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 March 31, 2010.

OUR CONSOLIDATED RESULTS

Companhia de Tecidos Norte de Minas – COTEMINAS presented gross sales of R$785.8 million in the first quarter of 2010. The table below includes the financial highlights of the first quarter of 2010 compared to the first quarter of 2009.

	In millions of R$		**Variation**
Consolidated Financial Highlights	**1Q10**	**1Q09**	**%**
Gross sales	785.8	778.8	0.9
Net sales	665.5	689.6	(3.5)
Cost of good sold	(544.8)	(587.4)	(7.2)
Gross profit	120.7	102.2	18.1
(% of net sales)	*18.1%*	*14.8%*	
Selling, general and administrative expenses	(100.9)	(96.3)	4.8
Depreciation and amortization	(30.2)	(34.5)	(12.5)
Income from operation before financial result and others nonrecurring items	19.8	5.8	239.0
(% of net sales)	*3.0%*	*0.9%*	
Net income	6.9	3.9	76.9
Earnings per share (R$/share)	0.06	0.03	-
Number of shares (thousand)	116.675	116.675	-
Sales volume (thousand tons)	51.6	47.0	9.8
Average price (R$/kilo)	12.90	14.67	12.1
Net debt (03.31.2010 and 12.31.2009)	169.9	184.7	8.0

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.

Sales

Sales in Brazil has continued to present strong growth and contributed for a 10.2% increase in the first quarter of 2010 when compared to the fourth quarter of 2009. Comparing to the first quarter of 2009, net sales decreased by 5.3%, attributed mainly to a 12.7% decrease in the average price, impacted by a 22.0% appreciation of the Brazilian *Real* against the U.S. Dollar and by a change in the mix, with higher proportion of intermediate products sales as related to total sales (19.7% in the first quarter of 2009 and 27.8% in the same period of 2010).

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

	Net sales (R$ million) for the three-month period ended March 31					Volume (tons) for the three-month period ended March 31					Average price (R$)/kg for the three-month period ended March 31		
Segment	2010	Total	2009	Total	var % 10-09	2010	Total	2009	Total	var % 10-09	2010	2009	var % 10-09
Fashion bedding	228.7	38.3%	279.0	44.2%	(18.0%)	14,213	31.6%	15,283	36.8%	(7.0%)	16.09	18.26	(11.9%)
Bath	130.2	21.8%	136.8	21.7%	(4.8%)	10,072	22.4%	8,433	20.3%	19.4%	12.93	16.22	(20.3%)
Utility bedding	66.4	11.1%	101.5	16.1%	(34.6%)	8,174	18.2%	9,604	23.2%	(14.9%)	8.12	10.57	(23.2%)
Intermediate products	84.9	14.2%	47.4	7.5%	79.1%	12,481	27.8%	8,156	19.7%	53.0%	6.80	5.81	17.0%
Others	87.6	14.7%	66.8	10.6%	31.1%	-	-	-	-	-	-	-	-
Total	**597.8**	**100.0%**	**631.5**	**100.0%**	**(5.3%)**	**44,940**	**100.0%**	**41,476**	**100.0%**	**8.4%**	**13.30**	**15.23**	**(12.7%)**

	Net sales (R$ million) for the three-month period					Volume (tons) for the three-month period					Average price (R$)/kg for the three-month period		
Segment	1Q10	Total	4Q09	Total	var % 1Q-4Q	1Q10	Total	4Q09	Total	var % 1Q-4Q	1Q10	4Q09	var % 1Q-4Q
Fashion bedding	228.7	38.3%	199.2	36.7%	14.8%	14,213	31.6%	12,788	30.2%	11.1%	16.09	15.58	3.3%
Bath	130.2	21.8%	129.3	23.8%	0.7%	10,072	22.4%	10,671	25.2%	(5.6%)	12.93	12.12	6.7%
Utility bedding	66.4	11.1%	70.9	13.1%	(6.3%)	8,174	18.2%	8,457	20.0%	(3.3%)	8.12	8.38	(3.1%)
Intermediate products	84.9	14.2%	80.9	14.9%	4.9%	12,481	27.8%	10,473	24.7%	19.2%	6.80	7.72	(11.9%)
Others	87.6	14.7%	62.4	11.5%	40.4%	-	-		-	-	-	-	-
Total	**597.8**	**100.0%**	**542.7**	**100.0%**	**10.2%**	**44,940**	**100.0%**	**42,389**	**100.0%**	**6.0%**	**13.30**	**12.80**	**3.9%**

<u>Net sales in the Fashion bedding segment</u> - The increase of 14.8%, from R$199.2 million in the fourth quarter of 2009 to R$228.7 million in the first quarter of 2010, reflects an 11.1% increase in sales volume in tons and a 3.3% increase in the average price. Comparing to the first quarter of 2009, sales decreased by 18.0% attributed mainly to an 11.9% decrease in the average price, impacted by a 22.0% appreciation of the Brazilian *Real* against the U.S. Dollar and by the postponement of an important program roll-out in the North American market to the second quarter of 2010.

<u>Net sales in the Bath segment</u> - The increase of 0.7%, from R$129.3 million in the fourth quarter of 2009 to R$130.2 million in the first quarter of 2010, reflects a 6.7% increase in the average price partially impacted by a 5.6% decrease in sales volume in tons. Comparing to the first quarter of 2009, sales decreased by 4.8% attributed mainly to a 20.3%

decrease in the average price per kilogram, impacted by a change in the mix of products sold and by the appreciation of the Brazilian *Real* against the U.S. Dollar.

Net sales in the Utility bedding segment - The decrease of 6.3%, from R$70.9 million in the fourth quarter of 2009 to R$66.4 million in the first quarter of 2010, reflects a 3.3% decrease in sales volume in tons and a 3.1% decrease in the average price. Comparing to the first quarter of 2009, sales decreased by 34.6%, attributed mainly to a 23.2% decrease in the average price, impacted by the appreciation of the Brazilian *Real* against the U.S. Dollar compounded by lower sales volume in the North American market.

Net sales in the Intermediate products segment - The increase of 4.9%, from R$80.9 million in the fourth quarter of 2009 to R$84.9 million in the first quarter of 2010, reflects a 19.2% increase in sales volume in tons and an 11.9% decrease in the average price, attributed to change in the mix, with a higher proportion of yarns sales. Comparing to the first quarter of 2009, net sales increased by 79.1% reflecting a 53.0% increase in sales volume in tons and a 17.0% increase in the average price, due to the economic recovery and strong growth of the Brazilian market.

