

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

Springs Global Participações S.A.

Individual and Consolidated Interim
Financial Statements for the Quarter
ended September 30, 2022 and
Independent Auditor's Report

BDO RCS Auditores Independentes

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INDIVIDUAL AND CONSOLIDATED QUARTERLY INFORMATION

To the
Shareholders and Management of
Springs Global Participações S. A.
Montes Claros - MG

Introduction

We have reviewed the individual and consolidated interim financial information of Springs Global Participações S.A. ("Company"), included in the Quarterly Information (ITR) related to the quarter ended September 30, 2022, which comprises the statement of financial position as at September 30, 2022, and the respective statements of operations and comprehensive income for the three and nine-month period then ended, and of changes in equity and cash flows for the nine-month period then ended, including a summary of significant accounting policies and other notes.

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

Scope of the review

We conducted our review in accordance with Brazilian and international standards for reviewing interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). An interim review consists principally of applying analytical and other review procedures and making inquiries of and having discussions with persons responsible for financial and accounting matters. An interim review 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. Accordingly, we do not express such an audit opinion.

Conclusion on the individual and consolidated interim information

Based on our review, we are not aware of any facts that would lead us to believe that the individual and 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 matters

Interim statements of value added

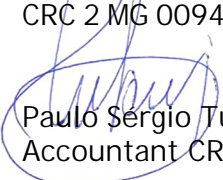
The quarterly information referred to above includes the individual and consolidated statements of value added for the nine-month period ended September 30, 2022, prepared under the responsibility of the Company's Management and presented as supplementary information for the purposes of IAS 34. These statements were submitted to review procedures executed with the review of the quarterly information, with the purpose of concluding whether they are reconciled with the interim financial information and accounting records, as applicable, and if its form and contents meet the criteria defined in NBC TG 09 - Statements of Value Added. Based on our review, we are not aware of any fact that would lead us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria established in this Standard and consistently with the individual and consolidated interim financial information taken as a whole.

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

São Paulo, December 14, 2022.



BDO RCS Auditores Independentes SS
CRC 2 MG 009485/F-0


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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

BALANCE SHEETS AS OF SEPTEMBER 30, 2022 AND DECEMBER 31, 2021

(In thousands of Brazilian Reais)

	Note	ASSETS			
		Company		Consolidated	
		09.30.2022	12.31.2021	09.30.2022	12.31.2021
CURRENT:					
Cash and cash equivalents	3	65	117	240,172	199,765
Marketable securities	4	-	-	18,507	19,219
Accounts receivable	5	-	-	260,506	448,935
Financial leases receivable	11	-	-	17,206	17,618
Inventories	6.a	-	-	456,214	517,713
Advances to suppliers	6.b	-	-	48,991	40,094
Recoverable taxes	18.c	26	-	53,854	76,609
Other receivables		1,082	968	24,211	28,300
Assets held for sale	8.b	-	-	-	132,855
		-----	-----	-----	-----
Total current assets		1,173	1,085	1,119,661	1,481,108
		-----	-----	-----	-----
NONCURRENT:					
Long-term assets:					
Marketable securities	4	1,882	1,737	10,755	7,618
Receivable – clients	7	-	-	14,534	16,343
Related parties	22	-	-	202,174	123,499
Advances to suppliers	6.b	-	-	-	25,201
Financial leases receivable	11	-	-	88,568	97,049
Recoverable taxes	18.c	-	-	17,891	29,086
Deferred taxes	18.b	1,905	1,905	19,302	20,023
Property, plant and equipment held for sale	10.b	-	-	24,706	15,541
Escrow deposits	19	-	-	11,757	8,448
Others		-	-	51,999	55,931
		-----	-----	-----	-----
		3,787	3,642	441,686	398,739
		-----	-----	-----	-----
Investments in subsidiaries	8.a	655,627	1,035,134	-	-
Other investments	8.b	-	-	128,714	-
Investment properties	9	-	-	461,766	459,890
Property, plant and equipment	10.a	-	-	539,840	578,621
Right-of-use assets	11	-	-	150,954	183,709
Intangible assets	12	-	-	91,540	94,125
		-----	-----	-----	-----
Total noncurrent assets		659,414	1,038,776	1,814,500	1,715,084
		-----	-----	-----	-----
Total assets		660,587	1,039,861	2,934,161	3,196,192
		=====	=====	=====	=====

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

BALANCE SHEETS AS OF SEPTEMBER 30, 2022 AND DECEMBER 31, 2021

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

	Note	Company		Consolidated	
		09.30.2022	12.31.2021	09.30.2022	12.31.2021
LIABILITIES					
CURRENT:					
Loans and financing	13	10,235	15,681	376,283	772,280
Debentures	14	-	-	17,870	158,596
Suppliers	15	4	10	249,219	258,920
Payroll and related charges		121	99	105,847	88,271
Taxes		36	61	23,131	29,776
Government concessions	16	-	-	57,672	41,148
Leases payable	17	-	-	60,928	65,356
Taxes - installments	18.d	-	-	81,712	57,002
Other payables		-	-	77,785	74,569
		-----	-----	-----	-----
Total current liabilities		10,396	15,851	1,050,447	1,545,918
		-----	-----	-----	-----
NONCURRENT:					
Loans and financing	13	10,336	13,915	350,491	75,037
Debentures	14	-	-	315,778	-
Leases payable	17	-	-	221,137	260,380
Related parties	22	34,104	19,654	-	764
Government concessions	16	-	-	44,050	54,436
Miscellaneous accruals	19	-	-	16,138	13,776
Employee benefit plans	20	-	-	124,817	129,437
Deferred taxes	18.b	-	-	85,199	86,941
Taxes - installments	18.d	-	-	91,195	36,654
Other obligations		-	-	29,158	2,408
		-----	-----	-----	-----
Total noncurrent liabilities		44,440	33,569	1,277,963	659,833
		-----	-----	-----	-----
EQUITY:					
	21				
Capital		1,860,265	1,860,265	1,860,265	1,860,265
Capital reserves		79,381	79,381	79,381	79,381
Assets and liabilities valuation adjustments		126,247	126,234	126,247	126,234
Cumulative translation adjustments		(143,727)	(159,814)	(143,727)	(159,814)
Accumulated deficit		(1,316,415)	(915,625)	(1,316,415)	(915,625)
		-----	-----	-----	-----
Total equity		605,751	990,441	605,751	990,441
		-----	-----	-----	-----
Total liabilities and equity		660,587	1,039,861	2,934,161	3,196,192
		=====	=====	=====	=====

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE -MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

(In thousands of Brazilian Reais)

	Note	Company			
		07.01.2022 to 09.30.2022	01.01.2022 to 09.30.2022	07.01.2021 to 09.30.2021	01.01.2021 to 09.30.2021
OPERATING EXPENSES:					
General and administrative expenses		(199)	(681)	(205)	(747)
Management fees	22	(319)	(928)	(293)	(792)
Equity in subsidiaries	8.a	(174,078)	(395,607)	(32,808)	(97,350)
LOSS FROM OPERATIONS		(174,596)	(397,216)	(33,306)	(98,889)
Financial expenses – interests and charges		(678)	(3,273)	(904)	(2,196)
Financial expenses – taxes, discounts and others		(174)	(463)	(100)	(301)
Financial income		62	162	28	60
Exchange rate variations, net		-	-	-	1,269
LOSS FROM OPERATIONS BEFORE TAXES		(175,386)	(400,790)	(34,282)	(100,057)
Income and social contribution taxes:					
Current	18.a	-	-	-	-
NET LOSS FOR THE PERIOD		(175,386)	(400,790)	(34,282)	(100,057)
BASIC AND DILUTED LOSS PER SHARE – R\$	27	(3.5077)	(8.0158)	(0.6856)	(2.0011)

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

(In thousands of Brazilian Reais)

	Note	Consolidated			
		07.01.2022 to 09.30.2022	01.01.2022 to 09.30.2022	07.01.2021 to 09.30.2021	01.01.2021 to 09.30.2021
NET REVENUES	25	296,594	995,192	453,582	1,268,967
COST OF GOODS SOLD	26	(232,938)	(718,792)	(290,399)	(791,938)
IDLE COST AND OTHERS	26	(44,414)	(76,649)	(1,504)	(16,777)
GROSS PROFIT		19,242	199,751	161,679	460,252
OPERATING INCOME (EXPENSES):					
Selling expenses	26	(65,836)	(228,477)	(91,602)	(273,022)
General and administrative expenses	26	(36,619)	(101,079)	(30,124)	(89,382)
Management fees	26	(3,976)	(11,270)	(3,097)	(9,210)
Others, net		(1,291)	1,744	(7,055)	(11,772)
INCOME (LOSS) FROM OPERATIONS		(88,480)	(139,331)	29,801	76,866
Financial expenses – interests and charges		(65,306)	(191,712)	(41,303)	(109,601)
Financial expenses – interest on leases	17	(2,407)	(8,745)	(3,699)	(9,879)
Financial expenses – taxes, discounts and others		(28,291)	(94,064)	(24,814)	(82,241)
Financial income		24,137	52,310	6,845	19,421
Exchange rate variations, net		(14,016)	(18,015)	(3,108)	(3,370)
LOSS FROM OPERATIONS BEFORE TAXES		(174,363)	(399,557)	(36,278)	(108,804)
Income and social contribution taxes:					
Current	18.a	(1,023)	(1,233)	(130)	(435)
Deferred	18.a	-	-	2,126	9,182
NET LOSS FOR THE PERIOD		(175,386)	(400,790)	(34,282)	(100,057)

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

(In thousands of Brazilian Reais)

	Company and consolidated			
	07.01.2022 to 09.30.2022	01.01.2022 to 09.30.2022	07.01.2021 to 09.30.2021	01.01.2021 to 09.30.2021
NET LOSS FOR THE PERIOD	(175,386)	(400,790)	(34,282)	(100,057)
Other comprehensive income (loss):				
- Items that will impact the statements of operations:				
Exchange rate variations on foreign investments	10,300	16,087	24,987	17,278
	-----	-----	-----	-----
	10,300	16,087	24,987	17,278
- Items that will not impact the statements of operations:				
Actuarial gain on pension plans	23	13	35	22
	-----	-----	-----	-----
COMPREHENSIVE LOSS FOR THE PERIOD	(165,063)	(384,690)	(9,260)	(82,757)
	=====	=====	=====	=====
ATTRIBUTABLE TO:				
Owners of the Company	(165,063)	(384,690)	(9,260)	(82,757)
	=====	=====	=====	=====

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021

(In thousands of Brazilian Reais)

	<u>Note</u>	<u>Capital</u>	<u>Capital reserve</u>	<u>Assets and liabilities valuation adjustments</u>	<u>Cumulative translation adjustments</u>	<u>Accumulated deficit</u>	<u>Total equity</u>
BALANCES AS OF DECEMBER 31, 2020		1,860,265	79,381	113,814	(185,663)	(762,049)	1,105,748
Comprehensive income (loss):							
Net loss for the period		-	-	-	-	(100,057)	(100,057)
Exchange rate variations on foreign investments	2.1.b	-	-	-	17,711	-	17,711
Actuarial gain on pension plans		-	-	22	-	-	22
Impact of subsidiaries-							
Exchange rate variations on foreign investments, net	2.1.b	-	-	-	(433)	-	(433)
Total comprehensive income (loss)		-	-	22	17,278	(100,057)	(82,757)
BALANCES AS OF SEPTEMBER 30, 2021		1,860,265	79,381	113,836	(168,385)	(862,106)	1,022,991
		=====	=====	=====	=====	=====	=====

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

(In thousands of Brazilian Reais)

	<u>Note</u>	<u>Capital</u>	<u>Capital reserve</u>	<u>Assets and liabilities valuation adjustments</u>	<u>Cumulative translation adjustments</u>	<u>Accumulated deficit</u>	<u>Total equity</u>
BALANCES AS OF DECEMBER 31, 2021		1,860,265	79,381	126,234	(159,814)	(915,625)	990,441
Comprehensive income (loss):							
Net loss for the period		-	-	-	-	(400,790)	(400,790)
Exchange rate variations on foreign investments	2.1.b	-	-	-	(13,107)	-	(13,107)
Actuarial gain on pension plans		-	-	13	-	-	13
Impact of subsidiaries-							
Exchange rate variations on foreign investments, net	2.1.b	-	-	-	29,194	-	29,194
		-----	-----	-----	-----	-----	-----
Total comprehensive income (loss)		-	-	13	16,087	(400,790)	(384,690)
		-----	-----	-----	-----	-----	-----
BALANCES AS OF SEPTEMBER 30, 2022		1,860,265	79,381	126,247	(143,727)	(1,316,415)	605,751
		=====	=====	=====	=====	=====	=====

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

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2022 to 09.30.2022	01.01.2021 to 09.30.2021	01.01.2022 to 09.30.2022	01.01.2021 to 09.30.2021
Cash flows from operating activities				
Net loss for the period	(400,790)	(100,057)	(400,790)	(100,057)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	73,596	75,060
Equity in subsidiaries	395,607	97,350	-	-
Income and social contribution taxes	-	-	1,233	(8,747)
(Gain) loss on disposal of property, plant and equipment	-	-	(1,691)	3,931
Allowance for expected losses on doubtful accounts	-	-	11,389	-
Renegotiation of leases	-	-	-	(1,863)
Monetary variations	-	-	8,808	12,303
Exchange rate variations	-	(1,269)	18,015	3,370
Bank interests and charges, net	3,569	2,436	222,653	159,229
Financial expenses – interest on leases	-	-	8,745	9,879
	<u>(1,614)</u>	<u>(1,540)</u>	<u>(58,042)</u>	<u>153,105</u>
Changes in assets and liabilities				
Marketable securities	(145)	(66)	(2,425)	(74,661)
Accounts receivable	-	-	123,007	14,095
Inventories	-	-	47,892	(85,667)
Advances to suppliers	-	-	(10,335)	1,613
Recoverable taxes	(26)	160	33,950	44,608
Cash holdback amount	-	-	-	20,787
Suppliers	(7)	(6)	13,392	40,010
Taxes – installments	-	-	61,955	94,612
Others	43	1,264	31,754	(41,560)
	<u>(1,749)</u>	<u>(188)</u>	<u>241,148</u>	<u>166,942</u>
Net cash provided by (used in) operating activities before interest and income taxes				
Interest paid on loans	(1,999)	(1,289)	(107,040)	(56,606)
Commissions and fees paid on loans	(455)	(299)	(27,166)	(18,313)
Taxes paid	-	-	(1,215)	(240)
	<u>(4,203)</u>	<u>(1,776)</u>	<u>105,727</u>	<u>91,783</u>

