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 and 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 September 30, 2010.

OUR CONSOLIDATED RESULTS

Companhia de Tecidos Norte de Minas – COTEMINAS presented gross sales of R$2,380.0 million in the nine-month period ended September 30, 2010. The table below includes the financial highlights of the nine-month period ended September 30, of 2010 compared to the same period of 2009.

In million of R$	3Q10	3Q09	%	9M10	9M09	%
Gross sales	792.6	788.0	0.6	2,380.0	2,366.8	0.6
Net sales	659.8	672.9	(1.9)	2,003.0	2,057.0	(2.6)
Cost of good sold	(540.7)	(568.4)	(4.9)	(1.649.7)	(1,754.9)	(6.0)
Gross profit	119.1	104.5	14.3	353.3	302.1	16.9
(% of net sales)	*18.1%*	*15.5%*		*17.6%*	*14.7%*	
Selling, general and administrative expenses	(103.4)	(101.2)	2.2	(312.1)	(295.4)	5.7
Depreciation and amortization	29.1	31.6	(7.9)	89.5	99.9	(10.4)
Income from operation before financial result and others nonrecurring items	15.7	3.0	423.3	41.2	6.7	514.9
(% of net sales)	*2.4%*	*0.5%*		*2.1%*	*0.3%*	
Net income (loss)	(18.4)	4.6	-	(7.4)	12.0	-
Earnings (loss) per thousand shares outstanding	(157.77)	39.68	-	(63.65)	102.51	-
Number of shares (thousand)	116,675	116,675	-	116,675	116,675	-
Sales volume (thousand tons)	46.4	51.1	(9.2)	145.8	148.6	(1.9)
Average price (R$/kilo)	14.2	13.2	8.0	13.7	13.8	(0.8)

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

SPRINGS GLOBAL PARTICIPAÇÕES S.A.

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

Sales in the Brazilian market increased by 22.5% when compared to the same quarter of the previous year; gross margin increased by 2.9 percentage points in the third quarter of 2010 when compared with the third quarter of 2009; mmartan® ended the third quarter of 2010 with 121 stores

- Sales in the Brazilian market increased by 22.5% when compared to the third quarter of 2009, and by 35.4% when compared to the nine months of 2009;
- Brazilian market share of Springs Global's consolidated sales increased from 37.1% in the third quarter of 2009 to 47.0% in the third quarter of 2010, and from 31.0% in the first nine months of 2009 to 43.8% million in the first nine months of 2010;
- Gross sales remained stable when compared to the third quarter of 2009, despite the 6.0% appreciation of the Brazilian *Real* against the U.S. Dollar;
- Gross profit increased by 15.9% when compared to the third quarter of 2009;
- Gross margin increased by 2.9 percentage points, from 14.4% in the third quarter of 2009 to 17.3% in the third quarter of 2010;
- EBITDA increased by 227.2% when compared to the third quarter of 2009;
- mmartan® ended the quarter with 121 stores compared with 84 stores in the end of the third quarter of 2009;

Management's Discussion and Analysis

Montes Claros, November 12, 2010 – Springs Global Participações S.A. (BOVESPA: SGPS3, Bloomberg: SGPS3:BZ), the world leader in the bed, table and bath home furnishings industry, submits, for your consideration, its Management's discussion and analysis of financial condition and results of operations and its Interim Financial Statements for the quarter ended September 30, 2010. Such information, prepared in conformity with Brazilian accounting practices and standards established by the Brazilian Securities Exchange Commission ("CVM"), is accompanied by its Independent Accountants' review report. The following financial and operational information for Springs Global Participações S.A. ("Springs Global" or "Company") is presented, unless otherwise indicated, on a consolidated basis, in Brazilian Reais (R$), and the comparisons, except when stated otherwise, are with the third quarter of 2009 (3Q09).

Net sales by segment

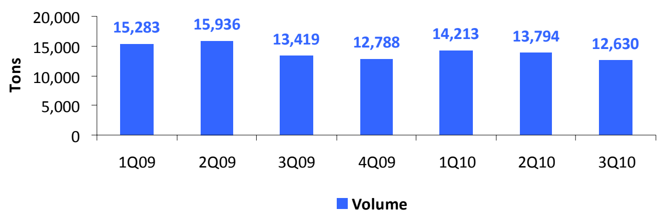
Sales in Brazil have continued to present strong growth. Consolidated gross sales in the amount of R$693.8 million in the third quarter of 2010 were 0.7% lower than consolidated gross sales in the third quarter of 2009. In the third quarter of 2010, net sales decreased by 3.4%, reflecting a 10.0% decrease in sales volume in tons and a 7.2% increase in the average price. In the first nine months of 2010, gross sales amounted to R$2,109.8 million compared with R$2,127.8 million in the first nine months of 2009. Net sales decreased by 4.2% from R$1,864.8 million in the first nine months of 2009 to R$1,785.8 million in the first nine months of 2010, reflecting a 2.7% decrease in sales volume.

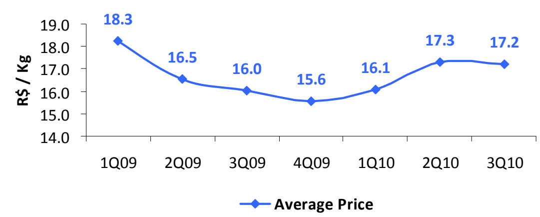
The table below includes our net sales, volumes in tons and average price by segment for the periods indicated.

	Net sales (R$ million)					Volume (tons)					Average price (R$)/kg		
Segment	**3Q10**	**Total**	**3Q09**	**Total**	**var % 10-09**	**3Q10**	**Total**	**3Q09**	**Total**	**var % 10-09**	**3Q10**	**3Q09**	**var % 10-09**
Fashion bedding	216.6	37.3%	215.0	35.8%	0.7%	12,630	31.2%	13,419	29.9%	(5.9%)	17.15	16.02	7.1%
Bath	112.2	19.3%	128.7	21.4%	(12.8%)	8,090	20.0%	9,455	21.0%	(14.4%)	13.87	13.61	1.9%
Utility bedding	65.6	11.3%	91.7	15.3%	(28.5%)	8,051	19.9%	10,545	23.5%	(23.7%)	8.15	8.70	(6.3%)
Intermediate products	85.5	14.7%	70.6	11.8%	21.1%	11,706	28.9%	11,532	25.6%	1.5%	7.30	6.12	19.3%
Others	100.2	17.3%	94.8	15.7%	5.7%	-	-	-	-	-	-	-	-
Total	**580.1**	**100.0%**	**600.8**	**100.0%**	**(3.4%)**	**40,477**	**100.0%**	**44,951**	**100.0%**	**(10.0%)**	**14.33**	**13.37**	**7.2%**

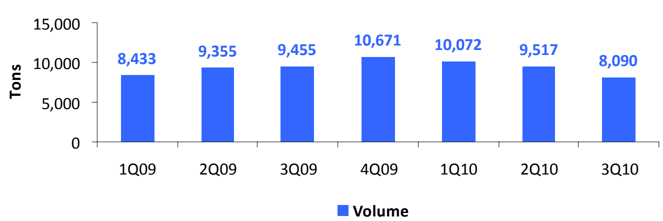
	Net sales (R$ million) for the nine month period ended September 30					Volume (tons) for the nine month period ended September 30					Average price (R$)/kg for the nine month period ended September 30		
Segment	**2010**	**Total**	**2009**	**Total**	**var % 10-09**	**2010**	**Total**	**2009**	**Total**	**var % 10-09**	**2010**	**2009**	**var % 10-09**
Fashion bedding	684.0	38.3%	757.7	40.6%	(9.7%)	40,637	31.5%	44,638	33.7%	(9.0%)	16.83	16.97	(0.8%)
Bath	363.6	20.4%	392.1	21.0%	(7.3%)	27,679	21.5%	27,243	20.6%	1.6%	13.14	14.39	(8.7%)
Utility bedding	201.7	11.3%	287.7	15.4%	(29.9%)	24,470	19.0%	29,741	22.4%	(17.7%)	8.24	9.67	(14.8%)
Intermediate products	255.6	14.3%	184.7	9.9%	38.4%	36,228	28.1%	30,908	23.3%	17.2%	7.06	5.98	18.1%
Others	280.9	15.7%	242.6	13.0%	15.8%	-	-	-	-	-	-	-	-
Total	**1,785.8**	**100.0%**	**1,864.8**	**100.0%**	**(4.2%)**	**129,014**	**100.0%**	**132,530**	**100.0%**	**(2.7%)**	**13.84**	**14.07**	**(1.6%)**

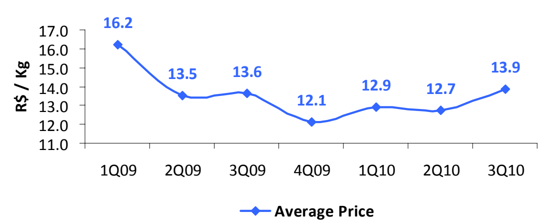
Net sales in the Fashion bedding segment - The increase of 0.7%, from R$215.0 million in the third quarter of 2009 to R$216.6 million in the third quarter of 2010, reflects a 7.1% increase in the average price, partially offset by a 5.9% decrease in sales volume in tons. In the first nine months of 2010, our net sales decreased by 9.7%, from R$757.7 million in 2009 to R$684.0 million in 2010, reflecting a 9.0% decrease in sales volume in tons and a 0.8% decrease in the average price. Even though there was an increase in fashion bedding sales in Brazil, it was not enough to offset the reduction in sales in the North American market. The 7.1% increase in the average price in the third quarter of 2010 is primarily due to the higher percentage of sales in Brazil in the total sales of the Company. The 0.8% decrease in the average price in the first nine months of 2010 is primarily due to the 14.1% appreciation of the Brazilian *Real* against the U.S. Dollar, which was partially offset by improved mix of sales and the higher percentage of sales in Brazil in the total sales of the Company.



