



BM&FBOVESPA: SGPS3

Springs Global: EBITDA reaches R\$ 60.9 million, with growth of 16.1%

São Paulo, August 11th, 2016 - Springs Global Participações S.A. (Springs Global), the Americas' largest company in bedding, tabletop and bath products, reported in the second quarter of 2016 (2Q16) net revenue of R\$ 518.2 million, continuing its course of growth, with margin expansion, for the sixth consecutive quarter.

About Springs Global

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

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As of 06/30/2016:

Closing share price: R\$ 3.29

Market cap: R\$ 164.5 million

Conference call

Date: 08/11/2016

Time: 11 am São Paulo time / 10 am New York time / 3 pm London time

In Portuguese:

+55 11 3193-1001
/ +55 11 2820-4001

In English:

+1 888 700-0802 (Toll free)
+1 786 924-6977

Password: Springs Global

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Investor Relations

Alessandra Gadelha
Investor Relations Officer
Phone: +55 11 2145 4476
ri@springs.com
www.springs.com/ri

The highlights of Springs Global's performance in 2Q16 were:

- Net revenue of R\$ 518.2 million, 1.9% higher than the second quarter of 2015 (2Q15)
- Gross margin of 27.9%, with a 0.2 percentage point (pp) expansion against 2Q15
- EBITDA^(a) of R\$ 60.9 million, with a year-over-year (yoy)¹ increase of 16.1%
- EBITDA margin of 11.7%, against 10.3% in 2Q15¹
- Income from operations amounted to R\$ 41.5 million, 26.6% higher yoy¹
- Rebalancing of the capital structure with exchange rate exposure of total debt in line with the operational cash generation by geography and the beginning of the export program
- Revenue from North America – Wholesale grew 9.3%, with EBITDA margin expansion of 3.3 pp
- Growth of 6.9% yoy in the average sell-out revenue^(b) per store in the business unit South America – Retail, with an 11.8 pp increase in EBITDA margin, and launch of two new franchise stores

in R\$ million	2Q16	2Q15	2Q15 ¹	(A)/(C)	1H16	1H15	1H15 ¹	(D)/(F)
	(A)	(B)	(C)	%	(D)	(E)	(F)	%
Gross revenue	630.8	622.0	622.0	1.4%	1,357.5	1,284.4	1,284.4	5.7%
Net revenue	518.2	508.5	508.5	1.9%	1,120.8	1,056.9	1,056.9	6.1%
Gross profit	144.6	141.1	141.1	2.5%	303.1	278.1	278.1	9.0%
Gross Margin %	27.9%	27.7%	27.7%	0.2 p.p.	27.0%	26.3%	26.3%	0.7 p.p.
EBITDA	60.9	69.5	52.4	16.1%	124.3	116.2	99.1	25.4%
EBITDA Margin %	11.7%	13.7%	10.3%	1.4 p.p.	11.1%	11.0%	9.4%	1.7 p.p.
Income from operations	41.5	49.9	32.8	26.6%	85.4	76.3	59.2	44.2%
Number of stores	222	233	233	(4.7%)	222	233	233	(4.7%)

¹ Excluding the non-recurring result from asset sale totalling R\$ 17.1 million in 2Q15 and in 1H15

Table 1 – Key financial indicators

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

Revenue

The consolidated net revenue reached R\$ 518.2 million in 2Q16, 1.9% higher yoy, positively impacted by the exchange rate effect in the Company's revenues in US dollars and higher sales volume, that offset the negative effect of higher share of intermediate products^(c) in the sales mix.

Utility bedding products^(d) had the greatest contribution in the yoy increase of revenue, followed by intermediate products, which presented the higher volume increase yoy, 19.8%, however with a softened impact in revenues, due to their lower average price.

The Bedding, Tabletop and Bath ("CAMEBA")^(e) line was responsible for 43% of 2Q16 revenue, the utility bedding line for 34%, and intermediate products for 12%.

The Retail revenue, representing 12% of total revenue in 2Q16, was negatively impacted by the lower number of stores and the conversion of owned stores into franchise ones. The conversion process results in the reduction of revenue, but also of sales, general and administrative expenses (SG&A), which enables the improvement of the EBITDA margin.

The Company has international operations, with balanced revenues between Brazil and abroad. South America represented 58% of total revenue in 2Q16, while North America represented 42% of total revenue.

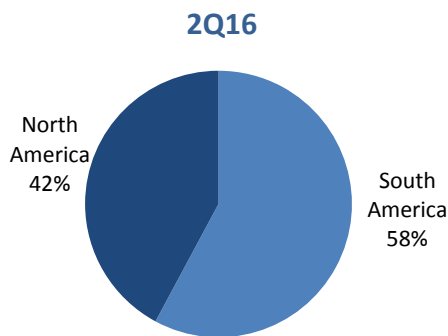


Chart 1 – Revenue per region

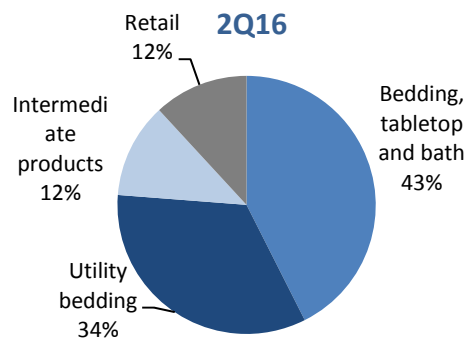


Chart 2 – Revenue per product line

Costs and Expenses

The cost of goods sold (COGS) was R\$ 373.6 million in 2Q16, with a yoy increase of 1.7%, and represented 72.1% of net revenue.

The main raw materials are cotton and polyester that, together with chemicals, packaging and trims, are included in materials costs, which amounted to R\$ 236.8 million in 2Q16, with a 5.4% yoy expansion, mainly due to higher cotton prices in US dollars, together with the exchange rate effect.

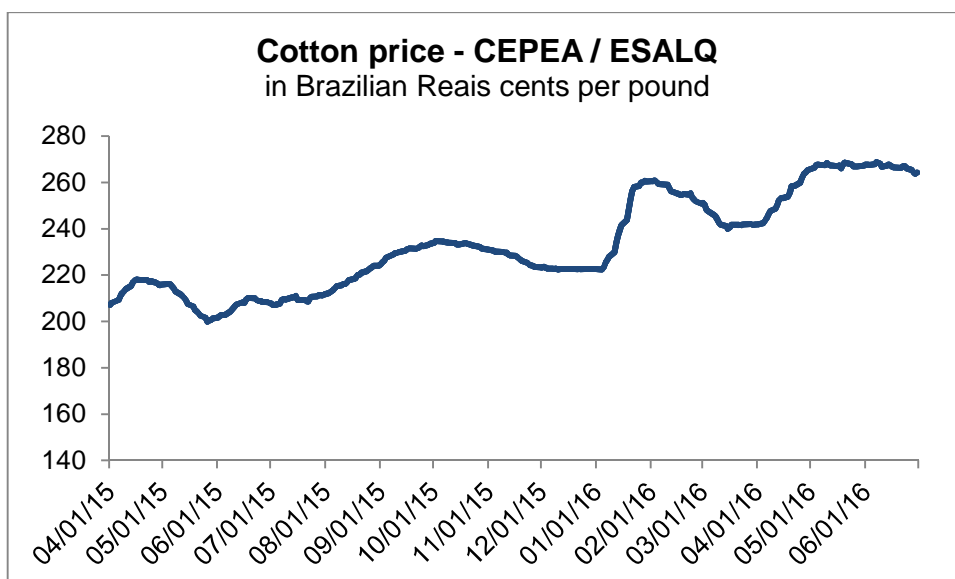


Chart 3 – Cotton price, source CEPEA

The conversion of raw materials into finished goods requires, mainly, labor, electricity and other utilities, designated as conversion costs and others, which reached R\$ 118.9 million in 2Q16, with a 4.7% yoy decrease, because of the production and sales mix. Due to their nature, these costs are impacted by economy of scale, being diluted when capacity utilization increases.

Depreciation costs of production and distribution assets totaled R\$ 17.9 million in 2Q16, with a decrease of 1.1% yoy.

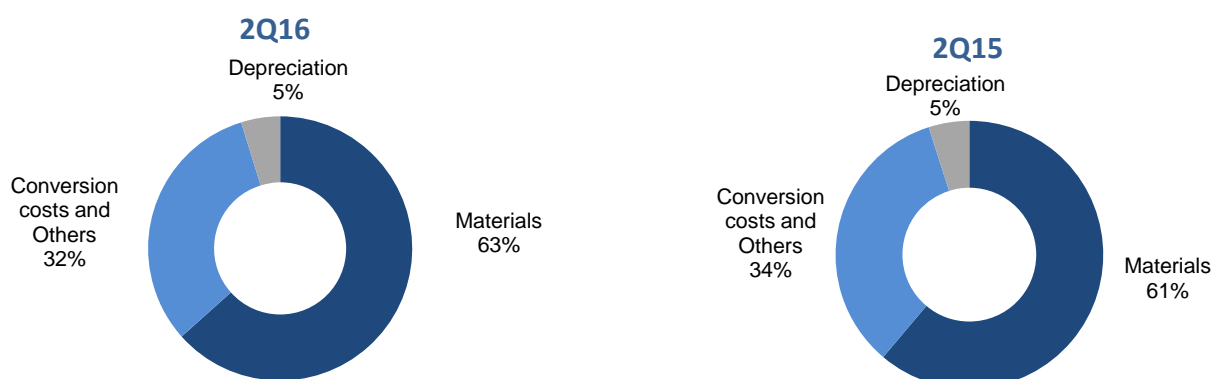


Chart 4 – COGS breakdown

Regarding operational expenses, selling expenses reached R\$ 67.6 million, representing 13% of net revenue, with a yoy decline of 1.3 pp. General and administrative expenses (G&A) amounted to R\$ 34.2 million, equivalent to 6.6% of net revenue, with a yoy decrease of 0.4 pp. The lower number of stores and the conversion of owned stores into franchise ones contributed to a 6.0% yoy reduction of SG&A.

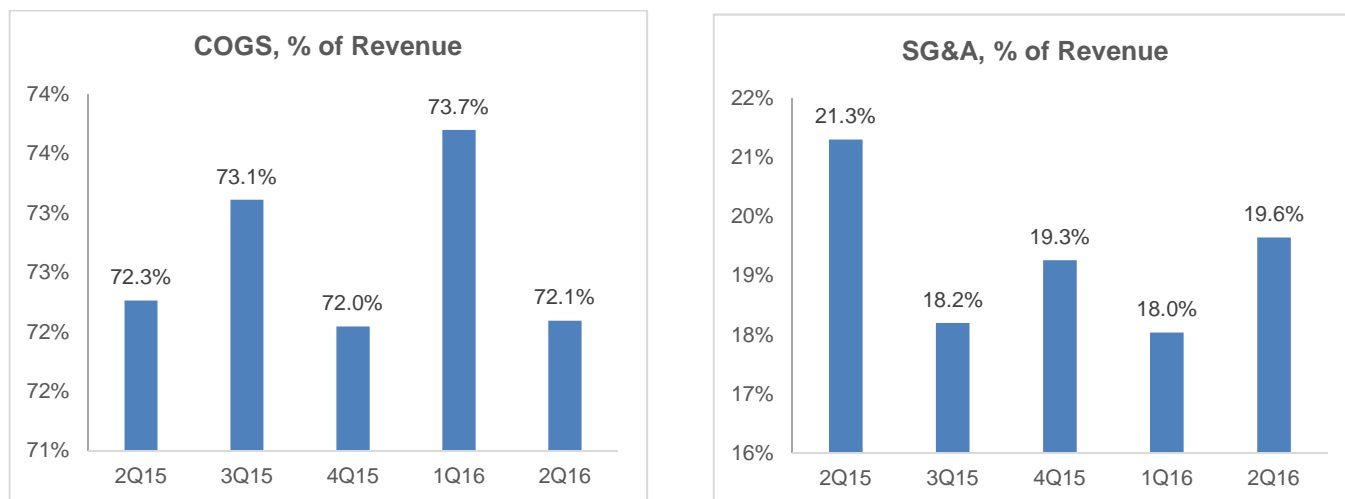


Chart 5 – COGS and SG&A, as % of net revenue

EBITDA

Cash generation, as measured by EBITDA, reached R\$ 60.9 million in 2Q16, with a 16.1% yoy¹ expansion. There was a decline of R\$ 5.2 million in operational expenses and an increase of R\$ 3.6 million in gross profit in the period. EBITDA margin was 11.7% in 2Q16, against 10.3% in 2Q15¹.

In the last twelve months ended on June 30, 2016, LTM EBITDA reached R\$ 240.9 million.

¹ In recurring terms, which excludes the gain of R\$ 17.1 million in 2Q15, related to sale of non-operational asset.



Profit

Gross profit totaled R\$ 144.6 million in 2Q16, with gross margin of 27.9%. There was a 2.5% growth in gross profit, leveraged by the increase in revenue and by the 0.2 pp expansion in gross margin.

The financial result was an expense of R\$ 56.5 million in 2Q16, against an expense of R\$ 49.0 million in 2Q15.

The financial income increased by R\$ 2.0 million, while financial expenses – interest expenses – grew by R\$ 8.3 million, mainly due to the higher SELIC rate, the Brazilian reference interest rate. Bank charges, taxes, discounts and others were stable yoy.

The balance of exchange rate variation was negative R\$ 4.9 million in 2Q16, reflecting the quarter-over-quarter (qoq) appreciation of the Brazilian real in the assets in US dollars, against negative R\$ 3.8 million in 2Q15.

The growth of the income from operations more than offset the increase of the financial result, leading to an improvement on the Company's net result, which was a loss of R\$ 8.7 million in 2Q16, against a loss of R\$ 14.7 million in 2Q15¹.

The majority of our Brazilian manufacturing units has federal and state tax incentives that expire on different dates, until the end of 2016 and the end of 2021, respectively. Moreover, we continued to benefit from payroll tax relief, with a rate of 2.5% of sales in 2Q16, versus 1.0% in 1Q15.

Capex and Working Capital

Capital expenditures (Capex) totaled R\$ 26.6 million in 2Q16, mainly focused on asset modernization and preparation of export production lines in the Company's manufacturing facilities.

The working capital needs amounted to R\$ 992.5 million at the end of 2Q16, 2.9% lower qoq. The decline of accounts receivable and the increase of suppliers more than offset the growth of inventories, which were impacted by the seasonal effect of higher inventories before the launch of the Spring-Summer collection.

We expect a continued reduction in the Company's working capital due to the conversion of owned to franchised stores and to the increase of the share of Brazilian products in our collections.

Debt and debt indicators

Our net debt^(f) was R\$ 847.2 million as of June 30, 2016, in line with the value registered at the end of the first quarter of 2016 (1Q16), of R\$ 834.7 million, however, with a new adjustment of the Company's capital structure.

In this quarter, there were (i) the payment of the first amortization installment of the CRA^(g) (debenture), of R\$ 135 million, and (ii) a new debt related to exports, totaling R\$ 130 million, pegged to US dollars, with a three-year term, interest rate indexed to CDI, and semi-annual amortization.

The rebalancing of our capital structure, which also involved in 1Q16 a new credit line of up to US\$ 63 million, increased the share of the debt denominated in US dollars to 29% at the end of 2Q16, from 9% at the end of 2015.

This new capital structure for the Company is aligned with the exchange rate exposure of its operational cash generation and its goal to grow export volume in the next few quarters.

Our leverage, as measured by net debt/LTM EBITDA, was 3.5x at the end of 2Q16. In recurring terms, we continue reducing our leverage and we are confident that this ratio will be around 3.0x by the end of the fiscal year of 2016, due to the improvement of our operational income, which will contribute, at the same time, to the growth of EBITDA and to the decrease of net debt.

