COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

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

Dear Shareholders,

The management of Companhia de Tecidos Norte de Minas – COTEMINAS submits, for your consideration, its Management's discussion and analysis of financial condition and results of operations of its Interim Financial Statements, prepared in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Exchange Commission ("CVM"), and its Independent Accountants' review report for the quarter ended June 30, 2010.

OUR CONSOLIDATED RESULTS

Companhia de Tecidos Norte de Minas – COTEMINAS presented gross sales of R$1,587.4 million in the first semester of 2010. The table below includes the financial highlights of the first semester of 2010 compared to the first semester of 2009.

In million of R$	**2Q10**	**2Q09**	**%**	**1S10**	**1S09**	**%**
Gross sales	801.6	800.0	0.2	1,587.4	1,578.8	0.5
Net sales	677.6	694.6	(2.4)	1,343.2	1,384.1	(3.0)
Cost of good sold	(564.1)	(599.1)	(5.8)	(1,109.0)	(1,186.5)	(6.5)
Gross profit	113.5	95.5	18.8	234.2	197.6	18.5
(% of net sales)	*16.8%*	*13.7%*		*17.4%*	*14.3%*	
Selling, general and administrative expenses	(107.7)	(97.8)	10.1	(208.7)	(194.2)	7.5
Depreciation and amortization	(30.2)	(33.8)	(10.7)	(60.4)	(68.3)	(11.6)
Income from operation before financial result and others nonrecurring items	5.8	(2.3)	-	25.5	3.4	650.0
(% of net sales)	*0.9%*	*(0.3%)*		*1.9%*	*0.2%*	
Net income	4.2	3.4	23.5	11.0	7.3	50.7
Earnings per share (R$/share)	0.04	0.03	-	0.10	0.06	-
Number of shares (thousand)	116,675	116,675	-	116,675	116,675	-
Sales volume (thousand tons)	48.1	51.3	(6.2)	99.7	98.3	1.4
Average price (R$/kilo)	14.1	13.5	4.4	13.5	14.1	(4.3)

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

CNPJ/MF No. 07.718.269/0001-57
NIRE 3130002243-9
Publicly Traded Company

Sales in the Brazilian market increased by 30.6% when compared to the same quarter of the previous year; gross margin increased by 3.0 percentage points, from 12.7% in the second quarter of 2009 to 15.7% in the second quarter of 2010

- Sales in the Brazilian market increased by 30.6% when compared to the second quarter of 2009;
- Gross sales remained stable when compared to the second quarter of 2009, despite the 12.4% appreciation of the Brazilian *Real* against the U.S. Dollar;
- Gross profit increased by 19.5% when compared to the second quarter of 2009;
- Gross margin increased by 3.0 percentage points, from 12.7% in the second quarter of 2009 to 15.7% in the second quarter of 2010;
- EBITDA increased 21.9% when compared to the second quarter of 2009;
- mmartan® ended the quarter with 112 stores against 82 stores in the end of the second quarter of 2009;

Management's Discussion and Analysis

Sales

Sales in Brazil have continued to present strong growth. Consolidated gross sales in the amount of R$714.4 million in the second quarter of 2010 were 1.2% lower than consolidated gross sales in the second quarter of 2009. In the second quarter of 2010, net sales decreased by 3.9%, reflecting a 5.3% decrease in sales volume in tons and a 1.5% increase in the average price. In the first semester of 2010, gross sales amounted to R$1,416.0 million against R$1,429.1 million in the first semester of 2009. Net sales decreased by 4.6% from R$1,263.9 million in the first semester of 2009 to R$1,205.6 million in the first semester of 2010, despite the 1.1% increase in sales volume.

The table below includes our net sales, volumes in tons and average price by segment for the periods indicated.

	Net sales (R$ million)					Volume (tons)					Average price (R$)/kg		
Segment	**2Q10**	**Total**	**2Q09**	**Total**	**var % 10-09**	**2Q10**	**Total**	**2Q09**	**Total**	**var % 10-09**	**2Q10**	**2Q09**	**var % 10-09**
Fashion bedding	238.7	39.3%	263.7	41.7%	(9.5%)	13,794	31.6%	15,936	34.6%	(13.4%)	17.30	16.55	4.5%
Bath	121.2	19.9%	126.6	20.0%	(4.3%)	9,517	21.8%	9,355	20.3%	1.7%	12.74	13.53	(5.8%)
Utility bedding	69.7	11.5%	94.5	14.9%	(26.2%)	8,245	18.9%	9,592	20.8%	(14.0%)	8.45	9.85	(14.2%)
Intermediate products	85.2	14.0%	66.7	10.5%	27.7%	12,091	27.7%	11,220	24.3%	7.8%	7.05	5.94	18.7%
Others	93.0	15.3%	80.9	12.8%	15.0%	-	-	-	-	-	-	-	-
Total	**607.8**	**100.0%**	**632.4**	**100.0%**	**(3.9%)**	**43,647**	**100.0%**	**46,103**	**100.0%**	**(5.3%)**	**13.93**	**13.72**	**1.5%**

	Net sales (R$ million) for the semester ended June 30					Volume (tons) for the semester ended June 30					Average price (R$)/kg for the semester ended June 30		
Segment	**2010**	**Total**	**2009**	**Total**	**var % 09-08**	**2010**	**Total**	**2009**	**Total**	**var % 09-08**	**2010**	**2009**	**var % 10-09**
Fashion bedding	467.4	38.8%	542.7	42.9%	(13.9%)	28,007	31.6%	31,219	35.6%	(10.3%)	16.69	17.38	(4.0%)
Bath	251.4	20.9%	263.4	20.8%	(4.6%)	19,589	22.1%	17,788	20.3%	10.1%	12.83	14.81	(13.4%)
Utility bedding	136.1	11.3%	196.0	15.5%	(30.6%)	16,419	18.5%	19,196	21.9%	(14.5%)	8.29	10.21	(18.8%)
Intermediate products	170.1	14.1%	114.1	9.0%	49.1%	24,522	27.7%	19,376	22.1%	26.6%	6.94	5.89	17.8%
Others	180.6	15.0%	147.7	11.7%	22.3%	-	-	-	-	-	-	-	-
Total	**1,205.6**	**100.0%**	**1,263.9**	**100.0%**	**(4.6%)**	**88,537**	**100.0%**	**87,579**	**100.0%**	**1.1%**	**13.62**	**14.43**	**(5.6%)**

Net sales in the Fashion bedding segment - The decrease of 9.5%, from R$263.7 million in the second quarter of 2009 to R$238.7 million in the second quarter of 2010, reflects a 13.4% decrease in sales volume in tons and a 4.5% increase in the average price. In the first semester of 2010, our net sales decreased by 13.9%, from R$542.7 million in 2009 to R$467.4 million in 2010, reflecting a 10.3% decrease in sales volume in tons and a 4.0% decrease in the average price. Even though there was an increase in fashion bedding sales in Brazil, it was not enough to offset the reduction in sales in the North American market. The 4.5% increase in the average price in the second quarter of 2010 is primarily due to the higher percentage of sales in Brazil in the total sales of the Company. The 4.0% decrease in the average price in the first semester of 2010 is primarily due to the 17.5% appreciation of the Brazilian *Real* on the conversion of our U.S. Dollar-denominated sales into *Reais*, which was partially offset by improved mix.

Net sales in the Bath segment - The decrease of 4.3%, from R$126.6 million in the second quarter of 2009 to R$121.2 million in the second quarter of 2010, reflects a 1.7% increase in sales volume in tons and a 5.8% decrease in the average price. In the first semester of 2010, our net sales decreased by 4.6%, from R$263.4 million in 2009 to R$251.4 million in 2010, reflecting a 10.1% increase in sales volume in tons and a 13.4% decrease in the average price. The increase in sales volume in tons is primarily due to the sales growth in the domestic market. The decrease in the average price in the second quarter and first semester of 2010 is primarily due to a 12.4% appreciation of the Brazilian *Real* on the conversion of our U.S. Dollar-denominated sales into *Reais* in the second quarter of 2010 and 17.5% in the first semester of 2010.

Net sales in the Utility bedding segment - The decrease of 26.2%, from R$94.5 million in the second quarter of 2009 to R$69.7 million in the second quarter of 2010, reflects a 14.0% decrease in sales volume in tons and a 14.2% decrease in the average price. In the first semester of 2010, our net sales decreased by 30.6%, from R$196.0 million in 2009 to R$136.1 million in 2010, reflecting a 14.5% decrease in sales volume in tons and an 18.8% decrease in the average price. The decrease in sales volume in tons is primarily due to the sales reduction in the North American market. The decrease in the average price in the second quarter and first semester of 2010 is primarily due to the appreciation of the Brazilian *Real* already mentioned.

Net sales in the Intermediate products segment - The increase of 27.7%, from R$66.7 million in the second quarter of 2009 to R$85.2 million in the second quarter of 2010, reflects a 7.8% increase in sales volume in tons and an 18.7% increase in the average price. In the first semester of 2010, our net sales increased by 49.1%, from R$114.1 million in 2009 to R$170.1 million in 2010, reflecting a 26.6% increase in sales volume in tons and a 17.8% increase in the average price. The increase in sales volume in tons and the average price is primarily due to the strong growth in the domestic market and a higher proportion of fabric in the mix of intermediate products sales.

Net sales – Others - This segment includes sales of the indirect subsidiary mmartan® (beginning May of 2009), sales in the Canadian market and other sales. Sales in this segment increased by 15.0%, from R$80.9 million in the second quarter of 2009 to R$93.0 million in the second quarter of 2010. In the first semester of 2010, our net sales increased by 22.3% from R$147.7 million in 2009 to R$180.6 million in 2010.

Cost of goods sold

Cost of goods sold decreased by 7.3%, from R$552.3 million in the second quarter of 2009 to R$512.2 million in the second quarter of 2010. In the first semester of 2010, cost of goods sold decreased by 8.2%, from

R$1,097.8 million in the first semester of 2009 to R$1,007.5 million in the first semester of 2010.

The table below includes material costs, conversion costs, warehousing and distribution costs, and depreciation expense for the periods indicated.

