Cia. Hering

Quartely Information March, 31, 2020
and Perfomance Report

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

KPMG Auditores Independentes

Cia. Hering (B3: HGTX3), one of the largest retail and apparel designer manufacturer in Brazil, announces the results of the 1st quarter of 2020 (1Q20)

First of all, we would like to express our solidarity with the ones affected by the COVID-19 pandemic and reinforce that our people, as well as their health and safety, are absolute priorities. For this, we thank this dedicated team, which in such challenging and unprecedented times, inspires us to continue reinventing ourselves. In addition to reaffirming our belief in the perpetuity of the business that, in 2020, celebrates 140 years of history.

MESSAGE FROM MANAGEMENT

The first quarter of 2020 was marked by the evolution of the Coronavirus pandemic in Brazil, that resulted in measures of social isolation and caused the closure of our stores, factories, offices and the main distribution center in Goiás over March. These measures were followed by the deterioration of the macroeconomic environment, a crisis of reliance and a strong contraction in the clothing retail consumption. The conjuncture directly impacted the result of the quarter, which decreased by 26.1% in gross revenue, compared to the first quarter of 2019, reaching R$ 323.6 million and EBITDA of R$ 11.4 million with an EBITDA margin of 4.2%.

In response to these unprecedented scenario, we promptly start an action plan divided into the following fronts: i) taking care of people and creating a safe environment; ii) protect the Cash Flow and the Business; iii) extend support to partners to ensure the continuity of the business network; and iv) draw the “New Normal”. We created a Crisis and Opportunity Committee composed of Management and leaders from different areas, which meets daily to discuss hypotheses, scenarios and evaluate short and medium-term actions and results, as well

as adapt the organizational structure to ensure greater agility in the execution of the action plan.

As of March 16th, we adopted preventive measures such as strengthening hygiene and cleaning in the DC (distribution centers) and factories, adoption of home office, suspension of travel, meetings and events, as well as closing all our physical stores. In parallel, we opened an active and transparent channel with frequent events to stakeholders in order to keep them constantly updated on government, health and management recommendations.

In order to strengthen the Company's financial health, we implemented a timely liquidity management, strict control of expenses and suspension and prioritization of investments. We strengthened our cash position by raising R$ 200 million (R$ 120 million in March and R$ 80 million in April) in financial loans. In addition, we renegotiated contracts and terms, revised the collection calendar and reduced the volume of purchases of raw materials and finished products, we also suspended all non-essential activities. We reduced the salaries of Management, of all leadership and adhered to the emergency program for maintaining employment and income under the terms of Provisional Measure No. 936, reaching a 50% reduction in payroll in the months of April and May. It is important to note that the measures mentioned above will have an impact primarily in the second quarter.

In the current context, we have leveraged investments in our e-commerce operation with strong sales acceleration and new customer flow. The channel's performance has more than doubled since the physical stores closed. It is worth mentioning that at the end of last year, we consolidated as an Omnichannel environment, that connects 100% of the physical and online channels through a single journey. This effect translated into customers with twice the frequency of purchases and average spend three times higher than the exclusive consumer of the physical channel. We promote an intense agenda to improve the usability and service level of the website, with emphasis on initiatives that reduce the “friction” of the journey and guarantee the loyalty of this new digitalized customer, which represented a 60% increase in the total base. Additionally, we expanded our presence in the main marketplaces and delivery apps and tested third-party brands within our platform in order to complement the offer under the concept of "comfort and well-being" and "stay at home".

In response to the inactivity of traditional sales channels, we experimented and implemented new modalities and services such as “Social Selling” with payment of commission to franchised store sellers, multi-brand and Cia employees for sales on the website through a voucher distributed to their groups and communities (more than 2,000 new people in the sales force) and “Dark Kitchen” with operations in closed stores for delivery and drive-through sales. For all cases, we provide tools and technology to activate the offer to customers with digital catalog, integrated stock and payment link via Whatsapp. In addition, we expanded the leads in the Key Accounts channel (active during isolation) and piloted a basic essential shop-in-shop in one of the largest hypermarket chains in Brazil.

As of the beginning of April, the process of gradual reopening of stores began, following strict safety and hygiene standards recommended by the maximum health agencies. Currently, we have 203[1] stores opened, equivalent to 30%[2] of the total store base. In mid-April, we partially resumed our manufacturing activities and the main distribution center located in Goiás.

In order to ensure the health and continuity of our business chain, we guide our partners in the implementation of a contingency plan within their own business including support in the renegotiation of contracts and obligations, guidelines for the application of workload reduction and suspension of employment contracts work, and access to incentive credit lines. We also created our own incentive program for franchisees and multi-brand customers, that includes extension of terms and reduction of charges, in addition to the suspension of the entire order portfolio until the stores reopened.

In addition, the Company has made efforts to contribute to the country and society in combating the pandemic through social initiatives, including the manufacture and donation of clothes and aprons for hospital use, masks for social use and the launch of mini collections, with 100% of the profit reverted to the purchase of respirators.

Despite the challenging scenario, our conviction is that we are well positioned, with our strengthened value proposition and adapted operation model to mitigate risks and capture opportunities under the "New Normal". We reinforce the ambition to lead the journey of comfort through basic, becoming an epicenter of conversations about a new lifestyle and agent of cultural change through our main brand with synergistic concepts and delivery of products with quality, design, origin, technology, fair price (smart choice), digital experience with ease of purchase, long tail and new services in an environment more than Omni, from “Anywhere Commerce”, with new business formats and role reframing. All of this supported by a sustainable positioning to build a systemic and supportive response for the business, society and planet that values the local product and chain.

The current context encourages the emergence of new leaders with the clarity, courage and energy necessary to accelerate the transformation and to definitively implement in the Company and its teams a resilient model, strongly supported by data intelligence and agile in decision making. In this sense, we promote changes in the organizational structure, work methodology and strategic choices.

[1] Date: 05/27/2020
[2] Hering Chain, Outlets and Basic Shop.

Finally, we reevaluate our brand portfolio and positioning strategy in the children's market, which will also be strongly impacted by the post-pandemic scenario, and for this reason we decided to unify our efforts and we will continue with a unique brand to serve this segment. We understand that the current value proposition of the Hering Kids brand with occasional adjustments in the communication strategy and product assortment is sufficient to address this market and, in this way, we will discontinue the PUC brand from that moment on. In parallel, based on data and insights from new social habits and consumption trends, we are working on new brand projects and product lines to complement the portfolio.

CONSOLIDATED HIGHLIGHTS

R$ Thousand	1Q20	1Q19	VAR. 1Q20 | 1Q19
Gross Revenue	**323,645**	**437,858**	**-26.1%**
Domestic Market	316,562	427,922	-26.0%
Foreign Market	7,083	9,936	-28.7%
Net Revenue	**272,112**	**373,937**	**-27.2%**
Gross Profit	**109,359**	**162,375**	**-32.7%**
Gross Margin	*40.2%*	*43.4%*	-320 b.p.
Net Income	**5,043**	**46,685**	**-89.2%**
Net Margin	*1.9%*	*12.5%*	-1060 b.p.
EBITDA	**11,383**	**57,034**	**-80.0%**
EBITDA Margin	*4.2%*	*15.3%*	-1110 b.p.
ROIC (a)	**15.5%**	**23.3%**	**-780 b.p.**
SSS[1]	**-22.2%**	**11.5%**	**-3370 b.p.**

(a) Last 12 months.

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

Values in the above table include the effects of IFRS16.

SALES PERFORMANCE

Gross Revenue - R$ Thousand	1Q20	1Q19	VAR. 1Q20 | 1Q19
Gross Revenue	**323,645**	**437,858**	**-26.1%**
Domestic Market	316,562	427,922	-26.0%
Foreign Market	7,083	9,936	-28.7%
Domestic Market Gross Revenue	**316,562**	**427,922**	**-26.0%**
Hering	276,808	380,822	-27.3%
PUC	14,878	22,468	-33.8%
Dzarm	20,008	18,214	9.8%
Others[1]	4,868	6,418	-24.2%

Domestic Market Share	1Q20	1Q19	VAR. 1Q20 | 1Q19
Multibrand	140,650	184,202	-23.6%
Franchise	94,770	154,806	-38.8%
Stores	58,444	73,557	-20.5%
Omnicommerce	20,652	14,483	42.6%
Others[1]	2,046	874	134.1%
Total	**316,562**	**427,922**	**-26.0%**
Multibrand	44.4%	43.0%	140 b.p.
Frachise	29.9%	36.2%	-630 b.p.
Stores	18.5%	17.2%	130 b.p.
Omnicommerce	6.5%	3.4%	310 b.p.
Others[1]	0.7%	0.2%	50 b.p.
Total	**100.0%**	**100.0%**	**-**

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

According to the sectoral indicators, the Clothing and Sporting Goods segments were highly affected by the spread of the coronavirus throughout the month of March. In line with the market, Cia. Hering's gross revenue for the quarter reached R$ 323.6 million, 26.1% lower than 1Q19, largely due to the shutdown of operations in the second half of March, a period in which the largest portion of the quarter's revenue is concentrated. Besides, the revenues from the franchise and multi-brand channels were also impacted by the cancellation of part of the winter collection, which represents approximately 40% of the first quarter and would be billed over that period. The impact of the suspension of sales was also reflected in the decrease of 22.2% in SSS[3] in the period.

The performance of sales to the final consumer at the beginning of the year followed the trend presented at the end of 4Q19. With the entry of the new autumn collection in mid-February, sales began to show signs of recovery, however, starting in the second half of March, a gradual process of closing operations began, also impacting sell-in, that was paralyzed.

The **franchise chain** totaled R$ 94.8 million, down 38.8% vs. 1Q19, also due to the closing of stores, which reflected not only in the replenishment (sell-in) of the Autumn collection and regular items, but also in the initial supply of the Winter collection whose orders were canceled. Highlights the actions taken by the Company to guarantee support to franchisees, aiming at the preservation and sustainability of the network, with the correct supply of stock levels. As detailed in the section above, the measures range from operational support with the extension of payments and suspension of financial charges, joint negotiation of rents with shopping centers, to enabling digital sale with commissioning (Social Selling), among others.

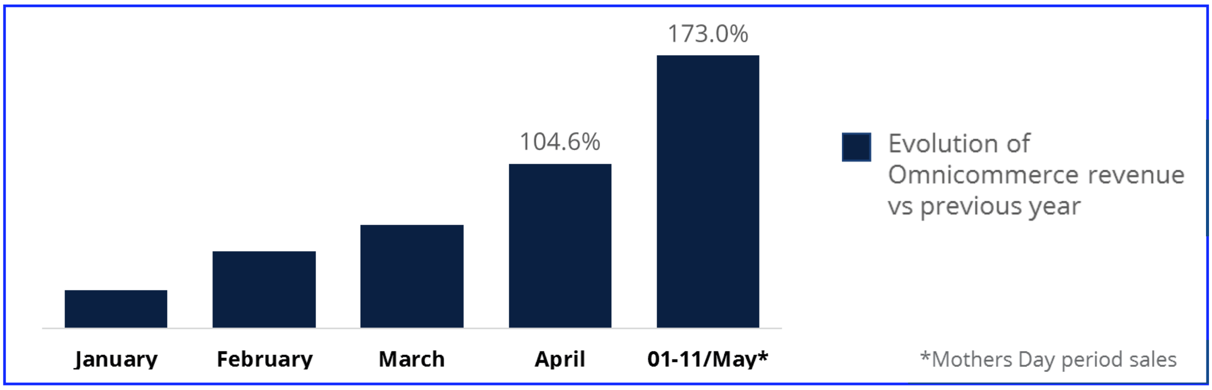
As in the other physical channels, the **multi-brand** was also impacted by the closing and reduction in the flow of the market, resulting in a drop-in productivity (sell-in) for customers. The channel totaled sales of R$ 140.7 million, a decrease of 23.6% vs. 1Q19. The decrease in channel revenue was also maximized by the lower number of active customers, following the strategy of rationalizing based on the segmentation of service levels, aiming to increase productivity and strengthen the relationship with more relevant customers. It is worth mentioning the expansion and performance of key-account customers, which has been gaining relevance within the channel. In 2020, we built a structure dedicated to new customers - with emphasis on specialized retail – reflecting the evolution of the transactional model for partnerships with customized assortment,

[3] SSS: considers the impact of closing physical stores from March 19th, 2020.

commercial actions, monitoring of sell-out performance, and segmentation of strategy and opportunity for each brand.

Sales of **stores operated by the Company** totaled R$ 58.4 million, down 20.5% vs. 1Q19, highly impacted by the total shutdown of the operation and the reflection of the restricted mobility of consumers on the streets and in the malls.

The sales via webstore grew by 42.6% yoy, totaling R$ 20.7 million in the quarter expanding its share of the Company's revenue. The **Omnicommerce channel** presented a gradual acceleration of sales each month, with emphasis on the period after the closing of physical stores. Developments in the digital platform ensured an improvement in the experience and navigation of the website, which became a greater organic flow of new users and recurring purchases. In addition to the platform evolution, the investment in performance media also contributed to the channel's performance in the quarter. It is important to note that physical store sales through the online channel only became more relevant from the beginning of April, in which we promote Autumn collection actions and launch the Winter collection, we strengthen the communication in digital media boosting the journey of comfort, we expended the pick-up/drive-thru and ship from modalities and with that we obtained a revenue growth of 104.6%[4] versus the same period on the previous year. This behavior persisted in the related period to Mother's Day[5], which reported revenue growth of 173%[4] vs. the same period in the previous year.



The **foreign market** decreased by 28.7% versus 1Q19, jeopardized by the cancellation of the shipping of the winter collection (sell-in) due to the closure of markets in Latin America. The challenging economic scenario, mainly in Uruguay and Paraguay, also contributed to the lower performance of the channel.

[4] April and May data have not been audited.
[5] Period from May 01st, 2020 to May 11th, 2020

We continue to promote investments in **our brands** in order to strengthen the growth levers and the desire to buy our products. In 1Q20 we built a communication strategy in line with our core business and focused on online media, strengthening the comfort journey narrative.

In the **Hering** brand, the quarter was marked by commercial activations focused on the brand's basic DNA. We renewed the entire modeling matrix of jeans, highlighting its comfort and practicability attribute, ideal for the current moment of social isolation. The carnival activations, “Meu Estilo Hering” (“My Hering Style”) and the International Women's Day campaign – which had the income from the products reverted to the Bem Querer Mulher Institution, an organization that works to combat violence against women – also highlighted the quarter. It is also important to emphasize the collection “Amor Essencial” (“Essential Love”), which we launched an especial line of T-shirts highlighting the affective relationship in this moment of social distance.

In the children's brands, we had activations back to school and costumes for the carnival at the beginning of the year with **Hering Kids**, as well as Play Jeans campaign and the Mario Bros licensee. For **PUC**, we launched a collab in partnership with Triya (beachwear), whose collection brought pieces of clothing “tal mãe, tal filho” (“Like mother, like son”) on vacation and summer mood.

The **Dzarm** brand, began the year with the “Energy” Collection and in the following month launched the carnival capsule #TaNaRua. Still in February, launched the Autumn preview with the “Expressions” collection. In addition, Dzarm continues to focus on branding to consolidate jeanswear as the brand's core.

