COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

CNPJ/MF Nº 22.677.520/0001-76

NIRE 3130003731-2

Publicly Traded Company

MANAGEMENT DISCUSSION AND ANALISYS

Montes Claros, May 13, 2016 – Companhia de Tecidos Norte de Minas – COTEMINAS ("Company") is a Brazilian publicly-held company, based in Montes Claros – MG, and is 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 Securities, Commodities and Futures Exchange), under the codes "CTNM3" and "CTNM4".

The Company has two subsidiaries and two affiliated companies as major investments and assets, as follow:

Subsidiaries:

Springs Global Participações S.A. ("SGPSA") is the parent company of Coteminas S.A. and Springs Global US, Inc., which are focused on manufacturing operations of bed and bath linens. In 2009, SGPSA iniciated retail activities under the brand MMartan and, in 2011, under the brand Artex, which sell bedding, tabletop and bath products through the retail channel, managed by the subsidiary AMMO Varejo Ltda.

Companhia Tecidos Santanense is engaged in the textile and related industries, manufactures and sells clothing apparel, including professional uniforms, accessories and personal protective equipment for occupational safety.

Affiliated companies:

Cantagalo General Grains S.A. is a private company, based in São Paulo - SP, established on October 25, 2010, with the objective of growing soybeans, corn, cotton and other grains. It is also involved in agricultural commodities trading activities, through its subsidiary CGG Trading S.A., and has logistics assets (port terminals) for the export of grains.

Companhia Fiação e Tecidos Cedro e Cachoeira, based in Belo Horizonte - MG, was established on August 12, 1872. It is a publicly traded company, which operates in the textile and related industries, manufactures and sells clotinhg apparel, including professional uniforms, accessories and personal protective equipment for occupational safety.

The results arising from these two affiliates represented a negative impact of R$ 15.8 million in the Company´s consolidated result in the first quarter of 2016 (R$ 25.2 million in the first quarter of 2015), recorded as equity in subsidiaries and affiliated companies, without any impact on the Company’s cash flow.

Below are the individual comments of our subsidiaries Springs Global Participações and Companhia de Tecidos Santanense.

BM&FBOVESPA: SGPS3

Springs Global: EBITDA reaches R$ 63.5 million, with a 35.4% growth

São Paulo, April 19th, 2016 - Springs Global Participações S.A. (Springs Global), the Americas' largest company in bedding, tabletop and bath products, reported in the first quarter of 2016 (1Q16) growth of 9.9% in net revenue, which totaled R$ 602.6 million, and continued its course of margin expansion.

The highlights of Springs Global's performance in 1Q16 were:

- Net revenue of R$ 602.6 million, 9.9% higher than the first quarter of 2015 (1Q15)
- Gross margin of 26.3%, with a 1.3 percentage point (pp) expansion against 1Q15
- EBITDA[(a)] of R$ 63.5 million, with a year-over-year (yoy) increase of 35.4%
- EBITDA margin of 10.5%, against 8.6% in 1Q15
- Income from operations amounted to R$ 43.9 million, 65.7% higher yoy
- Net result negatively impacted by the Brazilian real devaluation against the US dollar, which resulted in net exchange rate variation of R$ 14.4 million in 1Q16 and a variation of R$ 35.7 million yoy
- EBITDA margin improvement in all business units
- Rebalancing of the capital structure with a new credit line of up to US$ 63 million, to be paid in five years, in the North America – Wholesale business unit
- Growth of 6.2% yoy in the average sell-out revenue per store in the business unit South America - Retail

in R$ million	1Q16 (A)	1Q15 (B)	(A)/(B) %
Gross revenue	726.7	662.4	9.7%
Net revenue	602.6	548.3	9.9%
Gross profit	158.5	137.0	15.7%
Gross Margin %	*26.3%*	*25.0%*	*1.3 p.p.*
EBITDA	**63.5**	**46.9**	**35.4%**
EBITDA Margin %	*10.5%*	*8.6%*	*2.0 p.p.*
Income from operations	**43.9**	**26.5**	**65.7%**
Number of stores	220	232	(5.2%)

Table 1 – Key financial indicators

The financial and operational information presented in this release, except when otherwise indicated, is in accordance with accounting policies adopted in Brazil, which are in accordance with international accounting standards (International Financial Reporting Standards – IFRS)

Revenue

The consolidated net revenue reached R$ 602.6 million in 1Q16, 9.9% higher than 1Q15, positively impacted by the exchange rate effect in the Company´s revenues in US dollars that more than offset lower sales volume.

We are increasing our market share in the Brazilian market, mainly due to the substitution of imported products, which lost their competitiveness as a result of the Brazilian real devaluation.

The South America – Wholesale business unit will increase its exports by substituting the imports of some Asian components of the North America – Wholesale business unit with Brazilian products. The long purchase cycle for retailers, which is approximately one year long, enables us to work on export opportunities to retailers for delivery in 2017 onwards.

South America represented 57% of total revenue in 1Q16, while North America represented 43% of total revenue.

The Bedding, Tabletop and Bath ("CAMEBA")[b] line was responsible for 46% of 1Q16 revenue, the utility bedding line[c] for 34%, and intermediate products[d] for 10%.

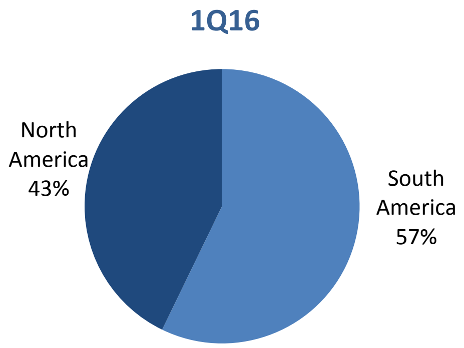


Chart 1 – Revenue per region

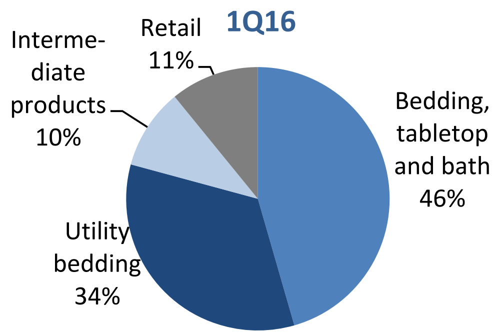


Chart 2 – Revenue per product line

Costs and Expenses

The cost of goods sold (COGS) was R$ 444.1 million in 1Q16, with a yoy increase of 8.0%, and represented 73.7% of net revenue.

The main raw materials are cotton and polyester that, together with chemicals, packaging and trims, are included in materials costs, which amounted to R$ 287.3 million in 1Q16, with a 12.0% yoy expansion, mainly due to exchange rate.

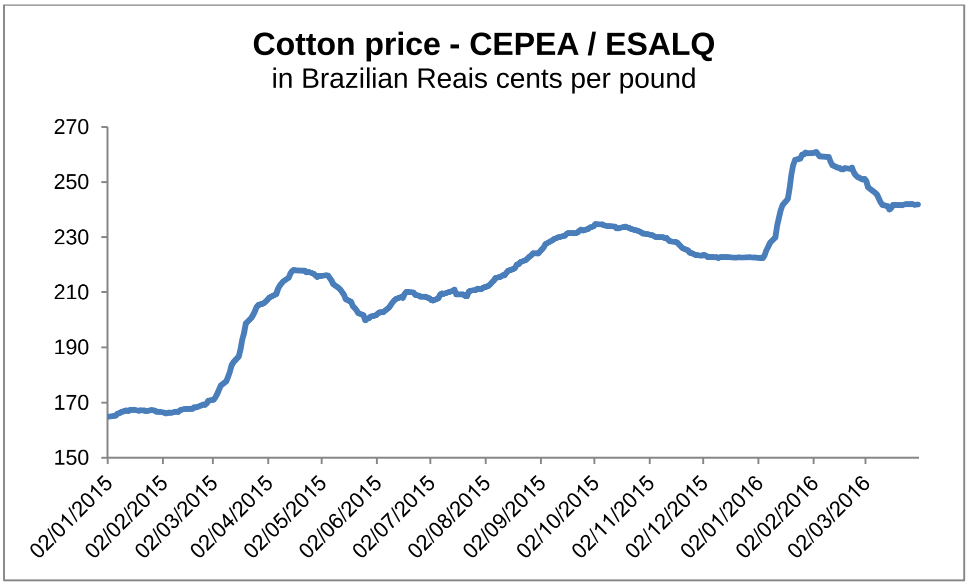
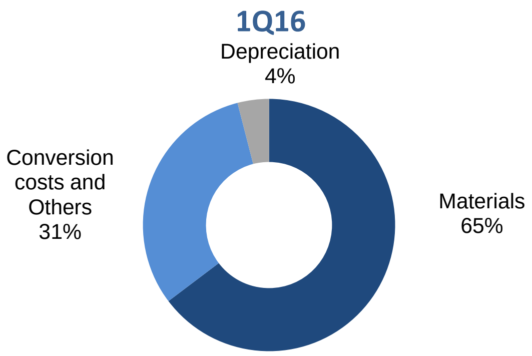


Chart 3 – Cotton price, source CEPEA

The conversion of raw materials into finished goods requires, mainly, labor, electricity and other utilities, designated as conversion costs and others, that reached R$ 138.9 million in 1Q16, with a 2.2% yoy increase. Due to their nature, these costs are impacted by economy of scale, being diluted when capacity utilization increases.

Depreciation costs of production and distribution assets totaled R$ 17.9 million in 1Q16, with a decrease of 5.3% yoy.



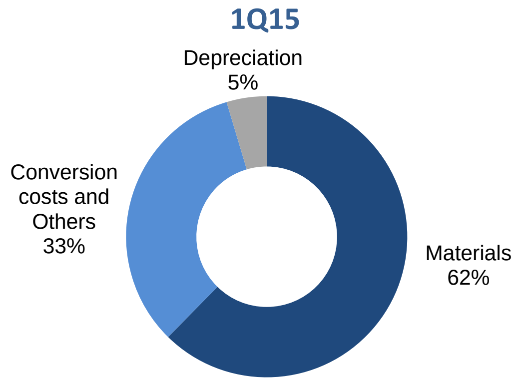
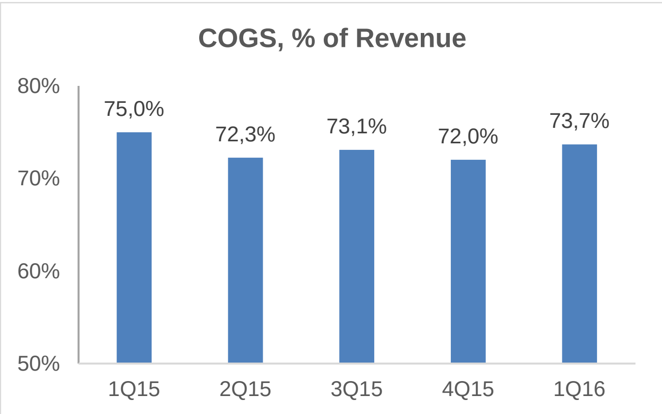


Chart 4 – COGS breakdown

Regarding operational expenses, selling expenses reached R$ 72.4 million, representing 12.0% of net revenue, with a yoy decline of 1.7 pp. General and administrative expenses (G&A) amounted to R$ 36.3 million, equivalent to 6.0% of net revenue, in line with the value of the same period in the previous year.



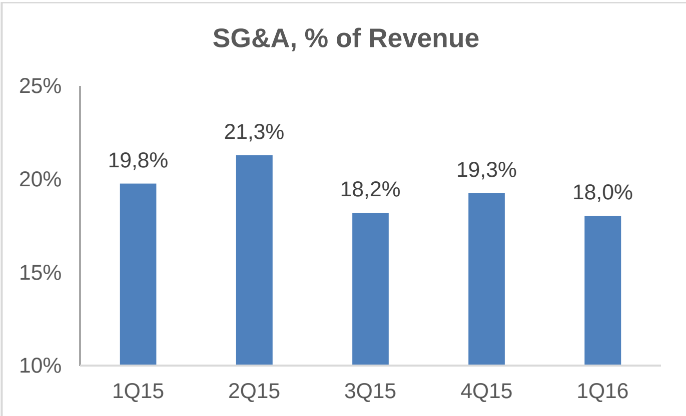


Chart 5 – COGS and SG&A, as % of net revenue

EBITDA

Cash generation, as measured by EBITDA, reached R$ 63.5 million in 1Q16, with a 35.4% yoy expansion. The increase of R$ 21.5 million in gross profit more than offset the growth of operational expenses (R$ 4.1 million) and the decline of depreciation (R$ 0.9 million). EBITDA margin was 10.5% in 1Q16, against 8.6% in 1Q15.

In the last twelve months ended on March 31, 2016, LTM EBITDA reached R$ 249.6 million.

Profit

Gross profit totaled R$ 158.5 million in 1Q16, with gross margin of 26.3%. There was a 15.7% growth in gross profit, leveraged by the increase in revenue and by the 1.3 pp expansion in gross margin.

The financial result was a negative R$ 64.1 million in 1Q16, against a negative R$ 20.9 million in 1Q15, mainly due to a decline of R$ 35.7 million yoy in net exchange rate variations in the Company's assets denominated in US dollars.

The financial income increased by R$ 1.0 million, while financial expenses – interest expenses – grew by R$ 6.8 million, due to the higher SELIC rate, the Brazilian reference interest rate. Bank charges, taxes, discounts and others grew R$ 1.8 million yoy.

The balance of exchange rate variation was negative R$ 14.4 million in 1Q16, reflecting the devaluation of the Brazilian real in the assets in US dollars, against positive R$ 21.3 million in 1Q15.

