COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS
CNPJ/MF Nº 22.677.520/0001-76
NIRE 3130003731-2
Publicly Traded Company

MANAGEMENT DISCUSSION AND ANALISYS

Montes Claros, November 9, 2017 – Companhia de Tecidos Norte de Minas – COTEMINAS ("Company") is a Brazilian publicly-held company, based in Montes Claros – MG, and is 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 Securities, Commodities and Futures Exchange), under the codes "CTNM3" and "CTNM4".

The Company has two subsidiaries and two affiliated companies as major investments and assets, as follow:

Subsidiaries:

Springs Global Participações S.A. ("SGPSA") is the parent company of Coteminas S.A. and Springs Global US, Inc., which are focused on manufacturing operations of bed and bath linens. In 2009, SGPSA iniciated retail activities under the brand MMartan and, in 2011, under the brand Artex, which sell bedding, tabletop and bath products through the retail channel, managed by the subsidiary AMMO Varejo Ltda.

Companhia Tecidos Santanense is engaged in the textile and related industries, manufactures and sells clothing apparel, including professional uniforms, accessories and personal protective equipment for occupational safety.

Affiliated companies:

Cantagalo General Grains S.A. is a private company, based in São Paulo - SP, established on October 25, 2010, with the objective of growing soybeans, corn, cotton and other grains. It is also involved in agricultural commodities trading activities, through its subsidiary CGG Trading S.A., and has logistics assets (port terminals) for the export of grains.

Companhia Fiação e Tecidos Cedro e Cachoeira, based in Belo Horizonte - MG, was established on August 12, 1872. It is a publicly traded company, which operates in the textile and related industries, manufactures and sells clotinhg apparel, including professional uniforms, accessories and personal protective equipment for occupational safety.

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

B3: SGPS3

Springs Global: Net income reaches R$ 15.6 million

São Paulo, November 13th, 2017 - Springs Global Participações S.A. (Springs Global), the Americas' largest company in bedding, tabletop and bath products, reported in the third quarter of 2017 (3Q17) net revenue of R$ 568.8 million, with gross margin of 27.1% and EBITDA margin of 12.3%.

The highlights of Springs Global's performance in 3Q17 were:

- Net revenue of R$ 568.8 million, impacted by a decline in net revenue from North America – Wholesale;
- Gross margin of 27.1%, against 26.3% in 3Q16;
- EBITDA[(a)] of R$ 70.0 million, with EBITDA margin of 12.3%;
- Income from operations reached R$ 51.6 million;
- Decrease of R$ 10.4 million, or 23.1%, in financial expenses – interests;
- Net income of R$ 15.6 million, with an improvement of R$ 16.6 million year-over-year (yoy);
- Growth of 13.1% yoy in EBITDA from the South America – Wholesale business unit;
- Growth of 8.7% yoy in gross revenue sell-out[(b)] in the business unit South America – Retail, with conversion of two stores;
- One of the 150 best companies to work for, according to Você S.A. magazine ranking;
- Our brands – Santista, MMartan and Artex – were again the winners of the ÉPOCA Reclame AQUI award.

in R$ million	3Q17 (A)	3Q16 (B)	(A)/(B) %	9M17 (C)	9M16 (D)	(C)/(D) %
Gross revenue	688.1	744.1	(7.5%)	1,994.0	2,101.6	(5.1%)
Net revenue	568.8	616.6	(7.8%)	1,625.4	1,737.5	(6.4%)
Gross profit	154.3	162.3	(4.9%)	426.1	465.4	(8.4%)
Gross Margin %	*27.1%*	*26.3%*	*0.8 p.p.*	*26.2%*	*26.8%*	*(0.6 p.p.)*
EBITDA	**70.0**	**76.4**	**(8.4%)**	**184.8**	**200.7**	**(7.9%)**
EBITDA Margin %	*12.3%*	*12.4%*	*(0.1 p.p.)*	*11.4%*	*11.6%*	*(0.2 p.p.)*
Income from operations	**51.6**	**57.0**	**(9.4%)**	**129.6**	**142.4**	**(9.0%)**
Number of stores	227	218	4.1%	227	218	4.1%

Table 1 – Key financial indicators

The financial and operational information presented in this release, except when otherwise indicated, is in accordance with accounting policies adopted in Brazil, which are in accordance with international accounting standards (International Financial Reporting Standards – IFRS)

About Springs Global

Springs Global is the Americas' largest company in bedding, tabletop and bath products, with traditional and leading brands in the segments in which it operates, strategically positioned to target customers of different socioeconomic profiles. Springs Global operates vertically integrated plants, with high degree of automation and flexibility, located in Brazil, United States and Argentina.

B3: SGPS3

As of 09/29/2017:

Closing share price: R$ 13.00

Market cap: R$ 650 million

Conference call

Date: 11/14/2017
Time: 11 am São Paulo time / 8 am New York time / 1 pm London time

In Portuguese:
+55 11 3193-1001
/ +55 11 2820-4001

In English:
+1 800 492-3904 (*Toll free*)
+1 786 924-6977

Password: Springs Global

To access the webcast **click here** or access the website **http://www.springs.com/ri**.

Springs Global Day

Date: 11/23/2017
Time: 9 am (Brasília)
Place: São Paulo - SP

Investor Relations

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Revenue

The consolidated net revenue reached R$ 568.8 million in 3Q17, 7.8% lower than 3Q16, negatively impacted by lower sales volume and lower average price in Brazilian Reais from the Utility Bedding product line[c].

Revenues from South America reached R$ 371.3 million in 3Q17, representing 65% of total revenue in 3Q17, in line yoy. Revenue from North America totaled R$ 197.5 million, equivalent to 35% of total revenue and 19.9% lower than 3Q16.

The Bedding, Tabletop and Bath line[d] was responsible for 45% of 3Q17 revenue, the Utility Bedding line for 30%, and intermediate products[e] for 14%. The Retail revenue, representing 11% of total revenue in 3Q17, was stable yoy, as the negative impact from the conversion of owned stores into franchises was offset by the positive impact of the higher number of stores between years.

Revenues from the Bedding, Tabletop and Bath line amounted to R$ 258.1 million in 3Q17, 7.1% lower yoy, mainly due to 7.6% lower sales volumes in the same period. Revenues from the Utility Bedding line totaled R$ 169.0 million, 13.0% lower than 3Q16, being negatively impacted mainly by the 9.8% reduction on average price in Brazilian Reais, impacted by the appreciation of 3.0% in the average exchange rate yoy. Revenues from intermediate products were R$ 78.4 million, 4.3% lower yoy, also negatively impacted by lower sales volume, which was partially compensated by improved pricing and sales mix.

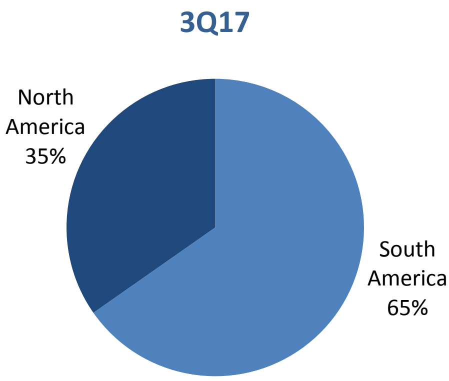


Chart 1 – Revenue per region

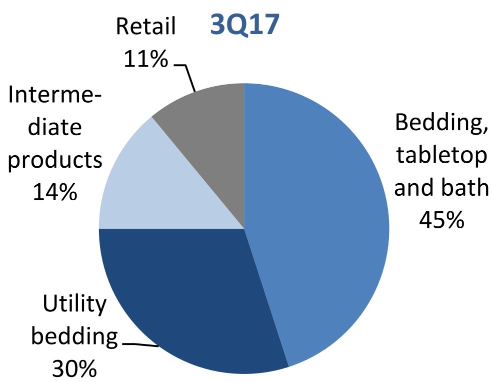


Chart 2 – Revenue per product line

Costs and Expenses

The cost of goods sold (COGS) was R$ 414.5 million in 3Q17, with a yoy decrease of 8.8% and represented 72.9% of net revenue.

The main raw materials are cotton and polyester that, together with chemicals, packaging and trims, are included in materials costs, which amounted to R$ 246.4 million in 3Q17, with a 13.7% yoy decrease.

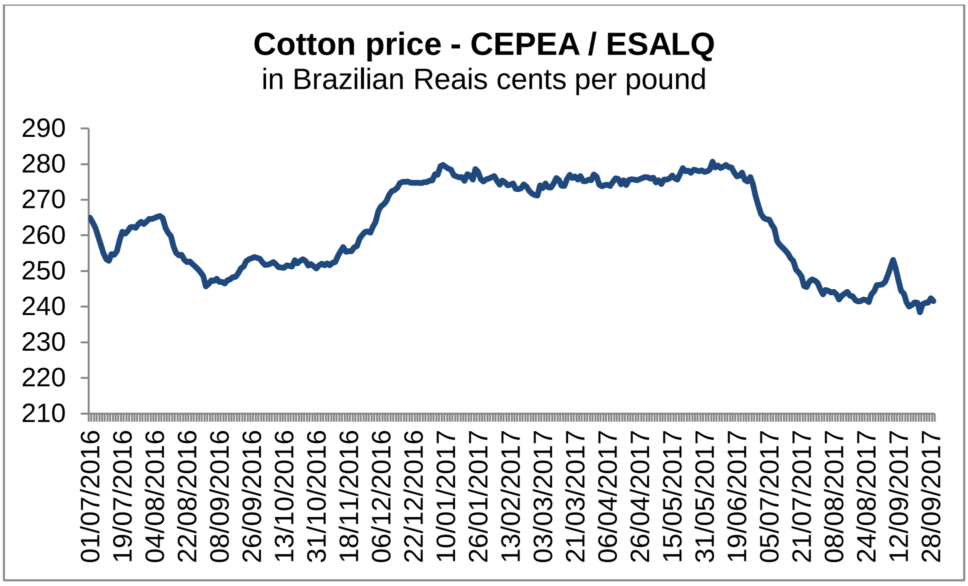
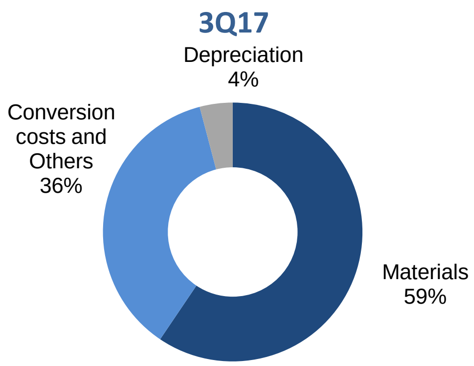


Chart 3 – Cotton price, source CEPEA

The conversion of raw materials into finished goods requires, mainly, labor, electricity and other utilities, designated as conversion costs and others, that reached R$ 151.1 million in 3Q17, in line with 3Q16. Due to their nature, these costs are impacted by economy of scale, being diluted when capacity utilization increases.

Depreciation costs of production and distribution assets totaled R$ 17.0 million in 3Q17, with a decrease of 6.1% yoy.



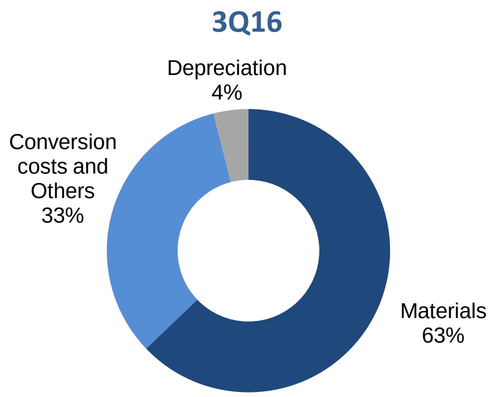


Chart 4 – COGS breakdown

Regarding operational expenses, selling expenses reached R$ 72.6 million, representing 12.8% of net revenue, against 11.8% in 3Q16. General and administrative expenses (G&A) amounted to R$ 33.5 million, equivalent to 5.9% of net revenue, and 1.9% lower yoy.

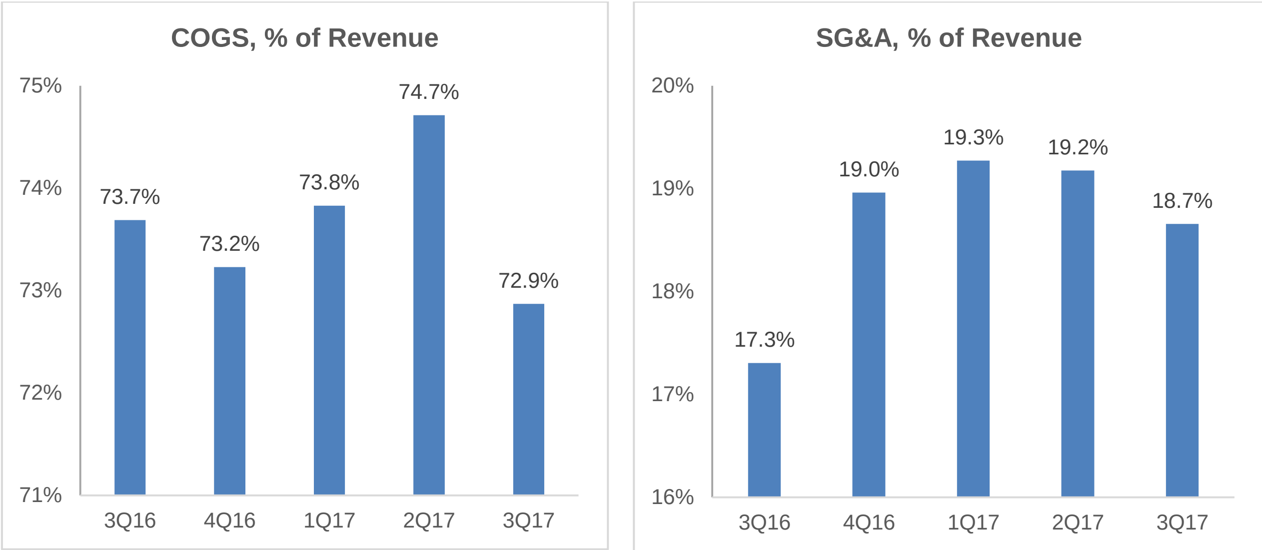


Chart 5 – COGS and SG&A, as % of net revenue

EBITDA

Cash generation, as measured by EBITDA, reached R$ 70.0 million in 3Q17, 8.4% lower yoy. The decrease of R$ 7.9 million in gross profit was partially offset by the reduction of operational expenses by R$ 1.6 million, excluding depreciation. EBITDA margin was 12.3% in 3Q17, against 12.4% in 3Q16.

In the last twelve months ended on September 30, 2017, LTM EBITDA reached R$ 249.8 million.

Profit

Gross profit totaled R$ 154.3 million in 3Q17, with gross margin of 27.1%. There was a 4.9% drop in gross profit, but an improvement of 0.8 p.p. in gross margin, since, in relative terms, the decline in costs exceeded the decrease in revenues.

The financial result was a loss of R$ 37.8 million in 3Q17, against a loss of R$ 57.1 million in 3Q16, mainly due to lower financial expenses and exchange rate variation.

The financial expenses – interest expenses – declined yoy by R$ 10.4 million, or 23.1%, mainly due to the lower Brazilian basic interest rate, which decreased from 14.25% at the end of 3Q16 to 8.25% at the end of 3Q17, since approximately 80% of our debt is CDI indexed.

There was an additional 2.0% cut in the Brazilian basic interest rate in 3Q17 and an additional 0.75% in October, returning to the lowest level since April 2013, 7.5% per year. The downward trend is expected to continue in the coming months.

The financial income increased by R$ 1.2 million, while bank charges, taxes, discounts and others decreased by R$ 0.5 million yoy.

The balance of exchange variations was a gain of R$ 4.4 million in 3Q17, reflecting the appreciation of the Brazilian Real quarter-over-quarter (qoq), with a yoy variation of R$ 7.2 million.

There was an improvement of R$ 16.6 million in the net income yoy. Net profit was R$ 15.6 million in 3Q17, against net loss of R$ 1.0 million in 3Q16.

Capex and Working Capital

Capital expenditures (Capex) totaled R$ 17.0 million in 3Q17, mainly focused on asset modernization in the Company´s manufacturing facilities.

The working capital needs amounted to R$ 970.8 million at the end of 3Q17, stable qoq.

The working capital needs are higher in Brazil than in North America, due to the usual longer payment terms in the wholesale market. In retail, the conversion of owned to franchised stores enables the reduction of working capital, through the transfer of inventories and accounts receivable to the franchisee.