Net sales – Others - This segment includes sales of the indirect subsidiary mmartan® (beginning May 2009), sales in the Canadian market and other sales. Sales in this segment increased by 40.4%, from R$62.4 million in the fourth quarter of 2009 to R$87.6 million in the first quarter of 2010. Comparing to the first quarter of 2009, sales increased by 31.1%, from R$66.8 million to R$87.6 million in the first quarter of 2010.

Cost of goods sold

Cost of goods sold decreased 9.2%, from R$545.5 million in the first quarter of 2009 to R$495.3 million in the first quarter of 2010.

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

	Three-month period ended March 31						
(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. % 2010-2009
Materials	317.9	64.2%	53.2%	376.5	69.0%	59.6%	(15.6%)
Conversion costs	140.9	28.4%	23.6%	119.5	21.9%	18.9%	17.9%
Warehousing and distribution costs	11.5	2.3%	1.9%	20.7	3.8%	3.3%	(44.4%)
Depreciation	25.0	5.0%	4.2%	28.8	5.3%	4.6%	(13.2%)
Total	**495.3**	**100.0%**	**82.9%**	**545.5**	**100.0%**	**86.4%**	**(9.2%)**

	Three-month period						
(R$ million)	1Q10	% of total cost of goods sold	% of total net sales	4Q09	% of total cost of goods sold	% of total net sales	Var. % 1Q10 - 4Q09
Materials	317.9	64.2%	53.2%	284.0	63.6%	52.3%	11.9%
Conversion costs	140.9	28.4%	23.6%	127.2	28.5%	23.4%	10.8%
Warehousing and distribution costs	11.5	2.3%	1.9%	9.6	2.2%	1.8%	19.8%
Depreciation	25.0	5.0%	4.2%	25.7	5.8%	4.7%	(2.7%)
Total	**495.3**	**100.0%**	**82.9%**	**446.5**	**100.0%**	**82.3%**	**10.9%**

<u>Materials</u> – Material costs decreased by 15.6%, from R$376.5 million in the first quarter of 2009 to R$317.9 million in the first quarter of 2010. As a percentage of net sales, material costs decreased from 59.6% in the first quarter of 2009 to 53.2% in the first quarter 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 increased 17.9%, from R$119.5 million in the first quarter of 2009 to R$140.9 million in the first quarter of 2010. Conversion costs increased as a percentage of net sales, from 18.9% in the first quarter of 2009 to 23.6% in the first quarter 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 44.4%, from R$20.7 million in the first quarter of 2009 to R$11.5 million in the first quarter of 2010, reflecting our efforts to consolidate warehouses in the U.S., lower sales, 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 3.3% in the first quarter of 2009 to 1.9% in the first quarter of 2010.

<u>Depreciation of production and distribution assets</u> – Depreciation expenses of the production and distribution assets were R$28.8 million in the first quarter of 2009 and R$25.0 million in the first quarter of 2010.

Gross profit and Gross margin

<u>Gross profit</u> – Our gross profit increased by 19.2%, from R$86.0 million in the first quarter of 2009 to R$102.5 million in the first quarter of 2010, as a result of the Company's efforts to reduce costs and to improve sales mix.

Gross margin – The result of these actions can be noticed and despite sales decline, there was a 3.5 percentage points increase in gross margin, from 13.6% in the first quarter of 2009 to 17.1% in the first quarter of 2010.

Operating (expenses) income

Selling expenses – Selling expenses increased by 29.0%, from R$41.1 million in the first quarter of 2009 to R$53.0 million in the first quarter of 2010, due to the inclusion of the commercial expenses of our indirect subsidiary mmartan® beginning in May 2009.

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

(R$ million)	Three-month period ended March 31						
	2010	% of total selling expenses	% of total net sales	2009	% of total selling expenses	% of total net sales	% var. 2010-2009
Fixed	39.3	74.2%	6.6%	31.0	75.4%	4.9%	26.8%
Variable	13.7	25.8%	2.3%	10.1	24.6%	1.6%	35.6%
Total	**53.0**	**100.0%**	**8.9%**	**41.1**	**100.0%**	**6.5%**	**29.0%**

(R$ million)	Three-month period						
	1Q10	% of total selling expenses	% of total net sales	4Q09	% of total selling expenses	% of total net sales	% var. 1Q10-4Q09
Fixed	39.3	74.2%	6.6%	38.3	72.5%	7.1%	2.6%
Variable	13.7	25.8%	2.3%	14.5	27.5%	2.7%	(5.5%)
Total	**53.0**	**100.0%**	**8.9%**	**52.8**	**100.0%**	**9.7%**	**0.4%**

Fixed selling expenses increased from R$31.0 million in the first quarter of 2009 to R$39.3 million in the first quarter of 2010. The increase is due to the inclusion of the commercial expenses of our indirect subsidiary mmartan® beginning in May, 2009.

Variable selling expenses increased from R$10.1 million in the first quarter of 2009 to R$13.7 million in the first quarter of 2010. As a percentage of net sales, variable selling expenses increased from 1.6% in the first quarter 2009 to 2.3% in the first quarter 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 18.2%, from R$43.3 million in the first quarter of 2009 to R$35.4 million in the first quarter 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 6.9% in the first quarter of 2009 to 5.9% in the first quarter of 2010.

Financial results

Financial expenses - interests – Interest expenses increased from R$9.9 million in the first quarter of 2009 to R$10.4 million in the first quarter of 2010 due partially to the SABRE securitization interest rate increase (see note 5 of the financial statements).

Financial expenses - bank charges and others – Bank charges and other expenses increased from R$12.2 million in the first quarter of 2009 to R$15.1 million in the first quarter of 2010 due to discounts given, among others.

Financial income – Financial income decreased from R$7.4 million in the first quarter of 2009 to R$6.3 million in the first quarter of 2010. The decrease is due to the use of cash for loan payments and investments made in the first quarter of 2010, resulting in lower average cash invested in the financial market in the first quarter of 2010 compared to 2009.

Exchange variations, net – Net exchange variations decreased from an exchange variation gain of R$16.9 million in the first quarter of 2009 to an exchange variation gain of R$10.2 million in the first quarter of 2010. The gain in the first 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 first quarter of 2010, we recorded a provision for income tax of R$2.0 million, and in the first quarter of 2009, we recorded benefit for income tax of R$1.5 million. In addition, we recorded a provision for social contribution taxes of R$0.9 million in the first quarter of 2010 and R$0.2 million in the first quarter of 2009.

Capital expenditures

For the first quarter of 2010 and 2009, our capital expenditures were R$11.8 million and R$16.5 million, respectively.

