(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 Quarter Ended March 31, 2013 and Report on Review of Interim Financial Information

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Companhia de Tecidos Norte de Minas - COTEMINAS (the "Company"), identified as Parent and Consolidated, respectively, included in the Interim Financial Information Form (ITR), for the quarter ended March 31, 2013, which comprises the balance sheet as of March 31, 2013 and the related statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended, including the explanatory notes.

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

Scope of review

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

Conclusion on individual interim financial information

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

Conclusion on consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 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.

Emphasis of matter

Restatement of corresponding amounts

We draw attention to note 26 to the interim financial information, which states that due to the changes in the accounting policy for employee benefits, the individual and consolidated corresponding figures relating to the balance sheet as of December 31, 2012, and the individual and consolidated corresponding interim financial information relating to the statements of income, comprehensive income, changes in equity, cash flows and value added (supplemental information) for the three-month period ended March 31, 2012, presented as comparative information, have been adjusted and are restated as required by CPC 23 and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, and CPC 26 (R1) and IAS 1 (Revised 2007) - Presentation of Financial Statements. Our conclusion is not qualified in respect of this matter.

Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added, for the three--month period ended March 31, 2013, prepared under the responsibility of the Company's Management, the presentation of which is required by the standards issued by the CVM applicable to the preparation of Interim Financial Information (ITR) and considered as supplemental information for International Financial Reporting Standards - IFRS, which do not require the presentation of these statements. These statements were subject to the same review procedures described above, and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the individual and consolidated interim financial information taken as a whole.

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

São Paulo, May 13, 2013

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Roberto Wagner Promenzio
Engagement Partner

2013-0198

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

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF MARCH 31, 2013 AND DECEMBER 31, 2012

(In thousands of Brazilian Reais)

A S S E T S

		Company		Consolidated	
	Note	03.31.2013	12.31.2012	03.31.2013	12.31.2012
CURRENT:					
Cash and cash equivalents	3	1,505	1,264	136,573	146,613
Marketable securities	4	-	-	7,030	39,750
Accounts receivable	5	-	-	578,989	546,628
Inventories	6	-	-	633,851	653,364
Advances to suppliers		195	11	50,601	57,750
Recoverable taxes	16.d	6,990	7,115	39,552	41,227
Debentures issued by subsidiary	15	11,606	11,892	-	-
Real estate held for sale		-	-	2,927	2,921
Other receivables		6,890	4,294	28,377	29,838
		-------------	-------------	-------------	-------------
Total current assets		27,186	24,576	1,477,900	1,518,091
		-------------	-------------	-------------	-------------
NONCURRENT:					
Long-term assets:					
Related parties	14	90,506	87,482	48,282	46,037
Recoverable taxes	16.d	13,552	13,552	39,490	43,784
Deferred income and social contribution taxes	16.c	8,629	8,629	71,941	71,981
Property, plant and equipment		-	-	38,773	
held for sale	8.b				40,585
Escrow deposits	17	78,283	78,053	102,184	101,431
Other credits and receivables		6,926	2,056	19,165	16,018
		-------------	-------------	-------------	-------------
		197,896	189,772	319,835	319,836
Investments in subsidiaries	7	777,502	897,311	-	-
Investments in affiliated companies	7	151,316	56,229	151,316	56,229
Other investments		3,089	4,634	5,942	7,675
Property, plant and equipment	8.a	9,546	9,394	1,087,079	1,094,518
Intangible assets	9	2	2	115,592	114,015
		-------------	-------------	-------------	-------------
Total noncurrent assets		1,139,351	1,157,342	1,679,764	1,592,273
		-------------	-------------	-------------	-------------
Total assets		1,166,537	1,181,918	3,157,664	3,110,364
		========	========	========	========

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF MARCH 31, 2013 AND DECEMBER 31, 2012

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

		Company		Consolidated	
	Note	03.31.2013	12.31.2012	03.31.2013	12.31.2012
LIABILITIES					
CURRENT:					
Loans and financing	12	58,029	45,461	467,365	458,188
Suppliers	11	15	218	179,194	197,618
Payroll and related charges		559	584	59,486	55,540
Taxes		-	348	13,872	13,980
Dividends payable		11	11	1,251	1,335
Government concessions	19	-	-	14,064	13,115
Noneconomic leases	10	-	-	13,536	13,736
Other payables		4,873	6,736	86,874	76,900
Total current liabilities		63,487	53,358	835,642	830,412
NONCURRENT:					
Loans and financing	12	-	-	349,516	349,124
Noneconomic leases	10	-	-	7,916	11,724
Related parties	14	15,620	424	175	164
Government concessions	19	-	-	49,530	49,859
Employee benefit plans	18	-	-	84,548	86,765
Miscellaneous accruals	17	65,168	64,938	92,114	99,331
Deferred income and social contribution taxes	16.c	427	427	5,385	5,049
Other obligations		317	405	29,955	26,744
Total noncurrent liabilities		81,532	66,194	619,139	628,760
EQUITY:	13				
Capital		882,236	870,000	882,236	870,000
Capital reserves		294,726	286,308	294,726	286,308
Income reserves		431,721	431,721	431,721	431,721
Cumulative translation adjustment		(109,556)	(108,316)	(109,556)	(108,316)
Assets and liabilities valuation adjustments		6,285	(18,019)	6,285	(18,019)
Treasury shares		(838)	(838)	(838)	(838)
Retained deficit		(483,056)	(398,490)	(483,056)	(398,490)
Total equity attributable to shareholders of the Company		1,021,518	1,062,366	1,021,518	1,062,366
NONCONTROLLING INTEREST		-	-	681,365	588,826
Total equity		1,021,518	1,062,366	1,702,883	1,651,192
Total liabilities and equity		1,166,537	1,181,918	3,157,664	3,110,364

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2013 AND 2012

(In thousands of Brazilian Reais)

	Note	Company		Consolidated	
		03.31.2013	03.31.2012	03.31.2013	03.31.2012
NET REVENUES	23	-	-	586,942	457,784
COST OF GOODS SOLD	22	-	-	(455,878)	(339,645)
GROSS PROFIT		-	-	131,064	118,139
OPERATING INCOME (EXPENSES):					
Selling expenses	22	-	-	(82,319)	(62,027)
General and administrative expenses	22	(5,527)	(4,008)	(39,229)	(35,204)
Management fees	22	(503)	(434)	(2,992)	(2,338)
Equity in subsidiaries and affiliated companies	7	(9,951)	(7,656)	7,955	1,114
Others, net		5	30	418	6,510
INCOME (LOSS) FROM OPERATIONS		(15,976)	(12,068)	14,897	26,194
Financial expenses – interests		(755)	(1,163)	(17,852)	(26,548)
Financial expenses – bank charges and others		(1,054)	(337)	(13,141)	(12,153)
Financial income		3,299	4,330	3,155	6,464
Exchange variations, net		(296)	(1,103)	(5,294)	(1,141)
LOSS BEFORE TAXES		(14,782)	(10,341)	(18,235)	(7,184)
Income and social contribution taxes:					
Current	16.b	-	-	(3,690)	(4,593)
Deferred	16.b	-	-	(307)	(149)
NET LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(14,782)	(10,341)	(22,232)	(11,926)
Equity from discontinued operations in subsidiaries	7	-	(27,115)	-	-
Loss from discontinued operations in subsidiaries		-	-	-	(39,618)
NET LOSS FOR THE PERIOD		(14,782)	(37,456)	(22,232)	(51,544)
ATTRIBUTABLE TO:					
Shareholder of the Company					
In continuing operations				(14,782)	(10,341)
In discontinued operations				-	(27,115)
				(14,782)	(37,456)
Noncontrolling interest					
In continuing operations				(7,450)	(1,585)
In discontinued operations				-	(12,503)
				(7,450)	(14,088)
				(22,232)	(51,544)
BASIC AND DILUTED LOSS PER SHARE — R$					
From continuing operations	24	(0.1207)	(0.0887)	(0.1207)	(0.0887)
From discontinued operations	24	-	(0.2327)	-	(0.2327)
Total	24	(0.1207)	(0.3214)	(0.1207)	(0.3214)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2013 AND 2012

(In thousands of Brazilian Reais)

	Company		Consolidated	
	03.31.2013	03.31.2012	03.31.2013	03.31.2012
NET LOSS FOR THE PERIOD	(14,782)	(37,456)	(22,232)	(51,544)
Other comprehensive loss:				
Exchange variation on foreign investments	(1,240)	(481)	(1,912)	(405)
	(1,240)	(481)	(1,912)	(405)
COMPREHENSIVE LOSS FOR THE PERIOD	(16,022)	(37,937)	(24,144)	(51,949)
ATTRIBUTABLE TO:				
Shareholders of the Company			(16,022)	(37,937)
Noncontrolling interest			(8,122)	(14,012)
			(24,144)	(51,949)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2012