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

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

(In thousands of Brazilian Reais)

	<u>Company</u>		<u>Consolidated</u>	
	<u>01.01.2022</u> <u>to</u> <u>09.30.2022</u>	<u>01.01.2021</u> <u>to</u> <u>09.30.2021</u>	<u>01.01.2022</u> <u>to</u> <u>09.30.2022</u>	<u>01.01.2021</u> <u>to</u> <u>09.30.2021</u>
Cash flows from investing activities				
Investment properties	-	-	(2,300)	(479)
Property, plant and equipment	-	-	(8,300)	(28,255)
Intangibles	-	-	(725)	-
Proceeds from sale of fixed assets	-	-	663	9,276
Loans between related parties	13,147	7,631	(70,594)	(51,378)
Net cash provided by (used in) investing activities	<u>13,147</u>	<u>7,631</u>	<u>(81,256)</u>	<u>(70,836)</u>
Cash flows from financing activities				
Proceeds from new loans, net	-	-	299,669	363,916
Repayment of loans	(8,996)	(6,094)	(269,645)	(351,202)
Repayment of leases, net	-	-	(27,410)	(29,868)
Net cash provided by (used in) financing activities	<u>(8,996)</u>	<u>(6,094)</u>	<u>2,614</u>	<u>(17,154)</u>
Effect of exchange rate variations on cash and cash equivalents of foreign subsidiaries	-	-	13,322	7,075
Increase (decrease) in cash and cash equivalents	<u>(52)</u>	<u>(239)</u>	<u>40,407</u>	<u>10,868</u>
Cash and cash equivalents:				
At the beginning of the period	117	332	199,765	168,793
At the end of the period	65	93	240,172	179,661
Increase (decrease) in cash and cash equivalents	<u>(52)</u>	<u>(239)</u>	<u>40,407</u>	<u>10,868</u>

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

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF VALUE ADDED

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2022 to 09.30.2022	01.01.2021 to 09.30.2021	01.01.2022 to 09.30.2022	01.01.2021 to 09.30.2021
REVENUES				
Sales of products, goods and services	-	-	1,194,521	1,532,967
Allowance for expected losses on doubtful accounts	-	-	(11,389)	-
Gain (loss) on disposal of property, plant and equipment	-	-	1,691	(3,931)
	-----	-----	-----	-----
	-	-	1,184,823	1,529,036
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(542,526)	(604,162)
Materials, energy, third party services, and others	(1,444)	(1,418)	(371,082)	(404,000)
	-----	-----	-----	-----
	(1,444)	(1,418)	(913,608)	(1,008,162)
GROSS VALUE ADDED	-----	-----	-----	-----
	(1,444)	(1,418)	271,215	520,874
RETENTIONS				
Depreciation and amortization	-	-	(73,596)	(75,060)
NET VALUE ADDED PRODUCED BY THE COMPANY	-----	-----	-----	-----
	(1,444)	(1,418)	197,619	445,814
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries	(395,607)	(97,350)	-	-
Financial income	162	60	52,310	19,421
Exchange rate variation	-	1,269	(1,182)	3,738
Royalties	-	-	13,793	16,741
	-----	-----	-----	-----
	(395,445)	(96,021)	64,921	39,900
TOTAL VALUE ADDED FOR DISTRIBUTION (TO RETAIN)	-----	-----	-----	-----
	(396,889)	(97,439)	262,540	485,714
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	-	-	261,331	264,993
Taxes, duties and contributions	628	422	127,306	144,477
Payments to third parties	3,273	2,196	274,693	176,301
Net loss for the year	(400,790)	(100,057)	(400,790)	(100,057)
	-----	-----	-----	-----
VALUE ADDED DISTRIBUTED (RETAINED)	-----	-----	-----	-----
	(396,889)	(97,439)	262,540	485,714

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

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2022

(Amounts in thousands of Brazilian Reais)

1. OPERATIONS

Springs Global Participações S.A. (the “Company”), headquartered at Avenida Lincoln Alves dos Santos, number 955, in Montes Claros – MG, Brazil, was incorporated on November 24, 2005. On January 24, 2006 received as capital contribution 100% of the shares of Coteminas S.A. (“CSA”) and Springs Global US, Inc. (“SGUS”), privately-held companies headquartered in Brazil and in the United States, respectively, whose shareholders were Companhia de Tecidos Norte de Minas – Coteminas (“CTNM”), the Company’s parent company, and the former shareholders of Springs Industries, Inc. (“SI”), respectively.

On April 30, 2009, the Company started its bed, tabletop and bath retail operations, under the brands MMartan and Casa Moyses and later, in October 2011, with the brand Artex. The retail operation of these brands is run by AMMO Varejo S.A. (“AMMO”), which became an indirect subsidiary of the Company.

The Company has leading brands in their markets, such as MMartan, Casas Moisés, Artex, Santista, Paládio, Calfat, Garcia, Arco Íris, Magicolor, among others. The Company’s products have a privileged market standing on the shelves of the largest and most demanding retail channels of the world.

The Company and its subsidiary CSA have presented in their consolidated financial statements financial expenses that have been aggravated by the significant increase in interest rates since the fourth quarter of 2021. The Company and its subsidiary CSA have honored their financial commitments to banks and financial institutions, however, it has had a sharp reduction in its working capital, which has temporarily impacted its operating activities. The management of the companies are committed to reducing this indebtedness and consequently reducing financial expenses with the sale of non-operating assets, partly described in note 9 – Investment Properties, with negotiations in progress.

Additionally, the Company’s parent company, Companhia de Tecidos Norte de Minas (CTNM), has made efforts for the monetization of some real estate, credit rights and investments, the resources of which will be allocated exclusively to the settlement of a substantial part of its loan account with the subsidiary CSA. The management of the Company, the subsidiary CSA and the parent company CTNM believe that these assets will be realized soon, reducing its indebtedness, and returning to its regular operating activities.

2. PRESENTATION OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Company’s Board of Directors on December 14, 2022.

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 issued 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, 2022. All relevant information relating to the interim financial statements is included herein and corresponds to those used by Company’s management in its administration.

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

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 adjustments" and are presented as other comprehensive income in the statement of comprehensive income.

2.2 – Accounting policies

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

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

(b) Financial instruments--The Company classifies financial assets and liabilities in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI") and at amortized cost.

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

i) Non-derivative financial assets and liabilities - recognition and derecognition

The Company recognizes financial assets and liabilities when and only when it becomes part of the contractual provisions of the instruments. The Company derecognizes a financial asset when the contractual rights to the asset's cash flows benefits expire, or when the Company transfers the rights to the receipt of contractual cash flows on a financial asset in a transaction in which substantially all the risks and benefits of ownership of the financial asset are transferred. Any participation that is created or retained by the Company in such transferred financial assets is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligation is withdrawn, canceled or expired.

The financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends to liquidate them on a net basis or to realize the asset and settle the liability simultaneously.

ii) Non-derivative financial assets - measurement

A financial asset is measured at amortized cost if it meets both of the following conditions:

- the asset is kept within a business model with the purpose of collecting contractual cash flows; and
- the contractual terms of the financial asset give rise, on specific dates, to the cash flows that are only payments of principal and interest on the outstanding principal amount.

A debt instrument is measured at fair value through other comprehensive income only if it satisfies both of the following conditions:

- the asset is kept within a business model which the purpose is achieved by collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise, on specific dates, to the cash flows that are only payments of principal and interest on the outstanding principal amount.

All other financial assets are classified as measured at fair value through profit or loss.

In addition, at initial recognition, the Company may irrevocably designate a financial asset or liability as measured at fair value through profit or loss in order to eliminate or significantly reduce a possible accounting mismatch resulting from the result of the respective asset or liability.

iii) Non-derivative financial liabilities - measurement

Financial instruments classified as liabilities, after their initial recognition at fair value, are measured based on the amortized cost method based on the effective interest rate. Interest, monetary restatement and exchange variation are recognized in income, as financial income or expenses, when incurred.

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

iv) Derivatives measured at fair value through profit or loss

Contracted derivative instruments are not designated for hedge accounting. Changes in the fair value of any of these derivative instruments are recognized immediately in the statement of operations.

(c) Impairment of financial instruments--Financial assets not classified as financial assets at fair value through profit or loss, are valued at each balance sheet date to determine whether there is objective evidence of impairment loss. Objective evidence that financial assets had a loss of value includes:

- default or delays by the debtor;
- restructuring of a value due to the Company under conditions that would not be accepted under normal conditions;
- indications that the debtor or issuer will go into bankruptcy or judicial recovery;
- negative changes in the payment situation of debtors or issuers;
- the disappearance of an active market for the instrument due to financial difficulties; or
- observable data indicating that there was a decline in the measurement of the expected cash flows of a group of financial assets.

The Company considers evidence of impairment of assets measured at amortized cost both individually and collectively. All individually significant assets are evaluated for impairment. Those that have not individually suffered a loss of value are then evaluated collectively for any loss of value that may have occurred, but has not yet been identified, which includes the expected credit losses. Assets that are not individually significant are evaluated collectively as to the loss of value based on the grouping of assets with similar risk characteristics.

In evaluating the impairment loss on a collective basis, the Company uses historical trends of the recovery period and the amounts of loss incurred, adjusted to reflect management's judgment as to whether current economic and credit conditions are such that losses are likely to be higher or lower than those suggested by historical trends.

An impairment loss is calculated as the difference between the book value and the present value of the estimated future cash flows discounted at the original effective interest rate of the asset. Losses are recognized in the statement of operations and reflected in the impairment provision account. When the Company considers that there are no reasonable expectations of recovery, the amounts are written off. When a subsequent event indicates a reduction of the impairment loss, the reduction of the impairment provision is reversed through the statement of operations.

An impairment loss relating to an investment accounted for under the equity method is measured by comparing the recoverable value of the investment with its carrying amount. An impairment loss is recognized in profit or loss and reversed if there was a favorable change in the estimates used to determine recoverable value.

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

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

(e) Marketable securities--Represented by amounts of immediate liquidity with maturities of more than 90 days and are subject to an insignificant risk of change in their value. The marketable securities relating to investment funds in equity instruments are classified as non-derivative financial assets, and are measured fair value through the statement of operations. All other marketable securities are classified as non-derivative financial assets measured at amortized cost and interest earned is recognized in the statements of operations of the period.

(f) Accounts receivable and allowance for expected losses on doubtful debt accounts--Accounts receivable from customers are initially recognized at transaction value and subsequently measured at amortized cost using the effective interest rate method less the estimated loss with doubtful accounts.

The Company adopted the measurement of the estimated loss with doubtful accounts based on the entire life of the instruments, using the simplified approach, taking into account the history of movements and historical losses. As a general rule, accounts overdue at more than 180 days represent a relevant indicator of expected loss, and are evaluated individually.

(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 respective subsidiaries and affiliated companies as of the same date as the Company's balance sheet. The value of the equity of foreign subsidiaries and affiliated companies are converted into Reais based on the current rate of its functional currency and the foreign exchange rate variation is recorded in "Cumulative translation adjustments" in equity and presented as other 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, except when they meet the criteria for capitalization.

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

(l) Investment properties--Are held for income or capital appreciation. Investment properties are initially recorded at cost and include transaction costs. After initial recognition, investment properties are measured at fair value against comprehensive income (loss) net of taxes, and thereafter, are measured annually at fair value and the variations arising from this valuation and taxes are recognized in the statements of operations.

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

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

	<u>Useful life</u>
Buildings	40 years
Installations	15 years
Machinery and equipment	15 years
Hydroelectric Plant - Porto Estrela	35 years
Furniture, fixtures and others	5 to 10 years

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

(n) Right-of-use assets--The measurement of the right-of-use asset corresponds to the beginning balance of the lease liability plus the initial direct costs incurred, adjusted to present value. Amortization is calculated using the straight-line method according to the remaining term of the contracts.

(o) Intangible assets--Represented by trademarks acquired, store locations, intellectual property (software development) 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.

(p) Impairment of non-financial assets--Assets included in property, plant and equipment, intangible assets, inventories and other current and 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 periods impairment losses on these assets may be reversed whenever there is an assessment or reliable evidence that the value of the asset has recovered (except for goodwill from investments). The reversal is recognized in the statement of operations to the extent it does not exceed the previously recognized impairment losses.

(q) 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 24% to 35%, according to the tax legislation of each country.

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

(r) 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.

(s) Leases payable--The measurement of lease liabilities correspond to total future rent payments. These payment flows are adjusted to present value, considering the incremental borrowing rate, and when applicable, are adjusted by changes and updates provided for in the contracts. The offset entry is accounted for as a right-of-use asset and amortized over the period of the lease under the straight-line method. Financial charges are recognized as financial expense and are appropriated according to the remaining term of the contracts. The incremental borrowing rate corresponds to the interest rate that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

(t) 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.

(u) 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.

(v) 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.

(w) 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, except for the exchange gains and losses on investments in foreign subsidiary, which are recognized in "Cumulative translation adjustments" in equity.