DISTRIBUTION CHAIN

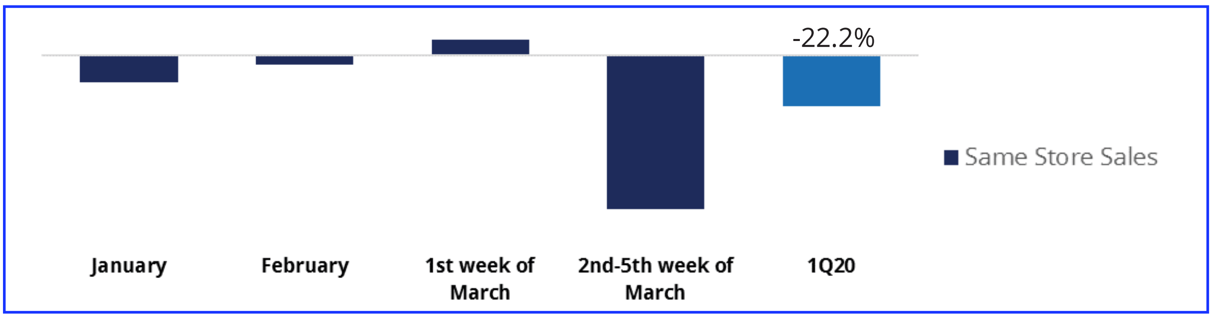
The Company ended the quarter with 736 stores, which 716 in Brazil and 20 in the foreign market. In the quarter 7 units were closed, of which 5 were Hering Store and 2 PUC, and 2 units of Light Franchise Model were opened. It should be noted that all store openings that were scheduled for the second half of March were postponed.

Given the macroeconomic scenario, the Company is aware of the opportunities and demands to enable the purchase/transfer of stores at promising points of sale. However, it is important to stress that the primary interest is to strengthen the current base of franchisees and the conversion of Qualified Retailers into Light Franchises, providing these entrepreneurs a retail model that reflects the strength of the Company's brands, with standardization of assortment and execution of POS (Point of Sale).

HERING NETWORK PERFORMANCE[6]

Total sales of Hering chain (sell-out) in 1Q20, reached R$ 230.4 million, 23.2% lower than 1Q19, influenced by operation shutdown and the closure of stores. In the month of March, the number of check-outs dropped dramatically, which directly impacted the Same Store Sales base, that considers the comparable stores opened for at least 13 months, with a drop of 22.2% vs 1Q19.

It should be noted that inventory levels reduced 3.9% the number of pieces of clothing compared to the end of 1Q19, due to the dynamics and reduction of supply (sell-in), despite the reduction in sell-out, as mentioned above.



[6] Given the consolidation of the management of the Hering and Hering Kids brands, which as of 2Q19 will be managed within the same business unit, the data have been unified.

ECONOMIC AND FINANCIAL PERFORMANCE

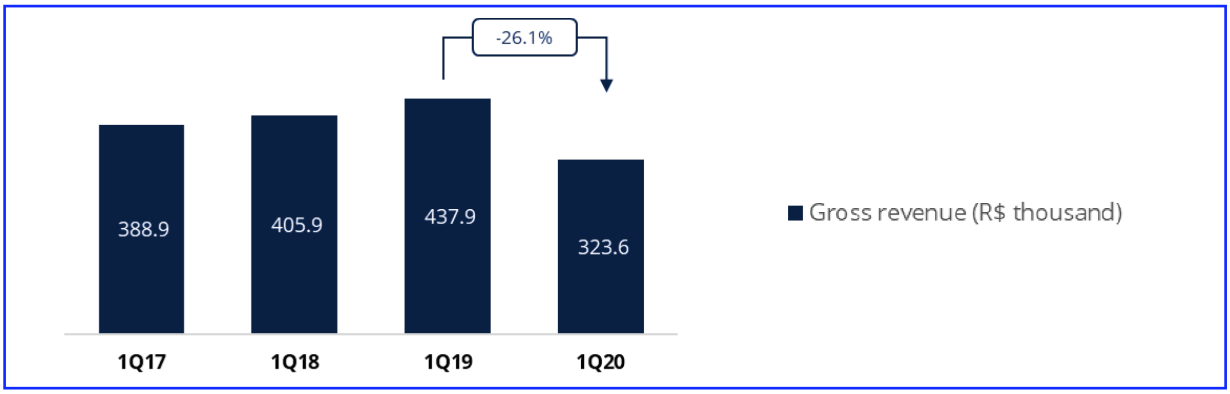
R$ Thousand	1Q20	Part. (%)	1Q19	Part. (%)	VAR. 1Q20 | 1Q19
Gross Revenue	**323,645**	**118.9%**	**437,858**	**117.1%**	**-26.1%**
Sales Deduction	(51,533)	-18.9%	(63,921)	-17.1%	-19.4%
Net Revenue	**272,112**	**100.0%**	**373,937**	**100.0%**	**-27.2%**
Cost of Goods Sold	(161,621)	-59.4%	(213,001)	-57.0%	-24.1%
AVP (Adjustment to Present Value)	3,854	1.4%	5,212	1.4%	-26.1%
Subvention for Expenditure	3,819	1.4%	4,486	1.2%	-14.9%
Depreciation and Amortization	(8,805)	-3.2%	(8,259)	-2.2%	6.6%
Gross Profit	**109,359**	**40.2%**	**162,375**	**43.4%**	**-32.7%**
Operating Expenses	(120,424)	-44.3%	(126,527)	-33.8%	-4.8%
Selling Expenses	(74,247)	-27.3%	(81,693)	-21.8%	-9.1%
Loss due to non-recoverability of assets	(8,939)	-3.3%	(2,949)	-0.8%	203.1%
Administrative and General Exp. and Management Remuneration	(13,976)	-5.1%	(15,361)	-4.1%	-9.0%
Depreciation and Amortization	(13,643)	-5.0%	(12,927)	-3.5%	5.5%
Profit Sharing	-	-	(4,700)	-1.3%	-
Other Operating Income (Expenses), net	(9,619)	-3.5%	(8,897)	-2.4%	8.1%
Operating Income Before Financial Results	**(11,065)**	**-4.1%**	**35,848**	**9.6%**	**-130.9%**
Financial income	24,196	8.9%	16,484	4.4%	46.8%
Financial expenses	(18,544)	-6.8%	(9,523)	-2.5%	94.7%
Total Financial Income	5,652	2.1%	6,961	1.9%	-18.8%
Operating Income Before Interest in Subsidiaries	**(5,413)**	**-2.0%**	**42,809**	**11.4%**	**-112.6%**
Income and Social Contribution Taxes - Current	-	-	228	0.1%	-100.0%
Income and Social Contribution Taxes - Deferred	10,456	3.8%	3,648	1.0%	186.6%
Net Income for the Period	**5,043**	**1.9%**	**46,685**	**12.5%**	**-89.2%**
Controlling shareholders	5,043	1.9%	46,685	12.5%	-89.2%
Basic earnings per share - R$					
Controlling shareholders	0.0311		0.2887		-89.2%
EBITDA	**11,383**	**4.2%**	**57,034**	**15.3%**	**-80.0%**

Values in the above table include the effects of IFRS16.

GROSS REVENUE

The Company's gross revenue reached R$ 323.6 million in the first quarter, a decrease of 26.1% compared to the same period of the previous year (1Q19). The result was negatively influenced by the shutdown of operations and the closure of physical stores, due to the pandemic, which impacted not only the sell-out, but also the sell-in channels of the multi-brand and franchises.

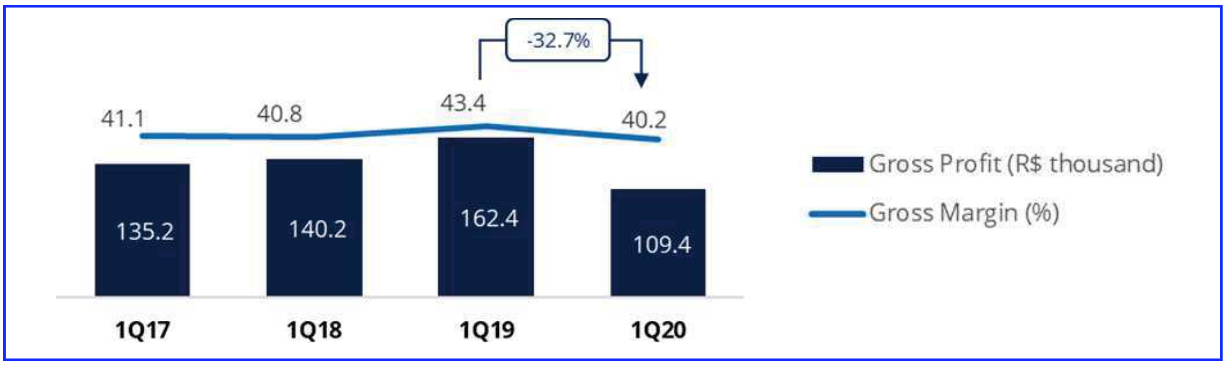
On the other hand, the Omnicommerce channel presented an increase of 42.6% compared to 1Q19, as a result of the increased flow on digital platforms, mainly due to the growth of new users and recurring purchases, as explained above.



GROSS PROFIT AND GROSS MARGIN

The Company's gross profit reached R$ 109.4 million in 1Q20, a reduction of 32.7% compared to 1Q19, due to the decrease in the Company's sales volume.

The gross margin decreased 320 b.p., reaching 40.2% in 1Q20, as a result of the low dilution of fixed costs and a consequent decrease in factories operating leverage. Additionally, it stands out the reduction and cancellation of regular collections sales, which resulted in a greater share of balances in the mix of revenue.



OPERATION EXPENSES

In 1Q20 the operating expenses decreased 4.8% compared to 1Q19, reaching the amount of R$ 120.4 million. It is worth mentioning the Company's strict management in controlling costs and expenses, to maintain the business sustainability, which was adopted after the closure of stores, as highlighted in the message from Management, whose effect will be taken place to a great extent over the second quarter.

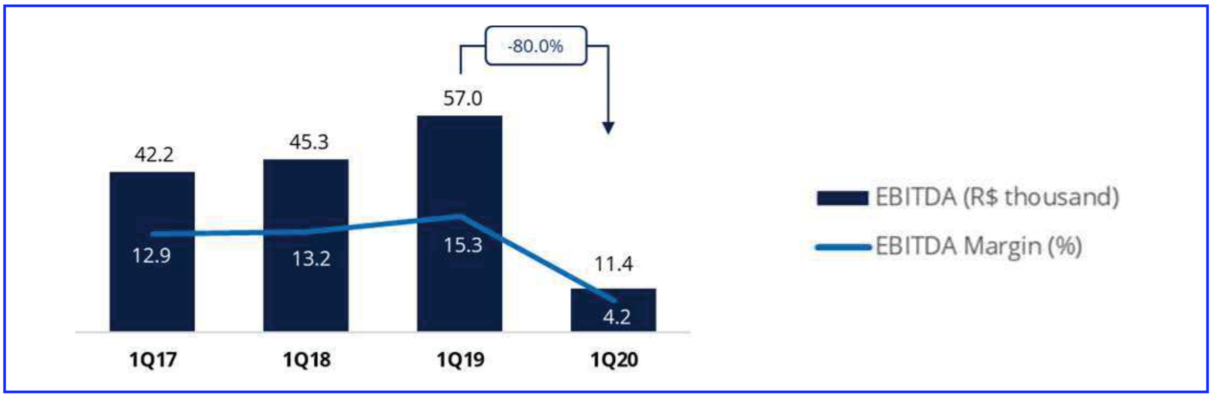
The sales expenses decreased by 9.1% mainly due to the lower bonus payment and commissions related to low sales performance and reduction in property rental expenses. Furthermore, there was an increase of 203.1% in the allowance for doubtful accounts related to the deterioration of the portfolio of overdue securities.

Additionally, there was an 9.0% reduction in general and administrative expenses, mainly due to the decrease in personnel expenses explained by the timing of signings partially compensated by other operating expenses increase related to indemnities from commercial representatives of the multi-brand channel. There was no provision for profit sharing in this quarter.

EBITDA AND EBITDA MARGIN

Earnings before interest, taxes, depreciation, and amortization ('EBITDA') reached R$ 11.4 million, 80.0% lower compared to 1Q19, essentially due to the reduction in sales growth.

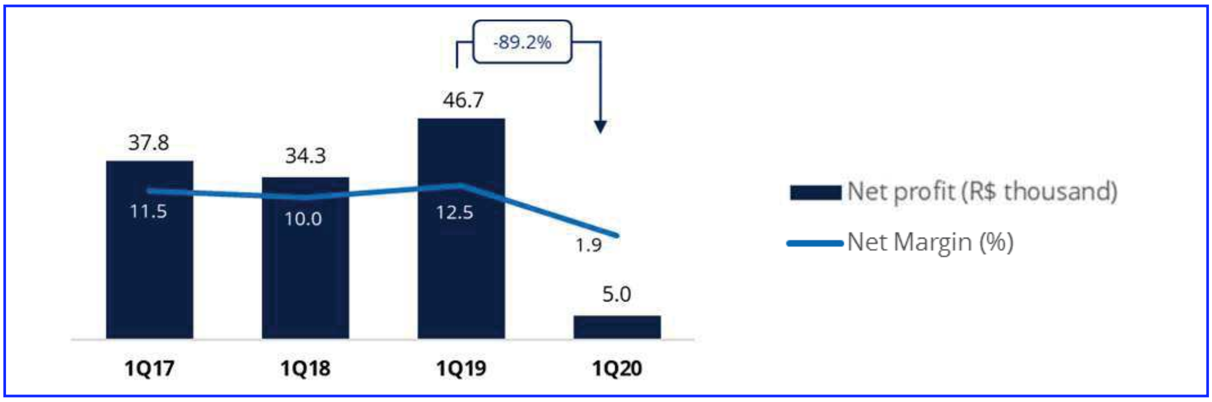
The EBITDA margin reached 4.2%, a reduction of 1110 b.p., compared to 1Q19, as a result of the operational deleveraging despite the reduction in expenses as mentioned above.



Reconciliation of EBITDA - R$ thousand	1Q20	1Q19	VAR. 1Q20 | 1Q19
Net Income	5,043	46,685	-89.2%
(+) Income and Social Contribution Tax	(10,456)	(3,876)	169.8%
(-) Net Financial Income	(5,652)	(6,961)	-18.8%
(+) Depreciation and Amortization	22,448	21,186	6.0%
(=) EBITDA	**11,383**	**57,034**	**-80.0%**
EBITDA Margin	4.2%	15.3%	-1110 b.p.

NET INCOME AND NET MARGIN

Net income for the quarter totaled R$ 5.0 million, 89.2% lower than 1Q19. This reduction in net income is due to the decrease in operating results for the quarter, besides the drop in the financial results, impacted by the received and renegotiated interests.



INVESTMENTS

Investments in the first quarter totaled R$ 4.9 million, 46.6% below to 1Q19, as a result of the investments reprioritization and measures taken to avoid deterioration in cash.

The main projects are directly related to sustaining and expanding the business, such as (i) technology and innovation with the development of CRM and Data-Driven integration, e-commerce platform among others IT systems; (ii) refurbishment and stores installations, and (iii) machinery acquisition for the industrial park evolution.

The resources allocation was distributed in the following order:

Investments (R$ Thousands)	1Q20	1Q19	VAR. 1Q20 | 1Q19
Industrial Plant	1,261	3,759	-66.5%
IT	1,809	3,210	-43.6%
Stores	1,492	2,059	-27.5%
Others	386	246	56.9%
Total	4,948	9,274	-46.6%

NET CASH

The Company ended the quarter with a net cash of R$ 365.2 million. In order to preserve the financial health for the sustainability and speed-up of the business, Management is daily monitoring the Company's cash. At the end of March, the Company raised a financial loan, in the total amount of R$ 120.1 million to strengthen its net cash position, ending 1Q20 with R$ 485.3 million in cash. Additionally, the Company raise R$ 80.0 million in April.

