COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

CNPJ/MF Nº 22.677.520/0001-76

NIRE 3130003731-2

Publicly Traded Company

Montes Claros - March 29, 2021 - The Companhia de Tecidos Norte de Minas - COTEMINAS (the “Company”) is a Brazilian publicly-held company, based in Montes Claros - MG, engaged in the production and marketing of yarns and fabrics in general, imports and exports, and may hold equity interest in other companies and acquire marketable securities in the capital market. The Company’s shares are traded in B3 S.A. - Brasil, Bolsa, Balcão ("B3") (Brazilian Stocks, Commodities and Futures Exchange), under the codes “CTNM3”and “CTNM4”.

The Company controls two companies that operate in the textile sector.

Springs Global Participações S.A. (“Springs Global”), which is the parent company of Coteminas S.A. and Springs Global US, Inc. (“SGUS”), companies that focus their manufacturing operations on bed and bath linens.

Companhia Tecidos Santanense is a publicly-traded company, which operates in the textile and related industries, manufacturing and marketing of clothing apparel, including professional uniforms, accessories and personal protective equipment for occupational safety.

Springs Global Participações S.A.

The year of 2020, in spite of the great uncertainty for the Brazilian and global economies due to the Covid-19 pandemic, and specifically challenging for the retail sector, in which traditionally the majority of sales was made through physical stores, for Springs Global, it was a year of achievements. It leveraged its competitive advantages – strong and traditional brands, and scalable technological solutions for retail – to accelerate its digital transformation and to have a more balanced participation within the wholesale and retail business units in its revenue. Springs Global is motivated and working hard to become the largest, the best and the most digital vertically integrated company in the

Home & Decoration segment in the Americas, accordingly to our strategic objectives.

» Make the most of shareholders' investment

In view of the scenario of uncertainty, it reduced its industrial operations from March to August 2020, reducing its working capital needs. With the recovery of sales of bedding, tabletop and bath products, beginning in August, it started a ramp-up of production and, in the last quarter, it operated with a high utilization rate of our capacity, reaching record production levels in spinning and weaving at the Montes Claros plant, within recent years, which enabled higher absorption of fixed industrial production costs, bringing the gross margin to 32.3% in fourth quarter of 2020 (4Q20).

The exchange rate, despite affecting the price of raw materials and inputs, and consequently margins in the short term, reinforces its business model and increases its competitiveness as a consumer products company, fully integrated, with traditional and leading brands in its market segment.

The new level of the exchange rate favors greater nationalization of its products, which enables a reduction in the operating cycle, and, consequently, greater speed of adjustment in the supply chain, with less need for finished goods inventory and less markdown.

Springs Global believes that the 4Q20 result better demonstrates its operational cash generation and profitability capabilities, which would be, in annualized terms, income from operations of R$ 195 million, with operational margin of 9.2%.

» Grow the retail share in our revenue

Springs Global's growth has been driven by the Retail business unit, through sales from online channels and expansion of categories, which require less working capital and that are scalable, enabling greater profitability to its shareholders. The retail share in its revenue increased from 23% in 2019 to almost 30% in 2020. It has the target to reach more than 50% in 2022. The revenue from the retail business unit presented a year-over-year (yoy) growth of 34% in 2020.

Since 2017, Springs Global has invested heavily in technology, which has proven to be essential in this period of pandemic, when there was the closure of stores or reduced store hours in the physical commerce, as a result, it was able not only to replace the estimated sales to physical stores with online sales, but also to show a 30% growth in sell-out revenue. Orders received in e-commerce in 2020 were almost 4 times the 2019 figure, with an estimated market share of 23% of its online stores in the e-commerce sales of bedding, tabletop, and bath products, including marketplaces.

Springs Global believes that this result is due to the combination of tradition, value, and leadership of its brands, with recognition for the quality of its products and high level of recall and association with home products, together with proprietary technology, which allows greater flexibility and speed for changes, all aiming to promote the enchantment of its customers.

In order to enhance the high level of recall and association of its brands with products for the home and lengthen its relationship with its customers, Springs Global expanded the offering of new products categories in recent years. Initially, it has expanded its offering of textile products, with its own production, with decorative products, such as curtains, blankets and cushions, the baby and kid lines, as well as the expansion of the utility bedding product line. In 2019, it started the offering of non-textile products in its digital channels, such as decorative, kitchen and table products, through partners. In 2020, it launched mattresses, in the Artex brand, and pet products, in the MMartan brand, among others.

With this strategy of expansion of product categories, it expanded its potential market in Brazil by approximately 7 times, from R$ 12 billion - bedding, tabletop, and bath products, to R$ 86 billion - home & decoration products, at retail prices, according to IBOPE.

Springs Global wants to be the largest and most complete “one-stop shop” in the Home & Decoration segment in Brazil, with products that (i) are aligned with the positioning of its brands, and, therefore, with curated products for each brand, (ii) stand out and differentiate it in the Home & Decoration market, (iii) generate cross-selling within its main products, and (iv) increase the recurrence of purchases.

In the last two years, it doubled the quantity of SKUs of non-bedding, tabletop, and bath products in its online stores, currently representing around 20% of the products available for sale.

The expanded offering of new product categories enables the growth of its revenue and the strengthening of its brands, increasing the average value and the frequency of purchases by its consumers.

Due to the success of its proprietary technology PIX at the retail market, Springs Global will use it, in an adapted way, named PIX-Pro, to expand our distribution penetration, in a very fast, scalable and inexpensive way, in the wholesale market. It is establishing a remote sales force, supported by the use of artificial intelligence and several online tools, from customer prospecting, purchase recommendation, and the granting of credit, the latter in partnership with a Fintech, focusing on small and medium retailers and institutional customers, with low average ticket.

» Be a customer-centric company

In 2020, Springs Global had the opportunity to expand its penetration in retail, in which it had more than 1.4 million new customers in its sales channels, mainly in e-commerce. The increase in the number of online sales brought challenges in its logistics services, which were overcome with improvements in processes and investments, including the expansion of the Blumenau distribution center and the opening of a new distribution center in João Pessoa, enabling it to return to its service level in the last quarter of 2020, with a service level above 97%.

Its brands occupied 3 of the 4 first positions of the ReclameAqui award, with Santista brand winning 1st place, for the 8th consecutive year. It is rated RA1000, the highest in terms of satisfaction and customer service, in ReclameAqui, for its main brands - Santista, Artex and MMartan.

Springs Global is committed to its customer. Its goal is to delight its clients, by always offering the best products, excellent services and an experience that exceeds expectations. In this context, it restructured the customer service area in 2020, integrating all channels, with a focus on Customer Experience. It has implemented intelligent FAQ and chat solutions that already represent around

50% of the calls, reducing response times. Additionally, in the “Customer at the Center” program, employees from different areas actively participate in customer service, to stimulate their focus on the customer.

In order to facilitate a revenue stream for franchisees and, at the same time, preserve the proximity of their relationship with the end customers, Springs Global has established distance selling platforms in physical stores. The concept was expanded to digital influencers. It had about 1.5 million new followers in social networks in 2020, with a growth of more than 50%, which will contribute to the growth of its sales through social media channels (“social selling”) and, hence, it will be increasingly present in people's daily lives.

It strengthened its investment in digital marketing in 2020. At first, to transfer sales to its digital stores, when physical stores were closed, and, afterwards, to expand its customer base. The acquisition of a new customer has a great return throughout his/her life as a consumer of our products. After his/her first purchase, Springs Global will keep in touch with this customer with the use of lower cost tools, such as email marketing, SMS or WhatsApp, with the use of artificial intelligence, offering products more suited to his/her profile and, consequently, with a greater likelihood of sales conversion. In addition, digital marketing also increases sales in physical stores, since the recall of the brand and the perception of the need to purchase also takes the customer to the physical store.

» Value our culture

As important as the external customers, are the internal customers, the employees. As always, Springs Global has prioritized the health and well-being of its employees, who have learned to live everyday with preventive measures, social distancing, and care. It has used technology and innovation to deliver information and training remotely and it has offered support to its collaborators, both to ensure their ergonomics and comfort at home office, as well as their physical and mental health, through content and partnerships.

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

Aligned with its mission to “Innovate to deliver experiences that enchant and promote well-being”, it has launched Persono brand, with solutions focused on well-being and quality of sleep, with the purpose of making accessible products and services that enable people to better understand and bring discipline to their sleep routine, resulting in a healthier and more productive life. For the development of technology, it has entered into partnerships with renowned polysomnography institutes, in addition to investing in data science to develop high precision and efficient sleep monitoring systems. The Persono brand has become one of the sponsors of the Brazilian Olympic Committee (COB). There will be cooperation between the technical and scientific teams of Persono and COB with a focus on sleep quality and its importance for high performance athletes.

As a corporate citizen, in order to contribute to society to fight the Covid-19 pandemic, Springs Global entered the market of personal protection products for the health care industry, such as surgical masks and gowns, and hair and foot protectors, in order to replace imports and, additionally, bringing export opportunity. It is developing new sales channels for these products in Brazil and abroad through North American distributors and hospital products companies.

Additionally, it has supported the community to get through this pandemic, with donations made especially to the public health sector. It donated thousands of bed and bath items to Santa Casa hospitals. It donated reusable protective masks to the general public and surgical masks to public health institutions of several cities where it has industrial plants. It participated in major private sector initiatives to support healthcare in Brazil.

Companhia de Tecidos Santanense

Santanense´s gross revenue amounted to R$ 567.7 million in 2020. The 2020 financial highlights are exposed bellow.

» Net revenue

Net revenue totaled R$ 473.3 million in 2020. Santanense´s net revenue increased by 2.5% year-over-year (yoy), due to the stable sales volume.

» Cost of goods sold

Santanense presented gross margin of 15.6% in 2020 and 20.9% in 2019. The costs in 2020 were negatively impacted by higher cotton and dye costs and mainly by the idle cost related to the stoppage of the plants in the second quarter of 2020.

» Selling, general and administrative expenses

Selling, general and administrative expenses increased lower than inflation yoy. The variable selling expenses increased in line with the sales growth.

» Operating income

Operating income was R$ 13.2 million in 2020, versus R$ 34.7 million 2019. The 2020 operation income was negatively impacted by the stoppage of the plants in the second quarter and by higher raw material and dye costs.

» Net financial result

In 2020, the net financial result was an expense of R$ 23.3 million, versus an expense of R$ 25.3 million in 2019.

Relationship with independent auditors

In 2020, the Company did not engage its independent auditors for services other than those related to the audit work.

Capital Markets

The 2020 closing price of ordinary and preferred shares from the Company, traded on the B3 under the ticker CTNM3 and CTNM4, was, respectively, R$ 12.00 and R$ 6.01, with an increase of 7.0% and decrease of 40.3%, respectively, in relation to the 2019 closing price, while the IBOVESPA index increased 2.9% and Small Cap index declined by 0.7%, in the same period.

Shareholder structure

At the beginning and end of 2020, the Company´s capital stock was represented by 16,723,657 preferred shares and 13,912,800 common shares.

Acknowledgment

We would like to express our appreciation to our customers, our employees, our suppliers, our shareholders, financial institutions, government officials, trade and social organizations, and everyone that has contributed directly or indirectly to the achievement of the Company´s strategic and social goals.

A Administração.

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

Companhia de Tecidos Norte de Minas - COTEMINAS

Individual and Consolidated Financial Statements for the Year ended December 31, 2020 and Independent Auditor’s Report on The Financial Statements

Tel.: +55 11 3848 5880
Fax: + 55 11 3045 7363
www.bdo.com.br

Rua Major Quedinho 90
Consolação – São Paulo, SP - Brasil
01050-030

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

To the
Shareholders, Board Members and Management of
Companhia de Tecidos Norte de Minas - COTEMINAS
Montes Claros - MG

Opinion

We have audited the individual and consolidated financial statements of **Companhia de Tecidos Norte de Minas - COTEMINAS (the "Company")**, identified as parent company and consolidated, respectively, which comprise the individual and consolidated statement of financial position as at December 31, 2020 and the respective individual and consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of **Companhia de Tecidos Norte de Minas - COTEMINAS** as at December 31, 2020, its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with Brazilian accounting practices and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Key audit matters

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

Relevant components under the caption investments in the individual financial statements and in the consolidation of the financial statements.	**Audit response**
The individual and consolidated financial statements are prepared in accordance with Brazilian accounting practices and the IFRS issued by IASB and some relevant and significant controlled companies are audited by other independent auditors. See Note 8. We understand that, through the evaluation process of these investments, given their relevance in the breakdown of balances, transactions and disclosures in the individual and consolidated financial statements, they are a key audit matter. Additionally, the consolidation process has complexities due to the diversified businesses, different functional currencies and elimination of the related parties balances.	Our audit procedures included communication with the significant component auditors in order to discuss the identified audit risks, the emphasis, scope and time of the work. We issued audit instructions and reviewed the documentation of sufficient and appropriate audit that supported the opinion of other independent auditors of the significant components, as well as discussed the results achieved. Regarding the identified key audit matters, we discussed with the auditors of the significant components and evaluated their impacts on the accompanying individual and consolidated financial statements. Regarding the consolidation process, we verified whether the balances and information used were reconciled with the financial statements and accounting records of the investees, and whether they are in accordance with the accounting policies. Our exams did not identify significant exceptions in accounting for the investments and in the consolidation, process carried out by the Company's Management, therefore, the amounts and information disclosed in the financial statements are adequate.

Other matters

Statements of value added

The individual and consolidated statements of value added, prepared under the responsibility of the Company's Management and its controlled companies for the year ended December 31, 2020, and presented as supplemental information for IFRS purposes, were submitted to the same audit procedures followed for the audit of the Company's and controlled companies' individual and consolidated financial statements. In order to form an opinion, we have checked whether these individual and consolidated statements are reconciled with the individual and consolidated financial statements and accounting records, as applicable, and whether its form and contents meet the criteria established in Technical Pronouncement CPC 09 - Statement of Value Added. In our opinion, the individual and consolidated statements of value added were properly prepared, in all material respects, in accordance with the criteria established in the mentioned Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its controlled companies' internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its controlled companies' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its controlled companies to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the individual and consolidated financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

São Paulo, March 29, 2021.

