COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

CNPJ/MF Nº 22.677.520/0001-76

NIRE 3130003731-2

Publicly Traded Company

Message to Shareholders

Dear Shareholders,

The management of Companhia de Tecidos Norte de Minas - Coteminas submits to your consideration, the Company's Management´s Discussion and Analysis and Financial Statements for the year ended December 31, 2012. Such information, prepared in accordance with the International Financial Reporting Standards (IFRS), as well as standards established by "CVM", the Brazilian equivalent of the Securities Exchange Commission, is accompanied by its Independent Accountants' report.

Macroeconomic Scenario

The slowdown of the Brazilian economy in 2012 surprised even the most conservative analysts. The year began with expectations for GDP growth that were, at least, similar to 2011. But what happened was a dismal growth of only 0.9%, insufficient to raise the average income per capita. If analyzed from the demand side, GDP suffered with the significant decline in investments (-4.0%) and, when viewed from the supply side, the large contraction in manufacturing industry production (-2.5%) was crucial to explain the low performance. The gap between consumption growth and industrial production widened due to the large increase in imports of manufactured goods. Consumption growth of over 8% per year, could have resulted in growth in the domestic production, if it were not for the impacts of the gradual loss of domestic competitiveness, which worsened over the last few years.

The international crisis gave no truce. Europe, although relatively stable due to the proactive actions of its Central Bank, continued – little by little - to frighten the world. Sometimes one country, sometimes another, followed by a financial institution; the European economy stumbles have all been object of careful analysis by the international capital markets and, at every new development, a wave of volatility swept across the world. Europe continued to pursue a political agreement that would result in a greater integration of the banking and tax systems of its member States. In the United States, the situation, although relatively much better than Europe, was also not stable. Either due to the "fiscal cliff", budget voting, or the renegotiation of the government debt ceiling, the Congress displayed signs of profound differences between the positions of Democrats and Republicans. All under the backdrop of a very competitive presidential election that resulted in the reelection of President Obama. China's growth settled into more sustainable levels, at about 7.5% per year, demonstrating that the change in leadership - Xi Jinping takes over from Hu Jintao - does not affect the competent management of the country's macroeconomy.

The Brazilian government has acted decisively to reverse the negative scenario of the local economy. The first steps were taken to stimulate consumption. When these measures showed signs of exhaustion, the government started to encourage investments and, finally, adopted solid measures to improve competitiveness. These initiatives began to yield positive results, albeit moderate, during the last quarter of the year. Maintaining current employment levels through tax cuts and consumption stimulus via additional credit supply has proven to be a correct strategy, until direct investments can play a more relevant role as a driver of GDP growth. The government has not neglected the release of investments, and implemented a number of measures along those lines, among which include: the reduction in interest rates, bringing them closer to international levels; a consequent foreign exchange realignment, through the reduction of currency carry trade opportunities; payroll tax relief; the reduction of tax burdens on investments; the expansion of credit lines for investments with long-term fixed rates offered by the BNDES; reduction of the energy cost; and the announcement of an extensive concessions program in infrastructure for roads, railways, ports and airports. These measures represent a robust set that, combined with the care for education, science, technology and innovation, will create a favorable environment to improve the gross fixed capital formation, from around 18% in 2012 to a required 25% of GDP.

Company´s Performance

The year was not short of surprises in the economy, but none of them prevented the implementation of the plan announced by the Company at the end of 2011. The necessary changes were implemented in order to achieve the Company's strategic objectives: focus in the Mercosur region; consolidating its leadership position in the market for bedding, tabletop and bath in the region; leverage of its brand portfolio and the development of the relationship with multi-brands clients; the expansion of its distribution capacity through the monobrand retail channels, using, primarily, the franchise model; and the investment in the integration of the industrial and retail operations, positioning the Company as a benchmark in innovation and management excellence.

Several measures have been completed throughout 2012, highlighting: the conclusion of the efforts aiming to reduce the Company's exposure in the U.S. market; the acquisition of the remaining equity stake in MMartan; the restructuring of the Brazilian industrial platform and the assignment of certain assets for real estate development projects, which have demonstrated, after extensive market research and analysis, to have the potential to generate wealth for the communities where they are located.

The results of all these actions begin to appear. The Company's net revenue increased by 17.3% when compared to 2011 and the gross revenues reached 2.5 billion *Reais*. Revenue from retail operations increased by 23.9%, with 38 new stores opened in the year. Gross margin was 24.4% and the Company recorded an increase in operating income of 59.7% when compared to 2011. The closure of discontinued operations was completed in 2012. The integration of our plant in Argentina was completed and, during the second half of 2012, the plant operated at high volumes, reporting revenue growth in excess of 90.0% when compared to the same period last year.

Thanks to the dedication and competence of its employees, the Company received several awards, among them we highlight those that demonstrate its commitment to the best environmental practices, as well as in human resources and brand management.

Outlook

The year of 2013, for which a higher growth of the Brazilian economy is expected, should be one for the consolidation of the new business model. The focus in managing and improving the industrial operations and in further integration with its monobrand and multibrand retail clients has the potential to yield substantial value. Better use of working capital and a more efficient use of industrial assets and points of sale can leverage the Company's results. Improvements are expected in operating margins, derived from the sale of higher value-added products, a better use of the industrial facilities and points of sales, leading to a greater absorption of fixed expenses. This model demands less capital investments, which in turn results in a significant growth of the free cash generated by the Company. The confidence in the directions of the Company is reinforced and the foundations that will ensure positive results are in place.

Relationship with Independent Auditors

In 2012, the Company did not engage its independent auditors for services other than those related to auditors` work.

Capital market and stock liquidity

During the year of 2012, the Company´s common and preferred shares were traded in 3,724 transactions on BOVESPA (4,048 transactions in 2011). The trading volume was 24.2 million shares, moving 75.6 million *Reais* (9.1 million shares traded, moving 38.5 million *Reais* in 2011). In 2012, the daily average transactions in the trading sessions was 104,000 preferred shares (37,400 in 2011), and the daily average volume was R$332.6 thousand in 2012 (R$156.5 thousand in 2011).

Acknowledgements

We would like to express our appreciation to SUDENE, BNDES, BDMG, BNB, Banco do Brasil, our network of commercial banks, the press, our customers and suppliers, our shareholders, government officials, trade and social organizations, our employees and everyone that has contributed directly or indirectly to the achievement of the Company’s social goals.

Management

MANAGEMENT´S DISCUSSION AND ANALYSIS

Montes Claros, March 26, 2013 - The following financial and operational information of Companhia de Tecidos Norte de Minas – COTEMINAS ("Coteminas" or "Company") are presented in a consolidated form and the comparisons refer to 2011 continuing operations, except where stated otherwise.

The Company´s gross sales were R$2.5 billion in 2012. The table below includes the main financial highlights of 2012, compared to 2011, for the continuing operations.

	In millions of R$		Variance
Consolidated financial information	**2012**	**2011**	**%**
Net sales	2,045.2	1,739.0	17.3
Cost of goods sold	(1,545.8)	(1,309.3)	18.1
Gross profit	499.4	429.7	16.2
(% of net sales)	*24.4%*	*24.7%*	
Selling, general and administrative expenses	(434.4)	(355.8)	22.1
Depreciation and amortization	(109.0)	(90.0)	21.1
Income from operations	120.6	75.5	59.7
(% of net sales)	*5.9%*	*4.3%*	
Net loss	(0.9)	(105.1)	-

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

RELATÓRIO DA ADMINISTRAÇÃO

Montes Claros, March 23, 2013 – The following financial and operational information of Springs Global Participações S.A. ("Springs Global") are presented in a consolidated form and the comparisons refer to 2011 continuing operations, except where stated otherwise.

Highlights of 2012

Springs Global ended 2012 with a net sales increase of 19.5% when compared to 2011.

- In 2012, the Company´s gross sales reached R$2,088.3 million.
- Revenues from the Company's retail operations increased by 23.9% when compared to 2011.
- Thirty eight new stores opened in 2012. By the end of the year, Artex, MMartan, Casa Moysés stores totaled 232 points of sales (including e-commerce).
- For 2013, approximately 40 new MMartan and Artex stores are expected to open.
- Gross profit amounted to R$402.0 million, an increase of 16.6% when compared to 2011, with a gross margin of 23.9% (24.5% in the 2011).
- Income from operations increased by 82.5% compared to 2011, reaching R$113.7 million (R$62.3 million in the 2011).
- In 2012, adjusted EBITDA was R$196.0 million, an increase of 39.9% when compared to 2011. The significant number of new stores opened in the last 18 months, which are in their initial stage of maturation, impacted the results since a large portion of the expenses have already been incurred, while sales potential has not yet been reached.
- All steps associated with the Company's strategic/operational repositioning process were implemented in 2012. Main highlights include: (i) the Company´s concentration in North American market in activities that create value for customers and investors (utility bedding and Springs Canada); (ii) resizing of the industrial capacity due to the decrease in export volumes, and (iii) focus on appreciation of the intangible assets.
- Throughout 2012, the Company received several awards, among them we highlight those that demonstrate the commitment to best environmental practices, as well as and human resource and brand management.

Summarized Information for Springs Global:

Summary of results (R$ million)	2012	2011	var % 12-11
Gross sales	2,088.3	1,772.0	17.8%
Net sales	1,682.9	1,407.8	19.5%
Gross profit	402.0	344.9	16.6%
Gross margin%	*23.9%*	*24.5%*	*(0.6 p.p.)*
Adjusted EBIT	113.7	62.1	83.1%
Adjusted EBIT margin %	*6.8%*	*4.4%*	*(2.4 p.p.)*
Adjusted EBITDA	196.0	140.1	39.9%
Adjusted EBITDA margin %	*11.6%*	*10.0%*	*1.6 p.p.*
Net loss from continuing operations	(8.8)	(137.5)	-
Net margin from continuing operations	*(0.5%)*	*(9.8%)*	-

Net sales (R$ million)	2012	2011	var % 12-11
Total net sales	**1,682.9**	**1,407.8**	**19.5%**
Domestic market	1,019.6	941.9	8.2%
Foreign market	663.3	465.9	42.4%

Net sales - domestic market (R$ million)	2012	2011	var % 12-11
Wholesale	**794.9**	**760.5**	**4.5%**
Intermediate	227.9	244.0	(6.6%)
Bedding, tabletop, and bath	567.0	516.5	9.8%
Retail	**224.7**	**181.4**	**23.9%**

Organizational Structure Summary:

BRANDS

Our brands represent an important competitive advantage. Spring's brands are all traditional and leaders in the segments in which they compete. Our brands and products are strategically positioned to target customers of different socioeconomic profiles, while reducing the risk of overlap and competition between them.

Casa Moysés (Brazil): Premium brand of bedding and bath textile products aimed at consumers who seek the highest standard of quality. It is a reference brand in the high-end luxury market, with presence and tradition since 1930.

MMartan (Brazil): Desired brand in the bedding, tabletop and bath category. It is synonymous with quality, sophisticated and contemporary products, representing a major brand in the domestic bedding, tabletop and bath market.

Artex (Brazil): Quality products under the concept of affordable luxury, updated with the latest fashion trends. Each collection includes textures, shapes and unique colors, all integrated in four different Home Life Styles: Actual, Relax, Trend, and Elegance.

Santista (Brazil): Traditional brand of bedding, tabletop and bath products and bedding accessories. It features contemporary styles and designs, and focuses on different tastes and trends, with significant penetration in the "budget consumer" and institutional markets.

Springmaid (USA and Canada): Brand positioned in the affordable luxury segment. Primarily sold through large retailers in North America.

Arco-Íris (Argentina): Brand offering traditional design and style, focusing on different tastes and trends, and with major market penetration.

Fantasia (Argentina): Bedding and bath textile products for clients in the budget market segment.

Palette (Argentina): Brand for quality products under the concept of affordable luxury. Products are updated with the latest fashion trends. Market leading brand with over 30 years of presence in the Argentinean market.

Springs possesses an industrial park of home textile products with manufacturing facilities in Brazil, Argentina and the United States. The Company and its subsidiaries operate in two distinct segments: "Manufacturing" and "Retail".

MANUFACTURING

The Company operates nine plants located in Brazil which are vertically integrated from spinning, through weaving, preparation, dyeing, printing, finishing and sewing of home textile products. Springs operates 4 plants in the United States and 1 in Argentina as well as a trading office in Shanghai, China. The Company’s manufacturing activities are focused in three main segments: Bedding, tabletop and Bath (“CAMEBA”), Utility Bedding and Intermediate Products.

Bedding, Tabletop and Bath (CAMEBA): The Company designs, manufactures and markets a complete line of coordinated products using its portfolio of brands and licenses in addition to private label, that are distributed through major retailers in their market. Products include bed sheets and pillowcases, tablecloths, towels, rugs and bath accessories. The Company's CAMEBA products are sold to multibrand clients in North and South America under a portfolio of traditional and leading brands, including: Artex and Santista (Brazil), Arco-Íris, Fantasia, and Palette (Argentina) and Springmaid (North America). The main customers in this segment are department stores, mass retailers, as well as small and medium sized shops specialized in CAMEBA products.

