COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

CNPJ/MF Nº 22.677.520/0001-76

NIRE 3130003731-2

Publicly Traded Company

Message to Shareholders

Macroeconomic Environment

Stagnant economy, inflation at the upper end of the target range, despite a strong effort to control prices, large increase in public spending, leading to unsustainable fiscal imbalance and nominal fiscal deficit of 6.7% of GDP. Completing the twin deficits scenario, we recorded, in 2014, current account deficit of almost 4.2% of GDP in the trade balance of manufactured products with imports US$109 billion higher than exports.

The economy has suffered from all these problems and, quarter after quarter, has slowed down.

Hosting the World Cup has not helped the economic activity in our industry. On the contrary. Many consumers preferred to watch the games and sales of textile products decreased significantly during the month of the World Cup.

On the other hand, the event strengthened the image of Brazil worldwide. The Brazilian population hosted foreign visitors with enthusiasm, and our guests recognized that the World Cup, here, was one of the best of all time. The stadiums worked satisfactorily, transportation to the games had no major problems. The happiness of our people and the variety and quality of our cuisine were recognized. We left a great impression as good hosts and all international press recognized the capability of our country to organize a major world event.

The slowdown of the Chinese economy, combined with weak economic activity in Europe, led to a price decrease of agricultural and mineral commodities, especially oil, which plummeted after reaching its highest price of the year in June. These price decreases produced deflationary forces and helped Central Banks to keep less austere fiscal policies. In the United States, the possibility to delay the interest rate increase opened up, which was predicted by economic agents, after one of the longest periods with rates close to zero.

Finally, we had a close election, which result, at the national level, was only decided in a runoff with a very close voting margin.

Company's Performance

In this challenging macroeconomic environment, we had a year of great achievements. The Company's consolidated revenue 3.0 billion *Reais* led to net sales of 2.45 billion *Reais*, with 17% coming from subsidiary Santanense and 83% from subsidiary Springs Global ("Springs").

Springs Global remarkably increased its cash generation, especially in the Wholesale South America operations. Springs´ EBITDA increased by 22% and margins are returning to reasonable levels. There is still room for improvement, to the extent that the utilization rate of our manufacturing capacity increases and we convert more intermediate products into finished products. Retail sales presented consistent growth, 16% increase (sell-out) when compared to the previous year, even without increasing the number of stores. The total number of stores at the end of the year was 239, between owned and franchised stores, of which 26% were less than three years old.

Santanense presented results that were negatively impacted by the energy crisis. Once a representative share of its energy consumption is supplied by its own generation through four small hydroelectric plants that had to be turned off during the year due to the hydric problem. Thereby, Santanense had to buy energy in the open market at the expense of several gross margin points. Fortunately, starting in April 2015, Santanense´s hydroelectric plants will be reactivated which will bring margins to historical levels.

Our Net Debt/EBITDA ratio could not be lower at the end of the fiscal year because of the higher demand for working capital, due to the sales decrease compared to what was planned for the last quarter of the year.

Perspective

The need for dialogue, both political and with the society, including a strong adjustment in the public accounts, was incorporated into the official speech in the beginning of this second presidential term. We hope that the necessary fiscal adjustment is done by higher containment of expenditures and less emphasis on tax increases. Expenditures experienced a very strong increase compared to GDP. It´s time to reduce.

The option to increase taxes will decrease the Brazilian economy competitiveness. On the other hand, more austere fiscal policy may allow a smaller burden over the monetary policy. The Central Bank has been forced to increase interest rates aggressively in an attempt to control inflation, which has remained above target, for much longer than recommended.

The tariff realism in the energy sector, which accumulated large liabilities in recent years, the end of the containment of the public transportation fares and the increase in fuel prices put pressure on the inflation indices. The Central Bank has fought against the effects of those increases.

The Brazilian economy, in the beginning of 2015, seems to be in the opposite direction of the world economy. Interest rates increase significantly, while in the world, the deflationary effects resulting from the decrease in commodity prices, especially oil, postpone the increase of interest rates. The world economies gain competitiveness with the reduction of energy prices, while in Brazil we witness strong price increase of this utility.

The increase of payroll tax rates will result in cost increases that we are still unable to evaluate because the bill may undergo major changes in Congress. Demand has retracted due to reduction of the current salary pool, eroded by inflation and job reduction. The risk of energy rationing also concerns the domestic manufacturing industry.

The imbalance in Brazil's external accounts has led the exchange rate to a new level, which, fortunately, brings great encouragement to the Brazilian manufacturing industry. This has, for domestic manufacturing, positive effects which will be observed over the coming quarters.

Our operations continue to progress solidly and we are confident that we will overcome the 2015 challenges and achieve good results.

Relationship with Independent Auditors

In 2014, the Company did not engage its independent auditors for services other than those related to the audit work.

Capital Markets and Shares Liquidity

In 2014, the Company’s ON and PN shares were traded in 2,113 transactions at BOVESPA (in 2013, 6,181 transactions). The negotiated volume in 2014 was 8.5 million shares, totaling 14.5 million *Reais* (in 2013, 11.5 million shares were negotiated, totaling 33.2 million *Reais*). The daily average transactions during the trading sections, in 2014, was 34.1 thousand preferred shares (51.1 thousand in 2013), and the average daily financial volume was R$57.9 thousand in 2014 (R$147.2 thousand in 2013).

Acknowledgements

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

Management

MANAGEMENT DISCUSSION AND ANALYSIS

Montes Claros, March 26, 2015 – Companhia de Tecidos Norte de Minas - COTEMINAS (the “Company”) is a Brazilian publicly-held company, based in Montes Claros-MG, engaged in the production and marketing of yarns and fabrics in general, imports and exports, and may hold equity interest in other companies and acquire marketable securities in the capital market. The Company’s shares are traded in BM&FBOVESPA – “Bolsa de Valores, Mercadorias e Futuros” (Brazilian Stocks, Commodities and Futures Exchange), under the codes “CTNM3” and “CTNM4”.

The Company is the parent company of Springs Global Participações S.A., which is the parent company of Coteminas S.A. and Springs Global US, Inc., companies that focus their manufacturing operations on bed and bath linens. In 2009, SGPSA started its bedding, tabletop and bath retail operations under the brand MMartan and in 2011 under the brand Artex which sell bedding, tabletop and bath products through the retail channel, managed by the subsidiary AMMO Varejo Ltda.

The Company is also the parent company of Companhia Tecidos Santanense, a publicly-held company, which operates in the textile and related industries, manufacturing and marketing clothing apparel, including professional uniforms, accessories and personal protective equipment for occupational safety.

The Company´s gross revenue was R$3.0 billion in 2014 and 2013.

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

CNPJ/MF No. 07.718.269/0001-57
NIRE 3130002243-9
Publicly Traded Company

MANAGEMENT DISCUSSION AND ANALYSIS

São Paulo, March 12, 2015 - The following financial and operational information of Springs Global Participações S.A. (“Springs Global” or “Company”) are presented in consolidated form and the comparisons refer to the fiscal year of 2013.

Springs Global´s EBITDA increases 22% in 2014 when compared to 2013.

1. Highlights of 2014:

- Net revenue reaches R$2,092 million in 2014.
- 16% growth in sell-out revenue of the retail segment, from R$414 million in 2013 to R$481 million in 2014.
- 14% growth in net revenue of the retail segment when compared to 2013.
- 2.7 percentage points increase in the consolidated gross margin, reaching 26.3%. Gross profit of R$550 million, 14% higher than 2013.
- Gross profit growth in all segments, highlighting the 19% increase in wholesale South America and the 12% in retail.
- Operating cash flow measured by EBITDA increased by 22% when compared to 2013, reaching R$190 million in 2014 and R$155 million in 2013.
- 1.5 percentage point increase in the consolidated EBITDA margin, reaching 9.1%.
- At the end of 2014, Artex, MMartan, Casa Moysés stores totaled 239 points of sale (including e-commerce).

Below is the summary information for Springs Global:

Summary of results (R$ million)	2014	2013	var % 14-13
Gross revenue	2,573.7	2,518.8	2.2%
Net revenue	2,092.0	2,043.0	2.4%
Gross profit	549.7	481.8	14.1%
Margin %	*26.3%*	*23.6%*	*2.7 p.p.*
EBITDA	**189.7**	**155.1**	**22.3%**
Margin %	*9.1%*	*7.6%*	*1.5 p.p.*

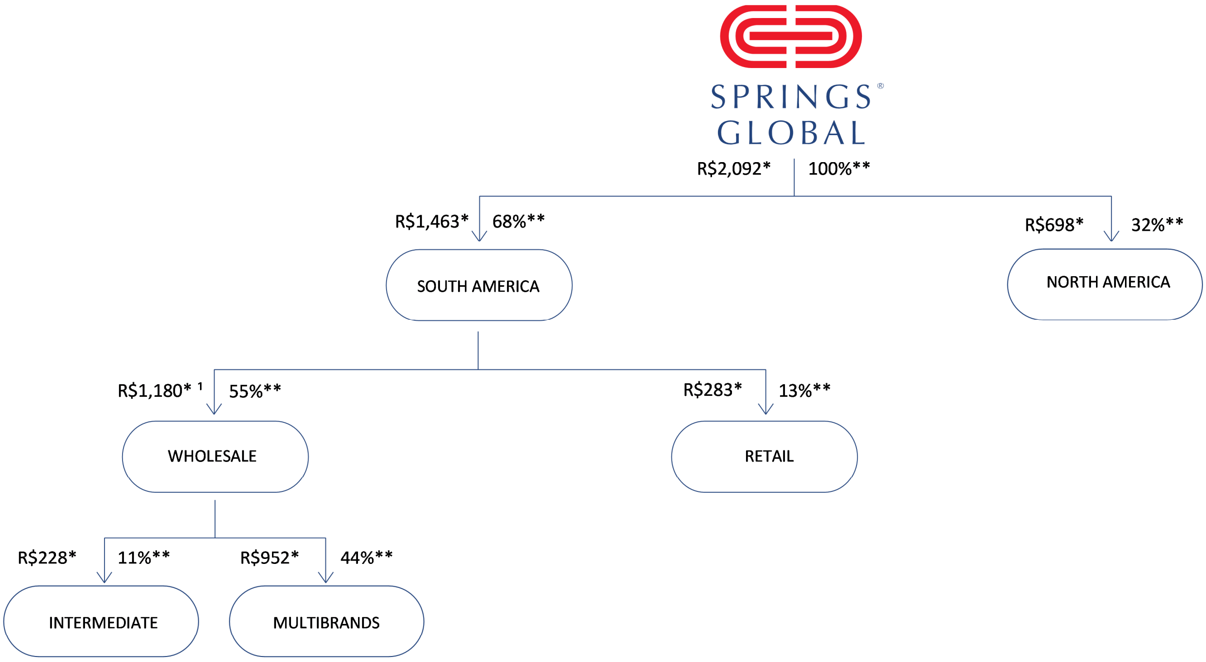
Net revenue (R$ million)	2014	2013	var % 14-13
South America	**1,463.1**	**1,329.9**	**10.0%**
Wholesale*	1,180.0	1,081.9	9.1%
Retail	283.1	248.0	14.2%
North America	**698.2**	**713.1**	**(2.1%)**
Total net revenue	**2,092.0**	**2,043.0**	**2.4%**

**Excluding the intercompany sales, net revenue of the wholesale segment in South America was R$1,111 in 2014.*

	Net Revenue (R$ million)			Volume (tons)			Average price (R$)/Kg		
Product Lines	**2014**	**2013**	**var % 14-13**	**2014**	**2013**	**var % 14-13**	**2014**	**2013**	**var % 14-13**
Bedding, tabletop and bath	1,087.9	1,121.3	(3.0%)	41,735	49,426	(15.6%)	26.1	22.7	15.0%
Utility bedding	492.6	424.0	16.2%	40,677	38,158	6.6%	12.1	11.1	9.0%
Intermediate products	228.4	249.7	(8.5%)	29,227	31,570	(7.4%)	7.8	7.9	(1.3%)
Retail	283.1	248.0	14.2%	-	-	-	-	-	-
Total	**2,092.0**	**2,043.0**	**2.4%**	**111,639**	**119,154**	**(6.3%)**	**18.7**	**17.1**	**9.4%**

2. Our Business Model:

Springs is structured in 3 business segments: Wholesale South America, Wholesale North America and Retail. Net revenue by business segment and its share in the total consolidated net revenue is shown below:



* 2014 net revenue (R$ million)
** % of 2014 net revenue
[1] Excluding the intercompany sales, net revenue of the wholesale segment in South America was R$1,111 in 2014.

2.1. OUR OPERATIONS AND OUR BRANDS

Springs operates state-of-the-art industrial facilities of home textile products with nine plants in Brazil, five in the United States, and one in Argentina. In Brazil, Springs operates vertically integrated plants, from spinning, through weaving, preparation, dyeing, printing, finishing and sewing of home textile products. The Company's manufacturing activities are focused in three product lines: Bedding, Tabletop and Bath ("CAMEBA"), Utility Bedding and Intermediate Products.

Bedding, Tabletop and Bath (CAMEBA): The Company designs, manufactures and markets a complete line of coordinated products using its portfolio of brands and licenses in addition to private labels, which are distributed through major retailers in their market and through owned and franchised monobrand stores. The products line includes bed sheets and pillowcases, tablecloths, towels, rugs and bath accessories.

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

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

Springs distributes its products through wholesale and retail as discussed below.

2.1.1. WHOLESALE SOUTH AMERICA

The Company's CAMEBA and Intermediate Products are sold to multibrand clients in South America under a portfolio of traditional and leading brands, including: Artex and Santista (Brazil), Arco-Íris, Fantasia, and Palette (Argentina). The main customers in this segment are department stores, mass retailers, as well as small and medium sized shops specialized in CAMEBA products.

Our brands represent an important competitive advantage. All Springs´ brands are traditional and leaders in the segments in which they compete. Our brands and products are strategically positioned to target customers of different socioeconomic profiles, while reducing the risk of overlap and competition among them. The brands are:

Artex (Brazil): Quality products under the concept of affordable luxury, updated with the latest fashion trends. There are four different Home Life Styles: Actual, Relax, Trend, and Elegance.

Santista (Brazil): Traditional brand of bedding, tabletop and bath products and bedding accessories with significant penetration in the "budget consumer" and institutional markets.

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

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

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

2.1.2 RETAIL

In Brazil, the Company operates owned and/or franchised monobrand stores under the Artex, MMartan and Casa Moysés brands that, combined, ensure a presence and coverage throughout its domestic market. Each of its store brands operates specific and well defined store formats, including a portfolio of proprietary products and a set of marketing and merchandising strategies aimed at serving targeted consumer groups.

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

MMartan: Desired brand in the bedding, tabletop and bath category. It is synonymous with quality, sophisticated and contemporary products, representing a major brand in the domestic bedding, tabletop and bath market. MMartan's products are manufactured by the Company using high quality fabrics and imported products.

Casa Moysés: Aimed at consumers who seek the highest standard of quality and with expectation of differentiated service. It is a reference brand in the high-end luxury market, with presence and tradition since 1930. Casa Moysés' products are manufactured by the Company using high quality fabric imported from third parties and are sold exclusively through MMartan and Casa Moysés stores.

2.1.3 NORTH AMERICA

The Company's CAMEBA and Utility Bedding are sold to multibrand clients in North America under a portfolio of traditional and leading brands, including: Springmaid, Wabasso and Texmade (North America). The main Springs customers in this segment are department stores, mass retailers, as well as small and medium sized shops specialized in CAMEBA products.