(R$ million)	2Q10	% of total cost of goods sold	% of total net sales	2Q09	% of total cost of goods sold	% of total net sales	var % 10-09
Materials	335.3	65.5%	55.2%	364.9	66.1%	57.7%	(8.1%)
Conversion costs	140.4	27.4%	23.1%	144.3	26.1%	22.8%	(2.7%)
Warehousing and distribution costs	11.4	2.2%	1.9%	15.2	2.8%	2.4%	(25.0%)
Depreciation	25.1	4.9%	4.1%	27.9	5.1%	4.4%	(10.0%)
Total	**512.2**	**100.0%**	**84.3%**	**552.3**	**100.0%**	**87.3%**	**(7.3%)**

	Semester ended June 30						
(R$ million)	2010	% of total cost of goods sold	% of total net sales	2009	% of total cost of goods sold	% of total net sales	var % 10-09
Materials	653.2	64.8%	54.2%	741.4	67.5%	58.7%	(11.9%)
Conversion costs	281.3	27.9%	23.3%	263.8	24.0%	20.9%	6.6%
Warehousing and distribution costs	22.9	2.3%	1.9%	35.9	3.3%	2.8%	(36.2%)
Depreciation	50.1	5.0%	4.2%	56.7	5.2%	4.5%	(11.6%)
Total	**1,007.5**	**100.0%**	**83.6%**	**1,097.8**	**100.0%**	**86.9%**	**(8.2%)**

<u>Materials</u> – Material costs decreased by 8.1%, from R$364.9 million in the second quarter of 2009 to R$335.3 million in the second quarter of 2010, and by 11.9%, from R$741.4 million in the first semester of 2009 to R$653.2 million in the first semester of 2010. As a percentage of net sales, material costs decreased from 57.7% in the second quarter of 2009 to 55.2% in the second quarter of 2010, and decreased from 58.7% in the first semester of 2009 to 54.2% in the first semester of 2010. The decrease in material costs and material cost as a percentage of net sales is mainly attributed to the higher percentage of products manufactured by our Brazilian subsidiary in the total of products sold.

<u>Conversion costs</u> – Conversion costs decreased by 2.7%, from R$144.3 million in the second quarter of 2009 to R$140.4 million in the second quarter of 2010, and increased by 6.6%, from R$263.8 million in the first semester of 2009 to R$281.3 million in the first semester of 2010. Conversion costs increased as a percentage of net sales, from 22.8% in the second quarter of 2009 to 23.1% in the second quarter of 2010, and from 20.9% in the first semester of 2009 to 23.3% in the first semester of 2010, due to the higher percentage of products manufactured by our Brazilian subsidiary in the total of products sold.

<u>Warehousing and distribution costs</u> – Warehousing and distribution costs decreased by 25.0%, from R$15.2 million in the second quarter of 2009 to R$11.4 million in the second quarter of 2010, and by 36.2%, from R$35.9 million in the first semester of 2009 to R$22.9 million in the first semester of 2010, reflecting lower sales volume in the North American market and the appreciation of the Brazilian *Real* on the translation of the costs of our U.S. subsidiary. As a percentage of net sales, warehousing and distribution costs decreased from 2.4% in the second quarter of 2009 to 1.9% in the second quarter of 2010, and from 2.8% in the first semester of 2009 to 1.9% in the first semester of 2010.

Depreciation of production and distribution assets – Depreciation expenses of production and distribution assets were R$27.9 million in the second quarter of 2009 and R$25.1 million in the second quarter of 2010. In the first semester of 2009 and 2010, depreciation expense of production and distribution assets were R$56.7 million and R$50.1 million, respectively.

Gross profit and Gross margin

Gross profit – Our gross profit increased by 19.5%, from R$80.1 million in the second quarter of 2009 to R$95.7 million in the second quarter of 2010, and increased by 19.3%, from R$166.2 million in the first semester of 2009 to R$198.2 million in the first semester of 2010, due to the combination of reasons already mentioned.

Gross margin – There was a 3.0 percentage point increase in gross margin, from 12.7% in the second quarter of 2009 to 15.7% in the second quarter of 2010, and a 3.3 percentage point increase, from 13.1% in the first semester of 2009 to 16.4% in the first semester of 2010. For the second semester of 2010, we should emphasize the potential impact in gross margin due to the price increase in raw materials and products from Asia.

Operating expenses

Selling expenses – Selling expenses increased by 21.2%, from R$47.6 million in the second quarter of 2009 to R$57.7 million in the second quarter of 2010, and by 24.8%, from R$88.7 million in the first semester of 2009 to R$110.7 million in the first semester of 2010, due to the inclusion of the commercial expenses of our indirect subsidiary mmartan® beginning in May of 2009.

The table below includes fixed and variable selling expenses for the periods indicated.

(R$ million)	2Q10	% of Total Selling Expenses	% of Total Net Sales	2Q09	% of Total Selling Expenses	% of Total Net Sales	var % 10-09
Fixed	42.7	74.0%	7.0%	35.8	75.2%	5.7%	19.3%
Variable	15.0	26.0%	2.5%	11.8	24.8%	1.9%	27.1%
Total	**57.7**	**100.0%**	**9.5%**	**47.6**	**100.0%**	**7.5%**	**21.2%**

Semester ended June 30

(R$ million)	2010	% of total selling expenses	% of total net sales	2009	% of total selling expenses	% of total net sales	var % 10-09
Fixed	82.0	74.1%	6.8%	66.8	75.3%	5.3%	22.8%
Variable	28.7	25.9%	2.4%	21.9	24.7%	1.7%	31.1%
Total	**110.7**	**100.0%**	9.2%	**88.7**	**100.0%**	7.0%	**24.8%**

Fixed selling expenses increased from R$35.8 million in the second quarter of 2009 to R$42.7 million in the second quarter of 2010, and from

R$66.8 million in the first semester of 2009 to R$82.0 million in the first semester of 2010. The increase is due to the inclusion of the commercial expenses of our indirect subsidiary mmartan® beginning in May of 2009.

Variable selling expenses increased from R$11.8 million in the second quarter of 2009 to R$15.0 million in the second quarter of 2010, and from R$21.9 million in the first semester of 2009 to R$28.7 million in the first semester of 2010. As a percentage of net sales, variable selling expenses increased from 1.9% in the second quarter of 2009 to 2.5% in the second quarter of 2010, and from 1.7% in the first semester of 2009 to 2.4% in the first semester of 2010, due to higher freight costs and sales commissions resulting from the increase in sales in Brazil.

General and administrative expenses – General and administrative expenses decreased by 9.4%, from R$38.4 million in the second quarter of 2009 to R$34.8 million in the second quarter of 2010, and by 14.1%, from R$81.7 million in the first semester of 2009 to R$70.2 million in the first semester of 2010. The decrease mainly reflects the rationalization effort employed by the Company and the appreciation of the Brazilian *Real* on the translation of the costs of our U.S. subsidiary. As a percentage of net sales, general and administrative expenses decreased from 6.1% in the second quarter of 2009 to 5.7% in the second quarter of 2010, and from 6.5% in the first semester of 2009 to 5.8% in the first semester of 2010.

Financial results

Financial expenses - interests – Interest expenses decreased from R$10.8 million in the second quarter of 2009 to R$10.4 million in the second quarter of 2010, due partially to the reduction in total debt. In the first semester of 2009 and 2010, interest expenses amounted R$20.8 million.

Financial expenses - bank charges and others – Bank charges and other expenses increased from R$11.9 million in the second quarter of 2009 to R$13.6 million in the second quarter of 2010, and from R$24.0 million in the first semester of 2009 to R$28.8 million in the first semester of 2010, due to discounts given, among others.

Financial income – Financial income decreased from R$5.7 million in the second quarter of 2009 to R$3.7 million in the second quarter of 2010, and from R$13.0 million in the first semester of 2009 to R$10.0 million in the first semester of 2010. The decrease in financial income is due to lower average cash invested in the financial market in the first semester of 2010 when compared to the first semester of 2009.

Exchange variations, net – Net exchange variations decreased from an exchange variation gain of R$51.0 million in the second quarter of 2009 to an exchange variation gain of R$13.6 million in the second quarter of

2010, and from a gain of R$67.9 million in the first semester of 2009 to a gain of R$23.8 million in the first semester of 2010. The gain in the second quarter of 2010 is attributed to the appreciation of the Brazilian *Real* against the U.S. Dollar during the period. This appreciation resulted in a gain in the recognition at fair market value of certain derivative instruments.

Provision for income and social contribution taxes

In the second quarter of 2010 and in the first semester of 2010, we recorded income tax credits of R$10.4 million and R$8.4 million, respectively. In addition, we recorded social contribution tax credits of R$1.1 million in the second quarter of 2010 and R$0.2 million in the first semester of 2010.

Capital expenditures

In the second quarter of 2010 and 2009, our capital expenditures were R$17.7 million and R$17.9 million, respectively. In the first semester of 2010 and 2009, our capital expenditures were R$29.5 million and R$34.4 million, respectively.

Liquidity and financing

Net debt, excluding debentures subscribed by our parent Company, increased by R$39.4 million, from R$184.0 million as of March 31, 2010 to R$223.4 million as of June 30, 2010. The net debt increase is primarily due to loans obtained to fulfill working capital needs in the United States.

(R$ million)	June 30, 2010	March 31, 2010
Short term debt		
Loans and financing	102.7	140.3
Long term debt		
Loans and financing	185.8	95.1
Total debt with financial institutions	**288.5**	**235.4**
Debentures subscribed by parent company in current liabilities	33.5	30.0
Debentures subscribed by parent company in noncurrent liabilities	20.2	22.5
Total debt including debentures subscribed by parent company	**342.2**	**287.9**
Total debt with financial institutions	**288.5**	**235.4**
Cash and cash equivalents	65.0	51.3
Marketable securities	0.1	0.1
Net debt (net cash) excluding debentures subscribed by parent company	**223.4**	**184.0**

Inventories

Raw materials and supplies inventory decreased by R$21.7 million, from R$121.6 million on March 31, 2010 to R$99.9 million on June 30, 2010. Work-in-process inventory decreased by R$5.5 million, from R$130.2 million on March 31, 2010 to R$124.7 million on June 30, 2010. Finished goods inventories increased by R$55.6 million, from R$260.4 million on March 31, 2010 to R$316.0 million on June 30, 2010.

Capital Market

In the second quarter of 2010, the Company’s daily average volume of shares traded was R$534,163. An average of 121.715 shares was traded daily. The highest share price achieved during the second quarter of 2010 was R$5.79 and the lowest price was R$3.90.

Management

COMPANHIA TECIDOS SANTANENSE

The table below includes the financial highlights for the second quarter of 2010:

	2Q10	2Q09	Var% 2Q10/09	2S10	2S09	Var% 2S10/09
Gross sales	94.5	79.7	18.6	181.9	153.7	18.3
Net sales	75.9	64.1	18.4	146.3	123.3	18.7
Cost of good sold	(58.1)	(48.7)	19.3	(110.3)	(91.8)	(20.2)
Gross profit	17.8	15.4	15.6	36.0	31.5	14.3
Gross margin	*23.5%*	*24.0%*		*24.6%*	*25.5%*	
Selling, general and Administrative expenses	(10.8)	(9.3)	16.1	(20.8)	(18.5)	(12.4)
Depreciation and amortization	2.2	2.3	-	4.3	4.6	-
Income from operations before financial results	7.0	6.1	14.8	15.2	13.0	16.9
Net income	3.8	3.1	22.6	8.5	8.3	2.4
Earnings per share (R$)	0.10	0.08		0.22	0.21	
Number of shares (thousand)	39,299	39,299	-	39,299	39,299	-

Net sales

Net sales in the second quarter of 2010 totaled R$75.9 million, an increase of 18.4%, in comparison to the second quarter of 2009, which totaled R$64.1 million. This increase was reflected by a sales volume increase.