Liquidity and financing

The Company’s bank debt decreased by R$18.4 million. Net debt, excluding debentures subscribed by our parent Company, decreased by R$3.3 million, from R$187.3 million as of December 31, 2009 to R$184.0 million as of March 31, 2010. The net debt decrease is mainly due to payments of U.S. Dollar-denominated loans and interest.

(R$ million)	March 31, 2010	December 31, 2009
Short term debt		
Loans and financing	140.3	144.6
Long term debt		
Loans and financing	95.1	109.2
Total debt with financial institutions	**235.4**	**253.8**
Debentures subscribed by parent company in current liabilities	30.0	26.5
Debentures subscribed by parent company in long term liabilities	22.5	24.4
Total debt including debentures subscribed by parent company	**287.9**	**304.7**
Total debt with financial institutions	**235.4**	**253.8**
Cash and cash equivalents	51.3	58.7
Marketable securities	0.1	7.8
Net debt (net cash) excluding debentures subscribed by parent company	**184.0**	**187.3**

Inventories

Raw materials and supplies inventory increased by R$7.8 million, from R$115.3 million on December 31, 2009 to R$123.1 million on March 31, 2010. Work-in-process inventory decreased by R$20.4 million, from R$150.6 million on December 31, 2009 to R$130.2 million on March 31, 2010. Finished goods inventories increased by R$38.5 million, from R$220.4 million on December 31, 2009 to R$258.9 million on March 31, 2010 due to the postponement of an important program roll-out in the North American market to the second quarter of 2010.

Capital Market

In the first quarter of 2010, the Company's daily average volume of shares traded was R$1,354,485. An average of 242,245 shares was traded daily. The highest share price achieved during the first quarter of 2010 was R$6.53 and the lowest price was R$4.65.

Management

COMPANHIA TECIDOS SANTANENSE

The table below includes the financial highlights in the first quarter of 2010:

	% Var	R$		% of net sales	
Consolidated Financial Highlights	1Q10/09	1Q10	1Q09	1Q10	1Q09
Gross sales	18.2	87.480	74.014		
Net sales	18.8	70.347	59.233	100.0	100.0
Cost of good sold	21.0	(52.191)	(43.119)	(74.2)	(72.8)
Gross profit	12.7	18.156	16.114	25.8	27.2
Selling, general and administrative expenses	8.7	(10.003)	(9.202)	(14.2)	(15.5)
Depreciation and amortization	(5.5)	2.167	2.294	3.1	3.9
Income from operations before financial results	**17.7**	**8.156**	**6.931**	**11.6**	**11.7**
Financial results, net	171.3	(1.373)	(506)	(2.0)	(0.9)
Income from operations before taxes	5.6	6.783	6.425	9.6	10.8
Net income	(9.4)	4.741	5.234	6.7	8.8
EBIT	17.7	8.156	6.931	11.6	11.7
EBITDA	11.9	10.323	9.225	14.7	15.6

Net sales

Net sales in the first quarter of 2010 totaled R$70.3 million, an increase of 18.8%, if compared to the first quarter of 2009, which totaled R$59.2 million. This increase was due to sales volume increase.

Gross margin and gross profit

SANTANENSE had a gross margin of 25.8% in the first quarter of 2010. Gross profit totaled R$18.2 million this quarter.

In comparison to the first quarter of 2009, gross profit increased by 12.7%, 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$10.0 million, or 14.2% of net sales. In the first quarter of 2009, these expenses totaled R$9.2 million, or 15.5% of net sales.

Operating income

EBITDA for the first quarter of 2010 amounted R$10.3 million, representing 14.7% of net sales. In the first quarter of 2009, EBITDA amounted R$9.2 million, representing 15.6% of net sales. The increase of 11.9% was due to the increase in volume sales.

Net financial result

Net financial result in this quarter was an expense of R$1.4 million, while in the first quarter of 2009, it was an expense of R$0.5 million. The financial result variation is mainly attributed to the decrease of sales discounts from suppliers in the first quarter of 2009 in the amount of R$1.3 million, compared to R$ 0.2 million in the first quarter of 2010.

	R$ million	
Financial result	**1Q10**	**1Q09**
Financial income	0.2	1.3
Financial expenses - interests	(1.2)	(1.0)
Exchange variation, net	-	(0.3)
Bank charges, discounts	(0.4)	(0.5)
Financial result	**(1.4)**	**(0.5)**

Net working capital

Net working capital increased by R$6.5 million, from R$97.1 million in the first quarter of 2009 to R$103.6 million in the first quarter of 2010. The liquidity ratio in the first quarter of 2010 was 3.02, in other words, for each R$1.00 in short term liability, SANTANENSE has R$3.02 in short term assets.

Financial assets and liabilities

The consolidated short and long term bank debt decreased by 16.6%, from R$43.5 million in the first quarter of 2009 to R$36.3 million first quarter of 2010. Bank debt as of March 31, 2010 is represented as follows:

Maturity	03.31.10
2010	23.0
2011	3.8
2012	3.8
2013 and 2014	5.7
Total	36.3

Management

Companhia de Tecidos Norte de Minas – COTEMINAS

Interim Financial Statements for
the Quarter Ended March 31, 2010 and
Independent Accountants' Review Report

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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 sheet as of 31 March 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 ended 31 March 2010, whose amounts were used by the Company to account for its investments in those subsidiaries on the equity method 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 Federal Accounting Council, 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 auditors, 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 established by the Brazilian Securities and Exchange Commission (CVM), specifically applicable to the preparation of the interim financial statements.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT
To the Shareholders and Management of
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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, 7 May 2010

Eduardo Augusto Rocha Pocetti	Henrique Herbel de Melo Campos
Engagement Partner	Engagement Partner
CRC 1SP105866/O-5 "S" MG	CRC 1SP181015/O-3 "S" MG
BDO Auditores Independentes	BDO Auditores Independentes
CRC 2SP013439/O-5 "S" MG	CRC 2SP013439/O-5 "S" MG

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COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF MARCH 31, 2010 AND DECEMBER 31, 2009

(In thousands of Brazilian Reais)