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

Wabasso (Canada): Established in 1907 as a national brand of textile products in Canada. Wabasso is synonymous with quality, taste, style and comfort.

Texmade (Canada): Traditional brand of bedding and bath products focusing on institutional clients in Canada.

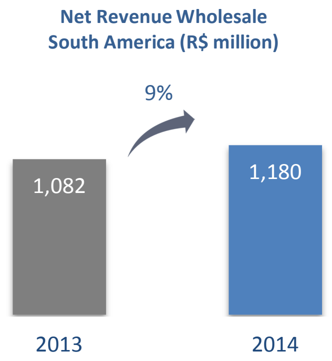
3. Financial Performance

Springs reports its results, segregated between Wholesale South America (Brazil and Argentina), Retail (Brazil) and North America (United States and Canada); its business units.

3.1. South America - Wholesale:

3.1.1 Net Revenue

In 2014, net revenue in South America presented a 10% increase, from R$1,330 million in 2013 to R$1,463 million in 2014, representing 68% of the total revenue of the Company. Net revenue of the wholesale segment in South America reached R$1,180 million in 2014, a 9% increase when compared to 2013.



Intermediate Products

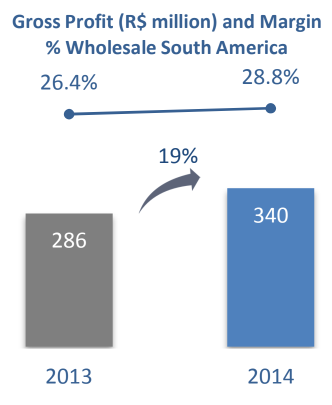
Net revenue of this product line was R$228 million in 2014, which represented a 9% decrease when compared to 2013. The Company projects a lower contribution of intermediate products to its total revenue, due to production growth of finished products, which have higher added value.

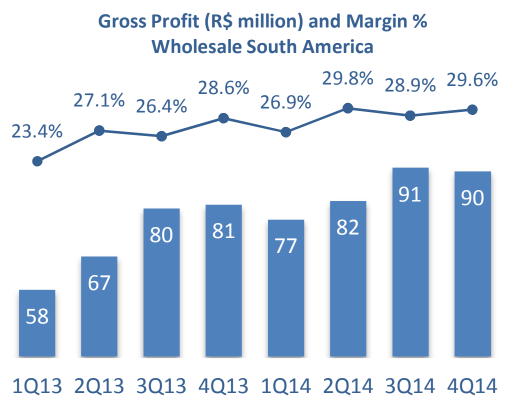
Bedding, Tabletop and Bath

Net revenue of CAMEBA in South America presented an increase of 14%, from R$832 million in 2013 to R$951 million in 2014, providing gain of market share.

3.1.2 Gross Profit

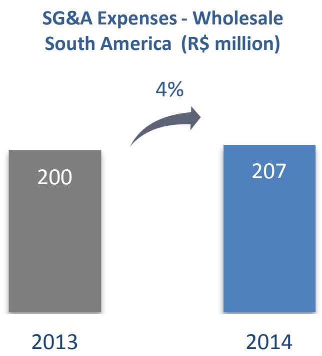
In 2014, gross profit of the wholesale segment in South America was R$340 million, a 19% increase when compared to 2013, which reached R$286 million. Gross margin increased 2.4 percentage points, from 26.4% in 2013 to 28.8% in 2014. Sales of higher added value products contributed to the gross profit growth.





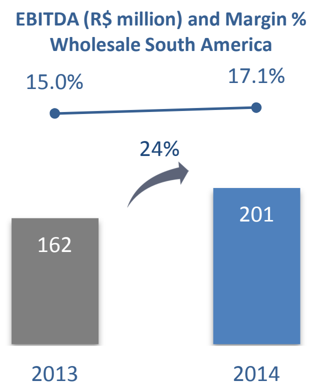
3.1.3 SG&A

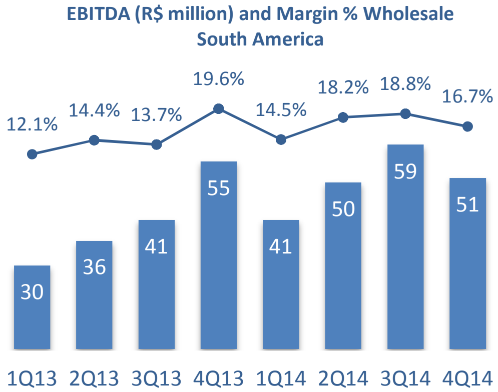
There was a 4% increase in SG&A in 2014 when compared to 2013, going from R$200 million in 2013 to R$207 million in 2014. This increase is due, mainly, to revenue growth and increase of freight costs and sales commissions.



3.1.4 EBITDA

EBITDA of the wholesale segment in South America was R$201 million in 2014, representing an increase of 24% when compared to 2013, which totaled R$162 million. EBITDA margin increased 2.1 percentage points, from 15.0% in 2013 to 17.1% in 2014.

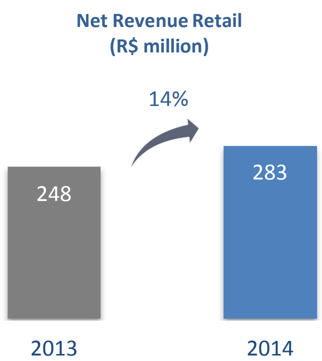




3.2 South America - Retail:

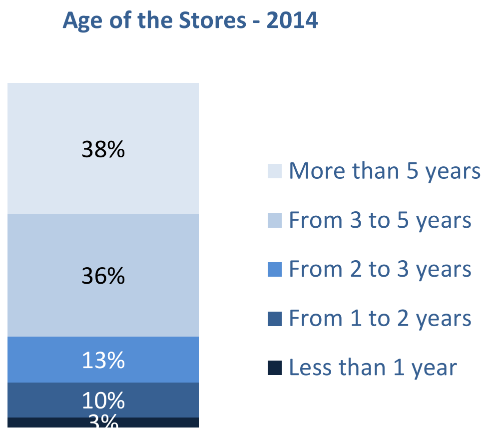
3.2.1 Net Revenue

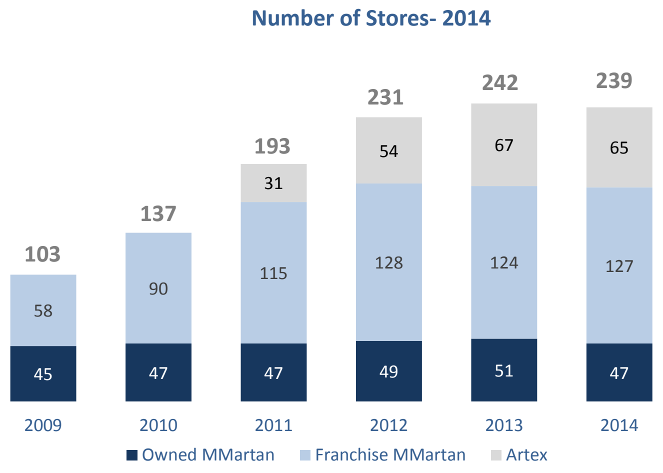
Net revenue for the Company´s retail operation reached R$283 million in 2014, an increase of 14% when compared to 2013. *Sell-out* revenue of all AMMO retail stores was R$481 million in 2014, a 16% increase when compared to R$414 million in 2013.



	2014	2013	var % 14-13
Number of Stores	239	242	-
Owned MMartan	47	51	-
Franchise MMartan	127	124	-
Owned Artex	65	67	-
Net revenue (R$ million)	283.1	248.0	14.2%
Sell-out (R$ million)	480.7	413.6	16.2%

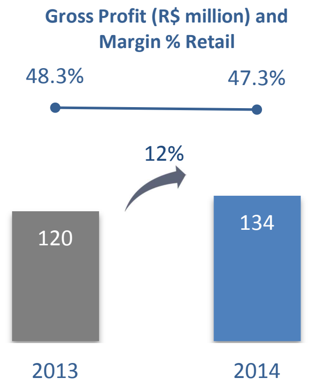
Springs ended 2014 with 239 owned and franchised stores. Artex stores are in the initial phase of operation. At the end of 2014, 26% of the Company stores were between 0 and 3 years and 36% between 3 and 5 years. The process of transferring owned stores into franchised stores is being implemented, although at a rate slower than planned.





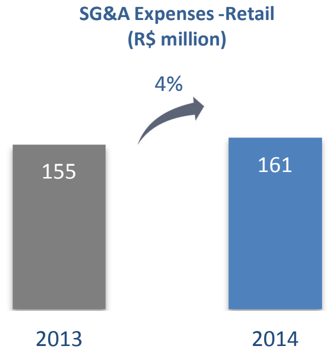
3.2.2 Gross Profit

Gross profit of the retail segment in South America increased by 12%, from R$120 million in 2013 to R$134 million in 2014. Gross margin decreased 1.0 percentage point in 2014, from 48.3% in 2013 to 47.3% in 2014. The Company absorbed cost increases of its products, which impacted the margin of sell-in sales. The focus of the retail operation continues on optimizing the use of existing assets and expanding the number of franchised stores versus owned stores.



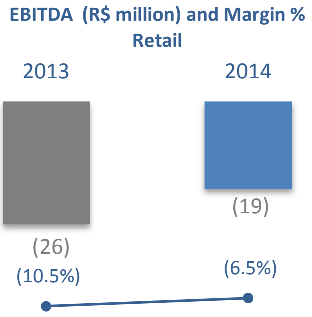
3.2.3 SG&A

In the retail segment, there was a 4% increase in SG&A expenses in 2014 when compared to 2013, from R$155 million in 2013 to R$161 million in 2014, due to sales growth and its variable costs, and an increase in rent expenses.



3.2.4 EBITDA

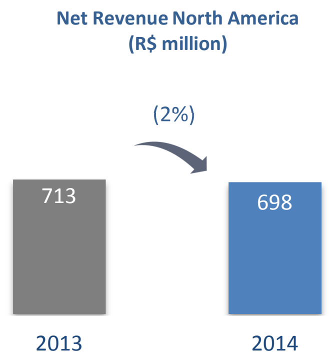
EBITDA of the retail segment was a loss of R$19 million in 2014, an improvement when compared to 2013, which was a loss of R$26 million. EBITDA margin presented an increase of 4.0 percentage points, from 10.5% negative in 2013 to 6.5% negative in 2014. We expect that, in 2015, AMMO will present positive EBITDA.



3.3 <u>North America:</u>

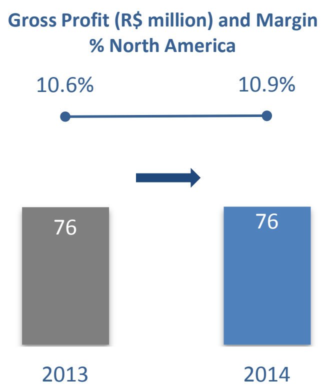
3.3.1 Net Revenue

Net revenue in North America decreased by 2% when compared to 2013, reaching R$698 million in 2014.



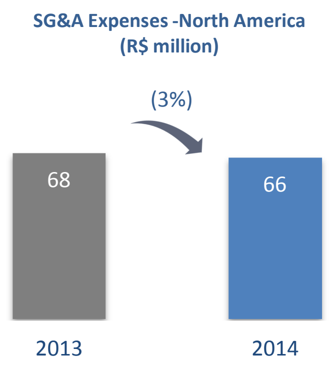
3.3.2 Gross Profit

Gross profit in North America was R$76 million in 2014, practically stable when compared to 2013. Gross margin in 2014 was 10.9%, a 0.3 percentage point increase when compared to the margin of the previous year.



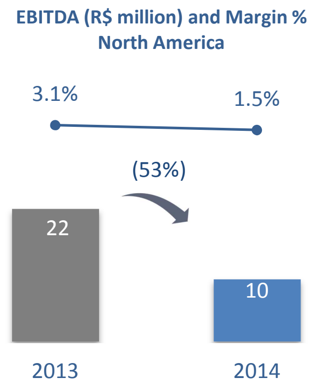
3.3.3 SG&A

SG&A in North America decreased by 3% in 2014 when compared to 2013, reaching R$66 million despite the impact of the exchange rate depreciation on the conversion of the U.S. Dollar denominated expenses into *Reais*.



3.3.4 EBITDA

EBITDA in North America reached R$10 million in 2014. EBITDA margin decreased 1.6 percentage point, from 3.1% in 2013 to 1.5% in 2014. Excluding the impact of disposal of fixed assets, EBITDA increased by 3.9% in 2014 when compared to the previous year.



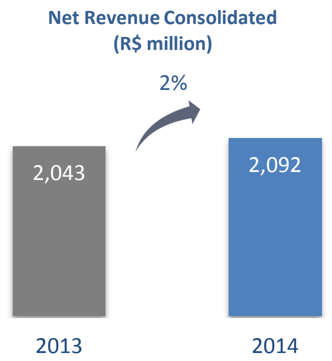
EBITDA (R$ million) - North America	2014	2013	var % 14-13
Net revenue	698.2	713.1	(2.1%)
(-) COGS & SG&A	(688.1)	(705.0)	(2.4%)
(+) Depreciation and amortization	5.8	7.2	(19.4%)
(=) Subtotal	**15.9**	**15.3**	**3.9%**
(+) Others*	(5.5)	7.0	-
EBITDA	**10.4**	**22.3**	**(53.4%)**

**Mainly disposal of fixed assets.*

3.4 Consolidated:

3.4.1 Net Revenue

Consolidated gross revenue reached R$2,574 million in 2014. Consolidated net revenue increased by 2% when compared to 2013, reaching R$2,092 million in 2014.

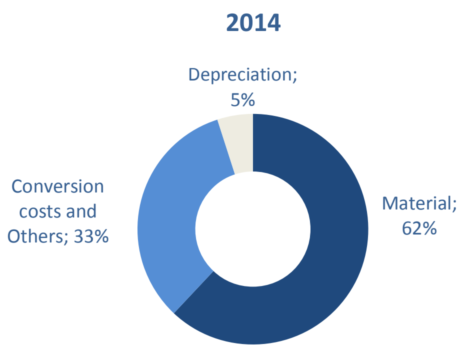


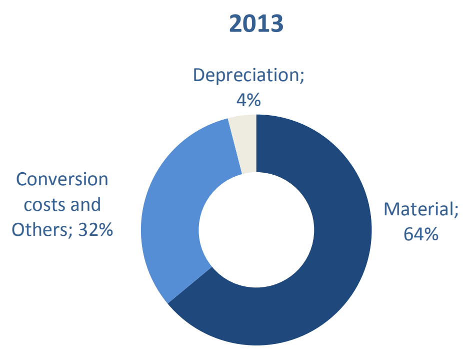
3.4.2 Cost of Goods Sold (COGS)

Cost of goods sold (COGS) remained practically stable in 2014 when compared to 2013, reaching R$1,542 million. As a percentage of net revenue, COGS decreased from 76% in 2013 to 74% in 2014. The table below presents, for the periods indicated, materials costs, conversion and others, as well as depreciation costs for the production and distribution assets:

Cost of goods sold (R$ million)	2014	% NR	2013	% NR	var % 14-13
Materials	956.1	45.7%	997.9	48.8%	(4.2%)
Conversion costs and Others	506.9	24.2%	493.2	24.1%	2.8%
Depreciation	79.3	3.8%	70.1	3.4%	13.1%
Total	**1,542.3**	**73.7%**	**1,561.2**	**76.4%**	**(1.2%)**

COGS was distributed as follows:





3.4.2.1 <u>Materials:</u>

Materials costs, which include mainly raw material (cotton and polyester) and chemical products, decreased by 4% in the period, from R$998 million in 2013 to R$956 million in 2014. As a percentage of net revenue, material costs decreased from 49% in 2013 to 46% in 2014. The proportional reduction in material costs is due to the manufacturing of products with higher added value.