Debt indicators

Our net debt[f] was R$ 870.7 million as of September 30, 2017, in line with the value recorded at the end of the second quarter of 2017 (2Q17), of R$ 886.4 million.

Our leverage, as measured by net debt/LTM EBITDA was equal to 3.5x by the end of 3Q17. The improvement of our operating income and, as a result, our cash generation will allow, at the same time, the decrease of net debt and the increase of EBITDA, contributing to the reduction of the indicator Net debt/EBITDA.

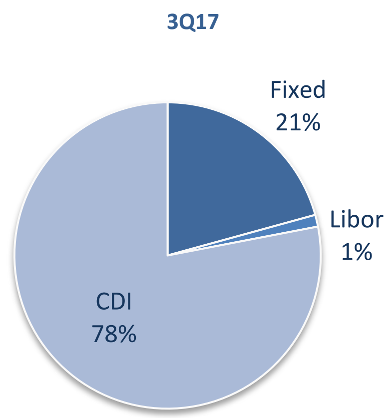


Chart 6 – Debt per index

Projections

Springs Global maintains its strategy to consolidate its leading position in the bedding, tabletop and bath market, and to expand its multibrand and monobrand retail channel, prioritizing franchises, which are less capital intensive.

We will continue to improve the profitability of our business by (a) higher capacity utilization of our plants in Brazil, mainly related to our growth in the decorative textile segment, resulting in higher absorption of fixed costs, (b) conversion of intermediate products into finished products with higher value added, and (c) conversion of owned stores into franchises, in addition to the growth of the number of franchises.

For 2017, we expect growth of up to 18% in revenues and EBITDA margin expansion, in line with the Company's budget that includes the following assumptions: (a) an average exchange rate of R$ 3.40 in 2017, (b) a growth of 0.8% of the Brazilian GDP, and (c) the conversion of 20 stores and the opening of 17 new franchise stores.

in R$ million	2017 Guidance	9M17 Actual
Net revenue		
South America - Wholesale*	1,250 - 1,450	920.0
South America - Retail	260 - 300	182.8
North America - Wholesale	850 - 980	578.0
Total net revenue	**2,360 - 2,730**	**1,625.4**
EBIT	200 - 240	129.6
EBITDA	280 - 320	184.8
CAPEX	35 - 45	35.1

* Including intercompany revenue of R$ 62.3 million in the 2017 guidance and of R$ 55.1 million in 9M17

Table 2 – Projections

Share performance

Springs Global's shares, traded on the BM&FBOVESPA under the ticker SGPS3, appreciated 40.8% in 3Q17, outperforming the IBOVESPA and the *Small Cap* indexes, in the same period. The daily average financial volume of our shares was R$ 812,000 in 3Q17.

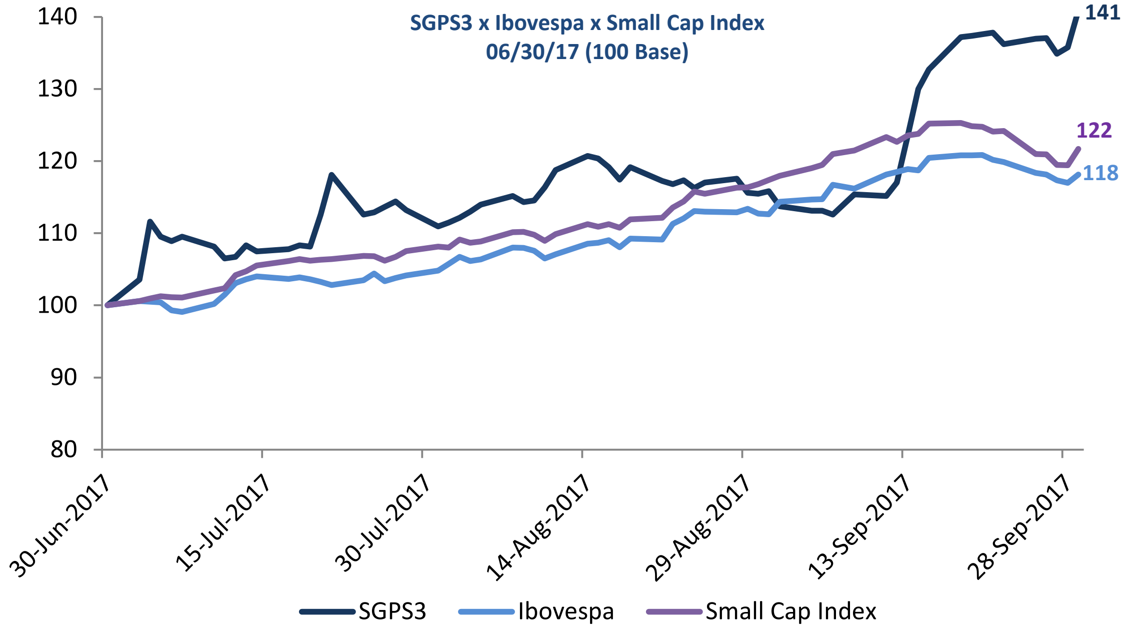


Chart 7 – Performance of SGPS3 share price

Performance of the business units

Springs Global presents its results segregated in the following business units: (a) South America – Wholesale, (b) South America - Retail, and (c) North America – Wholesale.

South America - Wholesale

Net revenue from the South America – Wholesale business unit amounted to R$ 331.4 million in 3Q17, stable yoy.

COGS totaled R$ 241.7 million in 3Q17, also stable yoy. SG&A expenses amounted to R$ 58.4 million, equivalent to 17.6% of revenue, with a 4.7% yoy increase.

EBITDA reached R$ 51.9 million, 13.1% above 3Q16.

The gross margin was equal to 27.1% in 3Q17, against 26.1% in 3Q16, and the EBITDA margin was 15.7%, against 14.1% in 3Q16, both positively impacted by the lower share of intermediate products in the sales mix.

South America - Retail

Net revenue from the South America – Retail business unit totaled R$ 63.3 million in 3Q17, in line yoy, as the conversion of owned stores to franchises was offset by the higher number of stores. In 3Q17, we converted two owned store into a franchise, opened one franchise store, and closed one owned store.

At the end of 3Q17, we had 227 stores, of which 71 were owned and 156 franchises, and of which four were temporarily closed for improvement, with negative impact on our revenues in this quarter. At the end of 3Q16, we had 218 stores.

The conversion process results in the reduction of revenue, but also of SG&A expenses, which enables the improvement of the EBITDA margin. In order to track the performance of the South America – Retail business unit, during this conversion process, it is necessary to compare the sell-out revenue, which, regardless if the store is owned or franchised, considers the selling price to the final consumer.

Sell-out revenue was R$ 120.5 million in 3Q17, 8.7% higher yoy.

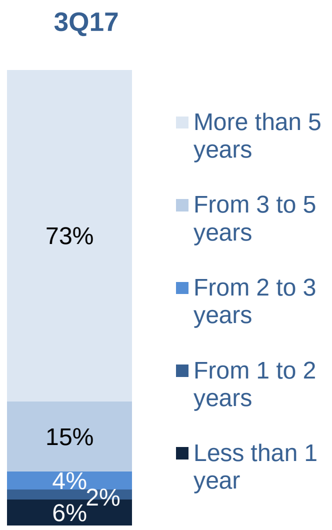


Chart 8 – Stores per maturity stage

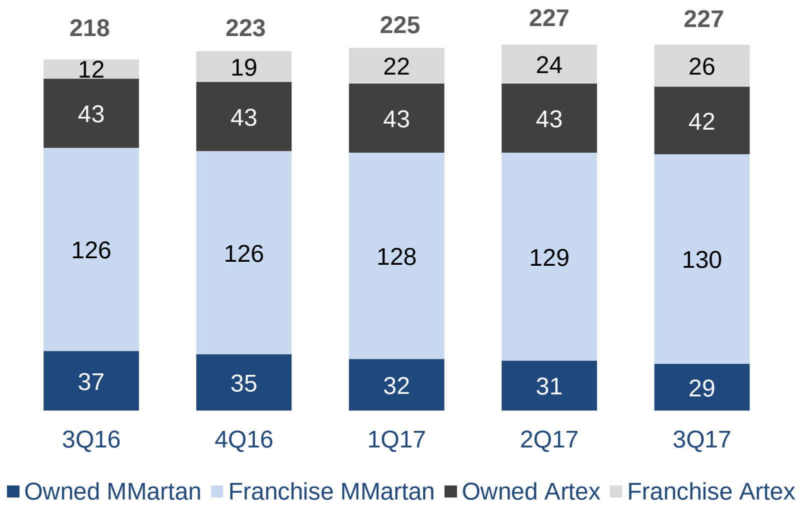


Chart 9 – Number of stores

COGS totaled R$ 31.1 million, 2.3% higher yoy, and gross margin decreased to 50.9% in 3Q17 from 51.6% in 3Q16, due to the higher share of franchises in our revenue.

SG&A expenses amounted to R$ 33.0 million, 2.4% lower yoy, mainly due to the conversion of owned stores to franchises in the last twelve months.

EBITDA was positive R$ 1.3 million in 3Q17, stable yoy.

North America - Wholesale

Net revenue from the North America – Wholesale business unit reached R$ 197.5 million in 3Q17, with a 19.9% yoy decrease, negatively impacted by a policy change related to product replacement from an important client, which resulted in a non-recurring disruption in the replacement level of our products.

COGS amounted to R$ 165.1 million, 18.2% lower yoy. The gross margin was 16.4% in 3Q17, against 18.2% in 3Q16, due to lower absorption of fixed costs. SG&A expenses represented 6.9% of revenue in 3Q17, with a 17.1% yoy decrease.

EBITDA reached R$ 17.9 million, 40.1% lower yoy. EBITDA margin was 9.1%, against 12.1% in 3Q16.

Tables

Table 3 – Net revenue per business unit

in R$ million	3Q17 (A)	%	3Q16 (B)	%	(A)/(B) %	9M17 (C)	%	9M16 (D)	%	(C)/(D) %
South America	**371.3**	**65%**	**370.1**	**60%**	**0.3%**	**1,047.4**	**64%**	**1,014.5**	**58%**	**3.2%**
Wholesale*	308.0	54%	307.3	50%	0.2%	864.6	53%	828.3	48%	4.4%
Retail	63.3	11%	62.8	10%	0.8%	182.8	11%	186.2	11%	(1.8%)
North America	**197.5**	**35%**	**246.6**	**40%**	**(19.9%)**	**578.0**	**36%**	**723.0**	**42%**	**(20.1%)**
Total net revenue	**568.8**	**100%**	**616.6**	**100%**	**(7.8%)**	**1,625.4**	**100%**	**1,737.5**	**100%**	**(6.4%)**
Intercompany	23.4		19.1			55.4		48.6		

* Excluding intercompany revenues

Table 4 – Net revenue per product line

	Net Revenue (R$ million)			Volume (tons)			Average price (R$)/Kg		
Product Lines	**3Q17 (A)**	**3Q16 (B)**	**(A)/(B) %**	**3Q17 (C)**	**3Q16 (D)**	**(C)/(D) %**	**3Q17 (E)**	**3Q16 (F)**	**(E)/(F) %**
Bedding, tabletop and bath	258.1	277.7	(7.1%)	8,320	9,006	(7.6%)	31.0	30.8	0.6%
Utility bedding	169.0	194.3	(13.0%)	11,893	12,338	(3.6%)	14.2	15.7	(9.8%)
Intermediate products	78.4	81.9	(4.3%)	7,652	8,380	(8.7%)	10.2	9.8	4.8%
Retail	63.3	62.8	0.8%						
Total	**568.8**	**616.6**	**(7.8%)**	**27,865**	**29,724**	**(6.3%)**	**20.4**	**20.7**	**(1.6%)**

	Net Revenue (R$ million)			Volume (tons)			Average price (R$)/Kg		
Product Lines	**9M17 (A)**	**9M16 (B)**	**(A)/(B) %**	**9M17 (C)**	**9M16 (D)**	**(C)/(D) %**	**9M17 (E)**	**9M16 (F)**	**(E)/(F) %**
Bedding, tabletop and bath	726.8	772.8	(6.0%)	23,573	24,640	(4.3%)	30.8	31.4	(1.7%)
Utility bedding	487.0	574.2	(15.2%)	32,877	33,622	(2.2%)	14.8	17.1	(13.3%)
Intermediate products	228.8	204.3	12.0%	21,990	22,028	(0.2%)	10.4	9.3	12.2%
Retail	182.8	186.2	(1.8%)						
Total	**1,625.4**	**1,737.5**	**(6.4%)**	**78,440**	**80,290**	**(2.3%)**	**20.7**	**21.6**	**(4.2%)**

Table 5 – Cost of goods sold (COGS) and Sales, General and Administrative expenses (SG&A)

in R$ million	3Q17 (A)	%	3Q16 (B)	%	(A)/(B) %	9M17 (C)	%	9M16 (D)	%	(C)/(D) %
Materials	246.4	59.4%	285.6	62.9%	(13.7%)	725.6	60.5%	809.7	63.7%	(10.4%)
Conversion costs and Others	151.1	36.5%	150.7	33.2%	0.3%	422.8	35.3%	408.5	32.1%	3.5%
Depreciation	17.0	4.1%	18.1	4.0%	(6.1%)	50.9	4.2%	53.9	4.2%	(5.6%)
COGS	**414.5**	**100.0%**	**454.4**	**100.0%**	**(8.8%)**	**1,199.3**	**100.0%**	**1,272.1**	**100.0%**	**(5.7%)**
COGS, % Revenues	**72.9%**		**73.7%**		*(0.8 p.p.)*	**73.8%**		**73.2%**		*0.6 p.p.*
Sales expenses	72.6	68.4%	72.6	68.0%	0.1%	207.5	67.1%	212.6	67.0%	(2.4%)
General and administrative expenses	33.5	31.6%	34.2	32.0%	(1.9%)	101.7	32.9%	104.6	33.0%	(2.8%)
SG&A	**106.1**	**100.0%**	**106.7**	**100.0%**	**(0.6%)**	**309.2**	**100.0%**	**317.2**	**100.0%**	**(2.5%)**
SGA, % Revenues	**18.7%**		**17.3%**		*1.4 p.p.*	**19.0%**		**18.3%**		*0.8 p.p.*

Table 6 – Reconciliation of EBITDA

Em R$ milhões	3T17 (A)	3T16 (B)	(A)/(B) %	9M17 (C)	9M16 (D)	(C)/(D) %
Lucro (Prejuízo) líquido	15.6	(1.0)	n.a.	6.7	(32.0)	n.a.
(+) Imposto de renda e contribuição social	(1.7)	0.9	n.a.	(14.3)	(3.4)	n.a.
(+) Resultado financeiro	37.8	57.1	(33.8%)	137.1	177.7	(22.8%)
(+) Depreciação e amortização	18.4	19.4	(5.2%)	55.3	58.4	(5.3%)
EBITDA	**70.0**	**76.4**	**(8.4%)**	**184.8**	**200.7**	**(7.9%)**

Table 7 – EBITDA per business unit and EBITDA margin

Em R$ milhões	3T17 (A)	3T16 (B)	(A)/(B) %	9M17 (C)	9M16 (D)	(C)/(D) %
América do Sul	**53.2**	**47.2**	**12.7%**	**131.6**	**141.6**	**(7.1%)**
Atacado	51.9	45.9	13.1%	129.6	142.8	(9.2%)
Varejo	1.3	1.3	n.a.	2.0	(1.2)	n.a.
América do Norte	**17.9**	**29.9**	**(40.1%)**	**56.4**	**61.8**	**(8.7%)**
Despesas não alocáveis	(1.1)	(0.8)	37.5%	(3.1)	(2.6)	19.2%
EBITDA total	**70.0**	**76.4**	**(8.4%)**	**184.8**	**200.7**	**(7.9%)**
Margem EBITDA %	*12.3%*	*12.4%*	*(0.1 p.p.)*	*11.4%*	*11.6%*	*(0.2 p.p.)*

Table 8 – Financial Results

in R$ million	3Q17 (A)	3Q16 (B)	(A)/(B) %	9M17 (C)	9M16 (D)	(C)/(D) %
Financial income	6.7	5.5	21.5%	20.5	19.4	5.7%
Financial expenses - interests	(34.5)	(44.9)	(23.1%)	(110.8)	(128.9)	(14.0%)
Financial expenses - bank charges and others	(14.4)	(14.9)	(3.3%)	(45.2)	(46.2)	(2.1%)
Exchange rate variations, net	4.4	(2.8)	n.a.	(1.6)	(22.1)	(92.5%)
Financial results	**(37.8)**	**(57.1)**	**(33.8%)**	**(137.1)**	**(177.7)**	**(22.8%)**