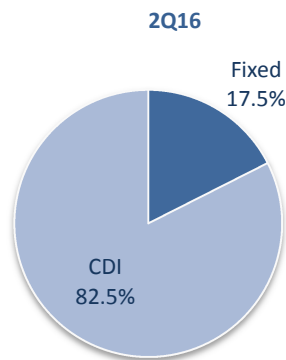


Chart 6 – Debt per index

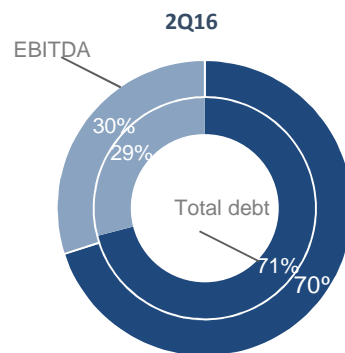


Chart 7 – Debt and EBITDA per currency exposure
 ■ in Brazilian Reais ■ in US dollars

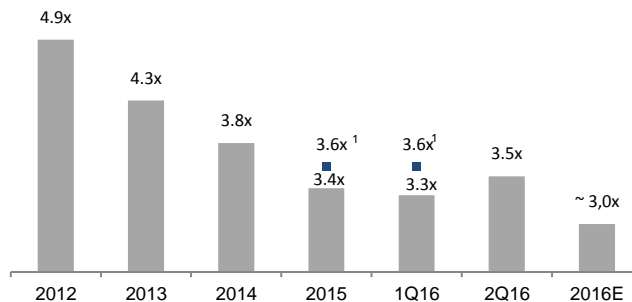


Chart 8 – Net Debt / LTM EBITDA

Projections

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

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

We reiterate our 2016 projection that includes revenue growth with EBITDA margin expansion, in line with the Company's budget that comprises the following assumptions: (a) an average exchange rate of R\$ 4.05 in 2016, (b) a drop of 3.0% of the Brazilian GDP, and (c) the conversion of 21 stores and the opening of 18 new retail stores.

The actual values were: (a) an average exchange rate of R\$ 3.64 in the first half of 2016 (1H16), (b) a yoy drop of 5.4% of the Brazilian GDP in 1Q16, and (c) conversion of one store and the opening of two stores in 1H16.



in R\$ million	2016 Guidance	
Net revenue		
South America - Wholesale*	1,170 - 1,330	●
South America - Retail	230 - 270	●
North America - Wholesale	1,000 - 1,100	●
Total net revenue	2,400 - 2,700	●
EBIT	160 - 200	●
EBITDA	240 - 280	●
CAPEX	60 - 70	●
* Including intercompany revenue		

Table 2 – Projections

Share performance

Springs Global's shares, traded on the BM&FBOVESPA under the ticker SGPS3, declined 0.6% in 2Q16, underperforming the IBOVESPA and the *Small Cap* indexes, in the same period. The daily average financial volume of our shares was R\$ 254.1 thousand in 2Q16, compared to R\$ 114.8 thousand in the previous quarter.

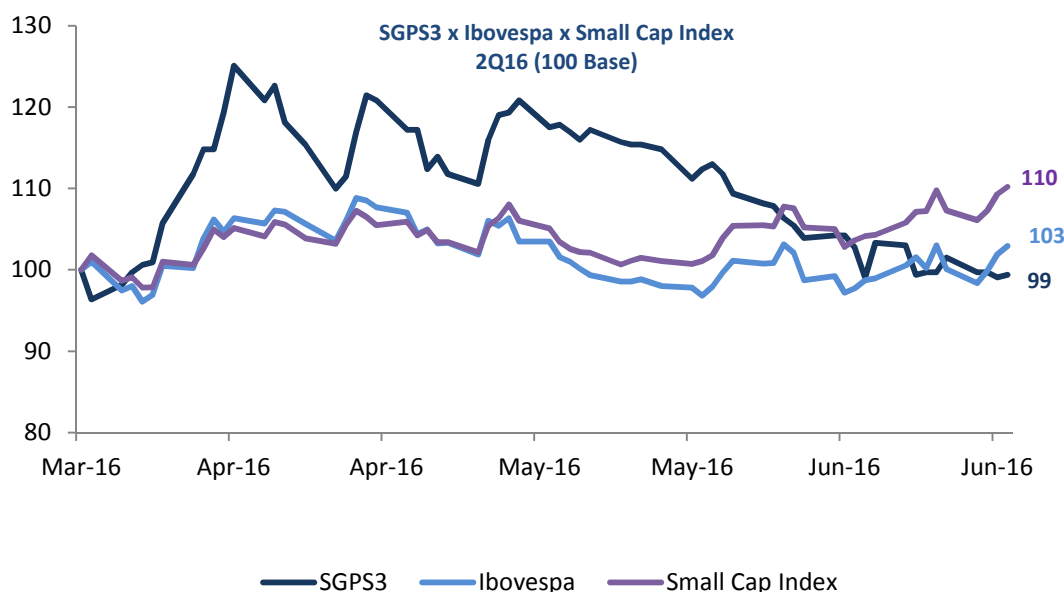


Chart 9 – Performance of SGPS3 share price

Performance of the business units

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

South America - Wholesale

Net revenue from the South America – Wholesale business unit amounted to R\$ 253.1 million in 2Q16, with a 3.0% yoy reduction, due to a higher share of intermediate products in the sales mix, leading to a lower average price.

Sales of intermediate products grew 26.7% yoy, being positively impacted by the significant decline of the Brazilian textile imports and by the lower temperatures in 2Q16. The cooler weather has also benefited the sales of utility bedding products, which include quilts and comforters.

We have maintained a conservative approach related to credit concession to Brazilian clients, a fact that has limited, in some level, the sales in the South America – Wholesale business unit.

COGS totaled R\$ 178.9 million in 2Q16, 1.9% lower yoy, with a reduction in the gross margin from 30.1% in 2Q15 to 29.3% in 2Q16. SG&A expenses amounted to R\$ 47.0 million, with a 3.1% decline yoy, and equivalent to 18.6% of revenue.

EBITDA reached R\$ 44.4 million, 13.1% below 2Q15¹, as a result of the higher share of intermediate products, which have a lower value added, in the sales mix. EBITDA margin was 17.5%, against 19.6% in 2Q15¹.

Average prices (R\$/kg) in 2Q16

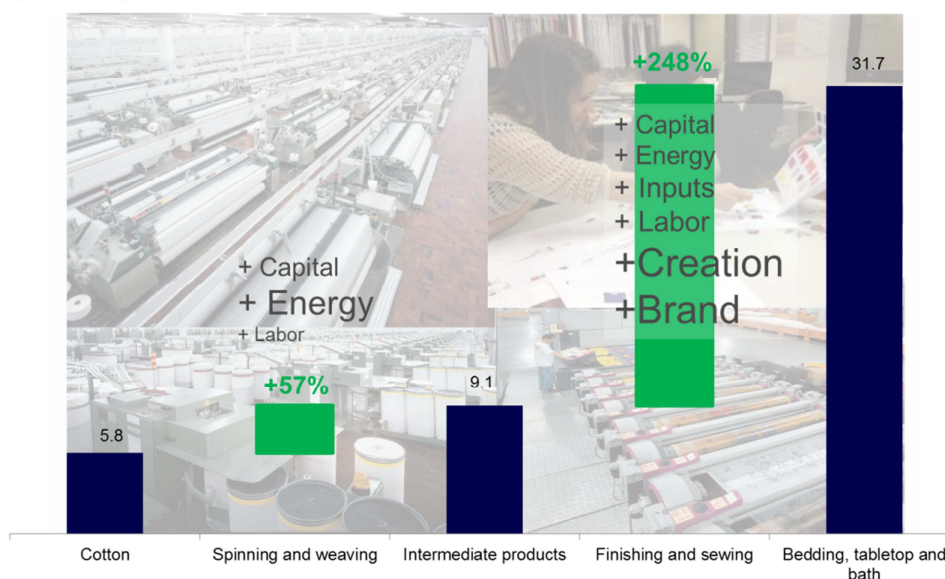


Chart 10 – Value added along the chain

In 1H16, net revenue totaled R\$ 550.5 million and EBITDA amounted to R\$ 96.9 million, both in line yoy¹, with expansion in the gross and EBITDA margins of 1.2 pp and 0.1 pp, respectively.

The South America – Wholesale business unit will increase its exports, starting at the second half of 2016, by substituting the imports of some Asian components of the North America – Wholesale business unit with Brazilian products.

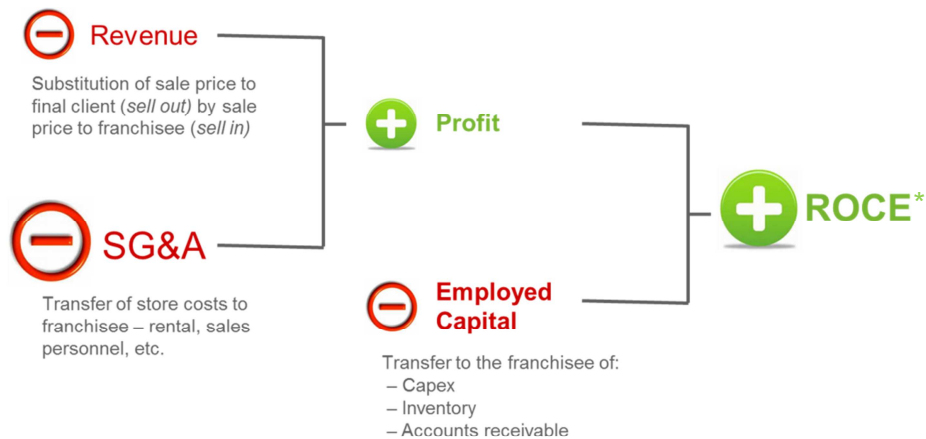
At the same time, we continue working on export opportunities to retailers for delivery in 2017 onwards, which will enable expansion of our sales volume and, as a result, our consolidated revenue.

South America - Retail

Net revenue from the South America – Retail business unit totaled R\$ 59.7 million in 2Q16, 5.5% lower yoy, in line with the reduction of 4.7% in the number of stores and the conversion of 14 owned stores to franchises in the same period. In 2Q16, we converted one store and launched two new franchises.

The conversion process reduces the reported revenue, because, in owned stores, it is considered the sale price to the consumer, while, in the case of franchises, revenue is calculated with the franchisor's price to the franchise, added to the royalties received from the franchise for the sale of products.

The Company's gains with the conversion process are: (i) reduction of SG&A, (ii) reduction of capital employed, and (iii) increase of profitability, as the reduction of the SG&A is higher than the reduction of the revenue.



*Return on Capital Employed. In the example, ROCE = Profit / Capital Employed

Chart 11 – Effects of the conversion of owned stores into franchises

In order to track the performance of the South America – Retail business unit, during this conversion process, it is necessary to compare the sell-out revenue, which, regardless if the store is owned or franchise, considers the sale price to the final consumer. In this quarter, the sell-out revenue amounted to R\$ 109.5 million, 1.8% higher yoy, in spite of the lower number of stores in the same period.

COGS totaled R\$ 28.2 million, 13.0% lower yoy, reflecting the lower number of stores and the higher use of Brazilian products in our collection, leading to an expansion of the gross margin to 52.8% in 2Q16, from 48.7% in 2Q15, despite the higher share of franchises in our revenue.

SG&A expenses amounted to R\$ 34.3 million, 12.1% lower yoy, mainly due to the conversion of owned stores to franchises and the closing of some stores.

EBITDA was a loss of R\$ 0.8 million in 2Q16, against an R\$ 8.3 million loss in 2Q15, getting even closer to the breakeven point.

At the end of 2Q16, we had 222 stores, of which 84 were owned and 138 franchises, compared to 233 at the end of 2Q15. It is worth highlighting that the reduction in the number of stores has a negative impact on both the reported revenue and the sell-out revenue.

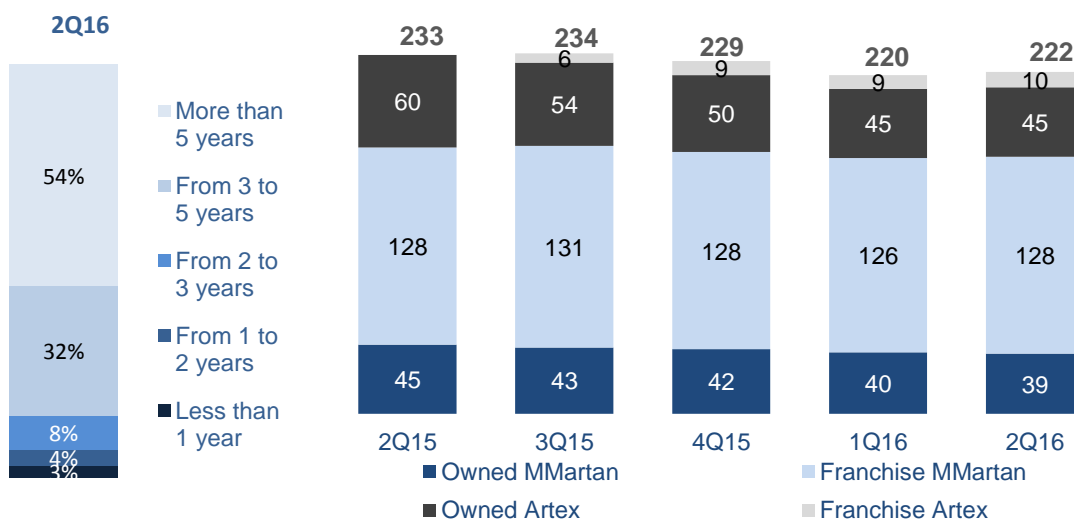


Chart 12 – Stores per maturity stage

Chart 13 – Number of stores



We have already negotiated new conversions, which are awaiting approval of tenants, including shopping centers, to transfer the store ownership. At the same time, we continue working on the increase in the number of franchises, which will help boost sales in the monobrand retail.

North America - Wholesale

Net revenue from the North America – Wholesale business unit reached R\$ 218.4 million in 2Q16, with a 9.3% yoy increase.

COGS amounted to R\$ 179.5 million, 6.9% higher yoy, enabling the increase of gross margin to 17.8% in 2Q16 from 16.0% in 2Q15.

In spite of the Real depreciation, SG&A expenses decreased by 2.5% yoy and represented 8.9% of revenue in 2Q16, with a 1.1 pp yoy drop.

Other expenses, which include non-recoverable leases, pension plans and post-retirement benefits, referred to as legacy costs, reduced by R\$ 0.9 million yoy.

All these factors contributed positively to an yoy expansion of 77.9% in EBITDA, which reached R\$ 18.5 million in 2Q16, a quarterly record high in the last three years.

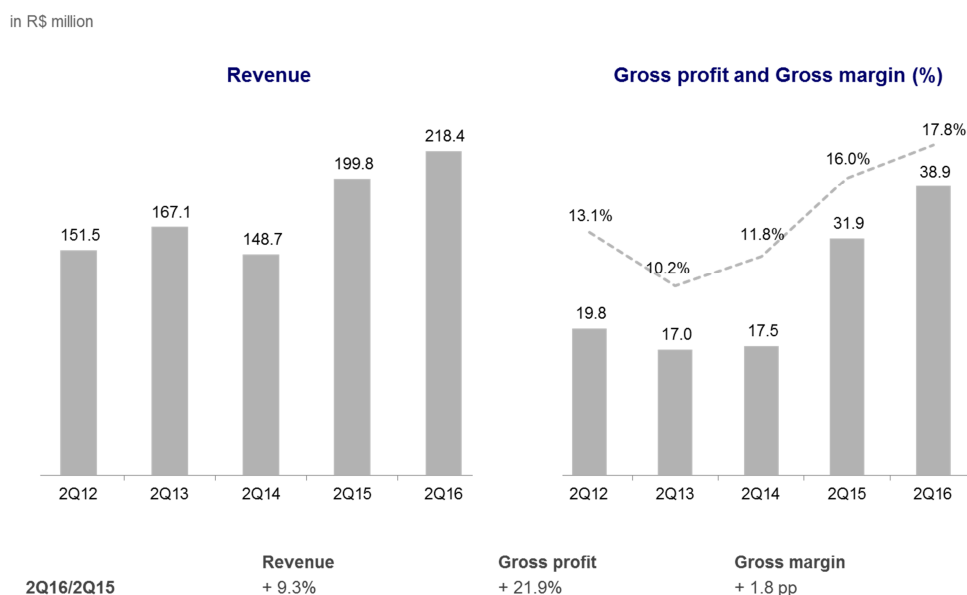


Chart 14 – Financial Performance – North America – Wholesale

Tables

Table 3 – Net revenue per business unit

in R\$ million	2Q16	%	2Q15	%	(A)/(B)	1H16	%	1H15	%	(C)/(D)
	(A)		(B)		%	(C)		(D)		%
South America	299.8	58%	308.8	61%	(2.9%)	644.4	57%	656.9	62%	(1.9%)
Wholesale*	240.1	46%	245.6	48%	(2.2%)	521.0	46%	530.4	50%	(1.8%)
Retail	59.7	12%	63.2	12%	(5.5%)	123.4	11%	126.5	12%	(2.5%)
North America	218.4	42%	199.8	39%	9.3%	476.4	43%	400.0	38%	19.1%
Total net revenue	518.2	100%	508.5	100%	1.9%	1,120.8	100%	1,056.9	100%	6.1%
Intercompany	13.0		15.2			29.5		29.5		