Gross margin and gross profit

SANTANENSE had a gross margin of 23.5% in the second quarter of 2010. Gross profit totaled R$17.8 million in this quarter.

In comparison to the second quarter of 2009, gross profit increased by 15.6%, as a result, partially, of an increase in sales volume.

Selling, general and administrative expenses

Selling, general and administrative expenses in this quarter was R$10.8 million, or 14.2% of net sales. In the second quarter of 2009, these expenses totaled R$9.3 million, or 14.5% of net sales.

Operating income

EBITDA for the second quarter of 2010 totaled R$9.2 million, representing 12.1% of net sales. In the second quarter of 2009, EBITDA amounted R$8.4 million, representing 13.1% of net sales. The increase was due to the increase in sales volume.

Financial result, net

Net financial result in the second quarter of 2010 was an expense of R$1.7 million, while in the second quarter of 2009, it was an expense of R$2.2 million. The financial result variation is mainly attributed to the exchange rate effect and to the decrease of sales discounts to suppliers.

Financial result	R$ million	
	2Q10	**2Q09**
Financial income	0,2	0,7
Financial expenses - interests	(1,2)	(1,2)
Exchange variation, net	(0,2)	(1,2)
Bank charges, discounts	(0,5)	(0,5)
Financial result	**(1,7)**	**(2,2)**

Net working capital

Net working capital decreased by 5.2 million, from R$103.6 million, as of March 31, 2010, to R$98.4 million, as of June 30, 2010, mainly due to investments on the modernization of our plants.

The liquidity ratio as of June 30, 2010 was 2.78, in other words, for each R$1.00 in short term liability, the Company has R$2.78 in short term assets.

Financial assets and liabilities

The consolidated short and long term bank debt increased by 18.5%, from R$36.3 as of March 31, 2010 million to R$36.3 million as of June 30, 2010 2010. Bank debt as of June 30, 2010 is represented as follows:

Maturity	06.30.10
2010	29.7
2011	3.8
2012	3.8
2013 and 2014	5.7
Total	43.0

Management

(Convenience translation into English from the original previously issued in Portuguese)

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS

SECOND QUARTER - 2010

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(Convenience translation into English from the original previously issued in Portuguese)

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

1. We have performed a special review of the accompanying Interim Financial Statements of Companhia de Tecidos Norte de Minas – COTEMINAS (Company and consolidated) consisting of the balance sheets as of 30 June 2010, and the related statements of income, changes in shareholders' equity and notes, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. The interim financial statements of Oxford Comércio e Participações S.A., Springs Global Participações S.A., Companhia de Tecidos Norte de Minas – COTEMINAS (Argentine branch), COTEMINAS International Ltd. and American Sportswear Ltda. for the quarter and six-month period ended 30 June 2010, whose amounts were used by the Company to account for its investments in those subsidiaries on the equity basis and to prepare the consolidated financial statements, as mentioned in note 2, were reviewed by other independent accountants. Our report on the special review, regarding the carrying values of these investments, is exclusively based on the reports of these other independent auditors.

2. Our review was performed in accordance with specific standards established by IBRACON (Brazilian Institute of Independent Auditors) together with the CFC (Federal Association of Accountants) which consisted principally of: (a) inquiry of and discussion with the managers responsible for the accounting, financial and operating areas as to the main criteria adopted in preparing the interim financial statements and (b) review of the information and subsequent events that have or may have material effects on the financial situation and operations of the Company and its subsidiaries.

3. Based on our special review and the reports prepared by other independent accountants, we are not aware of any material modifications that should be made to the Interim Financial Statements referred to in paragraph 1 for them to be in conformity with Brazilian accounting practices and the standards issued the Brazilian Securities and Exchange Commission (CVM), specifically applicable to the preparation of the interim financial statements.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

4. As mentioned in note 2, during 2009 various technical pronouncements, interpretations and guidelines were issued by the Committee of Accounting Pronouncements effective for 2010 which changed Brazilian accounting practices. As allowed by CVM Resolution No. 603/09, the Company's management decided to present its Interim Financial Statements using Brazilian accounting practices adopted in Brazil until 31 December 2009, i.e. it did not apply these standards effective for 2010. As required by CVM Resolution No. 603/09, the Company disclosed this fact in note No. 2 to the Interim Financial Statements and the fact that to the date of these Interim Financial Statements no significant adjustments were identified that could have an impact on its financial statements.

São Paulo, 10 August 2010

Eduardo Augusto Rocha Pocetti	Henrique Herbel de Melo Campos
Engagement Partner	Engagement Partner
BDO Auditores Independentes	BDO Auditores Independentes

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

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF JUNE 30 AND MARCH 31, 2010

(In thousands of Brazilian Reais)

A S S E T S

		Company		Consolidated	
	Note	06.30.2010	03.31.2010	06.30.2010	03.31.2010
CURRENT:					
Cash and cash equivalents	3	12,009	25,410	90,556	88,591
Marketable securities	4	10,420	10,180	15,780	15,314
Accounts receivable	5	-	-	471,726	477,092
Inventories	6	-	-	645,104	618,587
Advances to suppliers	7	-	26	29,243	22,256
Recoverable taxes	17.e	10,097	10,667	61,146	65,793
Debentures issued by subsidiary	16	33,472	30,037	-	-
Dividends receivable		7,983	-	-	-
Other receivables		7,808	6,481	14,522	13,911
Derivative instruments	21.b.3	-	-	27,602	12,536
Total current assets		81,789	82,801	1,355,679	1,314,080
NONCURRENT:					
Long-term assets:					
Marketable securities	4	-	-	23,597	23,153
Other receivables		10,116	10,116	20,589	21,316
Advances to suppliers	7	-	8,805	45,057	54,245
Related parties	15	64,009	43,145	13,196	13,015
Debentures issued by subsidiary	16	20,230	22,499	-	-
Recoverable taxes	17.e	20,991	20,991	68,042	70,201
Deferred income and social contribution taxes	17.d	2,966	3,816	132,235	119,411
Property, plant and equipment held for sale	9	-	-	28,550	28,267
Derivative instruments	21.b.3	-	-	48,402	57,646
		118,312	109,372	379,668	387,254
Permanent:					
Investments in subsidiaries	8	1,258,347	1,270,032	-	-
Other investments		23,682	23,682	24,318	24,318
Property, plant and equipment	9	34,631	34,074	1,298,256	1,284,267
Intangible assets	10	-	-	78,703	78,616
Total noncurrent assets		1,434,972	1,437,160	1,780,945	1,774,455
Total assets		1,516,761	1,519,961	3,136,624	3,088,535

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF JUNE 30 AND MARCH 31, 2010

(In thousands of Brazilian Reais)

LIABILITIES AND SHAREHOLDERS' EQUITY

		Company		Consolidated	
	Note	06.30.2010	03.31.2010	06.30.2010	03.31.2010
CURRENT:					
Loans and financing	13	1,700	2,100	135,951	166,358
Suppliers	12	35	78	289,620	289,656
Payroll and related charges		633	504	71,116	58,141
Taxes		57	52	18,515	15,994
Income and social contribution taxes		-	-	1,121	1,221
Dividends payable		210	1,156	1,273	3,742
Derivative instruments	21.b.3	-	-	1,960	16,497
Other payables		1,351	-	51,416	48,666
Total current liabilities		3,986	3,890	570,972	600,275
NONCURRENT:					
Long-term liabilities:					
Loans and financing	13	-	-	220,843	130,598
Related parties	15	1,732	2,003	68	67
Government concessions	20	-	-	57,139	53,394
Employee benefit plans	19	-	-	76,712	77,205
Deferred credits – Negative goodwill	8.b and c	-	-	14,851	14,851
Accrual for contingencies	18	2	2	1,968	1,903
Derivative instruments	21.b.3	-	-	838	1,425
Income and social contribution taxes	17.d	-	-	2,094	7,954
Other obligations		-	-	46,611	48,965
Total noncurrent liabilities		1,734	2,005	421,124	336,362
NONCONTROLLING INTEREST		-	-	633,487	637,832
SHAREHOLDERS' EQUITY:					
Capital		870,000	870,000	870,000	870,000
Capital reserves		286,308	286,308	286,308	286,308
Income reserves		423,976	420,169	423,976	420,169
Cumulative translation adjustment		(82,326)	(82,928)	(82,326)	(82,928)
Assets and liabilities valuation adjustments		2,781	14,374	2,781	14,374
Treasury shares		(726)	(726)	(726)	(726)
Retained earnings		11,028	6,869	11,028	6,869
Total shareholders' equity		1,511,041	1,514,066	1,511,041	1,514,066
Total shareholders' equity and noncontrolling interest		1,511,041	1,514,066	2,144,528	2,151,898
Total liabilities and shareholders' equity		1,516,761	1,519,961	3,136,624	3,088,535

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE QUARTER AND SIX-MONTH PERIOD ENDED JUNE 30, 2010 AND 2009

(In thousands of Brazilian Reais)

		Company			
	Note	04.01.2010 to 06.30.2010	01.01.2010 to 06.30.2010	04.01.2009 to 06.30.2009	01.01.2009 to 06.30.2009
OPERATING INCOME (EXPENSES):					
General and administrative expenses		(3,200)	(5,688)	(2,464)	(5,090)
Financial expenses – interests		(277)	(363)	(195)	(797)
Financial expenses – taxes and others		(123)	(261)	(158)	(431)
Financial income		3,611	6,752	5,895	11,992
Exchange variations, net		1,087	3,394	(16,031)	(16,778)
Equity in subsidiaries	8	4,618	8,887	15,965	18,487
Other, net		(126)	(73)	73	264
INCOME FROM OPERATIONS BEFORE TAXES		5,590	12,648	3,085	7,647
SOCIAL CONTRIBUTION TAX	17.c	(365)	(417)	177	-
INCOME TAX	17.b	(1,066)	(1,203)	164	(323)
NET INCOME FOR THE PERIOD		4,159	11,028	3,426	7,324
EARNINGS PER THOUSAND SHARES OUTSTANDING AT THE END OF THE PERIOD – R$		35.67	94.52	29.36	62.77

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE QUARTER AND SIX-MONTH PERIOD ENDED JUNE 30, 2010 AND 2009

(In thousands of Brazilian Reais)