The financial result impacted negatively the net result in 1Q16, totaling a loss of R$ 22.2 million, against net income of R$ 6.6 million in 1Q15. It is important to highlight that this result should be reverted during the fiscal year.

The majority of our Brazilian manufacturing units has federal and state tax incentives that expire on different dates, from the end of 2016 until the end of 2021, respectively. Moreover, we continued to benefit from payroll tax relief, with a rate of 2.5% of sales in 1Q16, versus 1.0% in 1Q15.

Capex and Working Capital

Capital expenditures (Capex) totaled R$ 21.5 million in 1Q16, mainly focused on asset modernization and preparation of export production lines in the Company´s manufacturing facilities.

The working capital needs amounted to R$ 1,022.2 million at the end of 1Q16, practically stable quarter-over-quarter (qoq). The requests for extension of due dates of invoices from Brazilian clients that do not offer credit risk led to an increase of accounts receivable in the South America – Wholesale business unit.

We have maintained a conservative approach related to credit concession to Brazilian clients, a fact that limits, in some level, the sales in the South America – Wholesale business unit.

We expect a continued reduction in the Company´s working capital due to the conversion of owned to franchised stores and to the increase of the share of Brazilian products in our collections.

In 2015, 13 stores were converted and the conversion process will continue in 2016, which, among other benefits, will enable the reduction of working capital.

Additionally, increasing the nationalization of our collections, mainly in the brands that serve the monobrand retail segment, will enable us to work with lower stock of finished goods.

Debt indicators

We continue reducing our leverage, as measured by net debt/LTM EBITDA, which was 3.3x by the end of 1Q16. Moreover, we are confident that this ratio will be below 3.0x by the end of the fiscal year of 2016.

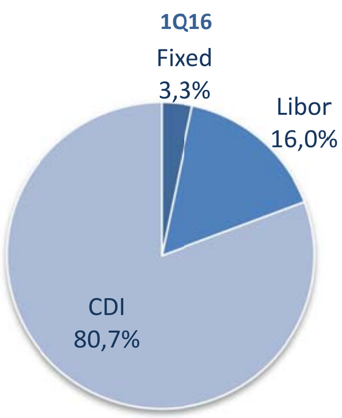


Chart 6 – Debt per index

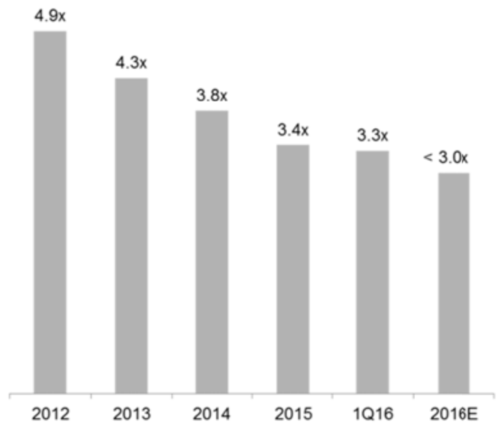
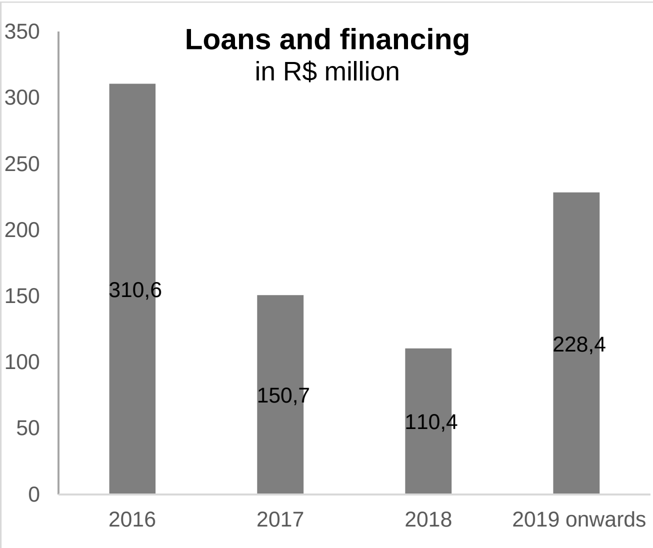


Chart 7 – Net Debt / LTM EBITDA



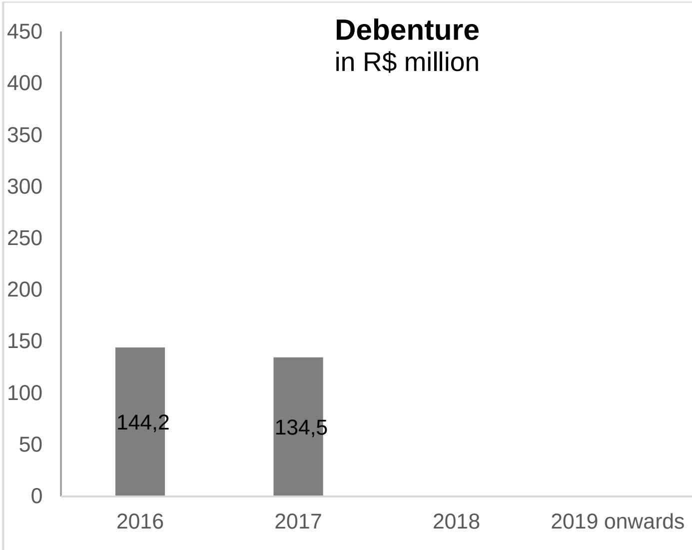


Chart 8 – Debt Amortization Schedule

In this quarter, we rebalanced our capital structure with a new credit line of up to US$ 63 million, to be paid in five years, in the North America – Wholesale business unit. As a result, we increased the ratio of cash and marketable securities/short-term debt from 0.3 to 0.5, between the quarters. Moreover, our short term debt declined 9.6% qoq.

The net debt[(e)], which was R$ 834.7 million as of March 31, 2016, increased temporarily in this quarter due to capex disbursements aiming to leverage the Company´s exports and to postponement of the due date of invoices from some selected clients with good credit ratings in the South America – Wholesale business unit.

The improvement of our operating income and, as a result, our cash generation will allow, at the same time, the decrease of net debt and the increase of EBITDA, contributing to the reduction of the indicator Net debt/EBITDA, which should be below 3.0x by the end of the 2016 fiscal year.

Tables

Table 2 – Net revenue per product line

	Net Revenue (R$ million)			Volume (tons)			Average price (R$)/Kg		
Product Lines	**1Q16 (A)**	**1Q15 (B)**	**(A)/(B) %**	**1Q16 (C)**	**1Q15 (D)**	**(C)/(D) %**	**1Q16 (E)**	**1Q15 (F)**	**(E)/(F) %**
Bedding, tabletop and bath	274.2	279.7	(2.0%)	8,656	9,820	(11.9%)	31.7	28.5	11.1%
Utility bedding	206.3	156.2	32.1%	10,737	10,897	(1.5%)	19.2	14.3	34.4%
Intermediate products	58.4	49.1	18.9%	6,611	6,466	2.2%	8.8	7.6	16.2%
Retail	63.7	63.3	0.6%						
Total	**602.6**	**548.3**	**9.9%**	**26,004**	**27,183**	**(4.3%)**	**23.2**	**20.2**	**14.9%**

Table 3 – Cost of goods sold (COGS) and Sales, General and Administrative expenses (SG&A)

in R$ million	1Q16 (A)	%	1Q15 (B)	%	(A)/(B) %
Materials	287.3	64.7%	256.5	62.4%	12.0%
Conversion costs and Others	138.9	31.3%	135.9	33.0%	2.2%
Depreciation	17.9	4.0%	18.9	4.6%	(5.3%)
COGS	**444.1**	**100.0%**	**411.3**	**100.0%**	**8.0%**
COGS, % Revenues	**73.7%**		**75.0%**		*(1.3 p.p.)*
Sales expenses	72.4	66.6%	75.3	69.5%	(3.8%)
General and administrative expenses	36.3	33.4%	33.1	30.5%	9.7%
SG&A	**108.7**	**100.0%**	**108.4**	**100.0%**	**0.3%**
SGA, % Revenues	**18.0%**		**19.8%**		*(1.7 p.p.)*

Table 4 – Reconciliation of EBITDA

in R$ million	1Q16 (A)	1Q15 (B)	(A)/(B) %
Income (Loss)	(22.2)	6.6	n.a.
(+) Income and social contribution taxes	2.0	(1.1)	n.a.
(+) Financial results	64.1	20.9	206.9%
(+) Depreciation and amortization	19.6	20.5	(4.4%)
EBITDA	**63.5**	**46.9**	**35.4%**

Table 5 – Financial Results

in R$ million	1Q16 (A)	1Q15 (B)	(A)/(B) %
Financial income	6.3	5.3	18.9%
Financial expenses - interests	(39.2)	(32.4)	21.1%
Financial expenses - bank charges and others	(16.9)	(15.1)	11.7%
Exchange rate variations, net	(14.4)	21.3	n.a.
Financial results	**(64.1)**	**(20.9)**	**206.9%**

Table 6 – Working Capital

in R$ million	1Q16 (A)	4Q15 (B)	1Q15 (C)	(A)/(B) %	(A)/(C) %
Accounts receivable	528.9	508.8	517.6	4.0%	2.2%
Inventories	588.5	658.0	624.7	(10.6%)	(5.8%)
Advances to suppliers	40.6	39.5	49.7	3.0%	(18.2%)
Suppliers	(135.9)	(152.2)	(192.8)	(10.7%)	(29.5%)
Working capital	**1,022.2**	**1,054.1**	**999.2**	**(3.0%)**	**2.3%**

Table 7 – Indebtedness

in R$ million	1Q16 (A)	4Q15 (B)	1Q15 (C)	(A)/(B) %	(A)/(C) %
Loans and financing	800.2	689.7	584.7	16.0%	36.9%
- Domestic currency	602.5	602.7	522.7	(0.0%)	15.3%
- Foreign currency	197.7	87.0	62.0	127.2%	218.8%
Debentures	278.7	268.3	274.4	3.9%	1.6%
Total Debt	**1,078.9**	**958.1**	**859.1**	**12.6%**	**25.6%**
Cash and marketable securities	(244.2)	(171.8)	(132.1)	42.1%	84.9%
Net debt	**834.7**	**786.2**	**727.0**	**6.2%**	**14.8%**

Glossary

(**a) EBITDA** - EBITDA is a non-accounting measurement which we prepare and which is reconciled with our financial statement in accordance with CVM Instruction 01/2007, when applicable. We have calculated our EBITDA (usually defined as earnings before interest, tax, depreciation and amortization) as net earnings before financial results, the effect of depreciation of our plants, equipment and other permanent assets and the amortization of intangible assets. EBITDA is not a measure recognized under BR GAAP, IFRS or US GAAP. It is not significantly standardized and cannot be compared to measurements with similar names provided by other companies. We have reported EBITDA because we use it to measure our performance. EBITDA should not be considered in isolation or as a substitute for "net income" or "operating income" as indicators of operational performance or cash flow, or for the measurement of liquidity or debt repayment capacity.

(b) Bedding, Tabletop and Bath ("CAMEBA") line - includes bed sheets and pillow cases, sheet sets, tablecloths, towels, rugs and bath accessories.

(c) Utility bedding line - includes pillows, mattress pads and quilts.

(d) Intermediate products - yarns and fabrics, in their natural state or dyed and printed, sold to small and medium-sized clothing, knitting and weaving companies.

(e) Net debt – Gross debt minus cash and marketable securities.

Balance sheet

in R$ million	1Q16	4Q15	1Q15
Assets			
Current assets	**1,481.1**	**1,453.2**	**1,390.3**
Cash and cash equivalents	227.4	149.9	130.5
Marketable securities	1.8	2.0	1.6
Financial instruments	15.0	19.9	-
Accounts receivable	528.9	508.8	517.6
Inventories	588.5	658.0	624.7
Advances to suppliers	40.6	39.5	49.7
Recoverable taxes	29.2	31.4	43.4
Receivable - sale of property	11.7	8.3	-
Other receivables	37.9	35.4	22.8
Noncurrent assets	**1,159.9**	**1,145.1**	**1,133.6**
Long-term assets	**259.9**	**229.1**	**161.2**
Receivable - sale of property	39.2	40.9	-
Related parties	32.7	23.5	17.4
Recoverable taxes	9.6	3.6	4.5
Deferred income and social contribution taxes	58.2	58.3	65.1
Property, plant and equipment held for sale	53.9	59.1	48.5
Escrow deposits	20.3	20.5	18.0
Others	46.0	23.2	7.7
Permanent	**900.0**	**916.0**	**972.4**
Other investments	2.0	3.9	2.3
Property, plant and equipment	775.3	784.9	844.6
Intangible assets	122.7	127.2	125.5
Total assets	**2,641.0**	**2,598.3**	**2,523.9**

in R$ million	1Q16	4Q15	1Q15
Liabilities and Equity			
Current liabilities	**778.2**	**850.7**	**777.4**
Loans and financing	336.0	396.7	425.8
Debenture	144.2	134.5	7.5
Financial instruments	-	-	-
Suppliers	135.9	152.2	192.8
Taxes	16.6	17.3	7.9
Payroll and related charges	52.0	55.1	53.3
Government concessions	18.1	18.3	16.6
Noneconomic leases	6.4	7.0	5.2
Other payables	68.8	69.5	68.3
Noncurrent liabilities	**823.8**	**668.7**	**653.8**
Loans and financing	464.2	293.0	158.9
Debenture	134.5	133.8	266.9
Noneconomic leases	19.4	20.6	16.5
Related parties	0.1	0.1	-
Government concessions	49.5	49.0	48.0
Employee benefit plans	117.8	131.7	119.7
Miscellaneous accruals	22.8	23.3	22.7
Other obligations	15.5	17.1	21.1
Equity	**1,039.1**	**1,079.0**	**1,092.7**
Capital	1,860.3	1,860.3	1,860.3
Capital reserves	79.4	79.4	79.4
Assets and liabilities valuation adjustment	(33.6)	(33.5)	(40.3)
Cumulative translation adjustment	(260.0)	(248.1)	(210.2)
Earnings reserves	25.2	25.2	25.2
Accumulated deficit	(640.7)	(614.7)	(630.6)
Noncontrolling interest	8.6	10.5	8.9
Total liabilities and equity	**2,641.0**	**2,598.3**	**2,523.9**

