Report

Quarterly Financial Information (ITR)

Alpargatas S.A.

September 30, 2012
with Independent Auditor's Review Report

Ernst & Young Terco
Quality In Everything We Do

Quarterly Financial Information (ITR)

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A free translation from Portuguese into English of Independent Auditor's Review Report on Quarterly Financial Information (ITR) prepared in accordance with accounting practices adopted in Brazil

Independent auditor's review report on quarterly information

The Shareholders, Board of Directors and Officers
Alpargatas S.A.
São Paulo - SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Alpargatas S.A., contained in the Quarterly Financial Information Form (ITR) for the quarter ended September 30, 2012, which comprise the balance sheet as at September 30, 2012 and the related statement of operations and statement of comprehensive income for the three and nine-month periods then ended and statement of changes in equity and cash flow statements for the nine-month period then ended, including explanatory notes.

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

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Financial Information (ITR), and presented consistently with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Financial Information (ITR), and presented consistently with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Statements of value added

We also reviewed the individual and consolidated statements of value added (SVA), for the nine-month period ended September 30, 2012, prepared under the responsibility of Company management, whose presentation in the interim financial information is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Financial Information (ITR) and considered supplementary information under IFRS, which do not require SVA presentation. These statements were submitted to the same review procedures previously described and, based on our review, we are not aware of any fact that would make us believe that they were not prepared, in all material respects, in accordance with the overall individual and consolidated interim financial information.

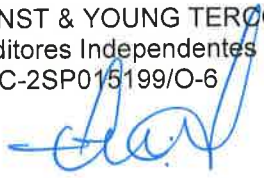
Audit and review of prior-year/period corresponding figures

The corresponding figures for the three and nine-month periods ended September 30, 2011, presented for comparison purposes, were previously reviewed by other independent auditors who issued an unqualified opinion dated November 11, 2011.

The corresponding figures for the year ended December 31, 2011, presented for comparison purposes, were previously audited by other independent auditors who issued an unqualified opinion dated March 16, 2012.

São Paulo, November 9, 2012.

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC-2SP015199/O-6



Waldyr Passetto Junior
Accountant CRC-1SP173518/O-8

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Company Information / Capital Breakdown

Number of Shares (in thousands)	Current Quarter 9/30/2012
Paid-in Capital	
Common	199,676
Preferred	189,125
Total	388,801
Treasury Shares	
Common	0
Preferred	5,603
Total	5,603

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Company Information / Cash Dividends

Event	Approval	Type	Date of Payment	Type of Share	Class of Share	Amount per Share (R$/share)
Board of Directors Meeting	3/16/2012	Interest on Equity	4/18/2012	Common		0.05917
Board of Directors Meeting	3/16/2012	Interest on Equity	4/18/2012	Preferred		0.06509
Board of Directors Meeting	5/4/2012	Interest on Equity	7/4/2012	Common		0.05429
Board of Directors Meeting	5/4/2012	Interest on Equity	7/4/2012	Preferred		0.05972
Board of Directors Meeting	8/6/2012	Interest on Equity	9/3/2012	Common		0.05130
Board of Directors Meeting	8/6/2012	Interest on Equity	9/3/2012	Preferred		0.05643
Board of Directors Meeting	11/9/2012	Interest on Equity	12/12/2012	Common		0.05230
Board of Directors Meeting	11/9/2012	Interest on Equity	12/12/2012	Preferred		0.05753

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Individual Quarterly Financial Information / Balance Sheet - Assets

R$ (in thousands)

Code	Description	9/30/2012	12/31/2011
1	Total Assets	2,340,016	2,034,938
1.01	Current Assets	1,497,905	1,291,951
1.01.01	Cash and Cash Equivalents	455,371	451,388
1.01.02	Short-Term Investments	127,050	160,487
1.01.02.02	Short-Term Investments Measured at Amortized Cost	127,050	160,487
1.01.02.02.01	Securities Held to Maturity	127,050	160,487
1.01.03	Accounts Receivable	543,900	433,456
1.01.03.01	Trade Accounts Receivable	543,900	433,456
1.01.04	Inventories	316,699	198,200
1.01.06	Taxes Recoverable	22,366	15,886
1.01.06.01	Current Taxes Recoverable	22,366	15,886
1.01.07	Prepaid Expenses	11,035	6,293
1.01.07.01	Prepaid Expenses	2,768	4,977
1.01.07.02	Prepaid Advertising Expenses	8,267	1,316
1.01.08	Other Current Assets	21,484	26,241
1.01.08.03	Other	21,484	26,241
1.01.08.03.01	Advance to Suppliers	14,153	1,077
1.01.08.03.02	Accounts Receivable – Employees	2,890	3,458
1.01.08.03.03	Accounts Receivable from Sale of Subsidiary	0	17,094
1.01.08.03.04	Dividends Receivable	0	1,045
1.01.08.03.05	Other	4,441	3,567
1.02	Noncurrent Assets	842,111	742,987
1.02.01	Long-Term Receivables	106,491	84,699
1.02.01.06	Deferred Taxes	46,405	41,148
1.02.01.06.01	Deferred Income and Social Contribution Taxes	46,405	41,148
1.02.01.08	Receivables from Related Parties	3,916	1,448
1.02.01.08.02	Receivables from Subsidiaries	3,916	1,448
1.02.01.09	Other Noncurrent Assets	56,170	42,103
1.02.01.09.03	Judicial Deposits	11,677	13,665
1.02.01.09.04	Taxes Recoverable	9,500	6,490
1.02.01.09.05	Compulsory Deposits	269	269
1.02.01.09.06	Accounts Receivable from Sale of Subsidiary	12,761	0
1.02.01.09.07	Other Accounts Receivable	21,963	21,679
1.02.02	Investments	373,125	357,367
1.02.02.01	Equity Interest	373,125	357,367
1.02.02.01.02	Interest in Subsidiaries	372,930	357,172
1.02.02.01.04	Other Equity Interest	195	195
1.02.03	Property, Plant and Equipment	278,900	204,700
1.02.03.01	Operational Property, Plant and Equipment	181,149	160,014
1.02.03.03	Construction in Progress	97,751	44,686
1.02.04	Intangible Assets	83,595	96,221
1.02.04.01	Intangible Assets	83,595	96,221

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Individual Quarterly Financial Information / Balance Sheet – Liabilities

R$ (in thousands)

Code	Description	9/30/2012	12/31/2011
2	Total Liabilities	2,340,016	2,034,938
2.01	Current Liabilities	525,565	390,402
2.01.01	Social Charges and Labor Liabilities	85,788	64,745
2.01.01.01	Social Charges	8,161	8,668
2.01.01.02	Labor Liabilities	77,627	56,077
2.01.01.02.01	Salaries and Social Charges	77,627	56,077
2.01.02	Trade Accounts Payable	331,454	218,573
2.01.02.01	Trade Accounts Payable - Domestic	185,628	177,612
2.01.02.02	Trade Accounts Payable - Foreign	145,826	40,961
2.01.03	Tax Liabilities	14,022	4,127
2.01.03.01	Federal Tax Liabilities	3,921	132
2.01.03.01.01	Income and Social Contribution Taxes Payable	1,532	0
2.01.03.01.02	Other Tax Liabilities	2,389	132
2.01.03.02	State Tax Liabilities	10,101	3,995
2.01.04	Loans and Financing	53,962	67,824
2.01.04.01	Loans and Financing	53,962	67,824
2.01.04.01.01	In Domestic Currency	53,962	63,030
2.01.04.01.02	In Foreign Currency	0	4,794
2.01.05	Other Liabilities	32,868	27,950
2.01.05.02	Other	32,868	27,950
2.01.05.02.01	Dividends and Interest on Equity Payable	1,671	843
2.01.05.02.04	Provisions and Other Liabilities	31,197	27,107
2.01.06	Provisions	7,471	7,183
2.01.06.01	Provisions for Tax, Social Security, Labor and Civil Claims	7,471	7,183
2.01.06.01.02	Provisions for Social Security and Labor Claims	7,471	7,183
2.02	Noncurrent Liabilities	197,857	166,848
2.02.01	Loans and Financing	68,815	53,907
2.02.01.01	Loans and Financing	68,815	53,907
2.02.01.01.01	In Domestic Currency	68,815	53,907
2.02.02	Other Liabilities	110,432	94,476
2.02.02.02	Other	110,432	94,476
2.02.02.02.03	Other Liabilities	5,708	4,974
2.02.02.02.04	Suspended Tax Payments and Others	101,961	86,654
2.02.02.02.05	Provisions for Employee Benefits	1,889	1,973
2.02.02.02.06	Tax Installment Payment - Law 11.941/09	874	875
2.02.04	Provisions	18,610	18,465
2.02.04.01	Provisions for Tax, Social Security, Labor and Civil Claims	18,610	18,465
2.02.04.01.01	Provisions for Tax Claims	4,998	4,877
2.02.04.01.02	Provisions for Social Security and Labor Claims	10,480	10,480
2.02.04.01.04	Provisions for Civil Claims	3,132	3,108
2.03	Equity	1,616,594	1,477,688
2.03.01	Paid-In Capital	562,158	518,922
2.03.02	Capital Reserves	125,229	126,514
2.03.02.05	Treasury Shares	(42,828)	(40,587)
2.03.02.07	Other Reserves	177,739	177,739

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Individual Quarterly Financial Information / Balance Sheet – Liabilities

R$ (in thousands)

Code	Description	9/30/2012	12/31/2011
2.03.02.08	Negative Goodwill on Sale of Treasury Shares	(14,556)	(14,217)
2.03.02.09	Additional Paid-In Capital	4,874	3,579
2.03.04	Income Reserves	968,750	865,824
2.03.04.01	Legal Reserve	49,676	49,676
2.03.04.05	Income Retention Reserve	339,188	336,604
2.03.04.07	Tax Incentive Reserve	579,886	479,544
2.03.06	Equity Valuation Adjustments	31,436	33,640
2.03.07	Cumulative Translation Adjustments	(70,979)	(67,212)

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Individual Quarterly Financial Information / Statement of Operations

R$ (in thousands)