		Consolidated			
	Note	04.01.2010 to 06.30.2010	01.01.2010 to 06.30.2010	04.01.2009 to 06.30.2009	01.01.2009 to 06.30.2009
OPERATING REVENUES:					
Gross sales		801,618	1,587,418	800,023	1,578,814
Sales deductions		(123,976)	(244,253)	(105,449)	(194,677)
NET SALES		677,642	1,343,165	694,574	1,384,137
COST OF GOODS SOLD		(564,170)	(1,109,019)	(599,110)	(1,186,528)
GROSS PROFIT		113,472	234,146	95,464	197,609
OPERATING INCOME (EXPENSES):					
Selling expenses		(64,033)	(122,663)	(52,828)	(99,413)
General and administrative expenses		(43,710)	(86,004)	(45,014)	(94,732)
Financial expenses – interests		(10,483)	(20,542)	(12,937)	(23,722)
Financial expenses – bank charges and others		(12,742)	(26,943)	(10,563)	(21,463)
Financial income		4,695	11,929	9,273	21,069
Exchange variations, net		14,059	27,025	33,697	49,474
Others, net		(1,495)	(1,590)	(1,338)	(6,160)
INCOME (LOSS) FROM OPERATIONS BEFORE TAXES AND NONCONTROLLING INTEREST		(237)	15,358	15,754	22,662
SOCIAL CONTRIBUTION TAX	17.c	258	(1,260)	769	23
INCOME TAX	17.b	8,339	4,720	(3,643)	(3,419)
NET INCOME BEFORE NONCONTROLLING INTEREST		8,360	18,818	12,880	19,266
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST IN SUBSIDIARIES		(4,201)	(7,790)	(9,454)	(11,942)
NET INCOME FOR THE PERIOD		4,159	11,028	3,426	7,324

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2010 AND THE YEAR ENDED DECEMBER 31, 2009

(In thousands of Brazilian Reais)

	Capital	Capital reserve	Income reserves		Cumulative translation adjustments	Assets and liabilities valuation adjustments	Treasury shares	Retained earnings	Total
			Legal	Retained income					
BALANCES AS OF DECEMBER 31, 2008	870,000	286,308	33,032	384,776	(36,214)	(77,104)	(726)	-	1,460,072
Exchange variation on foreign investments	-	-	-	-	(51,222)	-	-	-	(51,222)
Derivative transactions – NDF in subsidiary	-	-	-	-	-	93,810	-	-	93,810
Dividends reversal	-	-	-	-	-	-	-	197	197
Net income for the year	-	-	-	-	-	-	-	3,167	3,167
Proposal for appropriation of net income:									
Legal reserve	-	-	158	-	-	-	-	(158)	-
Retained income reserve	-	-	-	2,203	-	-	-	(2,203)	-
Dividends (note 14.c)	-	-	-	-	-	-	-	(1,003)	(1,003)
BALANCES AS OF DECEMBER 31, 2009	870,000	286,308	33,190	386,979	(87,436)	16,706	(726)	-	1,505,021
Exchange variation on foreign investments	-	-	-	-	5,110	-	-	-	5,110
Derivative instruments – NDF in subsidiary	-	-	-	3,807	-	(13,925)	-	-	(10,118)
Net income for the period	-	-	-	-	-	-	-	11,028	11,028
BALANCES AS OF JUNE 30, 2010	870,000	286,308	33,190	390,786	(82,326)	2,781	(726)	11,028	1,511,041

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2010

(Amounts in thousands of Brazilian Reais)

1. OPERATIONS

Companhia de Tecidos Norte de Minas - COTEMINAS (the “Company”) is a Brazilian publicly-traded company engaged in the production and trade of yarns and fabrics in general, imports and exports, and may hold equity interest in other companies and acquire marketable securities in the capital market.

The Company is the parent company of Springs Global Participações S.A. (“SGPSA”), which is the parent company of Coteminas S.A. (“CSA”) and Springs Global US, Inc. (“SGUS”), companies that focus their manufacturing operations on bed and bath linens previously carried out by the Company and by Springs Industries Inc. (“SI”), respectively. These companies are the world’s largest textile industrial complex of bed linens and bath products, with production units in Brazil, Argentina, the United States, and Mexico.

The Company also manufactures products with strong brand names, such as Springmaid, Wamsutta, Regal, Artex, Santista, Paládio, Calfat, Garcia, Arco Íris, Magicolor, among others. The Company’s products have a privileged market standing in the shelves of the largest and most demanding retail channels of the world.

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

Beginning on April 30, 2009, SGPSA became the controlling shareholder of Springs Rossini Participações S.A. (“SRPSA”) with 64.7% of its capital. SRPSA functions as the holding company of MMartan Têxtil Ltda., a company specialized in retailing bed, bath and table linen products with high value-added.

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

2. PRESENTATION OF FINANCIAL STATEMENTS

a. Accounting policies

The financial statements have been prepared and presented in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Exchange Commission (“CVM”) and include the changes enacted by Law 11,638/07 and by the Provisional Act 449/08, converted in Law 11,941/09, which alters, revokes and adds provisions to Law 6,404/76.

Additionally, due to the enactment of this new Law and Provisional Act, new accounting pronouncements were issued, in 2008, by CPC (Brazilian Committee of Accounting Pronouncements), approved by CVM and CFC (Brazilian Federal Accountancy Council), which were effective for the year ended December 31, 2008.

During 2009, new accounting pronouncements, orientations and interpretations were issued by the Brazilian Committee of Accounting Pronouncements (CPC) and approved by CVM, which are effective for 2010, introducing changes to the accounting practices adopted in Brazil. As permitted by CVM Resolution 603/09, the Company's Management has chosen to present its Quarterly Information - ITR in accordance with the accounting standards adopted in Brazil through December 31, 2009.

For adjustments made related to the adoption of new accounting practices beginning on January 1, 2010, the Company will also evaluate the effects on the 2009 financial statements, and for comparison purposes, any significant adjustments will be reflected in the prior year statements as if these new practices had already been in place for the year ended December 31, 2009.

The Company’s Management is analyzing the impacts and the changes introduced by these new pronouncements and, as of the issuance of these financial statements, has not identified any material adjustments that could impact the financial statements.

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

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

<u>(b) Cash and cash equivalents</u>--Represented by amounts of immediate liquidity with original maturities of 90 days or less, stated at acquisition cost plus earned income through the balance sheet dates, and adjusted, when applicable, to its market value.

<u>(c) Marketable securities</u>--Represented by amounts of immediate liquidity with maturities of more than 90 days, stated at acquisition cost plus earned interest through the balance sheet dates, and adjusted, when applicable, to its market value.

<u>(d) Derivative transactions</u>--The Non-Deliverable-Forward contracts (NDF) are measured at fair value. For the contracts classified as a cash flow hedge for the probable projected exports and whose effectiveness can be measured and verified, unrealized gains or losses are recorded in shareholder’s equity, and, when realized, or when the hedge classification is revoked, are recognized in the statements of operations. The option contracts and the NDF contracts that are not classified as a cash flow hedge are measured at fair value and changes in the fair value are recorded in the statements of operations.

<u>(e) Accounts receivable and allowance for doubtful accounts</u>--Accounts receivable from customers are recorded at fair value and reduced by the allowance for doubtful accounts, which is determined based on a credit risk analysis, in an amount considered sufficient by Management to cover possible losses on receivables. Noncurrent accounts receivable are adjusted at present value, based on the market interest rates or the transaction interest rate. Current accounts receivable are adjusted whenever effects are significant.

(f) Inventories--Stated at average acquisition or production cost, which is lower than net realizable value.

(g) Property, plant and equipment held for sale--Represented by out of use machinery and equipment recorded at its estimated recoverable value.

(h) Investments--Investments in subsidiaries are accounted for using the equity method based on the balance sheet of the subsidiaries as of the same date as the Company’s balance sheet.

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

(j) 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 date of the leased facilities), net of existing sublease income and estimated sublease income for close facilities, which were not yet subleased.

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

(l) Intangible assets--Represented by trademarks acquired and goodwill on companies acquired. Intangible assets with finite useful lives are amortized under 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.

(m) Valuation of recoverable assets--Assets included in property, plant and equipment, intangible assets, and other noncurrent assets are tested for impairment annually, or as deemed necessary, in order to determine the recoverability of their respective net book values. When impairment is required, it is recognized in the statements of operations.

(n) Provision for income tax-- The provision for income tax of the Brazilian subsidiaries is calculated at the rate of 15% on taxable income, plus 10% surtax, and is recognized net of the the portion related to the income tax exemption. The liability 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.

(o) Provision for social contribution tax--The provision for social contribution tax for the Brazilian subsidiaries is recognized after income from operations and calculated at the rate of 9% on taxable income. The liability balance is net of prepayments made during the period, if applicable.

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

(q) Accrual for contingencies--Recorded at an amount considered sufficient by Management to cover probable losses.

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

(s) Accounting estimates--The preparation of financial statements requires Management to make estimates and assumptions in order to record certain transactions that impact the balances of assets and liabilities, accrual for contingencies, allowance for doubtful accounts, the useful lives of property, plant and equipment and its recoverable value, the recording of income and expenses, and the projections to determine the valuation allowance of deferred income and social contribution taxes. Since Management's judgment involves estimates related to the likelihood of future events, actual results could differ from those estimates.

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

(u) Earnings per share--Calculated based on the number of shares outstanding at the balance sheet dates.

b. Consolidation criteria

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

	Direct and indirect interest in total capital - %	
	06.30.2010	03.31.2010
Coteminas International Ltd.	100	100
Companhia de Tecidos Norte de Minas – Coteminas (Argentina Branch)	100	100
Springs Global Participações S.A.	68	68
Oxford Comércio e Participações S.A.	59	59
American Sportswear Ltda.	100	100
Companhia Tecidos Santanense	53	53

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

The subsidiary SGPSA, parent company of CSA and SGUS with ownership interest of 100%, and SRPSA, in which SGPSA owns 64.7% interest, were included in the consolidation process with its already consolidated financial statements.

The subsidiary Oxford Comércio e Participações S.A., parent company of Companhia Tecidos Santanense, with ownership interest of 85.91%, was included in the consolidation process with its already consolidated financial statements.