Utility Bedding: This product category includes pillows, mattress pads, and quilts. The manufacturing facilities of these products are located in the United States and Brazil.

Intermediate Products: The Company manufactures and sells yarns and fabrics to clients represented mainly by small and medium garment, knitwear and weaving companies. The fabrics are sold in their natural state or dyed and printed.

RETAIL

The Company operates owned and franchised monobrand stores under the Artex, MMartan and Casa Moysés brands that, combined, ensure a presence and coverage throughout the national territory to the Company. Each of its store brands operate

specific and well defined store formats, including a portfolio of proprietary products and a set of marketing and merchandising strategies aimed at serving targeted consumer groups.

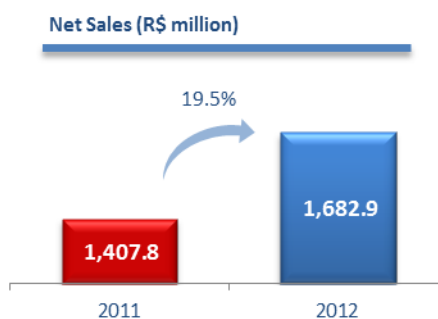
Casas Moysés: Products sold under this brand are focused on consumers with high purchasing power who seek top quality products and superior customer service. Casa Moysés' products are manufactured by the Company using high quality fabric imported from third parties and are sold exclusively through MMartan and Casa Moysés stores.

MMartan: MMartan stores are focused on serving customers interested in high quality products and services. MMartan's products are manufactured by the Company using quality fabrics and imported products.

Artex: Artex stores are focused on serving customers interested in good quality products which are offered in a wide range of styles and colors, as well as competitive prices and efficient customer service. Artex´s products are manufactured by the Company.

Sales Performance

In 2012, consolidated gross sales from continuing operations reached R$2,088.3 million against R$1,772.0 million in 2011. Consolidated net sales presented an increase of 19.5%, from R$1,407.8 million in 2011 to R$1,682.9 million in 2012, reflecting an average price increase of 7.6% and an increase in sales volume in tons of 11.4%.

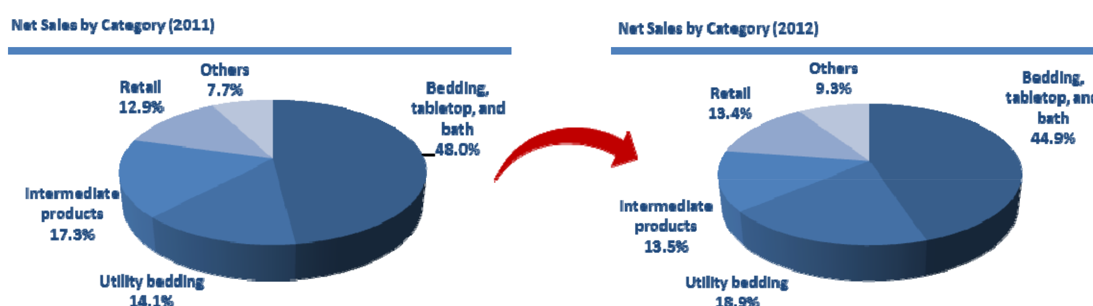


Net Sales by Region:

In 2012, net sales in Brazil increased by 8.2%, from R$941.9 million in 2011 to R$1,019.6 million in 2012, representing 60.6% of total sales of the Company. For 2012, we highlight the performance of the domestic retail segment with a sales increase of 23.9%, reaching 22.0% of the total domestic sales (against 19.3% in 2011).

Net sales in other countries increased by 42.4%, from R$465.9 million in 2011 to R$663.3 million in 2012. This increase is mainly due to: (i) an increase of the utility bedding sales in the North American market; (ii) strong demand increase for products in the Argentinean market; and (iii) a 17.2% depreciation of the Brazilian *Real* relative to the U.S. Dollar when compared to 2011.

Net Sales by Category:



	Net Sales (R$ million)			Volume (tons)			Average price (R$)/Kg		
Sales Category	**2012**	**2011**	**var % 12-11**	**2012**	**2011**	**var % 12-11**	**2012**	**2011**	**var % 12-11**
Bedding, tabletop and bath	755.6	675.6	11.8%	35,903	33,849	6.1%	21.0	20.0	5.0%
Utility bedding	318.9	198.1	61.0%	32,190	24,507	31.4%	9.9	8.1	22.2%
Intermediate products	227.9	244.0	(6.6%)	31,019	30,651	1.2%	7.3	8.0	(8.8%)
Retail	224.7	181.4	23.9%	-	-	-	-	-	-
Others	155.8	108.7	43.3%	-	-	-	-	-	-
Total	**1,682.9**	**1,407.8**	**19.5%**	**99,112**	**89,007**	**11.4%**	**17.0**	**15.8**	**7.6%**

- Bedding, Tabletop and Bath:

The 11.8% increase in net sales, from R$675.6 million in 2011 to R$755.6 million in 2012, reflects a 6.1% increase in sales volume in tons and a 5.0% increase in the average price.

- Utility Bedding:

The 61.0% increase in net sales, from R$198.1 million in 2011 to R$318.9 million in 2012, is due mainly to the sales volume increase in the North American market and to the effects of the 17.2% depreciation of the Brazilian *Real* on the conversion of the U.S. Dollar denominated sales into *Reais*. The average price increase is mainly due to the previously mentioned depreciation of the *Real* in 2012.

- Intermediate Products:

Net sales of this category presented a 6.6% decrease in net sales, from R$244.0 million in 2011 to R$277.9 million in 2012. The Company projects a gradually lower

contribution of intermediate products to its total sales, due to higher utilization of the installed capacity for the production of higher value-added finished products.

- Retail:

Net sales for the Company´s retail operation increased by 23.9% in 2012 when compared to 2011.

- Others:

This category includes sales in the Canadian market and other sales including intercompany eliminations. Net sales increased by 43.3%, from R$108.7 million in 2011 to R$155.8 million in 2012 mainly due to foreign exchange variations.

Retail Performance

Overall, the original sales forecasts in the retail segment for 2012 were partially impacted by a slowdown of the domestic economy, coupled with a late and warmer winter than usual. On the other hand, sales at the end of the year positively reflected the implementation of several initiatives aimed at developing and improving the performance of the Company´s retail operations, among which we highlight: product portfolio review, improvement of the visual merchandising, launch of the new MMartan architecture, and continuous emphasis on training personnel.

- MMartan:

Mmartan	2012	2011	var % 12-11
Number of stores	176	162	8.6%
- Franchise	128	115	11.3%
- Owned stores	48	47	2.1%

Fourteen new stores were opened in 2012. The Company ended 2012 with 128 franchised and 48 owned stores.

- Artex:

Artex	2012	2011	var % 12-11
Number of stores	54	31	74.2%
- Franchise	-	-	-
- Owned stores	54	31	74.2%

In 2012, 23 Artex stores opened. It´s important to mention that the majority of the stores are still in the initiation stages of operation, with sales below their full potential.

For 2013, 40 MMartan and Artex new stores are expected to be opened.

Cost of Goods Sold

Cost of goods sold increased by 20.5%, from R$1,063.0 million in 2011 to R$1,280.9 million in 2012. As a percentage of net sales, cost of goods sold increased from 75.5% in 2011 to 76.1% in 2012. The table below presents the contribution to total CGS by: materials, conversion costs, warehousing and distribution costs, and depreciation:

Cost of goods sold (R$ million)	2012	% COGS	% NS	2011	%COGS	% NS	var % 12-11
Materials	805.9	62.9%	47.9%	654.5	61.6%	46.5%	23.1%
Conversion costs	380.0	29.7%	22.6%	318.7	30.0%	22.6%	19.2%
Warehousing and distribution costs	25.3	2.0%	1.5%	17.7	1.7%	1.3%	42.9%
Depreciation	69.7	5.4%	4.1%	72.1	6.7%	5.1%	(3.3%)
Total	1,280.9	100.0%	76.1%	1,063.0	100.0%	75.5%	20.5%

- Materials:

Material costs increased by 23.1%, from R$654.5 million in 2011 to R$805.9 million in 2012. As a percentage of net sales, material costs increased from 46.5% in 2011 to 47.9% in 2012. This increase is due, primarily, to the higher average cost of raw material consumed in 2012 when compared to 2011 and the greater contribution of sales from foreign subsidiaries, which traditionally have higher material costs compared to the Brazilian operations.

- Conversion Costs:

Conversion costs increased by 19.2%, from R$318.7 million in 2011 to R$380.0 million in 2012. Conversion costs as a percent of net sales in 2011 and 2012 remained constant at 22.6%.

- Warehousing and Distribution Costs:

Warehousing and distribution costs increased by 42.9% from R$17.7 million in 2011 to R$25.3 million in 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 2011 and 1.5% in 2012.

- Depreciation:

Depreciation expenses of production and distribution assets amounted to R$72.1 million in 2011 and R$69.7 million in 2012.

Gross Profit

Gross profit increased by 16.6%, from R$344.9 million in 2011 to R$402.0 million in 2012. There was a decrease of 0.6 percentage points in the gross margin, from 24.5% in 2011 to 23.9% in 2012. This margin decrease reflects the higher relative contribution of the foreign market operations, which, in general, has lower profitability

rates. In the domestic market, we highlight the improvement in gross margins for the period, growing from 29.0% in 2011 to 30.3% in 2012.

Selling, General and Administrative Expenses (SG&A)

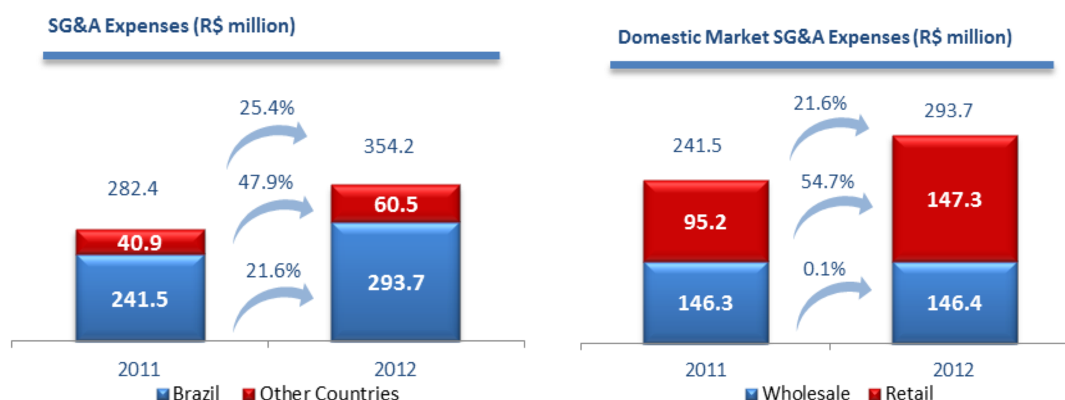
SG&A (R$ million)	2012	2011	var % 12-11
SG&A Total	354.2	282.4	25.4%
Brazil	293.7	241.5	21.6%
Other Countries	60.5	40.9	47.9%
SG&A Brazil	293.7	241.5	21.6%
Selling - wholesale	90.9	87.1	4.4%
Selling - retail	127.3	79.9	59.3%
General and administrative	75.5	74.5	1.3%
SG&A Other Countries	60.5	40.9	47.9%
Selling	25.2	13.0	93.8%
General and administrative	35.3	27.9	26.5%

- In 2012, selling expenses in Brazil for the wholesale segment increased by 4.4%.

- The increase in selling expenses associated with the retail operations reflect, primarily, the growth in the number of owned stores.

- Administrative expenses for the domestic market include expenses necessary for the expansion of the retail activities. In total, these expenses increased by 1.3% compared to 2011.

- The increase in SG&A expenses associated with "Other Countries" reflects, primarily, the impact of exchange rate variation on foreign denominated expenses.



EBIT

The table below presents the EBIT breakdown for the indicated periods:

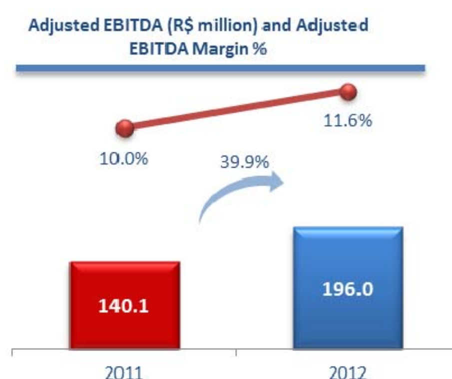
Adjusted	2012	2011	var % 12-11
Net loss for the year	(144.2)	(407.2)	(64.6%)
(+) Income and social contribution taxes	2.7	92.4	(97.1%)
(+) Financial results	119.8	107.3	11.6%
EBIT	(21.7)	(207.5)	(89.5%)
(+) Loss from discontinued operations	135.4	269.6	(49.8%)
Adjusted EBIT	**113.7**	**62.1**	**83.1%**
Adjusted EBIT margin %	*6.8%*	*4.4%*	*2.4 p.p.*

EBITDA

The table below presents the EBITDA breakdown for the indicated periods:

EBITDA	2012	2011	var % 12-11
Net loss for the year	(144.2)	(407.2)	(64.6%)
(+) Income and social contribution taxes	2.7	92.4	(97.1%)
(+) Financial results	119.8	107.3	11.6%
(+) Depreciation and amortization	94.0	100.5	(6.5%)
EBITDA	72.3	(107.0)	-
(+) Loss from discontinued operations	135.4	269.6	(49.8%)
(-) Depreciation and amortization from discontinued operations	(11.7)	(22.5)	(48.0%)
Adjusted EBITDA	**196.0**	**140.1**	**39.9%**
Adjusted EBITDA margin %	*11.6%*	*10.0%*	*1.6 p.p.*

Adjusted EBITDA was R$196.0 million in 2012, an increase of 39.9% when compared to the previous year. Adjusted EBITDA margin for 2012 reached 11.6%, a 1.6 percentage point increase relative to 2011.



