COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

CNPJ/MF Nº 22.677.520/0001-76
NIRE 3130003731-2
Publicly Held Company

Shareholders,

Companhia de Tecidos Norte de Minas – Coteminas' management submits for your consideration its Management Report and the interim financial information (ITR) for the three-month and nine-month period ended September 30, 2012. Such information, prepared in accordance with the accounting practices adopted in Brazil and standards issued by CVM, are accompanied by the Independent Auditors' Review Report.

CONSOLIDATED RESULTS

Companhia de Tecidos Norte de Minas – Coteminas' gross revenue was R$1,849.8 million for the nine-month period ended September 30, 2012. The table below highlights the main consolidated results for the nine-month period ended September 30, 2012, compared to the same period in 2011.

	In millions of R$		Variance
Consolidated financial information	**9M12**	**9M11**	**%**
Gross revenues	1,849,776	1,599,673	15.6
Operational net revenues	1,504,641	1,286,534	18.9
Cost of goods sold	(1,139,080)	(894,418)	27.4
Gross profit	365,561	392,116	(6.7)
(% of net revenue)	*24.3%*	*30.5%*	
Selling, general and administrative expenses	(316,636)	(254,042)	24.6
Depreciation and amortization	71,361	67,282	6.1
Income from operations before financial expenses	107,283	133,449	(19.6)
(% of net revenue)	*7.1%*	*10.4%*	
Net income from continuous operations	11,084	(10,939)	-
Discontinued operations	(100,827)	(170,705)	-
Profit (loss) for the period	(89,743)	(181,544)	-
Earnings per share (R$/share)	(0.6589)	(1.0814)	-
Number of shares (thousands)	116,675	116,675	-

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

SPRINGS GLOBAL

Results for the 3rd quarter of 2012

Springs Global reached net sales of R$462.3 million in the 3Q12, a 35.2% increase when compared with the same quarter of 2011.

Springs Global ("Company") presents the results for 3Q12 and 9M12. The information is presented in a consolidated form under IFRS. The financial information below is presented in *Reais* (R$), and the comparisons refer to the third quarter of 2011 (3Q11), to the first nine months of 2011 (9M11) or to the second quarter of 2012 (2Q12), when applicable.

Highlights of 3Q12:

- In the quarter, the gross sales of the Company increased by 31.4%, reaching R$565.3 million.
- The revenues from the Company's retail operations (sell-out of owned stores + sell-in of franchises) reached R$62.1 million, with growth of 35.0% when compared to the third quarter of 2011:
  - Two new stores were opened during the third quarter of 2012, totaling 218 stores.
  - For the fourth quarter of 2012, 13 stores are expected to be opened under the flags MMartan and Artex.
- Gross profit amounted to R$101.3 million, a decrease of 4.2% when compared to the 3Q11, with gross margin of 21.9% (30.9% in the 3Q11).
- Income from operations increased 8.4% when compared with the 3Q11, reaching R$24.4 million (R$22.5 million in the 3Q11).
- In the 3Q12, EBITDA was R$45.3 million, an increase of 8.9% when compared to the 3Q11. It is important to note that the retail operations under the Artex brand are in their initial stage of implementation, already incurring selling expenses but with revenues below their total potential due to a maturation period.
- The Company competes and has received several awards, among which we highlight those that demonstrate its commitment to best environmental practices, as well as and human resource and brand management:

  Prêmio ANA 2012: Selected by the National Water Agency (*Agência Nacional de Águas*) as the finalist of the *Prêmio ANA 2012*, for sustainable development of water resources. The Wastewater Treatment by Ultrafiltration Membrane project was chosen, from 76 candidates, as one of three finalists in the Enterprises Category.

  15º Prêmio Top of Mind da Casa & Mercado: MMartan and Artex received the *15º Prêmio Top of Mind da Casa & Mercado*, in several categories.

  IEL/CNI – Prêmio Melhor Estágio: "Best Internship" Award, given by *IEL Instituto Euvaldo Lodi* to the companies with the best internship practices in Brazil.

  Prêmio Socioambiental Chico Mendes: On November 26th, the Company will receive the Chico Mendes Environmental Award - 2012 Edition (*Prêmio Socioambiental Chico Mendes - Edição 2012*), awarded by the *Instituto Internacional Socioambiental Chico Mendes*.

Summarized Information for Springs Global:

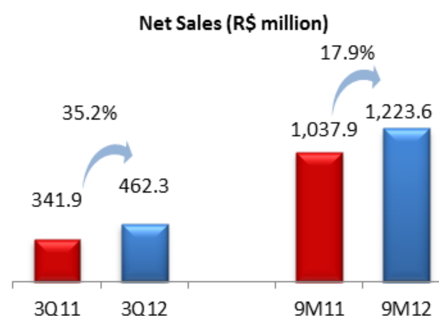
Summary of results (R$ million)	3Q12	3Q11	var % 12-11	9M12	9M11	var % 12-11
Gross sales	565.3	430.3	31.4%	1,503.7	1,306.5	15.1%
Net sales	462.3	341.9	35.2%	1,223.6	1,037.9	17.9%
Gross profit	101.3	105.7	(4.2%)	290.3	326.4	(11.1%)
Gross margin%	*21.9%*	*30.9%*	*(9.0 p.p.)*	*23.7%*	*31.4%*	*(7.7 p.p.)*
EBIT	24.4	22.5	8.4%	111.9	120.3	(7.0%)
EBIT margin %	*5.3%*	*6.6%*	*(1.3 p.p.)*	*9.1%*	*11.6%*	*(2.5 p.p.)*
EBITDA	45.3	41.6	8.9%	172.5	179.3	(3.8%)
EBITDA margin %	*9.8%*	*12.2%*	*(2.4 p.p.)*	*14.1%*	*17.3%*	*(3.2 p.p.)*
Net profit (loss) from continuing operations	(10.2)	(10.1)	-	15.1	(40.0)	-
Net margin from continuing operations	*(2.2%)*	*(3.0%)*	-	*1.2%*	*(3.9%)*	-
Net profit (loss) for the period	(29.9)	(63.6)	-	(85.7)	(210.7)	-

Net sales (R$ million)	3Q12	3Q11	var % 12-11	9M12	9M11	var % 12-11
Total net sales	**462.3**	**341.9**	**35.2%**	**1,223.6**	**1,037.9**	**17.9%**
Domestic market	269.1	217.1	24.0%	747.9	693.6	7.8%
Foreign market	193.2	124.8	54.8%	475.7	344.3	38.2%

Net sales - domestic market (R$ million)	3Q12	3Q11	var % 12-11	9M12	9M11	var % 12-11
Wholesale	**207.0**	**171.1**	**21.0%**	**584.2**	**560.2**	**4.3%**
Intermediate	64.4	49.0	31.4%	172.3	194.5	(11.4%)
Bedding, tabletop, and bath	142.6	122.1	16.8%	411.9	365.7	12.6%
Retail	**62.1**	**46.0**	**35.0%**	**163.7**	**133.4**	**22.7%**
Artex	13.7	0.9	1422.2%	29.5	1.0	2850.0%
MMartan	48.4	45.1	7.3%	134.2	132.4	1.4%

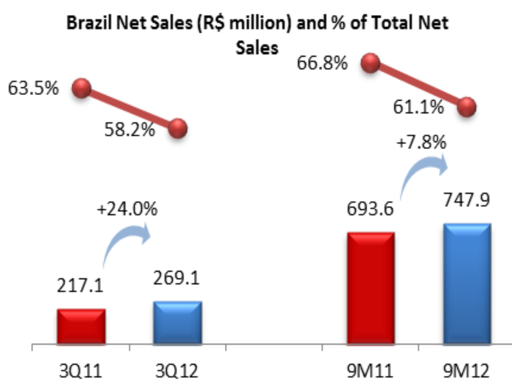
Sales Performance:

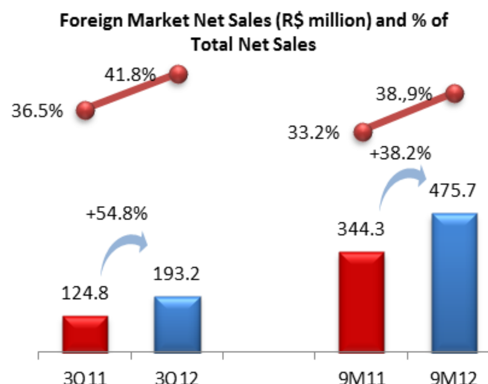
In the third quarter of 2012, consolidated gross sales from continuing operations reached R$565.3 million against R$430.3 million in the third quarter of 2011. Consolidated net sales presented a 35.2% increase, from R$341.9 million in the third quarter of 2011 to R$462.3 million in the third quarter of 2012, reflecting an average price increase of 18.9% and an increase in sales volume in tons of 13.9%.



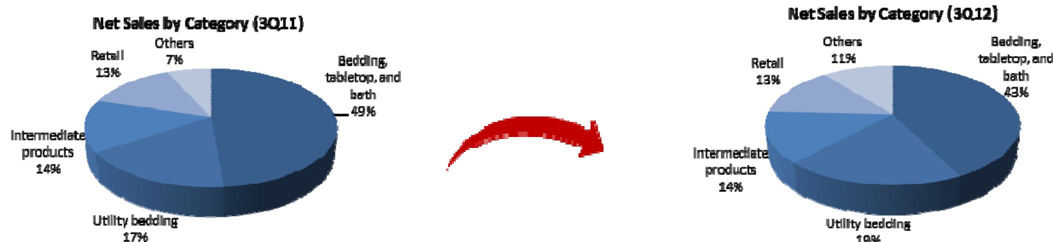
- Net Sales by Region:

In the third quarter of 2012, net sales in Brazil increased by 24.0%, from R$217.1 million in the third quarter of 2011 to R$269.1 million in the third quarter of 2012, representing 58.2% of total sales of the Company. Net sales in other countries increased by 54.8%, from R$124.8 million in the third quarter of 2011 to R$193.2 million in the third quarter of 2012. The increase is due mainly to: (i) sales of a new pillow program, started in the first quarter of 2012, to a major North American retailer; (ii) a strong demand increase for products in the Argentinian market; and (iii) to the 18.0% depreciation of the Brazilian *Real* on the conversion of the U.S. Dollar denominated sales into *Reais* when compared to the third quarter of 2011.





Net Sales by Category:



	Net Sales (R$ million)			Volume (tons)			Average price (R$)/Kg		
Sales Category	3Q12	3Q11	var % 12-11	3Q12	3Q11	var % 12-11	3Q12	3Q11	var % 12-11
Bedding, tabletop and bath	196.6	166.1	18.4%	9,091	8,487	7.1%	21.6	19.6	10.2%
Utility bedding	89.4	57.7	54.9%	8,477	7,258	16.8%	10.5	7.9	32.9%
Intermediate products	64.4	49.0	31.4%	8,724	7,330	19.0%	7.4	6.7	10.4%
Retail	62.1	46.0	35.0%	-	-	-	-	-	-
Others	49.8	23.1	115.6%	-	-	-	-	-	-
Total	462.3	341.9	35.2%	26,292	23,075	13.9%	17.6	14.8	18.9%

	Net Sales (R$ million)			Volume (tons)			Average price (R$)/Kg		
Sales Category	9M12	9M11	var % 12-11	9M12	9M11	var % 12-11	9M12	9M11	var % 12-11
Bedding, tabletop and bath	538.1	485.3	10.9%	25,366	24,282	4.5%	21.2	20.0	6.0%
Utility bedding	227.0	145.2	56.3%	23,305	18,289	27.4%	9.7	7.9	22.8%
Intermediate products	172.3	194.5	(11.4%)	22,852	23,494	(2.7%)	7.5	8.3	(9.6%)
Retail	163.7	133.4	22.7%	-	-	-	-	-	-
Others	122.5	79.5	54.1%	-	-	-	-	-	-
Total	1,223.6	1,037.9	17.9%	71,523	66,065	8.3%	17.1	15.7	8.9%

- Bedding, tabletop and bath:

The 18.4% increase, from R$166.1 million in the third quarter of 2011 to R$196.6 million in the third quarter of 2012, reflects a 7.1% increase in sales volume in tons and a 10.2% increase in the average price.

- Utility Bedding:

The 54.9% increase, from R$57.7 million in the third quarter of 2011 to R$89.4 million in the third quarter of 2012, is due mainly to sales of a new pillow program, started in the first quarter of 2012, to a major North American retailer and to the 18.0% depreciation of the Brazilian *Real* on the conversion of the U.S. Dollar denominated sales into *Reais* when compared to the third quarter of 2011. The average price increase is due mainly to the depreciation of the *Real* already mentioned.

- Intermediate Products:

Net sales presented a 31.4% increase, from R$49.0 million in the third quarter of 2011 to R$64.4 million in the third quarter of 2012. It should be noted that the Company projects a lower percentage of intermediate products sales in its total sales, due to production increase of finished and higher value-added products.

- Retail:

Net sales of this category increased by 35.0%, from R$46.0 million in the third quarter of 2011 to R$62.1 million in the third quarter of 2012.

- Others:

This category includes sales in the Canadian market, other sales including intercompany eliminations. Net sales increased by 115.6%, from R$23.1 million in the third quarter of 2011 to R$49.8 million in the third quarter of 2012 due mainly to the foreign exchange variation.

Retail Performance

In general, retail segment sales in the quarter were partially impacted by the slowdown of the domestic market economic activity. On the other hand, sales for the quarter reflect the implementation of promotional campaigns typical for this time of the year and, for the Artex flag, also helped to ensure greater awareness of its recently opened stores and its value proposition to the consumer.

- MMartan:

Mmartan	3Q12	3Q11	var % 12-11	9M12	9M11	var % 12-11
Number of stores	174	156	11.5%	174	156	11.5%
- Franchise	126	109	15.6%	126	109	15.6%
- Owned stores	48	47	2.1%	48	47	2.1%
Net sales (R$ million)	48.4	45.1	7.3%	134.2	132.4	1.4%

One new store was opened during the third quarter of 2012. The Company ended the third quarter of 2012 with 126 franchised stores and 48 owned stores.

