COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS
CNPJ/MF Nº 22.677.520/0001-76
NIRE 3130003731-2
Publicly Held Company

Shareholders,

Companhia de Tecidos Norte de Minas – Coteminas' management submits to your appreciation its Management Report and the interim financial information (ITR) for the three- and six-month period ended June 30, 2012. Such information, prepared in accordance with the accounting practices adopted in Brazil and standards issued by CVM, are accompanied by the Independent Auditors' Review Report.

CONSOLIDATED RESULTS

Companhia de Tecidos Norte de Minas – Coteminas' gross revenue was R$1,163.8 million for the six-month period ended June 30, 2012. The table below highlights the main consolidated results for the six-month period ended June 30, 2012, comparatively to the six-month period ended June 30, 2011.

Consolidated financial information	In millions of R$		Variance
	1S12	1S11	%
Gross revenues	1,163,767	1,055,898	10.2
Operational net revenues	944,408	853,374	10.7
Cost of goods sold	(708,106)	(588,253)	20.4
Gross profit	236,302	265,121	(10.9)
(% of net revenue)	*25.0%*	*31.1%*	
Selling, general and administrative expenses	(206,780)	(166,303)	24.3
Depreciation and amortization	46,295	45,787	1.1
Income from operations before financial expenses	90,670	107,841	(15.9)
(% of net revenue)	*9.6%*	*12.6%*	
Net income from continuous operations	32,704	(23,479)	-
Discontinued operations	(81,094)	(117,237)	-
Profit (loss) for the period	(48,390)	(140,716)	-
Earnings per share (R$/share)	(0.3643)	(0.8677)	-
Number of shares (thousands)	116,675	116,675	-

Below we reproduce the individual comments of our subsidiary Springs Global Participações S.A. and indirect subsidiary Companhia Tecidos Santanense.

Results for the 2nd quarter of 2012

Springs Global reached net sales of R$394.1 million in the 2Q12, a 20.4% increase when compared with the same quarter of 2011.

Springs Global ("Company") presents the results for 2Q12 and 1S12. The information is presented in a consolidated form under IFRS. The financial information below is presented in *Reais* (R$), and the comparisons refer to the second quarter of 2011 (2Q11), first semester of 2011 (1S11) or to the first quarter of 2012 (1Q12), when applicable.

Highlights of 2Q12:

- In the quarter, the gross sales of the Company increased by 14.3%, reaching R$482.0 million.
- The revenues from the Company's retail operations (sell-out of owned stores + sell-in of franchises) reached R$50.2 million, with growth of 16.7% when compared to the second quarter of 2011.

  - Four new MMartan stores were opened during the second quarter of 2012 totaling 173 MMartan stores, of which 47 are owned.

  - In the second quarter, 4 Artex stores were opened, totaling 43 stores under this brand, all of which are owned.

  - For the second semester of 2012, 35 stores are expected to be opened among the brands MMartan and Artex.

- Revenues from retail represented 20.7% of the domestic market revenues (18.9% in the 2Q11) of the Company.
- Gross profit amounted to R$93.3 million, a decrease of 11.9% when compared to the 2Q11, with gross margin of 23.7% (32.3% in the 2Q11).
- In the 2Q12, EBITDA was R$94.1 million, including non-recurring revenues, net of expenses. It is important to note that the retail operations under the Artex brand are in their initial stage of implementation, already incurring selling expenses but with revenues below their total potential due to a maturation period.
- Net income of the period amounted to R$3.5 million, against a net loss in the second quarter of 2011.
- Conclusion of the Company´s capital increase in the amount of R$169,043 thousand, with the issuance of 56,347,886 new shares.
- Continued efforts to reduce the Company's exposure to U.S. market. The subsidiary Springs Global U.S., Inc. disclosed the sale of the Wamsutta brand, holding the rights to market the Wamsutta brand in South America and to pursue licensing opportunities outside of North America. This transaction allows Springs Global U.S., Inc. to focus its operations on activities that add greater value to their retail partners.
- Acquisition of the remaining equity stake in Springs Rossini Participações S.A. ("Springs e Rossini"), becoming the owner of 100% of MMartan Têxtil Ltda.´s capital.
- Announcement of a strategic partnership between its indirect subsidiary Springs Canada Holdings LLC with Tom Kartsotis, Principal of Bedrock Manufacturing, Co. and founder and former Chairman of Fossil, Inc.

Summarized Information for Springs Global:

Summary of results (R$ million)	2Q12	2Q11	var % 12-11	1S12	1S11	var % 12-11
Gross sales	482.0	421.7	14.3%	938.4	876.2	7.1%
Net sales	394.1	327.4	20.4%	761.2	696.0	9.4%
Gross profit	93.3	105.9	(11.9%)	189.0	220.7	(14.4%)
Gross margin%	*23.7%*	*32.3%*	*(8.6 p.p.)*	*24.8%*	*31.7%*	*(6,9 p.p.)*
EBIT	74.4	48.5	53.4%	87.5	97.9	(10.6%)
EBIT margin %	*18.9%*	*14.8%*	*4.1 p.p.*	*11.5%*	*14.1%*	*2,6 p.p.*
EBITDA	94.1	68.4	37.6%	127.1	137.8	(7.8%)
EBITDA margin %	*23.9%*	*20.9%*	*3.0. p.p.*	*16.7%*	*19.8%*	*(3,1 p.p.)*
Net profit (loss) from continuing operations	45.0	(51.7)	-	25.2	(29.9)	-
Net margin from continuing operations	11.4%	(15.8%)	-	3.3%	(4.3%)	-
Net profit (loss) for the period	3.5	(148.4)	-	(55.9)	(147.2)	-

Net sales (R$ million)	2Q12	2Q11	var % 12-11	1S12	1S11	var % 12-11
Total net sales	**394.1**	**327.4**	**20.4%**	**761.2**	**696.0**	**9.4%**
Domestic market	242.6	228.1	6.4%	478.8	476.5	0.5%
Foreign market	151.5	99.3	52.6%	282.4	219.5	28.7%

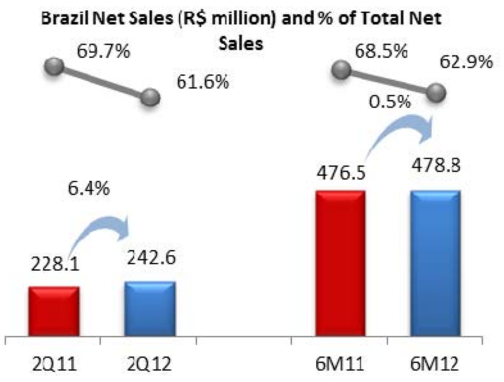
Net sales - domestic market (R$ million)	2Q12	2Q11	var % 12-11	1S12	1S11	var % 12-11
Wholesale	**192.4**	**185.1**	**3.9%**	**377.2**	**389.1**	**(3.1%)**
Intermediate	54.0	61.3	(11.9%)	107.9	145.5	(25.8%)
Bedding, tabletop, and bath	138.4	123.8	11.8%	269.3	243.6	10.6%
Retail	**50.2**	**43.0**	**16.7%**	**101.6**	**87.4**	**16.2%**
Artex	8.4	-	-	15.8	-	-
MMartan	41.8	43.0	(2.8%)	85.8	87.4	(1.8%)

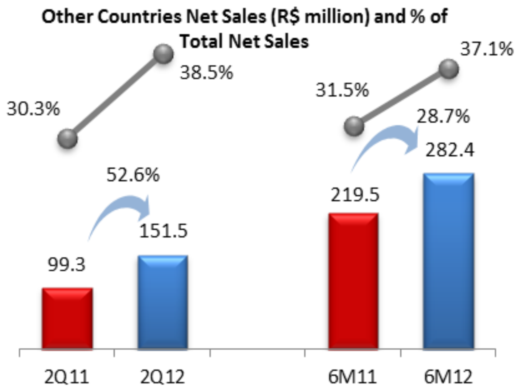
Sales Performance:

In the second quarter of 2012, consolidated gross sales from continuing operations reached R$482.0 million against R$421.7 million in the second quarter of 2011. Consolidated net sales presented a 20.4% increase, from R$327.4 million in the second quarter of 2011 to R$394.1 million in the second quarter of 2012, reflecting an average price increase of 9.4% and an increase in sales volume in tons of 10.4%.

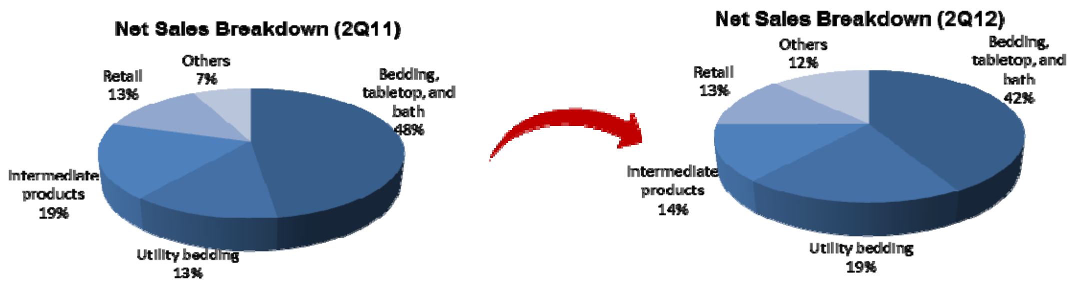
- Net Sales by Region:

In the second quarter of 2012, net sales in Brazil increased by 6.4%, from R$228.1 million in the second quarter of 2011 to R$242.6 million in the second quarter of 2012, representing 61.6% of total sales of the Company. Net sales in other countries increased by 52.6%, from R$99.3 million in the second quarter of 2011 to R$151.1 million in the second quarter of 2012. The increase is due mainly to sales of a new pillow program to a major North American retailer and to the 25.9% depreciation of the Brazilian *Real* on the conversion of the U.S. Dollar denominated sales into *Reais* when compared to the second quarter of 2011.





Net Sales by Category:



	Net Sales (R$ million)			Volume (tons)			Average price (R$)/Kg		
Sales Category	**2Q12**	**2Q11**	**var % 12-11**	**2Q12**	**2Q11**	**var % 12-11**	**2Q12**	**2Q11**	**var % 12-11**
Bedding, tabletop, and bath	164.7	156.0	5.6%	7,708	7,623	1.1%	21.4	20.5	4.4%
Utility bedding	76.5	43.1	77.5%	7,630	5,356	42.5%	10.0	8.0	25.0%
Intermediate products	54.0	61.3	(11.9%)	7,246	7,469	(3.0%)	7.5	8.2	(8.5%)
Retail	50.2	43.0	16.7%	-	-	-	-	-	-
Others	48.7	24.0	102.9%	-	-	-	-	-	-
Total	**394.1**	**327.4**	**20.4%**	**22,584**	**20,448**	**10.4%**	**17.5**	**16.0**	**9.4%**

	Net Sales (R$ million)			Volume (tons)			Average price (R$)/Kg		
Sales Category	**1S12**	**1S11**	**var % 12-11**	**1S12**	**1S11**	**var % 12-11**	**1S12**	**1S11**	**var % 12-11**
Bedding, tabletop, and bath	341.5	319.2	7.0%	16,275	15,796	3.0%	21.0	20.2	4.0%
Utility bedding	137.6	87.5	57.3%	14,828	11,030	34.4%	9.3	7.9	17.7%
Intermediate products	107.9	145.5	(25.8%)	14,128	16,165	(12.6%)	7.6	9.0	(15.6%)
Retail	101.6	87.4	16.2%	-	-	-	-	-	-
Others	72.6	56.4	28.7%	-	-	-	-	-	-
Total	**761.2**	**696.0**	**9.4%**	**45,231**	**42,991**	**5.2%**	**16.8**	**16.2**	**3.7%**

- Bedding, tabletop, and bath:

The 5.6% increase, from R$156.0 million in the second quarter of 2011 to R$164.7 million in the second quarter of 2012, reflects an 1.1% increase in sales volume in tons and a 4.4% increase in average price.

- Utility Bedding:

The 77.5% increase, from R$43.1 million in the second quarter of 2011 to R$76.5 million in the second quarter of 2012, is due mainly to sales of a new pillow program to a major North American retailer and to the 25.9% depreciation of the Brazilian *Real* on the conversion of the U.S. Dollar denominated sales into *Reais* when compared to the second quarter of 2011. The average price increase is due mainly to the depreciation of the *Real* already mentioned.

- Intermediate Products:

Net sales presented an 11.9% decrease, from R$61.3 million in the second quarter of 2011 to R$54.0 million in the second quarter of 2012. The intermediate products demand has not yet returned to previous level due to strong increase of raw material price occurred in the first quarter of 2011. The substitution process by other textile fibers caused the market for cotton yarn and cotton fabric to be filled by substitute's products and the recovery process of regaining share has been slow. It should be noted that the Company projects a share reduction of intermediate products sales in its total sales, due to production increase of finished and more aggregated value products.

- Retail:

Net sales of this category increased by 16.7%, from R$43.0 million in the second quarter of 2011 to R$50.2 million in the second quarter of 2012.

- Others:

In this category are included sales in the Canadian market, other sales including intercompany eliminations. Net sales increased by 102.9%, from R$24.0 million in the second quarter of 2011 to R$48.7 million in the second quarter of 2012 due mainly to the foreign exchange variation.

Retail Performance

In general, retail segment sales in the quarter were partially impacted by the slowdown of the domestic market economic activity, delays in customs clearance of imported MMartan and Casa Moysés products, and a late and warmer winter than usual.

Mmartan	2Q12	2Q11	var % 12-11	1S12	1S11	var % 12-11
Number of stores	173	148	16.9%	173	148	16.9%
- Franchise	126	101	24.8%	126	101	24.8%
- Owned stores	47	47	-	47	47	-
Net sales (R$ million)	41.8	43.0	(2.8%)	85.8	87.4	(1.8%)

- MMartan:

Four new stores were opened during the second quarter of 2012. The Company ended the second quarter of 2012 with 126 franchised stores and 47 owned stores. In addition to conjunctural issues, the performance of the quarter was also impacted by planning and product mix issues.

Artex	2Q12	2Q11	var % 12-11	1S12	1S11	var % 12-11
Number of stores	43	-	-	43	-	-
- Franchise	-	-	-	-	-	-
- Owned stores	43	-	-	43	-	-
Net sales (R$ million)	8.4	-	-	15.8	-	-

- Artex:

In the second quarter of 2012, four Artex stores were opened. Artex stores net sales reached R$8.4 million in the second quarter of 2012. It´s important to mention that the majority of the stores are in the initial phase of operation, with most part of the expenses being incurred prior to reaching the full sales potential.

For the second semester of 2012, 35 stores are expected to be opened under the brands MMartan and Artex. During the quarter, several actions were implemented to improve operations in the retail segment, particularly focusing on improving operational planning activities and in continuous training of our professional staff.

Cost of Goods Sold:

Cost of goods sold increased by 35.8%, from R$221.5 million in the second quarter of 2011 to R$300.8 million in the second quarter of 2012. As a percentage of net sales, cost of goods sold increased from 67.7% in the second quarter of 2011 to 76.3% in the second quarter of 2012. The table below presents, for the periods indicated, material costs, conversion and warehousing costs, as well as depreciation costs for the production and distribution assets.

Cost of goods sold (R$ million)	2Q12	% COGS	% NS	2Q11	%COGS	%NS	var % 12-11
Materials	185.9	61.8%	47.2%	144.4	65.2%	44.1%	28.7%
Conversion costs	91.6	30.5%	23.2%	54.4	24.6%	16.6%	68.4%
Warehousing and distribution costs	5.6	1.9%	1.4%	4.2	1.9%	1.3%	33.3%
Depreciation	17.7	5.8%	4.5%	18.5	8.3%	5.7%	(4.3%)
Total	**300.8**	100.0%	76.3%	**221.5**	100.0%	67.7%	35.8%

Cost of goods sold (R$ million)	1S12	% COGS	% NS	1S11	%COGS	%NS	var % 12-11
Materials	352.2	61.5%	46.3%	299.2	62.9%	43.0%	17.7%
Conversion costs	174.1	30.4%	22.9%	130.4	27.4%	18.7%	33.5%
Warehousing and distribution costs	10.5	1.8%	1.4%	8.9	1.9%	1.3%	18.0%
Depreciation	35.5	6.3%	4.6%	36.8	7.8%	5.3%	(3.5%)
Total	**572.3**	100.0%	75.2%	**475.3**	100.0%	68.3%	20.4%

- Materials:

Material costs increased by 28.7%, from R$144.4 million in the second quarter of 2011 to R$185.9 million in the second quarter of 2012. As a percentage of net sales, material costs increased from 44.1% in the second quarter of 2011 to 47.2% in the second quarter of 2012. The material cost as a percent of net sales increase in the second quarter of 2012 is due mainly to the higher cost of raw materials in the second quarter of 2012 when compared with the same quarter of the previous year.

