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

São Paulo Alpargatas S.A.

Financial Statements for the Nine-month Period Ended September 30, 2009 and Independent Accountants' Review Report

Deloitte Touche Tohmatsu Auditores Independentes

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Management and Shareholders of
São Paulo Alpargatas S.A.
São Paulo - SP

1. We have reviewed the accounting information included in the accompanying interim financial statements of São Paulo Alpargatas S.A. (the "Company") and subsidiaries for the quarter and nine-month period ended September 30, 2009, consisting of the individual (Company) and consolidated balance sheets, the related statements of income, changes in shareholders' equity and cash flows, the performance report and the related notes, prepared under the responsibility of the Company's Management.

2. Our review was conducted in accordance with specific standards established by the Brazilian Institute of Independent Auditors (IBRACON), together with the Brazilian Federal Accounting Council (CFC), and consisted, principally, of: (a) inquiries of and discussions with certain officials of the Company and its subsidiaries who have responsibility for accounting, financial and operating matters about the criteria adopted in the preparation of the interim financial statements; and (b) review of the information and subsequent events that have, or might have had, material effects on the financial position and results of operations of the Company and its subsidiaries.

3. Based on our review, we are not aware of any material modifications that should be made to the accounting information included in the interim financial statements referred to in paragraph 1 for them to be in conformity with accounting practices adopted in Brazil and rules established by the Brazilian Securities and Exchange Commission (CVM), specifically applicable to the preparation of the interim financial statements.

4. As mentioned in note 3, in view of the changes in accounting in 2008, the statements of income, changes in shareholders' equity and cash flows (Company and consolidated) for the quarter and nine-month period ended September 30, 2008, presented for comparative purposes, have been adjusted and are being restated as prescribed by NPC 12 - Accounting Policies, Changes in Accounting Estimates and Restatement due to Errors, approved by CVM Resolution 506/06.

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

São Paulo, November 13, 2009

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

José Roberto Bravin
Engagement Partner

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

SÃO PAULO ALPARGATAS S.A.

BALANCE SHEETS AS OF SEPTEMBER 30 AND JUNE 30, 2009
(In thousands of Brazilian reais - R$, except book value per share)

	Company		Consolidated			Company		Consolidated	
ASSETS	09/30/09	06/30/09	09/30/09	06/30/09	LIABILITIES AND SHAREHOLDERS' EQUITY	09/30/09	06/30/09	09/30/09	06/30/09
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	223,231	234,134	253,214	267,709	Trade accounts payable	82,077	75,299	113,519	104,421
Trade accounts receivable	332,295	256,172	401,706	333,574	Loans and financing	85,825	100,545	162,329	221,239
Inventories	155,804	155,188	250,818	267,693	Payroll and related taxes	47,335	36,424	71,156	59,340
Recoverable taxes	21,103	25,339	35,066	39,834	Accrual for contingencies	4,721	4,670	8,030	8,060
Deferred income tax and social contribution	14,537	15,940	19,027	21,075	Interest on capital and dividends payable	5,164	5,186	5,164	5,186
Prepaid expenses	5,724	10,259	8,415	13,443	Taxes payable	13,643	3,466	26,015	13,182
Other receivables	4,959	9,715	13,237	18,624	Debt restructuring agreements	-	-	13,297	15,147
Total current assets	757,653	706,747	981,483	961,952	Provisions and other payables	18,163	18,281	33,931	35,192
					Total current liabilities	256,928	243,871	433,441	461,767
NONCURRENT ASSETS									
Long-term assets:					NONCURRENT LIABILITIES				
Properties held for sale	612	612	6,374	6,678	Loans and financing	89,649	96,547	134,509	146,548
Recoverable taxes	5,005	5,500	19,652	21,572	Deferred income tax and social contribution	18,254	17,542	18,254	17,542
Judicial deposits	12,280	11,537	12,785	11,906	Accrual for contingencies	17,779	18,771	26,729	27,548
Deferred income tax and social contribution	23,877	23,870	27,743	28,280	Taxes with suspended payment and others	23,426	20,462	36,965	35,382
Due from related parties	27,983	30,646	-	-	Debt restructuring agreements	-	-	30,458	35,080
Other receivables	23,042	23,047	23,695	23,562	Other payables	3,218	3,290	4,987	5,138
Investments:					Total noncurrent liabilities	152,326	156,612	251,902	267,238
Subsidiaries and associates	121,470	117,073	85,244	93,489					
Other	195	195	196	196	MINORITY INTEREST	-	-	36,715	39,014
Property, plant and equipment	187,594	189,747	292,631	304,669					
Intangible assets	245,889	246,150	265,389	266,175	SHAREHOLDERS' EQUITY				
Deferred charges	6,919	7,544	7,081	7,721	Capital	391,804	391,804	391,804	391,804
Total noncurrent assets	654,866	655,921	740,790	764,248	Capital reserve	269,954	270,112	269,954	270,112
					Earnings reserve	408,597	361,009	405,547	357,005
					Valuation adjustments to equity	(38,764)	(32,240)	(38,764)	(32,240)
					Treasury shares	(28,326)	(28,500)	(28,326)	(28,500)
					Total shareholders' equity	1,003,265	962,185	1,000,215	958,181
TOTAL ASSETS	1,412,519	1,362,668	1,722,273	1,726,200	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,412,519	1,362,668	1,722,273	1,726,200

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

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

SÃO PAULO ALPARGATAS S.A.

STATEMENTS OF INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008
(In thousands of Brazilian reais - R$, except earnings per share)

	Company		Consolidated	
	2009	2008	2009	2008
GROSS SALES				
Sales of products	1,204,248	1,215,559	1,698,310	1,328,182
Taxes on sales	(173,913)	(191,501)	(259,560)	(209,218)
NET SALES	1,030,335	1,024,058	1,438,750	1,118,964
Cost of sales	(556,305)	(552,468)	(844,874)	(619,946)
GROSS PROFIT	474,030	471,590	593,876	499,018
OPERATING INCOME (EXPENSES)				
Selling	(258,869)	(259,488)	(371,457)	(308,459)
General and administrative	(63,351)	(64,323)	(80,173)	(64,546)
Equity in subsidiaries and associates	(51,537)	(34,292)	(15,270)	(4,731)
Amortization of intangible assets	(11,420)	(6,427)	(12,621)	(5,428)
Amortization of deferred charges	(1,497)	(2,194)	(1,989)	(4,022)
Amortization of goodwill	-	(7,632)	-	(7,632)
Other operating income, net	7,370	24,229	3,581	21,670
	(379,304)	(350,127)	(477,929)	(373,148)
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES)	94,726	121,463	115,947	125,870
Financial income	18,864	11,740	23,783	12,795
Financial expenses	(18,526)	(13,048)	(42,081)	(16,160)
Exchange rate changes, net	(7,902)	(1,459)	(5,620)	(1,304)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	87,162	118,696	92,029	121,201
Income tax and social contribution - current	(13,088)	(16,540)	(17,039)	(19,234)
Income tax and social contribution - deferred	(2,277)	(1,693)	(326)	(1,693)
Minority interest	-	-	(1,928)	-
NET INCOME	71,797	100,463	72,736	100,274
EARNINGS PER SHARE - R$	4.12	5.77		

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

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

SÃO PAULO ALPARGATAS S.A.

STATEMENTS OF INCOME
FOR THE QUARTERS ENDED SEPTEMBER 30, 2009 AND 2008
(In thousands of Brazilian reais - R$, except earnings per share)

	Company		Consolidated	
	2009	2008	2009	2008
GROSS SALES				
Sales of products	458,348	450,822	623,035	503,166
Taxes on sales	(64,863)	(67,972)	(94,427)	(77,601)
NET SALES	393,485	382,850	528,608	425,565
Cost of sales	(192,042)	(197,815)	(287,210)	(228,128)
GROSS PROFIT	201,443	185,035	241,398	197,437
OPERATING INCOME (EXPENSES)				
Selling	(84,744)	(87,873)	(122,677)	(107,589)
General and administrative	(21,593)	(22,761)	(27,125)	(22,873)
Equity in subsidiaries and associates	(16,998)	(17,833)	(2,406)	(6,131)
Amortization of intangible assets	(4,524)	(2,233)	(5,035)	(1,836)
Amortization of deferred charges	(625)	(793)	(640)	(1,971)
Amortization of goodwill	-	(2,544)		(2,544)
Other operating income (expenses), net	(4,802)	618	(5,769)	(1,577)
	(133,286)	(133,419)	(163,652)	(144,521)
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES)	68,157	51,616	77,746	52,916
Financial income	6,228	4,898	8,029	5,080
Financial expenses	(5,885)	(5,023)	(12,501)	(5,938)
Exchange rate changes, net	(1,142)	373	(637)	134
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	67,358	51,864	72,637	52,192
Income tax and social contribution - current	(13,088)	(10,139)	(16,347)	(10,898)
Income tax and social contribution - deferred	(1,729)	1,403	(1,664)	1,403
Minority interest	-	-	(1,131)	-
NET INCOME	52,541	43,128	53,495	42,697
EARNINGS PER SHARE - R$	3.02	2.48		

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

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

SÃO PAULO ALPARGATAS S.A.

STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2008
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	2009	2008	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the period	71,797	100,463	72,736	100,274
Adjustments to reconcile net income for the period to net cash provided by operating activities:				
Depreciation and amortization	31,481	26,285	46,800	32,893
Amortization of goodwill/deferred charges	-	7,632	-	5,244
Gain on sale of property, plant and equipment	-	(5,880)	-	(5,959)
Gain on sale of properties held for sale	-	(1,272)	-	(1,272)
Equity in subsidiaries and associates	51,537	34,292	15,270	4,731
Interest, monetary restatement and exchange rate changes	15,609	9,984	27,036	8,043
Reversal for contingencies and industrial optimization costs	4,112	1,817	4,332	1,817
Deferred income tax and social contribution	2,277	1,693	326	1,693
Exchange variation on investments	-	-	-	5,213
Allowance for doubtful accounts	(3,625)	(740)	3,266	(903)
	173,188	174,274	169,766	151,774
Decrease (increase) in assets:				
Trade accounts receivable	44,681	(232)	9,520	(579)
Inventories	(22,065)	(52,362)	(4,987)	(56,774)
Prepaid expenses	(2,612)	(2,663)	(3,560)	(47)
Recoverable taxes	235	8,122	(7,181)	7,576
Increase (decrease) in liabilities:				
Trade accounts payable	13,522	(20,558)	12,299	(17,563)
Taxes payable	555	(5,198)	4,072	(6,158)
Payroll and related taxes	2,943	4,462	4,805	6,469
Provision for income tax and social contribution	8,147	12,679	14,530	15,519
Income tax and social contribution payment	(3,570)	(6,178)	(7,501)	(8,466)
Related parties	(771)	27,761	-	-
Other	(2,092)	(30,172)	7,327	(30,698)
Net cash provided by operating activities	212,161	109,935	199,090	61,053
CASH FLOW FROM INVESTING ACTIVITIES				
Investment acquisition	(36,664)	(26,249)	-	(26,742)
Purchase of property, plant and equipment and intangible assets	(31,771)	(48,453)	(39,577)	(52,286)
Proceeds from sales of property, plant and equipment items	770	12,430	770	12,430
Minority interest	-	-	1,927	-
Net cash used in investing activities	(67,665)	(62,272)	(36,880)	(66,598)
CASH FLOW FROM FINANCING ACTIVITIES				
Loans and financing obtained	13,774	90,192	75,672	138,986
Repayment of loans and financing - principal	(45,349)	(10,383)	(106,416)	(48,033)
Repayment of loans and financing - charges	(12,294)	(8,215)	(19,169)	(9,544)
Dividends and interest on capital paid	(20,287)	(24,424)	(20,287)	(24,424)
Purchase of shares to be held in treasury, net of disposals	(267)	(16,937)	(267)	(16,937)
Stock option grants	652	-	652	-
Restructuring of subsidiary's debts	-	-	(5,014)	-
Net cash provided by (used in) financing activities	(63,771)	30,233	(74,829)	40,048
EXCHANGE VARIATION ON CASH AND CASH EQUIVALENTS	-	-	(11,212)	-
INCREASE IN CASH AND CASH EQUIVALENTS	80,725	77,896	76,169	34,503
Cash and cash equivalents at beginning of period	142,506	73,058	177,045	120,477
Cash and cash equivalents at end of period	223,231	150,954	253,214	154,980
INCREASE IN CASH AND CASH EQUIVALENTS	80,725	77,896	76,169	34,503

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

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

SÃO PAULO ALPARGATAS S.A.

STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED SEPTEMBER 30, 2009 AND 2008
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	2009	2008	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the quarter	52,541	43,128	53,495	42,697
Adjustments to reconcile net income for the quarter to net cash provided by operating activities:				
Depreciation and amortization	11,708	8,335	16,317	11,657
Amortization of goodwill/deferred charges	-	2,544	-	1,350
Gain on sale of property, plant and equipment	-	440	-	-
Equity in subsidiaries and associates	16,998	17,833	2,406	6,131
Interest, monetary restatement and exchange rate changes	4,853	4,014	4,956	(638)
Accrual for contingencies and industrial optimization costs	1,918	1,206	2,012	1,206
Deferred income tax and social contribution	1,729	(1,403)	1,664	(1,403)
Exchange variation on investments	-	-	4,102	5,213
Allowance for doubtful accounts	673	(1,869)	460	(1,928)
	90,420	74,228	85,412	64,285
Decrease (increase) in assets:				
Trade accounts receivable	(76,796)	(77,171)	(75,548)	(75,935)
Inventories	(5,540)	(7,095)	4,536	(9,587)
Prepaid expenses	4,535	4,499	4,867	7,300
Recoverable taxes	4,732	12,629	3,700	11,950
Increase (decrease) in liabilities:				
Trade accounts payable	11,702	7,991	18,597	13,426
Taxes payable	7,403	3,676	8,413	(1,461)
Payroll and related taxes	10,911	9,510	14,004	15,950
Provision for income tax and social contribution	5,371	6,612	10,735	7,514
Income tax and social contribution payment	-	-	(2,737)	(1,263)
Due to related parties	2,662	623	-	-
Other	1,263	(11,160)	(318)	(12,599)
Net cash provided by operating activities	56,663	24,342	71,661	19,580
CASH FLOW FROM INVESTING ACTIVITIES				
Investment acquisition	(27,919)	(1,330)	-	(2,306)
Purchase of property, plant and equipment and intangible assets	(9,183)	(21,060)	(12,855)	(24,337)
Proceeds from sales of property, plant and equipment items	220	330	220	330
Minority interest	-	-	1,132	-
Net cash used in investing activities	(36,882)	(22,060)	(11,503)	(26,313)
CASH FLOW FROM FINANCING ACTIVITIES				
Loans and financing obtained	11,433	80,550	14,355	90,452
Repayment of loans and financing - principal	(32,704)	(3,579)	(72,210)	(8,711)
Repayment of loans and financing - charges	(4,454)	(2,881)	(7,851)	(3,178)
Dividends and interest on capital paid	(4,975)	(2,584)	(4,974)	(2,584)
Purchase of shares to be held in treasury, net of disposals	(267)	(2,438)	(267)	(2,438)
Stock option grants	283	-	283	-
Restructuring of subsidiary's debts	-	-	230	-
Net cash provided by (used in) financing activities	(30,684)	69,068	(70,434)	73,541
EXCHANGE VARIATION ON CASH AND CASH EQUIVALENTS	-	-	(4,219)	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,903)	71,350	(14,495)	66,808
Cash and cash equivalents at beginning of quarter	234,134	79,604	267,709	88,172
Cash and cash equivalents at end of quarter	223,231	150,954	253,214	154,980
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,903)	71,350	(14,495)	66,808

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

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

SÃO PAULO ALPARGATAS S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (COMPANY)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2009
(In thousands of Brazilian reais - R$)

	Capital	Capital reserve	Earnings reserve	Accumulated earnings	Valuation adjustments to equity	Total
BALANCES AS OF DECEMBER 31, 2008	391,804	269,743	332,731	-	(19,096)	975,182
Net income for the period	-	-	-	71,797	-	71,797
Allocations:						
Interest on capital	-	-	-	(24,431)	-	(24,431)
Other	-	-	47,366	(47,366)	-	-
Valuation adjustments to equity-						
Accumulated translation adjustment	-	-	-	-	(19,668)	(19,668)
Treasury shares	-	(441)	174	-	-	(267)
Other	-	652	-	-	-	652
BALANCES AS OF SEPTEMBER 30, 2009	391,804	269,954	380,271	-	(38,764)	1,003,265

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

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

SÃO PAULO ALPARGATAS S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONSOLIDATED)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2009
(In thousands of Brazilian reais - R$)

	Capital	Capital reserve	Earnings reserve	Accumulated earnings	Valuation adjustments to equity	Total
BALANCES AS OF DECEMBER 31, 2008	391,804	269,743	328,742	-	(19,096)	971,193
Net income for the period	-	-	-	72,736	-	72,736
Allocations:						
Interest on capital	-	-	-	(24,431)	-	(24,431)
Other	-	-	48,305	(48,305)	-	-
Valuation adjustments to equity-						
Accumulated translation adjustment	-	-	-	-	(19,668)	(19,668)
Treasury shares	-	(441)	174	-	-	(267)
Other	-	652	-	-	-	652
BALANCES AS OF SEPTEMBER 30, 2009	391,804	269,954	377,221	-	(38,764)	1,000,215

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

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

SÃO PAULO ALPARGATAS S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (COMPANY)
FOR THE QUARTER ENDED SEPTEMBER 30, 2009
(In thousands of Brazilian reais - R$)

	Capital	Capital reserve	Earnings reserve	Accumulated earnings	Valuation adjustments to equity	Total
BALANCES AS OF JUNE 30, 2009	391,804	270,112	332,509	-	(32,240)	962,185
Net income for the quarter	-	-	-	52,541	-	52,541
Allocations:						
Interest on capital	-	-	-	(4,953)	-	(4,953)
Other	-	-	47,588	(47,588)	-	-
Valuation adjustment to equity:						
Accumulated translation adjustment	-	-	-	-	(6,524)	(6,524)
Treasury shares	-	(441)	174	-	-	(267)
Other	-	283	-	-	-	283
BALANCES AS OF SEPTEMBER 30, 2009	391,804	269,954	380,271	-	(38,764)	1,003,265

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

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

SÃO PAULO ALPARGATAS S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONSOLIDATED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2009
(In thousands of Brazilian reais - R$)

	Capital	Capital reserve	Earnings reserve	Accumulated earnings	Valuation adjustments to equity	Total
BALANCES AS OF JUNE 30, 2009	391,804	270,112	328,505	-	(32,240)	958,181
Net income for the quarter	-	-	-	53,495	-	53,495
Allocations:						
Interest on capital	-	-	-	(4,953)	-	(4,953)
Others	-	-	48,542	(48,542)	-	-
Valuation adjustment to equity:						
Accumulated translation adjustment	-	-	-	-	(6,524)	(6,524)
Treasury shares	-	(441)	174	-	-	(267)
Others	-	283	-	-	-	283
BALANCES AS OF SEPTEMBER 30, 2009	391,804	269,954	377,221	-	(38,764)	1,000,215

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

1. OPERATIONS

The Company is primarily engaged in the manufacture and sale of:

- Footwear and footwear components.
- Apparel, textiles and textile components.
- Leather, resin and natural or synthetic rubber goods.
- Sportswear.
- Cotton processing, spinning, weaving and fabric finishing.

The Company also conducts transactions through investments in Brazilian and foreign subsidiaries, as described in note 5.

2. PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING PRACTICES

Financial statements (Company and consolidated) included in the Interim Financial Statements (ITR) have been prepared and are presented in conformity with Brazilian accounting practices and standards established by the Brazilian Securities and Exchange Commission (CVM), in accordance with Corporate Law, including the changes introduced by Laws 11638/07 and 11941/09, which are consistent with accounting practices applied in the preparation of the annual financial statements (Company and consolidated) for the year ended December 31, 2008.

The preparation of financial statements requires Management to make estimates that affect the reported amounts of certain assets, liabilities and other transactions. The financial statements include, therefore, estimates related to the useful lives of property, plant and equipment, accrual for contingencies and provision for the realization of deferred income tax and social contribution, and other provisions. Actual results could differ from those estimates.

Significant accounting practices adopted are as follows:

a) Cash and cash equivalents

Represent cash, banks and highly liquid short-term investments, stated at cost plus income earned through the balance sheet dates, which does not exceed their fair or realizable values.

b) Financial instruments

(i) Classification and measurement

Cash and cash equivalents

The Company classifies cash, demand deposits and highly liquid short-term investments as cash and cash equivalents. Highly liquid short-term investments consist in short-term investments with maturity within less than 90 days and short--term investments with maturity above 90 days but that may be immediately redeemable; short-term investments that are not under the conditions above described are classified under the caption "Marketable securities" in current or noncurrent assets, rather than "Cash and cash equivalents".

Financial assets and liabilities

Financial assets and liabilities held by the Company and its subsidiaries are classified into the following categories: (1) financial assets measured at fair value through income or loss; and (2) held-to-maturity financial assets and liabilities. The classification depends on the purpose for which financial assets and liabilities were acquired or contracted. The Management of the Company and its subsidiaries classifies their financial assets and liabilities at the time they are contracted.

Financial assets measured at fair value through income or loss

This category encompasses only derivatives that are classified as held-for-trading. Unrealized net income or loss arising from assets under this category are recorded in current assets or current liabilities and gains or losses arising from changes in fair value are recorded under the captions "Financial income" or "Financial expenses".

Held-to-maturity financial assets and liabilities

In the case of the Company and its subsidiaries, basically comprise short-term investments and bank loans and financing. They are measured at cost, plus income earned according to terms and contractual conditions, in the case of short-term investments, and at amortized cost considering the effective interest rate method, in the case of bank loans and financing, and recorded on the accrual basis.

(ii) Derivatives

Derivatives are initially stated at cost on the date they are contracted and subsequently remeasured at their fair value, with changes recorded against income for the year.

Derivatives are usually measured by the Company's or its subsidiaries' treasury department based on information on each transaction and related market information at the balance sheet dates, such as interest rates and exchange coupon, when applicable. Subsequently, this information is compared to positions informed by the trading desk of each financial institution involved.

Although the Company and its subsidiaries use derivatives for hedging purposes, they do not adopt the hedge accounting.

c) Allowance for doubtful accounts

Recorded based on an individual analysis of receivables, analysis of the economic scenario and history of losses reported in prior years, in an amount considered sufficient by the Company's and its subsidiaries Management to cover probable losses on the collection of receivables.

d) Inventories

Raw materials and packaging are stated at average cost of acquisition. Finished products and work in process are stated at average cost of production and adjusted, if necessary, to market value. An allowance for inventory losses is recognized in an amount considered sufficient to cover probable losses on realization or obsolescence.

e) Properties held for sale

Refer to properties that have not been used in the operations of the Company and its subsidiaries, represented basically by land and buildings of discontinued operating units.

The book values of properties, which are represented by residual costs on the date they were considered by Management as properties held for sale, do not exceed market values.

f) Investments

Investments in subsidiaries and associates are accounted for under the equity method based on the balance sheet of subsidiaries as of the same date as the Company's financial statements.

The Company reviews the accounting practices adopted by foreign subsidiaries and associates and, should there be any significant differences with Brazilian accounting practices, adjustments are made to these investments' shareholders' equity and income for the period before computing income and equity in subsidiaries and associates.

At the time of the translation of financial statements of foreign subsidiaries for purposes of determining equity in subsidiaries and consolidation of financial statements, exchange gains and losses are recorded under the caption "Valuation adjustments to equity" in shareholders' equity, which will be reclassified to income for the year, when applicable, at the date the respective investments are sold.

Up to December 31, 2008, goodwill generated on the acquisition of subsidiaries was amortized over a ten-year period.

g) Property, plant and equipment

Stated at acquisition or construction cost, adjusted for inflation up to December 31, 1995, less depreciation calculated under the straight-line method, considering the rates described in note 12, and provision for loss, estimated by the Company's and its subsidiaries Management based on analyses of assets which are no longer in use, in an amount considered sufficient to cover probable losses on the realization.

Preoperating expenses are capitalized to property, plant and equipment during the construction period and/or the asset preoperating test period, when applicable.

Rights in tangible assets that are maintained or used in the operations of the Company and its subsidiaries, originated from finance leases, are recorded as purchase financing, and a fixed asset and a financing liability are recognized at the beginning of each transaction, and the related assets are submitted to depreciation calculated at the rates described in note 12.

In compliance with paragraph 54 of the Technical Pronouncement (CPC) CPC 13 - First-time Adoption of Law 11638/07 and Provisional Act 449/08, issued by Accounting Pronouncements Committee, the Company and its subsidiaries will conduct the first periodic analysis of the economic useful lives of assets for the closure of the 2009 annual financial statements.

h) Intangible assets

Comprise: (i) trademarks and patents; (ii) software licenses, including implementation costs, when applicable; (iii) customer bases purchased from third parties; (iv) rights of use of new points of sale; and (v) goodwill on acquisition of subsidiaries. They are stated at historical cost and, in cases of assets with finite useful lives, amortized over the periods described in note 12. Assets without finite useful lives, mainly consisting of goodwill on the acquisition of subsidiaries, were amortized on a straight-line basis up to December 31, 2008 over ten years and started to be annually analyzed as regards to their recoverability (impairment) and/or when any indication of impairment loss is present. For details, see note 12.

i) Deferred charges

Represented substantially by preoperating expenses, less accumulated amortization, calculated under the straight-line method, over five years.

Pursuant to article 36 of Provisional Act 449/08, for the closure of the 2008 annual financial statements the Company and its subsidiaries assessed the breakdown of expenses recorded under deferred charges and reclassified applicable cost and accumulated amortization to property, plant and equipment or intangible assets, and the remaining balance as of December 31, 2008, consisting of preoperating expenses, will be maintained in assets and will be amortized until it is fully realized.

j) Impairment assessment

Property, plant and equipment, intangible assets and other noncurrent assets are tested for impairment on an annual basis or whenever significant events or changes in economic circumstances and in the business of the Company and its subsidiaries (domestic and foreign factors) indicate that their carrying amounts may not be recoverable. When applicable, when the carrying amount of an asset exceeds its recoverable value, defined as the higher of the value in use of the asset and its net sales value, impairment losses are recognized in the statement of income.

k) Research and development expenses of products

Recognized in expenses as incurred.

l) Loans and financing

Adjusted for inflation based on inflation and exchange rate changes, when applicable, plus charges incurred through the balance sheet dates, according to contractual clauses, as mentioned in note 13. The financial liability of the subsidiary Alpargatas S.A.I.C. - Argentina resulting from debt restructuring agreements with financial institutions is stated at present value.

m) Other current and noncurrent liabilities

Stated at known or estimated amounts plus, when applicable, related charges and inflation and exchange rate changes incurred through the balance sheet dates.

n) Foreign currency transactions

Translated into Brazilian reais at exchange rates prevailing on the dates of the transactions. Balance sheet accounts are translated using the exchange rates prevailing at the balance sheet dates. Exchange gains and losses resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currency are recognized in the statement of income.

o) Income tax and social contribution

Calculated based on taxable income, adjusted by additions and deductions, pursuant to prevailing tax legislation. Income tax is calculated at the rate of 15%, plus a 10% surtax on annual taxable income exceeding R$240, and social contribution is calculated at the rate of 9%.

Deferred income tax and social contribution are calculated at the rates of 25% and 9%, respectively, on tax loss carryforwards. The tax benefit on temporary differences is calculated at the rate of 34%, taking into consideration the history of the Company's taxable income and the expected generation of future taxable income, based on profitability studies approved by the Company's Board of Directors.

The income tax and social contribution of the subsidiary Alpargatas Imobiliária Ltda. are calculated based on deemed income, taking into consideration the tax rates and legislation prevailing at the balance sheet dates.

p) Provisions

Recognized when the Company and its subsidiaries have a legal obligation as a result of a past event and, in the opinion of Management and its legal counsel, it is probable that funds will be required to settle the obligation. Provisions are recognized based on the best estimates of the risk involved, less related escrow deposits, when applicable.

q) Interest on capital

For corporate and accounting purposes, interest on capital is stated as dividend destination directly in shareholders' equity. For tax purposes, interest on capital is stated as financial expenses, reducing the income tax and social contribution base.

r) Results of operations

Revenues and expenses are recognized on the accrual basis. Sales revenues and related costs are recorded when products are delivered to the customers.

s) Actuarial assets and liabilities - pension plans

Actuarial losses, calculated by independent experts, are recorded in noncurrent liabilities according to actuarial amounts calculated upon the closing of the annual financial statements. Actuarial gains, when applicable, are recognized in current assets as they can be offset against future contributions of the Company to the corresponding plans. See details in note 25.

t) Stock option plan

The Company offers share-based compensation plans to its officers, settled with Company's shares, under which the Company receives services as compensation for stock options granted. The fair value of options granted is recognized as expense in income for the year during the period when the right is vested and after compliance with certain specific conditions. At the balance sheet dates, the Company's Management reviews estimates of the number of options vested based on those conditions and, when applicable, recognizes in income for the year, as a contra entry to shareholders' equity, the effect arising from the review of the initial estimates.

u) Recognition of tax incentives - investment grants

Directly recorded in income for the year; the Paraíba state VAT (ICMS) investment grant is credited to "Taxes on sales" and the business income tax (IRPJ) investment grant is credited to "Income tax and social contribution". Later are allocated to the "Tax incentive reserve - investment grant" account in shareholders' equity, in conformity with CPC 07 - Government Grants and Assistance, as of the balance sheet dates.