(x) Revenue recognition--Revenue is measured at value of the consideration received or receivable, less any estimates of returns, cash discounts and/or trade discounts given to the buyer and other similar deductions. Revenue from operations is recognized when control is transferred, which is at the time of delivery to the customer.

(y) 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.

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

2.3 – Accounting 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 mainly include estimates related to the recovery value of financial assets (notes 2.2.c, No. 5 and No. 7), determination of useful lives of property, plant and equipment (notes 2.2.m and No. 10), estimated recoverable value of non-financial assets (notes 2.2.p, No. 6, No. 10, No. 11 and No. 12), fair value of investment properties (notes 2.2.l and No. 9), provisions necessary for tax, civil and labor liabilities (notes 2.2.t and No. 19), determination of provisions for income tax (notes 2.2.q and No. 18), determination of fair value of financial instruments (assets and liabilities) (notes 2.2.b and No. 23) and other similar instruments, estimates related to the selection of interest rate (note 23.d.5), expected return on assets and the choice of mortality table and expected wage increases applied to the actuarial calculations (notes 2.2.u and No. 20). 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 its subsidiaries CSA and SGUS, of which it owns directly and indirectly 100% of the capital.

The subsidiary CSA, parent company of Coteminas Argentina S.A., da AMMO VAREJO S.A., LAT Capital Ltd., C7S Tecnologia Ltda. and Compañía Textil Guaraní S.R.L., with ownership interest of 100%, directly and indirectly, was included in consolidation based on its consolidated interim financial statements.

The subsidiary SGUS, parent company of: (i) Warbird Corporation (Delaware, US); (ii) Springs Home Textiles Reynosa, S.A. de C.V. (Mexico); and (iii) Casa Springs S.A. de C.V. (Mexico), all wholly-owned, was included in consolidation based on its consolidated interim financial statements.

The consolidation of the balance sheets 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 or losses and intercompany balances.

The effects of the exchange rate variations on foreign investments and equity valuation adjustments are disclosed in a separate caption in the statement of changes in equity, “Cumulative translation adjustments” and “Assets and liabilities valuation adjustments” respectively, and are recognized in the statement of operations upon the sale of the investments that gave rise to them. The accounting practices of the foreign subsidiaries were adjusted to comply with the Company’s accounting practices.

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

The interim financial statements of foreign subsidiaries have been translated into Brazilian Reais based on the US Dollar exchange rate as of September 30, 2022 and December 31, 2021 for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Exchange rate as of:			
December 31	-	5.5805	-
September 30	5.4066	5.4394	(0.6%)
Average exchange rate:			
September 30 (3 months)	5.2580	5.2348	0.4%
September 30 (9 months)	5.0994	5.3384	(4.5%)

3. CASH AND CASH EQUIVALENTS

	<u>Company</u>		<u>Consolidated</u>	
	<u>09.30.2022</u>	<u>12.31.2021</u>	<u>09.30.2022</u>	<u>12.31.2021</u>
Repurchase transactions (*)	45	43	162,128	130,576
Foreign deposits	-	-	62,323	60,855
Checking accounts deposits	20	74	15,721	8,334
	-----	-----	-----	-----
	65	117	240,172	199,765
	=====	=====	=====	=====

(*) Income from financial investments ranges from 96% to 110% of the rates earned on Interbank Deposit Certificates - CDI.

4. MARKETABLE SECURITIES

	<u>Consolidated</u>	
	<u>09.30.2022</u>	<u>12.31.2021</u>
Investment fund – foreign	17,964	18,660
Restricted cash (1)	2,425	2,296
Reserve fund (2)	8,873	5,881
	-----	-----
Current	29,262	26,837
	(18,507)	(19,219)
Noncurrent	-----	-----
	10,755	7,618
	=====	=====

(1) On September 30, 2022, the Company had R\$1,882 of restricted cash in financial institutions (R\$1,737 on December 31, 2021), and subsidiary SGUS had restricted cash of R\$543, equivalent to US\$100 thousand (R\$559 equivalent to US\$100 thousand, as of December 31, 2021) related to a compensating balance arrangement.

(2) Amounts related to the 5th series of the debentures of the subsidiary CSA, equivalent to 3 future installments. See note 14.

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

5. ACCOUNTS RECEIVABLE

	Consolidated	
	09.30.2022	12.31.2021
Domestic customers	208,694	390,798
Foreign customers	55,860	48,188
Credit card companies	16,189	8,149
Related parties – domestic market	8,741	29,884
Related parties – foreign market	-	1,072
	-----	-----
	289,484	478,091
Allowance for expected losses on bad debts	(28,978)	(29,156)
	-----	-----
	260,506	448,935
	=====	=====

Accounts receivable from customers consist of receivables with an average collection period of approximately 60 days (74 days as of December 31, 2021). The allowance for expected losses on doubtful debts 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, 2021. There was no significant change in the composition of the aging list during the six-month period ended September 30, 2022.

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

	09.30.2022	12.31.2021
Balance at the beginning of the period	(29,156)	(27,010)
Additions	-	(1,996)
Exchange rate variation	178	(150)
	-----	-----
Balance at the end of the period	(28,978)	(29,156)
	=====	=====

Considering the information subsequent to September 30, 2022, up to the issuance date of the interim financial statements, no additional losses were identified.

6. INVENTORIES AND ADVANCES TO SUPPLIERS

a. Inventories

	Consolidated	
	09.30.2022	12.31.2021
Raw materials and supplies	75,833	86,236
Work in process	105,559	136,599
Finished products	238,198	256,051
Repair parts	36,624	38,827
	-----	-----
	456,214	517,713
	=====	=====

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

Inventories are presented net of the provision for losses. Operating subsidiaries assess the realization of inventories annually or whenever there are indications of probable losses.

The inventory groups of raw materials and supplies and work in process have a low risk of loss, since the conversion into finished products can be managed. The finished products inventory group is evaluated based on its profitability, especially inventories considered to be discontinued and obsolete.

As of September 30, 2022, no additional potential losses were identified in realizing these inventories, when incurred, are recognized directly in the income statement for the period and are not considered in the production cost of the finished goods produced.

Changes in the consolidated provision are as follows:

	12.31.2021	(Additions) Disposals	Exchange rate variations	09.30.2022
Raw materials and supplies	(2,555)	68	732	(1,755)
Finished products	(13)	-	4	(9)
Repair parts	(564)	-	-	(564)
	-----	-----	-----	-----
	(3,132)	68	736	(2,328)
	=====	=====	=====	=====

	12.31.2020	(Additions) Disposals	Exchange rate variations	09.30.2021
Raw materials and supplies	(2,251)	(618)	282	(2,587)
Finished products	(23)	8	2	(13)
Repair parts	(885)	-	-	(885)
	-----	-----	-----	-----
	(3,159)	(610)	284	(3,485)
	=====	=====	=====	=====

b. Advances to suppliers

	Year	Consolidated	
		09.30.2022	12.31.2021
	2022	48,991	40,094
	2023 (*)	-	25,201
		-----	-----
Current		48,991 (48,991)	65,295 (40,094)
Noncurrent		-----	-----
		-	25,201
		=====	=====

(*) Partial financial settlement of a portion of the contract for the 2022/2023 harvest, with a loss of R\$5,340 resulting from the fall in the cotton market price, included in "idle costs and others".

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

7. RECEIVABLE – CLIENTS

	Consolidated	
	09.30.2022	12.31.2021
Clients in judicial reorganization (a)	-	11,389
Clients in judicial reorganization (b)	12,424	-
Clients in court recovery plan (c)	1,465	1,379
Installment plan agreed with clients (d)	3,141	3,715
Financing on stores transfer (e)	1,075	1,006
Sale of real estate (f)	4,365	10,004
Others	1,536	1,088
	-----	-----
	24,006	28,581
Current (*)	(9,472)	(12,238)
	-----	-----
Noncurrent	14,534	16,343
	=====	=====

(*) Included in "Other Receivables" in current assets.

(a) Lojas Leader S.A. filed for Judicial Reorganization (RJ) on March 3, 2020, which was deferred on March 6, 2020. Leader recognized all credits with the Company. On June 23, 2022, the request for judicial recovery was approved by the Court of Justice of Rio de Janeiro, with minimum conditions for credit recovery. On September 30, 2022 a provision for expected losses in the amount of R\$11,389 was recognized.

(b) Narciso Enxovais do Brasil Ltda. filed for Judicial Recovery (RJ) in the second quarter of 2022, which was processed. Narciso recognized all the credits with the Company. The Company's management awaits the approval of RJ and believes in the recovery of all credits.

(c) Increasing semi-annual payments with interest from 2% to 8% per year with final maturity in December 2027. On December 31, 2020 a provision for loss in the amount of R\$2,127 was recognized.

(d) Payment up to 29 fixed installments, with monthly interest from 1.56% to 1.97% per month.

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

(f) Payment up to 12 monthly installments with interest from 0.5% per month, and adjusted based on the IPCA (general consumer price index).

Considering the information subsequent to September 30, 2022, up to the issuance date of the interim financial statements, no additional losses were identified.

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

8. INVESTMENTS IN SUBSIDIARIES AND AFFILIATED COMPANY

a) Direct investments:

Subsidiaries	Equity	Ownership interest %	Net loss for the period	Total investment		Equity in subsidiaries (Company)	
				09.30.2022	12.31.2021	09.30.2022	09.30.2021
SGUS	378,550	100.0	(10,185)	378,550	401,829	(10,185)	(14,817)
CSA	277,077	100.0	(385,422)	277,077	633,305	(385,422)	(82,533)
				655,627	1,035,134	(395,607)	(97,350)

b) Indirect investments:

SGUS' investments

The subsidiary SGUS held of 14.27% of the New Keeco Holdings, LLC ("Keeco"), when Keeco combined its operations with the operations sold by SGUS in March of 2019. Keeco Holdings, is a company with a portfolio of leading products and brands in the curtain, utility bedding, and decorative bedding markets, as well as a diversified portfolio of customers, including the leading traditional and digital retail companies in the North American market. In the fourth quarter of 2020, the subsidiary SGUS (together with the other shareholders of Keeco) made this investment available for sale, and therefore reclassified the investment to the line "Assets held for sale".

On September 19, 2022, the shareholders of Keeco and its subsidiaries, together with the shareholders of Hollander Parent Corporation ("Hollander") and its subsidiaries, and SGUS, among others, signed an asset contribution agreement, forming a new combined company called Keeco, Inc., which will operate in the same market segment as both companies.

After the contribution of assets, SGUS received for its participation in Keeco, 15,167 common stocks of Keeco, Inc., representing 6.33% of this class of shares, plus an option to purchase 10,220 shares of that same class, at the price of US\$0.01 per share maturing in 5 years from the date of issuance or if a change of control of Keeco Inc. occurs.

Considering the exercise of options, and the conversion of preferred stock issued by Keeco Inc. into common stock, SGUS will have a 5.13% participation in the capital, with no other class of shares. Considering the possibilities of issuing 67,506 new bonus shares to eligible Keeco Inc. managers, SGUS' participation could reach a minimum (fully-diluted) of 4.51%.

Keeco, Inc. starts operations with consolidated revenues equivalent to US\$1.2 billion and its 5-year projections estimate gross sales of US\$1.6 billion.

Considering the annual projections, cash generation and multiples applicable to this industry category, SGUS external consultants, using the lowest percentage of SGUS participation, 4.51%, estimate the recovery of this investment in up to 5 years in amounts that can vary between US\$31.5 million and US\$43.3 million.

SGUS, from that date, reclassified this investment, previously under "assets held for sale", to other investments, which will be valued at book cost and adjusted by the recovery value if there are indications of non-recoverability of this investment.

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

The balances on September 30, 2022 and December 31, 2021 are as follow:

	12.31.2021	Exchange rate variations	Transfer to other investments	09.30.2022
ASSETS				
NONCURRENT:				
Investment	37,747	(1,176)	(36,571)	-
Goodwill	95,108	(2,965)	(92,143)	-
	-----	-----	-----	-----
ASSETS HELD FOR SALE	132,855	(4,141)	(128,714)	-
	=====	=====	=====	=====

CSA's investments

	Equity	Ownership interest %	Net income (loss) for the period	Total investment		Equity in subsidiaries	
				09.30.2022	12.31.2021	09.30.2022	09.30.2021
Subsidiaries -							
Coteminas Argentina S.A. (1)	119,251	100.0	5,662	119,251	110,844	5,662	18,802
LAT Capital Ltd.	14,211	100.0	424	14,211	14,214	424	(199)
C7S Tecnologia Ltda. (2)	-	-	-	-	-	-	(1,346)
AMMO VAREJO S.A. (3) (4)	81,559	100.0	(41,018)	81,559	87,269	(41,018)	(43,354)
Compañía Textil Guaraní S.R.L.	2,192	100.0	(2,257)	2,192	4,001	(2,257)	(1,826)
				-----	-----	-----	-----
				217,213	216,328	(37,189)	(27,923)
				=====	=====	=====	=====

- (1) On September 15, 2022, CSA received dividends from its subsidiary Coteminas Argentina S.A. in the amount of R\$12,898 (equivalent to \$352.2 million Argentine pesos).
- (2) On June 21, 2021, CSA sold to its subsidiary AMMO, the entire investment in C7S Tecnologia Ltda. ("C7S") at its book value, in the amount of R\$23,388. C7S became an indirect subsidiary of CSA.
- (3) The investment balance includes goodwill on the acquisition of the investment, in the amount of R\$27,303 (R\$27,303 as of December 31, 2021), for disclosure purposes in CSA's financial statements (AMMO's parent company), and classified in the caption "Intangible assets" in the Company's consolidated balance sheets.
- (4) On June 10, 2022, CSA made a capital contribution to its subsidiary AMMO in the amount of R\$196,815, subscribed and paid through the transfer of the brands "ARTEX", "AMMO" and "PERSONO" in the amount of R\$170,922, calculated in the appraisal report of the brands prepared by specialized consultants, Deloitte Touche Tohmatsu Consultores Ltda., and intercompany balances in the amount of R\$25,893. On September 30, 2022, for the purpose of presenting investments in CSA Company's statements, the unrealized profit from the fair value of the brands in the amount of R\$161,507 was eliminated and also from the intangible asset item in the consolidated statements. See note 12.