Net cash (R$ Thousands)	1Q20	1Q19	4Q19
Cash and Cash Equivalents	485,318	358,634	364,824
Loans and financing - short term	(120,119)	-	-
Net cash	**365,199**	**358,634**	**364,824**

CASH FLOW

In 1Q20, Cia Hering generated R$ 26.0 million in free cash, R$46.1 million lower than in 1Q19, explained by the lower operating result (EBITDA). The investment in working capital was positive by R$ 10.7 million, notably by the accounts receivable reduction – due to lower revenues – and extension of terms with suppliers, which more than offset the increase in inventories. The classification "Others" includes the increase in recoverable taxes from tax credits and judicial deposits related to ICMS.

Cash Flow - Consolidated (R$ thousand)	1Q20	1Q19	VAR. 1Q20 | 1Q19
EBITDA	**11,383**	**57,034**	**(45,651)**
No cash items	12,238	5,933	6,305
Lease Effect	(8,140)	(6,860)	(1,280)
AVP (Adjustment to Present Value) - Clients and Suppliers	4,770	5,016	(246)
Current Income tax and Social Contribution	-	228	(228)
Working Capital Capex	**10,659**	**19,957**	**(9,298)**
Accounts receivable from clients	94,829	42,297	52,532
Inventories	(71,346)	(37,306)	(34,040)
Accounts payable to suppliers	35,984	22,318	13,666
Taxes payable	(19,546)	(10,961)	(8,585)
Franchisee Financing - Refurbishment plan	(1,761)	(664)	(1,097)
Others	(27,501)	4,273	(31,774)
CapEx	**(4,948)**	**(9,274)**	**4,326**
Free Cash Flow	**25,962**	**72,034**	**(46,072)**

RETURN ON INVESTED CAPITAL

In 1Q20, Cia Hering's return on invested capital was 15.5%, 780 b.p. lower compared to 1Q19. The impact is due to the reduction in operating income, with the Invested Capital being in line with the previous quarter, with an emphasis on the reduction of 7.0% in working capital.

Return on Invested Capital (ROIC) - R$ thousands	1Q20	1Q19	VAR. 1Q20 | 1Q19
EBITDA	219,004	271,291	-19.3%
(-) Depretiation and Amortization	(89,687)	(67,947)	32.0%
(+) Amortization - Right of use properties [1]	2,158	5,083	-57.5%
(+) Financial Results - APV [2]	15,908	18,753	-15.2%
(+) IR&CS - Effective rate [3]	12,355	12,837	-3.8%
Operating Income	**159,738**	**240,018**	**-33.4%**
Fixed Assets	461,311	422,285	9.2%
Accumulated amortization - Right of use properties	54,677	49,729	9.9%
Working capital	520,590	559,719	-7.0%
Average Invested Capital*	**1,036,578**	**1,031,732**	**0.5%**
ROIC	**15.5%**	**23.3%**	**-780 b.p.**

Notes to the financial statements: (1) Nr. 15; (2) Nr. 32; (3) Nr. 33.

(*) Last 4 quarters average

SHAREHOLDERS REMUNERATION

In 1Q20, due to unprecedented impacts of the Covid-19 pandemic and the cash preservation, no earnings were deliberated.

BUYBACK PROGRAM

The program that authorized the acquisition of up to R$ 1.5 million shares was executed and ended on March 16, 2020. At the Meeting of the Board of Directors held on the same day, the Board approved a new Buyback Program that authorizes the acquisition up to R$ 0.8 million shares, corresponding to 0.66% of the total free float shares, effective until March 16, 2021.

SUBSEQUENT EVENT

The Company has been successful in its lawsuit, pending with the Federal courts of Santa Catarina, with respect to the exclusion of the state sales tax (ICMS) from the calculation base of the PIS and COFINS federal taxes. On the basis of a ruling of May 19, 2020, against which no further appeal can be lodged, the Company's right to a refund, via compensation, of the amounts recorded for the periods from December 2002 to March 2017 of the contribution to PIS, and from February 2004 to March 2017 of COFINS, duly corrected until May 31, 2020 in the total amount not yet audited of R$ 279,396 million. The amounts related to the competencies as of April 2017 already had their effects recognized in the Company's financial statements. For offsetting this fiscal advantage, this amount must still be subject to administrative request according to procedure established by the Federal Revenue Service of Brazil, after the return of the records at the origin federal court.

Cia. Hering

(Publicly-held company)

Financial statements

March 31, 2020 and December 31, 2019

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Quarterly Information Review Report

(A free translation of the original report in Portuguese)

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

Introduction
We have reviewed the interim financial statements, Parent Company and Consolidated, of Cia Hering ("Company") contained within the Quarterly Information for the quarter ended March 31, 2020, which comprise the balance sheet as of March 31, 2020 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three month period then ended, including the notes to the financial statements.

Management is responsible for the preparation of these interim financial statements in accordance with the CPC 21(R1) and (IAS) 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and for the presentation of these interim financial statements in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the Quarterly Information. Our responsibility is to express a conclusion on the interim financial statements based on our review.

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

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

Other matter

Statements of value added

We have also reviewed the statements of value added, Company and Consolidated, for the quarter ended March 31, 2020, prepared under the responsibility of the Company's Management, whose disclosure in the interim financial statements is required in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information and considered as supplemental information by international accounting standards (IFRS), which do not require the disclosure of the statement of value added. This statement was submitted to the same review procedures previously described and, based on our review, we are not aware of any fact that would lead us to believe that they have not been fairly stated, in all material respects, in relation to the interim financial statements, Company and Consolidated, taken as a whole.

Joinville, May 27, 2020

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

CIA. HERING

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

Assets	Note	Parent company 03/31/20	Parent company 12/31/19	Consolidated 03/31/20	Consolidated 12/31/19
Current assets					
Cash and cash equivalents	5	484,983	364,423	485,318	364,824
Trade accounts receivable	7	338,587	441,479	338,618	441,508
Inventories	9	394,196	322,824	394,196	322,824
Recoverable taxes	10	55,940	63,233	55,945	63,239
Other accounts receivable	8	20,674	17,348	20,674	17,348
Derivative financial Instruments	24.e	5,200	1,419	5,200	1,419
Prepaid expenses		5,657	2,453	5,657	2,453
24.830		1,305,237	1,213,179	1,305,608	1,213,615
Noncurrent assets					
Interest-earning bank deposits	6	5,105	5,064	5,105	5,064
Recoverable taxes	10	39,830	27,399	39,830	27,399
Deferred taxes	11	69,710	59,041	69,710	59,041
Trade accounts receivable	7	9,998	10,876	9,998	10,876
Other accounts receivable	8	32,176	28,391	32,176	28,391
Investments in subsidiaries	12	2,853	2,448	-	-
Property, plant and equipment	13	291,033	298,511	291,033	298,511
Intangible assets	14	90,644	92,973	90,644	92,973
Right of use	15	70,903	75,903	70,903	75,903
		612,252	600,606	609,399	598,158
		1,917,489	1,813,785	1,915,007	1,811,773

Liabilities	Note	Parent company 03/31/20	Parent company 12/31/19	Consolidated 03/31/20	Consolidated 12/31/19
Current liabilities					
Borrowings and financing	22	120,119	-	120,119	-
Trade accounts payable	23	222,992	187,008	222,992	187,008
Payroll and related taxes	16	34,145	36,337	34,145	36,337
Taxes in installments		130	369	260	500
Income and social contribution taxes		7	136	7	136
Taxes payable	17	5,535	24,690	5,539	24,694
Provisions for contingencies	19	2,420	2,420	2,420	2,420
Other provisions	19	28,651	29,384	28,651	29,384
Tax incentive obligations	18	-	3	-	3
Interest on equity and dividends payable	24.e	798	807	798	807
Other accounts payable		13,026	19,354	10,339	17,135
Leases	15	25,089	26,779	25,089	26,779
		452,912	327,287	450,359	325,203
Noncurrent liabilities					
Taxes in installments		1,143	1,161	1,214	1,233
Provisions for contingencies	19	13,855	12,708	13,855	12,708
Other provisions	19	104	104	104	104
Employee Benefits	21	5,918	5,769	5,918	5,769
Tax incentive obligations	18	490	490	490	490
Other accounts payable		1,165	1,165	1,165	1,165
Leases	15	37,102	38,704	37,102	38,704
		59,777	60,101	59,848	60,173
Shareholders' equity	25				
Capital		381,166	381,166	381,166	381,166
Capital reserve		42,854	41,480	42,854	41,480
Treasury shares		(29,153)	(1,551)	(29,153)	(1,551)
Earnings reserve		998,325	998,325	998,325	998,325
Valuation adjustments to equity		5,967	6,017	5,967	6,017
Other comprehensive income		550	960	550	960
Accumulated income		5,091	-	5,091	-
Controlling shareholders		1,404,800	1,426,397	1,404,800	1,426,397
		1,917,489	1,813,785	1,915,007	1,811,773

The notes are an integral part of the financial statements.

CIA. HERING

INCOME STATEMENTS
MARCH 31, 2020 AND MARCH 31, 2019
(In thousands of Brazilian Reais - R$)

		Parent company		Consolidated	
	Note	1st Quarter 20	1st Quarter 19	1st Quarter 20	1st Quarter 19
Net operating revenue	27	272,112	373,937	272,112	373,937
Cost of goods sold	28	(162,753)	(211,562)	(162,753)	(211,562)
Gross profit		109,359	162,375	109,359	162,375
Operating income (expenses)					
Selling expenses	29	(74,247)	(81,693)	(74,247)	(81,693)
Impairment of accounts receivable	24.a(ii)	(8,939)	(2,949)	(8,939)	(2,949)
Administrative and general expenses	30	(11,473)	(12,989)	(11,558)	(12,997)
Management remuneration	20	(2,313)	(2,355)	(2,418)	(2,364)
Depreciation and amortization		(13,643)	(12,927)	(13,643)	(12,927)
Profit sharing	19	-	(4,700)	-	(4,700)
Other net operating income (expenses)	31	(9,596)	(8,786)	(9,619)	(8,897)
Net income before financial results, equity and taxes		(10,852)	35,976	(11,065)	35,848
Financial income	32	23,911	16,459	24,196	16,484
Financial expenses	32	(18,877)	(9,526)	(18,544)	(9,523)
Net financial income (expenses)		5,034	6,933	5,652	6,961
Equity in income	12	405	(100)	-	-
Net income before income and social contribution taxes		(5,413)	42,809	(5,413)	42,809
Income and contribution taxes - current	32	-	228	-	228
Income and contribution taxes - deferred	32	10,456	3,648	10,456	3,648
Net income for the period		5,043	46,685	5,043	46,685
Allocated to:					
Controlling shareholders		5,043	46,685	5,043	46,685
Earnings per share - R$					
Basic earnings per share	34			0.03110	0.28870
Diluted earnings per share	34			0.03054	0.28247

The notes are an integral part of the financial statements.

CIA. HERING

STATEMENT OF COMPREHENSIVE INCOME
MARCH 31, 2020 AND MARCH 31, 2019
(In thousands of Brazilian Reais - R$)

		Parent company		Consolidated	
	Note	1st Quarter 20	1st Quarter 19	1st Quarter 20	1st Quarter 19
Net income for the period		5,043	46,685	5,043	46,685
Other comprehensive income					
Items that can be subsequently reclassified to the income statement:					
Fair value of financial instruments of cash flow hedge net of taxes	24	(412)	493	(412)	493
		(412)	493	(412)	493
Comprehensive income		4,631	47,178	4,631	47,178
Total comprehensive income allocated to:					
Controlling shareholders		4,631	47,178	4,631	47,178

The notes are an integral part of the financial statements.

CIA. HERING

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

	Parent Company and Consolidated								
			Profit reserves					Equity valuation adjustment	
	Capital	Capital reserve	Tax incentives	Legal reserve	Profit retention	Treasury shares	Accumulated profit	Other comprehensive income	Total equity
Balances at December 31, 2019	381,166	41,480	937,587	59,959	779	(1,551)	-	6,977	1,426,397
Stock option plan (note 26)	-	1,374	-	-	-	-	-	-	1,374
Treasury shares sold (note 25.b)	-	-	-	-	-	(27,602)	-	-	(27,602)
Realization of indexation of PP&E	-	-	-	-	-	-	48	(48)	-
Adjustment financial instruments - hedge accounting (note 24.e)	-	-	-	-	-	-	-	(412)	(412)
Net income for the period	-	-	-	-	-	-	5,043	-	5,043
Balances at March 31, 2020	381,166	42,854	937,587	59,959	779	(29,153)	5,091	6,517	1,404,800

The notes are an integral part of the financial statements.

CIA. HERING

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

	Parent Company and Consolidated								
			Profit reserves					Equity valuation adjustment	
	Capital	Capital reserve	Tax incentives	Legal reserve	Profit retention	Treasury shares	Accumulated profit	Other comprehensive income	Total equity
Balances at December 31, 2018	369,618	35,982	841,261	56,556	16,877	(6,372)	-	6,154	1,320,076
Stock option plan	-	1,227	-	-	-	-	-	-	1,227
Treasury shares sold	-	-	-	-	180	2,670	-	-	2,850
Realization of indexation of PP&E	-	-	-	-	-	-	56	(56)	-
Adjustment financial instruments - hedge accounting	-	-	-	-	-	-	-	493	493
Net income for the year	-	-	-	-	-	-	46,685	-	46,685
Destinations:	-	-	-	-	-	-	-	-	-
Dividends and interest on shareholders' equity	-	-	-	-	-	-	-	-	-
Interest on shareholders' equity	-	-	-	-	-	-	(22,994)	-	(22,994)
Balances at March 31, 2019	369,618	37,209	841,261	56,556	17,057	(3,702)	23,747	6,591	1,348,337

The notes are an integral part of the financial statements.