The financial statements of foreign subsidiaries have been translated into Brazilian Reais based on the US Dollar exchange rate as of June 30 and March 31, 2010 for balance sheet accounts and the average monthly exchange rate for statement of operations accounts, as follows:

	2010	2009	%
Exchange rate as of:			
December 31	-	1.7412	-
March 31	1.7810	2.3152	(23.1)
June 30	1.8015	1.9516	(7.7)
Average exchange rate:			
March 31 (3 months)	1.8223	2.3366	(22.0)
June 30 (3 months)	1.7829	2.0343	(12.4)
June 30 (6 months)	1.8026	2.1855	(17.5)

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	06.30.2010	03.31.2010	06.30.2010	03.31.2010
Fixed-yield fund (DI)	1,048	1,081	2,569	2,580
Foreign exchange funds (US$)	-	-	35,101	20,493
Foreign deposits	-	-	30,708	27,051
Debentures	10,020	23,445	10,020	23,445
Checking accounts deposits	941	884	12,158	15,022
	------------	------------	------------	------------
	12,009	25,410	90,556	88,591
	=======	=======	=======	=======

4. MARKETABLE SECURITIES

	Company		Consolidated	
	06.30.2010	03.31.2010	06.30.2010	03.31.2010
Fixed-yield fund (DI)	10,420	10,180	10,420	10,180
Investment fund – US$	-	-	5,276	5,050
Restricted cash (*)	-	-	84	84
Foreign deposits	-	-	23,597	23,153
	------------	------------	------------	------------
Marketable securities	10,420	10,180	39,377	38,467
Current	(10,420)	(10,180)	(15,780)	(15,314)
	------------	------------	------------	------------
Noncurrent	-	-	23,597	23,153
	======	======	======	======

(*) The indirect subsidiary SGUS had restricted cash in financial institutions in the amount of US$47 thousand (US$47 thousand as of March 31, 2010) related to certain compensating balance arrangements.

5. ACCOUNTS RECEIVABLE

	Consolidated	
	06.30.2010	03.31.2010
Domestic customers	438,045	451,430
Foreign customers	65,569	61,178
Subsidiary		
Domestic market	1,541	2,272
Foreign market	4,493	6,795
	----------	----------
	509,648	521,675
Credit card advances (*)	-	(6,639)
Allowance for doubtful accounts	(37,922)	(37,944)
	----------	----------
	471,726	477,092
	======	======

(*) Relates to amounts received in advance from credit card companies, resulting from retail sales of the indirect subsidiary MMartan.

Accounts receivable from customers consist of receivables with an average collection period of approximately 59 days (61 days as of as of March 31, 2010). Past-due amounts as of June 30, 2010 are not significant and the allowance for doubtful accounts is considered by Management sufficient to cover expected losses from these notes.

The indirect subsidiary SGUS has a financing arrangement that consists of a trade receivable securitization facility (the “SABRE Securitization”) that provides funding up to US$90 million. Under the SABRE Securitization, trade accounts receivables due from certain customers are sold on a revolving basis to Sabre US, Inc. (“Sabre”), a bankruptcy-remote, special purpose entity that is a wholly owned subsidiary of SGUS. Sabre is a separate legal entity that assumes the risks and rewards of ownership of the purchased receivables.

The indirect subsidiary SGUS remains responsible for some obligations to its customers, such as returns and allowances and promotional claims. Sabre maintains a trade credit insurance policy with a third-party insurance company, which serves to insure Sabre for the uncollected portion of the purchased receivables in an amount up to the limits provided for in the policy.

In turn, Sabre grants a security interest in all or a portion of the insured receivables to a third-party lender. Sabre then borrows up to 90 percent of the uncollected receivable balance that is pledged to the third-party lender. In the event of payment default on any insured receivables, the third-party lender is named as the loss payee on the trade credit insurance policy. Funding availability under the SABRE Securitization fluctuates based on the volume of new receivables sold and the level of collections on receivables previously sold. Interest is paid by the SABRE securitization to the third-party lender and the rate is based on the “London Interbank Offered Rate” (“Libor”) plus 0.825% per year. The arrangement was amended on January 23, 2010, and the facility now expires on July 22, 2011. The securitization maximum amount was changed to US$75 million and the interest rate was adjusted to “Libor” plus 1.6% per year.

As of June 30, 2010, the indirect subsidiary SGUS has R$106,727 (R$102,763 as of March 31, 2010) outstanding under the SABRE Securitization.

6. INVENTORIES

	Consolidated	
	06.30.2010	03.31.2010
Raw materials and supplies	112,164	137,619
Work in process	148,866	155,983
Finished products	322,160	264,081
Repair parts	61,914	60,904
	645,104	618,587

Finished products inventories are stated net of provision for losses in the amount of R$16,671 (R$16,746 as of March 31, 2010), which, based on Management's assessment, is sufficient to cover losses on obsolete and/or discontinued inventories.

7. ADVANCES TO SUPPLIERS

	Company		Consolidated	
	06.30.2010	03.31.2010	06.30.2010	03.31.2010
Sundry suppliers	-	8,831	61,720	62,696
Electricity suppliers	-	-	12,580	13,805
	-	8,831	74,300	76,501
Current	-	(26)	(29,243)	(22,256)
Noncurrent	-	8,805	45,057	54,245

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

Every month, CESP invoices the electricity supplied at the current price and the indirect subsidiary CSA amortizes the advance at the historical cost, with the excess amount recorded as cost reduction. As of June 30, 2010, the balance in current assets is R$4,861 (R$4,861 as of March 31, 2010) and in noncurrent assets is R$7,719 (R$8,944 as of March 31, 2010).

8. INVESTMENTS IN SUBSIDIARIES

	Shareholders' equity	Ownership interest - %	Net income for the period	Total investment 06.30.2010	Total investment 03.31.2010	Equity in subsidiaries 06.30.2010	Equity in subsidiaries 06.30.2009
Springs Global Participações S.A. (a)	1.679.058	68.44	5,093	1,149,147	1,161,643	3,486	16,231
Oxford Comércio e Participações S.A. (b)	152.315	58.88	7,308	89,683	88,902	4,314	4,189
Coteminas International Ltd.	14.512	100.00	887	14,512	14,569	887	(2,039)
Companhia Tecidos Santanense (c)	193.129	2.07	8,529	2,745	2,666	177	173
American Sportswear Ltda.	1.735	100.00	-	1,735	1,735	-	(2)
Coteminas (Argentina Branch)	525	100.00	23	525	517	23	(65)
				1,258,347	1,270,032	8,887	18,487

(a) Springs Global Participações S.A., was incorporated In November of 2005 as a subsidiary of the Company. In January of 2006 a capital contribution was made with assets, made up of 100% of CSA and SGUS. In July and August 2007, the subsidiary issued 23,500,000 new shares. The Company subscribed 9,500,000 shares, acquiring an ownership interest of 55.88% (61.65% as of December 31, 2006). In November 2008, the subsidiary issued new shares whereby the Company acquired 49,973,803 new shares, increasing its ownership interest in the subsidiary's capital to 68.44%.

(b) The subsidiary Oxford is the parent company of Companhia Tecidos Santanense, with ownership interest of 85.91% since July 2004, when a negative goodwill was determined in the amount of R$13,598, classified as "Deferred credits - negative goodwill", in noncurrent liabilities. This negative goodwill is derived from other economic reasons and will be amortized upon realization of this investment.

(c) The Company acquired a direct investment in Companhia Tecidos Santanense in February of 2005, when a negative goodwill was determined in the amount of R$1,253, classified as "Deferred credits - negative goodwill" in noncurrent liabilities. This negative goodwill is derived from other economic reasons and will be amortized upon realization of this investment.

- Acquisition of MMartan Têxtil Ltda.

On April 30, 2009, subsidiary SGPSA acquired a 64.7% interest in the capital of SRPSA.

SRPSA is a company whose capital is represented by 92,291 common shares and has only one asset, the capital of MMartan Têxtil Ltda.

In order to acquire the 64.7% interest in the capital of SRPSA, SGPSA acquired and subscribed SRPSA's common shares, resulting in a total investment of R$56,249.

The acquisition amount includes goodwill of R$27,303, which is attributed to the expectation of future profitability and recorded in intangible assets.

Goodwill is represented by a group of intangible assets that are not individually identified and do not qualify for separate recognition in the financial statements, such as (i) the indirect subsidiary MMartan's chain of stores, with 41 wholly-owned and 41 franchised stores, all located in excellent commercial real estate locations in Brazil, which exclusively distribute MMartan products, as well as (ii) the brand "MMartan", which is a benchmark for high quality and it is positioned in the market with high value-added products that complete our bed, table and bath product lines.

9. PROPERTY, PLANT AND EQUIPMENT

	Annual weighted average depreciation rate - %	Consolidated			
		06.30.2010			03.31.2010
		Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	2.8	34,964	(5,520)	29,444	29,003
Buildings	2.5	521,581	(176,205)	345,376	345,289
Installations	6.2	240,938	(121,221)	119,717	122,064
Equipment	6.5	1,582,473	(965,125)	617,348	636,652
Furniture and fixtures	7.9	40,963	(30,385)	10,578	10,751
Vehicles	18.4	26,325	(21,667)	4,658	3,540
Computers and peripherals	14.5	60,978	(51,979)	8,999	8,324
Hydroelectric plant - Porto Estrela (*)	2.2	37,268	(7,035)	30,233	30,414
Construction in progress	-	53,816	-	53,816	54,330
Advances to suppliers	-	74,684	-	74,684	39,118
Others	15.7	85,015	(81,612)	3,403	4,782
		2,759,005	(1,460,749)	1,298,256	1,284,267

(*) See note 20.

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's manufacturing facilities and machinery and equipment from the American subsidiary's manufacturing facilities that were shutdown. As a result of this analysis, the recoverable value of R$28,550 (R$28,267 as of March 31, 2010) 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.

As of June 30, 2010, the Company's indirect subsidiaries had an accrual for a probable loss of R$55,048 (R$54,945 as of March 31, 2010), related to a reduction in the recoverable values of operating and also held for sale machinery and equipment that are not expected to generate future benefits.

10. INTANGIBLE ASSETS

	Consolidated	
	06.30.2010	03.31.2010
Goodwill from the acquisition of North American companies	24,885	24,796
Goodwill from the acquisition of SRPSA (*)	27,303	27,303
Trademarks	16,298	16,298
Store locations (real estate/customer base intangible)	10,155	10,155
Others	62	64
Total	78,703	78,616

(*) See note 8.

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

	Balances as of 03.31.2010	Exchange variations	Additions (deductions) for the period	Balances as of 06.30.2010
Goodwill from the acquisition of North American companies	24,796	89	-	24,885
Goodwill from the acquisition of SRPSA	27,303	-	-	27,303
Trademarks	16,298	-	-	16,298
Store locations (real estate/customer base intangible)	10,155	-	-	10,155
Others	64	-	(2)	62
Total	78,616	89	(2)	78,703

The intangible assets presented above have indefinite useful lives, and therefore are not amortized, but their recoverable values are tested for impairment annually. The goodwill balances are related to investments in other companies made by the Company or by its subsidiaries. Trademarks are recorded at their acquisition cost. The amounts related to the store locations (real estate/customer base intangible) are recorded at acquisition cost.