Table 9 – Capex

in R$ million	3Q17	3Q16	9M17	9M16
Manufacturing facilities	16.4	2.1	33.7	49.0
Retail	0.6	0.4	1.4	1.6
Total	**17.0**	**2.5**	**35.1**	**50.6**

Table 10 – Working Capital

in R$ million	3Q17 (A)	2Q17 (B)	3Q16 (C)	(A)/(B) %	(A)/(C) %
Accounts receivable	510.4	505.0	560.9	1.1%	(9.0%)
Inventories	546.2	566.1	592.9	(3.5%)	(7.9%)
Advances to suppliers	39.7	37.0	33.0	7.4%	20.1%
Suppliers	(125.6)	(152.0)	(159.0)	(17.4%)	(21.0%)
Working capital	**970.8**	**956.1**	**1,027.9**	**1.5%**	**(5.6%)**

Table 11 – Indebtedness

in R$ million	3Q17 (A)	2Q17 (B)	3Q16 (C)	(A)/(B) %	(A)/(C) %
Loans and financing	1,030.2	1,039.1	940.8	(0.9%)	9.5%
- Domestic currency	694.1	673.7	620.9	3.0%	11.8%
- Foreign currency	336.1	365.4	319.9	(8.0%)	5.1%
Debentures	49.9	48.5	139.4	2.9%	(64.2%)
Total Debt	**1,080.1**	**1,087.6**	**1,080.2**	**(0.7%)**	**(0.0%)**
Cash and marketable securities	(209.4)	(201.2)	(235.1)	4.1%	(10.9%)
Net debt	**870.7**	**886.4**	**845.1**	**(1.8%)**	**3.0%**

Table 12 – Main indicators - South America - Wholesale business unit

in R$ million	3Q17 (A)	2Q17 (B)	3Q16 (C)	(A)/(B) %	(A)/(C) %	9M17 (D)	9M16 (E)	(D)/(E) %
Net revenue	331.4	307.8	326.4	7.7%	1.5%	920.0	876.9	4.9%
(-) COGS	(241.7)	(231.9)	(241.3)	4.2%	0.2%	(684.2)	(627.6)	9.0%
Gross profit	89.7	75.9	85.1	18.2%	5.4%	235.8	249.3	(5.4%)
Gross Margin %	***27.1%***	***24.7%***	***26.1%***	***2.4 p.p.***	***1.0 p.p.***	***25.6%***	***28.4%***	***(2.8 p.p.)***
(-) SG&A	(58.4)	(53.6)	(55.8)	9.0%	4.7%	(161.6)	(154.2)	4.8%
(-) Others	3.8	1.4	0.1	171.4%	3700.0%	5.1	(1.0)	n.a.
Operational result	35.1	23.7	29.4	48.1%	19.4%	79.3	94.1	(15.7%)
(+) Depreciation and Amortization	16.8	16.7	16.5	0.6%	1.8%	50.3	48.7	3.3%
EBITDA	51.9	40.4	45.9	28.5%	13.1%	129.6	142.8	(9.2%)
EBITDA Margin %	***15.7%***	***13.1%***	***14.1%***	***2.5 p.p.***	***1.6 p.p.***	***14.1%***	***16.3%***	***(2.2 p.p.)***
Intercompany revenue	23.4	16.6	19.1	41.0%	22.5%	55.4	48.6	14.0%
Revenue ex-intercompany	308.0	291.2	307.3	5.8%	0.2%	864.6	828.3	4.4%

Table 13 – Main indicators - South America - Retail business unit

in R$ million	3Q17 (A)	2Q17 (B)	3Q16 (C)	(A)/(B) %	(A)/(C) %	9M17 (D)	9M16 (E)	(D)/(E) %
Net revenue	63.3	59.6	62.8	6.2%	0.8%	182.8	186.2	(1.8%)
(-) COGS	(31.1)	(28.8)	(30.4)	8.0%	2.3%	(89.3)	(91.1)	(2.0%)
Gross profit	32.2	30.8	32.4	4.5%	(0.6%)	93.5	95.1	(1.7%)
Gross Margin %	***50.9%***	***51.7%***	***51.6%***	***(0.8 p.p.)***	***(0.7 p.p.)***	***51.1%***	***51.1%***	***0.1 p.p.***
(-) SG&A	(33.0)	(32.2)	(33.8)	2.5%	(2.4%)	(97.2)	(103.2)	(5.8%)
(-) Others	1.2	0.6	0.3	100.0%	300.0%	2.7	(0.4)	n.a.
Operational result	0.4	(0.8)	(1.1)	n.a.	n.a.	(1.0)	(8.5)	n.a.
(+) Depreciation and Amortization	0.9	1.1	2.4	(18.2%)	(62.5%)	3.0	7.3	(58.9%)
EBITDA	1.3	0.3	1.3	333.3%	0.0%	2.0	(1.2)	n.a.
EBITDA Margin %	***2.1%***	***0.5%***	***2.1%***	***1.6 p.p.***	***(0.0 p.p.)***	***1.1%***	***-0.6%***	***1.7 p.p.***
Number of stores	227	227	218	0.0%	4.1%	227	218	4.1%
Owned MMartan	29	31	37			29	37	
Franchise MMartan	130	129	126			130	126	
Owned Artex	42	43	43			42	43	
Franchise Artex	26	24	12			26	12	
Gross Revenue sell-out	120.5	116.7	110.8	3.2%	8.7%	347.7	331.9	4.8%

Table 14 – Main indicators - North America - Wholesale business unit

in R$ million	3Q17 (A)	2Q17 (B)	3Q16 (C)	(A)/(B) %	(A)/(C) %	9M17 (D)	9M16 (E)	(D)/(E) %
Net revenue	197.5	189.6	246.6	4.2%	(19.9%)	578.0	723.0	(20.1%)
(-) COGS	(165.1)	(159.6)	(201.8)	3.4%	(18.2%)	(481.2)	(602.0)	(20.1%)
Gross profit	32.4	30.0	44.8	8.0%	(27.7%)	96.8	121.0	(20.0%)
Gross Margin %	***16.4%***	***15.8%***	***18.2%***	***0.6 p.p.***	***(1.8 p.p.)***	***16.7%***	***16.7%***	***0.0 p.p.***
(-) SG&A	(13.6)	(16.8)	(16.4)	(19.0%)	(17.1%)	(47.3)	(57.2)	(17.3%)
(-) Others	(1.6)	6.3	1.0	n.a.	n.a.	4.9	(4.4)	n.a.
Operational result	17.2	19.5	29.4	(11.8%)	(41.5%)	54.4	59.4	(8.4%)
(+) Depreciation and Amortization	0.7	0.7	0.5	0.0%	40.0%	2.0	2.4	(16.7%)
EBITDA	17.9	20.2	29.9	(11.4%)	(40.1%)	56.4	61.8	(8.7%)
EBITDA Margin %	***9.1%***	***10.7%***	***12.1%***	***(1.6 p.p.)***	***(3.1 p.p.)***	***9.8%***	***8.5%***	***1.2 p.p.***

Glossary

(**a) EBITDA** - EBITDA is a non-accounting measurement which we prepare and which is reconciled with our financial statement in accordance with CVM Instruction 01/2007, when applicable. We have calculated our EBITDA (usually defined as earnings before interest, tax, depreciation and amortization) as net earnings before financial results, the effect of depreciation of our plants, equipment and other permanent assets and the amortization of intangible assets. EBITDA is not a measure recognized under BR GAAP, IFRS or US GAAP. It is not significantly standardized and cannot be compared to measurements with similar names provided by other companies. We have reported EBITDA because we use it to measure our performance. EBITDA should not be considered in isolation or as a substitute for "net income" or "operating income" as indicators of operational performance or cash flow, or for the measurement of liquidity or debt repayment capacity.

(b) Sell-out revenue – Revenue from sales channel to the end customers.

(c) Utility bedding line - includes pillows, mattress pads and quilts.

(d) Bedding, Tabletop and Bath ("CAMEBA") line - includes bed sheets and pillow cases, sheet sets, tablecloths, towels, rugs and bath accessories.

(e) Intermediate products - yarns and fabrics, in their natural state or dyed and printed, sold to small and medium-sized clothing, knitting and weaving companies.

(f) Net debt – Gross debt minus cash and marketable securities.

Balance sheet

in R$ million	3Q17	2Q17	3Q16
Assets			
Current assets	**1,319.1**	**1,328.9**	**1,449.5**
Cash and cash equivalents	120.1	120.3	146.1
Marketable securities	28.3	17.4	27.4
Accounts receivable	510.4	505.0	560.9
Inventories	546.2	566.1	592.9
Advances to suppliers	39.7	37.0	33.0
Recoverable taxes	24.7	25.2	36.1
Receivable - sale of property	-	-	21.8
Other receivables	49.6	57.8	31.2
Noncurrent assets	**1,248.4**	**1,269.9**	**1,191.6**
Long-term assets	**411.9**	**424.7**	**295.6**
Marketable securities	60.9	63.4	61.6
Receivable - clients	25.0	24.2	-
Receivable - sale of property	53.7	53.8	32.7
Related parties	35.3	45.9	24.3
Recoverable taxes	15.0	9.1	9.3
Deferred income and social contribution taxes	126.5	126.9	57.4
Property, plant and equipment held for sale	45.6	48.0	49.4
Escrow deposits	13.9	14.9	20.0
Others	36.0	38.3	40.9
Permanent	**836.5**	**845.2**	**896.0**
Other investments	-	-	2.0
Property, plant and equipment	725.7	730.3	765.3
Intangible assets	110.8	114.9	128.7
Total assets	**2,567.5**	**2,598.7**	**2,641.1**

in R$ million	3Q17	2Q17	3Q16
Liabilities and Equity			
Current liabilities	**764.9**	**777.1**	**931.4**
Loans and financing	476.7	475.2	452.9
Debentures	0.9	0.3	139.4
Suppliers	125.6	152.0	159.0
Taxes	13.2	12.3	22.3
Payroll and related charges	72.6	66.0	66.1
Government concessions	19.2	16.8	18.1
Noneconomic leases	6.9	6.4	5.9
Other payables	49.7	48.1	67.7
Noncurrent liabilities	**786.3**	**809.3**	**696.5**
Loans and financing	553.5	563.9	487.9
Debentures	49.0	48.2	-
Noneconomic leases	13.2	14.5	18.4
Related parties	-	0.8	-
Government concessions	43.0	46.7	49.5
Employee benefit plans	97.4	104.7	102.2
Miscellaneous accruals	16.3	17.1	21.6
Other obligations	13.8	13.4	16.9
Equity	**1,016.3**	**1,012.3**	**1,013.2**
Capital	1,860.3	1,860.3	1,860.3
Capital reserves	79.4	79.4	79.4
Assets and liabilities valuation adjustment	(36.7)	(36.7)	(33.6)
Cumulative translation adjustment	(277.4)	(269.8)	(267.2)
Earnings reserves	25.2	25.2	25.2
Accumulated deficit	(635.6)	(648.4)	(656.6)
Noncontrolling interest	1.2	2.5	5.8
Total liabilities and equity	**2,567.5**	**2,598.7**	**2,641.1**

Income Statement

in R$ million	3Q17 (A)	2Q17 (B)	3Q16 (C)	(A)/(B) %	(A)/(C) %	9M17 (D)	9M16 (E)	(D)/(E) %
Gross revenues	688.1	673.7	744.1	2.1%	(7.5%)	1,994.0	2,101.6	(5.1%)
Net revenues	**568.8**	**540.4**	**616.6**	**5.3%**	**(7.8%)**	**1,625.4**	**1,737.5**	**(6.4%)**
Cost of goods sold	**(414.5)**	**(403.7)**	**(454.4)**	**2.7%**	**(8.8%)**	**(1,199.3)**	**(1,272.1)**	**(5.7%)**
% of net sales	*72.9%*	*74.7%*	*73.7%*	*(1.8 p.p.)*	*(0.8 p.p.)*	*73.8%*	*73.2%*	*0.6 p.p.*
Materials	(246.4)	(246.3)	(285.6)	0.0%	(13.7%)	(725.6)	(809.7)	(10.4%)
Conversion costs and others	(151.1)	(140.5)	(150.7)	7.5%	0.3%	(422.8)	(408.5)	3.5%
Depreciation	(17.0)	(16.9)	(18.1)	0.6%	(6.1%)	(50.9)	(53.9)	(5.6%)
Gross profit	**154.3**	**136.7**	**162.3**	**12.9%**	**(4.9%)**	**426.1**	**465.4**	**(8.4%)**
% Gross Margin	*27.1%*	*25.3%*	*26.3%*	*1.8 p.p.*	*0.8 p.p.*	*26.2%*	*26.8%*	*(0.6 p.p.)*
SG&A	**(106.1)**	**(103.6)**	**(106.7)**	**2.4%**	**(0.6%)**	**(309.2)**	**(317.2)**	**(2.5%)**
% of net sales	*18.7%*	*19.2%*	*17.3%*	*(0.5 p.p.)*	*1.3 p.p.*	*19.0%*	*18.3%*	*0.8 p.p.*
Selling expenses	(72.6)	(68.6)	(72.6)	5.8%	0.1%	(207.5)	(212.6)	(2.4%)
% of net sales	*12.8%*	*12.7%*	*11.8%*	*0.1 p.p.*	*1.0 p.p.*	*12.8%*	*12.2%*	*0.5 p.p.*
General and administrative expenses	(33.5)	(35.0)	(34.2)	(4.3%)	(1.9%)	(101.7)	(104.6)	(2.8%)
% of net sales	*5.9%*	*6.5%*	*5.5%*	*(0.6 p.p.)*	*0.3 p.p.*	*6.3%*	*6.0%*	*0.2 p.p.*
Others, net	**3.4**	**8.3**	**1.5**	**(59.1%)**	**134.5%**	**12.7**	**(5.8)**	**n.a.**
% of net sales	*0.6%*	*1.5%*	*0.2%*	*(0.9 p.p.)*	*0.4 p.p.*	*0.8%*	*(0.3%)*	*1.1 p.p.*
Income from operations	**51.6**	**41.4**	**57.0**	**24.8%**	**(9.4%)**	**129.6**	**142.4**	**(9.0%)**
% of net sales	*9.1%*	*7.7%*	*9.2%*	*1.4 p.p.*	*(0.2 p.p.)*	*8.0%*	*8.2%*	*(0.2 p.p.)*
Financial result	(37.8)	(51.1)	(57.1)	(26.0%)	(33.8%)	(137.1)	(177.7)	(22.8%)
Profit (Loss) before taxes	**13.8**	**(9.7)**	**(0.1)**	**n.a.**	**n.a.**	**(7.5)**	**(35.3)**	**n.a.**
Income and social contribution taxes	1.7	12.9	(0.9)	n.a.	n.a.	14.3	3.4	n.a.
Net income (loss)	**15.6**	**3.2**	**(1.0)**	**n.a.**	**n.a.**	**6.7**	**(32.0)**	**n.a.**

SPRINGS® GLOBAL

Cash Flow Statement

in R$ million	3Q17	3Q16	9M17	9M16
Cash flows from operating activities				
Net income (loss) for the period	15.6	(1.0)	6.7	(32.0)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	18.4	19.4	55.3	58.4
Income and social contribution taxes	(1.7)	0.9	(14.3)	(3.4)
Gain on disposal of property, plant and equipment and intangibles	(0.6)	(0.2)	(7.5)	1.6
Monetary variation	0.1	-	1.2	-
Exchange rate variations	(4.4)	0.9	1.6	6.3
Bank charges, interests and commissions	37.0	26.6	122.5	98.7
	64.3	**46.6**	**165.5**	**129.7**
Changes in assets and liabilities				
Marketable securities	(8.4)	(11.7)	(5.4)	(92.1)
Accounts receivable	(17.2)	(44.6)	(34.2)	(81.2)
Inventories	9.7	26.3	4.6	26.2
Advances to suppliers	(2.8)	0.0	(4.1)	3.4
Suppliers	(20.1)	(9.0)	(12.0)	38.7
Others	1.2	11.3	6.5	17.5
Net cash provided by (used in) operating activities	**26.7**	**19.0**	**120.9**	**42.3**
Interest paid on loans	(29.8)	(28.1)	(100.3)	(102.5)
Income and social contribution taxes paid	(0.7)	(2.0)	(5.2)	(1.2)
Net cash provided by (used in) operating activities after interest and taxes	**(3.7)**	**(11.0)**	**15.4**	**(61.4)**
Cash flows from investing activities				
Investments	(3.9)	(13.4)	(11.8)	(13.4)
Property, plant and equipment	(17.0)	(2.5)	(35.1)	(50.6)
Intangible assets	-	(1.9)	(0.0)	(1.9)
Disposal of property, plant and equipment	(0.4)	0.9	10.8	2.3
Loans between related parties	22.8	27.7	4.1	(13.8)
Net cash provided by (used in) investing activities	**1.5**	**10.8**	**(32.1)**	**(77.5)**
Cash flows from financing activities				
Proceeds from new loans	110.8	194.5	689.3	783.3
Repayment of loans	(104.7)	(164.6)	(707.4)	(635.8)
Net cash provided by (used in) financing activities	**6.0**	**29.9**	**(18.1)**	**147.4**
Effect of exchange rate changes on cash and cash equivalents in foreign currencies	(4.1)	0.2	(5.4)	(12.4)
Increase (decrease) in cash and cash equivalents	**(0.2)**	**29.9**	**(40.3)**	**(3.8)**
Cash and cash equivalents:				
At the beginning of the period	120.3	116.2	160.4	149.9
At the end of the period	120.1	146.1	120.1	146.1

This press release may include declarations about Springs Global's expectations regarding future events or results. All declarations based upon future expectations, rather than historical facts, are subject to various risks and uncertainties.