CIA. HERING

STATEMENT OF CASH FLOWS

MARCH 31, 2020 AND MARCH 31, 2019

(In thousands of Brazilian Reais - R$)

	Note	Parent company		Consolidated	
		03/31/20	03/31/19	03/31/20	03/31/19
Cash flows from operating activities					
Net income for the year		5,043	46,685	5,043	46,685
Adjustments to reconcile net income to net cash generated by operating activities:					
Net deferred income and social contribution taxes	33	(10,456)	(3,648)	(10,456)	(3,648)
Monetary, exchange rate and interest variations	15	1,290	1,302	1,290	1,302
Depreciation and amortization	13/14 / 15	22,448	21,186	22,448	21,186
Provision for doubtful accounts	24	8,939	2,949	8,939	2,949
Write-off of fixed assets	13/14	8	192	8	192
Income from write-off of lease and trade fund	15	(12)	177	(12)	177
Stock option plan	26	1,374	1,227	1,374	1,227
(Reversal) net of formation of provision for adjustment to realizable value	9	(26)	(518)	(26)	(518)
(Reversal) net of formation of provisions for contingencies	19	1,806	1,817	1,806	1,817
Employee benefits	21	149	89	149	89
Equity in (loss) income of subsidiaries	12	(405)	100	-	-
Changes in assets and liabilities					
Trade accounts receivable		94,831	42,297	94,829	42,297
Inventories		(71,346)	(37,306)	(71,346)	(37,306)
Recoverable taxes		(4,163)	(722)	(4,163)	(722)
Other assets		(14,096)	5,224	(14,096)	5,224
Accounts payable to suppliers		35,984	22,318	35,984	22,318
Accounts payable and provisions		(11,004)	(812)	(11,003)	(893)
Income and social contribution taxes		(129)	-	(129)	(56)
Taxes payable		(19,415)	(10,984)	(19,417)	(10,905)
Dividends received	12	-	510	-	-
Interest paid on loans	15	(1,171)	(1,302)	(1,171)	(1,302)
Net cash provided by operating activities		39,649	90,781	40,051	90,113
Cash flows from investing activities					
Purchase of property, plant and equipment	13	(3,033)	(5,725)	(3,033)	(5,725)
Purchase of intangible assets	14	(1,915)	(2,489)	(1,915)	(2,489)
Purchase of rights use assets	15	-	(1,060)	-	(1,060)
Net cash used in investing activities		(4,948)	(9,274)	(4,948)	(9,274)
Cash flows from financing activities					
Interest earning bank deposits		(41)	(57)	(41)	(57)
Interest on equity and dividends		(9)	(39,980)	(9)	(39,980)
Payment of principal and interest - Lease	15	(6,957)	(5,558)	(6,957)	(5,558)
Loans taken	22	120,000	-	120,000	-
Acquisition of treasury shares	25.b	(27,602)	-	(27,602)	-
Disposal of treasury shares for the stock option plan	25.b	-	2,850	-	2,850
Related parties		468	5	-	-
Net cash used in financing activities		85,859	(42,740)	85,391	(42,745)
Increase in cash and cash equivalents		120,560	38,767	120,494	38,094
Demonstration of the increase in cash and cash equivalents					
At the beginning of the period		364,423	319,417	364,824	320,540
At the end of the period		484,983	358,184	485,318	358,634
		120,560	38,767	120,494	38,094

The notes are an integral part of the financial statements.

CIA. HERING

STATEMENT OF ADDED VALUE
MARCH 31, 2020 AND MARCH 31, 2019
(In thousands of Brazilian Reais - R$)

	Parent company		Consolidated	
	03/31/20	03/31/19	03/31/20	03/31/19
Revenues				
Products sold (gross revenue)	323,645	437,858	323,645	437,858
Provision for doubtful accounts	(8,939)	(2,949)	(8,939)	(2,949)
	314,706	434,909	314,706	434,909
Inputs acquired from third parties (including ICMS and IPI)				
Raw materials consumed	(64,285)	(79,094)	(64,285)	(79,094)
Costs of goods sold	(44,558)	(68,608)	(44,558)	(68,608)
Materials, power, third-party services and other operating expenses	(105,235)	(113,418)	(105,426)	(113,523)
	(214,078)	(261,120)	(214,269)	(261,225)
Retentions				
Depreciation and amortization	(22,448)	(21,186)	(22,448)	(21,186)
Net added value created by the Company	78,180	152,603	77,989	152,498
Value added received in transfer				
Equity in income (loss) of subsidiaries	405	(100)	-	-
Financial income	23,911	16,459	24,196	16,484
Rent	39	5	39	5
	24,355	16,364	24,235	16,489
Total added value to be distributed	102,535	168,967	102,224	168,987
Distribution of added value				
Employees				
Direct compensation	43,258	55,752	43,258	55,752
Benefits	6,243	6,810	6,243	6,810
Severance Fund (FGTS)	3,385	3,901	3,385	3,901
	52,886	66,463	52,886	66,463
Taxes				
Federal	15,340	30,376	15,340	30,376
State	5,437	9,072	5,437	9,072
Municipal	463	570	463	570
	21,240	40,018	21,240	40,018
Financiers				
Interest	1,290	1,302	1,290	1,302
Rent	4,814	6,687	4,814	6,687
Others	17,262	7,812	16,951	7,832
	23,366	15,801	23,055	15,821
Equity capital				
Interest on shareholder's equity	-	22,994	-	22,994
Retained earnings	5,043	23,691	5,043	23,691
	5,043	46,685	5,043	46,685
Total added value distributed	102,535	168,967	102,224	168,987

The notes are an integral part of the financial statements.

1 General information

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

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

- Coronavírus (COVID-19)

On March 11, 2020, the World Health Organization (WHO) declared the outbreak of the new coronavirus (COVID-19) as a pandemic. The outbreak triggered major decisions by governments and private sector entities, which coupled with its potential impact, increased the degree of uncertainty for economic agents and can impact the amounts recognized in the Company’s financial statements.

The Company keeps an ongoing monitoring of its operations and has been taking the necessary measures to minimize the impact of the COVID-19 outbreak, preserve the integrity and health of its employees, our absolute priority, as well as ensuring the sustainability of our network and of our business. The following main measures have been taken: (i) implementation of a Crisis Committee formed by Management and a group of leaders from several areas, aiming at monitoring and speeding up decision-making; (ii) adoption of remote work (home office regime), closing of plants and reduction of workforce in the Distribution Center, closing of stores, cancellation of showrooms and trips, in compliance with the protocols established by the competent public authorities; (iii) adoption of measures to strengthen our Cash position, with daily monitoring of cash requirements, renegotiation of suppliers for postponement of payments (R$ 11.7 million in March) and reduction of amounts, renegotiation of lease contracts, contingency of expenses and investments, review of the production and purchase volume, raising of Working Capital loans (R$ 120 million in March, as described in note 22, and R$ 80 million in April 2020, as described in Note 37); (iv) joining the government assistance measures, such as postponement of the payment of PIS and Cofins and Social Security Contribution, FGTS installment payment, reduction of the contribution rates to autonomous social services (S System), adherence to the emergency job and income maintenance program, pursuant to Provisional Measure No. 936.

The Company carried out several analyzes on the impact of COVID-19, which involved (i) reviewing the assumptions for the annual impairment test, whose analysis have not demonstrated the need to recognize any adjustment in the financial statements; (ii) analyzing possible credit losses expected from accounts receivable, the impacts of which are disclosed in note 24 a; (iii) analyzing possible obsolescence losses of inventories, maintaining the policy of provisions adopted, considering the position of perennial inventories and the commercial policy of not selling inventories below cost, there was no need to record a supplementary provision; (iv) reviewing the projections for the income (loss) for the year 2020 and analyzing the recoverability of deferred taxes, resulting in the extension of the credit realization period, according to note 11; (v) evaluating the relevant estimates used in the preparation of interim financial statements, among other analyzes.

The continuity of operations and preservation of the sustainability of our network and of our business are priorities for the Company’s Management, and Management is not aware of any material uncertainty that could generate significant doubts regarding its going concern.

2 Preparation basis

(a) Statement of compliance

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

This financial statement is presented in thousands of Reais and were authorized for conclusion by Management on May 27, 2020.

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

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

(b) Measurement basis

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

(c) Functional currency and reporting currency

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

(d) Use of estimates and judgments

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

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

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

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

3 Significant accounting policies

(a) Consolidation basis

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

		Participation (%)	
	País	03/31/20	12/31/19
HRG Comércio do Vestuário e Intermediação de Serviços Financeiros Ltda.	Brasil	99.99	99.99
Hering Internacional SAFI	Uruguai	100.00	100.00

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

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

- The Company includes in its consolidation all subsidiaries in which the parent company, directly or indirectly, has significant influence to ensure its shareholders permanent and predominant power to elect the majority of directors.
- All intra-group balances, and unrealized income, expenses, gains and losses arising from intragroup transactions are eliminated in full.
- Removal of portions of the results, retained earnings or losses and the cost of inventories or non-current assets that match results, not yet achieved, of business between the companies.
- Elimination of the relevant investment in proportion to its respective equity.

(b) Foreign currency

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

(c) Financial instruments

(i) Non-derivative financial assets

Recognition and measurement

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

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

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

The financial assets held by the Company as of March 31, 2020 are classified as follows:

Amortized cost

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

(ii) Non-derivative financial liabilities

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

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

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

(iii) Derivative financial liabilities

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

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

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

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

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

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

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

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

Note 24 includes more detailed information on derivative financial instruments.

(d) Cash and cash equivalents

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

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

(e) Trade accounts receivable

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

(f) Inventories

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

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

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

(i) Recognition and measurement

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

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

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

(ii) Depreciation

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

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

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

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

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

(iii) Subsequent costs

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

(h) Intangible assets

(i) Recognition and measurement

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

(ii) Amortization

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

The useful estimated lives are as follows:

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

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

(iii) Subsequent expenditures

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

(i) Impairment

(i) Financial assets

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

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

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

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

(ii) Non-financial assets

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

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

(j) Rights to use assets and leases

(i) Leases

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

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

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

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

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

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

(ii) Trade Fund

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

(k) Employee benefits

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

(i) Defined benefit plans

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

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

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

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

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

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

(ii) Other long-term benefits to employees

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

(iii) Short-term benefits to employees

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

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

(iv) Stock options plan transactions

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

(l) Provisions

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

(m) Adjustment to present value

Fixed purchase and sale transactions in installments were brought to present value on transactions date, based on deadlines and at the rate of 0.51% p.m. and 0.60% p.m., respectively. These rates represent SELIC rate for the period in purchase transactions and discount rate in early payment of sale transactions. No assumptions were made that took into account credit risk factors or other risks, because the Company uses a simplified model and because of the operations' characteristics. The average days sales outstanding is 77 days and the average days payable outstanding is 80 days.

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

(n) Capital

(i) Common Shares

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

(ii) Treasury Shares

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

(o) Operating income - Sale of goods

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

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

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

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

(p) Government grants and assistance

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

(q) Financial income and expenses

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

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

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

(r) Income and social contribution taxes

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

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

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

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

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

(s) Income per share

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

(t) Segment information

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

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

(u) Statement of Added Value

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

4 Determination of the fair value

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

(i) Trade accounts receivable and other credits

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

(ii) Non-derivative financial assets and liabilities

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

(iii) Derivative financial assets and liabilities

Foreign exchange futures contracts are measured at fair value.

(iv) Share-based plan, liquidated in shares

The fair value of employee's share options and the rights on the valuation of shares are measured using the Black-Scholes method for the 5th program and Binomial for the 6th to 10th program of the 2008 plan and the 1st to 3nd program of the 2017 plan.

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

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

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

5 Cash and cash equivalents

	Parent company		Consolidated	
Current assets	**03/31/20**	**12/31/19**	**03/31/20**	**12/31/19**
Cash and banks	1,550	25,317	1,885	25,718
Cash and banks/foreign currency	1,134	3,258	1,134	3,258
Financial investments:				
Fixed Income – Bank Deposit Certificate CDB	482,299	335,848	482,299	335,848
	484,983	364,423	485,318	364,824

The company has amounts in cash, checking account, and financial investments in fixed income - CDB of instant redemption, the remuneration ranging from 97.7% to 100.2% of the change in CDI, which average maturity period is three months.

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

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

6 Interest-earning bank deposits restricted

The Company maintains in its own bank account, the amount of R$ 5,105 (R$ 5,064 on December 31, 2019) of investments in Bank Deposit Certificates (CDB), earning interests from 99.00% of CDI, which will be held until maturity, are related to the Hering-Prev Benefit Plan, to tackle the resulting deficit existing in the plan existing in the plan, as determined by the legislation.

7 Trade accounts receivable

	Parent company		Consolidated	
Current	**03/31/20**	**12/31/19**	**03/31/20**	**12/31/19**
Domestic market	350,475	454,788	350,506	454,817
Foreign market	17,351	16,523	17,351	16,523
	367,826	471,311	367,857	471,340
Adjustments to present value	(3,207)	(5,542)	(3,207)	(5,542)
Expected credit losses (note 24 aii)	(26,032)	(24,290)	(26,032)	(24,290)
	(29,239)	(29,832)	(29,239)	(29,832)
	338,587	441,479	338,618	441,508
Non Current				
Domestic market	9,998	10,876	9,998	10,876
	348,585	452,355	348,616	452,384

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

	Parent company and consolidated	
	03/31/20	12/31/19
Balance at beginning of period	(5,542)	(6,225)
Additions	(5,991)	(33,768)
Write-offs	8,326	34,451
Balance at end of period	(3,207)	(5,542)

The adjustment to present value will be realized according to the accounts receivable maturity date, which is 77 days on average.

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

8 Other accounts receivable

	Parent company and Consolidated	
Current	**03/31/20**	**12/31/19**
Advance to domestic suppliers	486	28
Advance to employees	4,296	3,023
Trade accounts receivable refurbishment plan Franchisee	7,614	6,091
Accounts receivable sale of fixed assets (a)	3,600	5,556
Other	4,678	2,650
	20,674	17,348

	Parent company and Consolidated	
Noncurrent	**03/31/20**	**12/31/19**
Fomentar	838	838
Judicial deposits - tributaries	13,133	8,131
Judicial deposits - Labor and Civil	11,685	11,602
Accounts receivable sale of fixed assets (a)	4,500	5,400
Other	2,020	2,420
	32,176	28,391

(a) The most relevant values of this line, in the short and long term, refer to sales of Encano units Ibirama and Rodeio / SC.

9 Inventories

	Parent company and Consolidated	
	03/31/20	12/31/19
Finished goods	147,476	137,743
Resale goods	107,587	64,677
Work in process	79,825	64,064
Inventories held by third parties	20,118	17,610
Raw materials	52,913	43,425
Imports in transit	2,709	11,763
Provision for adjustment to realizable value	(16,432)	(16,458)
	394,196	322,824

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

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

	Parent company and consolidated	
	03/31/20	12/31/19
Balance at beginning of period	(16,458)	(13,457)
Constitution of provision	(1,523)	(14,962)
Reversal of provision by sale	1,549	11,961
Balance at end of period	(16,432)	(16,458)

No inventories have been pledged as collateral.

10 Recoverable taxes

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

	Parent Company		Consolidated	
Current	**03/31/20**	**12/31/19**	**03/31/20**	**12/31/19**
IPI	1,298	1,086	1,298	1,086
ICMS to recover (State VAT) (a)	33,590	40,241	33,590	40,241
ICMS to recover (PP&E)	1,934	1,924	1,934	1,924
IRPJ and CSLL to offset (b)	4,879	4,817	4,879	4,817
INSS to recover (c)	1,126	4,391	1,126	4,391
Withholding Income Tax (IRRF) to offset	4,415	3,657	4,415	3,657
PIS and COFINS to recover (d)	5,398	4,069	5,398	4,069
PIS and COFINS with fixed assets	638	532	638	532
Other	2,662	2,516	2,667	2,522
	55,940	63,233	55,945	63,239

	Parent Company and Consolidated	
Noncurrent	**03/31/20**	**12/31/19**
IPTU (e)	2,424	2,424
ICMS to recover (State VAT) (a)	25,085	12,973
ICMS to recover (PP&E)	3,641	3,519
Withholding Income Tax (IRRF) to offset	158	395
PIS and COFINS with fixed assets	5,133	4,778
Other	3,389	3,310
	39,830	27,399

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

(b) IRPJ and CSLL to offset – The Company paid IRPJ and CSLL with based on the balance sheet of suspension and reduction in 2017 and 2018. Prepayments higher than the value calculated in the year. The amounts collected in the period were reverted to this item for purposes of compensation with income tax and social contribution due in future periods of calculation. Amounts to be determined, referring to the base period 2017, were consumed in 2019.

(c) INSS to recover - The Company carried out a credit check for the social security contribution that was improperly collected on the discounted amounts of payrolls as transportation vouchers and meal vouchers from June 2013 to July 2018 and FAP overpaid in April 2014 until December 2015. In 2019, a new complementary credit of R$ 10,777 was recognized, of which R$ 8,320 of principal and R$ 2,457 of monetary restatement. In 2019, the amount of R$ 8,210 was used to offset the credits raised. In 2019, the amount of R$ 8,210 was used to offset the credits raised. As of March 31, 2020, the amount of R$ 3,265 was used for compensation.