* Excluding intercompany revenues

Table 4 – Net revenue per product line

Product Lines	Net Revenue (R\$ million)			Volume (tons)			Average price (R\$)/Kg		
	2Q16	2Q15	(A)/(B)	2Q16	2Q15	(C)/(D)	2Q16	2Q15	(E)/(F)
	(A)	(B)	%	(C)	(D)	%	(E)	(F)	%
Bedding, tabletop and bath	220.9	242.8	(9.0%)	6,977	8,083	(13.7%)	31.7	30.0	5.5%
Utility bedding	173.6	152.0	14.2%	10,547	9,953	6.0%	16.5	15.3	7.6%
Intermediate products	64.0	50.5	26.7%	7,037	5,873	19.8%	9.1	8.6	5.8%
Retail	59.7	63.2	(5.5%)						
Total	518.2	508.5	1.9%	24,561	23,909	2.7%	21.1	21.3	(0.8%)

Product Lines	Net Revenue (R\$ million)			Volume (tons)			Average price (R\$)/Kg		
	1H16	1H15	(A)/(B)	1H16	1H15	(C)/(D)	1H16	1H15	(E)/(F)
	(A)	(B)	%	(C)	(D)	%	(E)	(F)	%
Bedding, tabletop and bath	495.1	522.6	(5.3%)	15,633	17,903	(12.7%)	31.7	29.2	8.5%
Utility bedding	379.9	308.2	23.3%	21,284	20,850	2.1%	17.8	14.8	20.8%
Intermediate products	122.4	99.6	22.9%	13,648	12,339	10.6%	9.0	8.1	11.1%
Retail	123.4	126.5	(2.5%)						
Total	1,120.8	1,056.9	6.1%	50,565	51,092	(1.0%)	22.2	20.7	7.2%

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

in R\$ million	2Q16	%	2Q15	%	(A)/(B)	1H16	%	1H15	%	(C)/(D)
	(A)		(B)		%	(C)		(D)		%
Materials	236.8	63.4%	224.7	61.1%	5.4%	524.1	64.1%	481.2	61.8%	8.9%
Conversion costs and Others	118.9	31.8%	124.7	33.9%	(4.7%)	257.8	31.5%	260.6	33.5%	(1.1%)
Depreciation	17.9	4.8%	18.1	4.9%	(1.1%)	35.8	4.4%	37.0	4.8%	(3.2%)
COGS	373.6	100.0%	367.5	100.0%	1.7%	817.7	100.0%	778.8	100.0%	5.0%
COGS, % Revenues	72.1%		72.3%		(0.2 p.p.)	73.0%		73.7%		(0.7 p.p.)
Sales expenses	67.6	66.4%	72.9	67.3%	(7.2%)	140.1	66.5%	148.2	68.4%	(5.5%)
General and administrative expenses	34.2	33.6%	35.4	32.7%	(3.6%)	70.5	33.5%	68.6	31.6%	2.8%
SG&A	101.8	100.0%	108.3	100.0%	(6.0%)	210.5	100.0%	216.7	100.0%	(2.9%)
SGA, % Revenues	19.6%		21.3%		(1.7 p.p.)	18.8%		20.5%		(1.7 p.p.)

Table 6 – Reconciliation of EBITDA

in R\$ million	2Q16	2Q15	2Q15 ¹	(A)/(C)	1H16	1H15	1H15 ¹	(D)/(F)
	(A)	(B)	(C)	%	(D)	(E)	(F)	%
Income (Loss)	(8.7)	2.4	(14.7)	(40.7%)	(30.9)	9.0	(8.1)	n.a.
(+) Income and social contribution taxes	(6.3)	(1.5)	(1.5)	n.a.	(4.3)	(2.7)	(2.7)	n.a.
(+) Financial results	56.5	49.0	49.0	15.2%	120.6	69.8	69.8	72.8%
(+) Depreciation and amortization	19.4	19.6	19.6	(1.0%)	38.9	40.1	40.1	(2.9%)
EBITDA	60.9	69.5	52.4	16.1%	124.3	116.2	99.1	25.4%

¹ Excluding the non-recurring result from asset sale totalling R\$ 17.1 million in 2Q15 and in 1H15

Table 7 – EBITDA per business unit and EBITDA margin

in R\$ million	2Q16	2Q15	2Q15 ¹	(A)/(C)	1H16	1H15	1H15 ¹	(D)/(F)
	(A)	(B)	(C)	%	(D)	(E)	(F)	%
South America	43.6	59.9	42.8	1.9%	94.4	101.5	84.4	11.8%
Wholesale	44.4	68.2	51.1	(13.1%)	96.9	115.2	98.1	(1.2%)
Retail	(0.8)	(8.3)	(8.3)	(90.4%)	(2.5)	(13.7)	(13.7)	(81.8%)
North America	18.5	10.4	10.4	77.9%	31.9	16.7	16.7	91.0%
Non-allocated expenses	(1.0)	(0.9)	(0.9)	11.1%	(1.8)	(1.8)	(1.8)	0.0%
EBITDA total	60.9	69.5	52.4	16.1%	124.3	116.2	99.1	25.4%
<i>EBITDA Margin %</i>	<i>11.7%</i>	<i>13.7%</i>	<i>10.3%</i>	<i>1.4 p.p.</i>	<i>11.1%</i>	<i>11.0%</i>	<i>9.4%</i>	<i>1.7 p.p.</i>

¹ Excluding the non-recurring result from asset sale totalling R\$ 17.1 million in 2Q15 and in 1H15

Table 8 – Financial Results

in R\$ million	2Q16	2Q15	(A)/(B)	1H16	1H15	(C)/(D)
	(A)	(B)	%	(C)	(D)	%
Financial income	7.6	5.6	36.3%	13.9	11.0	27.1%
Financial expenses - interests	(44.8)	(36.5)	22.6%	(84.0)	(68.9)	21.9%
Financial expenses - bank charges and others	(14.5)	(14.3)	1.1%	(31.3)	(29.4)	6.4%
Exchange rate variations, net	(4.9)	(3.8)	n.a.	(19.2)	17.5	n.a.
Financial results	(56.5)	(49.0)	15.2%	(120.6)	(69.9)	72.5%

Table 9 – Investment

in R\$ million	2Q16	2Q15	1H16	1H15
Manufacturing facilities	26.0	8.6	47.0	20.7
Retail	0.7	1.2	1.2	2.1
Total	26.6	9.8	48.2	22.8

Table 10 – Working Capital

in R\$ million	2Q16	1Q16	2Q15	(A)/(B)	(A)/(C)
	(A)	(B)	(C)	%	%
Accounts receivable	507.3	528.9	516.5	(4.1%)	(1.8%)
Inventories	618.4	588.5	675.3	5.1%	(8.4%)
Advances to suppliers	34.2	40.6	37.0	(15.8%)	(7.5%)
Suppliers	(167.4)	(135.9)	(202.3)	23.2%	(17.2%)
Working capital	992.5	1,022.2	1,026.5	(2.9%)	(3.3%)

Table 11 – Indebtedness

in R\$ million	2Q16	1Q16	2Q15	(A)/(B)	(A)/(C)
	(A)	(B)	(C)	%	%
Loans and financing	906.0	800.2	622.9	13.2%	45.5%
- Domestic currency	608.5	602.5	561.6	1.0%	8.3%
- Foreign currency	297.6	197.7	61.3	50.5%	385.4%
Debentures	133.6	278.7	267.0	(52.1%)	(50.0%)
Total Debt	1,039.6	1,078.9	889.9	(3.6%)	16.8%
Cash and marketable securities	(192.4)	(244.2)	(110.2)	(21.2%)	74.6%
Net debt	847.2	834.7	779.7	1.5%	8.7%

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

in R\$ million	2Q16	1Q16	2Q15	2Q15 ¹	(A)/(B)	(A)/(C)	(A)/(D)
	(A)	(B)	(C)	(D)	%	%	%
Net revenue	253.1	297.4	260.8	260.8	(14.9%)	(3.0%)	(3.0%)
(-) COGS	(178.9)	(207.4)	(182.4)	(182.4)	(13.7%)	(1.9%)	(1.9%)
Gross Profit	74.2	90.0	78.4	78.4	(17.6%)	(5.4%)	(5.4%)
Gross Margin %	29.3%	30.3%	30.1%	30.1%	(0.9 p.p.)	(0.7 p.p.)	(0.7 p.p.)
(-) SG&A	(47.0)	(51.4)	(48.5)	(48.5)	(8.6%)	(3.1%)	(3.1%)
(-) Others	1.1	(2.2)	22.8	5.7	n.a.	(95.2%)	(80.7%)
Operational result	28.3	36.4	52.7	35.6	(22.3%)	(46.3%)	(20.5%)
(+) Depreciation and Amortization	16.1	16.1	15.5	15.5	0.0%	3.9%	3.9%
EBITDA	44.4	52.5	68.2	51.1	(15.4%)	(34.9%)	(13.1%)
EBITDA Margin %	17.5%	17.7%	26.2%	19.6%	(0.1 p.p.)	(8.6 p.p.)	(2.1 p.p.)
Intercompany revenue	13.0	16.5	15.2	15.2	(21.2%)	(14.5%)	(14.5%)
Revenue ex-intercompany	240.1	280.9	245.6	245.6	(14.5%)	(2.2%)	(2.2%)

¹ Excluding the non-recurring result from asset sale totalling R\$ 17.1 million in 2Q15

in R\$ million	1H16	1H15	1H15 ¹	(A)/(B)	(A)/(C)
	(A)	(B)	(C)	%	%
Net revenue	550.5	559.9	559.9	(1.7%)	(1.7%)
(-) COGS	(386.3)	(399.6)	(399.6)	(3.3%)	(3.3%)
Gross Profit	164.2	160.3	160.3	2.4%	2.4%
Gross Margin %	29.8%	28.6%	28.6%	1.2 p.p.	1.2 p.p.
(-) SG&A	(98.4)	(101.0)	(101.0)	(2.6%)	(2.6%)
(-) Others	(1.1)	24.1	7.0	n.a.	n.a.
Operational result	64.7	83.4	66.3	(22.4%)	(2.4%)
(+) Depreciation and Amortization	32.2	31.8	31.8	1.3%	1.3%
EBITDA	96.9	115.2	98.1	(15.9%)	(1.2%)
EBITDA Margin %	17.6%	20.6%	17.5%	(3.0 p.p.)	0.1 p.p.
Intercompany revenue	29.5	29.5	29.5	0.0%	0.0%
Revenue ex-intercompany	521.0	530.4	530.4	(1.8%)	(1.8%)

¹ Excluding the non-recurring result from asset sale totalling R\$ 17.1 million in 1H15

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

Em R\$ milhões	2Q16 (A)	1Q16 (B)	2Q15 (C)	(A)/(B) %	(A)/(C) %	1H16 (D)	1H15 (E)	(D)/(E) %
Net revenue	59.7	63.7	63.2	(6.3%)	(5.5%)	123.4	126.5	(2.5%)
(-) COGS	(28.2)	(32.5)	(32.4)	(13.2%)	(13.0%)	(60.7)	(65.9)	(7.9%)
Gross profit	31.5	31.2	30.8	1.0%	2.3%	62.7	60.6	3.5%
Gross Margin %	52.8%	49.0%	48.7%	3.8 p.p.	4.0 p.p.	50.8%	47.9%	2.9 p.p.
(-) SG&A	(34.3)	(35.1)	(39.0)	(2.3%)	(12.1%)	(69.4)	(77.0)	(9.9%)
(-) Others	(0.4)	(0.3)	(3.0)	33.3%	(86.7%)	(0.7)	(3.3)	(78.8%)
Operational result	(3.2)	(4.2)	(11.2)	(23.8%)	(71.4%)	(7.4)	(19.7)	(62.4%)
(+) Depreciation and Amortization	2.4	2.5	2.9	(4.0%)	(17.2%)	4.9	6.0	(18.3%)
EBITDA	(0.8)	(1.7)	(8.3)	(52.9%)	(90.4%)	(2.5)	(13.7)	(81.8%)
EBITDA Margin %	-1.3%	-2.7%	-13.1%	1.3 p.p.	11.8 p.p.	-2.0%	-10.8%	8.8 p.p.
Number of stores	222	220	233	0.9%	(4.7%)	222	233	(4.7%)
Ow ned MMartan	39	40	45			39	45	
Franchise MMartan	128	126	128			128	128	
Ow ned Artex	45	45	60			45	60	
Franchise Artex	10	9	-			10	-	
Gross Revenue sell out	109.5	111.6	107.5	(1.9%)	1.8%	221.1	218.3	1.3%

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

in R\$ million	2Q16 (A)	1Q16 (B)	2Q15 (C)	(A)/(B) %	(A)/(C) %	1H16 (D)	1H15 (E)	(D)/(E) %
Net revenue	218.4	258.0	199.8	(15.3%)	9.3%	476.4	400.0	19.1%
(-) COGS	(179.5)	(220.7)	(167.9)	(18.7%)	6.9%	(400.2)	(342.8)	16.7%
Gross Profit	38.9	37.3	31.9	4.3%	21.9%	76.2	57.2	33.2%
Gross Margin %	17.8%	14.5%	16.0%	3.4 p.p.	1.8 p.p.	16.0%	14.3%	1.7 p.p.
(-) SG&A	(19.4)	(21.4)	(19.9)	(9.3%)	(2.5%)	(40.8)	(36.9)	10.6%
(-) Others	(1.9)	(3.5)	(2.8)	(45.7%)	(32.1%)	(5.4)	(5.9)	(8.5%)
Operational result	17.6	12.4	9.2	41.9%	91.3%	30.0	14.4	108.3%
(+) Depreciation and Amortization	0.9	1.0	1.2	(10.0%)	(25.0%)	1.9	2.3	(17.4%)
EBITDA	18.5	13.4	10.4	38.1%	77.9%	31.9	16.7	91.0%
EBITDA Margin %	8.5%	5.2%	5.2%	3.3 p.p.	3.3 p.p.	6.7%	4.2%	2.5 p.p.



Glossary

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

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

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

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

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

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

(g) CRA – *Certificado de Recebíveis do Agronegócio*, Agribusiness Receivables Certificate.

Balance sheet

in R\$ million	2Q16	1Q16	2Q15
Assets			
Current assets	1,371.6	1,481.1	1,391.2
Cash and cash equivalents	116.2	227.4	108.6
Marketable securities	15.5	1.8	1.6
Financial instruments	-	15.0	-
Accounts receivable	507.3	528.9	516.5
Inventories	618.4	588.5	675.3
Advances to suppliers	34.2	40.6	37.0
Recoverable taxes	31.0	29.2	28.5
Receivable - sale of property	16.6	11.7	2.0
Other receivables	32.5	37.9	21.8
Noncurrent assets	1,211.7	1,159.9	1,151.5
Long-term assets	319.0	259.9	214.9
Marketable securities	60.7	-	-
Receivable - sale of property	37.6	39.2	43.7
Related parties	42.2	32.7	28.8
Recoverable taxes	9.5	9.6	4.3
Deferred income and social contribution taxes	57.4	58.2	65.7
Property, plant and equipment held for sale	48.7	53.9	46.7
Escrow deposits	20.3	20.3	19.2
Others	42.6	46.0	6.4
Permanent	892.7	900.0	936.6
Other investments	2.0	2.0	2.2
Property, plant and equipment	773.4	775.3	811.7
Intangible assets	117.4	122.7	122.7
Total assets	2,583.3	2,641.0	2,542.7

in R\$ million	2Q16	1Q16	2Q15
Liabilities and Equity			
Current liabilities	875.9	778.2	876.1
Loans and financing	425.7	336.0	402.8
Debenture	133.6	144.2	134.4
Suppliers	167.4	135.9	202.3
Taxes	15.8	16.6	10.4
Payroll and related charges	56.8	52.0	55.9
Government concessions	18.1	18.1	17.3
Noneconomic leases	5.8	6.4	4.3
Other payables	52.7	68.8	48.7
Noncurrent liabilities	687.5	823.8	575.3
Loans and financing	480.4	464.2	220.1
Debenture	-	134.5	132.6
Noneconomic leases	17.9	19.4	16.9
Related parties	-	0.1	-
Government concessions	49.4	49.5	48.0
Employee benefit plans	104.5	117.8	113.5
Miscellaneous accruals	22.2	22.8	23.3
Other obligations	13.2	15.5	20.8
Equity	1,019.9	1,039.1	1,091.3
Capital	1,860.3	1,860.3	1,860.3
Capital reserves	79.4	79.4	79.4
Assets and liabilities valuation adjustment	(33.8)	(33.6)	(40.3)
Cumulative translation adjustment	(268.3)	(260.0)	(213.7)
Earnings reserves	25.2	25.2	25.2
Accumulated deficit	(649.6)	(640.7)	(628.2)
Noncontrolling interest	6.7	8.6	8.7
Total liabilities and equity	2,583.3	2,641.0	2,542.7