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

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

BALANCE SHEETS AS OF DECEMBER 31,2020 and 2019

(In thousands of Brazilian Reais)

ASSETS

		Company		Consolidated	
	Note	2020	2019	2020	2019
CURRENT:					
Cash and cash equivalents	3	1,075	1,630	185,467	165,453
Marketable securities	4	-	-	28,164	59,491
Accounts receivable	5	-	-	622,027	604,592
Leases receivable	12	-	-	16,230	6,601
Inventories	6.a	-	-	504,009	501,950
Advances to suppliers	6.b	-	-	39,434	56,157
Recoverable taxes	21.c	10,622	1,724	84,570	86,727
Cash holdback amount	29	-	-	20,787	25,393
Receivable – sale of investment	8	33,783	19,340	33,783	19,340
Property, plant and equipment held for sale	11.b	-	-	-	12,327
Other receivables		995	895	27,967	31,067
Assets held for sale	29	-	-	123,718	-
Total current assets		46,475	23,589	1,686,156	1,569,098
NONCURRENT:					
Long-term assets:					
Marketable securities	4	2,353	1,529	5,917	72,539
Receivable – clients	7	-	-	25,171	23,968
Receivable – sale of investment	8	70,849	68,291	70,849	68,291
Advances to suppliers	6.b	-	-	74,053	96,568
Leases receivable	12	-	-	96,659	85,118
Recoverable taxes	21.c	64,900	75,475	250,096	336,870
Deferred taxes	21.b	-	-	20,138	69,280
Related parties	20	211,426	175,410	86,187	80,016
Property, plant and equipment held for sale	11.b	-	-	16,725	12,094
Escrow deposits	22	9,224	11,567	25,551	28,157
Other credits and receivables		240	20,254	69,173	65,583
		358,992	352,526	740,519	938,484
Investments in subsidiaries	9.a	770,627	923,203	-	-
Investments in affiliated companies	9.a	64,566	52,481	66,078	190,427
Investment properties	10	138,917	133,960	530,384	528,940
Other investments		3,090	3,088	4,828	4,826
Property, plant and equipment	11.a	73,412	6,500	937,851	836,016
Right-of-use assets	12	-	-	197,981	149,199
Intangible assets	13	2	2	97,151	92,716
Total noncurrent assets		1,409,606	1,471,760	2,574,792	2,740,608
Total assets		1,456,081	1,495,349	4,260,948	4,309,706

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

BALANCE SHEETS AS OF DECEMBER 31,2020 and 2019

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

		Company		Consolidated	
	Note	2020	2019	2020	2019
LIABILITIES					
CURRENT:					
Loans and financing	14	154,586	170,743	866,943	825,161
Debentures	15	-	-	91,085	87,008
Suppliers	16	623	813	249,354	197,968
Payroll and related charges		1,291	1,059	109,395	81,727
Taxes and fees		-	4,220	40,446	20,383
Government concessions	17	-	-	27,658	22,212
Leases payable	18	-	-	61,922	50,486
Other payables		5,691	6,571	64,366	63,589
Total current liabilities		162,191	183,406	1,511,169	1,348,534
NONCURRENT:					
Loans and financing	14	168,271	86,713	597,158	607,594
Debentures	15	-	-	-	12,389
Government concessions	17	-	-	53,210	43,771
Leases payable	18	-	-	276,552	214,258
Related parties	20	235,396	176,724	-	1,194
Deferred taxes	21.b	37,995	25,336	130,072	120,659
Miscellaneous accruals	22	10,832	13,109	26,350	28,197
Employee benefit plans	23	-	-	131,703	106,167
Other obligations		7,700	11,049	44,095	37,663
Total noncurrent liabilities		460,194	312,931	1,259,140	1,171,892
EQUITY:	19				
Capital		882,236	882,236	882,236	882,236
Retained earnings reserves		209,701	209,701	209,701	209,701
Assets and liabilities valuation adjustments		95,787	98,358	95,787	98,358
Cumulative translation adjustments		(39,188)	(85,800)	(39,188)	(85,800)
Accumulated deficit		(314,840)	(105,483)	(314,840)	(105,483)
Total equity attributable to the owners of the Company		833,696	999,012	833,696	999,012
NON-CONTROLLING INTERESTS	9.b	-	-	656,943	790,268
Total equity		833,696	999,012	1,490,639	1,789,280
Total liabilities and equity		1,456,081	1,495,349	4,260,948	4,309,706

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In thousands of Brazilian Reais)

		Company		Consolidated	
	Note	2020	2019	2020	2019
NET REVENUES	27	-	-	1,976,967	1,865,798
COST OF GOODS SOLD	26	-	-	(1,397,111)	(1,319,288)
GROSS PROFIT		-	-	579,856	546,510
OPERATING INCOME (EXPENSES):					
Selling expenses	26	-	-	(369,687)	(298,526)
General and administrative expenses	26	(10,793)	(12,758)	(147,025)	(139,108)
Management fees	26	(2,575)	(2,573)	(18,531)	(18,296)
Equity in subsidiaries	9.a	(148,647)	(99,708)	(7,605)	(5,336)
Change in fair value of investment properties	10	4,957	31,828	10,330	35,256
Loss from the sale of investments	9.a.3	-	(52,740)	-	(91,911)
Others, net		2,183	2,934	(5,323)	10,424
INCOME (LOSS) FROM OPERATIONS		(154,875)	(133,017)	42,015	39,013
Financial expenses – interests		(51,851)	(34,095)	(173,593)	(181,938)
Financial expenses – interest on leases	18	-	-	(13,121)	(26,720)
Financial expenses – bank charges and others		(5,817)	(5,437)	(98,291)	(69,459)
Financial income		41,156	15,638	51,275	32,682
Exchange rate variations, net		9,897	4,034	(22,522)	(25,107)
LOSS FROM OPERATIONS BEFORE TAXES		(161,490)	(152,877)	(214,237)	(231,529)
Income and social contribution taxes:					
Current	21.a	-	-	(1,737)	6,473
Deferred	21.a	(12,659)	(2,276)	(78,307)	(2,431)
NET LOSS FOR THE YEAR – CONTINUING OPERATIONS		(174,149)	(155,153)	(294,281)	(227,487)
Equity in subsidiary – discontinued operations	29	(35,450)	99,068	-	-
Net income (loss) from subsidiary – discontinued operations	29	-	-	(66,988)	185,082
NET LOSS FOR THE YEAR		(209,599)	(56,085)	(361,269)	(42,405)
ATTRIBUTED TO:					
Owners of the Company					
Continuing operations				(174,149)	(155,153)
Discontinued operations	29			(35,450)	99,068
				(209,599)	(56,085)
Non-controlling interests	9.b				
Continuing operations				(120,132)	(72,334)
Discontinued operations				(31,538)	86,014
				(151,670)	13,680
				(361,269)	(42,405)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE - R$	28				
Continuing operations		(5.6844)	(5.0644)		
Discontinued operations		(1.1571)	3.2337		
		(6.8415)	(1.8307)		

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2020	2019	2020	2019
NET LOSS FOR THE YEAR	(209,599)	(56,085)	(361,269)	(42,405)
Other comprehensive income (loss):				
- Items that will impact the statements of operations:				
Exchange rate variations on foreign investments	46,612	6,701	67,346	12,416
	46,612	6,701	67,346	12,416
- Items that will not impact the statements of operations:				
Actuarial loss on pension plans	(2,101)	(2,031)	(3,970)	(3,837)
Loss on equity interest in affiliated company	(228)	-	(228)	-
Initial valuation adjustment on investment properties	-	4,013	-	7,585
	(2,329)	1,982	(4,198)	3,748
COMPREHENSIVE LOSS FOR THE YEAR	(165,316)	(47,402)	(298,121)	(26,241)
ATTRIBUTABLE TO:				
Owners of the Company				
Continuing operations			(129,866)	(144,016)
Discontinued operations			(35,450)	96,614
Non-controlling interests				
Continuing operations			(101,267)	(62,669)
Discontinued operations			(31,538)	83,830
			(298,121)	(26,241)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019
(In thousands of Brazilian Reais)

	Capital	Retained earnings reserve Tax incentives	Assets and liabilities valuation adjustments	Cumulative translation adjustment	Accumulated deficit	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
BALANCES AS OF DECEMBER 31, 2018	882,236	209,701	97,511	(92,501)	(68,825)	1,028,122	773,057	1,801,179
Deemed cost of affiliated company	-	-	(357)	-	357	-	-	-
Disposal of investment property - indirect subsidiary	-	-	(778)	-	778	-	-	-
Comprehensive income:								
Net income (loss) for the year	-	-	-	-	(56,085)	(56,085)	13,680	(42,405)
Exchange rate variations on foreign investments (note 2.1)	-	-	-	279	-	279	-	279
Impact of subsidiaries -								
Exchange rate variations on foreign investments (note 2.1)	-	-	-	8,876	-	8,876	7,899	16,775
Exchange rate variations on discontinued investments	-	-	-	(2,454)	-	(2,454)	(2,184)	(4,638)
Actuarial loss on pension plans	-	-	(2,031)	-	-	(2,031)	(1,806)	(3,837)
Initial valuation adjustment on investment properties	-	-	4,013	-	-	4,013	3,572	7,585
Total comprehensive income	-	-	1,982	6,701	(56,085)	(47,402)	21,161	(26,241)
Owners' contribution (distribution):								
Negative goodwill on acquisition of investments (Note 9.a.3)	-	-	-	-	18,292	18,292	-	18,292
Dividend paid at subsidiaries	-	-	-	-	-	-	(5,080)	(5,080)
Special dividend reserve	-	-	-	-	-	-	1,130	1,130
Total owners' contribution (distribution)	-	-	-	-	18,292	18,292	(3,950)	14,342
BALANCES AS OF DECEMBER 31, 2019	882,236	209,701	98,358	(85,800)	(105,483)	999,012	790,268	1,789,280

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

(In thousands of Brazilian Reais)

	Capital	Retained earnings reserve Tax incentives	Assets and liabilities valuation adjustments	Cumulative translation adjustment	Accumulated deficit	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
BALANCES AS OF DECEMBER 31, 2019	882,236	209,701	98,358	(85,800)	(105,483)	999,012	790,268	1,789,280
Deemed cost of affiliated company	-	-	(242)	-	242	-	-	-
Comprehensive income:								
Net loss for the year	-	-	-	-	(209,599)	(209,599)	(151,670)	(361,269)
Exchange rate variations on foreign investments (note 2.1)	-	-	-	1,880	-	1,880	-	1,880
Impact of subsidiaries -								
Exchange rate variations on foreign investments (note 2.1)	-	-	-	23,303	-	23,303	20,734	44,037
Deemed exchange rate variations of affiliated company	-	-	-	21,429	-	21,429	-	21,429
Actuarial loss on pension plans	-	-	(2,101)	-	-	(2,101)	(1,869)	(3,970)
Loss on equity interest in affiliated company	-	-	(228)	-	-	(228)	-	(228)
Total comprehensive income (loss)	-	-	(2,329)	46,612	(209,599)	(165,316)	(132,805)	(298,121)
Owners' distribution:								
Dividend paid at subsidiaries	-	-	-	-	-	-	(520)	(520)
Total owners' distribution	-	-	-	-	-	-	(520)	(520)
BALANCES AS OF DECEMBER 31, 2020	882,236	209,701	95,787	(39,188)	(314,840)	833,696	656,943	1,490,639

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2020	2019	2020	2019
Cash flows from operating activities				
Net loss for the year	(209,599)	(56,085)	(361,269)	(42,405)
Adjustments to reconcile net loss for the year to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,540	31	105,097	103,973
Equity in subsidiaries	148,647	103,497	7,605	5,336
Equity in subsidiaries – discontinued operations	35,450	(102,857)	11,298	7,159
Gain from the sale of discontinued operations	-	-	-	(272,971)
Change in fair value of investment properties	(4,957)	(31,828)	(10,330)	(35,256)
Income and social contribution taxes	12,659	2,276	80,044	78,679
Allowance for expected losses on doubtful accounts	-	-	3,603	2,302
Impairment adjustments	-	-	42,957	(1,871)
(Gain) loss on disposal of permanent assets	-	-	(3,168)	12,059
Loss on disposal of investment	-	52,740	-	91,911
Renegotiation of leases	-	-	(5,722)	-
Monetary variations	-	-	15,296	5,201
Exchange rate variations	(9,897)	(4,034)	22,522	25,107
Bank charges and interests, net	15,476	22,747	202,333	204,123
Financial expenses – interest on leases	-	-	13,121	26,720
	(10,681)	(13,513)	123,387	210,067
Changes in assets and liabilities				
Marketable securities	30	129	102,098	15,427
Accounts receivable	-	-	(21,835)	602
Inventories	-	-	(11,350)	(2,683)
Advances to suppliers	-	126	66,547	1,742
Recoverable taxes	2,357	598	105,238	7,602
Cash holdback amount	-	-	(7,346)	(25,393)
Suppliers	(165)	545	45,092	56,138
Others	15,282	(11,749)	(3,006)	(52,845)
Net cash provided by (used in) operating activities	6,823	(23,864)	398,825	210,657
Interest paid	(13,968)	(12,549)	(99,075)	(141,070)
Commissions and fees paid on loans	(4,830)	(5,544)	(47,475)	(37,076)
Taxes received (paid)	-	-	(146)	1,487
Net cash provided by (used in) operating activities after interest and income taxes	(11,975)	(41,957)	252,129	33,998

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2020	2019	2020	2019
Cash flows from investing activities				
Investment properties	-	-	(855)	(5,679)
Property, plant and equipment	(39,192)	-	(127,336)	(93,180)
Intangibles	-	-	(670)	(125)
Proceeds from sale of property, plant and equipment	-	41	21,215	16,084
Proceeds from sale of discontinued operations	-	-	-	329,350
Proceeds from dividends	-	-	321	2,045
Loans between related parties	33,804	(59,721)	(4,802)	(75,811)
Net cash provided by (used in) investing activities	(5,388)	(59,680)	(112,127)	172,684
Cash flows from financing activities				
Proceeds from new loans	104,466	143,491	776,987	652,856
Repayment of loans and debentures	(87,658)	(40,391)	(859,400)	(788,522)
Repayment of leases, net	-	-	(33,345)	(40,109)
Dividends paid	-	-	(1,052)	(9,116)
Net cash provided by (used in) financing activities	16,808	103,100	(116,810)	(184,891)
Effect of exchange rate variations on cash and cash equivalents of foreign subsidiaries	-	-	(3,178)	(1,405)
Increase (decrease) in cash and cash equivalents	(555)	1,463	20,014	20,386
Cash and cash equivalents:				
At the beginning of the year	1,630	167	165,453	145,067
At the end of the year	1,075	1,630	185,467	165,453
Increase (decrease) in cash and cash equivalents	(555)	1,463	20,014	20,386

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF VALUE ADDED

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2020	2019	2020	2019
REVENUES				
Sales of products, goods and services	-	-	2,400,727	2,220,976
Allowance for expected losses on doubtful accounts	-	-	(3,603)	(2,302)
Gain (loss) on disposal of permanent assets	-	-	3,174	(12,059)
Loss on disposal of investment	-	(52,740)	-	(91,911)
	-	(52,740)	2,400,298	2,114,704
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(939,250)	(896,910)
Materials, energy, third party services, and others	(7,811)	(7,130)	(690,754)	(538,429)
Impairment adjustments	-	-	-	1,871
Change in fair value of investment properties	4,957	31,828	10,330	35,256
	(2,854)	24,698	(1,619,674)	(1,398,212)
GROSS VALUE ADDED	(2,854)	(28,042)	780,624	716,492
RETENTIONS				
Depreciation and amortization	(1,540)	(31)	(105,097)	(102,132)
NET VALUE ADDED PRODUCED BY THE COMPANY	(4,394)	(28,073)	675,527	614,360
VALUE ADDED RECEIVED BY TRANSFER				
Equity	(148,647)	(99,708)	(7,605)	(5,336)
Equity in subsidiaries – discontinued operations	(35,450)	99,068	-	-
Financial income	41,156	15,638	51,275	32,682
Exchange rate variation	68,805	24,116	89,966	79,764
Royalties	-	-	18,827	26,574
Others – Net income (loss) for the year – discontinued operations	-	-	(66,988)	185,082
	(74,136)	39,114	85,475	318,766
TOTAL VALUE ADDED FOR DISTRIBUTION (TO RETAIN)	(78,530)	11,041	761,002	933,126
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	3,443	4,016	401,551	411,432
Taxes, duties and contributions	16,868	8,933	377,136	212,734
Payments to third parties	110,758	54,177	343,584	351,365
Net loss for the year	(209,599)	(56,085)	(361,269)	(42,405)
VALUE ADDED DISTRIBUTED (RETAINED)	(78,530)	11,041	761,002	933,126

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

(Amounts in thousands of Brazilian Reais)

1. OPERATIONS

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

The Company is the parent company of Springs Global Participações S.A. (“SGPSA”), which is the parent company of Coteminas S.A. (“CSA”) and Springs Global US, Inc. (“SGUS”), companies that focus their manufacturing operations on bed and bath linens previously carried out by the Company and by Springs Industries, Inc. (“SI”), respectively.

In April 2009, subsidiary SGPSA started its bed, tabletop and bath retail operations under the brand MMartan, and later, in October 2011, under the brand Artex. The retail operations, under these two brands, are operated by the indirect subsidiary AMMO Varejo Ltda. (“AMMO”).

As disclosed in note 29 of the financial statements, on March 15, 2019, the sale of the operating assets and liabilities of the North American indirect subsidiary SGUS was concluded. As of that date, the indirect subsidiary SGUS holds an ownership interest in Keeco Holdings, LLC, which combined the operations of the two companies. In the fourth quarter of 2020, the subsidiary SGUS made this investment available for sale with the expectation of completion in 2021.

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

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s Board of Directors on March 29, 2021.

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

The Company adopted all standards, review of standards and interpretations issued by the IASB and the CPC which were effective on December 31, 2020. All relevant information relating to the financial statements is included herein and corresponds to those used by Company’s management in its administration.