(d) PIS and COFINS recoverable – The Company carried out a survey of PIS and COFINS credits in 2019, in the amount of R$ 24,286, referring to essential expenses not previously credited, part of this credit being offset in 2019 and the remainder in future periods. In 2020, a new survey of credits was made, referring to essential expenses, in the amount of R$ 1,286.

(e) Property tax (IPTU) - In 2006, the Company recorded a credit in connection with IPTU tax after winning a common lawsuit in connection with the unconstitutional requirement of a progressive IPTU tax for the period from 1999 to 2003, definitely judged on October 9, 2006. The balance adjusted for inflation until March 31, 2020 amounted to R$ 2,424, a sum that awaits in the line of court payment sentences at the town hall in favor of the Company.

11 Deferred taxes

(a) Breakdown

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

	Parent company and Consolidated	
Assets	**03/31/20**	**12/31/19**
Tax Losses and Negative Basis	41,641	31,256
Adjustments to present value - clients and suppliers	232	1,127
Provision for contingencies	5,533	5,143
Impairment of accounts receivable	8,549	8,259
Provision for administrative expenses	1,366	1,278
Profit sharing provision - PPR	24	24
Provision for commercial expenses	2,759	2,887
Provision for variable selling expenses	4,836	5,381
Provision for slow moving inventories	4,514	4,741
Actuarial liabilities employee benefits	2,012	1,961
Exchange gains and losses (net)	824	190
Other temporary differences	1,166	727
Total assets	73,456	62,974
Liabilities		
Taxes on indexation of PP&E	(3,075)	(3,101)
Taxes on hedge accounting	(282)	(495)
Other temporary differences	(389)	(337)
Total liabilities	(3,746)	(3,933)
Total Net	69,710	59,041

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

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

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

2021	8,765
2022	12,410
2023	16,032
2024	19,930
2025 so on	16,319
	73,456

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

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

	Parent company and Consolidated						
Assets	**12/31/18**	**Recognized in the income statement**	**Recognized in other comprehen-sive results**	**12/31/19**	**Recognized in the income statement**	**Recognized in other comprehen-sive results**	**03/31/20**
Tax Losses and Negative Basis	23,140	8,116	-	31,256	10,385	-	41,641
APV - Clients and Suppliers	1,072	55	-	1,127	(895)	-	232
Actuarial liabilities employee benefits	850	121	990	1,961	51	-	2,012
Temporary provisions	28,106	334	-	28,440	307	-	28,747
Exchange gains and losses (net)	201	(11)	-	190	634	-	824
	53,369	8,615	990	62,974	10,482	-	73,456
Liabilities							
Taxes on indexation of PP&E	(3,496)	395	-	(3,101)	26	-	(3,075)
Taxes on hedge accounting	326	-	(821)	(495)	-	213	(282)
Other temporary differences	(222)	(115)	-	(337)	(52)	-	(389)
	(3,392)	280	(821)	(3,933)	(26)	213	(3,746)
Total net	49,977	8,895	169	59,041	10,456	213	69,710

12 Investments in subsidiaries

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

	HRG Com. Vest. Interm. de Serviços Finan. Ltda.	**Hering Internac. S.A – SAFI**	**03/31/20**	**12/31/19**
Current and noncurrent assets total	401	2,656	3,057	2,654
Current and noncurrent liabilities total	204	-	204	206
Shareholders' equity	197	2,656	2,853	2,448
Result for the year	(191)	(1)	(192)	(541)
Interest in capital (%)	99.99%	100.00%		
Balance at the beginning of the year	388	2,060	2,448	3,013
Capital increased	-	-	-	400
Dividends	-	-	-	(510)
Equity in subsidiaries	(191)	596	405	(455)
Equity method investment	197	2,656	2,853	2,448

13 Property, plant and equipment

(a) Changes in cost and in depreciation

	Parent Company and Consolidated								
	12/31/18	Additions	Transfer	Write-off	12/31/19	Additions	*Transfer	Write-off	03/31/20
Cost:									
Buildings and improvements	127,395	30	760	(11,691)	116,494	-	701	-	117,195
Facilities and prod. equipament	270,832	17,903	12,398	(17,583)	283,550	785	9,384	(1,185)	292,534
Furniture and fixtures	43,878	2,500	54	(3,811)	42,621	936	-	(232)	43,325
Computer and peripherals	48,237	4,299	300	(2,847)	49,989	440	208	(7)	50,630
Vehicles	2,433	111	-	(595)	1,949	-	-	-	1,949
Leasehold improvements	70,505	256	2,958	(1,576)	72,143	-	211	(1,184)	71,170
Lands	28,995	-	-	(1,357)	27,638	-	-	-	27,638
Construction in progress	17,212	23,564	(18,912)	(202)	21,662	872	(11,479)	-	11,055
	609,487	48,663	(2,442)	(39,662)	616,046	3,033	(975)	(2,608)	615,496
Depreciation:									
Buildings and improvements	(40,398)	(4,019)	-	4,964	(39,453)	(926)	-	-	(40,379)
Facilities and prod. equipament	(150,786)	(18,451)	-	14,959	(154,278)	(4,716)	-	1,186	(157,808)
Furniture and fixtures	(30,356)	(4,493)	-	3,046	(31,803)	(997)	-	225	(32,575)
Computer and peripherals	(37,943)	(5,030)	-	2,745	(40,228)	(1,130)	-	5	(41,353)
Vehicles	(1,913)	(208)	-	561	(1,560)	(31)	-	-	(1,591)
Leasehold improvements	(42,396)	(9,113)	-	1,296	(50,213)	(1,728)	-	1,184	(50,757)
	(303,792)	(41,314)	-	27,571	(317,535)	(9,528)	-	2,600	(324,463)
Net:									
Buildings and improvements	86,997	(3,989)	760	(6,727)	77,041	(926)	701	-	76,816
Facilities and prod. equipament	120,046	(548)	12,398	(2,624)	129,272	(3,931)	9,384	1	134,726
Furniture and fixtures	13,522	(1,993)	54	(765)	10,818	(61)	-	(7)	10,750
Computer and peripherals	10,294	(731)	300	(102)	9,761	(690)	208	(2)	9,277
Vehicles	520	(97)	-	(34)	389	(31)	-	-	358
Leasehold improvements	28,109	(8,857)	2,958	(280)	21,930	(1,728)	211	-	20,413
Lands	28,995	-	-	(1,357)	27,638	-	-	-	27,638
Construction in progress	17,212	23,564	(18,912)	(202)	21,662	872	(11,479)	-	11,055
	305,695	7,349	(2,442)	(12,091)	298,511	(6,495)	(975)	(8)	291,033

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

(b) Useful life review

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

(c) Assets pledged as collateral and pledge

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

(d) Impairment of assets

Property, plant and equipment have their recoverable value analyzed, at least, annually, and for the period ended March 31, 2020, Management revised asset cash flow projections and did not find the need for provisions for recoverable value of assets.

14 Intangible assets

(a) Changes in cost and in amortization

	Parent Company and Consolidated							
	12/31/18	Additions	Transfer	Write-off	12/31/19	Additions	*Transfer	03/31/20
Cost:								
Trademarks and patents	2,952	-	-	-	2,952	-	-	2,952
Right to use properties	64,731	-	(64,731)	-	-	-	-	-
Software	140,354	638	23,422	(259)	164,155	109	3,580	167,844
Intangible assets in progress software	20,119	10,323	(23,422)	-	7,020	1,806	(3,580)	5,246
	228,156	10,961	(64,731)	(259)	174,127	1,915	-	176,042
Amortization:								
Trademarks and patents	(2,636)	(84)	-	-	(2,720)	(19)	-	(2,739)
Right to use properties	(51,056)	-	51,056	-	-	-	-	-
Software	(63,135)	(15,558)	-	259	(78,434)	(4,225)	-	(82,659)
	(116,827)	(15,642)	51,056	259	(81,154)	(4,244)	-	(85,398)
Net:								
Trademarks and patents	316	(84)	-	-	232	(19)	-	213
Right to use properties	13,675	-	(13,675)	-	-	-	-	-
Software	77,219	(14,920)	23,422	-	85,721	(4,116)	3,580	85,185
Intangible assets in progress software	20,119	10,323	(23,422)	-	7,020	1,806	(3,580)	5,246
	111,329	(4,681)	(13,675)	-	92,973	(2,329)	-	90,644

*The balance presented in the transfers column refers to the reclassification of the Intangible trade fund for Assets of Rights of Use in accordance with IFRS16 / CPC06 (2) (note 15).

(b) Useful life review

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

(c) Impairment of intangible assets

The intangible assets have their recoverable value analyzed, at least, annually, and for the period ended March 31, 2020, Management revised asset cash flow projections and did not find the need for provisions for recoverable value of assets.

15 Right to use assets and leasing

(a) Right to use assets

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

(i) Composition and movement

	Parent Company and Consolidated							
	Averege term (years)	01/01/19	Additions	Write-off	12/31/19	Additions	Write-off	03/31/20
Cost:								
Store		64,176	13,983	(6,751)	71,408	4,038	(477)	74,969
Distribution center		5,154	750	-	5,904	-	-	5,904
Buildings		5,307	4,706	-	10,013	-	-	10,013
Trade fund		64,731	5,060	(2,194)	67,597	-	(2,139)	65,458
		139,368	24,499	(8,945)	154,922	4,038	(2,616)	156,344
Depreciation:								
Store	2 to 5	-	(20,650)	1,488	(19,162)	(5,499)	115	(24,546)
Distribution center	2	-	(2,993)	-	(2,993)	(1,202)	-	(4,195)
Buildings	5	-	(1,424)	-	(1,424)	(573)	-	(1,997)
Trade fund	5	(51,056)	(6,401)	2,017	(55,440)	(1,402)	2,139	(54,703)
		(51,056)	(31,468)	3,505	(79,019)	(8,676)	2,254	(85,441)
Net:								
Store		64,176	(6,667)	(5,263)	52,246	(1,461)	(362)	50,423
Distribution center		5,154	(2,243)	-	2,911	(1,202)	-	1,709
Buildings		5,307	3,282	-	8,589	(573)	-	8,016
Trade fund		13,675	(1,341)	(177)	12,157	(1,402)	-	10,755
		88,312	(6,969)	(5,440)	75,903	(4,638)	(362)	70,903

The right-to-use assets have their recoverable value analyzed at least annually. As for the period ended March 31, 2020, Management did not find the need to set up a provision for the recoverable amount.

As of March 31, 2020, there were no changes to existing lease agréments.

(b) Leasing

As of March 31, 2020, the Company had 76 lease agreements (73 on December 31, 2019) for its commercial, industrial and administrative units, which were classified as operating leases. Some of these contracts provide for a variable lease expense, applied on sales, the amount of which remains recorded according to the reporting period of the expense.

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

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

(i) Composition and movement

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

	Parent Company and Consolidated					
	12/31/19	**Additions**	**Payment of principal and interest**	**Interest**	**Write-off**	**03/31/20**
Store	53,479	4,038	(6,204)	969	(373)	51,909
Distribution center	4,484	-	(1,320)	163	-	3,327
Buildings	7,520	-	(604)	39	-	6,955
	65,483	4,038	(8,128)	1,171	(373)	62,191
					Current liabilities	25,089
					Noncurrent liabilities	37,102

(ii) Realization estimate

	Leases	Interest	Present value of Leases
2.020	23,144	(2,865)	20,279
2.021	20,732	(2,404)	18,328
2.022	15,284	(1,204)	14,080
2.023	8,289	(364)	7,925
2024 so on	1,638	(59)	1,579
Net March 31, 2020	**69,087**	**(6,896)**	**62,191**

(iii) Additional Information

To measure the lease liability, the Company adopted the nominal interest rate. For disclosure purposes, according to CVM Circular Letter 01/2020, we measured the value of the lease liability using nominal flow versus nominal rate. The difference between the calculation method for accounting (real flow versus nominal rate) and the form imposed by the CVM for disclosure (nominal flow versus nominal rate) is considered by the Company to be immaterial. On March 31, 2020, using the real cash flows as a basis, the value of the Company's lease liabilities would be R$ 70,665.

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

16 Payroll and related taxes

	Parent Company and Consolidated	
	03/31/20	**12/31/19**
Payroll	7,193	8,003
Vacation	9,404	14,532
13º Payroll	3,266	-
INSS	10,729	9,621
FGTS	2,223	2,857
Others	1,330	1,324
	34,145	36,337

17 Taxes payable

	Parent company		Consolidated	
	03/31/20	12/31/19	03/31/20	12/31/19
ICMS on sales (VAT)	2,055	10,712	2,055	10,712
PIS and COFINS	190	9,262	190	9,262
Withholding Income Tax (IRRF)	2,010	2,776	2,010	2,776
Goiás Protege Fund	861	1,297	861	1,297
Others	419	643	423	647
	5,535	24,690	5,539	24,694

18 Tax incentives

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

	Parent company and Consolidated			
	Deductions		Costs of goods or services sold	
	03/31/20	03/31/19	03/31/20	03/31/19
Crédito outorgado Lei do Vestuário (GO) (a)	18,017	23,278	3,081	3,904
Crédito outorgado Atacadista (GO) (b)	274	371	27	56
Produzir (c)	1,254	-	-	-
PROADI - RN (d)	-	-	-	201
PROEDI - RN (e)	-	-	444	-
TTD - Tratamento Tributário Diferenciado (SC) (f)	2,013	3,657	267	325
Crédito Presumido Internet (SC) (g)	1,337	839	-	-
	22,895	28,145	3,819	4,486

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

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

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

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

(e) Programa de Estímulo ao Desenvolvimento Industrial do Rio Grande do Norte (PROEDI), starting August 2019 when PROADI was extinguished, the Company started using the PROEDI benefit, which consists of a presumed ICMS credit of 77% through Dezembro 30, 2032. In return for the use of this benefit, the Company will contribute 0.5% to the State Fund for Scientific and Technological Development (FUNDET), and 2.5% to the Rio Grande do Norte Commercial and Industrial Development Fund (FDCI). As the main obligation for enjoyment of the benefit, the Company must maintain on-time payment of all its labor, social security and tax related obligations. All obligations are being properly met by the Company.

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

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

The Company's tax incentives are characterized as subsidies for investment, and are recognized in the accrual month and recorded directly on the income statement under the heading of Deductions From Revenue or Cost Of Goods Sold, as a counterpart entry to the liability in ICMS Payable. Because they are characterized as an investment grant, the incentives are excluded from the calculation basis of Income Tax and Social Contribution, resulting in a reduction of R$ 9,083 on March 31, 2020 (R$ 11,095 on March 31, 2019), as shown in Note 33b.

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

19 Provisions for contingencies liabilities, contingent assets and other provisions

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

- Contingent liabilities considered as probable losses

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

	Parent company and Consolidated			
	Current		Noncurrent	
Provision for contingencies:	**03/31/20**	**12/31/19**	**03/31/20**	**12/31/19**
Labor (a)	2,420	2,420	7,259	7,018
Tax (b)	-	-	2,749	2,737
Civil (c)	-	-	3,847	2,953
	2,420	2,420	13,855	12,708
Other provisions:				
Selling expenses (d)	22,886	24,431	-	-
Administrative expenses (e)	5,694	4,882	104	104
Accrued profit sharing - PPR(f)	71	71	-	-
	28,651	29,384	104	104
Total	31,071	31,804	13,959	12,812

(a) Labor - consist mainly of requests from representatives and employees that recognize a possible employment relationship with the Company and occupational accident compensation. There are also lawsuits claiming hazard pay to which some employees from the production units are allegedly entitled and occupational accident compensation and subsidiary with the Company. There are judicial deposits on these proceedings in the amount of R$ 11,657 (R$ 11,574 on December 31, 2019).