- Artex:

Artex	3Q12	3Q11	var % 12-11	9M12	9M11	var % 12-11
Number of stores	44	14	214.3%	44	14	214.3%
- Franchise	-	-	-	-	-	-
- Owned stores	44	14	214.3%	44	14	214.3%
Net sales (R$ million)	13.7	0.9	1422.2%	29.5	0.9	3177.8%

In the third quarter of 2012, one Artex store was opened. Artex stores' net sales reached R$13.7 million in the third quarter of 2012. It´s important to mention that the majority of the stores are in the initial phase of operation, with the large portion of the expenses being incurred prior to reaching their full sales potential.
For the fourth quarter of 2012, 13 stores are expected to be opened under the flags MMartan and Artex. During the third quarter of 2012, several initiatives were implemented aimed at developing and improving the Company´s retail operations performance, among which we highlight: a product portfolio review, improving the annual commercial calendar for each flag, redefining the Artex stores´ visual merchandising, development of the new MMartan´s concept stores, and the demand planning review.

Cost of Goods Sold:

Cost of goods sold increased by 52.8%, from R$236.2 million in the third quarter of 2011 to R$361.0 million in the third quarter of 2012. As a percentage of net sales, cost of goods sold increased from 69.1% in the third quarter of 2011 to 78.1% in the third quarter of 2012. The table below presents, for the periods indicated, material costs, conversion and warehousing costs, as well as depreciation costs for the production and distribution assets.

Cost of goods sold (R$ million)	3Q12	% COGS	% NS	3Q11	%COGS	% NS	var % 12-11
Materials	226.3	62.7%	49.0%	143.4	60.7%	41.9%	57.8%
Conversion costs	109.5	30.3%	23.7%	70.7	29.9%	20.7%	54.9%
Warehousing and distribution costs	7.8	2.2%	1.7%	4.4	1.9%	1.3%	77.3%
Depreciation	17.4	4.8%	3.8%	17.7	7.5%	5.2%	(1.7%)
Total	361.0	100.0%	78.1%	236.2	100.0%	69.1%	52.8%

Cost of goods sold (R$ million)	9M12	% COGS	% NS	9M11	%COGS	% NS	var % 12-11
Materials	578.5	62.0%	47.3%	442.6	62.2%	42.6%	30.7%
Conversion costs	283.6	30.4%	23.2%	201.1	28.3%	19.4%	41.0%
Warehousing and distribution costs	18.3	2.0%	1.5%	13.3	1.9%	1.3%	37.6%
Depreciation	52.9	5.6%	4.3%	54.5	7.6%	5.3%	(2.9%)
Total	933.3	100.0%	76.3%	711.5	100.0%	68.6%	31.2%

- Materials:

Material costs increased by 57.8%, from R$143.4 million in the third quarter of 2011 to R$226.3 million in the third quarter of 2012. As a percentage of net sales, material costs increased from 41.9% in the third quarter of 2011 to 49.0% in the third quarter of 2012. The increase in material cost as a percentage of net sales in the third quarter of 2012 is due: (i) to greater share of sales in the North American market, which has higher material cost than the products manufactured by our Brazilian subsidiary; and (ii) to the price variations of the main raw material used by the Company, which become more pronounced as a result of its longer operating cycle, which begins with the cotton inventory formation, goes through its conversion into finished goods, until final sales.

- Conversion Costs:

Conversion costs increased by 54.9%, from R$70.7 million in the third quarter of 2011 to R$109.5 million in the third quarter of 2012. Conversion cost increased, as a percent of net sales, from 20.7% in the third quarter of 2011 to 23.7% in the third quarter of 2012 due, primarily, to the greater share of finished goods in the total mix of products sold, considering the conversion costs of finished products are higher than the conversion costs of intermediate products.

- Warehousing and Distribution Costs:

Warehousing and distribution costs increased by 77.3% from R$4.4 million in the third quarter of 2011 to R$7.8 million in the third quarter of 2012, reflecting the sales volume increase and the depreciation of the *Real* on the conversion of the U.S. Dollar denominated costs into *Reais*. As a percentage of net sales, warehouse costs were 1.3% in the third quarter of 2011 and 1.7% in the third quarter of 2012.

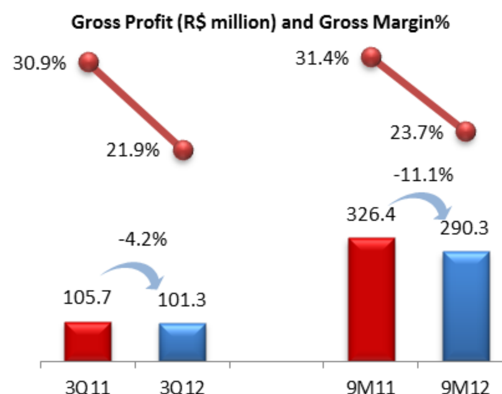
- Depreciation:

Depreciation expenses of production and distribution assets were R$17.7 million in the third quarter of 2011 and R$17.4 million in the third quarter of 2012.

Gross Profit

Gross profit decreased by 4.2%, from R$105.7 million in the third quarter of 2011 to R$101.3 million in the third quarter of 2012. There was a decrease of 9.0 percentage points in the gross margin, from 30.9% in the third quarter of 2011 to 21.9% in the third quarter of 2012.

In the third quarter of 2011, the Company repassed the raw material price increase, while in the production cost, the raw materials consumed were still lower than the market, resulting in an elevated gross margin.



Selling, General and Administrative Expenses (SG&A)

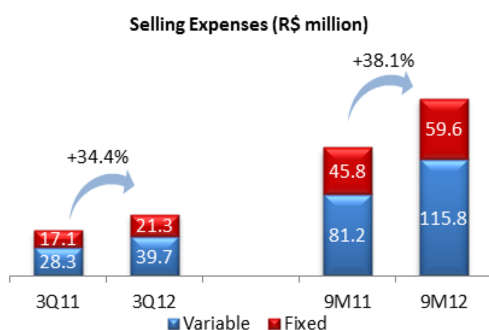
SG&A (R$ million)	3Q12	3Q11	var % 12-11	9M12	9M11	var % 12-11
SG&A Total	89.0	71.2	25.0%	256.9	201.8	27.3%
Brazil	73.7	59.7	23.5%	216.6	171.1	26.6%
Foreign market	15.3	11.5	33.0%	40.3	30.7	31.3%
SG&A Brazil	73.7	59.7	23.5%	216.6	171.1	26.6%
Selling - wholesale	22.7	19.6	15.8%	67.1	65.0	3.2%
Selling - retail	31.2	22.0	41.8%	91.8	52.6	74.5%
General and administrative	19.8	18.1	9.4%	57.7	53.5	7.9%
SG&A Foreign market	15.3	11.5	33.0%	40.3	30.7	31.3%
Selling	7.3	4.1	78.0%	16.6	9.5	74.7%
General and administrative	8.0	7.4	8.1%	23.7	21.2	11.8%

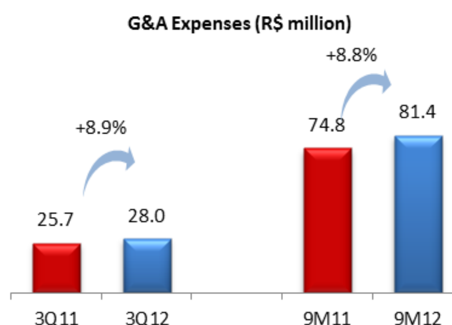
- Selling expenses in Brazil, in the third quarter of 2012, for the Multi-brand and intermediate channels, increased 15.8%.

- Selling expenses for retail reflect the growth in the total number of owned stores, especially due to the Artex stores opening.

- Administrative expenses in the third quarter of 2012 include Artex stores expenses and increased by 9.4% when compared to the third quarter of 2011.

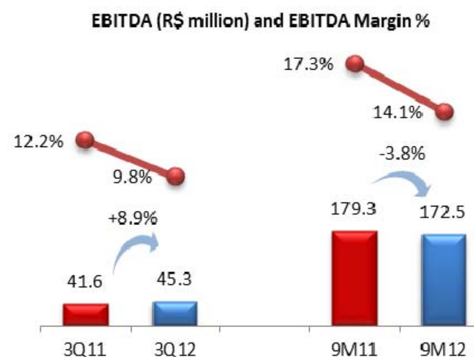
- The foreign market SG&A increase reflects the depreciation of the Brazilian *Real* on the conversion of the U.S. Dollar denominated expenses into *Reais* when compared to the third quarter of 2011.





EBITDA

EBITDA was R$45.3 million in the third quarter of 2012, an increase of 8.9 %, with an EBITDA margin of 9.8%, a decrease of 2.4 percentage points when compared with the third quarter of 2011.



EBITDA	3Q12	3Q11	var % 12-11	9M12	9M11	var % 12-11
Net sales	462.3	341.9	35.2%	1,223.6	1,037.9	17.9%
(-) COGS and SG&A	450.0	307.4	46.4%	1,190.2	913.3	30.3%
(+) Others, net	12.0	(12.0)	-	78.5	(4.3)	-
(+) Depreciation and amortization	21.0	19.1	9.9%	60.6	59.0	2.7%
EBITDA	45.3	41.6	8.9%	172.5	179.3	(3.8%)
EBITDA margin %	*9.8%*	*12.2%*	*(2.4 p.p.)*	*14.1%*	*17.3%*	*(3.2 p.p.)*

Financial Results

Financial expenses in the third quarter of 2012 totaled R$31.1 million, an increase of 6.9% when compared to the same period of the previous year. The main factors that contributed to this variation were:

Financial result (R$ million)	3Q12	3Q11	var % 12-11	9M12	9M11	var % 12-11
Financial income	3.6	7.5	(52.0%)	12.2	17.7	(31.1%)
Financial expenses - interests	(19.0)	(16.4)	15.9%	(63.0)	(42.3)	48.9%
Financial expenses - bank charges and others	(13.9)	(9.8)	41.8%	(40.0)	(27.8)	43.9%
Exchange variation, net	(1.8)	(10.4)	(82.7%)	(1.3)	(18.1)	(92.8%)
Financial result	**(31.1)**	**(29.1)**	**6.9%**	**(92.1)**	**(70.5)**	**30.6%**

- Financial income:

Financial income decreased from R$7.5 million in the third quarter of 2011 to R$3.6 million in the third quarter of 2012. This decrease is due to lower average cash invested in the financial market in the third quarter of 2012 compared to the third quarter of 2011.

- Financial expenses - interests:

Interest expense increased from R$16.4 million in the third quarter of 2011 to R$19.0 million in the third quarter of 2012, due, in part, to the monetary index that impacted the governmental concessions' liabilities, going from, approximately, zero in the third quarter of 2011 to, approximately, 3.5% in the third quarter of 2012.

- Financial expenses - bank charges and others:

Bank charges and others increased from R$9.8 million in the third quarter of 2011 to R$13.9 million in the third quarter of 2012.

- Exchange variation, net:

The balance of net exchange variations decreased from an expense of R$10.4 million in the third quarter of 2011 to an expense of R$1.8 million in the third quarter of 2012.

Net Income (Loss)

In the third quarter of 2012, the Company reported a net loss of R$29.9 million, in comparison to a net loss of R$63.6 million during the same period of the previous year. Excluding the loss reported by the Company's discontinued operations, the net loss from continuing operations was R$10.2 million.

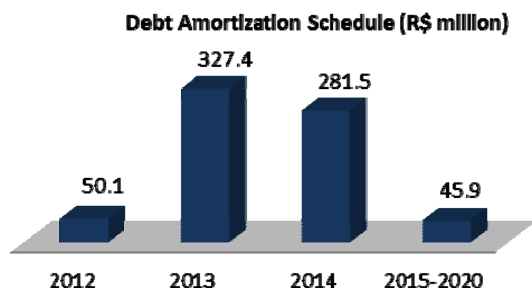
Investments

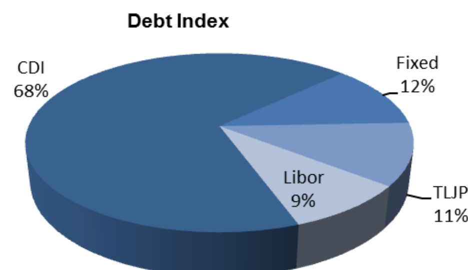
In the third quarters of 2012 and 2011, our capital investments were R$17.2 million and R$78.4 million, respectively.

Investment (R$ million)	3Q12	3Q11	var % 12-11	9M12	9M11	var % 12-11
Wholesale	11.5	38.1	(69.8%)	21.2	70.0	(69.7%)
Retail	5.7	40.3	(85.9%)	27.3	42.1	(35.2%)
Others	-	-	-	1.0	0.2	400.0%
Total	**17.2**	**78.4**	**(78.1%)**	**49.5**	**112.3**	**(55.9%)**

Cash Availability and Debt

Indebtness (R$ million)	3Q12	2Q12	var % 12-11
Cash and cash equivalents	113.4	90.3	25.6%
Gross debt	704.9	707.1	(0.3%)
- Gross debt in domestic currency	630.5	642.2	(1.8%)
- Gross debt in foreign currency	74.4	64.9	14.6%
Net debt	**591.6**	**616.7**	**(4.1%)**





Working Capital

The Company reduced the working capital used in its operations by R$31.0 million in the third quarter of 2012 when compared to the second quarter of 2012, and believes that additional reductions will occur by the end of the year.

Working capital (R$ million)	3Q12	2Q12	var % 3Q-2Q
Accounts receivable	452.4	447.2	1.2%
Inventories	640.1	655.1	(2.3%)
Advances to suppliers	70.8	74.9	(5.5%)
Suppliers	(204.8)	(187.7)	9.1%
Cash cycle	**958.5**	**989.5**	**(3.1%)**

Corporate Development

The Company has competed and received several awards which attest its commitment to best practices in different areas:

Prêmio ANA 2012: The Company was selected by the National Water Agency (*Agência Nacional de Águas*) as the finalist of the *Prêmio ANA 2012*, for sustainable development of water resources. The Wastewater Treatment by Ultrafiltration Membrane project was chosen, from 76 candidates, as one of three finalists in the Enterprises Category.

15º Prêmio Top of Mind da Casa & Mercado**:** MMartan and Artex received the *15º Prêmio Top of Mind da Casa & Mercado*. MMartan was the most recalled brand in four categories: Bedding, tabletop and bath stores; table cloth brand; bath towel brand; and bedding brand. Artex was considered by decor professionals as the most recalled brand in the categories of table cloth and bath towel.