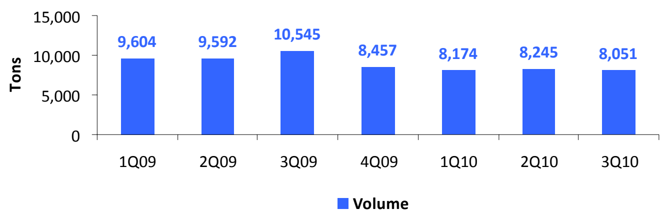


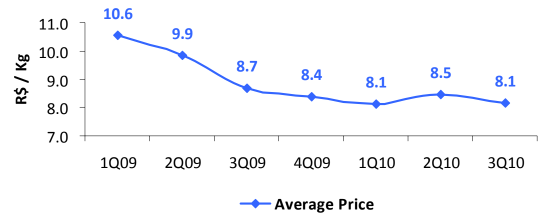
Net sales in the Bath segment - The decrease of 12.8%, from R$128.7 million in the third quarter of 2009 to R$112.2 million in the third quarter of 2010, reflects a 14.4% decrease in sales volume in tons, partially offset by a 1.9% increase in the average price. In the first nine months of 2010, our net sales decreased by 7.3%, from R$392.1 million in 2009 to R$363.6 million in 2010, reflecting a 1.6% increase in sales volume in tons and an 8.7% decrease in the average price. The decrease in sales volume in tons in the third quarter of 2010 is primarily due to the sales decrease in the North American market. The increase in the average price in the third quarter of 2010 is primarily due to the higher percentage of sales in Brazil in the total sales of the Company, despite the 6.0% appreciation of the Brazilian *Real* against the U.S. Dollar. The decrease in the average price in the first nine months of 2010 is primarily due to a 14.1% appreciation of the Brazilian *Real* on against the U.S. Dollar.



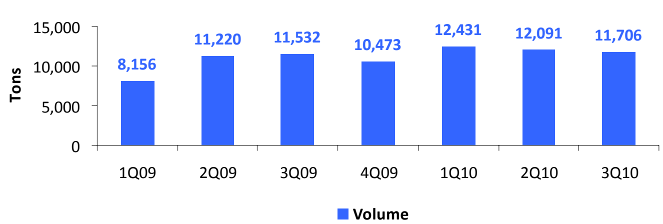


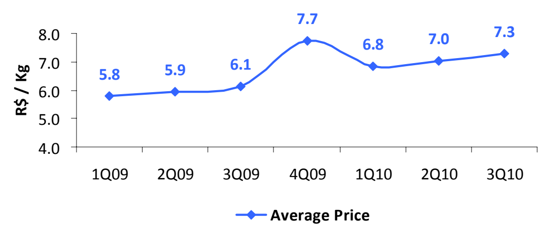
Net sales in the Utility bedding segment - The decrease of 28.5%, from R$91.7 million in the third quarter of 2009 to R$65.6 million in the third quarter of 2010, reflects a 23.7% decrease in sales volume in tons and a 6.3% decrease in the average price. In the first nine months of 2010, our net sales decreased by 29.9%, from R$287.7 million in 2009 to R$201.7 million in 2010, reflecting a 17.7% decrease in sales volume in tons and a 14.8% decrease in the average price. The decrease in sales volume in tons is primarily due to the sales reduction in the North American market. The decrease in the average price in the third quarter and first nine months of 2010 is primarily due to the appreciation of the Brazilian *Real* already mentioned.





Net sales in the Intermediate products segment - The increase of 21.1%, from R$70.6 million in the third quarter of 2009 to R$85.5 million in the third quarter of 2010, reflects a 1.5% increase in sales volume in tons and a 19.3% increase in the average price. In the first nine months of 2010, our net sales increased by 38.4%, from R$184.7 million in 2009 to R$255.6 million in 2010, reflecting a 17.2% increase in sales volume in tons and a 18.1% increase in the average price. The increase in sales volume in tons and the average price is primarily due to the strong sales growth in the domestic market and a higher proportion of fabric in the mix of intermediate products sales.





Net sales – Others - This segment includes sales of the indirect subsidiary mmartan® (beginning May of 2009), sales in the Canadian market and other sales. Sales in this segment increased by 5.7%, from R$94.8 million in the third quarter of 2009 to R$100.2 million in the third quarter of 2010. In the first nine months of 2010, our net sales increased by 15.8% from R$242.6 million in 2009 to R$280.9 million in 2010.

MMartan stores performance

	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10
Number of stores	76	82	84	103	107	112	121
Franchise	37	41	44	58	62	66	74
Owned	39	41	40	45	45	46	47
New stores	4	6	2	19	4	5	9
Franchise	3	4	3	14	6	4	6
Owned	1	2	-1	5	1	1	1
Same store sales growth - Owned stores (1)	*(11.2%)*	*(9.0%)*	*(10.3%)*	*8.7%*	*(1.6%)*	*(8.1%)*	*17.9%*

(1) All references to "same stores" are to our stores that have been operating for over 13 months. Same stores sales variances between the periods are based on operating sales in both periods being compared.

Continuing with our expansion plan, we opened 9 new stores in the third quarter of 2010. We ended the third quarter of 2010 with 74 franchise stores and 47 owned stores. In the third quarter of 2010, mmartan® presented same store sales growth of 17.9%.

Cost of goods sold

Cost of goods sold decreased by 6.7%, from R$514.2 million in the third quarter of 2009 to R$479.7 million in the third quarter of 2010. In the first nine months, cost of goods sold decreased by 7.7%, from R$1,612.0 million in 2009 to R$1,487.2 million in 2010.

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

(R$ million)	3Q10	% of total cost of goods sold	% of net sales	3Q09	% of total cost of goods sold	% of net sales	var % 10-09
Materials	309.8	64.6%	53.4%	331.1	64.4%	55.1%	(6.4%)
Conversion costs	134.2	28.0%	23.1%	144.4	28.1%	24.0%	(7.1%)
Warehousing and distribution costs	11.4	2.4%	2.0%	12.3	2.4%	2.0%	(7.3%)
Depreciation	24.2	5.0%	4.2%	26.3	5.1%	4.4%	(8.0%)
Total	**479.6**	**100.0%**	**82.7%**	**514.1**	**100.0%**	**85.6%**	**(6.7%)**

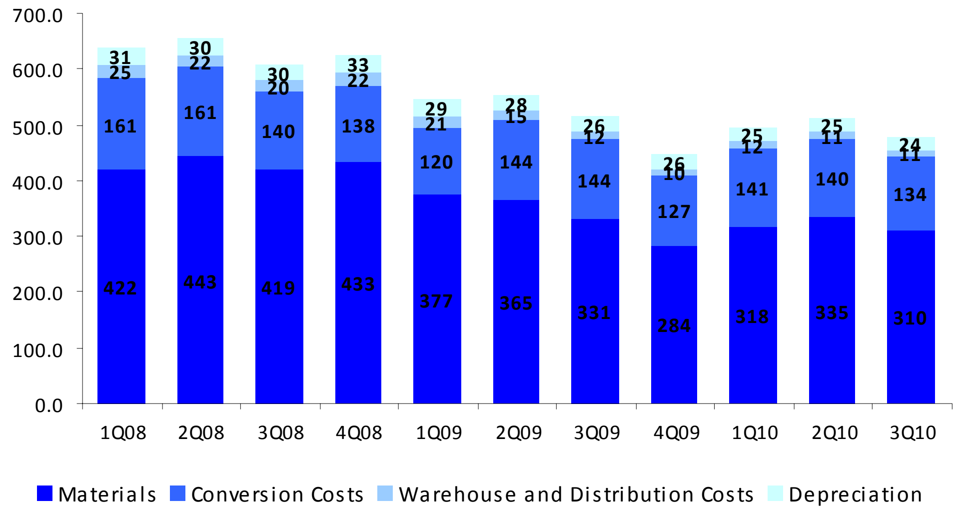
	Nine month period ended September 30						
(R$ million)	2010	% of total cost of goods sold	% of net sales	2009	% of total cost of goods sold	% of net sales	var % 10-09
Materials	963.1	64.8%	53.9%	1,072.5	66.5%	57.5%	(10.2%)
Conversion costs	415.5	27.9%	23.3%	408.2	25.3%	21.9%	1.8%
Warehousing and distribution costs	34.3	2.3%	1.9%	48.2	3.0%	2.6%	(28.8%)
Depreciation	74.2	5.0%	4.2%	83.0	5.1%	4.5%	(10.6%)
Total	**1,487.1**	**100.0%**	**83.3%**	**1,611.9**	**100.0%**	**86.4%**	**(7.7%)**

Materials – Material costs decreased by 6.4%, from R$331.1 million in the third quarter of 2009 to R$309.8 million in the third quarter of 2010, and by 10.2%, from R$1,072.5 million in the first nine months of 2009 to R$963.1 million in the first nine months of 2010. As a percentage of net sales, material costs decreased from 55.1% in the third quarter of 2009 to 53.4% in the third quarter of 2010, and decreased from 57.5% in the first nine months of 2009 to 53.9% in the first nine months of 2010. The decreases in material costs and material cost as a percentage of net sales are mainly attributed to the higher percentage of products manufactured by our Brazilian subsidiary in the total of products sold.

Conversion costs – Conversion costs decreased by 7.1%, from R$144.4 million in the third quarter of 2009 to R$134.2 million in the third quarter of 2010, and increased by 1.8%, from R$408.2 million in the first nine months of 2009 to R$415.5 million in the first nine months of 2010. Conversion costs decreased as a percentage of net sales, from 24.0% in the third quarter of 2009 to 23.1% in the third quarter of 2010, and increased from 21.9% in the first nine months of 2009 to 23.3% in the first nine months of 2010. This increase is due to the higher percentage of products manufactured by our Brazilian subsidiary in the total of products sold.