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

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

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

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

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

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

	Parent company and Consolidated							
	12/31/18	Additions	Reversal	Realization	12/31/19	Additions	Realization	03/31/20
Provision for risks								
Labor	9,462	4,837	-	(4,861)	9,438	809	(568)	9,679
Tax	2,576	172	(11)	-	2,737	12	-	2,749
Civil	4,691	746	-	(2,484)	2,953	985	(91)	3,847
	16,729	5,755	(11)	(7,345)	15,128	1,806	(659)	16,275
Other provisions								
Selling expenses	24,865	131,599	-	(132,033)	24,431	35,117	(36,662)	22,886
Administrative expenses	7,430	87,133	-	(89,577)	4,986	15,530	(14,718)	5,798
Accrued profit sharing - PPR	71	9,141	(9,141)	-	71	-	-	71
	32,366	227,873	(9,141)	(221,610)	29,488	50,647	(51,380)	28,755
Total	49,095	233,628	(9,152)	(228,955)	44,616	52,453	(52,039)	45,030

- Contingent liabilities considered as possible loss

No accounting provisions were recorded for the amounts of risks considered possible losses by the legal counsel of the Company, in conformity with accounting practices. These contingencies are spread out in tax, labor and civil lawsuits, which totals R$ 491,507 on March 31, 2020 (R$ 491,605 on December 31, 2019).

(i) Tax

In relation to possible tax contingencies, the Company litigates at the federal administrative level regarding credit disallowances and / or non-homologation of IPI, PIS, COFINS, IRPJ and CSLL tax compensations, whose updated amount corresponds to R$ 60,905 (R$ 61,208 on December 31, 2019) and Tax Notices of CIDE, IRRF, PIS, COFINS, IRPJ, CSLL and Social Security Contributions, whose updated amount corresponds to R$ 200,678 (R$ 172,099 in December 2019). It also litigates in the state administrative level of Goiás, regarding the ICMS tax, whose updated amount corresponds to R $ 27,671 (R$ 27,553 in December 2019). In the judicial sphere against the Federal Union, the updated amount of R$ 39,816 (R $ 39,567 as of December 31, 2019) was disputed in INSS requirements and the updated amount of R$ 1,467 for IRRF (there was no balance as of December 31, 2019), all of these amounts ensured by Guarantee Insurance.

(ii) Civil

Concerning civil contingencies, the Company started a lawsuit against Banco Santos' Bankruptcy Estate claiming a declaration of total release of its debts with Banco Santos. Whereas, Banco Santos' Bankruptcy Estate started four lawsuits against Cia. Hering involving Credit Limit Contracts and BNDES-Exim Financing Agreement. Two of the lawsuits claims the revocation of Letters of Debt Release related to these transactions and the third lawsuit claim the execution of BNDES-Exim Financing Agreement. The execution lawsuit alleges that obligation assumed under said Financing Agreement was not settled. The executed amount at the time the lawsuit was started totaled R$ 50,003. The Company filed an appeal against the execution and, as collateral, obtained a letter of guarantee in the amount of R$ 65,006 from Itaú BBA, whose replacement was requested in a petition filed on June, 25, 2018, in order for it to correspond to the updated amount of the debt, plus the 30% required by law, according to a court decision. The new bank guarantee was contracted with Banco Santander on June 04, 2018, in the amount of R$ 152,321. The fourth lawsuit claims the payment by the Company of a debt arising from the alleged default in fulfilling the obligations under Credit Limit Contract, whose amount charged at the time the lawsuit was started, the involved amount totaled R$ 26,916. In summary, the total amount claimed by Banco Santos' Bankruptcy Estate, adjusted for inflation until March 31, 2020, totaled R$ 218,270 (R$ 213,698 as of December 31, 2019). The amount assessed as remote loss by the Company is R$ 138,095 (R$ 135,971 as of December 31, 2019) and as possible loss, R$ 80,175 (R$ 77,727 as of December 31, 2019).

(iii) Labor

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

- Contingent tax assets

(i) Exclusion of ICMS from the PIS and COFINS calculation basis

The Company has two lawsuits seeking to recognize its right to exclude the ICMS tax from the PIS and COFINS calculation basis, covering the periods of cumulative and non-cumulative calculation of the aforementioned contributions, as well as authorization to offset amounts unduly paid.

The first lawsuit, covering the period in which the ICMS comprised the calculation basis of PIS and COFINS contributions in the cumulative regime, awaits a decision by the President of the Superior Court of Justice regarding the interlocutory appeal proposed by the Federal Government against a decision that rejected the Special Appeal. For the present process, the Company is still reviewing documents and making calculations to determine the respective credits; currently, it considers the disclosure of any estimate of value impracticable.

In the second lawsuit, covering the period in which the ICMS comprised the calculation basis of PIS and COFINS contributions under the non-cumulative regime, extending to the current period, the Company has already obtained a decision for injunctive relief from the regional federal court (TRF4) ensuring its right to exclude ICMS tax from the PIS and COFINS calculation basis in a period immediately subsequent to the decision handed down by the Supreme Federal Court (STF) on March 15, 2017, with effects already applied to P/L from that time forward. For the present lawsuit, the Company has a preliminary review of documents and calculations that indicate an updated credit estimate up to March 31, 2020 of approximately R$ 275.000 (gross amount without discounting taxes and legal fees). On may 19, 2020, the Company was certified as transit traffic as explained in note 37.

(ii) IPI credit

The Company was handed a final and unappealable judicial decision in the proceedings of case 0000927-93.1994.4.01.3400, which recognized its right to IPI premium credit, derived from export operations from January 24, 1989 to October 5, 1990, currently in the stage of fulfillment of the sentence, in which the amounts (quantum debeatur) to be received by the Company will be defined. The probability of success in the opinion of the lawyers representing the case is classified as probable, and the gross amount of the credit, corrected for inflation up to March 31, 2020, is estimated at R$ 185,000, net of taxes and legal fees, which may change due to the fact that a final and unappealable decision has not yet been handed down.

(iii) ICMS subsidies – IRPJ and CSLL taxation

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

Through the Writ of Mandamus No. 5007756-51.2014.404.7205/SC, the Company seeks security regarding its right not to collect the IRPJ and CSLL taxes on the tax incentives granted by the tax legislation of the State of Santa Catarina, pursuant to item XXX, article 15, of Annex 2 of the RICMS/SC (Decree No. 2,870/01), later migrated to item XV, article 21, of Annex 2 of the RICMS/SC, called deemed credit on sales over the Internet, as it does not constitute taxable income. After the TRF4 ruling and judgment, unfavorable to the Company, and based on an Interlocutory Appeal filed in the Special Appeal, the Superior Court of Justice (STJ) recognized the right pleaded in favor of the Company, following the EREsp Appeal No. 1.517.492. The final and unappealable decision was handed down on 05/05/2020, and the case returned to TRF4 for the decision regarding the possibility of offsetting. The period covered by this judicial measure relates to the incentives enjoyed for the calendar years 2010 to 2016. For this lawsuit, the Company estimates a tax credit effect of approximately R$ 2,618 in historical values.

Through the writ of mandamus No. 5023866-28.2014.404.7205/SC, the Company seeks security regarding its right not to collect the IRPJ and CSLL taxes on the tax incentives granted by the tax legislation of the State of Goiás, pursuant to items III, LII , LIII and LIV, article 11, of Annex IX of RCTE-GO (State Decree No. 4,852/97), called credits granted to wholesaler and apparel company, as they do not constitute taxable income. After an unfavorable decision, TRF4 granted the Company's Appeal. After a Special and Extraordinary Appeal by the Federal Government, in the context of an Internal Appeal, and using the EREsp Appeal No. 1.517.492, the Superior Court of Justice (STJ) decided not to grant the Special Appeal of the Federal Government. Moreover, owing to the lack of general repercussion, it denied the Extraordinary Appeal of the Federal Government before the STF. The Federal Government filed a new Internal Appeal against the denial of the Extraordinary Appeal and is waiting judgment on that matter. The periods covered by this judicial measure are as follows: (a) for wholesale credit, the incentives enjoyed in the calendar years 2011 through 2016; and (b) for apparel credit, the incentives enjoyed in the calendar years 2009 to 2013. For this lawsuit, the Company estimates a tax credit effect of approximately R$ 112,381 in historical values.

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

20 Related parties

Transactions involving intercompany loans and management compensation are as follows:

(a) Key Personnel from management

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

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

	Parent Company		Consolidated	
	03/31/20	03/31/19	03/31/20	03/31/19
Management remuneration	2,313	2,355	2,418	2,364
Variable remuneration	-	893	-	893
Short-term benefits	333	358	333	358
Others (INSS)	463	471	463	471
Stock options payments	1,035	934	1,035	934
	4,144	5,011	4,249	5,020

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

(b) Other related-party transactions

Transactions refer to loan agreements with Subsidiaries, whose balance as of March 31, 2020 was R$ 2,687 (R$ 2,219 as of December 31, 2019). The term of validity of these contracts is indeterminate.

On May 25, 2011 Cia. Hering began operating with a representation office in the city of Nanjing in China. This office has as its object the quality inspection of products imported, as well as the prospection of new suppliers. As of March 31, 2020, the amount spent with this operation was of R$ 860 (R$ 3,565on December 31, 2019), recognized in the income statement in the group costs.

As of March 31, 2020, there were no loan operations for franchise reforms related to the Company's Management, in 2019 the amount was R$ 1,144.

(c) Sales to related parties

The Company performed commercial transactions (sales) with franchises related to some of its Directors. On March 31, 2020, these transactions totaled R$ 8,388 (R$ 9,358 on March 31, 2019), of which, R$ 5,866 is recorded under Trade accounts receivable on March 31, 2020 (R$ 9,072 on December 31, 2019). The transactions with these related parties are held under the same usual terms and conditions applicable to the other franchisees of the Company.

21 Employee benefits

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

Private pension plan

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

The defined benefit plan gives taxpaying employees the right to receive lifetime monthly income (with or without a 5-year guaranteed period). This option was open only to those employees enrolled in the plan and eligible for the life retirement benefit until October 2018, when the Previc Plan amendment was approved, limiting the defined benefit to a portion of employees. In March 31, 2020 was 18 people (19 as of December 31, 2019). Non-contributory employees are guaranteed the amount corresponding to up to three salaries paid in a single installment, was of 5,591 as of March 31, 2020 (5,693 as of December 31, 2019).

The number of contributors to the private pension plan (defined contribution) as at March 31, 2020 was 275 people (272 at December 31, 2019), contributing R$ 264 in the period (R$ 265 on March 31,2019) and the sponsor contributed the same amount.

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

(a)Balances of the pension plan – Defined Benefit

	Parent company and Consolidated	
	Pension Plan	
	03/31/20	12/31/19
Present value of actuarial obligations with coverage	(48,695)	(48,546)
Fair value of the plan assets	42,777	42,777
Deficit	(5,918)	(5,769)

The change in the defined benefit plan for the year ended March 31, 2020 was the recognition of R$ 149 (R$ 89 on March 31, 2019) in the income statement, whose counterpart was the employee benefit liability.

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

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

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

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

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

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

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

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

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

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

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

(f) History of experience adjustments

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

(g) Actuarial assumptions

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

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

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

(h) Sensitivity analysis

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

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

22 Borrowings and financing

Description	Annual charges	Maturity	Currency	Parent company and Consolidated 03/31/20	12/31/19
Working capital	CDI+4.3%	2021	R$	80,119	-
Working capital	CDI+4.8%	2021	R$	40,000	-
				120,119	-
			Current liabilities	120,119	-

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

23 Trade accounts payable

	Parent Company e consolidated 03/31/20	12/31/19
Accounts payable to internal suppliers	99,754	96,495
Accounts payable to external suppliers	48,899	25,374
Payor Risk (i)	76,863	67,365
Adjustments to present value	(2,524)	(2,226)
	222,992	187,008

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

24 Risk management and financial instruments

(a) Risk management

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

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

The values of the asset and liability financial instruments contained in the quartely information for the period ended March 31, 2020 were determined in accordance with the criteria and the accounting practices disclosed in specific notes.

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

- Credit risk

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

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

The Company also accounts for expected credit losses, in the amount of R$ 26,032 (R$ 24,290 on December 31, 2019), which represents 6.89% of the balance of the accounts receivable (R$ 5.04% on December 31, 2019), to counter credit risk.

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

(i) Credit risk exposure

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

	Consolidated	
	03/31/20	**12/31/19**
Cash and cash equivalents	485,318	364,824
Interest-earning bank deposits	5,105	5,064
Trade accounts receivable	377,855	482,216
Other receivables	52,850	45,739

(ii) Impairment losses

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

	Consolidated	
Accounts receivable	**03/31/20**	**12/31/19**
Current	323,682	435,054
Past-due:		
0 to 30 days	13,069	7,134
31 to 90 days	10,148	5,393
91 to 180 days	6,126	6,313
181 to 360 days	7,123	6,315
Over 360 days	17,707	22,007
	377,855	482,216

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

	Consolidated	
	03/31/20	**12/31/19**
Balance at beginning of period	(24,290)	(20,593)
Additions	(8,939)	(12,197)
Write-offs	7,197	8,500
Balance at end of period	(26,032)	(24,290)

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

During the quarter ended March 31, 2020, the Company analyzed its receivables portfolio and recorded an additional provision in the amount of R$ 4,140. Aiming to ensure sustainability and support its network of clients and franchisees, the Company extended the term of trade notes maturing in March and April (without financial charges), and is implementing an installment payment plan in May, in addition to monitoring and communicating the government support measures aimed at the sustainability of its operations to clients. The highest volume of trade note extensions occurred in April, and the effect on March 31, 2020 is immaterial. Considering the scenario of economic uncertainties that COVID 19 may trigger, the Company continues monitoring the possible impacts on its operations and on the network's operations, with the purpose of identifying any need to supplement the provision for expected losses in the coming quarters.

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

(iii) Guarantees

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

- Liquidity risk

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

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

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

As of March 31, 2020 the Company's cash equivalents have immediate liquidity and are considered to manage liquidity risk.

The following table shows the expected maturity for the financial assets and liabilities contracted by the Company, and the values shown include the estimated principal and interest levied on the operations, calculated utilizing rates prevailing on March 31, 2020:

		Consolidated						
	Average interest rate	Until 1 month	1 to 3 months	4 to 12 months	1 to 2 years	2 to 3 years	Over to 3 years	Total
Cash and cash equivalents	-	485,318	-	-	-	-	-	485,318
Trade accounts receivable and others	0.60%	68,841	240,240	55,613	6,873	819	111	372,497
Borrowing and financing	0.80%	-	-	(131,563)	-	-	-	(131,563)
Leases	0.60%	(2,707)	(7,985)	(19,756)	(33,471)	(5,168)	-	(69,087)
Suppliers and other payables	0.51%	(14,023)	(173,906)	(47,308)	(1,686)	(56)	(42)	(237,021)
		537,429	58,349	(143,014)	(28,284)	(4,405)	69	420,144

- **Market risk**

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

(i) Interest rate risk

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

The Company has the following financial instruments:

	Consolidated	
	03/31/20	**12/31/19**
Financial instruments - Variable rate	482,299	335,848
Financial instruments - Fixed rate	5,105	5,064
Financial instruments - Variable rate (Financial liabilities)	(120,119)	-
	367,285	340,912

(ii) Exchange rate risk

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

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

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

	Consolidated	
	03/31/20	**12/31/19**
Cash in foreign currency (note 5)	1,134	3,258
Trade accounts receivable (note 7)	17,351	16,523
Accounts payable to suppliers	(57,644)	(25,152)
Derivative financial instruments	23,391	44,331
	(15,768)	38,960

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

As of March 31, 2020, the Company held USD 25,915 (USD 22,697 on December 31, 2019) in letters of credit related the imports contracted with suppliers.