As explained in note 4, the Company monthly recognizes the incentive related to the State of Paraíba grant in the computation of state VAT (ICMS) of the operating units located in that State, since there are no conditions for the recognition of the incentive, as well as nonmonetary assets to be received as part of the incentive plan.

v) Earnings per share

Calculated based on the number of shares outstanding at the balance sheet dates.

3. FIRST-TIME ADOPTION OF NEW BRAZILIAN ACCOUNTING PRACTICES

I. Effectiveness of the accounting pronouncements issued in 2008

Law 11638/07 and Provisional Act 449/08 (later converted into Law 11941/09) altered, revoked and added new provisions to the Brazilian Corporate Law (Law 6404/76), especially with respect to chapter XV, which provides on accounting matters, effective as of January 1, 2008.

The main changes in accounting practices introduced by Law 11638/07 and articles 36 and 37 of Provisional Act 449/08 applicable to the Company and its subsidiaries are as follows:

a) Replacement of the statement of changes in financial position by the statement of cash flows, prepared in accordance with CPC 03 - Statement of Cash Flows. Up to December 31, 2007, the Company presented this statement as supplemental information to the financial statements.

b) Inclusion of the statement of value added, prepared in accordance with CPC 09 - Statement of Value Added.

c) Creation of a new account group, intangible assets, which includes goodwill, for purposes of balance sheet presentation. Except for goodwill on acquisition of subsidiaries, the Company already presented balances of other intangible assets classified in this account.

d) Requirement that certain noncurrent assets and liabilities be recorded at present value, and, if material, for certain other current assets and liabilities. The Management of the Company and its subsidiaries assessed the implementation of this practice and concluded that it is applicable only for discount at present value of the liability related to "Debt restructuring agreements" maintained by subsidiary Alpargatas S.A.I.C. - Argentina, as mentioned in notes 13 and 15, and it is not applicable to other operations of the Company and its subsidiaries.

e) Requirement for periodic testing the impairment of amounts recorded in property, plant and equipment, intangible assets and deferred charges, as set forth by CPC 01 - Impairment of Assets (required from the date of the financial statements for the year ended December 31, 2008). Based on the assessment of the Company and its subsidiaries, this change did not generate effects to be recorded in the financial statements for the year ended December 31, 2008 and for the nine-month period ended September 30, 2009.

f) Requirement that investments in financial instruments, including derivatives, be accounted for: (i) at fair value or equivalent value for trading securities or available--for-sale securities; and (ii) at the lower of acquisition or historical cost, adjusted pursuant to legal or contractual provisions, and realizable value for held-to-maturity securities, as set forth by CPC 14 - Financial Instruments: Recognition, Measurement and Disclosure. This change impacted only the measurement of derivatives, as short-term investments held by the Company and its subsidiaries are classified as "held-to-maturity", and thus continued to be measured at their acquisition cost, plus income earned according to terms and contractual conditions, as mentioned in note 6.

g) Debentures, employees and Management interests, even in the form of financial instruments, and employee pension and welfare funds, which qualify as expenses, shall be recorded as expenses, according to their nature. This change also affects Management and employee share-based compensation, pursuant to CPC 10 - Share-based Payment. This change produced impacts regarding the records of the Company's stock option plan, as mentioned in note 23.

h) Discontinuation of the presentation of the "Nonoperating income (expenses)" account in the statement of income.

i) Cancellation of items "c" and "d" of paragraph 1, article 182 of Law 6404/76, which allowed the recording of: (i) premium received on the issuance of debentures; and (ii) donations and investment grant directly as capital reserves in shareholders' equity. Change applicable to the Company and its subsidiary Locomotiva Amazônia Indústria e Comércio de Têxteis Industriais Ltda. as regards to the registration of tax incentives, which are now recorded directly in the statement of income, and later allocated to the "Tax incentive reserve - investment grant" account in shareholders' equity, in conformity with CPC 07 - Government Grants and Assistance.

j) Creation of a new account group, "Valuation adjustments to equity", in shareholders' equity, in order to record certain fair value adjustments, mainly for financial instruments; and certain fair value adjustments related to assets and liabilities as a result of a merger between unrelated parties that results in the transfer of control. Change applicable to the Company only to the recording of the effects of exchange rate fluctuations resulting from the translation of financial statements of foreign subsidiaries and affiliates for the purposes of calculation of equity and consolidation of financial statements, as provided for in paragraphs 11 and 13 of CPC 02 - Effects of Exchange Rates Variations.

Considering the changes introduced by Laws 11638/07 and 11941/09, for a better comparison with net income recorded for the nine-month period ended September 30, 2009, the effects on income for the nine-month period ended September 30, 2008, recorded under "Retained earnings (accumulated losses)" in shareholders' equity, previously determined in conformity with the accounting practices set forth in Law 6,404/76, are as follows:

	Company	Consolidated
Net income pursuant to accounting practices under Law 6404/76	36,419	36,230
Adjustments for changes in accounting practices:		
Exchange rate change on foreign investments (CPC 02)	3,252	3,252
Investment grants - tax incentives (CPC 07):		
State VAT (ICMS) grant - State of Paraíba	56,598	56,598
Income tax incentives - Northern and Northeastern Regions	3,137	4,194
Equity in subsidiaries	1,057	-
Net income pursuant to accounting practices under Laws 11638/07 and 11941/09	100,463	100,274

II. New accounting pronouncements issued in 2009 and effective beginning 2010

With the enactment of Law 11638/07, which was designed to update the Brazilian Corporate Law, so as to enable the convergence of Brazilian accounting practices with international financial reporting standards (IFRSs), new accounting standards and technical pronouncements have been issued by the Accounting Pronouncements Committee (CPC), in conformity with such international accounting standards.

Through these quarterly financial statements reporting date, 17 new technical pronouncements had been issued by CPC and approved by CVM Resolutions for mandatory adoption beginning 2010. The CPCs applicable to the Company, considering its operations, are as follows:

CPC	CVM Resolution	Title
15	580	Business Combinations
16	575	Inventories
20	577	Borrowing Costs
21	581	Interim Financial Reporting
22	582	Segment Information
23	592	Accounting Policies, Changes in Accounting Estimates and Errors
24	593	Subsequent Event
25	594	Provisions, Contingent Assets and Contingent Liabilities
26	595	Presentation of Financial Statements
27	583	Property, Plant and Equipment
28	584	Investment Property
30	597	Revenues
31	598	Noncurrent Asset Held for Sale and Discontinued Operations
32	599	Income Taxes
33	600	Employee Benefits

4. TAX INCENTIVES - INVESTMENT GRANTS

The Company has tax incentives granted by the State governments where the main plants are located, which will expire in 2020. The Company and its subsidiary Locomotiva da Amazônia Indústria e Comércio de Têxteis Industriais Ltda. also have federal tax incentives for operating profit in the Northeast Region and Manaus Free Trade Zone.

As mentioned in note 3, the tax benefit related to these incentives was recognized in shareholders' equity under the caption "Tax incentive reserve" up to December 31, 2007, and as from January 1, 2008, with the enactment of Laws 11,638/07 and 11,941/09, the Company started to recognize these tax incentives in the Company's income, subsequently recognizing a tax incentive reserve in shareholders' equity, in accordance with new Brazilian accounting practices.

Investment grants, including income tax incentives, recorded for the nine-month periods ended September 30, 2009 and 2008, are as follows:

	Company		Consolidated	
	09/30/09	09/30/08	09/30/09	09/30/08
Grant ICMS (State VAT) State of Paraíba (a)	68,613	56,598	68,613	56,598
IRPJ incentives - Northern and Northeastern Regions	1,591	3,137	2,568	4,194
	70,204	59,735	71,181	60,792

(a) Amount of the investment grant of State of Paraíba, used as calculation of deemed ICMS (State VAT) credit. The amounts involved correspond to ICMS unpaid installments and, therefore, committed with what was agreed with the State government. The Company is compliant with the established agreement, consisting of increasing the manufacturing facility in that region, increasing its production of pairs of footwear and generating direct jobs in plants of the State of Paraíba.

Additionally, on September 30 and June 30, 2009, there were no incentive installments to be recorded in the accounting books, resulting from obligations established by the regulation of the incentive plan, to be complied with by the Company.

5. CONSOLIDATION OF FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the consolidation criteria established by Brazilian accounting practices and standards issued by CVM, including the financial statements of the Company and its direct and indirect subsidiaries, as follows:

	Ownership interest - %		
	09/2009	06/2009	09/2008
Direct subsidiaries:			
Locomotiva Indústria e Comércio de Têxteis Industriais Ltda.	100.00	100.00	100.00
CBS - Companhia Brasileira de Sandálias	100.00	100.00	100.00
Fibrasil Agrícola e Comercial Ltda.	100.00	100.00	100.00
Alpargatas Imobiliária S.A.	100.00	100.00	100.00
Alpargatas Chile Ltda. - Chile	100.00	100.00	100.00
Alpargatas Internacional APS - Denmark	100.00	100.00	100.00
Alpargatas S.A.I.C. - Argentina (a)	59.96	59.96	25.687
Indirect subsidiaries (through Alpargatas Internacional - APS):			
Alpargatas Europe S.L.U. - Spain	100.00	100.00	100.00
Alpargatas USA Inc. - United States	100.00	100.00	100.00
Alpargatas UK Limited - United Kingdom	100.00	100.00	-
Alpargatas France S.A.R.L. - France	100.00	100.00	100.00
Alpargatas Itália S.L.R. - Italy	100.00	100.00	-
Indirect subsidiaries (through Locomotiva Indústria e Comércio de Têxteis Industriais Ltda.)-			
Locomotiva da Amazônia Indústria e Comércio de Têxteis Industriais Ltda.	100.00	100.00	100.00

The financial statements used in preparing the consolidated financial statements were prepared as of the same reporting date, using accounting practices consistent with those described in note 2. The Company's investments in proportion to the investor's interest in the subsidiaries' shareholders' equity and results, intercompany balances and transactions, and unrealized profits, net of income tax and social contribution, have been eliminated. In the companies controlled by the Company, minority interest has been recorded in a separate caption.

The financial statements of foreign subsidiaries were translated into Brazilian reais based on the exchange rates in effect at the balance sheet dates for the balance sheet accounts and based on the average rates for the accounts of the statement of income.

Net equities presented on September 30 and June 30, 2009 by the Company differ by R$3,050 and R$4,004, respectively, from those stated in consolidated financial statements through the elimination of unrealized profits in subsidiary Alpargatas Internacional APS (computed on the sales made by the Company to its indirect subsidiaries). By the same reason, net income of the nine-month periods ended September 30, 2009 and 2008, by the Company, differ by R$939 and R$(189), respectively, from those stated in consolidated financial statements. The activities of direct and indirect subsidiaries are described in note 11.

(a) Alpargatas S.A.I.C. - Argentina: acquired in December 2007, although with the transfer of control to the Company in October 2008.

Since October 2008, after the transfer of ownership interest, the Company has consolidated this subsidiary's financial statements, which should be considered when analyzing changes in statements of income accounts for the nine-month period ended September 30, 2009 compared to the same period of 2008.

For purposes of comparison of the amounts presented in the consolidated statement of income for the nine-month period ended September 30, 2009, including the operating results of the subsidiary Alpargatas S.A.I.C. - Argentina, and the same period in 2008, the individual statement of income of the subsidiary for the nine-month period ended September 30, 2008 is presented below:

Gross sales	327,330
(-) Sales taxes and deductions	(56,160)
Net revenue from sales	271,170
(-) Cost of sales	(191,057)
Gross profit	80,113
Operating expenses	(42,365)
Financial expenses, net	(11,865)
Other operating expenses, net	(4,464)
Profit before income tax and social contribution	21,419
Income tax and social contribution	(515)
Minority interest	27
Net income for the nine-month period	20,931

6. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	09/30/09	06/30/09	09/30/09	06/30/09
Cash and banks	1,502	1,476	27,503	31,184
Short-term investments:				
Bank certificates of deposit (CDBs)	54,987	88,459	58,969	92,326
Repurchase commitments	166,742	144,199	166,742	144,199
	223,231	234,134	253,214	267,709

As of September 30, 2009, CDB investments are distributed across several financial institutions at an average rate of 103.04% of the Interbank Deposit Certificate (CDI) (102.39% as of June 30, 2009) and repurchase commitments are distributed across several financial institutions at an average yield of 102.19% of the CDI rate (102.57% as of June 30, 2009).

As of September 30, 2009, CDBs and repurchase commitments mature from September 2009 to November 2016; however, they are classified as "Cash and cash equivalents" because they are considered as guaranteed immediately redeemable financial assets.

The Company's policy establishes that short-term investment can only be realized in financial institutions with a minimum rating of "AA" or "Aaaa", classified by rating agencies. Any Management proposal to invest in financial institutions with an inferior rating will depend on the authorization of the Board of Directors.

The Company does not have a treasury policy that establishes criteria to determine the breakdown of cash and cash equivalents; however, the accounting classification of these components used by the Management of the Company and its subsidiaries is described in note 2.(b), item (i) Cash and cash equivalents.

Additional information on flows of cash and cash equivalents - purchase of property, plant and equipment not affecting cash

During the nine-month period ended September 30, 2008, the Company and its subsidiaries did not purchase property, plant and equipment with no cash effects (payments made directly by financial institutions to suppliers). In the same period of 2009, the Company and its subsidiaries purchased property, plant and equipment, with no cash effects, in the amount of R$746 - Company and consolidated.

7. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	09/30/09	06/30/09	09/30/09	06/30/09
Domestic market	320,660	249,006	340,441	266,237
Foreign market	27,799	39,520	76,582	88,859
Advance on foreign exchange contract	(8,563)	25,426)	(4,545)	(10,291)
Allowance for doubtful accounts	(7,601)	(6,928)	(10,772)	(11,231)
	332,295	256,172	401,706	333,574

8. INVENTORIES

	Company		Consolidated	
	09/30/09	06/30/09	09/30/09	06/30/09
Finished products	111,976	119,015	168,741	188,053
Work in process	8,074	8,344	19,691	19,714
Raw materials	26,248	25,103	54,416	58,542
Imports in transit	9,778	4,924	9,781	5,347
Other	3,719	2,570	6,720	5,482
Provision for losses	(3,991)	(4,768)	(8,531)	(9,445)
	155,804	155,188	250,818	267,693

9. RECOVERABLE TAXES

	Company		Consolidated	
	09/30/09	06/30/09	09/30/09	06/30/09
Prepaid income tax and social contribution	1,719	9,086	2,961	10,358
Recoverable ICMS	8,157	4,990	9,095	5,977
Recoverable Federal VAT (IPI)	277	344	3,252	3,363
PIS and COFINS (taxes on revenue)	4,282	2,735	4,748	3,367
Federal tax credits arising from final and unappealable court decisions (a)	11,650	13,642	11,650	13,642
Recoverable taxes - foreign subsidiaries (b)	-	-	22,656	24,554
Other	23	42	356	145
	26,108	30,839	54,718	61,406
Current portion	21,103	25,339	35,066	39,834
Noncurrent portion	5,005	5,500	19,652	21,572

(a) Refer to federal tax credits approved by the Brazilian Federal Revenue Service after a final and unappealable decision of the Superior Court of Justice in February 2008 on a lawsuit related to the tax on net income (ILL), in which the Company challenged the unconstitutionality of amounts paid from 1989 to 1992. The amounts include inflation adjustment based on Central Bank's Overnight Rate (SELIC) up to the balance sheet dates and were offset against income tax as from May 2009. The Management estimates that the residual balance as of September 30, 2009 will be fully offset by the end of the current year.

(b) As of September 30, 2009, refer to recoverable taxes of the subsidiaries Alpargatas S.A.I.C. - Argentina of R$20,357 (R$21,003 as of June 30, 2009) and Alpargatas Chile of R$837 (R$1,061 as of June 30, 2009), and R$1,462 (R$2,490 as of June 30, 2009) are related to the indirect subsidiaries located in Europe through the holding company Alpargatas Internacional APS, and consist mainly of prepayment of income tax and taxes on value added amounts (IVA), which will be offset against future operations.

10. JUDICIAL DEPOSITS

Basically represented by judicial deposits related to labor and tax lawsuits, which do not involve current obligations but were necessary to proceed with lawsuits. In the opinion of Management and its legal counsel, the likelihood of unfavorable outcome is not considered probable and therefore no accrual for contingencies was recognized.

11. INVESTMENTS

Direct investments

Information as of September 30, 2009	Locomotiva Ind. e Com. Têxteis Ltda.	Fibrasil Agríc. e Coml. Ltda.	Alpargatas Intl. APS	Alpargatas Imob. S.A.	CBS S.A. - Cia. Bras. de Sandálias	Alpargatas S.A.I.C. - Argentina	Alpargatas Chile Ltda.	Total
Number of shares held	27,943,728	1,157,111	13,378,615	4,648,060	750,645	42,047,157		
Capital	27,943	1,157	63,701	7,648	20,848	32,453	1,906	-
Shareholders' equity (deficiency in assets)	36,018	2,105	42,345	7,488	(20,507)	91,011	(550)	-
Net income (loss) for the nine-month period	3,051	(4)	(52,107)	158	(5,421)	4,876	(137)	
Ownership interest (%)	100	100	100	100	100	59.96	100	-
Book value of investments								
Balance as of December 31, 2008	32,967	2,109	54,823	7,330	(15,086)	74,499	(631)	156,011
Equity in subsidiaries	1,622	-	(11,764)	(26)	(1,855)	(1,006)	(146)	(13,175)
Exchange rate changes on foreign investments	-	-	(1,961)	-	-	(5,298)	84	(7,175)
Balance as of March 31, 2009	34,589	2,109	41,098	7,304	(16,941)	68,195	(693)	135,661
Capital increase	-	-	8,745	-	-	-	-	8,745
Equity in subsidiaries	111	(3)	(21,933)	105	(1,967)	2,238	85	(21,364)
Exchange rate changes on foreign investments	-	-	5,892	-	-	(11,927)	66	(5,969)
Balance as of June 30, 2009	34,700	2,106	33,802	7,409	(18,908)	58,506	(542)	117,073
Capital increase	-	-	27.919	-	-	-	-	27,919
Equity in subsidiaries	1,318	(1)	(18,411)	79	(1,599)	1,692	(76)	(16,998)
Exchange rate changes on foreign investments	-	-	(965)	-	-	(5,627)	68	(6,524)
Balance as of September 30, 2009	36,018	2,105	42,345	7,488	(20,507)	54,571	(550)	121,470

Goodwill on subsidiaries (note 12)

	CBS S.A. - Cia. Bras. de Sandálias	Atlântico Participações S.A.	Alpargatas S.A.I.C. - Argentina	Total
September 30 and June 30, 2009	11,498	42,202	96,268	149,968

Indirect investments through the holding company Alpargatas Internacional APS

		Subsidiaries				Affiliate	
Information as of September 30, 2009	Alpargatas Europe S.L.U.	Alpargatas France S.A.R.L.	Alpargatas UK Limited	Alpargatas Itália S.R.L.	Alpargatas USA Inc.	Tavex Algodonera S.A.	Total
Number of shares held	3,600	5,000	100	1	10	21,683,180	
Shareholders' equity (deficiency in assets)	(17,834)	(3,966)	(1,648)	(245)	(40,474)	454,230	
Net loss	(16,524)	(2,960)	(1,514)	(271)	(18,990)	(81,702)	
Company's indirect interest (%)	100	100	100	100	100	18,687	
Book value of investments:							
Balance as of December 31, 2008	(3,550)	(1,205)	(167)	-	(60,283)	113,232	48,027
Equity in subsidiaries	(5,223)	(838)	(326)	-	(5,271)	(4,452)	(16,110)
Exchange rate changes on foreign investments	242	(108)	(24)	-	553	(2,404)	(1,741)
Balance as of March 31, 2009	(8,531)	(2,151)	(517)	-	(65,001)	106,376	30,176
Equity in subsidiaries	(3,618)	(1,568)	(728)	-	(7,849)	(8,412)	(22,174)
Exchange rate changes on foreign investments	781	401	114	-	10,541	(4,828)	7,009
Balance as of June 30, 2009	(11,368)	(3,318)	(1,131)	-	(62,309)	93,136	15,011
Capital increase	-	-	-	23	23,167	-	23,190
Equity in subsidiaries	(7,683)	(554)	(460)	(271)	(5,871)	(2,406)	(17,245)
Exchange rate changes on foreign investments	1,217	(94)	(57)	3	4,538	(5,849)	(242)
Balance as of September 30, 2009	(17,834)	(3,966)	(1,648)	(245)	(40,475)	84,882	20,714

For the nine-month periods ended September 30, 2009 and 2008, the loss calculated by foreign subsidiaries refers basically to commercial expenses, with marketing and advertising, incurred in connection with the Company's business internationalization process.

Indirect investment through the company Locomotiva Indústria e Comércio de Têxteis Industriais Ltda. - Locomotiva da Amazônia Indústria e Comércio de Têxteis Industriais Ltda.

Information for the nine-month period ended September 30, 2009	Locomotiva Amazônia Ind. e Com. Têxteis Ind. Ltda.
Number of shares held	15,502,155
Capital	15,502
Shareholders' equity	88,544
Net income for the nine-month period	4,589
Company's indirect interest (%)	100
Book value of investments:	
Balance as of December 31, 2008	83,955
Equity in subsidiaries	1,622
Balance as of March 31, 2009	85,577
Equity in subsidiaries	1,169
Balance as of June 30, 2009	86,746
Equity in subsidiaries	1,798
Balance as of September 30, 2009	88,544

Additional information on subsidiaries

Alpargatas S.A.I.C. ("Alpargatas Argentina")

On October 10, 2007, the Company entered into a purchase and sale agreement ("Agreement") with Newbridge Latin America L.P., Long Bar Argentina LLC, Columbia/HCA Master Retirement Trust, OCM Opportunities Fund II L.P. and others, related to the Company's acquisition of up to 24,101,862 common shares with voting right, representing 34.4994% of the capital of Alpargatas Argentina, for US$2.145 per share, including in this price the Company's ownership control premium.

The Agreement established two closes, the first one on the execution date, related to 21,169,893 shares, when the Company disbursed R$82,364, equivalent to US$45,409 thousand. Additionally, on January 8, 2008, the remaining 2,931,969 shares were purchased at the second close, after compliance with contractual terms and conditions, for R$11,384, equivalent to US$6,289 thousand.

Also in October 2007, the Company filed with the "Comisión Nacional de Valores - CNV", from Argentina, a request for the registration of a tender offer for the acquisition of 17,815,047 shares with voting right ("Offer"), representing up to 25.5005% of the capital of Alpargatas Argentina, for AR$5.80 per share. On December 19, 2007, the Company acquired the shares of the Offer for R$59,296, equivalent to US$32,884 thousand. This transaction generated goodwill of R$41,626, which was amortized on a straight-line basis up to December 31, 2008, considering a ten-year period starting January 2008.

Subsequently, in June 2008, the Company acquired additional 130,248 common shares, representing 0.1864% of the capital, for R$489.

Considering the portion equivalent to 34.4994% of interest, at the time the Company had delivered its shares to The Bank of New York, which exercised political and economic rights on such shares, as custodian up to October 23, 2008, when the Company obtained the transaction definite approval by the Argentina competition protection agency ("Comisión Nacional de Defensa de la Competencia de Argentina - CNDC") regarding the acquisition of 24,101,862 registered common shares, which were transferred to the Company on October 30, 2008.

Considering both portions of the acquisition of Alpargatas S.A.I.C. - Argentina as from October 30, 2008, the Company became the holder of 42,047,157 registered common shares, with one voting right, representing 59.96% of the capital of Alpargatas S.A.I.C. - Argentina, and, therefore, starting to exercise the control of its operations.

Thus, for the closing of the financial statements for October 2008, the amounts of investment and goodwill paid in the acquisition were split in the amounts of R$39,955 for investment cost and R$60,736 for goodwill. Since then, the Company began recording the effects of equity in subsidiaries also on this portion of the acquisition, in addition to fully consolidating the financial statements of Alpargatas S.A.I.C. - Argentina.

As of September 30, 2009, the amounts related to investment and goodwill are R$54,568 and R$96,268, respectively, and goodwill was recorded under "Intangible assets".

On October 6, 2009, the Company filed with CNV a request for the registration of a share takeover bid to buy all the outstanding book-entry common shares and the preferred shares of Alpargatas S.A.I.C. - Argentina, at the price of AR$3.40 per share, and under the terms of the takeover bid prospectus, to be timely disclosed.

CBS S.A. - Companhia Brasileira de Sandálias

On September 20, 2007, the Company entered into a stock purchase agreement with all shareholders of CBS S.A. - Companhia Brasileira de Sandálias ("CBS"), owner of the "Dupé" brand, among others.

In November 2007, Alpargatas acquired, for R$49,500, 100% of the shares of CBS, a corporation that had 21.89% of its capital held by individuals and 78.11% by the holding company Atlântico Participações S.A.

On April 15, 2008, the Company merged the holding company Atlântico Participações S.A., becoming the direct holder of 100% of CBS.

Tavex Algodonera S.A.

Although the Company holds an indirect interest of 18.687%, Management classifies the investment as an affiliate in which it has influence on the decisions by holding a seat in the Board of Directors in Spain. Thus, according to the Brazilian accounting practices, the Company is evaluating the investment under the equity method.

Establishment of subsidiaries

In June 2008, Locomotiva Indústria e Comércio de Têxteis Industriais Ltda. was established, with head office in Pouso Alegre, State of Minas Gerais, through the partial spin-off of assets of the industrial textiles division of the Company, including the investment in the subsidiary Amapoly Indústria e Comércio Ltda. (which changed its name to Locomotiva Amazônia Indústria e Comércio de Têxteis Industriais Ltda.). This transaction was intended to separate the subsidiary's industrial textiles division.

In July, August and September 2008, respectively, the following subsidiaries were established: Alpargatas Europe S.L.U. (Madrid - Spain), Alpargatas France S.A.R.L. (Paris - France) and Alpargatas UK Limited (London - United Kingdom), primarily engaged in the import and sale of footwear.

Subsidiary Alpargatas Itália S.R.L. was established in May 2009 and is mainly engaged in the import, export, distribution, and sale of footwear.

The activities of the companies in which the Company has investments are described below:

- Locomotiva Indústria e Comércio de Têxteis Industriais Ltda. (direct 100% interest): company established in June 2008 to segregate the industrial textiles division, including the interest in subsidiary Amapoly Indústria e Comércio Ltda. (whose name was then changed to Locomotiva Amazônia Indústria e Comércio de Têxteis Industriais Ltda.), engaged in the production of PVC and polyester laminates used to manufacture truck covers, backlit and frontlit billboards, banners, tarpaulins and polyethylene laminates, used to manufacture agricultural, home and leisure canvas.

- CBS S.A. - Companhia Brasileira de Sandálias (direct 100% interest): acquired in November 2007, engaged in the manufacture and sale of rubber sandals.

- Alpargatas S.A.I.C. - Argentina (59.96% interest): acquired in December 2007, although with the transfer of control to the Company in October 2008, engaged in the manufacture and sale of footwear and textile products mainly in the Argentinean market.

- Tavex Algodonera S.A. (indirect 18.687% interest, through the holding company Alpargatas Internacional APS): Spanish publicly-traded company, operating in the areas of cotton processing, spinning, weaving and fabric finishing; sale, import and export of these products; and clothing and related businesses. It has also equity interests in other companies in Spain and abroad.

- Alpargatas Europe S.L.U. (Spain), Alpargatas France S.A.R.L. (France), Alpargatas UK Limited and Alpargatas Itália S.R.L (indirect 100% interest, through the holding company Alpargatas Internacional APS): established, respectively, in July, August and September 2008 and May 2009, engaged in the import and sale of footwear in the European market.