Code	Description	Current Quarter 7/1/2012 to 9/30/2012	YTD Current Year 1/1/2012 to 9/30/2012	Same Quarter of Previous Year 7/1/2011 to 9/30/2011	YTD Previous Year 1/1/2011 to 9/30/2011
3.01	Revenue from Sales of Goods and/or Services	595,110	1,576,932	513,593	1,345,660
3.02	Cost of Goods and/or Services Sold	(334,816)	(878,532)	(260,323)	(691,743)
3.03	Gross Profit	260,294	698,400	253,270	653,917
3.04	Operating Expenses/Income	(189,750)	(506,398)	(171,385)	(424,822)
3.04.01	Selling Expenses	(137,474)	(394,931)	(133,607)	(350,216)
3.04.02	General and Administrative Expenses	(32,633)	(98,055)	(30,155)	(87,412)
3.04.04	Other Operating Income	1,021	9,672	1,021	16,935
3.04.05	Other Operating Expenses	(10,775)	(35,588)	(10,496)	(30,799)
3.04.05.01	Amortization of Intangible Assets	(5,089)	(15,136)	(4,777)	(13,582)
3.04.05.02	Other Operating Expenses	(5,686)	(20,452)	(5,719)	(17,217)
3.04.06	Equity Pickup	(9,889)	12,504	1,852	26,670
3.05	Income Before Financial Income (Expenses) and Taxes	70,544	192,002	81,885	229,095
3.06	Net Financial Income	9,891	35,707	13,511	37,158
3.06.01	Financial Income	14,749	58,304	25,188	65,678
3.06.01.01	Foreign Exchange Fluctuations	2,541	14,283	5,001	8,406
3.06.01.02	Other Financial Income	12,208	44,021	20,187	57,272
3.06.02	Financial Expenses	(4,858)	(22,597)	(11,677)	(28,520)
3.06.02.01	Foreign Exchange Fluctuations	(2,014)	(10,752)	(6,290)	(9,550)
3.06.02.03	Other Financial Expenses	(2,844)	(11,845)	(5,387)	(18,970)
3.07	Income Before Income Taxes	80,435	227,709	95,396	266,253
3.08	Income Tax and Social Contribution Tax	(6,375)	(14,046)	(7,913)	(17,657)
3.08.01	Current	(15,615)	(19,303)	(6,461)	(17,639)
3.08.02	Deferred	9,240	5,257	(1,452)	(18)
3.09	Net Income	74,060	213,663	87,483	248,596
3.11	Income/(Loss) for the Period	74,060	213,663	87,483	248,596

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Individual Quarterly Financial Information / Statement of Comprehensive Income

R$ (in thousands)

Code	Description	Current Quarter 7/1/2012 to 9/30/2012	YTD Current Year 1/1/2012 to 9/30/2012	Same Quarter of Previous Year 7/1/2011 to 9/30/2011	YTD Previous Year 1/1/2011 to 9/30/2011
4.01	Net Income for the Period	74,060	213,663	87,483	248,596
4.02	Other Comprehensive Income	(4,328)	(3,767)	15,218	7,076
4.02.01	Profits/(Losses) on Translation of Financial Statements of Subsidiaries Abroad	(4,328)	(3,767)	15,218	7,076
4.03	Comprehensive Income for the Period	69,732	209,896	102,701	255,672

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Individual Quarterly Financial Information / Cash Flow Statement – Indirect Method

R$ (in thousands)

Code	Description	YTD Current Year 1/1/2012 to 9/30/2012	YTD Previous Year 1/1/2011 to 9/30/2011
6.01	Net Cash from Operating Activities	135,485	179,872
6.01.01	Cash Generated by Operations	246,363	248,510
6.01.01.01	Net Income for the Period	213,663	248,596
6.01.01.02	Depreciation and Amortization	31,045	28,046
6.01.01.03	Income from Sale/Write-Off of Property, Plant and Equipment	2,482	1,336
6.01.01.05	Equity Pickup	(12,504)	(26,670)
6.01.01.06	Interest, Monetary and Foreign Exchange Fluctuations	6,969	13,763
6.01.01.07	Provisions for Tax, Civil and Labor Risks	8,567	7,393
6.01.01.08	Gain on Lawsuits - Eletrobrás Credit	0	(15,043)
6.01.01.09	Deferred Income and Social Contribution Taxes	(5,257)	18
6.01.01.10	Allowance for (Reversal of) Doubtful Accounts	657	3,630
6.01.01.11	Amortization of Loans and Financing – Charges	(5,996)	(11,949)
6.01.01.12	Provision for Inventory Losses	5,442	(1,561)
6.01.01.13	Stock Option Plan Granted	1,295	951
6.01.02	Changes in Assets and Liabilities	(110,878)	(68,638)
6.01.02.01	Trade Accounts Receivable	(111,101)	(15,689)
6.01.02.02	Inventories	(123,942)	(47,445)
6.01.02.03	Prepaid Expenses	(4,742)	(7,985)
6.01.02.04	Taxes Recoverable	(9,490)	(1,391)
6.01.02.05	Trade Accounts Payable	112,882	32,843
6.01.02.06	Taxes Payable	29,326	15,089
6.01.02.07	Salaries and Social Charges	21,043	6,583
6.01.02.08	Payment of Income Tax and Social Contribution Tax	(8,035)	(9,316)
6.01.02.10	Tax Installment Payment Program (REFIS)	0	(26,994)
6.01.02.11	Other	(16,819)	(14,333)
6.02	Net Cash from Investing Activities	(67,749)	16,283
6.02.01	Acquisition of Investments	(96)	(640)
6.02.02	Acquisition of Property, Plant and Equipment and Intangible Assets	(95,101)	(29,082)
6.02.04	Receipts from the Sale of Fixed Assets	5,650	15,723
6.02.05	Short-Term Investments	34,547	79,075
6.02.07	Purchase of Noncontrolling Interest	(12,749)	(48,793)
6.03	Net Cash from Financing Activities	(63,753)	(112,738)
6.03.01	Borrowings and Financing	98,481	47,643
6.03.02	Amortization of Loans and Financing – Principal	(96,601)	(58,009)
6.03.03	Acquisition of Treasury Shares	(2,580)	(18,506)
6.03.04	Payment of Dividends and Interest on Equity	(63,053)	(83,866)
6.05	Increase (Decrease) in Cash and Cash Equivalents	3,983	83,417
6.05.01	Opening Balance of Cash and Cash Equivalents	451,388	494,962
6.05.02	Closing Balance of Cash and Cash Equivalents	455,371	578,379

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Individual Quarterly Financial Information / Statement of Changes in Equity - 1/1/2012 to 9/30/2012

R$ (in thousands)

Code	Description	Paid-In Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserve	Accumulated Losses	Other Comprehensive Income	Equity
5.01	Opening Balances	518,922	126,514	865,824	0	(33,572)	1,477,688
5.03	Adjusted Opening Balances	518,922	126,514	865,824	0	(33,572)	1,477,688
5.04	Capital Transactions with Shareholders	43,236	(1,285)	(48,941)	(64,000)	0	(70,990)
5.04.01	Capital Increase	43,236	0	(43,236)	0	0	0
5.04.03	Recognized Options Granted	0	1,295	0	0	0	1,295
5.04.04	Acquired Treasury Shares	0	(5,723)	0	0	0	(5,723)
5.04.05	Treasury Shares Sold	0	3,143	0	0	0	3,143
5.04.06	Dividends	0	0	118	0	0	118
5.04.07	Interest on Equity	0	0	0	(64,000)	0	(64,000)
5.04.08	Goodwill Generated from Increased Interest in Subsidiary	0	0	(5,358)	0	0	(5,358)
5.04.09	Investments Written Off	0	0	(465)	0	0	(465)
5.05	Total Comprehensive Income	0	0	0	213,663	(3,767)	209,896
5.05.01	Net Income for the Period	0	0	0	213,663	0	213,663
5.05.02	Other Comprehensive Income	0	0	0	0	(3,767)	(3,767)
5.05.02.04	Translation Adjustments for the Period	0	0	0	0	(3,767)	(3,767)
5.06	Internal Changes in Equity	0	0	151,867	(149,663)	(2,204)	0
5.06.01	Set up of Reserves	0	0	151,867	(151,867)	0	0
5.06.04	Realization of Other Comprehensive Income	0	0	0	2,204	(2,204)	0
5.07	Closing Balances	562,158	125,229	968,750	0	(39,543)	1,616,594

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Individual Quarterly Financial Information / Statement of Changes in Equity - 1/1/2011 to 9/30/2011

R$ (in thousands)

Code	Description	Paid-In Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserve	Retained Earnings	Other Comprehensive Income	Equity
5.01	Opening Balances	441,171	144,513	757,956	0	(33,165)	1,310,475
5.03	Adjusted Opening Balances	441,171	144,513	757,956	0	(33,165)	1,310,475
5.04	Capital Transactions with Shareholders	77,751	(17,555)	(125,109)	(60,100)	0	(125,013)
5.04.01	Capital Increase	77,751	0	(77,751)	0	0	0
5.04.03	Recognized Options Granted	0	951	0	0	0	951
5.04.04	Acquired Treasury Shares	0	(24,252)	0	0	0	(24,252)
5.04.05	Sold Treasury Shares	0	5,746	0	0	0	5,746
5.04.06	Dividends	0	0	(24,074)	0	0	(24,074)
5.04.07	Interest on Equity	0	0	0	(60,100)	0	(60,100)
5.04.08	Goodwill Generated from Increased Interest in Subsidiary	0	0	(23,284)	0	0	(23,284)
5.05	Total Comprehensive Income	0	0	0	248,596	7,076	255,672
5.05.01	Net Income for the Period	0	0	0	248,596	0	248,596
5.05.02	Other Comprehensive Income	0	0	0	0	7,076	7,076
5.05.02.04	Translation Adjustments for the Period	0	0	0	0	7,076	7,076
5.06	Internal Changes in Equity	0	0	190,375	(188,496)	(1,879)	0
5.06.01	Set up of Reserves	0	0	190,375	(190,375)	0	0
5.06.04	Realization of Other Comprehensive Income	0	0	0	1,879	(1,879)	0
5.07	Closing Balances	518,922	126,958	823,222	0	(27,968)	1,441,134

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Individual Quarterly Financial Information / Statement of Value Added