Income Statement

in R\$ million	2Q16 (A)	1Q16 (B)	2Q15 (C)	2Q15 (D)	(A)/(B) %	(A)/(C) %	(A)/(D) %
Gross revenues	630.8	726.7	622.0	622.0	(13.2%)	1.4%	1.4%
Net revenues	518.2	602.6	508.5	508.5	(14.0%)	1.9%	1.9%
Cost of goods sold	(373.6)	(444.1)	(367.5)	(367.5)	(15.9%)	1.7%	1.7%
<i>% of net sales</i>	72.1%	73.7%	72.3%	72.3%	(1.6 p.p.)	(0.2 p.p.)	(0.2 p.p.)
Materials	(236.8)	(287.3)	(224.7)	(224.7)	(17.6%)	5.4%	5.4%
Conversion costs and others	(118.9)	(138.9)	(124.7)	(124.7)	(14.4%)	(4.7%)	(4.7%)
Depreciation	(17.9)	(17.9)	(18.1)	(18.1)	0.0%	(1.1%)	(1.1%)
Gross profit	144.6	158.5	141.1	141.1	(8.8%)	2.5%	2.5%
<i>% Gross Margin</i>	27.9%	26.3%	27.7%	27.7%	1.6 p.p.	0.2 p.p.	0.2 p.p.
SG&A	(101.8)	(108.7)	(108.3)	(108.3)	(6.4%)	(6.0%)	(6.0%)
<i>% of net sales</i>	19.6%	18.0%	21.3%	21.3%	1.6 p.p.	(1.7 p.p.)	(1.7 p.p.)
Selling expenses	(67.6)	(72.4)	(72.9)	(72.9)	(6.6%)	(7.2%)	(7.2%)
<i>% of net sales</i>	13.1%	12.0%	14.3%	14.3%	1.0 p.p.	(1.3 p.p.)	(1.3 p.p.)
General and administrative expenses	(34.2)	(36.3)	(35.4)	(35.4)	(5.9%)	(3.6%)	(3.6%)
<i>% of net sales</i>	6.6%	6.0%	7.0%	7.0%	0.6 p.p.	(0.4 p.p.)	(0.4 p.p.)
Others, net	(1.3)	(5.9)	17.1	0.0	(77.4%)	n.a.	n.a.
<i>% of net sales</i>	(0.3%)	(1.0%)	3.4%	0.0%	0.7 p.p.	(3.6 p.p.)	(0.3 p.p.)
Income from operations	41.5	43.9	49.9	32.8	(5.5%)	(16.8%)	26.6%
<i>% of net sales</i>	8.0%	7.3%	9.8%	6.4%	0.7 p.p.	(1.8 p.p.)	1.6 p.p.
Financial result	(56.5)	(64.1)	(49.0)	(49.0)	(12.0%)	15.2%	15.2%
Profit (Loss) before taxes	(15.0)	(20.2)	0.9	(16.2)	n.a.	n.a.	n.a.
Income and social contribution taxes	6.3	(2.0)	1.5	1.5	n.a.	n.a.	n.a.
Net income (loss)	(8.7)	(22.2)	2.4	(14.7)	n.a.	n.a.	n.a.

¹ Excluding the non-recurring result from asset sale totalling R\$ 17.1 million in 2Q15

in R\$ million	1H16 (A)	1H15 (B)	1H15 ¹ (C)	(A)/(B) %	(A)/(C) %
Gross revenues	1,357.5	1,284.4	1,284.4	5.7%	5.7%
Net revenues	1,120.8	1,056.9	1,056.9	6.1%	6.1%
Cost of goods sold	(817.7)	(778.8)	(778.8)	5.0%	5.0%
<i>% of net sales</i>	<i>73.0%</i>	<i>73.7%</i>	<i>73.7%</i>	<i>(0.7 p.p.)</i>	<i>(0.7 p.p.)</i>
Materials	(524.1)	(481.2)	(481.2)	8.9%	8.9%
Conversion costs and others	(257.8)	(260.6)	(260.6)	(1.1%)	(1.1%)
Depreciation	(35.8)	(37.0)	(37.0)	(3.2%)	(3.2%)
Gross profit	303.1	278.1	278.1	9.0%	9.0%
<i>% Gross Margin</i>	<i>27.0%</i>	<i>26.3%</i>	<i>26.3%</i>	<i>0.7 p.p.</i>	<i>0.7 p.p.</i>
SG&A	(210.5)	(216.7)	(216.7)	(2.8%)	(2.8%)
<i>% of net sales</i>	<i>18.8%</i>	<i>20.5%</i>	<i>20.5%</i>	<i>(1.7 p.p.)</i>	<i>(1.7 p.p.)</i>
Selling expenses	(140.1)	(148.2)	(148.2)	(5.5%)	(5.5%)
<i>% of net sales</i>	<i>12.5%</i>	<i>14.0%</i>	<i>14.0%</i>	<i>(1.5 p.p.)</i>	<i>(1.5 p.p.)</i>
General and administrative expenses	(70.5)	(68.5)	(68.5)	2.9%	2.9%
<i>% of net sales</i>	<i>13.6%</i>	<i>11.4%</i>	<i>13.5%</i>	<i>2.2 p.p.</i>	<i>0.1 p.p.</i>
Others, net	(7.2)	15.0	(2.1)	n.a.	n.a.
<i>% of net sales</i>	<i>(0.6%)</i>	<i>1.4%</i>	<i>(0.2%)</i>	<i>(2.1 p.p.)</i>	<i>(0.4 p.p.)</i>
Income from operations	85.4	76.3	59.2	11.9%	44.2%
<i>% of net sales</i>	<i>16.5%</i>	<i>12.7%</i>	<i>11.6%</i>	<i>3.8 p.p.</i>	<i>4.8 p.p.</i>
Financial result	(120.6)	(69.9)	(69.9)	72.5%	72.5%
Profit (Loss) before taxes	(35.2)	6.4	(10.7)	n.a.	n.a.
Income and social contribution taxes	4.3	2.6	2.6	n.a.	n.a.
Net income (loss)	(30.9)	9.0	(8.1)	n.a.	n.a.

¹ Excluding the non-recurring result from asset sale totalling R\$ 17.1 million in 1H15

Cash Flow Statement

in R\$ million	2Q16	2Q15	1HS16	1H15
Cash flows from operating activities				
Net income (loss) for the period	(8.7)	2.4	(30.9)	9.0
Adjustments to reconcile net loss to net cash provided by (used in) operating activities				
Depreciation and amortization	19.4	19.6	38.9	40.1
Income and social contribution taxes	(6.3)	(1.6)	(4.3)	(2.7)
(Gain) loss on disposal of property, plant and equipment and intangibles	0.5	(28.5)	1.9	(29.1)
Exchange rate variations	(0.9)	3.5	5.5	(13.3)
Bank charges and interests	38.2	26.4	72.1	52.5
	42.2	21.8	83.1	56.6
Changes in assets and liabilities				
Marketable securities	(80.4)	0.1	(80.4)	(0.2)
Accounts receivable	20.7	1.1	(27.7)	6.0
Inventories	(49.0)	(50.6)	(0.1)	(85.7)
Advances to suppliers	4.9	12.8	3.4	9.7
Suppliers	46.0	9.5	47.7	35.2
Others	29.2	9.3	(2.7)	18.8
Net cash provided by (used in) operating activities	13.5	4.0	23.3	40.3
Interest paid	(48.0)	(59.9)	(74.4)	(80.5)
Income and social contribution taxes paid	0.5	(0.1)	0.8	(1.0)
Net cash provided by (used in) operating activities after interest and taxes	(34.0)	(56.0)	(50.4)	(41.2)
Cash flows from investing activities				
Acquisition of property, plant and equipment	(26.6)	(9.9)	(48.2)	(22.8)
Acquisition of intangible assets	(0.0)	-	(0.0)	-
Disposal of property, plant and equipment	(0.7)	4.8	1.4	6.7
Loans between related parties	(39.9)	(25.0)	(41.5)	(14.7)
Net cash provided by (used in) investing activities	(67.3)	(30.1)	(88.3)	(30.8)
Cash flows from financing activities				
Proceeds from new loans	244.2	341.6	563.7	386.7
Repayment of loans	(245.9)	(275.5)	(446.2)	(336.9)
Net cash provided by (used in) financing activities	(1.6)	66.1	117.5	49.8
Effect of exchange rate changes on cash and cash equivalents in foreign currencies	(8.3)	(1.9)	(12.5)	1.2
Increase (decrease) in cash and cash equivalents	(111.2)	(21.9)	(33.7)	(21.0)
Cash and cash equivalents:				
At the beginning of the period	227.4	130.5	149.9	129.6
At the end of the period	116.2	108.6	116.2	108.6



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

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

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

Springs Global Participações S.A.

*Individual and Consolidated Financial Statements
and Report on Review of Interim Financial
Information
Second Quarter - 2016*

BDO RCS Auditores Independentes

REVIEW REPORT OF INDEPENDENT AUDITORS ON INTERIM FINANCIAL INFORMATION

To
The Board of Directors, Management and Shareholders of
Springs Global Participações S.A.
Montes Claros - MG

Introduction

We have reviewed the individual and consolidated interim financial statements of **Springs Global Participações S.A.** (“Company”), included in the Quarterly Information (ITR) related to the quarter ended June 30, 2016, which consist of the balance sheet at June 30, 2016 and the related statements of income and comprehensive income for the three and six months then ended and the changes in equity and cash flows for the six month period then ended including a summary of significant accounting policies and other explanatory notes.

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

Scope of the review

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

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



Conclusion on the individual and consolidated interim financial information

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

Other issues

Interim statements of value added

We have also reviewed the individual and consolidated interim statements of value added (DVA), individual and consolidated, prepared under the responsibility of the Company's management, for the Company for the six months ended June 30, 2016, for which presentation in the interim financial statements is required according to the standards issued by CVM applicable to the preparation of Quarterly Information (ITR), and considered as supplementary information by IFRS, which do not require the presentation of DVA. These statements were submitted to the same review procedures described before and, based on our review, we are not aware of any fact that leads us to believe that they have not been fairly stated, in all material respects, regarding the individual and consolidated interim financial statements taken as a whole.

São Paulo, August 09, 2016.



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


Paulo Sérgio Tufani
Accountant CRC 1SP 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 JUNE 30, 2016 AND DECEMBER 31, 2015

(In thousands of Brazilian Reais)

A S S E T S

	Note	Company		Consolidated	
		06.30.2016	12.31.2015	06.30.2016	12.31.2015
CURRENT:					
Cash and cash equivalents	3	160	128	116,177	149,925
Marketable securities	4	-	-	15,520	2,000
Financial instruments	22.d.3	-	-	-	19,882
Accounts receivable	5	-	-	507,281	508,826
Inventories	6	-	-	618,359	657,992
Advances to suppliers		-	-	34,229	39,479
Recoverable taxes	17.d	130	1,066	30,994	31,421
Receivable – sale of property	16	-	-	16,600	8,318
Other receivables		1,041	1,012	32,474	35,383
		-----	-----	-----	-----
Total current assets		1,331	2,206	1,371,634	1,453,226
		-----	-----	-----	-----
NONCURRENT:					
Long-term assets:					
Marketable securities	4	-	-	60,718	-
Receivable – sale of property	16	-	-	37,626	40,899
Related parties	15	49	46	42,173	23,503
Recoverable taxes	17.d	-	-	9,460	3,586
Deferred income and social contribution taxes	17.c	1,905	1,905	57,421	58,298
Property, plant and equipment held for sale	8.b	-	-	48,682	59,132
Escrow deposits	18	4,221	4,221	20,287	20,486
Others		-	-	42,590	23,234
		-----	-----	-----	-----
		6,175	6,172	318,957	229,138
		-----	-----	-----	-----
Investments in subsidiaries	7.a	1,075,200	1,147,459	-	-
Other investments		-	-	2,000	3,897
Property, plant and equipment	8.a	-	-	773,377	784,893
Intangible assets	9	27,303	27,303	117,363	127,182
		-----	-----	-----	-----
Total noncurrent assets		1,108,678	1,180,934	1,211,697	1,145,110
		-----	-----	-----	-----
Total assets		1,110,009	1,183,140	2,583,331	2,598,336
		=====	=====	=====	=====

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

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

BALANCE SHEETS AS OF JUNE 30, 2016 AND DECEMBER 31, 2015

(In thousands of Brazilian Reais)

LIABILITIES AND EQUITY

	Note	Company		Consolidated	
		06.30.2016	12.31.2015	06.30.2016	12.31.2015
LIABILITIES					
CURRENT:					
Loans and financing	12	21,842	-	425,671	396,747
Debenture	13	-	-	133,585	134,484
Suppliers	11	15	15	167,414	152,156
Taxes		93	-	15,817	17,299
Payroll and related charges		44	45	56,780	55,083
Government concessions	20	-	-	18,115	18,337
Noneconomic leases	10	-	-	5,793	7,048
Other payables		-	-	52,740	69,542
		-----	-----	-----	-----
Total current liabilities		21,994	60	875,915	850,696
		-----	-----	-----	-----
NONCURRENT:					
Loans and financing	12	-	-	480,365	292,975
Debenture	13	-	-	-	133,848
Noneconomic leases	10	-	-	17,876	20,607
Related parties	15	30,242	46,847	-	84
Government concessions	20	-	-	49,413	49,044
Employee benefit plans	19	-	-	104,505	131,729
Miscellaneous accruals	18	4,317	4,317	22,207	23,296
Subsidiaries obligations	7.a	38,210	61,360	-	-
Other obligations		2,056	2,056	13,182	17,089
		-----	-----	-----	-----
Total noncurrent liabilities		74,825	114,580	687,548	668,672
		-----	-----	-----	-----
EQUITY:					
	14				
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 adjustment		(33,778)	(33,480)	(33,778)	(33,480)
Cumulative translation adjustment		(268,292)	(248,116)	(268,292)	(248,116)
Earnings reserves		25,170	25,170	25,170	25,170
Accumulated deficit		(649,556)	(614,720)	(649,556)	(614,720)
		-----	-----	-----	-----
Total equity attributable to the owners of the Company		1,013,190	1,068,500	1,013,190	1,068,500
		-----	-----	-----	-----
NON-CONTROLLING INTERESTS					
		-	-	6,678	10,468
		-----	-----	-----	-----
Total equity		1,013,190	1,068,500	1,019,868	1,078,968
		-----	-----	-----	-----
Total liabilities and equity		1,110,009	1,183,140	2,583,331	2,598,336

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

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The accompanying notes are an integral part of these 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 SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

(In thousands of Brazilian Reais)

	Note	Company			
		04.01.2016 to 06.30.2016	01.01.2016 to 06.30.2016	04.01.2015 to 06.30.2015	01.01.2015 to 06.30.2015
OPERATING INCOME (EXPENSES):					
General and administrative expenses		(868)	(1,632)	(765)	(1,612)
Management fees		(112)	(211)	(102)	(210)
Equity in subsidiaries	7.a	(5,689)	(25,196)	3,184	10,803
		-----	-----	-----	-----
INCOME (LOSS) FROM OPERATIONS		(6,669)	(27,039)	2,317	8,981
Financial expenses – interests		(2,085)	(3,917)	(481)	(1,052)
Financial expenses – bank charges and others		(157)	(465)	(89)	(180)
Financial income		8	23	81	255
		-----	-----	-----	-----
INCOME (LOSS) FROM OPERATIONS BEFORE TAXES		(8,903)	(31,398)	1,828	8,004
Income and social contribution taxes:					
Deferred	17.b	-	-	460	951
		-----	-----	-----	-----
NET INCOME (LOSS) FOR THE PERIOD		(8,903)	(31,398)	2,288	8,955
		=====	=====	=====	=====
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE — R\$	26	(0.1781)	(0.6280)	0.0458	0.1791
		=====	=====	=====	=====

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF OPERATIONS

FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

(In thousands of Brazilian Reais)