11. LEASE

Indirect subsidiary SGUS leases properties and equipment under operating leases. Total expense for the six-month period ended June 30, 2010 was R$17,199 (R$25,546 in the six-month period ended June 30, 2009). Subsidiary SGUS contractually agreed with third-parties to sublease certain vacant facilities that no longer provide economic benefit. Total sublease income in the six-month period ended June 30, 2010 was R$1,289 (R$1,781 in the six-month period ended June 30, 2009).

Installments scheduled for the future years are estimated as follows:

Years	06.30.2010
2010 (*)	14,736
2011	25,149
2012	23,045
2013	20,633
2014	18,305

(*) 6 months

Beginning in 2015, installments continue to decrease until the contracts terminate on several dates through 2030, totaling R$204,141.

For the years between 2010 and 2013, subsidiary SGUS is scheduled to receive sublease installments of R$5,754.

Indirect subsidiary SGUS has an accrual totaling R$15,382, which consists of the present value of estimated future lease obligations that are expected to be incurred after the closing date of the leased facilities, net of existing sublease income and estimated sublease income of closed facilities, which were not yet subleased. This potential sublease income would result in a reduction of the above obligations by R$102,048.

12. SUPPLIERS

	Consolidated	
	06.30.2010	03.31.2010
Domestic market	94,831	127,541
Foreign market	194,789	162,115
	----------	----------
	289,620	289,656
	======	======

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 39 days (36 days as of March 31, 2010). Domestic suppliers include credits to purchase raw material (cotton), amounting to R$50,308 (R$74,531 as of March 31, 2010), with maturities through June of 2010.

13. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated 06.30.2010	Consolidated 03.31.2010
Export prepayment:					
Banco Santander S.A. (b)	US$	Libor+1.20	2011	18,026	23,759
Banco Santander S.A. (a)	US$	Libor+1.35	2013	57,249	61,309
Banco Itaú S.A. (a)	US$	Libor+1.35	2013	57,249	61,309
				132,524	146,377
Local currency:					
Banco do Brasil S.A.	R$	IRP+10.81	2012	40,739	43,936
Banco do Brasil S.A – (overdraft account)	R$	123.3% of CDI	2010	35,568	39,170
Bradesco S.A. – (overdraft account)	R$	125% of CDI	2010	27,035	12,551
Banco Santander S.A.	R$	CDI+0.20 to 0.29	2013	5,990	6,743
HSBC Bank Brasil S.A.	R$	CDI+0.25	2014	7,915	8,327
BNDES – Working capital	R$	TJLP+3.0	2013	15,225	16,183
BNDES – Revitaliza	R$	4.5 to 9.0	2016	29,883	-
Banco do Brasil S.A. – Revitaliza	R$	4.5 to 9.0	2016	29,883	-
Banco do Brasil S.A. – Giro-flex	R$	112.9 CDI	2010	8,074	-
Others	R$	-	2012	361	516
				200,673	127,426
Foreign currency:					
JP Morgan	US$	1.50	2012	23,597	23,153
				23,597	23,153
Total				356,794	296,956
Current liabilities				(135,951)	(166,358)
Noncurrent liabilities				220,843	130,598

(a) Joint lead underwriters and underwriters. These agreements contain usual covenants for accelerated maturity, including noncompliance with the following financial ratios: (i) maximum net debt/EBITDA ratio of 3.5 times; (ii) minimum EBITDA/financial expense ratio of 2.0 times; and (iii) maximum net debt/shareholders' equity ratio of 0.6 times.

(b) This agreement contains usual covenants for accelerated maturity, including noncompliance with the following financial ratio (to be assessed twice a year): maximum debt/EBITDA ratio of 5.33 times in 2008; 4.42 times in 2009; 4.26 times in 2010 and 3.84 times in 2011.

For the financial ratios noted above, the debt calculations do not include intercompany debt and are based on the indirect subsidiary CSA's financial statements. The items considered in the net debt calculation and financial expenses are specifically defined and may not be the same as the amounts in the financial statements.

Loans are collateralized by: (i) export rights, agreements, credit notes and related products for "Export Prepayment" financing; and (ii) receivables, inventories, sureties, and bank guarantees for the remaining financing.

As stated in note 5, on January 23, 2008, the indirect subsidiary SGUS entered into a financing agreement that consists of a trade receivables securitization facility that provides funding up to US$90 million, the SABRE Securitization. The contract was amended on January 23, 2010, and the facility now expires on July 22, 2011. The securitization maximum amount was changed to US$75 million and the interest rate was adjusted to "Libor" plus 1.6% per year.

Maturities are as follows:

Consolidated	2010	2011 Short-term	2011 Long-term	2012	2013 to 2016	Total
Export prepayment:						
Banco Santander S.A.	12,021	6,005	-	-	-	18,026
Banco Santander S.A.	9,562	9,537	9,538	19,075	9,537	57,249
Banco Itaú S.A.	9,562	9,537	9,538	19,075	9,537	57,249
	31,145	25,079	19,076	38,150	19,074	132,524
Local currency:						
Banco do Brasil S.A.	-	-	-	40,739	-	40,739
Banco do Brasil S.A. - (overdraft account)	35,568	-	-	-	-	35,568
Bradesco S.A. – (overdraft account)	27,035	-	-	-	-	27,035
Banco Santander S.A.	1,328	881	895	1,781	1,105	5,990
HSBC Bank Brasil S.A.	1,260	1,239	1,260	2,506	1,650	7,915
BNDES – Working capital	1,916	1,901	1,901	3,803	5,704	15,225
BNDES – Revitaliza	109	-	2,977	5,458	21,339	29,883
Banco do Brasil S.A. – Revitaliza	109	-	2,977	5,458	21,339	29,883
Banco do Brasil S.A. – Giro-flex	8,074	-	-	-	-	8,074
Others	181	126	52	2	-	361
	75,580	4,147	10,062	59,747	51,137	200,673
Foreign currency:						
JP Morgan	-	-	-	23,597	-	23,597
Total	106,725	29,226	29,138	121,494	70,211	356,794

14. SHAREHOLDERS' EQUITY

a. Capital

Capital, as of June 30, 2010 and March 31, 2010 is represented as follows:

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

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

b. Treasury shares

As of June 30, 2010, the Company had 100,800 preferred shares at an average cost of R$7.20 per share (R$6.40 minimum and R$8.59 maximum). The market value of each share was R$4.46 per share as of June 30, 2010.

c. Dividends

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

On April 30, 2010, at the Company's shareholders' meeting, the distribution of dividends in the amount of R$1,003, or R$0.0086 per share was approved to all shareholders at the date of the meeting. Dividends will begin to be paid on July 25, 2010.

d. Retained income reserve

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

15. RELATED PARTY TRANSACTIONS

	Receivable		Payable		Finance charges	
	06.30.2010	03.31.2010	06.30.2010	03.31.2010	06.30.2010	06.30.2009
Coteminas International Ltd.	43,195	23,205	-	-	569	274
Wembley Sociedade Anônima	12,850	10,984	-	-	449	75
American Sportswear Ltda.	-	-	1,732	1,728	-	(28)
Companhia Tecidos Santanense	-	-	-	275	96	(29)
Coteminas S.A.	7,671	7,431	-	-	317	(8)
Oxford Com. e Partic. S.A.	19	2	-	-	-	1
Jags – José Alencar Gomes da Silva	274	1,523	-	-	71	-
	64,009	43,145	1,732	2,003	1,502	285

The balances refer to loans with long-term maturities, whose charges, for subsidiaries and affiliates, were calculated according to the rates equivalent to those in effect in the financial market (100% of the Interbank Certificate of Deposit variance plus 1.375% for companies based in Brazil and Libor plus 3% per year for companies based abroad).

The Company receives commissions on surety at the rate of 1.3% per year from its indirect subsidiary Companhia Tecidos Santanense, which through June 30, 2010 totaled R$108 (R$132 through June 30, 2009) and it is included in the table above.

As stated in the shareholders' agreement, the indirect subsidiary SGUS must pay annually US$1,491 thousand for services provided, net of expenses, to the shareholder Heartland Industrial Partners, L.P. and the subsidiary CSA must pay US$3,500 thousand to the controlling shareholder CTNM. In the six-month period ended June 30, 2010, the total amount of R$4,392 (R$5,697 in the six-month period ended June 30, 2009) was accrued for services provided and R$3,357 (R$2,655 as of March 31, 2010) is accrued under the caption "Other payables", in current liabilities.

SRPSA's noncontrolling shareholder Rossini Administradora de Bens Ltda. and indirect subsidiary MMartan entered into a real estate lease agreement for MMartan's manufacturing facility and its offices. In the six-month period ended June 30, 2010, R$1,200 was paid under this lease.

16. DEBENTURES ISSUED BY SUBSIDIARY

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

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

The debentures were fully subscribed by the Company. As of June 30, 2010, pro-rata interest expense, and the installments of the principal, in the amount of R$33,472 (R$30,037 as of March 31, 2010), were accrued as current liabilities. Noncurrent liabilities include the principal of R$20,230 (R$22,499 as of March 31, 2010). As of June 30, 2010, interest expense of R$994 (R$1,095 as of June 30, 2009) and exchange rate variation loss of R$1,763 (exchange rate variation gain of R$11,222 as of June 30, 2009) were recognized in the statements of operations.