2.1 – Translation of balances in foreign currency

a) Functional and presentation currency

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

b) Conversion of balances

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

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

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

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

2.2 – Accounting policies

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

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

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

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

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

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

ii) Non-derivative financial assets - measurement

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

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

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

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

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

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

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

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

iii) Non-derivative financial liabilities - measurement

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

iv) Derivatives measured at fair value through profit or loss

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Useful life
Buildings	40 years
Installations	15 years
Machinery and equipment	15 years
Hydroelectric plants	15 to 35 years
Furniture, fixtures and others	5 to 10 years

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3 – Accounting estimates

The preparation of financial statements makes use of estimates in order to record certain assets, liabilities and other transactions. To make these estimates, management used the best information available at the time of preparation of the financial statements, as well as the experience of past and/or current events, also considering estimates regarding future events. Therefore, the financial statements mainly include estimates related to the recovery value of financial assets (notes 2.2.c, No. 5, No. 7 and No. 8), determination of useful lives of property, plant and equipment (notes 2.2.m and No. 11), estimated recoverable value of non-financial assets (notes 2.2.p, No. 6, No. 11, No. 12 and No. 13), fair value of investment properties (notes 2.2.l and No. 10), provisions necessary for tax, civil and labor liabilities (notes 2.2.t and No. 22), determination of provisions for income tax (notes 2.2.q and No. 21), determination of fair value of financial instruments (assets and liabilities) (notes 2.2.b and No. 24) and other similar instruments, estimates related to the selection of interest rate (note 24.d.5), expected return on assets and the choice of mortality table and expected wage increases applied to the actuarial calculations (notes 2.2.u and No. 23). Actual results of transactions and information could differ from the estimates.

In accordance with Circular Letters Instructions issued by CVM, as well as taking into account the economic scenario and the risks and uncertainties arising from the impacts of COVID-19, we reviewed our accounting estimates listed above and mentioned our assessments in the respective notes, if applicable. In addition, we listed the impacts identified during 2020 due to this new economic reality in note 31.

2.4 – Consolidation criteria

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

	Direct and indirect interest in total capital - %	
	2020	2019
Coteminas International Ltd.	100.00	100.00
Coteminas (Argentina Branch)	100.00	100.00
Springs Global Participações S.A.	52.92	52.92
Oxford Comércio e Participações S.A.	63.37	63.37
O4D Comércio e Participações S.A.	63.37	-
Companhia Tecidos Santanense	56.51	56.51

The consolidation of the balance sheets and statement of operations accounts corresponds to the sum of assets, liabilities, revenues and expenses, according to their nature, after eliminating investments in subsidiaries, unrealized profits or losses and intercompany balances and transactions. The effect of the exchange rate variations on foreign investments is disclosed in a separate caption in the statement of changes in equity, “Cumulative translation adjustments”. The accounting practices of the foreign subsidiaries were adjusted to comply with the Company’s accounting practices. Non-controlling interests were presented separately in the statements of operations and equity.

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

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

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

	2020	2019	Variance %
Exchange rate as of:			
December 31	5.1967	4.0307	28.9%
Average exchange rate:			
December 31 (12 months)	5.2426	3.9443	32.9%

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

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

AMENDMENT CPC 06 R2 (IFRS 16) - Leasing operations

In May 2020, the IASB approved an amendment to the IFRS 16 standard, which allows rent concessions for lessees to be recognized directly in the statement of operations, during the period impacted by the Covid-19 pandemic, without treating such concessions as lease modifications. On July 7, 2020, the CVM published Resolution No. 859/2020 that approves the revision of CPC 06 (R2) / IFRS 16 that came into effect as of January 1, 2020.

See note 18.

3.CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	2020	2019	2020	2019
Repurchase transactions (*)	288	1,423	125,098	128,418
Foreign exchange funds (US$)	-	-	8,529	6,473
Foreign deposits	-	-	41,626	25,677
Checking accounts deposits	787	207	10,214	4,885
	1,075	1,630	185,467	165,453

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

4. MARKETABLE SECURITIES

	Consolidated	
	2020	2019
Fixed income – foreign	-	16,225
Investment fund – foreign	27,644	42,863
Restricted deposits (US$) (1)	-	71,010
Restricted cash (2)	6,437	1,932
	34,081	132,030
Current	(28,164)	(59,491)
Noncurrent	5,917	72,539

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

(2) On December 31, 2020, the Company and the subsidiary SGPSA had respectively, R$2,353 and R$1,671 of restricted cash in financial institutions, and indirect subsidiary SGUS had restricted cash of R$519, equivalent to US$100 thousand (US$100 thousand as of December 31, 2019) related to a compensating balance arrangement.

5. ACCOUNTS RECEIVABLE

	Consolidated	
	2020	2019
Domestic customers	595,156	559,547
Foreign customers	53,866	80,060
Credit card companies	12,847	7,485
Related parties		
Domestic market	4,182	1,871
Foreign market	2,918	-
	668,969	648,963
Allowance for expected losses on doubtful debts accounts	(46,942)	(44,371)
	622,027	604,592

Accounts receivable from customers consist of receivables with an average collection period of approximately 97 days (98 days as of December 31, 2019). Past due amounts are presented below and the allowance for expected losses on doubtful debts accounts is considered by Management sufficient to cover expected losses from these receivables.

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

	2020	2019
Current	574,638	550,426
Past due up to 30 days	12,182	17,163
Past due from 31 to 60 days	3,665	4,949
Past due from 61 to 90 days	1,535	2,874
Past due from 91 to 180 days	4,258	3,354
Past due greater than 180 days	72,691	70,197
	668,969	648,963

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

	2020	2019
Balance at the beginning of the year	(44,371)	(42,216)
Additions	(1,476)	(2,302)
Exchange rate variation	(1,095)	147
Balance at the end of the year	(46,942)	(44,371)

6. INVENTORIES

a. Inventories

	Consolidated	
	2020	2019
Raw materials and supplies	119,698	104,767
Work in process	157,360	114,425
Finished products	169,436	219,190
Repair parts	57,515	63,568
	504,009	501,950

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

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

As of December 31, 2020, no additional potential losses were identified in realizing these inventories. Idle costs (including losses resulting from COVID-19) are recognized directly in the income statement for the year and are not considered in the production cost of the finished goods produced.

Changes in the consolidated provision are as follows:

	Raw materials and supplies	Work in process	Finished products	Repair parts	Total
Balance as of December 31, 2018	(2,446)	(186)	(5)	(1,892)	(4,529)
(Additions) disposals	50	29	-	27	106
Exchange rate variations	729	55	2	-	786
Balance as of December 31, 2018	(1,667)	(102)	(3)	(1,865)	(3,637)
(Additions) disposals	(795)	107	(22)	703	(7)
Exchange rate variations	211	(5)	2	-	208
Balance as of December 31, 2018	(2,251)	-	(23)	(1,162)	(3,436)

b. Advances to suppliers

Refers substantially to payments made by indirect parent company to cotton suppliers, transferred to operating subsidiaries at market price, among other advances, and will be delivered as follows:

	Compay and consolidated	
Ano	2020	2019
- Cotton suppliers		
2020	-	56,157
2021	39,434	24,086
2022	25,698	24,086
2023	24,086	24,086
	89,218	128,415
- Others	24,269	24,310
	113,487	152,725
Current	(39,434)	(56,157)
Noncurrent	74,053	96,568

7. RECEIVABLE – CLIENTS

	Consolidated	
	2020	2019
Clients in judicial reorganization (a)	11,389	11,317
Clients in court recovery plan (b)	1,469	3,599
Installment plan agreed with clients (c)	4,301	4,921
Financing on stores transfer (d)	3,208	2,731
Sale of real estates (e)	16,165	13,141
Others	914	857
	37,446	36,566
Current (*)	(12,275)	(12,598)
Noncurrent	25,171	23,968

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

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

(b) Increasing semi-annual payments with interest from 0.5% to 3% per year with final maturity in December 2027. On December 31, 2020 a provision for loss in the amount of R$2,127 was recognized.

(c) Payment up to 47 fixed installments, with monthly interest from 1.56% to 1.97% per month.

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

(e) Payment up to 50 monthly installments with interest from 0.5% to 0.7% per month, and adjusted based on the IGP-M (general market price index).

Considering the information subsequent to December 31, 2020, up to the issuance date of the financial statements, no additional losses were identified.

8. RECEIVABLE – SALE OF INVESTMENT

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

The receivable balances are as follows:

	Company and consolidated	
	2020	2019
Nominal receivable	129,918	129,858
Present value adjustment (*)	(25,286)	(42,227)
Total	104,632	87,631
Current	(33,783)	(19,340)
Noncurrent	70,849	68,291

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

Receipt in 3 annual installments with maturity and remuneration coinciding with the loan maintained with SP Investidor IV, LLC as shown in note 14.

As of December 31, 2020, no potential losses were identified in realizing these receivables.

	Company and consolidated
Balance on December 31, 2019	87,631
Accrued interest	20,237
Amounts received	(30,798)
Exchange variation	27,561
Balance on December 31, 2020	104,632

9. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

a. Investments attributable to the owners of the Company:

	Equity	Ownership interest - %	Net income (loss)	Total investments 2020	Total investments 2019	Equity in subsidiaries and affiliated companies 2020	Equity in subsidiaries and affiliated companies 2019
Investments in subsidiaries:							
Springs Global Participações S.A. (1)	1,105,748	52.92	(320,940)	585,111	733,740	(134,376)	(74,873)
Oxford Comércio e Participações S.A.	244,693	63.37	(287)	155,062	177,730	(182)	(15,783)
O4D Comércio e Participações S.A. (2)	34,461	63.37	-	21,838	-	-	-
Tropical Agroparticipações S.A. (3)	-	-	-	-	-	-	(277)
Coteminas International Ltd.	2,785	100.00	(5,915)	2,785	5,798	(6,114)	(3,653)
Companhia Tecidos Santanense	283,293	2.07	(3,755)	5,864	5,967	(78)	220
Coteminas (Argentina branch)	(33)	100.00	(4)	(33)	(32)	(4)	(6)
Total subsidiaries				770,627	923,203	(140,754)	(94,372)
Investments in affiliated companies (direct):							
Cantagalo General Grains S.A. (4)	89,808	27.50	602,155	24,697	-	4,719	-
Companhia de Fiação e Tecidos Cedro e Cachoeira	131,148	30.40	(41,486)	39,869	52,481	(12,612)	(5,336)
Total affiliated companies (direct)				64,566	52,481	(7,893)	(5,336)
Total Company						(148,647)	(99,708)
Investments in affiliated companies (indirect):							
Cantagalo General Grains S.A. (4)	89,808	1.68	602,155	1,512	-	288	-
Keeco Holdings, LLC (5)	29,667	14.27	(127,878)	-	137,946	-	-
Total affiliated companies - Consolidated				66,078	190,427	(7,605)	(5,336)

(1) The net loss for the year does not include the discontinued portion of the equity in the subsidiary in the statement of operations of R$35,450 (R$99,068 in 2019). See note 29.

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

(3) In 2018, the Company and its subsidiary Oxford sold their total capital shares of Tropical Agroparticipações S.A. In May 2019, the Company and the buyer, by mutual agreement, decided to undo the transaction at no cost to both parties. The Company reestablished its investment from the subsidiary's shareholders' equity as of May 31, 2019 and reversed the previously determined gain on sale, in the amount of R$31,416 (Company) and R$46,387 (consolidated). In September 2019, the Company sold again the subsidiary Tropical Agroparticipações S.A. determining a loss of R$21,324 (Company) and R$ 45,524 (consolidated). This loss is substantially the adjustment to present value using the rates of loans made with SP Investidor IV, LLC (see notes 8 and 14).

(4) In 2019, the affiliate Cantagalo General Grains S.A. had a deficit of R$288,328, therefore the Company presented the investment reduced to zero.

(5) On March 15, 2019, the indirect subsidiary SGUS now holds 17.5% of Keeco Holdings, LLC, which combines its operations with the operations sold by SGUS. In the first quarter of 2020, the purchase price allocation of this investment was determined, allowing the indirect subsidiary SGUS to calculate the goodwill paid for the investment. See note 13.2. In May 2020, a new capital contribution was made to affiliate Keeco, with the entry of a new shareholder. Accordingly, as of that date, the subsidiary holds 14.27% of that affiliate.

In the fourth quarter of 2020, the indirect subsidiary SGUS made this investment available for sale with the expectation of completion in 2021, and therefore reclassified the investment to the line “Assets held for sale”. The equity losses of this investment in the years 2020 and 2019 were reclassified to the line “Net income (loss) from indirect subsidiary - discontinued operations”. See note 29.

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

				Non-controlling interest			
				On subsidiaries’ equity		On subsidiaries’ net income (loss)	
	Equity	Ownership interest - %	Net loss	2020	2019	2020	2019
Springs Global Participações S.A.	1,105,748	47.08	(320,940)	520,637	652,886	(119,576)	(64,485)
Oxford Comércio e Participações S.A.	244,693	36.63	(287)	89,631	102,735	(105)	(9,124)
O4D Comércio e Participações S.A.	34,461	36.63	-	12,623	-	-	-
Companhia Tecidos Santanense	283,293	12.02	(3,755)	34,052	34,647	(451)	1,275
				-----------	-----------	------------	------------
				656,943	790,268	(120,132)	(72,334)
Total discontinued operations (*)				-	-	(31,538)	86,014
				-----------	-----------	------------	------------
Total non-controlling interests				656,943	790,268	(151,670)	13,680
				=======	=======	=======	=======

(*) See note 29.

c. Supplemental information on investments in affiliated companies:

	Keeco, LLC (1)		Cantagalo General Grains S.A. (2)		Companhia de Fiação e Tecidos Cedro e Cachoeira (3)	
	2020	2019	2020	2019	2020	2019
Current assets	1,501,859	1,061,992	99,841	97,465	289,119	315,249
Noncurrent assets	1,041,901	1,464,611	315,917	611,515	393,283	417,222
Total assets	2,543,760	2,526,603	415,758	708,980	682,402	732,471
Current liabilities	1,482,808	1,064,559	310,167	1,051,878	301,424	325,668
Noncurrent liabilities	1,031,285	763,856	15,783	127,348	232,123	212,028
Total liabilities	2,514,093	1,828,415	325,950	1,179,226	533,547	537,696
Equity – Company	29,667	698,188	89,808	(288,328)	131,148	172,634
Net revenues	3,981,023	2,695,121	5,640	94,047	618,625	677,334
Income (loss) for the year – Company	(127,878)	(40,910)	602,155	(18,963)	(41,486)	(17,553)

(1) Keeco, LLC - Keeco Holdings, LLC, is a company with a portfolio of leading products and brands in the curtain, utility bedding, and decorative bedding markets, as well as a diversified portfolio of customers, including the leading traditional and digital retail companies in the North American market.