IEL/CNI – Prêmio Melhor Estágio: The Company won the Best Internship Award, given by *IEL Instituto Euvaldo Lodi* to the companies with the best internship practices in Brazil. The Company won second place at the national level, after Petrobras. The Best Internship Award aims to encourage young professionals who are starting a career and have an internship to contribute to their professional development. The outstanding intern was Joel Fagundes, from Coteminas of Blumenau (SC).

Prêmio Socioambiental Chico Mendes: On November 26th, in São Paulo, the Company will receive the Chico Mendes Environmental Award – 2012 Edition (*Prêmio Socioambiental Chico Mendes – Edição 2012*), awarded by the *Instituto Internacional Socioambiental Chico Mendes* to people and companies committed to social and environmental matters, responsible development, and wellness of the mankind.

Balance Sheet

Assets (R$ thousand)	09/30/2012	12/31/2012
Current asset	**1,334,392**	**1,421,778**
Cash and cash equivalents	113,361	146,616
Marketable securities	-	88
Accounts receivable	452,383	448,268
Inventories	640,063	698,501
Advances to suppliers	67,539	67,657
Recoverable taxes	36,258	32,773
Derivative instruments	-	11,225
Other receivables	24,788	16,650
Noncurrent assets	**149,731**	**163,786**
Accounst receivable	-	1,505
Advances to suppliers	3,234	3,642
Related parties	252	-
Recoverable taxes	7,466	34,083
Deferred income and social contribution taxes	55,672	55,534
Property, plant and equipment held for sale	56,589	50,427
Escrow deposits	15,471	15,683
Others	11,047	2,912
Permanent	**1,079,821**	**1,093,860**
Other investments	2,590	-
Property, plant and equipment	963,189	979,996
Intangible assets	114,042	113,864
Total noncurrent assets	**1,229,552**	**1,257,646**
Total assets	**2,563,944**	**2,679,424**

Liabilities and Equity (R$ thousand)	09/30/2012	12/31/2012
Current liabilities	**750,471**	**739,589**
Loans and financing	366,838	337,708
Debentures subscribed by the parent company	11,621	25,388
Suppliers	204,848	213,034
Taxes	28,129	14,329
Payroll and related charges	66,732	49,500
Derivative instruments	-	17,967
Related parties	-	20,000
Other payments	72,303	61,663
Noncurrent liabilities	**536,073**	**733,338**
Loans and financing	338,095	519,883
Debentures subscribed by the parent company	-	5,266
Related parties - noncontrolling	3,348	17,650
Government concessions	70,446	68,847
Employee benefit plans	78,172	77,507
Miscellaneous accruals	16,185	16,316
Other obligations	29,827	27,869
Equity	**1,277,400**	**1,206,497**
Capital	1,860,265	1,691,208
Capital reserves	79,381	79,381
Cumulative translation adjustment	(166,924)	(149,166)
Income reserves	25,170	25,170
Retained deficit	(528,486)	(448,871)
Noncontrolling interests	7,994	8,775
Total liabilities and equity	**2,563,944**	**2,679,424**

Income Statement

Consolidated Income Statement ($ milllion)	3Q12	3Q11	var %12-11	9M12	9M11	var %12-11
Gross revenues	565.3	430.3	31.4%	1,503.7	1,306.5	15.1%
Net revenues	**462.3**	**341.9**	**35.2%**	**1,223.6**	**1,037.9**	**17.9%**
Cost of goods sold	**(361.0)**	**(236.2)**	**52.8%**	**(933.3)**	**(711.5)**	**31.2%**
% of net sales	***78.1%***	***69.1%***	***9.0% p.p.***	***76.3%***	***68.6%***	***7.7% p.p.***
Materials	(226.3)	(143.4)	57.8%	(578.5)	(442.6)	30.7%
Conversion costs	(109.5)	(70.7)	54.9%	(283.6)	(201.1)	41.0%
Warehousing and distribution	(7.8)	(4.4)	77.3%	(18.3)	(13.3)	37.6%
Depreciation	(17.4)	(17.7)	(1.7%)	(52.9)	(54.5)	(2.9%)
Gross profit	**101.3**	**105.7**	**(4.2%)**	**290.3**	**326.4**	**(11.1%)**
% of net sales	***21.9%***	***30.9%***	***(9.0% p.p.)***	***23.7%***	***31.4%***	***(7.7% p.p.)***
SG&A	**(89.0)**	**(71.2)**	**25.0%**	**(256.9)**	**(201.8)**	**27.3%**
% of net sales	***19.3%***	***20.8%***	***(1.6% p.p.)***	***21.0%***	***19.4%***	***1.6% p.p.***
Selling expenses	(61.0)	(45.4)	34.4%	(175.4)	(127.0)	38.1%
% of net sales	*13.2%*	*13.3%*	*(0.1% p.p.)*	*14.3%*	*12.2%*	***2.1% p.p.***
General and administrative expenses	(28.0)	(25.7)	8.9%	(81.4)	(74.8)	8.8%
% of net sales	*6.1%*	*7.5%*	*(1.5% p.p.)*	*6.7%*	*7.2%*	***(0.5% p.p.)***
Others, net	12.0	(12.0)	0.0%	78.5	(4.3)	-
% of net sales	*2.6%*	*-3.5%*	*6.1% p.p.*	*6.4%*	*(0.4%)*	***6.8% p.p.***
Income from operations	**24.4**	**22.5**	**8.4%**	**111.9**	**120.3**	**(7.0%)**
% of net sales	***5.3%***	***6.6%***	***(1.3% p.p.)***	***9.1%***	***11.6%***	***(2.5% p.p.)***
Financial result	(31.1)	(29.2)	6.5%	(92.2)	(70.6)	30.6%
Loss from operations before taxes	**(6.7)**	**(6.7)**	**0.0%**	**19.7**	**49.8**	(60.4%)
Income and social contribution taxes	(3.5)	(3.4)	2.9%	(4.7)	(89.8)	(94.8%)
Net loss for the period from continuing operations	**(10.2)**	**(10.1)**	**-**	**15.1**	**(40.0)**	**-**
Loss from discontinued operations	(19.7)	(53.5)	(63.2%)	(100.8)	(170.7)	(40.9%)
Net loss for the period	**(29.9)**	**(63.6)**	**- 0.53**	**(85.7)**	**(210.7)**	(59.3%)

Cash Flow

Consolidated Cash Flow (R$ thousand)	9M12	9M11
Cash flows from operating activities		
Net loss for the period	**(85,742)**	**(210,714)**
Depreciation and amortization	70,426	76,613
Government concessions	1,599	4,084
Income and social contribution taxes	4,650	74,886
Gain (loss) on disposal of property, plant and equipment	(85,373)	1,415
Impairment of property, plant and equipment	4,932	24,725
Exchange variations	22,063	61,853
Bank charges and interests	31,146	24,985
Long-term obligations	(1,315)	(6,740)
Changes in assets and liabilities		
Marketable securities	88	-
Accounts receivable	(4,115)	38,690
Inventories	58,438	(193,365)
Advances to suppliers	118	(13,656)
Suppliers	(17,829)	8,979
Others	(16,192)	(21,523)
Net cash used in operating activities	**(17,106)**	**(129,768)**
Interest paid	(68,816)	(17,571)
Income and social contribution taxes paid	(5,042)	(7,321)
Net cash used in operating activities after interest and taxes	**(90,964)**	**(154,660)**
Cash flows from investing activities		
In investments	(17,594)	-
In property, plant and equipment	(48,652)	(76,613)
In intangible assets	(829)	(35,657)
Impairment of property, plant and equipment	98,505	4,216
Derivative instruments	14,263.00	(12,066)
Loans between related parties	(10,059)	(26,391)
Net cash provided by (used in) investing activities	**35,634**	**(146,511)**
Cash flows from financing activities		
Capital increase	189,430	-
Proceeds from new loans	290,702	908,800
Repayment of loans	(458,084)	(392,258)
Dividends paid	-	(143)
Net cash provided by financing activities	**22,048**	**516,399**
Effect of exchange rate changes on cash and cash equivalents	27	165
Cash and cash equivalents:		
At the beginning of the period	146,616	141,274
At the end of the period	113,361	356,667
Increase (decrease) in cash and cash equivalents	**(33,255)**	**215,393**

COMPANHIA TECIDOS SANTANENSE

Management Discussion and Analysis' report for the nine-month period ended September 30, 2012:

	% Var	R$ thousand		% of net sales	
Consolidated results:	**9M12/11**	**9M12**	**9M11**	**9M12**	**9M11**
Gross sales	1.0	356.1	352.4	-	-
Net sales	1.4	287.9	284.0	100.0	100.0
Cost of goods sold	(2.6)	(212.6)	(218.3)	(73.8)	(76.9)
Gross profit	14.6	75.3	65.7	26.2	23.1
Selling and administrative expenses	(7.4)	(39.0)	(36.3)	(13.5)	(12.8)
Depreciation and amortization	11.0	8.1	7.3	2.8	2.6
Operating income before financial results	**20.9**	**36.4**	**30.1**	**12.6**	**10.6**
Impairment of property	-	6.9	-	2.4	-
Financial results, net	4.1	(5.1)	(4.9)	(1.8)	(1.7)
Income before taxes	51.6	38.2	25.2	13.3	8.9
Net profit	34.0	26.8	20.0	9.3	7.0
EBIT	20.9	36.4	30.1	12.6	10.6
EBITDA	19.0	44.5	37.4	15.5	13.2

Net sales

Net sales in the nine-month period ended September 30, 2012 (9M12) totaled R$287.9 million, recording an increase of 1.4% over the same period last year (9M11), which was R$284.0 million. The increase was driven by average price reduction of 5.9% due to product mix and by an increase in volume of 7.7%.

Gross profit and gross margin

Santanense presented gross margin in 9M12 of 26.2%. Gross profit reached R$75.3 million in 9M12.

Compared to the same period last year (9M11), there was an increase in gross margin of 3.1 percentage points. The increase in raw materials cost, in the second and third quarters of 2011, impacted the Company's inventory cost, reducing its margins.

Selling, general and administrative expenses

Selling, general and administrative expenses in this year (9M12) were R$39.0 million, which represented 13.5% of net sales. In the same period in 2011, these expenses totaled R$36.3 million, or 12.8% of net sales.

Operating income

EBITDA for 9M12 totaled R$44.5 million, representing 15.5% of net sales. In 9M11, EBITDA totaled R$37.4 million, representing 13.2% of net sales. The increase of 2.3% is due to the increase in raw material prices in the second and third quarters of 2011, as discussed earlier.

Financial results, net

Financial results, net for 9M12 was an expense of R$5.1 million.

Financial results	R$ million	
	9M12	**9M11**
Financial income	0.7	1.5
Financial expense – interest	(4.1)	(5.7)
Exchange variations, net	0.8	0.8
Bank charges, discounts	(2.5)	(1.5)
Financial results	**(5.1)**	**(4.9)**

Net working capital

Net working capital increased from R$92.5 million at the end of 2011 to R$131.7 million at September 30, 2012, an increase of R$39.2 million. The current ratio on September 30, 2012 was 3.78, which means, that for each R$1.00 of short-term liabilities, Santanense has R$3.78 in short-term assets.

Financial assets and liabilities

The net debt on September 30, 2012 totaled R$37.4 million against R$67.0 million at December 31, 2011, representing a decrease of 44.2%. Debt as of September 30, 2012 is shown below:

Maturity	09.30.2012
2012	8.8
2013	4.3
2014	2.4
2015 to 2020	21.9
Total	37.4

The Management

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

Companhia de Tecidos Norte de Minas - COTEMINAS

Interim Financial Statements for the Quarter Ended September 30, 2012 and Independent Auditors' Report on Review of Interim Financial Information

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial statements of Companhia de Tecidos Norte de Minas - COTEMINAS (the "Company"), identified as Parent and Consolidated, respectively, included in the Interim Financial Information Form (ITR), for the three--month period ended September 30, 2012, which comprises the balance sheet as of September 30, 2012 and the related statements of operations and of comprehensive income for the three and nine--month periods then ended and of changes in equity and of cash flows for the nine-month period then ended, including the explanatory notes.

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

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

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Conclusion on consolidated interim financial statements

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

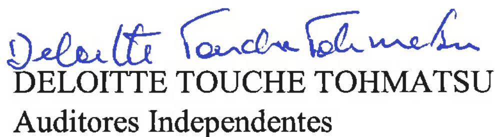
Other matters

Statements of value added

We have also reviewed the individual and consolidated interim statements of value added ("DVA") for the nine-month period ended September 30, 2012, prepared under the responsibility of the Company's Management, the presentation of which is required by the standards issued by CVM applicable to the preparation of Interim Financial Information (ITR) and considered as supplemental information for International Financial Reporting Standards - IFRS that do not require the presentation of DVA. These statements were subject to the same review procedures described above, and, based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the individual and consolidated interim financial statements taken as a whole.