17. INCOME AND SOCIAL CONTRIBUTION TAXES AND OTHER TAXES

a. Tax incentives

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

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

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

b. Income tax expense reconciliation

	Company		Consolidated	
	06.30.2010	06.30.2009	06.30.2010	06.30.2009
Income from operations before taxes and noncontrolling interest	12,648	7,647	15,358	22,662
Equity in subsidiaries	(8,887)	(18,487)	-	-
Compensation of net operating losses	-	-	-	(2,911)
Unrealized derivatives	-	-	(45,555)	(28,514)
Nontaxable income (RTT)	-	-	(17,807)	(13,974)
Deferred income tax	-	-	-	17,658
Taxable income from foreign subsidiary	843	-	885	-
Permanent differences on foreign subsidiary	-	-	9,918	-
Others, net	211	(125)	(15,577)	3,661
	----------	----------	----------	----------
Income tax base	4,815	(10,965)	(52,778)	(1,418)
15% rate + surtax	(1,203)	-	7,938	97
SGUS' income tax (35%)	-	-	7,771	(3,719)
Unrecognized tax credits	-	-	(11,628)	-
Tax incentive (SUDENE)	-	-	569	-
Others	-	(323)	70	203
	---------	---------	---------	---------
Total income tax	(1,203)	(323)	4,720	(3,419)
	---------	---------	---------	---------
Current income tax	(1,046)	(323)	(8,130)	2,358
Deferred income tax	(157)	-	12,850	(5,777)
	=====	=====	=====	=====

c. Social contribution tax expense reconciliation

	Company		Consolidated	
	06.30.2010	06.30.2009	06.30.2010	06.30.2009
Income tax base (see item "b" above)	4,815	(10,965)	(52,778)	(1,418)
Foreign subsidiaries' income	-	-	22,249	(9,788)
Others, net	(182)	(8)	(1,090)	(15)
	----------	----------	----------	----------
Social contribution tax base	4,633	(10,973)	(31,619)	(11,221)
CSLL (9%)	(417)	-	2,945	23
Unrecognized tax credits	-	-	(4,251)	-
CSLL - negative base	-	-	46	-
	----------	----------	----------	----------
Total social contribution tax	(417)	-	(1,260)	23
	----------	----------	----------	----------
Current social contribution tax	(367)	-	(2,276)	638
Deferred social contribution tax	(50)	-	1,016	(615)
	======	======	======	======

CSA's Management, based on a business plan and future projections, partially recognized deferred tax assets arising from accumulated net operating losses. As of June 30, 2010, the indirect subsidiary had net operating losses of R$182,254 (R$171,767 as of March 31, 2010) and negative social contribution tax base of R$186,052 (R$174,882 as of March 31, 2010), whose tax assets were not recognized. Recognized tax assets are net from SUDENE's tax incentives. The indirect subsidiary'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 indirect subsidiary's deferred tax assets.

d. Deferred income and social contribution taxes

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

	Consolidated	
	06.30.2010	03.31.2010
Assets:		
Temporarily nondeductible provisions	78,662	77,513
Net operating losses	52,560	39,878
Tax credits from foreign subsidiaries	5,292	6,269
	-----------	-----------
	136,514	123,660
Liabilities:		
Temporary differences	(4,279)	(4,249)
Tax on assets and liabilities valuation adjustments	(2,094)	(7,954)
	-----------	-----------
	130,141	111,457
Noncurrent assets	2,094	7,954
	-----------	-----------
Noncurrent liabilities	132,235	119,411
	======	======

Based on the budget and business plan, Management estimates that the deferred taxes will be realized between 2010 and 2014, as follows:

Consolidated		
Year	Noncurrent assets	Noncurrent liabilities
2010	27,479	-
2011	23,417	-
2012	23,192	-
2013	23,665	2,094
2014	34,482	-
	----------	----------
	132,235	2,094
	======	======

e. Recoverable taxes

	Company		Consolidated	
	06.30.2010	03.31.2010	06.30.2010	03.31.2010
ICMS (state VAT)	14,913	15,002	76,469	77,440
Prepaid income and social contribution taxes	2,623	3,104	25,051	29,268
PIS and COFINS (taxes on revenue)	8,210	8,210	8,281	8,688
IVA – Argentina	-	-	2,571	3,112
VAT – China and Mexico	-	-	3,351	2,421
IPI (federal tax on manufactured goods)	1,780	1,780	2,198	4,460
ILL (tax on net income)	3,562	3,562	3,654	3,654
Other recoverable taxes	-	-	7,613	6,951
	31,088	31,658	129,188	135,994
Current	(10,097)	(10,667)	(61,146)	(65,793)
Noncurrent	20,991	20,991	68,042	70,201

18. ACCRUAL FOR CONTINGENCIES

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

Regarding taxes under litigation, the Company has adopted the policy of accruing and making escrow deposits for the full amounts.

	Company		Consolidated	
	06.30.2010	03.31.2010	06.30.2010	03.31.2010
Tax litigation claims:				
Social contribution	40,915	40,915	41,179	41,179
Temporary contribution over financial transactions (CPMF)	102	102	4,419	4,419
INSS	2,304	2,291	5,435	4,536
PIS and COFINS	950	596	3,144	2,792
IPI foreign flag	3,489	3,489	3,489	3,489
Others	652	652	3,393	3,393
Labor	2,053	2,053	17,876	17,870
Civil and others	13,912	13,912	18,160	18,121
	64,377	64,010	97,095	95,799
Escrow deposits	(64,375)	(64,008)	(95,127)	(93,896)
	2	2	1,968	1,903

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

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

INSS – Administrative litigation referring to tax entries in the Company. Subsidiary CSA is a plaintiff in a lawsuit against the Brazilian Treasury Department, disputing the levy of INSS on amounts considered to be employee termination costs.

PIS and COFINS – The indirect subsidiary Companhia Tecidos Santanense is a plaintiff in a lawsuit against the Federal Revenue Service questioning the inclusion of ICMS in COFINS and PIS tax basis.

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

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

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

Changes in the consolidated accrual for contingencies are as follows:

	Balances as of 03.31.2010	Additions	Reductions	Balances as of 06.30.2010
Tax litigation claims:				
Social contribution	41,179	-	-	41,179
Temporary contribution over financial transactions (CPMF)	4,419	-	-	4,419
INSS	4,536	899	-	5,435
PIS and COFINS	2,792	352	-	3,144
IPI foreign flag	3,489		-	3,489
Others	3,393	-	-	3,393
Labor	17,870	1,087	(1,081)	17,876
Civil and others	18,121	39	-	18,160
	---------	---------	---------	---------
	95,799	2,377	(1,081)	97,095
Escrow deposits	(93,896)	(2,302)	1,071	(95,127)
	---------	---------	---------	---------
	1,903	75	(10)	1,968
	=====	=====	=====	=====

19. EMPLOYEE BENFIT PLANS

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

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

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

The table below includes summarized information on the pension and postretirement plans as of June 30, 2010 and 2009:

	06.30.2010		06.30.2009	
	Defined-benefit pension plan	Postretirement	Defined-benefit pension plan	Postretirement
Components of net periodic benefit cost:				
Service cost	124	-	258	203
Interest cost	2,556	-	3,191	723
Return on assets	(799)	-	(1,213)	-
Net periodic benefit cost	1,881	-	2,236	926

On October 27, 2009, the subsidiary SGUS announced that, beginning on February 1, 2010, postretirement medical benefits would be discontinued and each participant would have the option to join a fully-insured medical plan from an independent company.

The balances of employee benefit plans are as follows:

	Consolidated	
	06.30.2010	03.31.2010
Pension plan obligations	71,044	71,173
Pension plan obligations (multiple-employer) (a)	869	924
Fully-insured retiree medical obligation	900	952
Other employee benefit obligations	11,970	12,197
Total employee benefit plans	84,783	85,246
Current (b)	(8,071)	(8,041)
Noncurrent	76,712	77,205

(a) Indirect subsidiary SGUS is one of the companies sponsoring the South Jersey Labor and Management Pension Fund, a multi-employer defined-benefit pension plan.

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

20. GOVERNMENT CONCESSIONS

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

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

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

Total annual installments of the concession:

	Years 5 to 15 2002 to 2012	Years 16 to 25 2013 to 2022	Years 26 to 35 2023 to 2032
Historical amounts:			
Minimum installment	120	120	120
Additional installment	-	12,510	20,449
Annual installment	120	12,630	20,569
Total installments	1,320	126,300	205,690
Monetarily adjusted installments	3,967	379,530	618,089

For accounting purposes, indirect subsidiary CSA recognizes expenses incurred on the accrual basis, as a contra entry to noncurrent liabilities, on the straight-line basis, based on its share in the total concession amount, 33.33%, discounted to present value, considering an interest rate of 4% per year, monetarily adjusted based on the IGPM. As of June 30, 2010, this amount represents R$57,139 (R$53,394 as of March 31, 2010).

As of June 30, 2010, the net book value of the property, plant and equipment related to the current concession, is R$30,233 (R$30,414 as of March 31, 2010) (see note 8), considering CSA's equity interest in the investments for the construction of the Porto Estrela hydroelectric plant, located on the Santo Antônio river, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

21. FINANCIAL INSTRUMENTS

a) Management of risk-

The main risk factors that the Company and its subsidiaries are exposed to 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 reflect, mainly, customers' delinquency, behavior of macro-economic variables, such as currency exchange and interest rates, as well as the nature of the derivative instruments used by the Company and its subsidiaries, and its counter-parties. These risks are managed through internal control policies, specific strategies and establishment of approval authorities.

The Company and its subsidiaries have 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.

The Company and its subsidiaries also have a policy to manage risks related to derivative and other financial instruments approved by Management ("The Policy"). The primary financial risks considered by the Policy are currency-related risks. The majority of the Company and its subsidiaries' revenues are generated through exports, and accordingly, the most important currency for currency-related risk management is the US Dollar.

The Company and its subsidiaries consider, as its main currency exposure, the US Dollar denominated revenues from its Brazilian subsidiary (CSA) due to the fact that the exposure of the US Dollar denominated net liabilities of the Brazilian subsidiary approximates the value of its foreign investments.

According to the Policy, the main objective of the finance Management team is to assure satisfactory margins on the export sales, mainly denominated in US Dollar, from its Brazilian subsidiary to foreign subsidiaries and customers.

Currency protection instruments, available in the financial market, in amounts limited to 50% of the Brazilian subsidiary's monthly export sales, are authorized by Management (if the instruments don't require margin deposits and if they assure the profitability on the export sales), contracted by the Treasury department, and monitored by the Tax and Accounting departments. The supervision and monitoring of the procedures, guidelines and thresholds of the Policy are performed through a scorecard, which substantially contains the information disclosed in this note.

b) 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.

b.1) Exchange rate risk on foreign investments:

The Company and the subsidiary SGPSA have foreign investments that increase its foreign currency exchange exposure, as follows:

Total of foreign investments	06.30.2010	03.31.2010
In Brazilian Reais	266,804	270,258
	------------	------------
In equivalent thousands of US Dollars	148,101	151,745
	=======	=======

b.2) Exchange rate risk:

The foreign exchange exposure of the Company and its subsidiary SGPSA, excluding derivatives, is as follows:

Operating assets and liabilities	06.30.2010	03.31.2010
Cash and cash equivalents	35,101	20,493
Accounts receivable	78,176	77,767
Suppliers	(32,582)	(24,611)
Loans and financing	(132,524)	(146,377)
Related parties	(37,044)	(63,163)
	-----------	-----------
Total exposure in Brazilian Reais	(88,873)	(135,891)
	-----------	-----------
Total exposure in equivalent thousands of US Dollars	(49,333)	(76,300)
	======	======

The sensitivity analysis of operating assets and liabilities, considering the US Dollar denominated cash flows, as of June 30, 2010, is shown below:

		Exposure value	Scenarios		
Maturity	Risk	US$(000)	Probable	II	III
2010	US Dollar appreciation	27,504	(856)	11,137	23,491
2011	US Dollar appreciation	(24,510)	(4,170)	(16,251)	(28,332)
2012	US Dollar appreciation	(21,176)	(7,491)	(18,902)	(30,312)
2013	US Dollar appreciation	(10,588)	(4,932)	(10,934)	(16,936)
2014	US Dollar appreciation	(20,563)	(14,684)	(27,617)	(40,549)
		----------	----------	----------	----------
		(49,333)	(32,133)	(62,567)	(92,638)
		======	======	======	======

Amounts in parenthesis (negative numbers) stated in the scenarios above refer to exchange rate variance losses. Positive numbers refers to gains.