Financial Results

Net financial expenses in 2012 totaled R$119.8 million, an increase of 11.6% when compared to the previous year. The main factors that contributed to this variation were:

Financial results (R$ million)	2012	2011	var % 12-11
Financial income	17.5	26.7	(34.5%)
Financial expenses - interests	(80.6)	(72.6)	11.0%
Financial expenses - bank charges and others	(51.0)	(45.0)	13.3%
Exchange variation, net	(5.7)	(16.4)	(65.2%)
Financial results	**(119.8)**	**(107.3)**	**11.6%**

- Financial income:

Financial income decreased from R$26.7 million in 2011 to R$17.5 million in 2012. This decrease is due to lower average cash invested in the financial market in 2012 when compared to 2011.

- Financial expenses - interests:

Interest expenses increased from R$72.6 million in 2011 to R$80.6 million in 2012, due, in part, to the monetary variation that is used to update the balance due to governmental concessions, which went from approximately zero in 2011 to approximately R$ 5.0 million in 2012.

- Financial expenses - bank charges and others:

Bank charges and others increased from R$45.0 million in 2011 to R$51.0 million in 2012.

- Exchange variation, net:

The balance of net exchange variations decreased from an expense of R$16.4 million in 2011 to an expense of R$5.7 million in 2012.

Net Income (Loss)

In 2012, the Company reported a net loss from continuing operations of R$8.8 million, in comparison to a net loss of R$137.5 million of the previous year. If the CPC 33(RI) rule was already in effect, the 2012 result would have been in 1.5 million.

Discontinued Operations Result

The results from discontinued operations of the Company was a loss of R$135.4 million, decreased by half compared to the net loss of R$269.6 million in 2011. In 2013, discontinued operations will no longer impact the Company's results.

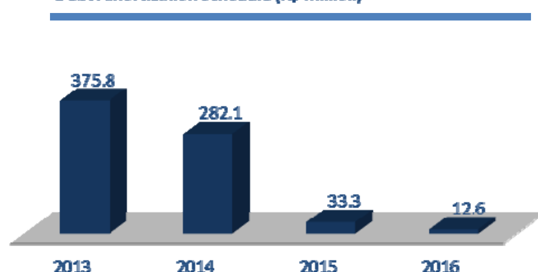
Capital Investments

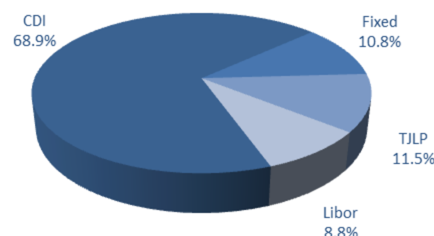
In 2012 and 2011, our capital investments reached R$62.5 million and R$112.5 million, respectively.

Investment (R$ million)	2012	2011	var % 12-11
Wholesale	26.4	47.0	(43.8%)
Retail	36.1	65.5	(44.9%)
Total	**62.5**	**112.5**	**(44.4%)**

Cash Availability and Debt

Indebtness (R$ million)	2012	2011	var % 12-11
Cash and cash equivalents	(109.3)	(146.6)	(25.4%)
Gross debt	703.8	857.6	(17.9%)
- Gross debt in domestic currency	630.5	633.7	(0.5%)
- Gross debt in foreign currency	73.3	223.9	(67.3%)
Derivative instruments	-	6.7	-
Marketable securities	(1.6)	(0.1)	-
Net debt	**592.9**	**717.6**	**(17.4%)**





Working Capital

The Company reduced total working capital used in its operations by R$92.3 million in 2012 compared to the previous year.

Working capital (R$ million)	2012	2011	var % 12-11
Accounts receivable	451.7	449.8	0.4%
Inventories	588.5	698.5	(15.7%)
Advances to suppliers	57.4	68.1	(15.7%)
Suppliers	(186.5)	(213.0)	(12.4%)
Cash cycle	**911.1**	**1,003.4**	**(9.2%)**

Corporate Development

Strategic Objectives

Springs Global has identified five key strategic objectives, as follows:

- Re-focus operations in the Mercosur region, consolidating the Company's leadership position in the bedding, tabletop and bath market while ensuring profitable longevity to its intermediate products;
- Leverage and enhance its proprietary brand portfolio in order to consolidate its leading position in the bedding, tabletop and bath segment, while reinforcing Springs' commitment to customer satisfaction and to its people;
- Further promote and develop relationships with multi-brand clients;
- Expand distribution capacity through monobrand channels, using, primarily, the franchise model;
- Integrate the Company's industrial and retail operations, positioning Springs as a benchmark in the areas of innovation and management excellence.

To further pursue these strategic objectives, several measures were implemented throughout 2012, including:

- Conclusion of a capital increase, in the second quarter of 2012, in the amount of R$169,043 thousand, with the issuance of 56,347,886 new shares;
- Strategic partnership between its indirect subsidiary Springs Canada Holdings, LLC and Tom Kartsotis, Principal of Bedrock Manufacturing, Co.,founder and former Chairman of Fossil, Inc.;
- Acquisition of the remaining equity stake in Springs Rossini Participações S.A. ("Springs e Rossini") in June of 2012, to control 100% of MMartan Têxtil Ltda.'s capital.;
- Conclusion of the efforts to reduce the Company's exposure to U.S. market, including the sale of the Wamsutta brand;
- The restructuring of our Brazilian industrial capacity and the assignment of certain assets for real estate development projects. These assets demonstrated, after extensive market research and analysis, to have the potential to generate wealth for the communities where they are located. The Company is currently negotiating with Real Estate Developers for the development of these projects. The combined book value of these assets is around R$100.0 million. The valuation conducted by Cushman & Wakefiled estimates liquidation value of R$230.0 million and replacement value of R$323.8 million for these assets.

The Company has received several awards which attest its commitment to best practices in different areas:

Prêmio ANA 2012: The Company was selected by the National Water Agency (*Agência Nacional de Águas*) as the finalist of the *Prêmio ANA 2012*, for sustainable development of water resources. The "Wastewater Treatment by Ultrafiltration Membrane" project was chosen, from 76 candidates, as one of three finalists in the Enterprises Category.

15º Prêmio Top of Mind da Casa & Mercado**:** MMartan and Artex received the *15º Prêmio Top of Mind da Casa & Mercado*. MMartan was the most recalled brand in four categories: bedding, tabletop and bath stores; table cloth brand; bath towel brand; and bedding brand. Artex was considered by decor professionals as the most recalled brand in the categories of table cloth and bath towel.

IEL/CNI – Prêmio Melhor Estágio: The Company won the Best Internship Award, given by *IEL Instituto Euvaldo Lodi,* to the companies with the best internship practices in Brazil. The Company was awarded second place at the national level, after Petrobras. The Best Internship Award aims to encourage young professionals who are starting a career and have an internship to contribute to their professional development. The outstanding intern was Joel Fagundes, from Coteminas of Blumenau (SC).

Prêmio Socioambiental Chico Mendes: The Company received the Chico Mendes Environmental Award – 2012 Edition (*Prêmio Socioambiental Chico Mendes – Edição 2012*), awarded by the *Instituto Internacional Socioambiental Chico Mendes* to people and companies committed to social and environmental matters, responsible development, and wellness of mankind.

Capital Market

In 2012, the Company's daily average volume of shares traded was R$222,624. An average of 77,123 shares was traded daily. The highest share price achieved during 2012 was R$3.68 and the lowest price was R$2.17.

COMPANHIA TECIDOS SANTANENSE

Shareholders,

We submit for your consideration the financial statements for the year ended December 31, 2012, accompanied by its Independent Accountant´s report.

Santanense´s gross sales were R$462.0 million in 2012. The table below includes the main financial highlights in 2012 compared to 2011.

Consolidated Financial Highlight	R$ thousands		Variance %
	2012	2011	
Gross sales	462,036	459,600	0.5
Net sales	371,627	370,375	0.3
Cost of goods sold	(274,216)	(285,470)	(3.4)
Gross profit	97,411	84,905	14.7
(% of net sales)	*26.2%*	*22.9%*	
Selling, general and administrative expenses	(51,440)	(49,341)	4.3
Depreciation and amortization	10,765	9,710	10.9
Non-recurring income	6,941	-	-
Recurring operational income	45,330	34,595	31.0
(% of net sales)	12.2%	*9.3%*	
Net income	32,024	24,372	31.4
Basic and diluted earnings per share (R$/share):			
Common	0.8123	0.6182	31.4
Preferred	0.8935	0.6800	31.4

Net Sales

Net sales in 2012 totaled R$371.6 million. Santanense’s net sales increased by 0.3% in the year due to a variance of 6.3% in sales and production volume and also the decrease in average prices of 5.6%.

Cost of goods sold

Santanense had a gross margin of 26.2% in 2012 and gross margin of 22.9% in 2011. The average price of cotton by the ESALQ index in 2012 was R$3.54/kg against R$5.42 in 2011, representing a 34.7% decrease, which positively reflected in the reduction of cost of goods sold. Additionally, in 2012, the expansion of the finishing line in the Itaúna plant became operational, which also impacted positively the productivity indexes with consequent improvement in production costs.

Selling, general and administrative expenses

Selling, general and administrative expenses have increased this year due, in part, to sales volume growth and with the consequent increase in freight expenses. Fixed expenses increased in line with inflation for the period, reflecting increases in wages.

Operating income

Recurring operating income totaled R$45.3 million in 2012, reflecting an increase of 31.0% compared to the previous year.

Financial results, net

In 2012, financial result, net was an expense of R$6.6 million, while in 2011, it was an expense of R$6.5 million.

	R$ millions	
Financial result	**2012**	**2011**
Financial income	1.0	1.8
Financial expenses - interests	(5.0)	(7.7)
Exchange variation, net	0.9	1.5
Bank charges, discounts	(3.5)	(2.1)
Financial result	**(6.6)**	**(6.5)**

Net working capital

Net working capital increased from R$92.5 million in 2011, to R$126.6 million in 2012. The current ratio in 2012 was 4.06, which means that for each R$1.00 in short-term liabilities, Santanense had R$4.06 in short-term assets.

Financial assets and liabilities

The net debt in 2012 totaled R$29.9 million compared to R$61.3 million 2011, representing a decrease of R$31.4 million or 51.2%. Debt, as of December 31, 2012, is shown below:

Maturity	Total
2013	9.6
2014	11.9
2015	6.9
2016 to 2020	2.3
Total	30.7

Net income and dividends

Santanense recorded in this year net income of R$32.0 million. Management will propose in the Annual Shareholders' Meeting, to be held by next April 30, the distribution of dividends of R$ 0.18299 per common share and R$ 0.20129 per preferred share, in the amount of R$7.2 million, 25% of net income, adjusted in accordance with the by-laws. Dividends paid in advance will be deducted from this amount.

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

Companhia de Tecidos Norte de Minas - COTEMINAS

Individual and Consolidated Financial Statements for the Year Ended December 31, 2012 and Independent Auditors' Report on Financial Statements

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

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

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

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

We have audited the accompanying individual and consolidated financial statements of Companhia de Tecidos Norte de Minas - COTEMINAS (the "Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as of December 31, 2012 and the related statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Company's Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and of the consolidated financial statements in accordance with International Financial Reporting Standards - IFRSs, as issued by the International Accounting Standards Board - IASB, and in accordance with accounting practices adopted in Brazil, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and international standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinion on the individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Companhia de Tecidos Norte de Minas - COTEMINAS as of December 31, 2012, its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Companhia de Tecidos Norte de Minas - COTEMINAS as of December 31, 2012, its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with IFRSs, issued by IASB, and accounting practices adopted in Brazil.

Emphasis of matter

We draw attention to note 2 to the financial statements, which states that the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Companhia de Tecidos Norte de Minas - COTEMINAS, these accounting practices differ from the IFRSs, applicable to separate financial statements, only with respect to the measurement of investments in subsidiaries, associates and joint ventures by the equity method of accounting, which, for purposes of IFRSs, would be measured at cost or fair value. Our opinion is not qualified in respect of this matter.