- Warehousing and Distribution Costs:

Warehousing and distribution costs increased by 33.3% from R$4.2 million in the second quarter of 2011 to R$5.6 million in the second quarter of 2012, reflecting the sales volume increase and the depreciation of the *Real* on the conversion of the U.S. Dollar denominated costs into *Reais*. As a percentage of net sales, warehouse costs were 1.3% in the second quarter of 2011 and 1.4% in the second quarter of 2012.

- Conversion Costs:

Conversion costs increased by 68.4%, from R$54.4 million in the second quarter of 2011 to R$91.6 million in the second quarter of 2012. Conversion cost increased, as a percent of net sales, from 16.6% in the second quarter of 2011 to 23.2% in the second quarter of 2012 due, primarily, to the greater share of finished goods in the total mix of products sold, considering the conversion costs of finished products are higher than the conversion costs of intermediate products.

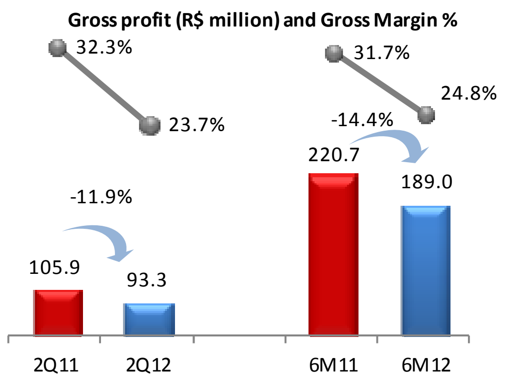
- Depreciation:

Depreciation expenses of production and distribution assets were R$18.5 million in the second quarter of 2011 and R$17.7 million in the second quarter of 2012.

Gross Profit

Gross profit decreased by 11.9%, from R$105.9 million in the second quarter of 2011 to R$93.3 million in the second quarter of 2012. There was a decrease of 8.6 percentage points in the gross margin, from 32.3% in the second quarter of 2011 to 23.7% in the second quarter of 2012.

In the second quarter of 2011, the Company repassed the raw material price increase, while in the production cost, raw materials consumed were still lower than the market, resulting in an elevated gross margin.



Selling, General and Administrative Expenses (SG&A)

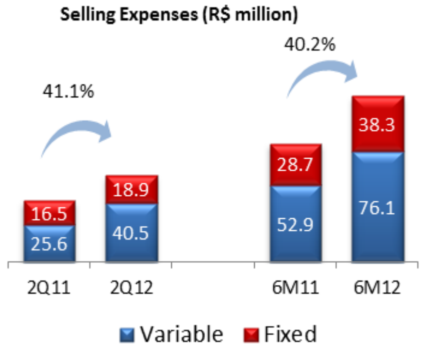
SG&A (R$ million)	2Q12	2Q11	var % 12-11	1S12	1S11	var % 12-11
SG&A total	85.6	66.8	28.1%	167.9	130.6	28.6%
Brazil	72.8	57.6	26.4%	142.9	111.4	28.3%
Foreign market	12.8	9.1	40.7%	25.0	19.2	30.2%
SG&A Brazil	72.8	57.6	26.4%	142.9	111.4	28.3%
Selling - wholesale	21.9	24.2	(9.5%)	44.4	45.4	(2.2%)
Selling - retail	32.1	15.5	107.1%	60.6	30.6	98.0%
General and administrative	18.8	17.9	5.0%	37.9	35.4	7.1%
SG&A foreign market	12.8	9.1	40.7%	25.0	19.2	30.2%
Selling	5.4	2.4	125.0%	9.4	5.5	70.9%
General and administrative	7.4	6.7	10.4%	15.6	13.7	13.9%

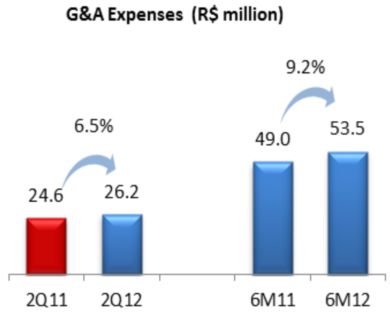
- Selling expenses in Brazil, for the Multi-brand and intermediate channels, decreased 9.5%.

- Selling expenses for retail reflect the growth in the total number of owned stores, especially due to the Artex stores opening.

- Administrative expenses in the second quarter of 2012 include Artex stores administrative expenses.

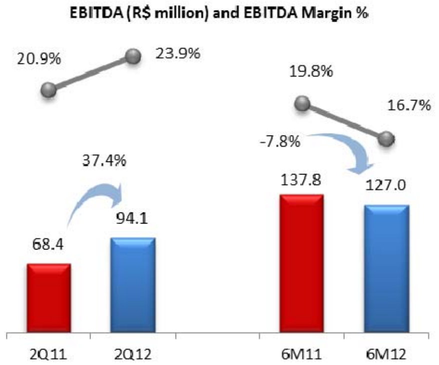
- The foreign market SG&A increase reflects the depreciation of the Brazilian *Real* on the conversion of the U.S. Dollar denominated expenses into *Reais* when compared to the second quarter of 2011.





EBITDA

EBITDA was R$94.1 million in the second quarter of 2012, an increase of 37.6%, with an EBITDA margin of 23.9%, an increase of 3.0 percentage points. The EBITDA of the quarter, excluding non-recurring income and expenses, was R$27.4 million.



EBITDA	2Q12	2Q11	var % 12-11	1S12	1S11	var % 12-11
Net sales	394.1	327.4	20.4%	761.2	696.0	9.4%
(-) COGS and SG&A	386.4	288.3	34.0%	740.2	605.9	22.2%
(+) Others, net	66.7	9.3	617.2%	66.5	7.8	752.6%
(+) Depreciation and amortization	19.7	20.0	(1.5%)	39.6	39.9	(0.8%)
EBITDA	94.1	68.4	37.6%	127.1	137.8	(7.8%)
EBITDA margin %	*23.9%*	*20.9%*	*3.0 p.p.*	*16.7%*	*19.8%*	*3.1 p.p.*

Financial Results

Financial expenses in the second quarter of 2012 totaled R$28.6 million, an increase of 86.9% when compared to the same period of the previous year. The main factors that contributed to this variation were:

Financial result (R$ million)	2Q12	2Q11	var % 12-11	1S12	1S11	var % 12-11
Financial income	5.6	2.7	107.4%	8.6	10.2	(15.7%)
Financial expenses - interests	(21.0)	(10.3)	103.9%	(44.0)	(25.9)	69.9%
Financial expenses - bank charges and others	(13.3)	(6.6)	101.5%	(26.1)	(18.0)	45.0%
Exchange variation, net	0.1	(1.1)	-	0.4	(7.7)	-
Financial result	**(28.6)**	**(15.3)**	**86.9%**	**(61.1)**	**(41.4)**	**47.6%**

- Financial income:

Financial income increased from R$2.7 million in the second quarter of 2011 to R$5.6 million in the second quarter of 2012. This increase is due to higher average cash invested in the financial market in the second quarter of 2012 compared to the second quarter of 2011.

- Financial expenses - bank charges and others:

Bank charges and others increased from R$6.6 million in the second quarter of 2011 to R$13.3 million in the second quarter of 2012.

- Financial expenses - interests:

Interest expense increased from R$10.3 million in the second quarter of 2011 to R$21.0 million in the second quarter of 2012, due, in part, to the increase in loans and financing.

- Exchange variation, net:

The balance of net exchange variations increased from an expense of R$1.1 million in the second quarter of 2011 to an income of R$0.1 million in the second quarter of 2012.

Net Income (Loss)

In the second quarter of 2012, the Company reported a net income of R$3.5 million, in comparison to a net loss of R$148.4 million during the same period of the previous year. Excluding the loss reported by the Company's discontinued operations, the net income from continuing operations was R$45.0 million.

Investments

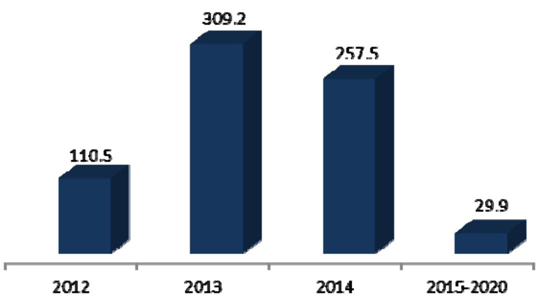
In the second quarters of 2012 and 2011, our capital investments were R$17.0 million and R$18.1 million, respectively.

Investment (R$ million)	2Q12	2Q11	var % 12-11	1S12	1S11	var % 12-11
Wholesale	6.4	17.6	(63.6%)	9.7	31.9	(69.6%)
Retail	10.6	0.6	1,666.7%	14.2	1.8	688.9%
Others	-	(0.1)	-	1.0	(0.2)	-
Total	**17.0**	**18.1**	**(6.1%)**	**24.9**	**33.5**	**(25.7%)**

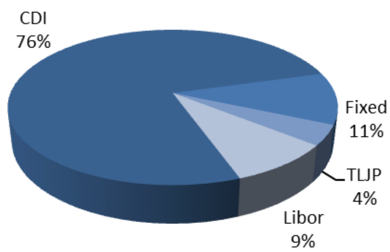
Cash Availability and Debt

Indebtness (R$ million)	2Q12	1Q12	% var 2Q-1Q
Cash and cash equivalents	90.3	104.8	(13.8%)
Derivative instruments	-	12.3	-
Gross debt	707.1	844.5	(16.3%)
- Gross debt in domestic currency	642.2	634.9	1.1%
- Gross debt in foreign currency	64.9	209.6	(69.0%)
Net debt	616.7	752.0	(18.0%)

Debt Amortization Schedule (R$ million)



Debt Index



Working Capital

The Company reduced the working capital used in its operations by R$6.9 million in the second quarter of 2012 when compared to the first quarter of 2012, and believes that by the end of the year additional reductions will occur.

Working capital (R$ million)	2Q12	1Q12	% var 2Q-1Q
Accounts receivable	447.2	460.2	(2.8%)
Inventories	655.1	669.4	(2.1%)
Advances to suppliers	74.9	58.5	28.0%
Suppliers	(187.7)	(191.7)	(2.1%)
Cash cycle	**989.5**	**996.4**	**(0.7%)**

Corporate Development

On June 29, 2012, a capital increase was subscribed and paid in the amount of R$169,043 thousand with the issuance of 56,347,886 new shares. The Company´s capital was increased to R$1,860,264 thousand, represented by 200,000,000 common shares. The proceeds of the capital increase were substantially used to reduce indebtedness of the Company.

The subsidiary Springs Global U.S., Inc. disclosed the sale of the Wamsutta brand, holding the rights to market the Wamsutta brand in South America and to pursue licensing opportunities outside of North America. This transaction allows Springs Global U.S., Inc. to focus its operations on activities that add greater value to their retail partners. The Company believes that from October, its results will no longer be impacted by discontinued operations.

The Company also announced a realignment of its manufacturing capacity to domestic and Mercosur market, including investments in processing all or part of three manufacturing units in urban development areas, with the construction of residential complexes, offices and shopping malls. The Company is negotiating with real estate developers, partnerships for the project development.

Additionally, on June 26, 2012, the indirect subsidiary Springs Canada Holdings LLC associated with Tom Kartsotis, Principal of Bedrock Manufacturing Co. and founder and former CEO of Fossil, Inc.

Finally, on June 29, 2012, the Company finalized the purchase of 100% of Springs e Rossini Participações S.A.´s capital, the wholly owner of MMartan Têxtil Ltda.´s capital, dismissing the previously intended incorporation of Springs e Rossini, as originally planned in accordance with the material matter (“Fato Relevante”) of August 12, 2012.

Balance Sheet

Assets (R$ thousand)	06/30/2012	12/31/2012
Current asset	**1,318,105**	**1,421,778**
Cash and cash equivalent	90,346	146,616
Marketable securities	-	88
Accounts receivable	447,160	448,268
Inventories	655,054	698,501
Advances to suppliers	71,629	67,657
Recoverable taxes	35,009	32,773
Derivative instruments	-	11,225
Other receivables	18,907	16,650
Noncurrent assets	**140,285**	**163,786**
Accounst receivable	-	1,505
Advances to suppliers	3,234	3,642
Related parties	456	-
Recoverable taxes	7,426	34,083
Deferred income and social contribution taxes	55,622	55,534
Property, plant and equipment for sale	47,391	50,427
Escrow deposits	15,203	15,683
Others	10,953	2,912
Permanent	**1,099,894**	**1,093,860**
Property, plant and equipment	984,595	979,996
Intangible assets	115,299	113,864
Total noncurrent assets	**1,240,179**	**1,257,646**
Total assets	**2,558,284**	**2,679,424**

Liabilities and Equity (R$ thousand)	06/30/2012	12/31/2012
Current liabilities	**768,218**	**739,589**
Loans and financing	410,189	337,708
Debentures subscribed by the parent company	11,382	25,388
Suppliers	187,713	213,034
Taxes	25,814	14,329
Payroll and related parties	56,812	45,630
Derivative instruments	-	17,967
Related parties - noncontrolling	4,600	20,000
Other payments	71,708	65,533
Noncurrent liabilities	**491,684**	**733,338**
Loans and financing	296,886	519,883
Debentures subscribed by the parent company	-	5,266
Related parties - noncontrolling	-	17,650
Government concessions	69,011	68,847
Employee benefit plans	79,496	77,507
Miscellaneous accruals	18,057	16,316
Other obligations	28,234	27,869
Equity	**1,298,382**	**1,206,497**
Capital	1,860,251	1,691,208
Capital reserves	79,381	79,381
Cumulative translation adjustment	(155,472)	(149,166)
Income reserves	25,170	25,170
Retained deficit	(510,948)	(448,871)
Noncontrolling interests	-	8,775
Total liabilities and equity	**2,558,284**	**2,679,424**

Income Statement

Consolidated Income Statement ($ milllion)	2Q12	2Q11	var %12-11
Gross revenues	482.0	421.7	14.3%
Net revenues	**394.1**	**327.4**	**20.4%**
Cost of goods sold	**(300.8)**	**(221.5)**	**35.8%**
% of net sales	***76.3%***	***67.7%***	***0.5 p.p.***
Materials	(185.9)	(144.4)	28.7%
Conversion costs	(91.6)	(54.4)	68.4%
Warehousing and distribution	(5.6)	(4.2)	33.3%
Depreciation	(17.7)	(18.5)	(4.3%)
Gross profit	**93.3**	**105.9**	**(11.9%)**
% of net sales	***23.7%***	***32.3%***	***(0.5 p.p.)***
SG&A	**(85.6)**	**(66.8)**	**28.1%**
% of net sales	***21.7%***	***20.4%***	***1.3 p.p.***
Selling expenses	(59.4)	(42.1)	41.1%
% of net sales	*15.1%*	*12.9%*	*2.2 p.p.*
General and administrative expenses	(26.2)	(24.6)	6.5%
% of net sales	*6.6%*	*7.5%*	*(0.9 p.p.)*
Others, net	66.7	9.3	617.2%
% of net sales	*16.9%*	*2.8%*	*14.1 p.p.*
Income from operations	**74.4**	**48.5**	**53.4%**
% of net sales	***18.9%***	***14.8%***	***4.1 p.p.***
Financial result	(28.6)	(15.3)	86.9%
Income from operations before taxes	**45.8**	**33.2**	**38.0%**
Income and social contribution taxes	(0.8)	(84.9)	(99.1%)
Net income (loss) for the period from continuing operations	**45.0**	**(51.7)**	**-**
Loss from discontinued operations	(41.5)	(96.7)	(57.1%)
Net income (loss) for the period	**3.5**	**(148.4)**	**-**