R$ (in thousands)

Code	Description	YTD Current Year 1/1/2012 to 9/30/2012	YTD Previous Year 1/1/2011 to 9/30/2011
7.01	Income	1,885,999	1,585,193
7.01.01	Sales of Goods, Products and Services	1,877,083	1,570,622
7.01.02	Other Income	9,573	18,201
7.01.04	Allowance for (Reversal of) Doubtful Accounts	(657)	(3,630)
7.02	Inputs Acquired from Third Parties	(1,161,224)	(924,531)
7.02.01	Costs of Products, Goods and Services Sold	(685,481)	(519,540)
7.02.02	Materials, Electricity, Third Party Services and Other Expenses	(470,014)	(397,162)
7.02.03	Impairment of Assets	(3,607)	(7,479)
7.02.04	Other	(2,122)	(350)
7.03	Gross Value Added	724,775	660,662
7.04	Retentions	(31,045)	(28,046)
7.04.01	Depreciation, Amortization and Depletion	(31,045)	(28,046)
7.05	Net Value Added Produced	693,730	632,616
7.06	Value Added Received in Transfer	70,826	92,481
7.06.01	Equity Pickup	12,504	26,670
7.06.02	Financial Income	58,304	65,678
7.06.03	Other	18	133
7.06.03.01	Other	18	133
7.07	Total Value Added to be Distributed	764,556	725,097
7.08	Distribution of Value Added	764,556	725,097
7.08.01	Personnel	272,138	226,956
7.08.01.01	Salaries	215,227	180,122
7.08.01.02	Benefits	42,447	34,564
7.08.01.03	Unemployment Compensation Fund (FGTS)	14,464	12,270
7.08.02	Taxes, Fees and Contributions	212,331	188,983
7.08.02.01	Federal	160,918	155,407
7.08.02.02	State	50,679	32,773
7.08.02.03	Municipal	734	803
7.08.03	Yield on Third Party Capital	66,424	60,562
7.08.03.01	Interest	22,366	28,165
7.08.03.02	Rents	20,293	13,981
7.08.03.03	Other	23,765	18,416
7.08.04	Equity Yield	213,663	248,596
7.08.04.01	Interest on Equity	64,000	60,100
7.08.04.03	Retained Earnings/Loss for the Period	149,663	188,496

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Consolidated Quarterly Financial Information / Balance Sheet - Assets

R$ (in thousands)

Code	Description	9/30/2012	12/31/2011
1	Total Assets	2,758,140	2,396,288
1.01	Current Assets	1,887,720	1,607,580
1.01.01	Cash and Cash Equivalents	527,809	510,467
1.01.02	Short-Term Investments	132,487	160,487
1.01.02.02	Short-Term Investments Measured at Amortized Cost	132,487	160,487
1.01.02.02.01	Securities Held to Maturity	132,487	160,487
1.01.03	Accounts Receivable	646,928	505,858
1.01.03.01	Trade Accounts Receivable	646,928	505,858
1.01.04	Inventories	497,356	351,023
1.01.06	Taxes Recoverable	35,290	26,000
1.01.06.01	Current Taxes Recoverable	35,290	26,000
1.01.07	Prepaid Expenses	15,377	11,433
1.01.07.01	Prepaid Expenses	7,098	9,845
1.01.07.02	Prepaid Advertising Expenses	8,279	1,588
1.01.08	Other Current Assets	32,473	42,312
1.01.08.01	Noncurrent Assets Available for Sale	0	323
1.01.08.03	Other	32,473	41,989
1.01.08.03.01	Advance to Suppliers	21,728	14,544
1.01.08.03.02	Accounts Receivable - Employees	3,480	3,904
1.01.08.03.03	Accounts Receivable from Sale of Subsidiary	0	17,094
1.01.08.03.04	Other Assets	7,265	6,447
1.02	Noncurrent Assets	870,420	788,708
1.02.01	Long-Term Receivables	139,968	108,868
1.02.01.06	Deferred Taxes	62,857	45,244
1.02.01.06.01	Deferred Income and Social Contribution Taxes	62,857	45,244
1.02.01.09	Other Noncurrent Assets	77,111	63,624
1.02.01.09.03	Judicial Deposits	12,364	14,528
1.02.01.09.04	Taxes Recoverable	28,099	25,848
1.02.01.09.05	Compulsory Deposits	269	269
1.02.01.09.06	Accounts Receivable from Sale of Subsidiary	12,761	0
1.02.01.09.07	Other Accounts Receivable	23,618	22,979
1.02.02	Investments	67,522	74,462
1.02.02.01	Equity Interest	67,522	74,462
1.02.02.01.01	Interest in Associates	67,327	74,267
1.02.02.01.04	Other Equity Interest	195	195
1.02.03	Property, Plant and Equipment	412,238	341,980
1.02.03.01	Operational Property, Plant and Equipment	300,195	285,946
1.02.03.03	Construction in Progress	112,043	56,034
1.02.04	Intangible Assets	250,692	263,398
1.02.04.01	Intangible Assets	250,692	263,398
1.02.04.01.02	Intangible Assets	250,692	263,398

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Consolidated Quarterly Financial Information / Balance Sheet – Liabilities

R$ (in thousands)

Code	Description	9/30/2012	12/31/2011
2	Total Liabilities	2,758,140	2,396,288
2.01	Current Liabilities	819,478	664,340
2.01.01	Social Charges and Labor Liabilities	128,964	98,897
2.01.01.01	Social Charges	14,417	16,791
2.01.01.02	Labor Liabilities	114,547	82,106
2.01.02	Trade Accounts Payable	406,328	297,150
2.01.02.01	Trade Accounts Payable - Domestic	203,245	194,580
2.01.02.02	Trade Accounts Payable - Foreign	203,083	102,570
2.01.03	Tax Liabilities	23,234	13,556
2.01.03.01	Federal Tax Liabilities	12,913	9,349
2.01.03.01.01	Income and Social Contribution Taxes Payable	2,303	2,233
2.01.03.01.02	Other Tax Liabilities	10,610	7,116
2.01.03.02	State Tax Liabilities	10,321	4,207
2.01.04	Loans and Financing	185,035	180,077
2.01.04.01	Loans and Financing	184,942	179,894
2.01.04.01.01	In Domestic Currency	53,962	63,441
2.01.04.01.02	In Foreign Currency	130,980	116,453
2.01.04.03	Financing under Finance Lease	93	183
2.01.05	Other Liabilities	62,970	63,224
2.01.05.02	Other	62,970	63,224
2.01.05.02.01	Dividends and Interest on Equity Payable	1,671	843
2.01.05.02.04	Debt Restructuring Agreements	11,674	14,758
2.01.05.02.05	Provisions and Other Liabilities	49,625	47,623
2.01.06	Provisions	12,947	11,436
2.01.06.01	Provisions for Tax, Social Security, Labor and Civil Claims	12,947	11,436
2.01.06.01.02	Provisions for Social Security and Labor Claims	12,947	11,000
2.01.06.01.04	Provision for Civil Claims	0	436
2.02	Noncurrent Liabilities	316,533	242,089
2.02.01	Loans and Financing	114,259	55,856
2.02.01.01	Loans and Financing	114,249	55,814
2.02.01.01.01	In Domestic Currency	68,815	53,907
2.02.01.01.02	In Foreign Currency	45,434	1,907
2.02.01.03	Financing under Finance Lease	10	42
2.02.02	Other Liabilities	175,836	159,988
2.02.02.02	Other	175,836	159,988
2.02.02.02.03	Debt-Restructuring Agreements of Subsidiaries	63,587	63,537
2.02.02.02.04	Suspended Tax Payments	101,961	86,780
2.02.02.02.05	Provisions for Employee Benefits	1,927	1,973
2.02.02.02.06	Tax Installment Payment - Law 11.941/09	874	875
2.02.02.02.07	Other Liabilities	7,487	6,823
2.02.03	Deferred Taxes	2	0
2.02.03.01	Deferred Income Tax and Social Contribution Taxes	2	0
2.02.04	Provisions	26,436	26,245
2.02.04.01	Provisions for Tax, Social Security, Labor and Civil Claims	26,436	26,245
2.02.04.01.01	Provisions for Tax Claims	9,547	9,075
2.02.04.01.02	Provisions for Social Security and Labor Claims	12,909	13,449
2.02.04.01.04	Provisions for Civil Claims	3,980	3,721
2.03	Consolidated Equity	1,622,129	1,489,859

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Consolidated Quarterly Financial Information / Balance Sheet – Liabilities

R$ (in thousands)

Code	Description	9/30/2012	12/31/2011
2.03.01	Paid-In Capital	562,158	518,922
2.03.02	Capital Reserves	125,229	126,514
2.03.02.05	Treasury Shares	(42,828)	(40,587)
2.03.02.07	Other Capital Reserves	177,739	177,739
2.03.02.08	Negative Goodwill on Sale of Treasury Shares	(14,556)	(14,217)
2.03.02.09	Additional Paid-In Capital	4,874	3,579
2.03.04	Income Reserves	968,750	865,824
2.03.04.01	Legal Reserve	49,676	49,676
2.03.04.05	Income Retention Reserve	339,188	336,604
2.03.04.07	Tax Incentive Reserve	579,886	479,544
2.03.06	Equity Valuation Adjustments	31,436	33,640
2.03.07	Cumulative Translation Adjustments	(70,979)	(67,212)
2.03.09	Noncontrolling Interest	5,535	12,171

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Consolidated Quarterly Financial Information / Statement of Operations

R$ (in thousands)