(In thousands of Brazilian Reais)

		Capital reserve	Income reserves								
	Capital	Tax incentives	Legal	Retained earnings	Cumulative translation adjustment	Assets and liabilities valuation adjustments	Treasury shares	Retained deficit	Total equity attributable to shareholders of the Company	Noncontrolling interest	Total equity
BALANCES AS OF DECEMBER 31, 2011	870,000	286,308	33,298	398,400	(97,361)	(14,173)	(838)	(258,251)	1,217,383	490,910	1,708,293
Comprehensive income:											
Net loss for the period	-	-	-	-	-	-	-	(37,456)	(37,456)	(14,088)	(51,544)
Exchange variation on foreign investments	-	-	-	-	(687)	-	-	-	(687)	-	(687)
Impact of subsidiaries-											
Exchange variation on foreign investments	-	-	-	-	206	-	-	-	206	76	282
Actuarial gain on pension plans	-	-	-	-	-	(223)	-	223	-	-	-
Total comprehensive loss	-	-	-	-	(481)	(223)	-	(37,233)	(37,937)	(14,012)	(51,949)
BALANCES AS OF MARCH 31, 2012	870,000	286,308	33,298	398,400	(97,842)	(14,396)	(838)	(295,484)	1,179,446	476,898	1,656,344

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013

(In thousands of Brazilian Reais)

		Capital reserve	Income reserves								
	Capital	Tax incentives	Legal	Retained earnings	Cumulative translation adjustment	Assets and liabilities valuation adjustments	Treasury shares	Retained deficit	Total equity attributable to shareholders of the company	Noncontrolling interest	Total equity
BALANCES AS OF DECEMBER 31, 2012	870,000	286,308	33,298	398,423	(108,316)	(18,019)	(838)	(398,490)	1,062,366	588,826	1,651,192
Deemed cost of affiliate company	-	-	-	-	-	24,442	-	(24,442)	-	-	-
Amortization of the period	-	-	-	-	-	(138)	-	138	-	-	-
Comprehensive loss:											
Net loss for the period	-	-	-	-	-	-	-	(14,782)	(14,782)	(7,450)	(22,232)
Exchange variation on foreign investments (note 2.1)	-	-	-	-	(366)	-	-	-	(366)	-	(366)
Impact of subsidiaries-						-					
Exchange variation on foreign investments (note 2.1)	-	-	-	-	(874)	-	-	-	(874)	(672)	(1,546)
Total comprehensive loss	-	-	-	-	(1,240)	-	-	(14,782)	(16,022)	(8,122)	(24,144)
Shareholder's contribution (distribution):											
Purchase of ownership interest in subsidiary (note 7)	-	-	-	-	-	-	-	14,866	14,866	(29,866)	(15,000)
Issuance of new shares by incorporation (note 13.a.1)	12,236	75,000	-	-	-	-	-	3,599	90,835	-	90,835
Redemption of shares (note 13.a.2)	-	-	-	-	-	-	(66,582)	(63,945)	(130,527)	130,527	-
Cancellation of redeemed shares (note 13.a.2)	-	(66,582)	-	-	-	-	66,582	-	-	-	-
Total shareholder's contribution (distribution)	12,236	8,418	-	-	-	-	-	(45,480)	(24,826)	100,661	75,835
BALANCES AS OF MARCH 31, 2013	882,236	294,726	33,298	398,423	(109,556)	6,285	(838)	(483,056)	1,021,518	681,365	1,702,883

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)
COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2013 AND 2012

(In thousands of Brazilian Reais)

	Company		Consolidated	
	03.31.2013	03.31.2012	03.31.2013	03.31.2012
Cash flows from operating activities				
Net loss for the period	(14,782)	(37,456)	(22,232)	(51,544)
Adjustments to reconcile net loss for the period to net cash provided by (used in) operating activities:				
Depreciation and amortization	157	7	25,758	26,681
Equity in subsidiaries and affiliated companies:				
Continuing operations	9,951	7,656	(7,955)	(1,114)
Discontinued operations	-	27,115	-	-
Income and social contribution taxes	-	-	3,997	4,742
(Gain) loss on sale of property, plant and equipment	-	-	74	(7,407)
Exchange variations	235	829	274	(2,621)
Impairment of property, plant and equipment	-	-	(1,114)	-
Bank charges and interests	(1,148)	(1,840)	11,351	19,978
Other accruals	-	-	(25)	(1,216)
	(5,587)	(3,689)	10,128	(12,501)
Changes in assets and liabilities				
Marketable securities	-	(46)	5,744	782
Accounts receivable	-	-	(32,361)	(22,924)
Inventories	-	-	12,697	38,146
Advances to suppliers	(184)	(25)	7,149	12,468
Suppliers	(203)	(24)	(18,424)	(24,979)
Others	(1,740)	(2,670)	18,547	4,995
Net cash provided by (used in) operating activities	(7,714)	(6,454)	3,480	(4,013)
Interest paid	-	-	(9,645)	(19,248)
Income and social contribution taxes paid	-	-	(5,334)	(2,654)
Net cash used in operating activities after interest and taxes	(7,714)	(6,454)	(11,499)	(25,915)
Cash flows from investing activities				
Acquisition of investments	(15,000)	-	(15,000)	-
Acquisition of property, plant and equipment	-	-	(13,604)	(9,459)
In intangible assets	-	-	(2,013)	(780)
Proceeds from sale of property, plant and equipment	-	-	1,239	17,905
Loans between related parties	10,387	(4,920)	(3,862)	(5,146)
Net cash provided by (used in) investing activities	(4,613)	(4,920)	(33,240)	2,520

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2013 AND 2012

(In thousands of Brazilian Reais)

	Company		Consolidated	
	03.31.2013	03.31.2012	03.31.2013	03.31.2012
Cash flows from financing activities				
Proceeds from new loans	12,568	11,450	89,357	203,797
Repayment of loans	-	-	(79,795)	(219,480)
Dividends paid	-	-	(84)	(25)
Net cash provided by (used in) financing activities	12,568	11,450	9,478	(15,708)
Effect of exchange rate changes on cash and cash equivalents of foreign subsidiaries	-	-	(1,755)	(3,447)
Increase (decrease) in cash and cash equivalents	241	76	(37,016)	(42,550)
Cash and cash equivalents:				
At the beginning of the period	1,264	2,364	146,613	185,878
At the end of the period	1,505	2,440	109,597	143,328
Increase (decrease) in cash and cash equivalents	241	76	(37,016)	(42,550)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF VALUE ADDED

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2013 AND 2012

(In thousands of Brazilian Reais)

	Company		Consolidated	
	03.31.2013	03.31.2012	03.31.2013	03.31.2012
REVENUES				
Sales of products, goods and services	-	-	681,856	609,446
Gain on sale of real estate held for sale	-	-	804	6,941
Loss on sale of property, plant and equipment	-	-	(878)	(150)
	-	-	681,782	616,237
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(308,610)	(319,922)
Materials, energy, third party services, and others	(4,223)	(3,569)	(143,301)	(101,672)
Impairment of property, plant and equipment	-	-	1,114	-
	(4,223)	(3,569)	(450,797)	(421,594)
GROSS VALUE ADDED	(4,223)	(3,569)	230,985	194,643
RETENTIONS				
Depreciation and amortization	(157)	(7)	(25,758)	(26,681)
	(157)	(7)	(25,758)	(26,681)
NET VALUE ADDED PRODUCED BY THE COMPANY	(4,380)	(3,576)	205,227	167,962
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries and affiliated companies	(9,951)	(34,771)	7,955	1,114
Financial income	3,299	4,330	3,155	6,464
Exchange rate variation	(139)	(1,103)	(754)	(3,367)
Royalties	-	-	4	3,084
	(6,791)	(31,544)	10,360	7,295
TOTAL VALUE ADDED FOR DISTRIBUTION	(11,171)	(35,120)	215,587	175,257
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	958	631	103,430	102,478
Taxes, duties and contributions	1,741	541	82,146	74,559
Payments to third parties	912	1,164	52,243	49,764
Equity – Net loss	(14,782)	(37,456)	(22,232)	(51,544)
VALUE ADDED DISTRIBUTED	(11,171)	(35,120)	215,587	175,257

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 MARCH 31, 2013

(Amounts in thousands of Brazilian Reais)

1. OPERATIONS

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

The Company is the parent company of Springs Global Participações S.A. (“SGPSA”), which is the parent company of Coteminas S.A. (“CSA”) and Springs Global US, Inc. (“SGUS”), companies that focus their manufacturing operations on bed and bath linens previously carried out by the Company and by Springs Industries Inc. (“SI”), respectively. On April 30, 2009, SGPSA acquired a controlling interest in Springs e Rossini Participações S.A. (“SRPSA”), the parent of MMartan Têxtil Ltda (“MMartan”). Beginning in August 2011, the Company started its bed, tabletop and bath retail operations, under the brand Artex, through the subsidiary American Sportswear Ltda (“ASW”). On 1 January 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 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 March 13, 2013.

