

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

***Companhia de Tecidos  
Norte de Minas - COTEMINAS***

*Individual and Consolidated Interim  
Financial Information for the Three-month  
Period Ended September 30, 2015 and  
Report on Review of Interim  
Financial Information*

Deloitte Touche Tohmatsu Auditores Independentes

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

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

### **Introduction**

We have reviewed the accompanying individual and consolidated interim financial information of Companhia de Tecidos Norte de Minas - COTEMINAS (the “Company”), identified as Parent and Consolidated, respectively, included in the Interim Financial Information Form (ITR), for the three-month period ended September 30, 2015, which comprises the balance sheet as of September 30, 2015 and the related statements of operations and comprehensive income for the three and nine-month periods then ended and changes in equity and cash flows for the nine-month period then ended, including the explanatory notes.

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

### **Scope of review**

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

### **Conclusion on interim financial information**

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

**Other matters**

*Statements of value added*

We have also reviewed the individual and consolidated statements of value added (“DVAs”) for the nine-month period ended September 30, 2015, prepared under the responsibility of the Company’s Management, the presentation of which is required by the standards issued by CVM applicable to the preparation of Interim Financial Information (ITR) and considered supplemental information for International Financial Reporting Standards - IFRSs, which do not require the presentation of the DVA. These statements were subject to the same review procedures described above, and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the individual and consolidated interim financial information taken as a whole.

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

São Paulo, November 10, 2015



DELOITTE TOUCHE TOHMATSU  
Auditores Independentes



Roberto Wagner Promenzio  
Engagement Partner

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

BALANCE SHEETS AS OF SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

(In thousands of Brazilian Reais)

A S S E T S

	Note	Company		Consolidated	
		09.30.2015	12.31.2014	09.30.2015	12.31.2014
<b>CURRENT:</b>					
Cash and cash equivalents	3	1,269	1,191	189,219	175,280
Marketable securities	4	-	-	46,455	32,247
Financial Instruments	22.d.3	-	-	1,681	-
Accounts receivable	5	-	-	640,562	622,613
Inventories	6	-	-	831,358	690,663
Advances to suppliers		127	73	47,423	51,395
Recoverable taxes	17.d	4,151	4,912	41,336	55,800
Receivable - sale of fixed asset	16	-	-	5,014	-
Real estate held for sale		-	-	3,123	3,138
Other receivables		1,036	6,520	34,575	34,266
		-----	-----	-----	-----
Total current assets		6,583	12,696	1,840,746	1,665,402
		-----	-----	-----	-----
<b>NONCURRENT:</b>					
Long-term assets:					
Recoverable taxes	17.d	13,952	14,508	30,353	33,312
Deferred income and social contribution taxes	17.c	8,629	8,629	89,334	77,137
Related parties	15	142,628	96,222	64,734	45,590
Receivable - sale of fixed asset	16	-	-	42,101	-
Property, plant and equipment held for sale	8.b	-	-	58,592	40,527
Escrow deposits	18	27,377	27,337	56,199	53,259
Other credits and receivables		2,061	2,061	10,847	28,453
		-----	-----	-----	-----
		194,647	148,757	352,160	278,278
		-----	-----	-----	-----
Investments in subsidiaries	7.a	759,777	749,846	-	-
Investments in affiliated companies	7.a	130,411	175,849	131,264	175,849
Other investments		3,088	3,088	6,399	5,556
Property, plant and equipment	8.a	6,814	6,815	973,100	1,012,046
Intangible assets	9	2	2	130,116	119,596
		-----	-----	-----	-----
Total noncurrent assets		1,094,739	1,084,357	1,593,039	1,591,325
		-----	-----	-----	-----
Total assets		1,101,322	1,097,053	3,433,785	3,256,727
		=====	=====	=====	=====

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

(In thousands of Brazilian Reais)

	Note	Company		Consolidated	
		09.30.2015	12.31.2014	09.30.2015	12.31.2014
<u>LIABILITIES AND EQUITY</u>					
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
Loans and financing	12	98,844	105,385	646,111	598,354
Debenture	13	-	-	144,692	1,685
Financial Instruments	22.d.3	-	-	3,152	-
Suppliers	11	27	92	246,697	176,927
Payroll and related charges		845	676	82,952	60,644
Taxes		-	27	19,606	12,424
Government concessions	20	-	-	17,240	16,556
Noneconomic leases	10	-	-	5,568	4,286
Other payables		2,251	2,789	62,122	62,633
		-----	-----	-----	-----
Total current liabilities		101,967	108,969	1,228,140	933,509
		-----	-----	-----	-----
<b>NONCURRENT:</b>					
Loans and financing	12	-	-	205,964	229,738
Debenture	13	-	-	133,205	263,748
Noneconomic leases	10	-	-	22,026	12,822
Related parties	15	41,640	7,450	319	242
Government concessions	20	-	-	47,884	47,875
Employee benefit plans	19	-	-	141,391	101,102
Miscellaneous accruals	18	12,049	12,049	45,422	42,648
Deferred income and social contribution taxes	17.c	8,538	427	13,526	5,318
Other obligations		-	40	18,035	18,971
		-----	-----	-----	-----
Total noncurrent liabilities		62,227	19,966	627,772	722,464
		-----	-----	-----	-----
<b>EQUITY:</b>					
	14				
Capital		882,236	882,236	882,236	882,236
Capital reserves		209,701	209,701	209,701	209,701
Cumulative translation adjustment		(79,937)	(100,127)	(79,937)	(100,127)
Assets and liabilities valuation adjustments		1,430	1,770	1,430	1,770
Accumulated deficit		(76,302)	(25,462)	(76,302)	(25,462)
		-----	-----	-----	-----
Total equity attributable to the owners of the Company		937,128	968,118	937,128	968,118
		-----	-----	-----	-----
<b>NON-CONTROLLING INTERESTS</b>	7.b	-	-	640,745	632,636
		-----	-----	-----	-----
Total equity		937,128	968,118	1,577,873	1,600,754
		-----	-----	-----	-----
Total liabilities and equity		1,101,322	1,097,053	3,433,785	3,256,727
		=====	=====	=====	=====

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

(In thousands of Brazilian Reais)

	Note	Company			
		07.01.2015	01.01.2015	07.01.2014	01.01.2014
		to	to	to	to
		09.30.2015	09.30.2015	09.30.2014	09.30.2014
<b>OPERATING INCOME (EXPENSES):</b>					
General and administrative expenses		(6,876)	(18,727)	(4,892)	(14,161)
Management fees		(432)	(1,157)	(688)	(1,377)
Equity in subsidiaries and affiliated companies	7	(21,593)	(53,433)	(9,383)	(40,643)
Others, net		(347)	(483)	1	(426)
<b>LOSS FROM OPERATIONS</b>		<b>(29,248)</b>	<b>(73,800)</b>	<b>(14,962)</b>	<b>(56,607)</b>
Financial expenses – interests		(5,948)	(14,552)	(2,798)	(7,287)
Financial expenses – bank charges and others		(960)	(2,282)	(639)	(1,331)
Financial income		5,576	15,071	3,674	10,437
Exchange rate variations, net		24,038	34,634	5,658	2,223
<b>LOSS FROM OPERATIONS BEFORE TAXES</b>		<b>(6,542)</b>	<b>(40,929)</b>	<b>(9,067)</b>	<b>(52,565)</b>
Income and social contribution taxes:					
Current	17.b	-	-	-	-
Deferred	17.b	(4,509)	(8,112)	-	-
<b>NET LOSS FOR THE PERIOD</b>		<b>(11,051)</b>	<b>(49,041)</b>	<b>(9,067)</b>	<b>(52,565)</b>
<b>BASIC AND DILUTED LOSS PER SHARE – R\$</b>	26	<b>(0.3607)</b>	<b>(1.6007)</b>	<b>(0.2960)</b>	<b>(1.7158)</b>

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COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

(In thousands of Brazilian Reais)

	Note	Consolidated			
		07.01.2015 to 09.30.2015	01.01.2015 to 09.30.2015	07.01.2014 to 09.30.2014	01.01.2014 to 09.30.2014
NET REVENUES	25	674,946	1,905,001	640,703	1,796,253
COST OF GOODS SOLD	24	(505,738)	(1,427,786)	(475,153)	(1,335,356)
GROSS PROFIT		169,208	477,215	165,550	460,897
OPERATING INCOME (EXPENSES):					
Selling expenses	24	(80,353)	(246,946)	(84,472)	(248,648)
General and administrative expenses	24	(47,443)	(136,211)	(39,823)	(123,057)
Management fees	24	(3,071)	(8,287)	(3,892)	(9,343)
Equity in affiliated companies	7	(20,369)	(55,197)	(12,581)	(25,966)
Others, net	21	(12,038)	3,423	(1,854)	(7,581)
INCOME FROM OPERATIONS		5,934	33,997	22,928	46,302
Financial expenses – interests		(48,268)	(130,245)	(33,768)	(91,640)
Financial expenses – bank charges and others		(15,665)	(43,269)	(16,749)	(41,359)
Financial income		5,911	22,552	7,401	16,037
Exchange rate variations, net		44,914	72,724	12,121	4,078
LOSS FROM OPERATIONS BEFORE TAXES		(7,174)	(44,241)	(8,067)	(66,582)
Income and social contribution taxes:					
Current	17.b	(971)	(1,013)	1,754	2,743
Deferred	17.b	128	1,895	(273)	(1,513)
NET LOSS FOR THE PERIOD		(8,017)	(43,359)	(6,586)	(65,352)
ATTRIBUTABLE TO:					
Owners of the Company		(11,051)	(49,041)	(9,067)	(52,565)
Non-controlling interests	7.b	3,034	5,682	2,481	(12,787)
		(8,017)	(43,359)	(6,586)	(65,352)