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

São Paulo, November 12, 2012



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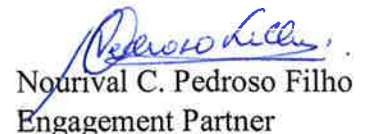
Auditores Independentes



Nourival C. Pedroso Filho
Engagement Partner

2012-1542

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COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF SEPTEMBER 30, 2012 AND DECEMBER 31, 2011

(In thousands of Brazilian Reais)

A S S E T S

	Note	Company		Consolidated	
		09.30.2012	12.31.2011	09.30.2012	12.31.2011
CURRENT:					
Cash and cash equivalents	3	1,879	2,364	155,785	185,878
Marketable securities	4	-	9,928	36,895	44,148
Accounts receivable	5	-	-	562,524	540,499
Inventories	6	-	-	694,852	772,540
Advances to suppliers	7	139	104	68,358	68,577
Recoverable taxes	17.d	8,295	11,152	46,483	45,944
Debentures issued by subsidiary	16	11,621	25,388	-	-
Derivative instruments	21.d.5.1	-	-	-	11,225
Real estate held for sale		-	-	2,921	11,790
Other receivables		5,856	20,523	31,651	40,295
Total current assets		27,790	69,459	1,599,469	1,720,896
NONCURRENT:					
Long-term assets:					
Other receivables		2,056	2,056	11,060	4,416
Advances to suppliers	7	-	-	3,234	3,642
Related parties	15	92,738	96,924	48,389	35,499
Debentures issued by subsidiary	16	-	5,266	-	-
Recoverable taxes	17.d	13,552	20,991	43,377	75,947
Deferred income and social contribution taxes	17.c	8,629	8,629	70,757	71,246
Property, plant and equipment held for sale	9.b	-	-	56,589	50,427
Escrow deposits	18	77,200	78,109	100,817	102,011
		194,175	211,975	334,223	343,188
Permanent:					
Investments in subsidiaries	8	930,550	952,689	-	-
Investments in affiliated company	8	42,657	71,400	42,657	71,400
Other investments		4,710	4,710	7,851	5,257
Property, plant and equipment	9.a	3,054	16	1,101,225	1,116,801
Intangible assets	10	2	2	114,066	113,888
Total noncurrent assets		1,175,148	1,240,792	1,600,022	1,650,534
Total assets		1,202,938	1,310,251	3,199,491	3,371,430

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

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF SEPTEMBER 30, 2012 AND DECEMBER 31, 2011

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

	Note	Company		Consolidated	
		09.30.2012	12.31.2011	09.30.2012	12.31.2011
LIABILITIES					
CURRENT:					
Loans and financing	13	45,138	25,438	451,265	445,647
Suppliers	12	96	138	216,445	233,202
Payroll and related charges		664	556	74,079	54,351
Taxes		338	6	33,359	15,903
Income and social contribution taxes		-	-	1,369	158
Dividends payable		34	34	895	1,387
Derivative instruments	21.d.4	-	-	-	17,967
Related parties – noncontrolling	15	-	-	-	20,000
Other payables		610	1,889	80,648	71,232
Total current liabilities		46,880	28,061	858,060	859,847
NONCURRENT:					
Long-term liabilities:					
Loans and financing	13	-	-	363,450	529,479
Related parties	15	2,590	-	155	-
Government concessions	20	-	-	70,446	68,847
Employee benefit plans	19	-	-	78,172	77,507
Miscellaneous accruals	18	63,471	64,380	94,351	95,464
Deferred income and social contribution taxes	17.c	427	427	5,049	5,051
Other obligations		478	-	28,776	26,942
Total noncurrent liabilities		66,966	64,807	640,399	803,290
EQUITY:	14				
Capital		870,000	870,000	870,000	870,000
Capital reserves		286,308	286,308	286,308	286,308
Income reserves		431,698	431,698	431,698	431,698
Cumulative translation adjustment		(107,487)	(97,361)	(107,487)	(97,361)
Treasury shares		(838)	(838)	(838)	(838)
Retained deficit		(390,589)	(272,424)	(390,589)	(272,424)
Total equity attributable to shareholders of the parent company		1,089,092	1,217,383	1,089,092	1,217,383
NONCONTROLLING INTEREST		-	-	611,940	490,910
Total equity		1,089,092	1,217,383	1,701,032	1,708,293
Total liabilities and equity		1,202,938	1,310,251	3,199,491	3,371,430

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012 AND 2011
(In thousands of Brazilian Reais)

	Note	Company			
		07.01.2012 to 09.30.2012	01.01.2012 to 09.30.2012	07.01.2011 to 09.30.2011	01.01.2011 to 09.30.2011
OPERATING INCOME (EXPENSES):					
General and administrative expenses		(5,879)	(16,361)	(3,613)	(13,310)
Management fees		(339)	(1,089)	(481)	(1,319)
Equity in subsidiaries	8	(17,626)	(3,904)	3,659	(10,412)
Others, net		(125)	95	30	142
INCOME (LOSS) FROM OPERATIONS		(23,969)	(21,259)	(405)	(24,899)
Financial expenses – interests		(1,431)	(4,620)	(641)	(1,392)
Financial expenses – bank charges and others		(487)	(1,175)	(259)	(953)
Financial income		3,375	13,365	3,219	11,179
Exchange variations, net		314	4,560	10,366	7,451
INCOME (LOSS) BEFORE TAXES		(22,198)	(9,129)	12,280	(8,614)
Income and social contribution taxes:					
Current	17.b	-	(31)	(589)	(589)
Deferred	17.b	-	-	-	-
NET INCOME (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		(22,198)	(9,160)	11,691	(9,203)
Equity from discontinued operations in subsidiaries	8	(12,139)	(67,639)	(36,593)	(116,831)
NET LOSS FOR THE PERIOD		(34,337)	(76,799)	(24,902)	(126,034)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE — R$					
From continuing operations	26	(0.1905)	(0.0786)	0.1003	(0.0790)
From discontinued operations	26	(0.1041)	(0.5803)	(0.3140)	(1.0024)
Total	26	(0.2946)	(0.6589)	(0.2137)	(1.0814)

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012 AND 2011
(In thousands of Brazilian Reais)

	Note	Consolidated			
		07.01.2012 to 09.30.2012	01.01.2012 to 09.30.2012	07.01.2011 to 09.30.2011	01.01.2011 to 09.30.2011
NET REVENUES	25	560,233	1,504,641	433,160	1,286,534
COST OF GOODS SOLD	24	(430,974)	(1,139,080)	(306,165)	(894,418)
GROSS PROFIT		129,259	365,561	126,995	392,116
OPERATING INCOME (EXPENSES):					
Selling expenses	24	(69,087)	(198,533)	(53,122)	(148,710)
General and administrative expenses	24	(38,604)	(111,333)	(32,842)	(98,393)
Management fees	24	(2,165)	(6,770)	(1,775)	(6,939)
Equity in subsidiaries	8	(14,967)	(28,743)	(1,536)	(2,174)
Others, net	27	12,177	87,101	(12,112)	(2,451)
INCOME FROM OPERATIONS		16,613	107,283	25,608	133,449
Financial expenses – interests		(21,007)	(66,081)	(9,742)	(42,317)
Financial expenses – bank charges and others		(14,159)	(39,097)	(9,864)	(26,791)
Financial income		5,766	21,032	9,420	28,192
Exchange variations, net		(1,445)	4,071	2,013	(9,810)
INCOME (LOSS) BEFORE TAXES		(14,232)	27,208	17,435	82,723
Income and social contribution taxes:					
Current	17.b	(7,467)	(15,732)	(4,864)	(9,623)
Deferred	17.b	79	(392)	69	(83,939)
NET INCOME (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		(21,620)	11,084	12,640	(10,839)
Loss from discontinued operations in subsidiaries	28	(19,733)	(100,827)	(53,468)	(170,705)
NET LOSS FOR THE PERIOD		(41,353)	(89,743)	(40,828)	(181,544)
ATTRIBUTABLE TO:					
Parent company's interest					
In continuing operations		(22,198)	(9,160)	11,691	(9,203)
In discontinued operations		(12,139)	(67,639)	(36,593)	(116,831)
		(34,337)	(76,799)	(24,902)	(126,034)
Noncontrolling interest					
In continuing operations		578	20,244	949	(1,636)
In discontinued operations		(7,594)	(33,188)	(16,875)	(53,874)
		(7,016)	(12,944)	(15,926)	(55,510)
		(41,353)	(89,743)	(40,828)	(181,544)

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012 AND 2011

(In thousands of Brazilian Reais)

	Company			
	07.01.2012 to 09.30.2012	01.01.2012 to 09.30.2012	07.01.2011 to 09.30.2011	01.01.2011 to 09.30.2011
NET LOSS FOR THE PERIOD	(34,337)	(76,799)	(24,902)	(126,034)
Other comprehensive income (loss):				
Derivative instruments	-	-	-	3,579
Exchange variation on foreign investments	(6,955)	(10,126)	2,810	(5,587)
	(6,955)	(10,126)	2,810	(2,008)
COMPREHENSIVE LOSS FOR THE PERIOD	(41,292)	(86,925)	(22,092)	(128,042)

	Consolidated			
	07.01.2012 to 09.30.2012	01.01.2012 to 09.30.2012	07.01.2011 to 09.30.2011	01.01.2011 to 09.30.2011
NET LOSS FOR THE PERIOD	(41,353)	(89,743)	(40,828)	(181,544)
Other comprehensive income (loss):				
Derivative instruments	-	-	7	5,277
Exchange variation on foreign investments	(11,365)	(16,435)	3,354	(8,652)
	(11,365)	(16,435)	3,361	(3,375)
COMPREHENSIVE LOSS FOR THE PERIOD	(52,718)	(106,178)	(37,467)	(184,919)
ATTRIBUTABLE TO:				
Shareholders of the parent company	(41,292)	(86,925)	(22,092)	(128,042)
Noncontrolling interest	(11,426)	(19,253)	(15,375)	(56,877)
	(52,718)	(106,178)	(37,467)	(184,919)

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011

(In thousands of Brazilian Reais)

		Capital reserve	Income reserves								
	Capital	Tax incentives	Legal	Retained income	Cumulative translation adjustment	Assets and liabilities valuation adjustment	Treasury shares	Retained deficit	Total equity attributable to shareholders of the parent company	Noncontrolling Interest	Total equity
BALANCES AS OF DECEMBER 31, 2010	870,000	286,308	33,298	398,362	(92,584)	(3,579)	(838)	-	1,490,967	627,413	2,118,380
Comprehensive income:											
Net loss for the period	-	-	-	-	-	-	-	(126,034)	(126,034)	(55,510)	(181,544)
Exchange variation on investments (note 2.1)	-	-	-	-	1,274	-	-	-	1,274	-	1,274
Impact of subsidiaries-											
Exchange variation on investments (note 2.1)	-	-	-	-	(6,861)	-	-	-	(6,861)	(3,065)	(9,926)
Derivative instruments – NDF	-	-	-	-	-	3,579	-	-	3,579	1,698	5,277
Total comprehensive income (loss)	-	-	-	-	(5,587)	3,579	-	(126,034)	(128,042)	(56,877)	(184,919)
Shareholders' distribution											
Dividends paid to noncontrolling shareholders	-	-	-	-	-	-	-	-	-	(1,164)	(1,164)
Total shareholders' distribution	-	-	-	-	-	-	-	-	-	(1,164)	(1,164)
BALANCES AS OF SEPTEMBER 30, 2011	870,000	286,308	33,298	398,362	(98,171)	-	(838)	(126,034)	1,362,925	569,372	1,932,297

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2012

(In thousands of Brazilian Reais)

		Capital reserve	Income reserves							
	Capital	Tax incentives	Legal	Retained Income	Cumulative translation adjustment	Treasury shares	Retained deficit	Total equity attributable to shareholders of the parent company	Noncontrolling interest	Total equity
BALANCES AS OF DECEMBER 31, 2011	870,000	286,308	33,298	398,400	(97,361)	(838)	(272,424)	1,217,383	490,910	1,708,293
Comprehensive income:										
Net loss for the period	-	-	-	-	-	-	(76,799)	(76,799)	(12,944)	(89,743)
Exchange variation on investments (note 2.1)	-	-	-	-	1,326	-	-	1,326	-	1,326
Impact of subsidiaries-										
Exchange variation on investments (note 2.1)	-	-	-	-	(11,452)	-	-	(11,452)	(6,309)	(17,761)
Total comprehensive income (loss)	-	-	-	-	(10,126)	-	(76,799)	(86,925)	(19,253)	(106,178)
Shareholder's contribution (distribution):										
Purchase of ownership interest in subsidiary	-	-	-	-	-	-	(3,865)	(3,865)	(11,135)	(15,000)
Dividend paid in subsidiaries	-	-	-	-	-	-	-	-	(1,364)	(1,364)
Capital increase in subsidiaries	-	-	-	-	-	-	-	-	94,935	94,935
Gain (loss) on subscription of shares (note 8)	-	-	-	-	-	-	(45,298)	(45,298)	45,298	-
Capital increase in subsidiary by noncontrolling interest (note 8)	-	-	-	-	-	-	7,797	7,797	12,549	20,346
Total shareholder's contribution (distribution)	-	-	-	-	-	-	(41,366)	(41,366)	140,283	98,917
BALANCES AS OF SEPTEMBER 30, 2012	870,000	286,308	33,298	398,400	(107,487)	(838)	(390,589)	1,089,092	611,940	1,701,032

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012 AND 2011

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2012 to 09.30.2012	01.01.2011 to 09.30.2011	01.01.2012 to 09.30.2012	01.01.2011 to 09.30.2011
Cash flows from operating activities				
Net loss for the period	(76,799)	(126,034)	(89,743)	(181,544)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	22	28	81,160	84,934
Government concessions	-	-	1,599	4,084
Equity in subsidiaries and affiliated company:				
Continuing operations	3,904	10,412	28,743	2,174
Discontinued operations	67,639	116,831	-	-
Income and social contribution taxes	31	589	16,124	78,662
(Gain) loss on sale of property, plant and equipment	-	-	(92,352)	1,415
Impairment of property, plant and equipment	-	-	4,932	24,725
Exchange variations	(2,299)	(857)	19,765	60,816
Bank charges and interests	(6,471)	(6,093)	29,024	25,216
Other accruals	-	-	(1,443)	(10,889)
	(13,973)	(5,124)	(2,191)	89,593
Changes in assets and liabilities				
Marketable securities	9,928	-	7,253	3,514
Accounts receivable	-	-	(22,026)	21,673
Inventories	-	-	77,688	(192,620)
Advances to suppliers	(35)	(34)	219	(13,363)
Suppliers	(42)	3	(16,757)	21,353
Others	24,603	(36,205)	(20,890)	(115,271)
Net cash provided by (used in) operating activities	20,481	(41,360)	23,296	(185,121)
Interest paid	-	-	(71,815)	(21,021)
Income and social contribution taxes paid	(31)	-	(14,623)	(7,321)
Net cash provided by (used in) operating activities after interest and taxes	20,450	(41,360)	(63,142)	(213,463)
Cash flows from investing activities				
Acquisition of investments	(74,123)	(71,298)	(17,594)	(75,079)
Acquisition of property, plant and equipment	(3,060)	-	(60,126)	(65,395)
In intangible assets	-	-	(829)	(35,657)
Proceeds from sale of property, plant and equipment	-	61,383	118,431	72,891
Dividends received	1,970	1,656	-	-
Loans between related parties	12,214	3,960	(4,182)	(20,971)
Debentures received	22,364	-	-	-
Derivative instruments	-	-	14,263	(11,702)
Net cash provided by (used in) investing activities	(40,635)	(4,299)	49,963	(135,913)