Warehousing and distribution costs – Warehousing and distribution costs decreased by 7.3%, from R$12.3 million in the third quarter of 2009 to R$11.4 million in the third quarter of 2010, and by 28.8%, from R$48.2 million in the first nine months of 2009 to R$34.3 million in the first nine months of 2010, reflecting lower sales volume in the North American market and the appreciation of the Brazilian *Real* on the translation of the costs of our U.S. subsidiary. As a percentage of net sales, warehousing and distribution costs in the third quarter of 2009 and 2010 were 2.0%, and decreased from 2.6% in the first nine months of 2009 to 1.9% in the first nine months of 2010.

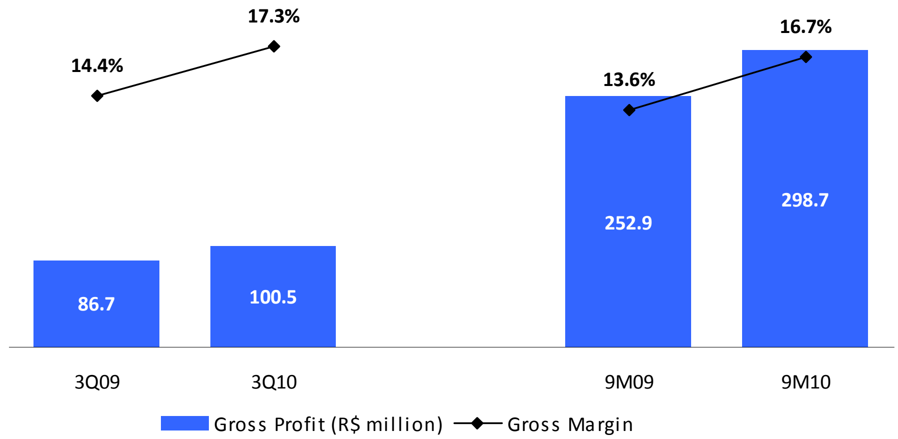
Depreciation of production and distribution assets – Depreciation expenses of production and distribution assets were R$26.3 million in the third quarter of 2009 and R$24.2 million in the third quarter of 2010. In the first nine months of 2009 and 2010, depreciation expenses of production and distribution assets were R$83.0 million and R$74.2 million, respectively.



Gross profit and Gross margin

Gross profit – Gross profit increased by 15.9%, from R$86.7 million in the third quarter of 2009 to R$100.5 million in the third quarter of 2010, and increased by 18.1%, from R$252.9 million in the first nine months of 2009 to R$298.7 million in the first nine months of 2010, due to the combination of reasons already mentioned.

Gross margin – There was a 2.9 percentage point increase in gross margin, from 14.4% in the third quarter of 2009 to 17.3% in the third quarter of 2010, and a 3.1 percentage point increase, from 13.6% in the first nine months of 2009 to 16.7% in the first nine months of 2010.



Operating expenses

Selling expenses – Selling expenses increased by 10.6%, from R$52.1 million in the third quarter of 2009 to R$57.6 million in the third quarter of 2010, and by 19.5%, from R$140.8 million in the first nine months of 2009 to R$168.3 million in the first nine months of 2010, due to the inclusion of the commercial expenses of our indirect subsidiary mmartan® beginning in May of 2009.

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

(R$ million)	3Q10	% of total selling expenses	% of net sales	3Q09	% of total selling expenses	% of net sales	var % 10-09
Fixed	29.3	50.9%	5.1%	28.8	55.3%	4.8%	1.7%
Variable	28.3	49.1%	4.9%	23.3	44.7%	3.9%	21.5%
Total	**57.6**	**100.0%**	9.9%	**52.1**	**100.0%**	**8.7%**	**10.6%**

Nine month period ended September 30

(R$ million)	2010	% of total selling expenses	% of net sales	2009	% of total selling expenses	% of net sales	var % 10-09
Fixed	87.2	51.8%	4.9%	87.9	62.4%	4.7%	(0.8%)
Variable	81.1	48.2%	4.5%	52.9	37.6%	2.8%	53.3%
Total	**168.3**	**100.0%**	9.4%	**140.8**	**100.0%**	7.6%	**19.5%**

Fixed selling expenses increased from R$28.8 million in the third quarter of 2009 to R$29.3 million in the third quarter of 2010, and decreased from R$87.9 million in the first nine months of 2009 to R$87.2 million in the first nine months 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.

Variable selling expenses increased from R$23.3 million in the third quarter of 2009 to R$28.3 million in the third quarter of 2010, and from R$52.9 million in the first nine months of 2009 to R$81.1 million in the first nine months of 2010. As a percentage of net sales, variable selling expenses increased from 3.9% in the third quarter of 2009 to 4.9% in the third quarter of 2010, and from 2.8% in the first nine months of 2009 to 4.5% in the first nine months 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 7.8%, from R$35.9 million in the third quarter of 2009 to R$33.1 million in the third quarter of 2010, and by 12.2%, from R$117.6 million in the first nine months of 2009 to R$103.3 million in the first nine months 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 6.0% in the third quarter of 2009 to 5.7% in the third quarter of 2010, and from 6.3% in the first nine months of 2009 to 5.8% in the first nine months of 2010.

Financial results

Financial expenses - interests – Interest expenses remained stable when compared with 2009, from R$14.1 million in the third quarter of 2009 to R$14.7 million in the third quarter of 2010, and from R$34.8 million in the first nine months of 2009 to R$36.5 million in the first nine months of 2010.

Financial expenses - bank charges and others – Bank charges and other expenses increased from R$10.8 million in the third quarter of 2009 to R$12.8 million in the third quarter of 2010, and from R$34.9 million in the first nine months of 2009 to R$40.6 million in the first nine months of 2010, due to discounts given, among others.

Financial income – Financial income decreased from R$4.9 million in the third quarter of 2009 to R$1.7 million in the third quarter of 2010, and from R$17.9 million in the first nine months of 2009 to R$11.7 million in the first nine months of 2010. The decrease in financial income is due to lower average cash invested in the financial market in the first nine months of 2010 when compared to the first nine months of 2009.

Exchange variations, net – Net exchange variations decreased from an exchange variation gain of R$44.3 million in the third quarter of 2009 to an exchange variation gain of R$15.5 million in the third quarter of 2010, and from a gain of R$112.2 million in the first nine months of 2009 to a gain of R$39.3 million in the first nine months of 2010. The gain in the third 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.

EBITDA and EBITDA margin

EBITDA –EBITDA increased by 227.2%, from R$11.4 million in the third quarter of 2009 to R$37.3 million in the third quarter of 2010, and increased by 67.9%, from R$64.2 million in the first nine months of 2009 to R$107.8 million in the first nine months of 2010, due to the combination of reasons already mentioned.

EBITDA margin – There was a 4.5 percentage point increase in EBITDA margin, from 1.9% in the third quarter of 2009 to 6.4% in the third quarter of 2010, and a 2.6 percentage point increase, from 3.4% in the first nine months of 2009 to 6.0% in the first nine months of 2010.

(R$ million)	**3Q10**	**3Q09**	**var % 10-09**	**9M10**	**9M09**	**var % 10-09**
Income (loss) from operations before taxes	0.2	6.6	-	(1.2)	31.8	-
Financial expenses - interests	14.7	14.1	-	36.5	34.8	-
Financial expenses - bank charges and others	12.8	10.8	-	40.6	34.9	-
Financial income	(1.7)	(4.9)	-	(11.7)	(17.9)	-
Exchange variations, net	(15.5)	(44.3)	-	(39.3)	(112.2)	-
Depreciation and amortization	26.8	29.1	-	82.9	92.8	-
EBITDA	37.3	11.4	227.2%	107.8	64.2	67.9%
EBITDA %	*6.4%*	*1.9%*	*4.5 p.p.*	*6.0%*	*3.4%*	*2.6 p.p.*

Provision for income and social contribution taxes

In the third quarter of 2010 and in the first nine months of 2010, we recorded income tax provision of R$22.3 million and R$13.9 million, respectively. In addition, we recorded social contribution tax provision of R$4.5 million in the third quarter of 2010 and R$4.2 million in the first nine months of 2010.

Capital expenditures

In the third quarter of 2010 and 2009, our capital expenditures were R$14.6 million and R$22.2 million, respectively. In the first nine months of 2010 and 2009, our capital expenditures were R$44.1 million and R$56.6 million, respectively.

Liquidity and financing

Net debt, excluding debentures subscribed by our parent Company, increased by R$10.1 million, from R$223.4 million as of June 30, 2010 to R$233.5 million as of September 30, 2010. The increase is due to the use of cash for suppliers and for other payments.

(R$ million)	September 30, 2010	June 30, 2010
Short term debt		
Loans and financing	83.9	102.7
Long term debt		
Loans and financing	180.8	185.8
Total debt with financial institutions	**264.7**	**288.5**
Debentures subscribed by parent company in current liabilities	9.5	33.5
Debentures subscribed by parent company in noncurrent liabilities	16.6	20.2
Total debt including debentures subscribed by parent company	**290.8**	**342.2**
Total debt with financial institutions	**264.7**	**288.5**
Cash and cash equivalents	31.1	65.0
Marketable securities	0.1	0.1
Net debt (net cash) excluding debentures subscribed by parent company	**233.5**	**223.4**

Inventories

Raw materials and supplies inventory increased by R$6.4 million, from R$99.9 million as of June 30, 2010 to R$106.3 million as of September 30, 2010. Work-in-process inventory increased by R$0.7 million, from R$124.7 million as of June 30, 2010 to R$125.4 million as of September 30, 2010. Finished goods inventories increased by R$2.5 million, from R$316.0 million as of June 30, 2010 to R$318.5 million as of September 30, 2010.