A S S E T S

		Company		Consolidated	
	Note	03.31.2010	12.31.2009	03.31.2010	12.31.2009
CURRENT:					
Cash and cash equivalents	3	25,410	30,094	88,591	92,964
Marketable securities	4	10,180	10,360	15,314	22,137
Accounts receivable	5	-	-	477,092	465,044
Inventories	6	-	-	618,587	593,645
Advances to suppliers	7	26	26	22,256	11,424
Recoverable taxes	17.e	10,667	11,539	65,793	80,686
Debentures issued by subsidiary	16	30,037	26,504	-	-
Other receivables		6,481	4,789	13,911	17,356
Derivative instruments	21.b	-	-	12,536	-
Total current assets		82,801	83,312	1,314,080	1,283,256
NONCURRENT:					
Long-term assets:					
Marketable securities	4	-	-	23,153	22,636
Other receivables		10,116	10,115	21,316	21,935
Advances to suppliers	7	8,805	17,117	54,245	61,609
Related parties	15	43,145	31,715	13,015	10,746
Debentures issued by subsidiary	16	22,499	24,441	-	-
Recoverable taxes	17.e	20,991	20,991	70,201	71,323
Deferred income and social contribution taxes	17.d	3,816	3,172	119,411	116,295
Property, plant and equipment held for sale	9	-	-	28,267	27,886
Derivative instruments	21.b	-	-	57,646	64,254
		109,372	107,551	387,254	396,684
Permanent:					
Investments in subsidiaries	8	1,270,032	1,263,587	-	-
Other investments		23,682	23,682	24,318	24,318
Property, plant and equipment	9	34,074	33,324	1,284,267	1,300,297
Intangible assets	10	-	-	78,616	77,574
Total noncurrent assets		1,437,160	1,428,144	1,774,455	1,798,873
Total assets		1,519,961	1,511,456	3,088,535	3,082,129

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 MARCH 31, 2010 AND DECEMBER 31, 2009

(In thousands of Brazilian Reais)

LIABILITIES AND SHAREHOLDERS' EQUITY

		Company		Consolidated	
	Note	03.31.2010	12.31.2009	03.31.2010	12.31.2009
CURRENT:					
Loans and financing	13	2,100	2,642	166,358	177,358
Suppliers	12	78	93	289,656	275,859
Payroll and related charges		504	458	58,141	59,051
Taxes		52	-	15,994	18,358
Income and social contribution taxes		-	-	1,221	227
Dividends payable		1,156	1,156	3,742	3,751
Derivative instruments	21.b	-	-	16,497	10,132
Other payables		-	89	48,666	45,710
Total current liabilities		3,890	4,438	600,275	590,446
NONCURRENT:					
Long-term liabilities:					
Loans and financing	13	-	-	130,598	145,123
Related parties	15	2,003	1,997	67	78
Government concessions	20	-	-	53,394	50,543
Employee benefit plans	19	-	-	77,205	76,187
Deferred credits – Negative goodwill	8.b and c	-	-	14,851	14,851
Accrual for contingencies	18	2	-	2,053	1,912
Derivative instruments	21.b	-	-	1,425	4,073
Income and social contribution taxes	17.d	-	-	7,954	9,709
Other obligations		-	-	48,815	50,825
Total noncurrent liabilities		2,005	1,997	336,362	353,301
NONCONTROLLING INTEREST		-	-	637,832	633,361
SHAREHOLDERS' EQUITY:					
Capital		870,000	870,000	870,000	870,000
Capital reserves		286,308	286,308	286,308	286,308
Income reserves		420,169	420,169	420,169	420,169
Cumulative translation adjustment		(82,928)	(87,436)	(82,928)	(87,436)
Assets and liabilities valuation adjustments		14,374	16,706	14,374	16,706
Treasury shares		(726)	(726)	(726)	(726)
Retained earnings		6,869	-	6,869	-
Total shareholders' equity		1,514,066	1,505,021	1,514,066	1,505,021
Total shareholders' equity and noncontrolling interest		1,514,066	1,505,021	2,151,898	2,138,382
Total liabilities and shareholders' equity		1,519,961	1,511,456	3,088,535	3,082,129

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 QUARTERS ENDED MARCH 31, 2010 AND 2009

(In thousands of Brazilian Reais)

		Company		Consolidated	
	Note	03.31.2010	03.31.2009	03.31.2010	03.31.2009
OPERATING REVENUES:					
Gross sales		-	-	785,800	778,791
Sales deductions		-	-	(120,277)	(89,228)
NET SALES		-	-	665,523	689,563
COST OF GOODS SOLD		-	-	(544,849)	(587,418)
GROSS PROFIT		-	-	120,674	102,145
OPERATING (EXPENSES) INCOME:					
Selling expenses		-	-	(58,630)	(46,585)
General and administrative expenses		(2,488)	(2,626)	(42,294)	(49,718)
Financial expenses – interests		(86)	(602)	(10,059)	(10,785)
Financial expenses – bank charges and others		(138)	(273)	(14,201)	(10,900)
Financial income		3,141	6,097	7,234	11,796
Exchange variations, net		2,307	(747)	12,966	15,777
Equity in subsidiaries	8	4,269	2,522	-	-
Others, net		53	191	(95)	(4,822)
INCOME FROM OPERATIONS BEFORE TAXES		7,058	4,562	15,595	6,908
SOCIAL CONTRIBUTION TAX	17.c	(52)	(177)	(1,518)	(746)
INCOME TAX	17.b	(137)	(487)	(3,619)	224
NET INCOME BEFORE NONCONTROLLING INTEREST		6,869	3,898	10,458	6,386
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST IN SUBSIDIARIES		-	-	(3,589)	(2,488)
NET INCOME FOR THE PERIOD		6,869	3,898	6,869	3,898
EARNINGS PER SHARE OUTSTANDING AT THE END OF THE YEAR – R$		0.06	0.03		

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 QUARTER ENDED MARCH 31, 2010 AND FOR THE YEAR ENDED DECEMBER 31, 2009

(In thousands of Brazilian Reais)

	Capital	Capital reserve	Income reserves: Legal	Income reserves: Retained income	Cumulative translation adjustments	Assets and liabilities valuation adjustments	Treasury shares	Retained earnings	Total
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	-	-	-	-	4,508	-	-	-	4,508
Derivative instruments – NDF in subsidiary	-	-	-	-	-	(2,332)	-	-	(2,332)
Net income for the period	-	-	-	-	-	-	-	6,869	6,869
BALANCES AS OF MARCH 31, 2010	870,000	286,308	33,190	386,979	(82,928)	14,374	(726)	6,869	1,514,066

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 MARCH 31, 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. Current and noncurrent accounts receivable are adjusted at present value, based on the market interest rates or the transaction interest rate, 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 as payable, according to the enacted tax legislation. The portion of the provision related to income tax reduction and exemption is recorded as a credit to the statements of operations. 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 - %	
	03.31.2010	12.31.2009
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.