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COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

(In thousands of Brazilian Reais)

	<u>Company</u>			
	<u>07.01.2015</u>	<u>01.01.2015</u>	<u>07.01.2014</u>	<u>01.01.2014</u>
	to	to	to	to
	<u>09.30.2015</u>	<u>09.30.2015</u>	<u>09.30.2014</u>	<u>09.30.2014</u>
NET LOSS FOR THE PERIOD	(11,051)	(49,041)	(9,067)	(52,565)
Other comprehensive income (loss) -				
- Items that will impact the statements of operations:				
Exchange variation on foreign investments	9,217	20,190	7,223	(9,648)
Cash flow hedge in affiliated company	-	-	(2,954)	8,384
	-----	-----	-----	-----
	9,217	20,190	4,269	(1,264)
- Items that will not impact the statements of operations:				
Actuarial gain on pension plans	43	87	299	833
	-----	-----	-----	-----
COMPREHENSIVE INCOME FOR THE PERIOD	(1,791)	(28,764)	(4,499)	(52,996)
	=====	=====	=====	=====
	<u>Consolidated</u>			
	<u>07.01.2015</u>	<u>01.01.2015</u>	<u>07.01.2014</u>	<u>01.01.2014</u>
	to	to	to	to
	<u>09.30.2015</u>	<u>09.30.2015</u>	<u>09.30.2014</u>	<u>09.30.2014</u>
NET LOSS FOR THE PERIOD	(8,017)	(43,359)	(6,586)	(65,352)
Other comprehensive income (loss) -				
- Items that will impact the statements of operations:				
Exchange rate variations on foreign investments	12,817	22,611	7,996	(18,551)
Cash flow hedge in affiliated company	-	-	(2,954)	8,384
	-----	-----	-----	-----
	12,817	22,611	5,042	(10,167)
- Items that will not impact the statements of operations:				
Actuarial gain on pension plans	81	164	565	1,575
	-----	-----	-----	-----
COMPREHENSIVE LOSS FOR THE PERIOD	4,881	(20,584)	(979)	(73,944)
	=====	=====	=====	=====
ATTRIBUTABLE TO:				
Owners of the Company	(1,791)	(28,764)	(4,499)	(52,996)
Non-controlling interests	6,672	8,180	3,520	(20,948)
	-----	-----	-----	-----
	4,881	(20,584)	(979)	(73,944)
	=====	=====	=====	=====

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



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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

(In thousands of Brazilian Reais)

	Capital reserve	Earnings reserves		Cumulative translation adjustment	Assets and liabilities valuation adjustments	Accumulated deficit	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity	
	Capital	Tax incentives	Legal	Retained earnings						
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
Absorbing losses with reserves (note 14,a,4)	-	(84,187)	(33,298)	(398,423)	-	-	515,908	-	-	-
Deemed cost of affiliated company	-	-	-	-	-	(472)	472	-	-	-
Comprehensive loss:										
Net loss for the period	-	-	-	-	-	-	(52,565)	(52,565)	(12,787)	(65,352)
Exchange rate variations on foreign investments (note 2.1)	-	-	-	-	1,158	-	-	1,158	-	1,158
Impact of subsidiaries and affiliated companies -										
Exchange rate variations on foreign investments (note 2.1)	-	-	-	-	(10,806)	-	-	(10,806)	(8,903)	(19,709)
Cash flow hedge in affiliated companies	-	-	-	-	-	12,370	(3,986)	8,384	-	8,384
Actuarial gain on pension plans	-	-	-	-	-	833	-	833	742	1,575
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total comprehensive income (loss)	-	-	-	-	(9,648)	13,203	(56,551)	(52,996)	(20,948)	(73,944)
Owners' contribution (distribution):										
Gain on equity interest in affiliated companies (Note 7)	-	-	-	-	-	-	59,771	59,771	-	59,771
Acquisition of interest in subsidiary (Note 7)	-	-	-	-	-	-	(5,462)	(5,462)	(10,456)	(15,918)
Dividends paid by subsidiaries	-	-	-	-	-	-	-	-	(1,775)	(1,775)
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total owners' contribution (distribution)	-	-	-	-	-	-	54,309	54,309	(12,231)	42,078
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
BALANCES AS OF SEPTEMBER 30, 2014	882,236	209,701	-	-	(105,381)	12,519	(1,770)	997,305	642,412	1,639,717
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015

(In thousands of Brazilian Reais)

	Capital	Capital reserve	Cumulative translation adjustment	Assets and liabilities valuation adjustments	Accumulated deficit	Total equity attributable to the owners of the Company	Non- controlling interests	Total equity
	Capital	Tax incentives						
BALANCES AS OF DECEMBER 31, 2014	882,236	209,701	(100,127)	1,770	(25,462)	968,118	632,636	1,600,754
Deemed cost of affiliated company	-	-	-	(427)	427	-	-	-
Comprehensive loss:								
Net loss for the period	-	-	-	-	(49,041)	(49,041)	5,682	(43,359)
Exchange rate variations on foreign investments (note 2.1)	-	-	11,659	-	-	11,659	-	11,659
Impact of subsidiaries-								
Exchange rate variations on foreign investments (note 2.1)	-	-	8,531	-	-	8,531	2,421	10,952
Actuarial gain on pension plans	-	-	-	87	-	87	77	164
Total comprehensive loss	-	-	20,190	87	(49,041)	(28,764)	8,180	(20,584)
Owners' distribution:								
Loss on equity interest in affiliated company (note 7)	-	-	-	-	(2,226)	(2,226)	-	(2,226)
Dividends reversed by subsidiaries	-	-	-	-	-	-	479	479
Dividends paid by subsidiaries	-	-	-	-	-	-	(550)	(550)
Total owners' distribution	-	-	-	-	(2,226)	(2,226)	(71)	(2,297)
BALANCES AS OF SEPTEMBER 30, 2015	882,236	209,701	(79,937)	1,430	(76,302)	937,128	640,745	1,577,873

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2015 to 09.30.2015	01.01.2014 to 09.30.2014	01.01.2015 to 09.30.2015	01.01.2014 to 09.30.2014
Cash flows from operating activities				
Net loss for the period	(49,041)	(52,565)	(43,359)	(65,352)
Adjustments to reconcile net loss for the period to net cash provided by (used in) operating activities:				
Depreciation and amortization	2	158	67,379	76,099
Equity in subsidiaries and affiliated companies	53,433	40,643	55,197	25,966
Income and social contribution taxes	8,112	-	(882)	(1,230)
(Gain) Loss on disposal of property, plant and equipment	-	591	(26,739)	25,990
(Reversal of) Impairment losses of property, plant and equipment	-	-	-	(9,827)
Exchange rate variations	(29,746)	(2,338)	(57,041)	(6,476)
Bank charges and interests	5,691	1,872	100,422	63,542
	<u>(11,549)</u>	<u>(11,639)</u>	<u>94,977</u>	<u>108,712</u>
Changes in assets and liabilities				
Marketable securities	-	-	(14,208)	(592)
Accounts receivable	-	-	(17,949)	(6,093)
Inventories	-	-	(140,695)	(58,130)
Advances to suppliers	(54)	27	3,972	147
Suppliers	(65)	(1,780)	69,770	(16,620)
Others	6,324	2,581	79,314	(27,142)
Net cash provided by (used in) operating activities	<u>(5,344)</u>	<u>(10,811)</u>	<u>75,181</u>	<u>282</u>
Interest paid	(11,873)	(4,952)	(127,595)	(56,903)
Income and social contribution taxes paid	-	-	1,452	227
Net cash provided by (used in) operating activities after interest and taxes	<u>(17,217)</u>	<u>(15,763)</u>	<u>(50,962)</u>	<u>(56,394)</u>
Cash flows from investing activities				
Acquisition of investments	-	(114)	(3,631)	(114)
Acquisition of property, plant and equipment	-	-	(40,754)	(72,013)
Proceeds from sale of property, plant and equipment	-	63	7,097	43,331
Dividends received	124	608	124	608
Loans between related parties	21,004	(14,377)	52,784	(14,404)
Net cash provided by (used in) investing activities	<u>21,128</u>	<u>(13,820)</u>	<u>15,620</u>	<u>(42,592)</u>

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

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COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

(In thousands of Brazilian Reais)