Capital Market

In the third quarter of 2010, the Company's daily average volume of shares traded was R$446,026. An average of 104,767 shares was traded daily. The highest share price achieved during the third quarter of 2010 was R$4.42 and the lowest price was R$3.96.

Management

COMPANHIA TECIDOS SANTANENSE

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

	3Q10	3Q09	%(*) 3Q10/09	9M10	9M09	%(*) 9M10/09
Gross sales	103.3	91.4	13.0	285.2	245.1	16.4
Net sales	83.1	73.6	13.0	229.4	196.9	16.5
Cost of good sold	(64.5)	(55.8)	15.5	(174.8)	(147.7)	18.4
Gross profit	18.6	17.8	5.1	54.6	49.2	11.1
Gross margin	*22.4%*	*24.1%*		*23.8%*	*25.0%*	
Selling, general and Administrative expenses	(11.6)	(10.3)	13.1	(32.5)	(28.6)	12.9
Depreciation and amortization	2.2	2.2	-	6.6	6.8	-
Income from operations before financial results	7.2	7.5	2.0	22.3	20.6	8.4
Net income	3.9	6.0	(35.6)	12.4	14.3	(13.3)
Earnings per share (R$)	0.10	0.15		0.32	0.36	
Number of shares (thousand)	39,299	39,299	-	39,299	39,299	-

(*) Variations based in thousands of Reais.

Net sales

Net sales in the third quarter of 2010 totaled R$83.1 million, an increase of 13.0%, in comparison to the third quarter of 2009, which totaled R$73.6 million. This improvement was generated by an increase in sales volume and in average prices.

Gross margin and gross profit

SANTANENSE had a gross margin of 22.4% in the third quarter of 2010. Gross profit totaled R$18.6 million in this quarter.

In comparison to the third quarter of 2009, gross profit increased 5.1%, which is partially explained by the increase in average price.

Selling, general and administrative expenses

Selling, general and administrative expenses in this quarter were R$11.6 million, or 14.0% of net sales. In the third quarter of 2009, these expenses totaled R$10.3 million, or 14.0% of net sales.

Operating income

EBITDA for the third quarter of 2010 totaled R$9.4 million, representing 11.3% of net sales. In the third quarter of 2009, EBITDA amounted to R$9.7 million, representing 13.2% of net sales.

Financial results, net

Net financial result in the third quarter of 2010 was an expense of R$1.4 million, while in the third quarter of 2009, it was an expense of R$2.3 million. The financial result variation is mainly attributed to the exchange rate effect.

	R$ million	
Financial result	**3Q10**	**3Q09**
Financial income	0.5	0.3
Financial expenses - interests	(1.5)	(1.2)
Exchange variation, net	-	(0.9)
Bank charges, discounts	(0.4)	(0.5)
Financial result	**(1.4)**	**(2.3)**

Net working capital

Net working capital increased by 21.1 million, from R$98.4 million, as of June 30, 2010, to R$119.5 million, as of September 30, 2010, mainly due to long-term investments.

The liquidity ratio, as of September 30, 2010, was 3.74; therefore, for each R$1.00 in short term liabilities, the Company has R$3.74 in short term assets.

Financial assets and liabilities

The consolidated short and long term bank debt increased by 5.1%, from R$43.0 million as of June 30, 2010 to R$45.2 as of September 30, 2010. Bank debt as of September 30, 2010 is represented as follows:

Maturity	09.30.10
2010	1.8
2011	21.4
2012	16.3
2013 and 2020	5.7
Total	45.2

Management

(Convenience translation into English from the original previously issued in Portuguese)
COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

INTERIM FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT FOR THE THIRD QUARTER OF 2010

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

INDEPENDENT AUDITORS' 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 30 September 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 30 September 2010, whose amounts were used by the Company to account for its investments in those subsidiaries on the equity basis and to prepare the consolidated financial statements, as mentioned in note 2, were reviewed by other independent accountants. Our report on the special review, regarding the carrying values of these investments, is exclusively based on the reports of these other independent accountants.

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

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

São Paulo, 12 November 2010

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS - COTEMINAS

BALANCE SHEETS AS OF SEPTEMBER 30, 2010 AND JUNE 30, 2010

(In thousands of Brazilian Reais)

A S S E T S

		Company		Consolidated	
	Note	09.30.2010	06.30.2010	09.30.2010	06.30.2010
CURRENT:					
Cash and cash equivalents	3	44,754	12,009	119,387	90,556
Marketable securities	4	10,487	10,420	15,687	15,780
Accounts receivable	5	-	-	501,429	471,726
Inventories	6	-	-	655,752	645,104
Advances to suppliers	7	32	-	29,902	29,243
Recoverable taxes	17.e	10,893	10,097	58,323	61,146
Debentures issued by subsidiary	16	9,542	33,472	-	-
Dividends receivable		7,983	7,983	-	-
Other receivables		1,894	7,808	16,596	14,522
Derivative instruments	21.b.3	-	-	-	27,602
Total current assets		85,585	81,789	1,397,076	1,355,679
NONCURRENT:					
Long-term assets:					
Marketable securities	4	-	-	22,275	23,597
Other receivables		10,116	10,116	19,349	20,589
Advances to suppliers	7	-	-	10,214	45,057
Related parties	15	63,755	64,009	16,910	13,196
Debentures issued by subsidiary	16	16,647	20,230	-	-
Recoverable taxes	17.e	20,991	20,991	66,459	68,042
Deferred income and social contribution taxes	17.d	2,758	2,966	117,873	132,235
Property, plant and equipment held for sale	9	-	-	26,407	28,550
Derivative instruments	21.b.3	-	-	75	48,402
		114,267	118,312	279,562	379,668
Permanent:					
Investments in subsidiaries	8	1,221,113	1,258,347	-	-
Other investments		62,323	23,682	62,960	24,318
Property, plant and equipment	9	372	34,631	1,224,143	1,298,256
Intangible assets	10	-	-	77,039	78,703
Total noncurrent assets		1,398,075	1,434,972	1,643,704	1,780,945
Total assets		1,483,660	1,516,761	3,040,780	3,136,624

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 SEPTEMBER 30, 2010 AND JUNE 30, 2010

(In thousands of Brazilian Reais)

LIABILITIES AND SHAREHOLDERS' EQUITY

		Company		Consolidated	
	Note	09.30.2010	06.30.2010	09.30.2010	06.30.2010
CURRENT:					
Loans and financing	13	3,451	1,700	102,003	135,951
Suppliers	12	75	35	257,458	289,620
Payroll and related charges		589	633	78,706	71,116
Taxes		48	57	19,817	18,515
Income and social contribution taxes		-	-	2,509	1,121
Dividends payable		158	210	506	1,273
Derivative instruments	21.b.3	-	-	11,417	1,960
Other payables		939	1,351	48,879	51,416
Total current liabilities		5,260	3,986	521,295	570,972
NONCURRENT:					
Long-term liabilities:					
Loans and financing	13	-	-	233,611	220,843
Related parties	15	2,446	1,732	1,928	68
Government concessions	20	-	-	58,827	57,139
Employee benefit plans	19	-	-	70,526	76,712
Deferred credits – Negative goodwill	8.b e c	-	-	14,851	14,851
Accrual for contingencies	18	2	2	1,969	1,968
Derivative instruments	21.b.3	-	-	-	838
Income and social contribution taxes	17.d	-	-	-	2,094
Other obligations		-	-	41,433	46,611
Total noncurrent liabilities		2,448	1,734	423,145	421,124
NONCONTROLLING INTEREST		-	-	620,388	633,487
SHAREHOLDERS' EQUITY:					
Capital		870,000	870,000	870,000	870,000
Capital reserves		286,308	286,308	286,308	286,308
Income reserves		423,976	423,976	423,976	423,976
Cumulative translation adjustment		(91,450)	(82,326)	(91,450)	(82,326)
Assets and liabilities valuation adjustments		(4,776)	2,781	(4,776)	2,781
Treasury shares		(726)	(726)	(726)	(726)
Retained earnings (deficit)		(7,380)	11,028	(7,380)	11,028
Total shareholders' equity		1,475,952	1,511,041	1,475,952	1,511,041
Total shareholders' equity and noncontrolling interest		1,475,952	1,511,041	2,096,340	2,144,528
Total liabilities and shareholders' equity		1,483,660	1,516,761	3,040,780	3,136,624

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE QUARTER AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010 AND 2009

(In thousands of Brazilian Reais)

		Company			
	Note	07.01.2010 to 09.30.2010	01.01.2010 to 09.30.2010	07.01.2009 to 09.30.2009	01.01.2009 to 09.30.2009
OPERATING INCOME (EXPENSES):					
General and administrative expenses		(2,193)	(7,881)	(2,864)	(7,954)
Financial expenses – interests		(1,108)	(1,471)	(278)	(1,075)
Financial expenses – taxes and others		(222)	(483)	(211)	(642)
Financial income		8,849	15,601	5,242	17,233
Exchange variations, net		(2,804)	590	(8,914)	(25,692)
Equity in subsidiaries	8	(20,552)	(11,665)	11,763	30,250
Other, net		269	196	(112)	153
INCOME FROM OPERATIONS BEFORE TAXES		(17,761)	(5,113)	4,626	12,273
SOCIAL CONTRIBUTION TAX	17.c	(172)	(589)	-	-
INCOME TAX	17.b	(475)	(1,678)	-	(323)
NET INCOME (LOSS) FOR THE PERIOD		(18,408)	(7,380)	4,626	11,950
EARNINGS (LOSS) PER THOUSAND SHARES OUTSTANDING AT THE END OF THE PERIOD – R$		(157.91)	(63.31)	39.68	102.51

