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

Companhia de Tecidos Norte de Minas - COTEMINAS

Individual and Consolidated
Financial Statements and Report on Review of
Interim Financial Information
Third Quarter - 2018

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

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

REVIEW REPORT OF INDEPENDENT AUDITORS ON INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the individual and consolidated interim financial statements of **Companhia de Tecidos Norte de Minas - COTEMINAS** ("Company"), included in the Quarterly Information (ITR) related to the quarter ended September 30, 2018, which consist of the balance sheet at September 30, 2018 and the related statements of income and comprehensive income for the three and nine months then ended and the changes in equity and cash flows for the nine month period then ended including a summary of significant accounting policies and other explanatory notes.

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

Scope of the review

Our review was conducted according to the Brazilian and international standards for reviewing interim financial statements (NBC TR 2410 and ISRE 2410 – Review of Interim Financial Information performed by the Independent Auditor of the Entity). An interim review consists principally of applying analytical and other review procedures, and making enquiries of and having discussions with persons responsible for financial and accounting matters.

It is substantially less in scope than an audit conducted in accordance with auditing standards. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. Therefore, we do not express such an opinion.

Conclusion on the individual and consolidated interim financial information

Based on our review, we are not aware of any facts that would lead us to believe that the consolidated interim financial information included in the Quarterly Information - ITR referred to above were not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of Quarterly Information - ITR and IAS 34 - Interim Financial Reporting presented and in accordance with the standards issued by the Brazilian Securities Commission (CVM).

Other issues

Interim statements of value added

We have also reviewed the individual and consolidated interim statements of value added (DVA), prepared under the responsibility of the Company's management, for the Company for the nine months ended September 30, 2018, for which presentation in the interim financial statements is required according to the standards issued by CVM applicable to the preparation of Quarterly Information (ITR), and considered as supplementary information by IFRS, which do not require the presentation of DVA. These statements were submitted to the same review procedures described before and, based on our review, we are not aware of any fact that leads us to believe that they have not been fairly stated, in all material respects, regarding the individual and consolidated interim financial statements taken as a whole.

São Paulo, November 14, 2018.

BDO RCS Auditores Independentes
CRC 2 MG 009485/F-0

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF SEPTEMBER 30, 2018 AND DECEMBER 31, 2017

(In thousands of Brazilian Reais)

ASSETS

		Company		Consolidated	
	Note	09.30.2018	12.31.2017	09.30.2018	12.31.2017
CURRENT:					
Cash and cash equivalents	3	179	405	140,134	172,016
Marketable securities	4	-	-	80,908	62,634
Financial instruments	24.d.4	-	-	18,854	-
Accounts receivable	5	-	-	668,819	591,176
Inventories	6	-	-	685,314	625,970
Advances to suppliers		221	154	38,220	39,868
Recoverable taxes	21.c	3,209	2,232	22,851	35,485
Receivable – sale of investment	9	-	-	33,571	-
Other receivables		2,540	378	38,968	37,976
Total current assets		6,149	3,169	1,727,639	1,565,125
NONCURRENT:					
Long-term assets:					
Marketable securities	4	1,438	-	79,436	63,819
Receivable – clients	7	-	-	30,994	37,388
Receivable – sale of property	8	-	-	59,489	54,587
Receivable – sale of investment	9	52,541	-	132,849	-
Recoverable taxes	21.c	13,552	13,617	63,007	48,258
Deferred taxes	21.b	-	-	182,529	113,174
Related parties	20	219,324	179,746	120,664	119,779
Property, plant and equipment held for sale	12.b	-	-	39,166	33,731
Escrow deposits	22	12,514	20,481	33,460	42,547
Other credits and receivables		5,584	2,060	21, 816	18,527
		304,953	215,904	763,410	531,810
Investments in subsidiaries	10.a	783,876	925,040	-	-
Investments in affiliated companies	10.a	40,668	43,040	40,668	43,040
Investment properties	11	104,488	79,351	306,395	465,653
Other investments		3,090	3,090	4,827	4,826
Property, plant and equipment	12.a	6,589	6,639	853,068	814,223
Intangible assets	13	2	2	118,624	114,806
Total noncurrent assets		1,243,666	1,273,066	2,086,992	1,974,358
Total assets		1,249,815	1,276,235	3,814,631	3,539,483

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 SEPTEMBER 30, 2018 AND DECEMBER 31, 2017
(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

		Company		Consolidated	
	Note	09.30.2018	12.31.2017	09.30.2018	12.31.2017
LIABILITIES					
CURRENT:					
Loans and financing	14	123,787	113,758	684,319	706,598
Debentures	15	-	-	67,324	11,952
Suppliers	16	279	124	218,290	182,994
Payroll and related charges		922	788	94,749	71,770
Taxes		708	567	21,497	14,871
Dividends payable		-	-	1,232	834
Government concessions	17	-	-	19,845	19,473
Noneconomic leases	18	-	-	8,717	7,202
Payable - purchase of investment property	11	15,000	28,547	15,000	28,547
Other payables		11,583	9,716	59,176	52,762
Total current liabilities		152,279	153,500	1,190,149	1,097,003
NONCURRENT:					
Loans and financing	14	33,991	19,848	755,144	658,704
Debentures	15	-	-	106,606	36,643
Government concessions	17	-	-	43,881	42,784
Noneconomic leases	18	-	-	15,898	13,816
Related parties	20	167,900	200,801	2,698	2,072
Payable - purchase of investment property	11	-	36,808	-	36,808
Deferred taxes	21.b	6,361	6,359	24,296	21,537
Miscellaneous accruals	22	14,021	14,023	31,142	39,365
Employee benefit plans	23	-	-	109,575	95,536
Other obligations		23,150	18,958	22,494	13,219
Total noncurrent liabilities		245,423	296,797	1,111,734	960,484
EQUITY:	19				
Capital		882,236	882,236	882,236	882,236
Capital reserves		209,701	209,701	209,701	209,701
Cumulative translation adjustment		(99,502)	(111,688)	(99,502)	(111,688)
Assets and liabilities valuation adjustment		61,677	62,000	61,677	62,000
Accumulated deficit		(201,999)	(216,311)	(201,999)	(216,311)
Total equity attributable to the owners of the Company		852,113	825,938	852,113	825,938
NON-CONTROLLING INTERESTS	10.b	-	-	660,635	656,058
Total equity		852,113	825,938	1,512,748	1,481,996
Total liabilities and equity		1,249,815	1,276,235	3,814,631	3,539,483

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 AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

(In thousands of Brazilian Reais)

		Company			
	Note	07.01.2018 to 09.30.2018	01.01.2018 to 09.30.2018	07.01.2017 to 09.30.2017	01.01.2017 to 09.30.2017
OPERATING INCOME (EXPENSES):					
General and administrative expenses		(2,800)	(8,660)	(4,086)	(9,554)
Management fees		(654)	(1,611)	(442)	(1,205)
Equity in subsidiaries	10.a	(8,480)	5,090	12,676	11,347
Others, net	10.a	36,169	28,294	782	1,907
		24,235	23,113	8,930	2,495
Equity in affiliated companies	10.a	(2,653)	(2,372)	4,486	7,731
INCOME FROM OPERATIONS		21,582	20,741	13,416	10,226
Financial expenses – interests		(8,855)	(28,301)	(8,320)	(23,915)
Financial expenses – bank charges and others		(1,893)	(5,593)	(2,087)	(4,666)
Financial income		6,557	18,374	5,340	17,384
Exchange rate variations, net		1,571	8,608	(1,413)	(930)
INCOME (LOSS) BEFORE TAXES		18,962	13,829	6,936	(1,901)
Income and social contribution taxes:					
Current	21.b	-	-	-	-
Deferred	21.b	-	-	-	-
NET INCOME (LOSS) FOR THE PERIOD		18,962	13,829	6,936	(1,901)
BASIC AND DILUTED INCOME (LOSS) PER SHARE - R$	28	0.6189	0.4514	0.2263	(0.0621)

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

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COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

(In thousands of Brazilian Reais)

		Consolidated			
	Note	07.01.2018 to 09.30.2018	01.01.2018 to 09.30.2018	07.01.2017 to 09.30.2017	01.01.2017 to 09.30.2017
NET REVENUES	27	743,440	1,985,998	675,259	1,915,745
COST OF GOODS SOLD	26	(569,486)	(1,479,793)	(492,985)	(1,421,767)
GROSS PROFIT		173,954	506,205	182,274	493,978
OPERATING INCOME (EXPENSES):					
Selling expenses	26	(82,628)	(234,967)	(81,196)	(231,316)
General and administrative expenses	26	(42,230)	(129,380)	(39,951)	(120,258)
Management fees	26	(4,565)	(12,908)	(4,189)	(10,477)
Equity in subsidiaries and affiliated companies	10.a	(2,653)	(2,372)	4,486	7,731
Others, net	10.a	43,008	40,550	4,830	15,307
INCOME FROM OPERATIONS		84,886	167,128	66,254	154,965
Financial expenses – interests		(40,812)	(122,672)	(43,379)	(136,459)
Financial expenses – bank charges and others		(15,450)	(41,568)	(14,857)	(44,793)
Financial income		8,842	25,971	6,749	24,867
Exchange rate variations, net		(17,571)	(48,644)	3,541	(2,031)
INCOME (LOSS) BEFORE TAXES		19,895	(19,785)	18,308	(3,451)
Income and social contribution taxes:					
Current	21.b	(3,528)	(8,077)	(3,214)	(4,856)
Deferred	21.b	1,858	47,884	3,425	15,544
NET INCOME FOR THE PERIOD		18,225	20,022	18,519	7,237
ATTRIBUTABLE TO:					
Owners of the Company		18,962	13,829	6,936	(1,901)
Non-controlling interests	10.b	(737)	6,193	11,583	9,138
		18,225	20,022	18,519	7,237

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 (LOSS)

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

(In thousands of Brazilian Reais)

	Company			
	07.01.2018 to 09.30.2018	01.01.2018 to 09.30.2018	07.01.2017 to 09.30.2017	01.01.2017 to 09.30.2017
NET INCOME (LOSS) FOR THE PERIOD	18,962	13,829	6,936	(1,901)
Other comprehensive income (loss):				
- Items that will impact the statements of operations:				
Exchange rate variations on foreign investments	3,106	12,186	(4,399)	(3,511)
- Items that will not impact the statements of operations:				
Actuarial income (losses) on pension plans	-	-	3	(26)
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	22,068	26,015	2,540	(5,438)

	Consolidated			
	07.01.2018 to 09.30.2018	01.01.2018 to 09.30.2018	07.01.2017 to 09.30.2017	01.01.2017 to 09.30.2017
NET INCOME FOR THE PERIOD	18,225	20,022	18,519	7,237
Other comprehensive income (loss):				
- Items that will impact the statements of operations:				
Exchange rate variations on foreign investments	5,471	20,895	(8,031)	(6,518)
- Items that will not impact the statements of operations:				
Actuarial income (losses) on pension plans	-	-	6	(49)
COMPREHENSIVE INCOME FOR THE PERIOD	23,696	40,917	10,494	670
ATTRIBUTABLE TO:				
Owners of the Company	22,068	26,015	2,540	(5,438)
Non-controlling interests	1,628	14,902	7,954	6,108
	23,696	40,917	10,494	670

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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

(In thousands of Brazilian Reais)

		Capital reserve						
	Capital	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, 2016	882,236	209,701	(110,237)	2,374	(263,858)	720,216	593,410	1,313,626
Deemed cost of affiliated company	-	-	-	(3,274)	3,274	-	-	-
Comprehensive income (loss):								
Net income (loss) for the period	-	-	-	-	(1,901)	(1,901)	9,138	7,237
Exchange rate variations on foreign investments (note 2.1)	-	-	(204)	-	-	(204)	-	(204)
Impact of subsidiaries and affiliated companies-								
Exchange rate variations on foreign investments (note 2.1)	-	-	(3,307)	-	-	(3,307)	(3,007)	(6,314)
Actuarial loss on pension plans	-	-	-	(26)	-	(26)	(23)	(49)
Total comprehensive loss	-	-	(3,511)	(26)	(1,901)	(5,438)	6,108	670
Owners' distribution:								
Transactions with shares of indirect subsidiary	-	-	-	-	(4,218)	(4,218)	(7,602)	(11,820)
Total owners' contribution (distribution)	-	-	-	-	(4,218)	(4,218)	(7,602)	(11,820)
BALANCES AS OF SEPTEMBER 30, 2017	882,236	209,701	(113,748)	(926)	(266,703)	710,560	591,916	1,302,476