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

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

b.3) Exchange rate risk on derivative instruments:

The main consolidated derivative instruments, as of June 30, 2010, are shown below:

	Notional amount US$000		Fair value		Accumulated amount as of 06.30.2010	
Description	06.30.2010	03.31.2010	06.30.2010	03.31.2010	Receivable	Payable
Option contracts-- Issued position: Buy Currency: US$ Settlement rate: R$2.20 Counterparty: Itaú BBA Other information: 24 contracts of US$5,000 thousand each with monthly settlements from Oct/09 to Aug/11	75,000	90,000	(2,798)	(2,391)	-	(2,798)
NDF contracts-- Position: Buy Currency: US$ Settlement rate: R$1.8108 Counterparty: Itaú BBA Other information: 1 contract of US$200,000 thousand with settlement in Sep/10	(200,000)	(200,000)	2,748	(15,531)	2,748	-
NDF contracts-- Position: Sell Currency: US$ Settlement rate: R$2.35 Counterparty: Itaú BBA Other information: 36 contracts of US$10,000 thousand each with monthly settlements from Jan/11 to Dec/13	360,000	360,000	73,256	70,182	73,256	-
	-----------	-----------	-----------	-----------	----------	-----------
	235,000	250,000	73,206	52,260	76,004	(2,798)
	=======	=======	=======	=======	======	=======

<u>Option contracts</u>--Are measured at fair value and the exchange rate variation between the Brazilian Real and the US Dollar is recorded in the statement of operations of the year. The contracts' fair value was obtained directly from the counterparty financial institution, which evaluates the financial instruments based on data obtained from BM&FBOVESPA – "Bolsa de Valores, Mercadorias e Futuros", such as the future US Dollar exchange rate, volatility, interest rates and algorithms. If the US Dollar exchange rate at the contracts' settlement dates exceeds R$2.20, the Company will have to pay the rate difference multiplied by the US Dollar volume of the respective contract. A US Dollar exchange rate lower than R$2.20 does not result in gains.

<u>Non-Deliverable-Forward contracts (NDF)</u>--Are presented and measured at fair value and have qualified for cash flow hedge accounting. Their effectiveness can be measured based on the projected exports at each contracts' settlement date and the unrealized gains or losses (net of taxes in case of gains) are recorded in the "Assets and liabilities valuation adjustments" caption in shareholders' equity and, when realized or considered ineffective, are recognized in the statements of operations. The accrued balance corresponds to the financial instruments' fair values and was obtained directly from the counterparty financial institution, which evaluates those instruments based on data obtained from BM&FBOVESPA - "Bolsa de Valores, Mercadorias e Futuros", such as the future US Dollar exchange rate at the settlement dates, future interest rates and algorithms.

Derivative transactions are traded in the commodities and futures exchange, registered at CETIP, and are not subject to margin deposits. In the six-month period ended June 30, 2010, these derivative transactions resulted in a gain of R$32,310 (R$29,218 in the six-month period ended June 30, 2009), recorded in "Exchange variations, net".

Subsidiary SGPSA, based on its business plan and domestic market sales growth in 2008 and 2009, which is also projected for the coming years, decided to reduce its export volumes. Therefore, SGPSA revoked the classification of “hedge accounting” of the NDF installment of US$240 million.

The sensitivity analysis of NDF’s derivative instruments as of June 30, 2010, separating the impact of contracts recognized using hedge accounting and the contracts recognized in the statement of operations, is summarized below:

Non-Deliverable-Forward contracts – NDF (total):

			Scenarios		
Settlement	Risk	Exposure value US$ (000)	Probable	II	III
2010	US Dollar depreciation	(200,000)	2,749	81,498	171,730
2011	US Dollar appreciation	120,000	44,035	(11,248)	(66,532)
2012	US Dollar appreciation	120,000	23,062	(33,351)	(89,763)
2013	US Dollar appreciation	120,000	6,158	(50,644)	(107,447)
		-----------	-----------	-----------	-----------
	US Dollar appreciation	160,000	76,004	(13,745)	(92,012)
		=======	=======	=======	=======

Non-Deliverable-Forward contracts – NDF (hedge accounting):

			Scenarios		
Settlement	Risk	Exposure value US$ (000)	Probable	II	III
2013	US Dollar appreciation	120,000	6,158	(50,644)	(107,447)
		-----------	-----------	-----------	-----------
	US Dollar appreciation	120,000	6,158	(50,644)	(107,447)
		=======	=======	=======	=======

Non-Deliverable-Forward contracts – NDF (statement of operations):

			Scenarios		
Settlement	Risk	Exposure value US$ (000)	Probable	II	III
2010	US Dollar depreciation	(200,000)	2,749	81,498	171,730
2011	US Dollar appreciation	120,000	44,035	(11,248)	(66,532)
2012	US Dollar appreciation	120,000	23,062	(33,351)	(89,763)
		-----------	-----------	-----------	-----------
	US Dollar appreciation	40,000	69,846	36,899	15,435
		=======	=======	=======	=======

Option contracts:

			Scenarios		
Settlement	Risk	Exposure value US$ (000)	Probable	II	III
2010	Dollar appreciation	35,000	(1,960)	(42,976)	(77,203)
2011	Dollar appreciation	40,000	(838)	(7,117)	(12,116)
		-----------	-----------	-----------	-----------
	Dollar appreciation	75,000	(2,798)	(50,093)	(89,319)
		=======	=======	=======	=======

Amounts in parenthesis (negative numbers) stated in the scenarios above represent exchange rate variance losses. Positive amounts relate to exchange rate variance gains.

The “Probable” Scenario represents the result of the probable exchange rate variation, at present value, considering the settlement dates of the contracts presented above, applying the future US Dollar exchange rate and comparing to the exchange rate at the end of the current period. The result is adjusted by the expected interest rate for the same period. Scenarios II and III reflect 25% and 50% deterioration in the future US Dollar exchange rate, respectively.

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

Accounting summary of the derivative transactions, as of June 30, 2010:

Derivative	Current asset	Noncurrent asset	Current liability	Noncurrent liability	Shareholders' equity	Noncontrolling interest	Gain (Loss)
Option contracts:							
Balance as of December 31, 2009	-	-	1,767	4,073	-	-	-
Reversal during the period	-	-	(1,767)	(4,073)	-	-	5,840
Fair value at the end of the period	-	-	1,960	838	-	-	(2,798)
	-----------	-----------	-----------	-----------	-----------	-----------	-----------
Balance as of June 30, 2010	-	-	1,960	838	-	-	3,042
	=======	=======	=======	=======	=======	=======	=======
NDF contracts:							
Balance as of December 31, 2009	-	64,254	8,365	9,709	16,706	2,141	-
Reversal during the period	-	(64,254)	(8,365)	(9,709)	(16,706)	(2,141)	(27,333)
Fair value at the end of the period	27,602	48,402	-	-	4,214	1,944	69,846
Deferred taxes	-	-	-	2,094	(1,433)	(661)	-
	-----------	-----------	-----------	-----------	-----------	-----------	-----------
Balance as of June 30, 2010	27,602	48,402	-	2,094	2,781	1,283	42,513
	=======	=======	=======	=======	=======	=======	=======

c) Interest rates risk-

Cash equivalents and marketable securities yield, approximately, the equivalent to CDI (Certificate of Interbank Deposit) rates. Libor and TJLP interest-bearing liabilities are disclosed in notes 13,15 and 16. Considering the cash flows of these liabilities and the contracted interest rates, Management believes that the contracted interest rates are not significantly impacted by the market changes. Therefore, the sensitivity analysis is not presented.

d) Credit risk-

The Company is subject to credit risk on its cash equivalents and marketable securities. This risk is mitigated by the policy of investing cash only with major financial institutions.

The credit risk on accounts receivable is reduced due to the selectivity of customers, credit policy and dispersion of balances among various customers, without concentration of receivables on a few customers in domestic market. Receivables from foreign customers are represented by traditional textile retail companies.

e) Estimated fair values-

Financial assets and liabilities are stated in the balance sheet at cost plus income earned and expenses incurred through the balance sheet dates, which approximate fair value. The fair value of short-term investments and derivative instruments were determined based on market quotations of these contracts.

22. INSURANCE COVERAGE

The Company and its subsidiaries maintain insurance coverage for property, plant and equipment, inventories and other assets exposed to a variety of risks. As of June 30, 2010, insurance coverage is as follows:

Risk	Effective From	Effective To	Value at risk	Coverage
Vehicles	April/2009	July/2011	39,176	39,176
Products in general	September/2009	December/2010	22,859	22,859
Employees' compensation	December/2009	December/2010	1,802	1,802
Property, plant and equipment	September/2009	December/2010	360,301	360,301
Fire	August/2009	August /2010	2,776,194	2,776,194
Umbrella insurance (a)	December/2009	December/2010	135,113	135,113
Civil liability	March/2009	March /2011	202,165	202,165
Life	August/2009	August/2010	298,667	298,667
Others	July/2009	April /2011	43,374	43,374
			3,879,651	3,879,651

(a) The umbrella insurance covers the risk exceeding other insurance coverage contracted by the subsidiary SGUS in the event claims exceed the amounts covered in the individual policies.

23. STOCK COMPENSATION

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

On June 29, 2007, subsidiary SGPSA announced a stock split in the proportion of 1:2. As such, the options were multiplied by 2 (two) and the exercise price divided by 2 (two). There were 937,368 options before and 1,874,736 options after the split. Based on the evaluation made on June 29, 2007, there was no change in the value of the options before and after the split, and thus, no additional cost was recorded.

A summary of the stock options and the changes made are stated as follows:

	Existing options	Weighted average exercise price
Existing and exercisable as of December 31, 2009	1,358,448	R$24.58
Expired	(465,022)	R$25.16
Existing and exercisable as of June 30, 2010	893,426	R$24.27

The table below summarizes the information on the outstanding stock options as of June 30, 2010 and March 31, 2010:

06.30.2010			03.31.2010		
Exercise price - R$	Existing options	Weighted average remaining contractual life	Exercise price - R$	Existing options	Weighted average remaining contractual life
15.51	108,400	1.38 year	15.51	115,400	1.54 year
25.48	785,026	1.40 year	25.48	961,290	1.39 year
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24.27	893,426		24.41	1,076,690	
======	========		======	========	

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