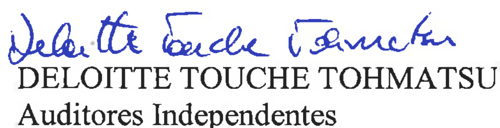
Other matters

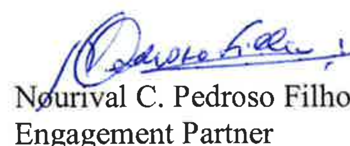
Statements of value added

We have also audited the individual and consolidated statements of value added ("DVAs") for the year ended December 31, 2012, prepared under the responsibility of the Company's Management, the presentation of which is required by Brazilian Corporate Law for publicly-traded companies, and as supplemental information for IFRSs, that do not require the presentation of DVA. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

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

São Paulo, March 26, 2013





DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Nourival C. Pedroso Filho
Engagement Partner

2012-2662

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

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF DECEMBER 31, 2012 AND 2011

(In thousands of Brazilian Reais)

A S S E T S

	Note	Company 2012	Company 2011	Consolidated 2012	Consolidated 2011
CURRENT:					
Cash and cash equivalents	3	1,264	2,364	146,613	185,878
Marketable securities	4	-	9,928	39,750	44,148
Accounts receivable	5	-	-	546,628	540,499
Inventories	6	-	-	653,364	772,540
Advances to suppliers	7	11	104	57,750	68,577
Recoverable taxes	17.d	7,115	11,152	41,227	45,944
Debentures issued by subsidiary	16	11,892	25,388	-	-
Derivative instruments	21.d.5.1	-	-	-	11,225
Real estate held for sale		-	-	2,921	11,790
Other receivables		4,294	20,523	29,838	40,295
Total current assets		24,576	69,459	1,518,091	1,720,896
NONCURRENT:					
Long-term assets:					
Advances to suppliers	7	-	-	-	408
Related parties	15	87,482	96,924	46,037	35,499
Debentures issued by subsidiary	16	-	5,266	-	-
Recoverable taxes	17.d	13,552	20,991	43,784	75,947
Deferred income and social contribution taxes	17.c	8,629	8,629	71,981	71,246
Property, plant and equipment held for sale	9.b	-	-	40,585	50,427
Escrow deposits	18	78,053	78,109	101,431	102,011
Other credits and receivables		2,056	2,056	16,018	7,650
		189,772	211,975	319,836	343,188
Investments in subsidiaries	8	897,311	952,689	-	-
Investments in affiliated company	8	56,229	71,400	56,229	71,400
Other investments		4,634	4,710	7,675	5,257
Property, plant and equipment	9.a	9,394	16	1,094,518	1,116,801
Intangible assets	10	2	2	114,015	113,888
Total noncurrent assets		1,157,342	1,240,792	1,592,273	1,650,534
Total assets		1,181,918	1,310,251	3,110,364	3,371,430

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

	Note	Company 2012	Company 2011	Consolidated 2012	Consolidated 2011
LIABILITIES					
CURRENT:					
Loans and financing	13	45,461	25,438	458,188	445,647
Suppliers	12	218	138	197,618	233,202
Payroll and related charges		584	556	55,540	54,351
Taxes		348	6	13,980	15,903
Dividends payable		11	34	1,335	1,387
Derivative instruments	21.d.4	-	-	-	17,967
Related parties – noncontrolling	15	-	-	-	20,000
Government concessions	20	-	-	13,115	4,141
Noneconomic lease	11	-	-	13,736	5,252
Other payables		6,736	1,889	76,900	61,997
Total current liabilities		53,358	28,061	830,412	859,847
NONCURRENT:					
Loans and financing	13	-	-	349,124	529,479
Noneconomic lease	11	-	-	11,724	8,720
Related parties	15	424	-	164	-
Government concessions	20	-	-	49,859	68,847
Employee benefit plans	19	-	-	86,765	77,507
Miscellaneous accruals	18	64,938	64,380	99,331	95,464
Deferred income and social contribution taxes	17.c	427	427	5,049	5,051
Other obligations		405	-	26,744	18,222
Total noncurrent liabilities		66,194	64,807	628,760	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		431,721	431,698	431,721	431,698
Cumulative translation adjustment		(108,316)	(97,361)	(108,316)	(97,361)
Treasury shares		(838)	(838)	(838)	(838)
Retained deficit		(416,509)	(272,424)	(416,509)	(272,424)
Total equity attributable to shareholders of the parent company		1,062,366	1,217,383	1,062,366	1,217,383
NONCONTROLLING INTEREST		-	-	588,826	490,910
Total equity		1,062,366	1,217,383	1,651,192	1,708,293
Total liabilities and equity		1,181,918	1,310,251	3,110,364	3,371,430

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian Reais)

	Note	Company		Consolidated	
		2012	2012	2011	2011
NET REVENUES	25	-	-	2,045,150	1,739,039
COST OF GOODS SOLD	24	-	-	(1,545,753)	(1,309,275)
GROSS PROFIT		-	-	499,397	429,764
OPERATING INCOME (EXPENSES):					
Selling expenses	24	-	-	(274,204)	(209,516)
General and administrative expenses	24	(25,098)	(18,833)	(150,269)	(135,219)
Management fees	24	(1,682)	(2,139)	(9,957)	(11,021)
Equity in subsidiaries	8	153	(73,463)	(15,166)	102
Others, net	27	(1,478)	(41)	70,790	1,368
INCOME (LOSS) FROM OPERATIONS		(28,105)	(94,476)	120,591	75,478
Financial expenses – interests		(5,811)	(2,294)	(86,254)	(74,582)
Financial expenses – bank charges and others		(1,642)	(1,230)	(49,729)	(42,914)
Financial income		16,905	14,541	30,965	37,820
Exchange variations, net		4,840	8,252	(6)	(6,711)
INCOME (LOSS) BEFORE TAXES		(13,813)	(75,207)	15,567	(10,909)
Income and social contribution taxes:					
Current	17.b	(32)	(2)	(17,177)	(26,926)
Deferred	17.b	-	-	668	(67,254)
NET LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(13,845)	(75,209)	(942)	(105,089)
Equity from discontinued operations in subsidiaries	8	(88,874)	(184,546)	-	-
Loss from discontinued operations in subsidiaries	28	-	-	(135,350)	(269,643)
NET LOSS FOR THE YEAR		(102,719)	(259,755)	(136,292)	(374,732)
ATTRIBUTABLE TO:					
Parent company's interest					
In continuing operations				(13,845)	(75,209)
In discontinued operations				(88,874)	(184,546)
				(102,719)	(259,755)
Noncontrolling interest					
In continuing operations				12,903	(29,880)
In discontinued operations				(46,476)	(85,097)
				(33,573)	(114,977)
				(136,292)	(374,732)
BASIC AND DILUTED LOSS PER SHARE — R$					
From continuing operations	26	(0.1188)	(0.6453)	(0.1188)	(0.6453)
From discontinued operations	26	(0.7625)	(1.5834)	(0.7625)	(1.5834)
Total	26	(0.8813)	(2.2287)	(0.8813)	(2.2287)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2012	2012	2011	2011
NET LOSS FOR THE YEAR	(102,719)	(259,755)	(136,292)	(374,732)
Other comprehensive income (loss):				
Derivative instruments – NDF	-	3,579	-	5,229
Exchange variation on foreign investments	(10,955)	(4,777)	(17,838)	(7,383)
	(10,955)	(1,198)	(17,838)	(2,154)
COMPREHENSIVE LOSS FOR THE YEAR	(113,674)	(260,953)	(154,130)	(376,886)
ATTRIBUTABLE TO:				
Shareholders of the parent company			(113,674)	(260,953)
Noncontrolling interest			(40,456)	(115,933)
			(154,130)	(376,886)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

(In thousands of Brazilian Reais)

		Capital reserve	Income reserves						Total equity attributable to shareholders of the parent company		
	Capital	Tax incentives	Legal	Retained income	Cumulative translation adjustment	Assets and liabilities valuation adjustment	Treasury shares	Retained deficit		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 loss for the year	-	-	-	-	-	-	-	(259,755)	(259,755)	(114,977)	(374,732)
Exchange variation on foreign investments (note 2.1)	-	-	-	-	878	-	-	-	878	-	878
Impact of subsidiaries-											
Exchange variation on foreign investments (note 2.1)	-	-	-	-	(5,655)	-	-	-	(5,655)	(2,606)	(8,261)
Derivative instruments – NDF	-	-	-	-	-	3,579	-	-	3,579	1,650	5,229
Total comprehensive income (loss)	-	-	-	-	(4,777)	3,579	-	(259,755)	(260,953)	(115,933)	(376,886)
Shareholders' contribution (distribution)											
Reversal of prescribed dividends	-	-	-	38	-	-	-	-	38	-	38
Acquisition of equity in subsidiary (note 8)	-	-	-	-	-	-	-	(12,669)	(12,669)	(17,331)	(30,000)
Dividends paid at subsidiary	-	-	-	-	-	-	-	-	-	(3,239)	(3,239)
Total shareholders' contribution	-	-	-	38	-	-	-	(12,669)	(12,631)	(20,570)	(33,201)
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

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

(In thousands of Brazilian Reais)

	Capital	Capital reserve	Income reserves		Cumulative translation adjustment	Treasury shares	Retained deficit	Total equity attributable to shareholders of the parent company	Noncontrolling interest	Total equity
		Tax incentives	Legal	Retained income						
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 year	-	-	-	-	-	-	(102,719)	(102,719)	(33,573)	(136,292)
Exchange variation on foreign investments (note 2.1)	-	-	-	-	1,425	-	-	1,425	-	1,425
Impact of subsidiaries-										
Exchange variation on foreign investments (note 2.1)	-	-	-	-	(12,380)	-	-	(12,380)	(6,883)	(19,263)
Total comprehensive income (loss)	-	-	-	-	(10,955)	-	(102,719)	(113,674)	(40,456)	(154,130)
Shareholder's contribution (distribution):										
Purchase of ownership interest in subsidiary	-	-	-	-	-	-	(3,865)	(3,865)	(11,135)	(15,000)
Dividend paid in subsidiaries	-	-	-	-	-	-	-	-	(3,342)	(3,342)
Unclaimed dividends	-	-	-	23	-	-	-	23	17	40
Capital increase in subsidiary by noncontrolling shareholder (note 8)	-	-	-	-	-	-	-	-	94,935	94,935
Gain (loss) on capital increase in subsidiaries (note 8)	-	-	-	-	-	-	(45,298)	(45,298)	45,298	-
Capital increase in indirect subsidiary by noncontrolling shareholder (note 8)	-	-	-	-	-	-	7,797	7,797	12,599	20,396
Total shareholder's contribution (distribution)	-	-	-	23	-	-	(41,366)	(41,343)	138,372	97,029
BALANCES AS OF DECEMBER 31, 2012	870,000	286,308	33,298	398,423	(108,316)	(838)	(416,509)	1,062,366	588,826	1,651,192

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2012	2011	2012	2011
Cash flows from operating activities				
Net loss for the year	(102,719)	(259,755)	(136,292)	(374,732)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	299	38	109,018	112,449
Equity in subsidiaries and affiliated company:				
Continuing operations	(153)	73,463	15,166	(102)
Discontinued operations	88,874	184,546	-	-
Income and social contribution taxes	32	2	16,509	94,180
(Gain) loss on disposal of property, plant and equipment and intagible assets	38	-	(83,978)	(551)
(Gain) loss of property, plant and equipment held for sale	-	-	(6,941)	-
Impairment of property, plant and equipment	-	-	7,578	54,590
Exchange variations	(2,367)	(3,434)	19,186	57,171
Bank charges and interests	(7,944)	(5,773)	51,963	60,727
Other accruals	-	-	17,757	12,465
	(23,940)	(10,913)	9,966	16,197
Changes in assets and liabilities				
Marketable securities	9,928	917	4,398	(28,145)
Accounts receivable	-	-	(6,129)	55,165
Inventories	-	-	119,176	(160,324)
Advances to suppliers	93	1	10,827	(2,535)
Suppliers	80	60	(35,584)	14,657
Others	31,246	(12,877)	(14,278)	(24,544)
Net cash provided by (used in) operating activities	17,407	(22,812)	88,376	(129,529)
Interest paid	-	-	(76,240)	(43,165)
Income and social contribution taxes paid	(31)	(1,431)	(15,688)	(28,768)
Net cash provided by (used in) operating activities after interest and taxes	17,376	(24,243)	(3,552)	(201,462)
Cash flows from investing activities				
Acquisition of investments	(74,123)	(7,867)	(2,494)	(18,106)
Acquisition of property, plant and equipment	(6,318)	-	(78,291)	(91,504)
In intangible assets	-	-	(2,482)	(38,224)
Proceeds from sale of property, plant and equipment and intangible assets	77	-	117,644	14,282
Dividends received	2,923	2,587	-	-
Loans between related parties	16,578	(22,595)	3,808	(9,475)
Debentures received	22,364	-	-	-
Derivative instruments	-	-	14,263	(19,873)
Net cash provided by (used in) investing activities	(38,499)	(27,875)	52,448	(162,900)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2012	2011	2012	2011
Cash flows from financing activities				
Capital increase	-	-	115,306	-
Capital increase in subsidiary by noncontrolling shareholder	-	-	(15,000)	-
Proceeds from new loans	20,023	25,438	387,536	931,073
Repayment of loans	-	-	(578,280)	(590,552)
Dividends paid	-	(682)	(3,459)	(3,457)
Net cash provided by (used in) financing activities	20,023	24,756	(93,897)	337,064
Effect of exchange rate changes on cash and cash equivalents of foreign subsidiary	-	-	5,736	6,347
Increase (decrease) in cash and cash equivalents	(1,100)	(27,362)	(39,265)	(20,951)
Cash and cash equivalents:				
At the beginning of the year	2,364	29,726	185,878	206,829
At the end of the year	1,264	2,364	146,613	185,878
Increase (decrease) in cash and cash equivalents	(1,100)	(27,362)	(39,265)	(20,951)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF VALUE ADDED