These risks and uncertainties include factors related to the following: the Company´s business strategy, the international and the Brazilian economies, technology, financial strategy, developments in the textile and retail sectors, market conditions, among others. To obtain further information on factors that may give rise to results different from those forecasted by Springs Global, please consult the reports filed with the Brazilian Comissão de Valores Mobiliários (CVM, equivalent to U.S. "SEC").

Companhia Tecidos Santanense

CNPJ/MF n° 21.255.567/0001-89

Publicly Traded Company

Dear Shareholders,

We submit for your consideration the interim financial statements for the third quarter of 2017, accompanied by report on the review of the interim financial statements of the Independent Auditors.

Santanense´s gross revenue amounted to R$ 386.2 million in the first nine months of 2017. The following table presents the financial highlights in the first nine months of 2017 and 2016.

Consolidated Financial Highlights	R$ ´000		Variation %
	9M17	9M16	
Gross revenue	386,151	351,209	9.9
Net revenue	319,423	277,408	15.1
Cost of goods sold	(251,540)	(238,632)	5.4
Gross profit	67,883	38,776	75.1
(% of net revenue)	*21.3%*	*14.0%*	
Selling, general and administrative expenses	(41,144)	(38,947)	5.6
EBITDA	36,026	7,355	389.8

Net Revenue

Net revenue totaled R$ 319.4 million in the first nine months of 2017. Santanense´s net revenue increased by 15.1% year-over-year (yoy) in this period of 2017, due to the growth of sales volume and the better mix of products sold.

Cost of goods sold

Santanense presented gross margin of 21.3% in the first nine months of 2017, compared to 14.0% in the same period in 2016. The efforts to reduce some conversion costs, the improvement of product lines, and the adjustment of production capacity enabled the Company to partially recover its margins.

Selling, general and administrative expenses

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

Operating income

Operating income was R$ 27.5 million in the first nine months of 2017, reverting a loss of R$ 1.3 million in the same period of 2016, due to the previously explained reasons.

Financial result, net

In the first nine months of 2017, the net financial result was an expense of R$ 10.9 million, compared to an expense of R$ 7.0 million in the same period last year, mainly due to the exchange variation on the Company's debt in US dollars, net of its receivables from exports, which reduced the Company´s financial result in this period of 2016.

	R$ million	
Financial result	**9M17**	**9M16**
Financial expenses - interests	(17.0)	(11.9)
Bank charges, discounts	(2.2)	(1.7)
Financial income	7.8	3.1
Exchange variation, net	0.5	3.5
Financial result, net	**(10.9)**	**(7.0)**

We expect an enhancement in the Company's operational result in the next quarter, due to continuous improvement in sales and profitability.

Montes Claros – MG, November 9, 2017.

Management

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

Companhia de Tecidos Norte de Minas - COTEMINAS

Individual and Consolidated Financial Statements and Report on Review of Interim Financial Information
Third Quarter - 2017

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

REVIEW REPORT OF INDEPENDENT AUDITORS ON INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the individual and consolidated interim financial statements of Companhia de Tecidos Norte de Minas - COTEMINAS ("Company"), included in the Quarterly Information (ITR) related to the quarter ended September 30, 2017, which consist of the balance sheet at September 30, 2017 and the related statements of income and comprehensive income for the three and nine months then ended and the changes in equity and cash flows for the nine month period then ended including a summary of significant accounting policies and other explanatory notes.

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

Scope of the review

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

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

Conclusion on the individual interim financial information

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

Conclusion on the consolidated interim financial information

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

Other issues

Interim statements of value added

We have also reviewed the individual and consolidated interim statements of value added (DVA), individual and consolidated, prepared under the responsibility of the Company's management, for the Company for the nine months ended September 30, 2017, for which presentation in the interim financial statements is required according to the standards issued by CVM applicable to the preparation of Quarterly Information (ITR), and considered as supplementary information by IFRS, which do not require the presentation of DVA. These statements were submitted to the same review procedures described before and, based on our review, we are not aware of any fact that leads us to believe that they have not been fairly stated, in all material respects, regarding the individual and consolidated interim financial statements taken as a whole.

São Paulo, November 09, 2017.

BDO RCS Auditores Independentes
CRC 2 SP 013846/O-1 – S - MG

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

(In thousands of Brazilian Reais)

ASSETS

		Company		Consolidated	
	Note	09.30.2017	12.31.2016	09.30.2017	12.31.2016
CURRENT:					
Cash and cash equivalents	3	463	286	128,545	183,420
Marketable securities	4	-	-	54,405	44,431
Accounts receivable	5	-	-	609,376	592,389
Inventories	6	-	-	612,657	631,015
Advances to suppliers		304	148	42,152	41,012
Recoverable taxes	20.d	2,019	2,672	27,754	39,313
Real estate held for sale		-	-	1,249	1,245
Other receivables		2,511	252	36,664	42,616
Total current assets		5,297	3,358	1,512,802	1,575,441
NONCURRENT:					
Long-term assets:					
Marketable securities	4	-	-	60,917	62,057
Receivable – clients	7	-	-	25,027	24,288
Receivable – sale of property	8	-	-	53,719	54,880
Recoverable taxes	20.d	13,616	13,613	47,675	40,693
Deferred income and social contribution taxes	20.c	3,923	4,353	152,938	139,634
Related parties	19	144,961	136,590	98,288	88,856
Property, plant and equipment held for sale	11.b	-	-	45,643	49,235
Escrow deposits	21	24,753	25,202	47,019	52,776
Other credits and receivables		2,061	2,061	19,043	13,770
		189,314	181,819	550,269	526,189
Investments in subsidiaries	9.a	691,844	688,251	-	-
Investments in affiliated companies	9.a	25,628	17,896	25,628	17,896
Investment property	10	195,668	193,928	195,668	193,928
Other investments		3,090	3,088	4,828	8,125
Property, plant and equipment	11.a	6,966	6,813	873,143	901,300
Intangible assets	12	2	2	110,796	115,987
Total noncurrent assets		1,112,512	1,091,797	1,760,332	1,763,425
Total assets		1,117,809	1,095,155	3,273,134	3,338,866

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF SEPTEMBER 30, 2017 AND DECEMBER 31, 2016
(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

		Company		Consolidated	
	Note	09.30.2017	12.31.2016	09.30.2017	12.31.2016
LIABILITIES					
CURRENT:					
Loans and financing	13	98,431	107,611	716,723	626,086
Debentures	14	-	-	909	134,993
Suppliers	15	311	58	137,484	154,583
Payroll and related charges		1,065	814	87,207	63,896
Taxes		796	-	14,785	15,081
Income and social contribution taxes		-	-	1,095	1,954
Government concessions	16	-	-	19,243	17,617
Noneconomic leases	17	-	-	6,936	6,304
Payable - purchase of investment property	10	13,027	34,296	13,027	34,296
Other payables		10,140	12,174	58,405	66,071
Total current liabilities		123,770	154,953	1,055,814	1,120,881
NONCURRENT:					
Loans and financing	13	19,008	-	612,735	608,041
Debentures	14	-	-	48,990	-
Government concessions	16	-	-	43,026	48,744
Noneconomic leases	17	-	-	13,197	15,463
Related parties	19	186,474	113,250	2,456	1,632
Payable - purchase of investment property	10	41,885	64,042	41,885	64,042
Deferred income and social contribution taxes	20.c	3,372	3,801	8,253	8,737
Miscellaneous accruals	21	12,068	12,518	35,001	40,988
Employee benefit plans	22	-	-	97,398	106,010
Other obligations		20,672	26,375	11,903	10,702
Total noncurrent liabilities		283,479	219,986	914,844	904,359
EQUITY:	18				
Capital		882,236	882,236	882,236	882,236
Capital reserves		209,701	209,701	209,701	209,701
Cumulative translation adjustment		(113,748)	(110,237)	(113,748)	(110,237)
Assets and liabilities valuation adjustment		(926)	2,374	(926)	2,374
Accumulated deficit		(266,703)	(263,858)	(266,703)	(263,858)
Total equity attributable to the owners of the Company		710,560	720,216	710,560	720,216
NON-CONTROLLING INTERESTS	9.b	-	-	591,916	593,410
Total equity		710,560	720,216	1,302,476	1,313,626
Total liabilities and equity		1,117,809	1,095,155	3,273,134	3,338,866

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016

(In thousands of Brazilian Reais)

		Company			
	Note	07.01.2017 to 09.30.2017	01.01.2017 to 09.30.2017	07.01.2016 to 09.30.2016	01.01.2016 to 09.30.2016
OPERATING INCOME (EXPENSES):					
General and administrative expenses		(4,086)	(9,554)	(2,302)	(7,377)
Management fees		(442)	(1,205)	(981)	(1,742)
Equity in subsidiaries and affiliated companies	9.a	12,676	11,347	(2,111)	(25,221)
Others, net		782	1,907	-	149
		8,930	2,495	(5,394)	(34,191)
Equity in affiliated companies	9.a	4,486	7,731	(11,652)	(43,377)
INCOME (LOSS) FROM OPERATIONS		13,416	10,226	(17,046)	(77,568)
Financial expenses – interests		(8,320)	(23,915)	(5,693)	(15,218)
Financial expenses – bank charges and others		(2,087)	(4,666)	(955)	(2,692)
Financial income		5,340	17,384	6,895	20,154
Exchange rate variations, net		(1,413)	(930)	813	(15,256)
INCOME (LOSS) BEFORE TAXES		6,936	(1,901)	(15,986)	(90,580)
Income and social contribution taxes:					
Current	20.b	-	-	-	-
Deferred	20.b	-	-	(193)	3,631
NET INCOME (LOSS) FOR THE PERIOD		6,936	(1,901)	(16,179)	(86,949)
BASIC AND DILUTED INCOME (LOSS) PER SHARE - R$	27	0.2263	(0.0621)	(0.5281)	(2.8381)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016

(In thousands of Brazilian Reais)

		Consolidated			
	Note	07.01.2017 to 09.30.2017	01.01.2017 to 09.30.2017	07.01.2016 to 09.30.2016	01.01.2016 to 09.30.2016
NET REVENUES	26	675,259	1,915,745	707,792	1,994,966
COST OF GOODS SOLD	25	(492,985)	(1,421,767)	(529,457)	(1,490,833)
GROSS PROFIT		182,274	493,978	178,335	504,133
OPERATING INCOME (EXPENSES):					
Selling expenses	25	(81,196)	(231,316)	(80,673)	(235,326)
General and administrative expenses	25	(39,951)	(120,258)	(38,525)	(121,215)
Management fees	25	(4,189)	(10,477)	(5,011)	(10,752)
Equity in subsidiaries and affiliated companies	9.a	4,486	7,731	(12,045)	(44,788)
Others, net		4,830	15,307	225	(7,573)
INCOME FROM OPERATIONS		66,254	154,965	42,306	84,479
Financial expenses – interests		(43,379)	(136,459)	(50,942)	(149,334)
Financial expenses – bank charges and others		(14,857)	(44,793)	(15,532)	(43,684)
Financial income		6,749	24,867	9,454	28,675
Exchange rate variations, net		3,541	(2,031)	(2,353)	(33,871)
LOSS BEFORE TAXES		18,308	(3,451)	(17,067)	(113,735)
Income and social contribution taxes:					
Current	20.b	(3,214)	(4,856)	(1,038)	3,184
Deferred	20.b	3,425	15,544	1,068	6,855
NET INCOME (LOSS) FOR THE PERIOD		18,519	7,237	(17,037)	(103,696)
ATTRIBUTED TO:					
Owners of the Company		6,936	(1,901)	(16,179)	(86,949)
Non-controlling interests	9.b	11,583	9,138	(858)	(16,747)
		18,519	7,237	(17,037)	(103,696)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016

(In thousands of Brazilian Reais)

	Company			
	07.01.2017 to 09.30.2017	01.01.2017 to 09.30.2017	07.01.2016 to 09.30.2016	01.01.2016 to 09.30.2016
NET INCOME (LOSS) FOR THE PERIOD	6,936	(1,901)	(16,179)	(86,949)
Other comprehensive income (loss):				
- Items that will impact the statements of operations:				
Exchange rate variations on foreign investments	(4,399)	(3,511)	1,058	(10,199)
- Items that will not impact the statements of operations:				
Actuarial gain (loss) on pension plans	3	(26)	93	(65)
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	2,540	(5,438)	(15,028)	(97,213)

	Consolidated			
	07.01.2017 to 09.30.2017	01.01.2017 to 09.30.2017	07.01.2016 to 09.30.2016	01.01.2016 to 09.30.2016
NET INCOME (LOSS) FOR THE PERIOD	18,519	7,237	(17,037)	(103,696)
Other comprehensive income (loss):				
- Items that will impact the statements of operations:				
Exchange rate variations on foreign investments	(8,031)	(6,518)	3,018	(20,368)
- Items that will not impact the statements of operations:				
Actuarial gain (loss) on pension plans	6	(49)	175	(123)
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	10,494	670	(13,844)	(124,187)
ATTRIBUTABLE TO:				
Owners of the Company	2,540	(5,438)	(15,028)	(97,213)
Non-controlling interests	7,954	6,108	1,184	(26,974)
	10,494	670	(13,844)	(124,187)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016

(In thousands of Brazilian Reais)

	Capital	Capital reserve Tax incentives	Cumulative translation adjustment	Assets and liabilities valuation adjustments	Accumulated deficit	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
BALANCES AS OF DECEMBER 31, 2015	882,236	209,701	(101,291)	4,563	(117,335)	877,874	621,778	1,499,652
Deemed cost of affiliated company	-	-	-	(334)	334	-	-	-
Comprehensive loss:								
Net loss for the period	-	-	-	-	(86,949)	(86,949)	(16,747)	(103,696)
Exchange rate variations on foreign investments (note 2.1)	-	-	(1,752)	-	-	(1,752)	-	(1,752)
Impact of subsidiaries and affiliated companies -								
Exchange rate variations on foreign investments (note 2.1)	-	-	(8,447)	-	-	(8,447)	(10,169)	(18,616)
Actuarial loss on pension plans	-	-	-	(65)	-	(65)	(58)	(123)
Total comprehensive loss	-	-	(10,199)	(65)	(86,949)	(97,213)	(26,974)	(124,187)
Owners' contribution (distribution):								
Transactions with shares of indirect subsidiary	-	-	-	-	(4,788)	(4,788)	(8,628)	(13,416)
Total owners' contribution (distribution)	-	-	-	-	(4,788)	(4,788)	(8,628)	(13,416)
BALANCES AS OF SEPTEMBER 30, 2016	882,236	209,701	(111,490)	4,164	(208,738)	775,873	586,176	1,362,049

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2017

(In thousands of Brazilian Reais)