	Note	Consolidated			
		04.01.2016 to 06.30.2016	01.01.2016 to 06.30.2016	04.01.2015 to 06.30.2015	01.01.2015 to 06.30.2015
NET REVENUES	25	518,192	1,120,819	508,542	1,056,868
COST OF GOODS SOLD	24	(373,589)	(817,716)	(367,492)	(778,809)
GROSS PROFIT		144,603	303,103	141,050	278,059
OPERATING INCOME (EXPENSES):					
Selling expenses	24	(67,643)	(140,050)	(72,890)	(148,181)
General and administrative expenses	24	(32,354)	(66,749)	(33,765)	(65,135)
Management fees	24	(1,811)	(3,730)	(1,677)	(3,426)
Others, net	21	(1,328)	(7,209)	17,140	14,995
INCOME (LOSS) FROM OPERATIONS		41,467	85,365	49,858	76,312
Financial expenses – interests		(44,766)	(83,993)	(36,515)	(68,910)
Financial expenses – bank charges and others		(14,459)	(31,321)	(14,302)	(29,439)
Financial income		7,632	13,936	5,630	10,967
Exchange rate variations, net		(4,865)	(19,224)	(3,803)	17,462
INCOME (LOSS) FROM OPERATIONS BEFORE TAXES		(14,991)	(35,237)	868	6,392
Income and social contribution taxes:					
Current	17.b	6,278	4,306	567	50
Deferred	17.b	-	-	969	2,607
NET INCOME (LOSS) FOR THE PERIOD		(8,713)	(30,931)	2,404	9,049
ATTRIBUTED TO:					
Owners of the Company		(8,903)	(31,398)	2,288	8,955
Non-controlling interests		190	467	116	94
		(8,713)	(30,931)	2,404	9,049

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

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015

(In thousands of Brazilian Reais)

Note	Capital	Capital reserve	Assets and liabilities valuation adjustments	Cumulative translation adjustment	Earnings reserves		Accumulated deficit	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
					Legal	Retained income				
BALANCES AS OF DECEMBER 31, 2014	1,860,265	79,381	(40,369)	(209,176)	1,842	23,328	(637,184)	1,078,087	7,684	1,085,771
Comprehensive income (loss):										
Net income for the period	-	-	-	-	-	-	8,955	8,955	94	9,049
Exchange rate variations on foreign investments	2.1.b	-	-	(12,280)	-	-	-	(12,280)	957	(11,323)
Actuarial gain on pension plans	-	-	83	-	-	-	-	83	-	83
Impact of subsidiaries-										
Exchange rate variations on foreign investments	2.1.b	-	-	7,748	-	-	-	7,748	-	7,748
Total comprehensive income (loss)	-	-	83	(4,532)	-	-	8,955	4,506	1,051	5,557
BALANCES AS OF JUNE 30, 2015	1,860,265	79,381	(40,286)	(213,708)	1,842	23,328	(628,229)	1,082,593	8,735	1,091,328

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 CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2016

(In thousands of Brazilian Reais)

Note	Capital	Capital reserve	Assets and liabilities valuation adjustments	Cumulative translation adjustment	Earnings reserves		Accumulated deficit	Total equity attributable to the owners of the Company	Non-controlling interests	Total equity
					Legal	Retained income				
BALANCES AS OF DECEMBER 31, 2015	1,860,265	79,381	(33,480)	(248,116)	1,842	23,328	(614,720)	1,068,500	10,468	1,078,968
Comprehensive income (loss):										
Net loss for the period	-	-	-	-	-	-	(31,398)	(31,398)	467	(30,931)
Exchange rate variations on foreign investments	2.1.b	-	-	9,681	-	-	-	9,681	(2,642)	7,039
Actuarial loss on pension plans		-	(298)	-	-	-	-	(298)	-	(298)
Impact of subsidiaries- Exchange rate variations on foreign investments	2.1.b	-	-	(29,857)	-	-	-	(29,857)	-	(29,857)
Total comprehensive income (loss)		-	(298)	(20,176)	-	-	(31,398)	(51,872)	(2,175)	(54,047)
Purchase of indirect subsidiary's minority shares		-	-	-	-	-	(3,438)	(3,438)	(1,615)	(5,053)
BALANCES AS OF JUNE 30, 2016	1,860,265	79,381	(33,778)	(268,292)	1,842	23,328	(649,556)	1,013,190	6,678	1,019,868

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 CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2016 to 06.30.2016	01.01.2015 to 06.30.2015	01.01.2016 to 06.30.2016	01.01.2015 to 06.30.2015
Cash flows from operating activities				
Net income (loss) for the period	(31,398)	8,955	(30,931)	9,049
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	38,945	40,066
Equity in subsidiaries	25,196	(10,803)	-	-
Income and social contribution taxes	-	(951)	(4,306)	(2,657)
(Gain) Loss on disposal of property, plant and equipment and intangibles	-	-	1,864	(29,073)
Exchange rate variations	-	-	5,462	(13,323)
Bank charges and interests	2,439	1,052	72,080	52,532
	<u>(3,763)</u>	<u>(1,747)</u>	<u>83,114</u>	<u>56,594</u>
Changes in assets and liabilities				
Marketable securities	-	-	(80,444)	(229)
Accounts receivable	-	-	(36,578)	5,952
Inventories	-	-	(138)	(85,722)
Advances to suppliers	-	-	3,359	9,712
Suppliers	-	4	47,703	35,170
Others	1,000	6,774	6,234	18,811
	<u>(2,763)</u>	<u>5,031</u>	<u>23,250</u>	<u>40,288</u>
Net cash provided by (used in) operating activities				
Interest paid	-	-	(74,443)	(80,474)
Income and social contribution taxes paid	-	-	804	(981)
	<u>(2,763)</u>	<u>5,031</u>	<u>(50,389)</u>	<u>(41,167)</u>
Net cash provided by (used in) operating activities after interest and income taxes				
Cash flows from investing activities				
Acquisition of property, plant and equipment	-	-	(48,155)	(22,766)
Acquisition of intangibles	-	-	(25)	-
Proceeds from disposal of property, plant and equipment	-	-	1,351	6,662
Loans between related parties	(19,047)	(5,049)	(41,497)	(14,706)
	<u>(19,047)</u>	<u>(5,049)</u>	<u>(88,326)</u>	<u>(30,810)</u>
Net cash used in investing activities				

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

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SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

(In thousands of Brazilian Reais)

	<u>Company</u>		<u>Consolidated</u>	
	<u>01.01.2016</u> <u>to</u> <u>06.30.2016</u>	<u>01.01.2015</u> <u>to</u> <u>06.30.2015</u>	<u>01.01.2016</u> <u>to</u> <u>06.30.2016</u>	<u>01.01.2015</u> <u>to</u> <u>06.30.2015</u>
Cash flows from financing activities				
Proceeds from new loans	21,842	-	588,726	386,699
Repayment of loans	-	-	(471,244)	(336,932)
	-----	-----	-----	-----
Net cash provided by financing activities	21,842	-	117,482	49,767
	-----	-----	-----	-----
Effect of exchange rate variations on cash and cash equivalents in foreign currency	-	-	(12,515)	1,245
	-----	-----	-----	-----
Increase (decrease) in cash and cash equivalents	32	(18)	(33,748)	(20,965)
	-----	-----	-----	-----
Cash and cash equivalents:				
At the beginning of the period	128	136	149,925	129,570
At the end of the period	160	118	116,177	108,605
	-----	-----	-----	-----
Increase (decrease) in cash and cash equivalents	32	(18)	(33,748)	(20,965)
	=====	=====	=====	=====

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

STATEMENTS OF VALUE ADDED

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015

(In thousands of Brazilian Reais)

	Company		Consolidated	
	01.01.2016 to 06.30.2016	01.01.2015 to 06.30.2015	01.01.2016 to 06.30.2016	01.01.2015 to 06.30.2015
REVENUES				
Sales of products, goods and services	-	-	1,263,055	1,192,690
Allowance for doubtful accounts	-	-	-	(523)
Gain (loss) on disposal of property, plant and equipment and intangibles	-	-	(1,864)	29,073
	-----	-----	-----	-----
	-	-	1,261,191	1,221,240
MATERIALS ACQUIRED FROM THIRD PARTIES				
Cost of goods and services sold	-	-	(590,683)	(557,860)
Materials, energy, third party services, and others	(1,781)	(1,744)	(169,619)	(182,448)
	-----	-----	-----	-----
	(1,781)	(1,744)	(760,302)	(740,308)
	-----	-----	-----	-----
	(1,781)	(1,744)	500,889	480,932
GROSS VALUE ADDED				
RETENTIONS				
Depreciation	-	-	(38,393)	(39,624)
Amortization	-	-	(552)	(442)
	-----	-----	-----	-----
	-	-	(38,945)	(40,066)
	-----	-----	-----	-----
NET VALUE ADDED PRODUCED BY THE COMPANY	(1,781)	(1,744)	461,944	440,866
VALUE ADDED RECEIVED BY TRANSFER				
Equity in subsidiaries	(25,196)	10,803	-	-
Financial income	23	255	13,936	10,967
Exchange rate variation gains	-	-	(4,423)	19,725
Royalties	-	-	7,319	6,249
	-----	-----	-----	-----
	(25,173)	11,058	16,832	36,941
	-----	-----	-----	-----
TOTAL VALUE ADDED FOR DISTRIBUTION (TO RETAIN)	(26,954)	9,314	478,776	477,807
	=====	=====	=====	=====
DISTRIBUTION OF VALUE ADDED				
Salary, wages and compensation	-	-	222,247	212,882
Taxes, duties and contributions	527	(693)	120,002	108,317
Payments to third parties	3,917	1,052	167,458	147,559
Equity – Net loss	(31,398)	8,955	(30,931)	9,049
	-----	-----	-----	-----
VALUE ADDED DISTRIBUTED (RETAINED)	(26,954)	9,314	478,776	477,807
	=====	=====	=====	=====

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

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2016

(Amounts in thousands of Brazilian Reais)

1. OPERATIONS

Springs Global Participações S.A. (the “Company”), domiciled in Montes Claros – MG, Brazil, was incorporated on November 24, 2005 and, 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”) and the former shareholders of Springs Industries, Inc. (“SI”), respectively. On April 30, 2009, the Company acquired a controlling interest in Springs e Rossini Participações S.A. (“SRPSA”), the parent of MMartan Têxtil Ltda (“MMartan”).

On July 27, 2007, the Company’s stock began trading on the “Bolsa de Valores, Mercadorias e Futuros” – BM&FBOVESPA S.A., in the “Novo Mercado” segment, under the code “SGPS3”.

The Company functions as the holding company of CSA and SGUS, companies that focus their manufacturing and distribution operations on bed and bath linens, previously carried out by CTNM and SI. This joint venture created a textile industrial complex of bed linens and bath products, with production units in Brazil, Argentina and the United States.

The Company also 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’s products are sold in the United States and Canada by SGUS through its vast distribution chain that is close to the largest retailers in those markets. In Brazil and Argentina, its products are sold by CSA and its subsidiary Coteminas Argentina S.A.

In April 2009, the Company started its bed, tabletop and bath retail operations, under the brand MMartan and later, in October 2011, with the brand Artex. The retail operation of these two brands is run by subsidiary AMMO Varejo Ltda. (“AMMO”).

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s Board of Directors on August 9, 2016.

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

The Company adopted all standards, review of standards and interpretations issued by the IASB and the CPC which were effective on June 30, 2016.

2.1 – Translation of balances in foreign currency

a) Functional and presentation currency

The financial statements of each subsidiary included in the consolidation of the Company and used as a basis for valuation of investments through 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. By defining 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 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 financial statements;
- ii) income and expenses are translated at the monthly rate of exchange; and
- iii) all differences resulting from the translation are recognized in equity under the caption "Cumulative translation adjustment" and are presented as other comprehensive income in the statement of comprehensive income.

2.2 – Accounting policies

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

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

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

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

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

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

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

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

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

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

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

(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 its earned income is recognized in the statements of operations of the period.

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

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

receivable from customers are classified as non-derivative financial assets measured at amortized cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

is probable that the economic benefits associated with the transaction will flow to the Company and (v) costs incurred or to be incurred related to the transaction can be measured reliably.

(w) Statements of Value Added ("DVA")--The purpose of these statements is to highlight the wealth created by the Company and its distribution over a given period. They are presented by the Company as required by the Brazilian Corporate Law, as part of its individual financial statements and as supplemental information for the consolidated 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 financial statements.

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

2.3 – Accounting estimates

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

2.4 – Consolidation criteria

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries CSA, AMMO and SGUS.

The subsidiary CSA, parent company of Coteminas Argentina S.A. with 100% of its capital, was included in consolidation based on its consolidated financial statements.

The subsidiary SGUS, parent company of (i) Warbird Corporation (Delaware, US); (ii) Springs Home Textiles Reynosa, S.A. de C.V. (Mexico); (iii) Casa Springs S.A. de C. V. (Mexico); (iv) Springmaid International, Inc. (India); (v) Sabre US, Inc. (Delaware, US), (all wholly-owned and (vi) Springs Canada Holdings, LLC (Delaware, US); (vii) Springs Canada, Inc. (Ontario, Canada); (viii) Springs Brands, LLC (Delaware, US); (ix) Springs Cayman Holding Ltd. (Cayman Islands); (x) Springs Shanghai Trading Co., Ltd. (China) all with 90.6% ownership; was included in consolidation based on its consolidated 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 effect of the exchange rate variations on foreign investments is disclosed in a separate caption in the statement of changes in equity, "Cumulative translation adjustment". The accounting practices of the foreign subsidiaries were adjusted to conform to accounting practices of the parent company. Non-controlling interest is presented separately in the statements of operations and equity.

The financial statements of foreign subsidiaries have been translated into Brazilian Reais based on the US Dollar exchange rate as of June 30, 2016 and December 31, 2015, for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	2016	2015	Variance
Exchange rate as of:			
December 31	-	3.9048	-
June 30	3.2098	3.1026	3.5%
Average exchange rate:			
June 30 (3 months)	3.4186	3.0917	10.6%
June 30 (6 months)	3.6395	3.0039	21.1%

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

a) Certain new IASB accounting pronouncements and IFRIC interpretations were published and/or revised and have their mandatory adoption for the annual periods beginning after January 1, 2016. These new pronouncements did not generate significant impact on the financial statements.

Standard	Main requirements
Agriculture: Bearer Plants - amendments to IAS 16 and 41 (issued June 30, 2014)	Amendments to the guidance on bearer plants that are now included within the scope of IAS 16 rather than IAS 41 because the IASB has determined that they “should be accounted for in the same way as property, plant and equipment.”
Clarification of Acceptable Methods of Depreciation and Amortization — Amendments to IAS 16 and IAS 38 (issued May 12, 2014)	The amendments clarify that a depreciation or an amortization method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate, except in some limited circumstances for intangible assets.
Accounting for Acquisitions of Interests in Joint Operations — Amendments to IFRS 11 (issued May 6, 2014)	The amendments determine that the acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply all of the principles on business combinations accounting in IFRS 3.
IFRS 14, Regulatory Deferral Accounts (issued January 30, 2014)	The standard permits an entity which is a first-time adopter of IFRS to continue to account for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.
Annual Improvements to IFRSs: 2012–2014 Cycle	Amendments to several standards.
Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture — amendments to IFRS 10 and IAS 28 (issued September 11, 2014)	Amendments to IAS 28 and IFRS 10 to resolve an inconsistency between the guidance in IFRS 10 and that in IAS 28 with respect to “the sale or contribution of assets between an investor and its associate or joint venture.” Under the amendments, an entity would recognize a full gain or loss “when a transaction involves a business” and would recognize a partial gain or loss “when a transaction involves assets that do not constitute a business.”

Standard	Main requirements
Investment Entities: Applying the Consolidation Exception - amendments to IFRS 10, IFRS 12 and IAS 28 (issued December 18, 2014)	Amendments to IFRS 10, 12 and IAS 28 to confirm that (1) the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value; (2) a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity; (3) when applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries; and (4) an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

b) Certain new IASB accounting procedures and IFRIC interpretations were published and/or revised and have their mandatory adoption for the periods beginning after December 31, 2016. However, the early adoption of these new and revised standards was not allowed:

Standard	Main requirements	Effective date
IFRS 9, Financial Instruments (issued July 24, 2014) (*)	IFRS 9 (2014) was issued as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This amendment completes the IASB's financial instruments project.	Effective for annual periods beginning on or after January 1, 2018.
IFRS 15, Revenue From Contracts With Customers (issued May 28, 2014) (*)	The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The standard specifies how and when an entity will recognize revenue through a single five-step model to be applied to all contracts with customers, and requires such entities to provide users of financial statements with more informative and relevant disclosures.	Effective for annual periods beginning on or after January 1, 2018.
Effective Date of Amendments to IFRS 10 and IAS 28 (issued December 17, 2015) (*)	The effective date of the amendments to IFRS 10 and IAS 28, which address how an entity determines any gain or loss related to transactions with an associate or joint venture was indefinitely deferred by the IASB.	The effective date is postponed to an indefinite date to be determined by the IASB.
IFRS 16 – Leases (*)	The standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations.	Effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

Standard	Main requirements	Effective date
Disclosure Initiative (Amendments to IAS 7) (*)	<p>Entities should disclose the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.</p> <p>The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.</p> <p>The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.</p>	Effective for annual periods beginning on or after January 1, 2017.
Amendments to IAS 12 — Recognition of deferred tax assets for unrealized losses (*)	<p>The amendments clarifies that unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.</p> <p>The carrying amount of an asset does not limit the estimation of probable future taxable profits.</p> <p>Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.</p> <p>An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.</p>	Effective for annual periods beginning on or after January 1, 2017.