	<u>Company</u>		<u>Consolidated</u>	
	<u>01.01.2015</u> <u>to</u> <u>09.30.2015</u>	<u>01.01.2014</u> <u>to</u> <u>09.30.2014</u>	<u>01.01.2015</u> <u>to</u> <u>09.30.2015</u>	<u>01.01.2014</u> <u>to</u> <u>09.30.2014</u>
Cash flows from financing activities				
Proceeds from new loans	22,000	47,000	557,627	380,006
Issuance of Debenture	-	-	-	270,000
Repayment of loans	(25,833)	(17,500)	(515,309)	(482,892)
Dividends paid	-	(2)	(240)	(2,618)
	-----	-----	-----	-----
Net cash provided by (used in) financing activities	(3,833)	29,498	42,078	164,496
	-----	-----	-----	-----
Effect of exchange rate changes on cash and cash equivalents in foreign currency	-	-	7,203	970
	-----	-----	-----	-----
Increase (decrease) in cash and cash equivalents	78	(85)	13,939	66,480
	=====	=====	=====	=====
Cash and cash equivalents:				
At the beginning of the period	1,191	1,410	175,280	156,607
At the end of the period	1,269	1,325	189,219	223,087
	-----	-----	-----	-----
Increase (decrease) in cash and cash equivalents	78	(85)	13,939	66,480
	=====	=====	=====	=====

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF VALUE ADDED

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015 AND 2014

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2015 to 09.30.2015	01.01.2014 to 09.30.2014	01.01.2015 to 09.30.2015	01.01.2014 to 09.30.2014
<b>REVENUES</b>				
Sales of products, goods and services	-	-	2,162,579	2,095,631
Allowance for doubtful accounts	-	-	(900)	(1,441)
Gain on sale of real estate held for sale	-	-	-	462
Gain (loss) on sale of property, plant and equipment	-	(591)	26,739	(26,452)
	-----	-----	-----	-----
	-	(591)	2,188,418	2,068,200
<b>MATERIALS ACQUIRED FROM THIRD PARTIES</b>				
Cost of goods and services sold	-	-	(1,040,068)	(984,113)
Materials, energy, third party services, and others	(5,666)	(3,413)	(363,637)	(345,006)
Impairment reversals of property, plant and equipment	-	-	-	9,827
	-----	-----	-----	-----
	(5,666)	(3,413)	(1,403,705)	(1,319,292)
<b>GROSS VALUE ADDED</b>	-----	-----	-----	-----
	(5,666)	(4,004)	784,713	748,908
<b>RETENTIONS</b>				
Depreciation and amortization	(2)	(158)	(67,379)	(76,099)
	-----	-----	-----	-----
<b>NET VALUE ADDED PRODUCED BY THE COMPANY</b>	(5,668)	(4,162)	717,334	672,809
<b>VALUE ADDED RECEIVED BY TRANSFER</b>				
Equity in subsidiaries and affiliated companies	(53,433)	(40,643)	(55,197)	(25,966)
Financial income	15,071	10,437	22,552	16,037
Exchange rate variations	41,391	7,678	94,873	29,561
Royalties	-	-	9,832	9,290
	-----	-----	-----	-----
	3,029	(22,528)	72,060	28,922
<b>TOTAL VALUE ADDED FOR DISTRIBUTION</b>	-----	-----	-----	-----
	(2,639)	(26,690)	789,394	701,731
<b>DISTRIBUTION OF VALUE ADDED</b>	=====	=====	=====	=====
Salary, wages and compensation	2,457	2,637	382,699	355,992
Taxes, duties and contributions	10,996	2,214	175,490	187,532
Payments to third parties	32,949	21,024	274,564	223,559
Equity – Net loss	(49,041)	(52,565)	(43,359)	(65,352)
	-----	-----	-----	-----
<b>VALUE ADDED DISTRIBUTED</b>	(2,639)	( 26,690)	789,394	701,731
	=====	=====	=====	=====

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

NOTES TO THE INTERIM FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2015

(Amounts in thousands of Brazilian Reais)

1. OPERATIONS

Companhia de Tecidos Norte de Minas - COTEMINAS ("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 INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Company's Board of Directors on November 10, 2015.

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

The Company adopted all standards, revisions of standards and interpretations issued by the IASB and the CVM which were effective on September 30, 2015.

## 2.1 – Translation of balances in foreign currency

### a) Functional and presentation currency

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

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

### b) Conversion of balances

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

- i) assets and liabilities are translated at the exchange rate prevailing on the date of the interim financial statements;
- ii) income and expenses are translated at the monthly 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 interim financial statements are as follows:

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

	<u>Useful life</u>
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 period attributable to the Company's shareholders by the weighted average number of outstanding shares. Diluted earnings (loss) per share is calculated by

adjusting the weighted average number of outstanding shares assuming conversion of potential shares to be issued. The Company did not identify any potential issuance of new shares and, therefore, a potential dilution in earnings (loss) per share.

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

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

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

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

### 2.3 – Use of estimates

The preparation of interim financial statements makes use of estimates in order to record certain assets, liabilities and other transactions. To make these estimates, Management used the best information available at the time of preparation of the interim financial statements, as well as the experience of past and/or current events, also considering estimates regarding future events. Therefore, the interim financial statements include estimates related mainly to the determination of useful lives of property, plant and equipment, estimated recoverable value of noncurrent assets, provisions necessary for tax, civil and labor liabilities, determination of provisions for income tax, determination of fair value of financial instruments (assets and liabilities) 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 interim financial statements include the interim financial statements of the Company and the following subsidiaries:

	Direct and indirect interest in total capital - %	
	09.30.2015	12.31.2014
Coteminas International Ltd.	100.00	100.00
Coteminas (Argentina Branch)	100.00	100.00
Springs Global Participações S.A.	52.92	52.92
Oxford Comércio e Participações S.A.	63.37	63.37
Companhia Tecidos Santanense	56.51	56.51

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

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

The interim financial statements of foreign subsidiaries have been translated into Brazilian Reais based on the US Dollar exchange rate as of September 30, 2015 and December 31, 2014 for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	2015	2014	Variance
Exchange rate as of:			
December 31	-	2.6562	-
September 30	3.9729	2.4510	62.09%
Average exchange rate:			
September 30 (3 months)	3.6712	2.3193	58.29%
September 30 (9 months)	3.2263	2.2954	40.56%

## 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, 2015. These new pronouncements did not generate significant impact on the interim financial statements.

Standard	Main requirements
Annual Improvements to IFRSs: 2010 – 2012 Cycle	Amendments to several standards.
Annual Improvements to IFRSs: 2011 – 2013 Cycle	Amendments to several standards.
Amendments to IAS 19 — Employee contributions to defined benefit plans and revision to CPC technical pronouncements no. 06 (CVM resolution no. 728/14)	Change the requirements for the recognition of the contributions made by employees or third parties that are linked to the services.

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, 2015. However, the early adoption of these new and revised standards was not allowed:

Standard	Main requirements	Effective date
IFRS 9 - Financial instruments (issued on July 24, 2014) (*)	IFRS 9 (2014) was issued in a finalized version including the requirements previously issued and additional amendments, which introduce a new model of expected losses on impairment and limited changes in classification and measurement requirements for financial assets. With those amendments, the IASB completed the project for financial instruments.	Effective for annual periods beginning on or after January 1, 2018.
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, principles based five-step model to be applied to all contracts with customers, and requires such entities to provide users of interim financial statements with more informative and relevant disclosures.	Effective for annual periods beginning on or after January 1, 2018.

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 a depreciation and/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 under 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.

Standard	Main requirements	Effective date
Investment Entities: Applying the Consolidation Exception – amendments to IFRS 10, IFRS 12 and IAS 28 (issued on December 18, 2014) (*)	Amendments to IFRS 10, 12 and IAS 28 to confirm that (1) the exemption from preparing consolidated interim financial statements is available for 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) associates and joint ventures accounted for using the equity method in the interim financial statements of a non-investment entity investor in an investment entity may retain the fair value measurement applied to its subsidiaries when they qualify as investment entities; and (4) investment entities measuring all of their subsidiaries at fair value must provide 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	
	09.30.2015	12.31.2014	09.30.2015	12.31.2014
Repurchase transactions (*)	-	-	40,110	67,158
Foreign exchange funds (US\$)	-	-	6,195	2,923
Foreign deposits	-	-	131,738	83,701
Checking accounts deposits	1,269	1,191	11,176	21,498
	-----	-----	-----	-----
	1,269	1,191	189,219	175,280
	=====	=====	=====	=====

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

#### 4. MARKETABLE SECURITIES

	Consolidated	
	09.30.2015	12.31.2014
Investment fund – US\$	44,420	30,887
Restricted cash	2,035	1,360
	-----	-----
	46,455	32,247
	=====	=====

#### 5. ACCOUNTS RECEIVABLE

	Consolidated	
	09.30.2015	12.31.2014
Domestic customers	460,743	510,533
Foreign customers	205,525	117,531
Credit card companies	7,060	18,221
Related parties		
Domestic market	3,953	4,865
Foreign market	1,146	7,272
	-----	-----
	678,427	658,422
Allowance for doubtful accounts	(37,865)	(35,809)
	-----	-----
	640,562	622,613
	=====	=====

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 September 30, 2015, the installment receivables under this type of sale were R\$9,692 (R\$20,856 as of December 31, 2014), with an average collection period of 90 days, totaling to an adjustment in the amount of R\$2,632 (R\$2,635 as of December 31, 2014), using 100% of the CDI as the interest rate.

Accounts receivable from customers consist of receivables with an average collection period of approximately 81 days (80 days as of December 31, 2014). 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 September 30, 2015 and only one customer has sales of approximately 10% of net sales.