- Alpargatas USA Inc. (indirect 100% interest, through the holding company Alpargatas Internacional APS): company derived from the merger of Expasa Florida Inc., mainly engaged in the import and sale of footwear in the U.S. market.

- Alpargatas Chile Ltda. (direct 100% interest): established in November 2007 and engaged in the import and sale of footwear in Chile.

12. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND DEFERRED CHARGES

Property, plant and equipment

	Annual average depreciation rate (%)	Company					
		09/30/09			06/30/09		
		Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	-	7,752	-	7,752	7,752	-	7,752
Buildings and constructions	4	114,026	(49,741)	64,285	113,835	(48,181)	65,654
Machinery and equipment	10	184,622	(115,614)	69,008	183,744	(111,813)	71,931
Furniture and fixtures	10	18,097	(7,581)	10,516	17,973	(7,199)	10,774
Vehicles	20	3,218	(2,331)	887	3,242	(2,246)	996
Construction in progress	-	26,460	-	26,460	23,543	-	23,543
Leasehold improvements	5	14,243	(4,693)	9,550	14,243	(3,962)	10,281
Provision for losses		(864)	-	(864)	(1,184)	-	(1,184)
		367,554	(179,960)	187,594	363,148	(173,401)	189,747

	Annual average depreciation rate (%)	Consolidated					
		09/30/09			06/30/09		
		Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	-	11,549	-	11,549	11,864	-	11,864
Buildings and constructions	4	202,086	(100,705)	101,381	205,962	(99,579)	106,383
Machinery and equipment	10	78,789	(258,287)	20,502	397,295	(268,515)	128,780
Furniture and fixtures	10	47,644	(33,326)	14,318	50,442	(35,591)	14,851
Vehicles	20	4,575	(3,464)	1,111	4,821	(3,555)	1,266
Construction in progress		32,376	-	32,376	29,573	-	29,573
Leasehold improvements	5	16,951	(6,440)	10,511	16,243	(4,656)	11,587
Other		2,049	(416)	1,633	1,649	(50)	1,599
Finance lease (a)	30	546	(200)	346	394	(212)	182
Provision for losses		(1,096)	-	(1,096)	(1,416)	-	(1,416)
		695,469	(402,838)	292,631	716,827	(412,158)	304,669

(a) Consisting mainly by machinery and equipment, recorded in subsidiary CBS S.A. - Companhia Brasileira de Sandálias and Alpargatas S.A.I.C. - Argentina. Additionally, on September 30 and June 30, 2009, the Company and its subsidiaries do not have other finance lease operations.

Supplemental information on property, plant and equipment

The Company and its subsidiaries are part in operating lease transactions, mainly in rentals of stores and warehouses for storage of products and goods. Except for rental agreements of certain stores located in shopping centers, where there is a portion of fixed rental and a portion of variable rental (depending on monthly sales), all of these rental agreements have fixed monthly amounts, annually adjusted by usual market inflation indexes.

Such transactions have usual restrictive covenants, such as security for early termination of the agreement, among others; however, on September 30, 2009, these effective rental agreements were not characterized as an onerous agreement by the Board of Directors and its subsidiaries, according to the Brazilian accounting practices, and no contingent payment has been made by the Company and its subsidiaries during the nine-month period then ended.

In the nine-month periods ended September 30, 2009 and 2008, in consolidated, the total expenses with operating lease transactions amounted to R$14,446 and R$12,128, respectively.

Additionally, the expense with operating lease transactions, in consolidated, expected for the next periods, is as follows:

	Amount
2009 (three-month)	4,751
2010	18,978
2011 to 2013	56,916

Intangible assets

	Annual amortization rate (%)	Company 09/30/09 Cost	Company 09/30/09 Accumulated amortization	Company 09/30/09 Net	Company 06/30/09 Cost	Company 06/30/09 Accumulated amortization	Company 06/30/09 Net
With finite useful lives:							
Trademarks and patents	-	17,849	(17,652)	197	17,849	(17,652)	197
Business management system	10	91,292	(19,783)	71,509	92,033	(17,260)	74,773
Customer portfolios (c)	20	23,085	(2,897)	20,188	18,877	(1,692)	17,185
Without finite useful lives:							
Goodwill on subsidiaries (b)	-	149,968	-	149,968	149,968	-	149,968
Assignment of trade rights (d)	-	4,027	-	4,027	4.027	-	4.027
		286,221	(40,332)	245,889	282,754	(36,604)	246,150

	Annual amortization rate (%)	Consolidated 09/30/09 Cost	Consolidated 09/30/09 Accumulated amortization	Consolidated 09/30/09 Net	Consolidated 06/30/09 Cost	Consolidated 06/30/09 Accumulated amortization	Consolidated 06/30/09 Net
With finite useful lives:							
Trademarks and patents	-	30,443	(17,652)	12,791	33,728	(19,925)	13,803
Business management system	10	100,478	(22,063)	78,415	100,431	(19,239)	81,192
Customer portfolios (c)	20	23,085	(2,897)	20,188	18,877	(1,692)	17,185
Without finite useful lives:							
Goodwill on subsidiaries (b)	-	149,968	-	149,968	149,968	-	149,968
Assignment of trade rights (d)	-	4,027	-	4,027	4,027	-	4,027
		308,001	(42,612)	265,389	307,031	(40,856)	266,175

(b) See breakdown in note 11. As mentioned in notes 2 and 3, considering the accounting changes introduced by Laws 11638/07 and 11941/09, as from January 1, 2009 the goodwill balance on December 31, 2008 was no longer amortized, rather, the realization of goodwill is annually tested for impairment.

Accordingly, as from January 1, 2009, the tax benefit of goodwill on the merger of former subsidiary Atlântico Participações S.A., as shown in note 11, was used in the monthly calculations of income tax and social contribution based on Transition Tax Regime (RTT), as provided for in Provisional Act 449/08, the effects of which are shown in note 19.

During the nine-month period ended September 30, 2008, the amount of R$7,632 of goodwill generated on the acquisition of subsidiaries mentioned in note 11 was amortized, and it is recorded in the statement of income in the caption "Goodwill amortization" under "Other operating expenses" account.

(c) Refer to amounts paid on the acquisition of customer portfolios of former sales representatives of the Company (that basically sold "Havaianas" sandals) in certain European countries. Costs are being amortized under the straight-line method according to the five-year term of future cash flows expected by the Board of Directors. On September 30, 2009, according to the Brazilian accounting practices and the economic projections made by the Company's Board of Directors, no provision has been recorded for these balances due to indications that the Company will reach the expected future benefits.

(d) Refer to amounts paid on the acquisition of rights of use of sales points where certain "Timberland" and "Havaianas" stores are located. Since they are intangible assets that can be sold and are not impaired over time, they are not amortized and are submitted to an annual test for impairment. On Septermber 30, 2009, according to Brazilian accounting practices, no provision has been recorded for the amounts of such rights due to the lack of risk of loss.

Supplemental information on intangible assets

	Consolidated	
	09/30/09	09/30/08
Research and development expenses of products recorded in the statement of income in the six-month periods ended	8,166	8,744

Additionally, in consolidated, the amortization expense of intangible assets, expected for the next periods, is as follows:

2009 (three months)	3,735
2010	14,940
2011	14,940
2012	14,940
2013 thereafter	50,048
	98,603

The Company and its subsidiaries do not maintain intangible assets internally generated.

Changes

	Company				
	Opening balance 06/30/09	Additions	Depreciation	Write--offs	Closing balance 09/30/09
PROPERTY, PLANT AND EQUIPMENT:					
Land	7,752	-	-	-	7,752
Buildings and constructions	65,654	191	(1,560)	-	64,285
Machinery and equipment	71,931	1,232	(3,801)	(354)	69,008
Furniture and fixtures	10,774	128	(382)	(4)	10,516
Vehicles	996	-	(85)	(24)	887
Construction in progress	23,543	2,917	-	-	26,460
Leasehold improvements	10,281	-	(731)	-	9,550
Provision for losses	(1,184)	-	-	320	(864)
	189,747	4,468	(6,559)	(62)	187,594

	Company				
	Opening balance 06/30/09	Additions	Amortization	Write--offs	Closing balance 09/30/09
INTANGIBLE ASSETS:					
With finite useful lives:					
Trademarks and patents	197	-	-	-	197
Business management system	74,773	128	(2,940)	(452)	71,509
Customer portfolios	17,185	4,587	(1,584)	-	20,188
Without finite useful lives:					
Goodwill on subsidiaries	149,968	-	-	-	149,968
Assignment of trade rights	4,027	-	-	-	4,027
	246,150	4,715	(4,524)	(452)	245,889
DEFERRED CHARGES-					
Preoperating expenses	7,544	-	(625)	-	6,919
	7,544	-	(625)	-	6,919

	Consolidated					
	Opening balance 06/30/2009	Additions	Depreciation	Write--offs	Exchange rate change (*)	Closing balance 09/30/2009
PROPERTY, PLANT AND EQUIPMENT:						
Land	11,864	-	-	-	(315)	11,549
Buildings and constructions	106,383	537	(2,165)	-	(3,374)	101,381
Machinery and equipment	128,780	1,858	(6,052)	(356)	(3,728)	120,502
Furniture and fixtures	14,851	300	(505)	(10)	(318)	14,318
Vehicles	1,266	-	(102)	(23)	(30)	1,111
Construction in progress	29,573	3,312	(92)	(122)	(295)	32,376
Leasehold improvements	11,587	-	(775)	-	(301)	10,511
Other	1,599	1,069	(940)	(3)	(92)	1,633
Finance lease (*)	182	200	(11)	-	(25)	346
Provision for losses	(1,416)	-	-	320	-	(1,096)
	304,669	7,276	(10,642)	(194)	(8,478)	292,631

	Consolidated					
	Opening balance 06/30/09	Additions	Amortization	Write-offs	Exchange rate change (*)	Closing balance 09/30/09
INTANGIBLE ASSETS:						
With finite useful lives:						
Trademarks and patents	13,803	-	(369)	-	(643)	12,791
Business management system	81,192	992	(3,082)	(536)	(151)	78,415
Customer portfolios	17,185	4,587	(1,584)	-	-	20,188
Without finite useful lives:						
Goodwill on subsidiaries	149,968	-	-	-	-	149,968
Assignment of trade rights	4,027	-	-	-	-	4,027
	266,175	5,579	(5,035)	(536)	(794)	265,389
DEFERRED CHARGES						
Preoperating expenses	7,721	-	(640)	-	-	7,081
	7,721	-	(640)	-	-	7,081

(*) Exchange rate changes arising from the translation of the financial statements of foreign subsidiaries.

13. LOANS AND FINANCING

	Currency	Index and average annual interest rate	Company		Consolidated	
			09/30/09	06/30/09	09/30/09	06/30/09
Denominated in Brazilian reais						
Exim - BNDES (c)	R$	TJLP + interest of 2.20%	64,143	80,725	64,143	80,725
FNE (BNB) (a)	R$	Interest of 8.42%	89,047	92,562	89,047	92,562
FINAME	R$	TJLP + interest of 2.12%	2,231	2,553	2,231	2,553
FINEM - BNDES (b)	R$	Currency basket + interest of 2.3% and TJLP + interest from 2.3% to 2.8% + commission 0.4%	18,275	19,331	18,275	19,331
BNDES Automatic - CBS	R$	TJLP + interest of 2.8% and exchange variation US$ + interest of 2.3%	-	-	1,634	1,787
Finance lease - CBS (g)	R$	Interest of 16.36%	-	-	12	18
Modermaq	R$	Interest of 11.47%	12	16	336	405
Total in Brazilian reais			173,708	195,187	175,678	197,381
Denominated in foreign currency						
Working capital - USA (f)	US$	Interest of 5.02%	-	-	45,267	63,276
Working capital - Europe (f)	US$/€	Interest of 4.25%	-	-	18,303	24,654
Working capital - Chile (f)	CLP$	Interest of 6.35%	-	-	5,124	5,708
Debt restructuring agreements - Alpargatas S.A.I.C. - Argentina (e)	ARG$	Interest of 5.40%	-	-	44,539	49,098
Finance lease - ASAIC (g)	ARG$	Interest of 25.46%	-	-	327	244
Working capital - Alpargatas S.A.I.C. - Argentina	ARG$	Interest of 20.00%	-	-	27	7,925
FINIMP - HSBC	US$	Interest of 11.49%	1,766	1,905	1,766	1,905
ACE - Banco do Brasil (d)	US$	Interest of 3.01%	-	-	4,018	15,135
ACC/Prepayment - CBS	US$	Libor + interest of 1.25%	-	-	1,789	2,461
Total in foreign currency			1,766	1,905	121,160	170,406
Grand total			175,474	197,092	296,838	367,787
Current liabilities			85,825	100,545	162,329	221,239
Noncurrent liabilities			89,649	96,547	134,509	146,548

(a) On February 23, 2006, the Company signed with Banco do Nordeste do Brasil (BNB) a financing agreement, in the limit of R$112,000, intended to support programs for investments in the Northeast region. This financing has been amortized monthly since 2008 and will be repaid in ten years. The release of funds is dependent on the investment disbursement schedule. The first portion of R$50,671 was released in September 2006, the second portion of R$33,568 in February 2007, the third portion of R$24,327 in December 2007, and the fourth portion of R$3,436 in October 2008. Through September 30, 2009, financial charges in the amount of R$5,596 were incurred, and R$10,530 has been amortized in this period. The guarantee is backed by a bank letter of guarantee.

(b) In October 2007, the Company signed with the National Bank for Economic and Social Development (BNDES) a financing agreement of R$22,700 to support the implementation of the integrated corporate management system. Of this amount, R$11,960 was released in December 2007. In January and March 2008, two portions totaling R$9,624 were released. In September 2008, the last portion of R$596 was released. Through September 30, 2009, financial charges in the amount of R$1,348 were incurred, and R$3,391 has been amortized in this period. This financing has been amortized in monthly installments since November 2008, and will be fully repaid in October 2013. The guarantee is backed by a bank letter of guarantee.

(c) In August 2008, the credit of the Exim contract with Bradesco and Unibanco banks was released, amounting to R$79,755. Through September 30, 2009, financial charges totaling R$5,542 were incurred, and the amount of R$15,983 was amortized. This financing has been amortized in monthly installments since September 2009, and will be fully repaid in January 2010. This financing has no guarantees.