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 March 31 and December 31 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)
Average exchange rate:			
March 31 (3 months)	1.8223	2.3366	(22.0)

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	03.31.2010	12.31.2009	03.31.2010	12.31.2009
Fixed-yield fund (DI)	1,081	1,097	2,580	2,566
Foreign exchange funds (US$)	-	-	20,493	3,424
Foreign deposits	-	-	27,051	27,762
Debentures	23,445	27,929	23,445	27,929
Checking accounts deposits	884	1,068	15,022	31,283
	25,410	30,094	88,591	92,964

4. MARKETABLE SECURITIES

	Company		Consolidated	
	03.31.2010	12.31.2009	03.31.2010	12.31.2009
Fixed-yield fund (DI)	10,180	10,360	10,180	10,360
Investment fund – US$	-	-	5,050	3,997
Restricted cash (*)	-	-	84	7,780
Foreign deposits	-	-	23,153	22,636
Marketable securities	10,180	10,360	38,467	44,773
Current	(10,180)	(10,360)	(15,314)	(22,137)
Noncurrent	-	-	23,153	22,636

(*) The indirect subsidiary SGUS had restricted cash in financial institutions in the amount of US$47 thousand (US$4,468 thousand as of December 31, 2009) related to certain compensating balance arrangements.

5. ACCOUNTS RECEIVABLE

	Consolidated	
	03.31.2010	12.31.2009
Domestic customers	451,430	455,365
Foreign customers	61,178	48,315
Subsidiary		
Domestic market	2,272	1,371
Foreign market	6,795	4,858
	----------	----------
	521,675	509,909
Credit card advances (*)	(6,639)	(7,388)
Allowance for doubtful accounts	(37,944)	(37,477)
	----------	----------
	477,092	465,044
	======	======

(*) 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 61 days (60 days as of as of December 31, 2009). Past-due amounts as of March 31, 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%. 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%.

As of March 31, 2010, the indirect subsidiary SGUS has R$102,763 (R$85,538 as of December 31, 2009) outstanding under the SABRE Securitization.

6. INVENTORIES

	Consolidated	
	03.31.2010	12.31.2009
Raw materials and supplies	137,619	132,278
Work in process	155,983	173,376
Finished products	264,081	224,903
Repair parts	60,904	63,088
	618,587	593,645

Finished products inventories are stated net of provision for losses in the amount of R$16,746 (R$18,635 as of December 31, 2009), which, based on Management's assessment, is sufficient to cover losses on obsolete and/or discontinued inventories.

7. ADVANCES TO SUPPLIERS

	Company		Consolidated	
	03.31.2010	12.31.2009	03.31.2010	12.31.2009
Sundry suppliers	8,831	17,143	62,696	57,653
Electricity suppliers	-	-	13,805	15,380
	8,831	17,143	76,501	73,033
Current assets	(26)	(26)	(22,256)	(11,424)
Noncurrent assets	8,805	17,117	54,245	61,609

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 subsidiary CSA amortizes the advance at the historical cost, with the excess amount recorded as cost reduction. As of March 31, 2010, the balance in current assets is R$4,861 (R$4,861 as of December 31, 2009) and in noncurrent assets is R$8,944 (R$10,519 as of December 31, 2009).

8. INVESTMENTS IN SUBSIDIARIES

	Shareholders' equity	Ownership interest - %	Net income for the period	Total investment		Equity in subsidiaries	
				03.31.2010	12.31.2009	03.31.2010	03.31.2009
Springs Global Participações S.A. (a)	1,697,316	68,44	1,002	1,161,643	1,159,045	686	4
Oxford Comércio e Participações S.A. (b)	150,988	58,88	4,071	88,902	86,504	2,397	2,646
Coteminas International Ltd.	14,569	100,00	1,074	14,569	13,233	1,074	(225)
Companhia Tecidos Santanense (c)	189,338	2,07	4,741	2,666	2,567	98	109
American Sportswear Ltda.	1,735	100,00	-	1,735	1,735	-	9
Coteminas Argentina Branch	517	100,00	14	517	503	14	(21)
				1,270,032	1,263,587	4,269	2,522

(a) Springs Global Participações S.A., was incorporated on November 24, 2005 as a subsidiary of the Company. On January 24, 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 on February 22, 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.

Through current report filings for significant events (or "Fato Relevante"), issued on May 7, 2009, the subsidiary SGPSA announced that, on April 30, 2009, it 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			
		03.31.2010			12.31.2009
		Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	2.8	34,152	(5,149)	29,003	28,633
Buildings	2.5	540,896	(172,656)	368,240	366,624
Installations	6.2	242,269	(118,072)	124,197	124,853
Equipment	6.5	1,588,338	(943,373)	644,965	663,400
Furniture and fixtures	7.9	40,521	(29,769)	10,752	10,921
Vehicles	18.4	25,219	(21,679)	3,540	3,739
Computers and peripherals	14.5	59,439	(51,115)	8,324	10,114
Hydroelectric plant - Porto Estrela (*)	2.2	37,242	(6,828)	30,414	30,620
Construction in progress	-	11,560	-	11,560	9,471
Advances to suppliers	-	39,117	-	39,117	39,158
Others	15.7	94,323	(80,168)	14,155	12,764
		2,713,076	(1,428,809)	1,284,267	1,300,297

(*) 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$28,267 (R$27,886 as of December 31, 2009) 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 March 31, 2010, the Company's indirect subsidiaries had an accrual for a probable loss of R$54,945 (R$55,056 as of December 31, 2009), 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	
	03.31.2010	12.31.2009
Goodwill from the acquisition of North American companies	24,796	24,091
Goodwill from the acquisition of SRPSA (*)	27,303	27,303
Trademarks	16,298	16,298
Store locations (real estate/customer base intangible)	10,155	9,762
Others	64	120
	----------	----------
Total	78,616	77,574
	=====	=====

(*) See note 8.

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

	Balances as of 12.31.2009	Exchange variations	Additions (deductions) for the period	Balances as of 03.31.2010
Goodwill from the acquisition of North American companies	24,091	705	-	24,796
Goodwill from the acquisition of SRPSA	27,303	-	-	27,303
Trademarks	16,298	-	-	16,298
Store locations (real estate/customer base intangible)	9,762	-	393	10,155
Others	120	-	(56)	64
	----------	----------	----------	----------
Total	77,574	705	337	78,616
	=====	=====	======	=====

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 first quarter of 2010 was R$8,658 (R$13,805 in the first quarter of 2009). Subsidiary SGUS contractually agreed with third-parties to sublease certain vacant facilities that no longer provide economic benefit. Total sublease income in the first quarter of 2010 was R$1,203 (R$837 in the first quarter of 2009).