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

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	06.30.2016	12.31.2015	06.30.2016	12.31.2015
Repurchase transactions (*)	-	-	42,647	41,461
Foreign exchange funds (US\$)	-	-	-	162
Foreign deposits	-	-	68,617	91,391
Checking accounts deposits	160	128	4,913	16,911
	-----	-----	-----	-----
	160	128	116,177	149,925
	=====	=====	=====	=====

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

4. MARKETABLE SECURITIES

	Consolidated	
	06.30.2016	12.31.2015
Fixed income – Foreign	10,390	-
Investment fund – Foreign	4,540	-
Restricted deposits (US\$) (2)	60,718	-
Restricted cash (1)	590	2,000
	-----	-----
	76,238	2,000
Current	(15,520)	(2,000)
	-----	-----
Noncurrent	60,718	-
	=====	=====

(1) On June 30, 2016, the subsidiary SGUS had restricted cash in financial institutions in the amount of US\$184 thousand (US\$512 thousand as of December 31, 2015) related to a compensating balance arrangement.

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

5. ACCOUNTS RECEIVABLE

	Consolidated	
	06.30.2016	12.31.2015
Domestic customers	388,667	368,214
Foreign customers	110,026	153,097
Credit card companies	6,019	4,119
Related parties – domestic market	17,777	5,430
Related parties – foreign market	10,093	3,930
	-----	-----
	532,582	534,790
Allowance for doubtful accounts	(25,301)	(25,964)
	-----	-----
	507,281	508,826
	=====	=====

Accounts receivable from customers consist of receivables with an average collection period of approximately 72 days (72 days as of December 31, 2015). The past due amounts are not significant and the allowance for doubtful accounts is considered by Management sufficient to cover expected losses.

The Company's Management believes that the risk related to accounts receivable is minimized because the composition of the company's customer portfolio is diluted. The Company has over 10,000 active clients as of June 30, 2016 and only one customer accounts for approximately 10% of sales.

The aging list of the consolidated accounts receivable was presented in the annual financial statements for the year ended December 31, 2015. There was no significant change in the composition of the aging list during the six-month period ended June 30, 2016.

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

	<u>06.30.2016</u>	<u>12.31.2015</u>
Balance at the beginning of the period	(25,964)	(24,081)
Additions	-	(1,421)
Write-offs	-	248
Exchange rate variation	663	(710)
	-----	-----
Balance at the end of the period	(25,301)	(25,964)
	=====	=====

6. INVENTORIES

	<u>Consolidated</u>	
	<u>06.30.2016</u>	<u>12.31.2015</u>
Raw materials and supplies	131,553	170,792
Work in process	166,711	161,489
Finished products	272,352	274,546
Repair parts	47,743	51,165
	-----	-----
	618,359	657,992
	=====	=====

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

Changes in the provision are as follows:

	<u>12.31.2015</u>	<u>Additions</u>	<u>Write-offs</u>	<u>Exchange rate variations</u>	<u>06.30.2016</u>
Raw materials and supplies	(1,313)	-	-	-	(1,313)
Finished products	(10,243)	(2,783)	-	2,028	(10,998)
Repair parts	(1,465)	-	-	17	(1,448)
	-----	-----	-----	-----	-----
	(13,021)	(2,783)	-	2,045	(13,759)
	=====	=====	=====	=====	=====

7. INVESTMENTS IN SUBSIDIARIES

a) Direct investments:

Subsidiaries	Equity (deficit)	Ownership interest %	Net income (loss) for the period	Total investment		Equity in subsidiaries (Company)	
				06.30.2016	12.31.2015	06.30.2016	06.30.2015
SGUS (1)	(38,210)	100.0	17,206	-	-	17,206	7,335
CSA	994,816	100.0	(25,549)	994,816	1,050,222	(25,549)	21,137
AMMO (2)	80,384	100.0	(16,853)	80,384	97,237	(16,853)	(17,669)
				1,075,200	1,147,459	(25,196)	10,803

(1) As of June 30, 2016, the investment in subsidiary SGUS is a deficit of R\$38,210 (R\$61,360 as of December 31, 2015) and it is presented in noncurrent liabilities under "Subsidiaries obligations".

(2) On August 31, 2014, subsidiary CSA made a capital investment in the amount of R\$47,153 using a portion of its outstanding credits with subsidiary AMMO on that date, in exchange to 29.33% of its capital. On October 31, 2015, the Company acquired all of these shares, and now holds 100% of the capital of this subsidiary.

b) Indirect investments:

SGUS' investments

	Equity (deficit)	Ownership interest %	Total investment		Equity in subsidiaries	
			06.30.2016	12.31.2015	06.30.2016	06.30.2015
Warbird Corporation (Delaware, US)	(14)	100.0	(14)	(14)	(3)	(31)
Springs Home Textiles Reynosa, S.A. de C.V. (Mexico) (1)	1,778	100.0	1,778	2,167	(3)	(9)
Casa Springs S.A. de C.V. (Mexico) (1)	1,538	100.0	1,538	1,859	(4)	(16)
Charles D. Owen Mfg. Co. (Delaware, US) (4)	-	100.0	-	(1,007)	-	1
Springmaid International, Inc. (India)	125	100.0	125	207	(45)	-
Springs International Services, Inc. (South Carolina, US) (4)	-	100.0	-	(1,108)	-	-
Sabre US, Inc. (Delaware, US) (6)	-	100.0	-	34,872	(433)	(766)
Espacio LLC (Delaware, US) (4)	-	100.0	-	(894)	-	-
Springs Canada Holdings, LLC (Delaware, US) (5)	32,098	90.6	29,089	34,167	-	-
Springs Canada, Inc. (Ontario, Canada) (2)	40,304	90.6	36,525	38,570	1,343	(524)
Springs Brands, LLC (Delaware, US) (2)	(3,863)	90.6	(3,501)	(3,052)	(902)	1,666
Springs Cayman Holding Ltd. (Cayman Islands) (2)	3,571	90.6	3,236	3,809	(6)	(9)
Springs Shanghai Trading Co., Ltd. (China) (3)	(870)	90.6	(789)	(214)	(568)	(605)

(1) Warbird Corporation's (Delaware, US) wholly-owned subsidiaries.

(2) Springs Canada Holdings, LLC's (Delaware, US) wholly-owned subsidiaries.

(3) Springs Cayman Holding Ltd.'s (Cayman Islands) wholly-owned subsidiary.

(4) These companies were incorporated by Springs Global US, Inc. in March 2016.

(5) In January and April, 2016, SGUS purchased shares from the minority shareholder of Springs Canada Holdings, increasing its ownership percentage from 87.5% to 90.6%. The board of directors of Springs Canada Holdings has unanimously approved these transactions.

(6) The company was dissolved by SGUS in June 2016.

CSA's investment

	Equity	Ownership interest %	Net loss for the period	Total investment		Equity in subsidiaries	
				06.30.2016	12.31.2015	06.30.2016	06.30.2015
Subsidiary -							
Coteminas Argentina S.A.	79,404	100.0	5,318	79,404	104,016	5,318	9,196
LAT Capital Ltd. (1)	(809)	100.0	(881)	-	-	(881)	-
				-----	-----	-----	-----
				79,404	104,016	4,437	9,196
				=====	=====	-----	-----
Affiliated -							
AMMO Varejo Ltda.	-	-	-	-	-	-	(7,334)
				=====	=====	-----	-----
						4,437	1,862
						=====	=====

(1) Lat Capital Ltd. ("LAT") is a subsidiary of CSA and is headquartered in the Bahamas.

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

a. Property, plant and equipment

	Rate (*)%	Consolidated			
		06.30.2016			12.31.2015
		Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	8.1	54,406	(23,514)	30,892	36,967
Buildings	2.4	423,509	(179,389)	244,120	249,388
Installations	5.3	228,931	(149,536)	79,395	84,037
Machinery and equipment	5.2	1,132,618	(820,511)	312,107	306,677
Hydroelectric Plant - Porto Estrela (**)	3.8	37,584	(14,439)	23,145	23,830
Furniture and fixtures	9.7	48,312	(31,961)	16,351	16,834
Vehicles	16.1	16,533	(14,527)	2,006	2,353
Computers and peripherals	15.9	55,115	(51,711)	3,404	3,978
Construction in progress	-	53,890	-	53,890	52,289
Others	10.1	140,675	(132,608)	8,067	8,540
		-----	-----	-----	-----
		2,191,573	(1,418,196)	773,377	784,893
		=====	=====	=====	=====

(*) Weighted average annual depreciation rate.

(**) See note 20.

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

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

Cost:

	12.31.2015	Additions	Disposals	Transfer to/from PP&E held for sale	Transfers	Exchange rate variations	06.30.2016
Land and improvements	60,245	584	(4,702)	-	-	(1,721)	54,406
Buildings	430,430	-	-	-	832	(7,753)	423,509
Installations	229,754	12	(175)	-	1,684	(2,344)	228,931
Machinery and equipment	1,126,284	6,314	(1,155)	-	24,984	(23,809)	1,132,618
Hydroelectric Plant - Porto Estrela	37,552	32	-	-	-	-	37,584
Furniture and fixtures	49,651	794	(558)	11	614	(2,200)	48,312
Vehicles	17,687	118	(128)	-	-	(1,144)	16,533
Computers and peripherals	62,873	426	(353)	-	131	(7,962)	55,115
Construction in progress	52,289	30,507	(275)	-	(28,245)	(386)	53,890
Others	168,576	1	(294)	-	-	(27,608)	140,675
	2,235,341	38,788	(7,640)	11	-	(74,927)	2,191,573

Accumulated depreciation:

	12.31.2015	Additions	Disposals	Transfer to/from PP&E held for sale	Transfers	Exchange rate variations	06.30.2016
Land and improvements	(23,278)	(3,125)	2,838	-	-	51	(23,514)
Buildings	(181,042)	(4,736)	-	-	-	6,389	(179,389)
Installations	(145,717)	(4,395)	129	-	(410)	857	(149,536)
Machinery and equipment	(819,607)	(21,909)	950	-	8	20,047	(820,511)
Hydroelectric Plant - Porto Estrela	(13,722)	(717)	-	-	-	-	(14,439)
Furniture and fixtures	(32,817)	(1,448)	391	(11)	(2)	1,926	(31,961)
Vehicles	(15,334)	(398)	128	-	-	1,077	(14,527)
Computers and peripherals	(58,895)	(976)	346	-	(6)	7,820	(51,711)
Others	(160,036)	(689)	114	-	410	27,593	(132,608)
	(1,450,448)	(38,393)	4,896	(11)	-	65,760	(1,418,196)

b. Property, plant and equipment held for sale

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

As a result of this analysis, the recoverable value of R\$48.682 (R\$59,132 as of December 31, 2015) was presented in noncurrent assets under "Property, plant and equipment held for sale", and, consequently, removed from the table above based on its net book value.

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

	12.31.2015	Additions	Disposals	Transfers to/ from PP&E	Exchange rate variations	06.30.2016
Cost	504,262	-	(667)	(11)	(85,969)	417,615
Depreciation	(395,310)	(552)	196	11	68,135	(327,520)
Provision for losses	(49,820)	-	471	-	7,936	(41,413)
	-----	-----	-----	-----	-----	-----
	59,132	(552)	-	-	(9,898)	48,682
	=====	=====	=====	=====	=====	=====

9. INTANGIBLE ASSETS

	Consolidated	
	06.30.2016	12.31.2015
Goodwill from the acquisition of North American companies	36,468	43,929
Goodwill from the acquisition of AMMO (parent company)	27,303	27,303
Trademarks	16,334	16,307
Store locations (real estate intangible)	37,258	39,643
	-----	-----
Total	117,363	127,182
	=====	=====

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

The projection period for the December 2015 cash flows was five years. The assumptions used to determine the fair value through the discounted cash flow method include: cost of capital, growth rate and adjustments used for perpetual cash flows, methodology for determining working capital, investment plans, and long-term economic-financial forecasts. Additionally, the perpetuity has been calculated considering the stabilization of the operating margins, working capital and investments.

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

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

	12.31.2015	Additions (Disposals)	Exchange rate variations	06.30.2016
Goodwill from the acquisition of North American companies	43,929	-	(7,461)	36,468
Goodwill from the acquisition of AMMO	27,303	-	-	27,303
Trademarks	16,307	27	-	16,334
Store locations (real estate intangible)	39,643	(2,385)	-	37,258
	-----	-----	-----	-----
Total	127,182	(2,358)	(7,461)	117,363
	=====	=====	=====	=====

The intangible assets presented above have indefinite useful lives, and therefore are not amortized, but their recoverable values are tested for impairment annually. Trademarks are recorded at their

acquisition cost. The amounts related to the store locations (real estate intangible) are recorded at acquisition cost.

10. LEASES

Subsidiary SGUS leases properties and equipment under operating leases. Total leasing expense in the six-month period ended June 30, 2016 was R\$21,600 (R\$18,782 in the six-month period ended June 30, 2015). Subsidiary SGUS contractually agreed with third-parties to sublease certain vacant facilities that no longer provide economic benefit. Total sublease income in six-month period ended June 30, 2016 was R\$8,330 (R\$6,156 in the six-month period ended June 30, 2015).

Lease payments scheduled for the future years are estimated as follows:

Year	2016
2016 (*)	16,473
2017	30,881
2018	29,450
2019	25,964
2020	23,547

(*) 6 months

Beginning in 2020, lease payments continue to decrease until the contracts terminate on several dates through 2030, totaling R\$223,579.

For the years between 2016 and 2024, subsidiary SGUS is scheduled to receive sublease payments of R\$46,271.

The subsidiary SGUS has short- and long-term accruals totaling R\$23,669 (R\$27,655 as of December 31, 2015) which consists of the present value of estimated future lease obligations (for the agreements that remained effective after the closing of certain leased facilities in the U.S.), net of existing sublease income and estimated sublease income of closed facilities, which were not yet subleased. This potential sublease income would result in a reduction of the above obligations by R\$178,158.

11. SUPPLIERS

	Consolidated	
	06.30.2016	12.31.2015
Domestic market	67,670	24,388
Foreign market	99,744	127,768
	-----	-----
	167,414	152,156
	=====	=====

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 31 days (33 days as of December 31, 2015).

Domestic suppliers include credits to purchase raw material (cotton) amounting to R\$27,452 (R\$2,405 as of December 31, 2015).

12. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated	
				06.30.2016	12.31.2015
Local currency:					
BNDES (Revitaliza)	R\$	4.5 to 9.0	2016	1,382	9,680
BNDES (Finame)	R\$	3.0 to 9.5	2023	4,336	4,787
Banco do Brasil S.A. (Overdraft account) (*)	R\$	118.5 to 123.6 of CDI	2016	37,127	37,125
Banco do Brasil S.A.	R\$	110.7 to 133.0 of CDI	2019	395,942	380,189
Banco Santander S.A.	R\$	122.4 and 128.7 of CDI	2018	53,283	54,773
Banco Itaú BBA S.A. (a)	R\$	121.0 and 123.6 of CDI	2016	103,996	105,341
Banco Bradesco S.A. (Overdraft account) (*)	R\$	134.0 of CDI	2016	12,361	10,726
Others	R\$	-	2023	30	80
				-----	-----
				608,457	602,701
Foreign currency:					
Wells Fargo Bank, N.A. (b)	US\$ and CAD\$	2.20 to 4.25	2021	138,240	-
Deutsche Bank (Securitization)	US\$ and CAD\$	Libor+2.5	2016	-	66,422
Banco Patagonia	\$ARG	15.3	2018	15,437	1,032
Banco Santander Brasil S.A.	US\$	6.36	2017	6,531	-
Banco do Brasil S.A.	US\$	3.5	2016	16,368	19,567
Banco Santander Brasil S.A. PPE (c)	US\$	89.0 of CDI	2019	121,003	-
				-----	-----
				297,579	87,021
				-----	-----
Total				906,036	689,722
Current				(425,671)	(396,747)
				-----	-----
Noncurrent				480,365	292,975
				=====	=====

(*) Loans held in part by the Company.

(a) Original loan contract in Dollars plus 2.466% per annum with a swap for approximately 117.8% and 123.6% of CDI with the same counterparty.