(d) In June 2009, the Company entered into Advances on Export Contracts (ACE) amounting to US$8,320 thousand (corresponding to R$15,135 at historical amounts on the release of funds). In July 2009, the amount of US$ 168 (corresponding to R$319 based on the historical amount on the date the funds were released) was contracted. Through September 30, 2009, the amount of US$6,181 (R$11,448) had already been amortized. The amount is expected to be fully repaid in January 2010. This financing has no guarantees.

(e) On September 26, 2001, the subsidiary Alpargatas S.A.I.C. - Argentina requested a preventive debt restructuring from creditors. This decision was ratified by the Shareholders' Meeting held on March 1, 2002, and the request was approved by the competent Commercial Court on March 7, 2002.

In December 2005, such Commercial Court, as requested by the subsidiary's Management, issued a decision acknowledging the existence of a pre-agreement with creditors and, on September 15, 2006, after fulfilling certain legal obligations previously required, the subsidiary started to implement the debt restructuring agreement with bank creditors (regarding the agreement with other creditors, see note 15).

The amounts were estimated based on the Company's best judgment and are subject to revision. These balances are stated net of adjustment to present value in the amounts of R$57,657 and R$64,831 on September 30, and June 30, 2009, respectively.

The adjustment to present value has been calculated by the subsidiary Alpargatas S.A.I.C. - Argentina based on the difference between the Argentinean base interest rate and the fixed interest rate for adjustment as established in the debt restructuring agreement with financial institutions. This practice is adopted by the subsidiary since the initial registration of such agreements and, therefore, it has not been adopted only to comply with the requirements of CPC 06 - Adjustment to Present Value, as first-time adoption of Brazilian accounting practices. As of June 30, 2009, the average discount rate used for the adjustment was 15% per year.

The effects of reversal of the adjustment to present value are recorded under the caption "Financial expenses" in consolidated and amounted to R$2,600 in the nine-month period ended September 30, 2009.

As of September 30, 2009, reversals expected for the next periods/years for the balance of adjustment to present value are as follows:

2009 (three months)	646
2010	2,758
2011	2,937
2012	3,152
2013 onward	48,164
	57,657

(f) Loans and financing obtained by foreign subsidiaries are collateralized by bank guarantees granted by Brazilian financial institutions, obtained with the Company's approval. The maturities of these transactions range from 180 to 360 days.

(g) As of September 30, 2009, the future value of lease payments amounted to R$327 (R$244 as of June 30, 2009), which is the difference in relation to the present value recorded as of the reporting date, corresponding to the financial charges that will be recorded to income (loss) for the year over the remaining term of the respective agreements, on the accrual basis.

Maturities of long-term loans and financing are as follows:

	Company		Consolidated	
Year	09/30/09	06/30/09	09/30/09	06/30/09
2010 (six months)	4,712	11,517	6,795	14,168
2011	18,834	18,866	22,491	21,269
2012	18,834	18,866	21,716	22,185
2013	18,021	18,050	20,318	20,736
2014	14,039	14,039	16,811	17,242
2015	14,039	14,039	17,950	18,494
2016	1,170	1,170	6,414	5,460
2017	-	-	4,927	5,721
2018	-	-	13,076	5,380
2019	-	-	4,011	15,893
	89,649	96,547	134,509	146,548

Other loans are collateralized by guarantees and properties of the Company.

As of September 30, 2009, none of the outstanding loan and financing agreements includes restrictive covenants that required the Company and its subsidiaries to maintain certain financial indices.

14. PROVISIONS AND OTHER LIABILITIES

	Company		Consolidated	
	09/30/09	06/30/09	09/30/09	06/30/09
Royalties payable	1,209	654	1,209	654
Provision for freight payable	4,620	2,798	5,439	3,156
Other payables (commissions, outside services, utilities and others)	12,334	14,829	27,283	31,382
	18,163	18,281	33,931	35,192

15. DEBT RESTRUCTURING AGREEMENTS

On September 26, 2001, the subsidiary Alpargatas S.A.I.C. - Argentina requested a preventive debt restructuring from creditors. This decision was ratified by the Shareholders' Meeting held on March 1, 2002, and the request was approved by the competent Commercial Court on March 7, 2002.

In December 2005, such Commercial Court, as requested by the subsidiary's Management, issued a decision acknowledging the existence of a pre-agreement with creditors and, on September 15, 2006, after fulfilling certain legal obligations previously required, the subsidiary started to implement the debt restructuring agreement with creditors.

Except the portion of restructuring agreement with banks (see note 13), the amounts with the other creditors are stated in the consolidated financial statements under the caption "Debt restructuring agreements", in current and noncurrent liabilities, in the amounts of R$13,297 and R$30,458, respectively (R$15,147 and R$35,080 on June 30, 2009, respectively). These balances are stated net of adjustment to present value in the amounts of R$9,850 and R$11,526 on September 30 and June 30, 2009, respectively.

The adjustment to present value has been calculated by the subsidiary Alpargatas S.A.I.C. - Argentina based on the difference between the Argentinean base interest rate and the fixed interest rate for adjustment as established in the debt restructuring agreements. This practice is adopted by the subsidiary since the initial registration of such agreements and, therefore, it has not been adopted only to comply with the requirements of CPC 12 - Adjustment to Present Value, with first-time adoption of changes in Brazilian accounting practices. As of June 30, 2009, the average discount rate used for the adjustment was 15% per year.

The effects of reversal of the adjustment to present value are recorded under the caption "Financial expenses" in consolidated and amounted to R$1,973 in the statement of income for the nine-month period ended September 30, 2009.

As of September 30, 2009, reversals expected for the next periods/years for the adjustment to present value are as follows:

2009 (three months)	511
2010	1,960
2011	1,780
2012	1,594
2013 thereafter	4,005
	9,850

16. RELATED PARTIES

Balances with related parties

	09/30/09	06/30/09
Noncurrent assets		
Alpargatas Internacional APS	940	379
Locomotiva Indústria e Comércio de Têxteis Industriais Ltda.	(3,847)	244
CBS S.A. - Companhia Brasileira de Sandálias	36,900	35,968
Alpargatas Imobiliária S.A.	(3,905)	(3,839)
Alpargatas Chile Ltda.		-
Fibrasil Agrícola e Comercial Ltda.	(2,105)	(2,106)
	27,983	30,646

The balance is represented by an intercompany account held by the Company and its subsidiaries due to the centralized management of their cash, and is not subject to financial charges.

Balances receivable and payable from intercompany transactions - Company

	Accounts receivable		Accounts payable	
	09/30/09	06/30/09	09/30/09	06/30/09
Alpargatas USA Inc. - United States (b)	2,942	10,209	-	-
Alpargatas Europe S.L.U. - Spain (b)	897	4,780	-	-
Alpargatas Chile Ltda. - Chile	931	1,016	-	-
Locomotiva Indústria e Comércio de Têxteis Industriais Ltda. - Brazil (d)	-	-	477	270
Grupo Camargo Corrêa (c)	-	-	38	92
	4,770	16,005	515	362

Transactions with related parties

Related-party transactions are as follows:

	Sale of products and services		Purchase of products and services	
	09/2009	09/2008	09/2009	09/2008
São Paulo Alpargatas S.A. (a)	18,534	10,336	15,171	36,444
Alpargatas USA Inc. - United States	-	-	12,454	10,336
Alpargatas Europe S.L.U. - Spain	-	-	5,749	-
Alpargatas Chile Ltda. - Chile	-	-	331	-
Locomotiva Amazônia Ind. e Com. Têxteis Ind. Ltda. - Brazil	-	13,006	-	-
Locomotiva Indústria e Comércio de Têxteis Industriais Ltda. - Brazil	2,789	4,375	-	-
Grupo Camargo Corrêa:			-	-
Rentals and common area management fees	1,512	1,040	-	-
Shared services - CSC (e)	9,142	12,261	-	-
Corporate projects	1,714	5,713	-	-
Purchase of property, plant and equipment	14	49	-	-
	33,705	46,780	33,705	46,780

(a) It mainly consists of sales of "Havaianas" sandals to subsidiaries in the United States and Spain. Due to the operations model and the distribution channel format defined by Management to begin the Company's business internationalization process, "Havaianas" sandals are manufactured in Brazil and later sold to foreign subsidiaries, and such sales were made at prices lower than those for customers of unrelated parties located in Brazil.

During the nine-month period ended September 30, 2009, the Company had not recorded any write--off or provision for doubtful accounts on balances receivable from its foreign subsidiaries.

(b) Accounts receivable for sales of products described in item (a), the receipt of which shall occur between October 2009 and March 2010.

(c) Accounts payable for the provision of services described in item (e).

(d) Amounts payable for the purchase of production inputs, mainly canvas for the manufacturing of footwear, acquired with subsidiary Locomotiva Indústria e Comércio de Têxteis Industriais Ltda.

(e) Consists of costs with shared corporate services, such as telephone, insurances, administrative and Information Technology, the provision of which is provided for in an agreement entered into between Shared Service Center of Camargo Corrêa S.A.

As of September 30, 2009, except for the agreements granted to support loans, as mentioned in note 13, the Company and its subsidiaries have not granted other guarantees to related parties.

17. ACCRUAL FOR CONTINGENCIES

The Company and its subsidiaries are parties to tax, civil and labor lawsuits arising from assessments by tax authorities and from claims filed by third parties and former employees or from legal proceedings and challenges. An accrual for contingencies was recognized when, in the opinion of Management and its legal counsel, the risk of loss was considered probable. The reserve is as follows:

	Company		Consolidated	
	09/30/09	06/30/09	09/30/09	06/30/09
Labor claims (a)	15,201	15,150	23,560	23,679
Tax lawsuits (b)	7,193	7,065	10,426	10,503
Civil lawsuits	(3,134)	4,232	(3,134)	4,432
Judicial deposits	3,240	(3,006)	3,907	(3,006)
	22,500	23,441	34,759	35,608
Current portion	4,721	4,670	8,030	8,060
Noncurrent portion	17,779	18,771	26,729	27,548

(a) Refer to lawsuits filed against the Company and its subsidiaries by former employees claiming principally termination pay, salary premiums, overtime and other amounts due for joint liability, which are accrued according to the classification of loss made by the Management of the Company and its subsidiaries, based on the risk assessment of loss, classified as probable loss by its legal counsel.

(b) Consist basically of tax notifications related to tax on revenue (COFINS), São Paulo State VAT (ICMS) and Occupational Accident Insurance (SAT).

Changes

	Company				
	Labor	Tax	Civil	Judicial deposits	Total
Balance as of December 31, 2008	15,437	6,799	4,232	(2,740)	23,728
Increases (reversals)	1,041	143	-	(143)	1,041
Payments	(1,408)	-	-	-	(1,408)
Balance as of March 31, 2009	15,070	6,942	4,232	(2,883)	23,361
Increases (reversals)	1,152	123	-	(123)	1,152
Payments	(1,072)	-	-	-	(1,072)
Balance as of June 30, 2009	15,150	7,065	4,232	(3,006)	23,441
Increases (reversals)	435	128	108	(128)	543
Payments	(384)	-	(1,100)	-	(1,484)
Balance as of September 30, 2009	15,201	7,193	3,240	(3,134)	22,500

	Consolidated				
	Labor	Tax	Civil	Escrow deposits	Total
Balance as of December 31, 2008	25,537	10,932	4,496	(2,740)	38,225
Increases (reversals)	1,214	143	-	(143)	1,214
Payments	(2,086)	-	-	-	(2,086)
Alpargatas S.A.I.C. - Argentina	7	(145)	(20)	-	(158)
Balance as of March 31, 2009	2,672	10,930	4,476	(2,883)	37,195
Increases (reversals)	1,105	123	-	(123)	1,105
Payments	(1,359)	-	-	-	(1,359)
Alpargatas S.A.I.C. - Argentina	(739)	(550)	(44)	-	(1,333)
Balance as of June 30, 2009	23,679	10,503	4,432	(3,006)	35,608
Increases (reversals)	1,904	128	109	(128)	2,013
Payments	(1,989)	-	(1,100)	-	(3,089)
Alpargatas S.A.I.C. - Argentina	(34)	(205)	466	-	227
Balance as of September 30, 2009	23,560	10,426	3,907	(3,134)	34,759

Possible losses - tax lawsuits

The Company and its subsidiaries are parties to tax and civil lawsuits that are not accrued since their risk of loss was classified by Management and its lawyers and legal counsel as possible. Contingent liabilities are as follows:

	Company and consolidated	
	09/30/09	06/30/09
Tax:		
Tax deficiency notice - IRRF (a)	7,656	7,577
Other	2,149	1,957
	9,805	9,534
Civil	5,009	5,867

(a) Tax deficiency notice for the collection of IRRF, offset against credits arising from negative balance of IRPJ.

Additionally, in December 2005, a company holding the rights to a certain sports brand filed a civil lawsuit against the Company for compensation of losses on supposed breaches of the license agreement, which was terminated in prior years. The Company's legal counsel understood that an unfavorable outcome was possible and that the amount involved could not be calculated yet and, therefore, no reserve was recorded to cover this contingency. In February 2007, there was a decision favorable to the Company determining the termination of the lawsuit. This decision is subject to an appeal that will be judged by the São Paulo Court of Justice on a date not yet defined.

18. TAXES WITH SUSPENDED PAYMENT AND OTHERS

		Company and consolidated	
		09/30/09	06/30/09
COFINS (tax on revenue) - Law 9718/98		26,828	26,508
Judicial deposits		(26,828)	(26,508)
	(a)	-	-
COFINS - deduction of ICMS from tax basis		28,147	25,601
Judicial deposits		(8,273)	(8,250)
	(b)	19,874	17,351
Other		3,552	3,111
Total Company		23,426	20,462
Tax debt refinancing program (PAES/PEX) - PIS and COFINS- CBS S.A. - Companhia Brasileira de Sandálias	(c)	7,571	7,850
Alpargatas S.A.I.C. - Argentina		5,968	7,070
Total consolidated		36,965	35,382

(a) COFINS (tax on revenue) - Law 9718/98

On March 8, 1999, the Company obtained an injunction on the ordinary lawsuit challenging the constitutionality of Law 9,718/98 and Constitutional Amendment 20, more specifically on the increase of 1% in COFINS rate and the expansion of the COFINS and PIS tax basis. This injunction authorized the payment of these contributions as provided for in legislation prevailing until January 1999.

Beginning on that date, the amounts of these taxes for the periods under litigation were recorded in liabilities as taxes with suspended payment, and started to be monetarily adjusted based on SELIC rate, the monetary adjustment effects of which were recorded under "Financial expenses" in the statement of income. From September 2002 to January 2004, the Company deposited in judicial the amount under litigation.