The Company presents its consolidated interim financial statements, prepared in accordance with both Technical Pronouncement CPC 21 - “Demonstração Intermediária” and International Accounting Standard IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”) and presented in accordance with standards issued by *Comissão de Valores Mobiliários* (“CVM”) (Brazilian equivalent to the Securities and Exchange Commission), applicable to the preparation of the interim financial statements, and identified as "Consolidated".

The individual interim financial statements were prepared in accordance with Technical Pronouncement CPC 21 – “Demonstração Intermediária” and are presented in accordance with standards issued by the CVM, applicable to the preparation of the interim financial statements, and are identified as "Company". These practices differ from IFRS that are applicable to individual interim financial statements, only in relation to the recognition of investments in subsidiaries using the equity method, whereas under IFRS (International Financial Reporting Standards) the investment would be valued at cost or fair value

The Company adopted all standards, revisions of standards and interpretations issued by the IASB and the CVM which were effective on March 31, 2013.

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. Noncurrent accounts receivable are adjusted at present value, based on the market interest rates or the transaction interest rate. Current accounts receivable are adjusted whenever effects are significant. Accounts receivable from customers are classified as non-derivative financial assets measured at amortized cost.

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

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

(i) Investments--Investments in subsidiaries and affiliated companies are accounted for using the equity method based on the balance sheet of the subsidiaries as of the same date as the Company’s balance sheet. The value of the equity of foreign subsidiaries 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) Research and development expenses--Are recognized as expenses when incurred.

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

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

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

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

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

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

(n) 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.

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

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

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

(r) Employee benefit plans--Pension plans and postretirement benefit costs are recognized on an accrual basis, based on actuarial calculations. Actuarial gains and losses are recognized in the statements of operations when incurred.

(s) 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.

(t) Monetary and exchange variations--Assets and liabilities subject to monetary or exchange variations are restated on the balance sheet dates, in accordance with the Brazilian Central Bank

(BACEN) published rates or other contractual indices. Exchange gains and losses and monetary variations are recognized in the statements of operations for the period incurred, except for the exchange gains and losses on investments in foreign subsidiaries, which are recognized in “Cumulative translation adjustment” in equity.

<u>(u) Revenue recognition</u>--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.

<u>(v) Statement of Value Added ("DVA")</u>--The purpose of this statement is to present the wealth created by the Company and its distribution over a given period. It is 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 required by IFRS standards. The DVA has been prepared based on information obtained from accounting records that are the basis for the preparation of the interim financial statements.

<u>(w) Shareholders of the Company and noncontrolling shareholder</u>--In the interim financial statements, "shareholders of the Company" represents all the shareholders of the Company and “noncontrolling" represents the minority interest of the Company’s subsidiaries.

2.3 – Use of estimates

The preparation of interim financial statements requires the use of estimates in order to record certain assets, liabilities and other transactions. To make these estimates, Management used the best information available at the time of preparation of the 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 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 accounts of the Company and the following subsidiaries:

	Direct and indirect interest in total capital - %	
	03.31.2013	12.31.2012
Coteminas International Ltd.	100.00	100.00
Companhia de Tecidos Norte de Minas – Coteminas (Argentina Branch)	100.00	100.00
Springs Global Participações S.A.	52.92	61.51
Oxford Comércio e Participações S.A.	58.88	58.88
Companhia Tecidos Santanense	52.65	52.65

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

The subsidiary SGPSA, parent company of CSA, SGUS 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 Companhia Tecidos Santanense, 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 March 31, 2013 and December 31, 2012 for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	2013	2012	Variance
Exchange rate as of:			
December 31	-	2.0435	
March 31	2.0138	1.8221	10.5%
Average exchange rate:			
March 31 (3 months)	1.9925	1.7568	13.4%

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

Certain new IASB accounting procedures and IFRIC interpretations were published and/or revised and have their mandatory adoption for the periods beginning after January 1, 2013. These new procedures did not generate significant impact on the interim financial statements, except for the new procedures described in CPC 33(R1) - Employee Benefits, detailed in note 26.

Standard	Main requirements	Effective date
IFRS 9 (as changed in 2010) - Financial instruments (*)	Issued in November 2009 and amended in October 2010 introduces new requirements for classifying, measuring and disposing of assets and liabilities.	Effective for annual periods beginning on or after January 1, 2015
Mandatory Effective Date and Transition Disclosures - IFRS 9 and IFRS 7 (*)	Changes the date of application of IFRS 9 for annual periods beginning on or after January 1, 2015 and amends the requirements of IAS39 transition to IFRS 9.	Effective for annual periods beginning on or after January 1, 2015 (IFRS 9) and transition requirements for early adoption of IFRS 9
IAS 28 (Revised 2011) and CPC 18(R2) - Accounting for Investments in Associates and Joint Ventures	Amendment to IAS 28 to include the revisions introduced by IFRSs 10, 11 and 12.	Effective for annual periods beginning on or after January 1, 2013
IAS 27 (Revised 2011) and CPC 35(R2) - Consolidated and Separate Financial Statements	Requirements of IAS 27 related to the consolidated financial statements superseded by IFRS 10. Requirements for separate financial statements were maintained.	Effective for annual periods beginning on or after January 1, 2013
IFRS 10 and CPC 36(R3) - Consolidated Financial Statements	Superseded IAS 27 relating to the applicable requirements of the consolidated financial statements, and the SIC 12. IFRS 10 established a methodology and principles of control for the presentation and preparation of consolidated financial statements regardless of the nature of the investees.	Effective for annual periods beginning on or after January 1, 2013
IFRS 11 and CPC 19(R2) - Joint Arrangements	Transition from proportionate consolidation to the equity method for joint ventures and from the equity method to accounting for assets and liabilities for joint operations. Eliminated the concept of “joint controlled assets.	Effective for annual periods beginning on or after January 1, 2013
IFRS 12 and CPC 45 - Disclosure of Interests in Other Entities	Establishes a separate disclosure standard addressing a reporting entity's involvement with other entities regardless of the consolidation method.	Effective for annual periods beginning on or after January 1, 2013
IFRS 13 and CPC 46 - Fair Value Measurement	Supersedes and consolidates all the requirements and guidance relating to the measurement of fair value described in the other IFRS pronouncements into a single pronouncement. IFRS 13 defines fair value, provides guidance on its determination and respective disclosures. However, it doesn’t introduce any new requirement or change in relation to the items that must be measured at fair value, which were maintained in the original pronouncements.	Effective for annual periods beginning on or after January 1, 2013

Standard	Main requirements	Effective date
Changes to IAS 19 (revised 2011) and CPC 33(R1) - Employee Benefits (see note 26 to the financial statements)	Extinguish the corridor approach, recognizing actuarial gains or losses to other comprehensive income for pension plans, and, to the income statement for other long term benefits, when incurred, among other changes.	Effective for annual periods beginning on or after January 1, 2013
Changes to IAS 1 - Presentation of Other Comprehensive Income (*)	Introduce the requirement that items recorded in other comprehensive income be segregated and summarized between group of items that are and those that are not subsequently charged to the income statement.	Effective for annual periods beginning on or after January 1, 2013
Changes to IFRS 7 – Disclosures – Offsetting of Financial Assets and Liabilities (*)	Introduce requirements of information disclosure about all the financial instruments that are offset as allowed by IAS 32.	Effective for annual periods beginning on or after January 1, 2013
Changes to IAS 32 – Offsetting of Financial Assets and Liabilities (*)	Provide clarifications about the application of the rules for offsetting of financial assets and liabilities.	Effective for annual periods beginning on or after January 1, 2014. Application should be retroactive.