(iii) Operating risk

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

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

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

(iv) Other pricing risks

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

(b) Financial instruments – fair value

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

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

	Consolidated			
	03/31/20		12/31/19	
	Book value	Fair value	Book value	Fair value
Amortized cost:				
Borrowings and financing	(120,119)	(120,119)	-	-
Leases	(62,191)	(62,191)	(65,483)	(65,483)
Derivative financial instruments assigned at fair value through income	4,367	4,367	(36)	(36)
Derivative financial instruments assigned to hedge accounting relationships	833	833	1,455	1,455

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

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

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

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

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

(c) Capital management

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

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

The debt management indicators are shown below:

	Consolidated	
Capital management indicators	**03/31/20**	**12/31/19**
Cash and cash equivalents	485,318	364,824
(-) Short term debt	(120,119)	-
Net cash	365,199	364,824

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

(d) Sensitivity analysis

(i) Interest rate variation sensitivy analysis

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

As at March 31, 2020, Management considered the annualized rate for the reference period as the probable scenario. The income from financial investments and loan expensed was projected for the next 12 months.

			Consolidated					
Description	**Amount R$**	**Risk**	**Probable**		**Possible**		**Remote**	
			%	**Gain (Loss)**	**%**	**Gain (Loss)**	**%**	**Gain (Loss)**
Financial investments (i)	487,404	Low CDI	5.44	-	4.08	(6,625)	2.72	(13,250)
Working capital (ii)	(120,119)	Low CDI	5.44	-	6.80	1,633	8.16	3,265
	367,285					**(4,992)**		**(9,985)**

(i) Balance on March 31, 2020 of investments in CDB and Repurchase agreements classified in cash and cash equivalentes and non-current subject to variation in the CDI.
(ii) Balance on March 31, 2020 of short-term loans, subject to the CDI variation.

(ii) Exchange rate variation sensitivity analysis

The Company has assets and liabilities linked to foreign currency in the balance sheet as at March 31, 2020 and adopted, for sensitivity analysis purposes, the market rate in effect during the preparation of this quartely information as the probable scenario. The probable rate was then adjusted at 25% and 50%, as parameter for possible and remote scenarios, respectively.

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

			Consolidated				
Operation	Amount	Notional Amount	Probable	Possible		Remote	
	03/31/20 R$	03/31/20 USD	Rate USD	Rate USD	Gain (Loss)	Rate USD	Gain (Loss)
Cash in foreign currency	1,134	-	5.1981	6.4976	284	7.7972	567
Trade accounts receivable	17,351	-	5.1981	6.4976	4,338	7.7972	8,676
Accounts payable to suppliers	(57,644)	-	5.1981	6.4976	(14,411)	7.7972	(28,822)
Derivative financial instruments	23,391	4,500	5.1981	6.4976	5,848	7.7972	11,696
Exchange rate gain (loss) net	(15,768)	4,500			(3,941)		(7,883)

In addition to the sensitivity analysis required by CVM Instruction 475/08, the Company evaluates its financial instruments considering their possible effects on profit or loss and equity on relation to the risks assessed by on the quartely information reporting date, as suggested by CPC 40 and IFRS 7. Based on the equity position outstanding as at March 31, 2020, these effects are estimated to approximate the values mentioned in the “Probable” column, in the table above.

(e) Derivative financial instruments

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

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

On March 31, 2020, derivative operations (NDF - Non Deliverable Forward) maintained by the Company designated for "hedge accounting" were contracted, in the following amounts and conditions:

					Recognized in		
Contract date	Maturity date	Hedged amount US$'000	Average target quotation	Open Fair Value	Other comprehensive income	Operating Income	Financial Income
10/24/2019	04/01/2020	3,000	4.0419	3,470	660	-	2,810
10/24/2019	05/04/2020	1,500	4.0455	1,730	173	-	1,557
		4,500		5,200	833	-	4,367

The settlements of NDF's operations in the year ended March 31, 2020 added up to a Notional of USD 6,500 (whose goods were sold), generating a value that represented a gain of R$ 3,203 for the Company, of which R$ 2,224 (revenue R$ 1,873 in 2020 and revenue of R$ 351 in 2019) was recognized as a gain in Operating Result and R$ 979 (revenue of R$ 1,366 in 2020 and loss of R$ 387 in 2019) recognized as revenue in financial result.

25 Shareholders' equity and reserves

(a) Capital

The authorized share capital comprises 350,000,000 common shares, with no par value, and the subscribed and paid-in capital as of March 31, 2020 consisted of 162,533,937 common shares (including the 1,597,425 shares held in treasury) held by the following shareholders (interests over 5%):

	03/31/20		12/31/19	
Atmos Capital Gestão de Recursos Ltda	16,211,835	10.0%	16,211,835	10.0%
Investimento e Participação INPASA S/A	11,964,724	7.4%	11,964,724	7.4%
Ivo Hering	11,768,370	7.2%	11,768,370	7.2%
Verde Asset	9,188,874	5.7%	8,217,325	5.0%
Velt Partners	8,931,998	5.5%	-	-
Others	104,468,136	64.2%	114,371,683	70.4%
	162,533,937	100%	162,533,937	100%

(b) Shares in Treasury

On August 1, 2017, the Company's Board of Directors approved the creation of a New Repurchase Program of Common Shares Issued by the Company (Program 2018 - 2019), for permanence in treasury and subsequent sale and / or cancellation and / or to face the "Plan of Option to Purchase Company Shares ", limited to 5,000,000 (five million) common shares Company, whose closing date was February 1, 2019. Of the shares acquired in this program, the balance on December 31, 2019 and March 31, 2020 is 107,425.

On February 5, 2020, the Company's Board of Directors approved the creation of a New Repurchase Program of Common Shares Issued by the Company, to remain in treasury and subsequent sale or cancellation, as well as for use in stock option plans. shares or other forms of compensation based on the Company's shares, limited to the amount of 1,490,000 (one million, four hundred and ninety thousand) registered common registered shares, from February 5, 2020 to February 5, 2021. The Company acquired a total of 1,490,000 shares in March 2020.

The total number of treasury shares on March 31, 2020 is 1,597,425, as shown in the table below:

	Shares in Treasury (thousands)	Average cost R$ (*)	Total cost R$ thousand
Balances at December 31, 2019	108	14,40	1,551
Acquisitions through the exercise of the call option on March 10, 2020	394	20.04	7,894
Acquisitions through the exercise of the call option on March 11, 2020	300	19.91	5,974
Acquisitions through the exercise of the call option on March 12, 2020	400	18.90	7,560
Acquisitions through the exercise of the call option on March 13, 2020	395	15.63	6,174
Balances at March 31, 2020	1,597	18.26	29,153

(c) Capital reserve

Stock options granted as described in Note 25 are recorded as capital reserves.

(d) Earnings reserves

- **Legal reserve**

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

- **Profit retention**

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

- **Other profit reserves**

Tax incentives

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

	03/31/20	12/31/19
Lei do Vestuário - GO	681,803	681,803
Pró-Emprego - SC	59,264	59,264
Proadi - RN	69,234	69,234
Proedi - RN	1,920	1,920
Fomentar - GO	31,750	31,750
Tax (IRPJ) Operating Profit	29,526	29,526
Créd. Presumido Importados/Internet - SC	46,361	46,361
Produzir - GO	11,824	11,824
Crédito Atacadista - GO	5,899	5,899
Reinvestment income tax reduction	6	6
	937,587	937,587

(e) Remuneration to shareholders

Dividends

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

Interest on equity

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

(f) Equity evaluation adjustment

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

26 Stock option plan

On at March 31, 2020 the Company had two outstanding Stock Option Purchase Plan, one of which was approved at the Ordinary and Extraordinary General Meeting held on April 10, 2008 (Plan 2008) and a new Stock Option Purchase Plan approved at the Ordinary and Extraordinary General Meeting held on December 04, 2017 (Plan 2017). The approval of the programs of granting of shares under each plan is carried out by the Company's Board of Directors. The approval by the Board of Directors, the number of shares granted by program and the exercise price per share is disclosed below:

	Stock Option Purchase Plan								
	Plan 2008						Plan 2017		
	5th	6th	7th	8th	9th	10th	1st	2nd	3nd
Approval date	05/08/12	05/21/13	07/25/13	05/21/14	07/29/15	05/24/16	12/13/17	08/29/18	05/08/19
Number of shares granted	246,000	264,000	72,872	953,850	1,335,112	1,226,445	701,541	1,181,229	594,903
Exercise price / R$ share	45.83	38.61	34.24	25.05	12.64	14.25	26.50	16.16	29.73

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

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

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

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

As established by the CPC Technical Pronouncement 10 – Share-based payment, the Company booked the fair value of options. The amount was calculated by a third party with the expertise in this type of methodology that calculated using the Black & Scholes method to the 5th programs, and the Binomial model for the 6th to 10th program of the 2008 plan and for the 1st to 3nd program of the 2017 (this method was used because it adequately allows the inclusion of premises such as anticipated exercise, expiration due to loss of bond and other characteristics).

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

	Stock Option Purchase Plan									
	Plan 2008						Plan 2017			
	5th	6th	7th	8th	9th	10th	1st	2nd	3nd	
Granting date	05/08/12	05/21/13	07/25/13	05/21/14	07/29/15	05/24/16	12/13/17	08/29/18	05/08/19	
Number of shares	246,000	264,000	72,872	953,850	1,335,112	1,226,445	701,541	1,181,229	594,903	
Exercise price	45.83	38.61	34.24	25.05	12.64	14.25	26.50	16.16	29.73	R$/share
Closing price	45.91	43.50	30.56	21.79	11.64	13.08	26.21	16.74	31.75	R$/share
Volatility (daily)	2.34%	1.83%	2.36%	2.19%	2.75%	2.49%	2.67%	2.67%	2.67%	
Volatility (annualy)	37.21%	29.01%	37.46%	34.63%	43.71%	39.50%	37.44%	37.43%	37.65%	
Dividend yeld	4.00%	4.00%	4.00%	5.10%	5.50%	5.50%	4.70%	5.40%	3.17%	p.a
Termination fee (*)	-	1.01%	1.01%	1.10%	5.00%	14.29%	-	-	-	p.a
Termination fee (*)	-	-	-	-	15.00%	13.64%	-	-	-	p.a
Market to Strike Ratio	-	2.33	2.33	2.25	2.25	2.24	2.09	2.09	2.09	
IPCA coupon (**)	3.65%	3.83%	4.89%	6.16%	6.65%	6.13%	5.12%	5.70%	4.19%	p.a
Total term	7	7	7	7	7	7	7	7	7	years
Price per share	17.00	11.87	8.80	5.38	3.30	2.90	7.96	5.15	11.37	R$/share
Total amount	4,183	3,134	641	5,128	4,404	3,561	5,585	6,083	6,764	R$ thousand

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

(**) Risk free interest rate

The closing rate of the price per share of the Company Hering, with code HGTX3 and the volatility rate reported above for the for the 5th until 10th programs of the 2008 plan and for the 1st to 3nd program of the 2017 was taken directly from the Bloomberg service. The IPCA curve coupon was obtained from the site of the Futures and Commodities Exchange (BM&F) in the Historical Data field, Search by trading floor, file “Derivatives Market - Swap Market Rates”. The contract coupon IPCA is traded under the symbol DAP. For rate volatility, it was taken a series of closing prices of Company stock under the code HGTX3, and it was calculated on the daily historical volatility, which was later annual for use in calculating the fair value of stock options.

The periods analyzed were:

	Stock Option Purchase Plan								
	Plan 2008						Plan 2017		
	5th	6th	7th	8th	9th	10th	1st	2nd	3nd
Starting date	05/09/11	09/30/10	08/31/10	11/23/11	07/29/08	05/26/09	03/15/10	12/08/10	08/03/11
End date	05/08/12	05/21/13	07/25/13	05/21/14	07/29/15	05/24/16	12/04/17	08/31/18	05/03/19

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

In the Stock Option Plan 2008, ten stock option programs were issued. The shares granted in the first, second and third stock option program were fully exercised by the beneficiaries.
After observing the vesting periods established in the Programs, each granted Stock Option entitles the Beneficiary, defined by the Board of Directors, the subscription of one share of the Company.

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

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

	03/31/20		12/31/19	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Avaliable options at the beginning of the year	1,167,616	31.40	2,003,224	28.51
Exercised options	-	-	(656,808)	15.55
Cancelled options	-	-	(178,800)	68.86
Avaliable options at the end of the year	1,167,616	31.52	1,167,616	31.40
Exercisable options at the end of the year	992,648	34.18	992,648	34.05

In the period ended March 31, 2020, the Company recognized in the income statement the amount of R$ 223 (R$ 498 on March 31, 2019) referring to the fair value of the plan.

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

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

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

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

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

	03/31/20		12/31/19	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Avaliable options at the beginning of the year	1,889,915	23.73	1,749,797	19.99
Granted options	-	-	594,903	29.73
Exercised options	-	-	-	-
Cancelled options	-	-	(88,040)	24.51
Avaliable options at the end of the year	1,889,915	23.85	1,889,915	23.73
Exercisable options at the end of the year	360,594	24.33	360,594	24.20

In the period ended March 31, 2020, the Company recognized in the income statement the amount of R$ 1,151 (R$ 729 on March 31, 2019) referring to the fair value of the plan.