Installments scheduled for the future years are estimated as follows:

Years	03.31.2010
2010 (*)	22,239
2011	24,708
2012	22,702
2013	20,394
2014	18,097

(*) 9 months

Beginning in 2015, installments continue to decrease until the contracts terminate on several dates through 2030, totaling R$201,818.

For the years between 2010 and 2013, subsidiary SGUS is scheduled to receive sublease installments of R$6,260.

Indirect subsidiary SGUS has an accrual totaling R$19,183, 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$103,011.

12. SUPPLIERS

	Consolidated	
	03.31.2010	12.31.2009
Domestic market	127,541	127,406
Foreign market	162,115	148,453
	----------	----------
	289,656	275,859
	======	======

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 36 days (33 days as of December 31, 2009). Domestic suppliers include credits to purchase raw material (cotton), amounting to R$74,531 (R$72,815 as of December 31, 2009), with maturities through June of 2010.

13. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Company 03.31.2010	Company 12.31.2009	Consolidated 03.31.2010	Consolidated 12.31.2009
Export prepayment:							
Banco Real ABN Amro (b)	US$	Libor+1.20	2011	-	-	23,759	29,043
Banco Real ABN Amro (a)	US$	Libor+1.35	2013	-	-	61,309	64,550
Banco Itaú S.A.(a)	US$	Libor+1.35	2013	-	-	61,309	64,550
				-	-	146,377	158,143
Local currency:							
BNDES - Exim – TJLP	R$	TJLP+2.15 to 2.60	2010	-	-	-	6,415
Banco do Brasil S.A.	R$	IRP+10.81	2010	-	-	43,936	42,795
Banco do Brasil S.A. (overdraft account)	R$	123.3 from CDI	2010	-	-	39,170	27,783
Bradesco S.A. (overdraft account)	R$	125 from CDI	2010	2,100	2,642	12,551	30,428
Banco Santander S.A.	R$	CDI+0.20 to 0.29	2013	-	-	6,743	7,479
HSBC Bank Brasil S.A.	R$	CDI+0.25	2014	-	-	8,327	8,731
BNDES – working capital	R$	TJLP+3.0	2014	-	-	16,183	17,137
Others	R$	-	2012	-	-	516	934
				2,100	2,642	127,426	141,702
Foreign currency:							
JP Morgan	US$	1.50	2012	-	-	23,153	22,636
				-	-	23,153	22,636
Total				2,100	2,642	296,956	322,481
Current liabilities				(2,100)	(2,642)	(166,358)	(177,358)
Noncurrent liabilities				-	-	130,598	145,123

(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%.

Maturities are as follows:

Consolidated	2010	2011 Short-term	2011 Long-term	2012	2013 and 2014	Total
Export prepayment:						
Banco Real ABN Amro	17,821	5,938	-	-	-	23,759
Banco Real ABN Amro	14,165	4,714	14,143	18,857	9,430	61,309
Banco Itaú S.A.	14,165	4,714	14,143	18,857	9,430	61,309
	46,151	15,366	28,286	37,714	18,860	146,377
Local currency:						
Banco do Brasil S.A.	43,936	-	-	-	-	43,936
Banco do Brasil S.A. (overdraft account)	39,170	-	-	-	-	39,170
Bradesco S.A. (overdraft account)	12,551	-	-	-	-	12,551
Banco Santander S.A.	2,082	438	1,338	1,781	1,104	6,743
HSBC Bank Brasil S.A.	1,836	602	1,836	2,444	1,609	8,327
BNDES – working capital	2,874	950	2,852	3,803	5,704	16,183
Others	337	65	112	2	-	516
	102,786	2,055	6,138	8,030	8,417	127,426
Foreign currency:						
JP Morgan	-	-	-	23,153	-	23,153
Total	148,937	17,421	34,424	68,897	27,277	296,956

14. SHAREHOLDERS' EQUITY

a. Capital

Capital, as of March 31, 2010 and December 31, 2009 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 March 31, 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$5.78 per share as of March 31, 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	
	03.31.2010	12.31.2009	03.31.2010	12.31.2009	03.31.2010	03.31.2009
Coteminas International Ltd.	23,205	14,251	-	-	115	144
Wembley Sociedade Anônima	10,984	8,706	-	-	200	(1)
American Sportswear Ltda.	-	-	1,728	1,728	-	(22)
Companhia Tecidos Santanense	-	-	275	269	49	(102)
Coteminas S.A.	7,431	7,225	-	-	149	-
Oxford Com. e Partic. S.A.	2	-	-	-	-	-
Jags – José Alencar Gomes da Silva	1,523	1,533	-	-	32	49
	43,145	31,715	2,003	1,997	545	68

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 March 31, 2010 totaled R$55 (R$67 through March 31, 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 indirect subsidiary CSA must pay US$3,500 thousand to the Company. In the first quarter of 2010, the total amount of R$2,173 (R$2,902 in the first quarter of 2009) was accrued for services provided and R$2,655 (R$2,596 as of December 31, 2009) 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 first quarter of 2010, R$600 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 March 31, 2010, pro rata interest and the installments of the principal in the amount of R$30,037 (R$26,504 as of December 31, 2009), were accrued as current assets. Noncurrent assets include principal of R$22,499 (R$24,441 as of December 31, 2009). In the first quarter of 2010, interest of R$437 (R$574 in the first quarter of 2009) and exchange rate variation gain of R$1,154 (exchange rate variation gain of R$633 in the first quarter of 2009) were booked.

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	
	03.31.2010	03.31.2009	03.31.2010	03.31.2009
Income from operations before taxes and noncontrolling interest	7,058	4,562	15,595	6,908
Permanent differences:				
Equity in subsidiaries	(4,269)	(2,522)	-	-
Nontaxable income (RTT)	-	-	(7,328)	(8,432)
Compensation of net operating losses	(1,056)	-	(3,329)	(2,441)
Unrealized derivatives	-	-	(7,373)	(11,473)
Others, net	(128)	(90)	878	4,756
	----------	----------	----------	----------
Taxable income	1,605	1,950	(1,557)	(10,682)
15% rate + surtax	(401)	(487)	253	57
Argentina branch income tax	-	-	(127)	
SGUS' income tax (35%)	-	-	549	3,999
Unrecognized tax credits	-	-	(4,874)	(6,108)
Tax incentive (SUDENE)	-	-	286	336
Income tax on net operating loss	264	-	264	-
Others	-	-	30	1,940
	---------	---------	---------	---------
Total income tax	(137)	(487)	(3,619)	224
	---------	---------	---------	---------
Current income tax	(610)	(164)	(4,347)	(1,072)
Deferred income tax	473	(323)	728	1,296
	=====	=====	=====	=====

c. Social contribution tax expense reconciliation

	Company		Consolidated	
	03.31.2010	03.31.2009	03.31.2010	03.31.2009
Taxable income	1,605	1,950	(1,557)	(10,862)
Foreign subsidiaries' income	-	15	1,568	10,523
Others, net	24	-	(208)	15
	----------	----------	----------	----------
Social contribution tax base	1,629	1,965	(197)	(324)
CSLL (9%)	(147)	(177)	100	(746)
Unrecognized tax credits	-	-	(1,759)	-
CSLL - negative base	95	-	141	-
	----------	----------	----------	----------
Total social contribution tax	(52)	(177)	(1,518)	(746)
	----------	----------	----------	----------
Current social contribution tax	(222)	(177)	(1,542)	(690)
Deferred social contribution tax	170	-	24	(56)
	======	======	======	======