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2012	2011	2012	2011
REVENUES				
Sales of products, goods and services	-	-	2,658,618	2,455,670
Allowance for doubtful accounts	-	-	4,535	(998)
Gain (loss) on sale of real estate held for sale	-	-	6,941	-
Gain (loss) on sale of property, plant and equipment and intagible assets	38	-	83,978	551
	38	-	2,754,072	2,455,223
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(1,350,391)	(1,376,152)
Materials, energy, third party services, and others	(23,207)	(5,534)	(536,229)	(424,193)
Impairment of property, plant and equipment	-	-	(7,578)	(54,590)
	(23,207)	(5,534)	(1,894,198)	(1,854,935)
GROSS VALUE ADDED	(23,169)	(5,534)	859,874	600,288
RETENTIONS				
Depreciation and amortization	(299)	(38)	(109,018)	(112,449)
NET VALUE ADDED PRODUCED BY THE COMPANY	(23,468)	(5,572)	750,856	487,839
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries and affiliated company	(88,721)	(258,009)	(15,166)	102
Financial income	16,905	14,541	30,965	37,820
Exchange rate variation	4,840	8,252	15,201	21,556
Royalties	-	-	12,055	10,381
	(66,976)	(235,216)	43,055	69,859
TOTAL VALUE ADDED FOR DISTRIBUTION	(90,444)	(240,788)	793,911	557,698
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	3,579	4,151	424,648	408,090
Taxes, duties and contributions	2,885	1,796	267,909	310,108
Payments to third parties	5,811	13,020	237,646	214,232
Equity – Net income (loss)	(102,719)	(259,755)	(136,292)	(374,732)
VALUE ADDED DISTRIBUTED	(90,444)	(240,788)	793,911	557,698

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 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 marketing of yarns and fabrics in general, imports and exports, and may hold equity interest in other companies and acquire marketable securities in the capital market. The Company's shares are traded in BM&FBOVESPA – "Bolsa de Valores, Mercadorias e Futuros" (Brazilian Stocks, 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 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"). In August 2011, the Company started its bedding, tabletop and bath retail operations under the brand Artex through subsdiary American Sportswear Ltda ("ASW").

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

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's Board of Directors on March 26, 2013.

As determined by the CVM (Brazilian counterpart to SEC) and the Brazilian Corporate Law, the Company presents its consolidated financial statements, prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and with the accounting practices adopted in Brazil and are identified as "Consolidated".

The financial statements of the parent company were prepared and are presented in accordance with accounting practices adopted in Brazil, which include the standards in the Brazilian Corporate Law and the pronouncements, orientations and interpretations issued by Brazilian Committee of Accounting Pronouncements ("CPC"), approved by the CVM, and are identified as "Company". These practices differ from IFRS that are applicable to individual 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 presented for comparative purposes may include reclassifications, where applicable, to improve information and comparability.

The Company adopted all standards, revisions of standards and interpretations issued by the IASB and the CVM which were effective on December 31, 2012.

2.1 – Translation of balances in foreign currency

a) Functional and presentation currency

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

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

b) Conversion of balances

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

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

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

iii) all differences resulting from the translation are recognized in equity under the caption "Cumulative translation 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 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, marketable securities, 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 "Loans and receivables" and together with the financial liabilities, after their initial recognition at fair value, are measured based on amortized cost using the effective interest rate method. Interest, monetary and

exchange rate variations, less impairment losses, if any, are recognized as income 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 year 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 year in which the hedged item affects the results, by adjusting the value of the hedged expense.

If the firm commitment is no longer expected to occur, amounts previously recognized in equity are reclassified to profit or loss. 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 reclassified to profit or loss.

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

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

(f) Accounts receivable and allowance for 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 and affiliated companies 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) Leases--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 timing of 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, store locations 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 with 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 year.

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

(u) Monetary and exchange variations--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 year incurred, except for the exchange gains and losses on investments in foreign subsidiaries, which are recognized in “Cumulative translation adjustment” in equity.

(v) Revenue recognition--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.

(w) Statement of Value Added ("DVA")--The purpose of this statement is to present the wealth created by the Company and its distribution over a given year. It is presented by the Company as required by the Brazilian Corporate Law, as part of its individual financial statements and as supplemental information for the consolidated financial statements, since it is not a statement 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 financial statements.

(x) Controlling and noncontrolling shareholder--In the financial statements, "parent company's shareholder" represents all the shareholders of the Company and “noncontrolling" represents the Company's subsidiaries minority interest.

2.3 – Use of estimates

The preparation of 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 financial statements, as well as the experience of past and/or current events, also considering estimates regarding future events. Therefore, the 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 criteria

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

	Direct and indirect interest in total capital - %	
	2012	2011
Coteminas International Ltd.	100.00	100.00
Companhia de Tecidos Norte de Minas – Coteminas (Argentina Branch)	100.00	100.00
Springs Global Participações S.A.	61.51	68.44
Oxford Comércio e Participações S.A.	58.88	58.88
American Sportswear Ltda.	-	100.00
Companhia Tecidos Santanense	52.65	52.65

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 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 financial statements.

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

	2012	2011	Variance
Exchange rate as of:			
December 31	2.0435	1.8758	8.94%
Average exchange rate:			
December 31 (12 months)	1.9588	1.6709	17.23%

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

The interpretations and amendments of the existing standards listed below were edited and effective on January 1, 2012. However, there were no significant impacts on the Company’s financial statements:

Standard	Main requirements	Effective date
Changes to IFRS 7 - Disclosures – transfer of financial assets	The amendments increase the disclosure requirements for transactions involving the transfer of financial assets to increase transparency of the risk exposures in transferred financial assets.	Effective for annual periods beginning on or after July 1, 2011
Changes to IAS 12 - Deferred Tax – Recovery of Underlying Assets when measured using the fair value model in IAS 40	According to the amendments, it is expected that the investment properties measured at the fair value model in accordance with IAS 40 - Investment Property (equivalent to CPC 28) are recovered through the sale for purposes of measuring the deferred taxes unless the assumption is refutable.	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 adoption for the years 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 amendments to have a significant impact on the financial statements, except for the new procedures described in CPC 33(R1) - Employee Benefits, detailed in note 29 to the financial statements.

Standard	Main requirements	Effective date
IFRS 9 (as changed in 2010) - Financial instruments (*)	Issued in November 2009 and amended in October 2010 introduces new requirements for classifying, measuring and disposing of assets and liabilities.	Effective for annual periods beginning on or after January 1, 2015
Mandatory Effective Date and Transition Disclosures - IFRS 9 and IFRS 7 (*)	Changes the date of application of IFRS 9 for annual periods beginning on or after January 1, 2015 and amends the requirements of IAS39 transition to IFRS 9.	Effective for annual periods beginning on or after January 1, 2015 (IFRS 9) and transition requirements for early adoption of IFRS 9
IAS 28 (Revised 2011) and CPC 18(R2) - 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) and CPC 35(R2) - Consolidated and Separate Financial Statements	Requirements of IAS 27 related to the consolidated 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 and CPC 36(R3) - 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 financial statements regardless of the nature of the investees.	Effective for annual years beginning on or after January 1, 2013
IFRS 11 and CPC 19(R2) - 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 and CPC 45 - 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

Standard	Main requirements	Effective date
IFRS 13 and CPC 46 - 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, provides 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
Changes to IAS 19 (revised 2011) and CPC 33(R1) - Employee Benefits (see note 29 to the financial statements)	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
Changes to IAS 1 - Presentation of Other Comprehensive Income	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 years 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 years beginning on or after January 1, 2014. Application should be retroactive.

The CPC has not yet issued the statements and amendments 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	
	2012	2011	2012	2011
CDB – floating	678	782	36,213	52,167
Repurchase transactions	-	-	12,211	36,196
Foreign exchange funds (US$)	-	-	2,907	15,381
Foreign deposits	-	-	83,051	63,999
Checking accounts deposits	586	1,582	12,231	18,135
	1,264	2,364	146,613	185,878

4. MARKETABLE SECURITIES

	Company		Consolidated	
	2012	2011	2012	2011
Fixed-yield fund (DI)	-	9,928	-	9,928
Investment fund – US$	-	-	10,796	9,005
Restricted cash	-	-	1,580	88
Foreign deposits	-	-	27,374	25,127
	-	9,928	39,750	44,148

5. ACCOUNTS RECEIVABLE

	Consolidated	
	2012	2011
Domestic customers	465,418	437,894
Foreign customers	100,328	102,901
Credit card companies	9,742	34,957
Related parties		
Domestic market	8,148	535
Foreign market	540	4,746
	584,176	581,033
Allowance for doubtful accounts	(37,548)	(40,534)
	546,628	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 the 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 December 31, 2012, the installment receivables under this type of sale were R$11,048, with an average collection year of 90 days, totaling to an adjustment in the amount of R$1,306, using 100% of the CDI as the interest rate.

A present value adjustment was made, in the amount of R$30 (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, maintaining the original values of the receivables.

Accounts receivable from customers consist of receivables with an average collection year of approximately 84 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 December 31, 2012 and only one client represents over 10% of sales.

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

	2012	2011
Current	450,696	458,602
Past due up to 30 days	45,729	31,299
Past due from 31 to 60 days	8,939	7,543
Past due from 61 to 90 days	6,253	10,330
Past due from 91 to 180 days	4,978	14,930
Past due from 181 to 360 days	4,720	8,382
Past due greater than 360 days	62,861	49,947
	584,176	581,033

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

	2012	2011
Balance at the beginning of the year	(40,534)	(38,336)
Additions	(2,841)	(1,293)
Write-offs	7,385	804
Exchange variation	(1,558)	(1,709)
Balance at the end of the year	(37,548)	(40,534)

6. INVENTORIES

	Consolidated	
	2012	2011
Raw materials and supplies	152,848	212,550
Work in process	151,507	232,711
Finished products	288,774	258,940
Repair parts	60,235	68,339
	653,364	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:

	2011	Additions	Write-offs	Exchange variation	2012
Raw materials and supplies	(28,396)	(870)	27,232	(93)	(2,127)
Work in process	(3,317)	-	1,256	(293)	(2,354)
Finished products	(28,614)	-	20,935	(1,671)	(9,350)
Repair parts	(1,474)	(3,028)	-	-	(4,502)
	(61,801)	(3,898)	49,423	(2,057)	(18,333)

7. ADVANCES TO SUPPLIERS

	Company		Consolidated	
	2012	2011	2012	2011
Sundry suppliers	11	104	57,342	63,703
Electricity suppliers	-	-	408	5,282
	11	104	57,750	68,985
Current	(11)	(104)	(57,750)	(68,577)
Noncurrent	-	-	-	408

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 December 31, 2012, the balance in current assets is R$408 (R$4,874 in current assets and R$408 in noncurrent assets as of December 31, 2011).

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8. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANY

	Equity	Ownership interest - %	Net income (loss)	Total investments		Equity in subsidiaries and affiliated company	
				2012	2011	2012	2011
Investments in subsidiaries:							
Continuing operations -							
Springs Global Participações S.A. (1)	1,210,651	61.51	(7,910)	744,672	819,721	(6,557)	(96,003)
Oxford Comércio e Participações S.A.	210,387	58.88	27,600	123,876	111,037	16,261	12,362
Coteminas International Ltd.	23,677	100.00	5,087	23,677	17,156	5,087	7,782
Companhia Tecidos Santanense	245,032	2.07	32,024	5,072	4,579	701	435
American Sportswear Ltda.	-	-	-	-	-	-	2,046
Coteminas (Argentina branch)	14	100.00	(173)	14	196	(173)	(187)
				897,311	952,689	15,319	(73,565)
Investment in affiliated company:							
Cantagalo General Grains S.A. (2)	187,433	30.00	(50,553)	56,229	71,400	(15,166)	102
Total affiliated company				56,229	71,400	(15,166)	102
Equity from continuing operations in subsidiaries						153	(73,463)
Discontinued operations -							
Springs Global Participações S.A. (1)	-	61.51	(135,350)			(88,874)	(184,546)

(1) 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$45,298, reported in retained deficit.

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

On August 4, 2012, indirect subsidiary SGUS and Bedrock Holdings LP formed Springs Canada Holdings, LLC ("SCH"). SGUS owns 87.5% of SCH's capital and Bedrock Holdings owns 12.5%. The partnership was formed to act in the Canadian market and selected businesses of SGUS, which were contributed through the creation of Springs Brands, LLC, a wholly-owned subsidiary of SCH.