3.4.2.2 <u>Conversion costs and Others:</u>

Conversion costs and others, which include mainly labor, energy, and other utilities, increased by 3%, from R$493 million in 2013 to R$507 million in 2014. Conversion costs as a percentage of net revenue remained constant at 24%.

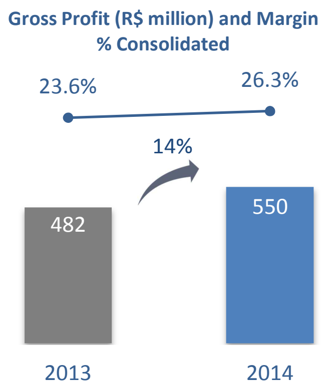
3.4.2.3 <u>Depreciation:</u>

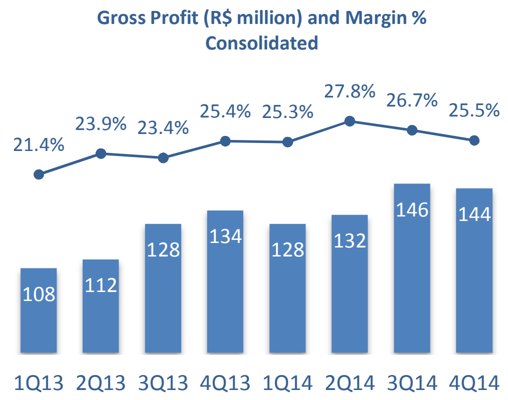
Depreciation costs of production and distribution assets totaled R$79 million in 2014.

3.4.3 Gross Profit

Gross profit increased by 14%, from R$482 million in 2013 to R$550 million in 2014. Gross margin increased 2.7 percentage points, from 23.6% in 2013 to 26.3% in 2014. This result is due, mainly, to the positive results of the wholesale and retail segments in South America, presenting an increase of gross profit of 19% and 12%, respectively.

The graph below presents, for the periods indicated, gross profit:





The table below presents, for the periods and segments indicated, gross profit:

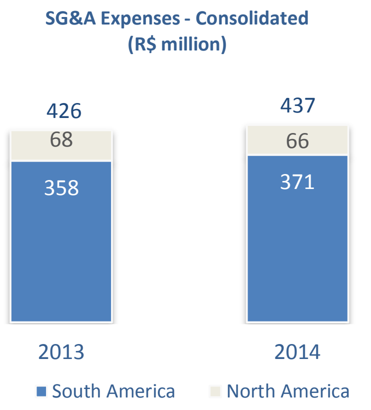
	South America						North America			Total		
	Wholesale*			Retail			Wholesale			Consolidated		
Gross Profit (R$ million)	**2014**	**2013**	**var % 14-13**	**2014**	**2013**	**var % 14-13**	**2014**	**2013**	**var % 14-13**	**2014**	**2013**	**var % 14-13**
Net revenue	1,180.0	1,081.9	9.1%	283.1	248.0	14.2%	698.2	713.1	(2.1%)	2,092.0	2,043.0	2.4%
(-) COGS	(840.2)	(795.8)	5.6%	(149.3)	(128.3)	16.4%	(622.1)	(637.2)	(2.4%)	(1,542.3)	(1,561.2)	(1.2%)
Gross Profit	339.8	286.1	18.8%	133.8	119.7	11.8%	76.1	75.9	0.3%	549.7	481.8	14.1%
Margin %	***28.8%***	***26.4%***	***2.4 p.p.***	***47.3%***	***48.3%***	***(1.0 p.p)***	***10.9%***	***10.6%***	***0.3 p.p.***	***26.3%***	***23.6%***	***2.7 p.p.***

**Excluding the intercompany sales, net revenue of the wholesale segment in South America was R$1,111 in 2014.*

3.4.4 SG&A

SG&A (R$ million)	2014	2013	var % 14-13
SG&A South America	**371.4**	**357.8**	**3.8%**
Selling - wholesale	140.5	135.5	3.7%
Selling - retail	138.9	133.6	4.0%
General and administrative	92.0	88.7	3.7%
SG&A North America	**66.0**	**67.8**	**(2.7%)**
SG&A Total	**437.4**	**425.6**	**2.8%**

SG&A expenses increased by 3% in 2014 when compared to 2013, reaching R$437 million in 2014. As a percentage of net revenue, SG&A expenses remained practically in line between the periods, reaching 21% in 2014.

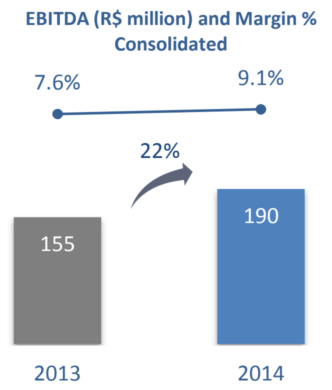


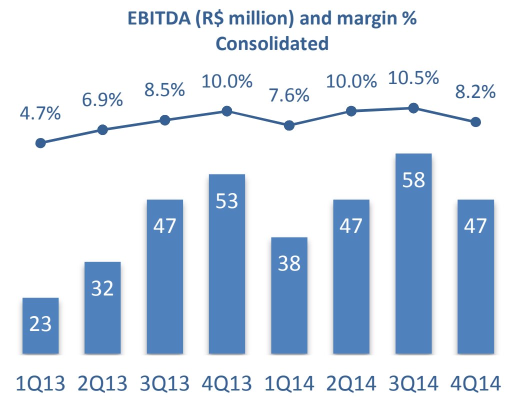
3.4.5 EBITDA

EBITDA totaled R$190 million in 2014, representing an increase of 22% when compared to 2013. EBITDA margin in 2014 reached 9.1%, a 1.5 percentage point increase when compared to 2013.

EBITDA (R$ million)	2014	2013	var % 14-13
Income (Loss) for the year	(29.1)	(52.7)	(44.8%)
(+) Income and social contribution taxes	(7.3)	3.2	-
(+) Financial results	140.1	113.1	23.9%
(+) Depreciation and amortization	86.0	91.5	(6.0%)
EBITDA	**189.7**	**155.1**	**22.3%**
Margin %	*9.1%*	*7.6%*	*1.5 p.p.*

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





3.5 Financial Results

Net financial expenses in 2014 totaled R$140 million, above the total of R$113 million of the previous year. The main factors that contributed to this result are discussed below.

Financial results (R$ million)	2014	2013	var % 14-13
Financial income	16.3	8.3	96.4%
Financial expenses - interests	(110.3)	(79.0)	39.6%
Financial expenses - bank charges and others	(58.6)	(56.0)	4.6%
Exchange variation, net	12.5	13.6	(8.1%)
Financial results	**(140.1)**	**(113.1)**	**23.9%**

Financial income increased from R$8 million in 2013 to R$16 million in 2014 and interest expenses increased from R$79 million in 2013 to R$110 million in 2014 due mainly to the SELIC rate (Brazilian interest rate) increase in 2014 when compared to 2013. Bank charges and others increased from R$56 million in 2013 to R$59 million in 2014.

The balance of net exchange rate variations decreased from income of R$14 million in 2013 to R$13 million in 2014, reflecting the current position of exposure to the U.S. Dollar.

3.6 Net Income (Loss)

As a result of what was previously discussed, the Company reported net income of R$1 million in the 4Q14. Net Income presented in the second half of 2014 was not enough to offset the net loss of the first half of 2014, leading to a net loss of R$29 million in 2014, an improvement when compared to a net loss of R$53 million in 2013.

4. Capital Expenditures (CAPEX)

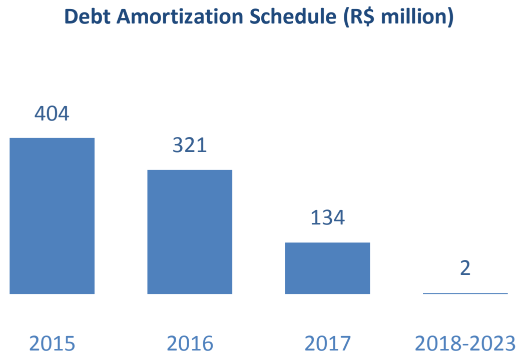
Our CAPEX reached R$55 million in 2014 and R$59 million in 2013. During 2014, investments in manufacturing facilities reflected, mainly, asset modernization. In retail, investments are associated with restructurings and improvements of our owned stores, in addition to investments related to stores that are planned to begin their operations in the coming months.

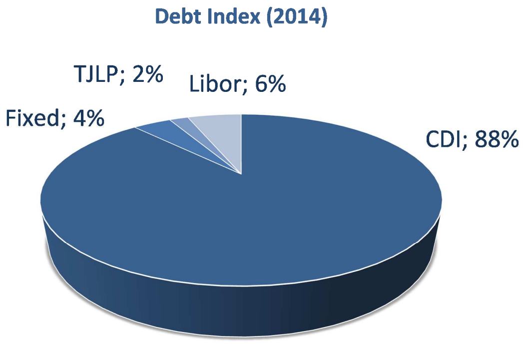
Investment (R$ million)	2014	2013	var % 14-13
Manufacturing facilities	44.2	41.5	6.5%
Retail	11.1	17.8	(37.6%)
Total	**55.3**	**59.3**	**(6.7%)**

5. Indebtedness and Working Capital

As shown in the graph below, there was a considerable lengthening of debt maturities.

Indebtedness (R$ million)	2014	2013	var % 14-13
Loans and financing	595.2	748.6	(20.5%)
- Domestic currency	541.7	663.6	(18.4%)
- Foreign currency	53.5	85.0	(37.1%)
Debentures	265.4	-	-
Cash and marketable securities	(130.9)	(82.8)	58.1%
Net debt	**729.7**	**665.8**	**9.6%**



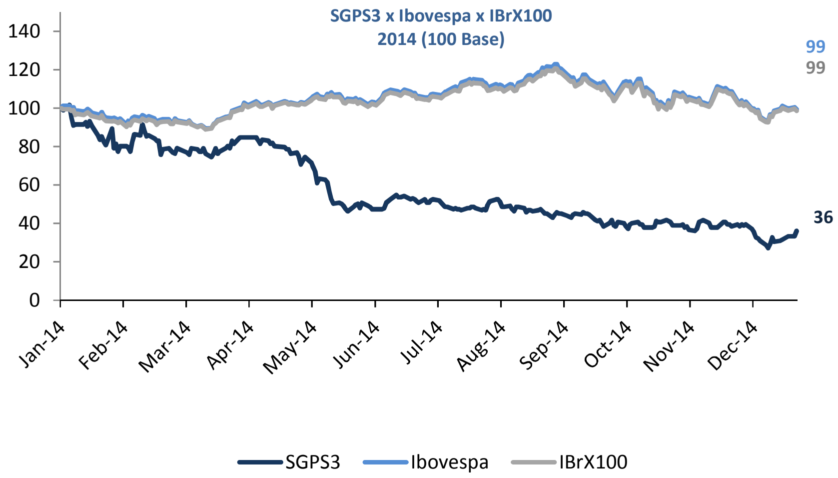


In financial terms, the working capital needs increased from R$929 million at the end of 2013 to R$992 million at the end of 2014.

Working capital (R$ million)	2014	2013	var % 14-13
Accounts receivable	522.5	513.3	1.8%
Inventories	589.6	559.0	5.5%
Advances to suppliers	46.7	50.7	(7.9%)
Suppliers	(167.1)	(194.0)	(13.9%)
Working capital	**991.7**	**929.0**	**6.7%**

6. Investor Relations and Capital Market

Springs Global's shares, traded on the BM&FBovespa under the ticker SGPS3, underperformed the Bovespa Index (Ibovespa) and the IBrX100 in 2014, as shown in the graph below. Concerning its liquidity, the daily average financial volume on the BM&FBovespa was R$118 thousand in 2014.



7. Outlook

Springs confirms its focus on improving the profitability of its businesses, which will be obtained (1) by higher capacity utilization of the plants in Brazil, resulting in higher fixed costs absorption, (2) by higher conversion of intermediate products (yarns and fabrics) into finished products with higher added value, and (3) by the execution of the monobrand retail growth plan, especially with the Artex brand, focusing on the franchise model, which leverages growth with low capital demand.

We expect that Springs will generate growing and positive free cash flow over the next periods, generating resources that will, primarily, be used to reduce the current level of financial leverage of the Company. Additionally, as previously communicated to the market, Springs continues with its program of exiting non-operating and non-strategic assets.

In this context, we provide the guidance for 2015, in line with the budget of the Company.

Business Units	Amount (R$ million)
Wholesale - South America	1,150 - 1,260
Retail	260 - 300
Wholesale - North America	740 - 790
Total Net Revenue	**2,150 - 2,350**
EBIT	110 -140
EBITDA	200 - 230
CAPEX	40-50

Springs, therefore, continues to focus on growth with improved profitability and capital discipline, from a solid platform in the wholesale segment in South America and the potential for expansion and consolidation of its monobrand retail operations.

8. Outlook

- In July 2014, the subsidiary Coteminas S.A. concluded the funding of R$270 million through the issuance of Agribusiness Receivables Certificates ("CRA"). The amortization will occur in two equal installments, with the first payment due on June 15, 2016 and the second payment due on June 15, 2017.

- In February 2015, the Company announced to the market that its subsidiary Coteminas S.A. concluded negotiation to sell to the city of Montes Claros the property located at Av. Governador Magalhães Pinto, 4000, comprising the land of 161.930m², with approximately 28 thousand square meters of building area, for the total amount of R$48 million, to be paid in 48 months, with a 12-month grace period, adjusted for inflation using the General Index of Market Price (IGP-M). The conclusion of the transaction is subject to approval by the Montes Claros's city council, and the signature of the relevant instruments.

9. Awards and Recognitions

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

Prêmio Lojista: MMartan is considered one of the three leading brand in bedding, tabletop and bath products of the *Prêmio Lojista* conducted by Alshop - Alshop is the Brazilian Association of Shopping Retailers (*Associação Brasileira de Lojistas de Shopping*).

Excelência em Franchising: MMartan receives from ABF - Brazilian Franchising Association (*Associação Brasileira de Franchising*) - the Seal of Excellence in Franchising (*Selo de Excelência em Franchising*). The Seal of Excellence in Franchising represents the knowledge of MMartan´s quality and excellence as a franchiser and aims at developing best practices and the company's professionalism to the franchise system.

Prêmio ÉPOCA ReclameAQUI – As melhores empresas para o consumidor 2014: This award was created in order to encourage companies to seek excellence in service, making efforts to improve relations with the new consumer and achieve high efficiency standard in problem solving. The Company won first place with SANTISTA brand in the bedding, tabletop and bath category. MMartan and ARTEX stores were finalists. MMartan´s reputation is considered by the magazine as "great" (83% of consumers would return to buy MMartan).

Companhia de Tecidos Santanense

CNPJ/MF Nº 21.255.567/0001-89

Publicly Traded Company

Shareholders,

We submit for your consideration the financial statements for the year ended December 31, 2014, accompanied by the Independent Auditors report.

Santanense´s gross revenue was R$505.7 million in the year of 2014. The table below includes the financial highlights of 2014 and 2013.