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

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	03.31.2013	12.31.2012	03.31.2013	12.31.2012
CDB – floating	677	678	29,323	36,213
Repurchase transactions	-	-	16,642	12,211
Foreign exchange funds (US$)	-	-	1,898	2,907
Foreign deposits	-	-	72,198	83,051
Checking accounts deposits	828	586	16,512	12,231
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	1,505	1,264	136,573	146,613
	======	======	======	======

4. MARKETABLE SECURITIES

	Consolidated	
	03.31.2013	12.31.2012
Investment fund – US$	5,986	10,796
Restricted cash	1,044	1,580
Foreign deposits	-	27,374
	-----------	------------
	7,030	39,750
	======	======

5. ACCOUNTS RECEIVABLE

	Consolidated	
	03.31.2013	12.31.2012
Domestic customers	485,861	465,418
Foreign customers	116,111	100,328
Credit card companies	8,432	9,742
Related parties		
Domestic market	4,965	8,148
Foreign market	757	540
	----------	----------
	616,126	584,176
Allowance for doubtful accounts	(37,137)	(37,548)
	----------	----------
	578,989	546,628
	======	======

The credit sales made by the indirect subsidiaries MMartan and Artex stores are made directly to the consumer that can pay in up to 10 installments by instruments of credit granted by the credit card companies. Present value adjustments on these amounts are made considering the market rates, since cash sales prices do not differ from installment sales prices. On March 31, 2013, the installment receivables under this type of sale were R$9,706 (R$11,048 as of December 31, 2012), with an average collection period of 90 days, totaling to an adjustment in the amount of R$1,274 (R$1,306 as of December 31, 2012), using 100% of the CDI as the interest rate.

Accounts receivable from customers consist of receivables with an average collection period of approximately 78 days (84 days as of December 31, 2012). Past-due amounts are not significant and the allowance for doubtful accounts is considered by Management sufficient to cover expected losses from these notes.

The Company's Management believes that the risk related to accounts receivable is minimized because the composition of the company's customer portfolio is diluted. The Company has over 13,000 active clients as of March 31, 2013 and only one client represents over 10% of sales.

The aging list of the consolidated accounts receivable was presented in the annual financial statements for the year ended December 31, 2012. There was no significant change in the composition of the aging list during the three-month period ended March 31, 2013.

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

	03.31.2013	12.31.2012
Balance at the beginning of the period	(37,548)	(40,534)
Additions	-	(2,841)
Write-offs	179	7,385
Exchange variation	232	(1,558)
	-------------	-------------
Balance at the end of the period	(37,137)	(37,548)
	=======	=======

6. INVENTORIES

	Consolidated	
	03.31.2013	12.31.2012
Raw materials and supplies	177,837	152,848
Work in process	128,098	151,507
Finished products	269,217	288,774
Repair parts	58,699	60,235
	------------	------------
	633,851	653,364
	=======	=======

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

The changes in the provision are as follows:

	12.31.2012	Additions	Write-offs	Exchange variation	03.31.2013
Raw materials and supplies	(2,127)	(53)	-	10	(2,170)
Work in process	(2,354)	-	400	93	(1,861)
Finished products	(9,350)	-	3,153	597	(5,600)
Repair parts	(4,502)	-	2,079	-	(2,423)
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	(18,333)	(53)	5,632	700	(12,054)
	======	======	======	======	======

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

7. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

	Equity	Ownership interest - %	Net income (loss)	Total investments		Equity in subsidiaries and affiliated companies	
				03.31.2013	12.31.2012	03.31.2013	03.31.2012
Investments in subsidiaries:							
Continuing operations -							
Springs Global Participações S.A. (1)	1,177,360	52.92	(31,903)	623,004	744,672	(20,132)	(13,549)
Oxford Comércio e Participações S.A.	217,739	58.88	7,354	128,204	123,876	4,330	4,937
Coteminas International Ltd.	21,034	100.00	(2,278)	21,034	23,677	(2,278)	(361)
Companhia Tecidos Santanense	253,577	2.07	8,549	5,249	5,072	177	202
Coteminas (Argentina branch)	11	100.00	(3)	11	14	(3)	1
				777,502	897,311	(17,906)	(8,770)
Investment in affiliated companies:							
Cantagalo General Grains S.A.	203,139	30.00	15,690	60,942	56,229	4,712	1,114
Companhia Fiação e Tecidos Cedro e Cachoeira	297,284	30.40	2,384	90,374	-	3,243	-
Total affiliated companies				151,316	56,229	7,955	1,114
Equity from continuing operations in subsidiaries						(9,951)	(7,656)
Discontinued operations (note 25) -							
Springs Global Participações S.A.						-	(27,115)

(1) Following the restructuring announced in 2012, these events were held:

On June 29, 2012, a capital increase was subscribed and paid in the amount of R$169,043 with the issuance of 56,347,886 new shares. In a surplus auction held on July 10, 2012, 4,690 shares were purchased in the amount of R$14, thus completing the entire capital increase. The Company subscribed and paid 24,707,676 shares, becoming the owner of 61.51% of subsidiary SGPSA's capital (68.44% as of December 31, 2011. Due to the change in the subsidiary's ownership, the Company recorded losses of R$45,298 in Retained deficit.

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

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

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

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 (*)	03.31.2013			12.31.2012
	%	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	2.4	72,409	(12,473)	59,936	57,623
Buildings	2.3	481,444	(176,891)	304,553	307,006
Installations	5.7	273,055	(155,488)	117,567	119,972
Equipment	6.4	1,298,109	(858,218)	439,891	445,089
Hydroelectric Plant - Porto Estrela (**)	2.2	37,506	(9,779)	27,727	28,086
Hydroeletctric power plants	6.3	14,983	(7,103)	7,880	7,996
Furniture and fixtures	9.9	48,326	(29,986)	18,340	17,619
Vehicles	20.0	45,984	(19,924)	26,060	27,232
Computers and peripherals	18.1	47,145	(41,947)	5,198	5,495
Construction in progress	-	64,720	-	64,720	62,193
Others	2.6	97,469	(82,262)	15,207	16,207
		--------------	--------------	--------------	--------------
		2,481,150	(1,394,071)	1,087,079	1,094,518
		========	========	========	========

(*) Weighted average annual depreciation rate, excluding items totally depreciated.
(**) See note 19.

Considering its operating profitability and cash generation, the Company and its subsidiaries have not found evidence of deterioration or failure to recover the balances held as property, plant and equipment.

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

Cost:

	12.31.2012	Additions	Disposals	Transfers to held for sale	Transfers	Exchange variation	03.31.2013
Land and improvements	68,261	4,474	-	-	72	(398)	72,409
Buildings	481,534	4	-	-	867	(961)	481,444
Installations	272,990	319	-	-	100	(354)	273,055
Equipment	1,292,162	8,454	(669)	(489)	1,704	(3,053)	1,298,109
Hydroelectric Plant - Porto Estrela	37,506	-	-	-	-	-	37,506
Power plants	13,244	-	-	-	1,739	-	14,983
Furniture and fixtures	47,190	748	(42)	-	614	(184)	48,326
Vehicles	45,919	468	(294)	-	-	(109)	45,984
Computers and peripherals	47,257	388	(38)	-	5	(467)	47,145
Construction in progress	62,193	5,414	(104)	-	(2,641)	(142)	64,720
Others	99,249	151	-	-	(721)	(1,210)	97,469
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	2,467,505	20,420	(1,147)	(489)	1,739	(6,878)	2,481,150
	========	========	========	========	========	========	========

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

Accumulated depreciation:

	12.31.2012	Additions	Disposals	Transfers to held for sale	Transfers	Exchange variation	03.31.2013
Land and improvements	(10,638)	(1,855)	1	-	-	19	(12,473)
Buildings	(174,528)	(2,820)	-	-	-	457	(176,891)
Installations	(153,018)	(2,866)	-	-	311	85	(155,488)
Equipment	(847,073)	(13,631)	587	143	(337)	2,093	(858,218)
Hydroelectric Plant - Porto Estrela	(9,420)	(359)	-	-	-	-	(9,779)
Power plants	(5,248)	(116)	-	-	(1,739)	-	(7,103)
Furniture and fixtures	(29,571)	(657)	40	-	26	176	(29,986)
Vehicles	(18,687)	(1,627)	283	-	-	107	(19,924)
Computers and peripherals	(41,762)	(653)	37	-	-	431	(41,947)
Others	(83,042)	(425)	-	-	-	1,205	(82,262)
	-------------	-------------	-------------	-------------	-------------	-------------	-------------
	(1,372,987)	(25,009)	948	143	(1,739)	4,573	(1,394,071)
	========	========	========	========	========	========	========

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.

As a result of this analysis, the recoverable value of R$38,773 (R$40,585 as of December 31, 2012) was presented in noncurrent assets under “Property, plant and equipment held for sale”, and, consequently, removed from the table above, based on its net book value.