Income Statement

in R$ million	1Q16 (A)	4Q15 (B)	1Q15 (C)	(A)/(B) %	(A)/(C) %
Gross revenues	726.7	715.4	662.4	1.6%	9.7%
Net revenues	**602.6**	**609.3**	**548.3**	**(1.1%)**	**9.9%**
Cost of goods sold	**(444.1)**	**(438.9)**	**(411.3)**	**1.2%**	**8.0%**
% of net sales	*73.7%*	*72.0%*	*75.0%*	*1.7 p.p.*	*(1.3 p.p.)*
Materials	(287.3)	(279.5)	(256.5)	2.8%	12.0%
Conversion costs and others	(138.9)	(141.9)	(135.9)	(2.1%)	2.2%
Depreciation	(17.9)	(17.5)	(18.9)	2.3%	(5.3%)
Gross profit	**158.5**	**170.4**	**137.0**	**(7.0%)**	**15.7%**
% Gross Margin	*26.3%*	*28.0%*	*25.0%*	*(1.7 p.p.)*	*1.3 p.p.*
SG&A	**(108.7)**	**(117.4)**	**(108.4)**	**(7.4%)**	**0.3%**
% of net sales	*18.0%*	*19.3%*	*19.8%*	*(1.2 p.p.)*	*(1.7 p.p.)*
Selling expenses	(72.4)	(73.9)	(75.3)	(2.0%)	(3.8%)
% of net sales	*12.0%*	*12.1%*	*13.7%*	*(0.1 p.p.)*	*(1.7 p.p.)*
General and administrative expenses	(36.3)	(43.5)	(33.1)	(16.6%)	9.7%
% of net sales	*6.0%*	*7.1%*	*6.0%*	*(1.1 p.p.)*	*(0.0 p.p.)*
Others, net	**(5.9)**	**(16.9)**	**(2.1)**	**(65.2%)**	**180.0%**
% of net sales	*(1.0%)*	*(2.8%)*	*(0.4%)*	*1.8 p.p.*	*(0.6 p.p.)*
Income from operations	**43.9**	**36.0**	**26.5**	**21.8%**	**65.7%**
% of net sales	*7.3%*	*5.9%*	*4.8%*	*1.4 p.p.*	*2.5 p.p.*
Financial result	(64.1)	(20.8)	(20.9)	208.9%	206.9%
Profit (Loss) before taxes	**(20.2)**	**15.3**	**5.5**	**n.a.**	**n.a.**
Income and social contribution taxes	(2.0)	(15.1)	1.1	(86.9%)	n.a.
Net income (loss)	**(22.2)**	**0.2**	**6.6**	**n.a.**	**n.a.**

Cash Flow Statement

in R$ million	1Q16	1Q15
Cash flows from operating activities		
Net income (loss) for the period	(22.2)	6.6
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	19.6	20.5
Income and social contribution taxes	2.0	(1.1)
(Gain) loss on disposal of property, plant and equipment and intangibles	1.4	(3.2)
Reversal of impairment losses of property, plant and equipment	-	-
Exchange rate variations	6.3	(16.9)
Bank charges and interests	33.9	26.1
	41.0	**32.1**
Changes in assets and liabilities		
Marketable securities	-	(0.3)
Accounts receivable	(48.3)	4.9
Inventories	48.8	(35.1)
Advances to suppliers	(1.6)	(3.1)
Suppliers	1.7	25.7
Others	(31.9)	18.9
Net cash provided by (used in) operating activities	**9.7**	**43.2**
Interest paid	(26.5)	(3.0)
Income and social contribution taxes paid	0.3	(0.9)
Net cash provided by (used in) operating activities after interest and taxes	**(16.4)**	**39.3**
Cash flows from investing activities		
Acquisition of permanent investments	-	-
Acquisition of property, plant and equipment	(21.5)	(13.0)
Acquisition of intangible assets	-	-
Disposal of property, plant and equipment	2.0	5.6
Loans between related parties	(1.6)	(0.6)
Net cash provided by (used in) investing activities	**(21.1)**	**(7.9)**
Cash flows from financing activities		
Proceeds from new loans	319.5	45.1
Issuance of debenture	-	-
Repayment of loans	(200.4)	(78.8)
Net cash provided by (used in) financing activities	**119.1**	**(33.7)**
Effect of exchange rate changes on cash and cash equivalents in foreign currencies	(4.2)	3.2
Increase (decrease) in cash and cash equivalents	**77.5**	**0.9**
Cash and cash equivalents:		
At the beginning of the period	149.9	129.6
At the end of the period	227.4	130.5

Companhia Tecidos Santanense

CNPJ/MF n° 21.255.567/0001-89

Publicly Traded Company

Dear Shareholders,

We submit for your consideration the interim financial statements for the first quarter of 2016, accompanied by report on the review of the interim financial statements of the Independent Auditors.

Santanense´s gross revenue amounted to R$ 110.4 million in the first quarter of 2016. The following table presents the financial highlights in the period, compared to the same period last year.

Consolidated Financial Highlights	R$ ´000		Variation %
	1Q16	1Q15	
Gross revenue	110,443	119,988	(8.0)
Net revenue	87,757	96,559	(9.1)
Cost of goods sold	(76,745)	(79,753)	(3.8)
Gross profit	11,012	16,806	(34.5)
(% of net revenue)	*12.5%*	*17.4%*	
Selling, general and administrative expenses	(12,285)	(14,713)	(16.5)
EBITDA	1,782	4,882	(63.5)

Net Revenue

Net revenue totaled R$ 87.8 million in the first quarter of 2016. Santanense´s net revenue decreased by 9.1% year-over-year (yoy), due to lower sales volume.

Special effort is being devoted to exports in order to offset lower demand in the domestic market.

Cost of goods sold

Santanense presented gross margin of 12.5% in the first quarter of 2016, compared to 17.4% in the same period in 2015. Lower sales volume resulted in lower production volume and, as a result, a lower absorption of fixed costs. This fact continues to severely impact margins.

Selling, general and administrative expenses

Selling, general and administrative expenses presented a decline due to lower variable sales expenses. There was also a reduction in fixed expenses.

Operating income

Operating income was a loss of R$ 1.1 million in the first quarter of 2016, due to lower sales volume and higher production costs, as previously explained.

Financial result, net

In the first quarter of 2016, the net financial result was an expense of R$ 0.3 million, compared to an expense of R$ 3.2 million in the same period last year. The appreciation of the Brazilian Real in this quarter led to a favorable exchange variation, since the Company's debt in US dollars (ACC) compensated the negative impact of higher interest rate in the Company´s financial result.

	R$ million	
Financial result	**1Q16**	**1Q15**
Financial expenses - interests	(3.7)	(2.9)
Bank charges, discounts	(0.6)	(0.9)
Financial income	0.9	0.9
Exchange variation, net	3.1	(0.3)
Financial result, net	**(0.3)**	**(3.2)**

Working Capital

Working capital increased from R$ 79.8 million on December 31, 2015 to R$ 82.7 million on March 31, 2016. The current ratio was 1.57, which means that for each R$1.00 in short-term liabilities, Santanense had R$1.57 in short-term assets.

Montes Claros – MG, May 9, 2016.

Management

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

Companhia de Tecidos Norte de Minas - COTEMINAS

Individual and Consolidated Interim Financial Information for the Three-month Period Ended March 31, 2016 and Report on Review of Interim Financial Information

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Companhia de Tecidos Norte de Minas - COTEMINAS (the "Company"), identified as Parent and Consolidated, respectively, included in the Interim Financial Information Form (ITR), for the three-month period ended March 31, 2016, which comprises the balance sheet as of March 31, 2016 and the related statements of operations, comprehensive income, changes in equity and cash flows for the three-month period then ended, including the explanatory notes.

The Company's Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with technical pronouncement CPC 21 (R1) - Interim Financial Information and international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion on interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the Interim Financial Information (ITR) referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, applicable to the preparation of Interim Financial Information (ITR), and presented in accordance with the standards issued by CVM.

Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added ("DVAs") for the three-month period ended March 31, 2015, prepared under the responsibility of the Company's Management, the presentation of which is required by the standards issued by CVM applicable to the preparation of Interim Financial Information (ITR) and considered supplemental information for International Financial Reporting Standards - IFRSs, which do not require the presentation of the DVA. These statements were subject to the same review procedures described above, and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the individual and consolidated interim financial information taken as a whole.

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

São Paulo, May 11, 2016

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Roberto Wagner Promenzio
Engagement Partner

2016-0071.DOCX

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

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF MARCH 31, 2016 AND DECEMBER 31, 2015

(In thousands of Brazilian Reais)

A S S E T S

		Company		Consolidated	
	Note	03.31.2016	12.31.2015	03.31.2016	12.31.2015
CURRENT:					
Cash and cash equivalents	3	414	470	267,179	193,668
Marketable securities	4	-	-	61,147	68,588
Financial Instruments	22.d.3	-	-	14,980	19,882
Accounts receivable	5	-	-	625,555	590,330
Inventories	6	-	-	686,517	765,828
Advances to suppliers		99	99	46,379	45,559
Recoverable taxes	17.d	3,424	3,294	40,304	42,175
Receivable – sale of property	16	-	-	11,747	8,318
Real estate held for sale		-	-	3,054	3,054
Other receivables		357	200	41,912	40,489
Total current assets		4,294	4,063	1,798,774	1,777,891
NONCURRENT:					
Long-term assets:					
Recoverable taxes	17.d	13,953	13,953	35,068	29,248
Deferred income and social contribution taxes	17.c	8,629	8,629	86,751	86,371
Related parties	15	151,428	149,300	81,759	68,045
Receivable – sale of property	16	-	-	39,182	40,899
Property, plant and equipment held for sale	8.b	-	-	53,904	59,132
Escrow deposits	18	27,871	27,877	56,678	57,113
Other credits and receivables		2,061	2,061	17,880	11,686
		203,942	201,820	371,222	352,494
Investments in subsidiaries	7.a	698,486	722,892	-	-
Investments in affiliated companies	7.a	96,862	111,671	99,530	114,802
Other investments		3,088	3,088	9,289	11,531
Property, plant and equipment	8.a	6,813	6,813	933,993	945,071
Intangible assets	9	2	2	122,739	127,204
Total noncurrent assets		1,009,193	1,046,286	1,536,773	1,551,102
Total assets		1,013,487	1,050,349	3,335,547	3,328,993

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF MARCH 31, 2016 AND DECEMBER 31, 2015

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

	Note	Company		Consolidated	
		03.31.2016	12.31.2015	03.31.2016	12.31.2015
LIABILITIES					
CURRENT:					
Loans and financing	12	90,063	95,800	547,997	629,882
Debenture	13	-	-	144,230	134,484
Suppliers	11	161	32	160,359	163,232
Payroll and related charges		763	684	62,222	63,854
Taxes		1	-	16,858	17,943
Income and social contribution taxes		-	-	8,450	9,013
Government concessions	20	-	-	18,115	18,337
Noneconomic leases	10	-	-	6,423	7,048
Other payables		13,074	13,095	66,322	65,952
Total current liabilities		104,062	109,611	1,030,976	1,109,745
NONCURRENT:					
Loans and financing	12	-	-	483,930	313,143
Debenture	13	-	-	134,483	133,848
Noneconomic leases	10	-	-	19,382	20,607
Related parties	15	26,406	23,951	388	360
Government concessions	20	-	-	49,531	49,044
Employee benefit plans	19	-	-	117,843	131,729
Miscellaneous accruals	18	12,293	12,303	41,614	42,651
Deferred income and social contribution taxes	17.c	6,139	8,078	11,023	13,012
Other obligations		33,476	18,532	13,572	15,202
Total noncurrent liabilities		78,314	62,864	871,766	719,596
EQUITY:	14				
Capital		882,236	882,236	882,236	882,236
Capital reserves		209,701	209,701	209,701	209,701
Cumulative translation adjustment		(107,918)	(101,291)	(107,918)	(101,291)
Assets and liabilities valuation adjustment		4,357	4,563	4,357	4,563
Accumulated deficit		(157,265)	(117,335)	(157,265)	(117,335)
Total equity attributable to the owners of the Company		831,111	877,874	831,111	877,874
NON-CONTROLLING INTERESTS	7.b	-	-	601,694	621,778
Total equity		831,111	877,874	1,432,805	1,499,652
Total liabilities and equity		1,013,487	1,050,349	3,335,547	3,328,993

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(In thousands of Brazilian Reais)