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

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

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

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

Subsidiaries	Springs Global Participações S.A.	Oxford Comércio e participações S.A.	Tropical Agroparticipações S.A.	O4D Comércio e Participações S.A.	Coteminas International Ltd.	Companhia Tecidos Santanense	Coteminas (Argentina branch)	Total
Balance as of December 31, 2018	701,152	200,331	-	-	9,188	5,747	(42)	916,376
Equity	24,196	(15,783)	(278)	-	(3,653)	220	(6)	4,696
Exchange rate variations on foreign investments	6,410	12	-	-	263	-	16	6,701
Assets and liabilities valuation adjustments	1,982	-	-	-	-	-	-	1,982
Tropical sale net impact	-	-	278	-	-	-	-	278
Dividends	-	(6,830)	-	-	-	-	-	(6,830)
Balance as of December 31, 2019	733,740	177,730	-	-	5,798	5,967	(32)	923,203
Equity	(169,826)	(182)	-	-	(4,890)	(78)	(4)	(174,980)
Exchange rate variations on foreign investments	23,300	3	-	-	1,877	-	3	25,183
Assets and liabilities valuation adjustments	(2,103)	-	-	-	-	-	-	(2,103)
Oxford spin-off	-	(21,838)	-	21,838	-	-	-	-
Dividends	-	(651)	-	-	-	(25)	-	(676)
Balance as of December 31, 2020	585,111	155,062	-	21,838	2,785	5,864	(33)	770,627

Affiliates	Direct: Cantagalo General Grains S.A.	Direct: Companhia de Fiação e Tecidos Cedro e Cachoeira	Indirect: Cantagalo General Grains S.A.	Indirect: Keeco Holdings, LLC
Balance as of December 31, 2018	-	57,817	-	-
Equity	-	(5,336)	-	(7,159)
Addition – Keeco	-	-	-	140,281
Exchange rate variations on foreign investments	-	-	-	4,824
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Balance as of December 31, 2019	-	52,481	-	137,946
Equity	4,719	(12,612)	288	(11,298)
Exchange rate variations on foreign investments	19,978	-	1,224	10,488
Goodwill allocation	-	-	-	(101,985)
Transfer to assets held for sale	-	-	-	(35,151)
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Balance as of December 31, 2020	24,697	39,869	1,512	-
	=======	=======	=======	=======

10. INVESTMENT PROPERTY

The consolidated investment property balances are as follows:

	Income properties				Investment property – Montes Claros		
	Commercial complex SGA (1)	Residential complex SGA (2)	Land subdivision (3)	Vinhedo building (4) (a)	Indirect subsidiary properties (5)	Company properties (6) (a)	Total
Balance as of December 31, 2019	301,550	44,974	36,066	-	60,240	86,110	528,940
Additions	855	-	-	-	-	-	855
Disposals (cost)	-	-	-	-	(11,842)	-	(11,842)
Disposals (change in fair value)	-	-	-	-	3,942	-	3,942
Change in fair value (b)	3,831	60	46	1,841	1,436	3,116	10,330
Properties for indirect subsidiary use (d)	-	-	-	(1,841)	-	-	(1,841)
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Balance as of December 31, 2020	306,236	45,034	36,112	-	53,776	89,226	530,384
	=======	======	======	======	======	======	======

	Income properties				Investment property			
	Commercial complex SGA (1)	Residential complex SGA (2)	Land subdivision (3)	Vinhedo building (4) (a)	Montes Claros building (5)	Montes Claros land (6) (a)	Fazenda Tropical (7)	Total
Balance as of December 31, 2018	248,251	44,296	37,536	-	55,276	76,995	-	462,354
Additions	5,679	-	-	-	-	-	157,284	162,963
Initial surplus/added value (b)	11,493	-	-	-	-	-	-	11,493
Change in fair value (c)	(5,413)	678	11	22,713	8,538	9,115	(386)	35,256
Transfer from AHFS	276	-	-	-	-	-	-	276
Transfer from PP&E	41,264	-	-	-	-	-	-	41,264
Disposals, net	-	-	(1,481)	-	(3,574)	-	(156,898)	(161,953)
Properties for indirect subsidiary use (d)	-	-	-	(22,713)	-	-	-	(22,713)
	------------	------------	-----------	-----------	------------	-----------	------------	-----------
Balance as of December 31, 2019	301,550	44,974	36,066	-	60,240	86,110	-	528,940
	=======	======	======	======	======	======	=======	======

(a) Balances held by the Company R$138,917 (R$133,960 as of December 31, 2019) including Vinhedo building in the amount of R$49,691 (R$47,850 as of December 31, 2019) presented under Property, plant and equipment. See note 11.

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

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

(d) Amounts reclassified to the consolidate balance sheet. See note 11.

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

1) Commercial complex SGA: It is a commercial complex of 319.7 thousand m², from the indirect subsidiary CSA, known as Centro Comercial Seridó, where 122.2 thousand m² have already been developed and leased. During 2020, rental income was R$8,908 (R$7,676 in 2019).

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

The calculated values were as follows:

	2020	2019
Residual cost of the property	110,562	109,707
Surplus/added value (a)	195,674	191,843
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Fair value (b)	306,236	301,550
	=======	=======

(a) Calculated deferred tax liability of R$66,529 (R$65,227 on December 31, 2019). See note 21.b.1.

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

<u>2) Residential complex SGA:</u> In 2018, the indirect subsidiary CSA made available a new area in the municipality of São Gonçalo do Amarante - RN containing 520 thousand m² to start a housing development.

	2020	2019
Residual cost of the property	93	93
Surplus/added value (a)	44,941	44,881
	----------	----------
Fair value (b)	45,034	44,974
	=======	=======

(a) Deferred tax liability of R$15,280 (R$15,259 on December 31, 2019). See note 21.b.1.

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

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

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

The calculated values were as follows:

	2020	2019
Residual cost of the property	1,272	1,272
Surplus/added value (a)	34,840	34,794
	------------	------------
Fair value (b)	36,112	36,066
	=======	=======

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

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

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

The calculated values were as follows:

	2020	2019
Residual cost of the property	25,137	25,137
Surplus/added value (a)	24,554	22,713
	------------	------------
Fair value (b)	49,691	47,850
	=======	=======

(a) Calculated deferred tax liability of R$8,349 (R$7,723 on December 31, 2019). See note 21.b.

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

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

	2020	2019
Land and installations (old MECA) (44,402 m²)	30,304	30,270
Land of the ESURB behind CODEVASF (2,770 m²)	4,240	3,750
Land of the ESURB Santa Rita II neighborhood (11,700 m²)	4,752	4,200
Land in Ibituruna (11,842 m²)	-	7,900
Land new municipality region (72,491 m²)	14,480	14,120
	----------	----------
Total	53,776	60,240
	======	======
Residual cost of the property	39,860	51,702
Surplus/added value (a)	13,916	8,538
	----------	----------
Fair value (b)	53,776	60,240
	======	======

(a) Calculated deferred tax liability of R$4,731 (R$2,903 on December 31, 2019). See note 21.b.

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

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

The calculated values were as follows:

	2020	2019
Residual cost of the property	50,310	50,310
Surplus/added value (a)	38,916	35,800
	------------	------------
Fair value (b)	89,226	86,110
	=======	=======

Fair value was based on the valuation report from Mercato Assessoria e Avaliações Ltda., Independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT - Brazilian Association of Technical Standards for the respective years. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information being used were the comparable prices per m² of similar properties in the region and area of real estate. The tax effects in the amount of R$10,268 (R$9,209 on December 31, 2019) were recorded under deferred income taxes. See note 21.b.

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

In June 2019, a new evaluation was performed by the subsidiary Tropical Agroparticipações. The fair value was based on an appraisal report issued by Mercato Assessoria e Avaliações Ltda., Independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT - Brazilian Association of Technical Standards. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information used were the comparable prices per m² of similar properties in the region and area of the real estate. In the fair value evaluation, a deferred tax liability of R$5,935 was calculated.

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

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

a. Property, plant and equipment

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

		2020			2019
	Rate (*) %	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	2.9	56,537	(22,242)	34,295	33,073
Buildings	2.5	408,472	(194,537)	213,935	219,017
Installations	6.7	262,664	(199,634)	63,030	64,476
Machinery and equipment	7.4	1,359,375	(1,037,020)	322,355	307,599
Hydroelectric plants	3.8	57,842	(32,145)	25,697	27,640
Furniture, fixtures and others	5.9	199,133	(111,453)	87,680	21,874
Construction in progress	-	141,168	-	141,168	114,487
		2,485,191	(1,597,031)	888,160	788,166
Properties for indirect subsidiary use (**)		49,691	-	49,691	47,850
		2,534,882	(1,597,031)	937,851	836,016

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

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

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

	Land and improvements	Buildings	Installations	Machinery and equipment	Hydroelectric plants	Furniture, fixtures and others (1)	Construction in progress (2)	Total
Balance as of December 31, 2018	33,430	243,938	76,162	351,669	28,744	26,024	30,707	790,674
Additions	1,304	45	495	14,043	919	2,382	109,610	128,798
Net disposals	(52)	-	(42)	(232)	-	(100)	(796)	(1,222)
Transfers								
- PP&E	75	555	5,489	12,771	(2)	287	(19,175)	-
- Investment properties	(580)	(4,927)	(7,439)	(21,745)	-	(101)	(6,472)	(41,264)
- AHFS	-	(10,999)	-	(111)	-	(65)	-	(11,175)
Exchange rate variations	64	512	25	122	-	20	613	1,356
Depreciation in the year	(1,610)	(10,107)	(10,257)	(48,933)	(2,021)	(5,553)	-	(78,481)
Impairment adjustment (3)	442	-	43	15	-	(1,020)	-	(520)
	----------	----------	----------	----------	----------	----------	----------	----------
Balance as of December 31, 2019	33,073	219,017	64,476	307,599	27,640	21,874	114,487	788,166
Additions	815	29	1,175	29,977	65	71,917	52,619	156,597
Net disposals	(205)	(6)	(529)	(1,556)	-	(346)	(632)	(3,274)
Transfers								
- PP&E	-	2,087	6,086	28,374	-	468	(37,015)	-
- AHFS	-	-	-	(3,271)	-	-	-	(3,271)
- Repair parts	-	-	-	5,863	-	1,606	-	7,469
Exchange rate variations	1,910	2,355	913	2,494	-	126	11,709	19,507
Depreciation in the year	(1,621)	(9,547)	(9,128)	(47,130)	(2,008)	(8,110)	-	(77,544)
Impairment adjustment (3)	323	-	37	5	-	145	-	510
	----------	----------	----------	----------	----------	----------	----------	----------
Balance as of December 31, 2020	34,295	213,935	63,030	322,355	25,697	87,680	141,168	888,160
	=======	=======	=======	=======	=======	=======	=======	=======

(1) Includes aircraft acquisition in the amount of R$68,349 (R$66,929 net of depreciation as of December 31, 2020), acquired in September 2020 by the Company. Payment made, in part, through a lease with SFG Equipment Leasing, which was classified as a financing lease in the amount of R$39,089. See note 14.b and 20.

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

(3) The Company annually assesses the recoverability of property, plant and equipment, considering cash flow for the period of 5 years. In 2020, the consolidated fixed assets are reduced by a provision for loss in the amount of R$4,793 (R$5,303 as of December 31, 2019).

b. Property, plant and equipment held for sale

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

As of December 31, 2020, this amount represented R$16,725, classified in non-current assets (R$24,421, of which R$12,327 was classified in current assets and R$12,094 in non-current assets as of December 31, 2019).

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

	2019	Additions	Disposals	Exchange rate variations	Transfer from PP&E	2020
Cost	396,489	652	(53,829)	97,221	12,699	453,232
Depreciation	(334,561)	(486)	40,055	(84,173)	(9,428)	(388,593)
Provision for loss	(37,507)	(1,951)	1,264	(9,720)	-	(47,914)
	24,421	(1,785)	(12,510)	3,328	3,271	16,725

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

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

The composition of assets contracted as leases are as follows:

		Consolidated			
		2020			2019
	Rate (2) %	Cost	Accumulated amortization	Net book value	Net book value
Properties (CSA and CTS – own use)	40.7	2,602	(1,776)	826	1,666
Properties – plants (Guarani – own use)	11.7	10,661	(1,242)	9,419	-
Properties (SGUS – own use)	8.3	46,130	(7,688)	38,442	32,798
Properties – stores (AMMO – own use)	24.9	88,433	(32,342)	56,091	42,836
Vehicles	50.1	2,284	(1,725)	559	731
Investment properties (1)		92,644	-	92,644	71,168
Total right-of-use assets		242,754	(44,773)	197,981	149,199
Financial leases receivable (1)		112,889	-	112,889	91,719
		355,643	(44,773)	310,870	240,918

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

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

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

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

	Properties	Property – plant	Properties – SGUS	Properties – stores	Vehicles	Investment properties	Financial leases receivable	Total
Balance as of December 31, 2018	-	-	-	-	-	-	-	-
Initial adoption of IFRS 16/CPC 06 (1)	2,231	-	34,590	44,230	1,158	68,585	103,163	253,957
Exchange rate variations	-	-	1,151	-	-	2,330	3,765	7,246
Additions (2)	363	-	-	17,059	621	875	-	18,918
Disposals (3)	-	-	-	(1,613)	-	-	(10,491)	(12,104)
Amortization in the year	(928)	-	(2,943)	(16,840)	(1,048)	-	(1,466)	(23,225)
Updated sublease contracts	-	-	-	-	-	4,279	9,705	13,984
Sublease cash receipts	-	-	-	-	-	(4,901)	(12,957)	(17,858)
Balance as of December 31, 2019	1,666	-	32,798	42,836	731	71,168	91,719	240,918
Exchange rate variations	-	1,953	9,522	-	-	20,645	26,589	58,709
Additions (2)	8	8,749	-	33,433	506	-	-	42,696
Disposals (3)	-	-	-	(3,267)	-	-	-	(3,267)
Amortization in the year	(848)	(1,283)	(3,878)	(16,911)	(678)	-	-	(23,598)
Interest	-	-	-	-	-	9,789	11,680	21,469
Sublease cash receipts	-	-	-	-	-	(8,958)	(17,099)	(26,057)
Balance as of December 31, 2020	826	9,419	38,442	56,091	559	92,644	112,889	310,870

(1) See note 18 for the initial adoption of IFRS 16/CPC 06 (R2).

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

(3) Early termination of lease contract.

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

	Lease receivable	
Year	2020	2019
2020	-	13,145
2021	17,124	13,282
2022	17,310	13,426
2023	17,508	13,580
2024 then after	128,860	96,361
	180,802	149,794
Present value adjustment	(67,913)	(58,075)
	112,889	91,719
Current	(16,230)	(6,601)
Noncurrent	96,659	85,118

The amounts recognized as finance leases have an expectation of compliance with long-term contracts with sub-tenants and also, for some properties, an expectation of occupancy after a vacancy period, which are updated and evaluated annually. As of December 31, 2020, the indirect subsidiary SGUS had no defaults with the current sub-lease agreements.

13. INTANGIBLE ASSETS

	Consolidated	
	2020	2019
Goodwill on the acquisition of AMMO (parent company) (1)	27,303	27,303
Trademarks – owned (3)	16,267	16,267
Trademarks – use license (4)	9,559	8,388
Intellectual property (5)	18,933	15,387
Store locations (real estate intangible) (6)	25,077	25,357
Others	12	14
Total	97,151	92,716

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

	Goodwill on the acquisition of AMMO (1)	Goodwill on the acquisition of Keeco (2)	Trademarks – owned (3)	Trademarks – use license (4)	Intellectual property (5)	Store locations (real estate intangible) (6)	Others	Total
Balance as of December 31, 2018	27,303	-	16,348	9,043	7,378	21,801	16	81,889
							-	
Additions	-	-	-	-	9,609	125	-	9,734
Disposals	-	-	(81)	-	-	(361)	-	(442)
Amortization	-	-	-	(718)	(1,600)	-	(2)	(2,320)
Exchange rate variations	-	-	-	63	-	-	-	63
Impairment adjustment (6)	-	-	-	-	-	3,792	-	3,792
	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------
Balance as of December 31, 2019	27,303	-	16,267	8,388	15,387	25,357	14	92,716
Transfers (goodwill allocation)	-	101,985	-	-	-	-	-	101,985
Additions	-	-	-	-	7,070	670	-	7,740
Disposals	-	-	-	-	-	(2,370)	-	(2,370)
Amortization	-	-	-	(925)	(3,524)	-	(2)	(4,451)
Exchange rate variations	-	29,518	-	2,096	-	-	-	31,614
Impairment adjustment (2) (6)	-	(42,936)	-	-	-	1,420	-	(41,516)
Transfer to assets held for sale (2)	-	(88,567)	-	-	-	-	-	(88,567)
	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------
Balance as of December 31, 2020	27,303	-	16,267	9,559	18,933	25,077	12	97,151
	======	======	======	======	======	======	======	======

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

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

The projection period for the December 2020 cash flows was five years. The assumptions used to determine the fair value through the discounted cash flow method include: cash flow projections based on management estimates for future cash flows, discount rates and growth rates for determining the perpetuity. Additionally, the perpetuity has been calculated considering the stabilization of operating margins, working capital and investments levels.

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

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

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

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

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

The changes were as follows:

	US$ thousand	R$ thousand
Breakdown between equity participation and goodwill paid:		
Investment on December 31, 2019 (a)	8,922	35,961
Equity in affiliate for the year	(2,158)	(11,298)
Exchange variation	-	10,488
Transfer to assets held for sale (c)	(6,764)	(35,151)
	-----------	-----------
Investment on December 31, 2020	-	-
	======	======
Investment on December 31, 2019 (a)	25,302	101,985
Impairment in the 1st quarter of 2020 (b)	(8,259)	(42,936)
Exchange variation	-	29,518
Transfer to assets held for sale (c)	(17,043)	(88,567)
	-----------	-----------
Goodwill on December 31, 2020	-	-
	======	======

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

(b) The investment in Keeco was significantly affected by the COVID-19 pandemic and, given the revised projections received by the Company, it was necessary to recognize impairment in the amount of R$42,936 or US$8,259.