	Capital	Capital reserve – Tax incentives	Cumulative translation adjustment	Assets and liabilities valuation adjustments	Accumulated deficit	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
BALANCES AS OF DECEMBER 31, 2016	882,236	209,701	(110,237)	2,374	(263,858)	720,216	593,410	1,313,626
Deemed cost of affiliated company	-	-	-	(3,274)	3,274	-	-	-
Comprehensive loss:								
Net income (loss) for the period	-	-	-	-	(1,901)	(1,901)	9,138	7,237
Exchange rate variations on foreign investments (note 2.1)	-	-	(204)	-	-	(204)	-	(204)
Impact of subsidiaries and affiliated companies -								
Exchange rate variations on foreign investments (note 2.1)	-	-	(3,307)	-	-	(3,307)	(3,007)	(6,314)
Actuarial loss on pension plans	-	-	-	(26)	-	(26)	(23)	(49)
Total comprehensive loss	-	-	(3,511)	(26)	(1,901)	(5,438)	6,108	670
Owners' contribution (distribution):								
Transactions with shares of indirect subsidiary (note 9.a1)	-	-	-	-	(4,218)	(4,218)	(7,602)	(11,820)
Total owners' contribution (distribution)	-	-	-	-	(4,218)	(4,218)	(7,602)	(11,820)
BALANCES AS OF SEPTEMBER 30, 2017	882,236	209,701	(113,748)	(926)	(266,703)	710,560	591,916	1,302,476

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2017 to 09.30.2017	01.01.2016 to 09.30.2016	01.01.2017 to 09.30.2017	01.01.2016 to 09.30.2016
Cash flows from operating activities				
Net income (loss) for the period	(1,901)	(86,949)	7,237	(103,696)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1	1	63,856	66,981
Equity in subsidiaries and affiliated companies	(19,078)	68,598	(7,731)	44,788
Income and social contribution taxes	-	(3,631)	(10,688)	(10,039)
(Gain) loss on disposal of noncurrent assets	-	-	(9,492)	746
Monetary variations	(14)	-	(5,567)	-
Exchange rate variations	679	15,256	1,780	14,136
Bank charges and interests	6,572	1,152	146,884	110,692
	(13,741)	(5,573)	186,279	123,608
Changes in assets and liabilities				
Marketable securities	-	-	(1,787)	(55,666)
Accounts receivable	-	-	(34,393)	(84,521)
Inventories	-	-	8,981	56,721
Advances to suppliers	(156)	(33)	(1,332)	3,432
Suppliers	257	(1)	(11,578)	36,144
Others	(32,809)	(8,628)	(17,518)	6,160
Net cash provided by (used in) operating activities	(46,449)	(14,235)	128,652	85,878
Interest paid	(6,825)	(8,839)	(120,211)	(122,198)
Income and social contribution taxes paid	-	-	(8,552)	(1,342)
Net cash provided by (used in) operating activities after interest and taxes	(53,274)	(23,074)	(111)	(37,662)
Cash flows from investing activities				
Acquisition of investments	(1,742)	-	(13,561)	(13,416)
Acquisition of property, plant and equipment	(165)	-	(40,128)	(52,507)
Acquisition of intangibles	-	-	(3)	(1,925)
Proceeds from sale of property, plant and equipment	-	-	13,791	3,311
Loans between related parties	47,215	38,206	(16,950)	(22,686)
Net cash provided by (used in) investing activities	45,308	38,206	(56,851)	(87,223)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2017 to 09.30.2017	01.01.2016 to 09.30.2016	01.01.2017 to 09.30.2017	01.01.2016 to 09.30.2016
Cash flows from financing activities				
Proceeds from new loans	45,090	-	854,960	834,316
Repayment of loans	(36,947)	(15,292)	(847,443)	(713,602)
Net cash provided by (used in) financing activities	8,143	(15,292)	7,517	120,714
Effect of exchange rate variations on cash and cash equivalents in foreign currency	-	-	(5,430)	(18,318)
Increase (decrease) in cash and cash equivalents	177	(160)	(54,875)	(22,489)
Cash and cash equivalents				
At the beginning of the period	286	470	183,420	193,668
At the end of the period	463	310	128,545	171,179
Increase (decrease) in cash and cash equivalents	177	(160)	(54,875)	(22,489)

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF VALUE ADDED

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2017 to 09.30.2017	01.01.2016 to 09.30.2016	01.01.2017 to 09.30.2017	01.01.2016 to 09.30.2016
REVENUES				
Sales of products, goods and services	-	-	2,199,856	2,287,779
Gain (loss) on disposal of noncurrent assets	-	-	9,492	(746)
	-	-	2,209,348	2,287,033
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(1,017,961)	(1,059,245)
Materials, energy, third party services, and others	(5,080)	(5,136)	(363,494)	(378,179)
	(5,080)	(5,136)	(1,381,455)	(1,437,424)
GROSS VALUE ADDED	(5,080)	(5,136)	827,893	849,609
RETENTIONS				
Depreciation and amortization	(1)	(1)	(63,856)	(66,981)
NET VALUE ADDED PRODUCED BY THE COMPANY	(5,081)	(5,137)	764,037	782,628
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries and affiliated companies	19,078	(68,598)	7,731	(44,788)
Financial income	17,384	20,154	24,867	28,675
Exchange rate variation gains	4,932	7,238	4,681	(896)
Royalties	-	-	11,837	10,905
	41,394	(41,206)	49,116	(6,104)
TOTAL VALUE ADDED FOR DISTRIBUTION)	36,313	(46,343)	813,153	776,524
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	3,009	3,930	387,163	390,592
Taxes, duties and contributions	5,428	(1,037)	183,362	202,029
Payments to third parties	29,777	37,713	235,391	287,599
Equity – net loss	(1,901)	(86,949)	7,237	(103,696)
VALUE ADDED DISTRIBUTED	36,313	(46,343)	813,153	776,524

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

NOTES TO THE INTERIM FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2017

(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. In April 2009, subsidiary SGPSA started its bed, tabletop and bath retail operations under the brand MMartan, and later, in October 2011, under the brand Artex. The retail operations, under these two flags, are operated by the indirect subsidiary AMMO Varejo Ltda. ("AMMO").

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

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Company's Board of Directors on November 9, 2017.

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

The Company adopted all standards, review of standards and interpretations issued by the IASB and the CPC which were effective on September 30, 2017. All relevant information relating to the interim financial statements is included herein and corresponds to those used by Company's management in its administration.

2.1 – Translation of balances in foreign currency

a) Functional and presentation currency

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

<u>(a) Results of operations</u>--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 ".

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

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

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

<u>(c) Derivative financial instruments</u>--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.

<u>(d) Cash and cash equivalents</u>--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.

<u>(e) Marketable securities</u>--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.

<u>(f) Accounts receivable and allowance for doubtful accounts</u>--Accounts receivable from customers are presented net of the allowance for doubtful accounts, which is determined based on a credit risk analysis, in an amount considered sufficient by Management to cover possible losses on receivables. Accounts receivable arising from retail sales are adjusted at present value, based on the market interest rates or the transaction interest

rate. Current accounts receivable are adjusted whenever effects are significant. Accounts receivable from customers are classified as non-derivative financial assets measured at amortized cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3 – Use of estimates

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

2.4 – Consolidation criteria

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

	Direct and indirect interest in total capital - %	
	09.30.2017	12.31.2016
Coteminas International Ltd.	100.00	100.00
Coteminas (Argentina Branch)	100.00	100.00
Springs Global Participações S.A.	52.92	52.92
Oxford Comércio e Participações S.A.	63.37	63.37
Companhia Tecidos Santanense	56.51	56.51

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

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

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

The interim financial statements of foreign subsidiaries have been translated into Brazilian Reais based on the US Dollar exchange rate as of September 30, 2017 and December 31, 2016 for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	2017	2016	Variance
Exchange rate as of:			
December 31	-	3.2591	-
September 30	3.1680	3.2462	(2.4%)
Average exchange rate:			
September 30 (3 months)	3.1486	3.2418	(2.9%)
September 30 (6 months)	3.1768	3.5069	(9.4%)

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

a) Certain new IASB accounting pronouncements and IFRIC interpretations were published and/or revised and have their mandatory adoption for the annual periods beginning on or after January 1, 2017. These new pronouncements did not generate significant impact on the interim financial statements.

Standard	Main requirements
Amendments to IAS 12 — Recognition of deferred tax assets for unrealized losses (*)	The amendments clarify that unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Standard	Main requirements
Disclosure Initiative (Amendments to IAS 1) (*)	Entities should disclose the following changes in liabilities arising from financing activities (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition. The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.
Annual Improvements to IFRSs: 2014–2016 Cycle (*)	Amendments to several standards.

b) Certain new IASB accounting pronouncements and IFRIC interpretations were published and/or revised and have their mandatory adoption for the periods beginning after December 31, 2017. However, the early adoption of these new and revised standards and interpretations was not allowed:

Standard	Main requirements	Effective date
IFRS 9, Financial Instruments (issued July 24, 2014)	IFRS 9 (2014) was issued as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This amendment completes the IASB’s financial instruments project.	Effective for annual periods beginning on or after January 1, 2018.
IFRS 15, Revenue From Contracts With Customers (issued May 28, 2014)	The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The standard specifies how and when an entity will recognize revenue through a single five-step model to be applied to all contracts with customers, and requires such entities to provide users of financial statements with more informative and relevant disclosures.	Effective for annual periods beginning on or after January 1, 2018.
Effective Date of Amendments to IFRS 10 and IAS 28 (issued December 17, 2015) (*)	The effective date of the amendments to IFRS 10 and IAS 28, which address how an entity determines any gain or loss related to transactions with an associate or joint venture was indefinitely deferred by the IASB.	The effective date is postponed to an indefinite date to be determined by the IASB.

Standard	Main requirements	Effective date
Amendments to IAS 40, Transfers of investment property (*)	Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.	Effective for annual periods beginning on or after January 1, 2018.
IFRS 16 – Leases (*)	The standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations.	Effective for periods beginning on or after January 1, 2019.

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

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	09.30.2017	12.31.2016	09.30.2017	12.31.2016
Repurchase transactions (*)	380	-	64,143	54,645
Foreign exchange funds (US$)	-	-	3,603	1,970
Foreign deposits	-	-	54,311	122,599
Checking accounts deposits	83	286	6,488	4,206
	463	286	128,545	183,420

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

4. MARKETABLE SECURITIES

	Consolidated	
	09.30.2017	12.31.2016
Fixed income – Foreign	13,796	6,806
Investment fund – (US$)	40,026	37,026
Restricted deposits (US$) (2)	60,917	62,057
Restricted cash (1)	583	599
	115,322	106,488
Current	(54,405)	(44,431)
Noncurrent	60,917	62,057

(1) On September 30, 2017, the indirect subsidiary SGUS had restricted cash in financial institutions in the amount of US$184 thousand (US$184 thousand as of December 31, 2016) related to a compensating balance arrangement.

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

5. ACCOUNTS RECEIVABLE

	Consolidated	
	09.30.2017	12.31.2016
Domestic customers	494,032	477,167
Foreign customers	143,743	138,525
Credit card companies	3,299	8,120
Related parties		
Domestic market	2,553	2,111
Foreign market	1,432	2,331
	645,059	628,254
Allowance for doubtful accounts	(35,683)	(35,865)
	609,376	592,389

Accounts receivable from customers consist of receivables with an average collection period of approximately 75 days (71 days as of December 31, 2016). Past-due amounts are not significant and the allowance for doubtful accounts is considered by Management sufficient to cover expected losses from these receivables.

The aging list of the consolidated accounts receivable was presented in the annual financial statements for the year ended December 31, 2016. There was no significant change in the composition of the aging list during the nine-month period ended September 30, 2017.

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

	09.30.2017	12.31.2016
Balance at the beginning of the period	(35,865)	(38,567)
Additions	(14)	(5,143)
Write-offs	124	7,039
Exchange rate variation	72	806
	-------------	-------------
Balance at the end of the period	(35,683)	(35,865)
	=======	=======

6. INVENTORIES

	Consolidated	
	09.30.2017	12.31.2016
Raw materials and supplies	118,180	147,139
Work in process	164,955	165,541
Finished products	266,993	251,623
Repair parts	62,529	66,712
	------------	------------
	612,657	631,015
	=======	=======

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 discontinued or obsolete inventories. Changes in the provision for losses are as follows:

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

	12.31.2015	Additions (write-offs)	Exchange rate variations	09.30.2016
Raw materials and supplies	(1,313)	-	-	(1,313)
Finished products	(10,243)	(1,236)	1,904	(9,575)
Repair parts	(1,465)	-	18	(1,447)
	-------------	-------------	-------------	-------------
	(13,021)	(1,236)	1,922	(12,335)
	=======	=======	======	======

7. RECEIVABLE – CLIENTS

	Consolidated	
	09.30.2017	12.31.2016
Clients in out-of-court recovery plan (a)	18,145	21,545
Financing on stores transfer (b)	10,703	9,084
Clients in out-of-court recovery plan (c)	2,089	-
Installment plan agreed with clients (d)	263	-
Clients in out-of-court recovery plan (e)	1,549	-
	32,749	30,629
Current (Other receivables)	(7,722)	(6,341)
Noncurrent	25,027	24,288

(a) The receivables of clients in out-of-court recovery plan were settled in 84 equal monthly payments with interest equivalent to 80% of the Interbank Deposit Certificates – CDI rate, with payment beginning in January 2017.

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

(c) Payment in 25 equal monthly installments.

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

(e) Payment in 12 increasing annual installments, with interest between 2% to 3% per year.

8. RECEIVABLE – SALE OF PROPERTY

In May 2015, the indirect subsidiary CSA sold real estate located in the city of Montes Claros - MG, to the municipality, for R$48,000, to be received in 12 monthly installments of R$1,000 each, plus 24 monthly installments of R$1,500 each, adjusted for inflation using the “IGP-M” from the date the agreement was signed and including a grace period of 12 months before the first payment. This agreement, in which the property transfer registration contained a pro-solvency clause, was signed with the Municipal Executive Branch after express consent of the Legislative Branch of that municipality. The Executive Branch came into possession of the property and began its retrofit projects. The indirect subsidiary CSA has a guarantee for the installments, through revenue and quotas of the Municipality Participation Fund – “FPM”.

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

On October 27, 2017, the Montes Claros municipality and the indirect subsidiary CSA signed a letter of intent with the objective of enabling the implementation of the new Municipality complex which will house the government and the main departments in a single architectural complex located in the Company’s first plant in Montes Claros. The main points of the proposal are: (i) delivery of pre-selected municipal properties, which will be subject to independent evaluation, as partial payment of the indirect subsidiary CSA receivables, (estimated at 77% of the total value of the receivable), plus compensation for municipal taxes (estimated at 23% of total value of the receivable), and (ii) implementation of the first phase of adapting the complex within 7 months after the start of the project.

The ratification of the letter of intent shall be subject to a municipal bill to be submitted by the Executive Branch to the House in the coming days.

As of September 30, 2017, there were 17 past due installments classified as non-current assets, based on the current financial situation of the Municipality and also the possibility of extending the terms of the receivable. Management of the indirect subsidiary CSA, based on the opinion of its legal advisors and a recent update of the market value of the property, concluded that, currently, losses are not expected on this receivable, either by changing the payment conditions in accordance with letter of intent or by repossessing the property.

9. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANIES

a. Investments attributable to the owners of the Company:

				Total investments		Equity in subsidiaries and affiliated companies	
	Equity	Ownership interest - %	Net income (loss)	09.30.2017	12.31.2016	09.30.2017	09.30.2016
Investments in subsidiaries:							
Springs Global Participações S.A. (1)	1,015,120	52.92	6,267	537,155	541,396	3,316	(17,395)
Oxford Comércio e Participações S.A.	222,288	63.37	11,351	140,864	133,665	7,193	(2,681)
Coteminas International Ltd.	8,486	100.00	575	8,486	8,120	575	(5,022)
Companhia Tecidos Santanense	260,451	2.07	13,021	5,391	5,122	270	(106)
Coteminas (Argentina branch)	(52)	100.00	(7)	(52)	(52)	(7)	(17)
				------------	------------	------------	------------
Total subsidiaries				691,844	688,251	11,347	(25,221)
				=======	=======	------------	------------
Investments in affiliated companies (direct):							
Cantagalo General Grains S.A.	(159,222)	27.50	(38,606)	-	-	-	(23,049)
Companhia de Fiação e Tecidos Cedro e Cachoeira	84,304	30.40	25,429	25,628	17,896	7,731	(20,328)
				------------	------------	-------------	-------------
Total affiliated companies				25,628	17,896	7,731	(43,377)
						-------------	-------------
Investments in affiliated companies (indirect):							
Cantagalo General Grains S.A.	(159,222)	1.68	(38,606)	-	-	-	(1,411)
				------------	------------	-------------	-------------
Total affiliated companies - consolidated				25,628	17,896	7,731	(44,788)
				=======	=======	=======	=======

(1) In January, April and July 2017, indirect subsidiary SGUS purchased shares from the minority shareholder of Springs Canada Holdings, increasing its ownership percentage from 93.8% to 98.4%, in the amount of R$11,820. In 2016, indirect subsidiary SGUS purchased shares from the minority shareholder of Springs Canada Holdings, increasing its ownership percentage from 87.5% to 93.8%, in the amount of R$17,344 (R$13,416 nine-month period).