CSA's Management, based on a business plan and future projections, partially recognized deferred tax assets arising from accumulated net operating losses. As of March 31, 2010, subsidiary CSA had net operating losses of R$171,767 (R$152,271 as of December 31, 2009) and social contribution tax losses of R$174,882 (R$155,341 as of December 31, 2009), whose tax assets were not recognized. The tax assets recognized by this subsidiary are net of its tax benefits. CSA's future projections consider a greater concentration on the domestic market since these sales are more profitable, a greater profit margin due to the sales of higher value-added products, among others. Based on these actions and the business plan assumptions, CSA's Management expects future taxable income that will allow the realization of the subsidiary's deferred tax assets.

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	
	03.31.2010	12.31.2009
Assets:		
Temporarily nondeductible provisions	77,513	75,349
Net operating losses	39,878	39,630
Tax credits from foreign subsidiaries	6,269	5,291
	-----------	-----------
	123,660	120,270
Liabilities:		
Temporary differences	(4,249)	(3,975)
Tax on assets and liabilities valuation adjustments	(7,954)	(9,709)
	-----------	-----------
	111,457	106,586
Noncurrent assets	7,954	9,709
	-----------	-----------
Noncurrent liabilities	119,411	116,295
	======	======

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

Consolidated		
Year	Noncurrent assets	Noncurrent liabilities
2010	22,678	-
2011	22,271	-
2012	20,885	-
2013	21,433	7,954
2014	32,144	-
	----------	----------
	119,411	7,954
	======	======

e. Recoverable taxes

	Company		Consolidated	
	03.31.2010	12.31.2009	03.31.2010	12.31.2009
ICMS (state VAT)	15,002	15,053	77,440	80,738
Prepaid income and social contribution taxes	3,104	3,334	29,268	32,242
PIS and COFINS (taxes on revenue)	8,210	8,720	8,688	18,027
IVA – Argentina	-	-	3,112	3,078
VAT – China and Mexico	-	-	2,421	2,507
IPI (federal tax on manufactured goods)	1,780	1,861	4,460	5,705
ILL (tax on net income)	3,562	3,562	3,654	3,654
Other recoverable taxes	-	-	6,951	6,058
	-----------	-----------	-----------	-----------
	31,658	32,530	135,994	152,009
Current assets	(10,667)	(11,539)	(65,793)	(80,686)
	-----------	-----------	-----------	-----------
Noncurrent assets	20,991	20,991	70,201	71,323
	=======	=======	=======	=======

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	
	03.31.2010	12.31.2009	03.31.2010	12.31.2009
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	2,291	2,289	4,536	4,199
COFINS	596	596	2,792	2,792
IPI foreign flag	3,489	2,653	3,489	2,653
Social contribution on severance pay fund (FGTS)	21	21	21	21
Others	631	631	3,372	3,372
Labor	2,053	2,015	17,870	16,826
Civil and others	13,912	13,912	18,121	17,961
	---------	---------	---------	---------
	64,010	63,134	95,799	93,422
Escrow deposits	(64,008)	(63,134)	(93,746)	(91,510)
	---------	---------	---------	---------
	2	-	2,053	1,912
	=====	=====	=====	=====

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.

COFINS – The Company 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.

FGTS – The Company is a plaintiff in lawsuits against the Regional Labor Office to avoid the payment of the FGTS rate adjustment of 0.5% plus fine of 10% on employee termination costs.

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 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 12.31.2009	Additions	Reductions	Balances as of 03.31.2010
Tax litigation claims:				
Social contribution	41,179	-	-	41,179
Temporary contribution over financial transactions (CPMF)	4,419	-	-	4,419
INSS	4,199	337	-	4,536
COFINS	2,792	-	-	2,792
IPI foreign flag	2,653	836	-	3,489
Social contribution on severance pay fund (FGTS)	21	-	-	21
Others	3,372	-	-	3,372
Labor	16,826	1,620	(576)	17,870
Civil and others	17,961	160	-	18,121
	---------	---------	---------	---------
	93,422	2,953	(576)	95,799
Escrow deposits	(91,510)	(2,812)	576	(93,746)
	---------	---------	---------	---------
	1,912	141	-	2,053
	=====	=====	=====	=====

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.

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 March 31, 2010 and 2009:

	03.31.2010		03.31.2009	
	Defined-benefit pension plan	Postretirement	Defined-benefit pension plan	Postretirement
Components of net periodic benefit cost:				
Service cost	64	-	138	110
Interest cost	1,292	-	1,706	388
Return on assets	(405)	-	(650)	-
	-----------	-----------	-----------	-----------
Net periodic benefit cost	951	-	1,194	498
	======	======	======	======

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	
	03.31.2010	12.31.2009
Pension plan obligations	71,173	70,160
Pension plan obligations (multiple-employer) (a)	924	966
Fully-insured retiree medical obligation	952	1,729
Other employee benefit obligations	12,197	11,990
	------------	------------
Total employee benefit plans	85,246	84,845
Current (b)	(8,041)	(8,658)
	-------------	-------------
Noncurrent	77,205	76,187
	=======	=======

(a) 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, 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	3,854	368,735	600,508

For accounting purposes, indirect subsidiary CSA recognizes expenses incurred on an accrual basis, as a contra entry to noncurrent liabilities, on a straight-line basis, based on its share in the total concession amount, 33.33%, at present value, considering an interest rate of 4% per year, monetarily adjusted based on the IGPM. As of March 31, 2010, this amount represents R$53,394 (R$50,543 as of December 31, 2009).