27 Revenue

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

	Parent company		Consolidated	
	03/31/20	03/31/19	03/31/20	03/31/19
Domestic market	267,675	357,451	267,675	357,451
Own stores	64,997	81,208	64,997	81,208
Foreing market	7,083	9,936	7,083	9,936
Royalties	2,995	4,524	2,995	4,524
Returns	(19,105)	(15,261)	(19,105)	(15,261)
Gross revenue	323,645	437,858	323,645	437,858
Adjustments to present value - revenue	(5,991)	(8,168)	(5,991)	(8,168)
Rebates and IBCC (Instituto Brasileiro de Controle do Câncer)	(5,530)	(1,230)	(5,530)	(1,230)
Sales tax	(40,012)	(54,523)	(40,012)	(54,523)
Deductions	(51,533)	(63,921)	(51,533)	(63,921)
Net revenue	272,112	373,937	272,112	373,937

28 Costs of goods or services sold

	Parent company and Consolidated	
	03/31/20	03/31/19
Raw material and Resale goods	(91,415)	(124,549)
Salaries, charges and benefits	(29,357)	(37,691)
Depreciation	(8,805)	(8,259)
Outsource labor	(25,274)	(31,766)
Energy	(2,055)	(2,856)
Other costs	(5,847)	(6,441)
	(162,753)	(211,562)

29 Selling expenses

	Parent company and consolidated	
	03/31/20	03/31/19
Sales commissions expenses	(10,464)	(13,180)
Sales freight expenses	(9,257)	(9,702)
Personnel expenses	(23,702)	(26,176)
Advertising and promotions expense	(12,462)	(12,859)
Property rental expenses	(4,566)	(5,795)
Expenses with samples and product development	(3,403)	(4,631)
Traveling expenses	(2,313)	(2,318)
Expenses for third-party services	(2,253)	(2,080)
Other expenses	(5,827)	(4,952)
	(74,247)	(81,693)

30 Administrative and general expenses

	Parent Company		Consolidated	
	03/31/20	03/31/19	03/31/20	03/31/19
Personnel expenses	(6,127)	(8,737)	(6,158)	(8,737)
Expenses for third-party services	(2,356)	(1,534)	(2,410)	(1,534)
Institutional advertising expense	(436)	(435)	(436)	(435)
Expenses for information technology service	(1,319)	(1,025)	(1,319)	(1,025)
Traveling expenses	(136)	(271)	(136)	(271)
Property rental expenses	(231)	(238)	(231)	(238)
Other expenses	(868)	(749)	(868)	(757)
	(11,473)	(12,989)	(11,558)	(12,997)

31 Other net operating (expenses) and income

	Parent Company		Consolidated	
Other operating income	**03/31/20**	**03/31/19**	**03/31/20**	**03/31/19**
Tax credit (i)	1,086	598	1,086	598
Claims received	87	156	87	156
Revenue from sale of PP&E and intangible assets	231	301	231	301
Others	186	126	186	126
	1,590	1,181	1,590	1,181
Other operating expenses				
Formation and reversals of labor and civil provisions	(2,015)	(1,620)	(2,015)	(1,620)
Stock option plan	(1,374)	(1,227)	(1,374)	(1,227)
Actuarial evaluation of pension plans	(149)	(89)	(149)	(89)
Cost from write-off of PP&E/intangible	(400)	(297)	(400)	(297)
Labor indemnities	(39)	(373)	(39)	(373)
Goiás Protege Fund	(2,555)	(3,649)	(2,555)	(3,649)
Representatives indemnities	(3,538)	(1,218)	(3,538)	(1,218)
Others	(1,116)	(1,494)	(1,139)	(1,605)
	(11,186)	(9,967)	(11,209)	(10,078)
Other net operaing (expenses) and income	(9,596)	(8,786)	(9,619)	(8,897)

(i) The balance of Tax Credits is mainly composed of R $ 1,086 (net of fees expenses in the amount of R $ 200) of PIS and COFINS.

32 Net financial result

	Parent Company		Consolidated	
	03/31/20	03/31/19	03/31/20	03/31/19
Financial income				
Interest on financial operations	3,973	4,592	3,973	4,592
Adjustment to present value	8,326	8,753	8,326	8,753
Interest received and renegotiated	1,751	2,979	1,773	2,979
Other income	252	135	252	152
Derivative income	5,732	-	5,732	-
Exchange variation - Others	-	-	263	8
Exchange variation - motion account	89	-	89	-
Exchange variation - accounts receivable	3,788	-	3,788	-
	23,911	16,459	24,196	16,484
Financial expenses				
Adjustment to present value	(3,556)	(4,800)	(3,556)	(4,800)
Derivative expenses	-	(989)	-	(989)
Interest lease (note 15)	(1,171)	(1,302)	(1,171)	(1,302)
Bank fees and commissions	(1,340)	(1,292)	(1,340)	(1,292)
Other expenses	(891)	(781)	(891)	(781)
Exchange variation - others	(333)	(3)	-	-
Exchange variation - accounts receivable	-	(123)	-	(123)
Exchange variation - motion account	-	(204)	-	(204)
Exchange variation - accounts payable	(11,586)	(32)	(11,586)	(32)
	(18,877)	(9,526)	(18,544)	(9,523)
Net financial result	5,034	6,933	5,652	6,961

33 Income and social contribution taxes

(a) Breakdown of income tax and of social contribution

	Parent company		Consolidated	
	03/31/20	**03/31/19**	**03/31/20**	**03/31/19**
Current taxes:				
Social contribution	-	266	-	266
Income tax	-	(38)	-	(38)
	-	228	-	228
Deferred taxes:				
Social contribution	2,775	994	2,775	994
Income tax	7,681	2,654	7,681	2,654
	10,456	3,648	10,456	3,648

(b) Reconciliation at the effective rate

	Parent company		Consolidated	
	03/31/20	**03/31/19**	**03/31/20**	**03/31/19**
Net income (loss) before tax	(5,413)	42,809	(5,413)	42,809
Current rate:	34%	34%	34%	34%
Estimated expense according to the current rate	1,840	(14,555)	1,840	(14,555)
Tax impact on permanent additions and exclusions :				
Equity in controlled companies / subsidiaries	138	(34)	-	-
Investment subsidy (Note 18)	9,083	11,095	9,083	11,095
Interest on shareholder's capital	-	7,818	-	7,818
Other permanents (additions) exclusions	(605)	(448)	(467)	(482)
Income and social contribution taxes	10,456	3,876	10,456	3,876
Income and social contribution taxes - current	-	228	-	228
Income and social contribution taxes - deferred	10,456	3,648	10,456	3,648
Effective rate	-	(9%)	-	(9%)

As of March 31, 2020, the Company presented a tax loss, consequently the reflection in the income for the year is composed only of Deferred Income Tax and Social Contribution on tax losses, social contribution negative basis and temporary differences. For this reason, the effective rate is not being informed.

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

	Parent company and Consolidated	
	03/31/20	03/31/19
Constitution on temporary additions	(589)	235
Reversal on temporary exclusions	634	407
Constitution on tax losses and negative bases	10,385	2,977
Realization of the monetary correction of the asset	26	29
	10,456	3,648

34 Earnings per share

(a) Basic earnings per share

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

	Consolidated	
	03/31/20	03/31/19
Profit attributable to the Company's shareholders	5,043	46,685
Weighted average number of common shares - thousands	162,333	161,844
Weighted average number of common treasury shares - thousands	(236)	(138)
	162,097	161,706
Basic earnings per share - R$	0.0311	0.2887

(b) Diluted earnings per share

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

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

	Consolidated	
	03/31/20	**03/31/19**
Profit attributable to the Company's shareholders	5,043	46,685
Weighted average number of common shares - thousands	162,097	161,706
Share purchase option adjustment - thousands	3,058	3,569
Weighted average number of common shares (diluted) - thousands	165,155	165,275
Diluted earnings per share - R$	0.0305	0.2825

35 Operating segments

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

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

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

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

	Consolidated	
Trademarks	**03/31/20**	**03/31/19**
Hering	276,808	380,822
PUC	14,878	22,468
DZARM.	20,008	18,214
*Others	4,868	6,418
Gross revenue domestic market	316,562	427,922
Gross revenue foreign market	7,083	9,936
Total gross revenue	323,645	437,858

	Consolidated	
Channel	**03/31/20**	**03/31/19**
Retail	140,650	184,202
Franchise	94,770	154,806
Own stores	58,444	73,557
Webstore	20,652	14,483
*Others	2,046	874
Gross revenue domestic market	316,562	427,922
Gross revenue foreign market	7,083	9,936
Total gross revenue	323,645	437,858

* Considers the sale of second line items and leftovers

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

	Consolidated	
	03/31/20	**03/31/19**
Gross revenue domestic market	316,562	427,922
Gross revenue foreign market	7,083	9,936
Gross revenue	323,645	437,858
Deductions	(51,533)	(63,921)
Net revenue	272,112	373,937

Foreign revenue is not recorded separately by geographical area, as it represents only 2.62% of total net revenue as of March 31, 2020 (2.66% on March 31, 2019) (Company and consolidated balances).

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

36 Insurance

The Company adopts the policy of contracting insurance coverage for assets subject to risks for amounts considered to be sufficient to cover eventual casualties, considering the nature of its activity. The risk assumptions, due to their nature, are out of the scope of the review of the quartely information, and therefore were not examined by our independent auditors.

As at March 31, 2020, operating risk insurance coverage was comprised of R$ 181,128 for material damage, R$ 186,744 for loss of profit and R$ 60,000 for civil liability.

37 Evento Subsequente

After March 31, 2020, the Company raised new funding in the amount of R$ 80 million, of which R$ 40 million with a remuneration of average CDI rate + 3.4%, an average term of 360 days and semiannual interest, and R$ 40 million with a remuneration of average CDI rate + 3.4%, average term of 350 days and interest charged at the end of the contract, to complement its cash in view of the uncertainties caused by the Covid-19 crisis.

The potential impacts of the COVID-19 pandemic on the Company's future results are uncertain, but in our assessment the results for the 2nd quarter of 2020 are expected to have significantly greater impacts than those presented in this first quarter. In April 2020, the Company's gross revenue decreased by 85% when compared to April 2019. The Webstore channel showed an increase of 104.6% in relation to the previous year.

The Company decided that, in April and May, all of its employees would have: (i) a 25% reduction in working hours and base salary, including the Board of Directors and Statutory Board; and/or (ii) the suspension of the employment contract, with the maintenance of benefits and compensatory aid from the Company of 30% on the gross salary for the Industry, DC and Stores.

As of the beginning of April, the gradual reopening of stores and factories began, following strict safety and hygiene standards recommended by the main health agencies. Currently, we have approximately 203 stores open, equivalent to 30% of the total store base (until May 27, 2020). In mid-April, we partially resumed our manufacturing activities and the activities of the main distribution center located in Goiás.

On May 19, 2020, the Company received the certification of the final and unappealable decision regarding the writ of mandamus, whose object was the Company’s claim for recognition of the tax credits resulting from the exclusion of ICMS from the PIS and COFINS calculation basis, according to Note 19. With the final and unappealable decision, the Company recognized its right to recover the amount of R$ 279 million, duly restated up to May 2020. These credits will be transferred to the Company's results in the 2nd quarter of 2020 and will be offset in the future with federal tax debts.

Finally, aiming to gain operational efficiency through a leaner and less complex structure and after reevaluating our brand portfolio and positioning strategy in the children’s market, which was also impacted by this pandemic scenario, we decided to unify our efforts and we will continue with a single brand to serve this segment. The value proposition of the Hering Kids brand added to some attributes of PUC, such as the connection with art and playfulness, as well as the merger of complementary product lines, will enhance our results and, thus, we will gradually discontinue the PUC brand.

OTHER RELEVANT COMPANY INFORMATION

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

1 - Considering the Rules of Corporate Governance Practices (Novo Mercado), we present below, the shareholding on March 31, 2020:

1.1 Cia Hering

Shareholder	03/31/20		12/31/19	
Atmos Capital Gestão de Recursos Ltda	16,211,835	10.0%	16,211,835	10.0%
Investimento e Participação INPASA S/A	11,964,724	7.4%	11,964,724	7.4%
Ivo Hering	11,768,370	7.2%	11,768,370	7.2%
Verde Asset	9,188,874	5.7%	8,217,325	5.0%
Velt Partners	8,931,998	5.5%	-	-
Outros	104,468,136	64.2%	114,371,683	70.4%
Total	162,533,937	100%	162,533,937	100%

1.2 Investimento e Participações Inpasa S.A

	Common Shares	%	Total	%
Ivo Hering	211,855	26.4%	211,855	26.4%
Amaral Invest. e Partic. Ltda	95,181	11.9%	95,181	11.9%
Dorca Adm. De Bens e Part. Ltda	66,370	8.3%	66,370	8.3%
Clamaro Adm. Part. de Bens Ltda	59,618	7.4%	59,618	7.4%
IPE Inv. e Part. Empr. Ltda	58,422	7.3%	58,422	7.3%
Adm. Coml. Ind. Blumenauense Ltda	49,045	6.1%	49,045	6.1%
Dimare Participações Societárias Ltda	45,871	5.7%	45,871	5.7%
Others	216,405	26.9%	216,405	26.9%
Total	802,767	100%	802,767	100%

1.2.1 Adm. Coml. Ind. Blumenauense Ltda

Shareholder	Shares	%
Espólio de Ricardo Hering	144,342,319	99.9%
Barbara Lebrecht	144,487	0.1%
Total	144,486,806	100%

1.2.2 Dorca Adm. De Bens e Part. Ltda

Shareholder	Shares	%
Gil Prayon	1,092,553	45.7%
Jean Prayon	1,072,553	44.8%
Others	227,234	9.5%
Total	2,392,340	100%

1.2.3 Amaral Investimentos e Participações Ltda

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

1.2.4 Clamaro Administração e Participação de Bens Ltda

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

1.2.5 IPE Investimentos e Participação de Bens Ltda

Shareholder	Shares	%
Ivo Hering	8,178,858	26.8%
Andrea Hildegard Hering Vila Boas	7,426,166	24.4%
Karin Hering de Miranda	7,426,166	24.4%
Cristiane Hering de Toni	7,426,166	24.4%
Rotraud Katharina Hering	4,364	.0%
Total	30,461,720	100%

1.2.6 Dimare Participações Societárias Ltda.

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

2 - Shareholding of controlling parties, management and outstanding shares

Shareholding on 03/31/2020

Shareholder	Common Shares	%	Total	%
Controlling Shareholder	34,516,228	21.3%	34,516,228	21.3%
Management				
- Board of Directors	124,003	0.1%	124,003	0.1%
- Executive Board	162,268	0.1%	162,268	0.1%
Others Shareholders	127,731,438	78.5%	127,731,438	78.5%
TOTAL	162,533,937	100%	162,533,937	100%
Outstanding Shares	127,731,438	78.5%	127,731,438	78.5%

Shareholding on 12/31/2019

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

Shareholding on 09/30/2019

Shareholder	Common Shares	%	Total	%
Controlling Shareholder	34,522,228	21.2%	34,522,228	21.2%
Management				
- Board of Directors	119,003	0.1%	119,003	0.1%
- Executive Board	110,768	0.1%	110,768	0.1%
Others Shareholders	127,781,983	78.6%	127,781,983	78.6%
TOTAL	162,533,982	100%	162,533,982	100%
Outstanding Shares	127,781,983	78.6%	127,781,983	78.6%

Shareholding on 06/30/2019

Shareholder	Common Shares	%	Total	%
Controlling Shareholder	34,488,672	21.3%	34,488,672	21.3%
Management				
- Board of Directors	119,003	0.1%	119,003	0.1%
- Executive Board	106,634	0.1%	106,634	0.1%
Others Shareholders	127,401,197	78.7%	127,401,197	78.7%
TOTAL	162,115,506	100%	162,115,506	100%
Outstanding Shares	127,401,197	78.7%	127,401,197	78.7%

3 - Arbitration clause.

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

4 - Independent Auditors

Cia. Hering policy with its independent auditors is referred to the provision of services not related to external auditing based on principles that preserve the independence of the auditors. These principles are based on the fact that the auditor should not assess his/her own work, nor carry out managerial functions or even advocate for its customer. During the period ended on March 31, 2020, the Company's independent auditors were not contracted for other services beyond the examination of the quarterly financial statements of the period.

Declaration of Directors

In accordance with CVM Instruction 480/09, the Board states that reviewed, discussed and agreed with the view expressed in the independent auditors' report and the financial statement for the year ended March 31, 2020.

EXECUTIVE BOARD

Fábio Hering - Chief Executive Officer
Guilherme Farinelli Silva – Director of Digital Transformation
Marciel Eder Costa - Director of Administration
Marcelo Toledo – Industrial Director
Moacyr José Matheussi – Director of Supplies
Rafael Bossolani – Chief Financial Officer and Investor Relations Officer
Romael Soso – Business Unit Director
Thiago Hering – Executive Director of Business

BOARD OF DIRECTORS

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

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