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c) Changes in investments in subsidiaries:

	12.31.2021	Equity	Exchange rate variations on foreign investments (1)	Assets and liabilities valuation adjustments	09.30.2022
SGUS	401,829	(10,185)	(13,107)	13	378,550
CSA	633,305	(385,422)	29,194	-	277,077
	-----	-----	-----	-----	-----
	1,035,134	(395,607)	16,087	13	655,627
	=====	=====	=====	=====	=====

	12.31.2020	Equity	Exchange rate variations on foreign investments (1)	Assets and liabilities valuation adjustments	09.30.2021
SGUS	385,394	(14,817)	17,711	22	388,310
CSA	760,651	(82,533)	(433)	-	677,685
	-----	-----	-----	-----	-----
	1,146,045	(97,350)	17,278	22	1,065,995
	=====	=====	=====	=====	=====

(1) Exchange rate variations effect on net investments. See note 23.d.3.1.

9. INVESTMENT PROPERTIES

The consolidated balances of investment properties are as follows:

	Investment properties São Gonçalo		Investment properties		Total
	Business complex (1) (*)	Residential complex (2) (*)	Acreúna (3)	Montes Claros (4)	
Balances as of December 31, 2021	324,990	46,950	30,380	57,570	459,890
Additions	572	1,698	-	30	2,300
Disposals	(63)	(361)	-	-	(424)
	-----	-----	-----	-----	-----
Balances as of September 30, 2022	325,499	48,287	30,380	57,600	461,766
	=====	=====	=====	=====	=====

	Investment properties São Gonçalo		Investment properties	Total
	Business complex (1)	Residential complex (2)	Montes Claros (4)	
Balances as of December 31, 2020	306,236	45,034	53,776	405,046
Additions	479	-	-	479
	-----	-----	-----	-----
Balances as of September 30, 2021	306,715	45,034	53,776	405,525
	=====	=====	=====	=====

Assessments made by specialists in real estate appraisals to determine the fair value of all properties, and the positive difference between the residual cost of the property and the fair value calculated, net of tax effects, was recorded under "Other comprehensive income", in the category of items that will not affect the statements of

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operations in the case of an initial evaluation at fair value, and in the statements of operations when the fair value variation is verified as of the second measurement.

(*) In the 4th quarter of 2022, management of indirect subsidiary CSA, as a way to reduce its indebtedness and financial expenses, decided to allocate these properties for sale and began negotiations with some entities. Up to the issuance date of the interim financial statements, negotiations were in progress.

(1) Business complex: It is a commercial complex of 319.7 thousand m², known as Centro Comercial Seridó, where 122.2 thousand m² have already been developed and leased. In the nine months period of 2022, rental income was R\$8,734 (R\$8,402 in the same period of 2021).

With the designation of this property for rental activity and with specific returns different from the subsidiary CSA's textile operations, its residual value, previously recorded as property, plant and equipment at cost, was transferred to the investment properties, during their respective vacancy years.

The calculated values were as follows:

	09.30.2022	12.31.2021
Residual cost of the property	112,016	111,507
Surplus/added value (a)	213,483	213,483
	-----	-----
Fair value (b)	325,499	324,990
	=====	=====

(a) Calculated deferred tax liability of R\$72,583 (R72,583 on December 31, 2021). See note 18.b.1.

(b) Fair value based on the valuation report from Mercado Assessoria e Avaliações Ltda., Independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT - Brazilian Association of Technical Standards for the year 2021. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information being used were the comparable prices per m² of similar properties in the region and area of the real estate.

(2) Residential complex: In 2018, the subsidiary CSA made available a new area in the municipality of São Gonçalo do Amarante - RN containing 520 thousand m² to start a housing development. The calculated values were as follows:

	09.30.2022	12.31.2021
Residual cost of the property	1,430	93
Surplus/added value (a)	46,857	46,857
	-----	-----
Fair value (b)	48,287	46,950
	=====	=====

(a) Deferred tax liability of R\$15,931 (R\$15,931 on December 31, 2021). See note 18.b.1.

(b) Fair value based on the valuation report from Mercado Assessoria e Avaliações Ltda., Independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT - Brazilian Association of Technical Standards for the year 2021. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information being used were the comparable prices per m² of similar properties in the region and area of real estate.

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(3) Investment property Acreúna: In 2021, the subsidiary CSA vacated and allocated this property for future appreciation or rental income. Its residual value, previously recorded as property, plant and equipment at cost, was transferred to investment properties and valued at fair value. The calculated values were as follows:

	<u>09.30.2022</u>	<u>12.31.2021</u>
Residual cost of the property	19,144	19,144
Surplus/added value (a)	11,236	11,236
	-----	-----
Fair value (b)	30,380	30,380
	=====	=====

(a) Deferred tax liability of R\$3,820 (R\$3,820 on December 31, 2021). See note 18.b.1.

(b) Fair value based on the valuation report from Mercado Assessoria e Avaliações Ltda., Independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT - Brazilian Association of Technical Standards for the year 2021. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information being used were the comparable prices per m² of similar properties in the region and area of real estate.

(4) Investment property Montes Claros: These properties are classified as properties for investment by the subsidiary CSA and are composed as follows:

	<u>09.30.2022</u>	<u>12.31.2021</u>
Land and installations (old MECA) (44,402 m ²)	31,920	31,920
Land of the ESURB behind CODEVASF (2,770 m ²)	4,600	4,600
Land of the ESURB Santa Rita II neighborhood (11,700 m ²)	5,100	5,070
Land new municipality region (72,491 m ²)	15,980	15,980
	-----	-----
	57,600	57,570
	=====	=====
Residual cost of the properties	39,890	39,860
Surplus/added value (a)	17,710	17,710
	-----	-----
Fair value (b)	57,600	57,570
	=====	=====

(a) Calculated deferred tax liability of R\$6,021 (R\$6,021 on December 31, 2021). See note 18.b.1.

(b) Fair value based on the valuation report from Mercado Assessoria e Avaliações Ltda., Independent appraisers, in accordance with the valuation standard of assets NBR 14,653 issued by ABNT - Brazilian Association of Technical Standards for the year 2021. For the measurement of fair value, the "market approach" (classification level 2) was applied, the main information being used were the comparable prices per m² of similar properties in the region and area of the real estate.

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

a. Property, plant and equipment

	Rate (*) %	09.30.2022		12.31.2021	
		Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	3.2	59,202	(28,184)	31,018	30,892
Buildings	2.4	350,225	(177,092)	173,133	177,783
Installations	5.6	231,139	(178,909)	52,230	55,543
Machinery and equipment	6.7	1,206,128	(981,405)	224,723	246,931
Hydroelectric Plant - Porto Estrela (**)	3.8	39,954	(23,404)	16,550	17,624
Furniture, fixtures and others	8.7	126,740	(111,999)	14,741	15,856
Construction in progress	-	27,445	-	27,445	33,992
		<u>2,040,833</u>	<u>(1,500,993)</u>	<u>539,840</u>	<u>578,621</u>

(*) Weighted average annual depreciation rate.

(**) See note 16.

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

	Land and improvements	Buildings	Installations	Machinery and equipment	Hydroelectric plant - Porto Estrela (1)	Furniture, fixtures and others	Construction in progress (2)	Total
Balance as of December 31, 2021	30,892	177,783	55,543	246,931	17,624	15,856	33,992	578,621
Additions	737	-	47	3,273	-	1,290	2,953	8,300
Net disposals	-	-	(15)	(30)	-	(129)	(3)	(177)
Transfers								
- PP&E	(326)	(163)	2,528	4,902	4	2,735	(9,680)	-
- Assets held for sale	-	-	-	(102)	-	-	-	(102)
Exchange rate variations	1,397	1,766	215	391	-	(132)	183	3,820
Depreciation in the period	(1,682)	(6,253)	(6,088)	(30,642)	(1,078)	(4,879)	-	(50,622)
Balance as of September 30, 2022	<u>31,018</u>	<u>173,133</u>	<u>52,230</u>	<u>224,723</u>	<u>16,550</u>	<u>14,741</u>	<u>27,445</u>	<u>539,840</u>

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	Land and improvements	Buildings	Installations	Machinery and equipment	Hydroelectric plant - Porto Estrela (1)	Furniture, fixtures and others	Construction in progress (2)	Total
Balance as of December 31, 2020	26,356	187,549	47,687	259,418	16,772	28,344	69,287	635,413
Additions	1,309	141	251	8,967	400	5,506	11,681	28,255
Net disposals	(12)	(1)	(358)	(4,541)	-	(3,223)	(448)	(8,583)
Transfers								
- PP&E	175	5,637	17,147	23,237	-	947	(47,143)	-
- Assets received in lending	-	-	-	-	-	(8,476)	-	(8,476)
- Assets held for sale	-	-	(15)	(242)	-	-	-	(257)
Exchange rate variations	2,120	2,484	632	1,503	-	(146)	955	7,548
Depreciation in the period	(1,303)	(6,151)	(5,717)	(31,569)	(1,077)	(4,999)	-	(50,816)
	-----	-----	-----	-----	-----	-----	-----	-----
Balance as of September 30, 2021	28,645	189,659	59,627	256,773	16,095	17,953	34,332	603,084
	=====	=====	=====	=====	=====	=====	=====	=====

(1) See note 16.

(2) Construction in progress primarily corresponds to modernization of machinery and equipment.

The Company annually, or when circumstances indicate that the net book value may not be recoverable, assesses the recoverability of property, plant and equipment. On September 30, 2022, the consolidated fixed assets are reduced by a provision for loss in the amount of R\$4,793 (R\$4,793 as of December 31, 2021).

Considering the future operating profitability and cash generation, the Company and its subsidiaries did not identify evidence of deterioration or non-recovery of balances held as property, plant and equipment.

b. Property, plant and equipment held for sale

The Company's subsidiaries identify the 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).

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

	12.31.2021	Additions	Exchange rate variations	Transfer from PP&E	09.30.2022
Cost	482,352	8,644	(61,724)	256	429,528
Depreciation	(415,205)	-	60,693	(154)	(354,666)
Provision for loss	(51,606)	-	1,450	-	(50,156)
	-----	-----	-----	-----	-----
	15,541	8,644	419	102	24,706
	=====	=====	=====	=====	=====

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	12.31.2020	Additions	Disposals	Exchange rate variations	Transfer from PP&E	09.30.2021
Cost	453,232	-	(3,724)	20,255	2,158	471,921
Depreciation	(388,593)	(351)	3,672	(17,551)	(1,901)	(404,724)
Provision for loss	(47,914)	-	-	(2,023)	-	(49,937)
	-----	-----	-----	-----	-----	-----
	16,725	(351)	(52)	681	257	17,260
	=====	=====	=====	=====	=====	=====

11. RIGHT-OF-USE ASSETS AND FINANCIAL LEASES RECEIVABLE

The composition of assets contracted as leases are as follows:

	Rate (2) %	Consolidated			
		09.30.2022		12.31.2021	
		Cost	Accumulated amortization	Net book value	
Properties (CSA and AMMO – own use)	44.1	14,114	(11,551)	2,563	4,796
Properties – plants (Guarani – own use)	11.7	-	-	-	8,781
Properties (SGUS – own use)	8.3	47,993	(14,998)	32,995	37,153
Properties – stores (AMMO – own use)	21.7	103,346	(53,351)	49,995	62,343
Vehicles	38.8	2,627	(2,111)	516	220
Investment properties (1)	-	64,885	-	64,885	70,416
		-----	-----	-----	-----
Total right-of-use assets		232,965	(82,011)	150,954	183,709
Financial leases receivable (1)		105,774	-	105,774	114,667
		-----	-----	-----	-----
		338,739	(82,011)	256,728	298,376
		=====	=====	=====	=====

(1) Properties leased and partially subleased by subsidiary SGUS.

(2) The annual average amortization rate corresponds to the average term of the lease contracts of the respective right-of-use assets.

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Changes in the right-of-use assets of the leases are as follows:

	<u>Properties</u>	<u>Properties – plants</u>	<u>Properties – SGUS</u>	<u>Properties – stores</u>	<u>Vehicles</u>	<u>Investment properties</u>	<u>Financial leases receivable</u>	<u>Total</u>
Balance as of December 31, 2021	4,796	8,781	37,153	62,343	220	70,416	114,667	298,376
Exchange rate variations	-	(568)	(1,329)	-	-	(2,382)	(3,874)	(8,153)
Additions (1)	-	-	-	9,779	748	-	-	10,527
Disposals (2)	-	(7,721)	-	(8,578)	-	-	-	(16,299)
Amortization in the period	(2,233)	(492)	(2,829)	(13,549)	(452)	-	-	(19,555)
Interest	-	-	-	-	-	5,037	7,692	12,729
Sublease cash receipts	-	-	-	-	-	(8,186)	(12,711)	(20,897)
	-----	-----	-----	-----	-----	-----	-----	-----
Balance as of September 30, 2022	2,563	-	32,995	49,995	516	64,885	105,774	256,728
	=====	=====	=====	=====	=====	=====	=====	=====

	<u>Properties</u>	<u>Properties – plants</u>	<u>Properties – SGUS</u>	<u>Properties – stores</u>	<u>Vehicles</u>	<u>Investment properties</u>	<u>Financial leases receivable</u>	<u>Total</u>
Balance as of December 31, 2020	7,772	9,419	38,442	56,091	273	92,644	112,889	317,530
Exchange rate variations	-	430	1,739	-	-	4,252	5,183	11,604
Additions (1)	-	-	-	24,101	524	-	-	24,625
Disposals (2)	-	-	-	(1,344)	-	-	-	(1,344)
Amortization in the period	(2,233)	(964)	(2,962)	(14,528)	(466)	-	-	(21,153)
Interest	-	-	-	-	-	7,359	8,548	15,907
Sublease cash receipts	-	-	-	-	-	(11,213)	(13,163)	(24,376)
	-----	-----	-----	-----	-----	-----	-----	-----
Balance as of September 30, 2021	5,539	8,885	37,219	64,320	331	93,042	113,457	322,793
	=====	=====	=====	=====	=====	=====	=====	=====

(1) Includes new lease agreements, renewal of existing agreements and update of lease amounts.