		Company		Consolidated	
	Note	03.31.2016	03.31.2015	03.31.2016	03.31.2015
NET REVENUES	24	-	-	686,747	637,570
COST OF GOODS SOLD	23	-	-	(517,235)	(483,756)
GROSS PROFIT		-	-	169,512	153,814
OPERATING INCOME (EXPENSES):					
Selling expenses	23	-	-	(79,149)	(84,188)
General and administrative expenses	23	(1,957)	(5,380)	(41,568)	(42,278)
Management fees	23	(397)	(370)	(2,957)	(2,620)
Equity in subsidiaries and affiliated companies	7.a	(30,680)	(20,023)	(15,801)	(25,221)
Others, net		-	(138)	(6,551)	(2,097)
INCOME (LOSS) FROM OPERATIONS		(33,034)	(25,911)	23,486	(2,590)
Financial expenses – interests		(4,698)	(3,893)	(46,344)	(38,708)
Financial expenses – bank charges and others		(893)	(701)	(15,115)	(14,449)
Financial income		6,605	4,472	8,035	10,132
Exchange rate variations, net		(8,148)	13,364	(19,399)	34,349
LOSS BEFORE TAXES		(40,168)	(12,669)	(49,337)	(11,266)
Income and social contribution taxes:					
Current	17.b	-	-	(2,010)	(561)
Deferred	17.b	1,939	(4,544)	2,437	(2,481)
NET LOSS FOR THE PERIOD		(38,229)	(17,213)	(48,910)	(14,308)
ATTRIBUTABLE TO:					
Owners of the Company				(38,229)	(17,213)
Non-controlling interests	7.b			(10,681)	2,905
				(48,910)	(14,308)
BASIC AND DILUTED LOSS PER SHARE — R$	25	(1.2478)	(0.5618)		

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(In thousands of Brazilian Reais)

	Company		Consolidated	
	03.31.2016	03.31.2015	03.31.2016	03.31.2015
NET LOSS FOR THE PERIOD	(38,229)	(17,213)	(48,910)	(14,308)
Other comprehensive income (loss):				
- Items that will impact the statements of operations:				
Exchange rate variations on foreign investments	(6,627)	12,283	(12,718)	13,040
	(6,627)	12,283	(12,718)	13,040
- Items that will not impact the statements of operations:				
Actuarial gains (losses) on pension plans	(88)	41	(166)	78
COMPREHENSIVE LOSS FOR THE PERIOD	(44,944)	(4,889)	(61,794)	(1,190)
ATTRIBUTABLE TO:				
Owners of the Company			(44,944)	(4,889)
Non-controlling interests			(16,850)	3,699
			(61,794)	(1,190)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2015

(In thousands of Brazilian Reais)

	Capital	Capital reserve	Cumulative translation adjustment	Assets and liabilities valuation adjustments	Accumulated deficit	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
		Tax incentives						
BALANCES AS OF DECEMBER 31, 2014	882,236	209,701	(100,127)	1,770	(25,462)	968,118	632,636	1,600,754
Deemed cost of affiliated company	-	-	-	(137)	137	-	-	-
Comprehensive loss:								
Net loss for the period	-	-	-	-	(17,213)	(17,213)	2,905	(14,308)
Exchange rate variations on foreign investments (note 2.1)	-	-	4,845	-	-	4,845	-	4,845
Impact of subsidiaries-								
Exchange rate variations on foreign investments (note 2.1)	-	-	7,438	-	-	7,438	757	8,195
Actuarial gain on pension plans	-	-	-	41	-	41	37	78
Total comprehensive loss	-	-	12,283	41	(17,213)	(4,889)	3,699	(1,190)
Owners' contribution (distribution):								
Loss on equity interest in affiliated company	-	-	-	-	(2,226)	(2,226)	-	(2,226)
Dividends paid by subsidiaries	-	-	-	-	-	-	(550)	(550)
Total owners' contribution (distribution)	-	-	-	-	(2,226)	(2,226)	(550)	(2,776)
BALANCES AS OF MARCH 31, 2015	882,236	209,701	(87,844)	1,674	(44,764)	961,003	635,785	1,596,788

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016

(In thousands of Brazilian Reais)

	Capital	Capital reserve Tax incentives	Cumulative translation adjustment	Assets and liabilities valuation adjustments	Accumulated deficit	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
BALANCES AS OF DECEMBER 31, 2015	882,236	209,701	(101,291)	4,563	(117,335)	877,874	621,778	1,499,652
Deemed cost of affiliated company	-	-	-	(118)	118	-	-	-
Comprehensive loss:								
Net loss for the period	-	-	-	-	(38,229)	(38,229)	(10,681)	(48,910)
Exchange rate variations on foreign investments (note 2.1)	-	-	(864)	-	-	(864)	-	(864)
Impact of subsidiaries-								
Exchange rate variations on foreign investments (note 2.1)	-	-	(5,763)	-	-	(5,763)	(6,091)	(11,854)
Actuarial loss on pension plans	-	-	-	(88)	-	(88)	(78)	(166)
	-----------	---------	-------------	------------	-------------	-------------	-------------	-------------
Total comprehensive loss	-	-	(6,627)	(88)	(38,229)	(44,944)	(16,850)	(61,794)
Owners' distribution:								
Purchase of indirect subsidiary's minority shares	-	-	-	-	(1,819)	(1,819)	(3,234)	(5,053)
	-----------	----------	------------	------------	------------	------------	------------	------------
Total owners' distribution	-	-	-	-	(1,819)	(1,819)	(3,234)	(5,053)
	-----------	-------------	--------------	------------	------------	------------	--------------	---------------
BALANCES AS OF MARCH 31, 2016	882,236	209,701	(107,918)	4,357	(157,265)	831,111	601,694	1,432,805
	======	======	=======	=======	=======	=======	========	========

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(In thousands of Brazilian Reais)

	Company		Consolidated	
	03.31.2016	03.31.2015	03.31.2016	03.31.2015
Cash flows from operating activities				
Net loss for the period	(38,229)	(17,213)	(48,910)	(14,308)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	22,386	23,091
Equity in subsidiaries and affiliated companies	30,680	20,023	15,801	25,221
Income and social contribution taxes	(1,939)	4,544	(427)	3,042
Loss on disposal of property, plant and equipment	-	-	2,109	(3,184)
Exchange rate variations	8,148	(11,947)	12,007	(24,198)
Bank charges and interests	740	2,090	38,926	31,381
	(600)	(2,503)	41,892	41,045
Changes in assets and liabilities				
Marketable securities	-	-	1,540	(7,140)
Accounts receivable	-	-	(63,437)	1,646
Inventories	-	-	58,658	(30,119)
Advances to suppliers	-	(85)	(1,697)	(3,674)
Suppliers	129	(31)	15,105	26,989
Others	(3,624)	(3,096)	(14,390)	25,556
Net cash provided by (used in) operating activities	(4,095)	(5,715)	37,671	54,303
Interest paid	(4,023)	(2,123)	(32,887)	(7,509)
Income and social contribution taxes paid	-	-	(1,041)	(947)
Net cash provided by (used in) operating activities after interest and taxes	(8,118)	(7,838)	3,743	45,847
Cash flows from investing activities				
Acquisition of investments	-	-	(5,054)	(3,631)
Acquisition of property, plant and equipment	-	-	(17,924)	(15,142)
Proceeds from sale of noncurrent assets	-	-	2,173	5,679
Loans between related parties	12,437	7,755	(5,871)	23,167
Net cash provided by (used in) investing activities	12,437	7,755	(26,676)	10,073

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(In thousands of Brazilian Reais)

	Company		Consolidated	
	03.31.2016	03.31.2015	03.31.2016	03.31.2015
Cash flows from financing activities				
Proceeds from new loans	-	-	325,483	55,563
Repayment of loans	(4,375)	-	(221,706)	(89,060)
Dividends paid	-	-	-	(1)
Net cash provided by (used in) financing activities	(4,375)	-	103,777	(33,498)
Effect of exchange rate variations on cash and cash equivalents of foreign subsidiaries	-	-	(7,333)	2,609
Increase (decrease) in cash and cash equivalents	(56)	(83)	73,511	25,031
Cash and cash equivalents:				
At the beginning of the period	470	1,191	193,668	175,280
At the end of the period	414	1,108	267,179	200,311
Increase (decrease) in cash and cash equivalents	(56)	(83)	73,511	25,031

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF VALUE ADDED

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

(In thousands of Brazilian Reais)

	Company		Consolidated	
	03.31.2016	03.31.2015	03.31.2016	03.31.2015
REVENUES				
Sales of products, goods and services	-	-	783,558	731,363
Allowance for doubtful accounts	-	-	-	(377)
Gain (loss) on disposal of property, plant and equipment	-	-	(2,109)	3,184
	-	-	781,449	734,170
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(354,680)	(342,766)
Materials, energy, third party services, and others	(1,394)	(1,371)	(146,676)	(136,324)
	(1,394)	(1,371)	(501,356)	(479,090)
GROSS VALUE ADDED	(1,394)	(1,371)	280,093	255,080
RETENTIONS				
Depreciation and amortization	-	-	(22,386)	(23,091)
	-	-	(22,386)	(23,091)
NET VALUE ADDED PRODUCED BY THE COMPANY	(1,394)	(1,371)	257,707	231,989
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries and affiliated companies	(30,680)	(20,023)	(15,801)	(25,221)
Financial income	6,605	4,472	8,035	10,132
Exchange rate variation gains	3,224	13,364	5,295	42,819
Royalties	-	-	3,748	2,945
	(20,851)	(2,187)	1,277	30,675
TOTAL VALUE ADDED FOR DISTRIBUTION	(22,245)	(3,558)	258,984	262,664
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	828	799	123,778	123,399
Taxes, duties and contributions	(914)	5,442	76,258	65,444
Payments to third parties	16,070	7,414	107,858	88,129
Equity – Net loss	(38,229)	(17,213)	(48,910)	(14,308)
VALUE ADDED DISTRIBUTED	(22,245)	(3,558)	258,984	262,664

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

NOTES TO THE FINANCIAL STATEMENTS

AS OF MARCH 31, 2016

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

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 of clothing apparel, including professional uniforms, accessories and personal protective equipment for occupational safety.

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s Board of Directors on May 11, 2016.

The Company presents its individual (“Company”) and consolidated (“Consolidated”) interim financial statements prepared simultaneously in accordance with technical pronouncement CPC 21 (R1) - Interim Financial Statements and in accordance with international standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB, as well as the standards issues by CVM (Brazilian Securities and Exchange Commission), applicable to the preparation of the Interim Financial Information.

The Company adopted all standards, revisions of standards and interpretations issued by the IASB and the CPC which were effective on March 31, 2016.

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 period for which they were designated.

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

The amounts classified in equity as asset and liability valuation adjustment are reflected in the statements of operations in the 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 period.

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

(f) Accounts receivable and allowance for doubtful accounts--Accounts receivable from customers are presented net of the allowance for doubtful accounts, which is determined based on a credit risk analysis, in an amount considered sufficient by Management to cover possible losses on receivables. Accounts receivable arising from retail sales 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--Valued 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 is 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) Business combinations--The cost of the acquired entity is allocated to the acquired assets and liabilities, based on their estimated fair value at the acquisition date. Any difference between the entity's cost and the fair value of the acquired assets and liabilities is recognized as goodwill.

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

(l) 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. Indirect 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.

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

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

	Useful life
Buildings	40 years
Installations	15 years
Machinery and Equipment	15 years
Hydroelectric 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.

(n) 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.

(o) Impairment of 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. Previous period impairment losses on fixed assets may be reversed whenever there is an assessment or reliable evidence that the value of the asset has recovered. The reversal is recognized in the statement of operations to the extent it does not exceed the previously recognized impairment losses.

(p) 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 period, if applicable. For foreign subsidiaries, the tax rate ranges from 35% to 38%, according to the tax legislation of each country.

(q) 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.

(r) 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.

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

(t) Basic and diluted earnings (loss) per share--Basic earnings (loss) per share is calculated by dividing the income or loss for the period attributable to the Company’s shareholders by the weighted average number of 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 rate variations--Assets and liabilities subject to monetary or exchange rate variations are restated on the balance sheet dates, in accordance with the Brazilian Central Bank (BACEN) published rates or other contractual indices. Exchange gains and losses and monetary variations are recognized in the statements of operations for the period 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) Statements of Value Added ("DVA")--The purpose of these statements is to highlight the wealth created by the Company and its distribution over a given period. They are presented by the Company as required by the Brazilian Corporate Law, as part of its individual financial statements and as supplemental information for the consolidated financial statements, since it is not a statement provided nor required by IFRS standards. The DVAs have been prepared based on information obtained from accounting records that are the basis for the preparation of the financial statements.

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

2.3 – Use of estimates

The preparation of financial statements makes use of estimates in order to record certain assets, liabilities and other transactions. To make these estimates, Management used the best information available at the time of preparation of the financial statements, as well as the experience of past and/or current events, also considering estimates regarding future events. Therefore, the financial statements include estimates related mainly to the determination of 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 - %	
	03.31.2016	12.31.2015
Coteminas International Ltd.	100.00	100.00
Coteminas (Argentina Branch)	100.00	100.00
Springs Global Participações S.A.	52.92	52.92
Oxford Comércio e Participações S.A.	63.37	63.37
Companhia Tecidos Santanense	56.51	56.51

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 rate variations 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. Non-controlling interests were presented separately in the statements of operations and equity.

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

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

The interim financial statements of foreign subsidiaries have been translated into Brazilian Reais based on the US Dollar exchange rate as of March 31, 2016 and December 31, 2015, for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	2016	2015	Variance
Exchange rate as of:			
December 31	-	3.9048	-
March 31	3.5589	3.2080	10.9%
Average exchange rate:			
March 31 (3 months)	3.8604	2.9162	32.4%

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

a) Certain new IASB accounting pronouncements and IFRIC interpretations were published and/or revised and have their mandatory adoption for the annual periods beginning after January 1, 2016. These new pronouncements did not generate significant impact on the financial statements.