Bedrock Holdings contributed US$10 million and Springs Global contributed tangible and intangible assets, with a net book value of US$20.2 million, represented by: (i) the shares of Springs Canada, Inc. and Springs Cayman Holding Ltd. (parent company of Springs Shanghai Trading Co., Ltd.); (ii) the Springmaid brand; (iii) the right to market certain licensed brands; and (iv) related operating assets and liabilities, including working capital.

Before the formation of SCH, the investments in Springs Canada, Inc. and Springs Cayman Holding Ltd. were owned by Warbird Corporation, a wholly-owned subsidiary of SGUS.

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 (i)	2012			2011
	%	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	2.4	68,261	(10,638)	57,623	40,515
Buildings	2.3	481,534	(174,528)	307,006	317,787
Installations	5.7	272,990	(153,018)	119,972	118,362
Equipment	6.4	1,292,162	(847,073)	445,089	481,578
Hydroelectric Plant - Porto Estrela (ii)	2.2	37,506	(9,420)	28,086	29,137
Hidroelectric plants (PCH)	6.3	13,244	(5,248)	7,996	8,336
Furniture and fixtures	9.9	47,190	(29,571)	17,619	10,416
Vehicles	20.0	45,919	(18,687)	27,232	3,602
Computers and peripherals	18.1	47,257	(41,762)	5,495	5,825
Construction in progress	-	60,853	-	60,853	84,283
Others	2.6	100,589	(83,042)	17,547	16,960
		2,467,505	(1,372,987)	1,094,518	1,116,801

(i) Weighted average annual depreciation rate, excluding items totally depreciated.
(ii) See note 20.

Considering its operational 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.

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

Cost:

	2011	Additions	Disposals	Transfers to held for sale	Transfers	Exchange variation	2012
Land and improvements	45,677	26,151	(2,410)	(1,490)	416	(83)	68,261
Buildings	484,713	144	(6,762)	(10,825)	10,225	4,039	481,534
Installations	260,125	3,764	(1,106)	(21)	10,537	(309)	272,990
Equipment	1,294,267	11,587	(22,490)	(21,349)	22,472	7,675	1,292,162
Hydroelectric Plant - Porto Estrela	37,416	90	-	-	-	-	37,506
Power plants	12,672	27	(55)	-	600	-	13,244
Furniture and fixtures	36,463	10,201	(1,403)	785	155	989	47,190
Vehicles (*)	18,880	27,746	(1,196)	151	(246)	584	45,919
Computers and peripherals	42,517	1,500	(4,542)	5,107	(11)	2,686	47,257
Construction in progress	84,283	22,431	(1,131)	(185)	(44,141)	(404)	60,853
Others	91,934	1,746	(508)	617	(7)	6,807	100,589
	2,408,947	105,387	(41,603)	(27,210)	-	21,984	2,467,505

(*) Additions of R$23,919 were liquidated with ICMS accumulated credits.

Accumulated depreciation:

	2011	Additions	Disposals	Transfers to held for sale	Transfers	Exchange variation	2012
Land and improvements	(5,162)	(5,413)	48	-	-	(111)	(10,638)
Buildings	(166,926)	(11,474)	943	5,755	163	(2,989)	(174,528)
Installations	(141,763)	(12,412)	522	21	545	69	(153,018)
Equipment	(812,689)	(63,121)	16,357	19,120	(637)	(6,103)	(847,073)
Hydroelectric Plant - Porto Estrela	(8,279)	(1,141)	-	-	-	-	(9,420)
Power plants	(4,336)	(713)	52	-	(251)	-	(5,248)
Furniture and fixtures	(26,047)	(2,218)	144	(497)	-	(953)	(29,571)
Vehicles	(15,278)	(3,975)	1,127	(151)	178	(588)	(18,687)
Computers and peripherals	(36,692)	(2,639)	4,458	(4,316)	114	(2,687)	(41,762)
Others	(74,974)	(988)	325	(521)	(112)	(6,772)	(83,042)
	(1,292,146)	(104,094)	23,976	19,411	-	(20,134)	(1,372,987)

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$40,585 (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:

	2011	Additions	Disposals	Transfers to PP&E	Exchange variation	2012
Cost	540,748	691	(79,315)	32,142	42,366	536,632
Depreciation	(423,136)	(4,175)	46,374	(19,411)	(27,541)	(427,889)
Provision for losses	(67,185)	(2,817)	6,516	(4,932)	260	(68,158)
	50,427	(6,301)	(26,425)	7,799	15,085	40,585

10. INTANGIBLE ASSETS

	Consolidated	
	2012	2011
Goodwill on the acquisition of North American companies	24,232	22,163
Goodwill on the acquisition of SRPSA	27,303	27,303
Trademarks	16,298	16,298
Store locations (real estate intangible)	46,160	48,100
Others	22	24
Total	114,015	113,888

The Company and its subsidiaries evaluate 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 2012 cash flows was three years. The assumptions used to determine the fair value through the discounted cash flow method include: cash flow projections based on management estimates for future cash flows, discount rates and growth rates for determining the perpetuity. Additionally, the perpetuity has been calculated considering the stabilization of operating margins, working capital and investments levels.

The annual discount rate used was 13.6% 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, 2012, 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 year were as follows:

	Balances on 2011	Disposals	Exchange variation	Balances on 2012
Goodwill on the acquisition of North American companies	22,163	-	2,069	24,232
Goodwill on the acquisition of SRPSA	27,303	-	-	27,303
Trademarks	16,298	-	-	16,298
Store locations (real estate intangible)	48,100	(1,940)	-	46,160
Others	24	(2)	-	22
Total	113,888	(1,942)	2,069	114,015

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 year ended December 31, 2012 was R$31,836 (R$27,757 for the year ended December 31, 2011). Subsidiary SGUS contractually agreed with third-parties to sublease certain vacant facilities that no longer provide economic benefit. Total sublease income in the year ended December 31, 2012 was R$3,001 (R$2,296 in the year ended December 31, 2011).

Lease payments scheduled for future years are estimated as follows:

Years	2012
2013	26,010
2014	24,804
2015	19,951
2016	19,560
2017	18,289

Beginning in 2017, lease payments continue to decrease until the contracts terminate on several dates through 2030, totaling R$191,270.

From 2013 to 2019, indirect subsidiary SGUS is scheduled to receive sublease payments of R$27,433.

The indirect subsidiary SGUS has short- and long-term accrual totaling R$25,460 (R$13,972 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$155,273.

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12. SUPPLIERS

	Consolidated	
	2012	2011
Domestic market	93,763	124,813
Foreign market	103,855	108,389
	----------	----------
	197,618	233,202
	======	======

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 34 days (45 as of December 31, 2011). Domestic suppliers include credits to purchase raw material (cotton), amounting to R$53,875 (R$72,607 as of December 31, 2011).

13. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated 2012	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	29,716	38,026
BNDES (Revitaliza)	R$	4.5 to 9.0	2016	29,716	38,026
Banco do Brasil S.A. (NCE)	R$	IRP + 10.81	2012	-	48,318
BNDES (Finame)	R$	4.5 and 7.0	2020	8,957	8,904
Banco do Brasil S.A. (Overdraft account) (*)	R$	118.6 of CDI	2013	23,051	70,106
Bradesco S.A. (Overdraft account) (*)	R$	120 of CDI	2013	28,204	67,409
Banco Santander S.A.	R$	CDI+0.20 to 0.29	2013	1,173	2,930
HSBC Bank Brasil S.A.	R$	CDI+0.25	2012	-	4,984
BNDS (Working capital)	R$	TJLP+3.0	2014	5,713	9,519
Banco do Brasil S.A. (Giroflex)	R$	118.9 of CDI	2013	25,115	8,046
Banco Votorantim S.A. (a)	R$	11.25	2012	-	12,582
Banco Votorantim S.A.	R$	TJLP + 3.0	2015	49,484	-
Banco do Brasil S.A. (NCI)	R$	102/106.5 of CDI	2014	248,544	207,827
Banco Itaú BBA S.A. (b)	R$	117.7 of CDI	2014	205,730	209,389
Banco Santander S.A.	R$	TJLP+5.0	2013	31,684	-
Banco do Brasil – BNDES Progerem	R$	TJLP + 3.0	2015	19,444	-
Other	R$	-	2020	95	91
				-----------	-----------
				706,626	726,157
Foreign currency:					
JP Morgan	US$	1.50	2013	27,372	25,127
Deutsche Bank (Securitization)	US$	Libor+1.30	2013	62,055	54,315
Banco do Brasil (Finimp) (c)	US$	2.4	2012	-	38,919
Bradesco S.A. (Finimp) (c)	US$	2.5	2012	-	56,596
Banco Santander Brasil (Finimp) (c)	US$	2.7	2012	-	11,006
Banco Francês	$ARG	14.4	2014	2,192	3,392
Banco Patagonia	$ARG	15.6 and 19.0	2013	9,067	-
				-----------	-----------
				100,686	189,355
				-----------	-----------
Total				807,312	975,126
Current liabilities				(458,188)	(445,647)
				-----------	-----------
Noncurrent liabilities				349,124	529,479
				=======	=======

(*) Include balances with parent company.

(a) An interest rate swap agreement was entered into 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) Original loan contract in US Dollars plus 4.60% per year with a swap for approximately 117.7% of CDI with the same counterparty.

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

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:

Consolidated	2013	2014	2015	2016 to 2020	Total
Local currency:					
Banco do Brasil S.A. (Revitaliza)	8,361	8,266	8,266	4,823	29,716
BNDES (Revitaliza)	8,361	8,266	8,266	4,823	29,716
BNDES (Finame)	1,165	1,244	1,244	5,304	8,957
Banco do Brasil S.A. (Overdraft account)	23,051	-	-	-	23,051
Bradesco S.A. (Overdraft account)	28,204	-	-	-	28,204
Banco Santander S.A.	1,173	-	-	-	1,173
BNDES (Working capital)	3,812	1,901	-	-	5,713
Banco do Brasil S.A. (Giroflex)	25,115	-	-	-	25,115
Banco Votorantim S.A.	9,484	24,000	16,000	-	49,484
Banco do Brasil S.A. (NCI)	208,683	39,861	-	-	248,544
Banco Itaú BBA S.A.	5,730	200,000	-	-	205,730
Banco Santander S.A.	31,684	-	-	-	31,684
Banco do Brasil – BNDES Progerem	3,611	9,500	6,333	-	19,444
Other	45	7	7	36	95
	358,479	293,045	40,116	14,986	706,626
Foreign currency:					
JP Morgan	27,372	-	-	-	27,372
Deutsche Bank (Securitization)	62,055	-	-	-	62,055
Banco Francês	1,215	977	-	-	2,192
Banco Patagonia	9,067	-	-	-	9,067
	99,709	977	-	-	100,686
	458,188	294,022	40,116	14,986	807,312

14. EQUITY

a. Capital

Capital, as of December 31, 2012 and 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 year between January 1, 2011 and December 31, 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 to common shares.

b. Treasury shares

As of December 31, 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$3.75 per common share and R$3.00 per preferred shared, as of December 31, 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	
	2012	2011	2012	2011
Company:				
Wembley Sociedade Anônima	41,139	31,340	-	-
Coteminas International Ltd.	41,643	53,185	-	-
Innotex International Ltd.	4,700	4,159	-	-
Coteminas S.A.	-	8,206	-	-
Companhia Tecidos Santanense	-	34	424	-
	87,482	96,924	424	-
Consolidated:				
Wembley Sociedade Anônima	41,139	31,340	164	-
Innotex International Ltd.	4,700	4,159	-	-
Empr.Nac.Com.Rédito e Particip. S.A. – ENCORPAR	198	-	-	-
	46,037	35,499	164	-

	Finance charges (consolidated)	
	2012	2011
Wembley Sociedade Anônima	2,920	2,825
Cantagalo General Grains S.A.	-	306
Empr.Nac.Com.Rédito e Particip. S.A. – ENCORPAR	91	38
ECONORTE-Empr.Constr.Norte de Minas Ltda.	1	2
JAGS-José Alencar Gomes da Silva	145	67
Innotex International Ltd	162	294
Seda S.A.	43	53
	3,362	3,585

The balances with related parties refer to loans with long-term maturities, whose charges are 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% per year 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. As of December 31, 2012, it totaled R$144 (R$474 as of December 31, 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 2012, the total amount of R$2,950 (R$2,579 in 2011) was accrued by SGUS for services provided and R$3,046 (R$4,894 as of December 31, 2011) is accrued under the caption "Other payables", in current liabilities, in the consolidated balance sheet.