Code	Description	Current Quarter 7/1/2012 to 9/30/2012	YTD Current Year 1/1/2012 to 9/30/2012	Same Quarter of Previous Year 7/1/2011 to 9/30/2011	YTD Previous Year 1/1/2011 to 9/30/2011
3.01	Revenue from Sales of Goods and/or Services	794,183	2,170,416	689,523	1,873,949
3.02	Cost of Goods and/or Services Sold	(472,063)	(1,247,330)	(376,301)	(1,015,233)
3.03	Gross Profit	322,120	923,086	313,222	858,716
3.04	Operating Expenses/Income	(239,413)	(706,167)	(222,919)	(596,912)
3.04.01	Selling Expenses	(189,100)	(552,935)	(175,768)	(477,262)
3.04.02	General and Administrative Expenses	(39,387)	(116,394)	(35,035)	(101,666)
3.04.04	Other Operating Income	7,588	23,764	1,355	20,506
3.04.05	Other Operating Expenses	(14,516)	(50,800)	(12,383)	(37,270)
3.04.05.01	Amortization of Intangible Assets	(6,043)	(17,674)	(5,198)	(14,665)
3.04.05.02	Other Operating Expenses	(8,473)	(33,126)	(7,185)	(22,605)
3.04.06	Equity Pickup	(3,998)	(9,802)	(1,088)	(1,220)
3.05	Income Before Financial Income (Expenses) and Taxes	82,707	216,919	90,303	261,804
3.06	Net Financial Income	(935)	6,137	6,688	19,906
3.06.01	Financial Income	16,548	62,614	26,213	68,991
3.06.01.01	Foreign Exchange Fluctuations	3,294	14,724	4,749	9,126
3.06.01.02	Other Financial Income	13,254	47,890	21,464	59,865
3.06.02	Financial Expenses	(17,483)	(56,477)	(19,525)	(49,085)
3.06.02.01	Foreign Exchange Fluctuations	(4,601)	(17,271)	(6,873)	(10,553)
3.06.02.02	Other Financial Expenses	(12,882)	(39,206)	(12,652)	(38,532)
3.07	Income Before Income Taxes	81,772	223,056	96,991	281,710
3.08	Income and Social Contribution Taxes	(7,659)	(8,790)	(9,123)	(31,430)
3.08.01	Current	(18,197)	(26,535)	(10,194)	(27,675)
3.08.02	Deferred	10,538	17,745	1,071	(3,755)
3.09	Net Income from Going Concern Operations	74,113	214,266	87,868	250,280
3.11	Consolidated Income/Loss for the Period	74,113	214,266	87,868	250,280
3.11.01	Attributed to Shareholders of the Parent Company	74,060	213,663	87,483	248,596
3.11.02	Attributed to Noncontrolling Interest	53	603	385	1,684

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Consolidated Quarterly Financial Information / Statement of Comprehensive Loss

R$ (in thousands)

Code	Description	Current Quarter 7/1/2012 to 9/30/2012	YTD Current Year 1/1/2012 to 9/30/2012	Same Quarter of Previous Year 7/1/2011 to 9/30/2011	YTD Previous Year 1/1/2011 to 9/30/2011
4.01	Consolidated Net Income for the Period	74,113	214,266	87,868	250,280
4.02	Other Comprehensive Income	(4,503)	(3,615)	16,940	5,804
4.02.01	Losses in Translation of Financial Statements of Subsidiaries Abroad	(4,503)	(3,615)	16,940	5,804
4.03	Consolidated Comprehensive Income for the Period	69,610	210,651	104,808	256,084
4.03.01	Attributed to Shareholders of the Parent Company	69,732	209,896	102,701	255,672
4.03.02	Attributed to Noncontrolling Interest	(122)	755	2,107	412

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Consolidated Quarterly Financial Information / Cash Flow Statement – Indirect Method

R$ (in thousands)

Code	Description	YTD Current Year 1/1/2012 to 9/30/2012	YTD Previous Year 1/1/2011 to 9/30/2011
6.01	Net Cash from Operating Activities	125,994	201,748
6.01.01	Cash Generated by Operations	287,576	306,408
6.01.01.01	Net Income for the Period	214,266	250,280
6.01.01.02	Depreciation and Amortization	44,594	39,386
6.01.01.03	Income from Sale/Write-Off of Property, Plant and Equipment	6,171	2,118
6.01.01.05	Equity Pickup	9,802	1,220
6.01.01.06	Interest, Monetary and Foreign Exchange Fluctuations	22,617	23,707
6.01.01.07	Provisions for Tax, Civil and Labor Risks	9,497	8,673
6.01.01.08	Gain on Lawsuits - Eletrobrás Credit	0	(15,043)
6.01.01.09	Deferred Income and Social Contribution Taxes	(17,745)	3,755
6.01.01.10	Allowance for (Reversal of) Doubtful Accounts	3,052	5,890
6.01.01.11	Provision for Inventory Losses	5,973	(545)
6.01.01.12	Amortization of Loans and Financing - Charges	(13,444)	(13,984)
6.01.01.13	Stock Option Plan Granted	1,295	951
6.01.01.15	Provision for loss on Property, Plant and Equipment / Intangible Assets "Impairment"	1,498	0
6.01.02	Changes in Assets and Liabilities	(161,582)	(104,660)
6.01.02.01	Trade Accounts Receivable	(143,102)	(47,421)
6.01.02.02	Inventories	(150,998)	(74,071)
6.01.02.03	Prepaid Expenses	(3,817)	(8,528)
6.01.02.04	Taxes Recoverable	(11,619)	(315)
6.01.02.05	Trade Accounts Payable	107,873	47,628
6.01.02.06	Taxes Payable	40,162	21,461
6.01.02.07	Salaries and Social Charges	29,945	13,254
6.01.02.08	Payment of Income and Social Contribution Taxes	(18,731)	(20,318)
6.01.02.09	Tax Installment Payment Program (REFIS)	0	(27,642)
6.01.02.10	Other	(11,295)	(8,708)
6.02	Net Cash from Investing Activities	(73,506)	59,133
6.02.02	Acquisition of Property, Plant and Equipment and Intangible Assets	(108,293)	(44,667)
6.02.03	Receipts from the Sale of Fixed Assets	5,650	24,725
6.02.04	Short-Term Investments	29,137	79,075
6.03	Net Cash from Financing Activities	(34,798)	(154,773)
6.03.01	Borrowings and Financing	222,392	136,994
6.03.02	Amortization of Loans and Financing – Principal	(168,453)	(131,604)
6.03.03	Acquisition of Treasury Shares	(2,580)	(18,506)
6.03.04	Payment of Dividends and Interest on Equity	(63,053)	(83,866)
6.03.05	Amortization for Debt Restructuring of Subsidiaries	(10,355)	(8,998)
6.03.06	Purchase of Noncontrolling Interest	(12,749)	(48,793)
6.04	Foreign Exchange Fluctuations on Cash and Cash Equivalents	(348)	680
6.05	Increase (Decrease) in Cash and Cash Equivalents	17,342	106,788
6.05.01	Opening Balance of Cash and Cash Equivalents	510,467	523,356
6.05.02	Closing Balance of Cash and Cash Equivalents	527,809	630,144

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Consolidated Quarterly Financial Information / Statement of Changes in Equity - 1/1/2012 to 9/30/2012

R$ (in thousands)

Code	Description	Paid-In Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserve	Accumulated Losses	Other Comprehensive Income	Equity Attributable to Controlling Shareholders	Noncontrolling interest	Consolidated Equity
5.01	Opening Balances	518,922	126,514	865,824	0	(33,572)	1,477,688	12,171	1,489,859
5.03	Adjusted Opening Balances	518,922	126,514	865,824	0	(33,572)	1,477,688	12,171	1,489,859
5.04	Capital Transactions with Shareholders	43,236	(1,285)	(48,941)	(64,000)	0	(70,990)	(7,391)	(78,381)
5.04.01	Capital Increase	43,236	0	(43,236)	0	0	0	0	0
5.04.03	Recognized Options Granted	0	1,295	0	0	0	1,295	0	1,295
5.04.04	Treasury Shares Bought	0	(5,723)	0	0	0	(5,723)	0	(5,723)
5.04.05	Treasury Shares Sold	0	3,143	0	0	0	3,143	0	3,143
5.04.06	Dividends	0	0	118	0	0	118	0	118
5.04.07	Interest on Equity	0	0	0	(64,000)	0	(64,000)	0	(64,000)
5.04.08	Purchase of Noncontrolling Interest	0	0	0	0	0	0	(7,391)	(7,391)
5.04.09	Goodwill Generated from Increased Interest in Subsidiary	0	0	(5,358)	0	0	(5,358)	0	(5,358)
5.04.10	Investments Written Off	0	0	(465)	0	0	(465)	0	(465)
5.05	Total Comprehensive Income	0	0	0	213,663	(3,767)	209,896	755	210,651
5.05.01	Net Income for the Period	0	0	0	213,663	0	213,663	603	214,266
5.05.02	Other Comprehensive Income	0	0	0	0	(3,767)	(3,767)	152	(3,615)
5.05.02.04	Translation Adjustments for the Period	0	0	0	0	(3,767)	(3,767)	152	(3,615)
5.06	Internal Changes in Equity	0	0	151,867	(149,663)	(2,204)	0	0	0
5.06.01	Set Up of Reserves	0	0	151,867	(151,867)	0	0	0	0
5.06.04	Realization of Other Comprehensive Income	0	0	0	2,204	(2,204)	0	0	0
5.07	Closing Balances	562,158	125,229	968,750	0	(39,543)	1,616,594	5,535	1,622,129

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Consolidated Quarterly Financial Information / Statement of Changes in Equity – 1/1/2011 to 9/30/2011

R$ (in thousands)

Code	Description	Paid-In Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserve	Retained Earnings	Other Comprehensive Income	Equity Attributable to Controlling Shareholders	Noncontrolling interest	Consolidated Equity
5.01	Opening Balances	441,171	144,513	757,956	0	(33,165)	1,310,475	37,598	1,348,073
5.03	Adjusted Opening Balances	441,171	144,513	757,956	0	(33,165)	1,310,475	37,598	1,348,073
5.04	Capital Transactions with Shareholders	77,751	(17,555)	(125,109)	(60,100)	0	(125,013)	(25,509)	(150,522)
5.04.01	Capital Increase	77,751	0	(77,751)	0	0	0	0	0
5.04.03	Recognized Options Granted	0	951	0	0	0	951	0	951
5.04.04	Acquired Treasury Shares	0	(24,252)	0	0	0	(24,252)	0	(24,252)
5.04.05	Sold Treasury Shares	0	5,746	0	0	0	5,746	0	5,746
5.04.06	Dividends	0	0	(24,074)	0	0	(24,074)	0	(24,074)
5.04.07	Interest on Equity	0	0	0	(60,100)	0	(60,100)	0	(60,100)
5.04.08	Purchase of Noncontrolling Interest	0	0	0	0	0	0	(25,509)	(25,509)
5.04.09	Goodwill Generated from Increased Interest in Subsidiary	0	0	(23,284)	0	0	(23,284)	0	(23,284)
5.05	Total Comprehensive Income	0	0	0	248,596	7,076	255,672	412	256,084
5.05.01	Net Income for the Period	0	0	0	248,596	0	248,596	1,684	250,280
5.05.02	Other Comprehensive Income	0	0	0	0	7,076	7,076	(1,272)	5,804
5.05.02.04	Translation Adjustments for the Period	0	0	0	0	7,076	7,076	(1,272)	5,804
5.06	Internal Changes in Equity	0	0	190,375	(188,496)	(1,879)	0	0	0
5.06.01	Set up of Reserves	0	0	190,375	(190,375)	0	0	0	0
5.06.04	Realization of Other Comprehensive Income	0	0	0	1,879	(1,879)	0	0	0
5.07	Closing Balances	518,922	126,958	823,222	0	(27,968)	1,441,134	12,501	1,453,635