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

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COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

(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, 2017	882,236	209,701	(111,688)	62,000	(216,311)	825,938	656,058	1,481,996
Deemed cost of affiliated company	-	-	-	(323)	323	-	-	-
Comprehensive income:								
Net income for the period	-	-	-	-	13,829	13,829	6,193	20,022
Exchange rate variations on foreign investments (note 2.1)	-	-	2,396	-	-	2,396	-	2,396
Impact of subsidiaries -								
Exchange rate variations on foreign investments (note 2.1)	-	-	9,790	-	-	9,790	8,709	18,499
Total comprehensive income	-	-	12,186	-	13,829	26,015	14,902	40,917
Owners' contribution (distribution):								
Dividend paid at subsidiaries	-	-	-	-	-	-	(10,448)	(10,448)
Dividends prescribed	-	-	-	-	160	160	123	283
Total owners' contribution (distribution)	-	-	-	-	160	160	(10,325)	(10,165)
BALANCES AS OF SEPTEMBER 30, 2018	882,236	209,701	(99,502)	61,677	(201,999)	852,113	660,635	1,512,748

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 NINE-MONTH PERIODS SEPTEMBER 30, 2018 AND 2017

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2018 to 09.30.2018	01.01.2017 to 09.30.2017	01.01.2018 to 09.30.2018	01.01.2017 to 09.30.2017
Cash flows from operating activities				
Net income (loss) for the period	13,829	(1,901)	20,022	7,237
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:				
Depreciation and amortization	32	1	65,131	63,856
Equity in subsidiaries	(2,718)	(19,078)	2,372	(7,731)
Income and social contribution taxes	-	-	(39,807)	(10,688)
Loss on disposal of noncurrent assets	(28,852)	-	(28,364)	(9,492)
Monetary variations	-	(14)	4,587	(5,567)
Exchange rate variations	(8,608)	679	48,644	1,780
Bank charges, interests and commissions	8,137	6,572	100,219	146,884
	(18,180)	(13,741)	172,804	186,279
Changes in assets and liabilities				
Marketable securities	(1,438)	-	4,566	(1,787)
Financial instruments	-	-	(18,854)	-
Accounts receivable	-	-	(57,842)	(34,393)
Inventories	-	-	(58,083)	8,981
Advance to suppliers	(68)	(156)	1,746	(1,332)
Suppliers	155	257	8,399	(11,578)
Others	(7,107)	(32,809)	(23,515)	(17,518)
Net cash provided by (used in) operating activities	(26,638)	(46,449)	29,221	128,652
Interest paid	(9,310)	(6,825)	(101,327)	(120,211)
Income and social contribution taxes paid	-	-	(5,023)	(8,552)
Net cash used in operating activities after interest and taxes	(35,948)	(53,274)	(77,129)	(111)
Cash flows from investing activities				
Acquisition of permanent Investment	(25,137)	(1,742)	(38,199)	(13,561)
Acquisition of property, plant and equipment	-	(165)	(84,761)	(40,128)
Acquisition of Intangibles	-	-	(2,080)	(3)
Proceeds from disposal of property, plant and equipment	-	-	5,175	13,791
Proceeds from dividends	-	-	3,047	-
Loans between related parties	41,424	47,215	38,486	(16,950)
Net cash provided by (used in) investing activities	16,287	45,308	(78,332)	(56,851)

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

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COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS SEPTEMBER 30, 2018 AND 2017

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2018 to 09.30.2018	01.01.2017 to 09.30.2017	01.01.2018 to 09.30.2018	01.01.2017 to 09.30.2017
Cash flows from financing activities				
Proceeds from new loans	54,500	45,090	984,312	854,960
Repayment of loans	(35,065)	(36,947)	(847,508)	(847,443)
Dividends paid	-	-	(15,098)	-
Net cash provided by financing activities	19,435	8,143	121,706	7,517
Effect of exchange rate variations on cash and cash equivalents of foreign subsidiaries	-	-	1,873	(5,430)
Increase (decrease) in cash and cash equivalents	(226)	177	(31,882)	(54,875)
Cash and cash equivalents				
At the beginning of the period	405	286	172,016	183,420
At the end of the period	179	463	140,134	128,545
Increase (decrease) in cash and cash equivalents	(226)	177	(31,882)	(54,875)

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 NINE-MONTH PERIODS SEPTEMBER 30, 2018 AND 2017

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2018 to 09.30.2018	01.01.2017 to 09.30.2017	01.01.2018 to 09.30.2018	01.01.2017 to 09.30.2017
REVENUES				
Sales of products, goods and services	-	-	2,238,502	2,199,856
Loss on disposal of noncurrent assets	28,852	-	28,364	9,492
	28,852	-	2,266,866	2,209,348
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(1,037,075)	(1,017,961)
Materials, energy, third party services, and others	(7,757)	(5,080)	(385,793)	(363,494)
	(7,757)	(5,080)	(1,422,868)	(1,381,455)
GROSS VALUE ADDED	21,095	(5,080)	843,998	827,893
RETENTIONS				
Depreciation and amortization	(32)	(1)	(65,131)	(63,856)
NET VALUE ADDED PRODUCED BY THE COMPANY	21,063	(5,081)	778,867	764,037
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries	2,718	19,078	(2,372)	7,731
Financial income	18,374	17,384	25,981	24,867
Exchange rate variation gains	22,547	4,932	66,393	4,681
Royalties	-	-	14,361	11,837
	43,639	41,394	104,363	49,116
TOTAL VALUE ADDED FOR DISTRIBUTION	64,702	36,313	883,230	813,153
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	3,028	3,009	391,354	387,163
Taxes, duties and contributions	5,605	5,428	141,945	183,362
Payments to third parties	42,240	29,777	329,909	235,391
Net income (loss) for the period	13,829	(1,901)	20,022	7,237
VALUE ADDED DISTRIBUTED	64,702	36,313	883,230	813,153

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

NOTES TO THE INTERIM FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2018

(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 on the B3 S.A. – Brazilian Stocks, Commodities and Futures Exchange ("B3"), under the codes "CTNM3" and "CTNM4".

The Company is the parent company of Springs Global Participações S.A. ("SGPSA"), which is the parent company of Coteminas S.A. ("CSA") and Springs Global US, Inc. ("SGUS"), companies that focus their manufacturing operations on bed and bath linens previously carried out by the Company and by Springs Industries, Inc. ("SI"), respectively. In April 2009, subsidiary SGPSA started its bed, tabletop and bath retail operations under the brands MMartan and Casa Moyses, and later, in October 2011, under the brand Artex. The retail operations, under these brands, are operated by the indirect subsidiary AMMO Varejo Ltda. ("AMMO").

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

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Company's Board of Directors on November 13, 2018.

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 issued by CVM (Brazilian Securities and Exchange Commission), applicable to the preparation of the Interim Financial Information.

The Company adopted all standards, review of standards and interpretations issued by the IASB and the CPC which were effective on September 30, 2018. All relevant information relating to the interim financial statements is included herein and corresponds to those used by Company's management in its administration.

2.1 – Translation of balances in foreign currency

a) Functional and presentation currency

The interim 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 interim 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 interim consolidated financial statements;

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

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

2.2 – Accounting policies

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

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

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

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

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

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

ii) Non-derivative financial assets - measurement

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

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

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

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

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

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

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

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

iii) Non-derivative financial liabilities - measurement

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

iv) Derivatives measured at fair value through profit or loss

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

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

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

The Company considers evidence of impairment of assets measured at amortized cost both individually and collectively. All individually significant assets are evaluated for impairment.

Those that have not individually suffered a loss of value are then evaluated collectively for any loss of value that may have occurred, but has not yet been identified, which includes the expected credit losses. Assets that are not individually significant are evaluated collectively as to the loss of value based on the grouping of assets with similar risk characteristics.

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

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

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

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

(f) Accounts receivable and allowance for expected losses on doubtful debt accounts--Accounts receivable from customers are initially recognized at transaction value and subsequently measured at amortized cost using the effective interest rate method less the estimated loss with doubtful accounts. The Company adopted the measurement of the estimated loss with doubtful accounts based on the entire life of the instruments, using the simplified approach, taking into account the history of movements and historical losses. As a general rule, accounts overdue at more than 180 days represent a relevant indicator of expected loss, and are evaluated individually.

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

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

(i) Investments--Investments in subsidiaries and affiliated companies are accounted for using the equity method based on the balance sheet of the respective subsidiaries 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 adjustments" in equity and presented as other comprehensive income.

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

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

(l) 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) Investment properties--Are held for income or capital appreciation. Investment properties are initially recorded at cost and include transaction costs. After initial recognition, investment properties are measured at fair value against comprehensive income (loss) and, thereafter, are measured annually, or whenever circumstances indicate that their carrying amount is not recoverable and the variations arising from this valuation, when identified, are recognized in the statements of operations.

(n) 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.

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

(p) Impairment of non-financial assets--Assets included in property, plant and equipment, intangible assets, 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.

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

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

(s) 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.

(t) 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.

(u) 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.

(v) 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 adjustments" in equity.

(w) Revenue recognition--Revenue is measured at value of the consideration received or receivable, less any estimates of returns, cash discounts and/or trade discounts given to the buyer and other similar deductions. Revenue from operations is recognized when the performance obligation is satisfied, taking into consideration the following control transfer indicators: (i) the Company has a present right to receive payment for the asset; (ii) the customer has legal ownership of the asset; (iii) the Company transferred the physical ownership of the asset; (iv) the customer has the significant risks and benefits of ownership of the asset; and (v) the customer accepted the asset.

(x) 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 interim individual financial statements and as supplemental information for the interim 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 interim financial statements.

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

2.3 – Accounting estimates

The preparation of interim 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 interim financial statements, as well as the experience of past and/or current events, also considering estimates regarding future events. Therefore, the interim financial statements include estimates related mainly to the 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), determination of the fair value of investment properties, 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 interim financial statements include the accounts of the Company and the following subsidiaries:

	Direct and indirect interest in total capital - %	
	09.30.2018	12.31.2017
Coteminas International Ltd.	100.00	100.00
Coteminas (Argentina Branch)	100.00	100.00
Tropical Agroparticipações S.A.	-	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 sheets and statement of operations accounts corresponds to the sum of assets, liabilities, revenues and expenses, according to their nature, after eliminating investments in subsidiaries, unrealized profits or losses and intercompany balances and transactions. The effect of the exchange rate variations on foreign investments is disclosed in a separate caption in the statement of changes in equity, "Cumulative translation adjustments". The accounting practices of the foreign subsidiaries were adjusted to comply with the Company's accounting practices. Non-controlling interests were presented separately in the statements of operations and equity.

The subsidiary SGPSA, parent company of CSA, SGUS and AMMO, with ownership interest of 100%, was included in consolidation based on its interim 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 interim 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 September 30, 2018 and December 31, 2017, for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	2018	2017	Variance %
Exchange rate as of:			
December 31	-	3.3080	-
September 30	4.0039	3.1680	26.4
Average exchange rate:			
September 30 (3 months)	3.9647	3.1486	25.9
September 30 (9 months)	3.6332	3.1768	14.4

In June 2018 Argentina was considered a hyperinflationary economy, in accordance with IAS 29 - Financial Reporting in Hyperinflationary Economies. As there is no defined general price index, the standard allows Management to exercise its judgment for the determination of the restated index of the financial statements. Accordingly, the indexes used were based on resolution 539/18 issued by the Argentinian Federation of Professional Councils in Economic Science: i) from January 1, 2017 onward the national CPI (national consumer price index); and ii) until December 31, 2016, the IPIM (internal wholesale price index). Based on preliminary analysis carried out by Management of that indirect subsidiary, the impacts were considered immaterial and therefore were not recorded in the interim financial statements for the quarter ended September 30, 2018, due to the complexity of the determination of the effects on adopting this standard. Management of that indirect subsidiary will update, refine and complete the analysis to determine and account for the effects of the adoption of the standard in its financial statements for the year ending December 31, 2018, including the impacts on the corresponding amounts as of December 31, 2017.