(2) Early termination of lease contract.

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The amounts receivable arising from the subleasing of the properties at their contracted amounts are as follows:

Year	Lease receivable	
	09.30.2022	12.31.2021
2022	18,153	18,589
2023	4,595	18,801
2024	18,484	19,079
2025 then after	115,581	119,298
	-----	-----
	156,813	175,767
Present value adjustment	(51,039)	(61,100)
	-----	-----
	105,774	114,667
Current	(17,206)	(17,618)
	-----	-----
Noncurrent	88,568	97,049
	=====	=====

The amounts recognized as finance leases have an expectation of compliance with long-term contracts with sub-tenants and also, for some properties, an expectation of occupancy after a vacancy period, which are updated and evaluated annually. As of September 30, 2022, the subsidiary SGUS had no defaults with the current sub-lease agreements.

12. INTANGIBLE ASSETS

	Consolidated	
	09.30.2022	12.31.2021
Goodwill on the acquisition of AMMO (1)	27,303	27,303
Trademarks – owned (2)	16,267	16,267
Trademarks – use license (3)	11,874	11,482
Intellectual property (4)	11,019	13,996
Store locations (real estate intangible) (5)	25,077	25,077
	-----	-----
Total	91,540	94,125
	=====	=====

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

	Goodwill on the acquisition of AMMO (1)	Trademarks – owned (2)	Trademarks – use license (3)	Intellectual property (4)	Store locations (real estate intangible) (5)	Total
Balance as of December 31, 2021	27,303	16,267	11,482	13,996	25,077	94,125
Additions	-	-	-	725	-	725
Amortization	-	-	(911)	(3,702)	-	(4,613)
Exchange rate variations	-	-	1,303	-	-	1,303
Balance as of September 30, 2022	27,303	16,267	11,874	11,019	25,077	91,540
	=====	=====	=====	=====	=====	=====
	Goodwill on the acquisition of AMMO (1)	Trademarks – owned (2)	Trademarks – use license (3)	Intellectual property (4)	Store locations (real estate intangible) (5)	Total
Balance as of December 31, 2020	27,303	16,267	9,559	18,933	25,077	97,139
Amortization	-	-	(756)	(3,703)	-	(4,459)
Exchange rate variations	-	-	2,039	-	-	2,039
Balance as of September 30, 2021	27,303	16,267	10,842	15,230	25,077	94,719
	=====	=====	=====	=====	=====	=====

(1) Goodwill on the acquisition of AMMO: Goodwill originated from investment in AMMO VAREJO S.A.

The Company evaluates the recoverability of this goodwill annually, using accepted market practices, such as discounted cash flow for the business unit that has 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 2021 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% per year and the perpetuity growth rate considered was 3% per year. The discount rates used were determined taking into consideration market information available on the test date.

The subsidiary CSA did not identify signs of deterioration or non-recovery of the recognized goodwill, considering operating profitability and cash generation of the indirect subsidiary AMMO.

(2) Trademarks – owned: Trademarks owned are recorded at the acquisition cost, have indefinite useful lives, and therefore are not amortized.

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

(4) Intellectual property: Refers to software developed to integrate retail sales channels (physical stores and E-commerce), and it is amortized over 5 years.

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(5) Store locations (real estate intangible): The amounts related to the store locations (real estate intangible) are recorded at the acquisition cost of the respective store, net of impairment of R\$6,574 (R\$6,574 as of December 31, 2021), based on its market value determined by an independent broker with valuation expertise, and the cash flows of the respective stores.

Items (2) to (5) above are tested annually for recoverability. The Company did not identify signs of deterioration or non-recovery of the balances held in these items.

13. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated	
				09.30.2022	12.31.2021
Local currency:					
Banco do Brasil S.A. (a) (1)	R\$	150.0 of CDI	2023	307,039	339,952
Banco do Brasil S.A. – CDC	R\$	13.4 to 16.4	2023	50,359	56,034
Banco BBM S.A. – CCB	R\$	7.0 + CDI	2024	8,061	9,760
Banco ABC do Brasil S.A. – CCE	R\$	4.9 + CDI	2024	19,257	28,341
Banco Bradesco S.A. (b) (1)	R\$	6.0 and 6.1 + CDI	2024	40,978	43,025
BNDES (Finame)	R\$	3.0 to 9.5	2023	11	20
Banco Daycoval S.A.	R\$	5.2 to 9.2 + CDI	2024	43,190	52,247
Banco Santander S.A. (c) (1)	R\$	5.6 + CDI	2024	9,623	35,905
Banco Safra S.A. – CCB	R\$	6.8 and 7.4 + CDI	2024	75,827	77,885
Banco Fibra S.A. – CCE	R\$	7.5 + CDI	2022	-	6,709
Banco Sofisa S.A.	R\$	6.8 to 8.1 + CDI	2025	21,715	19,955
Caixa Econômica Federal – CCB (1) (2) (d)	R\$	180.0 of CDI	2023	5,430	10,874
Banco Pine S.A.	R\$	7.8 + CDI	2022	806	7,708
Banco Industrial do Brasil S.A.	R\$	7.7 and 18.0 + CDI	2022	1,536	15,614
Banco ABC do Brasil S.A. – CCB	R\$	3.9 and 6.3 + CDI	2025	20,515	34,391
Banco BTG Pactual S.A. (e)	R\$	13.9	2023	8,470	27,225
Financiadora de Estudos e Projetos – FINEP (2)	R\$	4.4	2025	15,141	18,722
Banco Daycoval S.A.	R\$	14.9	2026	1,916	2,273
Others	R\$	-	2022	16,487	6,519
				-----	-----
				646,361	793,159
Foreign currency:					
Banco Patagônia	\$ARG	38.7	2022	92	7,986
Banco Luso Brasileiro S.A.	US\$	9.5 and 10.9	2022	11,654	4,921
Banco do Brasil S.A.	US\$	5.0 to 5.9	2022	68,667	41,251
				-----	-----
				80,413	54,158
Total				726,774	847,317
Current				(376,283)	(772,280)
				-----	-----
Noncurrent				350,491	75,037
				=====	=====

(1) Loans with early maturity covenants, which were classified as current liabilities on December 31, 2021.

(2) Loans held in part by the Company in the amount of R\$20,571 (R\$29,596 on December 31, 2021).

(a) Loans of the subsidiary CSA, with early maturity covenants, in which the Company, as guarantor, agreed to comply with the following financial ratios: Net Debt to EBITDA ratio, no greater than 3.5 in its annual consolidated financial statements. In August 2022, some of the loans were renewed, maintaining compliance with a financial ratio no greater than 3.5 from December 2022.

(b) Loans of the subsidiary CSA, with early maturity covenants, where the subsidiary CSA has committed to comply with the following financial ratios in its annual financial statements as of December 31, 2021: ratio between

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Net Financial Debt and EBITDA, no greater than 2.0 times. In 2021, some of the loans were renewed, where the Company, as guarantor, has committed to comply with a financial ratio no greater than 2.5, starting in 2022.

(c) Loan of subsidiary CSA, with early maturity covenants, in which the Company, as guarantor, has committed to comply with the following financial ratios in its annual consolidated financial statements: (i) Net Debt to EBITDA ratio, no greater than 3.0; (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) Parent company loan, with early maturity covenants, in which the parent company has committed to comply with the following financial ratios in its annual consolidated financial statements: (i) Net Debt to EBITDA ratio, no greater than 3.0; (ii) Net Debt to Shareholders' Equity ratio, no greater than 0.7 during the period of the agreement; and (iii) EBITDA to net financial expenses ratio, no less than 2.0.

(e) Loan of subsidiary CSA, with early maturity covenants, where subsidiary CSA agreed to comply with the following financial ratios: Net Debt to EBITDA ratio, no greater than 3.0 in its annual consolidated financial statements.

The terms used to describe the financial ratios described in items (a) to (d) above have their definition determined in the contract and may differ from the accounting items.

Loans are collateralized by: (i) registered security interest in real estate, machinery and equipment; (ii) guarantee from the controlling shareholder; and (iii) receivables. Maturities (original) are as follows:

	2023			2024	2025 to 2026	Total
	2022	Current	Noncurrent			
Local currency:						
Banco do Brasil S.A.	6,995	16,112	283,932	-	-	307,039
Banco do Brasil S.A. – CDC	25,246	25,113	-	-	-	50,359
Banco BBM S.A. – CCB	1,672	2,500	833	3,056	-	8,061
Banco ABC do Brasil S.A. - CCE	3,163	9,053	3,018	4,023	-	19,257
Banco Bradesco S.A.	3,574	17,468	7,468	12,468	-	40,978
BNDES (Finame)	5	6	-	-	-	11
Banco Daycoval S.A.	11,564	28,682	1,833	1,111	-	43,190
Banco Santander S.A.	1,623	4,000	1,333	2,667	-	9,623
Banco Safra S.A. – CCB	70,827	1,905	714	2,381	-	75,827
Banco Sofisa S.A.	1,266	13,760	1,253	4,736	700	21,715
Caixa Econômica Federal - CCB	2,722	2,708	-	-	-	5,430
Banco Pine S.A.	806	-	-	-	-	806
Banco Industrial do Brasil S.A.	1,536	-	-	-	-	1,536
Banco ABC do Brasil S.A. - CCB	4,673	8,641	1,545	3,659	1,997	20,515
Banco BTG Pactual S.A.	6,673	1,797	-	-	-	8,470
Financiadora de Estudos e Projetos - FINEP	1,227	3,578	1,193	4,771	4,372	15,141
Banco Daycoval S.A.	131	357	119	476	833	1,916
Outros	16,487	-	-	-	-	16,487
	160,190	135,680	303,241	39,348	7,902	646,361
Foreign currency:						
Banco Patagônia	92	-	-	-	-	92
Banco Luso Brasileiro S.A.	11,654	-	-	-	-	11,654
Banco do Brasil S.A.	68,667	-	-	-	-	68,667
	80,413	-	-	-	-	80,413
Total	240,603	135,680	303,241	39,348	7,902	726,774

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Changes in consolidated loans and debentures were as follows:

	09.30.2022			09.30.2021
	Loans	Debentures	Total	Total
Beginning balance	847,317	158,596	1,005,913	969,198
Debt proceeds or renewal	131,850	180,000	311,850	365,288
Accrued interest (1)	99,025	31,626	130,651	58,963
Paid principal	(257,645)	(12,000)	(269,645)	(351,202)
Paid interest	(96,529)	(10,511)	(107,040)	(56,606)
Exchange rate variations	874	-	874	2,588
Prepaid charges, net	1,882	(14,063)	(12,181)	(1,372)
	-----	-----	-----	-----
Ending balance	726,774	333,648	1,060,422	986,857
	=====	=====	=====	=====

(1) The basic interest rate – SELIC of the Central Bank of Brazil, accumulated for the period of 9 months ended September 30, 2022 was 8.85% (2.49% in the same period of the previous year).

14. DEBENTURES

(a) On July 26, 2021, the subsidiary CSA issued 160,000 debentures not convertible into shares (5th series of the debentures), which, on August 4, 2021, was fully subscribed by Virgo Companhia de Securitização (“Virgo”). The terms of the debentures are as follows:

5th Series Debentures Terms

Quantity of issued Debentures	160,000
Debentures unit price (amount in Brazilian Reais)	R\$1,000
Amortization	120 equal installments
Initial maturity	08/18/2021
Final maturity	07/17/2031
Return	IPCA + 8% per annum
Interest amortization	monthly
Guarantees	(1)
Covenants	(2)

The Debentures were subject to public distribution with restricted placement efforts, pursuant to CVM Instruction 476, being coordinated by Banco Votorantim.

On August 4, 2021, a public distribution with restricted efforts of Certificates of Real Estate Receivables - CRI in the Brazilian market was signed with Virgo, pursuant to CVM Instruction No. 414 and CVM Instruction No. 476 and other relevant legal and regulatory provisions, backed by the debentures issued by CSA, which were fully subscribed.

The proceeds were available to CSA on the date of the CRI subscription. The expenses of issuing the Debenture and the CRI, in the amount of approximately R\$5,887, equivalent to 3.67% of the total issuance amount, will be amortized as issuing transaction cost, together with the debenture charges, prorated to the outstanding debt balance.

Part of the proceeds were mandatorily allocated for full payment of the 4th debenture issuance with Banco Itaú BBA S.A.

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(1) Secured Guarantee: Property of CSA, see items 1 and 2 of the note 9 of the interim financial statements, whose fair value must remain higher than 1.8 times the outstanding balance of the Debentures in the first year, and in the following years, higher than 2 times the debenture balance. In addition, the lease contracts of the property are part of the guarantee, and the fiduciary agent may, in case of default, retain the rent receivables until the default is resolved.

If the properties linked to the guarantees provided are sold, as described in note 9, the debentures may have their maturity anticipated.

Fidejussory guarantee: Surety given by the Company and by Josué Christiano Gomes da Silva.