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

	12.31.2012	Additions	Disposals	Transfers from PP&E	Exchange variation	03.31.2013
Cost	536,632	6	(35,269)	489	(6,456)	495,402
Depreciation	(427,889)	(744)	32,298	(143)	5,274	(391,204)
Provision for losses	(68,158)	-	2,150	-	583	(65,425)
	----------	----------	----------	----------	----------	----------
	40,585	(738)	(821)	346	(599)	38,773
	======	======	======	======	======	======

9. INTANGIBLE ASSETS

	Consolidated	
	03.31.2013	12.31.2012
Goodwill on the acquisition of North American companies	23,796	24,232
Goodwill on the acquisition of SRPSA	27,303	27,303
Trademarks	16,298	16,298
Store locations (real estate intangible)	48,173	46,160
Others	22	22
	-----------	-----------
Total	115,592	114,015
	======	======

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

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

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

On June, 2012, indirect subsidiary SGUS sold the Wamsutta brand. SGUS will hold the rights to market the Wamsutta brand in South America and to pursue licensing opportunities outside of North America.

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

	Balances on 12.31.2012	Additions	Exchange variation	Balances on 03.31.2013
Goodwill on the acquisition of North American companies	24,232	-	(436)	23,796
Goodwill on the acquisition of SRPSA	27,303	-	-	27,303
Trademarks	16,298	-	-	16,298
Store locations (real estate intangible)	46,160	2,013	-	48,173
Others	22	-	-	22
	-----------	---------	---------	-----------
Total	114,015	2,013	(436)	115,592
	======	=====	=====	======

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. LEASE

Indirect subsidiary SGUS leases properties and equipment under operating leases. Total leasing expense for the three-month period ended March 31, 2013 was R$7,721 (R$7,379 for the three-month period ended March 31, 2012). Subsidiary SGUS contractually agreed with third-parties to sublease certain vacant facilities that no longer provide economic benefit. Total sublease income in the three-month period ended March 31, 2013 was R$357 (R$629 in the three-month period ended March 31, 2012).

Lease payments scheduled for future years are estimated as follows:

Years	03.31.2013
2013 (*)	19,143
2014	24,441
2015	19,659
2016	19,276
2017	18,024

(*) 9 months

Beginning in 2017, lease payments continue to decrease until the contracts terminate on several dates through 2030, totaling R$187,823.

From 2013 to 2019, indirect subsidiary SGUS is scheduled to receive sublease payments of R$33,945.

The indirect subsidiary SGUS has an accrual totaling R$21,452 (R$25,460 as of December 31, 2012), which consists of the present value of estimated future lease obligations that are expected to be incurred after the closing of the leased facilities, net of existing sublease income and estimated sublease income of closed facilities, which were not yet subleased. This potential sublease income would result in a reduction of the above obligations by R$139,548.

11. SUPPLIERS

	Consolidated	
	03.31.2013	12.31.2012
Domestic market	109,321	93,763
Foreign market	69,873	103,855
	----------	----------
	179,194	197,618
	======	======

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 25 days (34 as of December 31, 2012). Domestic suppliers include credits to purchase raw material (cotton), amounting to R$56,238 (R$53.875 as of December 31, 2012).

12. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated 03.31.2013	12.31.2012
Local currency:					
Banco do Brasil S.A. (Revitaliza)	R$	4.5 to 9.0	2016	27,656	29,716
BNDES (Revitaliza)	R$	4.5 to 9.0	2016	27,656	29,716
BNDES (Finame)	R$	4.5 and 7.0	2020	8,648	8,957
Banco do Brasil S.A. (Overdraft account) (*)	R$	118.6 of CDI	2013	46,695	23,051
Bradesco S.A. (Overdraft account) (*)	R$	120 of CDI	2013	33,109	28,204
Banco Santander S.A.	R$	CDI+0.20 to 0.29	2013	736	1,173
BNDS (Working capital)	R$	TJLP+3.0	2014	4,771	5,713
Banco do Brasil S.A. (Giroflex)	R$	118.9 of CDI	2013	25,108	25,115
Banco Votorantim S.A.	R$	TJLP + 3	2015	50,481	49,484
Banco do Brasil S.A. (NCI)	R$	102 and 106.5 of CDI	2014	253,426	248,544
Banco Itaú BBA S.A. (b)	R$	117.7 of CDI	2014	201,520	205,730
Banco Santander S.A.	R$	TJLP+5	2013	47,111	31,684
Banco do Brasil – BNDES Progerem	R$	TJLP + 3,0	2015	19,818	19,444
Other	R$	-	2020	72	95
				-----------	------------
				746,807	706,626
Foreign currency:					
JP Morgan	US$	1.50	2013	-	27,372
Deutsche Bank (Securitization)	US$	Libor+1.30	2013	59,691	62,055
Banco Francês	$ARG	14.4	2014	1,804	2,192
Banco Patagonia	$ARG	15.6 and 19.0	2013	8,579	9,067
				-----------	-----------
				70,074	100,686
				-----------	-----------
Total				816,881	807,312
Current liabilities				(467,365)	(458,188)
				-----------	-----------
Noncurrent liabilities				349,516	349,124
				=======	=======

(*) Include balances with parent company.

(a) Original loan contract in Dollars plus 4.6% per annum with a swap for approximately 117.7% of CDI with the same counterparty.

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

Maturities are as follows:

Consolidated	2013	2014 Short term	2014 Long term	2015	2016 to 2020	Total
Local currency:						
Banco do Brasil S.A. (Revitaliza)	6,300	2,067	6,200	8,267	4,822	27,656
BNDES (Revitaliza)	6,300	2,067	6,200	8,267	4,822	27,656
BNDES (Finame)	951	311	933	1,244	5,209	8,648
Banco do Brasil S.A. (Overdraft account)	46,695	-	-	-	-	46,695
Bradesco S.A. (Overdraft account)	33,109	-	-	-	-	33,109
Banco Santander S.A.	736	-	-	-	-	736
BNDES (Working capital)	2,869	951	951	-	-	4,771
Banco do Brasil S.A. (Giroflex)	25,108	-	-	-	-	25,108
Banco Votorantim S.A.	10,481	6,000	18,000	16,000	-	50,481
Banco do Brasil S.A. (NCI)	213,446	-	39,980	-	-	253,426
Banco Itaú BBA S.A.	1,520	-	200,000	-	-	201,520
Banco Santander S.A.	32,611	-	-	14,500	-	47,111
Banco do Brasil – BNDES Progerem	3,985	2,375	7,125	6,333	-	18,818
Other	24	2	7	5	34	72
	384,135	13,773	279,396	54,616	14,887	746,807
Foreign currency:						
Deutsche Bank (Securitization)	59,691	-	-	-	-	59,691
Banco Francês	880	307	617	-	-	1,804
Banco Patagonia	8,579	-	-	-	-	8,579
	69,150	307	617	-	-	70,074
	453,285	14,080	280,013	54,616	14,887	816,881

13. EQUITY

a. Capital

Capital, as of March 31, 2013 and December 31, 2012, is represented as follows:

	Number of shares 03.31.2013	Number of shares 12.31.2012
Common	55,652,300	43,531,958
Preferred	67,016,428	73,143,333
	122,668,728	116,675,291

The change in the number of shares subscribed and paid for the period between January 1, 2012 and March 31, 2013 was as follows:

	31.12.2012	20.02.2013 (1)	08.03.2013 (2)	31.03.2013
Common	43.531.958	24.488.517	(12.368.175)	55.652.300
Preferred	73.143.333	-	(6.126.905)	67.016.428
	116.675.291	24.488.517	(18.495.080)	122.668.728

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

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

(2) On March 8, 2013, a Meeting of the Board of Directors of the Company was held, converting the total requests submitted representing 18,495,080 shares issued by the Company's into class "B" preferred shares; of the converted shares, 12,368,175 were common shares and 6,126,905 were preferred shares per the conversion requests submitted by the Company’s shareholders. The cancelation of the redeemed shares was approved in the same BOD meeting. The difference of R$63,945, between the market value and the book value of subsidiary SGPSA, was recorded as Retained deficit.