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Consolidated Quarterly Financial Information / Statement of Value Added

R$ (in thousands)

Code	Description	YTD Current Year 1/1/2012 to 9/30/2012	YTD Previous Year 1/1/2011 to 9/30/2011
7.01	Income	2,595,232	2,204,640
7.01.01	Sales of Goods, Products and Services	2,574,831	2,189,175
7.01.02	Other Income	23,453	21,355
7.01.04	Allowance for (Reversal of) Doubtful Accounts	(3,052)	(5,890)
7.02	Inputs Acquired from Third Parties	(1,493,656)	(1,227,495)
7.02.01	Costs of Products, Goods and Services Sold	(898,874)	(731,335)
7.02.02	Materials, Electricity, Third Party Services and Other Expenses	(588,407)	(488,331)
7.02.03	Impairment of Assets	(4,253)	(7,479)
7.02.04	Other	(2,122)	(350)
7.03	Gross Value Added	1,101,576	977,145
7.04	Retentions	(44,594)	(39,386)
7.04.01	Depreciation, Amortization and Depletion	(44,594)	(39,386)
7.05	Net Value Added Produced	1,056,982	937,759
7.06	Value Added Received in Transfer	53,055	67,904
7.06.01	Equity Pickup	(9,802)	(1,220)
7.06.02	Financial Income	62,614	68,991
7.06.03	Other	243	133
7.07	Total Value Added to be Distributed	1,110,037	1,005,663
7.08	Distribution of Value Added	1,110,037	1,005,663
7.08.01	Personnel	453,983	368,411
7.08.01.01	Salaries	379,040	309,484
7.08.01.02	Benefits	52,557	45,804
7.08.01.03	Unemployment Compensation Fund (FGTS)	22,386	13,123
7.08.02	Taxes, Fees and Contributions	342,274	306,223
7.08.02.01	Federal	280,427	266,391
7.08.02.02	State	60,788	38,928
7.08.02.03	Municipal	1,059	904
7.08.03	Yield on Third Party Capital	99,514	80,749
7.08.03.01	Interest	48,058	43,819
7.08.03.02	Rents	25,942	18,059
7.08.03.03	Other	25,514	18,871
7.08.04	Equity Yield	214,266	250,280
7.08.04.01	Interest on Equity	64,000	60,100
7.08.04.03	Retained Earnings/Loss for the Period	149,663	188,496
7.08.04.04	Noncontrolling Interest in Retained Earnings	603	1,684

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Notes to interim financial information

1. Operations

1.1. General considerations

Alpargatas S.A. (the "Company") is a publicly-traded corporation headquartered in the city of São Paulo, at Rua Doutor Cardoso de Melo, 1336, listed in the São Paulo Stock Exchange (BMF&BOVESPA) under the ticker symbols "ALPA4" and "ALPA3".

On April 26, 2011, the Special Shareholders' Meeting approved the change in the Company's corporate name from São Paulo Alpargatas S.A. to Alpargatas S.A.

The Company and its subsidiaries (hereinafter referred to as "Alpargatas Group" or the "Group") are primarily engaged in the manufacture and sale of footwear and footwear components, apparel items, textiles and textile components, leather, resin and natural or synthetic rubber goods, and sports items.

The direct and indirect subsidiaries and associate through which the Company conducts activities in Brazil and abroad are described in Note 5.

1.2. Increased interest in subsidiary Alpargatas S.A.I.C. - Argentina

Details on acquisition and increase in interest in subsidiary Alpargatas S.A.I.C. - Argentina are set out in Note 13.

1.3. Ownership reorganization in subsidiary Alpargatas S.A.I.C. Argentina

In order to streamline the ownership structure of Alpargatas S.A.I.C. - Argentina, generating synergies and higher efficiency, at a meeting held on December 20, 2011, the Company's Board of Directors approved an ownership reorganization to merge eight subsidiaries. The reorganization became effective as from April 1, 2012, according to the conditions and effects provided for by articles 82 to 87 of Law No. 19550 of Argentina Business Companies, standards from *"Comisión Nacional de Valores - CNV"*, *"Buenos Aires Trade Regulations - BCBA"* and other applicable legal and regulatory standards.

The ownership reorganization was approved at the Special General Meetings held on April 25 and 26, 2012.

2. Basis for preparation of quarterly interim financial information

2.1. Statement of compliance

The Company's quarterly interim financial information, contained in the Quarterly Financial Information Form (ITR) for the quarter and nine-month period ended September 30, 2012, comprises:

- The consolidated quarterly interim financial information prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and accounting practices adopted in Brazil, under accounting pronouncements IAS 34 and CPC 21 - Interim Financial Reporting; and

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- The individual quarterly interim financial information of the parent company prepared in accordance with accounting practices adopted in Brazil, under accounting pronouncement CPC 21 - Interim Financial Reporting.

The accounting practices adopted in Brazil comprise those set out in Brazilian Corporate Law and the pronouncements, guidance and interpretations issued by the Brazilian FASB (CPC), approved by the Brazilian SEC (CVM).

The individual quarterly interim financial information presents the valuation of investments in subsidiaries and associate under the equity method, pursuant to prevailing Brazilian Corporate Law. Accordingly, this individual quarterly interim financial information is not considered as being in conformity with IFRS, which require the valuation of these investments in the parent company's separate interim financial information at cost or fair value; however, equity pickup is prescribed by Brazilian Corporate Law.

2.2. Basis for preparation

The quarterly interim financial information was prepared based on the historical cost, except for, as applicable, certain financial instruments measured at their fair values, as described in the following accounting practices. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

As mentioned in item 2.1, the quarterly interim financial information was prepared and is presented in accordance with IAS 34 and CPC 21 - Interim Financial Reporting, and, accordingly, should be read together with the Company's annual financial statements for the year ended December 31, 2011, disclosed on March 16, 2012.

3. Significant accounting practices

The quarterly interim financial information was prepared consistently with the accounting practices described in Note 3 to annual financial statements for the year ended December 31, 2011. There are no new interpretations and amendments to existing standards at September 30, 2012 in addition to those described in Note 5 to annual financial statements for the year ended December 31, 2011.

4. Significant accounting judgments and estimates

When applying accounting practices, management must make judgments and prepare estimates related to carrying amounts of assets and liabilities not easily obtained from other sources. The estimates and respective assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The effects of accounting estimate reviews are recognized in the period in which estimates are reviewed, if the review only affects that period, or also in later periods, if the review affects both current and future periods.

Significant accounting judgments and estimates applied in the preparation of the quarterly interim financial information are consistent with those described in Note 4 to annual financial statements for the year ended December 31, 2011.

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5. Consolidated financial information

Consolidation criteria, definition of subsidiaries and changes in interest held in existing subsidiaries

The consolidation criteria used in the preparation of the quarterly interim financial information were applied consistently with the criteria described in Note 6 to annual financial statements for the year ended December 31, 2011.

The consolidation comprises the Company's financial information and the following direct and indirect subsidiaries:

	Interest held and voting rights - %	
	09/30/2012	12/31/2011
Direct interest:		
CBS S.A. - Companhia Brasileira de Sandálias	100.00	100.00
Fibrasil Agrícola e Comercial Ltda.	100.00	100.00
Alpargatas Imobiliária S.A.	100.00	100.00
Alpargatas Chile Ltda. - Chile	-	100.00
Alpargatas Internacional APS - Denmark	100.00	100.00
Alpargatas S.A.I.C. - Argentina	96.42	91.45
Indirect interest (by means of Alpargatas Internacional APS):		
Alpargatas Europe S.L.U. - Spain	100.00	100.00
Alpargatas USA Inc. - United States	100.00	100.00
Alpargatas UK Limited - United Kingdom	100.00	100.00
Alpargatas France S.A.R.L. - France	100.00	100.00
Alpargatas Italia S.R.L. - Italy	100.00	100.00
Alpargatas Portugal Limited - Portugal	100.00	100.00

- CBS S.A. - Companhia Brasileira de Sandálias: acquired in November 2007. It is engaged in the manufacture and sale of rubber sandals.
- Fibrasil Agrícola e Comercial Ltda.: acquired in November 1989. It is engaged in the import and export activities in general, purchase, sale and lease of own properties, and holding interest in other companies, in Brazil or abroad. The subsidiary is currently dormant.
- Alpargatas Imobiliária S.A.: organized in January 2005. It is engaged in the purchase, sale and lease of own properties and holding interest in other companies, in Brazil or abroad.
- Alpargatas S.A.I.C. - Argentina: acquired in October 2007, but its control was transferred to the Company in October 2008. It is engaged in the manufacture and sale of footwear and textile products mainly in the Argentinean market.
- Alpargatas Europe S.L.U. - Spain, Alpargatas France S.A.R.L. - France, Alpargatas UK Limited - United Kingdom, Alpargatas Italia S.R.L. - Italy and Alpargatas Portugal Limited - Portugal: organized in July, August and September 2008, and April and May 2009, respectively. They are primarily engaged in the import and sale of footwear in the European market.
- Alpargatas USA Inc. - United States: organized after the merger of Expasa Florida Inc. in December 2006. It is primarily engaged in the import and sale of footwear in the U.S. market.
- Alpargatas Chile Ltda. - Chile: organized in November 2007. It is primarily engaged in the import and sale of footwear in the Chilean market. In November 2009, Company management approved the discontinuation of the operations of this subsidiary, and, since May 2010, the Company sells its products through an independent distributor, under a sales representation agreement.