The aging list of the consolidated accounts receivable was presented in the annual financial statements for the year ended December 31, 2014. There was no significant change in the composition of the aging list during the nine-month period ended September 30, 2015.



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

	<u>09.30.2015</u>	<u>12.31.2014</u>
Balance at the beginning of the period	(35,809)	(29,619)
Additions	(947)	(6,671)
Write-offs	47	597
Exchange rate variations	(1,156)	(116)
	-----	-----
Balance at the end of the period	(37,865)	(35,809)
	=====	=====

## 6. INVENTORIES

	<u>Consolidated</u>	
	<u>09.30.2015</u>	<u>12.31.2014</u>
Raw materials and supplies	230,168	203,835
Work in process	181,799	150,771
Finished products	343,242	260,839
Repair parts	76,149	75,218
	-----	-----
	831,358	690,663
	=====	=====

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:

	<u>12.31.2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Exchange rate variations</u>	<u>09.30.2015</u>
Raw materials and supplies	(1,313)	-	-	-	(1,313)
Finished products	(1,101)	(1,443)	229	(752)	(3,067)
Repair parts	(1,099)	-	-	(10)	(1,109)
	-----	-----	-----	-----	-----
	(3,513)	(1,443)	229	(762)	(5,489)
	=====	=====	=====	=====	=====

## 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	
				09.30.2015	12.31.2014	09.30.2015	09.30.2014
Investments in subsidiaries:							
Springs Global Participações S.A.	1,098,996	52.92	22,267	581,538	570,474	11,783	(15,467)
Oxford Comércio e Participações S.A. (1)	221,335	63.37	(9,802)	140,260	146,606	(6,212)	1,448
Coteminas International Ltd.	32,686	100.00	(4,085)	32,686	27,185	(4,085)	(699)
Companhia Tecidos Santanense	259,942	2.07	(11,629)	5,381	5,622	(241)	58
Coteminas (Argentina branch)	(88)	100.00	(27)	(88)	(41)	(27)	(17)
				-----	-----	-----	-----
Total subsidiaries				759,777	749,846	1,218	(14,677)
				=====	=====	-----	-----
Investments in affiliated companies (direct):							
Cantagalo General Grains S.A.	213,374	27.50	(136,485)	58,678	86,995	(37,531)	(25,898)
Companhia Fiação e Tecidos Cedro e Cachoeira	235,964	30.40	(56,318)	71,733	88,854	(17,120)	(68)
				-----	-----	-----	-----
Total affiliated companies				130,411	175,849	(54,651)	(25,966)
						-----	-----
Equity in subsidiaries and affiliated companies - Company						(53,433)	(40,643)
						-----	-----
Investments in affiliated companies (indirect): (2)							
Cantagalo General Grains S.A.	213,374	0.40	(136,485)	853	-	(546)	-
				-----	-----	-----	-----
Total affiliated companies - Consolidated				131,264	175,849	(55,197)	(25,966)
				=====	=====	=====	=====

(1) 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%.

(2) On January 26, 2015, subsidiary Coteminas International Ltd. acquired an interest in the affiliated company Cantagalo General Grains S.A. for R\$3,491, resulting in goodwill of R\$2,226, recorded in accumulated deficit.

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

	Equity	Ownership interest - %	Net income (loss)	Non-controlling interests			
				On subsidiaries' equity		On subsidiaries' net income (loss)	
				09.30.2015	12.31.2014	09.30.2015	09.30.2014
Springs Global Participações S.A.	1,098,996	47.08	22,267	517,408	507,563	10,484	(13,763)
Oxford Comércio e Participações S.A.	221,335	36.63	(9,802)	81,075	84,744	(3,590)	1,010
Companhia Tecidos Santanense	259,942	12.02	(11,629)	31,245	32,645	(1,398)	336
Springs Canada Holdings, LLC	88,146	12.50	1,564	11,017	7,684	186	(370)
Total non-controlling interests				640,745	632,636	5,682	(12,787)

c) Supplemental information on investments in affiliated companies:

	Cantagalo General Grains S.A.(1)		Companhia Fiação e Tecidos Cedro e Cachoeira (2)	
	09.30.2015	12.31.2014	09.30.2015	12.31.2014
	Current assets	1,244,903	971,084	226,781
Noncurrent assets	1,081,910	854,966	417,442	434,087
Total assets	2,326,813	1,826,050	644,223	683,384
Current liabilities	1,119,359	619,452	214,314	223,068
Noncurrent liabilities	768,720	734,519	170,971	142,644
Total liabilities	1,888,079	1,353,971	385,285	365,712
Equity – Company	213,374	316,355	235,964	292,282
Net revenues (nine-month periods)	3,640,841	2,616,229	316,417	435,855
Loss for the period – Company	(136,485)	(94,173)	(56,318)	(222)

(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) %	09.30.2015		12.31.2014	
		Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	8.9	71,416	(22,573)	48,843	55,083
Buildings	2.3	486,160	(205,402)	280,758	285,431
Installations	5.2	285,004	(179,287)	105,717	112,149
Machinery and equipment	6.1	1,325,431	(956,532)	368,899	383,958
Hydroelectric Plant - Porto Estrela (ii)	3.8	37,537	(13,363)	24,174	25,247
Power plants (CTS)	3.4	16,732	(8,297)	8,435	7,933
Furniture and fixtures	9.8	52,543	(34,430)	18,113	19,007
Vehicles	17.0	19,038	(16,051)	2,987	3,237
Computers and peripherals	18.9	69,008	(64,537)	4,471	4,906
Construction in progress	-	101,322	-	101,322	105,044
Others	9.5	171,824	(162,443)	9,381	10,051
		-----	-----	-----	-----
		2,636,015	(1,662,915)	973,100	1,012,046
		=====	=====	=====	=====

(i) Weighted average annual depreciation rate, excluding fully depreciated items.

(ii) See note 20.

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

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

Cost:

	<u>12.31.2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers from/to held for sale</u>	<u>Transfers</u>	<u>Exchange rate variations</u>	<u>09.30.2015</u>
Land and improvements	77,471	2,775	(11,162)	-	-	2,332	71,416
Buildings	473,807	5	(11,442)	-	10,140	,13,650	486,160
Installations	284,707	2,593	(8,403)	-	3,375	2,732	285,004
Machinery and equipment	1,270,676	7,859	(9,409)	2,188	11,499	42,618	1,325,431
Hydroelectric Plant - Porto Estrela	37,534	3	-	-	-	-	37,537
Power plants (CTS)	15,871	861	-	-	-	-	16,732
Furniture and fixtures	48,367	1,398	(1,719)	(1)	479	4,019	52,543
Vehicles	16,691	534	(464)	69	55	2,153	19,038
Computers and peripherals	54,742	1,046	(785)	(1,222)	80	15,147	69,008
Construction in progress	105,044	23,675	(2,409)	-	(25,642)	654	101,322
Others	119,529	5	(19)	(67)	14	52,362	171,824
	-----	-----	-----	-----	-----	-----	-----
	2,504,439	40,754	(45,812)	967	-	135,667	2,636,015
	=====	=====	=====	=====	=====	=====	=====

Accumulated depreciation:

	<u>12.31.2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers from/to held for sale</u>	<u>Transfers</u>	<u>Exchange rate variations</u>	<u>09.30.2015</u>
Land and improvements	(22,388)	(5,840)	5,757	-	-	(102)	(22,573)
Buildings	(188,376)	(8,461)	3,221	-	-	(11,786)	(205,402)
Installations	(172,558)	(8,399)	2,935	-	(365)	(900)	(179,287)
Machinery and equipment	(886,718)	(36,459)	5,402	(2,157)	-	(36,600)	(956,532)
Hydroelectric Plant - Porto Estrela	(12,287)	(1,076)	-	-	-	-	(13,363)
Power plants (CTS)	(7,938)	(359)	-	-	-	-	(8,297)
Furniture and fixtures	(29,360)	(2,303)	808	1	-	(3,576)	(34,430)
Vehicles	(13,454)	(941)	464	(68)	-	(2,052)	(16,051)
Computers and peripherals	(49,836)	(1,703)	750	1,224	-	(14,972)	(64,537)
Others	(109,478)	(1,108)	6	67	365	(52,295)	(162,443)
	-----	-----	-----	-----	-----	-----	-----
	(1,492,393)	(66,649)	19,343	(933)	-	(122,283)	(1,662,915)
	=====	=====	=====	=====	=====	=====	=====

#### 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\$58,592 (R\$40,527 as of December 31, 2014) 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:

	<u>12.31.2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers from/to property</u>	<u>Exchange rate variations</u>	<u>09.30.2015</u>
Cost	361,459	260	(15,575)	(967)	164,672	509,849
Depreciation	(283,066)	(743)	12,487	933	(130,266)	(400,655)
Provision for losses	(37,866)	(53)	2,617	-	(15,300)	(50,602)
	-----	-----	-----	-----	-----	-----
	40,527	(536)	(471)	(34)	19,106	58,592
	=====	=====	=====	=====	=====	=====

## 9. INTANGIBLE ASSETS

	<u>Consolidated</u>	
	<u>09.30.2015</u>	<u>12.31.2014</u>
Goodwill on the acquisition of North American companies	45,013	30,616
Goodwill on the acquisition of AMMO	27,303	27,303
Trademarks	16,307	16,307
Store locations (real estate intangible)	41,471	45,348
Others	22	22
	-----	-----
Total	130,116	119,596
	=====	=====

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 period were as follows:

	Balances on 12.31.2014	Disposals	Exchange rate variations	Balances on 09.30.2015
Goodwill on the acquisition of North American companies	30,616	-	14,397	45,013
Goodwill on the acquisition of AMMO	27,303	-	-	27,303
Trademarks	16,307	-	-	16,307
Store locations (real estate intangible)	45,348	(3,877)	-	41,471
Others	22	-	-	22
	-----	-----	-----	-----
Total	119,596	(3,877)	14,397	130,116
	=====	=====	=====	=====

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 nine-month period ended September 30, 2015 was R\$29,190 (R\$23,826 for the nine-month period ended September 30, 2014). Indirect subsidiary SGUS contractually agreed with third-parties to sublease certain vacant facilities that no longer provide economic benefit. Total sublease income in the nine-month period ended September 30, 2015 was R\$9,317 (R\$5,006 in the nine-month period ended September 30, 2014).