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

a) The IASB accounting pronouncements listed below were published and/or revised and are applicable for the annual periods beginning on or after January 1, 2018.

CPC 47 (IFRS 15) - Revenue from contracts with customer

The Company did not identify significant impacts on the interim financial statements in accordance with CPC 47 - Revenue from Contracts with Customers, since the revenue was already recognized when the performance obligation was met.

CPC 48 (IFRS 9) - Financial Instruments

The Company adopted the standard as of January 1, 2018 and, considering its current transactions, did not identify changes that had a material impact on the Company's interim financial statements, since the financial instruments maintained by the Company are not complex and do not present a risk of impact on remeasurement, as well as no risk of impairment or significant reduction in value due to the expectation of future losses, and only the classification of financial assets in the expected categories is applied.

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, 2018.

However, the early adoption of these new and revised standards and interpretations was not allowed:

CPC 06 R2 (IFRS 16) - Leasing operations

In January 2016, the IASB issued IFRS 16 - Leasing, with the main objective of redefining the recognition of operating leases. The corresponding Technical Pronouncement CPC 06 (R2) - Leasing Operations was issued on December 21, 2017. The revision of this accounting pronouncement will be effective for fiscal years beginning on or after January 1, 2019.

The new pronouncement introduces a single model for accounting for leasing contracts, eliminating the distinction between operating and financial leases, resulting in the accounting of most lease agreements in the lessee's balance sheets. The accounting of lessors remains substantially unchanged and the distinction between operating and financial lease contracts is maintained. IFRS 16 replaces IAS 17 and its interpretations.

CPC 32 (IFRIC 23) - Uncertainty over the treatment of taxes on profit

In June 2017, the IASB issued IFRIC 23 - Uncertainty Over Income Tax Treatments, with the purpose of clarifying the accounting when there are uncertainties of the taxes on profit regulated by IAS 12 - Income Taxes, being the corresponding technical pronouncement or CPC 32. This shall be effective for fiscal years beginning on or after January 1, 2019.

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	09.30.2018	12.31.2017	09.30.2018	12.31.2017
Repurchase transactions (*)	75	316	82,498	87,850
Foreign exchange funds (US$)	-	-	1,292	11,653
Foreign deposits	-	-	46,532	67,217
Checking accounts deposits	104	89	9,812	5,296
	179	405	140,134	172,016

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

4. MARKETABLE SECURITIES

	Consolidated	
	09.30.2018	12.31.2017
Fixed income – Foreign	17,033	16,969
Investment fund – Foreign	63,137	45,056
Restricted deposits (US$) (2)	77,998	63,819
Restricted cash (1)	2,176	609
	----------	----------
	160,344	126,453
Current	(80,908)	(62,634)
	----------	----------
Noncurrent	79,436	63,819
	=======	=======

(1) On September 30, 2018, the indirect subsidiary SGUS had restricted cash in financial institutions in the amount of US$184 thousand (US$184 thousand as of December 31, 2017) related to a compensating balance arrangement.

(2) Refers to foreign deposits, linked to the loan obtained from Santander S.A. The yield is 1.3% per annum and the deadline for redemption coincides with the terms of the loan. (See note 14.c).

5. ACCOUNTS RECEIVABLE

	Consolidated	
	09.30.2018	12.31.2017
Domestic customers	519,926	482,334
Foreign customers	174,031	142,364
Credit card companies	12,355	4,771
Related parties		
Domestic market	1,936	2,113
Foreign market	2,908	1,476
	-----------	-----------
	711,156	633,058
Allowance for expected losses on doubtful debts accounts	(42,337)	(41,882)
	-----------	-----------
	668,819	591,176
	======	======

Accounts receivable from customers consist of receivables with an average collection period of approximately 82 days (74 days as of December 31, 2017). Past-due amounts are not significant and the allowance for expected losses on doubtful debts accounts is considered by management sufficient to cover expected losses from these receivables.

The aging list of the consolidated accounts receivable was presented in the annual financial statements for the year ended December 31, 2017. There was no significant change in the composition of the aging list during the nine-month period ended September 30, 2018.

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

	09.30.2018	12.31.2017
Balance at the beginning of the period	(41,882)	(35,865)
Additions	(48)	(6,898)
Write-offs	-	937
Exchange rate variation	(407)	(56)
Balance at the end of the period	(42,337)	(41,882)

6. INVENTORIES

	Consolidated	
	09.30.2018	12.31.2017
Raw materials and supplies	130,216	117,866
Work in process	181,865	165,673
Finished products	311,127	280,117
Repair parts	62,106	62,314
	685,314	625,970

Inventories are presented net of the provision for losses, which, based on management's assessment, is considered sufficient to cover losses related to obsolete and/or discontinued inventories.

Changes in the provision are as follows:

	12.31.2017	(Additions) write-offs	Exchange rate variations	09.30.2018
Raw materials and supplies	(544)	-	-	(544)
Finished products	(3,837)	(1,976)	(1,045)	(6,858)
Repair parts	(2,614)	-	397	(2,217)
	(6,995)	(1,976)	(648)	(9,619)

	12.31.2016	(Additions) write-offs	Exchange rate variations	09.30.2017
Raw materials and supplies	(1,246)	-	-	(1,246)
Finished products	(9,194)	6,997	259	(1,938)
Repair parts	(2,994)	-	49	(2,945)
	(13,434)	6,997	308	(6,129)

7. RECEIVABLE – CLIENTS

	Consolidated	
	09.30.2018	12.31.2017
Clients in out-of-court recovery plan (a)	15,372	17,500
Clients in court recovery plan (b)	2,100	2,091
Installment plan agreed with clients (c)	174	211
Clients in court recovery plan (d)	1,528	1,549
Sale of real estate (e)	14,974	17,480
Financing on stores transfer (f)	7,746	9,671
Others	192	143
	------------	------------
	42,086	48,645
Current (*)	(11,092)	(11,257)
	------------	------------
Noncurrent	30,994	37,388
	=======	=======

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

(a) Payments in 63 equal monthly installments with interest equivalent to 80% of the Interbank Deposit Certificates - CDI rate.

(b) Payment in 20 semiannual installments including a grace period of 42 months before the first payment in March 2020, with interest of 0.5% per year plus Reference Rate (TR).

(c) Payment in 10 equal monthly installments.

(d) Payment in 11 increasing annual installments, with interest between 2% to 3% per year.

(e) Payments in 49 equal monthly installments with interest of 0.5% per month.

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

8. RECEIVABLE – SALE OF PROPERTY

In May 2015, the indirect 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. This agreement, in which the property transfer registration contained a pro-solvency clause, was signed with the Municipal Executive Branch after express consent of the Legislative Branch of that municipality. The Executive Branch came into possession of the property and began its retrofit projects. The indirect subsidiary CSA has a guarantee for the installments, through revenue and quotas of the Municipality Participation Fund - “FPM”.

In January 2017, the newly appointed Executive Branch of Montes Claros municipality created a working group to reassess the economic and qualitative benefits of the project, so that together a new condition for payment of the contract is established, in light of the current financial situation of the municipality.

On October 27, 2017, the Montes Claros municipality and the indirect subsidiary CSA signed a letter of intent with the objective of enabling the implementation of the new Municipality complex which will house the government and the main departments in a single architectural complex located in the CSA's first plant in Montes Claros. The main points of the proposal are: (i) delivery of pre-selected municipal properties, which will be subject to independent evaluation, as payment of CSA receivables, (estimated at 77% of the total amount to be received), plus compensation for municipal taxes (estimated at 23% of total amount to be received), and (ii) implementation by CSA of the first phase of adapting the complex within 7 months after the start of the project, with investments made by CSA in the amount of approximately R$10,477, which will be added to the total amount to be paid by the Montes Claros municipality to CSA. The ratification of the letter of intent shall be subject to a municipal bill to be submitted by the Executive Branch to the House.

The management of CSA, based on the opinion of its lawyers, in the letter of intent and in a recent update of the market value of the property, concluded that currently there are no expectations of losses with this receivable.

9. RECEIVABLE – SALE OF INVESTMENT

In September 2018, the Company and its subsidiary Oxford Comércio e Participações S.A. sold their total capital shares of Tropical Agroparticipações S.A.

The consolidated receivable balances are as follows:

	09.30.2018
Nominal receivable	202,131
Present value adjustment	(35,711)
Total	166,420
Current (a)	(33,571)
Noncurrent (b)	132,849

(a) Payment in 2 installments due in December 2018 and June 2019, adjusted by the Ptax US Dollar variation rate plus interest of 5% per year.

(b) Payment in 7 annual installments with the first payment in June 2020, adjusted by the Ptax US Dollar variation rate plus interest of 5% per year.

10. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

a. Investments attributable to the owners of the Company:

	Equity	Ownership interest - %	Net income (loss)	Total investments 09.30.2018	Total investments 12.31.2017	Equity in subsidiaries and affiliated companies 09.30.2018	Equity in subsidiaries and affiliated companies 09.30.2017
Investments in subsidiaries:							
Springs Global Participações S.A.	1,160,592	52.92	(7,361)	614,132	608,265	(3,895)	3,316
Oxford Comércio e Participações S.A.	244,288	63.37	19,981	154,805	144,020	12,662	7,193
Tropical Agroparticipações S.A. (*)	-	-	-	-	158,995	(4,046)	-
Coteminas International Ltd.	10,721	100.00	(23)	10,721	8,376	(23)	575
Companhia Tecidos Santanense	205,432	2.07	19,454	4,252	5,437	401	270
Coteminas (Argentina branch)	(34)	100.00	(9)	(34)	(53)	(9)	(7)
Total subsidiaries				783,876	925,040	5,090	11,347
Investments in affiliated companies (direct):							
Cantagalo General Grains S.A. (1)	(420,928)	27.50	(129,919)	-	-	-	-
Companhia de Fiação e Tecidos Cedro e Cachoeira (2)	133,776	30.40	(7,803)	40,668	43,040	(2,372)	7,731
Total affiliated companies and consolidated				40,668	43,040	(2,372)	7,731

(*) On June 28, 2018, the Company sold 42.98% of this subsidiary's share capital to Oxford Comércio e Participações S.A. In September 2018, the Company and its subsidiary sold their total capital shares of Tropical Agroparticipações S.A., recognizing a gain in the amount of R$30,644 (Company) and R$47,001 (consolidated), recorded under Other operating income, net (see note 9).

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

	Equity	Ownership interest - %	Net income	Non-controlling interest: On subsidiaries' equity 09.30.2018	Non-controlling interest: On subsidiaries' equity 12.31.2017	Non-controlling interest: On subsidiaries' net income (loss) 09.30.2018	Non-controlling interest: On subsidiaries' net income (loss) 09.30.2017
Springs Global Participações S.A.	1,160,592	47.08	(7,361)	546,460	541,242	(3,466)	2,951
Oxford Comércio e Participações S.A.	244,288	36.63	19,981	89,483	83,248	7,319	4,158
Companhia Tecidos Santanense	205,432	12.02	19,454	24,692	31,568	2,340	1,565
Springs Canada Holdings, LLC (*)	-	-	-	-	-	-	464
Total non-controlling interests				660,635	656,058	6,193	9,138

(*) On December 30, 2017, Springs Canada Holdings was incorporated by SGUS.

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

c. Supplemental information on investments in affiliated companies:

	Cantagalo General Grains S.A. IAS 16 complete (1.a)	Cantagalo General Grains S.A. (1)		Companhia de Fiação e Tecidos Cedro e Cachoeira (2)	
	09.30.2018	09.30.2018	12.31.2017	09.30.2018	12.31.2017
Current assets	187,716	187,716	249,889	296,328	225,653
Noncurrent assets	2,071,201	845,034	805,106	328,569	349,789
Total assets	2,258,917	1,032,750	1,054,995	624,897	575,442
Current liabilities	700,721	700,721	554,576	622,668	226,952
Noncurrent liabilities	1,164,967	864,164	783,318	148,242	185,531
Total liabilities	1,865,688	1,564,885	1,337,894	470,910	412,483
Equity – Company	362,768	(420,928)	(225,308)	133,775	141,578
Net revenues (9 months)	44,580	44,580	230,224	479,516	481,797
Income (loss) for the period – Company	(129,919)	(129,919)	(38,606)	(7,803)	25,429

(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.