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Notes to interim financial information

6. Tax incentives - investment grants

The Company and its subsidiaries have tax incentives granted by state governments where the main plants are located, which will expire between 2018 and 2020. The Company and its subsidiaries also have tax incentives granted by federal governments through the income from exploitation in the Northeast Region.

Investment grants, including income tax incentives, recorded for the nine-month periods ended September 30, 2012 and 2011, are as follows:

		Company		Consolidated	
		09/30/2012	09/30/2011	09/30/2012	09/30/2011
State VAT (ICMS) incentive					
Paraíba	(a)	**94,449**	98,297	**94,449**	98,297
Pernambuco	(b)	**-**	-	**5,754**	6,751
IRPJ incentives:					
Northeast Region	(c)	**5,894**	9,056	**5,894**	11,842
Total		**100,343**	107,353	**106,097**	116,890

(a) Amounts of the investment grant in the State of Paraíba, used in the calculation of matching ICMS (State VAT) credit, calculated by Santa Rita, Campina Grande and João Pessoa plants. The amounts refer to unpaid ICMS installments, thus committed with what was agreed with the state government. The Company is compliant with the established agreement, consisting of expanding the manufacturing facilities in that region, increasing its production of footwear and generating direct jobs in plants in the State of Paraíba.

Additionally, during the nine-month periods ended September 30, 2012 and 2011, there were no incentive installments to be accounted for, arising from obligations established by the incentive program, to be complied with by the Company. Tax incentive installments are credited to "Sales taxes" in the statement of operations.

(b) Amounts of the investment grant in the State of Pernambuco, used in the calculation of matching ICMS (State VAT) credit, thus committed with what was agreed with the state government by subsidiary CBS S.A. - Companhia Brasileira de Sandálias. The subsidiary is compliant with the established agreement, consisting of maintaining a minimum number of direct jobs in the region and reaching gross revenue of at least R$2,500 per month.

(c) These are credited to "Income and social contribution taxes - current" in the statement of operations (see details in Note 11.b).

7. Cash and cash equivalents and short-term investments

a) Cash and cash equivalents

	Company		Consolidated	
	09/30/2012	12/31/2011	09/30/2012	12/31/2011
Cash and banks	**1,145**	458	**18,924**	14,847
Yield on current account (i)	**-**	644	**2**	2,458
Short-term investments:				
Bank Deposit Certificates (CDBs) – fixed and floating rates (ii)	**96,072**	133,208	**98,395**	136,610
Repurchase agreements (ii)	**351,188**	306,968	**402,323**	345,351
National Treasury Notes - type B (iii)	**6,966**	10,110	**6,966**	10,110
Other - Alpargatas S.A.I.C. - Argentina (iv)	**-**	-	**1,183**	809
Other - Alpargatas Europe S.L.U. - Spain (iv)	**-**	-	**16**	282
Total	455,371	451,388	527,809	510,467

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The Company's short-term investment policy establishes that short-term investments can only be realized in financial institutions with a minimum rating of "AA", as classified by credit rating agencies Fitch and Standard & Poor's, or "Aa" according to Moody's. Any management's proposal to invest in financial institutions with an inferior rating will depend on Board of Directors' approval.

The Company's policy does not establish criteria for determining breakdown of "Cash and cash equivalents". However, the accounting classification of cash and cash equivalent components used by Company and its subsidiary management is described in Note 3.c) to annual financial statements at December 31, 2011.

Short-term investments classified as cash equivalents by the Company and its subsidiaries are as follows:

(i) At September 30, 2012, the Company and its subsidiaries held a balance in a current account yielded at 20% of Interbank Deposit Certificate - CDI variation (20% at December 31, 2011).

(ii) At September 30, 2012, CDBs were distributed among various financial institutions with average yield of 103.85% of CDI (103.66% at December 31, 2011), and repurchase agreements were distributed among various financial institutions with average yield of 102.32% of CDI (103.32% at December 31, 2011). At September 30, 2012, CDBs and securities relating to repurchase agreements mature between October 2012 and November 2016 and are classified into "Cash and cash equivalents" as their grace period for redemption is less than 90 days or as they are considered as financial assets with immediate redemption guaranteed, subject to an insignificant risk of change in value.

(iii) The Company acquired National Treasury Notes - type B (NTN-B) indexed to changes in the Extended Consumer Price Index - IPCA plus interest of 6% p.a., maturing in August 2020. As they are highly liquid securities, the Company adjusts them to market value, thus classifying them as "Cash and cash equivalents".

(iv) Short-term investments held by subsidiaries Alpargatas S.A.I.C. - Argentina and Alpargatas Europe S.L.U. - Spain at September 30, 2012 are represented by fixed-income securities, with average annual yield of 2.25% and 1.60%, respectively (3.38% and 1.60%, respectively, at December 31, 2011).

b) Short-term investments

At September 30, 2012, these refer to CDBs and repurchase agreements with average yield of 104.04% of CDI (103.61% at December 31, 2011), broken down as follows:

	Company		Consolidated	
	09/30/2012	12/31/2011	09/30/2012	12/31/2011
Fixed and floating CDBs	**29,724**	10,737	**29,724**	10,737
Repurchase agreements	**97,326**	149,750	**102,763**	149,750
Total	**127,050**	160,487	**132,487**	160,487

These are classified into current assets as they can be redeemed within 360 days from the investment date and are not classified into "Cash and cash equivalents" as their grace period for redemption is 90 days and as there is a significant risk of change in value in the event of early redemption.

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Notes to interim financial information

8. Trade accounts receivable

a) Breakdown

	Company		Consolidated	
	09/30/2012	12/31/2011	09/30/2012	12/31/2011
Domestic market	506,967	413,346	526,490	436,915
Foreign market	28,074	17,309	145,414	93,393
Related parties (Note 20.b)	26,092	19,377	-	-
Allowance for doubtful accounts	(17,233)	(16,576)	(24,976)	(24,450)
Total	543,900	433,456	646,928	505,858

Trade accounts receivable are classified into "Loans and receivables", stated at amortized cost. Their net book value approximates their fair value, as described in Note 3.d) to significant accounting practices. Foreign trade accounts receivable are denominated in U.S. dollars, euro and Argentinean pesos.

b) Aging list

	Company		Consolidated	
	09/30/2012	12/31/2011	09/30/2012	12/31/2011
Falling due	510,295	396,982	587,044	452,512
Overdue:				
Up to 30 days	13,994	20,627	25,866	30,114
From 31 to 90 days	8,796	4,994	14,851	10,954
Above 91 days	28,048	27,429	44,143	36,728
Total	561,133	450,032	671,904	530,308

c) Allowance for doubtful accounts

Changes in the allowance for doubtful accounts are as follows:

	Company	Consolidated
Balances at December 31, 2011	(16,576)	(24,450)
Additions	(1,877)	(4,272)
Reversals and write-offs	1,220	3,746
Balances at September 30, 2012	(17,233)	(24,976)

Aging list of trade accounts receivable, included in allowance for doubtful accounts, is broken down as follows:

	Consolidated	
	09/30/2012	12/31/2011
Up to 30 days	(133)	(298)
From 31 to 90 days	(1,484)	(983)
Above 91 days	(23,359)	(23,169)
Total	(24,976)	(24,450)

Expense on setting up allowance for doubtful accounts was recorded under the "Selling expenses" account in the statement of operations.

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The maximum exposure to credit risk at the quarterly interim financial information date is the carrying amount of each aging range, as detailed in the aging list of trade accounts receivable above. No provision for losses was set up for defaulting customers with rescheduled debts, for which the Company and its subsidiaries have letters of credit and properties as collaterals. For other past due trade accounts receivable, which are not collateralized, an allowance for doubtful accounts was set up.

9. Inventories

	Company		Consolidated	
	09/30/2012	12/31/2011	09/30/2012	12/31/2011
Finished products	**157,460**	114,366	**271,060**	218,866
Work-in-process	**16,372**	11,560	**34,199**	29,707
Raw materials	**47,686**	38,858	**86,305**	69,149
Imports in transit	**62,265**	12,777	**62,265**	13,552
Other	**42,678**	24,959	**58,744**	28,993
Provision for inventory losses	**(9,762)**	(4,320)	**(15,217)**	(9,244)
Total	**316,699**	198,200	**497,356**	351,023

Changes in provision for inventory losses are as follows:

	Company	Consolidated
Balances at December 31, 2011	(4,320)	(9,244)
Additions	(10,190)	(12,512)
Reversals and write-offs	4,748	6,539
Balances at September 30, 2012	**(9,762)**	**(15,217)**

10. Taxes recoverable

	Company		Consolidated	
	09/30/2012	12/31/2011	09/30/2012	12/31/2011
Prepayments of income and social contribution taxes	**7,189**	10,270	**7,189**	12,250
Withholding Income Tax (IRRF)	**4,053**	4,013	**4,453**	2,054
State VAT (ICMS)	**3,365**	2,687	**3,721**	2,874
Federal VAT (IPI)	**102**	108	**102**	108
Contribution Tax on Gross Revenue for Social Integration Program (PIS) and Contribution Tax on Gross Revenue for Social Security Financing (COFINS) to be offset	**6,700**	4,785	**7,349**	5,275
Tax incentive - *Brasil Maior*	**4,946**	-	**5,400**	-
Value Added Tax - VAT - Alpargatas Europe	-	-	**1,040**	2,046
Prepayments of income tax - Alpargatas S.A.I.C. - Argentina	-	-	**19,587**	15,880
Value Added Tax - VAT - Argentina	-	-	**6,515**	8,326
Other	**5,511**	513	**8,033**	3,035
Total	31,866	22,376	63,389	51,848
Current portion	**22,366**	15,886	**35,290**	26,000
Noncurrent portion	**9,500**	6,490	**28,099**	25,848

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Notes to interim financial information