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 2012, R$3,289 were paid under this lease (R$2,400 in 2011). The valuations of the property and 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, subsidiary SGPSA acquired an additional of 14,133 shares of SRPSA, for the amount R$30,000, payable in three installments, the first installment in the amount of R$10,000 paid immediately and the other two of R$10,000 each, in 120 and 240 days, respectively, 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 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 indirect subsidiary CSA was approved, for private distribution, under the conditions below, as revised 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:	Yearly with last maturity on June 21, 2013.
Repayment of principal:	17 Yearly 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 December 31, 2012, pro-rata interest expense and installments of the principal were accrued as current liabilities, in the amount of R$11,892 (R$25,388 as current liabilities and R$5,266 as noncurrent liabilities as of December 31, 2011). In the year ended December 31, 2012, interest of R$1,039 (R$1,169 in the year ended December 31, 2011) and exchange rate variation gain of R$2,562 (exchange rate variation gain of R$3,431 for the same year 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 tax reconciliation (income and social contribution taxes)

Continuing operations:

	Company		Consolidated	
	2012	2011	2012	2011
Income (loss) before taxes	(13,813)	(75,207)	15,567	(10,909)
Permanent differences:				
Equity in subsidiaries	(153)	73,463	15,166	(102)
Nontaxable income (RTT)	-	-	(39,332)	(26,036)
Transfer price	-	-	3,555	22,848
Permanent differences from foreign subsidiary	-	-	35,677	12,282
Others, net	11	1,180	8,619	10,611
Income tax basis	(13,955)	(564)	39,252	8,694
34% tax rate	4,745	192	(13,346)	(2,956)
SGUS deferred income tax reduction	-	-	273	(68,691)
Tax incentive (SUDENE)	-	-	1,567	1,217
Unrecognized tax credits	(4,745)	(234)	(4,991)	(23,795)
Others	(32)	40	(12)	45
Total income taxes	(32)	(2)	(16,509)	(94,180)
Income taxes – current	(32)	(2)	(17,177)	(26,926)
Income taxes – deferred	-	-	668	(67,254)

Discontinued operations:

	Company		Consolidated	
	2012	2011	2012	2011
Loss from discontinued operations before taxes	(88,874)	(184,546)	(135,350)	(284,543)
Equity in subsidiaries	88,874	184,546	-	-
Income tax basis	-	-	(135,350)	(284,543)
34% tax rate	-	-	46,019	96,745
Reversal of deferred tax liability – SGUS	-	-	-	14,900
Unrecognized tax credits	-	-	(46,019)	(96,745)
Total income taxes	-	-	-	14,900
Income taxes – deferred	-	-	-	14,900

As a holding Company, the Company's activities consist of equity in subsidiaries, income from marketable securities 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 December 31, 2012, indirect subsidiary CSA had net operating losses of R$442,260 (R$317,784 as of December 31, 2011) and social contribution tax losses of R$446,789 (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 that the generation of future taxable income 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 financial statements arise from subsidiaries' temporarily nondeductible provisions, transferred tax credit, and subsidiaries' net operating losses and are composed as follows:

	Balances on 2011	Recognized in statement of operations	Other	Balances on 2012
Assets:				
Temporarily nondeductible provisions	32,113	1,820	200	34,133
Net operating losses	31,539	(2,112)	-	29,427
Tax credits from foreign subsidiaries	7,594	688	139	8,421
Noncurrent assets	71,246	396	339	71,981
Liabilities:				
Temporary differences	-	272	(272)	-
Negative goodwill in investments	(5,051)	-	2	(5,049)
Noncurrent liabilities	(5,051)	272	(270)	(5,049)
Net deferred tax	66,195	668	69	66,932

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

Consolidated	
Year	Noncurrent assets
2013	13,973
2014	2,588
2015	4,025
2016	13,594
2017 and thereafter	37,801
	71,981

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	
	2012	2011	2012	2011
ICMS	1,018	12,117	34,232	71,583
Prepaid income and social contribution taxes	6,097	6,474	25,390	26,231
Recoverable PIS and COFINS	8,211	8,211	8,307	9,394
IVA – Argentina	-	-	6,353	5,339
VAT – China and Mexico	-	-	1,084	648
Recoverable IPI	1,779	1,779	2,120	1,939
ILL (tax on net income)	3,562	3,562	3,562	3,562
Other recoverable taxes	-	-	3,963	3,195
	20,667	32,143	85,011	121,891
Current assets	(7,115)	(11,152)	(41,227)	(45,944)
Noncurrent assets	13,552	20,991	43,784	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 is included on tax and civil claims, whose loss was estimated as possible in the amount of R$44,412 and R$1,589, respectively.

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

	Company		Consolidated	
	2012	2011	2012	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	1,903	1,901	5,164	5,162
IPI foreign flag	2,653	2,653	2,653	2,653
ICMS – export	-	-	6,548	6,548
Others	348	348	2,201	2,192
Labor	2,940	2,403	13,280	9,755
Civil and others	13,865	13,846	17,241	16,956
	64,938	64,380	99,331	95,464
Escrow deposits	78,053	78,109	101,431	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 the Company and in its indirect 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 unsuccessfully filed a plea and, consequently, accrued the principal amount of the tax assessment. CTS successfully questioned the penalties and interests with the Council of Taxpayers (“Conselho de Contribuintes”). In March 2013, CTS included the principal amount in the installment payment program from the state of Minas Gerais.

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

Changes in the consolidated accrual are as follows:

	2011	Additions	Reductions	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	2	-	5,164
IPI foreign flag	2,653	-	-	2,653
ICMS – export	6,548	-	-	6,548
Others	2,192	9	-	2,201
Labor	9,755	9,240	(5,715)	13,280
Civil and others	16,956	357	(72)	17,241
	95,464	9,654	(5,787)	99,331

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 yearly. 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 defined-benefit pension and postretirement plans as of December 31, 2012 and 2011:

	2012	2011
Changes in benefit obligation:		
Benefit obligation at beginning of year	93,781	82,395
Service cost	106	119
Interest cost	4,330	3,865
Actuarial loss	9,866	3,833
Benefit payments	(8,303)	(6,908)
Exchange variation	8,644	10,477
	-----------	----------
Benefit obligation at end of year	108,424	93,781
Changes in plan assets:		
Fair value of assets at beginning of year	20,416	18,307
Return on assets	2,019	(242)
Employer contributions	8,918	6,978
Benefit payments	(8,303)	(6,908)
Exchange variation	1,940	2,281
	-----------	----------
Fair value of plan assets at end of year	24,990	20,416
	-----------	----------
Present value of unfunded obligations	83,434	73,365
	======	======
Actuarial assumptions (in weighted averages):		
Discount rate (per yr)	4.50% to 5.15%	4.75% to 5.50%
Expected return on plan assets (per yr)	6.90% to 7.80%	7.80%
Rate of compensation increase (per yr)	2.50%	2.50% to 3.50%
Components of net periodic benefit cost (income):		
Service cost	106	119
Interest cost	4,330	3,865
Return on assets	(2,019)	242
Actuarial loss	9,866	3,833
	-----------	-----------
Net periodic benefit cost	12,283	8,059
	======	======

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.

	2012	2011
Investments on plan assets:		
Equity securities	13,317	10,619
Fixed income	11,261	9,297
Cash and cash equivalents	412	500
Assets fair value at the end of year	24,990	20,416

The subsidiary SGUS expects to contribute R$8,491 to the define-benefit plans in 2013. Expected benefits payments for the next 10 years are:

	Defined-benefit pension plan
2013	8,312
2014	8,287
2015	8,147
2016	7,871
2017	7,575
2018 – 2022	34,555

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

	2012	2011
Pension plan obligations	83,434	73,365
Pension plan obligations (multiple-employer) (a)	954	1,307
Other employee benefit obligations	9,490	9,723
Total employee benefit plans	93,878	84,395
Current (b)	(7,113)	(6,888)
Noncurrent	86,765	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.

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

Beginning of concession year:	July 10, 1997
Concession year:	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	4,697	449,408	731,890

For accounting purposes, indirect subsidiary CSA recognizes expenses incurred on an accrual basis, as a contra entry to noncurrent liabilities, on a straight-line basis, based on its share in the total concession amount, 33.33%, at present value, considering a basic interest rate, monetarily adjusted based on the IGPM. As of December 31, 2012, this amount represented R$62,974, of which, R$13,115 is classified as "other payables" in current liabilities and R$49,859 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 December 31, 2012, the net book value of the property, plant and equipment related to the current concession is R$28,086 (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			
	2012		2011		2012		2011	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS --								
CURRENT:								
Cash and cash equivalents	1,264	1,264	2,364	2,364	146,613	146,613	185,878	185,878
Marketable securities	-	-	9,928	9,928	39,750	39,750	44,148	44,148
Accounts receivable	-	-	-	-	546,628	546,628	540,499	540,499
Debentures issued by subsidiary (i)	11,892	11,892	25,388	25,388	-	-	-	-
Derivative instruments (ii)	-	-	-	-	-	-	11,225	11,225
Other receivables	4,294	4,294	20,523	20,523	29,838	29,838	40,295	40,295
NONCURRENT:								
Long-term assets:								
Related parties	87,482	87,482	96,924	96,924	46,037	46,037	35,499	35,499
Debentures issued by subsidiary (i)	-	-	5,266	5,266	-	-	-	-
Other credits and receivables	2,056	2,056	2,056	2,056	16,018	16,018	7,650	7,650
LIABILITIES --								
CURRENT:								
Loans and financing (i)	45,461	45,461	25,438	25,438	458,188	458,188	445,647	445,647
Suppliers	218	218	138	138	197,618	197,618	233,202	233,202
Derivative instruments (ii)	-	-	-	-	-	-	17,967	17,967
Related parties – noncontrolling	-	-	-	-	-	-	20,000	20,000
Noneconomic lease	-	-	-	-	13,736	13,736	5,252	5,252
Other accounts payable	6,736	6,736	1,889	1,889	76,900	76,900	61,997	61,997
NONCURRENT:								
Long-term liabilities:								
Loans and financing (i)	-	-	-	-	349,124	349,124	529,479	529,479
Noneconomic lease	-	-	-	-	11,724	11,724	8,720	8,720
Related parties	424	424	-	-	164	164	-	-
Government concessions	-	-	-	-	49,859	49,859	68,847	68,847
Other obligations	405	405	-	-	26,744	26,744	18,222	18,222

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

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

Considering that the remaining financial instruments have short-term maturities, 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 yearly 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 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	2012	2011
Investments	46,954	51,226
Subsidiaries' obligations (SGUS)	(37,101)	(42,669)
	------------	------------
	9,853	8,557
In equivalent thousands of US Dollars	4,821	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	2012	2011
Cash and cash equivalents	2,907	15,381
Accounts receivable	75,018	63,933
Suppliers	(3,790)	(7,867)
Loans and financing	-	(59,614)
Related parties	123,082	117,674
Total exposure in Brazilian Reais	197,217	129,507
Total exposure in equivalent thousands of US Dollars	96,510	69,041

The sensitivity analysis of non-derivative financial instruments, considering the US Dollar denominated cash flows, as of December 31, 2012, is shown below:

		Exposure value	Scenarios		
Maturity	Risk	US$ thousands	Probable	II	III
2013	US Dollar depreciation	36,279	530	(18,136)	(36,803)
2015	US Dollar depreciation	60,231	24,013	(12,761)	(49,534)
		96,510	24,543	(30,897)	(86,337)

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 US Dollar exchange rates and comparing to the US Dollar exchange rate at the end of the current year. Scenarios II and III reflect 25% and 50% deterioration of future US Dollar exchange rates, respectively.

The future US 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 2012, the Company had no results with this type of derivatives. In 2011, derivative instruments related to foreign exchange risk resulted in an expense of R$11,868 recorded in “Exchange variation, net”.

d.4 – Commodities price risk (cotton)--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)	
	2012	2011	2012	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 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 2011, an expense of R$32,017 of which, R$3,749 accounted under "Exchange variation, net" and R$28,268 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	2012		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.	12,500	-	-	-	-
Swap contracts (b) -- Liability position: 91% of CDI Asset position: US$ + 2.4% to 2.7% Counterparty: Banco do Brasil S.A. Maturity: Jun/2012	20,450	-	-	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: Jun/2012	35,575	-	-	6,996	6,996
	68,525	-	-	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 December 31, 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 US 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 2012, there was an income of R$3,038, while in 2011 the results from such derivative was income of R$11,225.

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:

		2012		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	6,967	206,967	7,827	207,827
Swap Agreement-- Interest: 106.5% of CDI Counterparty: Banco do Brasil S.A. Maturity: April/2014	40,000	1,577	41,577	-	-
Swap Agreement-- Interest: 117.7% of CDI Counterpart: Banco Itaú BBA S.A. Maturity: October/2014	200,000	5,730	205,730	9,389	209,389
	440,000	14,274	454,274	17,216	417,216

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of December 31, 2012, is as follows:

			Scenarios		
Maturity	Risk	Principal average balance	Probable	II	III
2013	CDI increase	340,000	(23,365)	(30,416)	(36,632)
2014	CDI increase	146,667	(10,058)	(14,460)	(17,448)

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's financial liabilities, according to their cash flows, based on their approximate maturity date, and using nominal contractual interest rates, are summarized as follows:

		Estimated settlement			
Contractual obligations	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Loans and financing	823,222	452,782	338,659	28,791	2,990
Suppliers	191,617	191,617	-	-	-
Related parties	164	-	164	-	-
	1,015,003	644,399	338,823	28,791	2,990

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 year covered by these financial statements.