Lease payments scheduled for future years are estimated as follows:

Years	2015
2015 (*)	10,206
2016	38,581
2017	35,871
2018	35,617
2019	31,291

(\*) 3 months

Beginning in 2019, lease payments continue to decrease until the contracts terminate on several dates through 2030, totaling R\$303,990.

From 2015 to 2019, indirect subsidiary SGUS is scheduled to receive sublease payments of R\$63,527.

The indirect subsidiary SGUS has short- and long-term accruals totaling R\$27,594 (R\$17,108 as of December 31, 2014), 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 obligations stated in the table above by R\$228,102.

## 11. SUPPLIERS

	Consolidated	
	09.30.2015	12.31.2014
Domestic market	96,609	92,461
Foreign market	150,088	84,466
	-----	-----
	246,697	176,927
	=====	=====

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 36 days (24 as of December 31, 2014). Domestic suppliers include credits to purchase raw material (cotton), amounting to R\$59,903 (R\$54,011 as of December 31, 2014).

## 12. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated	
				09.30.2015	12.31.2014
Local currency:					
Banco do Brasil S.A. (Revitaliza)	R\$	4.5 to 9.0	2016	6,912	13,136
BNDES (Revitaliza)	R\$	4.5 to 9.0	2016	6,912	13,136
BNDES (Finame) (a)	R\$	2.5 to 9.5	2023	12,647	29,950
Banco do Brasil S.A. (Overdraft account)	R\$	118.5 and 120.0 of CDI	2015	82,244	75,504
Bradesco S.A. (Overdraft account)	R\$	130.0 and 134.0 of CDI	2015	29,047	27,535
Bradesco S.A. (Working capital/CCB)	R\$	127.0 and 132.5 of CDI	2016	27,654	34,142
Banco do Brasil S.A. (Giroflex/CCB)	R\$	112.0 and 116.6 of CDI	2015	-	48,755
Banco do Brasil S.A. (Nota de Crédito)	R\$	111.5 of CDI	2016	25,044	-
Banco do Brasil – BNDES Progerem	R\$	TJLP + 3.0	2015	-	6,827
Banco Votorantim S.A.	R\$	TJLP + 3.3	2015	-	17,407
Banco Votorantim S.A.	R\$	114.0 of CDI	2016	39,967	39,750
Banco do Brasil S.A. (NCI/NCE)	R\$	109.0 to 113.6 of CDI	2019	315,431	279,686
Banco Itaú BBA S.A. (a)	R\$	117.8 and 121.0 of CDI	2016	101,246	104,684
Banco Santander S.A.	R\$	TJLP+3	2017	14,606	14,604
Banco Santander S.A.	R\$	120.0 and 123.5 of CDI	2017	62,978	45,241
Banco ABC S.A.	R\$	124.0 do CDI	2016	11,117	-
Other	R\$	-	2023	68	83
				-----	-----
				735,873	750,440
Foreign currency:					
	US\$ and				
Deutsche Bank (Securitization)	CAD\$	Libor+2.25	2016	74,876	50,104
Banco Patagonia	\$ARG	15.3	2016	2,280	3,368
Banco Santander S.A.	US\$	3.1 and 4.5	2015	23,927	22,052
JP Morgan	US\$	Libor+0.85	2015	15,119	2,128
				-----	-----
				116,202	77,652
				-----	-----
Total				852,075	828,092
Current				(646,111)	(598,354)
				-----	-----
Noncurrent				205,964	229,738
				=====	=====

(a) Original loan contract in US Dollars plus 2.466% per annum with a swap for approximately 117.8% and 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 - MG, 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
		Short term	Long term			
Local currency:						
Banco do Brasil S.A. (Revitaliza)	2,090	4,822	-	-	-	6,912
BNDES (Revitaliza)	2,090	4,822	-	-	-	6,912
BNDES (Finame)	687	2,041	698	2,791	6,430	12,647
Banco do Brasil S.A. (Overdraft account)	82,244	-	-	-	-	82,244
Bradesco S.A. (Overdraft account)	29,047	-	-	-	-	29,047
Bradesco S.A. (Working capital/CCB)	886	26,768	-	-	-	27,654
Banco do Brasil S.A. (Nota de Crédito)	-	25,044	-	-	-	25,044
Banco Votorantim S.A.	-	39,967	-	-	-	39,967
Banco do Brasil S.A. (NCI/NCE)	826	150,317	-	54,651	109,637	315,431
Banco Itaú BBA S.A.	1,580	99,666	-	-	-	101,246
Banco Santander S.A.	106	-	-	14,500	-	14,606
Banco Santander S.A.	15,844	32,154	7,492	7,488	-	62,978
Banco ABC S.A.	3,705	7,412	-	-	-	11,117
Other	37	3	6	7	15	68
	139,142	393,016	8,196	79,437	116,082	735,873
Foreign currency:						
Deutsche Bank (Securitization)	-	74,876	-	-	-	74,876
Banco Patagonia	31	-	2,249	-	-	2,280
Banco Santander S.A.	23,927	-	-	-	-	23,927
JP Morgan	15,119	-	-	-	-	15,119
	39,077	74,876	2,249	-	-	116,202
	178,219	467,892	10,445	79,437	116,082	852,075

### 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 1 <sup>st</sup> installment	06/13/2016
Maturity of 2 <sup>nd</sup> 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 1<sup>st</sup> Series of the 3<sup>rd</sup> 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 September 30, 2015 were as follows:

	Original amount updated	Prepaid interest	Accrued interest	Balances on 09.30.2015	Balances on 12.31.2014
Current	135,000	(2,550)	12,242	144,692	1,685
Noncurrent	135,000	(1,795)	-	133,205	263,748
	-----	-----	-----	-----	-----
Total	270,000	(4,345)	12,242	277,897	265,433
	=====	=====	=====	=====	=====

(1) Guarantees:

Secured guarantee: Real estate of indirect subsidiary CSA which fair 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 September 30, 2015, the indirect subsidiary CSA complied with all the ratios above.

#### 14. EQUITY

a. Capital

Capital, as of September 30, 2015 and December 31, 2014, is represented as follows:

	Number of shares	
	09.30.2015 (*)	12.31.2014
Common	13,912,800	55,651,200
Preferred	16,723,657	66,894,628
	-----	-----
	30,636,457	122,545,828
	=====	=====

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

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

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.

b. Dividends

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

c. Retained earnings reserve

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

15. RELATED PARTY BALANCES AND TRANSACTIONS

Company:	Receivable		Payable	
	09.30.2015	12.31.2014	09.30.2015	12.31.2014
Wembley S.A.	40,313	34,260	-	-
Coteminas International Ltd.	82,089	50,744	-	-
Innotex International Ltd.	9,943	6,504	-	-
Coteminas S.A.	-	-	39,176	7,450
Companhia Tecidos Santanense	-	-	2,464	-
Springs Global Participações S.A.	8	-	-	-
Empr.Nac.Com.Rédito e Particip. S.A. – ENCORPAR	10,275	4,714	-	-
	-----	-----	-----	-----
	142,628	96,222	41,640	7,450
	=====	=====	=====	=====
Consolidated:				
Wembley S.A.	40,313	34,260	319	242
Innotex International Ltd.	9,943	6,504	-	-
Holtex, Inc.	4,030	38	-	-
Empr.Nac.Com.Rédito e Particip. S.A. – ENCORPAR	10,356	4,788	-	-
Fazenda do Cantagalo Ltda	10	-	-	-
Seda Inc	82	-	-	-
	-----	-----	-----	-----
	64,734	45,590	319	242
	=====	=====	=====	=====

	Finance charges (consolidated)	
	09.30.2015	09.30.2014
Wembley Sociedade Anônima	3,807	2,341
Empr.Nac.Com.Rédito e Particip. S.A. – ENCORPAR	880	122
JAGS-José Alencar Gomes da Silva	79	139
Innotex International Ltd	175	125
Seda S.A.	26	36
Encorpar Empr. Imob. Ltda.	32	50
Econorte – Empr.Constr.Norte de Minas Ltda	2	1
	-----	-----
	5,001	2,814
	=====	=====

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 2014).