11. Income and social contribution taxes

a) Deferred

		Company and Consolidated	
		09/30/2012	12/31/2011
Assets:			
Allowance for doubtful accounts		5,859	5,636
Provision for inventory losses		2,932	1,469
Provision for tax, civil, and labor risks		8,186	8,050
Provision for suspended tax payments		25,023	20,853
Write-off of deferred assets		172	601
Adjustment to recognition of sales revenue		10,349	3,721
Other temporary differences		4,962	6,508
Total - Company		57,483	46,838
Subsidiaries:			
Alpargatas S.A.I.C. - Argentina			
- Provision for trust		7,204	7,259
- Provisions for tax, civil, and labor risks		8,027	7,253
- Deferred tax on tax losses	(iii)	14,863	4,896
- Other temporary differences		8,117	7,328
		38,211	26,736
Alpargatas Europe S.L.U. – Spain:			
- Tax losses	(i)	8,016	9,750
CBS S.A. - Companhia Brasileira de Sandálias:			
- Temporary differences		1,808	1,816
- Income and social contribution tax losses	(i)	1,648	3,376
		3,456	5,192
Deferred taxes on unrealized profits		2,735	1,035
Total - Consolidated		109,901	89,551
Liabilities:			
Company:			
Goodwill on acquisition of subsidiaries amortized for tax purposes	(ii)	6,709	5,690
Provision for IRPJ/CSLL on difference of useful live of PP&E (depreciation)		1,902	-
Provision for CSLL - 25% on depreciation		2,467	-
Total - Company		11,078	5,690
Subsidiaries:			
Alpargatas S.A.I.C. - Argentina:			
Present value adjustment to renegotiated obligations and tax difference in the valuation of PP&E items		35,966	38,617
Total - Consolidated		47,044	44,307
Net total - Company		46,405	41,148
Net total - Consolidated		62,857	45,244

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Notes to interim financial information

(i) *Recognition of tax credits of subsidiaries*

Alpargatas Europe S.L.U. - Spain

For the closing of the financial statements for the year ended December 31, 2009, based on a technical feasibility study, approved by the Board of Directors, management decided to recognize a deferred income tax credit on income tax losses incurred by subsidiary Alpargatas Europe S.L.U. - Spain. Based on projections of future taxable profit of the subsidiary as from 2011, management, in compliance with CPC 32 and IAS 12 - Income Taxes, decided to recognize deferred tax credit, which is expected to be realized until 2015. According to the Spanish tax law, the maximum statute of limitations of income tax losses is 18 years from the date they are incurred.

CBS S.A. - Companhia Brasileira de Sandálias

In June 2010, this subsidiary recognized a tax credit on income and social contribution tax losses, based on the expected future generation of taxable profit, as prescribed in CPC 32 and IAS 12 - Income Taxes. Recognized credit is now offset and is expected to be realized through 2012.

(ii) *Goodwill on acquisition of subsidiaries amortized for tax purposes*

Due to the cancellation of the amortization of goodwill on acquisition of subsidiaries, in accordance with amendments to accounting practices adopted in Brazil enacted by Laws No. 11638/07 and No. 11941/09, from January 1, 2009, the Company is now enjoying goodwill tax benefit on acquisition of subsidiary CBS S.A. - Companhia Brasileira de Sandálias, after the merger of the former subsidiary Atlântico Participações S.A., through the Transition Tax Regime (RTT), effect of which was offset previously at the ratio of 1 to 60th per month, with a monthly amortization of R$400, which has been resulting in a tax effect of R$136/month. Therefore, as required by accounting practices adopted in Brazil, the difference between the base for enjoying tax benefits and accounting amortization is being considered a temporary difference for deferred income and social contribution taxes (IRPJ and CSLL), effects of which are recorded in noncurrent liabilities.

(iii) *Set up of tax credit provided by ownership reorganization*

In June 2012, Alpargatas S.A.I.C - Argentina recorded a tax credit amounting to R$11,800 stemming from merger of subsidiaries, as mentioned in Note 1.3.

The deferred tax credits (consolidated) have the following estimated realizable terms:

	09/30/2012	12/31/2011
2012 (three months)	**4,121**	4,478
2013	**5,495**	4,758
2014	**5,495**	4,758
2015 onward	**94,790**	75,557
Total - Consolidated	**109,901**	89,551

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At September 30, 2012, the Company had unrecognized tax credits on income tax losses and unrecognized temporary differences in the consolidated quarterly interim financial information, generated by its foreign subsidiaries, which, in view of the lack of projected taxable profit for the next years, were not recorded by the corresponding foreign subsidiaries.

Tax credits calculated at rates in force in the corresponding countries where the subsidiaries are located, are as follows:

	R$
Total temporary differences	714
Tax losses:	
Alpargatas USA Inc. - United States	46,070
Alpargatas France S.A.R.L. - France	269
Total	47,053

Tax credits on income tax losses generated by subsidiaries have no offset date (expiration date).

Changes in deferred income and social contribution tax assets and liabilities for the nine-month periods ended September 30, 2012 and 2011 are as follows:

	12/31/2011	(Charged) credited in the statement of operations	Exchange fluctuations, charges and other changes	09/30/2012
Assets:				
Company:				
Allowance for doubtful accounts	5,636	223	-	5,859
Provision for inventory losses	1,469	1,463	-	2,932
Provision for tax, civil, and labor risks	8,050	136	-	8,186
Provision for suspended tax payments	20,853	4,170	-	25,023
Write-off of deferred assets	601	(429)	-	172
Adjustment to recognition of sales revenue	3,721	6,628	-	10,349
Other temporary differences	6,508	(1,546)	-	4,962
Total - Company	46,838	10,645	-	57,483
Subsidiaries:				
Alpargatas S.A.I.C. – Argentina:				
Provision for trust	7,259	-	(55)	7,204
Provision for tax, civil, and labor risks	7,253	832	(58)	8,027
Deferred tax on tax losses	4,896	10,041	(74)	14,863
Other temporary differences	7,328	843	(54)	8,117
	26,736	11,716	(241)	38,211
Alpargatas Europe S.L.U. - Spain	9,750	(2,086)	352	8,016
CBS S.A. - Companhia Brasileira de Sandálias:				
Temporary differences	1,816	(8)	-	1,808
Income and social contribution tax losses	3,376	(1,729)	1	1,648
	5,192	(1,737)	1	3,456

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	12/31/2011	(Charged) credited in the statement of operations	Exchange fluctuations, charges and other changes	09/30/2012
Deferred taxes on unrealized profits	1,035	1,685	15	**2,735**
Total - Consolidated	89,551	20,223	127	**109,901**
Liabilities:				
Company:				
Goodwill on acquisition of subsidiaries amortized for tax purposes	5,690	1,019	-	**6,709**
Provision for IRPJ/CSLL on difference of useful live of PP&E (depreciation)	-	1,902	-	**1,902**
Provision for CSLL – 25% on depreciation	-	2,467	-	**2,467**
Total - Company	5,690	5,388	-	**11,078**
Subsidiaries:				
Alpargatas S.A.I.C. – Argentina:				
Present value adjustment to renegotiated obligations and tax difference in the valuation of PP&E items	38,617	(2,902)	251	**35,966**
Total - Consolidated	44,307	2,486	251	**47,044**
Net total - Company		5,257		
Net total - Consolidated		17,745		

	12/31/2010	(Charged) credited in the statement of operations	Exchange fluctuations, charges and other changes	09/30/2011
Assets:				
Company:				
Allowance for doubtful accounts	4,449	1,226	-	5,675
Provision for inventory losses	1,913	(531)	-	1,382
Provision for contingencies	6,963	682	-	7,645
Provision for suspended tax payments	15,844	3,664	-	19,508
Write-off of deferred assets	1,328	(553)	-	775
Adjustment to recognition of sales revenue	5,477	31	-	5,508
Other temporary differences	3,824	243	-	4,067
Income and social contribution tax losses	3,207	(2,421)	-	786
Total - Company	43,005	2,341	-	45,346
Subsidiaries:				
Alpargatas S.A.I.C. - Argentina				
Provision for trust	13,516	(3,696)	(625)	9,195
Provision for tax and labor risks	7,829	3,575	(340)	10,584
Other temporary differences	5,988	1,361	179	7,528

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	12/31/2010	(Charged) credited in the statement of operations	Exchange fluctuations, charges and other changes	09/30/2011
	27,333	1,240	(1,266)	27,307
Alpargatas Europe S.L.U. - Spain	8,567	(2,314)	657	6,910
Alpargatas Chile	2,046	-	(2,046)	-
CBS S.A. - Companhia Brasileira de Sandálias				
Total temporary differences	1,970	-	(984)	986
Income and social contribution tax losses	7,157	(2,071)	(405)	4,682
	9,127	(2,071)	(1,389)	5,668
Unrealized profits in inventories	765	(85)	-	680
(-) Provision for realization risk	(2,046)	-	2,046	-
Total - Consolidated	88,797	(890)	(1,998)	85,911
Liabilities:				
Company:				
Goodwill on acquisition of subsidiaries	3,261	2,358	-	5,619
Total - Company	3,261	2,358	-	5,619
Subsidiaries -				
Alpargatas S.A.I.C. - Argentina				
Negotiated obligations and valuation of PP&E items	39,364	507	(679)	39,192
Total - Consolidated	42,625	2,865	(679)	44,811
Net total - Company		(18)		
Net total - Consolidated		(3,755)		

b) Current

Reconciliation of income and social contribution taxes:

	Company		Consolidated	
	09/30/2012	09/30/2011	09/30/2012	09/30/2011
Income before income and social contribution taxes	**227,709**	266,253	**223,056**	281,710
Combined rate of income and social contribution taxes	**34%**	34%	**34%**	34%
Expected income and social contribution tax expense at the statutory rate	**(77,421)**	(90,526)	**(75,839)**	(95,781)
Equity pickup	**4,251**	9,068	**(3,333)**	(415)
Interest on equity benefit	**21,760**	20,434	**21,760**	20,434
Tax effects from adopting RTT:				
Investment grant - ICMS	**32,113**	33,421	**34,069**	35,716
Stock option plan granted	**(440)**	(323)	**(440)**	(323)
Federal government subsidies - IRPJ (Note 6)	**5,894**	9,056	**5,894**	11,842
Use of tax credit of subsidiaries not recognized in previous years	-	-	**(3,920)**	(2,828)
Sale of brand - Argentina	-	-	**1,746**	-
Tax credit recorded due to merger in subsidiary Alpargatas S.A.I.C. - Argentina	-	-	**11,837**	-
Other permanent exclusions (additions), net	**(203)**	1,213	**(564)**	(75)
Income and social contribution tax expense	**(14,046)**	(17,657)	**(8,790)**	(31,430)
Current	**(19,303)**	(17,639)	**(26,535)**	(27,675)
Deferred	**5,257**	(18)	**17,745**	(3,755)

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12. Judicial deposits

These represent the Company's and its subsidiaries' restricted assets and refer to amounts deposited and held in court until the resolution of the pending litigation to which they are related.