(b) On March 30, 2016, subsidiary SGUS entered into a senior secured revolving credit facility with Wells Fargo Bank, N.A. in the amount of US\$63,575, including US\$60,000 with a five year term and US\$3,575 with a three year term. The outstanding borrowings and interest under the previous Securitization Facility with Deutsche Bank were paid in full on this date. The revolving credit facility limits certain activities of SGUS such as sales of assets and incurrence of additional indebtedness. Substantially all of SGUS's assets have been pledged as collateral pursuant to the loan agreement.

(c) Loan guaranteed by linked marketable securities in the amount of US\$18.900 thousand (see note 4).

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

Maturities are as follows:

	2016	2017		2018	2019 to 2023	Total
		Short term	Long Term			
Local currency:						
BNDES (Revitaliza)	1,382	-	-	-	-	1,382
BNDES (Finame)	606	634	634	1,224	1,238	4,336
Banco do Brasil S.A. (overdraft account)	37,127	-	-	-	-	37,127
Banco do Brasil S.A.	79,255	98,003	54,441	109,327	54,916	395,942
Banco Santander S.A.	15,966	12,427	12,438	12,452	-	53,283
Banco Itaú BBA S.A.	103,996	-	-	-	-	103,996
Banco Bradesco S.A. (overdraft account)	12,361	-	-	-	-	12,361
Others	6	-	4	7	13	30
	-----	-----	-----	-----	-----	-----
	250,699	111,064	67,517	123,010	56,167	608,457

	2017			2018	2019 to 2023	Total
	2016	Short term	Long Term			
Foreign currency:						
Wells Fargo Bank, N.A.	-	-	-	-	138,240	138,240
Banco Patagonia	71	-	-	15,366	-	15,437
Banco Santander Brasil S.A.	-	6,531	-	-	-	6,531
Banco do Brasil S.A.	16,368	-	-	-	-	16,368
Banco Santander Brasil S.A. PPE	20,925	20,013	20,012	40,024	20,029	121,003
	-----	-----	-----	-----	-----	-----
	37,364	26,544	20,012	55,390	158,269	297,579
	-----	-----	-----	-----	-----	-----
	288,063	137,608	87,529	178,400	214,436	906,036
	=====	=====	=====	=====	=====	=====

13. DEBENTURE

Through a privately-negotiated debenture agreement, on May 30, 2014, subsidiary CSA issued a non-convertible debenture with the following characteristics, which, on July 7, 2014, was fully subscribed by Banco Votorantim. Subsequently, Banco Votorantim sold the Debenture to Gaia Securitizadora Agro SA ("Gaia"), which became entitled to receive the full amount of subsidiary CSA's debt represented by the Debenture, plus the Debenture's return and applicable default charges, as well as other financial obligations under the Indenture, which are as follows:

Debenture Characteristics

Quantity of issued Debentures	1
Debenture unit price (amount in Brazilian Reais)	R\$270,000,000
Amortization	2 equal installments
Maturity of 1 st installment	06/13/2016
Maturity of 2 nd installment	06/13/2017
Return	110% of CDI
Interest amortization	Semiannual
Guarantees	(1)
Covenants	(2)

The Debenture was subject to public distribution with restricted placement efforts, pursuant to CVM Instruction 476, subscribed by Banco Votorantim.

On June 11, 2014, it was signed with Gaia the Agribusiness Credit Rights Securitization Term Sheet, for the 1st Series of the 3rd Issue of Agribusiness Receivables Certificates ("CRA"), binding the Debenture to the issuance of the CRA.

On July 3 and 7, 2014, announcements of opening and closing of the distribution of the CRA were published, respectively, and all 864 CRA were issued and subscribed with a unit price of R\$312.5, bringing the total amount of the offer to R\$270,000, with the same return and guarantees as the backing Debenture.

The funds were available to subsidiary CSA on date of the subscription of the CRA. The issuance costs of the Debenture and the CRA, in the amount of approximately R\$7,700, equivalent to 2.85% of the total issuance amount, will be amortized as transaction cost, along with the Debenture charges, prorated to the outstanding debt balance.

Balances on June 30, 2016 were as follows:

	Original amount updated	Prepaid interest	Accrued interest	Balances on 06.30.2016	Balances on 12.31.2015
Current	135,000	(2,431)	1,016	133,585	134,484
Noncurrent	-	-	-	-	133,848
	-----	-----	-----	-----	-----
Total	135,000	(2,431)	1,016	133,585	268,332
	=====	=====	=====	=====	=====

(1) Guarantees:

Secured guarantee: Real estate of subsidiary CSA which market valuation is greater than 120% of the CRA issuance value. At any time, one or more real estate may be disposed at the discretion of subsidiary CSA and without consent of the CRA holders, provided that: (i) such sale shall not decrease the rate of 120% guarantee of the secured obligations to the CRA holders; and (ii) subsidiary CSA uses the net proceeds of the disposed assets for repayment of bank loans.

Fidejussory guarantee: Surety given by the Company.

(2) Covenants:

In addition to the usual covenants, subsidiary CSA has agreed to comply with the following financial ratios: (i) Net Debt to Adjusted EBITDA ratio, equal to or less than 4.25 (four and twenty-five hundredths) during the year 2014; (ii) Net Debt to Adjusted EBITDA ratio, equal to or less than 4.10 (four and ten hundredths) during the year 2015; (iii) Net Debt to Adjusted EBITDA ratio, equal to or less than 4.00 (four) during the year 2016; (iv) Net Debt to Shareholders' Equity ratio, equal to or less than 0.7 (seven tenths); and (v) Adjusted EBITDA to Interest ratio, less than 2 (two). The ratios set forth in items (iv) and (v) are planned for the entire contract period. The terms used to describe the ratios have their particular definition set forth in the contract and may differ from the financial statement lines. On June 30, 2016, subsidiary CSA complied with all the ratios above.

14. 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, 2015 and June 30, 2016, except for the reverse split of the Company's shares described below.

The Extraordinary General Meeting held on October 21, 2015 approved the reverse split of the Company's shares in accordance with Article 12 of Law No. 6,404 / 76, totaling 200,000,000 registered common shares, without par value, representing the capital at a ratio of 4 shares for one, without changing the amount of the capital, so that the capital as of that date is represented by 50,000,000 registered common shares, with no par value.

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.

15. RELATED-PARTY BALANCES AND TRANSACTIONS

	Receivable		Payable	
	06.30.2016	12.31.2015	06.30.2016	12.31.2015
Company:				
Coteminas S.A.	-	-	30,242	46,763
Companhia de Tecidos Norte de Minas - Coteminas	-	-	-	84
AMMO Varejo Ltda.	49	46	-	-
	-----	-----	-----	-----
	49	46	30,242	46,847
	=====	=====	=====	=====
Consolidated:				
Companhia de Tecidos Norte de Minas - Coteminas	41,968	23,332	-	84
Companhia Tecidos Santanense	21	19	-	-
Encorpar – Empresa Nacional de Comércio, Redito e Participações S.A.	90	84	-	-
Fazenda do Cantagalo Ltda.	20	13	-	-
Santanense Argentina	50	46	-	-
Argentina branch	24	9	-	-
	-----	-----	-----	-----
	42,173	23,503	-	84
	=====	=====	=====	=====

	Finance charges	
	06.30.2016	06.30.2015
Company:		
Coteminas S.A.	(2,436)	(1,052)
Companhia de Tecidos Norte de Minas - Coteminas	(7)	-
AMMO Varejo Ltda.	4	-
	-----	-----
	(2,439)	(1,052)
	=====	=====
Consolidated:		
Companhia de Tecidos Norte de Minas – Coteminas	2,483	1,339
Companhia Tecidos Santanense	-	1
Encorpar – Empresa Nacional de Comércio, Redito e Participações S.A.	7	5
Coteminas International	-	(5)
	-----	-----
	2,490	1,340
	=====	=====

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

As stated in the Company's shareholders' agreement, the subsidiary SGUS must pay annually US\$1,429 thousand for services provided; net of expenses, to the shareholder Heartland Industrial Partners, L.P. and the subsidiary CSA must pay US\$3,500 thousand to the controlling shareholder CTNM. The total balance of R\$4,783 (R\$5,563 as of December 31, 2015) is accrued under the caption "Other payables", in current liabilities. In the six-month period ended June 30, 2015, R\$7,406 was accrued for such services.

During the Board of Directors meeting held on December 29, 2015, it was decided to terminate the above service agreements, therefore, in 2016 there are no expenses related to these services.

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 June 30, 2016, the amount of R\$41,552 was recorded with R\$10,492 in the caption "Other receivables" in current assets and R\$31,060 in the caption "Others" in noncurrent assets, related to guarantees on existing contracts and credit facilities. In the first quarter of 2016, the amount of R\$6,198 was approved as interest expenses under the caption "Financial expenses – bank charges and others".

In the first quarter of, 2016, CSA supplied intermediate products to a related party, Companhia Tecidos Santanense, in the amount of R\$11,869 (R\$15,758 in the six-month period ended June 30, 2015). The transactions are conducted at market prices.

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

16. RECEIVABLE – SALE OF PROPERTY

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

17. INCOME TAX AND OTHER TAXES

a. Tax incentives

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

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

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

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

	Company		Consolidated	
	06.30.2016	06.30.2015	06.30.2016	06.30.2015
Loss from operations before taxes	(31,398)	8,004	(35,237)	6,392
Permanent differences:				
Equity in subsidiaries	25,196	(10,803)	-	-
Nontaxable income (RTT)	-	-	(20,766)	(13,451)
Permanent differences from foreign subsidiary	-	-	(116)	(369)
Other	-	-	100	896
	-----	-----	-----	-----
Income tax basis	(6,202)	(2,799)	(56,019)	(6,532)
34% tax rate	2,109	951	19,046	2,221
Unrecognized tax credits	(2,109)	-	(14,583)	(1,149)
Other	-	-	(157)	1,585
	-----	-----	-----	-----
Total income taxes	-	951	4,306	2,657
	=====	=====	=====	=====
Income taxes – current	-	-	4,306	50
Income taxes – deferred	-	951	-	2,607
	=====	=====	=====	=====

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.

CSA's Management, in prior years, based on a business plan and future projections, partially recognized deferred tax assets arising from accumulated net operating losses. As of June 30, 2016, subsidiary CSA had net operating losses of R\$555,787 (R\$506,222 as of December 31, 2015) and social contribution tax losses of R\$561,445 (R\$511,773 as of December 31, 2015), whose tax assets were not recognized. The tax assets recognized by this subsidiary are net of its tax benefits. CSA's future projections consider a greater concentration on the domestic market since these sales are more profitable, a greater profit margin due to the sales of higher value-added products, among others. Based on these actions and the business plan assumptions, CSA's Management expects future taxable income that will allow the realization of the subsidiary's deferred tax assets.

c. Deferred income and social contribution taxes

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

Deferred income and social contribution taxes are composed as follows:

	Balances on 12.31.2015	Recognized in statement of operations	Other	Balances on 06.30.2016
Assets:				
Temporarily nondeductible provisions	20,259	(1,320)	(877)	18,062
Net operating losses	30,872	1,320	-	32,192
Tax credits from foreign subsidiaries	7,167	-	-	7,167
	-----	-----	-----	-----
Noncurrent assets	58,298	-	(877)	57,421
	=====	=====	=====	=====

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

Year	Consolidated 06.30.2016
2017	-
2018	8,187
2019	12,663
2020	17,725
2021	18,846

	57,421
	=====

d. Recoverable taxes

	Company		Consolidated	
	06.30.2016	12.31.2015	06.30.2016	12.31.2015
ICMS (state VAT)	-	-	4,361	4,001
Income and social contribution taxes prepayments	130	1,066	23,217	22,202
Recoverable PIS and COFINS	-	-	1,391	1,909
IVA – Gross Proceeds (Argentina)	-	-	6,600	806
VAT – China and Mexico	-	-	1,238	1,609
Recoverable IPI	-	-	-	34
Reintegra	-	-	-	3,309
Other recoverable taxes	-	-	3,647	1,137
	-----	-----	-----	-----
Current	130	1,066	40,454	35,007
	(130)	(1,066)	(30,994)	(31,421)
	-----	-----	-----	-----
Noncurrent	-	-	9,460	3,586
	=====	=====	=====	=====

18. MISCELLANEOUS ACCRUALS

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

The Company and its subsidiaries have tax and civil claims, whose loss was estimated as possible in the amount of R\$18,427 and R\$11,568, respectively. The claims for which losses are considered probable are summarized as follows:

	Company		Consolidated	
	06.30.2016	12.31.2015	06.30.2016	12.31.2015
Tax litigation claims:				
-Temporary contribution over financial transactions (CPMF)	4,317	4,317	4,317	4,317
-INSS	-	-	1,998	1,998
-Others	-	-	64	64
Labor	-	-	13,173	14,121
Civil and others	-	-	2,655	2,796
Total	<u>4,317</u>	<u>4,317</u>	<u>22,207</u>	<u>23,296</u>
Escrow deposits	<u>4,221</u>	<u>4,221</u>	<u>20,287</u>	<u>20,486</u>

CPMF – The Company is a plaintiff in a lawsuit to avoid the application of CPMF on the “symbolic” exchange rate contracts incurred during the process of issuing stock to a foreign investor.

INSS – The subsidiary CSA is a plaintiff in a lawsuit against the Brazilian Treasury Department, disputing the INSS tax assessment on amounts considered to be employee termination costs and FAP (Accident Prevention Factor).

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”.

Changes in the consolidated accrual are as follows:

	12.31.2015	Additions	Reductions	06.30.2016
Tax litigation claims:				
-Temporary contribution over financial transactions (CPMF)	4,317	-	-	4,317
-INSS	1,998	-	-	1,998
-Others	64	-	-	64
Labor	14,121	1,325	(2,273)	13,173
Civil and others	2,796	33	(174)	2,655
	<u>23,296</u>	<u>1,358</u>	<u>(2,447)</u>	<u>22,207</u>

19. EMPLOYEE BENEFIT PLANS

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

Subsidiary SGUS sponsors a defined-benefit pension plan for some of its employees, whose expected pension costs are accrued based on actuarial studies. Contributions of retired employees

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

The table below includes summarized information on the pension and postretirement plans as of June 30, 2016 and 2015:

	<u>06.30.2016</u>	<u>06.30.2015</u>
Components of net periodic benefit cost:		
Service cost	305	494
Interest cost and others, net	2,368	2,016
	-----	-----
Net periodic benefit cost	2,673	2,510
	=====	=====

SGUS' investment strategy is to invest in a diversified portfolio that will maximize returns, considering an acceptable risk level. Pension plan assets are invested in mutual funds which have a target allocation of 45% to 54% in domestic equity securities and 55% to 46% in fixed income funds. The expected returns on plan assets were developed in conjunction with external advisors and take into account long-term expectations for future returns based on SGUS' current investment strategy.

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

	<u>06.30.2016</u>	<u>12.31.2015</u>
Pension plan obligations	108,602	135,843
Other employee benefit obligations	6,163	8,367
	-----	-----
Total employee benefit plans	114,765	144,210
Current (a)	(10,260)	(12,481)
	-----	-----
Noncurrent	104,505	131,729
	=====	=====

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

20. 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 the Company's control.

In compensation for the concession granted, the Company, together with the other consortium members, will pay installments over the concession period to the Federal Government, as presented below:

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

Total annual installments of the concession:

	Years 5 to 15 2002 to 2012	Years 16 to 25 2013 to 2022	Years 26 to 35 2023 to 2032
	-----	-----	-----
Historical amounts:			
Minimum installment	120	120	120
Additional installment	-	12,510	20,449
	-----	-----	-----
Annual installment	120	12,630	20,569
Total installments	1,320	126,300	205,690
Monetarily adjusted installments	6,017	575,753	937,651
	=====	=====	=====

For accounting purposes, 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, monetarily adjusted based on the IGPM. As of June 30, 2016, this amount represents R\$67,528, of which, R\$18,115 is classified as "other payables" in current liabilities and R\$49,413 is classified as noncurrent liabilities (R\$67,381 as of December 31, 2015, of which, R\$18,337 is classified as "other payables" in current liabilities and R\$49,044 is classified as noncurrent liabilities).

As of June 30, 2016, the net book value of the property, plant and equipment related to the current concession is R\$23,145 (R\$23,830 as of December 31, 2015) (see note 8), considering the Company's equity interest in the investments for the construction of the Porto Estrela Hydroelectric Plant, located on the Santo Antônio River, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

21. OTHER OPERATING EXPENSES AND INCOME, NET

	Consolidated	
	06.30.2016	06.30.2015
	-----	-----
Net gain (loss) on sale of assets (*)	-	21,746
Non-operating lease expense	(5,791)	(6,289)
Others	(1,418)	(462)
	-----	-----
	(7,209)	14,995
	=====	=====

(*) See Note 16 of the financial statements.