The Company's net debt is as follows:

	Company		Consolidated	
	2012	2011	2012	2011
Loans and financing	45,461	25,438	807,312	975,126
Derivatives instruments	-	-	-	6,742
Cash and cash equivalents	(1,264)	(2,364)	(148,193)	(185,878)
Marketable securities	-	(9,928)	(38,170)	(44,148)
Total net debt	44,197	13,146	620,949	751,842
Total equity	1,062,366	1,217,383	1,651,192	1,708,293
Total net debt and equity	1,106,563	1,230,529	2,272,141	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 subsidiary SGPSA'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 December 31, 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 operating decisions are always consolidated. There are no specific operating units for each category of goods sold. The Company presents below the information by segment (expressed in millions of Reais):

	2012 – Consolidated				
	Wholesale	Retail	Denim	Others (*)	Total
Net revenues	1,458.2	224.7	371.6	(9.3)	2,045.2
Cost of goods sold	(1,168.4)	(112.5)	(274.2)	9.3	(1,545.8)
Gross profit	289.8	112.2	97.4	-	499.4
Selling, general and administrative expenses	(207.0)	(147.3)	(51.4)	(28.7)	(434.4)
Equity in subsidiaries	-	-	-	(15.2)	(15.2)
Others, net	72.4	(6.3)	6.3	(1.6)	70.8
Operating results	155.2	(41.4)	52.3	(45.5)	120.6
Financial results	(109.0)	(10.8)	(6.6)	21.4	(105.0)
Income (loss) before taxes	46.2	(52.2)	45.7	(24.1)	15.6
Depreciation and amortization	73.5	8.8	10.8	4.2	97.3
Total assets	2,268.8	205.4	324.9	320.2	3,119.3
Total liabilities	(1,163.1)	(93.6)	(79.9)	(131.5)	(1,468.1)
Total net assets	1,105.7	111.8	245.0	188.7	1,651.2

	2011 – Consolidated				
	Wholesale	Retail	Denim	Others (*)	Total
Net revenues	1,226.4	181.4	370.4	(39.2)	1,739.0
Cost of goods sold	(980.3)	(82.7)	(285.5)	39.2	(1,309.3)
Gross profit	246.1	98.7	84.9	-	429.7
Selling, general and administrative expenses	(187.2)	(95.2)	(49.3)	(24.0)	(355.7)
Equity in subsidiaries	-	-	-	0.1	0.1
Others, net	0.9	(1.0)	(1.0)	2.5	1.4
Operating results	59.8	2.5	34.6	(21.4)	75.5
Financial results	(98.0)	(9.3)	(6.5)	27.4	(86.4)
Income before taxes	(38.2)	(6.8)	28.1	6.0	(10.9)
Depreciation and amortization	73.7	4.4	9.7	2.2	90.0
Total assets	2,489.2	187.0	343.0	352.2	3,371.4
Total liabilities	(1,367.3)	(102.4)	(121.8)	(71.6)	(1,663.1)
Total net assets	1,121.9	84.6	221.2	280.6	1,708.3

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

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):

	2012			2011		
	Brazil	Other countries	Total	Brazil	Other countries	Total
Net revenues	1,354.2	691.0	2,045.2	1,249.7	489.3	1,739.0
Cost of goods sold	(953.9)	(591.9)	(1,545.8)	(898.3)	(411.0)	(1,309.3)
Gross profit	400.3	99.1	499.4	351.4	78.3	429.7
Selling, general and administrative expenses	(373.9)	(60.5)	(434.4)	(314.8)	(40.9)	(355.7)
Equity in subsidiaries	(15.2)	-	(15.2)	0.1	-	0.1
Other, net	(6.5)	77.3	70.8	(2.1)	3.5	1.4
Operating results	4.7	115.9	120.6	34.6	40.9	75.5
Financial results	(79.9)	(25.1)	(105.0)	(70.5)	(15.9)	(86.4)
Income (loss) before taxes	(75.2)	90.8	15.6	(35.9)	25.0	(10.9)
Depreciation and amortization	88.7	8.6	97.3	76.0	14.0	90.0

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: bedding, tabletop and bath, utility bedding, intermediate products, and others.

Sales information by category or product lines:

	Consolidated	
	2012	2011
Net sales (in millions of Reais):		
Bedding, tabletop and bath	755.6	675.6
Utility bedding	318.9	198.1
Intermediate products	590.2	575.2
Others	380.5	290.1
	2,045.2	1,739.0
Volume (thousands of metric tons):		
Bedding, tabletop and bath	35.9	33.8
Utility bedding	32.2	24.5
Intermediate products	54.6	49.1
	122.7	107.4

The Company had more than 13,000 active customers in December 31, 2012 and only one customer had sales concentration higher than 10% of net sales.

24. EXPENSES BY NATURE

The Company elected 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	
	2012	2011
Cost of raw materials, goods and services acquired from third parties	(1,594,477)	(1,707,412)
Employee benefits	(424,648)	(408,090)
INSS	(51,763)	(73,235)
Depreciation and amortization	(109,018)	(112,449)
Finished goods and working in process inventory variances	(74,804)	100,755
Exchange rate variances in inventories from foreign subsidiaries	11,301	19,415
Other costs and expenses	(101,534)	(84,493)
	(2,344,943)	(2,265,509)

By function:

	Consolidated	
	2012	2011
Continuing operations:		
Cost of goods sold	(1,545,753)	(1,309,275)
Selling expenses	(274,204)	(209,516)
General and administrative expenses	(150,269)	(135,219)
Management fees	(9,957)	(11,021)
Total continuing operations	(1,980,183)	(1,665,031)
Discontinued operations:		
Cost of goods sold	(325,349)	(528,075)
Selling expenses	(24,340)	(48,674)
General and administrative expenses	(15,071)	(23,729)
Total discontinued operations	(364,760)	(600,478)
	(2,344,943)	(2,265,509)

25. NET REVENUES

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

	Consolidated	
	2012	2011
OPERATING REVENUES:		
Gross sales	2,536,983	2,167,126
Sales deductions	(491,833)	(428,087)
NET REVENUES	2,045,150	1,739,039

26. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share was calculated as follows:

	Company	
	2012	2011
NET LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	(13,845)	(75,209)
NET LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	(88,874)	(184,546)
	(102,719)	(259,755)
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 LOSS PER SHARE - R$		
From continuing operations	(0.1188)	(0.6453)
From discontinued operations	(0.7625)	(1.5834)
Total	(0.8813)	(2.2287)

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

The Company does not have shares with dilutive potential. Therefore, the basic earnings per share equals the diluted earnings per share.

27. OTHER OPERATING INCOME (EXPENSES), NET

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

	Consolidated	
	2012	2011
Net gain on sale of intangible assets	75,715	-
Net gain on sale of property, plant and equipment held for sale	6,941	-
Actuarial gains and losses on employee benefit plans (*)	(7,268)	(5,028)
Others	(4,598)	6,396
	70,790	1,368

(*) See note 29 regarding the impact of the adoption of CPC 33R1 (IAS19R) in the financial statements beginning in January 1, 2013.

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 bedding, tabletop and 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) headquarters 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, was 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.

For comparative purposes, the consolidated statements of operations for the year ended December 31, 2011, are presented considering the discontinued operations.

The consolidated results of discontinued operations are presented below.

	Consolidated	
	2012	2011
Income (loss) from discontinued operations:		
Revenues	276,039	403,735
Expenses	(361,180)	(578,001)
Depreciation and amortization	(11,707)	(22,477)
Provision for losses in the sale of property, plant and equipment	-	(59,902)
Other restructuring costs (*)	(38,502)	(27,898)
Reversal of deferred tax liability – SGUS	-	14,900
Total discontinued operations	(135,350)	(269,643)
Total cash flow provided by (used in) discontinued operations:		
Operating results	(135,350)	(269,643)
Depreciation and amortization	11,707	22,477
Provision for losses in the sale of assets held for sale	-	59,902
Reversal of deferred tax liability – SGUS	-	(14,900)
Total cash used in discontinued operations	(123,643)	(202,164)

(*) Includes, mostly, additional provisions for unrecoverable lease costs and impairment on property, plant and equipment held for sale due to changes in market prices of those properties of subsidiary SGUS, recorded, mostly, in the 4th quarter of 2012.

During the year 2012, all measures were implemented for the adequacy of the remaining manufacturing facilities, and full availability of indirect subsidiary CSA’s facilities intended for the real estate development projects. CSA Management is negotiating with partners interested on the projects’ feasibility and is expecting the execution to begin in the next year.

For the year 2013, no expenses or transactions related to discontinued operations are expected.

29. IMPACTS OF THE ADOPTION OF CPC 33(R1) IN 2013

As determined by CPC and CVM, effective on or after January 1, 2013, actuarial gains and losses in employee benefit plans recognized in the statement of operations until December 31, 2012, will no longer flow through the statement of operations and will be recognized directly in equity as "Other comprehensive income." Below the Company presents the impact of this adoption in its statement of operations for 2012 quarters and for the years 2012 and 2011:

	Three-month periods ended:				Years:	
	03.31.2012	06.30.2012	09.30.2012	12.31.2012	2012	2011
NET REVENUES	457,784	486,624	560,233	540,509	2,045,150	1,739,039
COST OF GOODS SOLD	(339,645)	(368,461)	(430,974)	(406,673)	(1,545,753)	(1,309,275)
GROSS PROFIT	118,139	118,163	129,259	133,836	499,397	429,764
OPERATING INCOME (EXPENSES):						
Selling expenses	(62,027)	(67,419)	(69,087)	(75,671)	(274,204)	(209,516)
General and administrative expenses	(35,204)	(37,525)	(38,604)	(38,936)	(150,269)	(135,219)
Management fees	(2,338)	(2,267)	(2,165)	(3,187)	(9,957)	(11,021)
Equity in subsidiaries	1,114	(14,890)	(14,967)	13,577	(15,166)	102
Others, net	6,089	67,948	11,709	(7,688)	78,058	6,396
ADJUSTED INCOME FROM OPERATIONS	25,773	64,010	16,145	21,931	127,859	80,506
Financial expenses – interests	(26,548)	(18,526)	(21,007)	(20,173)	(86,254)	(74,582)
Financial expenses – bank charges and others	(12,153)	(12,785)	(14,159)	(10,632)	(49,729)	(42,914)
Financial income	6,464	8,802	5,766	9,933	30,965	37,820
Exchange variations, net	(1,141)	6,657	(1,445)	(4,077)	(6)	(6,711)
INCOME (LOSS) FROM OPERATIONS BEFORE TAXES ADJUSTED	(7,605)	48,158	(14,700)	(3,018)	22,835	(5,881)
Income and social contribution taxes:						
Current	(4,593)	(3,672)	(7,467)	(1,445)	(17,177)	(26,926)
Deferred	(149)	(322)	79	1,060	668	(67,254)
ADJUSTED NET INCOME (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	(12,347)	44,164	(22,088)	(3,403)	6,326	(100,061)
Actuarial gains and losses on employee benefit plans	421	466	468	(8,623)	(7,268)	(5,028)
NET INCOME (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS BEFORE ADJUSTMENTS	(11,926)	44,630	(21,620)	(12,026)	(942)	(105,089)

30. SUBSEQUENT EVENTS

Introduction:

On April 2 and November 5, 2012, the Company, its subsidiary SGPSA, its parent Wembley S.A. ("WSA") and the related party ENCORPAR - Empresa Nacional de Comércio, Rédito e Participações S.A. (“Encorpar”), disclosed material matter (“fato relevante”) communicating the relevant conditions of the proposed corporate reorganization.

Subsidiary SGPSA's capitalization process, in the amount of R$169,058, was completed on July 12, 2012, through the subscription and full payment of 56,352,576 new common shares.

Subsequent events:

On February 5, 2013, the Voluntary Public Tender Offer for Acquisition of 5,000,000 common shares of subsidiary SGPSA was completed by the Company, in the amount of R$3.00 per share.

On February 20, 2013, an Extraordinary General Meeting was held which approved the incorporation of Encorpar Investimentos Ltda, with the issuance of 24,488,517 new common shares with voting rights.

At the same meeting, it was also approved the creation of class "B" preferred shares, without voting rights, with fewer benefits than those existing heretofore, and redeemed automatically on a established date, against delivery of common shares of SGPSA, corporation controlled by the Company. The class "B" preferred shares, when issued, will be redeemable against delivery by the Company of 1.2 common shares for each of SGPSA's class "B" preferred shares. It will be issued up to 20,833,325 class "B" preferred shares.

On March 8, 2013, a Meeting of the Board of Directors of the Company was held, converting the total requests submitted representing 18,495,080 shares issued by the Company's into class "B" preferred shares; of the converted shares, 12,368,175 were common shares and 6,126,905 were preferred shares per the conversion requests submitted by the Company's shareholders.

At the same Board of Directors' Meeting, held on March 8, it was consigned the redemption of all the class "B" preferred shares, in exchange of 22,194,096 common shares of the subsidiary SGPSA at a ratio of 1.2 common shares issued by subsidiary SGPSA for each class "B" preferred share surrendered. The redemption was accomplished without reducing the Company's capital. Therefore, from this date on, and considering the above transactions, the Company became the owner of 52.92% of subsidiary SGPSA's capital (61.51% as of December 31, 2012).

A Voluntary Public Tender Offer for Acquisition of 4,000,000 common and preferred shares issued by the Company was completed, by Encorpar, on March 12, 2013, in the amount of R$3.60 per share.

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