(c) In the fourth quarter of 2020, the indirect subsidiary SGUS made the investment in Keeco available for sale. The investment and goodwill balances were reclassified to the "Assets held for sale" line, and the impairment adjustment for loss was classified as discontinued operations. See note 29.

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

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

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

(6) Store locations (real estate intangible): The amounts related to the store locations (real estate intangible) are recorded at the acquisition cost of the respective store, net of impairment of R$6,574 (R$7,994 as of December 31, 2019), based on its market value determined by an independent broker with valuation expertise.

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

14. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated 2020	Consolidated 2019
Local currency:					
Banco Votorantim S.A.	R$	2.5 + CDI	2021	81,065	81,437
Banco Fibra S.A. - CCE	R$	6.5 + CDI	2021	12,543	15,014
Banco Fibra S.A. - CCB	R$	115.0 do CDI	2022	40,096	39,997
Caixa Econômica Federal	R$	180.0 do CDI	2023	26,696	16,535
Outros	R$	-	2020	543	296
				160,943	153,279
Foreign currency:					
Banco Industrial do Brasil S.A.-PPE/ACE	US$	7.7	2022	21,326	16,546
SP Investidor IV, LLC	US$	13.0	2023	104,632	87,631
SFG Equipment Leasing (b)	US$	3.8	2029	35,956	-
				161,914	104,177
Total				322,857	257,456
Current				(154,586)	(170,743)
Noncurrent				168,271	86,713

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

	Currency	Annual interest rate - %	Maturity	Consolidated 2020	2019
Local currency:					
Banco do Brasil S.A. (c)	R$	130.0 and 294.0 of CDI	2023	419,253	434,941
Bradesco S.A.	R$	6.1 + CDI	2024	17,543	19,760
Banco Votorantim S.A. (a)	R$	2.5 + CDI	2021	81,065	81,437
Banco BBM S.A. – CCB	R$	149.0/150.5 of CDI and 3.9/7.04.0 + CDI	2024	34,604	44,821
Banco ABC do Brasil S.A.	R$	4.3 + CDI	2022	100,300	128,475
Banco Fibra S.A. – CCE (a)	R$	6.5 to 7.5 + CDI	2022	47,669	22,713
Banco Fibra S.A. – CCB (a)	R$	115.0 of CDI	2022	40,096	39,997
Banco Fibra S.A. – CCE	R$	15.8	2022	819	819
Banco do Brasil S.A. – CDC	R$	7.1 to 9.0	2021	75,289	77,391
BNDES (Finame)	R$	3.0 to 9.5	2023	35	168
Banco Safra S.A.	R$	6.8 and 7.4 + CDI	2024	69,094	54,960
Caixa Econômica Federal (a) (d)	R$	166.3 and 180.0 of CDI	2023	58,552	54,322
Banco Daycoval S.A.	R$	5.2 and 7.1 + CDI	2024	47,030	15,743
Banco Pine S.A.	R$	7.8 and 8.3 + CDI	2022	17,611	23,782
Banco Sofisa S.A.	R$	6.7 and 6.8 + CDI	2024	30,187	30,251
Banco Industrial do Brasil S.A.	R$	5.2 + CDI	2021	1,255	-
Banco BTG Pactual S.A. (e)	R$	12.5	2022	36,885	-
Banco Santander S.A. (f)	R$	3.5 and 4.7 + CDI	2021	55,228	-
Banco ABC Brasil S.A. - CCB	R$	3.9 + CDI	2022	20,008	-
Financiadora de Estudos e Projetos	R$	4.4	2025	19,101	
Others (a)	R$	-	2023	10,514	14,654
				------------	------------
				1,182,138	1,044,234
Foreign currency:					
Banco Patagonia	$ARG	30.0	2021	1,194	4,657
Banco Luso Brasileiro S.A.	US$	8.5	2021	10,019	9,960
Banco do Brasil S.A.	US$	4.8 to 5.0	2021	37,859	36,671
Banco Santander S.A. PPE	US$	8.1	2021	-	124,252
JP Morgan	US$	Libor + 0.9	2020	-	32,648
Banco Industrial do Brasil S.A. PPE/ACE (a)	US$	7.7 and 8.0	2022	21,326	27,504
Banco Pine S.A.	US$	9.5	2021	10,471	8,221
Banco Safra S.A.	US$	5.7	2021	16,410	7,328
Banco Itaú Unibanco S.A.	US$	7.5 to 7.6	2020	-	29,388
Banco Fibra S.A.	US$	5.0	2020	-	20,261
SP Investidor IV, LLC (a)	US$	13.0	2023	104,632	87,631
ICBC do Brasil Banco Múltiplo S.A.	US$	8.0	2021	44,096	-
SFG Equipment Leasing (a) (b)	US$	3.8	2029	35,956	-
				------------	------------
				281,963	388,521
				------------	------------
Total				1,464,101	1,432,755
Current				(866,943)	(825,161)
				------------	------------
Noncurrent				597,158	607,594
				=======	=======

(a) Loans held by the Company.

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

(c) Loan of indirect subsidiary CSA (R$382,011 as of December 31, 2020), with early maturity covenants, in which the Company, SGPSA, as guarantor, agreed to comply with the following financial ratios: Net Debt to EBITDA ratio, no greater than 4.0 during the year 2017; 3.5 during the year 2018; 3.0 as of the year 2019, in its annual consolidated financial statements.

(d) Includes loan of subsidiary SGPSA (R$18,971 as of December 31, 2020), with early maturity covenants, in which the subsidiary has committed to comply with the following financial ratios in its annual consolidated financial statements: (i) Net Debt to EBITDA ratio, no greater than 3.0, in its annual consolidated financial statements; (ii) Net Debt to Shareholders' Equity ratio, no greater than 0.7 during the period of the agreement; and (iii) EBITDA to net financial expenses ratio, no less than 2.0.

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

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

During 2020, due to the reduction in profitability resulting from the effects of the pandemic (COVID-19), described in note 31, the subsidiary SGPSA and its indirect subsidiary CSA, obtained a waiver from the financial covenants described above, with the financial institutions.

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

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

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

Maturities of the consolidated loans are as follows:

	2021	2022	2023	2024 a 2029	Total
Local currency:					
Banco do Brasil S.A.	183,037	127,366	108,850	-	419,253
Bradesco S.A.	5,203	4,936	4,936	2,468	17,543
Banco Votorantim S.A.	81,065	-	-	-	81,065
Banco BBM S.A. - CCB	17,994	6,996	6,995	2,619	34,604
Banco ABC do Brasil S.A.	55,972	44,328	-	-	100,300
Banco Fibra S.A. - CCE	39,753	7,916	-	-	47,669
Banco Fibra S.A. - CCB	1,096	39,000	-	-	40,096
Banco Fibra S.A. - CCE	9	810	-	-	819
Banco do Brasil S.A. - CDC	75,289	-	-	-	75,289
BNDES (Finame)	15	14	6	-	35
Banco Safra S.A.	52,904	5,714	5,714	4,762	69,094
Caixa Econômica Federal	38,549	16,192	3,811	-	58,552
Banco Daycoval S.A.	17,913	17,381	10,903	833	47,030
Banco Pine S.A.	14,411	3,200	-	-	17,611
Banco Sofisa S.A.	13,520	5,715	5,714	5,238	30,187
Banco Industrial do Brasil S.A.	1,255	-	-	-	1,255
Banco BTG Pactual S.A.	26,411	10,474	-	-	36,885
Banco Santander S.A.	55,228	-	-	-	55,228
Banco ABC Brasil S.A. - CCB	8,897	11,111	-	-	20,008
Financiadora de Estudos e Projetos	416	4,771	4,771	9,143	19,101
Others	10,069	412	33	-	10,514
	------------	------------	-----------	-----------	------------
	699,006	306,336	151,733	25,063	1,182,138
Foreign currency:					
Banco Patagônia	1,194	-	-	-	1,194
Banco Luso Brasileiro S.A.	10,019	-	-	-	10,019
Banco do Brasil S.A.	37,859	-	-	-	37,859
Banco Industrial do Brasil S.A. - PPE/ACE	10,933	10,393	-	-	21,326
Banco Pine S.A.	10,471	-	-	-	10,471
Banco Safra S.A.	16,410	-	-	-	16,410
SP Investidor IV, LLC	33,782	38,466	32,384	-	104,632
ICBC do Brasil Banco Múltiplo S.A.	44,096	-	-	-	44,096
SFG Equipment Leasing	3,173	3,295	3,423	26,065	35,956
	-----------	-----------	-----------	-----------	------------
	167,937	52,154	35,807	26,065	281,963
	-----------	-----------	-----------	-----------	------------
Total	866,943	358,490	187,540	51,128	1,464,101
	=======	=======	=======	=======	=======

Changes in consolidated loans and debentures were as follows:

	2020			2019
	Loans	Debentures	Total	Total
Beginning balance	1,432,755	99,397	1,532,152	1,548,367
Debt proceeds or renewal	769,936	-	769,936	423,288
Accrued interest	111,701	6,095	117,796	105,284
Paid principal	(846,900)	(12,500)	(859,400)	(452,805)
Paid interest	(95,916)	(3,159)	(99,075)	(105,843)
Exchange rate variations	86,726	-	86,726	19,450
Prepaid charges, net	5,799	1,252	7,051	(2,568)
Ending balance	1,464,101	91,085	1,555,186	1,535,173

15. DEBENTURES

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

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

The debentures were fully settled at maturity.

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

4th Series Debentures Terms

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

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

(1) Guarantees:

Secured Guarantee: Property of that indirect subsidiary, see note 10.2, whose fair value must remain higher than 1.43 times the issue value of the debentures in the first year and in the following years 1.67 times. In addition, the lease contracts of the property are part of the guarantee, and the fiduciary agent may, in case of default, retain the rent receivables until the default is resolved.

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

(2) Covenants:

Usual early maturity clauses without commitment for maintaining financial ratios.

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

	Debentures from		Company and consolidated	
	3rd series	4th series	2020	2019
Original amount	-	87,500	87,500	100,000
Prepaid interest	-	(132)	(132)	(1,385)
Accrued interest	-	3,717	3,717	782
Debentures total	-	91,085	91,085	99,397
Current	-	(91,085)	(91,085)	(87,008)
Noncurrent	-	-	-	12,389

16. SUPPLIERS

	Consolidated	
	2020	2019
Domestic market	223,891	168,239
Foreign market	25,463	29,729
	249,354	197,968

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 65 days (55 as of December 31, 2019).

17. GOVERNMENT CONCESSIONS

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

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

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

Total annual installments of the concession:

	Years 5 to 15 2002 to 2012	Years 16 to 25 2013 to 2022	Years 26 to 35 2023 to 2032
Historical amounts:			
Minimum installment	120	120	120
Additional installment	-	12,510	20,449
Annual installment	120	12,630	20,569
Total installments	1,320	126,300	205,690
Monetarily adjusted installments	8,672	829,728	1,351,265

For accounting purposes, indirect subsidiary CSA recognizes expenses incurred on an accrual basis, as a contra entry to noncurrent liabilities, on a straight-line basis, based on its share in the total concession amount, 33.33%, at present value, considering a basic interest rate when contracting the concession, updated by the IGP-M. The changes in the concession balances are as follows:

	Consolidated	
	2020	2019
Opening balance	65,983	65,448
Appropriation of the grant installment	4,483	4,027
Payments	(22,440)	(21,518)
Interest (7.5% p.a.)	18,652	15,726
Monetary variation (IGPM)	14,190	2,300
	80,868	65,983
Current	(27,658)	(22,212)
Noncurrent	53,210	43,771

As of December 31, 2020, the net book value of the property, plant and equipment related to the current concession is R$16,772 (R$18,208 as of December 31, 2019), considering CSA's equity interest in the investments for the construction of the Porto Estrela Hydroelectric Plant, located on the Santo Antônio River, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

18. LEASES PAYABLE

The breakdown of leases payable is as follows:

	Maturity	Consolidated 2020	Consolidated 2019
Properties	2024	898	1,735
Properties – plant	2028	9,877	-
SGUS (*)	2030	266,286	217,120
Properties – stores	2025	60,833	45,142
Vehicles	2022	580	747
		338,474	264,744
Current		(61,922)	(50,486)
Noncurrent		276,552	214,258

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

The maturities of leases payable are as follows:

	2021	2022	2023	2024 to 2030	Total
Properties	711	84	84	70	949
Properties – plant	1,807	1,806	1,806	8,278	13,697
SGUS	42,037	41,594	41,928	303,173	428,732
Properties – stores	21,754	15,994	14,678	18,567	70,993
Vehicles	556	37	-	-	593
Gross total	66,865	59,515	58,496	330,088	514,964
Adjust to present value	(4,943)	(6,496)	(12,746)	(152,305)	(176,490)
Total payable	61,922	53,019	45,750	177,783	338,474

Changes in the consolidated leases payable were as follows:

	2020						2019
	Properties	Properties – plant	SGUS	Properties – stores	Vehicles	Total	Total
Balance at the beginning of the year	1,735	-	217,120	45,142	747	264,744	23,221
Initial adoption IFRS 16/CPC 06 R2 (1)	-	-	-	-	-	-	253,957
Additions (2)	8	8,749	-	33,433	506	42,696	18,043
Disposals (3)	-	-	-	(3,492)	-	(3,492)	(12,555)
Charges	134	984	28,128	5,607	63	34,916	28,229
Payments	(979)	(1,794)	(41,758)	(14,135)	(736)	(59,402)	(54,409)
Renegotiations (4)	-	-	-	(5,722)	-	(5,722)	-
Exchange variation	-	1,938	62,945	-	-	64,883	8,165
Others	-	-	(149)	-	-	(149)	93
Balance at the end of the year	898	9,877	266,286	60,833	580	338,474	264,744

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

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

(3) Early termination of lease contracts.

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

The effects on results as of December 31, 2020 and 2019 are as follows:

	2020						2019
Continuing operations	Properties	Properties – plant	SGUS	Properties – stores	Vehicle	Consolidated	Consolidated
Lease payments in the year	979	1,794	41,758	14,135	736	59,402	52,582
PIS and COFINS recovered	-	-	-	(1,307)	-	(1,307)	(1,801)
Renegotiations	-	-	-	5,722	-	5,722	-
Amortization of right-of-use assets	(848)	(1,283)	(3,878)	(16,911)	(678)	(23,598)	(21,979)
PIS and COFINS on amortization	-	-	-	982	-	982	1,387
Interest net	(134)	(984)	(6,659)	(5,607)	(63)	(13,447)	(27,134)
PIS and COFINS on interest	-	-	-	325	-	325	414
Disposals, net	-	-	-	225	-	225	451
Updated sublease contracts	-	-	-	-	-	-	13,984
Sublease cash receipts	-	-	(26,057)	-	-	(26,057)	(17,858)
Total effects with the application of IFRS 16	(3)	(473)	5,164	(2,436)	(5)	2,247	46

Discontinued operations	Consolidated	
	2020	2019
Lease payments in the year	-	1,827
Amortization of right-of-use assets	-	(1,246)
Interest on leases in the year	-	(1,095)
Total effects with the application of IFRS 16	-	(514)

19. EQUITY

a. Capital

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

	Number of shares	
	2020	2019
Common	13,912,800	13,912,800
Preferred	16,723,657	16,723,657
	30,636,457	30,636,457

There was no change in the number of shares subscribed and paid for the period between January 1, 2019 and December 31, 2020.