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

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

STATEMENTS OF OPERATIONS

FOR THE QUARTER AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010 AND 2009

(In thousands of Brazilian Reais)

		Consolidated			
	Note	07.01.2010 to 09.30.2010	01.01.2010 to 09.30.2010	07.01.2009 to 09.30.2009	01.01.2009 to 09.30.2009
OPERATING REVENUES:					
Gross sales		792,557	2,379,975	787,985	2,366,799
Sales deductions		(132,729)	(376,982)	(115,103)	(309,780)
NET SALES		659,828	2,002,993	672,882	2,057,019
COST OF GOODS SOLD		(540,660)	(1,649,679)	(568,414)	(1,754,942)
GROSS PROFIT		119,168	353,314	104,468	302,077
OPERATING INCOME (EXPENSES):					
Selling expenses		(64,583)	(187,246)	(58,192)	(157,605)
General and administrative expenses		(38,814)	(124,818)	(43,016)	(137,748)
Financial expenses – interests		(15,906)	(36,448)	(16,246)	(39,968)
Financial expenses – bank charges and others		(10,848)	(37,791)	(9,908)	(31,371)
Financial income		3,668	15,597	8,327	29,397
Exchange variations, net		12,754	39,779	34,641	84,115
Others, net		(349)	(1,939)	(16,530)	(22,691)
INCOME FROM OPERATIONS BEFORE TAXES AND NONCONTROLLING INTEREST		5,090	20,448	3,544	26,206
SOCIAL CONTRIBUTION TAX	17.c	(5,174)	(6,434)	3,403	3,426
INCOME TAX	17.b	(24,135)	(19,415)	5,676	2,257
NET INCOME (LOSS) BEFORE NONCONTROLLING INTEREST		(24,219)	(5,401)	12,623	31,889
NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTEREST IN SUBSIDIARIES		5,811	(1,979)	(7,997)	(19,939)
NET INCOME (LOSS) FOR THE PERIOD		(18,408)	(7,380)	4,626	11,950

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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010 AND FOR THE YEAR ENDED DECEMBER 31, 2009

(In thousands of Brazilian Reais)

			Income reserves						
	Capital	Capital reserve	Legal	Retained income	Cumulative translation adjustments	Assets and liabilities valuation adjustments	Treasury shares	Retained earnings (deficit)	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	-	-	-	-	(4,014)	-	-	-	(4,014)
Derivative instruments – NDF in subsidiary	-	-	-	3,807	-	(21,482)	-	-	(17,675)
Net loss for the period	-	-	-	-	-	-	-	(7,380)	(7,380)
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BALANCES AS OF SEPTEMBER 30, 2010	870,000	286,308	33,190	390,786	(91,450)	(4,776)	(726)	(7,380)	1,475,952
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The accompanying notes are an integral part of these financial statements.

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

COMPANHIA DE TECIDOS NORTE DE MINAS – COTEMINAS

NOTES TO THE FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2010

(Amounts in thousands of Brazilian Reais)

1. OPERATIONS

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

The Company is the parent company of Springs Global Participações S.A. (“SGPSA”), which is the parent company of Coteminas S.A. (“CSA”) and Springs Global US, Inc. (“SGUS”), companies that focus their manufacturing operations on bed, table 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:

(a) Monetary and exchange variations--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.

(b) Cash and cash equivalents--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.

(c) Marketable securities--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.

(d) Derivative transactions--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.

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

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

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

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

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

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

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

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

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

(n) Provision for income tax-- The provision for income tax of the Brazilian subsidiaries is calculated at the rate of 15% on taxable income, plus 10% surtax, and is recognized net of the portion related to the income tax exemption. The liability balance is net of prepayments made during the period, if applicable. For foreign subsidiaries, the tax rate ranges from 35% to 38%, according to the tax legislation of each country.

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

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

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

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

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

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

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

b. Consolidation criteria

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

	Direct and indirect interest in total capital - %	
	09.30.2010	06.30.2010
Coteminas International Ltd.	100	100
Companhia de Tecidos Norte de Minas – Coteminas (Argentina Branch)	100	100
Springs Global Participações S.A.	68	68
Oxford Comércio e Participações S.A.	59	59
American Sportswear Ltda.	100	100
Companhia Tecidos Santanense	53	53

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

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

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

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

	2010	2009	%
Exchange rate as of:			
December 31	-	1.7412	-
March 31	1.7810	2.3152	(23.1)
June 30	1.8015	1.9516	(7.7)
September 30	1.6942	1.7781	(4.7)
Average exchange rate:			
March 31 (3 months)	1.8223	2.3366	(22.0)
June 30 (3 months)	1.7829	2.0343	(12.4)
September 30 (3 months)	1.7358	1.8457	(6.0)
September 30 (9 months)	1.7803	2.0722	(14.1)

3. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	09,30,2010	06,30,2010	09,30,2010	06,30,2010
Fixed-yield fund (DI)	1,055	1,048	8,712	2,569
Foreign exchange funds (US$)	32,334	-	34,594	35,101
Foreign deposits	-	-	53,476	30,708
Debentures	10,282	10,020	10,282	10,020
Checking accounts deposits	1,083	941	12,323	12,158
	44,754	12,009	119,387	90,556

4. MARKETABLE SECURITIES

	Company		Consolidated	
	09.30.2010	06.30.2010	09.30.2010	06.30.2010
Fixed-yield fund (DI)	10,487	10,420	10,487	10,420
Investment fund – US$	-	-	5,120	5,276
Restricted cash (*)	-	-	80	84
Foreign deposits	-	-	22,275	23,597
Marketable securities	10,487	10,420	37,962	39,377
Current	(10,487)	(10,420)	(15,687)	(15,780)
Noncurrent	-	-	22,275	23,597

(*) The indirect subsidiary SGUS had restricted cash in financial institutions in the amount of US$47 thousand (US$47 thousand as of June 30, 2010) related to certain compensating balance arrangements.

5. ACCOUNTS RECEIVABLE

	Consolidated	
	09.30.2010	06.30.2010
Domestic customers	472,467	438,045
Foreign customers	58,806	65,569
Subsidiary		
Domestic market	537	1,541
Foreign market	6,559	4,493
	----------	----------
	538,369	509,648
Allowance for doubtful accounts	(36,940)	(37,922)
	----------	----------
	501,429	471,726
	======	======

Accounts receivable from customers consist of receivables with an average collection period of approximately 62 days (59 days as of June 30, 2010). Past-due amounts as of September 30, 2010 are not significant and the allowance for doubtful accounts is considered by Management sufficient to cover expected losses from these notes.

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

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

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

As of September 30, 2010, the Company has R$79,924 (R$106,727 as of June 30, 2010) outstanding under the SABRE Securitization.

6. INVENTORIES

	Consolidated	
	09.30.2010	06.30.2010
Raw materials and supplies	125,312	112,164
Work in process	145,614	148,866
Finished products	321,406	322,160
Repair parts	63,420	61,914
	655,752	645,104

Finished products inventories are stated net of provision for losses in the amount of R$18,065 (R$16,671 as of June 30, 2010), which, based on Management's assessment, is sufficient to cover losses on obsolete and/or discontinued inventories.

7. ADVANCES TO SUPPLIERS

	Company		Consolidated	
	09.30.2010	06.30.2010	09.30.2010	06.30.2010
Sundry suppliers	32	-	28,762	61,720
Electricity suppliers	-	-	11,354	12,580
	32	-	40,116	74,300
Current	(32)	-	(29,902)	(29,243)
Noncurrent	-	-	10,214	45,057

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

Every month, CESP invoices the electricity supplied at the current price and the indirect subsidiary CSA amortizes the advance at the historical cost, with the excess amount recorded as cost reduction. As of September 30, 2010, the balance in current assets is R$4,861 (R$4,861 as of June 30, 2010) and in noncurrent assets is R$6,493 (R$7,719 as of June 30, 2010).

8. INVESTMENTS IN SUBSIDIARIES

	Shareholders' equity	Ownership interest - %	Net income for the period	Total investment		Equity in subsidiaries	
				09.30.2010	06.30.2010	09.30.2010	09.30.2009
Springs Global Participações S.A. (a)	1,628,187	68.44	(22,588)	1,114,330	1,149,147	(15,459)	25,974
Oxford Comércio e Participações S.A. (b)	155,701	58.88	10,640	91,677	89,683	6,274	7,234
Coteminas International Ltd.	10,070	100.00	(2,745)	10,070	14,512	(2,745)	(3,148)
Companhia Tecidos Santanense (c)	197,073	2.07	12,410	2,826	2,745	258	298
American Sportswear Ltda.	1,735	100.00	-	1,735	1,735	-	(56)
Coteminas (Argentina Branch)	475	100.00	7	475	525	7	(52)
				1,221,113	1,258,347	(11,665)	30,250

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

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

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

- Acquisition of MMartan Têxtil Ltda.

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

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

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

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

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

9. PROPERTY, PLANT AND EQUIPMENT

	Annual weighted average depreciation rate - %	Consolidated			
		09.30.2010			06.30.2010
		Cost	Accumulated depreciation	Net book value	Net book value
Land and improvements	2.8	36,322	(5,682)	30,640	29,444
Buildings	2.5	517,261	(175,790)	341,471	345,376
Installations	6.2	241,314	(124,359)	116,955	119,717
Equipment	6.5	1,566,239	(967,104)	599,135	617,348
Furniture and fixtures	7.9	40,748	(29,909)	10,839	10,578
Vehicles	18.4	25,625	(20,581)	5,044	4,658
Computers and peripherals	14.5	59,638	(50,607)	9,031	8,999
Hydroelectric plant - Porto Estrela (*)	2.2	37,319	(7,242)	30,077	30,233
Construction in progress	-	58,763	-	58,763	53,816
Advances to suppliers	-	19,025	-	19,025	74,684
Others	15.7	80,119	(76,956)	3,163	3,403
		2,682,373	(1,458,230)	1,224,143	1,298,256

(*) 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$26,407 (R$28,550 as of June 30, 2010) was presented in noncurrent assets under "Property, plant and equipment held for sale", and, consequently, removed from the table above, based on its net book value.