As stated in the subsidiary SGPSA shareholders' agreement, the indirect subsidiary SGUS must pay annually US\$1,429 thousand for services provided, net of expenses, to the shareholder Heartland Industrial Partners, L.P. and the indirect subsidiary CSA must pay US\$3,500 thousand to the Company. In the nine-month period ended September 30, 2015, the total amount of R\$3,654 (R\$2,472 in the nine-month period ended September 30, 2014) was accrued by indirect subsidiary SGUS for services provided and outstanding balance of R\$4,248 (R\$3,797 as of December 31, 2014) 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 the nine-month period ended September 30, 2015, R\$2,467 were accrued under this lease (R\$2,467 in the nine-month period ended June 30, 2014). 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. ACCOUNTS RECEIVABLE - PROPERTY SALE

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

## 17. INCOME AND SOCIAL CONTRIBUTION TAXES AND OTHER TAXES

### a. Tax incentives

All manufacturing units of the indirect 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	
	09.30.2015	09.30.2014	09.30.2015	09.30.2014
Loss before taxes	(40,929)	(52,565)	(44,241)	(66,582)
Equity in subsidiaries and affiliated companies	53,433	40,643	55,197	25,966
Investment grant	-	-	(25,208)	(26,222)
Permanent differences from foreign subsidiary	-	-	(1,797)	(1,366)
Others, net	288	702	670	1,703
	-----	-----	-----	-----
Income tax basis	12,792	(11,220)	(15,379)	(66,501)
34% tax rate	(4,349)	3,815	5,229	22,610
Tax incentive - reduction (SUDENE)	-	-	-	(63)
Unrecognized tax credits	(3,763)	(3,850)	(5,742)	(22,899)
Foreign subsidiaries tax credits	-	-	1,653	-
Others	-	35	(258)	1,582
	-----	-----	-----	-----
Total income taxes	(8,112)	-	882	1,230
	=====	=====	=====	=====
Income taxes – current	-	-	(1,013)	2,743
Income taxes – deferred	(8,112)	-	1,895	(1,513)
	=====	=====	=====	=====

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.

Indirect subsidiary 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 September 30, 2015, indirect subsidiary CSA had net operating losses of R\$527,268 (R\$507,750 as of December 31, 2014) and social contribution tax losses of R\$532,867 (R\$513,281 as of December 31, 2014), whose tax assets were not recognized. The tax assets recognized by this subsidiary are net of its tax benefits. Indirect subsidiary 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 interim financial statements arise from subsidiaries' temporarily nondeductible provisions and subsidiaries' net operating losses and are composed as follows:

	Balances on 12.31.2014	Recognized in statement of operations	Others	Balances on 09.30.2015
Assets:				
Temporarily nondeductible provisions	24,641	3,166	535	28,342
Net operating losses	40,170	5,692	-	45,862
Tax credits from foreign subsidiaries	12,326	1,149	1,655	15,130
	-----	-----	-----	-----
Noncurrent assets	77,137	10,007	2,190	89,334
	=====	=====	=====	=====
Liabilities:				
Temporary differences	(269)	(8,112)	(96)	(8,477)
Negative goodwill in investments	(5,049)	-	-	(5,049)
	-----	-----	-----	-----
Noncurrent liabilities	(5,318)	(8,112)	(96)	(13,526)
	=====	=====	=====	=====

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	2,110
2016	14,224
2017	6,506
2018	9,736
2019 and thereafter	56,758
	-----
	89,334
	=====

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	
	09.30.2015	12.31.2014	09.30.2015	12.31.2014
ICMS	401	957	22,185	19,759
Prepaid income and social contribution taxes	4,149	4,910	25,838	33,899
Recoverable PIS and COFINS	8,210	8,210	9,619	16,329
IVA – Argentina	-	-	164	6,712
VAT – China and Mexico	-	-	1,664	1,329
Recoverable IPI	1,779	1,779	1,804	1,801
ILL (tax on net income)	3,562	3,562	3,562	3,562
Reintegra	-	-	5,186	4,422
Other recoverable taxes	2	2	1,667	1,299
	-----	-----	-----	-----
	18,103	19,420	71,689	89,112
Current assets	(4,151)	(4,912)	(41,336)	(55,800)
	-----	-----	-----	-----
Noncurrent assets	13,952	14,508	30,353	33,312
	=====	=====	=====	=====

#### 18. MISCELLANEOUS ACCRUALS

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

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

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

	Company		Consolidated	
	09.30.2015	12.31.2014	09.30.2015	12.31.2014
Tax litigation claims:				
Social contribution	-	-	791	791
Temporary contribution over financial transactions (CPMF)	-	-	4,317	4,317
INSS	2,456	2,456	6,287	6,287
PIS and COFINS	1,250	1,250	4,511	4,511
IPI foreign flag	3,301	3,301	3,301	3,301
Others	328	328	2,728	2,226
Labor	957	957	15,590	13,586
Civil and others	3,757	3,757	7,897	7,629
	-----	-----	-----	-----
	12,049	12,049	45,422	42,648
	=====	=====	=====	=====
Escrow deposits	27,377	27,337	56,199	53,259
	=====	=====	=====	=====



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 12.31.2014	Additions	Reductions	Balances on 09.30.2015
Tax litigation claims:				
Social contribution	791	-	-	791
Temporary contribution over financial transactions (CPMF)	4,317	-	-	4,317
INSS	6,287	-	-	6,287
PIS and COFINS	4,511	-	-	4,511
IPI - Foreign Flag	3,301	-	-	3,301
Others	2,226	502	-	2,728
Labor	13,586	3,297	(1,293)	15,590
Civil and others	7,629	425	(157)	7,897
	-----	-----	-----	-----
	42,648	4,224	(1,450)	45,422
	=====	=====	=====	=====

## 19. EMPLOYEE BENEFIT PLANS

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

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

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

The table below includes summarized information on the pension and postretirement plans as of September 30, 2015 and 2014:

	<u>09.30.2015</u>	<u>09.30.2014</u>
Components of net periodic benefit cost:		
Service cost	796	655
Interest cost and others, net	3,247	3,599
	-----	-----
Net periodic benefit cost	4,043	4,254
	=====	=====

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 55% to 46% in fixed income funds. The expected returns on plan assets were developed in conjunction with external advisors and take into account long-term expectations for future returns based on indirect subsidiary SGUS' current investment strategy.

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

	<u>09.30.2015</u>	<u>12.31.2014</u>
Pension plan obligations	147,187	102,386
Pension plan obligations (multi-employer) (a)	203	179
Other employee benefit obligations	7,063	7,270
	-----	-----
Total employee benefit plans	154,453	109,835
Current (b)	(13,062)	(8,733)
	-----	-----
Noncurrent	141,391	101,102
	=====	=====

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

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

## 20. GOVERNMENT CONCESSIONS

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

As consideration for the concession granted, indirect subsidiary CSA, together with the other consortium members, will pay installments over the concession 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:

	<u>Years 5 to 15</u> <u>2002 to 2012</u>	<u>Years 16 to 25</u> <u>2013 to 2022</u>	<u>Years 26 to 35</u> <u>2023 to 2032</u>
	-----	-----	-----
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	5,506	526,802	857,931
	=====	=====	=====

For accounting purposes, 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 September 30, 2015, this amount represented R\$65,124, of which, R\$17,240 is classified in current liabilities and R\$47,884 is classified as noncurrent liabilities (R\$64,431 as of December 31, 2014, of which, R\$16,556 is classified in current liabilities and R\$47,875 is classified as noncurrent liabilities).

As of September 30, 2015, the net book value of the property, plant and equipment related to the current concession is R\$24,174 (R\$25,247 as of December 31, 2014) (see note 8), considering CSA's equity interest in the investments for the construction of the Porto Estrela Hydroelectric Plant, located on the Santo Antônio River, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

## 21. OTHER INCOME AND EXPENSES , NET

	Consolidated	
	09.30.2015	09.30.2014
Gain on disposal of assets, net of loss provisions (*)	21,746	-
Non-operating lease expense	(9,006)	-
Other, net	(9,317)	(7,581)
	-----	-----
	3,423	(7,581)
	=====	=====

(\*) See Note 16 to the interim financial statements.