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

b. Treasury shares

As of March 31, 2013, the Company had 1,100 common shares at an average cost of R$5.04 per share (R$4.90 minimum and R$5.05 maximum) and 121,800 preferred shares at an average cost of R$6.83 per share (R$4.95 minimum and R$8.59 maximum). The market value of these shares were R$3.98 per common share and R$3.60 per preferred shared, as of March 31, 2013.

c. Dividends

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

d. Retained income reserve

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

14. RELATED PARTY TRANSACTIONS

	Receivable		Payable	
	03.31.2013	12.31.2012	03.31.2013	12.31.2012
Company:				
Wembley Sociedade Anônima	43,612	41,139	-	-
Coteminas International Ltd.	42,224	41,643	-	-
Innotex International Ltd.	4,670	4,700	-	-
Companhia Tecidos Santanense	-	-	15,620	424
	----------	----------	----------	----------
	90,506	87,482	15,620	424
	======	======	======	======
Consolidated:				
Wembley Sociedade Anônima	43,612	41,139	175	164
Innotex International Ltd.	4,670	4,700	-	-
Empr.Nac.Com.Rédito e Particip. S.A. – ENCORPAR	-	198	-	-
	----------	----------	----------	----------
	48,282	46,037	175	164
	======	======	======	======

	Finance charges (consolidated)	
	03.31.2013	03.31.2012
Wembley Sociedade Anônima	715	663
Empr.Nac.Com.Rédito e Particip. S.A. – ENCORPAR	30	27
JAGS-José Alencar Gomes da Silva	-	120
Innotex International Ltd	-	(82)
Seda S.A.	-	23
	----------	----------
	745	751
	======	======

The balances kept with related parties have long-term maturities, and charges are calculated according to the rates equivalent to those in effect in the financial market (100% of the Certificate of Interbank Deposit – CDI variance plus 1.375% and Libor plus 3% per year for companies based abroad).

The Company receives commissions on surety at the rate of 1.3% per year from its indirect subsidiary Companhia Tecidos Santanense. In the three-month period ended of March 31, 2013, it totaled R$17 (R$65 in the three-month period ended March 31, 2012), included in the above table.

As stated in the shareholders' agreement, the indirect subsidiary SGUS must pay annually US$1,491 thousand for services provided, net of expenses, to the shareholder Heartland Industrial Partners, L.P. and the indirect subsidiary CSA must pay US$3,500 thousand to the Company. In the three-month period ended March 31, 2013, the total amount of R$751 (R$679 in the three-month period ended March 31, 2012) was accrued by indirect subsidiary SGUS for services provided and outstanding balance of R$3,753 (R$3,046 as of December 31, 2012) 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 MMartan's manufacturing facility and its offices. In the three-month period ended March 31, 2013, R$822 were accrued under this lease (R$600 in the three-month period ended March 31, 2012). 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.

15. DEBENTURES ISSUED BY SUBSIDIARY

At the Extraordinary Shareholders' Meeting held on January 24, 2006, the first issue of debentures nonconvertible into shares of indirect subsidiary CSA was approved, for private distribution, under the conditions below, as revised by the Shareholders’ Meeting held on June 9, 2006:

Issue date:	January 24, 2006
Serial:	Single
Number:	50,057 debentures
Nominal value on issue date:	R$1
Yield:	Exchange rate variation plus 3-month Libor, plus a 3% annual surcharge.
Interest payment:	Quarterly with last maturity on June 21, 2013.
Repayment of principal:	17 quarterly and consecutive installments, with first maturity on June 21, 2009 and final maturity on June 21, 2013.

The debentures were fully subscribed by the Company. As of March 31, 2013, pro-rata interest expense and installments of the principal were accrued as current liabilities, in the amount of R$11,606 (R$11,892 as of December 31, 2012). In the three-month period ended March 31, 2013, interest of R$189 (R$315 in the three-month period ended March 31, 2012) and exchange rate variation loss of R$171 (exchange rate variation loss of R$868 for the same period in 2012) were recognized in the statements of operations.

16. INCOME AND SOCIAL CONTRIBUTION TAXES AND OTHER TAXES

a. Tax incentives

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

These federal and state tax incentives expire on different dates, depending on the facility, through December 31, 2016.

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

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

	Company		Consolidated	
	03.31.2013	03.31.2012	03.31.2013	03.31.2012
Loss before taxes	(14,782)	(10,341)	(18,235)	(7,184)
Permanent differences:				
Equity in subsidiaries and affiliated companies	9,951	7,656	(7,955)	(1,114)
Nontaxable income (RTT)	-	-	(7,520)	(6,800)
Permanent differences from foreign subsidiary	-	-	(10,882)	677
Other	188	67	(374)	156
Income tax basis	(4,643)	(2,618)	(44,966)	(14,265)
34% tax rate	1,579	890	15,288	4,850
Tax incentive (SUDENE)	-	-	454	346
Unrecognized tax credits	(1,579)	(890)	(19,965)	(10,189)
Others	-	-	226	251
Total income taxes	-	-	(3,997)	(4,742)
Income taxes – current	-	-	(3,690)	(4,593)
Income taxes – deferred	-	-	(307)	(149)

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

CSA's Management, in prior years, based on a business plan and future projections, partially recognized deferred tax assets arising from accumulated net operating losses. As of March 31, 2013, indirect subsidiary CSA had net operating losses of R$464,539 (R$442,260 as of December 31, 2012) and social contribution tax losses of R$469,229 (R$446,789 as of December 31, 2012), whose tax assets were not recognized. The tax assets recognized by this subsidiary are net of its tax benefits. CSA's future projections consider a greater concentration on the domestic market since these sales are more profitable, a greater profit margin due to the sales of higher value-added products, among others. Based on these actions and the business plan assumptions, CSA's Management expects that the generation of future taxable income will allow the realization of the subsidiary's deferred tax assets.

c. Deferred income and social contribution taxes

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

	Balances on 12.31.2012	Recognized in statement of operations	Other	Balances on 03.31.2013
Assets:				
Temporarily nondeductible provisions	34,133	(2,232)	351	32,252
Net operating losses	29,427	1,925	-	31,352
Tax credits from foreign subsidiaries	8,421	-	(84)	8,337
	-----------	-----------	-----------	-----------
Noncurrent assets	71,981	(307)	267	71,941
Liabilities:				
Temporary differences	-	-	(336)	(336)
Negative goodwill in investments	(5,049)	-	-	(5,049)
	-----------	-----------	-----------	-----------
Noncurrent liabilities	(5,049)	-	(336)	(5,385)
	-----------	-----------	-----------	-----------
Net deferred taxes	66,932	(307)	(69)	66,556
	======	=======	=======	======

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

Consolidated	
Year	Noncurrent assets
2013	14,021
2014	3,971
2015	4,730
2016	11,485
2017 and thereafter	37,734

	71,941
	======

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

d. Recoverable taxes

	Company		Consolidated	
	03.31.2013	12.31.2012	03.31.2013	12.31.2012
ICMS	1,018	1,018	29,542	34,232
Prepaid income and social contribution taxes	5,967	6,097	24,288	25,390
Recoverable PIS and COFINS	8,211	8,211	8,223	8,307
IVA – Argentina	-	-	5,313	6,353
VAT – China and Mexico	-	-	980	1,084
Recoverable IPI	1,779	1,779	1,807	2,120
ILL (tax on net income)	3,562	3,562	3,562	3,562
Other recoverable taxes	5	-	5,327	3,963
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	20,542	20,667	79,042	85,011
Current assets	(6,990)	(7,115)	(39,552)	(41,227)
	-----------	-----------	-----------	-----------
Noncurrent assets	13,552	13,552	39,490	43,784
	======	======	======	======

17. MISCELLANEOUS ACCRUALS

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

The Company is included on tax and civil claims, whose loss was estimated as possible in the amount of R$44,412 and R$1,589, respectively.

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

	Company		Consolidated	
	03.31.2013	12.31.2012	03.31.2013	12.31.2012
Tax litigation claims:				
Social contribution	40,915	40,915	41,225	41,225
Temporary contribution over financial transactions (CPMF)	-	-	4,317	4,317
INSS	2,319	2,314	6,707	6,702
PIS and COFINS	1,904	1,903	5,165	5,164
IPI foreign flag	2,653	2,653	2,653	2,653
ICMS – export	-	-	-	6,548
Others	348	348	2,201	2,201
Labor	2,888	2,940	12,268	13,280
Civil and others	14,141	13,865	17,578	17,241
	---------	---------	----------	----------
	65,168	64,938	92,114	99,331
	=====	=====	======	======
Escrow deposits	78,283	78,053	102,184	101,431
	=====	=====	======	======

Social contribution – The Company is a plaintiff in a lawsuit filed against the Federal Revenue Service to stop the levy of the social contribution tax on its plants located in SUDENE’s area.