As of September 30, 2010, the Company's indirect subsidiaries had an accrual for a probable loss of R$52,973 (R$55,048 as of June 30, 2010), related to a reduction in the recoverable values of operating and also held for sale machinery and equipment that are not expected to generate future benefits.

10. INTANGIBLE ASSETS

	Consolidated	
	09.30.2010	06.30.2010
Goodwill from the acquisition of North American companies	23,545	24,885
Goodwill from the acquisition of SRPSA (*)	27,303	27,303
Trademarks	16,298	16,298
Store locations (real estate/customer base intangible)	9,869	10,155
Others	24	62
	----------	----------
Total	77,039	78,703
	=====	=====

(*) See note 8.

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

	Balances as of 06.30.2010	Exchange variations	Additions (reductions) for the period	Balances as of 09.30.2010
Goodwill from the acquisition of North American companies	24,885	(1,340)	-	23,545
Goodwill from the acquisition of SRPSA	27,303	-	-	27,303
Trademarks	16,298	-	-	16,298
Store locations (real estate/customer base intangible)	10,155	-	(286)	9,869
Others	62	-	(38)	24
	----------	----------	----------	----------
Total	78,703	(1,340)	(324)	77,039
	=====	=====	======	=====

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 leasing expense for the nine-month period ended September 30, 2010 was R$25,179 (R$36,125 in the nine-month period ended September 30, 2009). Indirect subsidiary SGUS contractually agreed with third-parties to sublease certain vacant facilities that no longer provide economic benefit. Total sublease income in the nine-month period ended September 30, 2010 was R$1,962 (R$2,592 in the nine-month period ended September 30, 2009).

Installments scheduled for the future years are estimated as follows:

Years	09.30.2010
2010 (*)	7,063
2011	23,771
2012	21,826
2013	19,414
2014	17,611

(*) 3 months

Beginning in 2015, installments continue to decrease until the contracts terminate on several dates through 2030, totaling R$191,982.

For the years between 2010 and 2013, indirect subsidiary SGUS is scheduled to receive sublease installments of R$5,003.

Indirect subsidiary SGUS has an accrual totaling R$13,220, 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$93,644.

12. SUPPLIERS

	Consolidated	
	09.30.2010	06.30.2010
Domestic market	118,420	94,831
Foreign market	139,038	194,789
	----------	----------
	257,458	289,620
	======	======

Accounts payable to suppliers consist of amounts with an average maturity term of approximately 34 days (39 days as of June 30, 2010). Domestic suppliers include credits to purchase raw material (cotton), amounting to R$51,768 (R$50,308 as of June 30, 2010), with maturities through June of 2011.

13. LOANS AND FINANCING

	Currency	Annual interest rate - %	Maturity	Consolidated 09.30.2010	Consolidated 06.30.2010
Export prepayment:					
Banco Santander S.A. (b)	US$	Libor+1.20	2011	11,306	18,026
Banco Santander S.A. (a)	US$	Libor+1.35	2013	49,352	57,249
Banco Itaú S.A. (a)	US$	Libor+1.35	2013	49,352	57,249
				110,010	132,524
Local currency:					
Banco do Brasil S.A.	R$	IRP+10.81	2012	41,885	40,739
Banco do Brasil S.A. – (overdraft account)	R$	118.7 of CDI	2010	15,631	35,568
Bradesco S.A. – (overdraft account)	R$	125 of CDI	2010	461	27,035
Banco Santander S.A.	R$	CDI+0.20 to 0.29	2013	5,224	5,990
HSBC Bank Brasil S.A.	R$	CDI+0.25	2014	7,506	7,915
HSBC Bank Brasil S.A. – (overdraft account)	R$	118.9 of CDI	2010	8,225	-
BNDES – Working capital	R$	TJLP+3.0	2014	14,271	15,225
BNDES – Revitaliza	R$	4.5 to 9.0	2016	35,325	29,883
Banco do Brasil S.A. – Revitaliza	R$	4.5 to 9.0	2016	35,322	29,883
Banco do Brasil S.A. – Giro-flex	R$	112.9 of CDI	2010	8,112	8,074
Banco Votorantim	R$	11.25	2012	30,397	-
Others	R$	-	2020	970	361
				203,329	200,673
Foreign currency:					
JP Morgan	US$	1.50	2012	22,275	23,597
				22,275	23,597
Total				335,614	356,794
Current liabilities				(102,003)	(135,951)
Noncurrent liabilities				233,611	220,843

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

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

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

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

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

Maturities are as follows:

Consolidated	2010	2011 Short-term	2011 Long-term	2012	2013 to 2020	Total
Export prepayment:						
Banco Santander S.A.	5,657	5,649	-	-	-	11,306
Banco Santander S.A.	4,506	13,453	4,485	17,939	8,969	49,352
Banco Itaú S.A.	4,506	13,453	4,485	17,939	8,969	49,352
	14,669	32,555	8,970	35,878	17,938	110,010
Local currency:						
Banco do Brasil S.A.	-	-	-	41,885	-	41,885
Banco do Brasil S.A. - (overdraft account)	15,631	-	-	-	-	15,631
Bradesco S.A. – (overdraft account)	461	-	-	-	-	461
Banco Santander S.A.	552	1,331	449	1,785	1,107	5,224
HSBC Bank Brasil S.A.	649	1,926	649	2,582	1,700	7,506
HSBC Bank Brasil S.A. - (overdraft account)	8,225	-	-	-	-	8,225
BNDES – Working capital	962	2,852	951	3,803	5,703	14,271
BNDES – Revitaliza	551	1,159	1,739	6,955	24,921	35,325
Banco do Brasil S.A. – Revitaliza	548	1,159	1,739	6,955	24,921	35,322
Banco do Brasil S.A. – Giro-flex	8,112	-	-	-	-	8,112
Banco Votorantim	397	10,000	7,500	12,500	-	30,397
Others	184	80	22	80	604	970
	36,272	18,507	13,049	76,545	58,956	203,329
Foreign currency:						
JP Morgan	-	-	-	22,275	-	22,275
Total	50,941	51,062	22,019	134,698	76,894	335,614

14. SHAREHOLDERS’ EQUITY

a. Capital

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

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

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

b. Treasury shares

As of September 30, 2010, the Company had 100,800 preferred shares at an average cost of R$7.20 per share (R$6.40 minimum and R$8.59 maximum). The market value of each share was R$4.18 per share as of September 30, 2010.

c. Dividends

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

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

d. Retained income reserve

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

15. RELATED PARTY TRANSACTIONS

	Receivable		Payable		Finance charges	
	09.30.2010	06.30.2010	09.30.2010	06.30.2010	09.30.2010	09.30.2009
Coteminas International Ltd.	46,842	43,195	-	-	1,035	232
Wembley Sociedade Anônima	16,892	13,124	-	-	791	282
American Sportswear Ltda.	-	-	1,734	1,732	-	(28)
Companhia Tecidos Santanense	-	-	-	-	245	33
Coteminas S.A.	-	7,671	-	-	5,547	(9)
Oxford Com. e Partic. S.A.	21	19	-	-	1	1
Empresa Nacional de Comércio, Rédito e Participações S.A	-	-	712	-	(14)	19
	----------	----------	----------	----------	----------	----------
	63,755	64,009	2,446	1,732	7,605	530
	======	======	======	======	======	======

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

The Company receives commissions on surety at the rate of 1.3% per year from its indirect subsidiary Companhia Tecidos Santanense, which, through June 30, 2010, totaled R$257 (R$194 through September 30, 2009) and it is included in the table above.

As stated in the shareholders' agreement, the indirect subsidiary SGUS must pay annually US$1,491 thousand for services provided, net of expenses, to the shareholder Heartland Industrial Partners, L.P. and the subsidiary CSA must pay US$3,500 thousand to the controlling shareholder CTNM. In the first nine months of 2010, the total amount of R$1,967 (R$2,318 in the first nine months of 2009) was accrued for services provided and R$3,789 (R$3,357 as of June 30, 2010) is accrued under the caption "Other payables", in current liabilities.

SRPSA's noncontrolling shareholder Rossini Administradora de Bens Ltda. and indirect subsidiary MMartan entered into a real estate lease agreement for MMartan's manufacturing facility and its offices. In the first nine months of 2010, R$1,800 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 3-month Libor, 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 September 30, 2010, pro-rata interest expense, and the installments of the principal, in the amount of R$9,542 (R$33,472 as of June 30, 2010), were accrued as current liabilities. Noncurrent liabilities include the principal of R$16,647 (R$20,230 as of June 30, 2010). As of September 30, 2010, interest expense of R$1,306 (R$1,554 as of September 30, 2009) and exchange rate variation gain of R$976 (exchange rate variation loss of R$16,230 as of September 30, 2009) were recognized in the statements of operations.