22. FINANCIAL INSTRUMENTS

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

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

Company, its subsidiaries, and its counter-parties. These risks are managed through internal control policies, specific strategies and establishment of approval authorities.

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

	Company				Consolidated			
	06.30.2016		12.31.2015		06.30.2016		12.31.2015	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
ASSETS --								
CURRENT:								
Cash and cash equivalents	160	160	128	128	116,177	116,177	149,925	149,925
Marketable securities	-	-	-	-	15,520	15,520	2,000	2,000
Financial instruments	-	-	-	-	-	-	19,882	19,882
Accounts receivable	-	-	-	-	507,281	507,281	508,826	508,826
Receivable – sale of property	-	-	-	-	16,600	16,600	8,318	8,318
Other receivables	1,041	1,041	1,012	1,012	32,474	32,474	35,383	35,383
NONCURRENT:								
Long-term assets:								
Marketable securities	-	-	-	-	60,718	60,718	-	-
Related parties	49	49	46	46	42,173	42,173	23,503	23,503
Receivable – sale of property	-	-	-	-	37,626	37,626	40,899	40,899
Others	-	-	-	-	42,590	42,590	23,234	23,234
LIABILITIES --								
CURRENT:								
Loans and financing (*)	21,842	21,842	-	-	425,671	425,671	396,747	396,747
Debenture (*)	-	-	-	-	133,585	133,585	134,484	134,484
Suppliers	15	15	15	15	167,414	167,414	152,156	152,156
Government concessions	-	-	-	-	18,115	18,115	18,337	18,337
Noneconomic lease	-	-	-	-	5,793	5,793	7,048	7,048
Other accounts payable	-	-	-	-	52,740	52,740	69,542	69,542
NONCURRENT:								
Loans and financing (*)	-	-	-	-	480,365	480,365	292,975	292,975
Debenture (*)	-	-	-	-	-	-	133,848	133,848
Noneconomic lease	-	-	-	-	17,876	17,876	20,607	20,607
Related parties	30,242	30,242	46,847	46,847	-	-	84	84
Government concessions	-	-	-	-	49,413	49,413	49,044	49,044
Other obligations	2,056	2,056	2,056	2,056	13,182	13,182	17,089	17,089

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

Considering that the remaining financial instruments have short-term maturities, the Company estimates that the fair values of other financial instruments approximate their carrying book values.

The fair values of the financial instruments listed above are determined based on unobservable inputs and are, therefore, classified as Level III information.

c) Classification of financial instruments--Except derivatives, all financial instruments listed above are classified as “Loans and receivables”, in the case of assets, and as “Other financial liabilities”, in the case of liabilities, initially measured at fair value and restated at amortized cost. The derivative financial instruments are “Measured at fair value through profit or loss” and the portion related to the

cash flow hedge, for which its effectiveness can be measured, has its gains and losses recognized directly in equity as assets and liabilities valuation adjustment and presented in the statements of comprehensive income.

d) Risk management and derivative and non-derivative financial instruments:

d.1 – Objectives and risk management strategies--The Company believes that risk management is important in driving its strategy of profitable growth. The Company is exposed to market risks, mainly related to changes in exchange rates, commodity prices (cotton) and volatility of interest rates. The goal of managing these risks is to eliminate possible unexpected variations in the results of the group's companies, arising from these variations.

The purpose of derivative transactions is always related to the elimination of market risks, identified in our policies and guidelines and, also, to the management of the volatility of financial flows. The measurement of efficiency and evaluation of results occurs during the term of the contracts. The monitoring of the impact of these transactions is analyzed quarterly by the Cash and Debt Management Committee, when the mark-to-market of these transactions is discussed and validated. All derivative financial instruments are recorded at fair value in the Company's financial statements.

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

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

d.3.1) Exchange rate risk on foreign investments:

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

Total of foreign investments	06.30.2016	12.31.2015
Investments	79,404	104,016
Subsidiaries' obligations	(38,210)	(61,360)
	-----	-----
	41,194	42,656
	=====	=====
 In equivalent thousands of US Dollars	 12,833	 10,923
	=====	=====

d.3.2) Exchange rate risks on the Company and on subsidiary CSA's non-derivative financial instruments:

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

<u>Financial instruments</u>	<u>06.30.2016</u>	<u>12.31.2015</u>
Cash and cash equivalents	-	162
Accounts receivable	26,719	56,987
Marketable securities	60,718	-
Suppliers, net	(1,146)	(1,475)
Loan and financing	(143,902)	(19,567)
Related parties	25,064	109,831
	-----	-----
Total exposure in Brazilian Reais	(32,547)	145,938
	=====	=====
Total exposure in equivalent thousands of US Dollars	(10,139)	37,374
	=====	=====

The sensitivity analysis of non-derivative financial instruments, considering the US Dollar denominated cash flows, as of June 30, 2016, is shown below:

<u>Maturity</u>	<u>Risk</u>	<u>Exposure value in thousands of US\$</u>	<u>Scenarios</u>		
			<u>Probable</u>	<u>II</u>	<u>III</u>
2016	Dollar increase	(3,520)	(1,680)	(4,925)	(8,170)
2017	Dollar increase	(6,750)	(2,211)	(8,180)	(14,150)
2018	Dollar increase	(12,524)	(8,488)	(20,660)	(32,832)
2019	Dollar increase	12,655	11,034	23,947	36,859
		-----	-----	-----	-----
		(10,139)	(1,345)	(9,818)	(18,293)
		=====	=====	=====	=====

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 year. Scenarios II and III reflect 25% and 50% deterioration of future Dollar exchange rates, respectively.

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

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

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

Description	Notional Value – US\$ thousands		Fair Value – Asset	
	06.30.2016	12.31.2015	06.30.2016	12.31.2015
Forward Contract (NDF) (1) -- Position: Buy Currency: US\$/Pesos Argentinos Dollar settlement: \$11.72 Counterpart: Banco da Patagonia Other information: 1 contract of US \$15.000 thousands, maturing on 06.30.2016	-	15,000	-	14,149
Forward Contract (NDF) (1) -- Position: Buy Currency: US\$/Pesos Argentinos Dollar settlement: \$11.12 Counterpart: Banco da Patagonia Other information: 1 contract of US \$7.000 thousands, expiring on 03.31.2016	-	7,000	-	5,733
Total current liabilities	-	22,000	-	19,882

(1) Forward contracts (NDF - "Non Deliverable Forward") raw materials--are presented and measured at fair value through the statement of operations, and aim to protect the foreign exchange risk on purchases of raw materials at each contract's settlement date. Although the Company uses these derivatives for hedging purposes, it did not adopt the hedge accounting practice for these transactions.

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

The derivatives are traded in the over-the-counter market, registered at the competent agencies, and are not subject to margin deposits. In the six-month period ended June 30, 2016, a gain of R\$1,827 was recorded from derivatives related to foreign exchange risk included in "Exchange rate variations, net". In the six-month period ended June 30, 2015, there were no results with these derivatives. Except for the swap contract mentioned in note 12.a, and the forward contracts shown above, there were no other exchange rate derivatives in 2016 and 2015.

d.4 – Commodities price risk (cotton)--This risk arises from the possibility of the Company and its subsidiaries may incur losses due to fluctuations in the price of cotton, its main raw material. A significant increase in price of cotton may cause an increase in the cost of its products in an amount that the Company may be unable to pass such increases to its customers, reducing its margins. In the six-month period ended June 30, 2016 and 2015, there were no results with this type of derivatives.

d.5 – Interest rates risk--Cash and cash equivalents and marketable securities yield, approximately, the equivalent to CDI (Certificate of Interbank Deposit) rates. Interest-bearing liabilities (except as described in d.5.1 and d.5.2 below), which reflect rates equivalent to LIBOR, TR and IRP, are disclosed in notes 12 and 15. 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 – interests” caption in the statements of operations. Except for the swap contract mentioned in note 12.a, there were no interest rate derivatives in the six-month period ended June 30, 2016 and 2015.

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

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

Description	06.30.2016				12.31.2015
	Principal amount R\$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Loan Agreement -- Interest: 119.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: December/2018	165,000	1,240	(1,372)	164,868	165,103
Loan Agreement -- Interest: 110.7% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: April/2019	165,000	672	(783)	164,889	164,750
Loan Agreement -- Interest: 133.0% of CDI Counterpart: Banco Brasil S.A. – CCB Maturity: June/2017	20,000	182	(231)	19,951	-
Loan Agreement -- Interest: 131.5% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: May/2017	25,000	329	(115)	25,214	-
Loan Agreement -- Interest: 125.5% of CDI Counterpart: Banco Brasil S.A. – NC Maturity: April/2017	20,833	187	-	21,020	-
Loan Agreement -- Interest: 109.0% of CDI Counterpart: Banco Brasil S.A. – NCE Maturity: June/2016	-	-	-	-	25,263
Loan Agreement -- Interest: 111.5% of CDI Counterpart: Banco Brasil S.A. – NC Maturity: March/2016	-	-	-	-	25,073
(Refer to Note 12)				395,942	380,189
Loan Agreement -- Interest: 122.4% of CDI Counterpart: Banco Santander S.A. Maturity: May/2017	30,000	583	(90)	30,493	30,408
Loan Agreement -- Interest: 123.5% of CDI Counterpart: Banco Santander S.A. Maturity: October/2016	2,500	92	-	2,592	2,565
Loan Agreement -- Interest: 128.7% of CDI Counterpart: Banco Santander S.A.					

Description	06.30.2016			12.31.2015	
	Principal amount R\$ thousands	Accrued interest	Prepaid interest	Payable	Payable
Maturity: May/2018	20,000	368	(170)	20,198	-
Loan Agreement -- Interest: 120.0% of CDI Counterpart: Banco Santander S.A. Maturity: May/2016	-	-	-	-	21,800
(Refer to Note 12)				53,283	54,773
Loan Agreement e swap -- Interest: 121.0% of CDI Counterpart: Banco Itaú BBA S.A. Maturity: August/2016	33,333	1,892	-	35,225	70,497
Loan Agreement e swap -- Interest: 123.6% of CDI Counterpart: Banco Itaú BBA S.A. Maturity: August/2016	65,000	3,771	-	68,771	-
Loan Agreement e swap -- Interest: 117.8% of CDI Counterpart: Banco Itaú BBA S.A. Maturity: February/2016	-	-	-	-	34,844
(Refer to Note 12)				103,996	105,341
Loan Agreement -- Interest: 89.0% of CDI Counterpart: Banco Santander S.A. - PPE Maturity: May/2019	120,599	913	(509)	121,003	-
(Refer to Note 12)				121,003	-
Debenture-- Interest: 110.0% of CDI Counterpart: Gaia Agro Sec. S.A. Maturity: June/2017	135,000	1,016	(2,431)	133,585	268,332
	802,265	11,245	(5,701)	807,809	808,635
	=====	=====	=====	=====	=====

The sensitivity analysis of the non-derivative financial instruments above, considering the scheduled payments of principal and interest as of June 30, 2016, is as follows:

Maturity	Risk	Principal average balance	Scenarios		
			Probable	II	III
2016	CDI increase	816,816	49,674	63,279	76,303
2017	CDI increase	530,525	63,437	72,798	87,785
2018	CDI increase	197,555	26,941	29,225	35,225
2019	CDI increase	77,656	4,218	4,397	5,301
			=====	=====	=====

Amounts shown in the scenarios above represent projected interest expense, in their respective years and scenarios, considering the average loan balances on each year.

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

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

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

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

d.7 – Liquidity risk management--The Company presented its consolidated financial assets and liabilities, according to their cash flows, based on their approximate maturity date, and using nominal contractual interest rates in its annual financial statements for the year ended December 31, 2015. As of June 30, 2016, there was no significant change when compared to the published annual financial statements.

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

	Consolidated	
	06.30.2016	12.31.2015
Loans and financing	906,036	689,722
Debenture	133,585	268,332
Cash and cash equivalents	(116,177)	(149,925)
Marketable securities	(76,238)	(2,000)
Financial instruments, net	-	(19,882)
	-----	-----
Total net debt	847,206	786,247
	-----	-----
Total equity	1,019,868	1,078,968
	-----	-----
Total net debt and equity	1,867,074	1,865,215
	=====	=====

23. SEGMENT INFORMATION

Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the decision maker, with the purpose of determining the allocation of resources to an individual segment and evaluate its performance. 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 Wholesale segment is subdivided into two sub-segments: South America, which includes operations in Brazil and Argentina; and North America, which includes operations in the United States of America and Canada.

The 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.

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

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

	06.30.2016					
	South America			North America	Others	Total
	Wholesale	Retail	Total	Wholesale	unallocated	
Net revenues	550.5	123.4	673.9	476.4	(29.5)	1,120.8
Cost of goods sold	(386.3)	(60.7)	(447.0)	(400.2)	29.5	(817.7)
Gross profit	164.2	62.7	226.9	76.2	-	303.1
Selling, general and administrative expenses	(98.4)	(69.4)	(167.8)	(40.8)	(1.8)	(210.4)
Other	(1.1)	(0.7)	(1.8)	(5.4)	-	(7.2)
Operating results	64.7	(7.4)	57.3	30.0	(1.8)	85.5
Financial results	-	-	-	-	(120.7)	(120.7)
Income (loss) before taxes	64.7	(7.4)	57.3	30.0	(122.5)	(35.2)
Depreciation and amortization	32.2	4.9	37.1	1.9	-	39.0

	06.30.2015					
	South America			North America	Others	Total
	Wholesale	Retail	Total	Wholesale	unallocated	
Net revenues	559.9	126.5	686.4	400.0	(29.5)	1,056.9
Cost of goods sold	(399.6)	(65.9)	(465.5)	(342.8)	29.5	(778.8)
Gross profit	160.3	60.6	220.9	57.2	-	278.1
Selling, general and administrative expenses	(101.0)	(77.0)	(178.0)	(36.9)	(1.8)	(216.7)
Other	24.1	(3.3)	20.8	(5.9)	-	14.9
Operating results	83.4	(19.7)	63.7	14.4	(1.8)	76.3
Financial results	-	-	-	-	(69.9)	(69.9)
Income (loss) before taxes	83.4	(19.7)	63.7	14.4	(71.7)	6.4
Depreciation and amortization	31.8	6.0	37.8	2.3	-	40.1

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, utility bedding, intermediate products, and retail.

Revenue information by category or product lines is as follows:

	Consolidated	
	06.30.2016	06.30.2015
Net revenues (in millions of Reais):		
Bedding, tabletop and bath	495.1	522.6
Utility bedding	379.9	308.2
Intermediate products	122.4	99.6
Retail	123.4	126.5
	-----	-----
	1,120.8	1,056.9
	=====	=====
Volume (in thousands of tons):		
Bedding, tabletop and bath	15.6	17.9
Utility bedding	21.3	20.9
Intermediate products	13.6	12.3
	-----	-----
	50.5	51.1
	=====	=====

The Company has over 10,000 active clients as of June 30, 2016 and only one customer accounts for approximately 10% of sales.

24. EXPENSES BY NATURE

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

By nature:

	Consolidated	
	06.30.2016	06.30.2015
Cost of raw materials, goods and services acquired from third parties	(666,231)	(702,838)
Employee benefits	(222,247)	(212,883)
INSS	(20,801)	(17,985)
Depreciation and amortization	(38,945)	(40,066)
Finished goods and work in process inventory variations	3,783	37,383
Exchange rate variations in inventories from foreign subsidiaries	(29,952)	(4,339)
Other costs and expenses	(53,852)	(54,823)
	-----	-----
Total by nature	(1,028,245)	(995,551)
	=====	=====

By function:

	Consolidated	
	06.30.2016	06.30.2015
Cost of goods sold	(817,716)	(778,809)
Selling expenses	(140,050)	(148,181)
General and administrative expenses	(66,749)	(65,135)
Management fees	(3,730)	(3,426)
	-----	-----
Total by function	(1,028,245)	(995,551)
	=====	=====

25. NET REVENUES

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

	<u>Consolidated</u>	
	<u>06.30.2016</u>	<u>06.30.2015</u>
OPERATING REVENUES:		
Gross revenues	1,357,524	1,284,374
Sales deductions	(236,705)	(227,506)
	-----	-----
NET REVENUES	<u>1,120,819</u>	<u>1,056,868</u>
	=====	=====

26. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

	<u>06.30.2016</u>	<u>06.30.2015</u>	<u>06.30.2015 (*)</u>
NET EARNINGS (LOSS) FOR THE PERIOD	(31,398)	8,955	8,955
Weighted-average outstanding common shares	50,000,000	50,000,000	200,000,000
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (R\$):	(0.6280)	0.1791	0.0448
	=====	=====	=====

(*) As presented on the June 30, 2015 Financial Statements. Refer to Note 14.

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