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

b. Dividends

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

c. Retained earnings reserve

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

20. RELATED PARTY BALANCES AND TRANSACTIONS

	Consolidated			
	Receivable		Payable	
	2020	2019	2020	2019
Innotex International Ltd.	15,258	11,564	-	-
Holtex Inc.	1,777	1,378	-	-
Empr. Nac. Com. Rédito e Particip. S.A. – ENCORPAR	58,794	52,016	-	-
Wembley S.A.	10,358	9,750	-	-
Companhia Tropical de Alimentos e Participações	-	5,308	-	-
Encorpar Empr. Imob. Ltda.	-	-	-	1,194
	86,187	80,016	-	1,194

	Finance charges (consolidated)	
	2020	2019
Wembley S.A.	5,850	1,290
Empr. Nac. Com. Rédito e Particip. S.A. - ENCORPAR	5,274	4,237
JAGS - José Alencar Gomes da Silva	503	139
Innotex International Ltd.	348	379
Seda S.A.	138	104
Encorpar Empr. Imob. Ltda.	-	(47)
Econorte - Empr. Constr. Norte de Minas Ltda.	2	2
Seda, Inc.	748	260
Encorpar Empr. Imob. Ltda.	(201)	-
Companhia Tropical de Alimentos e Participações	929	-
Holtex, Inc.	20	-
	----------	----------
	13,611	6,364
	======	======

The balances refer to loans contracted with the Company under fair conditions in accordance with market practices. The charges are calculated according to the average cost of the lending company's loans.
The Board of Directors meeting of subsidiary SGPSA, held on December 29, 2015, approved payment of 2% commission (two percent annually), limited to the cumulative amount of R$47,750, on sureties/guarantees provided by the Company on loans and financing contracted by SGPSA and its subsidiaries. As of December 31, 2020, the amount of R$9,251 was recorded with R$3,380 in the caption “Other accounts payable” in current liabilities (R$4,418 as of December 31, 2019) and R$5,871 in the caption “Other obligations” in noncurrent liabilities (R$9,251 as of December 31, 2019), related to guarantees on existing contracts and credit facilities. During 2020, the amount of R$4,418 was recorded as interest income (R$5,288 in 2019). These amounts are eliminated in the consolidated financial statements.

Encorpar Empreendimentos Imobiliários Ltda., affiliated company, and the subsidiary Santanense, entered into a lease agreement related to the building where the subsidiary’s office is located. During 2020, R$516 was accrued (R$475 in the same period of 2019).

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

The amounts paid to key management personnel are disclosed in the statements of operations, under caption "Management fees" and include existing long-term and post-employment benefits. The management fees balances are described below:

	Company		Consolidated	
	2020	2019	2020	2019
Advisers (Company)	1,343	1,341	1,343	1,341
Advisers (Consolidated)	-	-	2,025	1,940
Statutory officers (Company)	1,232	1,232	1,232	1,232
Statutory officers (Consolidated)	-	-	5,751	6,132
Other directors (Consolidated)	-	-	8,180	7,651
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	2,575	2,573	18,531	18,296
	====	====	=====	=====

21. INCOME AND SOCIAL CONTRIBUTION TAXES AND OTHER TAXES

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

	2020					
	CTNM (Parent Co.)	Oxford Consolidated	CSA Consolidated	SGUS	Others (2)	CTNM Consolidated
Income (loss) from operations before taxes (1)	(196,940)	(5,722)	(156,746)	(85,757)	163,940	(281,225)
Equity in subsidiaries and affiliated companies	184,097	4	-	11,298	(176,496)	18,903
Investment support	-	(9,712)	(34,190)	-	-	(43,902)
Foreign net income	-	-	1,289	-	-	1,289
Permanent differences from foreign subsidiaries	-	-	-	(4,037)	-	(4,037)
Others, net	1,718	314	602	-	-	2,634
	------------	------------	------------	------------	------------	------------
Income tax basis	(11,125)	(15,116)	(189,045)	(78,496)	(12,556)	(306,338)
34% income tax and social contribution rate	3,783	5,140	64,275	26,689	4,268	104,155
Unrecognized tax credits	(16,442)	(225)	(66,241)	(27,003)	(4,268)	(114,179)
Valuation allowance adjustment	-	-	-	(69,707)	-	(69,707)
Other	-	(10)	(303)	-	-	(313)
	------------	------------	------------	------------	------------	------------
Total income taxes	(12,659)	4,905	(2,269)	(70,021)	-	(80,044)
	=======	=======	=======	=======	=======	=======
Continuing operations						
Income taxes – current	-	(1,115)	(308)	(314)	-	(1,737)
Income taxes – deferred	(12,659)	6,020	(1,961)	(69,707)	-	(78,307)
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	(12,659)	4,905	(2,269)	(70,021)	-	(80,044)
	=======	=======	=======	=======	=======	=======

	2019						
	CTNM (Parent Co.)	Oxford Consolidated	CSA Consolidated	SGUS	Tropical Agroparti-cipações	Others (2)	CTNM Consolidated
Income (loss) from operations before taxes (1)	(53,809)	(29,131)	(106,061)	246,733	(528)	(20,930)	36,274
Equity in subsidiaries and affiliated companies	640	209	-	7,159	-	4,487	12,495
Investment support	-	(15,108)	(40,447)	-	-	-	(55,555)
Permanent differences from foreign subsidiaries	-	-	-	(4,338)	-	-	(4,338)
Others, net	209	598	1,072	-	-	78	1,957
Income tax basis	(52,960)	(43,432)	(145,436)	249,554	(528)	(16,365)	(9,167)
34% income tax and social contribution rate	18,006	14,767	49,448	(84,848)	180	5,564	3,117
Unrecognized tax credits	(20,295)	(9,344)	(52,819)	6,537	(7)	(5,564)	(81,492)
Tax credit of foreign subsidiary	-	-	(120)	(291)	-	-	(411)
Other	13	295	(301)	230	(130)	-	107
Total income taxes	(2,276)	5,718	(3,792)	(78,372)	43	-	(78,679)
Continuing operations							
Income taxes – current	-	1,983	(323)	4,640	173	-	6,473
Income taxes – deferred	(2,276)	3,735	(3,469)	(291)	(130)	-	(2,431)
	(2,276)	5,718	(3,792)	4,349	43	-	4,042
Continuing operations							
Income taxes – current	-	-	-	(2,535)	-	-	(2,535)
Income taxes – deferred	-	-	-	(80,186)	-	-	(80,186)
	-	-	-	(82,721)	-	-	(82,721)

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

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

b. Deferred income and social contribution taxes

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

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

Deferred income and social contribution taxes are composed as follows:

	2019	Recognized in: Statement of operations	Recognized in: Equity	Exchange rate variations	Other	2020
Assets:						
Net operating losses (Company) (p)	3,454	-	-	-	-	3,454
Temporary differences (Company) (p)	6,299	(5,085)	-	-	-	1,214
Temporary differences (CSA – Argentina) (1) (a)	649	-	-	-	(261)	388
Temporary differences (CSA – Brasil) (1) (p)	15,635	1,148	-	-	-	16,783
Net operating losses (CSA – Brasil) (1) (p)	1,148	(1,148)	-	-	-	-
Tax credits from foreign subsidiary (CSA) (1) (p)	7,167	-	-	-	-	7,167
Net operating losses (SGUS – EUA) (2) (a)	66,501	(69,707)	-	19,265	-	16,059
Temporary differences (AMMO – Brasil) (1) (a)	225	-	-	-	196	421
Net operating losses (SGPSA – Brasil) (a)	1,905	-	-	-	-	1,905
Temporary differences (Santanense) (3) (a) (*)	2,400	(348)	-	-	-	2,052
Net operating losses (Santanense) (3) (a) (*)	19,939	3,893	-	-	-	23,832
Reclassifications for balance sheet presentation (a) (*)	(22,339)	(2,180)	-	-	-	(24,519)
	102,983	(73,427)	-	19,265	(65)	48,756
Liabilities:						
Temporary differences (Company) (p)	(3,704)	(5,452)	-	-	-	(9,156)
Negative goodwill in subsidiary (Company) (p)	(426)	-	-	-	-	(426)
Investment properties (Company) (p)	(16,932)	(1,685)	-	-	-	(18,617)
Temporary differences (Company) (p)	(14,027)	(437)	-	-	-	(14,464)
Temporary differences (Company – Argentina) (p)	(75)	-	-	-	8	(67)
Investment properties (CSA – Brazil) (p)	(83,389)	(3,151)	-	-	-	(86,540)
Hyperinflationary adjustment (CSA – Argentina) (1) (p)	(6,651)	-	-	-	548	(6,103)
Investment properties (Santanense) (3) (p)	(2,341)	(2)	-	-	(2)	(2,345)
Temporary differences (CSA – Brasil) (1) (p)	(17,539)	1,190	-	-	-	(16,349)
Temporary differences (Santanense) (3) (p)	(26,994)	2,477	-	-	(2)	(24,519)
Negative goodwill in subsidiary (Oxford) (p)	(4,623)	-	-	-	-	(4,623)
Reclassifications for balance sheet presentation (a) (*)	22,339	2,180	-	-	-	24,519
	(154,362)	(4,880)	-	-	552	(158,690)
Total deferred taxes, net	(51,379)	(78,307)	-	19,265	487	(109,934)
Noncurrent assets – deferred taxes (total of a)	69,280	(68,342)	-	19,265	(65)	20,138
Noncurrent liabilities – deferred taxes (total of p)	(120,659)	(9,965)	-	-	552	(130,072)

(*) Reclassifications performed for balance sheet presentation.

As of December 31, 2020, the Company had net operating losses of R$263,179 (R$214,301 as of December 31, 2019) and social contribution tax losses of R$277,499 (R$228,470 as of December 31, 2019), whose tax assets were not recognized in the financial statements.

(1) Deferred taxes of indirect subsidiary CSA:

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

	CSA consolidated		
Year	Temporary differences	Operating losses (*)	Total
2021	3,846	(3,846)	-
2023 and thereafter	13,746	11,013	24,759
	-----------	-----------	-----------
	17,592	7,167	24,759
	======	======	======

(*) Includes compensation of taxes paid in Argentina.

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

Additionally, as of December 31, 2020, the indirect subsidiary CSA had net operating losses of R$1,003,472 (R$915,612 as of December 31, 2019) and social contribution tax losses of R$1,009,600 (R$921,695 as of December 31, 2019), whose tax assets were not recognized in the financial statements. As of December 31, 2020, the indirect subsidiary AMMO had net operating losses of R$335,239 (R$283,948 on December 31, 2019) and social contribution tax losses of R$335,268 (R$282,322 on December 31, 2019).

Deferred tax liabilities – investment properties:

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

	Investment properties São Gonçalo			
	Business complex (10.1)	Residential complex (10.2)	Investment properties Montes Claros (10.5)	Total
Fair value	306,236	45,034	53,776	405,046
Total residual cost	(110,562)	(93)	(39,860)	(150,515)
Surplus/added value	195,674	44,941	13,916	254,531
Income and social contribution taxes liability on surplus/added value (34%)	66,529	15,280	4,731	86,540

(2) Deferred taxes of indirect subsidiary SGUS:

The indirect subsidiary SGUS, based on its business plan and future projections, maintained deferred tax assets derived, primarily, from accumulated tax losses. Based on the projections of its operating results, the indirect subsidiary SGUS had a deferred tax assets balance, as of December 31, 2020, totaling R$16,059 (R$66,501 as of December 31, 2019). The reduction in the deferred tax assets was caused by the negative impact of COVID-19 on the profitability projections of its affiliate Keeco Holdings, LLC. The revised projections of the continuing operations consider the revenues and expenses of the subsidiary SGUS, including the profitability of its affiliate, for the next 10 years.

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

The estimated realization for the deferred tax assets of subsidiary SGUS, as of December 31, 2020, is shown below:

Year	Indirect subsidiary SGUS
2021	16,059

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

Additionally, on December 31, 2020, indirect subsidiary SGUS had R$1,213,899 in tax losses (R$499,688 at December 31, 2019) whose tax assets were not recognized in the financial statements.

(3) Deferred taxes of indirect subsidiary Santanense:

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

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

	Company and Consolidated		
Year	Temporary differences	Operating losses	Total
2021	2,052	16	2,068
2022	-	754	754
2023	-	2,501	2,501
2024	-	2,899	2,899
2025 and thereafter	-	17,662	17,662
	----------	----------	----------
	2,052	23,832	25,884
	======	======	======

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

c. Recoverable taxes

	Company		Consolidated	
	2020	2019	2020	2019
ICMS (state VAT)	-	-	28,340	24,449
Income and social contribution taxes prepayments	2,869	1,724	16,347	15,536
Recoverable PIS and COFINS (*)	67,312	70,134	268,637	358,393
Recoverable INSS	-	-	27	17,858
IVA – Gross proceeds (Argentina)	-	-	4,355	1,417
Recoverable IPI	-	-	83	83
ILL (tax on net income)	5,341	5,341	5,341	5,341
IPTU credit	-	-	10,901	-
Other recoverable taxes	-	-	635	520
	-----------	-----------	-----------	-----------
Current assets	75,522	77,199	334,666	423,597
	(10,622)	(1,724)	(84,570)	(86,727)
Noncurrent assets	-----------	-----------	-----------	-----------
	64,900	75,475	250,096	336,870
	======	======	======	======

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

22. MISCELLANEOUS ACCRUALS

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

The Company and its subsidiaries have tax, civil claims and labor, whose loss was estimated as possible in the amounts of R$43,077, R$154,399 and R$3,683, respectively (R$34,042, R$139,512 and R$4,402, respectively in 2019). The main tax claims relate to infraction notices referring to: (i) imports of raw materials under the Drawback program (R$7,559); (ii) calculation of presumed FAIN credit (R$5,871); (iii) ex-tariff IPI exemption (R$3,160); and (iv) partial rejection of compensation of IPI credit and exemption on the aircraft’s custom clearance (R$2,651). The main civil claims correspond to a writ of mandamus filed against the Electric Energy Trading Chamber (CCEE), in the amount of R$38,701, seeking to eliminate possible financial burdens arising from judicial decisions that determine the sharing of losses among power generators. Annulment Actions with an injunction request to cancel some "Dations in payment" of several properties, due to the debts generated by the non-delivery of cotton in an amount corresponding to R$105,368 and the seizure of cotton feather corresponding to R$5,768. The main labor lawsuits are related to labor claims of former employees and third parties.

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

	Company		Consolidated	
	2020	2019	2020	2019
Tax litigation claims:				
INSS	232	232	825	825
IPI foreign flag	2,893	2,893	2,893	2,893
Others	981	1,806	2,166	2,990
Labor	-	-	9,852	9,807
Civil and others	6,726	8,178	10,614	11,682
	---------	---------	----------	----------
	10,832	13,109	26,350	28,197
	=====	=====	======	======
Escrow deposits	9,224	11,567	25,551	28,157
	=====	=====	======	======

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

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

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

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

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

Changes in the consolidated accrual are as follows:

	2019	Additions	Reductions	Exchange variation	2020
Tax litigation claims:					
INSS	825	-	-	-	825
IPI foreign flag	2,893	-	-	-	2,893
Others	2,990	2	(826)	-	2,166
Labor	9,807	2,606	(2,522)	(39)	9,852
Civil and others	11,682	532	(1,527)	(73)	10,614
	----------	---------	---------	---------	----------
	28,197	3,140	(4,875)	(112)	26,350
	=====	=====	=====	=====	=====

23. EMPLOYEE BENEFIT PLANS

Substantially all of the employees of the indirect subsidiary SGUS are covered by defined-contribution plans. Some executives of indirect subsidiary SGUS are covered by a defined-benefit plan. Indirect subsidiary SGUS may make contributions to the defined-contribution plan at its discretion, and these contributions are considered by means of a percentage of each participant's eligible compensation. In addition, should eligible participants contribute a percentage of their compensation to some defined-contribution plans, indirect subsidiary SGUS may, at its discretion, make a contribution in the proportion of the amounts contributed by the participants.

Indirect subsidiary SGUS sponsors a defined-benefit pension plan for some of its employees, whose expected pension costs are accrued based on actuarial studies. Contributions of retired employees and indirect subsidiary SGUS are adjusted periodically. Indirect subsidiary SGUS' contributions to the defined-benefit plans are made pursuant to the "US Employee Retirement Income Security Act" and benefits are generally based on years of service and salary (compensation) levels.