17. INCOME AND SOCIAL CONTRIBUTION TAXES AND OTHER TAXES

a. Tax incentives

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

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

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

b. Income tax expense reconciliation

	Company		Consolidated	
	09.30.2010	09.30.2009	09.30.2010	09.30.2009
Income (loss) from operations before taxes	(5,113)	12,273	20,448	26,206
Equity in subsidiaries	11,665	(30,250)	-	-
Nontaxable income (RTT)	-	-	(23,835)	(21,516)
Compensation of net operating losses	-	-	(19,137)	(4,548)
Realized derivatives	-	-	21,493	(47,079)
Permanent differences from foreign subsidiary	-	-	35,663	12,537
Others, net	249	(62)	2,468	4,868
	----------	----------	----------	----------
Income tax base	6,801	(18,039)	37,100	(29,532)
Income tax (25%)	(1,678)	4,510	(7,633)	9,460
Deferred income tax from previous periods	-	-	-	6,587
SGUS income tax (35%)	-	-	(2,195)	(2,997)
Tax incentive (SUDENE)	-	-	728	687
Deferred tax asset realization	-	-	-	(6,710)
Net operating losses	-	-	-	-
Unrecognized tax credits	-	(4,833)	(10,382)	(4,833)
Others	-	-	67	63
	---------	---------	---------	---------
Total income tax	(1,678)	(323)	(19,415)	2,257
	---------	---------	---------	---------
Current income tax	(1,363)	-	(22,543)	(3,782)
Deferred income tax	(315)	(323)	3,128	6,039
	=====	=====	=====	=====

c. Social contribution tax expense reconciliation

	Company		Consolidated	
	09.30.2010	09.30.2009	09.30.2010	09.30.2009
Income tax base (see item “b” above)	6,801	(18,039)	37,100	(29,532)
Foreign subsidiaries’ income	-	-	(6,271)	(8,562)
Others, net	(261)	(21)	(1,248)	(23)
	----------	----------	----------	----------
Social contribution tax base	6,540	(18,060)	29,581	(38,117)
CSLL (9%)	(589)	1,625	(2,672)	3,395
Unrecognized tax credits	-	(1,625)	(3,807)	-
Others, net	-	-	45	31
	----------	----------	----------	----------
Total social contribution tax	(589)	-	(6,434)	3,426
	----------	----------	----------	----------
Current social contribution tax	(489)	-	(6,937)	(1,365)
Deferred social contribution tax	(100)	-	503	4,791
	======	======	======	======

CSA’s Management, based on a business plan and future projections, partially recognized deferred tax assets arising from accumulated net operating losses. As of September 30, 2010, the indirect subsidiary had net operating losses of R$193,776 (R$182,254 as of June 30, 2010) and negative social contribution tax base of R$197,623 (R$186,052 as of June 30, 2010), whose tax assets were not recognized. Recognized tax assets are net from SUDENE’s tax incentives. The indirect subsidiary’s future projections consider a greater concentration on the domestic market since these sales are more profitable, a greater profit margin due to the sales of higher value-added products, among others. Based on these actions and the business plan assumptions, CSA's Management expects future taxable income that will allow the realization of the indirect subsidiary's deferred tax assets.

d. Deferred income and social contribution taxes

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

	Consolidated	
	09.30.2010	06.30.2010
Assets:		
Temporarily nondeductible provisions	73,715	78,662
Net operating losses	40,974	52,560
Tax credits from foreign subsidiaries	6,821	5,292
	-----------	-----------
	121,510	136,514
Liabilities:		
Temporary differences	(3,637)	(4,279)
Tax on assets and liabilities valuation adjustments	-	(2,094)
	-----------	-----------
	117,873	130,141
Noncurrent liabilities	-	2,094
	-----------	-----------
Noncurrent assets	117,873	132,235
	======	======

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

Year	Consolidated
2010	1,663
2011	36,034
2012	22,769
2013	23,270
2014	34,137

	117,873
	======

e. Recoverable taxes

	Company		Consolidated	
	09.30.2010	06.30.2010	09.30.2010	06.30.2010
ICMS (state VAT)	14,826	14,913	76,271	76,469
Prepaid income and social contribution taxes	3,506	2,623	21,317	25,051
PIS and COFINS (taxes on revenue)	8,210	8,210	8,290	8,281
IVA – Argentina	-	-	3,239	2,571
VAT – China and Mexico	-	-	3,118	3,351
IPI (federal tax on manufactured goods)	1,780	1,780	2,030	2,198
ILL (tax on net income)	3,562	3,562	3,654	3,654
Other recoverable taxes	-	-	6,863	7,613
	-----------	-----------	-----------	-----------
	31,884	31,088	124,782	129,188
Current	(10,893)	(10,097)	(58,323)	(61,146)
	-----------	-----------	-----------	-----------
Noncurrent	20,991	20,991	66,459	68,042
	=======	=======	=======	=======

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	
	09.30.2010	06.30.2010	09.30.2010	06.30.2010
Tax litigation claims:				
Social contribution	40,915	40,915	41,179	41,179
Temporary contribution over financial transactions (CPMF)	-	102	4,317	4,419
INSS	2,311	2,304	6,400	5,435
PIS and COFINS	950	950	3,144	3,144
IPI foreign flag	3,489	3,489	3,489	3,489
Others	652	652	3,393	3,393
Labor	2,290	2,053	18,763	17,876
Civil and others	13,912	13,912	18,172	18,160
	---------	---------	---------	---------
	64,519	64,377	98,857	97,095
Escrow deposits	(64,517)	(64,375)	(96,888)	(95,127)
	---------	---------	---------	---------
	2	2	1,969	1,968
	=====	=====	=====	=====

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 subsidiaries are plaintiff in a lawsuit against the Federal Revenue Service questioning the inclusion of ICMS in COFINS tax basis.

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

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

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

Changes in the consolidated accrual for contingencies are as follows:

	Balances as of 06.30.2010	Additions	Reductions	Balances as of 09.30.2010
Tax litigation claims:				
Social contribution	41,179	-	-	41,179
Temporary contribution over financial transactions (CPMF)	4,419	-	(102)	4,317
INSS	5,435	965	-	6,400
COFINS	3,144	-	-	3,144
IPI foreign flag	3,489	-	-	3,489
Others	3,393	-	-	3,393
Labor	17,876	1,615	(728)	18,763
Civil and others	18,160	12	-	18,172
	---------	---------	---------	---------
	97,095	2,592	(830)	98,857
Escrow deposits	(95,127)	(2,553)	792	(96,888)
	---------	---------	---------	---------
	1,968	39	(38)	1,969
	=====	=====	=====	=====

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

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

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

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

	09.30.2010		09.30.2009	
	Defined-benefit pension plan	Postretirement	Defined-benefit pension plan	Postretirement
Components of net periodic benefit cost:				
Service cost	185	-	216	124
Interest cost	3,787	-	4,408	514
Return on assets	(1,184)	-	(1,378)	-
	-----------	-----------	-----------	-----------
Net periodic benefit cost	2,788	-	3,246	638
	======	======	======	======

On October 27, 2009, the indirect 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	
	09.30.2010	06.30.2010
Pension plan obligations	65,881	71,044
Pension plan obligations (multiple-employer) (a)	755	869
Fully-insured retiree medical obligation	799	900
Other employee benefit obligations	10,632	11,970
	------------	------------
Total employee benefit plans	78,067	84,783
Current (b)	(7,541)	(8,071)
	-------------	-------------
Noncurrent	70,526	76,712
	=======	=======

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

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

20. GOVERNMENT CONCESSIONS

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

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

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

Total annual installments of the concession:

	Years 5 to 15 2002 to 2012	Years 16 to 25 2013 to 2022	Years 26 to 35 2023 to 2032
Historical amounts:			
Minimum installment	120	120	120
Additional installment	-	12,510	20,449
Annual installment	120	12,630	20,569
Total installments	1,320	126,300	205,690
Monetarily adjusted installments	4,037	386,282	629,085

For accounting purposes, indirect subsidiary CSA recognizes expenses incurred on the accrual basis, as a contra entry to noncurrent liabilities, on the straight-line basis, based on its share in the total concession amount, 33.33%, discounted to present value, considering an interest rate of 4% per year, monetarily adjusted based on the IGPM. As of September 30, 2010, this amount represents R$58,827 (R$57,139 as of June 30, 2010).

As of September 30, 2010, the net book value of the property, plant and equipment related to the current concession, is R$30,077 (R$30,233 as of June 30, 2010) (see note 8), considering CSA's equity interest in the investments for the construction of the Porto Estrela hydroelectric plant, located on the Santo Antônio river, 270 km from Belo Horizonte, with installed capacity of 112 MW. The plant began generation activities at the end of 2001.

21. FINANCIAL INSTRUMENTS

a) Management of risk-

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

The Company and its subsidiaries have a credit management system based on the combination of information originated by several departments of the Company, primarily sales, finance, accounting, legal and external sources that enable the credit and collection departments to establish credit limits for its customers that are approved by a credit committee.

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

The Company and its subsidiaries consider, as their main currency exposure, the US Dollar-denominated net revenues from its Brazilian subsidiary (CSA) and the US Dollar-denominated net liabilities of this subsidiary.

According to the Policy, the main objective of the finance Management team is to assure satisfactory margins on the portion of the export sales, mainly denominated in US Dollars, from its Brazilian subsidiary to foreign subsidiaries and customers, as well as the financial balance of imports of raw materials and financial liabilities indexed to foreign currency.