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

				Non-controlling interest			
				On subsidiaries' equity		On subsidiaries' net income (loss)	
	Equity	Ownership interest - %	Net income (loss)	09.30.2017	12.31.2016	09.30.2017	09.30.2016
Springs Global Participações S.A.	1,015,120	47.08	6,267	477,965	481,740	2,951	(15,479)
Oxford Comércio e Participações S.A.	222,288	36.63	11,351	81,424	77,263	4,158	(1,550)
Companhia Tecidos Santanense	260,451	12.02	13,021	31,307	29,739	1,565	(621)
Springs Canada Holdings, LLC	78,079	1.56	2,057	1,220	4,668	464	903
				-----------	-----------	------------	------------
Total non-controlling interests				591,916	593,410	9,138	(16,747)
				=======	=======	=======	=======

c. Supplemental information on investments in affiliated companies:

	Cantagalo General Grains S.A. IAS 16 complete (1.a)	Cantagalo General Grains S.A. (1)		Companhia de Fiação e Tecidos Cedro e Cachoeira (2)	
	09.30.2017	09.30.2017	12.31.2016	09.30.2017	12.31.2016
Current assets	482,486	482,486	388,824	262,408	208,059
Noncurrent assets	2,005,956	868,036	895,698	308,699	319,165
Total assets	2,488,442	1,350,522	1,284,522	571,107	527,224
Current liabilities	840,718	840,718	648,015	250,367	275,207
Noncurrent liabilities	936,962	694,835	776,338	215,087	174,493
Total liabilities	1,777,680	1,535,553	1,424,353	465,454	449,700
Equity – Company	627,310	(159,222)	(125,795)	84,303	58,875
Net revenues (nine-month periods)	230,224	230,224	2,505,458	481,797	371,676
Income (loss) for the period – Company	(38,606)	(38,606)	(83,816)	25,429	(66,867)

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

(1.a) Complete application of IAS 16 by affiliated companies – As of September 30, 2017, the affiliated company Cantagalo General Grains S.A.'s shareholders' equity was a deficit of R$159,222, calculated in accordance with IFRS, IASB and also Brazilian accounting practices, which do not allow the complete adoption of IAS 16 - Property, plant and equipment, which provides for the possibility of valuation of property, plant and equipment at market values.

As of September 30, 2017, Cantagalo General Grains S.A. had a portfolio of four tracts of land under its control, being Fazenda Siqueira (Brasnorte - MT), Fazenda Tropical (Barra Grande do Ribeiro - PI), Fazenda Acreúna (Acreúna - GO) and Fazenda Maria da Cruz (Pedras de Maria da Cruz - MG).

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

As permitted by IAS 16 - Property, plant and equipment, this subsidiary, through an independent consulting firm with expertise in valuation, as of December 31, 2016, determined the market value of its farms and the concession for the operation of the port terminal owned by its subsidiary, which totalled R$1,612,345, resulting in an increase of R$1,137,920 of these assets when compared to their historical book values, and an increase in shareholders' equity of R$786,532, net of taxes and non-controlling interests (direct investors in CGG Trading S.A.).

If the complete application of IAS 16 were accepted in Brazil, the effect on the affiliated company's equity would be an increase of R$786,532 and, consequently, the direct and indirect investment of the Company in this affiliate would be an added value of R$192,803 (R$181,703 in the direct investment and R$11,100 in the indirect investment).

<u>(2) Companhia de Fiação e Tecidos Cedro e Cachoeira</u> – Based in Belo Horizonte, Minas Gerais, established on August 12, 1872 and is a publicly-held company, which operates in the textile and related industries; manufacturing and marketing of clothing apparel, including professional uniforms; accessories and personal protective equipment for occupational safety; the export and import of products related to its operations and in the agricultural, livestock and forestry businesses, as well as the generation, distribution and transmission of electricity for its own consumption, however, it can sell the surplus power not used.

10. INVESTMENT PROPERTY

The consolidated investment property balances are as follows:

	Fazenda Tropical (1)			
	Investment properties	Buildings and installations	Investment properties (2)	Total
Balance as of December 31, 2016	131,517	12,411	50,000	193,928
Additions	1,740	-	-	1,740
Balance as of September 30, 2017	133,257	12,411	50,000	195,668

(1) In October 2016, the Company purchased a property named Fazenda Tropical, located in Baixa Grande do Ribeiro, in the state of Piauí, with 26,949 hectares, from its affiliated company Cantagalo General Grains in the total amount of R$143,928, to be paid as follows:

	Fazenda Tropical	
	30.09.2017	31.12.2016
Purchase price	143,928	143,928
Amount paid	(90,445)	(45,791)
Exchange rate variation over amount paid	(268)	(268)
Interest expense	1,697	469
Total	54,912	98,338
Current	(13,027)	(34,296)
Noncurrent	41,885	64,042

The outstanding payable balance includes the transfer of a loan obtained from Banco do Nordeste do Brasil, the transfer is still in progress, to be paid in 9 annual installments in the amount of R$5,258, plus interest of 3.53% per annum. The financing is guaranteed by the purchased property.

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

11. PROPERTY, PLANT AND EQUIPMENT AND PROPERTY, PLANT AND EQUIPMENT HELD FOR SALE

a. Property, plant and equipment

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

		09.30.2017			12.31.2016
	Rate (i) %	Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	3.5	42,975	(9,782)	33,193	35,452
Buildings	2.4	464,843	(198,324)	266,519	269,931
Installations	5.4	288,590	(196,964)	91,626	94,850
Machinery and equipment	5.8	1,347,119	(967,615)	379,504	382,772
Hydroelectric Plant - Porto Estrela (ii)	3.8	37,587	(16,231)	21,356	22,428
Power plants (PCH)	4.1	18,823	(9,377)	9,446	8,844
Furniture and fixtures	9.6	46,466	(33,968)	12,498	13,992
Vehicles	18.4	15,119	(13,033)	2,086	2,068
Computers and peripherals	14.8	58,056	(54,359)	3,697	4,252
Construction in progress	-	46,762	-	46,762	59,262
Others	10.2	139,456	(133,000)	6,456	7,449
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		2,505,796	(1,632,653)	873,143	901,300
		========	========	========	========

(i) Weighted average annual depreciation rate, excluding fully depreciated items.
(ii) See note 16.

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

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

Cost:

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

Accumulated depreciation:

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

Cost:

	12.31.2015	Additions	Disposals	Transfers	Exchange rate variations	09.30.2016
Land and improvements	68,494	955	(5,924)	-	(1,734)	61,791
Buildings	485,985	10	-	1,799	(7,458)	480,336
Installations	284,545	70	(218)	3,141	(2,382)	285,156
Machinery and equipment	1,333,726	9,332	(3,293)	36,870	(23,136)	1,353,499
Hydroelectric Plant - Porto Estrela	37,552	33	-	-	-	37,585
Power plants (PCH)	17,236	560	(2)	25	-	17,819
Furniture and fixtures	52,732	975	(1,033)	633	(2,102)	51,205
Vehicles	18,936	313	(225)	(23)	(1,097)	17,904
Computers and peripherals	68,415	847	(542)	188	(7,600)	61,308
Construction in progress	67,066	39,411	(294)	(42,622)	(380)	63,181
Others	169,053	1	(329)	-	(26,172)	142,553
	2,603,740	52,507	(11,860)	11	(72,061)	2,572,337

Accumulated depreciation:

	12.31.2015	Additions	Disposals	Transfers	Exchange rate variations	09.30.2016
Land and improvements	(23,278)	(4,609)	3,657	-	48	(24,182)
Buildings	(207,107)	(8,090)	-	-	6,077	(209,120)
Installations	(180,897)	(7,934)	179	(410)	874	(188,188)
Machinery and equipment	(950,446)	(38,590)	2,940	9	19,373	(966,714)
Hydroelectric Plant - Porto Estrela	(13,722)	(1,076)	-	-	-	(14,798)
Power plants (PCH)	(8,422)	(276)	2	(9)	-	(8,705)
Furniture and fixtures	(34,738)	(2,296)	653	(13)	1,833	(34,561)
Vehicles	(16,092)	(746)	201	8	1,032	(15,597)
Computers and peripherals	(63,931)	(1,552)	529	(6)	7,459	(57,501)
Others	(160,036)	(1,014)	113	410	26,158	(134,369)
	(1,658,669)	(66,183)	8,274	(11)	62,854	(1,653,735)

b. Property, plant and equipment held for sale

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

As a result of this analysis, the recoverable value of R$45,643 (R$49,235 as of December 31, 2016) was presented in noncurrent assets under “Property, plant and equipment held for sale”, and, consequently, removed from the table above, based on its net book value.

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

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

12. INTANGIBLE ASSETS

	Consolidated	
	09.30.2017	12.31.2016
Goodwill on the acquisition of North American companies	36,180	36,821
Goodwill on the acquisition of AMMO	27,303	27,303
Trademarks – owned	16,337	16,334
Trademarks – use license (*)	9,622	11,373
Store locations (real estate intangible)	21,336	24,136
Others	18	20
Total	110,796	115,987

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

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

The projection period for the December 2016 cash flows was five years. The assumptions used to determine the fair value through the discounted cash flow method include: cash flow projections based on management estimates for future cash flows, discount rates and growth rates for determining the perpetuity. Additionally, the perpetuity has been calculated considering the stabilization of operating margins, working capital and investments levels.

The annual discount rate used was 13.3% and the perpetuity growth rate considered was 3% per year, for both indirect subsidiary SGUS goodwill in the acquisition of North American companies and for the subsidiary SGPSA goodwill in the acquisition of AMMO. The discount rates used were determined taking into consideration market information available on the test date.

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

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

	12.31.2015	Additions (disposals)	Amortization	Exchange rate variations	09.30.2016
Goodwill on the acquisition of North American companies	43,929	-	-	(7,130)	36,799
Goodwill on the acquisition of AMMO	27,303	-	-	-	27,303
Trademarks – owned	16,307	27	-	-	16,334
Trademarks – use license	-	12,378	(206)	(213)	11,959
Store locations (real estate intangible)	39,643	(3,366)	-	-	36,277
Others	22	(2)	-	-	20
Total	127,204	9,037	(206)	(7,343)	128,692

The intangible assets presented above (except “Trademarks – use license”) have indefinite useful lives, and therefore are not amortized, but their recoverable values are tested for impairment annually. Trademarks are recorded at their acquisition cost. The amounts related to the store locations (real estate intangible) are recorded at acquisition cost of the respective store, net of impairment, based on its market value determined by an independent broker with valuation expertise.

13. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated 09.30.2017	12.31.2016
Local currency:					
Banco do Brasil S.A. (NCI/NCE) (a), (d)	R$	128.7 and 135.0 of CDI and 11.2 + IRP	2021	415,070	398,904
Banco do Brasil S.A. (a)	R$	128.6 to 138.4 of CDI	2017	81,954	82,124
Bradesco S.A.	R$	140.9 to 143.8 of CDI	2017	19,988	31,437
Banco Votorantim S.A. (a)	R$	100.0 and 115.0 of CDI	2018	60,217	41,730
Banco Santander S.A.	R$	129.9 of CDI and 4.7 + CDI	2018	40,867	50,888
Banco Itaú BBA S.A.	R$	131.5 of CDI	2017	101,254	104,237
Bradesco S.A. (Working capital/CCB)	R$	135.0 and 137.5 of CDI	2018	11,354	22,739
Banco Bradesco – Working capital	R$	5.0 + CDI	2018	14,955	-
Banco BBM S.A.	R$	136.7 and 144.8 of CDI	2019	23,131	20,153
BDMG S.A.	R$	7.3 + CDI	2019	18,268	16,632
Banco ABC Brasil S.A.	R$	4.4 to 4.6 + CDI	2020	57,650	-
Banco Fibra – CCE	R$	15.8	2019	16,198	-
Banco do Brasil S.A. CDC	R$	16.9 to 17.2	2017	48,040	45,562
BNDES (Finame)	R$	2.5 to 9.5	2023	7,243	9,385
Banco Santander S.A.	R$	8.0	2017	-	14,603
Other	R$	-	2023	58	66
				------------	------------
				916,247	838,460
Foreign currency:					
Banco Patagonia	$ARG	24.3 and 28.0	2019	30,903	19,574
Banco Frances	$ARG	23.5	2017	2,818	3,159
Banco Rio – Cerrito	$ARG	23.5	2017	3,156	-
Wells Fargo Bank, N.A. (b)	US$ and CAD$	3.0 to 5.0	2021	112,961	147,319
Banco Santander S.A.	US$	6.4 and 7.3	2017	-	12,663
Banco do Brasil S.A.	US$	3.6 and 6.9	2017	60,295	56,423
Banco Santander S.A. PPE (c)	US$	89.0 and 108.0 of CDI	2020	146,558	102,740
JP Morgan	US$	Libor + 0.85	2017	24,298	20,804
Banco Industrial do Brasil S.A. (a)	US$	6.5	2017	32,222	32,985
				------------	------------
				413,211	395,667
				------------	------------
Total				1,329,458	1,234,127
Current				(716,723)	(626,086)
				------------	------------
Noncurrent				612,735	608,041
				=======	=======

(a) Includes loans held by the Company.

(b) Revolving credit facility between indirect subsidiary SGUS and Wells Fargo Bank, N.A. in the amount of US$62,825, including US$60,000 with a five-year term and US$2,825 with a three-year term. The revolving credit facility limits certain activities of SGUS such as sales of assets, distributions to shareholders and incurrence of additional indebtedness. Substantially all of SGUS' assets have been pledged as collateral pursuant to the loan agreement.

(c) Loan guaranteed by linked marketable securities in the amount of US$18,900 thousand (see note 4). Includes contract in the amount of R$61,269 signed by the indirect subsidiary CSA, in March 2017, in which the Company, as guarantor, agreed to comply with the following financial ratios in its consolidated financial statements: (i) Net Debt to EBITDA ratio, no greater than 3.5 during the year 2017; 3.25 during the year 2018; 3.0 during the year 2019; (ii) Net Debt to Shareholders' Equity ratio, no greater than 0.7; and (iii) EBITDA to net financial expenses ratio, no less than 2.0.

(d) Includes contracts renegotiated by the subsidiary CSA, in November 2016, in the amount of R$328,923 with early maturity covenants, in which the subsidiary SGPSA, as guarantor, agreed to comply with the following financial ratios: Net Debt to EBITDA ratio, no greater than 4.0 during the year 2017; 3.5 during the year 2018; 3.0 during the year 2019, in its consolidated financial statements.

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

Maturities are as follows:

		2018				
	2017	Short term	Long term	2019	2020 to 2023	Total
Local currency:						
Banco do Brasil S.A. (NCI/NCE)	8,546	76,948	1,912	108,893	218,771	415,070
Banco do Brasil S.A.	81,954	-	-	-	-	81,954
Bradesco S.A.	19,988	-	-	-	-	19,988
Banco Votorantim S.A.	-	60,217	-	-	-	60,217
Banco Santander S.A.	14,047	26,820	-	-	-	40,867
Banco Itaú BBA S.A.	101,254	-	-	-	-	101,254
Bradesco S.A. (Working capital/CCB)	3,925	7,429	-	-	-	11,354
Banco Bradesco – working capital	100	11,122	3,733	-	-	14,955
Banco BBM S.A.	4,202	12,322	4,107	2,500	-	23,131
BDMG S.A.	2,475	6,174	2,058	7,561	-	18,268
Banco ABC Brasil S.A.	5,150	19,516	6,935	20,242	5,807	57,650
Banco Fibra – CCE	2,531	7,231	2,410	4,026	-	16,198
Banco do Brasil S.A. CDC	39,744	8,296	-	-	-	48,040
BNDES (Finame)	671	2,108	695	2,078	1,691	7,243
Others	43	-	3	5	7	58
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	284,630	238,183	21,853	145,305	226,276	916,247
Foreign currency:						
Banco Patagonia	339	13,177	4,210	13,177	-	30,903
Banco Frances	2,818	-	-	-	-	2,818
Banco Rio – Cerrito	3,156	-	-	-	-	3,156
Wells Fargo Bank, N.A.	-	-	-	-	112,961	112,961
Banco do Brasil S.A.	35,285	25,010	-	-	-	60,295
Banco Santander S.A. PPE	29,683	46,930	19,794	39,958	10,193	146,558
JP Morgan	24,298	-	-	-	-	24,298
Banco Industrial do Brasil S.A.	6,722	6,492	-	6,336	12,672	32,222
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	102,301	91,609	24,004	59,471	135,826	413,211
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Total	386,931	329,792	45,857	204,776	362,102	1,329,458
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14. DEBENTURES

Through a privately-negotiated debenture agreement, on May 30, 2014, indirect subsidiary CSA issued a non-convertible debenture, which, on July 7, 2014, was fully subscribed by Banco Votorantim. Subsequently, Banco Votorantim sold the debenture to Gaia Securitizadora Agro SA ("Gaia"), which became entitled to receive the full amount of that subsidiary’s debt represented by the debenture, plus the debenture’s return and applicable default charges, as well as other financial obligations under the Indenture. The debenture was fully settled on its maturity on June 13, 2017.