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

The table below includes summarized information on the pension and postretirement plans as of December 31, 2020 and 2019:

	2020	2019
Changes in benefit obligation:		
Benefit obligation at beginning of year	164,983	155,727
Service cost	1,463	1,049
Interest cost	7,550	6,779
Actuarial (gain) loss	10,679	9,995
Benefit payments	(18,145)	(14,898)
Exchange rate variation	47,713	6,331
Benefit obligation at end of year	214,243	164,983
Changes in plan assets:		
Fair value of plan assets at beginning of year	51,960	46,578
Return on assets	10,108	8,796
Employer contributions	13,316	9,533
Benefit payments	(18,145)	(14,898)
Exchange rate variation	14,985	1,951
Fair value of plan assets at end of year	72,224	51,960
Present value of unfunded obligations	142,019	113,023
Actuarial assumptions to determine the benefit obligations at year end:		
Discount rate (per annum)	2.10% a 2.45%	3.05% a 3.25%
Rate of compensation increase (per annum)	-	-
Assumptions used to determine net expense for the years ended:		
Discount rate and expected rate of return on assets (per annum)	3.05% a 3.25%	4.15% a 4.30%
Rate of compensation increase (per annum)	-	-

Components of net periodic benefit cost:	2020	2019
Service cost	1,463	1,049
Interest cost, net	4,022	4,196
Net periodic benefit cost	5,485	5,245

SGUS' investment strategy is to invest in a diversified portfolio that will maximize returns, considering an acceptable risk level. Pension plan assets are invested in mutual funds which have a target allocation of 40% in equity securities and 60% in fixed income funds. The expected returns on plan assets were developed in conjunction with external advisors and take into account long-term expectations for future returns based on SGUS' current investment strategy.

	2020	2019
Investments in plan assets:		
Equity securities	28,736	17,938
Fixed income	39,862	33,254
Cash and cash equivalents	3,626	768
Plan assets fair value at the end of year	72,224	51,960

The subsidiary SGUS expects to contribute R$13,164 to the defined-benefit plans in 2021. Expected benefit payments for the next 10 years are:

	Defined-benefit pension plans
2021	18,393
2022	15,935
2023	15,378
2024	14,822
2025	14,299
2026 – 2030	62,911

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

	2020	2019
Pension plan obligations	142,019	113,023
Other employee benefit obligations	2,893	2,761
Total employee benefit plans	144,912	115,784
Current (a)	(13,209)	(9,617)
Noncurrent	131,703	106,167

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

24. FINANCIAL INSTRUMENTS

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

	Company		Consolidated	
	2020	2019	2020	2019
FINANCIAL ASSETS --				
Amortized cost:				
Cash and cash equivalents	1,075	1,630	185,467	165,453
Marketable securities (current)	-	-	28,164	41,126
Accounts receivable	-	-	622,027	604,592
Cash holdback amount	-	-	20,787	25,393
Receivable - sale of investment (current)	33,783	19,340	33,783	19,340
Other receivables	995	895	27,967	31,067
Marketable securities (noncurrent)	2,353	1,529	5,917	72,539
Receivable – clients	-	-	25,171	23,968
Receivable - sale of investment (noncurrent)	70,849	68,291	70,849	68,291
Related parties	211,426	175,410	86,187	80,016
Escrow deposits	9,224	11,567	25,551	28,157
Others credits and receivables	240	20,254	69,173	65,583
Fair value through profit or loss:				
Marketable securities (current)	-	-	-	18,365
FINANCIAL LIABILITIES --				
Amortized cost:				
Loans and financing (current)	154,586	170,743	866,943	825,161
Debentures (current)	-	-	91,085	87,008
Suppliers	623	813	249,354	197,968
Government concessions (current)	-	-	27,658	22,212
Other accounts payable	5,691	6,571	64,366	63,589
Loans and financing (noncurrent)	168,271	86,713	597,158	607,594
Debentures (noncurrent)	-	-	-	12,389
Government concessions (noncurrent)	-	-	53,210	43,771
Related parties	235,396	176,724	-	1,194
Other obligations	7,700	11,049	44,095	37,663

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

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

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

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

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

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

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

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

d.3.1 – Exchange rate risk on foreign investments:

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

	2020				
	R$	$ARG	US$	$PYG	Exchange rate variation on foreign investments R$
Foreign investments:					
Coteminas Argentina	62,850	1,017,728	-	-	7,319
LAT Capital	13,175	-	2,535	-	2,733
Textil Guarani	4,449	-	-	5,943,094	479
SGUS	385,394	-	74,161	-	122,042
Santanense Argentina S.A.	(55)	(891)	-	-	5
Coteminas International Ltd.	2,785	-	536	-	1,877
Coteminas (Argentina branch)	(33)	(534)	-	-	3
	------------	------------	------------	------------	------------
	468,565	1,016,303	77,232	5,943,094	134,458
Related parties:					
LAT Capital	(115,329)	-	(22,193)	-	(25,403)
SGUS	(256,291)	-	(49,318)	-	(63,138)
	------------	------------	------------	------------	------------
	(371,620)	-	(71,511)	-	(88,541)
	------------	------------	------------	------------	------------
Total of foreign investments net	96,945	1,016,303	5,721	5,943,094	45,917
	=======	=======	=======	=======	=======

	2019				
	R$	$ARG	US$	$PYG	Exchange rate variation on foreign investments R$
Foreign investments:					
Coteminas Argentina	21,636	321,478	-	-	(1,770)
LAT Capital	9,219	-	-	2,287	366
Textil Guarani	3,008	-	4,824,379	-	85
SGUS	422,901	-	-	104,920	18,069
Santanense Argentina S.A.	(61)	(906)	-	-	25
Coteminas International Ltd.	5,798	-	-	1,438	263
Coteminas (Argentina branch)	(32)	(475)	-	-	16
	------------	------------	------------	------------	------------
Total of foreign investments	462,469	320,097	4,824,379	108,645	17,054
	=======	=======	=======	=======	=======

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

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

Financial instruments	2020	2019
Cash and cash equivalents	8,529	6,473
Accounts receivable	50,163	76,998
Marketable securities	-	71,010
Receivable – sale of investment	104,632	87,631
Suppliers	(11,108)	(10,621)
Loan and financing	(280,769)	(351,217)
Related parties	131,955	(217,996)
Total exposure in Brazilian Reais	3,402	(337,722)
Total exposure in equivalent thousands of US Dollars	655	(83,787)

The sensitivity analysis of financial instruments, considering the US dollar denominated cash flows, as of December 31, 2020, is shown below:

			Scenarios		
Maturity	Risk	Exposure value in thousands of US$	Probable	II	III
2021	US dollar depreciation	9,015	1,787	(10,371)	(22,529)
2022	US dollar depreciation	(2,685)	(602)	3,037	6,677
2023	US dollar depreciation	(659)	(319)	617	1,552
2024	US dollar depreciation	(684)	(554)	473	1,499
2025	US dollar depreciation	(711)	(827)	303	1,433
2026	US dollar depreciation	(738)	(1,132)	110	1,352
2027	US dollar depreciation	(767)	(1,492)	(123)	1,246
2028	US dollar depreciation	(796)	(1,901)	(392)	1,118
2029	US dollar depreciation	(1,320)	(3,626)	(1,004)	1,619
		655	(8,666)	(7,350)	(6,033)

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

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

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

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

d.4 – Commodities price risk (cotton)-- This risk arises from the possibility of the Company and its subsidiaries may incur losses due to fluctuations in the price of cotton, its main raw material. As of December 31, 2020 and 2019 there were no outstanding contracts subject to price fluctuation.

d.5 – Interest rates risk--Cash and cash equivalents and marketable securities yield, approximately, the equivalent to CDI (Certificate of Interbank Deposit) rates. Interest-bearing liabilities, which reflect rates equivalent to LIBOR, or fixed interest rates, are disclosed in notes 14 and 20. Considering the cash flows of these liabilities (except as described in d.5.1 and d.5.2 below) and the contracted interest rates, Management determined that the exposure to market changes on the contracted interest rates is not significant. Therefore, the sensitivity analysis is deemed unnecessary for these financial instruments.

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

Interest rates swap contracts--Are presented and measured at fair value and are based on the cash flow of the loans denominated in foreign currency. Gains or losses are recorded under the "Financial expenses – interests" caption in the statements of operations. There were no interest rate derivatives in the years ended December 31, 2020 and 2019.

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

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

	2020				2019
Description	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: 130.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	165,000	305	(2,237)	163,068	162,464
Loan Agreement -- Interest: 130.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	165,000	305	(2,237)	163,068	162,464
Loan Agreement -- Interest: 294.0% of CDI Counterpart: Banco Brasil S.A. – CCB Maturity: March/2022	56,250	136	(511)	55,875	66,008
Loan Agreement -- Interest: 294.0% of CDI Counterpart: Banco Brasil S.A. Maturity: March/2022	37,500	82	(340)	37,242	44,005
(Refer to Note 14)				419,253	434,941
Loan Agreement -- Interest: CDI + 6.1% Counterpart: Banco Bradesco S.A. Maturity: April/2024	17,277	266	-	17,543	-
(Refer to Note 14)				17,543	-
Loan Agreement -- Interest: CDI + 2.5% Counterpart: Banco Votorantim S.A. Maturity: February/2021	40,000	581	-	40,581	40,813

Description	2020 Principal amount R$ thousands	2020 Accrued interest	2020 Prepaid interest	2020 Payable	2019 Payable
Loan Agreement -- Interest: CDI + 2.5% Counterpart: Banco Votorantim S.A. Maturity: February/2021	20,000	272	-	20,272	20,351
Loan Agreement -- Interest: CDI + 2.5% Counterpart: Banco Votorantim S.A. Maturity: April/2021	20,000	212	-	20,212	20,273
(Refer to Note 14)				81,065	81,437
Loan Agreement -- Interest: 149.0% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: June/2021	6,644	85	-	6,729	22,992
Loan Agreement -- Interest: CDI + 3.9% Counterpart: Banco BBM S.A. – CCB Maturity: July/2021	1,447	38	-	1,485	5,018
Loan Agreement -- Interest: 150.5% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: July/2021	3,216	42	-	3,258	8,807
Loan Agreement -- Interest: 149.0% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: November/2021	3,000	1	-	3,001	8,004
Loan Agreement -- Interest: CDI + 7.0% Counterpart: Banco BBM S.A. – CCB Maturity: November/2024	10,000	8	-	10,008	-
Loan Agreement -- Interest: CDI + 7.0% Counterpart: Banco BBM S.A. – CCB Maturity: December/2023	10,000	123	-	10,123	-
(Refer to Note 14)				34,604	44,821
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. – CCB Maturity: April/2022	13,636	34	-	13,670	17,552
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. Maturity: April/2022	12,329	31	-	12,360	15,871
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. Maturity: April/2022	14,090	35	-	14,125	18,138
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. Maturity: April/2022	15,852	40	-	15,892	20,405

Description	2020 Principal amount R$ thousands	2020 Accrued interest	2020 Prepaid interest	2020 Payable	2019 Payable
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. Maturity: April/2022	14,090	35	(72)	14,053	17,728
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. Maturity: April/2022	7,531	19	-	7,550	9,696
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. – CCE Maturity: April/2022	7,531	19	-	7,550	9,695
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. – CCE Maturity: April/2022	7,531	19	-	7,550	9,695
Loan Agreement -- Interest: CDI + 4.3% Counterpart: Banco ABC do Brasil S.A. – CCE Maturity: April/2022	7.531	19	-	7.550	9.695
(Refer to Note 14)				100.300	128.475
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Fibra S.A. Maturity: October/2020	-	-	-	-	3,350
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Fibra S.A. Maturity: October/2020	-	-	-	-	4,349
Loan Agreement -- Interest: CDI + 7.5% Counterpart: Banco Fibra S.A. Maturity: April/2022	20,000	75	-	20,075	-
Loan Agreement -- Interest: CDI + 7.0% Counterpart: Banco Fibra S.A. – CCE Maturity: Janeiro/2022	15,000	51	-	15,051	-
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Fibra S.A. – CCE Maturity: October/2021	12,500	43	-	12,543	15,014
(Refer to Note 14)				47,669	22,713
Loan Agreement -- Interest: 115.0% of CDI Counterpart: Banco Fibra S.A. Maturity: January/2022	39,000	1,096	-	40,096	39,997
(Refer to Note 14)				40,096	39,997
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. – CCB Maturity: February/2020	-	-	-	-	838

Description	2020 Principal amount R$ thousands	2020 Accrued interest	2020 Prepaid interest	2020 Payable	2019 Payable
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. Maturity: February/2020	-	-	-	-	838
Loan Agreement -- Interest: CDI + 8.6% Counterpart: Banco Safra S.A. – CCB Maturity: July/2020	-	-	-	-	20,007
Loan Agreement -- Interest: CDI + 8.6% Counterpart: Banco Safra S.A. Maturity: August/2020	-	-	-	-	20,129
Loan Agreement -- Interest: CDI + 5.5% Counterpart: Banco Safra S.A. – CCB Maturity: September/2020	-	-	-	-	4,001
Loan Agreement -- Interest: CDI + 5.5% Counterpart: Banco Safra S.A. – CCB Maturity: September/2020	-	-	-	-	2,001
Loan Agreement -- Interest: CDI + 5.3% Counterpart: Banco Safra S.A. Maturity: May/2020	-	-	-	-	2,120
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. Maturity: January/2021	5,000	21	-	5,021	5,026
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. Maturity: May/2021	40,000	3	-	40,003	-
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. Maturity: February/2021	4,000	29	-	4,029	-
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Safra S.A. Maturity: October/2024	10,000	22	-	10,022	-
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Safra S.A. Maturity: October/2024	10,000	19	-	10,019	-
(Refer to Note 14)				69,094	54,960
Loan Agreement -- Interest: 180.0% of CDI Counterpart: Caixa Econômica Federal Maturity: April/2023	26,678	18	-	26,696	16,535

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

Description	Principal amount R$ thousands (2020)	Accrued interest (2020)	Prepaid interest (2020)	Payable (2020)	Payable (2019)
Loan Agreement -- Interest: 180.0% of CDI Counterpart: Caixa Econômica Federal – CCB Maturity: April/2021	18,958	13	-	18,971	15,944
Loan Agreement -- Interest: 166.3% of CDI Counterpart: Caixa Econômica Federal Maturity: July/2022	13,194	3	(312)	12,885	21,843
(Refer to Note 14)				58,552	54,322
Loan Agreement -- Interest: CDI + 4.5% Counterpart: Banco Daycoval S.A. Maturity: September/2020	-	-	-	-	10,072
Loan Agreement -- Interest: CDI + 4.5% Counterpart: Banco Daycoval S.A. Maturity: October/2020	-	-	-	-	5,671
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Daycoval S.A. Maturity: July/2023	12,814	174	-	12,988	-
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Daycoval S.A. Maturity: July/2023	12,659	172	-	12,831	-
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Daycoval S.A. Maturity: July/2022	11,120	54	-	11,174	-
Loan Agreement -- Interest: CDI + 7.1% Counterpart: Banco Daycoval S.A. Maturity: April/2024	10,000	37	-	10,037	-
(Refer to Note 14)				47,030	15,743
Loan Agreement -- Interest: CDI + 7.0% Counterpart: Banco Pine S.A. Maturity: February/2020	-	-	-	-	2,677
Loan Agreement -- Interest: CDI + 6.3% Counterpart: Banco Pine S.A. Maturity: September/2020	-	-	-	-	2,547
Loan Agreement -- Interest: CDI + 6.3% Counterpart: Banco Pine S.A. Maturity: August/2020	-	-	-	-	4,677
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: November/2020	-	-	-	-	1,835

Description	2020 Principal amount R$ thousands	2020 Accrued interest	2020 Prepaid interest	2020 Payable	2019 Payable
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: March/2021	650	3	-	653	-
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: November/2020	-	-	-	-	2,015
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: December/2020	-	-	-	-	2,001
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: February/2021	500	4	-	504	-
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: December/2022	6,400	17	-	6,417	8,030
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: November/2021	5,000	5	-	5,005	-
Loan Agreement -- Interest: CDI + 8.3% Counterpart: Banco Pine S.A. Maturity: December/2021	5,000	32	-	5,032	-
(Refer to Note 14)				17,611	23,782
Loan Agreement -- Interest: CDI + 7.9% Counterpart: Banco Sofisa S.A. Maturity: July/2020	-	-	-	-	10,093
Loan Agreement -- Interest: CDI + 12.7% Counterpart: Banco Sofisa S.A. Maturity: July/2020	-	-	-	-	10,067
Loan Agreement -- Interest: CDI + 12.7% Counterpart: Banco Sofisa S.A. Maturity: July/2020	-	-	-	-	10,091
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Sofisa S.A. Maturity: February/2021	10,000	73	-	10,073	-
Loan Agreement -- Interest: CDI + 6.7% Counterpart: Banco Sofisa S.A. Maturity: November/2024	10,000	58	-	10,058	-