Cash Flow

Consolidated Cash Flow (R$ thousand)	1S12	1S11
Cash flows from operating activities		
Net loss for the period	**(55,852)**	**(147,164)**
Depreciation and amortization	47,251	52,109
Government concessions	164	1,639
Income and social contribution taxes	1,187	71,462
Gain (loss) on disposal of property, plant and equipment	(74,092)	558
Impairment of property, plant and equipment	4,932	24,725
Exchange variations	21,738	15,640
Bank charges and interests	29,740	19,045
Long-term obligations	(2,969)	(9,676)
Changes in assets and liabilities		
Marketable securities	88	-
Accounts receivable	1,108	61,156
Inventories	43,447	(163,473)
Advances to suppliers	(3,972)	(51,290)
Suppliers	(35,778)	24,113
Others	(2,739)	2,563
Net cash used in operating activities	**(25,747)**	**(98,593)**
Interest paid	(55,535)	(12,509)
Income and social contribution taxes paid	(1,589)	(4,955)
Net cash used in operating activities after interest and taxes	**(82,871)**	**(116,057)**
Cash flows from investing activities		
In investments	(15,000)	(3,781)
In property, plant and equipment	(31,474)	(33,885)
In intangible assets	(750)	(25,718)
Impairment of property, plant and equipment	81,600	5,992
Derivative instruments	-	(26,226)
Loans between related parties	(14,700)	(656)
Net cash used in investing activities	**19,676**	**(84,274)**
Cash flows from financing activities		
Capital increase	169,044	-
Proceeds from new loans	441,684	432,094
Repayment of loans	(604,006)	(217,501)
Dividends paid	-	(143)
Net cash provided by financing activities	**6,722**	**214,450**
Effect of exchange rate changes on cash and cash equivalents	203	(668)
Cash and cash equivalents:		
At the beginning of the period	146,616	141,274
At the end of the period	90,346	154,725
Increase (decrease) in cash and cash equivalents	**(56,270)**	**13,451**

COMPANHIA TECIDOS SANTANENSE

Management Discussion and Analysis' report for the six-month period ended June 30, 2012:

Consolidated results:	% Var	R$ thousand		% of net sales	
	1S12/11	1S12	1S11	1S12	1S11
Gross sales	(1.3)	232,992	236,103		
Net sales	(1.3)	188,097	190,573	100.0	100.0
Cost of goods sold	(3.7)	(140,763)	(146,150)	(74.8)	(76.7)
Gross profit	6.6	47,334	44,423	25.2	23.3
Selling and administrative expenses	7.7	(25,737)	(23,892)	(13.7)	(12.5)
Depreciation and amortization	11.2	5,385	4,843	2.9	2.5
Operating income before financial results	**0.4**	**21,383**	**21,304**	**11.4**	**11.2**
Impairment of property	-	6,941	-	3.7	-
Financial results, net	(30.5)	(3,104)	(4,465)	1.7	2.3
Income before taxes	49.8	25,220	16,839	13.4	8.8
Net profit	43.0	17,703	12,384	9.4	6.5
EBIT	0.4	21,383	21,304	11.4	11.2
EBITDA	2.4	26,768	26,147	14.2	13.7

Net sales

Net sales in the six-month period ended 2012 totaled R$188.1 million, recording a decrease of 1.3% over the same period last year, which was R$190.6 million. The decrease was driven by average price reduction of 6.6% due to product mix and an increase in volume of 5.7%.

Gross profit and gross margin

Santanense presented gross margin in the six-month period ended June 30, 2012 of 25.2%. Gross profit reached R$47.3 million this period.

Compared to the first six months of last year, there was a decrease in gross margin of 1.9 percentage points. The increase in raw materials' cost, in the second quarter of 2011, started to impact the Company's inventory cost, reducing its margins.

Selling, general and administrative expenses

Selling, general and administrative expenses, in the six-month period ended June 30, 2012, were R$25.7 million which represented 13.7% of net sales. In the six-month period ended June 30, 2011, these expenses totaled R$23.9 million or 12.5% of net sales.

Operating income

EBITDA for the six-month period ended June 30, 2012 totaled R$26.8 million, representing 14.2% of net sales. In the six-month period ended June 30, 2011, EBITDA totaled R$26.1 million, representing 13.7% of net sales. The increase of 2.4% is due to the increase in raw material prices in the second quarter of 2011, as discussed earlier.

Financial results, net

Financial results, net for the six-month period ended June 30, 2012 was an expense of R$3.1 million.

	R$ million	
Financial results	**1S12**	**1S11**
Financial income	0.5	1.2
Financial expense – interest	(3.1)	(3.5)
Exchange variations, net	0.8	(1.2)
Bank charges, discounts	(1.3)	(1.0)
Financial results	**(3.1)**	**(4.5)**

Net working capital

Net working capital increased from R$92.5 million at the end of 2011 to R$98.6 million at June 30, 2012, an increase of R$6.1 million. The current ratio on June 30, 2012 was 2.36, that means, that for each R$1.00 due to short-term liabilities, Santanense has R$2.36 in short-term assets.

Financial assets and liabilities

The net debt on June 30, 2012 totaled R$46.1 million against R$67.0 million at December 31, 2011, representing a decrease of 31.2%. Debt as of June 30, 2012 was as follows:

Maturity	06.30.2012
2012	36.5
2013	4.3
2014	2.4
2015 to 2020	2.9
Total	46.1

The Management

Companhia de Tecidos Norte de Minas - COTEMINAS

Individual and Consolidated Interim Financial Statements for the Three Months Ended June 30, 2012 and Report on Review of Interim Financial Information

Deloitte Touche Tohmatsu Auditores Independentes

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial statements of Companhia de Tecidos Norte de Minas - COTEMINAS (the "Company"), included in the Interim Financial Information Form (ITR), for the three months ended June 30, 2012, which comprise the balance sheet as of June 30, 2012 and the related statements of income and comprehensive income for the three and six months then ended and statements of changes in equity and cash flows for the six months then ended, including the explanatory notes.

The Company's Management is responsible for the preparation of the individual interim financial statements in accordance with technical pronouncement CPC 21 - Interim Financial Information and the consolidated interim financial statements in accordance with CPC 21 and the international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of such statements in accordance with the standards established by the Brazilian Securities Commission (CVM), applicable to the preparation of the Interim Financial Information (ITR). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review of interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on individual interim financial statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial statements included in the interim financial information referred to above were not prepared, in all material respects, in accordance with the CPC 21, applicable to the preparation of the Interim Financial Information (ITR), and presented in accordance with the standards established by CVM.

Conclusion on consolidated interim financial statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements included in the interim financial information referred to above were not prepared, in all material respects, in accordance with CPC 21 and IAS 34, applicable to the preparation of the Interim Financial Information (ITR), and presented in accordance with the standards established by CVM.

Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added ("DVA") for the six months ended June 30, 2012, prepared under the responsibility of the Company's Management, the presentation of which is required by the standards issued by CVM applicable to the preparation of Interim Financial Information (ITR) and considered as supplemental information for International Financial Reporting Standards - IFRSs, that do not require the presentation of DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, in relation to the individual and consolidated interim financial statements taken as a whole.

Review of individual and consolidated interim financial statements for the three months ended June 30, 2011

The information and the amounts for the three and six months ended June 30, 2011, presented for comparison purposes, were previously reviewed by other independent auditors, whose report, without qualification, was issued on August 15, 2011.

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

São Paulo, August 10, 2012

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Pedroso Filho

Nourival C. Pedroso Filho
Engagement Partner

2012-0756

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

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF JUNE 30, 2012 AND DECEMBER 31, 2011

(In thousands of Brazilian Reais)

A S S E T S

		Company		Consolidated	
	Note	06.30.2012	12.31.2011	06.30.2012	12.31.2011
CURRENT:					
Cash and cash equivalents	3	4,004	2,364	126,896	185,878
Marketable securities	4	-	9,928	36,844	44,148
Accounts receivable	5	-	-	552,098	540,499
Inventories	6	-	-	713,841	772,540
Advances to suppliers	7	129	104	72,285	68,577
Recoverable taxes	17.d	11,823	11,152	48,726	45,944
Debentures issued by subsidiary	16	11,382	25,388	-	-
Derivative instruments	21.d.5.1	-	-	-	11,225
Real estate held for sale		-	-	2,921	11,790
Other receivables		10,605	20,523	33,166	40,295
Total current assets		37,943	69,459	1,586,777	1,720,896
NONCURRENT:					
Long-term assets:					
Other receivables		2,056	2,056	10,953	4,416
Advances to suppliers	7	-	-	3,234	3,642
Related parties	15	85,664	96,924	45,031	35,499
Debentures issued by subsidiary	16	-	5,266	-	-
Recoverable taxes	17.d	13,552	20,991	42,760	75,947
Deferred income and social contribution taxes	17.c	8,629	8,629	70,621	71,246
Property, plant and equipment held for sale	9.b	-	-	47,391	50,427
Escrow deposits	18	76,935	78,109	100,199	102,011
		186,836	211,975	320,189	343,188
Permanent:					
Investments in subsidiaries	8	944,497	952,689	-	-
Investments in affiliated company	8	57,652	71,400	57,652	71,400
Other investments		4,683	4,710	5,229	5,257
Property, plant and equipment	9.a	2,794	16	1,124,472	1,116,801
Intangible assets	10	2	2	115,323	113,888
Total noncurrent assets		1,196,464	1,240,792	1,622,865	1,650,534
Total assets		1,234,407	1,310,251	3,209,642	3,371,430

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF JUNE 30, 2012 AND DECEMBER 31, 2011

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

		Company		Consolidated	
	Note	06.30.2012	12.31.2011	06.30.2012	12.31.2011
LIABILITIES					
CURRENT:					
Loans and financing	13	36,379	25,438	512,350	445,647
Suppliers	12	311	138	199,997	233,202
Payroll and related charges		707	556	68,696	54,351
Taxes		-	6	30,964	15,903
Income and social contribution taxes		-	-	600	158
Dividends payable		34	34	895	1,387
Derivative instruments	21.d.4	-	-	-	17,967
Related parties – noncontrolling	15	-	-	4,600	20,000
Other payables		2,001	1,889	77,530	71,232
Total current liabilities		39,432	28,061	895,632	859,847
NONCURRENT:					
Long-term liabilities:					
Loans and financing	13	-	-	304,322	529,479
Related parties	15	8,749	-	145	-
Government concessions	20	-	-	69,011	68,847
Employee benefit plans	19	-	-	79,496	77,507
Miscellaneous accruals	18	63,207	64,380	95,872	95,464
Deferred income and social contribution taxes	17.c	427	427	5,048	5,051
Other obligations		-	-	26,709	26,942
Total noncurrent liabilities		72,383	64,807	580,603	803,290
EQUITY:	14				
Capital		870,000	870,000	870,000	870,000
Capital reserves		286,308	286,308	286,308	286,308
Income reserves		431,698	431,698	431,698	431,698
Cumulative translation adjustment		(100,532)	(97,361)	(100,532)	(97,361)
Treasury shares		(838)	(838)	(838)	(838)
Retained deficit		(364,044)	(272,424)	(364,044)	(272,424)
Total equity attributable to shareholders of the parent company		1,122,592	1,217,383	1,122,592	1,217,383
NONCONTROLLING INTEREST		-	-	610,815	490,910
Total equity		1,122,592	1,217,383	1,733,407	1,708,293
Total liabilities and equity		1,234,407	1,310,251	3,209,642	3,371,430

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2012 AND 2011
(In thousands of Brazilian Reais)

		Company			
	Note	04.01.2012 to 06.30.2012	01.01.2012 to 06.30.2012	04.01.2011 to 06.30.2011	01.01.2011 to 06.30.2011
OPERATING INCOME (EXPENSES):					
General and administrative expenses		(6,474)	(10,482)	(4,880)	(9,697)
Management fees		(316)	(750)	(407)	(838)
Equity in subsidiaries	8	21,378	13,722	(34,328)	(14,071)
Others, net		190	220	61	112
INCOME (LOSS) FROM OPERATIONS		14,778	2,710	(39,554)	(24,494)
Financial expenses – interests		(2,026)	(3,189)	(606)	(751)
Financial expenses – bank charges and others		(351)	(688)	(328)	(694)
Financial income		5,660	9,990	2,773	7,960
Exchange variations, net		5,349	4,246	(1,931)	(2,915)
INCOME (LOSS) FROM OPERATIONS BEFORE TAXES		23,410	13,069	(39,646)	(20,894)
Income and social contribution taxes:					
Current	17.b	(31)	(31)	-	-
Deferred	17.b	-	-	-	-
NET INCOME (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		23,379	13,038	(39,646)	(20,894)
Equity from discontinued operations in subsidiary	8	(28,385)	(55,500)	(66,157)	(80,238)
NET LOSS FOR THE PERIOD		(5,006)	(42,462)	(105,803)	(101,132)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE — R$					
From continuing operations	26	0.2006	0.1119	(0.3402)	(0.1793)
From discontinued operations	26	(0.2435)	(0.4762)	(0.5676)	(0.6884)
Total	26	(0.0429)	(0.3643)	(0.9078)	(0.8677)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2012 AND 2011
(In thousands of Brazilian Reais)

		Consolidated			
	Note	04.01.2012 to 06.30.2012	01.01.2012 to 06.30.2012	04.01.2011 to 06.30.2011	01.01.2011 to 06.30.2011
NET REVENUES	25	486,624	944,408	409,480	853,374
COST OF GOODS SOLD	24	(368,461)	(708,106)	(286,668)	(588,253)
GROSS PROFIT		118,163	236,302	122,812	265,121
OPERATING INCOME (EXPENSES):					
Selling expenses	24	(67,419)	(129,446)	(49,240)	(95,588)
General and administrative expenses	24	(37,525)	(72,729)	(33,276)	(65,551)
Management fees	24	(2,267)	(4,605)	(2,837)	(5,164)
Equity in subsidiaries	8	(14,890)	(13,776)	(638)	(638)
Others, net	27	68,414	74,924	11,142	9,661
INCOME (LOSS) FROM OPERATIONS		64,476	90,670	47,963	107,841
Financial expenses – interests		(18,526)	(45,074)	(15,543)	(32,575)
Financial expenses – bank charges and others		(12,785)	(24,938)	(6,106)	(16,927)
Financial income		8,802	15,266	6,528	18,772
Exchange variations, net		6,657	5,516	(3,971)	(11,823)
INCOME (LOSS) FROM OPERATIONS BEFORE TAXES		48,624	41,440	28,871	65,288
Income and social contribution taxes:					
Current	17.b	(3,672)	(8,265)	(178)	(4,759)
Deferred	17.b	(322)	(471)	(83,277)	(84,008)
NET INCOME (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		44,630	32,704	(54,584)	(23,479)
Loss from discontinued operations in subsidiaries	28	(41,476)	(81,094)	(96,662)	(117,237)
NET INCOME (LOSS) FOR THE PERIOD		3,154	(48,390)	(151,246)	(140,716)
ATTRIBUTABLE TO:					
Parent company's interest					
In continuing operations		23,379	13,038	(39,646)	(20,894)
In discontinued operations		(28,385)	(55,500)	(66,157)	(80,238)
		(5,006)	(42,462)	(105,803)	(101,132)
Noncontrolling interest					
In continuing operations		21,251	19,666	(14,938)	(2,585)
In discontinued operations		(13,091)	(25,594)	(30,505)	(36,999)
		8,160	(5,928)	(45,443)	(39,584)
		3,154	(48,390)	(151,246)	(140,716)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MOTNH AND SIX-MONTH PERIODS ENDED JUNE 30, 2012 AND 2011

(In thousands of Brazilian Reais)

	Company			
	04.01.2012 to 06.30.2012	01.01.2012 to 06.30.2012	04.01.2011 to 06.30.2011	01.01.2011 to 06.30.2011
NET LOSS FOR THE PERIOD	(5,006)	(42,462)	(105,803)	(101,132)
Other comprehensive income (loss):				
Derivative instruments	-	-	93	3,579
Exchange variation on foreign investments	(2,690)	(3,171)	(6,629)	(8,397)
	(2,690)	(3,171)	(6,536)	(4,818)
COMPREHENSIVE LOSS FOR THE PERIOD	(7,696)	(45,633)	(112,339)	(105,950)

	Consolidated			
	04.01.2012 to 06.30.2012	01.01.2012 to 06.30.2012	04.01.2011 to 06.30.2011	01.01.2011 to 06.30.2011
NET INCOME (LOSS) FOR THE PERIOD	3,154	(48,390)	(151,246)	(140,716)
Other comprehensive income (loss):				
Derivative instruments	-	-	175	5,270
Exchange variation on foreign investments	(4,665)	(5,070)	(9,511)	(12,006)
	(4,665)	(5,070)	(9,336)	(6,736)
COMPREHENSIVE LOSS FOR THE PERIOD	(1,511)	(53,460)	(160,582)	(147,452)
ATTRIBUTABLE TO:				
Shareholders of the parent company	(7,696)	(45,633)	(112,339)	(105,950)
Noncontrolling interest	6,185	(7,827)	(48,243)	(41,502)
	(1,511)	(53,460)	(160,582)	(147,452)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2011