(2) Covenants:

The Company as guarantor, has agreed to comply with the following financial ratios in its semi-annual consolidated interim financial statements: (i) Net Debt to EBITDA ratio, no greater than 3.0 in 2021, 2.5 in 2022 and 2.25 starting in 2023; (ii) Net Debt to Shareholders' Equity ratio, no greater than 0.80. Upon conclusion of the sale of SGUS' investment, Net Debt to Shareholders' Equity ratio no greater than 0.65 times in 2022 and 2023 and 0.60 starting in 2024; and (iii) Current Assets to Current Liabilities ratio (excluding the impacts from SGUS) at a minimum of 1.2.

During 2021 and the first half of 2022, due to the increase in the Selic interest rate and the increase in raw material prices, the Company and the subsidiary CSA did not meet certain financial indices related to these debentures in the measurements. The contract was classified as current liabilities on June 30, 2022 and December 31, 2021.

(b) On May 30, 2022, the indirect subsidiary AMMO VAREJO S.A. approved the issuance of up to 300,000,000 debentures convertible into shares, in accordance with Article 57 of the Brazilian Corporate Law (1st issue of debentures), of which, on June 20, 2022, 180,000,000 debentures were subscribed by the Odernes Fundo de Investimento em Participações Multiestratégia ("Odernes"). The 120,000,000 debentures issued and not subscribed, may be subscribed until June 1, 2023, subject to certain conditions precedent and if requested by the indirect subsidiary AMMO VAREJO S.A. After that date the unsubscribed debentures will be canceled. The subscription value will be equivalent to the unit value of the debentures updated by the same index of updating of the subscribed debentures.

The terms of the debentures are as follows:

1st Series Debentures Terms

Quantity of issued Debentures	300,000,000
Quantity of subscribed	180,000,000
Debentures unit price (amount in Brazilian Reais)	R\$1.00
Amortization	Single installment on maturity date
Maturity date	06/20/2027
Return	20% per annum (quarterly capitalization)
Return amortization	Single installment on maturity date

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The debentures were issued by private placement without the intermediation of institutions that are part of the securities distribution system and/or the realization of any sales effort before the general public, which could characterize a public distribution of securities.

Conversion into shares:

The debentures, including all other amounts due under this Issuance, may be converted into shares to be issued by the indirect subsidiary AMMO VAREJO S.A., at the maturity of the debentures or in the event of a liquidity event (public offering of shares), as follows: (i) 25% of the balance of the debentures on a mandatory basis and, (ii) 75% of the balance of the debentures at the sole discretion of the debenture holders.

Allocation of resources: The resources will be used to strengthen working capital and support the retail expansion plan.

Guarantees:

Real Guarantee: Fiduciary disposal of shares issued by the indirect subsidiary AMMO VAREJO S.A..

	Company and consolidated
	<u>09.30.2022</u>
Amount received:	
Subscribed value	180,000
Structuring Commission	(4,950)
Advisory expenses (reimbursement)	(2,647)

Total received	172,403
	=====
Issuance expenses:	
Commission for full structuring	8,250
Expenses with advisors	6,851

Amortization of issuance expenses	15,101
	(838)

Total expenses to be amortized	14,263
	=====

The funds were received by the indirect subsidiary AMMO VAREJO S.A. on the date of subscription. The expenses of issuing the debentures, in the amount of R\$15,101, will be amortized monthly as cost of the operation until the maturity of the debentures.

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Balances of the debentures on September 30, 2022 and December 31, 2021 were as follows:

	Debentures		Consolidated	
	5 th series (a)(*)	1 st series (b)	09.30.2022	12.31.2021 (*)
Original amount	141,333	180,000	321,333	153,333
Prepaid interest	(2,348)	(14,263)	(16,611)	(2,548)
Accrued interest	18,876	10,000	28,926	7,811
	-----	-----	-----	-----
Debentures total	157,861	175,787	333,648	158,596
Current	(17,870)	-	(17,870)	(158,596)
	-----	-----	-----	-----
Noncurrent	139,991	175,787	315,778	-
	=====	=====	=====	=====

(*) Contract with early maturity covenants at the CSA subsidiary, which were classified as current liabilities on December 31, 2021.

15. SUPPLIERS

	Consolidated	
	09.30.2022	12.31.2021
Domestic market	220,822	227,474
Foreign market	28,397	31,446
	-----	-----
	249,219	258,920
	=====	=====

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 86 days (85 days as of December 31, 2021).

16. GOVERNMENT CONCESSIONS

The 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 CSA'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)

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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	11,103	1,062,383	1,730,159

The subsidiary CSA recognizes expenses incurred on an accrual basis, as a contra entry to noncurrent liabilities, on a straight-line basis, based on its share in the total concession amount, 33.33%, at present value, considering a basic interest rate when contracting the concession, updated by the IGP-M.

The changes in the concession balances are as follows:

	Consolidated	
	09.30.2022	09.30.2021
Opening balance	95,584	80,868
Appropriation of the grant installment	4,813	4,251
Payments	(26,093)	(18,445)
Interest (7.5% p.a.)	22,822	18,758
Monetary variation (IGP-M)	4,596	8,602
	101,722	94,034
Current	(57,672)	(31,309)
	44,050	62,725
Noncurrent		

As of September 30, 2022, the net book value of the property, plant and equipment related to the current concession is R\$16,550 (R\$17,624 as of December 31, 2021) (see note 10), 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.

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17. LEASES PAYABLE

The breakdown of leases payable is as follows:

	Maturity	Consolidated	
		09.30.2022	12.31.2021
Properties	2024	3,021	5,465
Properties – plant	2028	-	9,529
SGUS (*)	2030	224,670	243,919
Properties – stores	2027	53,845	66,592
Vehicles	2023	529	231
		-----	-----
		282,065	325,736
Current		(60,928)	(65,356)
		-----	-----
Noncurrent		221,137	260,380
		=====	=====

(*) Liability corresponding to right-of-use assets classified as: (i) Real Estate - SGUS; (ii) Investment properties; and (iii) Leases receivable. See note 11.

The Company's management opted for the simplified retrospective transition approach. This approach does not impact retained earnings (shareholders' equity) on the initial adoption date, since the amount of the right-of-use asset is equal to the lease payable amount adjusted to present value and enables the use of practical expedients. The Company's management considered as leasing component for stores only the fixed minimum rent value for purposes of assessing the liabilities. The measurement of the lease liability corresponds to the total of future payments of fixed rents, considering the terms of the contracts. These payment flows are adjusted to present value, considering the incremental borrowing rate. Financial charges are recognized as financial expenses. The incremental borrowing rate corresponds to the interest rate that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment (varies between 9% and 10% per year).

The maturities of leases payable are as follows:

	2023					Total
	2022	Current	Noncurrent	2024	2025 to 2030	
Properties	917	2,153	21	70	-	3,161
SGUS	9,868	29,618	9,947	39,885	246,210	335,528
Properties – stores	5,389	15,762	5,004	16,859	20,144	63,158
Vehicles	149	354	54	-	-	557
	-----	-----	-----	-----	-----	-----
Gross total	16,323	47,887	15,026	56,814	266,354	402,404
Adjust to present value	(265)	(3,017)	(1,639)	(9,222)	(106,196)	(120,339)
	-----	-----	-----	-----	-----	-----
Total payable	16,058	44,870	13,387	47,592	160,158	282,065
	=====	=====	=====	=====	=====	=====

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Changes in the consolidated leases payable were as follows:

	09.30.2022					09.30.2021	
	Properties	Properties – plant	SGUS	Properties – stores	Vehicles	Total	Total
Balance at the beginning of the period	5,465	9,529	243,919	66,592	231	325,736	345,754
Additions (1)	-	-	-	9,779	748	10,527	24,625
Disposals (2)	-	(8,525)	-	(9,831)	-	(18,356)	(1,475)
Charges	306	320	16,722	4,481	40	21,869	26,166
Payments	(2,750)	(715)	(27,176)	(17,176)	(490)	(48,307)	(54,244)
Renegotiations (3)	-	-	-	-	-	-	(1,863)
Exchange variation	-	(609)	(8,795)	-	-	(9,404)	12,671
Balance at the end of the period	3,021	-	224,670	53,845	529	282,065	351,634

(1) Includes new lease agreements, renewal of existing agreements and update of lease amounts.

(2) Early termination of lease contract.

(3) Due to the COVID-19 pandemic, the indirect subsidiary AMMO renegotiated the rent of some stores with the lessors, obtaining an exemption or reduction in the minimum rent for the months in which the stores were closed, in accordance with the guidelines of each municipality. According to the revision of CPC 06 (R2), the indirect subsidiary AMMO adopted the practical expedient, and adjusted the lease liabilities in the amount of the reductions obtained.

The effects on results of the periods ended September 30, 2022 and 2021 are as follows:

Continuing operations	09.30.2022					09.30.2021	
	Properties	Properties – plant	SGUS	Properties – stores	Vehicles	Consolidated	Consolidated
Lease payments in the period	2,750	715	27,176	17,176	490	48,307	54,244
PIS and COFINS recovered	-	-	-	(1,589)	-	(1,589)	(1,645)
Renegotiations	-	-	-	-	-	-	1,863
Amortization of right-of-use assets	(2,233)	(492)	(2,829)	(13,549)	(452)	(19,555)	(21,153)
PIS and COFINS on amortization	-	-	-	1,194	-	1,194	1,265
Interest net	(306)	(320)	(3,993)	(4,481)	(40)	(9,140)	(10,259)
PIS and COFINS on interest	-	-	-	395	-	395	380
Disposals, net	-	804	-	1,253	-	2,057	131
Sublease cash receipts	-	-	(20,897)	-	-	(20,897)	(24,376)
Total effects with the application of IFRS 16	211	707	(543)	399	(2)	772	450

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(1) Includes effect of exchange rate variations of foreign subsidiaries and eliminations for consolidations.

b. 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:

	Balance on 12.31.2021	Exchange rate variations	Other	Balance on 09.30.2022
Assets:				
Temporary differences (CSA – Argentina) (1) (a)	341	-	(111)	230
Temporary differences (CSA – Brazil) (1) (p)	16,783	-	-	16,783
Net operating losses (SGUS – USA) (2) (a)	17,245	(537)	-	16,708
Temporary differences (AMMO – Brazil) (1) (a)	532	-	(73)	459
Net operating losses (SGPSA – Brazil) (a)	1,905	-	-	1,905
	-----	-----	-----	-----
	36,806	(537)	(184)	36,085
Deferred tax liabilities:				
Investment properties (CSA – Brazil) (1) (p)	(98,355)	-	-	(98,355)
Hyperinflationary adjustment (CSA – Argentina) (1) (p)	(5,369)	-	1,742	(3,627)
	-----	-----	-----	-----
Total deferred taxes, net	(66,918)	(537)	1,558	(65,897)
	=====	=====	=====	=====
Noncurrent assets (sum of a)	20,023	(537)	(184)	19,302
Noncurrent liabilities (sum of p)	(86,941)	-	1,742	(85,199)
	=====	=====	=====	=====

As of September 30, 2022, the Company had net operating losses of R\$135,147 (R\$129,964 as of December 31, 2021) and social contribution tax losses of R\$135,148 (R\$129,964 as of December 31, 2021), whose tax assets were not recognized in the interim financial statements.

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(1) Deferred taxes of subsidiary CSA:

Deferred tax assets:

The subsidiary CSA, 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:

Year	Consolidated		
	Temporary differences	Operating losses	CSA consolidated
2022	3,766	-	3,766
2025 and thereafter	13,706	-	13,706
	-----	-----	-----
	17,472	-	17,472
	=====	=====	=====

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

As of September 30, 2022, the subsidiary CSA had net operating losses of R\$1,371,827 (R\$1,169,015 as of December 31, 2021) and social contribution tax losses of R\$1,378,208 (R\$1,175,351 as of December 31, 2021), whose tax assets were not recognized in the interim financial statements. As of September 30, 2022, the indirect subsidiary AMMO had net operating losses of R\$423,186 (R\$384,830 on December 31, 2021) and social contribution tax losses of R\$423,214 (R\$384,859 on December 31, 2021) whose tax assets were not recognized in the interim financial statements.

Deferred tax liabilities – investment properties:

Income and social contribution taxes resulting from added value in investment properties. See note 9.

	Investment properties		Investment property Acreúna (9.3)	Investment properties Montes Claros (9.4)	Total
	Business complex (9.1)	Residential complex (9.2)			
Fair value	325,499	48,287	30,380	57,600	461,766
Total residual cost	(112,016)	(1,430)	(19,144)	(39,890)	(172,480)
	-----	-----	-----	-----	-----
Surplus/added value	213,483	46,857	11,236	17,710	289,286
	-----	-----	-----	-----	-----
Income and social contribution taxes liability on surplus/added value (34%)	72,583	15,931	3,820	6,021	98,355
	=====	=====	=====	=====	=====

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(2) Deferred taxes of subsidiary SGUS:

The subsidiary SGUS, based on its business plan and future projections, maintained deferred tax assets derived, primarily, from accumulated tax losses. Based on the projections of its operating results, the subsidiary SGUS had a deferred tax assets balance, as of September 30, 2022, totaling R\$16,708 (R\$17,245 as of December 31, 2021). The decrease in deferred taxes during the nine months of 2022 is due to the impact of the exchange rate variation.

Based on the 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 of subsidiary SGUS, as of September 30, 2022, is shown below:

Year	Subsidiary SGUS
2025 and thereafter	16,708 =====

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 2021 and 2034.