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

Description	2020 Principal amount R$ thousands	2020 Accrued interest	2020 Prepaid interest	2020 Payable	2019 Payable
Loan Agreement -- Interest: CDI + 6.7% Counterpart: Banco Sofisa S.A. Maturity: November/2024	10,000	56	-	10,056	-
(Refer to Note 14)				30,187	30,251
Loan Agreement -- Interest: CDI +5.2% Counterpart: Banco Industrial do Brasil S.A. Maturity: March/2021	1,250	5	-	1,255	-
(Refer to Note 14)				1,255	-
Loan Agreement -- Interest: CDI + 3.5% Counterpart: Banco Santander S.A. Maturity: October/2021	31,820	192	-	32,012	-
Loan Agreement -- Interest: CDI + 4.7% Counterpart: Banco Santander S.A. Maturity: December/2021	23,144	72	-	23,216	-
(Refer to Note 14)				55,228	-
Loan Agreement -- Interest: CDI + 3.9% Counterpart: Banco ABC do Brasil S.A. – CCE Maturity: October/2022	10,000	3	-	10,003	-
Loan Agreement -- Interest: CDI + 3.9% Counterpart: Banco ABC do Brasil S.A. – CCE Maturity: October/2022	10,000	5	-	10,005	-
(Refer to Note 14)				20,008	-
Debentures 3rd series -- Interest: 110.0% of CDI Counterpart: Gaia Agro Sec., S.A. Maturity: June/2020	-	-	-	-	12,237
Debentures 4th series -- Interest: CDI + 4.75% Counterpart: Several debenture holders Maturity: February/2021	87,500	3,717	(132)	91,085	87,160
(Refer to Note 15)				91,085	99,397
	1,127,642	8,779	(5,841)	1,130,580	1,030,839

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of December 31, 2020, is as follows:

		Principal	Scenarios		
Maturity	Risk	average balance	Probable	II	III
2021	CDI increase	926,692	33,534	45,962	51,876
2022	CDI increase	380,656	13,240	30,829	35,930
2023	CDI increase	116,693	4,177	11,492	13,408
2024	CDI increase	8,758	535	969	1,080
			======	======	======

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

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

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

		Estimated settlement		
Contractual obligations	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years
Loans and financing	1,556,860	952,287	548,654	55,919
Debentures	91,709	91,709	-	-
Suppliers	249,354	249,354	-	-
Lease payable, net	334,162	49,741	83,193	201,228
	-------------	------------	------------	------------
	2,232,085	1,343,091	631,847	257,147
	========	=======	=======	=======

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

The Company's net debt is as follows:

	Company		Consolidated	
	2020	2019	2020	2019
Loans and financing	322,857	257,456	1,464,101	1,432,755
Debentures	-	-	91,085	99,397
Cash and cash equivalents	(1,075)	(1,630)	(185,467)	(165,453)
Marketable securities	(2,353)	(1,529)	(34,081)	(132,030)
Total net debt	319,429	254,297	1,335,638	1,234,669
Total equity	833,696	999,012	1,490,639	1,789,280
Total net debt and equity	1,153,125	1,253,309	2,826,277	3,023,949
Total net debt	319,429	254,297	1,335,638	1,234,669
Cash holdback amount	-	-	(20,787)	(25,393)
Amount tied to loans (*)	(104,632)	(87,631)	(104,632)	(87,631)
Total net debt after cash holdback amount	214,797	166,666	1,210,219	1,121,645

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

25. SEGMENT INFORMATION

Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the decision maker, with the purpose of determining the allocation of resources to an individual segment and evaluate its performance. Given that decisions on strategic planning, finance, purchasing, investment and application of resources, as well as evaluation of investment and key executives performance of the Company are made separately by each direct subsidiary, the Company and its subsidiaries have concluded that they have three distinct operating segments: Wholesale, Retail and Denim.

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

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

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

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

	2020 (continuing operations)				
	Wholesale	Retail	Denim	(*) Others unallocated	Total
Net revenues	1,072.6	431.1	473.3	-	1,977.0
Cost of goods sold	(788.3)	(209.1)	(339.7)	-	(1,397.1)
Gross profit	284.3	222.0	73.6	-	579.9
Selling, general and administrative expenses	(235.2)	(208.4)	(60.9)	(30.8)	(535.3)
Equity in subsidiaries	-	-	-	(7.6)	(7.6)
Change in fair value of investment properties	5.3	-	-	5.0	10.3
Other	3.4	(1.9)	0.8	(7.6)	(5.3)
Operating results	57.8	11.7	13.5	(41.0)	42.0
Financial results (without exchange rate variations)	-	-	-	(233.7)	(233.7)
Exchange rate variations	-	-	-	(22.5)	(22.5)
Income (loss) before taxes	57.8	11.7	13.5	(297.2)	(214.2)
Depreciation and amortization	63.7	22.8	12.4	6.2	105.1

	2019 (continuing operations)				
	Wholesale	Retail	Denim	(*) Others unallocated	Total
Net revenues	1,083.4	320.9	461.5	-	1,865.8
Cost of goods sold	(790.2)	(164.2)	(364.9)	-	(1,319.3)
Gross profit	293.2	156.7	96.6	-	546.5
Selling, general and administrative expenses	(216.9)	(151.7)	(62.5)	(24.9)	(456.0)
Equity in subsidiaries	-	-	-	(5.3)	(5.3)
Change in fair value of investment properties	3.8	-	-	31.5	35.3
Loss from the sale of investments	-	-	-	(91.9)	(91.9)
Other	(9.3)	12.5	0.6	6.6	10.4
Operating results	70.8	17.5	34.7	(84.0)	39.0
Financial results (without exchange rate variations)	-	-	-	(245.4)	(245.4)
Exchange rate variations	-	-	-	(25.1)	(25.1)
Income (loss) before taxes	70.8	17.5	34.7	(354.5)	(231.5)
Depreciation and amortization	64.9	20.4	12.3	4.5	102.1

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

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

Revenue information by category or product lines is as follows:

	Consolidated	
	2020	2019
Net revenues (in millions of Reais):		
Bedding, tabletop and bath	827.4	914.3
Intermediate products	718.5	683.5
Retail	431.1	268.0
	1,977.0	1,865.8
Volume (thousands of metric tons):		
Bedding, tabletop and bath	21.4	26.8
Intermediate products	39.5	38.9
	60.9	65.7

The Company and its subsidiaries have over 13,000 active clients in the wholesale and denim segments, as of December 31, 2020.

26. EXPENSES BY NATURE

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

By nature

	Consolidated	
	2020	2019
Cost of raw materials, goods and services acquired from third parties	(1,315,977)	(1,188,243)
Employee benefits	(401,552)	(411,432)
INSS	(53,122)	(54,460)
Depreciation and amortization	(105,097)	(102,132)
Finished goods and work in process inventory variations	(23,873)	(15,049)
Costs resulting from reduced production volume - COVID-19	(32,733)	-
Others costs and expenses	-	(3,902)
Total by nature	(1,932,354)	(1,775,218)

By function:

	Consolidated	
	2020	2019
Cost of goods sold	(1,397,111)	(1,319,288)
Selling expenses	(369,687)	(298,526)
General and administrative expenses	(147,025)	(139,108)
Management fees	(18,531)	(18,296)
Total by function	(1,932,354)	(1,775,218)

27. NET REVENUES

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

	Consolidated	
	2020	2019
OPERATING REVENUES:		
Gross revenues		
Sales of products, services and others	2,548,227	2,443,847
Sales deductions	(571,260)	(578,049)
NET REVENUES	1,976,967	1,865,798

28. BASIC AND DILUTED INCOME (LOSS) PER SHARE

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

	2020	2019
NET LOSS FOR THE YEAR OF THE CONTINUED OPERATIONS	(174,149)	(155,153)
NET INCOME (LOSS) FOR THE YEAR OF THE DISCONTINUED OPERATIONS	(35,450)	99,068
NET LOSS FOR THE YEAR	(209,599)	(56,085)
Weighted-average outstanding shares:		
Common shares	13,912,800	13,912,800
Preferred shares	16,723,657	16,723,657
	30,636,457	30,636,457
BASIC AND DILUTED INCOME (LOSS) PER SHARE - R$		
From continuing operations	(5.6844)	(5.0644)
From discontinued operations	(1.1571)	3.2337
	(6.8415)	(1.8307)

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

29. DISCONTINUED OPERATIONS

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

(b) In September 2020, Keeco was expected to pay the cash holdback amount of US$6.3 million. While not paying it, Keeco claimed that there were differences in the working capital amount, among other matters, and retained the entire holdback amount until the dispute is resolved. The indirect subsidiary SGUS, advised by its lawyers, understood that the amount was due, and responded to Keeco by requesting immediate payment or the initiation of the dispute resolution procedures defined in the contract. Unsuccessful in its request, the subsidiary SGUS filed legal action in the US court, in November, requesting that the procedures provided for in the contract be initiated, which includes engaging a dispute resolution auditor to provide a final determination. In February 2021, an agreement was reached where Keeco paid US$4.0 million equivalent to R$20,787 on December 31, 2020.

(c) In the fourth quarter of 2020, the investment in the affiliate Keeco Holdings, LLC was discontinued and the investment and goodwill balances were reclassified to the “Assets held for sale” line. Accordingly, in accordance with CPC 31 and IFRS 5, the result of the operations of this affiliate, previously presented in the operating segment “Others unallocated”, were presented as “Discontinued operations” in the income statements for the years ended December 2020 and 2019, as well as the investment and goodwill balances were presented in the balance sheet on December 31, 2020 as “Assets held for sale”. The statements of comprehensive income and cash flows, for the year ended December 31, 2019, are restated for comparison purposes, as discontinued operations.

The balance of the discontinued operations on December 31, 2020 are as follow:

	Consolidated
ASSETS	
NONCURRENT:	
Investment	35,151
Goodwill	88,567
ASSETS HELD FOR SALE	123,718

The results of discontinued operations highlighted in the statements of operations for the year ended on December 31, 2019 are presented below:

	Company		Consolidated	
	2020	2019	2020	2019
NET REVENUES	-	-	-	199,739
COST OF GOODS SOLD	-	-	-	(177,698)
GROSS PROFIT	-	-	-	22,041
OPERATING INCOME (EXPENSES):				
Selling expenses	-	-	-	(5,320)
General and administrative expenses	-	-	-	(8,054)
Equity in subsidiaries (*)	(35,450)	99,068	(11,298)	(7,159)
Impairment adjustment on assets	-	-	(42,936)	-
Others, net	-	-	(12,754)	(2,926)
INCOME (LOSS) FROM OPERATIONS	(35,450)	99,068	(66,988)	(1,418)
Financial expenses – interests and other charges	-	-	-	(3,750)
INCOME (LOSS) FROM OPERATIONS BEFORE TAXES	(35,450)	99,068	(66,988)	(5,168)
Income and social contribution taxes:				
Current	-	-	-	(197)
Income (loss) for the year from discontinued operations, before gain on sale of the net assets held for sale	(35,450)	99,068	(66,988)	(5,365)
Gain on sale of the net assets held for sale	-	-	-	190,447
NET INCOME (LOSS) FOR THE YEAR – DISCONTINUED OPERATIONS	(35,450)	99,068	(66,988)	185,082

(*) The amounts related to 2019 were restated.

The cash flow statements of discontinued operations are presented below:

	Company		Consolidated	
	2020	2019	2020	2019
Cash flows from discontinued operations activities:				
Net income (loss) for the year	(35,450)	99,068	(66,988)	185,082
Depreciation and amortization	-	-	-	1,841
Equity in subsidiaries (*)	35,450	(99,068)	11,298	7,159
Income and social contribution taxes	-	-	-	82,721
Gain on the sale of discontinued operations	-	-	-	(272,971)
Bank charges, interests and commissions	-	-	-	2,668
Impairment adjustment on assets	-	-	42,936	-
	-	-	(12,754)	6,500
Changes in assets and liabilities				
Accounts receivable	-	-	-	(1,617)
Inventories	-	-	-	(11,635)
Suppliers	-	-	-	(6,173)
Others	-	-	12,754	3,031
Net cash used in discontinued operations activities before interest and taxes	-	-	-	(9,894)
Interest paid	-	-	-	(969)
Income and social contribution taxes paid	-	-	-	(521)
Net cash used in discontinued operations activities after interest and income taxes	-	-	-	(11,384)
Cash flows from investing discontinued operations activities:				
Proceeds from sale of discontinued operations	-	-	-	469,631
Net cash provided by investing discontinued operations activities	-	-	-	469,631
Cash flows from discontinued financing activities:				
Proceeds from new loans	-	-	-	43,754
Repayment of loans	-	-	-	(156,941)
Net cash used in financing activities	-	-	-	(113,187)
Total cash provided by discontinued operations	-	-	-	345,060

(*) The amounts related to 2019 were restated.

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

	March 15, 2019	
	US$ thousand	R$ thousand (*)
Proceed from the sale of assets and liabilities	126,000	490,984
Net assets held for sale	(49,924)	(194,538)
Change on net working capital	1,723	6,643
Transaction costs	(7,729)	(30,118)
	---------	-----------
Gain before income taxes	70,070	272,971
Current income tax absorption	(600)	(2,338)
Deferred income tax realization (noncash)	(20,578)	(80,186)
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Gain on sale of the net assets held for sale	48,892	190,447
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(*) Amounts in Reais calculated using the exchange rate as of March 30, 2019, of R$3.8967.

31. PANDEMIC-RELATED EFFECTS – COVID-19

In 2020, due to the coronavirus pandemic - COVID-19, there was a forced reduction in the level of economic activities in the country.

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

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

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

Customers and franchisees have requested, and the subsidiaries have granted, several payment extensions in all markets in which we operate, impacting our working capital and which was normalized in the 4th quarter.

The 29% devaluation of the real against the US currency during the year impacted our financial expense on foreign currency loans by R$32 million, increasing the net debt by the same amount. Additionally, the currency devaluation impacted the cost of raw materials that are linked to the US currency.

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

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

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

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

Santanense: CTS had a 31.1% reduction in sales volumes in the second quarter of 2020, impacting the production volumes, and consequently, the absorption of fixed production costs for that quarter. These costs were taken directly to the operating result for the year, and amounted to R$7.1 million. In addition, other non-measurable effects impacted CTS costs, such as rising prices in the resumption of economic activity. CTS has been operating normally since mid-September 2020 and does not expect any losses in the realization of its assets and its profitability for the next financial year.

SGUS: Indirect subsidiary SGUS' results are basically comprised of lease expenses (net of sublease) and pension plan expenses, among others of lesser importance, which remained unchanged. In the first quarter, our investment in the affiliate Keeco was significantly affected by the pandemic in the United States and, due to the new profitability projections received by the Company, it was necessary to recognize a partial goodwill impairment, determined on the acquisition of that investment, in the amount of R$43 million. In addition, as a result of these new projections, we reassessed the realization of deferred tax assets of that subsidiary, resulting in a valuation allowance adjustment of R$70 million. In the second and third quarter, the results were in line with the revised plan. In the fourth quarter there was a recovery in the affiliate's sales level, and the revised projections for the pandemic did not materialize, returning to the projections prior to the pandemic. In the fourth quarter of 2020, the subsidiary SGUS made the investment available for sale with the expectation of completion in 2021.

Scenario for 2021 - COVID-19

Until the publication of the financial statements, the plants are operating normally maintaining production volumes. During the month of March 2021, some stores had their opening hours reduced and / or closed due to government determinations. E-commerce sales have not been interrupted. The Company awaits the decisions of the public authorities for the reopening of physical stores.

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