Standard	Main requirements
Agriculture: Bearer Plants - amendments to IAS 16 and 41 (issued June 30, 2014)(*)	Amendments to the guidance on bearer plants that are now included within the scope of IAS 16 rather than IAS 41 because the IASB has determined that they “should be accounted for in the same way as property, plant and equipment.”
Clarification of Acceptable Methods of Depreciation and Amortization — Amendments to IAS 16 and IAS 38 (issued May 12, 2014) (*)	The amendments clarify that a depreciation or an amortization method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate, except in some limited circumstances for intangible assets.
Accounting for Acquisitions of Interests in Joint Operations — Amendments to IFRS 11 (issued May 6, 2014) (*)	The amendments determine that the acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply all of the principles on business combinations accounting in IFRS 3.
IFRS 14, Regulatory Deferral Accounts (issued January 30, 2014) (*)	The standard permits an entity which is a first-time adopter of IFRS to continue to account for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.
Annual Improvements to IFRSs: 2012–2014 Cycle (*)	Amendments to several standards.
Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture — amendments to IFRS 10 and IAS 28 (issued September 11, 2014) (*)	Amendments to IAS 28 and IFRS 10 to resolve an inconsistency between the guidance in IFRS 10 and that in IAS 28 with respect to “the sale or contribution of assets between an investor and its associate or joint venture.” Under the amendments, an entity would recognize a full gain or loss “when a transaction involves a business” and would recognize a partial gain or loss “when a transaction involves assets that do not constitute a business”.

Standard	Main requirements
Investment Entities: Applying the Consolidation Exception - amendments to IFRS 10, IFRS 12 and IAS 28 (issued December 18, 2014) (*)	Amendments to IFRS 10, 12 and IAS 28 to confirm that (1) the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value; (2) a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity; (3) when applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries; and (4) an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

b) Certain new IASB accounting pronouncements and IFRIC interpretations were published and/or revised and have their mandatory adoption for the periods beginning after December 31, 2016. However, the early adoption of these new and revised standards was not allowed:

Standard	Main requirements	Effective date
IFRS 9, Financial Instruments (issued July 24, 2014) (*)	IFRS 9 (2014) was issued as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This amendment completes the IASB’s financial instruments project.	Effective for annual periods beginning on or after January 1, 2018.
IFRS 15, Revenue From Contracts With Customers (issued May 28, 2014) (*)	The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The standard specifies how and when an entity will recognize revenue through a single five-step model to be applied to all contracts with customers, and requires such entities to provide users of financial statements with more informative and relevant disclosures.	Effective for annual periods beginning on or after January 1, 2018.
Effective Date of Amendments to IFRS 10 and IAS 28 (issued December 17, 2015) (*)	The effective date of the amendments to IFRS 10 and IAS 28, which address how an entity determines any gain or loss related to transactions with an associate or joint venture was indefinitely deferred by the IASB.	The effective date is postponed to an indefinite date to be determined by the IASB.
IFRS 16 – Leases (*)	The standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations.	Effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

Standard	Main requirements	Effective date
Disclosure Initiative (Amendments to IAS 7) (*)	Entities should disclose the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition. The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.	Effective for annual periods beginning on or after January 1, 2017.
Amendments to IAS 12 — Recognition of deferred tax assets for unrealised losses (*)	The amendments clarifies that unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.	Effective for annual periods beginning on or after January 1, 2017.

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

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	03.31.2016	12.31.2015	03.31.2016	12.31.2015
Repurchase transactions (*)	-	-	46,129	41,461
Foreign exchange funds (US$)	-	-	8,835	1,234
Foreign deposits	-	-	200,833	126,725
Checking accounts deposits	414	470	11,382	24,248
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	414	470	267,179	193,668
	======	======	======	======

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

4. MARKETABLE SECURITIES

	Consolidated	
	03.31.2016	12.31.2015
Investment fund – US$	59,316	66,588
Restricted cash	1,831	2,000
	-----------	-----------
	61,147	68,588
	======	======

5. ACCOUNTS RECEIVABLE

	Consolidated	
	03.31.2016	12.31.2015
Domestic customers	512,213	449,329
Foreign customers	144,716	170,464
Credit card companies	1,614	4,119
Related parties		
Domestic market	1,458	1,055
Foreign market	3,742	3,930
	----------	----------
	663,743	628,897
Allowance for doubtful accounts	(38,188)	(38,567)
	----------	----------
	625,555	590,330
	=======	=======

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 March 31, 2016, the installment receivables under this type of sale were R$4,307 (R$6,815 as of December 31, 2015), with an average collection period of 90 days, totaling to an adjustment in the amount of R$2,692 (R$2,697 as of December 31, 2015), using 100% of the CDI as the interest rate.

Accounts receivable from customers consist of receivables with an average collection period of approximately 73 days (74 days as of December 31, 2015). 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 March 31, 2016 and only one customer has sales of approximately 10% of net sales.

The aging list of the consolidated accounts receivable was presented in the annual financial statements for the year ended December 31, 2015. There was no significant change in the composition of the aging list during the three-month period ended March 31, 2016.

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

	03.31.2016	12.31.2015
Balance at the beginning of the period	(38,567)	(35,809)
Additions	-	(2,385)
Write-offs	-	338
Exchange rate variation	379	(711)
Balance at the end of the period	(38,188)	(38,567)

6. INVENTORIES

	Consolidated	
	03.31.2016	12.31.2015
Raw materials and supplies	177,100	193,976
Work in process	181,241	188,753
Finished products	255,535	308,527
Repair parts	72,641	74,572
	686,517	765,828

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 discontinued or obsolete inventories.

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

Changes in the provision for losses are as follows:

	12.31.2015	Additions	Write-offs	Exchange rate variations	03.31.2016
Raw materials and supplies	(1,313)	-	-	-	(1,313)
Finished products	(10,243)	(2,078)	-	908	(11,413)
Repair parts	(1,465)	-	-	11	(1,454)
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	(13,021)	(2,078)	-	919	(14,180)
	======	======	======	=====	======

7. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

a) Investments attributable to the owners of the Company:

	Equity	Ownership interest - %	Net income (loss)	Total investments 03.31.2016	Total investments 12.31.2015	Equity in subsidiaries and affiliated companies 03.31.2016	Equity in subsidiaries and affiliated companies 03.31.2015
Investments in subsidiaries:							
Springs Global Participações S.A.	1,030,471	52,92	(22.495)	545.278	565.401	(11.903)	3.528
Oxford Comércio e Participações S.A.	212,645	63,37	(702)	134.753	135.190	(445)	(255)
Coteminas International Ltd.	13,347	100,00	(3.002)	13.347	17.183	(3.002)	1.607
Companhia Tecidos Santanense	249,659	2,07	(907)	5.168	5.186	(18)	(11)
Coteminas (Argentina branch)	(60)	100,00	(5)	(60)	(68)	(5)	(14)
				------------	------------	------------	------------
Total subsidiaries				698.486	722.892	(15.373)	4.855
				=======	=======	------------	------------
Investments in affiliated companies (direct):							
Cantagalo General Grains S.A.	158,404	27,50	(29,333)	43,561	51,130	(8,066)	(23,557)
Companhia de Fiação e Tecidos Cedro e Cachoeira	175,332	30,40	(23,818)	53,301	60,541	(7,241)	(1,321)
				------------	------------	-------------	-------------
Total affiliated companies				96,862	111,671	(15,307)	(24,878)
						-------------	-------------
Equity in subsidiaries and affiliated companies – Company						(30,680)	(20,023)
						-------------	-------------
Investments in affiliated companies (indirect): (1)							
Cantagalo General Grains S.A.	158,404	1,68	(29,333)	2,668	3,131	(494)	(343)
				------------	------------	-------------	-------------
Total affiliated companies - Consolidated				99,530	114,802	(15,801)	(25,221)
				=======	=======	=======	=======

(1) On January 26 and October 2, 2015, subsidiary Coteminas International Ltd. acquired an interest in the affiliated company Cantangalo General Grains S.A. for R$18,927, resulting in goodwill of R$14,922, recorded in accumulated deficit in equity.

b) Non-controlling interests of the Company's subsidiaries:

				Non-controlling interest			
				On subsidiaries' equity		On subsidiaries' net income (loss)	
	Equity	Ownership interest - %	Net income (loss)	03.31.2016	12.31.2015	03.31.2016	03.31.2015
Springs Global Participações S.A.	1,030,471	47.08	(22,495)	485,145	503,050	(10,592)	3,139
Oxford Comércio e Participações S.A.	212,645	36.63	(702)	77,892	78,144	(257)	(147)
Companhia Tecidos Santanense	249,659	12.02	(907)	30,009	30,116	(109)	(65)
Springs Canada Holdings, LLC	79,049	10.94	2,531	8,648	10,468	277	(22)
				--------------	--------------	-------------	------------
Total non-controlling interests				601,694	621,778	(10,681)	2,905
				=======	=======	=======	=======

c) Supplemental information on investments in affiliated companies:

	Cantagalo General Grains S.A. (1)		Companhia de Fiação e Tecidos Cedro e Cachoeira (2)	
	03.31.2016	12.31.2015	03.31.2016	12.31.2015
Current assets	1,106,556	1,295,684	203,796	180,803
Noncurrent assets	1,002,390	1,013,863	399,311	402,780
Total assets	2,108,946	2,309,547	603,107	583,583
Current liabilities	1,381,343	1,369,242	227,123	189,795
Noncurrent liabilities	389,982	539,157	180,755	173,637
Total liabilities	1,771,325	1,908,399	407,878	363,432
Equity – Company	158,404	185,927	175,332	199,150
Net revenues (three-month periods)	824,982	557,996	102,405	107,324
(Loss) for the period – Company	(29,333)	(85,672)	(23,818)	(4,346)

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

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

8. 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:

		03.31.2016			12.31.2015
	Rate (i) %	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	6.6	65,560	(23,451)	42,109	45,216
Buildings	2.4	482,412	(206,569)	275,843	278,878
Installations	5.4	282,463	(183,371)	99,092	103,648
Machinery and equipment	5.2	1,326,459	(952,013)	374,446	383,280
Hydroelectric Plant - Porto Estrela (ii)	3.8	37,576	(14,081)	23,495	23,830
Power plants (PCH)	3.9	17,717	(8,567)	9,150	8,814
Furniture and fixtures	9.7	51,914	(34,316)	17,598	17,994
Vehicles	16.7	18,352	(15,724)	2,628	2,844
Computers and peripherals	16.2	64,528	(60,537)	3,991	4,484
Construction in progress	-	76,581	-	76,581	67,066
Others	9.6	155,325	(146,265)	9,060	9,017
		2,578,887	(1,644,894)	933,993	945,071

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

Considering the operating profitability and cash generation, the Company and its subsidiaries concluded that there is no evidence of deterioration or failure to recover the balances held as property, plant and equipment.

Changes in consolidated property, plant and equipment are as follows:

Cost:

	12.31.2015	Additions	Disposals	Transfers	Exchange rate variations	03.31.2016
Land and improvements	68,494	358	(2,186)	-	(1,106)	65,560
Buildings	485,985	8	-	552	(4,133)	482,412
Installations	284,545	4	(4)	(519)	(1,563)	282,463
Machinery and equipment	1,333,726	3,133	(517)	3,332	(13,215)	1,326,459
Hydroelectric Plant - Porto Estrela	37,552	24	-	-	-	37,576
Power plants (PCH)	17,236	460	(2)	23	-	17,717
Furniture and fixtures	52,732	567	(276)	-	(1,109)	51,914
Vehicles (*)	18,936	95	(71)	(23)	(585)	18,352
Computers and peripherals	68,415	111	(134)	42	(3,906)	64,528
Construction in progress	67,066	13,164	(97)	(3,407)	(145)	76,581
Others	169,053	-	(12)	-	(13,716)	155,325
	2,603,740	17,924	(3,299)	-	(39,478)	2,578,887

Accumulated depreciation:

	12.31.2015	Additions	Disposals	Transfers	Exchange rate variations	03.31.2016
Land and improvements	(23,278)	(1,598)	1,399	-	26	(23,451)
Buildings	(207,107)	(2,691)	-	-	3,229	(206,569)
Installations	(180,897)	(2,620)	3	(410)	553	(183,371)
Machinery and equipment	(950,446)	(12,765)	391	-	10,807	(952,013)
Hydroelectric Plant - Porto Estrela	(13,722)	(359)	-	-	-	(14,081)
Power plants (PCH)	(8,422)	(138)	2	(9)	-	(8,567)
Furniture and fixtures	(34,738)	(766)	238	-	950	(34,316)
Vehicles	(16,092)	(256)	71	9	544	(15,724)
Computers and peripherals	(63,931)	(553)	134	-	3,813	(60,537)
Others	(160,036)	(347)	-	410	13,708	(146,265)
	(1,658,669)	(22,093)	2,238	-	33,630	(1,644,894)

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$53,904 (R$59,132 as of December 31, 2015) 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.

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

	12.31.2015	Additions	Disposals	Exchange rate variations	03.31.2016
Cost	504,262	-	(13)	(42,816)	461,433
Depreciation	(395,310)	(293)	13	33,906	(361,684)
Provision for losses	(49,820)	-	-	3,975	(45,845)
	59,132	(293)	-	(4,935)	53,904

9. INTANGIBLE ASSETS

	Consolidated	
	03.31.2016	12.31.2015
Goodwill on the acquisition of North American companies	40,392	43,929
Goodwill on the acquisition of AMMO	27,303	27,303
Trademarks	16,307	16,307
Store locations (real estate intangible)	38,715	39,643
Others	22	22
	-----------	-----------
Total	122,739	127,204
	======	======

The Company and its subsidiaries evaluate the recoverability of goodwill on investments annually and use 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 2015 cash flows was five years. The assumptions used to determine the fair value through the discounted cash flow method include: cash flow projections based on management estimates for future cash flows, discount rates and growth rates for determining the perpetuity. Additionally, the perpetuity has been calculated considering the stabilization of operating margins, working capital and investments levels.