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

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

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

Balances on September 30, 2017 were as follows:

	Original amount updated	Prepaid interest	Accrued interest	Balances on 09.30.2017	Balances on 12.31.2016
Current	-	(635)	1,544	909	134,993
Noncurrent	50,000	(1,010)	-	48,990	-
Total	50,000	(1,645)	1,544	49,899	134,993

(1) Guarantees:

Secured guarantee: Real estate of indirect subsidiary CSA which market valuation is greater than 200% of the CRA issuance value. At any time, one or more real estate may be disposed at the discretion of subsidiary CSA and without consent of the CRA holders, provided that: (i) such sale shall not decrease the rate of 200% guarantee of the secured obligations to the CRA holders; and (ii) indirect subsidiary CSA uses the net proceeds of the disposed assets for repayment of bank loans.

Fidejussory guarantee: Surety given by Springs Global Participações S.A.

(2) Covenants:

In addition to the usual covenants, SGPSA has agreed to comply with the following financial ratios: (i) Net Debt to Adjusted EBITDA ratio, equal to or less than 4.00 (four); (ii) Net Debt to Shareholders' Equity ratio, equal to or less than 0.7 (seven tenths); and (iii) Adjusted EBITDA to Interest ratio, equal to or greater than 2 (two). The above ratios are required for the entire contract period and are measured semiannually starting in December 2017. The terms used to describe the ratios have their particular definition set forth in the contract and may differ from the financial statement lines.

15. SUPPLIERS

	Consolidated	
	09.30.2017	12.31.2016
Domestic market	53,241	51,452
Foreign market	84,243	103,131
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	137,484	154,583
	======	======

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 26 days (29 as of December 31, 2016).

16. 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, CSA, together with the other consortium members, will pay installments over the concession period to the Federal Government, as presented below:

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

Total annual installments of the concession:

	Years 5 to 15 2002 to 2012	Years 16 to 25 2013 to 2022	Years 26 to 35 2023 to 2032
Historical amounts:			
Minimum installment	120	120	120
Additional installment	-	12,510	20,449
Annual installment	120	12,630	20,569
Total installments	1,320	126,300	205,690
Monetarily adjusted installments	6,033	577,289	940,152

For accounting purposes, CSA recognizes expenses incurred on an accrual basis, as a contra entry to noncurrent liabilities, on a straight-line basis, based on its share in the total concession amount, 33.33%, at present value, considering a basic interest rate, monetarily adjusted based on the IGP-M. As of September 30, 2017, this amount represented R$62,269, of which, R$19,243 is classified in current liabilities and R$43,026 is classified as noncurrent liabilities (R$66,361 as of December 31, 2016, of which, R$17,617 is classified in current liabilities and R$48,744 is classified as noncurrent liabilities).

As of September 30, 2017, the net book value of the property, plant and equipment related to the current concession is R$21,356 (R$22,428 as of December 31, 2016) (see note 11), considering CSA's equity interest in the investments for the construction of the Porto Estrela Hydroelectric Plant, located on the Santo Antônio River, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

17. LEASES

Indirect subsidiary SGUS leases properties and equipment under operating leases. Total leasing expense in the nine-month period ended September 30, 2017 was R$28,728 (R$31,568 in the nine-month period ended September 30, 2016). Indirect subsidiary SGUS contractually agreed with third-parties to sublease certain vacant facilities that no longer provide economic benefit. Total sublease income in the nine-month period ended September 2017 was R$10,835 (R$11,879 in the nine-month period ended September 30, 2016).

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

Years	2017
2017 (*)	8,680
2018	33,004
2019	29,614
2020	27,353
2021	27,568

(*) 3 months

Beginning in 2021, lease payments continue to decrease until the contracts terminate on several dates through 2030, totaling R$198,209.

For the years between 2017 and 2025, subsidiary SGUS is scheduled to receive sublease payments of R$35,178.

The indirect subsidiary SGUS has short- and long-term accruals totaling R$20,133 (R$21,767 as of December 31, 2016), which consists of the present value of estimated future lease obligations (for the agreements that remained effective after the closing of certain leased facilities in the U.S.), net of existing sublease income and estimated sublease income of closed facilities, which were not yet subleased. This potential sublease income would result in a reduction of the above obligations by R$162,024.

18. EQUITY

a. Capital

Capital, as of September 30, 2017 and December 31, 2016, is represented as follows:

	Number of shares	
	09.30.2017	12.31.2016
Common	13,912,800	13,912,800
Preferred	16,723,657	16,723,657
	30,636,457	30,636,457

There was no change in the number of shares subscribed and paid for the period between January 1, 2016 and September 30, 2017.

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

b. Dividends

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

c. Retained earnings reserve

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

19. RELATED PARTY BALANCES AND TRANSACTIONS

	Receivable		Payable	
	09.30.2017	12.31.2016	09.30.2017	12.31.2016
Consolidated:				
Wembley S.A.	38,859	25,855	586	496
Innotex International Ltd.	8,402	8,449	-	-
Holtex Inc.	1,857	489	-	-
Empr. Nac. Com. Rédito e Particip. S.A. – ENCORPAR	48,859	53,941	1,629	-
Encorpar Empreendimentos Imobiliários Ltda.	-	-	241	1,136
Seda, Inc.	119	122	-	-
Tropical Agroparticipações S.A.	192	-	-	-
	----------	----------	----------	----------
	98,288	88,856	2,456	1,632
	======	======	======	======

	Finance charges Income/(expense)	
	09.30.2017	09.30.2016
Wembley S.A.	2,834	6,701
Empr. Nac. Com. Rédito e Particip. S.A. – ENCORPAR	4,300	1,794
JAGS - José Alencar Gomes da Silva	82	117
Innotex International Ltd.	190	187
Seda S.A.	14	48
Encorpar Empr. Imob. Ltda.	(59)	(33)
Econorte Empr. Constr. Norte de Minas Ltda.	2	2
	----------	----------
	7,363	8,816
	======	======

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

The Board of Directors meeting of subsidiary SGPSA, held on December 29, 2015, approved payment of 2% commission (two percent annually), limited to the cumulative amount of R$47,750, on sureties/guarantees provided by the Company on loans and financing contracted by SGPSA and its subsidiaries. As of September 30, 2017, the amount of R$28,659 was recorded with R$7,987 (R$9,811 as of December 31, 2016) in the caption “Other accounts payable” in current liabilities and R$20,672 in the caption “Others obligations” in noncurrent liabilities (R$26,375 as of December 31, 2016), related to guarantees on existing contracts and credit facilities. In the first nine months of 2017, the amount of R$7,528 was recorded as interest income under the caption “Financial income” (R$8,893 in the first nine months of 2016). These amounts are eliminated in the consolidated financial statements.

Encorpar Empreendimentos Imobiliários Ltda., affiliated company, and the indirect subsidiary Santanense, entered into a lease agreement related to the building where the subsidiary’s office is located. In the nine-month period ended September 30, 2017 R$341 (R$314 in the nine-month period ended September 30, 2016) was accrued as administrative expenses.

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

20. INCOME AND SOCIAL CONTRIBUTION TAXES AND OTHER TAXES

a. Tax incentives

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

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

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

	Company		Consolidated	
	09.30.2017	09.30.2016	09.30.2017	09.30.2016
Loss from operations before taxes	(1,901)	(90,580)	(3,451)	(113,735)
Equity in subsidiaries and affiliated companies	(19,078)	68,598	(7,731)	44,788
Investment support	-	-	(30,133)	(34,351)
Permanent differences from foreign subsidiary	-	-	(2,119)	(2,146)
Others, net	(1,893)	829	(15,147)	1,782
	----------	----------	----------	----------
Income tax basis	(22,872)	(21,153)	(58,581)	(103,662)
34% tax rate	7,776	7,192	19,918	35,245
Unrecognized tax credits	(7,784)	(3,620)	(8,824)	(24,797)
Other	8	59	(406)	(409)
	----------	----------	----------	----------
Total income taxes	-	3,631	10,688	10,039
	=====	=====	======	======
Income taxes – current	-	-	(4,856)	3,184
Income taxes – deferred	-	3,631	15,544	6,855
	=====	=====	======	======

c. Deferred income and social contribution taxes

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

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

Deferred income and social contribution taxes are composed as follows:

	Balances on 12.31.2016	Recognized in statement of operations	Exchange rate variations	Other	Balances on 09.30.2017
Assets:					
Net operating losses (Company)	3,454	(433)	-	-	3,021
Temporary differences (Company)	918	-	-	-	918
Temporary differences (CSA – Argentina) (1)	1,482	-	(140)	-	1,342
Temporary differences (CSA – Brasil) (1)	18,112	(413)	-	-	17,699
Net operating losses (CSA – Brasil) (1)	27,368	413	-	-	27,781
Tax credits from foreign subsidiary (CSA – Brasil) (1)	7,167	-	-	-	7,167
Net operating losses (SGUS – EUA) (2)	54,583	14,888	(2,065)	357	67,763
Temporary differences (AMMO – Brasil)	728	-	-	38	766
Net operating losses (AMMO – Brasil)	2,042	-	-	-	2,042
Net operating losses (SGPSA – Brasil)	1,906	-	-	-	1,906
Net operating losses (Santanense) (3)	4,214	648	-	-	4,862
Temporary differences (Santanense) (3)	17,660	11	-	-	17,671
Noncurrent assets	139,634	15,114	(2,205)	395	152,938
Liability:					
Temporary differences (Company)	(3,375)	430	-	-	(2,945)
Negative goodwill in subsidiary (Company)	(426)	-	-	-	(426)
Temporary differences (Oxford)	(313)	-	-	54	(259)
Negative goodwill in subsidiary (Oxford)	(4,623)	-	-	-	(4,623)
Noncurrent liability	(8,737)	430	-	54	(8,253)

As of September 30, 2017, the Company had net operating losses of R$161,368 (R$148,001 as of December 31, 2016) and social contribution tax losses of R$184,079 (R$161,663 as of December 31, 2016), whose tax assets were not recognized in the interim financial statements.

(1) Deferred taxes of subsidiary CSA:

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

	Parent company (CSA)			
Year	Temporary differences	Operating losses (*)	Subsidiary Argentina	CSA consolidated
2017	413	(413)	1,342	1,342
2018	-	618	-	618
2019	-	2,153	-	2,153
2020	-	5,084	-	5,084
2021	-	7,941	-	7,941
2022	-	9,419	-	9,419
2023 and 2024	17,286	10,146	-	27,432
	----------	----------	----------	----------
	17,699	34,948	1,342	53,989
	======	======	======	======

(*) Includes compensation of taxes paid in Argentina.

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

Additionally, as of September 30, 2017, indirect subsidiary CSA had net operating losses of R$646,584 (R$611,503 as of December 31, 2016) and social contribution tax losses of R$697,232 (R$617,531 as of December 31, 2016), whose tax assets were not recognized in the interim financial statements.

(2) Deferred taxes of indirect subsidiary SGUS:

The indirect subsidiary SGUS, based on business plan and future projections, maintained deferred tax assets derived, primarily, from accumulated tax losses. The indirect subsidiary SGUS maintained a full valuation allowance on its deferred tax assets. As of December 31, 2016 based on its historical profitability for the past 3 years and the projections of its operating results, the indirect subsidiary SGUS concluded the amount of R$54,583 is considered realizable and reduced the valuation allowance accordingly. As of September 30, 2017, the deferred tax assets balance is R$67,763 (R$54,583 as of December 31, 2016) as a result of updating the amounts realized in the nine-month period ended September 30, 2017 resulting in an additional recognition of R$15,245, with a reduction in the amount of R$2,065 reflecting the exchange rate variation during the period.

The projections considered the operating results of the Company for the next 5 years. Based on the conservative assumptions utilized in the preparation of business plan, SGUS management expects to generate future taxable income that will allow the realization of the deferred tax credits.

The estimated realization for the deferred tax assets, as of September 30, 2017, is shown below:

Year	SGUS
2017	20,476
2018	11,339
2019	10,170
2020	9,036
2021	6,777
2022	9,965

	67,763
	======

Temporary differences are fully deductible from taxable income and have no deadline for utilization. The net operating tax losses are also fully deductible, but the federal losses will expire between 2022 and 2034 and the state losses will expire between 2017 and 2034.

Additionally, on September 30, 2017, indirect subsidiary SGUS had R$674,487 in tax losses (R$795,755 at December 31, 2016) whose tax assets were not recognized in the interim financial statements.

(3) Deferred taxes of indirect subsidiary Santanense:

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

	Parent Company and Consolidated (Santanense)		
Year	Temporary differences	Operating losses	Total
2017	1,701	1,250	2,951
2018	-	949	949
2019	-	1,668	1,668
2020	-	2,238	2,238
2021	-	2,841	2,841
2022 and 2023	3,161	8,725	11,886
	----------	----------	----------
	4,862	17,671	22,533
	======	======	======

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

d. Recoverable taxes

	Company		Consolidated	
	09.30.2017	12.31.2016	09.30.2017	12.31.2016
ICMS (state VAT)	-	-	22,303	21,646
Prepaid income and social contribution taxes	1,758	2,671	22,882	30,747
Recoverable PIS and COFINS	8,210	8,210	18,638	9,375
IVA/ingressos brutos – Argentina	-	-	2,551	8,898
VAT – China and Mexico	-	-	1,240	1,034
Recoverable IPI	-	-	444	92
ILL (tax on net income)	5,341	5,341	5,341	5,341
Other recoverable taxes	326	63	2,030	2,873
	-----------	-----------	-----------	-----------
	15,635	16,285	75,429	80,006
Current assets	(2,019)	(2,672)	(27,754)	(39,313)
	-----------	-----------	-----------	-----------
Noncurrent assets	13,616	13,613	47,675	40,693
	======	======	======	======

21. MISCELLANEOUS ACCRUALS

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

The Company and its subsidiaries have tax and civil claims, whose loss was estimated as possible in the amount of R$136,907 and R$18,411, respectively.

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

	Company		Consolidated	
	09.30.2017	12.31.2016	09.30.2017	12.31.2016
Tax litigation claims:				
Social contribution	-	-	791	791
Temporary contribution over financial transactions (CPMF)	-	-	-	4,317
INSS	2,470	2,470	5,295	5,295
PIS and COFINS	937	1,250	4,202	4,511
IPI foreign flag	3,728	3,728	3,728	3,728
Others	398	398	1,689	1,696
Labor	790	927	12,747	14,128
Civil and others	3,745	3,745	6,549	6,522
	---------	---------	----------	----------
	12,068	12,518	35,001	40,988
	=====	=====	======	======
Escrow deposits	24,753	25,202	47,019	52,776
	=====	=====	======	======

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

CPMF – The subsidiary SGPSA was 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. In 2017, the subsidiary SGPSA received an unfavorable judgment, which was final and unappealable.

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

PIS and COFINS – The Company and its subsidiaries are plaintiffs in a lawsuit against the Federal Revenue Service questioning the inclusion of ICMS in COFINS and PIS tax basis.

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

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

Civil – The Company and its indirect subsidiary CSA are plaintiffs in lawsuits against the Federal Government disputing the legality of “COFURH – Compensação Financeira pela Utilização de Recursos Hídricos”.