Currency protection instruments, available in the financial market are authorized by Management, if the instruments don't require margin deposits and if they assure the financial balance of foreign currency agreements, 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 and interest rate risks-

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	09.30.2010	06.30.2010
In Brazilian Reais	230,299	266,804
	------------	------------
In equivalent thousands of US Dollars	135,934	148,101
	=======	=======

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	09.30.2010	06.30.2010
Cash and cash equivalents	34,594	35,101
Accounts receivable	105,422	78,176
Suppliers	(25,637)	(32,582)
Loans and financing	(110,010)	(132,524)
Related parties	(9,538)	(37,044)
	-----------	-----------
Total exposure in Brazilian Reais	(5,169)	(88,873)
	-----------	-----------
Total exposure in equivalent thousands of US Dollars	(3,051)	(49,333)
	======	======

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

		Exposure	Scenarios		
Maturity	Risk	value US$(000)	Probable	II	III
2010	US Dollar appreciation	39,768	257	17,165	34,073
2011	US Dollar appreciation	(24,510)	(2,803)	(13,884)	(24,966)
2012	US Dollar appreciation	(21,176)	(6,296)	(16,840)	(27,383)
2013	US Dollar appreciation	(10,588)	(4,378)	(9,958)	(15,537)
2014	US Dollar appreciation	(5,630)	(3,713)	(7,026)	(10,339)
		----------	----------	----------	----------
		(22,136)	(16,933)	(30,543)	(44,152)
		======	======	======	======

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 and interest rate risks on derivative instruments:

The main consolidated derivative instruments are shown below:

Description	Notional amount US$000		Fair value		Accumulated amount as of 09.30.2010	
	09.30.2010	06.30.2010	09.30.2010	06.30.2010	Receivable	Payable
Exchange rate transactions:						
Option contracts (1) --						
Issued position: Buy						
Currency: US$						
Settlement rate: R$2.20						
Counterparty: Itaú BBA						
Other information:						
11 contracts of US$5,000 thousand each with monthly settlements from Oct/10 to Aug/11	55,000	75,000	(680)	(2,798)	-	(680)
NDF contracts (2) --						
Position: Buy						
Currency: US$						
Settlement rate: R$1.8033						
Counterparty: Itaú BBA						
Other information:						
1 contract of US$70,000 thousand with settlement in Nov/10	(70,000)	(200,000)	(7,036)	2,748	-	(7,036)
NDF contracts (4) --						
Position: Sell						
Currency: US$						
Settlement rate: R$2.35						
Counterparty: Itaú BBA						
Other information:						
36 contracts of US$10,000 thousand each with monthly settlements from Jan/11 to Dec/13	-	360,000	-	73,256	-	-
NDF contracts (3) --						
Position: Buy						
Currency: US$						
Settlement rate: R$1.7797						
Counterparty: Itaú BBA						
Other information:						
1 contract of US$8,930 thousand with settlement in Dec/10	(8,930)	-	(536)	-	-	(536)
NDF contracts (3) --						
Position: Buy						
Currency: US$						
Settlement rate: R$1.7835						
Counterparty: Itaú BBA						
Other information:						
1 contract of US$56,290 thousand with settlement in Jan/11	(56,290)	-	(3,165)	-	-	(3,165)
	(80,220)	235,000	(11,417)	73,206	-	(11,417)
Interest rate transactions:						
Swap contracts (5) --						
Liability: 97% of CDI						
Asset position: 11.25% fixed yield						
Counterparty: Banco Votorantim S.A.						
Other information:						
12 monthly settlements from Jun/11 to May/12.	30,000	-	75	-	75	-
	30,000	-	75	-	75	-

(1) Option contracts--Are measured at fair value and the exchange rate variation between the Real and the 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 Dollar exchange rate, volatility, interest rates and algorithms. If the Dollar exchange rate at the contracts' settlement dates exceeds R$2.20, the Company will have to pay the rate difference multiplied by the Dollar volume of the respective contract. A Dollar exchange rate lower than R$2.20 does not result in gains.

(2) Non-Deliverable-Forward contracts (NDF) raw materials--Are presented and measured at fair value and have qualified for cash flow hedge accounting. Their effectiveness can be measured based on the projected imports of raw materials at each contract's settlement date. 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 were calculated based on data obtained from BM&FBOVESPA - *"Bolsa de Valores, Mercadorias e Futuros"*, such as the future Dollar exchange rate at the settlement dates, interest rates and algorithms, and compared to data obtained directly from the counterparty financial institution, which evaluates those instruments.

(3) Non-Deliverable-Forward contracts (NDF) financing--Are presented and measured at fair value and are based on the cash flow of the Dollar-denominated financing, with expected maturities through January of 2011. The gains or losses are recognized in the statements of operations against financing's exchange variations. The accrued balances correspond to the financial instruments' fair values and were calculated based on data obtained from BM&FBOVESPA - *"Bolsa de Valores, Mercadorias e Futuros"*, such as the future Dollar exchange rate at the settlement dates, interest rates and algorithms, and compared to data obtained directly from the counterparty financial institution, which evaluates those instruments.

(4) Non-Deliverable-Forward contracts (NDF) exports-- The Company, 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, the Company liquidated all NDF contracts classified as "hedge accounting", which were related to exports.

Derivative transactions are traded in the commodities and futures exchange, registered at CETIP, and are not subject to margin deposits. In the first nine months of 2010, these derivative transactions resulted in a gain of R$42,047 (R$47,784 in the nine-month period ended September 30, 2009), recorded in "Exchange variations, net".

The sensitivity analysis of NDF's derivative instruments as of September 30, 2010, is summarized below:

Non-Deliverable-Forward contracts – NDF (raw materials):

Settlement	Risk	Exposure value US$ (000)	Scenarios Probable	II	III
2010	US Dollar depreciation	(70,000)	(7,036)	(36,658)	(66,279)
		-----------	-----------	-----------	-----------
	US Dollar depreciation	(70,000)	(7,036)	(36,658)	(66,279)
		=======	=======	=======	=======

Non-Deliverable-Forward contracts – NDF (US Dollar-denominated loans):

Settlement	Risk	Exposure value US$ (000)	Scenarios Probable	II	III
2010	US Dollar depreciation	(8,930)	(536)	(4,319)	(8,103)
2011	US Dollar depreciation	(56,290)	(3,165)	(27,015)	(50,866)
		-----------	-----------	-----------	-----------
	US Dollar depreciation	(65,220)	(3,701)	(31,334)	(58,969)
		=======	=======	=======	=======

Option contracts:

Settlement	Risk	Exposure value US$ (000)	Scenarios Probable	II	III
2010	Dollar appreciation	15,000	(1)	(9,726)	(17,841)
2011	Dollar appreciation	40,000	(679)	(26,594)	(47,337)
		-----------	-----------	-----------	-----------
	Dollar appreciation	55,000	(680)	(36,320)	(65,178)
		=======	=======	=======	=======

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.

Interest rates swap contract -- Are presented and measured at fair value and have qualified for cash flow hedge accounting. Their effectiveness can be measured based on the cash flow of the financing from Banco Votorantim S.A., with expected maturities through May 2012. The unrealized gains or losses 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 were calculated based on data obtained from BM&FBOVESPA - *"Bolsa de Valores, Mercadorias e Futuros"*, such as the future interest rates at the settlement dates and algorithms, and compared to data obtained directly from the counterparty financial institution, which evaluates those instruments.

Derivative transactions are traded in the commodities and futures exchange, registered at CETIP, and are not subject to margin deposits. In the nine-month period ended September 30, 2010, these derivative transactions resulted in a gain of R$21, recorded in “Financial expenses - interest”.

The sensitivity analysis of NDF’s derivative instruments as of September 30, 2010, is summarized below:

Interest rates swap contracts:

			Scenarios		
Settlement	Risk	Interest rate	Probable	II	III
2010	CDI increase	817	81	(5)	(93)
2011	CDI increase	3,014	34	(664)	(1,367)
2012	CDI increase	337	(22)	(101)	(179)
		-----------	-----------	-----------	-----------
	CDI increase	4,168	93	(770)	(1,639)
		=======	=======	=======	=======

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 Bank Certificate of Deposit (CDB) rate variation, considering the cash flow of the derivative agreements presented above and comparing to the 11.25% annual fixed rate. Scenarios II and III reflect 25% and 50% deterioration of future “CDI” rates, respectively.

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

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

Derivative	Noncurrent asset	Current liability	Noncurrent liability	Shareholders’ equity	Noncontrolling interest
Option contracts:					
Balance as of December 31, 2009	-	1,767	4,073	-	-
Reversal during the period	-	(1,767)	(4,073)	-	-
Fair value at the end of the period	-	680	-	-	-
	-----------	-----------	-----------	-----------	-----------
Balance as of September 30, 2010	-	680	-	-	-
	=======	=======	=======	=======	=======
NDF and Swap contracts:					
Balance as of December 31, 2009	64,254	8,365	9,709	16,706	2,141
Reversal during the period	(64,254)	(8,365)	(9,709)	(16,706)	(2,141)
Fair value at the end of the period	75	10,737	-	(4,776)	(5,961)
	-----------	-----------	-----------	-----------	-----------
Balance as of September 30, 2010	75	10,737	-	(4,776)	(5,961)
	=======	=======	=======	=======	=======

c) 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.

d) 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 September 30, 2010, insurance coverage is as follows:

	Effective		Value at	
Risk	From	To	risk	Coverage
Vehicles	April/2009	July/2011	38,961	38,961
Products in general	November/2009	December/2010	21,516	21,516
Employees' compensation	December/2009	December/2010	1,694	1,694
Property, plant and equipment	August /2010	September/2011	462,935	462,935
Fire	August/2010	August /2011	2,566,619	2,566,619
Umbrella insurance (a)	December/2009	December/2010	127,065	127,065
Civil liability	March/2009	August /2011	190,362	190,362
Life	August/2010	August/2011	312,572	312,572
Others	November /2009	April /2011	41,899	41,899
			-------------	-------------
			3,763,623	3,763,623
			========	========

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

23. STOCK COMPENSATION

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

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

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

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

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

09.30.2010			06.30.2010		
Exercise price - R$	Existing options	Weighted average remaining contractual life	Exercise price - R$	Existing options	Weighted average remaining contractual life
15.51	108,400	1.13 year	15.51	108,400	1.38 year
25.48	785,026	1.15 year	25.48	785,026	1.40 year
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24.27	893,426		24.27	893,426	
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