The annual discount rate used was 13.3% and the perpetuity growth rate considered was 3% per year, for both indirect subsidiary SGUS goodwill in the acquisition of North American companies and for the subsidiary SGPSA goodwill in the acquisition of AMMO. The discount rates used were determined taking into consideration market information available on the test date.

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

	12.31.2015	Disposals	Exchange rate variations	03.31.2016
Goodwill on the acquisition of North American companies	43,929	-	(3,537)	40,392
Goodwill on the acquisition of AMMO	27,303	-	-	27,303
Trademarks	16,307	-	-	16,307
Store locations (real estate intangible)	39,643	(928)	-	38,715
Others	22	-	-	22
	-----------	---------	-----------	-----------
Total	127,204	(928)	(3,537)	122,739
	======	=====	=====	======

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.

10. LEASES

Indirect subsidiary SGUS leases properties and equipment under operating leases. Total leasing expense for the three-month period ended March 31, 2016 was R$11,371 (R$8,807 for the three-month period ended March 31, 2015). Indirect subsidiary SGUS contractually agreed with third-parties to sublease certain vacant facilities that no longer provide economic benefit. Total sublease income for the three-month period ended 2016 was R$4,503 (R$2,896 for the three-month period ended March 31, 2015).

Lease payments scheduled for future years are presented in the table below:

Years	2016
2016 (*)	26,535
2017	33,169
2018	31,952
2019	28,087
2020	25,446

(*) 9 months

Beginning in 2020, lease payments continue to decrease until the contracts terminate on several dates through 2030, totaling R$246,949.

From 2016 to 2024, indirect subsidiary SGUS is scheduled to receive sublease payments of R$54,837.

The indirect subsidiary SGUS has short- and long-term accruals totaling R$25,805 (R$27,655 as of December 31, 2015), which consists of the present value of estimated future lease obligations (for the agreements that remained effective after the closing of certain leased facilities in the U.S.), 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$199,906.

11. SUPPLIERS

	Consolidated	
	03.31.2016	12.31.2015
Domestic market	78,396	35,016
Foreign market	81,963	128,216
	----------	----------
	160,359	163,232
	======	======

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 26 days (30 as of December 31, 2015). Domestic suppliers include credits to purchase raw material (cotton), amounting to R$15,373 (R$4,807 as of December 31, 2015).

12. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated 03.31.2016	Consolidated 12.31.2015
Local currency:					
BNDES (Revitaliza)	R$	4.5 to 9.0	2016	5,531	9,680
BNDES (Finame)	R$	2.5 to 9.5	2023	11,510	12,046
Banco do Brasil S.A. (b)	R$	120.0 and 121.5 of CDI	2016	82,131	82,140
Bradesco S.A.	R$	134.0 of CDI	2016	32,918	24,342
Banco do Brasil S.A. (NCI/NCE) (b)	R$	109.0 to 125.5 of CDI	2019	401,823	402,019
Banco Votorantim S.A. (b)	R$	114.0 of CDI	2016	40,168	41,589
Banco Santander S.A.	R$	120.0 and 123.5 of CDI	2017	59,847	57,338
Banco Itaú BBA S.A. (a)	R$	117.8 and 123.6 of CDI	2016	99,864	105,341
Bradesco S.A. (Giroflex/CCB) (b)	R$	127.0 and 132.5 of CDI	2016	18,838	22,617
Banco ABC S.A.	R$	124.0 of CDI	2016	3,714	7,412
Banco Santander S.A.	R$	TJLP + 3.0	2017	14,596	14,606
Other	R$	-	2023	88	81
				771,028	779,211
Foreign currency:					
Wells Fargo Bank, N.A. (c)	US$ and CAD$	2.2 to 4.25	2021	172,251	-
Deutsche Bank (Securitization)	US$ and CAD$	Libor + 2.5	2016	-	66,422
Banco Patagonia	$ARG	15.3	2016	341	1,032
Banco Santander S.A.	US$	4.5 and 6.2	2017	25,429	27,869
Banco do Brasil S.A.	US$	3.4 and 3.5	2016	28,812	31,339
Banco ABC S.A.	US$	4.2	2016	13,281	14,420
JP Morgan	US$	Libor + 0.85	2016	20,785	22,732
				260,899	163,814
Total				1,031,927	943,025
Current				(547,997)	(629,882)
Noncurrent				483,930	313,143

(a) Original loan contract in Dollars plus 2.466% per annum with a swap for approximately 117.8% and 123.6% of CDI with the same counterparty.

(b) Includes loans of the Company in the amount of R$95,799.

(c) On March 30, 2016, subsidiary SGUS entered into a senior secured revolving credit facility with Wells Fargo Bank, N.A. in the amount of US$63,575, including US$60,000 with a five year term and US$3,575 with a three year term. The outstanding borrowings and interest under the previous Securitization Facility with Deutsche Bank were paid in full on that date. The revolving credit facility limits certain activities of SGUS such as sales of assets and incurrence of additional indebtedness. Substantially all of SGUS's assets have been pledged as collateral pursuant to the loan agreement.

Loans are collateralized by: (i) registered security interest in real estate, machinery and equipment located in the city of Montes Claros, as well as a guarantee from the Company and its controlling shareholders; and (ii) by sureties and bank guarantees for the remaining financing.

Maturities are as follows:

	2016	2017 Short term	2017 Long term	2018	2019 to 2023	Total
Local currency:						
BNDES (Revitaliza)	5,531	-	-	-	-	5,531
BNDES (Finame)	2,116	712	2,137	2,804	3,741	11,510
Banco do Brasil S.A.	82,131	-	-	-	-	82,131
Bradesco S.A.	32,918	-	-	-	-	32,918
Banco do Brasil S.A. (NCI/NCE)	103,273	25,073	109,370	109,190	54,917	401,823
Banco Votorantim S.A.	40,168	-	-	-	-	40,168
Banco Santander S.A.	44,852	-	14,995	-	-	59,847
Banco Itaú BBA S.A.	99,864	-	-	-	-	99,864
Bradesco S.A. (Giroflex/CCB)	18,838	-	-	-	-	18,838
Banco ABC S.A.	3,714	-	-	-	-	3,714
Banco Santander S.A.	96	-	14,500	-	-	14,596
Outros	63	-	4	7	14	88
	433,564	25,785	141,006	112,001	58,672	771,028
Foreign currency:						
Wells Fargo Bank, N.A.	-	-	-	-	172,251	172,251
Banco Patagonia	341	-	-	-	-	341
Banco Santander S.A.	18,302	7,127	-	-	-	25,429
Banco do Brasil S.A.	28,812	-	-	-	-	28,812
Banco ABC S.A.	13,281	-	-	-	-	13,281
JP Morgan	20,785	-	-	-	-	20,785
	81,521	7,127	-	-	172,251	260,899
Total	515,085	32,912	141,006	112,001	230,923	1,031,927

13. DEBENTURE

Through a privately-negotiated debenture agreement, on May 30, 2014, indirect subsidiary CSA issued a non-convertible debenture with the following characteristics, which, on July 7, 2014, was fully subscribed by Banco Votorantim. Subsequently, Banco Votorantim sold the Debenture to Gaia Securitizadora Agro SA ("Gaia"), which became entitled to receive the full amount of the indirect subsidiary CSA's debt represented by the Debenture, plus the Debenture's return and applicable default charges, as well as other financial obligations under the Indenture, which are as follows:

Debenture Characteristics	
Quantity of issued Debenture	1
Debenture unit price (amount in Brazilian Reais)	R$270,000,000
Amortization	2 equal installments
Maturity of 1st installment	06/13/2016
Maturity of 2nd installment	06/13/2017
Return	110% of CDI
Interest amortization	Semiannual
Guarantees	(1)
Covenants	(2)

The Debenture was subject to public distribution with restricted placement efforts, pursuant to CVM Instruction 476, subscribed by Banco Votorantim.

On June 11, 2014, it was signed with Gaia the Agribusiness Credit Rights Securitization Term Sheet, for the 1st Series of the 3rd Issue of Agribusiness Receivables Certificates ("CRA"), binding the Debenture to the issuance of the CRA.

On July 3 and 7, 2014, announcements of opening and closing of the distribution of the CRA were published, respectively, and all 864 CRA were issued and subscribed with a unit price of R$312.5, bringing the total amount of the offer to R$270,000, with the same return and guarantees as the backing Debenture.

The funds were available to indirect subsidiary CSA on date of the subscription of the CRA. The issuance costs of the Debenture and the CRA, in the amount of approximately R$7,700, equivalent to 2.85% of the total issuance amount, will be amortized as transaction cost, along with the Debenture charges, prorated to the outstanding debt balance.

Balances on March 31, 2016 were as follows:

	Original amount updated	Prepaid interest	Accrued interest	Balances on 03.31.2016	Balances on 12.31.2015
Current	135,000	(2,550)	11,780	144,230	134,484
Noncurrent	135,000	(517)	-	134,483	133,848
Total	270,000	(3,067)	11,780	278,713	268,332

(1) Guarantees:

Secured guarantee: Real estate of indirect subsidiary CSA which market valuation is greater than 120% of the CRA issuance value. At any time, one or more real estate may be disposed at the discretion of subsidiary CSA and without consent of the CRA holders, provided that: (i) such sale shall not decrease the rate of 120% guarantee of the secured obligations to the CRA holders; and (ii) indirect subsidiary CSA uses the net proceeds of the disposed assets for repayment of bank loans.

Fidejussory guarantee: Surety given by the subsidiary SGPSA.

(2) Covenants:

In addition to the usual covenants, indirect subsidiary CSA has agreed to comply with the following financial ratios: (i) Net Debt to Adjusted EBITDA ratio, equal to or less than 4.25 (four and twenty-five hundredths) during the year 2014; (ii) Net Debt to Adjusted EBITDA ratio, equal to or less than 4.10 (four and ten hundredths) during the year 2015; (iii) Net Debt to Adjusted EBITDA ratio, equal to or less than 4.00 (four) during the year 2016; (iv) Net Debt to Shareholders' Equity ratio, equal to or less than 0.7 (seven tenths); and (v) Adjusted EBITDA to Interest ratio, less than 2 (two). The ratios set forth in items (iv) and (v) are planned for the entire contract period. The terms used to describe the ratios have their particular definition set forth in the contract and may differ from the financial statement lines. On March 31, 2016, indirect subsidiary CSA complied with all the ratios above.

14. EQUITY

a. Capital

Capital, as of March 31, 2016 and December 31, 2015, is represented as follows:

	Number of shares	
	03.31.2016	12.31.2015 (*)
Common	13.912.800	13.912.800
Preferred	16.723.657	16.723.657
	30.636.457	30.636.457

(*) The Extraordinary General Meeting held on September 4, 2015 approved the reverse split of the Company's shares in accordance with Article 12 of Law No. 6,404 / 76 totaling 122,545,828 registered shares, without par value, including 55,651,200 common shares and 66,894,628 preferred shares, representing the capital at a ratio of 4 shares for one, without changing the amount of the capital, so that the capital as of that date is represented by 30,636,457 registered shares, including 13,912,800 common shares and 16,723,657 preferred shares.

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

b. Dividends

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

c. Retained earnings reserve

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

15. RELATED PARTY BALANCES AND TRANSACTIONS

	Receivable		Payable	
	03.31.2016	12.31.2015	03.31.2016	12.31.2015
Company:				
Wembley S.A.	51,983	46,273	-	-
Coteminas International Ltd.	74,911	81,405	-	-
Innotex International Ltd.	9,023	9,833	-	-
Seda, Inc.	620	-	-	-
Coteminas S.A.	-	-	26,406	23,332
Companhia Tecidos Santanense	947	-	-	619
Springs Global Participações S.A.	87	84	-	-
Empr.Nac.Com.Rédito e Particip. S.A. – ENCORPAR	13,857	11,705	-	-
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	151,428	149,300	26,406	23,951
	=======	=======	=======	=======
Consolidated:				
Wembley S.A.	51,983	46,273	388	360
Innotex International Ltd.	9,023	9,833	-	-
Holtex Inc.	6,101	56	-	-
Empr.Nac.Com.Rédito e Particip. S.A. – ENCORPAR	13,944	11,788	-	-
Fazenda do Cantagalo Ltda.	16	14	-	-
Seda, Inc.	692	81	-	-
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	81,759	68,045	388	360
	=======	=======	======	======

	Finance charges income (expense) (Consolidated)	
	03.31.2016	03.31.2015
Wembley S.A.	1,763	1,145
Empr. Nac. Com. Rédito e Particip. S.A. – ENCORPAR	477	188
JAGS - José Alencar Gomes da Silva	37	19
Innotex International Ltd.	66	53
Seda S.A.	16	2
Encorpar Empr. Imob. Ltda.	(3)	12
	----------	----------
	2,356	1,419
	======	======

The balances held with related parties have long-term maturities, and charges are calculated according to the rates equivalent to those in effect in the financial market, namely, 115% to 120% of the Certificate of Interbank Deposit – CDI variance and Libor plus 3% per year for foreign companies.