As of March 31, 2010, the net book value of the property, plant and equipment related to the current concession is R$30,414 (R$30,620 as of December 31, 2009) (see note 9) considering CSA's equity interest in the investments for the construction of the Porto Estrela Hydroelectric Plant, located on the Santo Antônio River, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

21. FINANCIAL INSTRUMENTS

a) 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 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	03.31.2010	12.31.2009
In Brazilian Reais	270,258	262,636
	------------	------------
In equivalent thousands of US Dollars	151,745	150,836
	=======	=======

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	03.31.2010	12.31.2009
Cash and cash equivalents	20,493	3,424
Accounts receivable	77,767	57,785
Suppliers	(24,611)	(26,735)
Loans and financing	(146,377)	(158,143)
Related parties	(63,163)	(69,963)
	-----------	-----------
Total exposure in Brazilian Reais	(135,891)	(193,632)
	-----------	-----------
Total exposure in equivalent thousands of US Dollars	(76,300)	(111,206)
	======	======

The sensitivity analysis of operating assets and liabilities, considering the US Dollar denominated cash flows, as of March 31, 2010, is shown below:

		Exposure	Scenarios		
Maturity	Risk	value US$(000)	Probable	II	III
2010	US Dollar appreciation	5,444	(1,397)	463	2,324
2011	US Dollar appreciation	(24,510)	(5,073)	(17,254)	(29,436)
2012	US Dollar appreciation	(21,176)	(8,002)	(19,431)	(30,860)
2013	US Dollar appreciation	(10,588)	(5,190)	(11,202)	(17,214)
2014	US Dollar appreciation	(25,470)	(18,032)	(33,881)	(49,730)
		----------	----------	----------	----------
		(76,300)	(37,694)	(81,305)	(124,916)
		======	======	======	======

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 March 31, 2010, are shown below:

	Notional amount US$000		Fair value		Accumulated amount as of 03.31.2010	
Description	03.31.2010	12.31.2009	03.31.2010	12.31.2009	Receivable	Payable
Option contracts-- Issued position: Buy Currency: US$ Settlement rate: R$2.20 Counterparty: Itaú BBA Other information: 24 contracts of US$5,000 thousand each with monthly settlements from Oct/09 to Aug/11	90,000	105,000	(2,391)	(5,840)	-	(2,391)
NDF contracts-- Position: Buy Currency: US$ Settlement rate: R$1.7903 Counterparty: Itaú BBA Other information: 1 contract of US$200,000 thousand with settlement in Jul/10	(200,000)	(200,000)	(15,531)	(8,365)	-	(15,531)
NDF contracts-- Position: Sell Currency: US$ 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	70,182	64,254	70,182	-
	250,000	265,000	52,260	50,049	70,182	(17,922)

Option contracts--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.

Non-Deliverable-Forward contracts (NDF)--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 first quarter of 2010, these derivative transactions resulted in a gain of R$16,603 (R$12,179 in the first quarter of 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 March 31, 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)	(15,531)	73,488	162,508
2011	US Dollar appreciation	120,000	49,023	(19,634)	(88,291)
2012	US Dollar appreciation	120,000	17,575	(38,259)	(94,093)
2013	US Dollar appreciation	120,000	3,584	(38,242)	(80,067)
		-----------	-----------	-----------	-----------
	US Dollar appreciation	160,000	54,651	(22,647)	(99,943)
		=======	=======	=======	=======

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

			Scenarios		
Settlement	Risk	Exposure value US$ (000)	Probable	II	III
2011	US Dollar appreciation	40,000	16,341	(8,726)	(39,240)
2012	US Dollar appreciation	40,000	5,858	(17,004)	(41,819)
2013	US Dollar appreciation	40,000	1,195	(16,996)	(35,585)
		-----------	-----------	-----------	-----------
	US Dollar appreciation	120,000	23,394	(42,726)	(116,644)
		=======	=======	=======	=======

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

			Scenarios		
Settlement	Risk	Exposure value US$ (000)	Probable	II	III
2010	US Dollar depreciation	(200,000)	(15,531)	73,488	162,508
2011	US Dollar appreciation	80,000	32,682	(10,908)	(49,051)
2012	US Dollar appreciation	80,000	11,717	(21,255)	(52,274)
2013	US Dollar appreciation	80,000	2,389	(21,246)	(44,482)
		-----------	-----------	-----------	-----------
	US Dollar appreciation	40,000	31,257	20,079	16,701
		=======	=======	=======	=======

Option contracts:

			Scenarios		
Settlement	Risk	Exposure value US$ (000)	Probable	II	III
2010	US Dollar appreciation	50,000	(967)	(41,029)	(75,243)
2011	US Dollar appreciation	40,000	(1,424)	(16,766)	(29,052)
		-----------	-----------	-----------	-----------
	US Dollar appreciation	90,000	(2,391)	(57,795)	(104,295)
		=======	=======	=======	=======

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 March 31, 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	-	-	966	1,425	-	-	(2,391)
	-----------	-----------	-----------	-----------	-----------	-----------	-----------
Balance as of March 31, 2010	-	-	966	1,425	-	-	3,449
	=======	=======	=======	=======	=======	=======	=======
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)	(12,899)	(5,948)	(27,333)
Fair value at the end of the period	12,536	57,646	15,531	-	16,010	7,384	31,257
Deferred taxes	-	-	-	7,954	(5,443)	(2,511)	-
	-----------	-----------	-----------	-----------	-----------	-----------	-----------
Balance as of March 31, 2010	12,536	57,646	15,531	7,954	14,374	1,066	3,924
	=======	=======	=======	=======	=======	=======	=======

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 March 31, 2010, insurance coverage is as follows:

Risk	Effective From	Effective To	Value at risk	Coverage
Vehicles	April/2009	March/2011	39,679	39,679
Products in general	September/2009	December/2010	22,619	22,619
Employees' compensation	December/2009	December/2010	1,781	1,781
Property, plant and equipment	September/2009	December/2010	356,200	356,200
Fire	August/2009	August /2010	2,776,194	2,776,194
Umbrella insurance (a)	December/2009	December/2010	133,575	133,575
Civil liability	March/2009	March /2011	199,910	199,910
Life	August/2009	August/2010	298,667	298,667
Others	July /2009	December/2010	37,805	37,805
			3,866,430	3,866,430

(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	(281,758)	R$25.25
Existing and exercisable as of March 31, 2010	1,076,690	R$24.41

The table below summarizes the information on the outstanding stock options as of March 31, 2010 and December 31, 2009:

03.31.2010			12.31.2009		
Exercise price - R$	Existing options	Weighted average remaining contractual life	Exercise price - R$	Existing options	Weighted average remaining contractual life
15.51	115,400	1.54 year	15.51	122,400	1.82 year
25.48	961,290	1.39 year	25.48	1,236,048	1.44 year
24.41	1,076,690		24.58	1,358,448	

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