Consolidated Financial Highlight	**R$ thousands**		**Variance**
	2014	**2013**	**%**
Gross revenue	505,666	479,958	5.4
Net revenue	406,434	385,145	5.5
Cost of goods sold	(339,453)	(294,676)	15.2
Gross profit	66,981	90,469	(26.0)
(% of net revenue)	*16.5%*	*23.5%*	
Selling, general and administrative expenses	(61,070)	(55,157)	10.7
Net income	959	35,381	(97.3)
Basic and diluted earnings per share (R$/share):			
Common	0.0243	0.8974	(97.3)
Preferred	0.0268	0.9872	(97.3)

Net Revenue

Net revenue in 2014 reached R$406.4 million. Santanense's net revenue increased by 5.5% in the year due to an increase in average price in the mix of goods sold, with higher sales of denim for clothing in the sales mix.

Cost of goods sold

Santanense reported a gross margin of 16.5% in the year 2014 and 23.5% in 2013. The Company has its own energy generation through four small hydroelectric plants located in the Mid-West region of Minas Gerais. With the water crisis, the Company did not operate its hydroelectric plants and started to buy more expensive energy in the spot market, severely impacting its margins.

Selling, general and administrative expenses

Selling, general and administrative expenses presented an increase in line with inflation for the period and sales increase.

Operating income

Operating income was R$10.9 million in 2014, a 77.5% decrease when compared to the previous year due to manufacturing costs increase as explained before.

Financial results, net

In 2014, financial result, net was an expense of R$10.3 million, while in 2013, it was an expense of R$2.0 million. Interest rates increase and net cash flow decrease in the year negatively impacted the Company's financial results.

	R$ millions	
Financial result	**2014**	**2013**
Financial income	2.9	3.1
Financial expenses - interests	(11.3)	(4.9)
Exchange variation, net	1.6	2.6
Bank charges, discounts	(3.5)	(2.8)
Financial result	**(10.3)**	**(2.0)**

Working capital

Working capital decreased from R$120.4 million in 2013 to R$113.7 million in 2014. The current ratio in 2014 was 1.97, which means that for each R$1.00 in short-term liabilities, Santanense had R$1.97 in short-term assets.

Net Income and Dividends

In 2014, Santanense recorded a net income of R$1.0 million. Management will propose at the Annual Shareholder's Meeting to be held until April 30, 2015, the distribution of total dividends of R$0.005776 per ordinary share and R$0.006354 per preferred share, totaling R$228, 25% of net income of the year adjusted in accordance with the by-laws.

The Management

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

Companhia de Tecidos Norte de Minas - COTEMINAS

Individual and Consolidated Financial Statements for the Year Ended December 31, 2014 and Independent Auditors' Report on Financial Statements

Deloitte Touche Tohmatsu Auditores Independentes

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

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

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

We have audited the accompanying individual and consolidated financial statements of Companhia de Tecidos Norte de Minas - COTEMINAS (the "Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as of December 31, 2014 and the related statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Companhia de Tecidos Norte de Minas - COTEMINAS as of December 31, 2014, its individual and consolidated financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with IFRSs issued by the IASB.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added ("DVAs") for the year ended December 31, 2014, prepared under the responsibility of the Company's Management, the presentation of which is required by Brazilian Corporate Law for publicly-traded companies, and considered as supplemental information for IFRSs that do not require the presentation of DVA. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

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

São Paulo, March 26, 2015

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Roberto Wagner Promenzio
Engagement Partner

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF DECEMBER 31, 2014 AND 2013

(In thousands of Brazilian Reais)

A S S E T S

		Company		Consolidated	
	Note	2014	2013	2014	2013
CURRENT:					
Cash and cash equivalents	3	1,191	1,410	175,280	156,607
Marketable securities	4	-	-	32,247	7,510
Accounts receivable	5	-	-	622,613	604,596
Inventories	6	-	-	690,663	645,646
Advances to suppliers		73	74	51,395	53,998
Recoverable taxes	16.d	4,912	6,830	55,800	38,366
Real estate held for sale		-	-	3,138	3,067
Other receivables		6,520	3,902	34,266	43,175
Total current assets		12,696	12,216	1,665,402	1,552,965
NONCURRENT:					
Long-term assets:					
Recoverable taxes	16.d	14,508	13,552	33,312	28,307
Deferred income and social contribution taxes	16.c	8,629	8,629	77,137	71,309
Related parties	15	96,222	75,684	45,590	31,457
Property, plant and equipment held for sale	8.b	-	-	40,527	58,330
Escrow deposits	17	27,337	27,804	53,259	52,866
Other credits and receivables		2,061	2,060	28,453	16,803
		148,757	127,729	278,278	259,072
Investments in subsidiaries	7	749,846	774,874	-	-
Investments in affiliated companies	7	175,849	135,382	175,849	135,382
Advance for future capital increase	7	-	16,082	-	16,082
Other investments		3,088	3,087	5,556	5,808
Property, plant and equipment	8.a	6,815	9,067	1,012,046	1,091,465
Intangible assets	9	2	2	119,596	119,740
Total noncurrent assets		1,084,357	1,066,223	1,591,325	1,627,549
Total assets		1,097,053	1,078,439	3,256,727	3,180,514

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

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF DECEMBER 31, 2014 AND 2013

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

	Note	Company 2014	Company 2013	Consolidated 2014	Consolidated 2013
LIABILITIES					
CURRENT:					
Loans and financing	12	105,385	44,463	598,354	597,010
Debenture	13	-	-	1,685	-
Suppliers	11	92	1,782	176,927	210,141
Payroll and related charges		676	657	60,644	62,367
Taxes		27	3	12,424	11,959
Government concessions	19	-	-	16,556	15,973
Noneconomic leases	10	-	-	4,286	9,962
Other payables		2,789	4,120	62,633	80,493
Total current liabilities		108,969	51,025	933,509	987,905
NONCURRENT:					
Loans and financing	12	-	17,500	229,738	310,686
Debenture	13	-	-	263,748	-
Noneconomic leases	10	-	-	12,822	11,852
Related parties	15	7,450	1,392	242	2
Government concessions	19	-	-	47,875	48,632
Employee benefit plans	18	-	-	101,102	80,212
Miscellaneous accruals	17	12,049	11,967	42,648	38,814
Deferred income and social contribution taxes	16.c	427	427	5,318	5,049
Other obligations		40	136	18,971	25,779
Total noncurrent liabilities		19,966	31,422	722,464	521,026
EQUITY:	14				
Capital		882,236	882,236	882,236	882,236
Capital reserves		209,701	293,888	209,701	293,888
Earnings reserves		-	431,721	-	431,721
Cumulative translation adjustment		(100,127)	(95,733)	(100,127)	(95,733)
Assets and liabilities valuation adjustment		1,770	(212)	1,770	(212)
Accumulated deficit		(25,462)	(515,908)	(25,462)	(515,908)
Total equity attributable to the owners of the Company		968,118	995,992	968,118	995,992
NON-CONTROLLING INTERESTS	7.b	-	-	632,636	675,591
Total equity		968,118	995,992	1,600,754	1,671,583
Total liabilities and equity		1,097,053	1,078,439	3,256,727	3,180,514

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In thousands of Brazilian Reais)

		Company		Consolidated	
	Note	2014	2013	2014	2013
NET REVENUES	24	-	-	2,449,583	2,398,140
COST OF GOODS SOLD	23	-	-	(1,832,895)	(1,825,898)
GROSS PROFIT		-	-	616,688	572,242
OPERATING INCOME (EXPENSES):					
Selling expenses	23	-	-	(339,764)	(332,732)
General and administrative expenses	23	(19,429)	(19,526)	(167,617)	(160,403)
Management fees	23	(2,116)	(1,591)	(13,787)	(11,882)
Equity in subsidiaries and affiliated companies	7	(62,265)	(8,069)	(45,689)	5,484
Others, net	21	(1,264)	397	(4,926)	18,320
INCOME (LOSS) FROM OPERATIONS		(85,074)	(28,789)	44,905	91,029
Financial expenses – interests		(10,918)	(6,340)	(129,279)	(82,334)
Financial expenses – bank charges and others		(1,963)	(2,916)	(55,910)	(54,614)
Financial income		22,845	16,282	29,943	17,515
Exchange rate variations, net		(1,342)	1,846	12,721	18,018
LOSS BEFORE TAXES		(76,452)	(19,917)	(97,620)	(10,386)
Income and social contribution taxes:					
Current	16.b	-	-	3,543	(13,270)
Deferred	16.b	-	-	4,119	(897)
NET LOSS FOR THE YEAR		(76,452)	(19,917)	(89,958)	(24,553)
ATTRIBUTABLE TO:					
Owners of the Company				(76,452)	(19,917)
Non-controlling interests	7.b			(13,506)	(4,636)
				(89,958)	(24,553)
BASIC AND DILUTED LOSS PER SHARE — R$	25	(0.6239)	(0.1625)		

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2014	2013	2014	2013
NET LOSS FOR THE YEAR	(76,452)	(19,917)	(89,958)	(24,553)
Other comprehensive income (loss)--				
- Items that will impact the statements of operations:				
Exchange rate variations on foreign investments	(4,394)	(8,374)	(12,902)	(17,745)
Cash flow hedge in affiliated companies	8,384	(12,370)	8,384	(12,370)
	3,990	(20,744)	(4,518)	(30,115)
- Items that will not impact the statements of operations:				
Actuarial gain (loss) on pension plans	(9,757)	6,430	(18,440)	12,151
COMPREHENSIVE LOSS FOR THE YEAR	(82,219)	(34,231)	(112,916)	(42,517)
ATTRIBUTABLE TO:				
Owners of the Company			(82,219)	(34,231)
Non-controlling interests			(30,697)	(8,286)
			(112,916)	(42,517)

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

(In thousands of Brazilian Reais)

		Capital reserves	Earnings reserves			Assets and liabilities			Total equity attributable to		
	Capital	Tax incentives	Legal	Retained earnings	Cumulative translation adjustment	valuation adjustment	Treasury shares	Accumulated deficit	the owners of the Company	Non-controlling interests	Total equity
BALANCES AS OF DECEMBER 31, 2012	870,000	286,308	33,298	398,423	(108,316)	-	(838)	(416,509)	1,062,366	588,826	1,651,192
Actuarial loss on pension plans	-	-	-	-	-	(20,961)	-	20,961	-	-	-
BALANCES AS OF DECEMBER 31, 2012 (adjusted)	870,000	286,308	33,298	398,423	(108,316)	(20,961)	(838)	(395,548)	1,062,366	588,826	1,651,192
Deemed cost of affiliated company	-	-	-	-	-	24,442	-	(24,442)	-	-	-
Amortization for the period	-	-	-	-	-	(680)	-	680	-	-	-
Comprehensive income:											
Net loss for the year	-	-	-	-	-	-	-	(19,917)	(19,917)	(4,636)	(24,553)
Exchange rate variations on foreign investments (note 2.1)	-	-	-	-	3,062	-	-	-	3,062	-	3,062
Impact of subsidiaries and affiliated companies - Exchange rate variations on foreign investments (note 2.1)	-	-	-	-	(11,436)	-	-	-	(11,436)	(9,371)	(20,807)
Cash flow hedge in affiliated companies	-	-	-	-	-	(12,370)	-	-	(12,370)	-	(12,370)
Actuarial gain on pension plans	-	-	-	-	-	6,430	-	-	6,430	5,721	12,151
Total comprehensive loss	-	-	-	-	(8,374)	(5,940)	-	(19,917)	(34,231)	(8,286)	(42,517)
Owners' contribution (distribution):											
Purchase of ownership interest in subsidiary (note 7)	-	-	-	-	-	-	-	14,866	14,866	(29,866)	(15,000)
Issuance of new shares by incorporation (note 14.a.1)	12,236	75,000	-	-	-	-	-	495	87,731	-	87,731
Redemption of shares (note 14.a.2)	-	-	-	-	20,957	2,927	(66,582)	(87,829)	(130,527)	130,527	-
Cancellation of redeemed shares (note 14.a.2)	-	(66,582)	-	-	-	-	66,582	-	-	-	-
Corporate restructuring expenses	-	-	-	-	-	-	-	(4,213)	(4,213)	(1,919)	(6,132)
Dividends paid by subsidiaries	-	-	-	-	-	-	-	-	-	(3,691)	(3,691)
Cancelation of treasury shares (note14.b)	-	(838)	-	-	-	-	838	-	-	-	-
Total owners' contribution (distribution)	12,236	7,580	-	-	20,957	2,927	838	(76,681)	(32,143)	95,051	62,908
BALANCES AS OF DECEMBER 31, 2013	882,236	293,888	33,298	398,423	(95,733)	(212)	-	(515,908)	995,992	675,591	1,671,583

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2014

(In thousands of Brazilian Reais)

		Capital reserves	Earnings reserves							
	Capital	Tax incentives	Legal	Retained earnings	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, 2013	882,236	293,888	33,298	398,423	(95,733)	(212)	(515,908)	995,992	675,591	1,671,583
Absorption of losses with reserves (note 14.a.4)	-	(84,187)	(33,298)	(398,423)	-	-	515,908	-	-	-
Deemed cost of affiliated company	-	-	-	-	-	(631)	631	-	-	-
Comprehensive income:										
Net loss for the year	-	-	-	-	-	-	(76,452)	(76,452)	(13,506)	(89,958)
Exchange rate variations on foreign investments (note 2.1)	-	-	-	-	3,314	-	-	3,314	-	3,314
Impact of subsidiaries and affiliated companies -										
Exchange rate variations on foreign investments (note 2.1)	-	-	-	-	(7,708)	-	-	(7,708)	(8,508)	(16,216)
Cash flow hedge in affiliated companies	-	-	-	-	-	12,370	(3,986)	8,384	-	8,384
Actuarial gain on pension plans	-	-	-	-	-	(9,757)	-	(9,757)	(8,683)	(18,440)
Total comprehensive loss	-	-	-	-	(4,394)	2,613	(80,438)	(82,219)	(30,697)	(112,916)
Owners’ contribution (distribution):										
Gain on equity interest in affiliated companies (note 7)	-	-	-	-	-	-	59,771	59,771	-	59,771
Capital increase in subsidiary (note 7)	-	-	-	-	-	-	(5,462)	(5,462)	(10,456)	(15,918)
Dividends paid by subsidiaries	-	-	-	-	-	-	-	-	(1,997)	(1,997)
Prescribed dividends	-	-	-	-	-	-	36	36	195	231
Total owners’ contribution (distribution)	-	-	-	-	-	-	54,345	54,345	(12,258)	42,087
BALANCES AS OF DECEMBER 31, 2014	882,236	209,701	-	-	(100,127)	1,770	(25,462)	968,118	632,636	1,600,754