Additionally, on September 30, 2022, subsidiary SGUS had R\$1,326,905 in tax losses (R\$1,369,584 at December 31, 2021) whose tax assets were not recognized in the interim financial statements.

c. Recoverable taxes

	Consolidated	
	09.30.2022	12.31.2021
ICMS (state VAT)	13,477	15,318
Income and social contribution taxes prepayments	13,084	11,612
Recoverable PIS and COFINS (*)	33,342	61,823
IVA – Gross proceeds (Argentina)	3,067	7,903
IPTU credit	7,146	8,761
Other recoverable taxes	1,629	278
	-----	-----
	71,745	105,695
Current	(53,854)	(76,609)
	-----	-----
Noncurrent	17,891	29,086
	=====	=====

(*) The consolidated balance includes credits from purchases and amounts related to credits resulting from the elimination of ICMS from the PIS and COFINS calculation basis.

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d. Taxes-installments

Taxes-installments are adjusted based on SELIC rate and are as follows:

	Consolidated	
	09.30.2022	12.31.2021
State Installments	51,462	36,995
Federal Installments	194,233	125,305
Others Installments	11,995	13,022
(-) Recoverable tax credits (*)	(84,783)	(81,666)
	-----	-----
Current	172,907	93,656
	(81,712)	(57,002)
	-----	-----
Noncurrent	91,195	36,654
	=====	=====

(*) In December 2021, the subsidiary CSA received from the related parties Companhia Tecidos Santanense and the Companhia de Tecidos Norte de Minas – Coteminas, rights related to the credits generated by the elimination of ICMS from the PIS and COFINS calculation basis, in the amount of R\$50,805 and R\$30,861, respectively. These rights are the subject of an enforcement action, which will be offset against the subsidiary's tax debits.

The maturities of the taxes-installments are as follows:

	2023			2024	2025 to 2028	Total
	2022	Current	Noncurrent			
State Installments	7,538	11,128	2,996	10,592	19,208	51,462
Federal Installments	22,639	34,893	11,091	44,252	81,358	194,233
Others Installments	2,313	3,201	1,051	2,559	2,871	11,995
(-) Recoverable tax credits (*)	-	-	(10,232)	(39,343)	(35,208)	(84,783)
	-----	-----	-----	-----	-----	-----
Total payable	32,490	49,222	4,906	18,060	68,229	172,907
	=====	=====	=====	=====	=====	=====

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19. MISCELLANEOUS ACCRUALS

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

The Company and its subsidiaries have tax, labor and civil claims, whose loss was estimated as possible in the amount of R\$40,659, R\$3,457 and R\$41,802, respectively, (R\$38,846, R\$2,618 and R\$41,622, respectively, on December 31, 2021). The main tax claims relate to infraction notices referring to: (i) imports of raw materials under the Drawback program (R\$7,559); (ii) calculation of presumed FAIN credit (R\$5,871); (iii) disallowance of COFINS credits (R\$7,245); (iv) reversal of ICMS credit on electricity (R\$4,547); and (v) ex-tariff IPI exemption (R\$3,160). The main labor lawsuits are related to labor claims of former employees and third parties. The main civil claims correspond to a writ of mandamus filed against the Electric Energy Trading Chamber (CCEE), in the amount of R\$38,701, seeking to eliminate possible financial burdens arising from judicial decisions that determine the sharing of losses among power generators. The main labor claims correspond to labor claims by former employees and third parties.

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

	Consolidated	
	09.30.2022	12.31.2021
Tax litigation	2,613	113
Labor	9,474	9,076
Civil and others	4,051	4,587
Total	16,138	13,776
	=====	=====
Escrow deposits	11,757	8,448
	=====	=====

Labor – The subsidiary CSA is the defendant in lawsuits from former employees and third parties.

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

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Changes in the consolidated accrual are as follows:

	<u>Tax litigation</u>	<u>Labor</u>	<u>Civil and others</u>	<u>Total</u>
Balance as of December 31, 2021	113	9,076	4,587	13,776
Additions	2,544	1,209	443	4,196
Disposals	(44)	(491)	(511)	(1,046)
Exchange variation	-	(320)	(468)	(788)
	-----	-----	-----	-----
Balance as of September 30, 2022	2,613	9,474	4,051	16,138
	=====	=====	=====	=====

	<u>Tax litigation</u>	<u>Labor</u>	<u>Civil and others</u>	<u>Total</u>
Balance as of December 31, 2020	110	9,542	3,734	13,386
Additions	6	1,183	737	1,926
Disposals	(2)	(1,667)	(310)	(1,979)
Exchange variation	-	(102)	(124)	(226)
	-----	-----	-----	-----
Balance as of September 30, 2021	114	8,956	4,037	13,107
	=====	=====	=====	=====

20. EMPLOYEE BENEFIT PLANS

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

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

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

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The table below includes summarized information on the pension plans as of September 30, 2022 and 2021:

	<u>09.30.2022</u>	<u>09.30.2021</u>
Components of net periodic benefit cost:		
Service cost	1,217	1,392
Interest cost, net	2,239	2,062
	-----	-----
Net periodic benefit cost	3,456	3,454
	=====	=====

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 40% in equity securities and 60% 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 SGUS' current investment strategy.

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

	<u>09.30.2022</u>	<u>12.31.2021</u>
Pension plan obligations	138,479	142,237
Other employee benefit obligations	1,545	2,896
	-----	-----
Total employee benefit plans	140,024	145,133
Current (a)	(15,207)	(15,696)
	-----	-----
Noncurrent	124,817	129,437
	=====	=====

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

21. EQUITY

a. Capital

The subscribed and paid-in capital is represented by 50,000,000 common shares with voting rights. There was no change in the number of shares subscribed and paid for the period between January 1, 2021 and September 30, 2022.

b. Dividends and realizable earnings reserve

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 is determined in compliance with article 196 of law 6,404/76 and it is intended to be used on future investments.

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d. Cumulative translation adjustments

Represents the exchange variations on investments, net of foreign related parties' balances, in foreign direct and indirect subsidiaries.

e. Assets and liabilities valuation adjustments

Represents the unrealized gains and losses on: (i) subsidiaries' initial added value of investment properties at fair value; and (ii) actuarial gains and losses on defined benefit plans of subsidiaries.

22. RELATED-PARTY BALANCES AND TRANSACTIONS

	Receivable		Payable	
	09.30.2022	12.31.2021	09.30.2022	12.31.2021
Company:				
Coteminas S.A.	-	-	34,104	19,654
	-----	-----	-----	-----
	-	-	34,104	19,654
	=====	=====	=====	=====
Consolidated:				
Companhia de Tecidos Norte de Minas – Coteminas	160,637	99,538	-	-
Coteminas International Ltd.	5,634	5,577	-	764
Argentina branch	26	26	-	-
Santanense Argentina	35	48	-	-
Companhia Tecidos Santanense	35,842	18,212	-	-
Encorpar Empreendimentos Imobiliários Ltda.	-	98	-	-
	-----	-----	-----	-----
	202,174	123,499	-	764
	=====	=====	=====	=====

	Finance charges Income (expenses)	
	09.30.2022	09.30.2021
Company:		
Coteminas S.A.	(1,301)	(875)
Companhia de Tecidos Norte de Minas – Coteminas	(2)	(3)
	-----	-----
	(1,303)	(878)
	=====	=====
Consolidated:		
Companhia de Tecidos Norte de Minas – Coteminas	17,039	9,240
Companhia Tecidos Santanense	1,143	1,044
Coteminas International Ltd.	(35)	(54)
Encorpar Empreendimentos Imobiliários Ltda.	(12)	(19)
Econorte - Empr. Constr. Norte de Minas Ltda.	(3)	-
Wembley S.A.	100	-
	-----	-----
	18,232	10,211
	=====	=====

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The balances refer to loans contracted with the Company under fair conditions in accordance with market practices. The charges are calculated according to the average cost of the lending company's loans. The Board of Directors meeting held on December 29, 2015 also approved payment of 2% commission (two percent annually), limited to the cumulative amount of R\$47,750, on sureties/guarantees provided by the controlling shareholder on loans and financing contracted by the Company and its subsidiaries. As of September 30, 2022, the amount of R\$2,935 was recorded in the caption "Other receivables" in current assets (R\$2,936 as of December 31, 2021 and R\$2,935 in the caption "Others" in noncurrent assets), related to guarantees on existing contracts and credit facilities. In the nine months period of 2022, the amount of R\$2,202 was recorded as interest expenses under the caption "Financial expenses – bank charges and others" (R\$2,646 in the same period of 2021).

In the first nine months of 2022, the subsidiary CSA supplied intermediate products to a related party, Companhia Tecidos Santanense, in the amount of R\$95,827 (R\$48,331 in the same period of 2021). The receivable balance related to these transactions is presented in note 5.

CTNM and the indirect subsidiary AMMO have a rental agreement for the property where its distribution center and office are located. In the nine months period of 2022, were recorded as rent expenses the amount of R\$4,021 (R\$3,342 in the same period of 2021).

On September 30, 2022, the indirect subsidiary LAT Capital Ltd. had R\$17,700 (R\$18,457 as of December 31, 2021) in investments in foreign funds and deposit accounts, received from Coteminas International Ltd., a company under common control.

All of the above transactions, buying and selling products and loan transactions, are conducted at market prices and rates.

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.

The management fees balances are described below:

	Company		Consolidated	
	09.30.2022	09.30.2021	09.30.2022	09.30.2021
Advisers	(928)	(792)	(1,456)	(792)
Statutory officers	-	-	(1,781)	(1,579)
Other directors	-	-	(8,033)	(6,839)
	-----	-----	-----	-----
	(928)	(792)	(11,270)	(9,210)
	=====	=====	=====	=====

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23. FINANCIAL INSTRUMENTS

a) General--The Company and its subsidiaries can conduct transactions derivatives and non-derivatives financial instruments, whose risks are managed through strategic financial positions and controls to limit exposure to such risks. All transactions are fully recognized in the interim financial statements and their balances are described in the table below.

	Company		Consolidated	
	09.30.2022	12.31.2021	09.30.2022	12.31.2021
FINANCIAL ASSETS				
Amortized cost:				
Cash and cash equivalents	65	117	240,172	199,765
Marketable securities (current)	-	-	18,507	19,219
Accounts receivable	-	-	260,506	448,935
Other receivables	1,082	968	24,211	28,300
Marketable securities (noncurrent)	1,882	1,737	10,755	7,618
Receivable – clients	-	-	14,534	16,343
Related parties	-	-	202,174	123,499
Escrow deposits	-	-	11,757	8,448
Others	-	-	51,999	55,931
FINANCIAL LIABILITIES				
Amortized cost:				
Loans and financing (current)	10,235	15,681	376,283	772,280
Debentures (current)	-	-	17,870	158,596
Suppliers	4	10	249,219	258,920
Government concessions (current)	-	-	57,672	41,148
Other accounts payable	-	-	77,785	74,569
Loans and financing (noncurrent)	10,336	13,915	250,491	75,037
Debentures (noncurrent)	-	-	315,778	-
Related parties	34,104	19,654	-	764
Government concessions (noncurrent)	-	-	44,050	54,436
Other obligations	-	-	29,158	2,408

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.

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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 financial instruments, the Company estimates that their fair values approximate book values.

c) Classification of financial instruments--Except for derivatives, and certain marketable securities, which are classified and measured at fair value through profit or loss, all financial assets and liabilities listed above are classified and measured as "Amortized Cost". The derivative financial instruments are measured at fair value through profit or loss and the portion related to the cash flow hedge, which effectiveness can be measured, has its gains and losses recognized directly in shareholders' equity as valuation adjustments and presented in the statement 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 throughout the life of the contracts. The monitoring of the impact of these transactions is analyzed quarterly by the Cash and Debt Management Committee where 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. As of September 30, 2022 and December 31, 2021 there were no outstanding derivative financial instruments.

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:

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

	09.30.2022				Exchange rate variation on foreign investments R\$
	R\$	\$ARG	US\$	\$PYG	
Foreign investments:					
Coteminas Argentina	119,251	3,249,372	-	-	15,643
LAT Capital	14,211	-	2,628	-	(427)
Têxtil Guarani	2,192	-	-	2,877,064	(243)
SGUS	378,550	-	70,016	-	(13,107)
	-----	-----	-----	-----	-----
	514,204	3,249,372	72,644	2,877,064	1,866
Related parties:					
LAT Capital	(103,937)	-	(19,224)	-	4,175
SGUS	(244,455)	-	(45,214)	-	10,046
	-----	-----	-----	-----	-----
	(348,392)	-	(64,438)	-	14,221
	-----	-----	-----	-----	-----
Total of foreign investments net	165,812	3,249,372	8,206	2,877,064	16,087
	=====	=====	=====	=====	=====

d.3.2) Exchange rate risks on financial instruments of the Company and its subsidiaries:

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

Financial instruments	09.30.2022	12.31.2021
Accounts receivable	16,479	21,661
Suppliers	(7,689)	(9,615)
Loan and financing	(80,321)	(46,172)
Related parties	(777)	(764)
	-----	-----
Total exposure in Brazilian Reais	(72,308)	(34,890)
	=====	=====
Total exposure in equivalent thousands of US Dollars	(13.374)	(6.252)
	=====	=====

The sensitivity analysis of financial instruments, considering the US Dollar denominated cash flows, as of September 30, 2022, is shown below:

Maturity	Risk	Exposure value in thousands of US\$	Scenarios		
			Probable	II	III
2022	US Dollar appreciation	(13,374)	(759)	(19,026)	(37,292)
		=====	=====	=====	=====

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.

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Scenarios II and III reflect 25% and 50% variation of future dollar exchange rates, respectively. The future dollar exchange rates were obtained from B3 S.A. – Brasil, Bolsa, Balcão.

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. In the first nine months of 2022 the subsidiary CSA recognized a gain of R\$10,226.

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 (except as described in d.5.1 and d.5.2 below), which reflect rates equivalent to LIBOR, or fixed interest rates, are disclosed in notes 13 and 22. Considering the cash flows of these liabilities 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 – interest” caption in the statements of operations. There were no interest rate derivatives in the periods ended September 30, 2022 and December 31, 2021.