In March 2006, after an unfavorable decision rendered by the Federal Supreme Court (STF) on the extraordinary appeal related to the increase of 1% in COFINS rate, the Company decided to pay the amount calculated for the periods from: (i) March 1999 to August 2002; and (ii) February 2004 to March 2006, in the total amount of R$43,041. Such decision was made and did not affect the continuity of the litigation related to the period from September 2002 to January 2004, and the Company started to make the

payments of the monthly calculations from April 2006, the amount of which was recorded as tax with suspended payment and escrow deposit, and amounted to R$26,828, monetarily adjusted.

On May 27, 2009, Law 11941 revoking paragraph 1, article 3 of Law 9718/98, related to the expansion of the tax basis of PIS and COFINS, was enacted, a fact that strengthened the grounds challenged by the Company. With this change, considering the decision rendered by STF that enacted a binding in the beginning of August 2009, the Brazilian Institute of Independent Auditors (IBRACON) enacted the Technical Bulletin - CT 05/09 allowing that part of PIS and COFINS related to the expansion of the tax basis was reversed by the companies. Accordingly, on the closing of financial statements for the six-month period ended June 30, 2009, the Company reversed the portion corresponding to this liability with suspended payment, in the total amount of R$12,401, and it was recorded in the statement of income of the six-month period then ended, under the caption "Other operating revenues" (see note 21).

Therefore, the amounts recorded on September 30, 2009 refer solely to the portion related to the increase of 1% in the COFINS rate, for which STF rendered an unfavorable decision against the grounds presented by the Company in August 2009. The Company's lawsuit was not judged yet, however, based on the judgment of the grounds, it will have an unfavorable outcome, and the judicial deposits shall be converted into revenue for the Federal Government.

On September 30 and June 30, 2009, accrued amounts and judicial deposits are adjusted based on the SELIC rate.

(b) COFINS - deduction of ICMS from tax basis

Since 1993, the Company is challenging in court the inclusion of ICMS in the COFINS tax basis and made judicial deposits from May 1993 to February 1996.

In June 2008, the Company started to use the stay of lawsuit obtained in an injunction filed with the STF to continue to deduce ICMS from COFINS tax basis without having to make judicial deposits.

On September 30 and June 30, 2009, accrued amounts and escrow deposits are adjusted based on the SELIC rate.

(c) PAES/PAEX - COFINS and PIS

On July 31, 2003 and September 29, 2006, subsidiary CBS S.A. - Companhia Brasileira de Sandálias joined PAES and PAEX (tax debt refinancing programs), respectively, to pay COFINS and PIS for the period from January 2003 to July 2004 in 120 installments. On September 30, 2009, the annual maturities of the amounts payable are as follows:

Year	R$
2010 (three months)	368
2011	1,472
2012 thereafter	5,731
Total	7,571

By virtue of such refinancing, the subsidiary assumes the commitment to timely pay the installments, as well as other taxes and federal contributions calculated on a monthly basis.

19. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred

	Company and consolidated	
	09/30/09	06/30/09
Current assets - temporary differences:		
Allowance for loan losses	2,584	2,355
Provision for inventory losses	1,349	1,613
Reserve for contingencies	1,605	1,588
Other temporary differences	8,999	10,384
Total Company	14,537	15,940
Subsidiaries:		
Alpargatas International APS	2,914	3,069
Alpargatas Chile	4	3
Deferred taxes on unrealized profits on inventories	1,572	2,063
Total consolidated	19,027	21,075
Noncurrent assets-		
Tax loss carryforwards	6,482	6,482
Temporary differences:		
Provision for taxes with suspended payment	10,302	9,508
Reserve for contingencies	5,680	6,017
Other temporary differences	1,413	1,863
Total Company	23,877	23,870
Subsidiaries:		
Alpargatas S.A.I.C. - Argentina	3,314	3,813
Alpargatas Chile	552	597
Total consolidated	27,743	28,280
Noncurrent liabilities (Company and consolidated):		
Accrual for income tax (IRPJ) and social contribution (CSLL) (a)	19,472	19,472
Judicial deposits	(6,277)	(6,277)
Accrual for IRPJ and CSLL on amortized goodwill on acquisition of subsidiaries (b)	1,223	815
Accrual for income tax on royalties	3,836	3,532
	18,254	17,542

(a) The Company is challenging in court the right to offset credits derived from tax loss carryforwards against the total income tax and social contribution amounts payable each year without considering the legal limit of 30%. As a result, the Company recorded in noncurrent liabilities the portion in excess of the legal limit of 30% that it has offset, plus financial charges, based on the SELIC rate.

In view of this challenge, the deferred tax credit was recognized on tax loss carryforwards, as if the legal limit of 30% for offset had been considered.

If the final court decision is favorable to the Company, the balance of the deferred asset will be matched with the related liability, and accrued charges will be reversed and credited to income for the year at that time.

(b) As mentioned in note 12, due to the suspension of the accounting practice to amortize the goodwill generated on the acquisition of subsidiaries, according to the changes in Brazilian accounting practices introduced by Laws 11638/07 and 11941/09, since January 1, 2009, the Company started to take advantage of the tax benefit of the goodwill generated on the acquisition of the subsidiary CBS S.A. - Companhia Brasileira de Sandálias, after merger of former subsidiary Atlântico Participações S.A., through the Tax Transition Regime (RTT), the effect of which has been previously offset at the rate of 1/60 per month, with a monthly amortization amount of R$400, which is generating a tax impact of R$136 per month. Thus, as required by the Brazilian accounting practices, the difference between the tax advantage basis and the accounting amortization is being considered a temporary difference for deferred IRPJ and CSLL, the effects of which are recorded in noncurrent liabilities.

Additionally to the tax credits recognized on tax loss carryforwards, due to the lack of a taxable income history recorded by subsidiaries, there are tax credits on tax loss carryforwards generated by subsidiaries for which deferred tax credits were not recognized as of September 30, 2009, the amounts of which are as follows:

	Tax credit not recognized
CBS S.A. - Companhia Brasileira de Sandálias	13,157
Alpargatas S.A.I.C. - Argentina	25,401
Alpargatas USA Inc. - United States	21,078
Alpargatas Europe S.L.U. - Spain	2,332
Alpargatas Chile Ltda. - Chile	903
Alpargatas France S.A.R.L. - France	346
Alpargatas UK Limited - United Kingdom	46
Total	63,263

As required by CVM Resolution 273/98 and CVM Instruction 371/02, Management, based on estimated future taxable income, expects recorded tax credits to be fully realized over the next five years.

The estimated realization of the amounts recorded in noncurrent assets is as follows:

Company	09/30/09	06/30/09
2010	4,775	4,774
2011	7,163	7,161
2012 thereafter	11,939	11,935
Total Company	23,877	23,870
Subsidiaries (2012 thereafter)	3,866	4,410
	27,743	28,280

b) Income tax and social contribution expense

As of September 30, 2009 and 2008, the income tax and social contribution expense, recorded in the statement of income, is represented by:

	Company		Consolidated	
	09/30/09	09/30/08	09/30/09	09/30/08
Income before income tax and social contribution	87,162	118,696	92,029	121,201
Combined tax rate (IRPJ and CSLL)	34%	34%	34%	34%
Income tax and social contribution expenses at statutory rate	(29,635)	(40,357)	(31,290)	(41,208)
Equity in subsidiaries	(17,523)	(11,659)	(5,192)	(1,609)
Interest on capital benefit	8,307	13,491	8,307	13,491
Tax effects of the adoption of the Tax Transition Regime (RTT) (Law 11638/07 and Provisional Act 449/08):				
Investment grant - ICMS	23,329	19,243	23,329	19,243
Stock option plan expenses	(130)	-	(130)	-
Tax incentive benefit - IRPJ	1,591	3,137	2,568	4,194
Goodwill amortization (nondeductible installment)	-	(1,783)	-	(1,783)
Unrecorded tax credit on tax loss of foreign subsidiaries	-	-	(13,482)	(12,563)
Other permanent additions, net	(1,304)	(305)	(1,475)	(692)
Income tax and social contribution expense	(15,365)	(18,233)	(17,365)	(20,927)
Current	(13,088)	(16,540)	(17,039)	(19,234)
Deferred charges	(2,277)	(1,693)	(326)	(1,693)

20. SHAREHOLDERS' EQUITY

a) Capital

Paid-up capital as of September 30 and June 30, 2009 is R$391,804, represented by 17,672,794 shares without par value, of which 9,076,204 are common shares and 8,596,590 are preferred shares.

The Company's bylaws authorize the increase of its capital up to the total limit of 18,152,408 shares, complying with the proportionality among the existing classes, and the Board of Directors shall determine the conditions applicable to the issuance of shares, based on the authorized capital, as well as whether or not the preference right of the current shareholders shall be applied, pursuant to the terms of article 172 of Law 10303/01.

Subscribed and paid up capital is as follows:

As of September 30, 2009:

	Common shares		Preferred shares		Total	
Shareholders	Quantity	%	Quantity	%	Quantity	%
Controlling shareholders (Camargo Corrêa Group)	6,079,879	66.99	1,717,847	19.98	7,797,726	44.12
Management:						
Board of Directors	1,793,253	19.76	22,200	0.26	1,815,453	10.27
Executive Committee	-	-	-	-	-	-
Supervisory Board	1,100	0.01	9,100	0.11	10,200	0.06
Other shareholders	1,201,972	13.24	6,847,443	79.65	8,049,415	45.55
Total	9,076,204	100.00	8,596,590	100.00	17,672,794	100.00

As of June 30, 2009:

	Common shares		Preferred shares		Total	
Shareholders	Quantity	%	Quantity	%	Quantity	%
Controlling shareholders (Camargo Corrêa Group)	6,079,879	66.99	1,717,847	19.98	7,797,726	44.12
Management:						
Board of Directors	760,135	8.38	22,100	0.26	782,235	4.43
Executive Committee	-	-	-	-	-	-
Supervisory Board	1,100	0.01	9,100	0.11	10,200	0.06
Other shareholders	2,235,090	24.62	6,847,543	79.65	9,082,633	51.39
Total	9,076,204	100.00	8,596,590	100.00	17,672,794	100.00

b) Share buyback plan

At the Board of Directors' Meeting held on March 13, 2009, a program for the buyback of the Company's shares was approved, establishing the acquisition of up to 433,213 preferred shares and 299,632 common shares. From March 16, 2009, date on which the plan is effective, until September 30, 2009, no share was acquired in stock market.

In the nine-month period ended September 30, 2009, changes in treasury shares account were as follows:

	Quantity	Average cost
Balance at beginning of quarter	254,661	111.91
Sales (exercise of options)	(5,340)	111.91
Acquisitions (exercise of options)	5,340	79.39
Balance at end of quarter	254,661	111.23

c) Dividends and interest on capital

Every year shareholders are entitled to receive mandatory minimum dividends of 25% of net income, calculated in accordance with Brazilian Corporate Law and the bylaws.

In the nine-month period ended September 30, 2009, interest on capital was declared by Management amounting to R$24,431 (R$21,054, net of withholding income tax (IRRF)).

d) Investment reserve

Recognized for use in future investments based on capital budget approved by the Annual Shareholders' Meeting held in April 2009.

e) Tax incentive reserves

Beginning January 1, 2008, tax incentives started to be recorded directly in income, and after the close of the annual financial statements, recognized in line account "Tax incentive reserve".

21. OTHER OPERATING INCOME (EXPENSES)

	Company		Consolidated	
	09/30/09	09/30/08	09/30/09	09/30/08
Other operating income:				
Gain on sale of properties	-	1,272	-	1,272
Gains on favorable final and unappealable decisions in lawsuits (a)	11,805	19,498	11,805	19,498
Other	2,561	5,365	2,561	5,365
	14,366	26,135	14,366	26,135
Other operating expenses:				
Amortization of intangible assets/deferred charges	(12,917)	(8,621)	(14,610)	(9,450)
Goodwill amortization in subsidiaries	-	(7,632)	-	(7,632)
Reserve for contingencies	(4,112)	(1,817)	(4,332)	(1,817)
Other	(2,884)	(89)	(6,453)	(2,648)
	(19,913)	(18,159)	(25,395)	(21,547)

(a) In the nine-month period ended September 30, 2008, the Company recognized a favorable final and unappealable outcome in lawsuits amounting to R$25,945 related to:

- R$18,182 - IPI (federal VAT) premium credit established by Decree-Law 491/69 and Decree 64833/69, where the Company challenged the refusal to grant the benefit in the period from May 1989 to October 1990.

- R$4,700 - unconstitutionality of the tax on net income (ILL), overpaid from 1989 and 1992, and related inflation adjustment. The total amount, including the inflation adjustment paid to the federal tax authority, is recorded under "Recoverable taxes" in current assets (see details in note 9.(a)).

- R$1,789 - unconstitutionality of the tax on revenue (FINSOCIAL) on the operations of its former subsidiary SPASA Trading Ltda.

- R$1,274 - unconstitutionality of the Public Cleansing Tax charged by the city of São Paulo.

These amounts were recorded net of related lawyers' fees, in the total net amount of R$19,498.

Additionally, as mentioned in note 18.(a), for the six-month period ended June 30, 2009 the Company reversed the liability with suspended payment related to PIS and COFINS - increase in the tax basis introduced by Law 9718/98, in the total amount of R$12,401, of which R$11,805 is net of attorney's fees in the amount of R$596.

22. FINANCIAL INSTRUMENTS

a) General considerations

The Company and its subsidiaries conduct transactions involving financial instruments, including derivatives, all of which recorded in balance sheet accounts, which are intended to meet their operating and financial needs. The Company contracts short-term investments, loans and financing, as well as derivatives.

These financial instruments are managed based on policies, definition of strategies and establishment of control systems, which are monitored by the Company's Management.

In the Company, balances with related parties refer to the management of a single cash (cash and cash equivalents) by the Company, and there are no financial charges on these transactions.

Short-term investments

The short-term investments policy established by the Company's and its subsidiaries' Management elects the financial institutions with which contracts can be entered into and defines limits for the amounts to be invested in each financial institution, and as of September 30 and June 30, 2009 short-term investments are within the limits.

Loans and financing

Loans and financing are recorded based on contractual interest for each operation, as shown in note 13.

Derivative policy

Due to the financial obligations assumed by the Company and its subsidiaries in foreign currencies, Management, pursuant to guidelines established by the Company's Board of Directors, may contract derivative transactions to minimize foreign exchange risks arising from financial liabilities and accounts payable for the import of production inputs, within the exposure limits linked to these risks.