As stated in the subsidiary SGPSA shareholders' agreement, the indirect subsidiary SGUS must pay annually US$1,429 thousand for services provided, net of expenses, to the shareholder Heartland Industrial Partners, L.P. and the indirect subsidiary CSA must pay US$3,500 thousand to the Company. In the three-month period ended March 31, 2015, the total amount of R$1,163 was accrued for services provided and R$5,070 is the balance accrued, as of March 31, 2016, under the caption "Other payables", in current liabilities (R$5,563 as of December 31, 2015).

During the Board of Directors meeting of the subsidiary SGPSA held on December 29, 2015, it was decided to terminate the above service agreements, therefore, in 2016 there are no expenses related to these services.

The Board of Directors meeting of subsidiary SGPSA, held on December 29, 2015 approved, payment of 2% commission (two percent annually), limited to the cumulative amount of R$47,750, on sureties/ guarantees provided by the Company on loans and financing contracted by SGPSA and its subsidiaries. As of March 31, 2016, the amount of R$44,396 was recorded with R$10,920 in the caption “Other accounts payable” in current liabilities and R$33,476 in the caption “Other obligations” in noncurrent liabilities, related to guarantees on existing contracts and credit facilities. These amounts are eliminated in the consolidated balance sheet.

Rossini Administradora de Bens Ltda. and indirect subsidiary AMMO entered into a real estate lease agreement for AMMO’s manufacturing facility and its offices. In the three-month period ended March 31, 2016, R$822 was accrued under this lease (R$822 for the three-month period ended March 31, 2015). The valuation of the property and its lease were conducted by a specialized company and represent market prices.

In 2015, the operating lease for the aircraft maintained by the Company expired, and consequently, the aircraft was returned to the foreign lessor. The Company and its parent WSA, which subsequently imported the aircraft, are defining the documentation and terms of use, to be submitted for review and approval by their Boards of Directors, for the assignment of rights and obligations of the aircraft including any gain or loss recorded on the disposal or sale. None of these transactions had effects on the Company's financial statements.

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.

16. RECEIVABLE – SALE OF PROPERTY

In May 2015, the subsidiary CSA sold real estate located in the city of Montes Claros - MG, to the municipality, for R$48,000, to be received in 12 monthly installments of R$1,000 each, plus 24 monthly installments of R$1,500 each, adjusted for inflation using the “IGP-M” from the date the agreement was signed and including a grace period of 12 months before the first payment. The subsidiary CSA has a guarantee for the installments, through revenue and quotas of the Municipality Participation Fund – “FPM”.

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 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.

Federal and state tax incentives of the Company and its plants are scheduled to expire on different dates, depending on the manufacturing facility’s location. Federal tax incentives are valid until December 31, 2016 and state incentives are valid until December 31, 2021.

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)

	Company		Consolidated	
	03.31.2016	03.31.2015	03.31.2016	03.31.2015
Loss before taxes	(40,168)	(12,669)	(49,337)	(11,266)
Permanent differences:				
Equity in subsidiaries and affiliated companies	30,680	20,023	15,801	25,221
Nontaxable income	-	-	(12,142)	(8,105)
Permanent differences from foreign subsidiary	-	-	(62)	(175)
Others, net	97	125	348	78
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Income tax basis	(9,391)	7,479	(45,392)	5,753
Income and social contribution taxes – 34%	3,193	(2,543)	15,433	(1,956)
Tax incentive (SUDENE)	-	-	-	239
Unrecognized tax credits	(1,257)	(2,001)	(14,837)	(2,963)
Foreign subsidiaries credits	-	-	-	1,653
Others	3	-	(169)	(15)
	---------	---------	---------	---------
Total income taxes	1,939	(4,544)	427	(3,042)
	---------	---------	---------	---------
Income taxes – current	-	-	(2.010)	(561)
Income taxes – deferred	1.939	(4.544)	2.437	(2.481)
	======	======	=======	======

As a holding Company, the Company's operations consist, primarily, of equity in subsidiaries and affiliated companies and income from marketable securities. 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 March 31, 2016, indirect subsidiary CSA had net operating losses of R$529,658 (R$506,222 as of December 31, 2015) and social contribution tax losses of R$535,282 (R$511,773 as of December 31, 2015), 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 and subsidiaries' net operating losses and are composed as follows:

	Balances on 12.31.2015	Recognized in statement of operations	Other	Balances on 03.31.2016
Assets:				
Temporarily nondeductible provisions	25,068	159	(118)	25,109
Net operating losses	54,136	339	-	54,475
Tax credits from foreign subsidiaries	7,167	-	-	7,167
	-----------	-----------	-----------	-----------
Noncurrent assets	86,371	498	(118)	86,751
	======	=======	=======	======
Liabilities:				
Temporary differences	(7,963)	1,939	50	(5,974)
Negative goodwill in investments	(5,049)	-	-	(5,049)
	-----------	-----------	-----------	-----------
Noncurrent liabilities	(13,012)	1,939	50	(11,023)
	=======	=======	=======	=======

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
2016	678
2017	1.018
2018	11.718
2019	18.078
2020 and thereafter	55.259

	86.751
	======

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	
	03.31.2016	12.31.2015	03.31.2016	12.31.2015
ICMS	402	402	22,770	21,935
Prepaid income and social contribution taxes	3,422	3,292	26,928	25,849
Recoverable PIS and COFINS	8,210	8,210	9,738	10,120
IVA/ingressos brutos – Argentina	-	-	6,919	925
VAT – China and Mexico	-	-	1,471	1,609
Recoverable IPI	1,779	1,779	1,825	1,813
ILL (tax on net income)	3,562	3,562	3,562	3,562
Reintegra	-	-	555	3,864
Other recoverable taxes	2	2	1,604	1,746
	17,377	17,247	75,372	71,423
Current assets	(3,424)	(3,294)	(40,304)	(42,175)
Noncurrent assets	13,953	13,953	35,068	29,248

18. MISCELLANEOUS ACCRUALS

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

The Company and its subsidiaries have tax and civil claims, whose loss was estimated as possible in the amount of R$78,602 and R$15,426, respectively.

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

	Company		Consolidated	
	03.31.2016	12.31.2015	03.31.2016	12.31.2015
Tax litigation claims:				
Social contribution	-	-	791	791
Temporary contribution over financial transactions (CPMF)	-	-	4,317	4,317
INSS	2,456	2,456	5,281	5,281
PIS and COFINS	1,250	1,250	4,511	4,511
IPI foreign flag	3,301	3,301	3,301	3,301
Others	327	327	1,533	1,958
Labor	1,214	1,224	15,291	15,800
Civil and others	3,745	3,745	6,589	6,692
	12,293	12,303	41,614	42,651
Escrow deposits	27,871	27,877	56,678	57,113

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. In

2013, after successive losses, the Company dismissed the main lawsuit; while other lower value claims of its subsidiaries are still pending.

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

PIS and COFINS – The Company and its subsidiaries are plaintiffs in a lawsuit against the Federal Revenue Service questioning the inclusion of ICMS in COFINS and PIS tax basis.

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

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

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

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

Changes in the consolidated accrual are as follows:

	12.31.2015	Additions	Reductions	03.31.2016
Tax litigation claims:				
Social contribution	791	-	-	791
Temporary contribution over financial transactions (CPMF)	4,317	-	-	4,317
INSS	5,281	-	-	5,281
PIS and COFINS	4,511	-	-	4,511
IPI foreign flag	3,301	-	-	3,301
Others	1,958	38	(463)	1,533
Labor	15,800	1,082	(1,591)	15,291
Civil and others	6,692	22	(125)	6,589
	42,651	1,142	(2,179)	41,614

19. EMPLOYEE BENEFIT PLANS

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

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

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

The table below includes summarized information on the pension and postretirement plans as of March 31, 2016 and 2015:

	03.31.2016	03.31.2015
Components of net periodic benefit cost:		
Service cost	163	241
Interest cost, net	1,253	974
Net periodic benefit cost	1,416	1,215

The 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 mutual funds which have a target allocation of 45% to 54% in domestic equity securities and 55% to 46% 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 the indirect subsidiary SGUS' current investment strategy.

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

	03.31.2016	12.31.2015
Pension plan obligations	121,953	135,843
Other employee benefit obligations	7,266	8,367
Total employee benefit plans	129,219	144,210
Current (a)	(11,376)	(12,481)
Noncurrent	117,843	131,729

(a) 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 period to the Federal Government, as presented below:

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

Total annual installments of the concession:

	Years 5 to 15 2002 to 2012	Years 16 to 25 2013 to 2022	Years 26 to 35 2023 to 2032
Historical amounts:			
Minimum installment	120	120	120
Additional installment	-	12,510	20,449
Annual installment	120	12,630	20,569
Total installments	1,320	126,300	205,690
Monetarily adjusted installments	5,919	566,304	922,262

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 March 31, 2016, this amount represented R$67,646, of which, R$18,115 is classified as “other payables” in current liabilities and R$49,531 is classified as noncurrent liabilities (R$67,381 as of December 31, 2015, of which, R$18,337 is classified as “other payables” in current liabilities and R$49,044 is classified as noncurrent liabilities).

As of March 31, 2016, the net book value of the property, plant and equipment related to the current concession is R$23,495 (R$23,830 as of December 31, 2015) (see note 8), 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.

<u>b) Fair value</u>--The fair value of the financial instruments previously mentioned are as follows:

	Company				Consolidated			
	03.31.2016		12.31.2015		03.31.2016		12.31.2015	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS --								
CURRENT:								
Cash and cash equivalents	414	414	470	470	267,179	267,179	193,668	193,668
Marketable securities	-	-	-	-	61,147	61,147	68,588	68,588
Financial Instruments	-	-	-	-	14,980	14,980	19,882	19,882
Accounts receivable	-	-	-	-	625,555	625,555	590,330	590,330
Receivable – sale of property	-	-	-	-	11,747	11,747	8,318	8,318
Other receivables	357	357	200	200	41,912	41,912	40,489	40,489
NONCURRENT:								
Long-term assets:								
Related parties	151,428	151,428	149,300	149,300	81,759	81,759	68,045	68,045
Receivable – sale of property	-	-	-	-	39,182	39,182	40,899	40,899
Other credits and receivables	2,061	2,061	2,061	2,061	17,880	17,880	11,686	11,686
LIABILITIES --								
CURRENT:								
Loans and financing (*)	90,063	90,063	95,800	95,800	547,997	547,997	629,882	629,882
Debenture (*)	-	-	-	-	144,230	144,230	134,484	134,484
Suppliers	161	161	32	32	160,359	160,359	163,232	163,232
Noneconomic lease	-	-	-	-	6,423	6,423	7,048	7,048
Other accounts payable	13,074	13,074	13,095	13,095	66,322	66,322	65,952	65,952
NONCURRENT:								
Loans and financing (*)	-	-	-	-	483,930	483,930	313,143	313,143
Debenture (*)	-	-	-	-	134,483	134,483	133,848	133,848
Noneconomic lease	-	-	-	-	19,382	19,382	20,607	20,607
Related parties	26,406	26,406	23,951	23,951	388	388	360	360
Government concessions	-	-	-	-	49,531	49,531	49,044	49,044
Other obligations	33,476	33,476	18,532	18,532	13,572	13,572	15,202	15,202

(*) 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.

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. The fair values of the financial instruments listed above are determined based on unobservable inputs and are, therefore, classified as Level III information.

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

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

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

The purpose of derivative transactions is always related to the elimination of market risks, identified in the Company's policies and guidelines and, also, to the management of the volatility of financial flows. The measurement of efficiency and evaluation of results occurs during the term of the contracts. The monitoring of the impact of these transactions is analyzed quarterly by the Cash and Debt Management Committee, when the mark-to-market of these transactions is discussed and validated. All derivative financial instruments are recorded at fair value in the Company's 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	03.31.2016	12.31.2015
Investments in subsidiaries	101,143	121,051
Subsidiaries' obligations (SGUS)	(55,544)	(61,360)
	-----------	-----------
	45,599	59,691
	======	======
In equivalent thousands of US Dollars	12,813	15,287
	======	======

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	03.31.2016	12.31.2015
Cash and cash equivalents	8,835	1,234
Accounts receivable	61,895	74,355
Suppliers	(1,824)	(1,794)
Loans and financing	(67,521)	(73,628)
Related parties	185,720	201,069
Total exposure in Brazilian Reais	187,105	201,236
Total exposure in equivalent thousands of US Dollars	52,574	51,536

The sensitivity analysis of non-derivative financial instruments, considering the US Dollar denominated cash flows, as of March 31, 2016, is shown below:

			Scenarios		
Maturity	Risk	Exposure value in thousands of US$	Probable	II	III
2016	US Dollar depreciation	2,447	(2,895)	(4,348)	(5,801)
2017	US Dollar depreciation	26,369	15,822	(11,595)	(39,011)
2018	US Dollar depreciation	23,758	25,747	(1,828)	(29,403)
		52,574	38,674	(17,771)	(74,215)

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

Consolidated information for derivative instruments with exchange rate risk is shown below:

Description	Notional Value – US$ thousands		Fair Value – Asset	
	03.31.2016	12.31.2015	03.31.2016	12.31.2015
Forward Contract (NDF) (1) -- Position: Buy Currency: US$/Pesos Argentinos Dollar settlement: $11.72 Counterpart: Banco da Patagonia Other information: 1 contract of US $15.000 thousands, maturing on 06.30.2016	15,000	15,000	14,980	14,149
Forward Contract (NDF) (1) -- Position: Buy Currency: US$/Pesos Argentinos Dollar settlement: $11.12 Counterpart: Banco da Patagonia Other information: 1 contract of US $7.000 thousands, expiring on 03.31.2016	-	7,000	-	5,733
Total current liabilities	15,000	22,000	14,980	19,882

(1) Forward contracts (NDF - "Non Deliverable Forward") raw materials--are presented and measured at fair value through the statement of operations, and aim to protect the foreign exchange risk on purchases of raw materials at each contract's settlement date. Although the Company uses these derivatives for hedging purposes, it did not adopt the hedge accounting practice for these transactions.