(In thousands of Brazilian Reais)

	Note	Capital	Capital reserve	Income reserves: Legal	Income reserves: Retained income	Cumulative translation adjustment	Assets and liabilities valuation adjustment	Treasury shares	Retained earnings	Total equity attributable to shareholders of the parent company	Noncontrolling Interest	Total equity
BALANCES AS OF DECEMBER 31, 2010		870,000	286,308	33,298	398,362	(92,584)	(3,579)	(838)	-	1,490,967	627,413	2,118,380
Comprehensive income:												
Net income for the period		-	-	-	-	-	-	-	(101,132)	(101,132)	(39,584)	(140,716)
Exchange variation on investments	2.1	-	-	-	-	(578)	-	-	-	(578)	-	(578)
Impact of subsidiaries-												
Exchange variation on investments	2.1	-	-	-	-	(7,819)	-	-	-	(7,819)	(3,609)	(11,428)
Derivative instruments – NDF	21.d	-	-	-	-	-	3,579	-	-	3,579	1,691	5,270
Total comprehensive income (loss)		-	-	-	-	(8,397)	3,579	-	(101,132)	(105,950)	(41,502)	(147,452)
Shareholders' distribution												
Dividends paid to noncontrolling shareholders		-	-	-	-	-	-	-	-	-	(1,164)	(1,164)
Total shareholders' distribution		-	-	-	-	-	-	-	-	-	(1,164)	(1,164)
BALANCES AS OF JUNE 30, 2011		870,000	286,308	33,298	398,362	(100,981)	-	(838)	(101,132)	1,385,017	584,747	1,969,764

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2012

(In thousands of Brazilian Reais)

	Note	Capital	Capital reserve	Income reserves - Legal	Income reserves - Retained Income	Cumulative translation adjustment	Treasury shares	Retained deficit	Total equity attributable to shareholders of the parent company	Noncontrolling interest	Total equity
BALANCES AS OF DECEMBER 31, 2011		870,000	286,308	33,298	398,400	(97,361)	(838)	(272,424)	1,217,383	490,910	1,708,293
Comprehensive income:											
Net loss for the period		-	-	-	-	-	-	(42,462)	(42,462)	(5,928)	(48,390)
Exchange variation on investments	2.1	-	-	-	-	1,233	-	-	1,233	-	1,233
Impact of subsidiaries-											
Exchange variation on investments	2.1	-	-	-	-	(4,404)	-	-	(4,404)	(1,899)	(6,303)
Total comprehensive income (loss)		-	-	-	-	(3,171)	-	(42,462)	(45,633)	(7,827)	(53,460)
Shareholder’s contribution (distribution):											
Purchase of ownership interest in subsidiary		-	-	-	-	-	-	(3,865)	(3,865)	(11,135)	(15,000)
Dividend paid in subsidiaries		-	-	-	-	-	-	-	-	(1,361)	(1,361)
Capital increase in subsidiaries		-	-	-	-	-	-	-	-	94,935	94,935
Gain (loss) on subscription of shares	8.3	-	-	-	-	-	-	(45,293)	(45,293)	45,293	-
Total shareholder’s contribution (distribution)		-	-	-	-	-	-	(49,158)	(49,158)	127,732	78,574
BALANCES AS OF JUNE 30, 2012		870,000	286,308	33,298	398,400	(100,532)	(838)	(364,044)	1,122,592	610,815	1,733,407

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2012 AND 2011

(In thousands of Brazilian Reais)

	Company		Consolidated	
	06.30.2012	06.30.2011	06.30.2012	06.30.2011
Cash flows from operating activities				
Net loss for the period	(42,462)	(101,132)	(48,390)	(140,716)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	18	19	53,968	57,985
Government concessions	-	-	164	1,639
Equity in subsidiaries and affiliated company:				
Continuing operations	(13,722)	14,071	13,776	638
Discontinued operations	55,500	80,238	-	-
Income and social contribution taxes	31	-	8,736	73,867
(Gain) loss on sale of property, plant and equipment	-	-	(80,988)	(2,209)
Impairment of property, plant and equipment	-	-	4,932	24,725
Exchange variations	(2,246)	1,623	19,492	17,446
Bank charges and interests	(5,067)	(1,595)	28,392	20,673
Other accruals	-	-	(3,070)	(4,732)
	(7,948)	(6,776)	(2,988)	49,316
Changes in assets and liabilities				
Marketable securities	9,928	-	7,304	-
Accounts receivable	-	-	(11,599)	46,034
Inventories	-	-	58,699	(163,889)
Advances to suppliers	(25)	(34)	(3,708)	(50,550)
Suppliers	174	21	(43,662)	23,185
Others	14,115	(22,783)	(23,766)	(32,631)
Net cash provided by (used in) operating activities	16,244	(29,572)	(19,720)	(128,535)
Interest paid	-	-	(58,315)	(14,989)
Income and social contribution taxes paid	-	(1,429)	(7,868)	(8,426)
Net cash provided by (used in) operating activities after interest and taxes	16,244	(31,001)	(85,903)	(151,950)
Cash flows from investing activities				
Acquisition of investments	(74,109)	(71,298)	(15,000)	(71,298)
Acquisition of property, plant and equipment	-	-	(37,164)	(41,139)
In intangible assets	-	-	(750)	(25,720)
Proceeds from sale of property, plant and equipment	-	61,383	100,492	63,623
Dividends received	1,970	1,656	-	1,656
Loans between related parties	24,230	(1,402)	(2,780)	8,663
Debentures received	22,364	-	-	-
Derivative instruments	-	-	14,263	(26,226)
Net cash provided by (used in) investing activities	(25,545)	(9,661)	59,061	(90,441)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2012 AND 2011

(In thousands of Brazilian Reais)

	Company		Consolidated	
	06.30.2012	06.30.2011	06.30.2012	06.30.2011
Cash flows from financing activities				
Capital increase	-	-	94,935	-
Dividends paid	-	(680)	(1,856)	(4,007)
Proceeds from new loans	10,941	17,458	488,708	479,807
Repayment of loans	-	-	(619,192)	(229,423)
Net cash provided by (used in) financing activities	10,941	16,778	(37,405)	246,377
Effect of exchange rate changes on cash and cash equivalents of foreign subsidiary	-	-	5,265	(2,981)
Increase (decrease) in cash and cash equivalents	1,640	(23,884)	(58,982)	1,005
Cash and cash equivalents:				
At the beginning of the period	2,364	40,571	185,878	222,832
At the end of the period	4,004	16,687	126,896	223,837
Increase (decrease) in cash and cash equivalents	1,640	(23,884)	(58,982)	1,005

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF VALUE ADDED

FOR THE QUARTERS ENDED JUNE 30, 2012 AND 2011

(In thousands of Brazilian Reais)

	Company		Consolidated	
	06.30.2012	06.30.2011	06.30.2012	06.30.2011
REVENUES				
Sales of products, goods and services	-	-	1,253,412	1,233,539
Gain (loss) on sale of real estate held for sale	-	-	6,896	-
Gain (loss) on sale of permanent assets	-	-	74,092	(531)
	-	-	1,334,400	1,233,008
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(661,192)	(687,578)
Materials, energy, third party services, and others	(9,293)	(2,690)	(239,030)	(128,369)
Impairment of property, plant and equipment	-	-	(4,932)	(24,725)
	(9,293)	(2,690)	(905,154)	(840,672)
GROSS VALUE ADDED	(9,293)	(2,690)	429,246	392,336
RETENTIONS				
Depreciation	(18)	(19)	(51,028)	(57,810)
Amortization	-	-	(2,940)	(175)
	(18)	(19)	(53,968)	(57,985)
NET VALUE ADDED PRODUCED BY THE COMPANY	(9,311)	(2,709)	375,278	334,351
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries and affiliated company	(41,778)	(94,309)	(13,776)	(638)
Financial income	9,990	7,960	15,266	18,772
Exchange rate variation	4,246	(2,915)	13,957	(7,646)
Royalties	-	-	5,897	5,227
	(27,542)	(89,264)	21,344	15,715
TOTAL VALUE ADDED FOR DISTRIBUTION	(36,853)	(91,973)	396,622	350,066
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	1,290	2,380	212,046	191,698
Taxes, duties and contributions	1,130	838	124,159	204,275
Payments to third parties	3,189	5,941	108,807	94,809
Equity – Net income (loss)	(42,462)	(101,132)	(48,390)	(140,716)
VALUE ADDED DISTRIBUTED	(36,853)	(91,973)	396,622	350,066

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

NOTES TO THE INTERIM FINANCIAL STATEMENTS

AS OF JUNE 30, 2012

(Amounts in thousands of Brazilian Reais)

1. OPERATIONS

Companhia de Tecidos Norte de Minas - COTEMINAS (the "Company") is a Brazilian publicly-held company, based in Montes Claros-MG, engaged in the production and trade of yarns and fabrics in general, imports and exports, and may hold equity interest in other companies and acquire marketable securities in the capital market. The Company's shares are traded in BM&FBOVESPA – "Bolsa de Valores, Mercadorias e Futuros" (Brazilian Commodities and Futures Exchange), under the codes "CTNM3" and "CTNM4".

The Company is the parent company of Springs Global Participações S.A. ("SGPSA"), which is the parent company of Coteminas S.A. ("CSA") and Springs Global US, Inc. ("SGUS"), companies that focus their manufacturing operations on bed, table and bath linens previously carried out by the Company and by Springs Industries Inc. ("SI"), respectively. On April 30, 2009, SGPSA acquired a controlling interest in Springs e Rossini Participações S.A. ("SRPSA"), the parent of MMartan Têxtil Ltda ("MMartan"). On August, 2011, the Company acquired a controlling interest in American Sportswear Ltda. ("ASW"); a company specialized in retailing bed, bath and table linen, operating under the brand Artex.

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

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Company's Board of Directors on August 10, 2012.

The Company presents its consolidated interim financial statements, prepared in accordance with both Technical Pronouncement CPC 21 - "Demonstração Intermediária" and with the International Accounting Standard IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board and presented in accordance with standards issued by CVM, applicable to the preparation of the interim financial statements, and identified as "Consolidated".

The individual interim financial statements were prepared in accordance with Technical Pronouncement CPC 21 – "Demonstração Intermediária" and are presented in accordance with standards issued by the CVM, applicable to the preparation of the interim financial statements, and are identified as "Company". These practices differ from IFRS that are applicable to individual interim financial statements, only in relation to the recognition of investments in subsidiaries using the equity method, whereas under IFRS the investment would be valued at cost or fair value

The financial statements for the year ended December 31, 2011 and interim financial statements for the three-month and six-month periods ended June 30, 2011 presented for comparative purposes may include reclassifications, where applicable, to improve information and comparability.

The Company adopted all standards, review of standards and interpretations issued by the IASB and the CVM which were effective on June 30, 2012.

2.1 – Translation of balances in foreign currency

a) Functional and presentation currency

The interim financial statements of each subsidiary included in the consolidation of the Company and used as a basis for valuation of investments through the equity method are prepared using the functional currency of each entity. The functional currency of an entity is the currency of the primary economic environment in which it operates. By defining the functional currency of each of its subsidiaries, Management considered which currency significantly influences the selling price of their products and services, and the currency in which most of the production cost inputs are paid or incurred.

The consolidated interim financial statements are presented in Reais (R$), which is the functional and presentation currency of the Company.

b) Conversion of balances

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

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

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

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

2.2 – Accounting policies

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

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

(b) Non-derivatives financial instruments--Non-derivative financial instruments include cash and cash equivalents, accounts receivable and other current and noncurrent receivables, loans and financing, suppliers, other accounts payable and other equity and debt instruments. The non-derivative financial instruments are initially recognized at fair value plus costs directly attributable to their acquisition or issuance. Subsequent to the initial recognition, non-derivative financial instruments are measured at each balance sheet date, according to their classification, which is defined in the initial recognition based on the purposes for which they were acquired or issued.

The financial instruments classified as assets fall into the category of "Loans and receivables" and together with the financial liabilities, after the initial recognition at fair value, are valued based on amortized cost using the effective interest rate method. Interest, monetary and exchange rate variations, less impairment losses, if any, are recognized as revenue or expense in the statements of operations as incurred.

The Company does not have any non-derivative financial assets classified in the following categories: (i) held for trading, (ii) held to maturity, and (iii) available for sale, and also does not have any non-derivative financial liabilities classified as "Fair value through profit or loss”.

(c) Derivative financial instruments--Derivative financial instruments are initially recognized at fair value and, subsequently, the change in fair value is recorded in the statements of operations, unless the derivative is designated as a cash flow hedge, which should follow the method of accounting for cash flow hedges.

A derivative financial instrument is classified as a cash flow hedge when its purpose is to protect against exposure to cash flow variability that is attributable both to a particular risk associated with a recognized asset or liability, as well as to a transaction that is probable to occur, or to exchange rate risk related to an unrecognized firm commitment.

When initiating a derivative transaction intended to hedge a risk, the Company formally designates and documents the hedged item, as well as the objective of the risk policy and strategy of the hedge transaction. The documentation includes identification of the hedging instrument, the item or transaction being hedged, the nature of the risk to be protected and how the entity will assess the effectiveness of the hedging instrument in offsetting the exposure to changes in fair value of the hedged item or cash flows attributable to the hedged risk. The purpose is that these hedging instruments are effective to offset changes in fair value or cash flows and are assessed on an ongoing basis to determine if they have been actually effective throughout the period for which they were designated.

The effective portion of gain or loss on change in fair value of the hedging instrument is recognized directly in equity in the caption “Assets and liabilities valuation adjustments”, while any ineffective portion is recognized immediately as income or expense in the statements of operations.

The amounts classified in equity as asset and liability valuation adjustment are reflected in the statements of operations in the period in which the hedged item affects the results, adjusting the value of the hedged expense.

If the firm commitment is no longer expected to occur, amounts previously recognized in equity are reflected in the statements of operations. If the hedged instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognized in equity are reflected in the statements of operations.

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

(e) Marketable securities--Represented by amounts of immediate liquidity with maturities of more than 90 days and are subject to an insignificant risk of change in their value. Marketable securities are classified as non-derivative financial assets measured at amortized cost and interest earned is recognized in the statements of operations of the period.

(f) Accounts receivable and allowance for doubtful accounts--Accounts receivable from customers are presented net of the allowance for doubtful accounts, which is determined based on a credit risk analysis, in an amount considered sufficient by Management to cover possible losses on receivables. Noncurrent accounts receivable are adjusted at present value, based on the market interest rates or the transaction interest rate. Current accounts receivable are adjusted whenever effects are significant. Accounts receivable from customers are classified as non-derivative financial assets measured at amortized cost.

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

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

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

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

(k) Lease--Operating leases are recognized as expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the future economic benefits. Contingent leases, related to either capital or operating leases, are recognized in the statements of operations when incurred. Subsidiary SGUS records an accrual for unrecoverable lease costs based on the estimated present value of future lease obligations (whose contracts are still valid after the closing of the leased facilities), net of existing sublease income and estimated sublease income for closed facilities which were not yet subleased.

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

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

	Useful life
Buildings	40 years
Installations	15 years
Equipment	15 years
Hydroelectric Plant - Porto Estrela	35 years
Furniture and fixtures	10 years
Vehicles	5 years
Computers and peripherals	5 years

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

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

(n) Valuation of recoverable assets--Assets included in property, plant and equipment, intangible assets, and other noncurrent assets are tested for impairment annually, or when circumstances indicate that the net book value may not be recoverable. When impairment is required, it is recognized in the statements of operations.

(o) Income and social contribution taxes--The provision for income and social contribution taxes is calculated at the rate of approximately 34% on taxable income and is recognized net of the portion related to the income tax exemption. The accrual balance is net of prepayments made during the year, if applicable. For foreign subsidiaries, the tax rate ranges from 35% to 38%, according to the tax legislation of each country.

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

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

(r) Employee benefit plans--Pension plans and postretirement benefit costs are recognized on an accrual basis, based on actuarial calculations. Actuarial gains and losses are recognized in the statements of operations when incurred.

(s) Stock compensation--Instruments that are paid through stocks issued by the Company are measured at fair market value on the date of grant and the expense is recognized on a straight-line basis over the vesting period.

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

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

<u>(v) Revenue recognition</u>--Revenue is measured at fair value of the consideration received or receivable, less any estimates of returns, cash discounts and/or unconditional trade discounts given to the buyer and other similar deductions. Revenue from product sales is recognized when all the following conditions are met: (i) the Company transferred to the buyer the significant risks and rewards related to ownership of the products, (ii) the Company does not maintain continuing involvement in the management of goods sold in a degree usually associated with ownership or effective control over such products, (iii) the amount of revenue can be reliably measured, (iv) it is probable that the economic benefits associated with the transaction will flow to the Company and (v) costs incurred or to be incurred related to the transaction can be measured reliably.