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

The main amounts related to the Company and its subsidiaries’ non-derivatives financial instruments subject to variable interest rate by Interbank Deposit Certificates - CDI and General Consumer Price Index – IPCA exposure are as follows:

Description	09.30.2022			12.31.2021	
	Principal amount R\$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: 150.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	152,483	4,358	(1,619)	155,222	109,207
Loan Agreement -- Interest: 150.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023	152,483	467	(1,133)	151,817	109,207
Loan Agreement -- Interest: 294.0% of CDI Counterpart: Banco Brasil S.A. – CCB Maturity: March/2022	-	-	-	-	11,388
Loan Agreement -- Interest: 130.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: November/2023 (*)	-	-	-	-	110,150
(Refer to Note 13)				307,039	339,952
Loan Agreement -- Interest: CDI + 7.0% Counterpart: Banco BBM S.A. – CCB Maturity: November/2024	7,778	283	-	8,061	9,760
(Refer to Note 13)				8,061	9,760

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Description	09.30.2022			12.31.2021	
	Principal amount R\$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: CDI + 4.9% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2024	7,193	55	-	7,248	10,665
Loan Agreement -- Interest: CDI + 4.9% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2024	3,973	30	-	4,003	5,892
Loan Agreement -- Interest: CDI + 4.9% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2024	3,973	30	-	4,003	5,892
Loan Agreement -- Interest: CDI + 4.9% Counterpart: Banco ABC Brasil S.A. – CCE Maturity: April/2024	3,973	30	-	4,003	5,892
(Refer to Note 13)				<u>19,257</u>	<u>28,341</u>
Loan Agreement -- Interest: CDI + 6.1% Counterpart: Banco Bradesco S.A. Maturity: April/2024	9,873	651	-	10,524	12,671
Loan Agreement -- Interest: CDI + 6.0% Counterpart: Banco Bradesco S.A. Maturity: June/2024	30,000	454	-	30,454	30,354
(Refer to Note 13)				<u>40,978</u>	<u>43,025</u>
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Daycoval S.A. Maturity: July/2023	4,660	146	-	4,806	8,338
Loan Agreement -- Interest: CDI + 5.2% Counterpart: Banco Daycoval S.A. Maturity: July/2023	5,063	167	-	5,230	9,061
Loan Agreement -- Interest: CDI + 6.5% Counterpart: Banco Daycoval S.A. Maturity: July/2022	-	-	-	-	4,364
Loan Agreement -- Interest: CDI + 7.1% Counterpart: Banco Daycoval S.A. Maturity: April/2024	5,278	41	-	5,319	7,831
Loan Agreement -- Interest: CDI + 9.0% Counterpart: Banco Daycoval S.A. Maturity: April/2023	6,001	239	-	6,240	12,354
Loan Agreement -- Interest: CDI + 9.2% Counterpart: Banco Daycoval S.A. Maturity: April/2023	6,000	303	-	6,303	10,299

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Description	09.30.2022			12.31.2021	
	Principal amount R\$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: CDI + 8.7% Counterpart: Banco Daycoval S.A. Maturity: August/2023	9,167	85	-	9,252	-
Loan Agreement -- Interest: CDI + 8.7% Counterpart: Banco Daycoval S.A. Maturity: November/2023	6,000	40	-	6,040	-
(Refer to Note 13)				43,190	52,247
Loan Agreement -- Interest: CDI + 5.6% Counterpart: Banco Santander S.A. Maturity: April/2024 (*)	-	-	-	-	12,380
Loan Agreement -- Interest: CDI + 5.6% Counterpart: Banco Santander S.A. Maturity: May/2024 (*)	-	-	-	-	11,218
Loan Agreement -- Interest: CDI + 5.6% Counterpart: Banco Santander S.A. Maturity: May/2024	9,333	290	-	9,623	12,307
(Refer to Note 13)				9,623	35,905
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: November/2022	40,000	612	-	40,612	40,534
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: November/2022	4,000	57	-	4,057	4,049
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Safra S.A. – CCB Maturity: October/2024	5,952	23	-	5,975	8,124
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: October/2022	10,000	14	-	10,014	10,016
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: November/2022	5,000	59	-	5,059	5,057
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: November/2022	5,000	39	-	5,039	5,042
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Safra S.A. – CCB Maturity: December/2022	5,000	71	-	5,071	5,063
(Refer to Note 13)				75,827	77,885
					48

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Description	09.30.2022			12.31.2021	
	Principal amount R\$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: CDI + 7.5% Counterpart: Banco Fibra S.A. Maturity: April/2022	-	-	-	-	6,709
(Refer to Note 13)				----- -	----- 6,709
Loan Agreement -- Interest: CDI + 8.1% Counterpart: Banco Sofisa S.A. Maturity: January/2023	10,000	165	-	10,165	10,129
Loan Agreement -- Interest: CDI + 6.8% Counterpart: Banco Sofisa S.A. Maturity: November/2024	7,222	99	-	7,321	9,826
Loan Agreement -- Interest: CDI + 7.4% Counterpart: Banco Sofisa S.A. Maturity: May/2025	4,200	29	-	4,229	-
(Refer to Note 13)				----- 21,715	----- 19,955
Loan Agreement -- Interest: 180.0% of CDI Counterpart: Caixa Econômica Federal – CCB Maturity: April/2023	5,416	14	-	5,430	10,874
(Refer to Note 13)				----- 5,430	----- 10,874
Loan Agreement -- Interest: CDI + 7.8% Counterpart: Banco Pine S.A. Maturity: December/2022	800	6	-	806	3,218
Loan Agreement -- Interest: CDI + 8.7% Counterpart: Banco Pine S.A. Maturity: April/2022	-	-	-	-	4,490
(Refer to Note 13)				----- 806	----- 7,708
Loan Agreement -- Interest: CDI + 7.7% Counterpart: Banco Industrial do Brasil S.A. Maturity: July/2022	-	-	-	-	9,556
Loan Agreement -- Interest: CDI + 18.0% Counterpart: Banco Industrial do Brasil S.A. Maturity: December/2022	1,000	30	-	1,030	1,031
Loan Agreement -- Interest: CDI + 7.7% Counterpart: Banco Industrial do Brasil S.A. Maturity: October/2022	500	6	-	506	5,027
(Refer to Note 13)				----- 1,536	----- 15,614
Loan Agreement -- Interest: CDI + 3.9% Counterpart: Banco ABC do Brasil S.A. – CCE Maturity: October/2025	7,389	9	-	7,398	9,368

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Description	09.30.2022			12.31.2021	
	Principal amount R\$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: CDI + 5.6% Counterpart: Banco ABC do Brasil S.A. – CCE Maturity: June/2022	-	-	-	-	25,023
Loan Agreement -- Interest: CDI + 6.3% Counterpart: Banco ABC do Brasil S.A. – CCE Maturity: April/2024	6,000	53	-	6,053	-
Loan Agreement -- Interest: CDI + 6.3% Counterpart: Banco ABC do Brasil S.A. – CCE Maturity: April/2023	3,500	22	-	3,522	-
Loan Agreement -- Interest: CDI + 6.3% Counterpart: Banco ABC do Brasil S.A. – CCE Maturity: April/2023	3,500	42	-	3,542	-
(Refer to Note 13)				20,515	34,391
Debentures 5 th series -- Interest: IPCA + 8.0% Counterpart: Several debenture holders Maturity: July/2031	141,333	18,877	(2,349)	157,861	158,596
(Refer to Note 14)				157,861	158,596
	689,043	27,896	(5,101)	711,838	840,962

(*) Contracts terminated in advance due to renegotiations.

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of September 30, 2022, is as follows:

Maturity	Risk	Principal average balance	Scenarios		
			Probable	II	III
2022	Rate increase	661,444	21,998	26,728	31,257
2023	Rate increase	518,181	84,356	98,049	114,735
2024	Rate increase	139,515	17,755	13,977	14,837
2025	Rate increase	99,518	12,862	9,834	10,283
2026	Rate increase	82,000	10,582	9,135	9,701
2027	Rate increase	66,000	8,523	7,357	7,813
2028	Rate increase	50,000	6,527	5,635	5,984
2029	Rate increase	34,000	4,395	3,794	4,030
2030	Rate increase	18,000	2,325	2,007	2,132
2031	Rate increase	5,333	399	344	365
			=====	=====	=====

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 interest variations, considering future CDI and IPCA rates and the principal and interest maturity dates. Scenarios II and III reflect 25% and 50% increase in the future CDI and IPCA rates, respectively. The future CDI

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rates were obtained at B3 S.A. – Brasil, Bolsa, Balcão and the future IPCA rates were obtained from the Brazilian Central Bank – Focus report.

d.6 – Credit risk--The Company is subject to credit risk on its cash and cash equivalents and marketable securities. 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 the 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, 2021. As of September 30, 2022, there was no significant change in relation to the amounts disclosed in the 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:

	Consolidated	
	09.30.2022	12.31.2021
Loans and financing	726,774	847,317
Debentures	333,648	158,596
Cash and cash equivalents	(240,172)	(199,765)
Marketable securities	(29,262)	(26,837)
	-----	-----
Total net debt	790,988	779,311
	-----	-----
Total equity	605,751	990,441
	-----	-----
Total net debt and equity	1,396,739	1,769,752
	=====	=====

24. SEGMENT INFORMATION

Operating segments are defined as components of an enterprise for which separate financial statements are 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. 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 on a consolidated basis. The Company and its subsidiaries have concluded that they have two operating segments: "Wholesale" and "Retail".

The Company 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.

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The indirect subsidiaries AMMO and C7S have a set of separate information and investment decisions, pricing, store expansion multichannel sales, and others that are individually made, and are denominated "Retail" as its products are sold directly to the final consumer.

The sales made by the subsidiary CSA to the indirect subsidiary AMMO are excluded in the table below, in the Wholesale segment, so that only sales made to third parties and that coincide with the management of each business segment, Wholesale and Retail, are demonstrated. The performance evaluation of each segment does not include the sales made between the companies.

The financial statements, segregated by the segments previously explained, are presented below (in millions of Reais):

	09.30.2022			Total
	Wholesale	Retail	(*) Others unallocated	
Net revenues	721.4	273.8	-	995.2
Cost of goods sold	(578.4)	(140.4)	-	(718.8)
Idle costs and others	(76.6)	-	-	(76.6)
Gross profit	66.4	133.4	-	199.8
Selling, general and administrative expenses	(175.0)	(152.6)	(13.2)	(340.8)
Other	(2.5)	2.5	1.7	1.7
Results of operations	(111.1)	(16.7)	(11.5)	(139.3)
Financial results (without exchange rate variations)	-	(24.0)	(218.3)	(242.3)
Exchange rate variations	-	(0.2)	(17.8)	(18.0)
Loss before taxes	(111.1)	(40.9)	(247.6)	(399.6)
Depreciation and amortization	49.0	21.1	3.5	73.6

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	09.30.2021			Total
	Wholesale	Retail	(*) Others unallocated	
Net revenues	907.3	361.7	-	1.269.0
Cost of goods sold	(625.2)	(166.7)	-	(791.9)
Idle costs and others	(16.8)	-	-	(16.8)
Gross profit	265.3	195.0		460.3
Selling, general and administrative expenses	(186.0)	(170.0)	(15.6)	(371.6)
Other	(9.5)	(1.6)	(0.7)	(11.8)
Results of operations	69.8	23.4	(16.3)	76.9
Financial results (without exchange rate variations)	-	(20.7)	(161.6)	(182.3)
Exchange rate variations	-	(0.1)	(3.3)	(3.4)
Income (loss) before taxes	69.8	2.6	(181.2)	(108.8)
Depreciation and amortization	49.7	21.8	3.6	75.1

(*) Includes Company expenses and the results from the continuing operations of subsidiary SGUS.

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

Revenue information by category or product lines is as follows:

	Consolidated	
	09.30.2022	09.30.2021
Net revenues (in millions of Reais):		
Bedding, tabletop and bath	561.3	725.3
Intermediate products	160.1	182.0
Retail	273.8	361.7
	995.2	1.269.0
Volume (in thousands of tons):		
Bedding, tabletop and bath	11.4	15.6
Intermediate products	9.9	13.7
	21.3	29.3

The Company has over 10,000 active clients in the wholesale segment as of September 30, 2022.

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25. NET REVENUES

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

	Consolidated	
	09.30.2022	09.30.2021
OPERATING REVENUES:		
Gross revenues	1,335,709	1,782,031
Revenue deductions	(340,517)	(513,064)
	-----	-----
NET REVENUES	995,192	1,268,967
	=====	=====

26. EXPENSES BY NATURE

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

By nature:

	Consolidated	
	09.30.2022	09.30.2021
Cost of raw materials, goods and services acquired from third parties	(749,466)	(884,277)
Employees benefits	(261,331)	(264,993)
INSS	(24,865)	(31,269)
Depreciation and amortization	(73,596)	(75,060)
Finished goods and work in process inventory variations	(27,009)	75,270
	-----	-----
Total by nature	(1,136,267)	(1,180,329)
	=====	=====

By function:

	Consolidated	
	06.30.2022	06.30.2021
Cost of goods sold	(718,792)	(791,938)
Idle costs and others	(76,649)	(16,777)
Selling expenses	(228,477)	(273,022)
General and administrative expenses	(101,079)	(89,382)
Management fees	(11,270)	(9,210)
	-----	-----
Total by function	(1,136,267)	(1,180,329)
	=====	=====

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27. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share was calculated as follows:

	<u>09.30.2022</u>	<u>09.30.2021</u>
NET LOSS FOR THE PERIOD	(400,790)	(100,057)
Weighted-average outstanding common shares	50,000,000	50,000,000
BASIC AND DILUTED LOSS PER SHARE (R\$)	(8.0158) =====	(2.0011) =====

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