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

Changes in the consolidated accrual are as follows:

	12.31.2016	Additions	Reductions	09.30.2017
Tax litigation claims:				
Social contribution	791	-	-	791
Temporary contribution over financial transactions (CPMF)	4,317	-	(4,317)	-
INSS	5,295	-	-	5,295
PIS and COFINS	4,511	4	(313)	4,202
IPI foreign flag	3,728	-	-	3,728
Others	1,696	2	(9)	1,689
Labor	14,128	1,487	(2,868)	12,747
Civil and others	6,522	247	(220)	6,549
	40,988	1,740	(7,727)	35,001

22. EMPLOYEE BENEFIT PLANS

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

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

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

The table below includes summarized information on the pension and postretirement plans as of September 30, 2017 and 2016:

	09.30.2017	09.30.2016
Components of benefit cost, net :		
Service cost	796	440
Interest cost, net	2,771	3,426
Net periodic benefit cost	3,567	3,866

The indirect subsidiary SGUS' investment strategy is to invest in a diversified portfolio that will maximize returns, considering an acceptable risk level. Pension plan assets are invested in mutual funds which have a target allocation of 45% to 63% in domestic equity securities and 37% to 55% in fixed income funds. The expected returns on plan assets were developed in conjunction with external advisors and take into account long-term expectations for future returns based on the indirect subsidiary SGUS' current investment strategy.

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

	09.30.2017	12.31.2016
Pension plan obligations	104,071	110,427
Other employee benefit obligations	3,171	5,710
Total employee benefit plans	107,242	116,137
Current (a)	(9,844)	(10,127)
Noncurrent	97,398	106,010

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

23. FINANCIAL INSTRUMENTS

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

	Company		Consolidated	
	09.30.2017	12.31.2016	09.30.2017	12.31.2016
ASSETS --				
CURRENT:				
Cash and cash equivalents	463	286	128,545	183,420
Marketable securities	-	-	54,405	44,431
Accounts receivable	-	-	609,376	592,389
Other receivables	2,511	252	36,664	42,616
NONCURRENT:				
Long-term assets:				
Marketable securities	-	-	60,917	62,057
Related parties	144,961	136,590	98,288	88,856
Receivable – clients	-	-	25,027	24,288
Receivable – sale of property	-	-	53,719	54,880
Other credits and receivables	2,061	2,061	19,043	13,770
LIABILITIES --				
CURRENT:				
Loans and financing	98,431	107,611	716,723	626,086
Debentures	-	-	909	134,993
Suppliers	311	58	137,484	154,583
Noneconomic lease	-	-	6,936	6,304
Purchase of investment property	13,027	34,296	13,027	34,296
Government concessions	-	-	19,243	17,617
Other accounts payable	10,140	12,174	58,405	66,071
NONCURRENT:				
Loans and financing	19,008	-	612,735	608,041
Debentures	-	-	48,990	-
Government concessions	-	-	43,026	48,744
Noneconomic lease	-	-	13,197	15,463
Related parties	186,474	113,250	2,456	1,632
Purchase of investment property	41,885	64,042	41,885	64,042
Other obligations	20,672	26,375	11,903	10,702

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

b) Fair value--The fair values of loans and financing and debentures are similar to their amortized cost recorded in the interim financial statements because they are indexed to floating interest rates (TJLP, CDI and LIBOR), which accompany market rates. Considering the maturities of other short-term financial instruments, the Company estimates that their fair values approximate 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 our 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	09.30.2017	12.31.2016
Investments in subsidiaries	178,431	130,948
In equivalent thousands of US Dollars	56,323	40,179

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

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

Financial instruments	09.30.2017	12.31.2016
Cash and cash equivalents	3,603	1,971
Accounts receivable	63,813	55,275
Marketable securities	60,917	62,057
Suppliers	(1,448)	(1,152)
Loans and financing	(239,074)	(204,722)
Related parties	7,764	54,412
	-----------	-----------
Total exposure in Brazilian Reais	(104,425)	(32,159)
	======	======
Total exposure in equivalent thousands of US Dollars	(32,962)	(9,867)
	======	======

The sensitivity analysis of non-derivative financial instruments, considering the US Dollar denominated cash flows, as of September 30, 2017, is shown below:

			Scenarios		
Maturity	Risk	Exposure value in thousands of US$	Probable	II	III
2017	US Dollar appreciation	(1,647)	(384)	(1,785)	(3,186)
2018	US Dollar appreciation	(29,824)	(3,206)	(27,629)	(52,052)
2019	US Dollar appreciation	5,737	1,247	6,102	10,959
2020	US Dollar appreciation	(5,228)	(2,229)	(6,926)	(11,624)
2021	US Dollar appreciation	(2,000)	(1,439)	(3,382)	(5,326)
		-----------	-----------	-----------	-----------
		(32,962)	(6,011)	(33,620)	(61,229)
		======	======	======	======

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

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

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

d.4 – Commodities price risk (cotton)--This risk arises from the possibility of the Company and its subsidiaries may incur losses due to fluctuations in the price of cotton, its main raw material. A significant increase in price of cotton may cause an increase in the cost of its products in an amount that the Company may be unable to pass such increases to its customers, reducing its margins. In the nine-month period ended September 30, 2017, the Company registered a gain of R$2,912. In the same period of 2016, there were no results with this type of derivatives.

d.5 – Interest rates risk--Cash and cash equivalents and marketable securities yield, approximately, the equivalent to CDI (Certificate of Interbank Deposit) rates. Interest-bearing liabilities, which reflect rates equivalent to LIBOR, or fixed interest rates, are disclosed in notes 13 and 19. Considering the cash flows of these liabilities (except as described in d.5.1 and d.5.2 below) and the contracted interest rates, Management determined that the exposure to market changes on the contracted interest rates is not significant. Therefore, the sensitivity analysis is deemed unnecessary.

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

Interest rates swap contracts--Are presented and measured at fair value and are based on the cash flow of the loans denominated in foreign currency. Gains or losses are recorded under the “Financial expenses – interests” caption in the statements of operations. There were no interest rate derivatives in the nine-month periods ended September 30, 2017 and 2016.

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

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

	09.30.2017				12.31.2016
Description	Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: 128.7% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2021	165,000	1,293	(1,804)	164,489	164,795
Loan Agreement -- Interest: 128.7% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2021	165,000	2,834	(2,044)	165,790	164,128
Loan Agreement -- Interest: IRP + 11.20% Counterpart: Banco Brasil S.A. – CCB Maturity: June/2018	60,000	456	(573)	59,883	-
Loan Agreement -- Interest: 135.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: October/2018	25,000	147	(239)	24,908	-
Loan Agreement -- Interest: 131.5% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: May/2017	-	-	-	-	11,478
Loan Agreement -- Interest: 133.0% of CDI Counterpart: Banco Brasil S.A. – CCB Maturity: August/2017	-	-	-	-	22,178
Loan Agreement -- Interest: 133.0% of CDI Counterpart: Banco Brasil S.A. – CCB Maturity: September/2017	-	-	-	-	20,021
Loan Agreement -- Interest: 125.5% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: April/2017	-	-	-	-	8,409

Description	09.30.2017 Principal amount R$ thousands	Accrued interest	Prepaid interest	Payable	12.31.2016 Payable
Loan Agreement -- Interest: 131.5% of CDI Counterpart: Banco Brasil S.A. – NCI Maturity: April/2017	-	-	-	-	7,895
(Refer to Note 13)				415,070	398,904
Loan Agreement -- Interest: 100.0% of CDI Counterpart: Banco Votorantim S.A. Maturity: March/2018	40,000	174	-	40,174	41,730
Loan Agreement -- Interest: 115.0% of CDI Counterpart: Banco Votorantim S.A. Maturity: March/2018	20,000	43	-	20,043	-
(Refer to Note 13)				60,217	41,730
Loan Agreement -- Interest: 129.9% of CDI Counterpart: Banco Santander S.A. Maturity: May/2018	15,000	688	(21)	15,667	30,543
Loan Agreement -- Interest: 129.9% of CDI Counterpart: Banco Santander S.A. Maturity: May/2018	10,000	442	(58)	10,384	20,345
Loan Agreement -- Interest: CDI + 4.657% Counterpart: Banco Santander S.A. Maturity: June/2018	14,500	517	(201)	14,816	-
(Refer to Note 13)				40,867	50,888
Loan Agreement -- Interest: 131.5% of CDI Counterpart: Banco Itaú BBA S.A. Maturity: November/2017	100,000	1,254	-	101,254	104,237
(Refer to Note 13)				101,254	104,237
Loan Agreement -- Interest: 137.5% of CDI Counterpart: Banco Bradesco S.A. Maturity: May/2018	6,667	25	-	6,692	14,229
Loan Agreement -- Interest: 135.0% of CDI Counterpart: Banco Brasil S.A. Maturity: July/2018	4,722	2	(62)	4,662	8,510
(Refer to Note 13)				11,354	22,739
Loan Agreement -- Interest: CDI + 5% Counterpart: Banco Bradesco S.A. Maturity: December/2018	15,000	157	(202)	14,955	-
(Refer to Note 13)				14,955	-
Loan Agreement -- Interest: 144.8% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: June/2019	8,750	16	-	8,766	-

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

Description	Principal amount R$ thousands (09.30.2017)	Accrued interest (09.30.2017)	Prepaid interest (09.30.2017)	Payable (09.30.2017)	Payable (12.31.2016)
Loan Agreement -- Interest: 136.7% of CDI Counterpart: Banco BBM S.A. – CCB Maturity: December/2018	14,286	79	-	14,365	20,153
(Refer to Note 13)				23,131	20,153
Loan Agreement -- Interest: CDI + 7.3% Counterpart: BDMG S.A. Maturity: November/2019	16,700	1,818	(250)	18,268	16,632
(Refer to Note 13)				18,268	16,632
Loan Agreement -- Interest: CDI + 4.4% Counterpart: ABC do Brasil S.A. Maturity: June/2019	17,500	115	-	17,615	-
Loan Agreement -- Interest: CDI + 4.5% Counterpart: ABC do Brasil S.A. Maturity: July/2019	20,000	35	-	20,035	-
Loan Agreement -- Interest: CDI + 4.59% Counterpart: Banco ABC Brasil S.A. Maturity: September/2020	20,000	-	-	20,000	-
(Refer to Note 13)				57,650	-
Loan Agreement -- Interest: 89.0% of CDI Counterpart: Banco Santander S.A. - PPE Maturity: May/2019	79,352	2,307	(290)	81,369	102,740
Loan Agreement -- Interest: 103.0% of CDI Counterpart: Banco Santander S.A. - PPE Maturity: February/2020	51,124	245	(497)	50,872	-
Loan Agreement -- Interest: 108.0% of CDI Counterpart: Banco Santander S.A. - PPE Maturity: June/2018	13,981	436	(100)	14,317	-
(Refer to Note 13)				146,558	102,740
Debentures -- Interest: 110.0% of CDI Counterpart: Gaia Agro Sec. S.A. Maturity: June/2020	50,000	1,544	(1,645)	49,899	134,993
	932,582	14,627	(7,986)	939,223	893,016

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of September 30, 2017, is as follows:

		Principal	Scenarios		
Maturity	Risk	average balance	Probable	II	III
2017	CDI increase	937,651	20,817	24,342	29,342
2018	CDI increase	719,911	60,794	69,217	81,607
2019	CDI increase	396,226	35,787	50,289	60,433
2020	CDI increase	224,097	19,241	30,529	36,768
2021	CDI increase	80,751	6,544	10,887	13,123
			======	======	======

Amounts shown in the scenarios above represent projected interest expense, in their respective years and scenarios, considering the average loan balances on each year. The “Probable” scenario represents the result of the probable CDI variations, considering the principal and interest maturity dates. Scenarios II and III reflect 25% and 50% increase in the future CDI index, respectively. The future CDI rates were obtained from BM&FBOVESPA – “Bolsa de Valores, Mercadorias e Futuros”.

d.6 – Credit risk--The Company is subject to credit risk on its cash and cash equivalents, marketable securities, and derivative instruments. This risk is mitigated by the policy of entering into transactions only with major financial institutions. The credit risk on accounts receivable is reduced due to the selectivity of customers and credit policy. The Company has a credit management system based on the combination of information originated by several departments of the Company, primarily sales, finance, accounting, legal and external sources that enable the credit and collection departments to establish credit limits for its customers that are approved by a credit committee.

d.7 – Liquidity risk management--The Company 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, 2016. As of September 30, 2017, there was no significant change when compared to the published annual financial statements.

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

The Company’s net debt is as follows:

	Company		Consolidated	
	09.30.2017	12.31.2016	09.30.2017	12.31.2016
Loans and financing	117,439	107,611	1,329,458	1,234,127
Debentures	-	-	49,899	134,993
Cash and cash equivalents	(463)	(286)	(128,545)	(183,420)
Marketable securities	-	-	(115,322)	(106,488)
	-------------	-------------	-------------	-------------
Total net debt	116,976	107,325	1,135,490	1,079,212
Total equity	710,560	720,216	1,302,476	1,313,626
	-------------	-------------	-------------	-------------
Total net debt and equity	827,536	827,541	2,437,966	2,392,838
	========	========	========	========

24. SEGMENT INFORMATION

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

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

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

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

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

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

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

	09.30.2016						
	South America				North America	Others unallocated	
	Wholesale	Retail	Denim	Total	Wholesale	(*)	Total
Net revenues	876.9	186.2	277.4	1,340.5	723.0	(68.5)	1,995.0
Cost of goods sold	(627.6)	(91.1)	(238.6)	(957.3)	(602.0)	68.5	(1,490.8)
Gross profit	249.3	95.1	38.8	383.2	121.0	-	504.2
Selling, general and administrative expenses	(154.2)	(103.2)	(38.9)	(296.3)	(57.2)	(13.8)	(367.3)
Equity in affiliated companies	-	-	-	-	-	(44.8)	(44.8)
Others, net	(1.0)	(0.4)	(1.1)	(2.5)	(4.4)	(0.7)	(7.6)
Operating results	94.1	(8.5)	(1.2)	84.4	59.4	(59.3)	84.5
Financial results	-	-	-	-	-	(198.2)	(198.2)
Income (loss) before taxes	94.1	(8.5)	(1.2)	84.4	59.4	(257.5)	(113.7)
Depreciation and amortization	48.7	7.3	8.6	64.6	2.4	-	67.0
Total assets	2,176.1	173.6	420.8	2,770.5	399.8	86.2	3,256.5
Total liabilities	(1,200.3)	(99.1)	(175.4)	(1,474.8)	(415.7)	(4.0)	(1,894.5)
Total net assets (liabilities)	975.8	74.5	245.4	1,295.7	(15.9)	82.2	1,362.0

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

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

	Consolidated	
	09.30.2017	09.30.2016
Net revenues (in millions of Reais):		
Bedding, tabletop and bath	726.8	772.8
Utility bedding	487.0	574.2
Intermediate products	519.1	461.8
Retail	182.8	186.2
	1,915.7	1,995.0
Volume (thousands of metric tons):		
Bedding, tabletop and bath	23.6	24.6
Utility bedding	32.9	33.6
Intermediate products	33.2	34.2
	89.7	92.4

The Company and its subsidiaries have over 13,000 active clients as of September 30, 2017 and only one customer has sales of approximately 10% of net sales.

25. EXPENSES BY NATURE

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

By nature:

	Consolidated	
	09.30.2017	09.30.2016
Cost of raw materials, goods and services acquired from third parties	(1,194,366)	(1,208,412)
Employee benefits	(387,163)	(390,593)
INSS	(45,647)	(36,197)
Depreciation and amortization	(63,856)	(66,981)
Finished goods and work in process inventory variations	(21,170)	(75,741)
Other costs and expenses	(71,616)	(80,202)
Total expenses by nature	(1,783,818)	(1,858,126)

By function:

	Consolidated	
	09.30.2017	09.30.2016
Cost of goods sold	(1,421,767)	(1,490,833)
Selling expenses	(231,316)	(235,326)
General and administrative expenses	(120,258)	(121,215)
Management fees	(10,477)	(10,752)
Total expenses by function	(1,783,818)	(1,858,126)

26. NET REVENUES

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

	Consolidated	
	09.30.2017	09.30.2016
OPERATING REVENUES:		
Gross revenues	2,340,970	2,423,348
Sales deductions	(425,225)	(428,382)
NET REVENUES	1,915,745	1,994,966

27. BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share was calculated as follows:

	09.30.2017	09.30.2016
NET LOSS FOR THE PERIOD	(1,901)	(86,949)
Weighted-average outstanding shares:		
Common shares	13,912,800	13,912,800
Preferred shares	16,723,657	16,723,657
	30,636,457	30,636,457
BASIC AND DILUTED LOSS PER SHARE - R$	(0.0621)	(2.8381)

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

28. SUBSEQUENT EVENT

As described in note 8, on October 27, 2017, the Montes Claros municipality and the indirect subsidiary CSA signed a letter of intent with the objective of enabling the implementation of the new Municipality complex which will house the government and the main departments in a single architectural complex located in the Company's first plant in Montes Claros.

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