## 22. 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			
	09.30.2015		12.31.2014		09.30.2015		12.31.2014	
	Book value	Fair value	Book value	Fair value	Book value	Fair Value	Book value	Fair value
<b>ASSETS --</b>								
<b>CURRENT:</b>								
Cash and cash equivalents	1,269	1,269	1,191	1,191	189,219	189,219	175,280	175,280
Marketable securities	-	-	-	-	46,455	46,455	32,247	32,247
Financial instruments	-	-	-	-	1,681	1,681	-	-
Accounts receivable	-	-	-	-	640,562	640,562	622,613	622,613
Receivable-sale of fixed asset	-	-	-	-	5,014	5,014	-	-
Other receivables	1,036	1,036	6,520	6,520	34,575	34,575	34,266	34,266
<b>NONCURRENT:</b>								
Long-term assets:								
Related parties	142,628	142,628	96,222	96,222	64,734	64,734	45,590	45,590
Receivable-sale of fixed asset	-	-	-	-	42,101	42,101	-	-
Other credits and receivables	2,061	2,061	2,061	2,061	10,847	10,847	28,453	28,453
<b>LIABILITIES --</b>								
<b>CURRENT:</b>								
Loans and financing (*)	98,844	98,844	105,385	105,385	646,111	646,111	598,354	598,354
Debenture (*)	-	-	-	-	144,692	144,692	1,685	1,685
Financial instruments	-	-	-	-	3,152	3,152	-	-
Suppliers	27	27	92	92	246,697	246,697	176,927	176,927
Noneconomic lease	-	-	-	-	5,568	5,568	4,286	4,286
Other accounts payable	2,251	2,251	2,789	2,789	62,122	62,122	62,633	62,633
<b>NONCURRENT:</b>								
Loans and financing (*)	-	-	-	-	205,964	205,964	229,738	229,738
Debenture (*)	-	-	-	-	133,205	133,205	263,748	263,748
Noneconomic lease	-	-	-	-	22,026	22,026	12,822	12,822
Related parties	41,640	41,640	7,450	7,450	319	319	242	242
Government concessions	-	-	-	-	47,884	47,884	47,875	47,875
Other obligations	-	-	40	40	18,035	18,035	18,971	18,971

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

Considering 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 interim financial statements.

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

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

d.3.1 – Exchange rate risk on foreign investments:

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

<u>Total of foreign investments</u>	<u>09.30.2015</u>	<u>12.31.2014</u>
Investments	156,316	104,451
Subsidiaries' obligations (SGUS)	(75,097)	(60,879)
	-----	-----
	81,219	43,572
	=====	=====
In equivalent thousands of US Dollars	20,443	16,403
	=====	=====

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	09.30.2015	12.31.2014
Cash and cash equivalents	6,195	2,923
Accounts receivable	64,961	54,795
Suppliers	(2,214)	(2,307)
Loans and financing	(23,927)	(22,052)
Related parties	202,561	137,901
	-----	-----
Total exposure in Brazilian Reais	247,576	171,260
	=====	=====
Total exposure in equivalent thousands of US Dollars	62,316	64,476
	=====	=====

The sensitivity analysis of non-derivative financial instruments, considering the US Dollar denominated cash flows, as of June 30, 2015, is shown below:

Maturity	Risk	Exposure value US\$ thousands	Scenarios		
			Probable	II	III
2015	US Dollar depreciation	13,286	754	(12,631)	(26,015)
2016	US Dollar depreciation	(1,956)	(488)	1,576	3,641
2018	US Dollar depreciation	50,986	73,473	4,464	(64,544)
		-----	-----	-----	-----
		62,316	73,739	(6,591)	(86,918)
		=====	=====	=====	=====

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

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

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

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

Description	Notional Value – US\$ thousands		Fair Value – Asset (Liability)	
	09.30.2015	12.30.2014	09.30.2015	12.31.2014
Forward Contract (NDF) (1) -- Position: Buy Currency: US\$ Dollar settlement: R\$3.0448 Counterpart: Itaú BBA Other information: 1 contract of US\$1,300 thousands, maturing on 10.30.2015	1,300	-	585	-
Forward Contract (NDF) (1) -- Position: Buy Currency: US\$ Dollar settlement: R\$3.0583 Counterpart: Itaú BBA Other information: 1 contract of US\$1,300 thousands, maturing on 11.30.2015	1,300	-	561	-
Forward Contract (NDF) (1) -- Position: Buy Currency: US\$ Dollar settlement: R\$3.0726 Counterpart: Itaú BBA Other information: 1 contract of US \$1,300 thousands, maturing on 12.30.2015	1,300	-	535	-
Total current assets	3,900	-	1,681	-
Forward contracts (NDF) (1) -- Position: Buy Currency: US\$/Pesos Argentinos Dollar settlement: \$10.03 Counterpart : Banco Patagonia Other information: 1 contract of US\$15,000 thousands, maturing on 12.30.2015	15,000	-	(979)	-
Forward Contract (NDF) (1) -- Position: Buy Currency: US\$/Pesos Argentinos Dollar settlement : \$11.72 Counterpart : Banco Patagonia Other information: 1 contract of US\$15,000 thousands, maturing on 06.30.2016	15,000	-	(2,173)	-
Total current liabilities	30,000	-	(3,152)	-

(1) Forward contracts (NDF - "Non Deliverable Forward") raw materials-- are presented and measured at fair value through the statement of operations, and aim to protect the foreign exchange risk on purchases of raw materials at each contract's settlement date. Although the indirect subsidiary CSA



uses these derivatives for hedging purposes, it did not adopt the hedge accounting practice for these transactions.

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

The derivatives are traded in the over-the-counter market, registered at the competent agencies, and are not subject to margin deposits. In the nine months ended September 30, 2014, a loss of R\$3,152 was recorded from derivatives related to foreign exchange risk included in "Exchange rate variations, net". Except for the swap contract mentioned in note 12.a, and the forward contracts shown above, there were no other exchange rate derivatives in 2015 and 2014.

The sensitivity analysis of the above derivative financial instruments, considering the flows of receipts and payments in US Dollars already contracted on September 30, 2015 is as follows:

Maturity	Country	Risk	Exposure value - US\$ thousands	Scenarios		
				Probable	II	III
2015	Brasil	US Dollar depreciation	3,900	1,681	(41)	(3,909)
2015	Argentina	US Dollar depreciation	15,000	(979)	(15,769)	(30,558)
2016	Argentina	US Dollar depreciation	15,000	(2,173)	(17,399)	(32,626)
			-----	-----	-----	-----
			33,900	(1,471)	(33,209)	(67,093)
			=====	=====	=====	=====

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

The "Probable" scenario represents the result of the probable exchange rate variation, considering the cash flow of the assets and liabilities presented above, applying US Dollar forward exchange rates and comparing to the US Dollar exchange rate at the end of the current period. Scenarios II and III reflect 25% and 50% deterioration of US Dollar forward exchange rates, respectively. The US Dollar forward exchange rates were obtained from BM&FBOVESPA – "Bolsa de Valores, Mercadorias e Futuros" (Brazilian Commodities and Futures Exchange).

d.4 – Commodities price risk (cotton)--This risk arises from the possibility that the Company and its subsidiaries may incur losses due to fluctuations in the price of cotton, its main raw material. A significant increase in price of cotton may cause an increase in the cost of its products in an amount that the Company may be unable to pass such increases to its customers, reducing its margins. In 2015 and 2014, the Company had no results with this type of derivatives.

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

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

Interest rates swap contracts-- Are presented and measured at fair value and are based on the cash flow of the loans denominated in foreign currency. Gains or losses are recorded under the "Financial expenses – interests" caption in the statements of operations. Except for the swap contract mentioned in note 12.a, there were no interest rate derivatives in 2015 and 2014.

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:

Description	Principal amount R\$ thousands	09.30.2015			12.31.2014
		Accrued interest	Prepaid interest	Payable	Payable
Debenture -- Interest: 110.0% of CDI Counterpart: Gaia Agro Sec. S.A. Maturity: June/2017	270,000	12,242	(4,345)	277,897	265,433
Loan Agreement -- Interest: 132.5% of CDI Counterpart: Banco do Brasil S.A. Maturity: May/2016	15,000	886	-	15,886	15,045
Loan Agreement-- Interest: 127.0% of CDI Counterpart: Banco do Brasil S.A. Maturity: May/2016	11,667	101	-	11,768	-
Loan Agreement-- Interest: 127.0% of CDI Counterpart: Banco do Brasil S.A. Maturity: May/2016	-	-	-	-	19,097
(reference to note 12)				27,654	34,142
Loan Agreement -- Interest: 116.6% of CDI Counterpart: Banco do Brasil S.A. Maturity: April/2015	-	-	-	-	27,320

Description	Principal amount R\$ thousands	09.30.2015			12.31.2014
		Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement-- Interest: 112.0% of CDI Counterpart: Banco do Brasil S.A. Maturity: May/2015	-	-	-	-	21,435
(reference to note 12)				-	48,755
Loan Agreement -- Interest: 111.5% of CDI Counterpart: Banco do Brasil S.A.-NC Maturity: March/2016	25,000	44	-	25,044	-
Loan Agreement -- Interest: 114.0% of CDI Counterpart: Banco Votorantim S.A. Maturity: March/2016	40,000	120	(153)	39,967	39,750
Loan Agreement -- Interest: 108.5% of CDI Counterpart: Banco do Brasil S.A. Maturity: May/2015	-	-	-	-	236,157
Loan and Swap Agreement-- Interest: 110.7% of CDI Counterpart: Banco do Brasil S.A.-NCE Maturity: April/2019	220,000	896	(993)	219,903	-
Loan Agreement-- Interest: 109.0% of CDI Counterpart: Banco do Brasil S.A.-NCE Maturity: June/2016	25,000	259	(16)	25,243	-
Loan Agreement-- Interest: 109.0% of CDI Counterpart: Banco do Brasil S.A.-NCE Maturity: May/2016	22,000	278	(272)	22,006	-
Loan Agreement-- Interest: 113.6% of CDI Counterpart: Banco do Brasil S.A.-NCI Maturity: April/2016	40,000	8,279	-	48,279	43,529
(reference to note 12)				315,431	279,686
Loan and Swap Agreement-- Interest: 121.0% of CDI Counterpart: Banco Itaú BBA S.A. Maturity: August/2016	66,667	1,066	-	67,733	104,684
Loan and Swap Agreement-- Interest: 117.8% of CDI Counterpart: Banco Itaú BBA S.A. Maturity : February / 2016	33,000	513	-	33,513	-
(reference to note 12)				101,246	104,684
Loan Agreement -- Interest: 120.0% of CDI Counterpart: Banco Santander S.A. Maturity: May/2017	30,000	1,712	(194)	31,518	30,055