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012 AND 2011

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2012 to 09.30.2012	01.01.2011 to 09.30.2011	01.01.2012 to 09.30.2012	01.01.2011 to 09.30.2011
Cash flows from financing activities				
Capital increase	-	-	115,306	-
Dividends paid	-	(687)	(1,856)	(2,359)
Proceeds from new loans	19,700	18,948	365,247	962,119
Repayment of loans	-	-	(501,027)	(414,418)
Net cash provided by (used in) financing activities	19,700	18,261	(22,330)	545,342
Effect of exchange rate changes on cash and cash equivalents of foreign subsidiary	-	-	5,416	4,279
Increase (decrease) in cash and cash equivalents	(485)	(27,398)	(30,093)	200,245
Cash and cash equivalents:				
At the beginning of the period	2,364	29,726	185,878	206,829
At the end of the period	1,879	2,328	155,785	407,074
Increase (decrease) in cash and cash equivalents	(485)	(27,398)	(30,093)	200,245

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF VALUE ADDED

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012 AND 2011

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2012 to 09.30.2012	01.01.2011 to 09.30.2011	01.01.2012 to 09.30.2012	01.01.2011 to 09.30.2011
REVENUES				
Sales of products, goods and services	-	-	1,979,475	1,850,002
Allowance for doubtful accounts	-	-	(428)	(274)
Gain (loss) on sale of real estate held for sale	-	-	6,941	-
Gain (loss) on sale of permanent assets	38	-	85,411	(1,415)
	38	-	2,071,399	1,848,313
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(1,012,279)	(1,018,983)
Materials, energy, third party services, and others	(14,565)	(5,830)	(382,189)	(235,210)
Impairment of property, plant and equipment	-	-	(4,932)	(24,725)
	(14,565)	(5,830)	(1,399,400)	(1,278,918)
GROSS VALUE ADDED	(14,527)	(5,830)	671,999	569,395
RETENTIONS				
Depreciation	(22)	(28)	(78,219)	(84,934)
Amortization	-	-	(2,941)	-
	(22)	(28)	(81,160)	(84,934)
NET VALUE ADDED PRODUCED BY THE COMPANY	(14,549)	(5,858)	590,839	484,461
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries and affiliated company	(71,543)	(127,243)	(28,743)	(2,174)
Financial income	13,365	11,179	21,032	28,192
Exchange rate variation	4,560	7,451	14,716	22,547
Royalties	-	-	9,000	7,818
	(53,618)	(108,613)	16,005	56,383
TOTAL VALUE ADDED FOR DISTRIBUTION	(68,167)	(114,471)	606,844	540,844
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	2,213	3,136	317,396	296,810
Taxes, duties and contributions	1,799	1,846	215,154	269,401
Payments to third parties	4,620	6,581	164,037	156,177
Equity – Net income (loss)	(76,799)	(126,034)	(89,743)	(181,544)
VALUE ADDED DISTRIBUTED	(68,167)	(114,471)	606,844	540,844

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

NOTES TO THE INTERIM FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2012

(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"). In August, 2011, the Company acquired a controlling interest in American Sportswear Ltda. ("ASW"); a company specialized in retailing bed, bath and table linen, operating under the brand Artex.

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

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Company's Board of Directors on November 12, 2012.

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 and presented in accordance with standards issued by 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 the investment would be valued at cost or fair value

The financial statements for the year ended December 31, 2011 and the interim financial statements for the three-month and nine-month periods ended September 30, 2011 presented for comparative purposes may include reclassifications, where applicable, to improve information and comparability.

The Company adopted all standards, revisions of standards and interpretations issued by the IASB and the CVM which were effective on September 30, 2012.

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, 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 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 are 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, 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) Valuation of recoverable 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) Stock compensation--Instruments that are paid with stocks issued by the Company are measured at fair market value on the date of grant and the expense is recognized on a straight-line basis over the vesting period.

(t) Basic and diluted earnings (loss) per share--Basic earnings (loss) per share is calculated by dividing the income or loss for the period attributable to the Company's shareholders by the weighted average number of outstanding shares. Diluted earnings (loss) per share is calculated by adjusting the weighted average number of outstanding shares assuming conversion of

potential shares to be issued. The Company did not identify any potential issuance of new shares and, therefore, a potential dilution in earnings (loss) per share.

(u) Monetary and exchange 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.

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

(w) Statement of Value Added ("DVA")--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.

(x) Controlling and noncontrolling shareholder--In the interim financial statements, "parent company's shareholder" represents all the shareholders of the Company and "noncontrolling" represents the Company's subsidiaries minority interest.

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 - %	
	09.30.2012	12.31.2011
Coteminas International Ltd.	100	100
Companhia de Tecidos Norte de Minas – Coteminas (Argentina Branch)	100	100
Springs Global Participações S.A.	62	68
Oxford Comércio e Participações S.A.	59	59
American Sportswear Ltda.	100	100
Companhia Tecidos Santanense	53	53

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, ASW and SRPSA 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 September 30, 2012 and December 31, 2011 for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	2012	2011
Exchange rate as of:		
December 31	-	1.8758
September 30	2.0306	1.8544
Average exchange rate:		
September 30 (3 months)	2.0392	1.6660
September 30 (9 months)	1.9248	1.6306

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

The interpretations and amendments of the existing standards listed below were edited and effective on January 1, 2012. However, there were no significant impact on the Company's interim financial statements:

Standard	Main requirements	Effective date
Amendments to IFRS 1	Severe hyperinflation and amendment of fixed transition dates for first-time adopters of IFRSs	Effective for annual periods beginning on or after July 1, 2011
Amendments to IFRS 7	Disclosures – transfer of financial assets.	Effective for annual periods beginning on or after July 1, 2011
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets when measured using the fair value model in IAS 40.	Effective for annual periods beginning on or after January 1, 2012

Certain new IASB accounting standards and IFRIC interpretations were published and/or revised and have their optional adoption in 2012 or mandatory adoption for the periods beginning after January 1, 2013. However, the Company did not early adopt these new and revised standards. Considering the Company's and its subsidiaries current operations, Management does not expect the adoption of these new standards, interpretations and amendments to have a significant impact on the interim financial statements.

Standard	Main requirements	Effective date
IFRS 9 (as changed in 2010)	Financial instruments.	Effective for annual periods beginning on or after January 1, 2015
IAS 28 (Revised 2011) "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), "Separate Financial Statements"	Requirements of IAS 27 related to the consolidated interim 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 "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 interim financial statements regardless of the nature of the investees.	Effective for annual periods beginning on or after January 1, 2013

Standard	Main requirements	Effective date
IFRS 11 “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 “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 “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, provide 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
Amendments to IAS 19 “Employee Benefits”	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
Amendments to IAS 1 “Presentation of Financial Statement”	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
Amendments 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
Amendments 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.

Standard	Main requirements	Effective date
Changes to IFRS 1 – Government Loans	Requires that first-time adopters apply the 2008 amendments to IAS 20 prospectively to loans entered into on or after the date of transition to IFRSs. However, if an entity obtained the information necessary to apply the requirements to a government loan as a result of a past transaction at the time of initially accounting for that loan, then it may choose to apply IAS 20 retrospectively to that loan.	Effective for annual periods beginning on or after 1 January 2013
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance – Changes to IFRS 10, IFRS 11 and IFRS 12	The amendments clarify the transition guidance in IFRS 10 "Consolidated Financial Statements". The amendments also provide additional transition relief in IFRS 10, IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.	Effective for annual periods beginning on or after 1 January 2013
Annual improvements to IFRSs: 2009-2011 Cycle	Amendments to several standards.	Effective for annual periods beginning on or after 1 January 2013

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	
	09.30.2012	12.31.2011	09.30.2012	12.31.2011
CDB – floating	683	782	17,644	52,167
Repurchase transactions	-	-	271	36,196
Foreign exchange funds (US$)	-	-	12,514	15,381
Foreign deposits	-	-	65,012	63,999
Checking accounts deposits	1,196	1,582	60,344	18,135
	1,879	2,364	155,785	185,878

4. MARKETABLE SECURITIES

	Company		Consolidated	
	09.30.2012	12.31.2011	09.30.2012	12.31.2011
Fixed-yield fund (DI)	-	9,928	-	9,928
Investment fund – US$	-	-	9,694	9,005
Restricted cash	-	-	-	88
Foreign deposits	-	-	27,201	25,127
	-----------	-----------	------------	------------
	-	9,928	36,895	44,148
	======	======	======	======

5. ACCOUNTS RECEIVABLE

	Consolidated	
	09.30.2012	12.31.2011
Domestic customers	463,042	437,894
Foreign customers	125,103	102,901
Credit card companies	11,906	34,957
Related parties		
Domestic market	1,976	535
Foreign market	3,091	4,746
	----------	----------
	605,118	581,033
Allowance for doubtful accounts	(42,594)	(40,534)
	----------	----------
	562,524	540,499
	======	======

The credit sales made by the indirect subsidiaries MMartan and Artex stores are made directly to the consumer that can pay in up to 10 installments by instruments of credit granted by the credit card companies. Present value adjustments on these amounts are made considering the market rates, since cash sales prices do not differ from installment sales prices. On September 30, 2012, the installment receivables under this type of sale were R$13,209, with an average collection period of 90 days, totaling to an adjustment in the amount of R$1,303, using 100% of the CDI as the interest rate.

A present value adjustment was made, in the amount of R$144 (R$489 as of December 31, 2011) to the accounts receivables related to installment plans of past due accounts. The present value adjustment is equivalent to the interest embedded in the installments agreed with the customer, maintaining the original values of the receivables.

Accounts receivable from customers consist of receivables with an average collection period of approximately 90 days (98 days as of December 31, 2011). Past-due amounts are not significant and the allowance for doubtful accounts is considered by Management sufficient to cover expected losses from these notes.

The Company's Management believes that the risk related to accounts receivable is minimized because the composition of the company's customer portfolio is diluted. The Company has over 13,000 active clients as of September 30, 2012 and only two clients represent 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, 2011. There was no significant change in the composition of the aging list during the nine-month period ended September 30, 2012.

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

	09.30.2012	12.31.2011
Balance at the beginning of the period	(40,534)	(38,336)
Additions	(695)	(1,293)
Write-offs	72	804
Exchange variation	(1,437)	(1,709)
	-------------	-------------
Balance at the end of the period	(42,594)	(40,534)
	=======	=======

6. INVENTORIES

	Consolidated	
	09.30.2012	12.31.2011
Raw materials and supplies	163,215	212,550
Work in process	182,110	232,711
Finished products	284,901	258,940
Repair parts	64,626	68,339
	------------	------------
	694,852	772,540
	=======	=======

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:

	12.31.2011	Additions	Write-offs	Exchange variation	09.30.2012
Raw materials and supplies	(28,396)	-	25,811	(83)	(2,668)
Work in process	(3,317)	-	203	(262)	(3,376)
Finished products	(28,614)	(21)	13,550	(1,503)	(16,588)
Repair parts	(1,474)	-	-	-	(1,474)
	------------	----------	-------------	-------------	------------
	(61,801)	(21)	39,564	(1,848)	(24,106)
	======	======	======	======	======

7. ADVANCES TO SUPPLIERS

	Company		Consolidated	
	09.30.2012	12.31.2011	09.30.2012	12.31.2011
Sundry suppliers	139	104	69,972	66,937
Electricity suppliers	-	-	1,620	5,282
	----------	----------	----------	----------
	139	104	71,592	72,219
Current	(139)	(104)	(68,358)	(68,577)
	----------	----------	----------	----------
Noncurrent	-	-	3,234	3,642
	======	======	======	======

The indirect subsidiary CSA has an electricity purchase and sale agreement with CESP – Companhia Energética de São Paulo, entered into on August 26, 2004 for the supply of electricity until December 2012. On January 10, 2005, CSA made an advance of R$58,314.

Every month, CESP invoices the electricity supplied at the current price and the indirect subsidiary CSA amortizes the advance at the historical cost, with the excess amount recorded as cost reduction. As of September 30, 2012, the balance in current assets is R$1,620 (R$4,874 in current assets and R$408 in noncurrent assets as of December 31, 2011).

8. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANY

	Equity	Ownership interest - %	Net income (loss)	Total investments		Equity in subsidiaries and affiliated company	
				09.30.2012	12.31.2011	09.30.2012	09.30.2011
Investments in subsidiaries:							
Continuing operations -							
Springs Global Participações S.A. (1)	1,269,406	61.51	14,820	780,812	819,721	7,424	(28,925)
Oxford Comércio e Participações S.A.	208,368	58.88	22,966	122,687	111,037	13,522	10,086
Coteminas International Ltd.	21,754	100.00	3,271	21,754	17,156	3,271	8,142
Companhia Tecidos Santanense	246,853	2.07	26,750	5,110	4,579	630	422
American Sportswear Ltda.	-	-	-	-	-	-	2,046
Coteminas (Argentina branch)	187	100.00	(8)	187	196	(8)	(9)
				------------	------------	------------	----------
				930,550	952,689	24,839	(8,238)
				========	========		
Investment in affiliated company:							
Cantagalo General Grains S.A. (2)	142,194	30.00	(95,808)	42,657	71,400	(28,743)	(2,174)
				------------	------------	------------	----------
Total affiliated company				42,657	71,400	(28,743)	(2,174)
				========	========	------------	------------
Equity from continuing operations in subsidiaries						(3,904)	(10,412)
						========	========
Discontinued operations (3) -							
Springs Global Participações S.A.	-	61.51	(100,827)			(67,639)	(116,831)
						========	========

(1) 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 24,708 thousand shares, becoming the owner of 61.51% of the subsidiary's capital (68.44% on December 31, 2011). With the change in the ownership interest in this subsidiary, the Company recorded a loss of R$45,298, reported in retained deficit.