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2014	2013	2014	2013
Cash flows from operating activities				
Net loss for the year	(76,452)	(19,917)	(89,958)	(24,553)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	165	636	100,222	106,819
Equity in subsidiaries and affiliated companies	62,265	8,069	45,689	(5,484)
Income and social contribution taxes	-	-	(7,662)	14,167
Loss on disposal of property, plant and equipment and intangibles	1,427	-	17,542	5,905
Reversal of impairment losses of property, plant and equipment	-	-	(1,181)	(24,688)
Exchange rate variations	1,420	139	(8,277)	(10,194)
Bank charges and interests	4,286	55	104,575	64,124
	(6,889)	(11,018)	160,950	126,096
Changes in assets and liabilities				
Marketable securities	-	-	(24,738)	41,552
Accounts receivable	-	-	(18,017)	(57,968)
Inventories	-	-	(45,017)	7,718
Advances to suppliers	1	(63)	2,603	3,752
Suppliers	(1,690)	1,564	(33,214)	12,523
Others	(2,477)	(8,950)	(71,133)	(70,226)
Net cash provided by (used in) operating activities	(11,055)	(18,467)	(28,566)	63,447
Interest paid	(6,868)	(2,820)	(83,221)	(54,560)
Income and social contribution taxes received (paid)	-	-	218	(13,622)
Net cash used in operating activities after interest and taxes	(17,923)	(21,287)	(111,569)	(4,735)
Cash flows from investing activities				
Acquisition of investments	(114)	(15,000)	(114)	(15,000)
Acquisition of property, plant and equipment	-	-	(89,102)	(104,197)
Acquisition of intangible assets	-	-	-	(2,544)
Proceeds from sale of property, plant and equipment and intangibles	-	-	72,876	33,048
Dividends received	608	6,121	608	2,128
Loans between related parties	(25,288)	17,736	(23,603)	27,694
Net cash provided by (used in) investing activities	(24,794)	8,857	(39,335)	(58,871)

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2014	2013	2014	2013
Cash flows from financing activities				
Proceeds from new loans	87,000	42,831	498,796	365,147
Issuance of debenture	-	-	270,000	-
Repayment of loans	(44,500)	(28,187)	(599,349)	(287,234)
Share issuance costs	-	(2,063)	-	(6,127)
Dividends paid	(2)	(5)	(2,618)	(3,610)
Net cash provided by financing activities	42,498	12,576	166,829	68,176
Effect of exchange rate variations on cash and cash equivalents in foreign currency	-	-	2,748	5,424
Increase (decrease) in cash and cash equivalents	(219)	146	18,673	9,994
Cash and cash equivalents:				
At the beginning of the year	1,410	1,264	156,607	146,613
At the end of the year	1,191	1,410	175,280	156,607
Increase (decrease) in cash and cash equivalents	(219)	146	18,673	9,994

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF VALUE ADDED

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2014	2013	2014	2013
REVENUES				
Sales of products, goods and services	-	-	2,849,555	2,775,124
Reversal of allowance for doubtful accounts	-	-	(6,074)	8,029
Gain on sale of real estate held for sale	-	-	944	11,761
Loss on disposal of property, plant and equipment and intangibles	(1,427)	-	(18,486)	(17,666)
	(1,427)	-	2,825,939	2,777,248
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(1,344,260)	(1,312,287)
Materials, energy, third party services, and others	(4,829)	(4,583)	(479,712)	(507,412)
Reversal of impairment losses of property, plant and equipment	-	-	1,181	24,688
	(4,829)	(4,583)	(1,822,791)	(1,795,011)
GROSS VALUE ADDED	(6,256)	(4,583)	1,003,148	982,237
RETENTIONS				
Depreciation and amortization	(165)	(636)	(100,222)	(106,819)
NET VALUE ADDED PRODUCED BY THE COMPANY	(6,421)	(5,219)	902,926	875,418
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries and affiliated companies	(62,265)	(8,069)	(45,689)	5,484
Financial income	22,845	16,282	29,943	17,515
Exchange rate variation gains	4,258	2,430	39,822	31,254
Royalties	-	-	12,226	11,642
	(35,162)	10,643	36,302	65,895
TOTAL VALUE ADDED FOR DISTRIBUTION	(41,583)	5,424	939,228	941,313
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	3,791	3,412	486,081	455,937
Taxes, duties and contributions	3,156	4,383	243,856	278,391
Payments to third parties	27,922	17,546	299,249	231,538
Equity – Net loss	(76,452)	(19,917)	(89,958)	(24,553)
VALUE ADDED DISTRIBUTED	(41,583)	5,424	939,228	941,313

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2014

(Amounts in thousands of Brazilian Reais)

1. OPERATIONS

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

The Company is the parent company of Springs Global Participações S.A. (“SGPSA”), which is the parent company of Coteminas S.A. (“CSA”) and Springs Global US, Inc. (“SGUS”), companies that focus their manufacturing operations on bed and bath linens previously carried out by the Company and by Springs Industries Inc. (“SI”), respectively. On April 30, 2009, SGPSA acquired a controlling interest in Springs e Rossini Participações S.A. (“SRPSA”), the parent of MMartan Têxtil Ltda (“MMartan”). Beginning in August 2011, the Company started its bed, tabletop and bath retail operations, under the brand Artex, through the subsidiary American Sportswear Ltda (“ASW”). On January 1, 2013, in order to consolidate the retail operations of the Company, the subsidiary ASW incorporated subsidiary SRPSA and indirect subsidiary MMartan, and changed its name to AMMO Varejo Ltda. (“AMMO”).

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

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s Board of Directors on March 26, 2015.

As determined by the CVM (Brazilian Securities and Exchange Commission) and the Brazilian Corporate Law, the Company presents its individual (“Company”) and consolidated (“Consolidated”) financial statements, prepared, simultaneously, in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board ("IASB"), and accounting practices adopted in Brazil, which include the standards in the Brazilian Corporate Law and the pronouncements, orientations and interpretations issued by Brazilian Committee of Accounting Pronouncements (“CPC”), approved by the CVM.

The Company adopted all standards, revisions of standards and interpretations issued by the IASB and the CVM which were effective on December 31, 2014.

2.1 – Translation of balances in foreign currency

a) Functional and presentation currency

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

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

b) Conversion of balances

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

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

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

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

2.2 – Accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(o) Impairment of assets--Assets included in property, plant and equipment, intangible assets, and other noncurrent assets are tested for impairment annually, or when circumstances indicate that the net book value may not be recoverable. When impairment is required, it is recognized in the statements of operations. Previous period impairment losses on fixed assets may be reversed whenever there is an assessment or reliable evidence that the value of the asset has recovered. The reversal is recognized in the statement of operations to the extent it does not exceed the previously recognized impairment losses.

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

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

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

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

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

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

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

(w) Statements of Value Added ("DVA")--The purpose of these statements is to highlight the wealth created by the Company and its distribution over a given period. They are presented by the Company as required by the Brazilian Corporate Law, as part of its individual financial statements and as supplemental information for the consolidated financial statements, since it is not a statement provided nor required by IFRS standards. The DVAs have been prepared based on information obtained from accounting records that are the basis for the preparation of the financial statements.

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

2.3 – Use of estimates

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

2.4 – Consolidation criteria

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

	Direct and indirect interest in total capital - % 2014	2013
Coteminas International Ltd.	100.00	100.00
Coteminas (Argentina Branch)	100.00	100.00
Springs Global Participações S.A.	52.92	52.92
Oxford Comércio e Participações S.A.	63.37	58.88
Companhia Tecidos Santanense	56.51	52.65

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

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

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

The financial statements of foreign subsidiaries have been translated into Brazilian Reais based on the US Dollar exchange rate as of December 31, 2014 and 2013 for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	2014	2013	Variance
Exchange rate as of:			
December 31	2.6562	2.3426	13.39%
Average exchange rate:			
December 31 (12 months)	2.3599	2.1741	8.55%

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

a) Certain new IASB accounting pronouncements and IFRIC interpretations were published and/or revised and have their mandatory adoption for the periods beginning after January 1, 2014. These new pronouncements did not generate significant impact on the financial statements.

Standard	Main requirements
Novation of Derivatives and Continuation of Hedge Accounting — amendments to IAS 39	Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met.

Standard	Main requirements
Recoverable Amount Disclosures for Non-Financial Assets — amendments to IAS 36	The amendments restrict the requirement to disclose the recoverable amount to an asset or CGU to periods in which an impairment loss has been recognized or reverses and expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.
Changes to IAS 32 – Offsetting of Financial Assets and Liabilities	Provide clarifications about the application of the rules for offsetting of financial assets and liabilities.
Investment Entities — amendments to IFRS 10, IFRS 12 and IAS 27	The amendments to IFRS 10, IFRS 12, and IAS 27 introduce the concept of an investment entity in IFRSs. The amendments establish an exception to IFRS 10's general consolidation principle for investment entities, requiring them to "measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. In addition, the amendments outline required disclosures for reporting entities that meet the definition of an investment entity.
IFRIC Interpretation 21, Levies	Provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 and those where the timing and amount of the levy is certain.

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, 2014. However, the early adoption of these new and revised standards was not allowed:

Standard	Main requirements	Effective date
IFRS 9, Financial Instruments (issued July 24, 2014) (*)	IFRS 9 (2014) was issued as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This amendment completes the IASB's financial instruments project.	Effective for annual periods beginning on or after January 1, 2018.
Annual Improvements to IFRSs: 2010-2012 Cycle (*)	Amendments to several standards.	Effective for annual periods beginning on or after July 1, 2014.
Annual Improvements to IFRSs: 2011-2013 Cycle (*)	Amendments to several standards.	Effective for annual periods beginning on or after July 1, 2014.
Agriculture: Bearer Plants - amendments to IAS 16 and 41 (issued June 30, 2014) (*)	Amendments to the guidance on bearer plants that are now included within the scope of IAS 16 rather than IAS 41 because the IASB has determined that they "should be accounted for in the same way as property, plant and equipment."	Effective for annual periods beginning on or after January 1, 2016.
IFRS 15, Revenue From Contracts With Customers (issued May 28, 2014) (*)	The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The standard specifies how and when an entity will recognize revenue through a single five-step model to be applied to all contracts with customers, and requires such entities to provide users of financial statements with more informative and relevant disclosures.	Effective for annual periods beginning on or after January 1, 2017.

Standard	Main requirements	Effective date
Clarification of Acceptable Methods of Depreciation and Amortization — Amendments to IAS 16 and IAS 38 (issued May 12, 2014) (*)	The amendments clarify that depreciation or an amortization method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate, except in some limited circumstances for intangible assets.	Effective for annual periods beginning on or after January 1, 2016.
Accounting for Acquisitions of Interests in Joint Operations — Amendments to IFRS 11 (issued May 6, 2014) (*)	The amendments determine that the acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply all of the principles on business combinations accounting in IFRS 3.	Effective for annual periods beginning on or after January 1, 2016.
IFRS 14, Regulatory Deferral Accounts (issued January 30, 2014) (*)	The standard permits an entity which is a first-time adopter of IFRS to continue to account for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.	Effective for annual periods beginning on or after January 1, 2016.
Annual Improvements to IFRSs: 2012–2014 Cycle (issued September 25, 2014) (*)	Amendments to several standards.	Effective for annual periods beginning on or after January 1, 2016.
Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture — amendments to IFRS 10 and IAS 28 (issued September 11, 2014) (*)	Amendments to IAS 28 and IFRS 10 to resolve an inconsistency between the guidance in IFRS 10 and that in IAS 28 with respect to "the sale or contribution of assets between an investor and its associate or joint venture." Under the amendments, an entity would recognize a full gain or loss "when a transaction involves a business" and would recognize a partial gain or loss "when a transaction involves assets that do not constitute a business".	Effective prospectively for sales or contributions of assets occurring in annual periods beginning on or after January 1, 2016.
Defined Benefit Plans: Employee Contributions — amendments to IAS 19 and Review of Technical Pronouncements 06 by CPC (CVM Deliberation 728/14) (*)	Amends the requirements in IAS 19 for contributions from employees or third parties that are linked to service.	Effective for annual periods beginning on or after January 1, 2015.
Investment Entities: Applying the Consolidation Exception - amendments to IFRS 10, IFRS 12 and IAS 28 (issued December 18, 2014) (*)	Amendments to IFRS 10, 12 and IAS 28 to confirm that (1) the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value; (2) a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity; (3) when applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries; and (4) an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.	Effective for annual periods beginning on or after January 1, 2016.

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

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	2014	2013	2014	2013
Repurchase transactions (*)	-	-	67,158	9,469
Foreign exchange funds (US$)	-	-	2,923	2,442
Foreign deposits	-	-	83,701	112,736
Checking accounts deposits	1,191	1,410	21,498	31,960
	1,191	1,410	175,280	156,607

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

4. MARKETABLE SECURITIES

	Consolidated	
	2014	2013
Investment fund – US$	30,887	6,318
Restricted cash	1,360	1,192
	32,247	7,510

5. ACCOUNTS RECEIVABLE

	Consolidated	
	2014	2013
Domestic customers	510,533	493,873
Foreign customers	117,531	115,907
Credit card companies	18,221	19,247
Related parties		
Domestic market	4,865	3,876
Foreign market	7,272	1,312
	658,422	634,215
Allowance for doubtful accounts	(35,809)	(29,619)
	622,613	604,596

The credit sales made by the indirect subsidiaries MMartan and Artex stores are made directly to the consumer that can pay in up to 10 installments by instruments of credit granted by the credit card companies. Present value adjustments on these amounts are made considering the market rates, since cash sales prices do not differ from installment sales prices. On December 31, 2014, the installment receivables under this type of sale were R$20,856 (R$20,862 as of December 31, 2013), with an average collection period of 85 days, totaling to an adjustment in the amount of R$2,635 (R$1,615 as of December 31, 2013), using 100% of the CDI as the interest rate.

Accounts receivable from customers consist of receivables with an average collection period of approximately 80 days (78 days as of December 31, 2013). Past-due amounts are not significant and the allowance for doubtful accounts is considered by Management sufficient to cover expected losses from these notes.

The Company's Management believes that the risk related to accounts receivable is minimized because the composition of the Company's customer portfolio is diluted. The Company has over 13,000 active clients as of December 31, 2014 and only one customer has sales of approximately 10% of net sales.

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

	2014	2013
Current	553,431	517,845
Past due up to 30 days	34,496	36,155
Past due from 31 to 60 days	7,420	16,432
Past due from 61 to 90 days	6,393	4,807
Past due from 91 to 180 days	6,254	3,821
Past due from 181 to 360 days	3,888	4,522
Past due greater than 360 days	46,540	50,633
	658,422	634,215

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

	2014	2013
Balance at the beginning of the year	(29,619)	(37,548)
Additions	(6,671)	(1,514)
Write-offs	597	9,543
Exchange rate variation	(116)	(100)
Balance at the end of the year	(35,809)	(29,619)

6. INVENTORIES

	Consolidated	
	2014	2013
Raw materials and supplies	203,835	190,637
Work in process	150,771	133,628
Finished products	260,839	256,298
Repair parts	75,218	65,083
	------------	------------
	690,663	645,646
	=======	=======

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

Changes in the provision are as follows:

	2013	Additions	Write-offs	Exchange rate variations	2014
Raw materials and supplies	(2,421)	(154)	1,261	1	(1,313)
Work in process	(455)	-	455	-	-
Finished products	(881)	(415)	371	(176)	(1,101)
Repair parts	(1,577)	-	473	5	(1,099)
	-------------	------------	-----------	---------	-------------
	(5,334)	(569)	2,560	(170)	(3,513)
	=======	======	======	=====	======

7. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

a) Investments attributable to the owners of the Company:

	Equity	Ownership interest - %	Net income (loss)	Total investments		Equity in subsidiaries and affiliated companies	
				2014	2013	2014	2013
Investments in subsidiaries:							
Springs Global Participações S.A. (1)	1,078,087	52.92	(28,399)	570,474	605,403	(15,027)	(31,330)
Oxford Comércio e Participações S.A. (3)	231,350	63.37	942	146,606	137,947	488	17,909
Coteminas International Ltd.	27,185	100.00	(2,033)	27,185	25,900	(2,033)	(837)
Companhia Tecidos Santanense	271,591	2.07	959	5,622	5,639	20	733
Coteminas (Argentina branch)	(41)	100.00	(24)	(41)	(15)	(24)	(28)
				-------------	------------	------------	------------
Total subsidiaries				749,846	774,874	(16,576)	(13,553)
				========	=======	------------	------------

	Equity	Ownership interest - %	Net income (loss)	Total investments 2014	Total investments 2013	Equity in subsidiaries and affiliated companies 2014	Equity in subsidiaries and affiliated companies 2013
Investments in affiliated companies:							
Cantagalo General Grains S.A. (2)	316,346	27.50	(155,504)	86,995	42,995	(42,764)	(988)
Companhia Fiação e Tecidos Cedro e Cachoeira	292,282	30.40	(9,622)	88,854	92,387	(2,925)	6,472
Total affiliated companies				175,849	135,382	(45,689)	5,484
Equity in subsidiaries and affiliated companies						(62,265)	(8,069)

(1) In 2013, the following events were held:

On February 5, 2013, the Voluntary Public Tender Offer for Acquisition of 5,000,000 common shares of subsidiary SGPSA was completed by the Company, in the amount of R$3.00 per share. The Company acquired 5,000,000 shares, becoming the owner of 64.01% of the subsidiary capital (61.51% as of December 31, 2012). Due to the change in the subsidiary’s ownership, the Company recorded losses of R$14,866 in Retained deficit.

