices, we present below some additional information about the company.

1 - Considering the Rules of Corporate Governance Practices (Novo Mercado), we present below, the shareholding on September 30, 2020:

1.1 Cia Hering

Shareholder	09/30/20		12/31/19	
Atmos Capital Gestão de Recursos Ltda	16,703,535	10.3%	16,211,835	10.0%
Ivo Hering	11,768,370	7.2%	11,768,370	7.2%
Investimento e Participação INPASA S/A	11,122,345	6.8%	11,964,724	7.4%
Verde Asset	9,188,874	5.7%	8,217,325	5.0%
Velt Partners	8,931,998	5.5%	-	-
Outros	104,818,815	64.5%	114,371,683	70.4%
Total	162,533,937	100%	162,533,937	100%

1.2 Investimento e Participações Inpasa S.A

	Common Shares	%	Total	%
Ivo Hering	211,855	28.4%	211,855	28.4%
Amaral Invest. e Partic. Ltda	95,181	12.8%	95,181	12.8%
Dorca Adm. De Bens e Part. Ltda	66,370	8.9%	66,370	8.9%
Clamaro Adm. Part. de Bens Ltda	59,618	8.0%	59,618	8.0%
IPE Inv. e Part. Empr. Ltda	58,422	7.8%	58,422	7.8%
Dimare Participações Societárias Ltda	45,871	6.1%	45,871	6.1%
Others	208,931	28.0%	208,931	28.0%
Total	746,248	100%	746,248	100%

1.2.1 JGP Adm. De Bens e Participações Ltda

Shareholder	Shares	%
Gil Prayon	1,149,361	48.0%
Jean Prayon	1,129,362	47.2%
Others	113,617	4.7%
Total	2,392,340	100%

1.2.2 Amaral Investimentos e Participações Ltda

Shareholder	Shares	%
Carlos Tavares D'Amaral	6,500	50.0%
Marcio Tavares D'Amaral	6,500	50.0%
Total	13,000	100%

1.2.3 Clamaro Administração e Participação de Bens Ltda

Shareholder	Shares	%
Cláudio Hering Meyer	2,560,228	30.6%
Marcos Hering Meyer	2,560,228	30.6%
Roberto Hering Meyer	2,560,228	30.6%
Uta Hedy Hering Meyer	682,002	8.2%
Total	8,362,686	100%

1.2.4 IPE Investimentos e Participação de Bens Ltda

Shareholder	Shares	%
Ivo Hering	8,364,858	26.8%
Andrea Hildegard Hering Vila Boas	7,426,166	23.8%
Karin Hering de Miranda	7,426,166	23.8%
Cristiane Hering de Toni	7,426,166	23.8%
Rotraud Katharina Hering	535,775	1.7%
Total	31,179,131	100%

1.2.5 Dimare Participações Societárias Ltda.

Shareholder	Shares	%
Rene Werner Linnenkamp	8,354,773	100.0%
Marlene Karin Werner	1,000	-
Total	8,355,773	100%

2 - Shareholding of controlling parties, management and outstanding shares

Shareholding on 09/30/2020

Shareholder	Common Shares	%	Total	%
Controlling Shareholder	34,115,244	21.0%	34,115,244	21.0%
Management				
- Board of Directors	156,003	0.1%	156,003	0.1%
- Executive Board	212,268	0.1%	212,268	0.1%
Treasury Shares	3,857,581	2.4%	3,857,581	2.4%
Others Shareholders	124,192,841	76.4%	124,192,841	76.4%
TOTAL	162,533,937	100%	162,533,937	100%
Outstanding Shares	124,192,841	76.4%	124,192,841	76.4%

Shareholding on 06/30/2020

Shareholder	Common Shares	%	Total	%
Controlling Shareholder	34,385,744	21.2%	34,385,744	21.2%
Management				
- Board of Directors	148,003	0.1%	148,003	0.1%
- Executive Board	214,268	0.1%	214,268	0.1%
Treasury Shares	1,597,425	1.0%	1,597,425	1.0%
Others Shareholders	126,188,497	77.6%	126,188,497	77.6%
TOTAL	162,533,937	100%	162,533,937	100%
Outstanding Shares	126,188,497	77.6%	126,188,497	77.6%

Shareholding on 03/31/2020

Shareholder	Common Shares	%	Total	%
Controlling Shareholder	34,516,228	21.2%	34,516,228	21.2%
Management				
- Board of Directors	124,003	0.1%	124,003	0.1%
- Executive Board	162,268	0.1%	162,268	0.1%
Treasury Shares	1,597,425	1.0%	1,597,425	1.0%
Others Shareholders	126,134,013	77.6%	126,134,013	77.6%
TOTAL	162,533,937	100%	162,533,937	100%
Outstanding Shares	126,134,013	77.6%	126,134,013	77.6%

Shareholding on 12/31/2019

Shareholder	Common Shares	%	Total	%
Controlling Shareholder	34,481,228	21.2%	34,481,228	21.2%
Management				
- Board of Directors	119,003	0.1%	119,003	0.1%
- Executive Board	110,768	0.1%	110,768	0.1%
Others Shareholders	127,822,938	78.5%	127,822,938	78.5%
TOTAL	162,533,937	100%	162,533,937	100%
Outstanding Shares	127,822,938	78.5%	127,822,938	78.5%

3 - Arbitration clause.

The Company, its shareholders, managers and the Fiscal Board (when stablished) members undertake to resolve by arbitration, every and all dispute or controversy which may arise among them, especially related to or derived from enforcement, validity, effectiveness, construal, violation and its effects of provisions contained in the Brazilian Corporation Law number 6,404/76, in the Company's Bylaws, in the rules issued by the Brazilian Monetary Committee (CMN), by the Brazilian Central Bank and by the Brazilian Securities and Exchange Commission (CVM), as well as other rules related to the capital markets operation in general besides those included in the "Novo Mercado" Listing Regulation, in the "Novo Mercado" Listing Agreement and in the Arbitration Regulation of the Market Arbitration Panel.

4 - Independent Auditors

Cia. Hering policy with its independent auditors is referred to the provision of services not related to external auditing based on principles that preserve the independence of the auditors. These principles are based on the fact that the auditor should not assess his/her own work, nor carry out managerial functions or even advocate for its customer. During the period ended on September 30, 2020, the Company's independent auditors were not contracted for other services beyond the examination of the quarterly financial statements of the period.

Declaration of Directors

In accordance with CVM Instruction 480/09, the Board states that reviewed, discussed and agreed with the view expressed in the independent auditors' report and the financial statement for the year ended September 30, 2020.

EXECUTIVE BOARD

Fábio Hering - Chief Executive Officer
Fabiola Guimarães – Brand and Product Director
Filipe Lento Brilhante de Albuquerque – Director Consumer and Retail
Galeno Jung - Director Digital Transformation
Marciel Eder Costa - Director of Administration
Marcelo Toledo – Industrial Director
Rafael Bossolani – Chief Financial Officer and Investor Relations Officer
Renata Del Bove – Director of Culture and People
Thiago Hering – Executive Director of Business

BOARD OF DIRECTORS

Ivo Hering – President
Fábio Hering – Advisor
Andrea Oliveira Mota Baril – Advisor
Celso Luis Loducca - Advisor
Claudia Worms Sciama - Advisor
Fabio Colletti Barbosa - Advisor
Patrick Charles Morin Junior – Advisor

Cleonice Ghidolin Destri
Accountant CRC-SC no. 27.477/O-4