(2) On May 7, 2011, the Company contributed to the capital increase of Cantagalo General Grains S.A. ("CGG"), a recently formed Brazilian corporation, with certain rural properties located in the states of Mato Grosso and Goias, owned by the Company, with a total area of approximately 11 thousand hectares.
As a result of this transaction, and of subsequent increases in capital from other shareholders of Cantagalo, such as Agrícola Estreito S.A. and GFN Agrícola e Participações S.A., the Company now holds a direct ownership interest of 30% of the voting capital of CGG.

(3) Ownership interest of 68.44% for the results until June 30, 2012 and for the year 2011. After July 1, 2012 ownership became 61.51%.

(4) On August 4, 2012, subsidiary SGUS and Bedrock Holdings LP formed Springs Canada Holdings, LLC ("SCH"). SGUS owns 87.5% of SCH's capital and Bedrock Holdings owns 12.5%. The partnership was formed to act in the Canadian market and selected businesses of SGUS, which were contributed through the creation of Springs Brands, LLC, a wholly-owned subsidiary of SCH.

Bedrock Holdings contributed US$10 million and Springs Global contributed tangible and intangible assets, with a net book value of US$20.2 million, represented by: (i) the shares of Springs Canada, Inc. and Springs Cayman Holding Ltd. (parent company of Springs Shanghai Trading Co., Ltd.); (ii) the Springmaid brand; (iii) the right to market certain licensed brands; and (iv) related operating assets and liabilities, including working capital.

Before the formation of SCH, the investments in Springs Canada, Inc. and Springs Cayman were owned by Warbird Corporation, a wholly-owned subsidiary of SGUS.

9. 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 (*)	09.30.2012			12.31.2011
	%	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	2.0	59,196	(9,006)	50,190	40,515
Buildings	2.5	474,212	(172,517)	301,695	317,787
Installations	6.6	270,986	(151,200)	119,786	118,362
Equipment	8.2	1,290,035	(837,697)	452,338	481,578
Hydroelectric Plant - Porto Estrela (**)	2.2	37,505	(8,900)	28,605	29,137
Power plants	6.0	12,672	(4,868)	7,804	8,336
Furniture and fixtures	10.4	44,838	(28,964)	15,874	10,416
Vehicles	20.0	45,740	(17,118)	28,622	3,602
Computers and peripherals	20.0	49,710	(43,896)	5,814	5,825
Construction in progress	-	61,209	-	61,209	70,295
Advances to suppliers	-	12,043	-	12,043	13,988
Others	3.0	99,442	(82,197)	17,245	16,960
		2,457,588	(1,356,363)	1,101,225	1,116,801

(*) Weighted average annual depreciation rate.
(**) See note 20.

Considering its 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:

	12.31.2011	Additions	Disposals	Transfers to held for sale	Transfers	Exchange variation	09.30.2012
Land and improvements	45,677	15,187	(750)	(1,490)	332	240	59,196
Buildings	484,713	37	(5,896)	(10,825)	2,069	4,114	474,212
Installations	260,125	2,457	(56)	(23)	8,535	(52)	270,986
Equipment	1,294,267	5,614	(6,929)	(29,468)	18,402	8,149	1,290,035
Hydroelectric Plant - Porto Estrela	37,416	89	-	-	-	-	37,505
Power plants	12,672	-	-	-	-	-	12,672
Furniture and fixtures	36,463	7,552	(1,010)	785	91	957	44,838
Vehicles	18,880	16,754	(907)	151	10,320	542	45,740
Computers and peripherals	42,517	1,150	(1,585)	5,107	(36)	2,557	49,710
Construction in progress	70,295	21,351	(855)	(185)	(29,228)	(169)	61,209
Advances to suppliers	13,988	8,617	-	-	(10,562)	-	12,043
Others	91,934	782	(265)	617	77	6,297	99,442
	2,408,947	79,590	(18,253)	(35,331)	-	22,635	2,457,588

Accumulated depreciation:

	12.31.2011	Additions	Disposals	Transfers to held for sale	Transfers	Exchange variation	09.30.2012
Land and improvements	(5,162)	(3,760)	19	-	-	(103)	(9,006)
Buildings	(166,926)	(8,594)	76	5,755	-	(2,828)	(172,517)
Installations	(141,763)	(9,486)	1	21	22	5	(151,200)
Equipment	(812,689)	(47,833)	3,131	26,321	(201)	(6,426)	(837,697)
Hydroelectric Plant - Porto Estrela	(8,279)	(621)	-	-	-	-	(8,900)
Power plants	(4,336)	(532)	-	-	-	-	(4,868)
Furniture and fixtures	(26,047)	(1,572)	69	(497)	(1)	(916)	(28,964)
Vehicles	(15,278)	(2,178)	858	(151)	178	(547)	(17,118)
Computers and peripherals	(36,692)	(1,964)	1,525	(4,316)	114	(2,563)	(43,896)
Others	(74,974)	(542)	218	(521)	(112)	(6,266)	(82,197)
	(1,292,146)	(77,082)	5,897	26,612	-	(19,644)	(1,356,363)

b. Property, plant and equipment held for sale

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

As a result of this analysis, the recoverable value of R$56,589 (R$50,427 as of December 31, 2011) 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:

	12.31.2011	Additions	Disposals	Exchange variation	09.30.2012
Residual value of machinery and equipment	109,365	13,826	(12,202)	6,077	117,066
Provision for losses	(58,938)	(21)	1,022	(2,540)	(60,477)
	50,427	13,805	(11,180)	3,537	56,589

10. INTANGIBLE ASSETS

	Consolidated	
	09.30.2012	12.31.2011
Goodwill on the acquisition of North American companies	24,140	22,163
Goodwill on the acquisition of SRPSA	27,303	27,303
Trademarks	16,298	16,298
Store locations (real estate intangible)	46,301	48,100
Others	24	24
	-----------	-----------
Total	114,066	113,888
	======	======

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 2011 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 15.5% 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 19, 2012, indirect subsidiary SGPSA disclosed to the market that its 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 12.31.2011	Disposals	Exchange variation	Balances on 09.30.2012
Goodwill on the acquisition of North American companies	22,163	-	1,977	24,140
Goodwill on the acquisition of SRPSA	27,303	-	-	27,303
Trademarks	16,298	-	-	16,298
Store locations (real estate intangible)	48,100	(1,799)	-	46,301
Others	24	-	-	24
	-----------	----------	----------	-----------
Total	113,888	(1,799)	1,977	114,066
	======	=====	=====	======

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.

11. LEASE

Indirect subsidiary SGUS leases properties and equipment under operating leases. Total leasing expense for the nine-month period ended September 30, 2012 was R$23,452 (R$20,459 for the nine-month period ended September 30, 2011). Subsidiary SGUS contractually agreed with third-parties to sublease certain vacant facilities that no longer provide economic benefit. Total sublease income in the nine-month period ended September 30, 2012 was R$1,971 (R$1,719 in the nine-month period ended September 30, 2011).

Lease payments scheduled for future years are estimated as follows:

Years	09.30.2012
2012 (*)	6,817
2013	24,739
2014	22,901
2015	18,040
2016	18,105

(*) 3 months

Beginning in 2016, lease payments continue to decrease until the contracts terminate on several dates through 2030, totaling R$197,811.

From 2012 to 2019, indirect subsidiary SGUS is scheduled to receive sublease payments of R$28,518.

The indirect subsidiary SGUS has an accrual totaling R$9,991 (R$12,861 as of December 31, 2011), 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$100,574.

12. SUPPLIERS

	Consolidated	
	09.30.2012	12.31.2011
Domestic market	93,925	124,813
Foreign market	122,520	108,389
	----------	----------
	216,445	233,202
	======	======

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 40 days (45 as of December 31, 2011). Domestic suppliers include credits to purchase raw material (cotton), amounting to R$51,382 (R$72,607 as of December 31, 2011).

13. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated 09.30.2012	12.31.2011
Export prepayment:					
Banco Santander (Brazil) S.A.	US$	Libor+1.35	2012	-	29,807
Banco Itaú BBA S.A.	US$	Libor+1.35	2012	-	29,807
				-----------	-----------
				-	59,614
Local currency:					
Banco do Brasil S.A. (Revitaliza)	R$	4.5 to 9.0	2016	31,797	38,026
BNDES (Revitaliza)	R$	4.5 to 9.0	2016	31,797	38,026
Banco do Brasil S.A. (NCE)	R$	IRP + 10.81	2012	-	48,318
BNDES (Finame)	R$	4.5 and 7.0	2020	9,260	8,904
Banco do Brasil S.A. (Overdraft account) (*)	R$	118.7 of CDI	2012	21,854	70,106
Bradesco S.A. (Overdraft account) (*)	R$	120 of CDI	2012	41,199	67,409
Banco Santander S.A.	R$	CDI+0.20 to 0.29	2013	1,611	2,930
HSBC Bank Brasil S.A.	R$	CDI+0.25	2012	-	4,984
BNDS (Working capital)	R$	TJLP+3.0	2014	6,655	9,519
Banco do Brasil S.A. (Giroflex)	R$	118.9 of CDI	2012	25,122	8,046
Banco do Brasil S.A. (Giroflex)	R$	TJLP + 3	2015	19,078	-
Banco Votorantim S.A. (a)	R$	11.25	2012	-	12,582
Banco Votorantim S.A.	R$	TJLP + 3	2015	48,429	-
Banco do Brasil S.A. (NCI)	R$	102/106.5 of CDI	2014	243,714	207,827
Banco Itaú BBA S.A. (b)	R$	117.7 of CDI	2014	201,757	209,389
Banco Santander S.A.	R$	TJLP+5	2013	30,718	-
Other	R$	-	2020	72	91
				-----------	------------
				713,063	726,157
Foreign currency:					
JP Morgan	US$	1.50	2012	27,200	25,127
Deutsche Bank (Securitization)	US$	Libor+1.30	2013	62,457	54,315
Banco do Brasil (Finimp) (c)	US$	2.4	2012	-	38,919
Banco do Bradesco (Finimp) (c)	US$	2.5	2012	-	56,596
Banco Santander Brasil (Finimp) (c)	US$	2.7	2012	-	11,006
Banco Francês	$ARG	14.4	2014	2,566	3,392
Banco Patagonia	$ARG	16 and 19	2013	9,429	-
				-----------	-----------
				101,652	189,355
				-----------	-----------
Total				814,715	975,126
Current liabilities				(451,265)	(445,647)
				-----------	-----------
Noncurrent liabilities				363,450	529,479
				=======	=======

(*) Include balances with parent company.

(a) An interest rate swap agreement was entered into with Banco Votorantim in order to swap the fixed rate of 11.25% per year to 97% of the CDI variation (see note 21 d.5.1).

(b) Original loan contract in US Dollars plus 4.60% per year with a swap for approximately 117.7% of CDI with the same counterparty.

(c) Finimp loans are cash flow financing agreements in US Dollars with swap contracts for approximately 91% of CDI (see note 21 d.5.1).

Loans are collateralized by: (i) export rights, credit notes and related products for “Export prepayment”, (ii) registered security interest in real estate, machinery and equipment located in São Gonçalo do Amarante, as well as a guarantee from the Company for the “Revitaliza” loans; and (iii) by sureties and bank guarantees for the remaining financing.

Maturities are as follows:

Consolidated	2012	2013 Short term	2013 Long term	2014	2015 to 2020	Total
Local currency:						
Banco do Brasil S.A. (Revitaliza)	2,175	6,200	2,067	8,266	13,089	31,797
BNDES (Revitaliza)	2,175	6,200	2,067	8,266	13,089	31,797
BNDES (Finame)	321	838	311	1,244	6,546	9,260
Banco do Brasil S.A. (Overdraft account)	21,854	-	-	-	-	21,854
Bradesco S.A. (Overdraft account)	41,199	-	-	-	-	41,199
Banco Santander S.A.	465	1,146	-	-	-	1,611
BNDES (Working capital)	951	2,852	951	1,901	-	6,655
Banco do Brasil S.A. (Giroflex)	25,122	-	-	-	-	25,122
Banco do Brasil S.A. (Giroflex)	78	-	-	-	19,000	19,078
Banco Votorantim S.A.	429	2,000	6,000	24,000	16,000	48,429
Banco do Brasil S.A. (NCI)	6,034	198,422	-	39,258	-	243,714
Banco Itaú BBA S.A.	1,757	-	-	200,000	-	201,757
Banco Santander S.A.	1,090	29,628	-	-	-	30,718
Other	14	5	4	7	42	72
	103,664	247,291	11,400	282,942	67,766	713,063
Foreign currency:						
JP Morgan	27,200	-	-	-	-	27,200
Deutsche Bank (Securitization)	-	62,457	-	-	-	62,457
Banco Francês	313	911	326	1,016	-	2,566
Banco Patagonia	134	9,295	-	-	-	9,429
	27,647	72,663	326	1,016	-	101,652
	131,311	319,954	11,726	283,958	67,766	814,715

14. EQUITY

a. Capital

Capital, as of September 30, 2012 and December 31, 2011, is represented as follows:

	Number of shares
Common	43,531,958
Preferred	73,143,333
	116,675,291

There was no change in the number of shares subscribed and paid for the period between January 1, 2011 and September 30, 2012.

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 September 30, 2012, 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$2.80 per common share and R$2.55 per preferred shared, as of September 30, 2012.

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.

15. RELATED PARTY TRANSACTIONS

	Receivable		Payable	
	09.30.2012	12.31.2011	09.30.2012	12.31.2011
Company:				
Wembley Sociedade Anônima	41,037	31,340	-	-
Coteminas International Ltd.	41,232	53,185	-	-
Innotex International Ltd.	4,629	4,159	-	-
Coteminas S.A.	3,348	8,206	-	-
Empr.Nac.Com.Rédito e Particip. S.A. – ENCORPAR	2,492	-	-	-
Companhia Tecidos Santanense	-	34	2,590	-
	92,738	96,924	2,590	-
Consolidated:				
Wembley Sociedade Anônima	41,037	31,340	155	-
Innotex International Ltd.	4,629	4,159	-	-
Empr.Nac.Com.Rédito e Particip. S.A. – ENCORPAR	2,696	-	-	-
Cantagalo General Grains S.A.	27	-	-	-
	48,389	35,499	155	-

	Finance charges (consolidated)	
	09.30.2012	09.30.2011
Wembley Sociedade Anônima	2,210	2,066
Cantagalo General Grains S.A.	-	306
Empr.Nac.Com.Rédito e Particip. S.A. – ENCORPAR	44	21
JAGS-José Alencar Gomes da Silva	138	52
Innotex International Ltd	120	-
Econorte	1	-
Seda S.A.	36	21
	2,549	2,466

The balances refer to loans with long-term maturities, whose charges, for subsidiaries and affiliates, were calculated according to the rates equivalent to those in effect in the financial market (100% of the Interbank Certificate of Deposit variance plus 1.375% for companies based in Brazil 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 nine-month period ended of September 30, 2012, it totaled R$124 (R$389 in the nine-month period ended September 30, 2011), 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 nine-month period ended September 30, 2012, the total amount of R$2,190 (R$1,880 in the nine-month period ended September 30, 2011) was accrued for services provided and R$2,270 (R$4,894 as of December 31, 2011) is accrued under the caption "Other payables", in current liabilities.