Description	Principal amount R\$ thousands	09.30.2015			12.31.2014
		Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement-- Interest: 123.5% of CDI Counterpart: Banco Santander S.A. Maturity: April/2016	5,000	370	(45)	5,325	7,593
Loan Agreement-- Interest: 123.5% of CDI Counterpart: Banco Santander S.A. Maturity: April/2016	5,000	370	(45)	5,325	7,593
Loan Agreement-- Interest: 120.0% of CDI Counterpart: Banco Santander S.A. Maturity: May/2016	20,000	1,154	(344)	20,810	-
(reference to note 12)				62,978	45,241
Loan agreement -- Interest: 124.0% of CDI Counterpart: Banco ABC S.A. Maturity : June / 2016	11,250	-	(133)	11,117	-
Total	839,584	28,290	(6,540)	861,334	817,691

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of September 30, 2015, is as follows:

Maturity	Risk	Average balance	Scenarios		
			Probable	II	III
2015	CDI increase	854,763	31,945	41,244	49,554
2016	CDI increase	707,488	76,930	108,590	131,698
2017	CDI increase	276,852	29,270	42,197	51,001
2018	CDI increase	74,281	10,711	15,160	18,289
2019	CDI increase	55,668	2,923	4,024	4,854

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 CDI forward rates, respectively.

The CDI forward rates were obtained from BM&FBOVESPA – "Bolsa de Valores, Mercadorias e Futuros".

**d.6 - Credit risk**--The Company is subject to credit risk on its cash and cash equivalents, marketable securities, and derivative instruments. This risk is mitigated by the policy of entering into transactions only with major financial institutions. The credit risk on accounts receivable is reduced due to the selectivity of customers and credit policy. The Company has a credit management system based on the combination of information originated by several departments of the Company, primarily sales, finance,

accounting, legal and external sources that enable the credit and collection departments to establish credit limits for its customers that are approved by a credit committee.

d.7 – Liquidity risk management--The Company presented its consolidated financial assets and liabilities, according to their cash flows, based on their approximate maturity date, and using nominal contractual interest rates in its annual financial statements for the year ended December 31, 2014. As of September 30, 2015, there was no significant change when compared to the published annual financial statements.

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

	Company		Consolidated	
	09.30.2015	12.31.2014	09.30.2015	12.31.2014
Loans and financing	98,844	105,385	852,075	828,092
Debenture	-	-	277,897	265,433
Cash and cash equivalents	(1,269)	(1,191)	(189,219)	(175,280)
Marketable securities	-	-	(46,455)	(32,247)
Financial instruments, net	-	-	1,471	-
	-----	-----	-----	-----
Total net debt	97,575	104,194	895,769	885,998
Total equity	937,128	968,118	1,577,873	1,600,754
	-----	-----	-----	-----
Total net debt and equity	1,034,703	1,072,312	2,473,642	2,486,752
	=====	=====	=====	=====

## 23. SEGMENT INFORMATION

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

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

	09.30.2015						Total
	South America			Total	North America	Others unallocated	
	Wholesale	Retail	Denim		Wholesale	(*)	
Net revenues	853.6	190.1	269.6	1,313.3	660.4	(68.7)	1,905.0
Cost of goods sold	(601.2)	(100.3)	(232.1)	(933.6)	(562.9)	68.7	(1,427.8)
Gross profit	252.4	89.8	37.5	379.7	97.5	-	477.2
Selling, general and administrative expenses	(155.1)	(112.0)	(43.8)	(310.9)	(56.4)	(24.1)	(391.4)
Equity in affiliated companies	-	-	-	-	-	(55.2)	(55.2)
Others, net	19.3	(4.9)	(0.8)	13.6	(9.7)	(0.5)	3.4
Operating results	116.6	(27.1)	(7.1)	82.4	31.4	(79.8)	34.0
Financial results	-	-	-	-	-	(78.2)	(78.2)
Income (loss) before taxes	116.6	(27.1)	(7.1)	82.4	31.4	(158.0)	(44.2)
Depreciation and amortization	47.6	8.7	7.9	64.2	3.2	-	67.4
Total assets	2,139.0	210.1	428.0	2,777.1	507.5	149.2	3,433.8
Total liabilities	(1,057.4)	(103.0)	(168.1)	(1,328.5)	(571.6)	44.2	(1,855.9)
Total net assets (liabilities)	1,081.6	107.1	259.9	1,448.6	(64.1)	193.4	1,577.9

09.30.2014

	South America			Total	North America	Others unallocated (*)	Total
	Wholesale	Retail	Denim		Wholesale		
Net revenues	875.4	206.0	307.9	1,389.3	499.3	(92.3)	1,796.3
Cost of goods sold	(625.8)	(108.7)	(252.6)	(987.1)	(440.6)	92.3	(1,335.4)
Gross profit	249.6	97.3	55.3	402.2	58.7	-	460.9
Selling, general and administrative expenses	(149.4)	(118.1)	(45.7)	(313.2)	(48.5)	(19.3)	(381.0)
Equity in affiliated companies	-	-	-	-	-	(26.0)	(26.0)
Other, net	(0.3)	(2.3)	1.6	(1.0)	(7.4)	0.8	(7.6)
Operating results	99.9	(23.1)	11.2	88.0	2.8	(44.5)	46.3
Financial results	-	-	-	-	-	(112.9)	(112.9)
Income (loss) before taxes	99.9	(23.1)	11.2	88.0	2.8	(157.4)	(66.6)
Depreciation and amortization	50.5	9.9	11.1	71.5	4.5	0.1	76.1
Total assets	2,038.5	241.0	448.0	2,727.5	327.4	237.3	3,292.2
Total liabilities	(1,032.2)	(88.3)	(174.3)	(1,294.8)	(355.5)	(2.2)	(1,652.5)
Total net assets (liabilities)	1,006.3	152.7	273.7	1,432.7	(28.1)	235.1	1,639.7

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

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

Revenue information by category or product lines is as follows:

	Consolidated	
	09.30.2015	09.30.2014
Net revenue (in millions of Reais):		
Bedding, tabletop and bath	805.3	798.0
Utility bedding	506.2	347.7
Intermediate products	403.4	444.6
Retail	190.1	206.0
	1,905.0	1,796.3
Volume (thousands of metric tons):		
Bedding, tabletop and bath	26.4	31.0
Utility bedding	31.7	29.4
Intermediate products	31.1	36.9
	89.2	97.3

The Company has over 13,000 active clients as of September 30, 2015 and only one customer has sales of approximately 10% of net sales.

## 24. 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	
	09.30.2015	09.30.2014
Cost of raw materials, goods and services acquired from third parties	(1,403,382)	(1,227,418)
Employee benefits	(382,699)	(355,992)
INSS	(32,162)	(26,236)
Depreciation and amortization	(67,379)	(76,099)
Finished goods and work-in-process inventory variations	111,992	45,797
Exchange rate variations in inventories from foreign subsidiaries	49,959	1,319
Other costs and expenses	(95,559)	(77,775)
	-----	-----
Total expenses by nature	(1,819,230)	(1,716,404)
	=====	=====

By function:

	Consolidated	
	09.30.2015	09.30.2014
Cost of goods sold	(1,427,786)	(1,335,356)
Selling expenses	(246,946)	(248,648)
General and administrative expenses	(136,211)	(123,057)
Management fees	(8,287)	(9,343)
	-----	-----
Total expenses by function	(1,819,230)	(1,716,404)
	=====	=====

## 25. NET REVENUES

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

	Consolidated	
	09.30.2015	09.30.2014
OPERATING REVENUES:		
Gross revenues	2,296,289	2,215,722
Sales deductions	(391,288)	(419,469)
	-----	-----
NET REVENUES	1,905,001	1,796,253
	=====	=====



## 26. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share was calculated as follows:

	09.30.2015	09.30.2014	
	<u>With reverse split</u>	<u>With reverse split</u>	<u>Without reverse split</u>
NET LOSS FOR THE PERIOD	(49,041)	(52,565)	(52,565)
Weighted-average outstanding shares:			
Common shares	13,912,800	13,912,800	55,651,200
Preferred shares	16,723,657	16,723,657	66,894,628
	<u>30,636,457</u>	<u>30,636,457</u>	<u>122,545,828</u>
 BASIC AND DILUTED LOSS PER SHARE - R\$	 (1.6007) =====	 (1.7158) =====	 (0.4289) =====

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

The Extraordinary General Meeting held on September 4, 2015 approved the reverse split of the Company's shares on that date, as detailed in Note 14 to the interim financial statements. For this reason, the Company has presented for comparative purposes the basic and diluted loss per share for the nine months ended 30 September 2014, applying the reverse split on that date.

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

\* \* \* \* \*