Timely exchange exposure projection and evaluation routines for the Company and its subsidiaries are included among treasury procedures defined by the current policy on which Management bases its decisions as regards the use of such derivatives.

Although the Company and its subsidiaries use derivatives for hedging purposes, they do not adopt the hedge accounting.

b) Foreign exchange exposure and details on derivative transactions

As of September 30 and June 30, 2009, the main captions linked to foreign currency are described below:

	Company		Consolidated	
	09/30/09	06/30/09	09/30/09	06/30/09
Assets:				
Trade accounts receivable (*)	27,799	39,520	76,582	88,859
Advance on foreign exchange contract	(8,563)	(25,426)	(4,545)	(10,291)
	19,236	14,094	72,037	78,568
Liabilities:				
Loans and financing (**)	1,766	1,905	121,160	170,406
Suppliers	20,245	26,500	43,733	49,828
Royalties payable	1,209	654	1,209	654
Total liabilities and shareholders' equity	23,220	29,059	166,102	220,888
Net exposure	(3,984)	(14,965)	(94,065)	(142,320)
Foreign subsidiaries	-	-	87,371	113,905
Net exposure for sensitivity analysis purpose	(3,984)	(14,965)	(6,694)	(28,415)

(*) In the consolidated financial statements as of September 30, 2009, 66.2% (67.1% as of June 30, 2009) refer to trade accounts receivable of foreign subsidiaries (Alpargatas USA Inc., Alpargatas Europa S.L.U., Alpargatas Chile Ltda. and Alpargatas S.A.I.C. - Argentina) and 33.8% (32.9% as of June 31, 2009) refer to foreign trade accounts receivable of the Company in Brazil.

(**) In the consolidated financial statements as of September 30, 2009, 94.0% (88.8% as of June 30, 2009) refer to loans in local currency of foreign subsidiaries (Alpargatas USA Inc., Alpargatas Europa S.L.U., Alpargatas Chile Ltda. and Alpargatas S.A.I.C. - Argentina) and 6.0% (11.2% as of June 30, 2009) refer to transactions in Brazil (FINIMP and Advance on Foreign Exchange Contract (ACC/ACE)), as shown in note 13.

Foreign exchange risk arises from the fluctuation of foreign exchange rates on loans and financing, trade accounts receivable and trade accounts payable and royalties denominated in foreign currency.

In the three-month period ended September 30, 2009, forward transactions held in the portfolio by subsidiary Alpargatas S.A.I.C.- Argentina used as exchange rate hedging instruments matured and were not renewed. Therefore, as of September 30, 2009, the Company and its subsidiaries did not have any outstanding transaction involving derivatives.

In addition, subsidiary Alpargatas S.A.I.C. - Argentina recorded net gains of R$272 in exchange rate change, net, in consolidated, related to the forward transactions terminated through September 30, 2009.

c) Market values

As of September 30 and June 30, 2009, the market value of short-term investments approximates the values recorded in financial statements since they are based on the CDI rate. Loans and financings are monetarily adjusted based on interest rates contracted according to the usual market conditions and, therefore, balances payable on the balance sheet dates substantially approximate their market values, including those classified as “Noncurrent”.

d) Credit risk

Sales are made substantially to retailers and hypermarkets. The credit risk is reduced by virtue of the higher dispersion of the customer portfolio and evaluation procedures and credit grants.

e) Sensitivity analysis of financial instruments

Foreign exchange exposure (consolidated)

For the foreign exchange sensitivity analysis consolidated as of September 30, 2009, the Company did not consider loans and financing contracted by foreign subsidiaries, denominated in local functional currencies, for which its Management understands that there is no risk of currency exposure.

As of September 30, 2009, considering foreign exchange exposures described in item b), the sensitivity analysis of outstanding positions is as follows:

	Loss	
	Possible	Remote
Company risk	scenario	scenario
U.S. dollar appreciation	1,674	3,347

The possible scenario considers a 25% devaluation of Brazilian real over U.S. dollar, using the exchange rate as of September 30, 2009 of R$1.7781/US$1.00 (R$2.2226/US$1.00), and the remote scenario considers a 50% devaluation (R$2.6671/US$1.00).

Considering these parities, the result would be a loss of R$1,674 in the possible scenario and a loss of R$3,347 in the remote scenario.

Management did not consider the sensitivity analysis for the probable scenario because it understands that this scenario reflects exchange rate changes already recorded in the financial statements for the nine-month period ended September 30, 2009.

23. STOCK OPTION PLANS

The Company grants preferred share purchase options to the members of its Board of Directors through plans approved by the Extraordinary Shareholders' Meeting held on April 26, 2002 and October 26, 2006, respectively, with the purpose of retaining them in the Company and encouraging them to contribute to the interest and objectives of the Company and its shareholders. The plans are managed by the Human Resources area of the Company.

General provisions of stock option plans

a) Plans created in 2002-2008

For plans approved in 2002, 2003, 2004 and 2005, the grace period to exercise the options is two years, with vesting of 20% in the second year, 20% in the third year, 20% in the fourth year and 40% in the fifth year, after the granting, with a maximum term of up to ten years for the exercise of the options granted.

The vesting period of plans approved in 2006, 2007 and 2008 is three years, with vesting of 30% in the third year (two-month exercise period), 30% in the fourth year (two-month exercise period), and 40% in the fifth year, with a maximum term of five years and two months for the exercise of the options granted. In these plans, the exercise of options is dependent on the attainment of performance goals, based on internal performance indicators.

The criteria to determine the initial prices for the exercise of the options granted according to the plans are as follows:

(i) Plans from 2002 to 2005: initial price of exercise equivalent to the weighted average by trading volume of the closing quotations of the Company's preferred shares on BMF&BOVESPA during the last 60 trading sessions before the date of approval of each annual plan. The exercise price is adjusted by the general market price index (IGP-M).

(ii) Plans from 2006 to 2008: initial price of exercise equivalent to the weighted average by trading volume of the closing quotations of the Company's preferred shares on BMF&BOVESPA during the last 60 trading sessions prior to May 31 of the year of granting. The exercise price is adjusted by the Extended Consumer Price Index (IPCA).

b) New plans granted beginning the third quarter of 2009

On July 1, 2009, the Company granted 56,000 stock options with vesting, exercise term and performance conditions similar to the 2006-2008 stock options. The initial exercise price is R$70.57.

Changes in the stock options plans in the period

For the periods ended September 30 and June 30, 2009, respectively, stock option plans is summarized as follows:

	September 30, 2009		June 30, 2009	
	Number of options	Weighted average exercise price - R$	Number of options	Weighted average exercise price
Outstanding options at beginning of period	217,654	69.48	217,654	R$68.82
Options granted	56,000	70.57	-	-
Options exercised	(5,340)	29.41	-	-
Outstanding options at end of period	268,314	64.07	217,654	R$69.48

As regards the options exercised during the period ended September 30, 2009, the weighted average market price of preferred shares at yearend was R$78.50.

Outstanding options at end of period

Stock options outstanding at end of each period are as follows:

	Outstanding options			
Period	Options not exercised at end of period	Remaining contractual life (months)	Exercise price range (R$)	Exercisable options at end of period
September 30, 2009	268,314	53	18.93 - 160.95	118,983
June 30, 2009	217,654	54	19.01 - 159.94	69,270

Detailed features of the stock options, by plan:

	September 30, 2009			
Grant date	Options not exercised at end of period	Remaining contractual life (months)	Exercise price (R$)	Exercisable options at end of period
July 1, 2002	8,900	33	18.93	8,900
July 1, 2003	18,180	45	21.53	18,180
July 1, 2004	54,802	57	27.44	54,802
July 1, 2005	58,438	69	38.84	29,306
July 1, 2006	25,994	23	109.82	7,795
July 1, 2007	18,500	35	160.95	-
July 1, 2008	27,500	47	110.83	-
July 1, 2009	56,000	59	71.02	-
Total	268,314	53	18.93 - 160.95	118,983

	June 30, 2009			
Grant date	Options not exercised at end of period	Remaining contractual life (months)	Exercise average price - R$	Exercisable options at end of period
July 1, 2002	8,900	36	19.01	8,900
July 1, 2003	19,960	48	21.61	19,960
July 1, 2004	56,582	60	27.54	23,890
July 1, 2005	60,218	72	38.98	16,520
July 1, 2006	25,994	26	109.13	-
July 1, 2007	18,500	38	159.94	-
July 1, 2008	27,500	50	110.14	-
July 1, 2009	-	-	-	-
Total	217,654	54	19.01 - 159.94	69,270

Impact on income (expenses)

For accounting purposes, the fair value of the options was estimated using a binomial valuation model. The accounting expense recorded in income (expenses) from the stock options plan was R$260.90 for the period ended September 30, 2009, versus R$206.10 for the period ended June 30, 2009. The calculation of the expense assumes that 100% of performance targets will be met (for 2006-2009 grants) and that 0% of the options will be canceled.

The fair value on grant date of the stock options granted on July 1, 2009 was estimated at R$27.69. The performance conditions were not reflected in the fair values as they are based on internal performance indicators. The expected volatility assumption was based on historic volatility in the three-year period prior to the grant date, and the early exercises were reflected using a Hull-White type binomial valuation model, with a voluntary exercise trigger of 110% of the exercise price.

The main assumptions used in the calculation are as follows:

Amounts expressed in R$:

Share price	78.99
Exercise price	70.57
Expected volatility	39.00%
Expected dividends	3.50%
Risk-free rate (real)	6.75%
Post-vesting rate	10.00%
Fair value	27.69

The table below shows the simulated effects arising from:

(i) Scenario I: exercise of the options granted through September 30, 2009.

(ii) Scenario II: exercise of all vested stock options to be granted under the stock option plan.

In both scenarios, the Company assumed that all options were vested on September 30, 2009, based on the Company's shareholders' equity as of this date:

Amounts expressed in R$

	Scenario I	Scenario II
Weighted-average exercise price	64.07	64.07
Number of preferred shares in the capital	8,596,590	8,596,590
Number of outstanding preferred shares in the capital	8,341,929	8,341,929
Number of shares to be purchased with exercise of options	217,654	599,660
Book value per outstanding share	57.42	57.42
Book value per share considering exercise of options	55.96	53.57
Dilution of book value per share	1.46	3.85
Percentage dilution	2.54%	6.70%

24. MANAGEMENT COMPENSATION

Total management compensation is as follows:

Information for the nine-month period ended September 30:				
			Stock option grant	
	Yield	Pension plans (c)	Balance of options (quantity) (a)	Average exercise price - R$ (b)
2009	3,311	188	268,314	69.92
2008	2,645	190	217,654	67.55

Management compensation is recorded under “General and administrative expenses”.

(a) Refer to the balance of vested and unvested share purchase options, not exercised at the balance sheet dates.

(b) Refer to the average share exercise price adjusted on the balance sheet dates.

(c) Refer to the contributions made to the pension plan in the period.

25. EMPLOYEE BENEFITS

The Company sponsors two pension plans and grants, through its own retirement plan, life annuity and health care benefits for a group of former employees and their spouses. The actuarial liability of these plans, recognized on September 30 and June 30, 2009, is R$2,664, which is recorded under the caption “Other payables” in noncurrent liabilities. The pension plans are as follows:

a) Pension plan - SPASAPREV

This plan was implemented in May 1991 as a defined benefit plan fully funded by the sponsor’s contributions. In August 2000, the “Super Prev” plan was created as a defined contribution plan, to which employees equivalent to 99% of required reserves have already migrated.

Actuarial amounts recognized as of September 30 and June 30, 2009 are as follows:

Present value of actuarial obligation	26,097
Fair value of plan assets	(31,455)
Unrecognized actuarial gain	4,784
Total net asset	(574)

During the nine-month period ended September 30, 2009, the Company made contributions in the total amount of R$2,003 (R$1,300 in the same period of 2008).

b) Pension plan - HSBC

This plan is for a closed group of former employees of the Company and is funded by a multiemployer pension fund. This plan covers only participants who are receiving retirement and survivorship benefits.

Actuarial amounts recognized on September 30 and June 30, 2009 are as follows:

Present value of actuarial obligation	681
Fair value of plan assets	(2,887)
Unrecognized actuarial gain	261
Total net asset (*)	(1,945)

(*) This asset was not recognized in the Company's financial statements as of September 30 and June 30, 2009 due to the lack of evidence of reimbursement or deductions of future contributions.

c) Pension plan for former employees

The Company sponsors a pension plan for former employees, granting life annuity to participants, extended to their spouses upon participants' death.

There are presently six plan participants: five former employees receiving retirement benefit and one pensioner receiving a survivorship benefit.

Actuarial amounts recognized on September 30 and June 30, 2009 are as follows:

Present value of actuarial obligation	1,345
Unrecognized actuarial loss	(531)
Total liability	814

d) Health care plan for retirees

The Company maintains a health care plan for a group of former employees and their spouses, according to the rules established by it.

Actuarial amounts recognized on September 30 and June 30, 2009 are as follows:

Present value of actuarial obligation	2,791
Unrecognized actuarial loss	(941)
Total liability	1,850

26. PROFIT SHARING

The Company offers its employees a profit sharing program linked to the achievement of operating goals and specific objectives annually established and approved for each plant/unit. In the six-month period ended September 30, 2009, the amounts of R$14,192 in the Company and R$17,063 in consolidated (R$8,870 in the Company and R$9,217 in consolidated in the same period of 2008) were recognized in income for the year as employee profit sharing, which is recorded under "Payroll and related taxes", in current liabilities.

27. PLEDGES AND COLLATERALS

As of September 30 and June 30, 2009, in addition to those mentioned in note 13, pledges and collaterals provided by the Company to financial institutions amount to R$4,012 and R$5,681, Company, and R$4,812 and R$5,734, consolidated, respectively, referring to vendor financing.

28. COMMITMENTS ASSUMED

The Company has commitments deriving from an agreement for supply of electric power effective through 2009, and the minimum monthly amount of 25,313 kW shall be acquired, equivalent to R$567, which may be modified within a minimum term of nine months. As of September 30, 2009, the Company was compliant with the commitments herein.

29. INSURANCE (INFORMATION NOT REVIEWED BY INDEPENDENT ACCOUNTANTS)

The Company and its subsidiaries have insurance coverage for property, plant and equipment and inventories subject to risk of fire, in the amount of actual cash value replacement, and for coverage of loss of profits. As of September 30, 2009, insurance coverage (consolidated) is considered sufficient by Management to cover the related risks.