In August of 2011, the subsidiary SGPSA acquired ASW, former subsidiary of the Company, for R$3,781, equivalent to ASW's total equity. Of this total, R$1,725 was settled in cash, as it relates to current assets. The remaining R$2,056, which relates to deferred income tax assets, will be settled at the time those assets are utilized by indirect subsidiary ASW. There are no interest or finance charges involved on the amounts mentioned. The balances are included in "Other obligations" in noncurrent liabilities.

Rossini Administradora de Bens Ltda. and indirect subsidiary MMartan entered into a real estate lease agreement for MMartan's manufacturing facility and its offices. In the nine-month period ended September 30, 2012, R$2,467 were paid under this lease (R$1,800 in the nine-month period ended September 30, 2011). 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.

Subsidiary SGPSA disclosed a material matter ("fato relevante") on August 12, 2011, announcing that it had entered into an agreement whereby, pending certain conditions and necessary corporate approvals, the subsidiary SGPSA will become the sole owner of SRPSA, whose control was acquired by SGPSA in May of 2009.

As a part of this process, on December 13, 2011, subsidiary SGPSA acquired an additional of 14,133 shares of SRPSA, for the amount R$30,000, payable in three installments, the first installment in the amount of R$10,000 paid immediately and the other two of R$10,000 each, in 120 and 240 days respectively, increasing its ownership interest to 84.7%.

On June 29, 2012, subsidiary SGPSA acquired the remaining 14,133 shares, becoming the owner of 100% of SRPSA's capital, by an amount equivalent to the issuance of 5 million shares of subsidiary SGPSA which were subscribed by the sellers in the capital increase described in note 8 to the interim financial statements.

16. 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 September 30, 2012, pro-rata interest expense and installments of the principal were accrued as current liabilities, in the amount of R$11,621 (R$25,388 as current liabilities and R$5,266 as noncurrent liabilities as of December 31, 2011). In the nine-month period ended September 30, 2012, interest of R$840 (R$852 in the nine-month period ended September 30, 2011) and exchange rate variation gain of R$2,490 (exchange rate variation gain of R$3,069 for the same period in 2011) were recognized in the statements of operations.

17. INCOME AND SOCIAL CONTRIBUTION TAXES AND OTHER TAXES

a. Tax incentives

All manufacturing units of the subsidiary CSA in Brazil (except for the Blumenau-SC and 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)

Continuing operations:

	Company		Consolidated	
	09.30.2012	09.30.2011	09.30.2012	09.30.2011
Income (loss) before taxes	(9,129)	(8,614)	27,208	82,723
Equity in subsidiaries	3,904	10,412	28,743	2,174
Nontaxable income (RTT)	-	-	(28,304)	(21,883)
Permanent differences from foreign subsidiary	-	-	11,612	11,190
Others, net	55	757	596	366
Income tax basis	(5,170)	2,555	39,855	74,570
34% tax rate	1,758	(869)	(13,551)	(25,353)
Incremental US tax	-	-	(1,082)	1,067
SGUS deferred income tax reduction	-	-	234	(82,692)
Unrecognized tax credits	(1,758)	260	(3,435)	8,615
Tax incentive (SUDENE)	-	-	1,225	1,011
Others	(31)	20	485	3,790
Total income taxes	(31)	(589)	(16,124)	(93,562)
Income taxes – current	(31)	(589)	(15,732)	(9,623)
Income taxes – deferred	-	-	(392)	(83,939)

Discontinued operations:

	Company		Consolidated	
	09.30.2012	09.30.2011	09.30.2012	09.30.2011
Loss from discontinued operations before taxes	(67,639)	(116,831)	(100,827)	(185,605)
Equity in subsidiaries	67,639	116,831	-	-
Income tax basis	-	-	(100,827)	(185,605)
34% tax rate	-	-	34,281	63,106
Reversal of deferred tax liability – SGUS	-	-	-	14,900
Unrecognized tax credits	-	-	(34,281)	(63,106)
Total income taxes	-	-	-	14,900

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 September 30, 2012, indirect subsidiary CSA had net operating losses of R$413,918 (R$317,784 as of December

31, 2011) and social contribution tax losses of R$419,370 (R$323,090 as of December 31, 2011), 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 12.31.2011	Recognized in statement of operations	Other	Balances on 09.30.2012
Assets:				
Temporarily nondeductible provisions	32,113	(10,657)	141	21,597
Net operating losses	31,539	10,444	-	41,983
Tax credits from foreign subsidiaries	7,594	(413)	(4)	7,177
	-----------	-----------	-----------	-----------
	71,246	(626)	137	70,757
Liabilities:				
Temporary differences	-	234	(234)	-
Negative goodwill in investments	(5,051)	-	2	(5,049)
	-----------	-----------	-----------	-----------
	66,195	(392)	(95)	65,708
Noncurrent liabilities	5,051	-	(2)	5,049
	-----------	-----------	-----------	-----------
Noncurrent assets	71,246	(392)	(97)	70,757
	======	=======	=======	======

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	14,737
2014	7,650
2015	14,029
2016 and thereafter	34,341

	70,757
	======

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

d. Recoverable taxes

	Company		Consolidated	
	09.30.2012	12.31.2011	09.30.2012	12.31.2011
ICMS	2,030	12,117	37,863	71,583
Prepaid income and social contribution taxes	6,266	6,474	26,425	26,231
Recoverable PIS and COFINS	8,210	8,211	8,730	9,394
Recoverable INSS on payroll	-	-	2,103	-
IVA – Argentina	-	-	4,674	5,339
VAT – China and Mexico	-	-	1,003	648
Recoverable IPI	1,779	1,779	1,902	1,939
ILL (tax on net income)	3,562	3,562	3,562	3,562
Other recoverable taxes	-	-	3,598	3,195
	-----------	-----------	-----------	-----------
	21,847	32,143	89,860	121,891
Current assets	(8,295)	(11,152)	(46,483)	(45,944)
	-----------	-----------	-----------	-----------
Noncurrent assets	13,552	20,991	43,377	75,947
	======	======	======	======

18. 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$4,178 and R$115, respectively.

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

	Company		Consolidated	
	09.30.2012	12.31.2011	09.30.2012	12.31.2011
Tax litigation claims:				
Social contribution	40,915	40,915	41,225	41,179
Temporary contribution over financial transactions (CPMF)	-	-	4,317	4,317
INSS	2,314	2,314	6,702	6,702
PIS and COFINS	1,903	1,901	5,164	5,162
IPI foreign flag	2,653	2,653	2,653	2,653
ICMS – export	-	-	6,548	6,548
Others	348	348	2,192	2,192
Labor	1,473	2,403	8,677	9,755
Civil and others	13,865	13,846	16,873	16,956
	---------	---------	----------	----------
	63,471	64,380	94,351	95,464
	=====	=====	======	======
Escrow deposits	77,200	78,109	100,817	102,011
	=====	=====	======	======

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 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 gave its response, however it accrued the principal amount of the tax assessment. The fines and charges amounting to R$10,560 were not accrued for, as all credits were approved by the same tax office which is now giving the infraction notice, and therefore, CTS's legal counsel believes the likelihood of payment of such charges to be remote if CTS is required to pay the tax.

Changes in the consolidated accrual are as follows:

	12.31.2011	Additions	Reductions	09.30.2012
Tax litigation claims:				
Social contribution	41,179	46	-	41,225
Temporary contribution over financial transactions (CPMF)	4,317	-	-	4,317
INSS	6,702	-	-	6,702
PIS and COFINS	5,162	2	-	5,164
IPI foreign flag	2,653	-	-	2,653
ICMS – export	6,548	-	-	6,548
Others	2,192	-	-	2,192
Labor	9,755	2,999	(4,077)	8,677
Civil and others	16,956	52	(135)	16,873
	95,464	3,099	(4,212)	94,351

19. EMPLOYEE BENEFIT PLANS

Substantially all the employees of the indirect subsidiary SGUS are covered by defined-contribution plans. Some executives of SGUS are covered by a defined-benefit plan. Indirect subsidiary SGUS may make contributions to the defined-contribution plan at its discretion, and these contributions are

considered by means of a percentage of each participant's eligible compensation. In addition, should eligible participants contribute a percentage of their compensation to some defined-contribution plans, SGUS may, at its discretion, make a contribution in the proportion of the amounts contributed by the participants.

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

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

The table below includes summarized information on the pension and postretirement plans as of September 30, 2012 and 2011:

	09.30.2012	09.30.2011
Components of net periodic benefit cost (income):		
Service cost	629	86
Interest cost	3,052	2,829
Return on assets	(1,206)	(1,115)
Net periodic benefit cost	2,475	1,800

Indirect subsidiary SGUS' investment strategy is to invest in a diversified portfolio that will maximize returns, considering an acceptable risk level. Pension plan assets are invested in 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 indirect subsidiary SGUS' current investment strategy.

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

	09.30.2012	12.31.2011
Pension plan obligations	74,907	73,365
Pension plan obligations (multiple-employer) (a)	1,064	1,307
Other employee benefit obligations	9,658	9,723
Total employee benefit plans	85,629	84,395
Current (b)	(7,457)	(6,888)
Noncurrent	78,172	77,507

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

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

20. GOVERNMENT CONCESSIONS

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

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

Beginning of concession period:	July 10, 1997
Concession period:	35 years
Total concession amount:	R$333,310
Monetary adjustment:	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	4,697	449,408	731,890

For accounting purposes, indirect subsidiary CSA recognizes expenses incurred on an accrual basis, as a contra entry to noncurrent liabilities, on a straight-line basis, based on its share in the total concession amount, 33.33%, at present value, considering an interest rate of 4% per year, monetarily adjusted based on the IGPM. As of September 30, 2012, this amount represented R$83,059, of which, R$12,613 is classified as "other payables" in current liabilities and R$70,446 is classified as long-term liabilities (R$72,988 as of December 31, 2011, of which, R$4,141 is classified as "other payables" in current liabilities and R$68,847 is classified as long-term liabilities).

As of September 30, 2012, the net book value of the property, plant and equipment related to the current concession is R$28,605 (R$29,137 as of December 31, 2011) (see note 9), considering CSA's equity interest in the investments for the construction of the Porto Estrela Hydroelectric Plant, located on the Santo Antônio River, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

21. FINANCIAL INSTRUMENTS

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

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

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

	Company				Consolidated			
	09.30.2012		12.31.2011		09.30.2012		12.31.2011	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS --								
CURRENT:								
Cash and cash equivalents	1,879	1,879	2,364	2,364	155,785	155,785	185,878	185,878
Marketable securities	-	-	9,928	9,928	36,895	36,895	44,148	44,148
Accounts receivable	-	-	-	-	562,524	562,524	540,499	540,499
Debentures issued by subsidiary (a)	11,621	11,621	25,388	25,388	-	-	-	-
Derivative instruments (b)	-	-	-	-	-	-	11,225	11,225
Other receivables	5,856	5,856	20,523	20,523	31,651	31,651	40,295	40,295
NONCURRENT:								
Long-term assets:								
Other receivables	2,056	2,056	2,056	2,056	11,060	11,060	4,416	4,416
Related parties	92,738	92,738	96,924	96,924	48,389	48,389	35,499	35,499
Debentures issued by subsidiary (a)	-	-	5,266	5,266	-	-	-	-
LIABILITIES --								
CURRENT:								
Loans and financing (a)	45,138	45,138	25,438	25,438	451,265	451,265	445,647	445,647
Suppliers	96	96	138	138	216,445	216,445	233,202	233,202
Derivative instruments (b)	-	-	-	-	-	-	17,967	17,967
Related parties – noncontrolling	-	-	-	-	-	-	20,000	20,000
Other accounts payable	610	610	1,889	1,889	80,648	80,648	71,232	71,232
NONCURRENT:								
Long-term liabilities:								
Loans and financing (a)	-	-	-	-	363,450	363,450	529,479	529,479
Government concessions	-	-	-	-	70,446	70,446	68,847	68,847
Other obligations	478	478	-	-	28,776	28,776	26,942	26,942

(a) The fair values of loans and financing 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.

(b) The fair values of derivative instruments are based on secondary market prices of these securities. Therefore, they are classified as level II of information.

The Company estimates that the fair values of other financial instruments approximate their carrying book values.

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	09.30.2012	12.31.2011
Investments	45,961	51,226
Subsidiaries’ obligations (SGUS)	(12,416)	(42,669)
	33,545	8,557
In equivalent thousands of US Dollars	16,520	4,562

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

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

Financial instruments	09.30.2012	12.31.2011
Cash and cash equivalents	12,514	15,381
Accounts receivable	66,751	63,933
Suppliers	(1,224)	(7,867)
Loans and financing	-	(59,614)
Related parties	123,536	117,674
	-----------	-----------
Total exposure in Brazilian Reais	201,577	129,507
	-----------	-----------
Total exposure in equivalent thousands of US Dollars	99,270	69,041
	======	======

The sensitivity analysis of non-derivative financial instruments, considering the US Dollar denominated cash flows, as of September 30, 2012, is shown below:

		Exposure value	Scenarios		
Maturity	Risk	US$ thousands	Probable	II	III
2012	US Dollar depreciation	40,712	417	(20,354)	(41,126)
2015	US Dollar depreciation	58,558	23,905	(11,799)	(47,501)
		----------	----------	----------	----------
		99,270	24,322	(32,153)	(88,627)
		======	======	======	======

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 nine-month period ended September 30, 2011, derivative instruments related to foreign exchange risk resulted in an expense of R$11,868 recorded in "Exchange variation, net". In the nine-month period ended September 30, 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.