On March 8, 2013, at the Meeting of the Board of Directors of the Company, it was consigned the redemption of all the class "B" preferred shares, in exchange of 22,194,096 common shares of the subsidiary SGPSA at a ratio of 1.2 common shares issued by subsidiary SGPSA for each class "B" preferred share surrendered. The redemption was accomplished without reducing the Company’s capital. Therefore, from this date on, and considering the above transactions, the Company became the owner of 52.92% of subsidiary SGPSA’s capital (61.51% as of December 31, 2012).

(2) On October 21, 2013, the Company disclosed to the market that the direct and indirect affiliated companies, Cantagalo General Grains S.A. ("Cantagalo") and CGG Trading S.A. ("CGG"), signed an investment agreement with Sojitz Corporation whereby, after fulfillment of certain precedent conditions, Sojitz will subscribe a capital increase, holding approximately 5% of the capital of Cantagalo and 43% of CGG. Due to the aforementioned agreement, on December 19, 2013, the Company made an advance for future capital increase in that affiliated company in the amount of R$16,082. On January 31, 2014, the capital increase in Cantagalo was subscribed and paid, together with Sojitz and other shareholders, changing the Company’s ownership to 27.50% of its capital.

(3) At the Board of Directors’ Meeting, held on October 10, 2014, the Board approved the acquisition of 1,518,862 common shares of Oxford Comércio e Participações S.A. for R$15,918, as of September 30, 2014. The Company, after the acquisition, increased its ownership interest to 63.37%.

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

				Non-controlling interest			
				On subsidiaries' equity		On subsidiaries' net income (loss)	
	Equity	Ownership interest - %	Net income (loss)	2014	2013	2014	2013
Springs Global Participações S.A.	1,078,087	47.08	(28,399)	507,563	538,641	(13,372)	(21,736)
Oxford Comércio e Participações S.A.	231,350	36.63	942	84,744	96,338	454	12,517
Companhia Tecidos Santanense	271,591	12.02	959	32,645	32,746	118	4,252
Springs Canada Holdings, LLC	26,562	12.50	(4,768)	7,684	7,866	(706)	331
				------------	------------	------------	------------
Total non-controlling interests				632,636	675,591	(13,506)	(4,636)
				========	=======	========	========

c) Supplemental information on investments in affiliated companies:

	Cantagalo General Grains S.A.(1)		Companhia Fiação e Tecidos Cedro e Cachoeira (2)	
	2014	2013	2014	2013
Current assets	971,084	606,196	249,297	270,906
Noncurrent assets	854,966	684,840	434,087	420,269
Total assets	1,826,050	1,291,036	683,384	691,175
Current liabilities	619,452	502,900	223,068	229,121
Noncurrent liabilities	734,519	644,817	142,644	131,988
Total liabilities	1,353,971	1,147,717	365,712	361,109
Equity – Company	316,346	143,318	292,282	303,904
Net revenues	3,059,653	1,667,825	563,973	584,440
Income (loss) for the year – Company	(155,504)	(3,295)	(9,622)	13,004

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

(2) Companhia Fiação e Tecidos Cedro e Cachoeira - is based in Belo Horizonte, Minas Gerais, established on April 2, 1883 and is a publicly-held company, which operates in the textile and related industries; manufacturing and marketing of clothing apparel, including professional uniforms; accessories and personal protective equipment for occupational safety; the export and import of products related to its operations and in the agricultural, livestock and forestry businesses, as well as the generation, distribution and transmission of electricity for its own consumption, however, it can sell the surplus power not used.

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

a. Property, plant and equipment

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

	Rate (i) %	2014 Cost	2014 Accumulated depreciation	2014 Net book value	2013 Net book value
Land and improvements	8.9	77,471	(22,388)	55,083	61,964
Buildings	2.3	473,807	(188,376)	285,431	300,091
Installations	5.2	284,707	(172,558)	112,149	111,725
Machinery and equipment	6.1	1,270,676	(886,718)	383,958	409,420
Hydroelectric Plant - Porto Estrela (ii)	3.8	37,534	(12,287)	25,247	26,674
Power plants (PCH)	3.4	15,871	(7,938)	7,933	8,004
Furniture and fixtures	9.8	48,367	(29,360)	19,007	19,008
Vehicles	17.0	16,691	(13,454)	3,237	38,266
Computers and peripherals	18.9	54,742	(49,836)	4,906	5,186
Construction in progress	-	105,044	-	105,044	99,491
Others	9.5	119,529	(109,478)	10,051	11,636
		2,504,439	(1,492,393)	1,012,046	1,091,465

(i) Weighted average annual depreciation rate, excluding fully depreciated items.
(ii) See note 19.

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

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

Cost:

	2013	Additions	Disposals	Transfers to held for sale	Transfers	Exchange rate variations	2014
Land and improvements	80,278	6,786	(7,290)	(1,879)	257	(681)	77,471
Buildings	490,393	12	(60)	(22,322)	4,031	1,753	473,807
Installations	274,433	1,463	(482)	(779)	10,758	(686)	284,707
Machinery and equipment	1,271,717	17,795	(39,458)	(16,825)	33,052	4,395	1,270,676
Hydroelectric Plant - Porto Estrela	37,528	6	-	-	-	-	37,534
Power plants (PCH)	15,462	406	-	-	3	-	15,871
Furniture and fixtures	52,166	3,082	(1,219)	(6,685)	137	886	48,367
Vehicles (*)	64,110	1,357	(21,552)	(28,051)	310	517	16,691
Computers and peripherals	51,837	1,589	(804)	(1,656)	333	3,443	54,742
Construction in progress	99,491	56,604	(861)	-	(49,069)	(1,121)	105,044
Others	108,262	2	(527)	(827)	188	12,431	119,529
	2,545,677	89,102	(72,253)	(79,024)	-	20,937	2,504,439

Accumulated depreciation:

	2013	Additions	Disposals	Transfers to held for sale	Transfers	Exchange rate variations	2014
Land and improvements	(18,314)	(8,839)	3,407	1,414	(48)	(8)	(22,388)
Buildings	(190,302)	(11,246)	19	15,535	143	(2,525)	(188,376)
Installations	(162,708)	(10,874)	390	437	(23)	220	(172,558)
Machinery and equipment	(862,297)	(53,380)	18,607	15,151	(116)	(4,683)	(886,718)
Hydroelectric Plant - Porto Estrela	(10,854)	(1,433)	-	-	-	-	(12,287)
Power plants (PCH)	(7,458)	(480)	-	-	-	-	(7,938)
Furniture and fixtures	(33,158)	(2,906)	791	6,685	29	(801)	(29,360)
Vehicles	(25,844)	(4,784)	5,334	12,350	(1)	(509)	(13,454)
Computers and peripherals	(46,651)	(2,235)	802	1,656	16	(3,424)	(49,836)
Others	(96,626)	(1,579)	313	827	-	(12,413)	(109,478)
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	(1,454,212)	(97,756)	29,663	54,055	-	(24,143)	(1,492,393)
	========	========	========	========	========	========	========

b. Property, plant and equipment held for sale

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

As a result of this analysis, the recoverable value of R$40,527 (R$58,330 as of December 31, 2013) 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:

	2013	Additions	Disposals	Transfers from PP&E	Exchange rate variations	2014
Cost	460,179	-	(224,499)	80,232	45,547	361,459
Depreciation	(353,243)	-	161,952	(54,055)	(37,720)	(283,066)
Provision for losses	(48,606)	(4,524)	20,424	(1,208)	(3,952)	(37,866)
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	58,330	(4,524)	(42,123)	24,969	3,875	40,527
	======	======	======	======	======	======

9. INTANGIBLE ASSETS

	Consolidated 2014	2013
Goodwill on the acquisition of North American companies	30,616	27,427
Goodwill on the acquisition of AMMO	27,303	27,303
Trademarks	16,307	16,307
Store locations (real estate intangible)	45,348	48,681
Others	22	22
Total	119,596	119,740

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

The projection period for the December 2014 cash flows was three years. The assumptions used to determine the fair value through the discounted cash flow method include: cash flow projections based on management estimates for future cash flows, discount rates and growth rates for determining the perpetuity. Additionally, the perpetuity has been calculated considering the stabilization of operating margins, working capital and investments levels.

The annual discount rate used was 13.6% and the perpetuity growth rate considered was 3% per year, for both indirect subsidiary SGUS goodwill in the acquisition of North American companies and the Company's goodwill in the acquisition of SRPSA, currently renamed to AMMO. The discount rates used were determined taking into consideration market information available on the test date.

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

	Balances on 2013	Additions	Exchange rate variations	Balances on 2014
Goodwill on the acquisition of North American companies	27,427	-	3,189	30,616
Goodwill on the acquisition of AMMO	27,303	-	-	27,303
Trademarks	16,307	-	-	16,307
Store locations (real estate intangible)	48,681	(3,333)	-	45,348
Others	22	-	-	22
Total	119,740	(3,333)	3,189	119,596

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

10. LEASES

Indirect subsidiary SGUS leases properties and equipment under operating leases. Total leasing expense for the year ended December 31, 2014 was R$32,713 (R$33,284 for the year ended December 31, 2013). Subsidiary SGUS contractually agreed with third-parties to sublease certain vacant facilities that no longer provide economic benefit. Total sublease income in 2014 was R$7,089 (R$3,900 in 2013).

Lease payments scheduled for future years are estimated as follows:

Years	2014
2015	27,221
2016	25,755
2017	23,890
2018	23,717
2019	20,859

Beginning in 2019, lease payments continue to decrease until the contracts terminate on several dates through 2030, totaling R$203,229.

From 2015 to 2019, indirect subsidiary SGUS is scheduled to receive sublease payments of R$48,565.

The indirect subsidiary SGUS has short- and long-term accruals totaling R$17,108 (R$21,814 as of December 31, 2013), which consists of the present value of estimated future lease obligations (for the agreements that remained effective after the closing of certain leased facilities in the U.S.), net of existing sublease income and estimated sublease income of closed facilities, which were not yet subleased. This potential sublease income would result in a reduction of the above obligations by R$159,183.

11. SUPPLIERS

	Consolidated	
	2014	2013
Domestic market	92,461	110,758
Foreign market	84,466	99,383
	----------	----------
	176,927	210,141
	======	======

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 24 days (30 as of December 31, 2013). Domestic suppliers include credits to purchase raw material (cotton), amounting to R$54,011 (R$57,729 as of December 31, 2013).

12. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated 2014	2013
Local currency:					
Banco do Brasil S.A. (Revitaliza)	R$	4.5 to 9.0	2016	13,136	21,433
BNDES (Revitaliza)	R$	4.5 to 9.0	2016	13,136	21,433
BNDES (Finame) (a)	R$	2.5 to 7.0	2023	29,950	26,423
Banco do Brasil S.A. (Overdraft account) (*)	R$	118.6 and 120.0 of CDI	2015	75,504	77,696
Bradesco S.A. (Overdraft account)	R$	124.0 of CDI	2015	27,535	30,217
Bradesco S.A. (Working capital/CCB) (*)	R$	124.5 and 127.0 of CDI	2015	34,142	36,860
BNDES (Working capital)	R$	TJLP + 3.0	2014	-	1,909
Banco do Brasil S.A. (Giroflex/CCB)	R$	112 and 116.6 of CDI	2015	48,755	25,171
Banco do Brasil – BNDES Progerem	R$	TJLP + 3.0	2015	6,827	17,064
Banco Votorantim S.A.	R$	TJLP + 3.3	2015	17,407	43,508
Banco Votorantim S.A. (*)	R$	113.8 of CDI	2015	39,750	-
Banco do Brasil S.A. (NCI)	R$	108.5 and 113.6 of CDI	2016	279,686	256,804
Banco Itaú BBA S.A. (b)	R$	121.0 of CDI	2016	104,684	207,509
Banco Santander S.A.	R$	TJLP + 3	2018	14,604	46,538
Banco Santander S.A.	R$	114.1 and 123.5 of CDI	2016	45,241	-
Other	R$	-	2023	83	98
				------------	------------
				750,440	812,663
Foreign currency:					
Deutsche Bank (Securitization)	US$ and CAD$	Libor + 2.25	2016	50,104	55,280
Banco Francês	$ARG	14.4	2014	-	855
Banco Patagonia	$ARG	15.3 and 27.5	2016	3,368	28,801
Banco Santander S.A.	US$	2.3	2015	22,052	10,097
JP Morgan	US$	Libor + 0.85	2015	2,128	-
				-----------	-----------
				77,652	95,033
				-----------	-----------
Total				828,092	907,696
Current				(598,354)	(597,010)
				-----------	-----------
Noncurrent				229,738	310,686
				=======	=======

(*) Include balances held by the Company.

(a) Loan in the amount of R$15,889 in transfer process to third parties along with the fixed asset that originated it, disposed in December 2014. See Note 8 to the financial statements in the disposals column.

(b) Original loan contract in Dollars plus 2.466% per annum with a swap for approximately 121.0% of CDI with the same counterparty.

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

Maturities are as follows:

Consolidated	2015	2016	2017	2018 to 2023	Total
Local currency:					
Banco do Brasil S.A. (Revitaliza)	8,314	4,822	-	-	13,136
BNDES (Revitaliza)	8,314	4,822	-	-	13,136
BNDES (Finame)	4,353	4,524	4,524	16,549	29,950
Banco do Brasil S.A. (Overdraft account)	75,504	-	-	-	75,504
Bradesco S.A. (Overdraft account)	27,535	-	-	-	27,535
Bradesco S.A. (Working capital/CCB)	34,142	-	-	-	34,142
Banco do Brasil S.A. (Giroflex/CCB)	48,755	-	-	-	48,755
Banco do Brasil – BNDES Progerem	6,827	-	-	-	6,827
Banco Votorantim S.A.	17,407	-	-	-	17,407
Banco Votorantim S.A.	39,750	-	-	-	39,750
Banco do Brasil S.A. (NCI)	239,686	40,000	-	-	279,686
Banco Itaú BBA S.A.	38,017	66,667	-	-	104,684
Banco Santander S.A.	104	-	-	14,500	14,604
Banco Santander S.A.	25,375	19,866	-	-	45,241
Other	50	7	7	19	83
	-----------	-----------	-----------	-----------	------------
	574,133	140,708	4,531	31,068	750,440
Foreign currency:					
Deutsche Bank (Securitization)	-	50,104	-	-	50,104
Banco Patagonia	41	3,327	-	-	3,368
Banco Santander S.A.	22,052	-	-	-	22,052
JP Morgan	2,128	-	-	-	2,128
	-----------	-----------	-----------	-----------	------------
	24,221	53,431	-	-	77,652
	-----------	-----------	-----------	-----------	------------
	598,354	194,139	4,531	31,068	828,092
	=======	=======	=======	=======	=======

13. DEBENTURE

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

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

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

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

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

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

Balances on December 31, 2014 were as follows:

	Original amount updated	Prepaid interest	Balances in 2014
Current	1,685	-	1,685
Noncurrent	270,000	(6,252)	263,748
	-----------	-----------	-----------
Total	271,685	(6,252)	265,433
	=======	=======	=======

(1) Guarantees:

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

Fidejussory guarantee: Surety given by the subsidiary SGPSA.