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

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

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

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

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

Civil – The Company is a plaintiff in lawsuits disputing the "ECE-Encargo de Capacidade Emergencial" and the "RTE-Recomposição Tarifária Extraorinária", both charged on power bills. The indirect subsidiary CSA is a plaintiff in a lawsuit against the Federal Government disputing the legality of the collection of "RTE – Recomposição Tarifária Extraordinária" and "COFURH – Compensação Financeira pela Utilização de Recursos Hídricos".

ICMS – Export – Subsidiary CTS received on February 13, 2012 an infraction notice from the State of Minas Gerais inspection office glossing some ICMS credit transfer arising from exports. CTS unsuccessfully filed a plea and, consequently, accrued the principal amount of the tax assessment. CTS successfully questioned the penalties and interests with the Council of Taxpayers ("Conselho de Contribuintes"). In March 2013, CTS included the principal amount in the installment payment program from the state of Minas Gerais.

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

Changes in the consolidated accrual are as follows:

	12.31.2012	Additions	Reductions	03.31.2013
Tax litigation claims:				
Social contribution	41,225	-	-	41,225
Temporary contribution over financial transactions (CPMF)	4,317	-	-	4,317
INSS	6,702	5	-	6,707
PIS and COFINS	5,164	1	-	5,165
IPI foreign flag	2,653	-	-	2,653
ICMS – export	6,548	-	(6,548)	-
Others	2,201	-	-	2,201
Labor	13,280	890	(1,902)	12,268
Civil and others	17,241	364	(27)	17,578
	99,331	1,260	(8,477)	92,114

18. EMPLOYEE BENEFIT PLANS

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

Subsidiary SGUS sponsors a defined-benefit pension plan for some of its employees, whose expected pension costs are accrued based on actuarial studies. Contributions of retired employees and SGUS are adjusted periodically. 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). Subsidiary SGUS also provides retirement benefits to eligible executives under nonqualified supplemental executive retirement plans.

The table below includes summarized information on the pension and postretirement plans as of March 31, 2013 and 2012:

	03.31.2013	03.31.2012
Components of net periodic benefit cost (income):		
Service cost	211	191
Interest cost	925	929
Return on assets	(390)	(367)
Amortization of actuarial gains and losses	581	421
Net periodic benefit cost	1,327	1,174

Subsidiary SGUS' investment strategy is to invest in a diversified portfolio that will maximize returns, considering an acceptable risk level. Pension plan assets are invested in a balanced fund that has a static allocation of 50% to 60% in equity securities and 40% to 50% in fixed income funds. The expected returns on plan assets were developed in conjunction with external advisors and take into account long-term expectations for future returns based on subsidiary SGUS' current investment strategy.

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

	03.31.2013	12.31.2012
Pension plan obligations	81,710	83,434
Pension plan obligations (multiple-employer) (a)	824	954
Other employee benefit obligations	9,024	9,490
Total employee benefit plans	91,558	93,878
Current (b)	(7,010)	(7,113)
Noncurrent	84,548	86,765

(a) Until December 30, 2010 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 subsidiary SGUS withdrew from the Plan and recorded a liability corresponding to the estimated cost of withdrawal.

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

19. GOVERNMENT CONCESSIONS

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

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

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

Total annual installments of the concession:

	Years 5 to 15 2002 to 2012	Years 16 to 25 2013 to 2022	Years 26 to 35 2023 to 2032
Historical amounts:			
Minimum installment	120	120	120
Additional installment	-	12.510	20.449
Annual installment	120	12.630	20.569
Total installments	1.320	126.300	205.690
Monetarily adjusted installments	4.804	459.690	748.634

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 March 31, 2013, this amount represented R$63,594, of which, R$14,064 is classified in current liabilities and R$49,530 is classified as long-term liabilities (R$62,974 as of December 31, 2012, of which, R$13,115 is classified in current liabilities and R$49,859 is classified as long-term liabilities).

As of March 31, 2013, the net book value of the property, plant and equipment related to the current concession is R$27.727 (R$28,086 as of December 31, 2012) (see note 8), considering CSA’s equity interest in the investments for the construction of the Porto Estrela Hydroelectric Plant, located on the Santo Antônio River, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

20. FINANCIAL INSTRUMENTS

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

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

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

	Company				Consolidated			
	03.31.2013		12.31.2012		03.31.2013		12.31.2012	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS --								
CURRENT:								
Cash and cash equivalents	1,505	1,505	1,264	1,264	109,597	109,597	146,613	146,613
Marketable securities	-	-	-	-	34,006	34,006	39,750	39,750
Accounts receivable	-	-	-	-	578,989	578,989	546,628	546,628
Debentures issued by subsidiary (i)	11,606	11,606	11,892	11,892	-	-	-	-
Other receivables	6,890	6,890	4,294	4,294	28,377	28,377	29,838	29,838
NONCURRENT:								
Long-term assets:								
Related parties	90,506	90,506	87,482	87,482	48,282	48,282	46,037	46,037
Other credits and receivables	6,926	6,926	2,056	2,056	19,165	19,165	16,018	16,018
LIABILITIES --								
CURRENT:								
Loans and financing (i)	58,029	58,029	45,461	45,461	467,365	467,365	458,188	458,188
Suppliers	15	15	218	218	179,194	179,194	197,618	197,618
Noneconomic lease	-	-	-	-	13,536	13,536	13,736	13,736
Other accounts payable	4,873	4,873	6,736	6,736	86,874	86,874	76,900	76,900
NONCURRENT:								
Long-term liabilities:								
Loans and financing (i)	-	-	-	-	349,516	349,516	349,124	349,124
Noneconomic lease	-	-	-	-	7,916	7,916	11,724	11,724
Related parties	15,620	15,620	424	424	175	175	164	164
Government concessions	-	-	-	-	49,530	49,530	49,859	49,859
Other obligations	317	317	405	405	29,955	29,955	26,744	26,744

(i) The fair values of loans and financin and debentures are similar to its 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 maturities of other financial instruments are short-term, the Company estimates that the fair value approximates its carrying book value.

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:

Total of foreign investments	03.31.2013	12.31.2012
Investments	44,277	46,954
Subsidiaries' obligations (SGUS)	(37,348)	(37,101)
	------------	------------
	6,929	9,853
In equivalent thousands of US Dollars	3,441	4,821
	=======	=======

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

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

Financial instruments	03.31.2013	12.31.2012
Cash and cash equivalents	1,898	2,907
Accounts receivable	83,025	75,018
Suppliers	(1,256)	(3,790)
Related parties	123,184	123,082
Total exposure in Brazilian Reais	206,851	197,217
Total exposure in equivalent thousands of US Dollars	102,716	96,510

The sensitivity analysis of non-derivative financial instruments, considering the US Dollar denominated cash flows, as of March 31, 2013, is shown below:

		Exposure value	Scenarios		
Maturity	Risk	US$ thousands	Probable	II	III
2013	US Dollar depreciation	41,546	827	(20,296)	(41,420)
2015	US Dollar depreciation	61,170	24,739	(12,241)	(49,222)
		102,716	25,566	(32,537)	(90,642)

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

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

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

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

In the three-month periods ended March 31, 2013 and 2012, the Company had no results with this type of derivatives.

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 the three-month period ended March 31, 2012, the commodities derivatives transactions resulted in an expense of R$427 accounted under “Exchange variation, net”. In the three-month period ended March 31, 2013, there were 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 14. Considering the cash flows of these liabilities and the contracted interest rates (except for item d.5.1), 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 their effectiveness is measured based on the cash flow of the loans denominated in Dollars (Finimp), with expected maturities through June 2012. Gains or losses were recorded under the “Financial expenses – interests” caption in the statements of operations.

Derivative transactions were traded in the over-the-counter market, registered at CETIP, and were not subject to margin deposits. In the three-month period ended March 31, 2012, there was an expense of R$3,939, while in the three-month period ended March 31, 2013 there were no financial results from such derivative transactions.

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

The amounts related to the Company’s non-derivatives financial instruments subject to variable interest rate exposure are as follows:

		03.31.2013		12.31.2012	
Description	Principal amount R$ thousands	Accrued interest	Payable	Accrued interest	Payable
Loan Agreement -- Interest: 102% of CDI Counterparty: Banco do Brasil S.A. Maturity: June/2013	200,000	10,492	210,492	6,967	206,967
Swap Agreement-- Interest: 106.5% of CDI Counterpart: Banco do Brasil S.A. Maturity: April/2014	40,000	2,934	42,934	1,577	41,577
Swap Agreement-- Interest: 117.7% of CDI Counterpart: Banco Itaú BBA S.A. Maturity: October/2014	200,000	1,520	201,520	5,730	205,730
	440,000	14,946	454,946	14,274	454,274

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of March 31, 2013, is as follows:

			Scenarios		
Maturity	Risk	Principal average balance	Probable	II	III
2013	CDI increase	306,667	(32,491)	(37,093)	(41,723)
2014	CDI increase	155,000	(10,546)	(15,839)	(19,122)

Amounts in parenthesis (negative numbers) shown in the scenarios above represent interest expense, in their respective years and scenarios, considering the average loan balances on each year.