See below a summary of the derivative instruments with commodities risk:

Description	Notional amount US$ thousands		Fair value – current asset (liability)	
	09.30.2012	12.31.2011	09.30.2012	12.31.2011
Cotton option contracts -- Position: Buy Currency: US$ Counterparty: Macquarie Other information: Contracts amounting 37.4 million pounds (weight) with settlements in Jun/12	-	72,120	-	(17,967)
			----------	-----------
			-	(17,967)
			======	======

In the nine-month period ended September 30, 2012, the commodities derivatives transactions resulted in an expense of R$10,158, of which R$2,032 accounted under “Exchange variation, net” and R$8,126 under “Discontinued operations” (in the nine-month period ended September 30, 2011, an expense of R$25,002 of which, R$2,576 accounted under “Exchange variation, net” and R$22,426 under “Discontinued operations”).

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 13 and 15. Considering the cash flows of these liabilities and the contracted interest rates (except for item d.5.2), Management determined that the exposure to market changes on the contracted interest rates is not significant. Therefore, the sensitivity analysis was not disclosed.

d.5.1) Interest rate risks on Banco Votorantim’s and Finimp loans.

Information related to the derivative instruments is shown below:

Description	Notional amount US$ thousands	09.30.2012		12.31.2011	
		Fair value	Receivable	Fair value	Receivable
Swap contracts (a) -- Liability: 97% of CDI Asset position: 11.25% fixed yield Counterparty: Banco Votorantim S.A. Other information: 12 monthly settlements from Jun/11 to May/12.	-	-	-	-	-
Swap contracts (b) -- Liability position: 91% of CDI Asset position: US$ + 2.4% to 2.7% Counterparty: Banco do Brasil S.A. Maturity: Jun/2012	-	-	-	4,229	4,229
Swap contracts (b) -- Liability position: 91% of CDI Asset position: US$ + 2.4% to 2.7% Counterparty: Banco Itaú BBA S.A. Maturity: Jun/2012	-	-	-	6,996	6,996
	------------	------------	------------	------------	------------
	-	-	-	11,225	11,225
	=======	=======	=======	=======	=======

(a) Interest rate swap contracts--Are presented and measured at fair value as cash flow hedge. Their effectiveness is measured based on the cash flow of the financing, with expected maturities through May 2012. The unrealized gains or losses are recorded in the “Assets and liabilities valuation adjustments” caption equity and, when realized or considered ineffective, are recognized in the statements of operations. The loans and the derivatives were settled on their due dates in May, 2012.

In the nine-month periods ended September 30, 2012 and 2011 there were no financial results from such derivative transactions.

(b) 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 US Dollars (Finimp), with expected maturities through June 2012. Gains or losses are recorded under the “Financial expenses – interests” caption in the statements of operations. The accrued balance corresponds to these derivatives fair values and were calculated based on data obtained from BM&FBOVESPA - “Bolsa de Valores, Mercadorias e Futuros”, such as the future interest rates at the settlement dates and algorithms, and compared to data obtained directly from the counterparty financial institution, which evaluates those instruments.

Derivative transactions are traded in the over-the-counter market, registered at CETIP, and are not subject to margin deposits. In the nine-month period ended September 30, 2012, there was an income of R$3,038, while in nine-month period ended September 30, 2011 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:

Description	Principal amount R$ thousands	09.30.2012		12.31.2011	
		Accrued interest	Payable	Accrued interest	Payable
Loan Agreement -- Interest: 102% of CDI Counterparty: Banco do Brasil S.A. Maturity: June/2013	200,000	4,563	204,563	7,827	207,827
Swap Agreement-- Interest: 106.5% of CDI Counterpart: Banco do Brasil S.A. Maturity: April/2014	40,000	1,471	41,471	-	-
Swap Agreement-- Interest: 117.7% of CDI Counterpart: Banco Itaú BBA S.A. Maturity: October/2014	200,000	1,757	201,757	9,389	209,389
	440,000	7,791	447,791	17,216	417,216

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of September 30, 2012, is as follows:

Maturity	Risk	Principal average balance	Scenarios Probable	II	III
2012	CDI increase	440,000	(15,534)	(17,320)	(19,249)
2013	CDI increase	340,000	(25,560)	(33,204)	(40,068)
2014	CDI increase	146,667	(10,827)	(16,309)	(19,693)
			======	======	======

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 year 2012 includes the amounts accrued as of September 30, 2012.

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, 2011. As of September 30, 2012, there was no significant change when compared to the published annual financial statements.

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

The Company's net debt is as follows:

	Company		Consolidated	
	09.30.2012	12.31.2011	09.30.2012	12.31.2011
Loans and financing	45,138	25,438	814,715	975,126
Derivatives instruments	-	-	-	6,742
Cash and cash equivalents	(1,879)	(2,364)	(155,785)	(185,878)
Marketable securities	-	(9,928)	(36,895)	(44,148)
Total net debt	43,259	13,146	622,035	751,842
Total equity	1,089,092	1,217,383	1,701,032	1,708,293
Total net debt and equity	1,132,351	1,230,529	2,323,067	2,460,135

22. STOCK COMPENSATION

Before the creation of the subsidiary SGPSA, indirect subsidiary SGUS managed a stock option plan, which was converted, on January 24, 2006, to an equivalent plan, based on the Company's own shares. On that date, the stock option plan of the indirect subsidiary SGUS ceased to exist.

A summary of the stock options is presented below:

	Existing options	Weighted average exercise price
Existing and exercisable as of December 31, 2011	555,216	R$24.31
Expired	(555,216)	R$24.31
Existing and exercisable as of September 30, 2012	-	-

The table below summarizes the information on the outstanding stock options as of December 31, 2011:

12.31.2011		
Exercise price - R$	Existing options	Weighted average remaining contractual life
15.51	65,400	0.31 year
25.48	489,816	0.31 year
24.31	555,216	

23. SEGMENT INFORMATION

Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the decision maker, with the purpose of

determining the allocation of resources to an individual segment and evaluate its performance. Given that decisions on strategic planning, finance, purchasing, investment and application of resources, as well as evaluation of investment and key executives performance of the Company are made separately by each direct subsidiary, the Company and its subsidiaries have concluded that they have three operating segments.

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

The indirect subsidiaries MMartan and ASW 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. The Company presents below the information by segment (expressed in millions of Reais):

	09.30.2012 – Consolidated				
	Wholesale	Retail	Denim	Others (*)	Total
Net sales	1,059.9	163.7	287.9	(6.8)	1,504.7
Cost of goods sold	(849.3)	(84.0)	(212.6)	6.8	(1,139.1)
Gross profit	210.6	79.7	75.3	-	365.6
Selling, general and administrative expenses	(150.2)	(106.7)	(39.0)	(20.7)	(316.6)
Equity in subsidiaries	-	-	-	(28.8)	(28.8)
Others	85.0	(6.5)	7.0	1.6	87.1
Operating results	145.4	(33.5)	43.3	(47.9)	107.3
Financial results	(83.1)	(9.1)	(5.1)	17.2	(80.1)
Income (loss) before taxes	62.3	(42.6)	38.2	(30.7)	27.2
Depreciation and amortization	54.4	6.2	8.1	2.7	71.4
Total assets	2,354.9	209.0	335.7	299.9	3,199.5
Total liabilities	(1,201.3)	(85.2)	(88.8)	(123.2)	(1,498.5)
Total net assets	1,153.6	123.8	246.9	176.7	1,701.0

	09.30.2011 – Consolidated				
	Wholesale	Retail	Denim	Others (*)	Total
Net sales	904.5	133.4	284.0	(35.4)	1,286.5
Cost of goods sold	(650.6)	(60.9)	(218.3)	35.4	(894.4)
Gross profit	253.9	72.5	65.7	-	392.1
Selling, general and administrative expenses	(139.1)	(62.7)	(36.3)	(15.9)	(254.0)
Equity in subsidiaries	-	-	-	(2.2)	(2.2)
Others	(3.5)	(0.8)	0.7	1.1	(2.5)
Operating results	111.3	9.0	30.1	(17.0)	133.4
Financial results	(62.7)	(7.9)	(4.9)	24.8	(50.7)
Income before taxes	48.6	1.1	25.2	7.8	82.7
Depreciation and amortization	55.9	3.1	7.2	1.0	67.2
Total assets	2,492.4	187.0	343.0	349.0	3,371.4
Total liabilities	(1,370.5)	(102.4)	(121.7)	(68.5)	(1,663.1)
Total net assets	1,121.9	84.6	221.3	280.5	1,708.3

(*) Relates to the elimination of sales between related parties and expenses of the Company and of non-operating subsidiaries.

The Company's and subsidiaries' Management also monitor its business by geographic region. The regions presented are: Brazil and Other countries (mainly USA, Argentina, and Canada).

The Company presents below the information by geographic region (in millions of Reais):

	09.30.2012			09.30.2011		
	Brazil	Other countries	Total	Brazil	Other countries	Total
Net sales	1,007.3	497.4	1,504.7	923.0	363.5	1,286.5
Cost of goods sold	(711.8)	(427.3)	(1,139.1)	(581.1)	(313.3)	(894.4)
Gross profit	295.5	70.1	365.6	341.9	50.2	392.1
Selling, general and administrative expenses	(276.3)	(40.3)	(316.6)	(223.3)	(30.7)	(254.0)
Equity in subsidiaries	(28.8)	-	(28.8)	(2.2)	-	(2.2)
Other	1.1	86.0	87.1	(16.0)	13.5	(2.5)
Operating results	(8.5)	115.8	107.3	100.4	33.0	133.4
Financial results	(62.8)	(17.3)	(80.1)	(40.3)	(10.4)	(50.7)
Income (loss) before taxes	(71.3)	98.5	27.2	60.1	22.6	82.7
Depreciation and amortization	64.1	7.3	71.4	55.6	11.6	67.2

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: fashion bedding, bath, utility bedding, intermediate products, and others.

Sales information by category or product lines:

	Consolidated	
	09.30.2012	12.31.2011
Net sales (in millions of Reais):		
Bedding, tabletop and bath	538.1	485.3
Utility bedding	227.0	145.2
Intermediate products	453.4	443.0
Others	286.2	213.0
	1,504.7	1,286.5
Volume (thousands of metric tons):		
Bedding, tabletop and bath	25.4	24.3
Utility bedding	23.3	18.3
Intermediate products	41.1	37.6
	89.8	80.2

The Company has more than 13,000 active customers in September 30, 2012 and only two customers have sales concentration higher than 10% of net sales.

24. 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	
	09.30.2012	09.30.2011
Cost of raw materials, goods and services acquired from third parties	(1,225,877)	(1,273,375)
Employee benefits	(317,396)	(296,810)
INSS	(49,603)	(53,950)
Depreciation and amortization	(81,160)	(84,934)
Finished goods and working in process inventory variances	(39,777)	145,129
Exchange rate variances in inventories from foreign subsidiaries	10,573	18,683
Other costs and expenses	(67,507)	(43,568)
	(1,770,747)	(1,588,825)

By function:

	Consolidated	
	09.30.2012	09.30.2011
Continuing operations:		
Cost of goods sold	(1,139,080)	(894,418)
Selling expenses	(198,533)	(148,710)
General and administrative expenses	(111,333)	(98,393)
Management fees	(6,770)	(6,939)
	-------------	-------------
Total continuing operations	(1,455,716)	(1,148,460)
Discontinued operations:		
Cost of goods sold	(275,619)	(385,087)
Selling expenses	(24,341)	(37,031)
General and administrative expenses	(15,071)	(18,247)
	------------	------------
Total discontinued operations	(315,031)	(440,365)
	-------------	-------------
	(1,770,747)	(1,588,825)
	========	========

25. NET REVENUES

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

	Consolidated	
	09.30.2012	09.30.2011
OPERATING REVENUES:		
Gross sales	1,849,776	1,599,673
Sales deductions	(345,135)	(313,139)
	-------------	------------
NET REVENUES	1,504,641	1,286,534
	========	========

26. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share was calculated as follows:

	Company	
	09.30.2012	09.30.2011
NET LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS	(9,160)	(9,203)
NET LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS	(67,639)	(116,831)
	-----------	-----------
	(76,799)	(126,034)
Weighted-average outstanding shares:		
Common shares	43,530,858	43,530,858
Preferred shares	73,021,533	73,021,533
	----------------	-----------------
	116,552,391	116,552,391
BASIC AND DILUTED LOSS PER SHARE - R$		
From continuing operations	(0.0786)	(0.0790)
From discontinued operations	(0.5803)	(1.0024)
Total	(0.6589)	(1.0814)
	=======	=======

The weighted average number of shares was calculated based on the total number of shares issued, less treasury shares, of which 1,100 are common shares and 121,800 are preferred shares.

27. OTHER OPERATING INCOME (EXPENSES), NET

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

	Consolidated	
	09.30.2012	09.30.2011
Net gain on sale of intangible assets	75,715	-
Net gain on sale of property, plant and equipment held for sale	6,941	
Others	4,445	(2,451)
	-------------	-------------
	87,101	(2,451)
	========	========

28. DISCONTINUED OPERATIONS

The SGPSA’s management has decided to discontinue some of its North American indirect subsidiary’s (SGUS) operations. These operations represent the fashion bedding and the 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 9.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.

The consolidated income (loss) from discontinued operations presented in the statement of operations is shown below. The statement of operations related to the nine-month period ended September 30, 2011 was restated below to compare with the discontinued operations in the current period.

	Consolidated	
	09.30.2012	09.30.2011
Income (loss) from discontinued operations:		
Revenues	235,758	324,913
Expenses	(326,786)	(492,866)
Depreciation and amortization	(9,799)	(17,652)
Deferred income taxes	-	14,900
	-----------	-----------
Total discontinued operations	(100,827)	(170,705)
	======	======
Total cash flow provided by (used in) discontinued operations:		
Loss from discontinued operations	(100,827)	(170,705)
Depreciation and amortization	9,799	17,652
Deferred income taxes	-	(14,900)
	----------	-----------
Total cash used in discontinued operations	(91,028)	(167,953)
	======	======

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