(1.a) Complete application of IAS 16 by affiliated companies – As of September 30, 2018, the affiliated company Cantagalo General Grains S.A.'s shareholders' equity was a deficit of R$420,928, calculated in accordance with IFRS, IASB and also Brazilian accounting practices, which do not allow the complete adoption of IAS 16 - Property, plant and equipment, which provides for the possibility of valuation of property, plant and equipment at market values.

As of September 30, 2018, Cantagalo General Grains S.A. had a portfolio of four tracts of land under its control, being Fazenda Siqueira (Brasnorte - MT), Fazenda Tropical (Barra Grande do Ribeiro - PI), Fazenda Acreúna (Acreúna - GO) and Fazenda Maria da Cruz (Pedras de Maria da Cruz - MG).

CGG Trading S.A., the subsidiary of Cantagalo General Grains S.A., on the same date, had a concession for the operation of the Tegram port terminal located in the port of Itaqui - MA, and the future economic benefits of this investment significantly exceed its acquisition price.

As permitted by IAS 16 - Property, plant and equipment, this subsidiary, through an independent consulting firm with expertise in valuation, on December 31, 2017, determined the market value of its farms and the concession for the operation of the port terminal owned by its subsidiary, which totalled R$1,525,528, resulting in an increase of R$1,226,167 of these assets when compared to their historical book values, and an increase in shareholders' equity of R$783,696, net of taxes and non-controlling interests (direct investors in CGG Trading S.A.).

If the complete application of IAS 16 were accepted in Brazil, the effect on the affiliated company's equity would be an increase of R$783,696 and, consequently, the direct and indirect investment of the Company in this affiliate would be an added value of R$105,856 (R$99,761 in the direct investment and R$6,095 in the indirect investment).

(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.

11. INVESTMENT PROPERTY

The consolidated investment property balances are as follows:

	Fazenda Tropical (1)		Investment properties			
	Investment properties	Buildings and installations	(2) (c)	(3)	(4) (c)	Total
Balance as of December 31, 2016	131,517	12,411	50,000	-	-	193,928
Addition (disposal)	13,480	(125)	310	43,722	-	57,387
Initial surplus/added value (a)	-	-	-	167,454	-	167,454
Change in fair value (b)	21,384	(3,541)	29,041	-	-	46,884
	------------	------------	------------	----------	----------	------------
Balance as of December 31, 2017	166,381	8,745	79,351	211,176	-	465,653
Addition (disposal)	(166,381)	(8,745)	-	13,062	25,075	(136,989)
Transfer from PP&E	-	-	-	2,744	-	2,744
Others	-	-	62	-	-	62
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Balance as of September 30, 2018	-	-	79,413	226,982	25,075	331,470
Properties for subsidiary use	-	-	-	-	(25,075)	(25,075)
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Consolidated total	-	-	79.413	226.982	-	306.395
	=======	=======	======	======	======	======

(a) Amounts recorded in equity valuation adjustments in shareholders' equity.
(b) Amounts recorded in income (loss) for that year.
(c) Balances held by the Company R$104,488.

(1) In September 2018 the Company sold its subsidiary Tropical Agroparticipações S.A., owner of Fazenda Tropical (see notes 9 and 10).

(2) In 2016, the Company invested in land in the city of Montes Claros - MG, with 214 thousand square meters from its indirect affiliate Encorpar Empreendimentos Imobiliários. This land completes a contiguous area already owned by the Company, totaling 549 thousand square meters.

The Company received a valuation report from an expert in real estate valuation in order to determine the fair value of the property, and the surplus value resulting from the difference between the appraised fair value in 2016 and the appraised fair value in 2017, was recorded under "Change in fair value of investment property", in the statements of operations. The tax effects in the amount of R$6,911 were classified under deferred taxes.

(3) In the year ended December 31, 2017, the indirect subsidiary CSA consolidated and started the phased implementation of a lease project of its facility located in São Gonçalo do Amarante - RN, which had previously ceased operations. As a way of implementing the project, throughout the year, the subsidiary CSA prepared and vacated the area designated for leasing and has already entered into lease agreements with large retailers. The complex is 247.3 thousand m² where 50.0 thousand m² have already been leased, and additional lease negotiations are in progress.

With the designation of the property for leasing purposes, with a defined income, separate from the textile operations of the indirect subsidiary CSA, the residual value of the property and its improvements, previously recorded as property, plant and equipment at cost, were transferred to investment properties. The changes in the investment properties are as follows:

	12.31.2017	Additions (b)	Transfers from PP&E	09.30.2018
Residual cost of the property	43,722	13,062	2,744	59,528
Surplus/added value (a)	167,454	-	-	167,454
	----------	-----------	----------	----------
	211,176	13,062	2,744	226,982
	=======	=======	=======	=======

(a) Recorded in assets and liabilities valuation adjustments, net of deferred tax liabilities of R$56,934. See note 21.b.

(b) Improvements made to adjust the properties to tenants need such as buildings, streets, facades, among others.

The rental income in the first nine months of 2018 was R$1,588 and is classified in the statement of operations under "Other, net".

(4) On September 11, 2018, the Company purchased a property in the city of Vinhedo - SP, with 51 thousand square meters, where the distribution center and administrative office of the indirect subsidiary AMMO Varejo are located.

The amounts payable and paid are as follow:

	09.30.2018
Purchase price	24,500
Amount paid	(9,500)

Total payable (current)	15,000
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12. PROPERTY, PLANT AND EQUIPMENT AND PROPERTY, PLANT AND EQUIPMENT HELD FOR SALE

a. Property, plant and equipment

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

		09.30.2018			12.31.2017
	Rate (i) %	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	2.4	36,547	(10,659)	25,888	28,122
Buildings	2.7	421,767	(184,916)	236,851	241,605
Installations	6.5	255,232	(183,113)	72,119	76,996
Machinery and equipment	6.3	1,372,761	(1,019,856)	352,905	379,603
Hydroelectric Plant - Porto Estrela (ii)	3.8	37,594	(17,666)	19,928	20,997
Power plants (PCH)	3.9	18,914	(9,944)	8,970	9,307
Furniture and fixtures	8.4	49,602	(37,724)	11,878	13,038
Vehicles	20.0	13,890	(12,721)	1,169	1,821
Computers and peripherals	15.6	68,720	(64,157)	4,563	4,120
Construction in progress	-	88,484	-	88,484	32,342
Others	9.4	172,684	(167,446)	5,238	6,272
		-------------	-------------	-------------	-------------
		2,536,195	(1,708,202)	827,993	814,223
Properties for subsidiary use (iii)		-	-	25,075	-
		-------------	-------------	-------------	-------------
		2,536,195	(1,708,202)	853,068	814,223
		========	========	========	========

(i) Weighted average annual depreciation rate, excluding fully depreciated items.
(ii) See note 17.
(iii) See note 11.

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:

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Cost:

	12.31.2017	Additions	Disposals	Transfers (*)	Exchange rate variations	09.30.2018
Land and improvements	38,320	167	(515)	38	(1,463)	36,547
Buildings	417,669	1,049	-	735	2,314	421,767
Installations	255,655	759	(988)	2,171	(2,365)	255,232
Machinery and equipment	1,359,758	6,079	(10,086)	12,946	4,064	1,372,761
Hydroelectric Plant - Porto Estrela	37,587	7	-	-	-	37,594
Power plants (PCH)	18,820	94	-	-	-	18,914
Furniture and fixtures	47,816	410	(207)	(94)	1,677	49,602
Vehicles	14,774	42	(1,411)	76	409	13,890
Computers and peripherals	60,367	1,325	(316)	330	7,014	68,720
Construction in progress	32,342	74,829	(367)	(16,629)	(1,691)	88,484
Others	145,014	-	(1)	-	27,671	172,684
	2,428,122	84,761	(13,891)	(427)	37,630	2,536,195

Accumulated depreciation:

	12.31.2017	Additions	Disposals	Transfers (*)	Exchange rate variations	09.30.2018
Land and improvements	(10,198)	(902)	437	-	4	(10,659)
Buildings	(176,064)	(7,495)	-	-	(1,357)	(184,916)
Installations	(178,659)	(7,466)	954	778	1,280	(183,113)
Machinery and equipment	(980,155)	(40,829)	9,794	(3,189)	(5,477)	(1,019,856)
Hydroelectric Plant - Porto Estrela	(16,590)	(1,076)	-	-	-	(17,666)
Power plants (PCH)	(9,513)	(431)	-	-	-	(9,944)
Furniture and fixtures	(34,778)	(1,590)	131	154	(1,641)	(37,724)
Vehicles	(12,953)	(648)	1,283	2	(405)	(12,721)
Computers and peripherals	(56,247)	(1,307)	311	(17)	(6,897)	(64,157)
Others	(138,742)	(1,037)	-	-	(27,667)	(167,446)
	(1,613,899)	(62,781)	12,910	(2,272)	(42,160)	(1,708,202)

Cost:

	12.31.2016	Additions	Disposals	Transfers (*)	Exchange rate variations	09.30.2017
Land and improvements	44,582	975	(2,145)	-	(437)	42,975
Buildings	481,090	9	(32,212)	17,575	(1,619)	464,843
Installations	284,895	170	(681)	4,854	(648)	288,590
Machinery and equipment	1,335,694	9,567	(26,265)	31,649	(3,526)	1,347,119
Hydroelectric Plant - Porto Estrela	37,584	3	-	-	-	37,587
Power plants (PCH)	17,807	1,016	(2)	2	-	18,823
Furniture and fixtures	47,436	566	(1,547)	278	(267)	46,466
Vehicles	17,919	754	(3,394)	(85)	(75)	15,119
Computers and peripherals	61,945	907	(3,206)	(830)	(760)	58,056
Construction in progress	59,262	26,161	(76)	(38,391)	(194)	46,762
Others	143,042	-	(24)	-	(3,562)	139,456
	2,531,256	40,128	(69,552)	15,052	(11,088)	2,505,796

Accumulated depreciation:

	12.31.2016	Additions	Disposals	Transfers (*)	Exchange rate variations	09.30.2017
Land and improvements	(9,130)	(1,335)	676	-	7	(9,782)
Buildings	(211,159)	(8,109)	27,696	(7,682)	930	(198,324)
Installations	(190,045)	(7,726)	509	8	290	(196,964)
Machinery and equipment	(952,922)	(39,828)	21,768	560	2,807	(967,615)
Hydroelectric Plant - Porto Estrela	(15,156)	(1,075)	-	-	-	(16,231)
Power plants (PCH)	(8,963)	(413)	-	(1)	-	(9,377)
Furniture and fixtures	(33,444)	(1,682)	1,137	(186)	207	(33,968)
Vehicles	(15,851)	(749)	3,218	277	72	(13,033)
Computers and peripherals	(57,693)	(1,197)	2,794	1,017	720	(54,359)
Others	(135,593)	(968)	-	-	3,561	(133,000)
	(1,629,956)	(63,082)	57,798	(6,007)	8,594	(1,632,653)

(*) Transfer between property, plant and equipment, available for sale and investment properties accounts.

b. Property, plant and equipment held for sale

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

As a result of this analysis, the recoverable value of R$39,166 (R$33,731 as of December 31, 2017) 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:

	12.31.2017	Additions	Disposals	Transfer to/from PP&E	Exchange rate variations	09.30.2018
Cost	385,546	-	(7,247)	(3,197)	75,919	451,021
Depreciation	(324,971)	(939)	6,412	3,152	(65,294)	(381,640)
Provision for losses	(26,844)	-	618	-	(3,989)	(30,215)
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	33,731	(939)	(217)	(45)	6,636	39,166
	======	======	======	======	======	======

	12.31.2016	Additions	Disposals	Transfer to/from PP&E	Exchange rate variations	09.30.2017
Cost	448,763	440	(13,193)	(15,052)	(10,419)	410,539
Depreciation	(357,329)	(775)	10,206	6,007	9,383	(332,508)
Provision for losses	(42,199)	(73)	10,442	-	(558)	(32,388)
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	49,235	(408)	7,455	(9,045)	(1,594)	45,643
	======	======	======	======	======	======

13. INTANGIBLE ASSETS

	Consolidated	
	09.30.2018	12.31.2017
Goodwill on the acquisition of North American companies	45,476	37,748
Goodwill on the acquisition of AMMO	27,303	27,303
Trademarks – owned	16,349	16,339
Trademarks – use license (*)	4,732	9,157
Intellectual property	2,668	3,139
Store locations (real estate intangible)	22,081	21,102
Others	15	18
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Total	118,624	114,806
	======	======

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

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 2017 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:

	12.31.2017	Additions (disposals)	Amortization	Exchange rate variations	09.30.2018
Goodwill on the acquisition of North American companies	37,748	-	-	7,728	45,476
Goodwill on the acquisition of AMMO	27,303	-	-	-	27,303
Trademarks – owned	16,339	10	-	-	16,349
Trademarks – use license	9,157	-	(410)	(4,015)	4,732
Intellectual property	3,139	-	(471)	-	2,668
Store locations (real estate intangible)	21,102	979	-	-	22,081
Others	18	(3)	-	-	15
Total	114,806	986	(881)	3,713	118,624

	12.31.2016	Additions (disposals)	Amortization	Exchange rate variations	09.30.2017
Goodwill on the acquisition of North American companies	36,821	393	-	(1,034)	36,180
Goodwill on the acquisition of AMMO	27,303	-	-	-	27,303
Trademarks – owned	16,334	3	-	-	16,337
Trademarks – use license	11,373	-	(559)	(1,192)	9,622
Store locations (real estate intangible)	24,136	(2,800)	-	-	21,336
Others	20	(2)	-	-	18
Total	115,987	(2,406)	(559)	(2,226)	110,796

The intangible assets presented above (except “Trademarks – use license” and “Intellectual property”) 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 of the respective store, net of impairment, based on its market value determined by an independent broker with valuation expertise.

14. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated 09.30.2018	Consolidated 12.31.2017
Local currency:					
Banco do Brasil S.A. (NCI/NCE) (d)	R$	127.5 to 135.0 of CDI and IRP + 11.2	2021	527,418	410,348
Banco do Brasil S.A.	R$	157.8 of CDI	2018	-	81,945
Bradesco S.A.	R$	4.4 and 4.5 + CDI	2018	19,631	20,228
Banco ABC do Brasil S.A.	R$	3.0 monthly interest	2018	954	-
Banco Votorantim S.A. (a)	R$	120.0 of CDI	2019	80,890	81,461
Banco Itaú BBA S.A.	R$	132.0 of CDI	2018	-	101,012
Bradesco S.A. (Working capital/CCB)	R$	135.0 and 137.5 of CDI and CDI + 5.0	2018	3,762	22,430
Banco BBM S.A.	R$	149.0 and 150.5 of CDI and 3.9 + CDI	2021	63,737	49,311
BDMG S.A.	R$	7.3 + CDI	2019	11,380	17,731
Banco ABC do Brasil S.A.	R$	3.8 and 4.4 + CDI	2021	119,332	80,240
Banco Fibra S.A. - CCE	R$	4.5 + CDI	2020	10,064	-
Banco Fibra S.A. - CCE	R$	15.8 and 6.5	2019	14,200	13,775
Banco do Brasil S.A. - CDC	R$	9.1 to 10.4	2019	51,352	53,383
BNDES (Finame)	R$	2.5 to 9.5	2023	4,414	6,531
Banco Safra S.A. (a)	R$	4.4 and 4.6 + CDI and 4.7 + CDI	2019	18,398	-
Banco Itaú Unibanco S.A. (a)	R$	3.0 + CDI	2019	20,249	-
Caixa Econômica Federal (a)	R$	4.0 + CDI	2022	24,024	-
Banco Daycoval S.A.	R$	4.5 + CDI	2020	20,182	-
Banco Santander (Brasil) S.A.	R$	-	2018	8,784	-
Others	R$	-	2023	65	64
				------------	------------
				998,836	938,459
Foreign currency:					
Banco Patagonia	$ARG	24.3 and 68.5	2019	15,507	30,047
Banco Frances	$ARG	34.5	2018	1,537	2,797
Banco Rio - Cerrito	$ARG	43.0	2018	609	2,898
Wells Fargo Bank, N.A. (b)	US$ and CAD$	3.9 to 6.0	2021	148,361	105,869
Banco do Brasil S.A.	US$	5.9 to 6.0	2019	39,845	61,977
Banco Santander S.A. PPE (c)	US$	89.0 to 118.8 of CDI	2020	139,191	170,956
JP Morgan	US$	Libor + 0.85	2018	46,490	25,155
Banco Industrial do Brasil S.A. PPE (a)	US$	7.7	2021	24,233	27,144
Banco Industrial do Brasil S.A. - ACE	US$	7.7	2018	4,641	-
Banco Safra S.A.	US$	6.0	2019	20,213	-
				------------	------------
				440,627	426,843
				------------	------------
Total				1,439,463	1,365,302
Current				(684,319)	(706,598)
				------------	------------
Noncurrent				755,144	658,704
				=======	=======

(a) Loans held by the Company.

(b) Revolving credit facility with Wells Fargo Bank, N.A. in the amount of US$60,000 with a five-year term. The revolving credit facility limits certain activities of SGUS such as sales of assets, distributions to shareholders and incurrence of additional indebtedness. Substantially all of SGUS' assets have been pledged as collateral pursuant to the loan agreement.

(c) Loan of indirect subsidiary CSA, guaranteed by linked marketable securities in the amount of US$18,900 thousand (see note 4). The loan contains covenants where the Company, as guarantor, agreed to comply with the following financial ratios in its consolidated financial statements: (i) Net Debt to EBITDA ratio, no greater than 3.5 during the year 2017; 3.25 during the year 2018; 3.0 during the year 2019; (ii) Net Debt to Shareholders' Equity ratio, no greater than 0.7; and (iii) EBITDA to net financial expenses ratio, no less than 2.0.

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

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:

		2019				
	2018	Short term	Long term	2020	2021 to 2023	Total
Local currency:						
Banco do Brasil S.A. (NCI/NCE)	16,500	109,168	73,117	182,447	146,186	527,418
Bradesco S.A.	19,631	-	-	-	-	19,631
Banco ABC do Brasil S.A.	954	-	-	-	-	954
Banco Votorantim S.A.	-	80,890	-	-	-	80,890
Bradesco S.A. (Working capital/CCB)	3,762	-	-	-	-	3,762
Banco BBM S.A.	8,786	18,021	6,007	24,028	6,895	63,737
BDMG S.A.	3,819	6,175	1,386	-	-	11,380
Banco ABC do Brasil S.A.	13,546	33,753	11,465	46,508	14,060	119,332
Banco Fibra S.A. - CCE	1,017	4,286	1,429	3,332	-	10,064
Banco Fibra S.A. - CCE	5,778	8,422	-	-	-	14,200
Banco do Brasil S.A. - CDC	37,025	14,327	-	-	-	51,352
BNDES (Finame)	795	1,406	522	802	889	4,414
Banco Safra S.A.	5,416	12,982	-	-	-	18,398
Banco Itaú Unibanco S.A.	-	20,249	-	-	-	20,249
Caixa Econômica Federal	1,569	4,480	1,497	5,990	10,488	24,024
Banco Daycoval S.A.	182	6,667	3,333	10,000	-	20,182
Banco Santander (Brasil) S.A.	8,784	-	-	-	-	8,784
Others	55	3	4	3	-	65
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	127,619	320,829	98,760	273,110	178,518	998,836
Foreign currency:						
Banco Patagonia	8,518	6,989	-	-	-	15,507
Banco Frances	1,537	-	-	-	-	1,537
Banco Rio – Cerrito	609	-	-	-	-	609
Wells Fargo Bank, N.A.	-	-	-	-	148,361	148,361
Banco do Brasil S.A.	8,252	31,593	-	-	-	39,845
Banco Santander S.A. PPE	31,608	67,204	5,451	34,928	-	139,191
JP Morgan	46,490	-	-	-	-	46,490
Banco Industrial do Brasil S.A. - PPE	-	8,217	-	8,008	8,008	24,233
Banco Industrial do Brasil S.A. - ACE	4,641	-	-	-	-	4,641
Banco Safra S.A.	-	20,213	-	-	-	20,213
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	101,655	134,216	5,451	42,936	156,369	440,627
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Total	229,274	455,045	104,211	316,046	334,887	1,439,463
	=======	======	======	=======	=======	========

Changes in consolidated loans and debentures were as follows:

	Loans	Debentures	Total
Balance as of December 31, 2017	1,365,302	48,595	1,413,897
Debt proceeds or renewals	839,572	150,000	989,572
Accrued interests	90,210	10,496	100,706
Paid principal	(822,508)	(25,000)	(847,508)
Paid interests	(90,578)	(8,300)	(98,878)
Exchange rate variations	61,403	-	61,403
Prepaid charges, net	(3,938)	(1,861)	(5,799)
Balance as of September 30, 2018	1,439,463	173,930	1,613,393

15. DEBENTURES

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

Debentures’ Terms	
Quantity of issued Debentures	50,000
Debentures unit price (amount in Brazilian Reais)	R$1,000
Amortization:	
Maturity of 1st installment – 25.00%	12/18/2018
Maturity of 2nd installment – 8.33%	06/18/2019
Maturity of 3rd installment – 16.67%	12/18/2019
Maturity of 4th installment – 50.00%	06/18/2020
Return	110% of CDI
Interest amortization	Semiannual
Guarantees	(1)
Covenants	(2)

The funds were available to the subsidiary on the subscription date of the debentures. The issuance costs of the debentures and the subsequent issuance costs of the CRA, in the amount of approximately R$1,977, equivalent to 3.95% of the total issuance amount, will be amortized as transaction cost, along with the debentures charges, prorated to the outstanding debt balance.

(1) Guarantees:

Secured guarantee: Real estate of indirect subsidiary CSA which market valuation is greater than 200% of the CRA issuance value. At any time, one or more real estate may be disposed at the discretion of indirect subsidiary CSA and without consent of the CRA holders, provided that: (i) such sale shall not decrease the rate of 200% 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 SGPSA.

(2) Covenants:

In addition to the usual covenants, the SGPSA has agreed to comply with the following financial ratios: (i) Net Debt to Adjusted EBITDA ratio, equal to or less than 4.0 (four); (ii) Net Debt to Shareholders' Equity ratio, equal to or less than 0.7 (seven tenths), except for September 2018, equal to or less than 0.8 (eight tenths); and (iii) EBITDA to Interest ratio, equal to or greater than 2.0 (two). The above ratios are required for the entire contract period and are measured semiannually starting in December 2017. The terms used to describe the ratios have their particular definition set forth in the contract and may differ from the financial statement lines.

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

4th Series Debentures Terms	
Quantity of issued Debentures	150,000
Debentures unit price (amount in Brazilian Reais)	R$1,000
Amortization	12 equal quarterly installments
Maturity of 1st installment	05/19/2018
Maturity of 12th installment	02/19/2021
Return	100% of CDI + 2.75% per annum
Interest amortization	12 equal quarterly installments
Guarantees	(1)
Covenants	(2)

(1) Guarantees:

Secured Guarantee: Property of that subsidiary, see note 11, whose fair value must remain higher than 1.43 times the issue value of the debentures in the first year and in the following years 1.67 times. In addition, the lease contracts of the property are part of the guarantee, and the fiduciary agent may, in case of default, retain the rent receivables until the default is resolved.

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

(2) Covenants:

SGPSA has no commitment to maintain financial ratios.

Balances of the debentures on September 30, 2018 were as follows:

	Original amount updated	Prepaid interest	Accrued interest	Balances on 09.30.2018	Balances on 12.31.2017
Debentures of:					
3rd series	16,667	(635)	1,010	17,042	11,952
4th series	50,000	(991)	1,273	50,282	-
Current liability	66,667	(1,626)	2,283	67,324	11,952
Debentures of:					
3rd series	33,333	(404)	-	32,929	36,643
4th series	75,000	(1,323)	-	73,677	-
Noncurrent liability	108,333	(1,727)	-	106,606	36,643
Debentures total	175,000	(3,353)	2,283	173,930	48,595

16. SUPPLIERS

	Consolidated	
	09.30.2018	12.31.2017
Domestic market	90,845	80,145
Foreign market	127,445	102,849
	218,290	182,994

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 40 days (35 as of December 31, 2017).