The balance corresponds to the financial instruments' fair values which were calculated based on data obtained from BM&FBOVESPA - "Bolsa de Valores, Mercadorias e Futuros" for operations in Brazil and the Central Bank of Argentina for operations in Argentina, such as the future Dollar exchange rate at the settlement dates, interest rates and algorithms, and compared to data obtained directly from the counterparty financial institutions, which evaluate those instruments.

The derivatives are traded in the over-the-counter market, registered at the competent agencies, and are not subject to margin deposits. In the three-month period ended March 31, 2016, a gain of R$4,772 was recorded from derivatives related to foreign exchange risk included in "Exchange rate variations, net". In the three-month period ended March 31, 2015, there were no results with these derivatives. Except for the swap contract mentioned in note 12.a, and the forward contracts shown above, there were no other exchange rate derivatives in the three-month period March 31, 2016 and 2015. The sensitivity analysis of the above derivative financial instruments, considering the flows of receipts and payments in US Dollars already contracted on March 31, 2016 is as follows:

				Scenarios		
Maturity	Country	Risk	Exposure value - US$ thousands	Probable	II	III
2016	Argentina	US Dollar depreciation	15,000	14,980	599	(13,782)

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

The “Probable” scenario represents the result of the probable exchange rate variation, considering the cash flow of the assets and liabilities presented above, applying US Dollar forward 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 US Dollar forward exchange rates, respectively. The US Dollar forward exchange rates were obtained from BM&FBOVESPA – “Bolsa de Valores, Mercadorias e Futuros” (Brazilian Commodities and Futures Exchange).

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. In 2016 and 2015, there were no derivatives contracts of this type.

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 12 and 15. Considering the cash flows of these liabilities and the contracted interest rates (except for items d.5.1 and 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) Variable interest rate risks on derivative financial instruments:

Interest rates swap contracts--Are presented and measured at fair value and are based on the cash flow of the loans denominated in foreign currency. Gains or losses are recorded under the “Financial expenses – interests” caption in the statements of operations. Except for the swap contract mentioned in note 12.a, there were no interest rate derivatives in 2016 and 2015.

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

The amounts related to the Company and its subsidiaries’ non-derivatives financial instruments subject to the variable interest rate exposure of the Certificate of Interbank Deposit – CDI are as follows:

	03.31.2016				12.31.2015
Description	Principal amount R$ thousands	Accrued interest	Prepaid Interest	Principal amount R$ thousands	Accrued interest
Loan Agreement -- Interest: 119.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: December/2018	165,000	1,240	(1,511)	164,729	165,103
Loan Agreement -- Interest: 110.7% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: April/2019	165,000	672	(852)	164,820	164,750
Loan Agreement -- Interest: 109.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: June/2016	25,000	273	(4)	25,269	25,263
Loan Agreement -- Interest: 111.5% of CDI Counterpart: Banco Brasil S.A. – NCI Maturity: March/2016	-	-	-	-	25,073
Loan Agreement -- Interest: 125.5% of CDI Counterpart: Banco Brasil S.A. – NCI					

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

	03.31.2016				12.31.2015
Description	Principal amount R$ thousands	Accrued interest	Prepaid Interest	Principal amount R$ thousands	Accrued interest
Maturity: April/2017	25,000	73	-	25,073	-
Loan Agreement -- Interest: 109.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: May/2016	22,000	-	(68)	21,932	21,830
(Refer to Note 12)				401,823	402,019
Loan Agreement -- Interest: 114.0% of CDI Counterpart: Banco Votorantim S.A. Maturity: September/2016	40,000	168	-	40,168	41,589
Loan Agreement -- Interest: 120.0% of CDI Counterpart: Banco Santander S.A. Maturity: May/2017	30,000	1,736	(64)	31,672	30,408
Loan Agreement -- Interest: 123.5% of CDI Counterpart: Banco Santander S.A. Maturity: April/2016	2,500	193	(3)	2,690	2,565
Loan Agreement -- Interest: 123.5% of CDI Counterpart: Banco Santander S.A. Maturity: April/2016	2,500	193	(2)	2,691	2,565
Loan Agreement -- Interest: 120.0% of CDI Counterpart: Banco Santander S.A. Maturity: May/2016	20,000	2,871	(77)	22,794	21,800
(Refer to Note 12)				59,847	57,338
Loan Agreement e swap -- Interest: 121.0% of CDI Counterpart: Banco Itaú BBA S.A. Maturity: August/2016	33,333	512	-	33,845	70,497
Loan Agreement e swap -- Interest: 123.6% of CDI Counterpart: Banco Itaú BBA S.A. Maturity: August/2016	65,000	1,019	-	66,019	-
Loan Agreement e swap -- Interest: 117.8% of CDI Counterpart: Banco Itaú BBA S.A. Maturity: February/2016	-	-	-	-	34,844
(Refer to Note 12)				99,864	105,341
Loan Agreement -- Interest: 132.5% of CDI Counterpart: Banco Bradesco S.A. Maturity: May/2016	15,000	891	-	15,891	15,252
Loan Agreement -- Interest: 127.0% of CDI Counterpart: Banco Bradesco S.A. Maturity: May/2016	2,917	30	-	2,947	7,365
(Refer to Note 12)				18,838	22,617
Loan Agreement -- Interest: 124.0% of CDI Counterpart: Banco ABC S.A.					

Description	03.31.2016 Principal amount R$ thousands	Accrued interest	Prepaid Interest	Principal amount R$ thousands	12.31.2015 Accrued interest
Maturity: June/2016	3,750	7	(43)	3,714	7,412
				----------	----------
Debenture--					
Interest: 110.0% of CDI					
Counterpart: Gaia Agro Sec. S.A.					
Maturity: June/2017	270,000	11,780	(3,067)	278,713	268,332
	------------	-----------	------------	------------	------------
	887,000	21,658	(5,691)	902,967	904,648
	=======	=======	=======	=======	=======

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of March 31, 2016, is as follows:

Maturity	Risk	Average balance	Scenarios Probable	II	III
2016	CDI increase	802,269	73,478	93,160	111,932
2017	CDI increase	395,749	47,792	59,232	71,423
2018	CDI increase	129,282	18,949	24,356	29,324
2019	CDI increase	55,669	2,923	3,734	4,502
			======	======	======

Amounts shown in the scenarios above represent projected interest expense, in their respective years and scenarios, considering the average loan balances on each year.

The “Probable” scenario represents the result of the probable CDI variations, considering the principal and interest maturity dates. Scenarios II and III reflect 25% and 50% increase in the future CDI index, respectively. The future CDI rates were obtained from BM&FBOVESPA – “Bolsa de Valores, Mercadorias e Futuros”.

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

d.7 – Liquidity risk management--The Company presented its consolidated financial assets and liabilities, according to their cash flows, based on their approximate maturity date, and using nominal contractual interest rates in its annual financial statements for the year ended December 31, 2015. As of March 31, 2016, there was no significant change when compared to the published annual financial statements.

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

The Company's net debt is as follows:

	Company		Consolidated	
	03.31.2016	12.31.2015	03.31.2016	12.31.2015
Loans and financing	90,063	95,800	1,031,927	943,025
Debenture	-	-	278,713	268,332
Cash and cash equivalents	(414)	(470)	(267,179)	(193,668)
Marketable securities	-	-	(61,147)	(68,588)
Financial instruments	-	-	(14,980)	(19,882)
Total net debt	89,649	95,330	967,334	929,219
Total equity	831,111	877,874	1,432,805	1,499,652
Total net debt and equity	920,760	973,204	2,400,139	2,428,871

22. 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 Wholesale segment is subdivided into two sub-segments: South America, which includes operations in Brazil and Argentina; and North America, which includes operations in the United States of America and Canada.

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

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

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

	03.31.2016						
	South America				North America	Others unallocated	
	Wholesale	Retail	Denim	Total	Wholesale	(*)	Total
Net revenues	297.4	63.7	87.8	448.9	258.0	(20.2)	686.7
Cost of goods sold	(207.4)	(32.5)	(76.8)	(316.7)	(220.7)	20.2	(517.2)
Gross profit	90.0	31.2	11.0	132.2	37.3	-	169.5
Selling, general and administrative expenses	(51.4)	(35.1)	(12.2)	(98.7)	(21.4)	(3.6)	(123.7)
Equity in affiliated companies	-	-	-	-	-	(15.8)	(15.8)
Others, net	(2.2)	(0.3)	0.2	(2.3)	(3.5)	(0.7)	(6.5)
Operating results	36.4	(4.2)	(1.0)	31.2	12.4	(20.1)	23.5
Financial results	-	-	-	-	-	(72.8)	(72.8)
Income (loss) before taxes	36.4	(4.2)	(1.0)	31.2	12.4	(92.9)	(49.3)
Depreciation and amortization	16.1	2.5	2.8	21.4	1.0	-	22.4
Total assets	2,082.0	195.3	425.6	2,702.9	398.1	234.6	3,335.6
Total liabilities	(1,066.4)	(104.3)	(175.9)	(1,346.6)	(445.0)	(111.2)	(1,902.8)
Total net assets (liabilities)	1,015.6	91.0	249.7	1,356.3	(46.9)	123.4	1,432.8

	03.31.2015						
	South America				North America	Others unallocated	
	Wholesale	Retail	Denim	Total	Wholesale	(*)	Total
Net revenues	299.1	63.3	96.6	459.0	200.2	(21.6)	637.6
Cost of goods sold	(217.2)	(33.5)	(79.8)	(330.5)	(174.9)	21.6	(483.8)
Gross profit	81.9	29.8	16.8	128.5	25.3	-	153.8
Selling, general and administrative expenses	(52.5)	(38.0)	(14.7)	(105.2)	(17.0)	(6.9)	(129.1)
Equity in affiliated companies	-	-	-	-	-	(25.2)	(25.2)
Others, net	1.3	(0.3)	0.2	1.2	(3.1)	(0.2)	(2.1)
Operating results	30.7	(8.5)	2.3	24.5	5.2	(32.3)	(2.6)
Financial results	-	-	-	-	-	(8.7)	(8.7)
Income (loss) before taxes	30.7	(8.5)	2.3	24.5	5.2	(41.0)	(11.3)
Depreciation and amortization	16.3	3.1	2.6	22.0	1.1	-	23.1
Total assets	2,074.0	219.3	445.8	2,739.1	359.9	216.0	3,315.0
Total liabilities	(1,028.1)	(88.4)	(174.8)	(1,291.3)	(424.2)	(2.7)	(1,718.2)
Total net assets (liabilities)	1,045.9	130.9	271.0	1,447.8	(64.3)	213.3	1,596.8

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

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

Revenue information by category or product lines is as follows:

	Consolidated	
	03.31.2016	03.31.2015
Net revenues (in millions of Reais):		
Bedding, tabletop and bath	274.2	279.7
Utility bedding	206.3	156.2
Intermediate products	142.5	138.4
Retail	63.7	63.3
	686.7	637.6
Volume (thousands of metric tons):		
Bedding, tabletop and bath	8.7	9.8
Utility bedding	10.7	10.9
Intermediate products	10.8	11.2
	30.2	31.9

The Company and its subsidiaries have over 13,000 active clients as of March 31, 2016 and only one customer has sales of approximately 10% of net sales.

23. EXPENSES BY NATURE

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

By nature:

	Consolidated	
	03.31.2016	03.31.2015
Cost of raw materials, goods and services acquired from third parties	(380,143)	(449,638)
Employee benefits	(123,778)	(123,399)
INSS	(12,068)	(8,192)
Depreciation and amortization	(22,386)	(23,091)
Finished goods and work in process inventory variations	(59,333)	2,698
Exchange rate variations in inventories from foreign subsidiaries	(14,891)	20,093
Other costs and expenses	(28,310)	(31,313)
Total expenses by nature	(640,909)	(612,842)

By function:

	Consolidated	
	03.31.2016	03.31.2015
Cost of goods sold	(517,235)	(483,756)
Selling expenses	(79,149)	(84,188)
General and administrative expenses	(41,568)	(42,278)
Management fees	(2,957)	(2,620)
Total expenses by function	(640,909)	(612,842)

24. NET REVENUES

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

	Consolidated	
	03.31.2016	03.31.2015
OPERATING REVENUES:		
Gross revenues	832,123	771,077
Sales deductions	(145,376)	(133,507)
NET REVENUES	686,747	637,570

25. BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share was calculated as follows:

	03.31.2016	03.31.2015	
	With reverse split	With reverse split	Without reverse split
NET LOSS FOR THE PERIOD	(38,229)	(17,213)	(17,213)
Weighted-average outstanding shares:			
Common shares	13,912,800	13,912,800	55,651,200
Preferred shares	16,723,657	16,723,657	66,894,628
	30,636,457	30,636,457	122,545,828
BASIC AND DILUTED LOSS PER SHARE - R$	(1.2478)	(0.5618)	(0.1405)

The weighted average number of shares was calculated based on the total number of shares outstanding, adjusted for issuances, redemptions and cancelations for the period.

The Extraordinary General Meeting held on September 4, 2015 approved the reverse split of the Company's shares on that date, as detailed in Note 14 to the interim financial statements. For this reason, the Company has presented for comparative purposes the basic and diluted loss per share for the three-month period ended March 31, 2015, applying the reverse split on that date.

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

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