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

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

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

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

d.7 – Liquidity risk management--The Company 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, 2012. As of March 31, 2013, there was no significant change when compared to the published annual financial statements.

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

The Company’s net debt is as follows:

	Company		Consolidated	
	03.31.2013	12.31.2012	03.31.2013	12.31.2012
Loans and financing	58,029	45,461	816,881	807,312
Cash and cash equivalents	(1,505)	(1,264)	(109,597)	(146,613)
Marketable securities	-	-	(34,006)	(39,750)
Total net debt	56,524	44,197	673,278	620,949
Total equity	1,021,518	1,062,366	1,702,883	1,651,192
Total net debt and equity	1,078,042	1,106,563	2,376,161	2,272,141

21. SEGMENT INFORMATION

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

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

The indirect subsidiaries MMartan and ASW, which currently constitute AMMO, have a set of separate information and investment decisions, pricing, store expansion and others, which are individually made, and are denominated “Retail” as their products are sold directly to the final consumer.

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

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

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

03.31.2013

	South America			North America	Others unallocated	
	Wholesale	Retail	Denim	Wholesale	(**)	Total
Net sales	246.3	60.1	93.8	186.7	-	586.9
Cost of goods sold	(187.8)	(32.4)	(69.3)	(166.3)	-	(455.8)
Gross profit	58.5	27.7	24.5	20.4	-	131.1
Selling, general and administrative expenses (*)	(46.3)	(42.1)	(12.6)	(17.0)	(6.5)	(124.5)
Equity in subsidiaries	-	-	-	-	7.9	7.9
Other	(0.4)	-	1.2	(0.4)	-	0.4
Operating results	11.8	(14.4)	13.1	3.0	1.4	14.9
Financial results	-	-	-	-	(33.1)	(33.1)
Income (loss) before taxes	11.8	(14.4)	13.1	3.0	(31.7)	(18.2)
Depreciation and amortization	18.4	2.9	2.6	1.7	0.2	25.8
Total assets	1,898.7	216.9	351.1	347.5	343.5	3,157.7
Total liabilities	(872.4)	(121.1)	(97.3)	(377.7)	13.7	(1,454.8)
Total net assets	1,026.3	95.8	253.8	(30.2)	357.2	1,702.9

03.31.2012

	South America			North America	Others unallocated	
	Wholesale	Retail	Denim	Wholesale	(**)	Total
Net sales	201.4	51.4	93.3	111.7	-	457.8
Cost of goods sold	(147.4)	(25.3)	(70.8)	(96.2)	-	(339.7)
Gross profit	54.0	26.1	22.5	15.5	-	118.1
Selling, general and administrative expenses (*)	(38.9)	(33.4)	(12.6)	(10.0)	(4.6)	(99.5)
Equity in subsidiaries	-	-	-	-	1.1	1.1
Other	(0.1)	-	6.7	(0.5)	0.4	6.5
Operating results	15.0	(7.3)	16.6	5.0	(3.1)	26.2
Financial results	-	-	-	-	(33.4)	(33.4)
Income (loss) before taxes	15.0	(7.3)	16.6	5.0	(36.5)	(7.2)
Depreciation and amortization	16.6	1.7	2.7	1.3	-	22.3
Total assets	1,903.7	205.4	324.9	380.3	296.1	3,110.4
Total liabilities	(861.0)	(93.6)	(79.9)	(410.5)	(14.2)	(1,459.2)
Total net assets	1,042.7	111.8	245.0	(30.2)	281.9	1,651.2

(*) "Retail" includes rent, common area and other expenses for the stores that were recently opened, whose sales maturity will occur in future quarters.

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

The subsidiary SGPSA, through the analysis of sales performance, classifies its products under the categories of sales (or product lines), formerly named by Management as "market segments", such as: bedding, tabletop and bath, utility bedding, intermediate products, and others.

Sales information by category or product lines:

	Consolidated	
	03.31.2013	03.31.2012
Net sales (in millions of Reais):		
Bedding, tabletop and bath	283.9	195.6
Utility bedding	94.9	66.3
Intermediate products	58.4	53.8
Retail	60.1	51.4
	497.3	367.1
Volume (thousands of metric tons):		
Bedding, tabletop and bath	13.5	9.9
Utility bedding	9.4	7.6
Intermediate products	7.5	6.9
	30.4	24.4

The Company has more than 13,000 active customers in March 31, 2013 and only one customer has sales concentration higher than 10% of net sales.

22. EXPENSES BY NATURE

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

By nature:

	Consolidated	
	03.31.2013	03.31.2012
Cost of raw materials, goods and services acquired from third parties	(369,006)	(283,954)
Employee benefits	(103,431)	(79,747)
INSS	(10,139)	(14,157)
Depreciation and amortization	(25,758)	(22,569)
Finished goods and working in process inventory variances	(47,505)	(18,315)
Exchange rate variances in inventories from foreign subsidiaries	(2,334)	(5,129)
Other costs and expenses	(22,245)	(15,343)
Total by nature	(580,418)	(439,214)

By function:

	Consolidated	
	03.31.2013	03.31.2012
Continuing operations:		
Cost of goods sold	(455,878)	(339,645)
Selling expenses	(82,319)	(62,027)
General and administrative expenses	(39,229)	(35,204)
Management fees	(2,992)	(2,338)
Total by function	(580,418)	(439,214)

23. NET REVENUES

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

	Consolidated	
	03.31.2013	03.31.2012
OPERATING REVENUES:		
Gross sales	722,321	568,067
Sales deductions	(135,379)	(110,283)
NET REVENUES	586,942	457,784

24. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share was calculated as follows:

	Company	
	03.31.2013	03.31.2012
NET LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS	(14,782)	(10,341)
NET LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS	-	(27,115)
	(14,782)	(37,456)
Weighted-average outstanding shares:		
Common shares	50,981,793	43,530,858
Preferred shares	71,455,768	73,021,533
	122,437,561	116,552,391
BASIC AND DILUTED LOSS PER SHARE - R$		
From continuing operations	(0.1207)	(0.0887)
From discontinued operations	-	(0.2327)
Total	(0.1207)	(0.3214)

The weighted average number of shares was calculated based on the total number of shares outstanding, adjusted for issuances and redemptions of the period, less treasury shares, of which 1,100 are ON shares and 121,800 are PN shares.

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

25. DISCONTINUED OPERATIONS

The SGPSA's management has decided to discontinue some of its North American indirect subsidiary's (SGUS) operations. These operations represent the bedding, tabletop and bath business units, including their branded and private label businesses. The utility bedding and Canadian business units will continue to operate.

In connection with the discontinued operations of the indirect subsidiary SGUS, which imported directly or indirectly the entire production of indirect subsidiary CSA designated for the North American market, the indirect subsidiary CSA has also announced a realignment program of its manufacturing capacity to the domestic and Mercosul markets, announcing investments in the transformation of 3 facilities into urban development centers. The (i) facility at São Gonçalo do Amarante, RN, (ii) headquarter in Montes Claros, MG, and (iii) part of the Blumenau, SC facility will be transformed into areas of urban development, with the construction of residential complexes, offices and shopping centers with significant investments in construction, trade and services. The investments could be originated from the Company or third parties.

Part of the machinery and equipment of these facilities is being relocated to other facilities and the remaining equipment, including equipment that was replaced at other facilities, is classified under "Property, plant and equipment held for sale" at its market value, when lower than net book value (see note 8.b).

The buildings and facilities remain classified under the original caption of property, plant and equipment, taking into account that their residual value is less than the amount expected for the urbanization projects mentioned above and will be part of the investments on future projects.

During the year 2012, all measures were implemented for the adequacy of the remaining manufacturing facilities, and full availability of subsidiary CSA's facilities intended for the real estate development projects. The CSA Management is negotiating with partners interested on the projects' feasibility and is expecting the execution to begin during 2013.

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

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

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

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

There was no impact on the balance sheet since the gains and losses were annually recognized in the pension liabilities. The Company reclassified the amount of R$26,782 relating to actuarial losses on pension plans accumulated as of December 31, 2011, previously recognized in the statement of operations and therefore in Retained deficit, to Assets and liabilities valuation adjustment.

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