17. GOVERNMENT CONCESSIONS

The indirect subsidiary CSA has equity interest in a consortium for an electric power generation concession with the companies CEMIG Geração e Transmissão S.A. and Vale (formerly known as Companhia Vale do Rio Doce), in equal percentages of 33.33%. No legally independent entity was established for the management of this consortium. Accounting records, equivalent to its interest, are maintained under CSA’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	6,571	628,733	1,023,932

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 IGP-M. As of September 30, 2018, this amount represents R$63,726, of which, R$19,845 is classified in current liabilities and R$43,881 is classified as noncurrent liabilities (R$62,257 as of December 31, 2017, of which, R$19,473 is classified in current liabilities and R$42,784 is classified as noncurrent liabilities).

As of September 30, 2018, the net book value of the property, plant and equipment related to the current concession is R$19,928 (R$20,997 as of December 31, 2017) (see note 11), considering CSA's equity interest in the investments for the construction of the Porto Estrela Hydroelectric Plant, located on the Santo Antônio River, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

18. LEASES

Indirect subsidiary SGUS leases properties and equipment under operating leases. Total leasing expense in the nine-month period ended September 30, 2018 was R$33,428 (R$28,728 in the nine-month period ended September 30, 2017). Indirect subsidiary SGUS contractually agreed with third-parties to sublease certain vacant facilities that no longer provide economic benefit. Total sublease income in the nine-month period ended September 30, 2018 was R$13,055 (R$10,835 in the nine-month period ended September 30, 2017).

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

Years	2018
2018 (*)	11,235
2019	39,358
2020	35,094
2021	35,354
2022	31,034

(*) 3 months

After 2022, lease payments continue to decrease until the contracts terminate on several dates through 2030, totaling R$219,806.

From 2018 to 2030, indirect subsidiary SGUS is scheduled to receive sublease payments of R$73,255.

The indirect subsidiary SGUS has short and long-term accruals totaling R$24,615 (R$21,018 as of December 31, 2017) which consist 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$139,414.

19. EQUITY

a. Capital

Capital, as of September 30, 2018 and December 31, 2017, is represented as follows:

	Number of shares	
	09.30.2018	12.31.2017
Common	13,912,800	13,912,800
Preferred	16,723,657	16,723,657
	----------------	----------------
	30,636,457	30,636,457
	=========	=========

There was no change in the number of shares subscribed and paid for the period between January 1, 2017 and September 30, 2018.

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

b. Dividends

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

c. Retained earnings reserve

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

20. RELATED PARTY BALANCES AND TRANSACTIONS

	Receivable		Payable	
	09.30.2018	12.31.2017	09.30.2018	12.31.2017
Consolidated:				
Wembley S.A.	49,102	47,159	1,834	1,712
Innotex International Ltd.	10,996	8,844	-	-
Holtex Inc.	1,621	2,402	-	-
Empr. Nac. Com. Rédito e Particip. S.A. – ENCORPAR	58,830	61,246	-	-
Encorpar Empreendimentos Imobiliários Ltda.	-	-	804	360
Seda, Inc.	110	124	60	-
Companhia Tropical de Alimentos e Participações	5	4	-	-
	----------	----------	----------	----------
	120,664	119,779	2,698	2,072
	======	======	======	======

	Finance charges (consolidated)	
	09.30.2018	09.30.2017
Wembley S.A.	3,815	2,834
Empr. Nac. Com. Rédito e Particip. S.A. – ENCORPAR	4,961	4,300
JAGS – José Alencar Gomes da Silva	307	82
Innotex International Ltd.	266	190
Seda S.A.	46	14
Encorpar Empr. Imob. Ltda.	(32)	(59)
Econorte – Empr. Constr. Norte de Minas Ltda.	1	2
	----------	----------
	9,364	7,363
	======	======

The balances refer to loans contracted with the Company under fair conditions in accordance with market practices. The charges are calculated according to the cost of the Company's loans.

The Board of Directors meeting of subsidiary SGPSA, held on December 29, 2015, approved payment of 2% commission (two percent annually), limited to the cumulative amount of R$47,750, on sureties/guarantees provided by the Company on loans and financing contracted by SGPSA and its subsidiaries. As of September 30, 2018, the amount of R$20,672 was recorded with R$5,752 in the caption “Other accounts payable” in current liabilities (R$7,418 as of December 31, 2017) and R$14,920 in the caption “Other obligations” in noncurrent liabilities (R$18,957 as of December 31, 2017), related to guarantees on existing contracts and credit facilities. In the nine-month period ended on September 30, 2018, the amount of R$5,703 was recorded as interest income (R$7,528 in the same period of 2017). These amounts are eliminated in the consolidated financial statements.

Encorpar Empreendimentos Imobiliários Ltda., affiliated company, and the indirect subsidiary Santanense, entered into a lease agreement related to the building where the subsidiary’s office is located. In the nine-month period ended on September 30, 2018, R$348 (R$341 in the same period of 2017) was accrued as administrative expenses.

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.

21. INCOME AND SOCIAL CONTRIBUTION TAXES AND OTHER TAXES

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

	Company		Consolidated	
	09.30.2018	09.30.2017	09.30.2018	09.30.2017
Loss from operations before taxes	13,829	(1,901)	(19,785)	(3,451)
Equity in subsidiaries and affiliated companies	(2,718)	(19,078)	2,372	(7,731)
Investment support	-	-	(44,823)	(30,133)
Permanent differences from foreign subsidiaries	-	-	(1,733)	(2,119)
Others, net	171	(1,893)	95	(15,147)
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Income tax basis	11,282	(22,872)	(63,874)	(58,581)
34% tax rate	(3,836)	7,776	21,717	19,918
Unrecognized tax credits	3,828	(7,784)	18,784	(8,824)
Other	8	8	(694)	(406)
Total income taxes	----------	----------	----------	----------
	-	-	39,807	10,688
	=====	=====	======	======
Current taxes	-	-	(8,077)	(4,856)
Deferred taxes	-	-	47,884	15,544
	=====	=====	======	======

b. Deferred income and social contribution taxes

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

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

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

Deferred income and social contribution taxes are composed as follows:

	12.31.2017	Statement of operations	Exchange rate variations	Other	09.30.2018
Assets:					
Net operating losses (Company) (p)	3,454	-	-	-	3,454
Temporary differences (Company) (p)	899	-	-	-	899
Temporary differences (Company Argentina) (a)	16	-	-	(7)	9
Temporary differences (CSA – Argentina) (1) (a)	1,301	-	-	(589)	712
Temporary differences (CSA – Brasil) (1) (p)	17,703	(1,852)	-	-	15,851
Net operating losses (CSA – Brasil) (1) (p)	27,777	1,852	-	-	29,629
Tax credits from foreign subsidiary (CSA) (1) (p)	7,167	-	-	-	7,167
Net operating losses (SGUS – EUA) (2) (a)	83,577	47,051	19,391	-	150,019
Temporary differences (AMMO – Brasil) (a)	531	-	-	(214)	317
Net operating losses (AMMO – Brasil) (a)	2,042	-	-	-	2,042
Net operating losses (SGPSA – Brasil) (a)	1,906	-	-	-	1,906
Net operating losses (Santanense) (3) (a)	5,530	(1,199)	-	-	4,331
Temporary differences (Santanense) (3) (a)	18,287	(1,116)	-	-	17,171
Temporary differences (Oxford) (a)	-	6,022	-	-	6,022
	-----------	----------	----------	----------	-----------
	170,190	50,758	19,391	(810)	239,529
Liability:					
Temporary differences (Company) (p)	(3,375)	-	-	-	(3,375)
Negative goodwill in subsidiary (Company) (p)	(426)	-	-	-	(426)
Investment properties (Company) (p)	(6,911)	-	-	-	(6,911)
Investment properties (CSA – Brazil) (p)	(56,934)	-	-	-	(56,934)
Temporary differences (Oxford) (p)	(218)	-	-	131	(87)
Negative goodwill in subsidiary (Oxford) (p)	(4,623)	-	-	-	(4,623)
Investment sale with payment in installment (Oxford) (p)	-	(8,940)	-	-	(8,940)
Investment properties (Tropical) (p)	(6,066)	6,066	-	-	-
	-----------	----------	----------	----------	-----------
	(78,553)	(2,874)	-	131	(81,296)
	-----------	----------	----------	----------	-----------
Total deferred taxes, net	91,637	47,884	19,391	(679)	(158,233)
	======	======	======	======	======
Noncurrent assets – deferred taxes (total of a)	113,174	50,758	19,391	(794)	182,529
Noncurrent liabilities – deferred taxes (total of p)	(21,537)	(2,874)	-	115	(24,296)
	======	======	======	======	======

As of September 30, 2018, the Company had net operating losses of R$197,685 (R$160,840 as of December 31, 2017) and social contribution tax losses of R$211,612 (R$174,677 as of December 31, 2017), whose tax assets were not recognized in the interim financial statements.

(1) Deferred taxes of subsidiary CSA:

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

	Parent company (CSA)			
Year	Temporary differences	Operating losses (*)	Subsidiary Argentina	CSA consolidated
2018	7,621	(7,621)	712	712
2019	-	94	-	94
2020	-	3,237	-	3,237
2021	-	5,986	-	5,986
2022	-	7,244	-	7,244
2023	-	9,120	-	9,120
2024 and thereafter	8,230	18,736	-	26,966
	----------	----------	----------	----------
	15,851	36,796	712	53,359
	======	======	======	======

(*) Includes compensation of taxes paid in Argentina in the amount of R$7,167.

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

Additionally, as of September 30, 2018, indirect subsidiary CSA had net operating losses of R$698,966 (R$639,730 as of December 31, 2017) and social contribution tax losses of R$705,299 (R$645,986 as of December 31, 2017), whose tax assets were not recognized in the interim financial statements.

Deferred taxes (liabilities):

Income and social contribution taxes resulting from the initial fair value adjustment on investment properties, see note 11.

Fair value	211,176
Total residual cost	(43,722)

Surplus/added value	167,454
Income and social contribution tax payable (34%)	56,934
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(2) Deferred taxes of indirect subsidiary SGUS:

The indirect subsidiary SGUS, based on its business plan and future projections, maintained deferred tax assets derived, primarily, from accumulated tax losses. The subsidiary SGUS used to maintain a full valuation allowance on its deferred tax assets. Based on its historical profitability in recent years and the projections of its operating results, the subsidiary SGUS had a deferred tax assets balance, as of September 30, 2018, totaling R$150,019 (R$83,577 as of December 31, 2017). The change during the nine-month period ended on September 30, 2018 is due to updating the amounts realized during the year and projections for future years, and exchange rate variation.

The projections considered the operating results of SGUS for the next 10 years. Based on the assumptions utilized in the preparation of business plan, SGUS management expects to generate future taxable income that will allow the realization of the deferred tax assets.

The estimated realization for the deferred tax assets, as of September 30, 2018, is shown below:

Year	Subsidiary SGUS
2018	10,292
2019	22,044
2020	24,161
2021	23,889
2022	23,006
2023 and thereafter	46,627

	150,019
	======

Temporary differences are fully deductible from taxable income and have no deadline for utilization. The net operating tax losses are also fully deductible, but the federal losses will expire between 2022 and 2034 and the state losses will expire between 2018 and 2034.

Additionally, on September 30, 2018, indirect subsidiary SGUS had R$477,821 in tax losses (R$598,367 at December 31, 2017) whose tax assets were not recognized in the financial statements.