<u>(w) Statement of Value Added ("DVA")</u>--The purpose of this statement is to present the wealth created by the Company and its distribution over a given period. It is presented by the Company as required by the Brazilian Corporate Law, as part of its individual interim financial statements and as supplemental information for the consolidated interim financial statements, since it is not a statement required by IFRS standards. The DVA has been prepared based on information obtained from accounting records that are the basis for the preparation of the interim financial statements.

<u>(x) Controlling and noncontrolling shareholder</u>--In the interim financial statements, "parent company’s shareholder" represents all the shareholders of the Company and “noncontrolling" represents the Company’s subsidiaries minority interest.

2.3 – Accounting estimates

The preparation of interim financial statements requires the use of estimates in order to record certain assets, liabilities and other transactions. To make these estimates, Management used the best information available at the time of preparation of the interim financial statements, as well as the experience of past and/or current events, also considering estimates regarding future events. Therefore, the interim financial statements include estimates related mainly to the useful lives of property, plant and equipment, estimated recoverable value of noncurrent assets, provisions necessary for tax, civil and labor liabilities, determination of provisions for income tax, determination of fair value of financial instruments (assets and liabilities) and others, estimates related to the selection of interest rate, expected return on assets and the choice of mortality table and expected wage increases applied to the actuarial calculations. Actual results of transactions and information could differ from the estimates.

2.4 – Consolidation criterias

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

	Direct and indirect interest in total capital - %	
	06.30.2012	12.31.2011
Coteminas International Ltd.	100	100
Companhia de Tecidos Norte de Minas – Coteminas (Argentina Branch)	100	100
Springs Global Participações S.A.	61	68
Oxford Comércio e Participações S.A.	59	59
American Sportswear Ltda.	100	100
Companhia Tecidos Santanense	53	53

The consolidation of the balance sheet and statement of operations accounts corresponds to the sum of assets, liabilities, revenues and expenses, according to their nature, after eliminating investments in subsidiaries, unrealized profits and intercompany balances and transactions. The effect of the exchange variation on foreign investments is disclosed in a separate caption in the statement of changes in equity, “Cumulative translation adjustment”. The foreign subsidiaries’ accounting practices were adjusted to comply with the Company’s accounting practices. Noncontrolling interest was presented separately in the statements of operations and equity.

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

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

The interim financial statements of foreign subsidiaries have been translated into Brazilian Reais based on the US Dollar exchange rate of June 30, 2012 and December 31, 2011, for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	2012	2011
Exchange rate as of:		
December 31	-	1.8758
June 30	2.0213	1.5611
Average exchange rate:		
March 31 (3 months)	1.7568	1.6544
June 30 (3 months)	1.9785	1.5714
June 30 (6 months)	1.8676	1.6129

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

The interpretation and alterations of the existing standards listed below were edited and effective on January 1, 2012. However, there were no significant effects on the Company's interim financial statements:

Standard	Main requirements	Effective date
Amendments to IFRS 1	Severe hyperinflation and amendment of fixed transition dates for first-time adopters of IFRSs	Effective for annual periods beginning on or after July 1, 2011
Amendments to IFRS 7	Disclosures – transfer of financial assets.	Effective for annual periods beginning on or after July 1, 2011
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets when measured using the fair value model in IAS 40.	Effective for annual periods beginning on or after January 1, 2012

Certain new IASB accounting standards and IFRIC interpretations were published and/or revised and have their optional adoption in 2012 or mandatory for the periods beginning after January 1, 2013. However, the Company did not early adopt these new and revised standards. Considering the Company's and its subsidiaries current operations, Management does not expect the adoption of these new standards, interpretations and changes to have a significant impact on the interim financial statements.

Standard	Main requirements	Effective date
IFRS 9 (as changed in 2010)	Financial instruments.	Effective for annual periods beginning on or after January 1, 2015
IAS 28 (Revised 2011) "Accounting for Investments in Associates and Joint Ventures"	Amendment to IAS 28 to include the revisions introduced by IFRSs 10, 11 and 12.	Effective for annual periods beginning on or after January 1, 2013
IAS 27 (Revised 2011), "Consolidated and Separate Financial Statements"	Requirements of IAS 27 related to the consolidated interim financial statements superseded by IFRS 10. Requirements for separate financial statements were maintained.	Effective for annual periods beginning on or after January 1, 2013
IFRS 10 "Consolidated Financial Statements"	Superseded IAS 27 relating to the applicable requirements of the consolidated financial statements, and the SIC 12. IFRS 10 established a methodology and principles of control for the presentation and preparation of consolidated interim financial statements regardless of the nature of the investees.	Effective for annual periods beginning on or after January 1, 2013

Standard	Main requirements	Effective date
IFRS 11 “Joint Arrangements”	Transition from proportionate consolidation to the equity method for joint ventures and from the equity method to accounting for assets and liabilities for joint operations. Eliminated the concept of “joint controlled assets.	Effective for annual periods beginning on or after January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	Establishes a separate disclosure standard addressing a reporting entity's involvement with other entities regardless of the consolidation method.	Effective for annual periods beginning on or after January 1, 2013
IFRS 13 “Fair Value Measurement”	Supersedes and consolidates all the requirements and guidance relating to the measurement of fair value described in the other IFRS pronouncements into a single pronouncement. IFRS 13 defines fair value, provide guidance on its determination and respective disclosures. However, it doesn’t introduce any new requirement or change in relation to the items that must be measured at fair value, which were maintained in the original pronouncements.	Effective for annual periods beginning on or after January 1, 2013
Amendments to IAS 19 “Employee Benefits”	Extinguish the corridor approach, recognizing actuarial gains or losses to other comprehensive income for pension plans, and, to the income statement for other long term benefits, when incurred, among other changes.	Effective for annual periods beginning on or after January 1, 2013
Amendments to IAS 1 “Presentation of Financial Statement”	Introduce the requirement that items recorded in other comprehensive income be segregated and summarized between group of items that are and those that are not subsequently charged to the income statement.	Effective for annual periods beginning on or after January 1, 2013
Amendments to IFRS 7 – Disclosures – Offsetting of Financial Assets and Liabilities	Introduce requirements of information disclosure about all the financial instruments that are offset as allowed by IAS 32.	Effective for annual periods beginning on or after January 1, 2013
Amendments to IAS 32 – Offsetting of Financial Assets and Liabilities	Provide clarifications about the application of the rules for offsetting of financial assets and liabilities.	Effective for annual periods beginning on or after January 1, 2014. Application should be retroactive.

Standard	Main requirements	Effective date
Changes to IFRS 1 – Government Loans	Requires that first-time adopters apply the 2008 amendments to IAS 20 prospectively to loans entered into on or after the date of transition to IFRSs. However, if an entity obtained the information necessary to apply the requirements to a government loan as a result of a past transaction at the time of initially accounting for that loan, then it may choose to apply IAS 20 retrospectively to that loan.	Effective for annual periods beginning on or after 1 January 2013
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance – Changes to IFRS 10, IFRS 11 and IFRS 12	The amendments clarify the transition guidance in IFRS 10 “Consolidated Financial Statements”. The amendments also provide additional transition relief in IFRS 10, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.	Effective for annual periods beginning on or after 1 January 2013
Annual improvements to IFRSs: 2009-2011 Cycle	Amendments to several standards.	Effective for annual periods beginning on or after 1 January 2013

The CPC has not yet issued the statements and changes corresponding to the new and revised IFRS and the IFRIC discussed earlier. Due to the commitment of the CPC and the CVM to maintain an updated set of standards issued based on the updates made by the IASB, it is expected that these pronouncements and changes will be edited by the CPC and approved by the CVM before the date of its mandatory application.

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	06.30.2012	12.31.2011	06.30.2012	12.31.2011
CDB – post fixed	734	782	2,829	52,167
Repurchase transactions	-	-	2,389	36,196
Foreign exchange funds (US$)	-	-	868	15,381
Foreign deposits	-	-	45,047	63,999
Checking accounts deposits	3,270	1,582	75,763	18,135
	4,004	2,364	126,896	185,878

4. MARKETABLE SECURITIES

	Company		Consolidated	
	06.30.2012	12.31.2011	06.30.2012	12.31.2011
Fixed-yield fund (DI)	-	9,928	-	9,928
Investment fund – US$	-	-	9,767	9,005
Restricted cash	-	-	-	88
Foreign deposits	-	-	27,077	25,127
	-----------	-----------	------------	------------
	-	9,928	36,844	44,148
	======	======	======	======

5. ACCOUNTS RECEIVABLE

	Consolidated	
	06.30.2012	12.31.2011
Domestic customers	419,929	437,894
Foreign customers	126,987	102,901
Credit card companies	38,640	34,957
Related parties		
Domestic market	1,909	535
Foreign market	6,577	4,746
	----------	----------
	594,042	581,033
Allowance for doubtful accounts	(41,944)	(40,534)
	----------	----------
	552,098	540,499
	======	======

The credit sales made by the indirect subsidiaries MMartan and Artex stores are made directly to the consumer that can pay in up to 10 installments by instruments of credit granted by credit-card companies. Present value adjustments on these amounts are made considering the market rates, since cash sales prices do not differ from installment sales prices. On June 30, 2012, the installment receivables under this type of sale were R$39,814, with an average collection period of 90 days, totaling to an adjustment in the amount of R$1,174, using 100% of the CDI as the interest rate.

A present value adjustment was made, in the amount of R$211 (R$489 as of December 31, 2011) to the accounts receivables related to installment plans of past due accounts. The present value adjustment is equivalent to the interest embedded in the installments agreed with the customer, keeping the original values of the receivables.

Accounts receivable from customers consist of receivables with an average collection period of approximately 93 days (98 days as of December 31, 2011). Past-due amounts are not significant and the allowance for doubtful accounts is considered by Management sufficient to cover expected losses from these notes.

The Company's Management believes that the risk related to accounts receivable is minimized because the composition of the company's customer portfolio is diluted. The Company has over 13,000 active clients as of June 30, 2012 and only two clients represent over 10% of sales.

The aging list of the consolidated accounts receivable was presented in the annual financial statements for the year ended December 31, 2011. There was no significant change in the composition of the aging list during the six-month period ended June 30, 2012.

The changes in the consolidated allowance for doubtful accounts are as follows:

	06.30.2012	12.31.2011
Balance at the beginning of the period	(40,534)	(38,336)
Additions	(118)	(1,293)
Write-offs	-	804
Exchange variation	(1,292)	(1,709)
Balance at the end of the period	(41,944)	(40,534)

6. INVENTORIES

	Consolidated	
	06.30.2012	12.31.2011
Raw materials and supplies	160,323	212,550
Work in process	200,778	232,711
Finished products	287,480	258,940
Repair parts	65,260	68,339
	713,841	772,540

Inventories are presented net of the provision for losses, which, based on Management’s assessment, is considered sufficient to cover losses in the realization of obsolete and/or discontinued inventories.

The changes in the provision are as follows:

	12.31.2011	Additions	Write-offs	Exchange variation	06.30.2012
Raw materials and supplies	(28,396)	-	20,992	(78)	(7,482)
Work in process	(3,317)	-	157	(247)	(3,407)
Finished products	(28,614)	(21)	9,469	(1,415)	(20,581)
Repair parts	(1,474)	-	-	-	(1,474)
	(61,801)	(21)	30,618	(1,740)	(32,944)

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7. ADVANCES TO SUPPLIERS

	Company		Consolidated	
	06.30.2012	12.31.2011	06.30.2012	12.31.2011
Sundry suppliers	129	104	72,674	66,937
Electricity suppliers	-	-	2,845	5,282
	----------	----------	----------	----------
	129	104	75,519	72,219
Current	(129)	(104)	(72,285)	(68,577)
	----------	----------	----------	----------
Noncurrent	-	-	3,234	3,642
	======	======	======	======

The indirect subsidiary CSA has an electricity purchase and sale agreement with CESP – Companhia Energética de São Paulo, entered into on August 26, 2004 for the supply of electricity until December 2012. On January 10, 2005, CSA made an advance of R$58,314.

Every month, CESP invoices the electricity supplied at the current price and the indirect subsidiary CSA amortizes the advance at the historical cost, with the excess amount recorded as cost reduction. As of June 30, 2012, the balance in current assets is R$2,845 (R$4,874 in current assets and R$408 in noncurrent assets as of December 31, 2011).

8. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANY

	Equity	Ownership interest - %	Net income (loss)	Total investment 06.30.2012	Total investment 12.31.2011	Equity in subsidiaries and affiliated company 06.30.2012	Equity in subsidiaries and affiliated company 06.30.2011
Investments in subsidiaries:							
Continuing operations -							
Springs Global Participações S.A. (3)	1,298,382	61,51	25,300	798,635	819,721	13,869	(21,495)
Oxford Comércio e Participações S.A.	200,587	58,88	15,178	118,106	111,037	8,937	6,235
Coteminas International Ltd.	22,637	100,00	4,253	22,637	17,156	4,253	(472)
Companhia Tecidos Santanense	237,812	2,07	17,703	4,923	4,579	443	259
American Sportswear Ltda.	-	-	-	-	-	-	2,046
Coteminas (Argentina branch)	196	100,00	(4)	196	196	(4)	(6)
				------------	------------	------------	----------
				944,497	952,689	27,498	(13,433)
				========	========		
Investment in affiliated company:							
Cantagalo General Grains S.A. (2)	192,081	30,00	(45,920)	57,652	71,400	(13,776)	(638)
				------------	------------	------------	------------
Total affiliated company				57,652	71,400	(13,776)	(638)
				========	========	------------	------------
Equity from continuing operations in subsidiaries						13,722	(14,071)
						========	========
Discontinued operations (1) -							
Springs Global Participações S.A.	-	68,44	(81,094)			(55,500)	(80,238)
						========	========

(1) See note 28.

(2) On May 7, 2011, the Company contributed to the capital increase of Cantagalo General Grains S.A. ("CGG"), a recently formed Brazilian corporation, with certain rural properties located in the states of Mato Grosso and Goias, owned by the Company, with a total area of approximately 11 thousand hectares.

As a result of the transaction above, and of subsequent increases in capital from other shareholders of Cantagalo, such as Agrícola Estreito S.A. and GFN Agrícola e Participações S.A., the Company now holds a direct ownership interest of 30% of the voting capital of CGG.

(3) On June 29, 2012, a capital increase was subscribed and paid in the amount of R$169,043 with the issuance of 56,347,886 new shares. In a surplus auction held on July 10, 2012, 4,690 shares were purchased in the amount of R$14, thus completing the entire capital increase. The Company subscribed and paid 24,708 thousand shares, becoming the owner of 61.51% of the subsidiary's capital (68.44% on December 31, 2011). With the change in the ownership interest in this subsidiary, the Company recorded a loss of R$45,293, reported in retained deficit.

9. PROPERTY, PLANT AND EQUIPMENT AND PROPERTY, PLANT AND EQUIPEMENT HELD FOR SALE

a. Property, plant and equipment

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

	Rate (*)	06.30.2012			12.31.2011
	%	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	2.0	58,563	(7,493)	51,070	40,515
Buildings	2.5	485,827	(175,258)	310,569	317,787
Installations	6.6	268,870	(148,324)	120,546	118,362
Equipment	8.2	1,314,876	(846,060)	468,816	481,578
Hydroelectric Plant - Porto Estrela (**)	2.2	37,476	(8,693)	28,783	29,137
Power plants	6.0	12,672	(4,689)	7,983	8,336
Furniture and fixtures	10.4	42,652	(28,311)	14,341	10,416
Vehicles	20.0	33,526	(16,159)	17,367	3,602
Computers and peripherals	20.0	47,954	(42,573)	5,381	5,825
Construction in progress	-	59,900	-	59,900	70,295
Advances to suppliers	-	22,484	-	22,484	13,988
Others	3.0	98,709	(81,477)	17,232	16,960
		2,483,509	(1,359,037)	1,124,472	1,116,801

(*) Weighted average annual depreciation rate.
(**) See note 20.

Considering its profitability and cash generation, the Company and its subsidiaries have not found evidence of deterioration or failure to recover the balances held as property, plant and equipment.