(2) Covenants:

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

14. EQUITY

a. Capital

Capital, as of December 31, 2014 and 2013, is represented as follows:

	Number of shares
Common	55,651,200
Preferred	66,894,628

	122,545,828
	=========

All shares are nominal and without par value. Preferred shares have no voting rights and have the following advantages: (a) priority in capital distribution in the event of dissolution; (b) right to be included in the public offer for sale of control at the same price and on the same terms offered to the selling controlling shareholders, ensuring a dividend at least equal to that of the common shares.

The change in the number of shares subscribed and paid for the period between January 1, 2013 and December 31, 2014 was as follows:

	Balances on 01.01.2013	02.20.2013 (1)	03.08.2013 (2)	05.13.2013 (3)	Balances on 12.31.2013 and 12.31.2014
Common	43,531,958	24,488,517	(12,368,175)	(1,100)	55,651,200
Preferred	73,143,333	-	(6,126,905)	(121,800)	66,894,628
	----------------	----------------	----------------	----------------	----------------
	116,675,291	24,488,517	(18,495,080)	(122,900)	122,545,828
	=========	=========	=========	=========	=========

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

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

(2) On March 8, 2013, a Meeting of the Board of Directors of the Company was held, converting the total requests submitted representing 18,495,080 shares issued by the Company's into class "B" preferred shares; of the converted shares, 12,368,175 were common shares and 6,126,905 were preferred shares per the conversion requests submitted by the Company’s shareholders. The cancelation of the redeemed shares was approved in the same BOD meeting. The difference of R$66,872, between the market value and the book value of subsidiary SGPSA, was recorded as Retained deficit.

(3) On June 14, 2013, an Extraordinary General Meeting was held approving the new capital structure, reflecting the cancellation of treasury shares, approved in the resolution of the Board of Directors Meeting held on May 13, 2013.

(4) At the Annual Meeting, held on April 30, 2014, the Company's shareholders approved the absorption of accumulated losses of R$515,908 through tax incentives and earnings reserves.

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

b. Treasury shares

The Company had 1,100 common shares at an average cost of R$5.04 per share (R$4.90 minimum and R$5.05 maximum) and 121,800 preferred shares at an average cost of R$6.83 per share (R$4.95 minimum and R$8.59 maximum). As described above, these shares were cancelled on May 13, 2013.

c. Dividends

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

c. Retained earnings reserve

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

15. RELATED PARTY BALANCES AND TRANSACTIONS

	Receivable		Payable	
	2014	2013	2014	2013
Company:				
Wembley Sociedade Anônima	34,260	25,860	-	-
Coteminas International Ltd.	50,744	43,173	-	-
Innotex International Ltd.	6,504	5,565	-	-
Coteminas S.A.	-	1,086	7,450	-
Companhia Tecidos Santanense	-	-	-	1,392
Encorpar Empr. Imob. Ltda.	4,714	-	-	-
	96,222	75,684	7,450	1,392
Consolidated:				
Wembley Sociedade Anônima	34,260	25,860	242	-
Coteminas Argentina	-	-	-	2
Innotex International Ltd.	6,504	5,565	-	-
Holtex Inc.	38	32	-	-
Encorpar Empr. Imob. Ltda.	4,788	-	-	-
	45,590	31,457	242	2

	Finance charges income (expense) (Consolidated)	
	2014	2013
Wembley Sociedade Anônima	3,216	3,466
Empr.Nac.Com.Rédito e Particip. S.A. – ENCORPAR	255	67
JAGS-José Alencar Gomes da Silva	181	33
Innotex International Ltd.	172	165
Seda S.A.	37	45
Encorpar Empr. Imob. Ltda.	42	-
Econorte-Empr.Constr.Norte de Minas Ltda.	2	1
	----------	----------
	3,905	3,777
	======	======

The balances held with related parties have long-term maturities, and charges are calculated according to the rates equivalent to those in effect in the financial market, namely, 115% to 120% of the Certificate of Interbank Deposit – CDI variance and Libor plus 3% per year for foreign companies (115% to 120% of the Certificate of Interbank Deposit – CDI variance and Libor plus 3% per year for foreign companies in 2013).

The Company receives commissions on surety at the rate of 1.3% per year from its indirect subsidiary Companhia Tecidos Santanense. In 2014, it totaled R$7 (R$52 in 2013).

As stated in the SGPSA shareholders' agreement, the indirect subsidiary SGUS must pay annually US$1,429 thousand for services provided, net of expenses, to the shareholder Heartland Industrial Partners, L.P. and the indirect subsidiary CSA must pay US$3,500 thousand to the Company. In 2014, the total amount of R$3,421 (R$3,205 in 2013) was accrued by indirect subsidiary SGUS for services provided and R$3,797 (R$3,416 as of December 31, 2013) is accrued under the caption "Other payables", in current liabilities, in the consolidated balance sheet.

Rossini Administradora de Bens Ltda. and indirect subsidiary AMMO entered into a real estate lease agreement for AMMO's manufacturing facility and its offices. In 2014, R$3,289 was accrued under this lease (R$3,289 in 2013). The valuation of the property and its lease were conducted by a specialized company and represent market prices.

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

16. INCOME AND SOCIAL CONTRIBUTION TAXES AND OTHER TAXES

a. Tax incentives

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

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

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

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

	Company		Consolidated	
	2014	2013	2014	2013
Loss before taxes	(76,452)	(19,917)	(97,620)	(10,386)
Permanent differences:				
Equity in subsidiaries and affiliated companies	62,265	8,069	45,689	(5,484)
Nontaxable income (RTT)	-	-	(34,849)	(40,826)
Transfer price	-	-	1,523	5,934
Others, net	116	733	1,483	2,034
	----------	----------	----------	----------
Income tax basis	(14,071)	(11,115)	(83,774)	(48,728)
Income and social contribution taxes – 34%	4,784	3,779	28,483	16,568
Tax incentive (SUDENE)	-	-	-	1,452
Unrecognized tax credits	(4,778)	(3,799)	(22,136)	(35,996)
Adjustment to the deemed taxable income	-	-	(83)	3,290
Others	(6)	20	1,398	519
	---------	---------	---------	---------
Total income taxes	-	-	7,662	(14,167)
	---------	---------	---------	---------
Income taxes – current	-	-	3,543	(13,270)
Income taxes – deferred	-	-	4,119	(897)
	=====	=====	=====	=====

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

CSA's Management, in prior years, based on a business plan and future projections, partially recognized deferred tax assets arising from accumulated net operating losses. As of December 31, 2014, indirect subsidiary CSA had net operating losses of R$507,750 (R$501,049 as of December 31, 2013) and social contribution tax losses of R$513,281 (R$505,920 as of December 31, 2013), whose tax assets were not recognized. The tax assets recognized by this subsidiary are net of its tax benefits. CSA's future projections consider a greater concentration on the domestic market since these sales are more profitable, a greater profit margin due to the sales of higher value-added products, among others. Based on these actions and the business plan assumptions, CSA's Management expects that the generation of future taxable income will allow the realization of the subsidiary's deferred tax assets.

c. Deferred income and social contribution taxes

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

	Balances on 12/31/2013	Recognized in statement of operations	Others	Balances on 12/31/2014
Assets:				
Temporarily nondeductible provisions	30.902	(6.492)	231	24.641
Net operating losses	32.172	7.998	-	40.170
Tax credits from foreign subsidiaries	8.235	2.613	1.478	12.326
	-----------	-----------	-----------	-----------
Noncurrent assets	71.309	4.119	1.709	77.137
	=======	=======	=======	======
Liabilities:				
Temporary differences	-	-	(269)	(269)
Negative goodwill in investments	(5.049)	-	-	(5.049)
	-----------	-----------	-----------	-----------
Noncurrent liabilities	(5.049)	-	(269)	(5.318)
	=======	=======	=======	======

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

Consolidated	
Year	Noncurrent assets
2015	5,237
2016	3,643
2017	6,506
2018	9,736
2019 and thereafter	52,015

	77,137
	======

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

d. Recoverable taxes

	Company		Consolidated	
	2014	2013	2014	2013
ICMS	957	1,018	19,759	16,856
Prepaid income and social contribution taxes	4,910	5,810	33,899	22,406
Recoverable PIS and COFINS	8,210	8,211	16,329	11,824
IVA – Argentina	-	-	6,712	3,444
VAT – China and Mexico	-	-	1,329	1,160
Recoverable IPI	1,779	1,779	1,801	1,845
ILL (tax on net income)	3,562	3,562	3,562	3,562
Other recoverable taxes	2	2	5,721	5,576
	-----------	-----------	-----------	-----------
	19,420	20,382	89,112	66,673
Current assets	(4,912)	(6,830)	(55,800)	(38,366)
	-----------	-----------	-----------	-----------
Noncurrent assets	14,508	13,552	33,312	28,307
	======	======	======	======

17. MISCELLANEOUS ACCRUALS

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

The Company and its subsidiaries have tax and civil claims, whose loss was estimated as possible in the amount of R$73,129 and R$3,458, respectively.

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

	Company		Consolidated	
	2014	2013	2014	2013
Tax litigation claims:				
Social contribution	-	-	791	1,055
Temporary contribution over financial transactions (CPMF)	-	-	4,317	4,317
INSS	2,456	2,319	6,287	6,071
PIS and COFINS	1,250	1,904	4,511	5,165
IPI foreign flag	3,301	2,647	3,301	2,647
Others	328	328	2,226	2,181
Labor	957	993	13,586	10,437
Civil and others	3,757	3,776	7,629	6,941
	---------	---------	----------	----------
	12,049	11,967	42,648	38,814
	=====	=====	======	======
Escrow deposits	27,337	27,804	53,259	52,866
	=====	=====	======	======

Social contribution – The Company is a plaintiff in a lawsuit filed against the Federal Revenue Service to stop the levy of the social contribution tax on its plants located in SUDENE’s area. In 2013, after successive losses, the Company dismissed the main lawsuit; while other lower value claims of its subsidiaries are still pending.

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

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

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

IPI – 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 is a plaintiff in lawsuits disputing the “ECE-Encargo de Capacidade Emergencial” and the “RTE-Recomposição Tarifária Extraordinária”, both charged on power bills.

The indirect subsidiary CSA is a plaintiff in a lawsuit against the Federal Government disputing the legality of the collection of “RTE – Recomposição Tarifária Extraordinária” and “COFURH – Compensação Financeira pela Utilização de Recursos Hídricos”.

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:

	Balances on 12/31/2013	Additions	Reductions	Balances on 12/31/2014
Tax litigation claims:				
Social contribution	1,055	-	(264)	791
Temporary contribution over financial transactions (CPMF)	4,317	-	-	4,317
INSS	6,071	216	-	6,287
PIS and COFINS	5,165	-	(654)	4,511
IPI foreign flag	2,647	836	(182)	3,301
Others	2,181	801	(756)	2,226
Labor	10,437	6,785	(3,636)	13,586
Civil and others	6,941	1,802	(1,114)	7,629
	38,814	10,440	(6,606)	42,648

18. EMPLOYEE BENEFIT PLANS

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

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

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

The table below includes summarized information on the pension and postretirement plans as of December 31, 2014 and 2013:

	2014	2013
Changes in benefit obligation:		
Benefit obligation at beginning of year	111,594	108,424
Service cost	899	917
Interest cost	5,465	4,013
Actuarial (gain) loss	19,117	(7,759)
Benefit payments	(11,861)	(9,562)
Exchange rate variation	14,251	15,561
	-----------	-----------
Benefit obligation at end of year	139,465	111,594
Changes in plan assets:		
Fair value of plan assets at beginning of year	31,740	24,990
Return on assets	3,318	3,610
Employer contributions	9,881	9,081
Benefit payments	(11,861)	(9,562)
Exchange rate variation	4,001	3,621
	-----------	-----------
Fair value of plan assets at end of year	37,079	31,740
	-----------	-----------
Present value of unfunded obligations	102,386	79,854
	======	======
Actuarial assumptions to determine the benefit obligations at year end		
Discount rate (per annum)	3.70% to 4.26%	4.30% to 5.05%
Rate of compensation increase (per annum)	2.50%	2.50%
Assumptions used to determine net expense for the years ended		
Discount rate (per annum)	4.30% to 5.05%	3.60% to 4.30%
Expected return on plan assets (per annum)	6.50% to 7.00%	6.20% to 6.70%
Rate of compensation increase (per annum)	2.50%	2.50%
Components of net periodic benefit cost:		
Service cost	899	917
Interest cost and others	3,327	4,795
	-----------	-----------
Net periodic benefit cost	4,226	5,712
	======	======

Indirect subsidiary SGUS' investment strategy is to invest in a diversified portfolio that will maximize returns, considering an acceptable risk level. Pension plan assets are invested in mutual funds which have a target allocation of 45% to 54% in equity securities and 46% 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 indirect subsidiary SGUS' current investment strategy.

	2014	2013
Investments on plan assets:		
Equity securities	16,679	16,175
Fixed income	19,747	14,941
Cash and cash equivalents	653	624
	----------	----------
Plan assets fair value at the end of year	37,079	31,740
	======	======

The subsidiary SGUS expects to contribute R$9,922 to the defined-benefit plans in 2015. The benefits payments for the next 10 years are:

	Defined-benefit pension plans
2015	10,898
2016	10,478
2017	10,150
2018	9,806
2019	9,543
2020 – 2024	44,782

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

	2014	2013
Pension plan obligations	102,386	79,854
Pension plan obligations (multi-employer) (a)	179	555
Other employee benefit obligations	7,270	7,634
	------------	------------
Total employee benefit plans	109,835	88,043
Current (b)	(8,733)	(7,831)
	------------	------------
Noncurrent	101,102	80,212
	=======	=======

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

(b) Presented on caption “Payroll and related charges”.

19. GOVERNMENT CONCESSIONS

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

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

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

Total annual installments of the concession:

	Years 5 to 15 2002 to 2012	Years 16 to 25 2013 to 2022	Years 26 to 35 2023 to 2032
Historical amounts:			
Minimum installment	120	120	120
Additional installment	-	12,510	20,449
Annual installment	120	12,630	20,569
Total installments	1,320	126,300	205,690
Monetarily adjusted installments	5,191	496,685	808,882

For accounting purposes, indirect subsidiary CSA recognizes expenses incurred on an accrual basis, as a contra entry to noncurrent liabilities, on a straight-line basis, based on its share in the total concession amount, 33.33%, at present value, considering a basic interest rate, monetarily adjusted based on the IGPM. As of December 31, 2014, this amount represented R$64,431, of which, R$16,556 is classified in current liabilities and R$47,875 is classified as noncurrent liabilities (R$64,605 as of December 31, 2013, of which, R$15,973 is classified in current liabilities and R$48,632 is classified as noncurrent liabilities).