(3) Deferred taxes of indirect subsidiary Santanense:

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

	Company and Consolidated		
Year	Temporary differences	Operating losses	Total
2018	-	1,301	1,301
2019	-	2,702	2,702
2020	-	3,025	3,025
2021	-	3,358	3,358
2022	-	3,703	3,703
2023 e 2024	4,331	3,082	7,413
	----------	----------	----------
	4,331	17,171	21,502
	======	======	======

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

c. Recoverable taxes

	Company		Consolidated	
	09.30.2018	12.31.2017	09.30.2018	12.31.2017
ICMS (state VAT)	-	-	22,685	23,499
Prepaid income and social contribution taxes	3,208	2,196	19,194	27,339
Recoverable PIS and COFINS (*)	8,212	8,211	33,138	19,531
IVA – Gross proceeds (Argentina)	-	-	2,481	2,195
VAT – China and Mexico	-	-	1,563	1,103
Recoverable IPI	-	-	412	1,612
ILL (tax on net income)	5,341	5,341	5,341	5,341
Other recoverable taxes	-	101	1,044	3,123
	-----------	-----------	-----------	-----------
	16,761	15,849	85,858	83,743
Current assets	(3,209)	(2,232)	(22,851)	(35,485)
	-----------	-----------	-----------	-----------
Noncurrent assets	13,552	13,617	63,007	48,258
	======	======	======	======

(*) Includes credits in the amount of R$14,656, resulting from the elimination of ICMS from the PIS and COFINS calculation basis of the subsidiary AMMO. The subsidiary joined a lawsuit filed by SindiLojas, which became final and unappealable.

22. 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, civil claims and labor, whose loss was estimated as possible in the amounts of R$110,210, R$9,920 and R$4,616, respectively.

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

	Company		Consolidated	
	09.30.2018	12.31.2017	09.30.2018	12.31.2017
Tax litigation claims:				
Social contribution	-	-	791	791
INSS	2,457	2,457	3,284	5,282
PIS and COFINS	938	938	1,640	4,203
IPI foreign flag	3,728	3,728	3,728	3,728
Others	396	398	1,658	1,689
Labor	441	441	12,773	14,600
Civil and others	6,061	6,061	7,268	9,072
	---------	---------	----------	----------
	14,021	14,023	31,142	39,365
	=====	=====	======	======
Escrow deposits	12,514	20,481	33,460	42,547
	=====	=====	======	======

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:

	12.31.2017	Additions	Reductions	09.30.2018
Tax litigation claims:				
Social contribution	791	-	-	791
INSS	5,282	-	(1,998)	3,284
PIS and COFINS	4,203	-	(2,563)	1,640
IPI foreign flag	3,728	-	-	3,728
Others	1,689	-	(31)	1,658
Labor	14,600	885	(2,712)	12,773
Civil and others	9,072	131	(1,935)	7,268
	39,365	1,016	(9,239)	31,142

23. EMPLOYEE BENEFIT PLANS

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

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

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

The table below includes summarized information on the pension and postretirement plans as of September 30, 2018 and 2017:

	09.30.2018	09.30.2017
Components of net periodic benefit cost:		
Service cost	910	796
Interest cost, net	2,612	2,771
Net periodic benefit cost	3,522	3,567

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 63% in domestic equity securities and 37% to 55% 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:

	09.30.2018	12.31.2017
Pension plan obligations	116,516	99,363
Other employee benefit obligations	3,731	4,990
Total employee benefit plans	120,247	104,353
Current (a)	(10,672)	(8,817)
Noncurrent	109,575	95,536

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

24. 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.

	Company		Consolidated	
	09.30.2018	12.31.2017	09.30.2018	12.31.2017
FINANCIAL ASSETS --				
Amortized cost:				
Cash and cash equivalents	179	405	140,134	172,016
Marketable securities (current)	-	-	52,051	62,634
Accounts receivable	-	-	668,819	591,176
Receivable - sale of investment (current)	-	-	33,571	-
Other receivables	2,540	378	38,968	37,976
Marketable securities (noncurrent)	1,438	-	79,436	63,819
Receivable - clients	219,324	179,746	120,664	119,779
Receivable - sale of property	-	-	30,994	37,388
Receivable - sale of investment (noncurrent)	-	-	59,489	54,587
Related parties	52,541	-	132,849	-
Others	5,584	2,060	21,816	18,527
Fair value through profit or loss:				
Financial instruments	-	-	18,854	-
Marketable securities (current)	-	-	28,857	-
FINANCIAL LIABILITIES --				
Amortized cost:				
Loans and financing (current)	123,787	113,578	684,319	706,598
Debentures (current)	-	-	67,324	11,952
Suppliers	279	124	218,290	182,994
Noneconomic lease (current)	-	-	8,717	7,202
Payable - purchase of investment property (current)	15,000	28,547	15,000	28,547
Government concessions (current)	-	-	19,845	19,473
Other accounts payable	11,583	9,716	59,176	52,762
Loans and financing (noncurrent)	33,991	19,848	755,144	658,704
Debentures (noncurrent)	-	-	106,606	36,643
Government concessions (noncurrent)	-	-	43,881	42,784
Noneconomic lease (noncurrent)	-	-	15,898	13,816
Related parties	167,900	200,801	2,698	2,072
Payable - purchase of investment property (noncurrent)	-	36,808	-	36,808
Other obligations	23,150	18,958	22,494	13,219

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

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

c) Classification of financial instruments--Except for derivatives, and certain marketable securities, all financial instruments listed above are classified as “Amortized cost”, 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 and certain marketable securities are classified as “Measured at fair value through profit or loss” and have their gains and losses from changes in fair value recognized in the statements of operations.

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

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

The purpose of derivative transactions is always related to the elimination of market risks, identified in our policies and guidelines and, also, to the management of the volatility of financial flows. All derivative financial instruments are recorded at fair value in the Company’s interim financial statements. As of September 30, 2018, except for the transaction described in item d.4 below, there were no outstanding derivative financial instruments.

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

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

d.3.1) Exchange rate risk on foreign investments:

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

Total of foreign investments	09.30.2018	12.31.2017
Investments	292,077	206,660
	-----------	-----------
In equivalent thousands of US Dollars	72,948	62,473
	======	======

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

The financial instruments exposure of the Company and its Brazilian subsidiaries is as follows:

Financial instruments	09.30.2018	12.31.2017
Cash and cash equivalents	1,292	11,653
Financial instruments	18,854	-
Accounts receivable	85,704	62,743
Marketable securities	77,998	63,819
Receivable – sale of investment	166,420	-
Suppliers	(1,320)	(1,688)
Loan and financing	(203,890)	(260,077)
Related parties	(45,234)	1,394
	-----------	-----------
Total exposure in Brazilian Reais	99,824	(122,156)
	======	======
Total exposure in equivalent thousands of US Dollars	24,932	(36,927)
	======	======

The sensitivity analysis of financial instruments, considering the US dollar denominated cash flows, as of September 30, 2018, is shown below:

			Scenarios		
Maturity	Risk	Exposure value in thousands of US$	Probable	II	III
2018	US dollar depreciation	12,550	263	(12,364)	(24,993)
2019	US dollar depreciation	(31,506)	(4,543)	28,130	60,803
2020	US dollar depreciation	15,891	5,106	(12,078)	(29,262)
2021	US dollar depreciation	4,983	3,188	(2,597)	(8,381)
2022	US dollar depreciation	4,794	4,751	(1,236)	(7,223)
2023	US dollar depreciation	4,624	6,465	220	(6,024)
2024	US dollar depreciation	4,441	8,123	1,647	(4,828)
2025	US dollar depreciation	4,273	9,913	3,158	(3,597)
2026	US dollar depreciation	4,882	13,825	5,482	(2,861)
		-----------	-----------	-----------	-----------
		24,932	47,091	10,362	(26,366)
		======	======	======	======

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

The "Probable" scenario represents the result of the probable exchange rate variation, considering the cash flow of the assets and liabilities presented above, applying future dollar exchange rates and comparing to the dollar exchange rate at the end of the current period. Scenarios II and III reflect 25% and 50% deterioration of future dollar exchange rates, respectively. The future dollar exchange rates were obtained from B3.

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 (Liability)	
	09.30.2018	12.31.2017	09.30.2018	12.31.2017
Option Contract (1) -- Position: Sell Currency: US$ Dollar settlement: R$3.8700 Counterpart: Itaú BBA Other information: 2 contracts of US $35,000 thousands (each), maturing on February/19	70,000	-	8,439	-
Forward Contract (NDF) (2) -- Position: Buy Currency: US$ Dollar settlement: R$4.2700 Counterpart: Itaú BBA Other information: 1 contract of US $35,000 thousands, maturing on February/19	35,000	-	(4,235)	-
Forward Contract (NDF) (3) -- Position: Buy Currency: US$ Dollar settlement: R$4.2050 Counterpart: Itaú BBA Other information: 1 contract of US $35,000 thousands, maturing on February/19	35,000	-	(4,204)	-
Total			-	-

<u>Options contracts</u> -- are recorded at fair value through the statement of operations. The fair value of the contracts was obtained directly from the counterpart financial institution, which evaluates these financial instruments based on the data obtained in B3 S.A. – Brazil, Bolsa, Balcão, such as the future dollar rate, volatility, interest rates and own algorithms. (1) If the value of the US Dollar, at the contract maturity date, is less than R$ 3.8700, the Company will receive the lower difference, multiplied by the dollar volume of the respective contracts. The difference for the Dollar greater than R$ 3.8700 will not constitute an expense. (2) If the US dollar value on the contract maturity date is greater than R$ 4.2700, the Company will pay the greater difference, multiplied by the dollar volume of the respective agreement. The difference for the dollar less than R$ 4.2700 will not constitute an income. (3) If the US dollar value on the contract maturity date is greater than R$ 4.2050, the Company will pay the greater difference, multiplied by the US dollar volume of the respective agreement. The difference for the dollar less than R$ 4.2050 will not constitute an income. Contract

with condition precedent until the value of the dollar reaches R$ 4.4200 in the period of validity of the contract.

Maturity	Risk	Exposure value in thousands of US$	Scenarios Probable	II	III
2019	US Dollar appreciation	(70,000)	-	(61,176)	(132,736)
			=======	========	=======

The "Probable" scenario represents the probable exchange rate variation considering the cash flows of the contracts (2) and (3) detailed above, applying the future rates of US dollars and comparing them with the US dollar rate at September 30, 2018. For scenarios II and III, a variation of future dollar rates was considered to be 25% and 50%, respectively. Future rates of US dollars were obtained at B3 S.A. - Brazil, Bolsa, Balcão.

d.4 – Commodities price risk (cotton)--This risk arises from the possibility of the Company and its subsidiaries may incur losses due to fluctuations in the price of cotton, its main raw material. A significant increase in the 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. Below is the summary of the derivative instruments with commodities risk:

	Reference value (Notional) US$ thous.		Fair value – current asset	
Description	09.30.2018	12.31.2017	09.30.2018	12.31.2017
Contract of cotton purchase -- Position: Buy Currency: current US dollars Counterpart: Louis Dreyfus	11,873	-	18,854	-
	======	======	======	======

The prices of the derivative instruments were obtained based on the market information disclosed by ICE - International Cotton Exchange. In the nine-month period ended on September 30, 2018, indirect subsidiary CSA recognized a gain of R$18,854 (R$2,922 in the same period of 2017).

The sensitivity analysis of derivative financial instruments shown above, considering the receipt of cotton, as of September 30, 2018, is shown below:

Maturity	Risk	Average balance (US$)	R$ Probable	II	III
2018	Decrease in price	5,211	3,461	(8,753)	(21,118)
2019	Decrease in price	6,662	15,393	(3,154)	(21,702)
		----------	----------	----------	----------
		11,873	18,854	(11,907)	(42,820)
		======	======	======	======

The "Probable" scenario represents the result of maintaining the price as of September 30, 2018. For scenarios II and III, a decrease of the price per pound was considered at 25% and 50%, respectively.

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

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

Interest rates swap contracts--Are presented and measured at fair value and are based on the cash flow of the loans denominated in foreign currency. Gains or losses are recorded under the "Financial expenses – interests" caption in the statements of operations. There were no interest rate derivatives in the nine-month periods ended September 30, 2018 and 2017.