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

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

Cost:

	12.31.2011	Additions	Disposals	Transfers to held for sale	Transfers	Exchange variation	06.30.2012
Land and improvements	45,677	12,901	(732)	332	(100)	485	58,563
Buildings	484,713	17	(4,933)	59	1,917	4,054	485,827
Installations	260,125	2,211	(55)	-	6,434	155	268,870
Equipment	1,294,267	4,892	(5,887)	(1,500)	14,773	8,331	1,314,876
Hydroelectric Plant - Porto Estrela	37,416	60	-	-	-	-	37,476
Power plants	12,672	-	-	-	-	-	12,672
Furniture and fixtures	36,463	5,603	(972)	572	89	897	42,652
Vehicles	18,880	14,703	(582)	256	(242)	511	33,526
Computers and peripherals	42,517	761	(1,438)	3,797	(32)	2,349	47,954
Construction in progress	70,295	13,700	(762)	-	(23,349)	16	59,900
Advances to suppliers	13,988	8,496	-	-	-	-	22,484
Others	91,934	430	(249)	187	510	5,897	98,709
	2,408,947	63,774	(15,610)	3,703	-	22,695	2,483,509

Accumulated depreciation:

	12.31.2011	Additions	Disposals	Transfers to held for sale	Transfers	Exchange variation	06.30.2012
Land and improvements	(5,162)	(2,249)	16	-	-	(98)	(7,493)
Buildings	(166,926)	(5,698)	-	-	-	(2,634)	(175,258)
Installations	(141,763)	(6,527)	1	9	-	(44)	(148,324)
Equipment	(812,689)	(32,360)	2,675	2,969	(178)	(6,477)	(846,060)
Hydroelectric Plant - Porto Estrela	(8,279)	(414)	-	-	-	-	(8,693)
Power plants	(4,336)	(353)	-	-	-	-	(4,689)
Furniture and fixtures	(26,047)	(992)	34	(452)	-	(854)	(28,311)
Vehicles	(15,278)	(823)	537	(256)	178	(517)	(16,159)
Computers and peripherals	(36,692)	(1,305)	1,422	(3,753)	111	(2,356)	(42,573)
Others	(74,974)	(306)	217	(430)	(111)	(5,873)	(81,477)
	(1,292,146)	(51,027)	4,902	(1,913)	-	(18,853)	(1,359,037)

b. Property, plant and equipment held for sale

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

As a result of this analysis, the recoverable value of R$47,391 (R$50,427 as of December 31, 2011) was presented in noncurrent assets under “Property, plant and equipment held for sale”, and, consequently, removed from the table above, based on its net book value.

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

	12.31.2011	Disposals	Exchange variation	06.30.2012
Residual value of machinery and equipment	109,365	(6,244)	5,360	108,481
Provision for losses	(58,938)	235	(2,387)	(61,090)
	----------	----------	----------	----------
	50,427	(6,009)	2,973	47,391
	======	======	======	======

10. INTANGIBLE ASSETS

	Consolidated	
	06.30.2012	12.31.2011
Goodwill from the acquisition of North American companies	23,876	22,163
Goodwill from the acquisition of SRPSA	27,303	27,303
Trademarks	16,298	16,298
Store locations (real estate intangible)	47,822	48,100
Others	24	24
	-----------	-----------
Total	115,323	113,888
	======	======

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

The projection period for the December 2011 cash flows was three years. The assumptions used to determine the fair value through the discounted cash flow method include: cost of capital, growth rate and adjustments used for perpetual cash flows, methodology for determining working capital, investment plans, and long-term economic-financial forecasts. Additionally, the perpetuity has been calculated considering the stabilization of operating margins, working capital and investments levels.

The annual discount rate used was 15.5% and the perpetuity growth rate considered was 3% per year, for both SGUS goodwill in the acquisition of North American companies and the Company's goodwill in the acquisition of SRPSA. The discount rates used were determined taking into consideration market information available on the test date.

On June 19, 2012, indirect subsidiary SGPSA disclosed to the market that its indirect subsidiary SGUS sold the Wamsutta brand. SGUS will hold the rights to market the Wamsutta brand in South America and to pursue licensing opportunities outside of North America.

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

	Balances in 12.31.2011	Additions	Exchange variation	Balances in 06.30.2012
Goodwill from the acquisition of North American companies	22,163	-	1,713	23,876
Goodwill from the acquisition of SRPSA	27,303	-	-	27,303
Trademarks	16,298	-	-	16,298
Store locations (real estate intangible)	48,100	(278)	-	47,822
Others	24	-	-	24
Total	113,888	(278)	1,713	115,323

The intangible assets presented above have indefinite useful lives, and therefore are not amortized, but their recoverable values are tested for impairment annually. Trademarks are recorded at their acquisition cost. The amounts related to the store locations (real estate intangible) are recorded at acquisition cost.

11. LEASE

Indirect subsidiary SGUS leases properties and equipment under operating leases. Total leasing expense for the six-month period ended June 30, 2012 was R$15,359 (R$13,557 for the six-month period ended June 30, 2011). Subsidiary SGUS contractually agreed with third-parties to sublease certain vacant facilities that no longer provide economic benefit. Total sublease income in the six-month period ended June 30, 2012 was R$1,302 (R$1,140 in the six-month period ended June 30, 2011).

Lease payments scheduled for the future years are estimated as follows:

Years	06.30.2012
2012 (*)	13,425
2013	24,623
2014	22,794
2015	17,955
2016	18,020

(*) 6 months

Beginning in 2016, lease payments continue to decrease until the contracts terminate on several dates through 2030, totaling R$196,905.

From 2012 to 2014, indirect subsidiary SGUS is scheduled to receive sublease payments of R$4,291.

The indirect subsidiary SGUS has an accrual totaling R$11,180 (R$12,861 as of December 31, 2011), which consists of the present value of estimated future lease obligations that are expected to be incurred after the closing of the leased facilities, net of existing sublease income and estimated sublease income of closed facilities, which were not yet subleased. This potential sublease income would result in a reduction of the above obligations by R$101,429.

12. SUPPLIERS

	Consolidated	
	06.30.2012	12.31.2011
Domestic market	88,605	124,813
Foreign market	111,392	108,389
	----------	----------
	199,997	233,202
	======	======

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 38 days (45 as of December 31, 2011). Domestic suppliers include credits to purchase raw material (cotton), amounting to R$52,866 (R$72,607 as of December 31, 2011).

13. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated 06.30.2012	Consolidated 12.31.2011
Export prepayment:					
Banco Santander (Brazil) S.A.	US$	Libor+1.35	2012	-	29,807
Banco Itaú BBA S.A.	US$	Libor+1.35	2012	-	29,807
				-----------	-----------
				-	59,614
Local currency:					
Banco do Brasil S.A. (Revitaliza)	R$	4.5 to 9.0	2016	33,870	38,026
BNDES (Revitaliza)	R$	4.5 to 9.0	2016	33,870	38,026
Banco do Brasil S.A. (NCE)	R$	IRP + 10.81	2012	-	48,318
BNDES (Finame)	R$	4.5 and 7.0	2020	9,522	8,904
Banco do Brasil S.A. (Overdraft account) (*)	R$	118.7 of CDI	2012	74,731	70,106
Bradesco S.A. (Overdraft account) (*)	R$	120 of CDI	2012	62,357	67,409
Banco Santander S.A.	R$	CDI+0.20 to 0.29	2013	2,050	2,930
HSBC Bank Brasil S.A.	R$	CDI+0.25	2014	-	4,984
BNDS (Working capital)	R$	TJLP+3.0	2014	7,613	9,519
Banco do Brasil S.A. (Giroflex)	R$	118.9 of CDI	2012	25,138	8,046
Banco Votorantim S.A. (a)	R$	11.25	2012	-	12,582
Banco do Brasil S.A. (NCI)	R$	102 of CDI	2014	238,366	207,827
Banco Itaú BBA S.A. (c)	R$	117.7 of CDI	2014	207,359	209,389
Banco Santander S.A.	R$	TJLP+5	2013	29,773	-
Other	R$	-	2020	82	91
				-----------	------------
				724,731	726,157
Foreign currency:					
JP Morgan	US$	1.50	2012	27,076	25,127
Deutsche Bank (Securitization)	US$	Libor+1.30	2013	61,931	54,315
Banco do Brasil (Finimp) (b)	US$	2.4	2012	-	38,919
Banco do Bradesco (Finimp) (b)	US$	2.5	2012	-	56,596
Banco Santander Brasil (Finimp) (b)	US$	2.7	2012	-	11,006
Banco Francês	ARG$	14.4	2014	2,934	3,392
				-----------	-----------
				91,941	189,355
				-----------	-----------
Total				816,672	975,126
Current liabilities				(512,350)	(445,647)
				-----------	-----------
Noncurrent liabilities				304,322	529,479
				=======	=======

(*) Include balances with parent company.

(a) An interest rate swap agreement was signed with Banco Votorantim in order to swap the fixed rate of 11.25% per year to 97% of the CDI variation (see note 21 d.5.1).

(b) Finimp loans are cash flow financing agreements in Dollars with swap contracts for approximately 91% of CDI (see note 21 d.5.1).

(c) Original loan contract in Dollars plus 4.60% per year with a swap for approximately 117.7% of CDI with the same counterparty.

Loans are collateralized by: (i) export rights, credit notes and related products for “Export prepayment”, (ii) registered security interest in real estate, machinery and equipment located in São Gonçalo do Amarante, as well as a guarantee from the Company for the “Revitaliza” loans; and (iii) by sureties and bank guarantees for the remaining financing.

Maturities are as follows:

		2013				
Consolidated	2012	Short term	Long term	2014	2015 to 2020	Total
Local currency:						
Banco do Brasil S.A. (Revitaliza)	4,248	4,133	4,133	8,267	13,089	33,870
BNDES (Revitaliza)	4,248	4,133	4,133	8,267	13,089	33,870
BNDES (Finame)	487	622	622	1,244	6,547	9,522
Banco do Brasil S.A. (Overdraft account)	74,731	-	-	-	-	74,731
Bradesco S.A. (Overdraft account)	62,357	-	-	-	-	62,357
Banco Santander S.A.	918	903	229	-	-	2,050
BNDES (Working capital)	1,909	1,901	1,901	1,902	-	7,613
Banco do Brasil S.A. (Giroflex)	25,138	-	-	-	-	25,138
Banco do Brasil S.A. (NCI)	1,364	197,866	-	39,136	-	238,366
Banco Itaú BBA S.A.	7,359	-	-	200,000	-	207,359
Banco Santander S.A.	-	29,773	-	-	-	29,773
Other	26	4	4	7	41	82
	-----------	-----------	-----------	-----------	-----------	------------
	182,785	239,335	11,022	258,823	32,766	724,731
Foreign currency:						
JP Morgan	27,076	-	-	-	-	27,026
Deutsche Bank (Securitization)	-	61,931	-	-	-	61,391
Banco Francês	607	616	661	1,050	-	2,934
	-----------	-----------	-----------	-----------	-----------	-----------
	27,683	62,547	661	1,050	-	91,941
	-----------	-----------	-----------	-----------	-----------	-----------
	210,468	301,882	11,683	259,873	32,766	816,672
	=======	=======	=======	=======	=======	=======

14. EQUITY

a. Capital

Capital, as of June 30, 2012 and December 31, 2011, is represented as follows:

	Number of shares
Common	43,531,958
Preferred	73,143,333

	116,675,291
	==========

There was no change in the number of shares subscribed and paid for the period between January 1, 2011 and June 30, 2012.

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

b. Treasury shares

As of June 30, 2012, the Company had 1,100 common shares at an average cost of R$5.04 per share (R$4.90 minimum and R$5.05 maximum) and 121,800 preferred shares at an average cost of R$6.83 per share (R$4.95 minimum and R$8.59 maximum). The market value of these shares were R$2.71 per common share and R$2.98 per preferred shared, as of June 30, 2012.

c. Dividends

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

d. Retained income reserve

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

15. RELATED PARTY TRANSACTIONS

	Receivable		Payable	
	06.30.2012	12.31.2011	06.30.2012	12.31.2011
Company:				
Wembley Sociedade Anônima	40,274	31,340	-	-
Coteminas International Ltd.	40,824	53,185	-	-
Innotex International Ltd.	4,566	4,159	-	-
Coteminas S.A.	-	8,206	-	-
Oxford Com. e Partic. S.A.	-	-	247	-
Companhia Tecidos Santanense	-	34	8,502	-
	----------	----------	----------	----------
	85,664	96,924	8,749	-
	======	======	======	======
Consolidated:				
Wembley Sociedade Anônima	40,274	31,340	145	-
Innotex International Ltd.	4,566	4,159	-	-
Empr.Nac.Com.Rédito e Particip. S.A. – ENCORPAR	191	-	-	-
	----------	----------	----------	----------
	45,031	35,499	145	-
	======	======	======	======

	Finance charges (consolidated)	
	06.30.2012	06.30.2011
Wembley Sociedade Anônima	1,439	1,243
Cantagalo General Grains S.A.	-	306
Empr.Nac.Com.Rédito e Particip. S.A. – ENCORPAR	39	8
JAGS-José Alencar Gomes da Silva	129	39
Innotex International Ltd	409	-
Seda S.A.	27	16
	----------	----------
	2,043	1,612
	======	======

The balances refer to loans with long-term maturities, whose charges, for subsidiaries and affiliates, were calculated according to the rates equivalent to those in effect in the financial market (100% of the Interbank Certificate of Deposit variance plus 1.375% for companies based in Brazil and Libor plus 3% per year for companies based abroad).

The Company receives commissions on surety at the rate of 1.3% per year from its indirect subsidiary Companhia Tecidos Santanense. In the six-month period ended of June 30, 2012, it totaled R$100 (R$277 in the six-month period ended June 30, 2011), included in the above table.

As stated in the shareholders' agreement, the indirect subsidiary SGUS must pay annually US$1,491 thousand for services provided, net of expenses, to the shareholder Heartland Industrial Partners, L.P. and the indirect subsidiary CSA must pay US$3,500 thousand to the Company. In the six-month period ended June 30, 2012, the total amount of R$1,432 (R$1,189 in the six-month period ended June 30, 2011) was accrued for services provided and R$4,759 (R$4,894 as of December 31, 2011) is accrued under the caption “Other payables”, in current liabilities.

In August of 2011, the subsidiary SGPSA acquired ASW, former subsidiary of the Company, for R$3,781, equivalent to ASW's total equity. Of this total, R$1,725 was settled in cash, as it relates to current assets. The remaining R$2,056, which relates to deferred income tax assets, will be settled at the time those assets are utilized by indirect subsidiary ASW. There are no interest or finance charges involved on the amounts mentioned. The balances are included in "Other obligations" in noncurrent liabilities.

Rossini Administradora de Bens Ltda. and indirect subsidiary MMartan entered into a real estate lease agreement for MMartan's manufacturing facility and its offices. In the six-month period ended June 30, 2012, R$1,645 were paid under this lease (R$1,562 in the six-month period ended June 30, 2011). The valuation of the property and its lease were conducted by a specialized company and represent market prices.

The amounts paid to key Management personnel are disclosed in the statements of operations, under caption “Management fees” and include existing long-term and post-employment benefits.

Subsidiary SGPSA disclosed a material matter (“fato relevante”) on August 12, 2011, announcing that it had entered into an agreement whereby, pending certain conditions and necessary corporate approvals, the subsidiary SGPSA will become the sole owner of SRPSA, whose control was acquired by SGPSA in May of 2009.

As a part of this process, on December 13, 2011, the subsidiary SGPSA acquired an additional of 14,133 shares of SRPSA, for the amount $30,000, payable in three installments, the first in the amount of $10,000 immediately and the other two of $10,000 each in 120 and 240 days, increasing its ownership interest to 84.7%.

On June 29, 2012, subsidiary SGPSA acquired the remaining 14,133 shares, becoming the owner of 100% of SRPSA's capital, by an amount equivalent to the issuance of 5 million shares of subsidiary SGPSA which were subscribed by the sellers in the capital increase described in note 8 to the interim financial statements.

16. DEBENTURES ISSUED BY SUBSIDIARY

At the Extraordinary Shareholders' Meeting held on January 24, 2006, the first issue of debentures nonconvertible into shares of the indirect subsidiary CSA was approved, for private distribution, under the conditions below and modified by the Shareholders' Meeting held on June 9, 2006:

Issue date:	January 24, 2006
Serial:	Single
Number:	50,057 debentures
Nominal value on issue date:	R$1
Yield:	Exchange rate variation plus 3-month Libor, plus a 3% annual surcharge.
Interest payment:	Quarterly with last maturity on June 21, 2013.
Repayment of principal:	17 quarterly and consecutive installments, with first maturity on June 21, 2009 and final maturity on June 21, 2013.