As of December 31, 2014, the net book value of the property, plant and equipment related to the current concession is R$25,247 (R$26,674 as of December 31, 2013) (see note 8), considering CSA's equity interest in the investments for the construction of the Porto Estrela Hydroelectric Plant, located on the Santo Antônio River, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

20. FINANCIAL INSTRUMENTS

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

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

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

	Company				Consolidated			
	2014		2013		2014		2013	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS --								
CURRENT:								
Cash and cash equivalents	1,191	1,191	1,410	1,410	175,280	175,280	156,607	156,607
Marketable securities	-	-	-	-	32,247	32,247	7,510	7,510
Accounts receivable	-	-	-	-	622,613	622,613	604,596	604,596
Other receivables	6,520	6,520	3,902	3,902	34,266	34,266	43,175	43,175
NONCURRENT:								
Long-term assets:								
Related parties	96,222	96,222	75,684	75,684	45,590	45,590	31,457	31,457
Other credits and receivables	2,061	2,061	2,060	2,060	28,453	28,453	16,803	16,803
LIABILITIES --								
CURRENT:								
Loans and financing (*)	105,385	105,385	44,463	44,463	598,354	598,354	597,010	597,010
Debenture (*)	-	-	-	-	1,685	1,685	-	-
Suppliers	92	92	1,782	1,782	176,927	176,927	210,141	210,141
Noneconomic lease	-	-	-	-	4,286	4,286	9,962	9,962
Other accounts payable	2,789	2,789	4,120	4,120	62,633	62,633	80,493	80,493
NONCURRENT:								
Loans and financing (*)	-	-	17,500	17,500	229,738	229,738	310,686	310,686
Debenture (*)	-	-	-	-	263,748	263,748	-	-
Noneconomic lease	-	-	-	-	12,822	12,822	11,852	11,852
Related parties	7,450	7,450	1,392	1,392	242	242	2	2
Government concessions	-	-	-	-	47,875	47,875	48,632	48,632
Other obligations	40	40	136	136	18,971	18,971	25,779	25,779

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

Considering that the remaining financial instruments have short-term maturities, the Company estimates that the fair values of other financial instruments approximate their carrying book values.

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

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

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

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

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

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

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

d.3.1 – Exchange rate risk on foreign investments:

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

Total of foreign investments	2014	2013
Investments	104,451	109,539
Subsidiaries' obligations (SGUS)	(60,879)	(30,426)
	-----------	------------
	43,572	79,113
In equivalent thousands of US Dollars	16,403	33,771
	=======	=======

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

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

Financial instruments	2014	2013
Cash and cash equivalents	2,923	2,442
Accounts receivable	54,795	27,037
Suppliers	(2,307)	(2,492)
Loans and financing	(22,052)	(10,097)
Related parties	137,901	116,723
	-----------	-----------
Total exposure in Brazilian Reais	171,260	133,613
	-----------	-----------
Total exposure in equivalent thousands of US Dollars	64,476	57,036
	======	======

The sensitivity analysis of non-derivative financial instruments, considering the US Dollar denominated cash flows, as of December 31, 2014, is shown below:

Maturity	Risk	Exposure value in thousands of US$	Scenarios Probable	II	III
2015	US Dollar depreciation	12,559	(1,138)	(9,193)	(17,249)
2019	US Dollar depreciation	51,917	70,809	18,631	(33,546)
		-----------	-----------	-----------	-----------
		64,476	69,671	9,438	(50,795)
		======	======	======	======

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

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

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

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

Except for the swap contract mentioned in note 12.b, there were no exchange rate derivatives in 2014 and 2013.

<u>d.4 – Commodities price risk (cotton)</u>--This risk arises from the possibility that the Company and its subsidiaries may incur losses due to fluctuations in the price of cotton, its main raw material. A significant increase in price of cotton may cause an increase in the cost of its products in an amount that the Company may be unable to pass such increases to its customers, reducing its margins. In 2014 and 2013, there were no results with this type of derivatives.

<u>d.5 - Interest rates risk</u>--Cash and cash equivalents and marketable securities yield, approximately, the equivalent to CDI (Certificate of Interbank Deposit) rates. LIBOR and TJLP interest-bearing liabilities are disclosed in notes 12 and 15. Considering the cash flows of these liabilities and the contracted interest rates (except for items d.5.1 and d.5.2), Management determined that the exposure to market changes on the contracted interest rates is not significant. Therefore, the sensitivity analysis was not disclosed.

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

<u>Interest rates swap contracts</u>--Are presented and measured at fair value and are based on the cash flow of the loans denominated in foreign currency. Gains or losses are recorded under the “Financial expenses – interests” caption in the statements of operations.

Except for the swap contract mentioned in note 12.b, there were no interest rate derivatives in 2014 and 2013.

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

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

		2014			2013	
Description	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Accrued interest	Payable
Debenture -- Interest: 110.0% of CDI Counterpart: Gaia Agro Sec. S.A. Maturity: June/2017	270,000	1,685	(6,252)	265,433	-	-
Loan Agreement -- Interest: 116.6% of CDI Counterpart: Banco do Brasil S.A. Maturity: May/2015	25,000	2,320	-	27,320	171	25,171
Loan Agreement-- Interest: 112.0% of CDI Counterpart: Banco do Brasil S.A. Maturity: May/2015	20,000	1,601	(166)	21,435	-	-
(reference to note 12)				48,755		25,171
Loan Agreement -- Interest: 108.5% of CDI Counterpart: Banco do Brasil S.A. Maturity: May/2015	200,000	36,248	(91)	236,157	11,104	211,104
Loan Agreement-- Interest: 113.6% of CDI Counterpart: Banco do Brasil S.A. Maturity: April/2016	40,000	3,529	-	43,529	5,700	45,700
(reference to note 12)				279,686		256,804
Loan and Swap Agreement-- Interest: 121.0% of CDI Counterpart: Banco Itaú BBA S.A. Maturity: August/2016	100,000	4,684	-	104,684	7,509	207,509
Loan Agreement -- Interest: 114.1% of CDI Counterpart: Banco Santander S.A. Maturity: November/2016	30,000	370	(315)	30,055	-	-
Loan Agreement-- Interest: 123.5% of CDI Counterpart: Banco Santander S.A. Maturity: April/2016	7,500	202	(109)	7,593	-	-
Loan Agreement-- Interest: 123.5% of CDI Counterpart: Banco Santander S.A. Maturity: April/2016	7,500	202	(109)	7,593	-	-
(reference to note 12)				45,241		-
Loan Agreement-- Interest: 124.5% of CDI Counterpart: Banco Bradesco S.A. Maturity: May/2015	15,000	162	(117)	15,045	-	-

Description	Principal amount R$ thousands	2014 Accrued interest	2014 Prepaid interest	2014 Payable	2013 Accrued interest	2013 Payable
Loan Agreement -- Interest: 127.0% of CDI Counterpart: Banco Bradesco S.A. Maturity: May/2015	17,500	1,597	-	19,097	1,860	36,860
				-----------		-----------
(reference to note 12)				34,142		36,860
Loan Agreement -- Interest: 113.8% of CDI Counterpart: Banco Votorantim S.A. Maturity: Mar/2015	40,000	39	(289)	39,750	-	-
	-----------	-----------	-----------	-----------	-----------	-----------
Total	772,500	52,639	(7,448)	817,691	26,344	526,344
	=======	=======	=======	=======	=======	=======

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of December 31, 2014, is as follows:

Maturity	Risk	Average balance	Scenarios Probable	Scenarios II	Scenarios III
2015	CDI increase	854,730	73,334	103,372	125,154
2016	CDI increase	317,016	32,272	46,039	55,859
2017	CDI increase	138,392	8,263	11,426	13,824
			======	======	======

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

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

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

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

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

d.7 – Liquidity risk management--The Company's financial liabilities, according to their cash flows, based on their approximate maturity date, and using nominal contractual interest rates, are summarized as follows:

		Estimated settlement			
Contractual obligations	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Loans and financing	890,602	648,135	225,547	8,458	8,462
Debenture	341,118	37,332	303,786	-	-
Suppliers	184,183	184,183	-	-	-
Related parties	242	-	242	-	-
	1,416,145	869,650	529,575	8,458	8,462

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

The Company's net debt is as follows:

	Company		Consolidated	
	2014	2013	2014	2013
Loans and financing	105,385	61,963	828,092	907,696
Debenture	-	-	265,433	-
Cash and cash equivalents	(1,191)	(1,410)	(175,280)	(156,607)
Marketable securities	-	-	(32,247)	(7,510)
Total net debt	104,194	60,553	885,998	743,579
Total equity	968,118	995,992	1,600,754	1,671,583
Total net debt and equity	1,072,312	1,056,545	2,486,752	2,415,162

21. OTHER OPERATING EXPENSES AND INCOME, NET

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

	Consolidated	
	2014	2013
Net gain (loss) on sale of assets	(16,361)	17,030
Tax recovery	5,520	-
Others	5,915	1,290
	(4,926)	18,320

22. SEGMENT INFORMATION

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

The subsidiary SGPSA owns several factories that supply each other so that, together, they form an integrated industry in spinning, weaving, finishing and manufacturing of home textile products. The Company does not have separate operating segments in its sales categories and the reports used for strategic and operational decision making are always consolidated. There are no specific operational units for each category of goods sold. Therefore, these operations are denominated "Wholesale" because its products are not sold to the final consumer. The Wholesale segment is subdivided into two sub-segments: South America, which includes operations in Brazil and Argentina; and North America, which includes operations in the United States of America and Canada.

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

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

	2014						
	South America				North America	Others unallocated	
	Wholesale	Retail	Denim	Total	Wholesale	(*)	Total
Net revenues	1,180.0	283.1	406.4	1,869.5	698.2	(118.1)	2,449.6
Cost of goods sold	(840.2)	(149.3)	(339.4)	(1,328.9)	(622.1)	118.1	(1,832.9)
Gross profit	339.8	133.8	67.0	540.6	76.1	-	616.7
Selling, general and administrative expenses	(206.7)	(161.1)	(61.1)	(428.9)	(66.0)	(26.3)	(521.2)
Equity in affiliated companies	-	-	-	-	-	(45.7)	(45.7)
Others, net	1.0	(4.1)	5.0	1.9	(5.5)	(1.3)	(4.9)
Operating results	134.1	(31.4)	10.9	113.6	4.6	(73.3)	44.9
Financial results	-	-	-	-	-	(142.5)	(142.5)
Income (loss) before taxes	134.1	(31.4)	10.9	113.6	4.6	(215.8)	(97.6)
Depreciation and amortization	67.3	12.9	14.1	94.3	5.8	0.1	100.2
Total assets	2,032.7	228.9	441.4	2,703.0	322.7	231.0	3,256.7
Total liabilities	(1,013.4)	(87.1)	(169.8)	(1,270.3)	(375.9)	(9.7)	(1,655.9)
Total net assets (liabilities)	1,019.3	141.8	271.6	1,432.7	(53.2)	221.3	1,600.8

	2013						
	South America				North America	Others unallocated	
	Wholesale	Retail	Denim	Total	Wholesale	(*)	Total
Net revenues	1,139.1	248.0	385.2	1,772.3	713.1	(87.3)	2,398.1
Cost of goods sold	(853.0)	(128.3)	(294.7)	(1,276.0)	(637.2)	87.3	(1,825.9)
	----------	----------	----------	----------	----------	----------	----------
Gross profit	286.1	119.7	90.5	496.3	75.9	-	572.2
Selling, general and administrative expenses	(199.6)	(154.8)	(55.2)	(409.6)	(67.8)	(27.6)	(505.0)
Equity in affiliated companies	-	-	-	-	-	5.5	5.5
Others, net	3.6	(3.2)	13.0	13.4	7.0	(2.1)	18.3
	----------	----------	----------	----------	----------	----------	----------
Operating results	90.1	(38.3)	48.3	100.1	15.1	(24.2)	91.0
Financial results	-	-	-	-	-	(101.4)	(101.4)
	----------	----------	----------	----------	----------	----------	----------
Income (loss) before taxes	90.1	(38.3)	48.3	100.1	15.1	(125.6)	(10.4)
	======	======	======	======	======	======	======
Depreciation and amortization	72.1	12.2	12.5	96.8	7.2	2.8	106.8
	======	======	======	======	======	======	======
Total assets	1,918.8	237.3	416.9	2,573.0	356.8	250.7	3,180.5
Total liabilities	(904.2)	(172.9)	(144.5)	(1,221.6)	(379.3)	92.0	(1,508.9)
	----------	----------	----------	----------	----------	----------	----------
Total net assets (liabilities)	1,014.6	64.4	272.4	1,351.4	(22.5)	342.7	1,671.6
	======	======	======	======	======	======	======

(*) 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	
	2014	2013
Net revenues (in millions of Reais):		
Bedding, tabletop and bath	1,087.9	1,121.3
Utility bedding	492.6	424.0
Intermediate products	586.0	604.8
Retail	283.1	248.0
	------------	------------
	2,449.6	2,398.1
	=======	=======
Volume (thousands of metric tons):		
Bedding, tabletop and bath	41.7	49.4
Utility bedding	40.7	38.2
Intermediate products	46.2	51.1
	------------	------------
	128.6	138.7
	=======	=======

The Company has over 13,000 active clients as of December 30, 2014 and only one customer has sales of approximately 10% of net sales.

23. EXPENSES BY NATURE

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

By nature:

	Consolidated	
	2014	2013
Cost of raw materials, goods and services acquired from third parties	(1,643,939)	(1,601,355)
Employee benefits	(486,081)	(455,937)
INSS	(36,330)	(36,486)
Depreciation and amortization	(100,222)	(106,819)
Finished goods and work in process inventory variations	16,725	(53,443)
Exchange rate variations in inventories from foreign subsidiaries	10,964	16,970
Other costs and expenses	(115,180)	(93,845)
Total expenses by nature	(2,354,063)	(2,330,915)

By function:

	Consolidated	
	2014	2013
Cost of goods sold	(1,832,895)	(1,825,898)
Selling expenses	(339,764)	(332,732)
General and administrative expenses	(167,617)	(160,403)
Management fees	(13,787)	(11,882)
Total expenses by function	(2,354,063)	(2,330,915)

24. NET REVENUES

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

	Consolidated	
	2014	2013
OPERATING REVENUES:		
Gross revenues	3,015,425	2,959,103
Sales deductions	(565,842)	(560,963)
NET REVENUES	2,449,583	2,398,140

25. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share was calculated as follows:

	Company	
	2014	2013
NET LOSS FOR THE YEAR	(76,452)	(19,917)
Weighted-average outstanding shares:		
Common shares	55,651,200	54,500,240
Preferred shares	66,894,628	68,063,674
	122,545,828	122,563,914
BASIC AND DILUTED LOSS PER SHARE - R$	(0.6239)	(0.1625)

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

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

26. SUBSEQUENT EVENT

On February 10, 2015, subsidiary SGPSA announced to the market that its subsidiary Coteminas S.A. concluded negotiation to sell to the city of Montes Claros the property located at Av. Governador Magalhães Pinto, 4000, comprising the land of 161.930m², with approximately 28 thousand square meters of building area, for the total amount of R$48 million, to be paid in 48 months, with a 12-month grace period, adjusted for inflation using the General Index of Market Price (IGP-M). The conclusion of the transaction is subject to approval by the Montes Claros's city council, and the signature of the relevant instruments. This transaction has no impact on the financial statements for the year ended December 31, 2014 and losses are not expected with this transaction.

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