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

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

	09.30.2018				12.31.2017
Description	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: 128.7% of CDI Counterpart: Banco Brasil S.A. - NCE Maturity: November/2021	165,000	2,101	(1,191)	165,910	165,646
Loan Agreement -- Interest: 128.7% of CDI Counterpart: Banco Brasil S.A. - NCE Maturity: November/2021	165,000	2,101	(1,152)	165,949	165,477
Loan Agreement -- Interest: 127.5% of CDI Counterpart: Banco Brasil S.A. - NCE Maturity: June/2021	120,000	377	(3,042)	117,335	-
Loan Agreement -- Interest: 135.0% of CDI Counterpart: Banco Brasil S.A. - NCE Maturity: October/2018	-	-	-	-	19,111
Loan Agreement -- Interest: IRP + 11.2% Counterpart: Banco Brasil S.A. - CCB Maturity: June/2018	-	-	-	-	60,114
Loan Agreement -- Interest: 127.5% of CDI Counterpart: Banco Brasil S.A. - NCE Maturity: June/2021	80,000	252	(2,028)	78,224	-
(Refer to Note 14)				527,418	410,348
Loan Agreement -- Interest: 120.0% of CDI Counterpart: Banco Votorantim S.A. Maturity: March/2019	40,000	201	-	40,201	40,880
Loan Agreement -- Interest: 120.0% of CDI Counterpart: Banco Votorantim S.A. Maturity: March/2019	40,000	689	-	40,689	40,581
(Refer to Note 14)				80,890	81,461

	09.30.2018				12.31.2017
Description	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: 132.0% of CDI Counterpart: Banco Itaú BBA S.A Maturity: February/2018	-	-	-	-	101,012
(Refer to Note 14)				-	101,012
Loan Agreement -- Interest: 137.5% of CDI Counterpart: Banco Bradesco S.A Maturity: May/2018	-	-	-	-	4,180
Loan Agreement -- Interest: 135.0% of CDI Counterpart: Banco Brasil S.A Maturity: July/2018	-	-	-	-	3,265
Loan Agreement -- Interest: CDI + 5.0% Counterpart: Banco Bradesco S.A Maturity: December/2018	3,750	42	(30)	3,762	14,985
(Refer to Note 14)				3,762	22,430
Loan Agreement -- Interest: 149.0% of CDI and 3.9% + CDI Counterpart: Banco BBM S.A - CCB Maturity: March/2021	38,403	1,873	-	40,276	49,311
Loan Agreement -- Interest: 3.9% + CDI Counterpart: Banco BBM S.A - CCB Maturity: March/2021	8,333	441	-	8,774	-
Loan Agreement -- Interest: 150.5% of CDI Counterpart: Banco BBM S.A - CCB Maturity: May/2021	14,222	465	-	14,687	-
(Refer to Note 14)				63,737	49,311
Loan Agreement -- Interest: CDI + 7.3% Counterpart: BDMG S.A Maturity: November/2019	9,742	1,771	(133)	11,380	17,731
(Refer to Note 14)				11,380	17,731
Loan Agreement -- Interest: CDI + 3.8% Counterpart: ABC do Brasil S.A - CCB Maturity: March/2021	19,355	144	-	19,499	20,073
Loan Agreement -- Interest: CDI + 3.8% Counterpart: ABC do Brasil S.A Maturity: March/2021	17,500	131	-	17,631	17,529
Loan Agreement -- Interest: CDI + 3.8% Counterpart: ABC do Brasil S.A Maturity: March/2021	20,000	150	-	20,150	20,034
Loan Agreement -- Interest: CDI + 3.8% Counterpart: ABC do Brasil S.A Maturity: March/2021	22,500	169	-	22,669	22,604
Loan Agreement -- Interest: CDI + 3.8% Counterpart: ABC do Brasil S.A Maturity: March/2021	20,000	150	(833)	19,317	-

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

Description	Principal amount R$ thousands (09.30.2018)	Accrued interest (09.30.2018)	Prepaid interest (09.30.2018)	Payable (09.30.2018)	Payable (12.31.2017)
Loan Agreement -- Interest: CDI + 4.4% Counterpart: ABC do Brasil S.A - CCE Maturity: July/2021	10,000	54	-	10,054	-
Loan Agreement -- Interest: CDI + 4.4% Counterpart: ABC do Brasil S.A - CCE Maturity: August/2021	10,000	12	-	10,012	-
(Refer to Note 14)				119,332	80,240
Loan Agreement -- Interest: 89.0% of CDI Counterpart: Banco Santander S.A - PPE Maturity: May/2019	50,145	812	(115)	50,842	62,209
Loan Agreement -- Interest: 103.0% of CDI Counterpart: Banco Santander S.A - PPE Maturity: February/2020	38,768	140	(290)	38,618	54,107
Loan Agreement -- Interest: 118.8% of CDI Counterpart: Banco Santander S.A - PPE Maturity: November/2020	50,061	177	(507)	49,731	54,640
(Refer to Note 14)				139,191	170,956
Loan Agreement -- Interest: CDI + 3.0% Counterpart: Banco Itau Unibanco S.A - CCB Maturity: April/2019	20,000	476	(227)	20,249	-
(Refer to Note 14)				20,249	-
Loan Agreement -- Interest: CDI + 4.5% Counterpart: Banco Daycoval S.A. Maturity: September/2020	20,000	182	-	20,182	-
(Refer to Note 14)				20,182	-
Loan Agreement -- Interest: CDI + 4.5% Counterpart: Banco Fibra S.A. - CCE Maturity: July/2020	10,000	64	-	10,064	-
(Refer to Note 14)				10,064	-
Loan Agreement -- Interest: CDI + 4.7% Counterpart: Banco Safra S.A - CCB Maturity: September/2019	10,000	16	-	10,016	-
Loan Agreement -- Interest: CDI + 4.4% and 4.6% Counterpart: Banco Safra S.A - CCB Maturity: May/2019	8,333	49	-	8,382	-
(Refer to Note 14)				18,398	-
Loan Agreement -- Interest: CDI + 4% Counterpart: Caixa Econômica Federal Maturity: September/2022	24,500	60	(536)	24,024	-
(Refer to Note 14)				24,024	-

Description	09.30.2018 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2017 Payable
Debentures 3rd series -- Interest: 110.0% of CDI Counterpart: Gaia Agro Sec, S.A Maturity: June/2020	50,000	1,010	(1,039)	49,971	48,595
Debentures 4th series -- Interest: CDI + 2.75% Counterpart: Several debenture holders Maturity: February/2021	125,000	1,273	(2,314)	123,959	-
(Refer to Note 15)				173,930	48,595
	1,210,612	15,382	(13,437)	1,212,557	982,084

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of September 30, 2018, is as follows:

Maturity	Risk	Principal average balance	Scenarios Probable	II	III
2018	CDI increase	1,125,879	21,698	25,593	30,257
2019	CDI increase	957,400	71,389	111,991	133,002
2020	CDI increase	439,722	34,245	67,827	80,901
2021	CDI increase	136,481	7,681	17,774	21,309
2022	CDI increase	2,552	1,278	1,731	1,997

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

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, 2017. As of September 30, 2018, there was no significant change when compared to the published annual financial statements.

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

The Company's net debt is as follows:

	Company		Consolidated	
	09.30.2018	12.31.2017	09.30.2018	12.31.2017
Loans and financing	157,778	133,606	1,439,463	1,365,302
Debentures	-	-	173,930	48,595
Cash and cash equivalents	(179)	(405)	(140,134)	(172,016)
Marketable securities	(1,438)	-	(160,344)	(126,453)
Financial instruments	-	-	(18,854)	-
Total net debt	156,161	133,201	1,294,061	1,115,428
Total equity	852,113	825,938	1,512,748	1,481,996
Total net debt and equity	1,008,274	959,139	2,806,809	2,597,424

25. SEGMENT INFORMATION

Operating segments are defined as components of an enterprise for which separate interim 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.

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

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

09.30.2018	South America				North America	Others unallocated	
	Wholesale	Retail	Denim	Total	Wholesale	(*)	Total
Net revenues	891.6	189.6	327.4	1,408.6	657.9	(80.5)	1,986.0
Cost of goods sold	(646.8)	(92.2)	(246.9)	(985.9)	(568.9)	75.0	(1,479.8)
Gross profit	244.8	97.4	80.5	422.7	89.0	(5.5)	506.2
Selling, general and administrative expenses	(163.2)	(103.6)	(44.2)	(311.0)	(57.6)	(8.7)	(377.3)
Equity in affiliated companies	-	-	-	-	-	(2.6)	(2.6)
Others, net	7.4	10.5	(1.2)	16.7	(3.1)	27.2	40.8
Operating results	89.0	4.3	35.1	128.4	28.3	10.4	167.1
Financial results	-	-	-	-	-	(186.9)	(186.9)
Income (loss) before taxes	89.0	4.3	35.1	128.4	28.3	(176.5)	(19.8)
Depreciation and amortization	51.7	2.4	8.5	62.6	2.5	0.6	65.7
Total assets	2,397.8	174.8	510.3	3,082.9	704.5	27.2	3,814.6
Total liabilities	(1,465.4)	(143.9)	(304.9)	(1,914.2)	(453.0)	65.3	(2,301.9)
Total net assets	932.4	30.9	205.4	1,168.7	251.5	92.5	1,512.7

09.30.2017	South America				North America	Others unallocated	
	Wholesale	Retail	Denim	Total	Wholesale	(*)	Total
Net revenues	920.0	182.8	319.4	1,422.2	578.0	(84.5)	1,915.7
Cost of goods sold	(684.2)	(89.3)	(251.6)	(1,025.1)	(481.2)	84.5	(1,421.8)
Gross profit	235.8	93.5	67.8	397.1	96.8	-	493.9
Selling, general and administrative expenses	(161.6)	(97.2)	(41.1)	(299.9)	(47.3)	(14.8)	(362.0)
Equity in affiliated companies	-	-	-	-	-	7.7	7.7
Others, net	5.1	2.7	0.7	8.5	4.9	1.9	15.3
Operating results	79.3	(1.0)	27.4	105.7	54.4	(5.2)	154.9
Financial results	-	-	-	-	-	(158.4)	(158.4)
Income (loss) before taxes	79.3	(1.0)	27.4	105.7	54.4	(163.6)	(3.5)
Depreciation and amortization	50.3	3.0	8.5	61.8	2.0	-	63.8
Total assets	2,110.3	142.3	487.6	2,740.2	457.9	75.0	3,273.1
Total liabilities	(1,202.8)	(106.3)	(227.1)	(1,536.2)	(344.3)	(90.2)	(1,970.7)
Total net assets (liabilities)	907.5	36.0	260.5	1.204.0	113.6	(15.2)	1,302.4

(*) 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	
	09.30.2018	09.30.2017
Net revenues (in millions of Reais):		
Bedding, tabletop and bath	736.5	726.8
Utility bedding	563.4	487.0
Intermediate products	496.5	519.1
Retail	189.6	182.8
	1,986.0	1,915.7
Volume (thousands of metric tons):	22.2	23.6
Bedding, tabletop and bath	32.1	32.9
Utility bedding	29.1	33.2
Intermediate products		
	83.4	89.7

The Company and its subsidiaries have over 13,000 active clients as of September 30, 2018 and only one customer has sales of approximately 10% of net sales.

26. EXPENSES BY NATURE

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

By nature:

	Consolidated	
	09.30.2018	09.30.2017
Cost of raw materials, goods and services acquired from third parties	(1,325,344)	(1,194,366)
Employee benefits	(391,355)	(387,163)
INSS	(43,950)	(45,647)
Depreciation and amortization	(65,131)	(63,856)
Finished goods and work in process inventory variations	47,557	(14,494)
Exchange rate variations on inventories of foreign subsidiaries	(1,639)	(6,676)
Others	(77,186)	(71,616)
Total by nature	(1,857,048)	(1,783,818)

By function:

	Consolidated	
	09.30.2018	09.30.2017
Cost of goods sold	(1,479,793)	(1,421,767)
Selling expenses	(234,967)	(231,316)
General and administrative expenses	(129,380)	(120,258)
Management fees	(12,908)	(10,477)
Total by function	(1,857,048)	(1,783,818)

27. NET REVENUES

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

	Consolidated	
	09.30.2018	09.30.2017
OPERATING REVENUES:		
Gross revenues	2,385,777	2,340,970
Sales deductions	(399,779)	(425,225)
NET REVENUES	1,985,998	1,915,745

28. BASIC AND DILUTED INCOME (LOSS) PER SHARE

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

	09.30.2018	09.30.2017
NET INCOME (LOSS) FOR THE PERIOD	13,829	(1,901)
Weighted-average outstanding shares:		
Common shares	13,912,800	13,912,800
Preferred shares	16,723,657	16,723,657
	30,636,457	30,636,457
BASIC AND DILUTED INCOME (LOSS) PER SHARE - R$	0.4514	(0.0621)

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

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