The debentures were fully subscribed by the Company. As of June 30, 2012, pro-rata interest expense and installments of the principal were accrued as current liabilities, in the amount of R$11,382 (R$25,388 as current liabilities and R$5,266 as noncurrent liabilities as of December 31, 2011). In the six-month period ended June 30, 2012, interest of R$653 (R$572 in the six-month period ended June 30, 2011) and exchange rate variation loss of R$2,630 (exchange rate variation gain of R$1,666 for the same period in 2011) were recognized in the statements of operations.

17. INCOME AND SOCIAL CONTRIBUTION TAXES AND OTHER TAXES

a. Tax incentives

All manufacturing units of the subsidiary CSA in Brazil (except for the Blumenau-SC and Acreúna-GO facilities) and one unit of indirect subsidiary Companhia Tecidos Santanense, are located in the area of the Northeast Development Superintendence (SUDENE), which provides federal and state tax incentives.

These federal and state tax incentives expire on different dates, depending on the facility, through December 31, 2016.

Federal tax incentives are calculated based on income tax generated by the manufacturing and commercial operations and recorded as a reduction of the income tax payable and income tax expense.

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

Continuing operations:

	Company		Consolidated	
	06.30.2012	06.30.2011	06.30.2012	06.30.2011
Income (loss) before taxes	13,069	(20,894)	41,440	65,288
Equity in subsidiaries	(13,722)	14,071	13,776	638
Taxable income from foreign subsidiary	-	-	-	1,169
Nontaxable income (RTT)	-	-	(19,552)	(19,890)
Permanent differences from foreign subsidiary	-	-	2,699	3,658
Others, net	(101)	712	(2,189)	5,578
	----------	----------	----------	----------
Income tax basis	(754)	(6,111)	36,174	56,441
34% tax rate	256	2,078	(12,299)	(19,190)
SGUS deferred income tax reduction	-	-	206	(79,740)
Unrecognized tax credits	(256)	(2,079)	3,085	8,639
Tax incentive (SUDENE)	-	-	841	673
Others	(31)	1	(569)	851
	---------	---------	---------	---------
Total income taxes	(31)	-	(8,736)	(88,767)
	---------	---------	---------	---------
Income taxes – current				
Income taxes – deferred	(31)	-	(8,265)	(4,759)
	-	-	(471)	(84,008)
	=====	=====	=====	=====

Discontinued operations:

	Company		Consolidated	
	06.30.2012	06.30.2011	06.30.2012	06.30.2011
Loss from discontinued operations before taxes	(55,500)	(80,238)	(81,094)	(132,137)
Equity in subsidiaries	55,500	80,238	-	-
	------------	------------	------------	------------
Income tax basis	-	-	(81,094)	(132,137)
34% tax rate	-	-	27,571	44,926
Reversal of deferred tax liability – SGUS	-	-	-	14,900
Unrecognized tax credits	-	-	(27,571)	(44,926)
	------------	------------	------------	------------
Total income taxes	-	-	-	14,900
	=======	=======	=======	=======

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

CSA’s Management, in prior years, based on a business plan and future projections, partially recognized deferred tax assets arising from accumulated net operating losses. As of June 30, 2012, indirect subsidiary CSA had net operating losses of R$382,177 (R$317,784 as of December 31,

2011) and social contribution tax losses of R$387,483 (R$323,090 as of December 31, 2011), whose tax assets were not recognized. The tax assets recognized by this subsidiary are net of its tax benefits. CSA's future projections consider a greater concentration on the domestic market since these sales are more profitable, a greater profit margin due to the sales of higher value-added products, among others. Based on these actions and the business plan assumptions, CSA's Management expects future taxable income that will allow the realization of the subsidiary's deferred tax assets.

c. Deferred income and social contribution taxes

Deferred income and social contribution taxes recorded in the consolidated interim financial statements arise from subsidiaries' temporarily nondeductible provisions, transferred tax credit, and subsidiaries' net operating losses and are composed as follows:

	Balances in 12.31.2011	Recognized in statement of operations	Other	Balances in 06.30.2012
Assets:				
Temporarily nondeductible provisions	32,113	(9,660)	44	22,497
Net operating losses	31,539	9,397	-	40,936
Tax credits from foreign subsidiaries	7,594	(414)	8	7,188
	-----------	-----------	-----------	-----------
	71,246	(677)	52	70,621
Liabilities:				
Temporary differences	-	206	(206)	-
Negative goodwill in investments	(5,051)	-	3	(5,048)
	-----------	-----------	-----------	-----------
	66,195	(471)	(151)	65,573
Noncurrent liabilities	5,051	-	(3)	5,048
	-----------	-----------	-----------	-----------
Noncurrent assets	71,246	(471)	(154)	70,621
	======	=======	=======	======

Based on business plan and future projections, Management estimates that the deferred taxes will be realized in the following years, as follows:

Consolidated	
Year	Noncurrent assets
2013	14,590
2014	7,650
2015	14,029
2016 and thereafter	34,352

	70,621
	======

The income and social contribution taxes – liabilities, will become due upon the realization of the negative goodwill of such investments.

d. Recoverable taxes

	Company		Consolidated	
	06.30.2012	12.31.2011	06.30.2012	12.31.2011
ICMS (state VAT)	5,411	12,117	41,161	71,583
Income and social contribution taxes prepayments	6,412	6,474	24,889	26,231
Recoverable PIS and COFINS	8,211	8,211	9,208	9,394
Recoverable INSS on payroll	-	-	3,369	-
IVA – Argentina	-	-	2,645	5,339
VAT – China and Mexico	-	-	785	648
Recoverable IPI	1,779	1,779	2,404	1,939
ILL (tax on net income)	3,562	3,562	3,562	3,562
Other recoverable taxes	-	-	3,463	3,195
	----------	----------	----------	----------
	25,375	32,143	91,486	121,891
Current assets	(11,823)	(11,152)	(48,726)	(45,944)
	----------	----------	----------	----------
Noncurrent assets	13,552	20,991	42,760	75,947
	======	======	======	======

18. MISCELLANEOUS ACCRUALS

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

The Company and its subsidiaries have tax and civil claims, whose loss was estimated as possible in the amount of R$4,178 and R$115, respectively.

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

	Company		Consolidated	
	06.30.2012	12.31.2011	06.30.2012	12.31.2011
Tax litigation claims:				
Social contribution	40,915	40,915	41,225	41,179
Temporary contribution over financial transactions (CPMF)	-	-	4,317	4,317
INSS	2,314	2,314	6,702	6,702
PIS and COFINS	1,901	1,901	5,162	5,162
IPI foreign flag	2,653	2,653	2,653	2,653
ICMS – export	-	-	6,548	6,548
Others	348	348	2,192	2,192
Labor	1,208	2,403	10,197	9,755
Civil and others	13,868	13,846	16,876	16,956
	---------	---------	----------	----------
	63,207	64,380	95,872	95,464
	=====	=====	======	======
Escrow deposits	76,935	78,109	100,199	102,011
	=====	=====	======	======

Social contribution – The Company is a plaintiff in a lawsuit filed against the Federal Revenue Service to stop the levy of the social contribution tax on its plants located in SUDENE’s area.

CPMF – The subsidiary SGPSA is a plaintiff in a lawsuit to avoid the application of CPMF tax assessment on the "symbolic" exchange rate contracts incurred during the process of issuing stock to a foreign investor.

INSS – Administrative litigation referring to tax entries in subsidiaries CSA and CTS. The indirect subsidiaries CSA and CTS are plaintiff in a lawsuit against the Brazilian Treasury Department, disputing the levy of INSS on amounts considered to be employee termination costs.

PIS and COFINS – The Company is plaintiff in a lawsuit against the Federal Revenue Service questioning the inclusion of ICMS in COFINS and PIS tax basis.

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

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

Civil – The Company is a plaintiff in lawsuits disputing the "ECE-Encargo de Capacidade Emergencial" and the "RTE-Recomposição Tarifária Extraorinária", both charged on power bills. The indirect subsidiary CSA is a plaintiff in a lawsuit against the Federal Government disputing the legality of the collection of "RTE – Recomposição Tarifária Extraordinária" and "COFURH – Compensação Financeira pela Utilização de Recursos Hídricos".

ICMS – Export – Subsidiary CTS received on February 13, 2012 an infraction notice from the State of Minas Gerais inspection office glossing some ICMS credit transfer arising from exports. CTS gave its response, however it accrued the principal amount of the tax assessment. The fines and charges amounting to R$10,560 were not accrued for, as all credits were approved by the same tax office which is now giving the infraction notice, and therefore, CTS's legal counsel believes the likelihood of payment of such charges to be remote if CTS is required to pay the tax.

Changes in the consolidated accrual are as follows:

	12.31.2011	Additions	Reductions	06.30.2012
Tax litigation claims:				
Social contribution	41,179	46	-	41,225
Temporary contribution over financial transactions (CPMF)	4,317	-	-	4,317
INSS	6,702	-	-	6,702
PIS and COFINS	5,162	-	-	5,162
IPI foreign flag	2,653	-	-	2,653
ICMS – export	6,548	-	-	6,548
Others	2,192	-	-	2,192
Labor	9,755	2,128	(1,686)	10,197
Civil and others	16,956	55	(135)	16,876
	---------	---------	---------	----------
	95,464	2,229	(1,821)	95,872
	=====	=====	=====	=====

19. EMPLOYEE BENEFIT PLANS

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

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

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

The table below includes summarized information on the pension and postretirement plans as of June 30, 2012 and 2011:

	06.30.2012	06.30.2011
Components of net periodic benefit cost (income):		
Service cost	406	63
Interest cost	1,975	2,023
Return on assets	(780)	(713)
	---------	---------
Net periodic benefit cost	1,601	1,373
	=====	=====

Indirect subsidiary SGUS' investment strategy is to invest in a diversified portfolio that will maximize returns, considering an acceptable risk level. Pension plan assets are invested in a balanced fund that has a static allocation of 50% to 60% in equity securities and 40% to 50% in fixed income funds. The expected returns on plan assets were developed in conjunction with external advisors and take into account long-term expectations for future returns based on indirect subsidiary SGUS' current investment strategy.

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

	06.30.2012	12.31.2011
Pension plan obligations	75,855	73,365
Pension plan obligations (multiple-employer) (a)	1,176	1,307
Other employee benefit obligations	9,885	9,723
	----------	----------
Total employee benefit plans	86,916	84,395
Current (b)	(7,420)	(6,888)
	----------	----------
Noncurrent	79,496	77,507
	======	======

(a) Until December 30, 2010 indirect subsidiary SGUS was one of the plan sponsors of the South Jersey Labor and Management Pension Fund, a multiemployer defined benefit pension plan. On December 30, 2010 the indirect subsidiary SGUS withdrew from the Plan and recorded a liability corresponding to the estimated cost of withdrawal.

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

20. GOVERNMENT CONCESSIONS

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

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

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

Total annual installments of the concession:

	Years 5 to 15 2002 to 2012	Years 16 to 25 2013 to 2022	Years 26 to 35 2023 to 2032
Historical amounts:			
Minimum installment	120	120	120
Additional installment	-	12,510	20,449
Annual installment	120	12,630	20,569
Total installments	1,320	126,300	205,690
Monetarily adjusted installments	4,539	434,347	707,362

For accounting purposes, indirect subsidiary CSA recognizes expenses incurred on an accrual basis, as a contra entry to noncurrent liabilities, on a straight-line basis, based on its share in the total concession amount, 33.33%, at present value, considering an interest rate of 4% per year, monetarily adjusted based on the IGPM. As of June 30, 2012, this amount represented R$79,897, of which, R$10,886 is classified as "other payables" in current liabilities and R$69,011 is classified as long-term liabilities (R$72,988 as of December 31, 2011, of which, R$4,141 is classified as "other payables" in current liabilities and R$68,847 is classified as long-term liabilities).

As of June 30, 2012, the net book value of the property, plant and equipment related to the current concession is R$28,783 (R$29,137 as of December 31, 2011) (see note 9), considering CSA's equity interest in the investments for the construction of the Porto Estrela Hydroelectric Plant, located on the Santo Antônio River, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

21. FINANCIAL INSTRUMENTS

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

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

b) Fair value -- the fair value of the financial instruments previously mentioned are as follows:

	Company				Consolidated			
	06.30.2012		12.31.2011		06.30.2012		12.31.2011	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS --								
CURRENT:								
Cash and cash equivalents	4,004	4,004	2,364	2,364	126,896	126,896	185,878	185,878
Marketable securities	-	-	9,928	9,928	36,844	36,844	44,148	44,148
Accounts receivable	-	-	-	-	552,098	552,098	540,499	540,499
Debentures issued by subsidiary (b)	11,382	11,382	25,388	25,388	-	-	-	-
Derivative instruments (a)	-	-	-	-	-	-	11,225	11,225
Other receivables	10,605	10,605	20,523	20,523	33,166	33,166	40,295	40,295
NONCURRENT:								
Long-term assets:								
Other receivables	2,056	2,056	2,056	2,056	10,953	10,953	4,416	4,416
Related parties	85,664	85,664	96,924	96,924	45,031	45,031	35,499	35,499
Debentures issued by subsidiary (b)	-	-	5,266	5,266	-	-	-	-
LIABILITIES --								
CURRENT:								
Loans and financing (b)	36,379	36,379	25,438	25,438	512,350	512,350	445,647	445,647
Suppliers	311	311	138	138	199,997	199,997	233,202	233,202
Derivative instruments (a)	-	-	-	-	-	-	17,967	17,967
Related parties – noncontrolling	-	-	-	-	4,600	4,600	20,000	20,000
Other accounts payable	2,001	2,001	1,889	1,889	77,530	77,530	71,232	71,232
NONCURRENT:								
Long-term liabilities:								
Loans and financing (b)	-	-	-	-	304,322	304,322	529,479	529,479
Government concessions	-	-	-	-	69,011	69,011	68,847	68,847
Other obligations	-	-	-	-	26,709	26,709	26,942	26,942

(a) The fair values of derivative instruments are based on secondary market prices of these securities. Therefore, they are classified as level II of information.

(b) The fair values of loans and financing and debentures are similar to its amortized cost recorded in the interim financial statements because they are indexed to floating interest rates (TJLP, CDI and LIBOR), which accompany market rates.

The Company estimates that the fair values of other financial instruments approximate their carrying book values.

c) Classification of financial instruments--Except derivatives, all financial instruments listed above are classified as “Loans and receivables”, in the case of assets, and as “Other financial liabilities”, in the case of liabilities, initially measured at fair value and restated at amortized cost. The derivative financial instruments are “Measured at fair value through profit or loss” and the portion related to the cash flow hedge, for which its effectiveness can be measured, has its gains and losses recognized directly in equity as assets and liabilities valuation adjustment and presented in the statements of comprehensive income.

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

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

The purpose of derivative transactions is always related to the elimination of market risks, identified in the Company’s policies and guidelines and, also, to the management of the volatility of financial flows. The measurement of efficiency and evaluation of results occurs during the term of the contracts. The monitoring of the impact of these transactions is analyzed quarterly by the Cash and Debt Management Committee, when the mark-to-market of these transactions is discussed and validated. All derivative financial instruments are recorded at fair value in the Company’s interim financial statements.

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

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

d.3.1 – Exchange rate risk on foreign investments:

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

Total of foreign investments	06.30.2012	12.31.2011
Investments	50,168	51,226
Subsidiaries’ obligations (SGUS)	(19,809)	(42,669)
	30,359	8,557
In equivalent thousands of US Dollars	15,020	4,562

d.3.2 – Exchange rate risks on the Company and its direct and indirect Brazilian subsidiaries non-derivative financial instruments:

The non-derivative financial instruments exposure of the Company and its Brazilian subsidiaries are as follows:

Financial instruments	06.30.2012	12.31.2011
Cash and cash equivalents	868	15,381
Accounts receivable	64,963	63,933
Suppliers	(2,000)	(7,867)
Loans and financing	-	(59,614)
Related parties	107,332	117,674
	-----------	-----------
Total exposure in Brazilian Reais	171,163	129,507
	-----------	-----------
Total exposure in equivalent thousands of US Dollars	84,679	69,041
	======	======

The sensitivity analysis of non-derivative financial instruments, considering the US Dollar denominated cash flows, as of June 30, 2012, is shown below:

		Exposure value	Scenarios		
Maturity	Risk	US$ thousands	Probable	II	III
2012	Dollar depreciation	33,837	(509)	(17,480)	(34,452)
2015	Dollar depreciation	50,842	17,369	(42,698)	(42,698)
		----------	----------	----------	----------
		84,679	16,860	(60,178)	(77,150)
		======	======	======	======

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

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

The future Dollar exchange rates were obtained from BM&FBOVESPA – “Bolsa de Valores, Mercadorias e Futuros” (Brazilian Commodities and Futures Exchange).

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

In the six-month period ended June 30, 2011, derivative instruments related to foreign exchange risk resulted in an expense of R$11,868 recorded in “Exchange variation, net”. In the six-month period ended June 30, 2012, the Company had no results with this type of derivatives.

<u>d.4 – Commodities price risk (cotton)</u>--This risk arises from the possibility that the Company and its subsidiaries may incur losses due to fluctuations in the price of cotton, its main raw material. A significant increase in price of cotton may cause an increase in the cost of its products in an amount that the Company may be unable to pass such increases to its customers, reducing its margins.

See below a summary of the derivative instruments with commodities risk:

Description	Notional amount US$ thousands		Fair value – current asset (liability)	
	06.30.2012	12.31.2011	06.30.2012	12.31.2011
Cotton option contracts -- Position: Buy Currency: US$ Counterparty: Macquarie Other information: Contracts amounting 37.4 million pounds (weight) with settlements in Jun/12	-	72,120	-	(17,967)
			----------	-----------
				(17,967)
			======	======

In the six-month period ended June 30, 2012, the commodities derivatives transactions resulted in an expense of R$10,158, of which R$2,032 accounted under “Exchange variation, net” and R$8,126 under “Discontinued operations” (in the six-month period ended June 30, 2011, an expense of R$15,604 of which, R$3,121 accounted under “Exchange variation, net” and R$12,483 under “Discontinued operations”).

d.5 - Interest rates risk--Cash and cash equivalents and marketable securities yield, approximately, the equivalent to CDI (Certificate of Interbank Deposit) rates. LIBOR and TJLP interest-bearing liabilities are disclosed in notes 13 and 15. Considering the cash flows of these liabilities and the contracted interest rates (except for item d.5.2), Management determined that the exposure to market changes on the contracted interest rates is not significant. Therefore, the sensitivity analysis was not disclosed.

d.5.1) Interest rate risks on Banco Votorantim’s and Finimp loans.

Information related to the derivative instruments is shown below:

Description	Notional amount US$ thousands	06.30.2012		12.31.2011	
		Fair value	Receivable	Fair value	Receivable
Swap contracts (a) -- Liability: 97% of CDI Asset position: 11.25% fixed yield Counterparty: Banco Votorantim S.A. Other information: 12 monthly settlements from Jun/11 to May/12.	-	-	-	-	-
Swap contracts (b) -- Liability position: 91% of CDI Asset position: US$ + 2.4% to 2.7% Counterparty: Banco do Brasil S.A. Maturity: 2012	-	-	-	4,229	4,229
Swap contracts (b) -- Liability position: 91% of CDI Asset position: US$ + 2.4% to 2.7% Counterparty: Banco Itaú BBA S.A. Maturity: 2012	-	-	-	6,996	6,996
	------------	------------	------------	------------	------------
	-	-	-	11,225	11,225
	=======	=======	=======	=======	=======

(a) Interest rate swap contracts--Are presented and measured at fair value as cash flow hedge. Their effectiveness is measured based on the cash flow of the financing, with expected maturities through May 2012. The unrealized gains or losses are recorded in the "Assets and liabilities valuation adjustments" caption equity and, when realized or considered ineffective, are recognized in the statements of operations. The loans and the derivatives were settled on their due dates in May, 2012.

In the six-month periods ended June 30, 2012 and 2011 there were no financial results from such derivative transactions.

(b) Interest rates swap contracts--Are presented and measured at fair value and their effectiveness is measured based on the cash flow of the loans denominated in Dollars (Finimp), with expected maturities through June 2012. Gains or losses are recorded under the "Financial expenses – interests" caption in the statements of operations. The accrued balance corresponds to these derivatives fair values and were calculated based on data obtained from BM&FBOVESPA - "Bolsa de Valores, Mercadorias e Futuros", such as the future interest rates at the settlement dates and algorithms, and compared to data obtained directly from the counterparty financial institution, which evaluates those instruments.

Derivative transactions are traded in the over-the-counter market, registered at CETIP, and are not subject to margin deposits. In the six-month period ended June 30, 2012, there was an expense of R$3,038, while in six-month period ended June 30, 2011 there were no financial results from such derivative transactions.

d.5.2) Variable interest rate risk on Company's non-derivatives financial instruments:

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

		06.30.2012		12.31.2011	
Description	Principal amount R$ thousands	Accrued interest	Payable	Accrued interest	Payable
Loan Agreement -- Interest: 102% of CDI Counterparty: Banco do Brasil S.A. Maturity: June/2013	200,000	720	200,720	7,827	207,827
Swap Agreement-- Interest: 117.7% of CDI Counterpart: Banco Itaú BBA S.A. Maturity: October/2014	200,000	7,359	207,359	9,389	209,389
	400,000	8,079	408,079	17,216	417,216

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of June 30, 2012, is as follows:

Maturity	Risk	Principal average balance	Scenarios Probable	II	III
2012	CDI increase	400,000	(16,205)	(17,827)	(21,460)
2013	CDI increase	300,000	(26,064)	(30,669)	(37,071)
2014	CDI increase	133,333	(11,598)	(15,907)	(19,212)
			======	======	======

Amounts in parenthesis (negative numbers) shown in the scenarios above represent interest expense, in their respective years and scenarios, considering the average loan balances on each year.

The “Probable” scenario represents the result of the probable CDI variations, considering the principal and interest maturity dates. Scenarios II and III reflect 25% and 50% increase in the future CDI index, respectively.

The future CDI rates were obtained from BM&FBOVESPA – “Bolsa de Valores, Mercadorias e Futuros”.

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

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

d.7 – Liquidity risk management--The Company presented its consolidated financial assets and liabilities, according to their cash flows, based on their approximate maturity date, and using nominal contractual interest rates in its annual financial statements for the year ended December 31, 2011. As of June 30, 2012, there was no significant change when compared to the published annual financial statements.

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

The Company's net debt is as follows:

	Company		Consolidated	
	06.30.2012	12.31.2011	06.30.2012	12.31.2011
Loans and financing	36,379	25,438	816,672	975,126
Derivatives instruments	-	-	-	6,742
Cash and cash equivalents	(4,004)	(2,364)	(126,896)	(185,878)
Marketable securities	-	(9,928)	(36,844)	(44,148)
Total (cash) net debt	32,375	13,146	652,932	751,842
Total equity	1,122,592	1,217,383	1,733,407	1,708,293
Total (cash) net debt and equity	1,154,967	1,230,529	2,386,339	2,460,135

22. STOCK COMPENSATION

Before the creation of the subsidiary SGPSA, indirect subsidiary SGUS managed a stock option plan, which was converted, on January 24, 2006, to an equivalent plan, based on the Company's own shares. On that date, the stock option plan of the indirect subsidiary SGUS ceased to exist.

A summary of the stock options is presented below:

	Existing options	Weighted average exercise price
Existing and exercisable as of December 31, 2011	555,216	R$24.31
Expired	(555,216)	R$24.31
Existing and exercisable as of June 30, 2012	-	-

The table below summarizes the information on the outstanding stock options as of December 31, 2011:

12.31.2011		
Exercise price - R$	Existing options	Weighted average remaining contractual life
15.51	65,400	0.31 year
25.48	489,816	0.31 year
24.31	555,216	

23. SEGMENT INFORMATION

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

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

The indirect subsidiaries MMartan and ASW have a set of separate information and investment decisions, pricing, store expansion and others, which are individually made, and are denominated "Retail" as their products are sold directly to the final consumer.

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

	06.30.2012 – Consolidated				
	Wholesale	Retail	Denim	Others (*)	Total
Net sales	659.6	101.6	188.1	(4.9)	944.4
Cost of goods sold	(522.5)	(49.7)	(140.8)	4.9	(708.1)
Gross profit	137.1	51.9	47.3	-	236.3
Selling, general and administrative expenses	(97.4)	(70.6)	(25.7)	(13.0)	(206.7)
Equity in subsidiaries	-	-	-	(13.8)	(13.8)
Others	72.2	(5.7)	6.7	1.7	74.9
Operating results	111.9	(24.4)	28.3	(25.1)	90.7
Financial results	(53.5)	(7.6)	(3.1)	14.9	(49.3)
Income (loss) before taxes	58.4	(32.0)	25.2	(10.2)	41.4
Depreciation and amortization	35.8	3.8	5.4	1.3	46.3
Total assets	2,334.3	224.0	334.0	317.3	3,209.6
Total liabilities	(1,170.5)	(89.4)	(96.2)	(120.1)	(1,476.2)
Total net assets	1,163.8	134.6	237.8	197.2	1,733.4

	06.30.2011 – Consolidated				
	Wholesale	Retail	Denim	Others (*)	Total
Net sales	608.6	87.4	190.5	(33.1)	853.4
Cost of goods sold	(435.9)	(39.4)	(146.1)	33.1	(588.3)
Gross profit	172.7	48.0	44.4	-	265.1
Selling, general and administrative expenses	(93.8)	(36.9)	(23.9)	(11.7)	(166.3)
Equity in subsidiaries	-	-	-	(0.6)	(0.6)
Others	7.8	-	0.8	1.0	9.6
Operating results	86.7	11.1	21.3	(11.3)	107.8
Financial results	(36.7)	(4.7)	(4.5)	3.4	(42.5)
Income (loss) before taxes	50.0	6.4	16.8	(7.9)	65.3
Depreciation and amortization	37.8	2.1	4.8	1.1	45.8
Total assets	2,492.4	187.0	343.0	349.0	3,371.4
Total liabilities	(1,370.5)	(102.4)	(121.7)	(68.5)	(1,663.1)
Total net assets	1,121.9	84.6	221.3	280.5	1,708.3

(*) Relates to the elimination of sales between related parties and expenses of the Company and of non-operating subsidiaries.

The Company's and subsidiaries' Management also monitor its business by geographic region. The regions presented are: Brazil and Other countries (mainly USA, Argentina, and Canada).

The Company presents below the information by geographic region (in millions of Reais):

	06.30.2012			06.30.2011		
	Brazil	Other countries	Total	Brazil	Other countries	Total
Net sales	649.0	295.4	944.4	618.3	235.1	853.4
Cost of goods sold	(452.8)	(255.3)	(708.1)	(372.1)	(216.2)	(588.3)
Gross profit	196.2	40.1	236.3	246.2	18.9	265.1
Selling, general and administrative expenses	(181.6)	(25.1)	(206.7)	(147.0)	(19.3)	(166.3)
Equity in subsidiaries	(13.8)	-	(13.8)	(0.6)	-	(0.6)
Other	1.6	73.3	74.9	2.2	7.4	9.6
Operating results	2.4	88.3	90.7	100.8	7.0	107.8
Financial results	(38.4)	(10.9)	(49.3)	(37.8)	(4.7)	(42.5)
Income (loss) before taxes	(36.0)	77.4	41.4	63.0	2.3	65.3
Depreciation and amortization	41.8	4.5	46.3	37.1	8.7	45.8

The subsidiary SGPSA, through the analysis of sales performance, classifies its products under the categories of sales (or product lines), formerly named by Management as "market segments", such as: fashion bedding, bath, utility bedding, intermediate products, and others.

Sales information by category or product lines:

	Consolidated	
	06.30.2012	12.31.2011
Net sales (in millions of Reais):		
Bedding, tabletop and bath	341.5	319.2
Utility bedding	137.6	87.5
Intermediate products	291.1	302.9
Others	174.2	143.8
	944.4	853.4
Volume (thousands of metric tons):		
Bedding, tabletop and bath	16.3	15.8
Utility bedding	14.8	11.0
Intermediate products	26.0	24.3
	57.1	51.1

The Company has more than 13,000 active customers in June 30, 2012 and only two customers have sales concentration higher than 10% of net sales.

24. EXPENSES BY NATURE

The Company opted to present its consolidated statements of operations by function. The expenses by nature and its classification by function are presented as follows:

By nature:

	Consolidated	
	06.30.2012	06.30.2011
Cost of raw materials, goods and services acquired from third parties	(789,597)	(860,416)
Employee benefits	(212,046)	(191,698)
INSS	(33,663)	(35,951)
Depreciation and amortization	(53,968)	(57,985)
Finished goods and working in process inventory variances	(14,432)	138,103
Exchange rate variances in inventories from foreign subsidiaries	10,397	(11,837)
Other costs and expenses	(42,825)	(33,105)
	(1,136,134)	(1,052,889)

By function:

	Consolidated	
	06.30.2012	06.30.2011
Continuing operations:		
Cost of goods sold	(708,106)	(588,253)
Selling expenses	(129,446)	(95,588)
General and administrative expenses	(72,729)	(65,551)
Management fees	(4,605)	(5,164)
	--------------	--------------
Total continuing operations	(914,886)	(754,556)
Discontinued operations:		
Cost of goods sold	(191,004)	(259,496)
Selling expenses	(19,043)	(26,437)
General and administrative expenses	(11,201)	(12,400)
	-------------	-------------
Total discontinued operations	(221,248)	(298,333)
	--------------	--------------
	(1,136,134)	(1,052,889)
	========	========

25. NET REVENUES

See below the reconciliation between gross revenues and net revenues presented in the statements of operations:

	Consolidated	
	06.30.2012	06.30.2011
OPERATING REVENUES:		
Gross sales	1,163,767	1,055,898
Sales deductions	(219,359)	(202,524)
	--------------	-------------
NET REVENUES	944,408	853,374
	========	========

26. BASIC AND DILUTED INCOME (LOSS) PER SHARE

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

	Company	
	06.30.2012	06.30.2011
NET INCOME (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	13,038	(20,894)
NET LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS	(55,500)	(80,238)
	(42,462)	(101,132)
Weighted-average outstanding shares:		
Common shares	43,530,858	43,530,858
Preferred shares	73,021,533	73,021,533
	116,552,391	116,552,391
BASIC AND DILUTED INCOME (LOSS) PER SHARE - R$		
From continuing operations	0.1119	(0.1793)
From discontinued operations	(0.4762)	(0.6884)
Total	(0.3643)	(0.8677)

The weighted average number of shares was calculated based on the total number of shares issued, less treasury stock, being 1,100 common shares and 121,800 preferred shares.

27. OTHER OPERATING EXPENSES AND INCOME

The composotion of the caption "Others, net" in the statement of operations is as follows:

	Consolidated	
	06.30.2012	06.30.2011
Net gain on sale of assets	82,656	-
Others	(7,732)	9,661
	74,924	9,661

28. DISCONTINUED OPERATIONS

The SGPSA’s management has decided to discontinue some of its North American indirect subsidiary’s (SGUS) operations. These operations represent the fashion bedding and the bath business units, including their branded and private label businesses. The utility bedding and Canadian business units will continue to operate.

In connection with the discontinued operations of the indirect subsidiary SGUS, which imported directly or indirectly the entire production of indirect subsidiary CSA designated for the North American market, the indirect subsidiary CSA has also announced a realignment program of its manufacturing capacity to the domestic and Mercosul markets, announcing investments in the transformation of 3 facilities into urban development centers. The (i) facility at São Gonçalo do Amarante, RN, (ii) the headquarter in Montes Claros, MG, and (iii) part of the Blumenau, SC facility will be transformed into areas of urban development, with the construction of residential complexes, offices and shopping centers with significant investments in construction, trade and services. The investments could be originated from the Company or third parties.

Part of the machinery and equipment of these facilities is being relocated to other facilities and the remaining equipment, including equipment that was replaced at other facilities, is classified under "Property, plant and equipment held for sale" at its market value, when lower than net book value (see note 9.b).

The buildings and facilities remain classified under the original caption of property, plant and equipment, taking into account that their residual value is less than the amount expected for the urbanization projects mentioned above and will be part of the investments on future projects.

The consolidated income (loss) from discontinued operations presented in the statement of operations is shown below. The statement of operations related to the six-month period ended June 30, 2011 was restated below to compare with the discontinued operations in the current period.

	Consolidated	
	06.30.2012	06.30.2011
Income (loss) from discontinued operations:		
Revenues	158,500	224,164
Expenses	(231,921)	(329,203)
Depreciation and amortization	(7,673)	(12,198)
Total discontinued operations	(81,094)	(117,237)
Total cash flow provided by (used in) discontinued operations:		
Loss from discontinued operations	(81,094)	(117,237)
Depreciation and amortization	7,673	12,198
Total cash used in discontinued operations	(73,421)	(105,039)

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