At September 30, 2012 and December 31, 2011, balances are represented basically by judicial deposits related to labor and tax claims. These deposits, which do not involve current obligations, were necessary to proceed with claims. Based on the management's and its legal advisors' opinion, the likelihood of loss is not considered probable; therefore, no provision for tax, civil and labor risks was set up.

Judicial deposits are as follows:

	Company		Consolidated	
	09/30/2012	12/31/2011	09/30/2012	12/31/2011
Tax claims	6,571	6,571	6,681	6,680
Civil claims	-	-	24	-
Labor claims	5,106	7,094	5,659	7,848
	11,677	13,665	12,364	14,528

13. Investments

Investments are as follows:

	Company		Consolidated	
	09/30/2012	12/31/2011	09/30/2012	12/31/2011
Investments	222,800	207,042	67,327	74,267
Goodwill	150,130	150,130	-	-
	372,930	357,172	67,327	74,267

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	Fibrasil Agrícola e Comercial Ltda.	Alpargatas Internacional APS - Denmark	Alpargatas Imobiliária S.A.	CBS S.A. - Companhia Brasileira de Sandálias	Alpargatas S.A.I.C. - Argentina	Alpargatas Chile Ltda. - Chile	Total
Information at September 30, 2012							
Number of shares or units of interest held	1,157,111	30,393,854	5,585,855	750,645	67,611,095	-	
Total assets	2,324	150,115	18,486	99,744	404,162	-	
Total liabilities	-	161,192	-	30,395	249,600	-	
Capital	1,157	79,973	8,766	20,848	30,342	-	
Equity (capital deficiency)	2,324	(11,077)	18,486	69,349	154,562	-	
Unrealized profits in inventories		(4,985)		(151)	(174)		
		(16,062)		69,198	154,388		
Net revenue for the nine-month period	-	143,298	60	97,064	396,157	-	
Net income (loss) for the nine-month period	102	(13,053)	652	14,594	13,796	106	
Net revenue for the quarter	-	24,647	23	32,581	149,293	-	
Net income (loss) for the quarter	43	(15,024)	353	4,728	1,479	-	
Interest held - %	100,00	100,00	100,00	100,00	96,42	-	
Book value of investments:							
Balance at December 31, 2011	2,222	2,175	17,834	54,755	130,162	(106)	207,042
Equity pickup	28	(3,005)	95	4,583	842	(128)	2,415
Exchange fluctuation on investments	-	1,881	-	-	(5,960)	(11)	(4,090)
Balances at March 31, 2012	2,250	1,051	17,929	59,338	125,044	(245)	205,367
Capital increase	-	96	-	-	6,236	-	6,332
Equity pickup	31	3,389	204	5,179	10,940	235	19,978
Exchange fluctuation on investments	-	(4,112)	-	-	8,779	(17)	4,650
Balance at June 30, 2012	2,281	424	18,133	64,517	150,999	(27)	236,327
Capital increase	-	-	-	-	1,156	-	1,156
Write-off of investment operation	-	-	-	-	-	(467)	(467)
Equity pickup	43	(16,397)	353	4,680	1,432	-	(9,889)
Exchange fluctuation on investments	-	(88)	-	-	(4,733)	494	(4,327)
Balance at September 30, 2012	2,324	(16,061)	18,486	69,197	148,854	-	222,800

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Information at September 30, 2011	Fibrasil Agrícola e Comercial Ltda.	Alpargatas Internacional APS - Denmark	Alpargatas Imobiliária S.A.	CBS S.A. - Companhia Brasileira de Sandálias	Alpargatas S.A.I.C. - Argentina	Alpargatas Chile Ltda. - Chile	Total
Number of shares or units of interest held	1,157,111	30,393,854	5,585,856	750,645	64,126,833	-	
Total assets	2,183	140,546	17,598	78,139	385,166	17	
Total liabilities	2	112,820	57	28,352	240,540	110	
Capital	1,157	76,287	8,766	20,848	30,945	9,063	
Equity (capital deficiency)	2,181	27,726	17,541	49,787	144,626	(93)	
Unrealized profits in inventories		(1,295)			(12)		
		26,431			144,614		
Net revenue for the nine-month period	-	114,333	62	92,335	349,752	22	
Net income (loss) for the nine-month period	77	(3,293)	1,063	21,434	9,219	(299)	
Net revenue for the quarter	-	15,148	20	36,135	127,987	-	
Net income (loss) for the quarter	57	(10,486)	312	7,903	4,485	121	
Interest held - %	100,00	100,00	100,00	100,00	91,45	100,00	
Book value of investments:							
Balance at December 31, 2010	2,104	30,939	22,979	28,353	90,325	(147)	174,553
Equity pickup	-	8,784	339	6,536	3,022	19	18,700
Exchange fluctuation on investments	-	1,646	-	-	(3,841)	5	(2,190)
Balances at March 31, 2011	2,104	41,369	23,318	34,889	89,506	(123)	191,063
Capital increase	-	306	-	-	20,242	-	20,548
Payment of dividends	-	-	(6,500)	-	-	-	(6,500)
Equity pickup	20	(1,287)	411	6,995	399	(420)	6,118
Exchange fluctuation on investments	-	(427)	-	-	(5,533)	9	(5,951)
Balance at June 30, 2011	2,124	39,961	17,229	41,884	104,614	(534)	205,278
Capital increase	-	-	-	-	5,267	334	5,601
Equity pickup	57	(10,619)	312	7,903	4,077	121	1,851
Exchange fluctuation on investments	-	(2,911)	-	-	18,143	(14)	15,218
Balance at September 30, 2011	2,181	26,431	17,541	49,787	132,101	(93)	227,948

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At September 30, 2012 and December 31, 2011, goodwill on subsidiaries is as follows:

CBS S.A. - Companhia Brasileira de Sandálias	Atlântico Participações S.A.	Alpargatas S.A.I.C. - Argentina	Total
11,498	42,364	96,268	150,130

Indirect investments through the holding company Alpargatas Internacional APS

Information at September 30, 2012	Alpargatas Europe S.L.U. - Spain	Alpargatas France S.A.R.L. - France	Alpargatas UK Limited - United Kingdom	Alpargatas Italia S.R.L. - Italy	Alpargatas Portugal Limited - Portugal	Alpargatas USA Inc. - United States	Grupo Tavex S.A.	Total
Number of shares or units of interest held	100,000	5,000	100	1	2	10	106,733,526	
Total assets	41,510	3,407	2,159	2,225	962	24,610	1,635,062	
Total liabilities	55,062	4,712	1,434	2,151	664	121,863	1,274,774	
Equity (capital deficiency)	(13,552)	(1,305)	725	74	298	(97,253)	360,288	
Net revenue for the nine-month period	99,244	3,146	3,250	2,905	1,134	33,619	845,729	
Net income (loss) for the nine-month period	9,505	(495)	552	(13)	127	(11,397)	(52,455)	
Net revenue for the quarter	12,777	937	1,460	955	1,888	6,630	281,596	
Net income (loss) for the quarter	(4,493)	(469)	385	(128)	(66)	(5,324)	(21,395)	
Indirect interest held - %	100,00	100,00	100,00	100,00	100,00	100,00	18,687	
Book value of investments:								
Balance at December 31, 2011	(22,472)	(726)	125	(15)	152	(79,087)	74,267	(27,756)
Equity pickup	3,623	(198)	34	(71)	(68)	(842)	(3,729)	(1,251)
Exchange fluctuation on investments	65	(9)	8	(3)	(4)	2,246	(303)	2,000
Balances at March 31, 2012	(18,784)	(933)	167	(89)	80	(77,683)	70,235	(27,007)
Increase in/payment of capital	96	-	-	-	-	-	-	96
Equity pickup	10,376	172	133	186	261	(5,231)	(2,075)	3,822
Exchange fluctuation on investments	(480)	(31)	13	112	23	(8,588)	3,175	(5,776)
Balance at June 30, 2012	(8,792)	(792)	313	209	364	(91,502)	71,335	(28,865)
Equity pickup	(4,493)	(469)	385	(128)	(66)	(5,324)	(3,998)	(14,093)
Exchange fluctuation on investments	(267)	(44)	27	(7)	-	(427)	(10)	(728)
Balance at September 30, 2012	(13,552)	(1,305)	725	74	298	(97,253)	67,327	(43,686)

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Information at September 30, 2011	Alpargatas Europe S.L.U. - Spain	Alpargatas France S.A.R.L. - France	Alpargatas UK Limited - United Kingdom	Alpargatas Italia S.R.L. - Italy	Alpargatas Portugal Limited - Portugal	Alpargatas USA Inc. - United States	Grupo Tavex S.A.	Total
Number of shares or units of interest held	100,000	5,000	100	10,000	4,900	21,370,000	106,733,526	
Total assets	35,238	3,170	2,322	1,966	804	7,253	1,690,590	
Total liabilities	49,475	3,841	2,179	1,827	571	78,996	1,261,603	
Equity (capital deficiency)	(14,236)	(670)	143	138	233	(71,743)	428,976	
Net revenue for the nine-month period	82,725	3,180	2,639	2,459	1,401	18,298	862,691	
Net income (loss) for the nine-month period	7,545	(20)	120	78	203	(9,669)	(6,527)	
Net revenue for the quarter	7,384	1,352	988	949	843	10,035	294,513	
Net income (loss) for the quarter	(4,455)	36	49	45	210	(5,112)	(5,822)	
Indirect interest held - %	100	100	100	100	100	100	18,687	
Book value of investments:								
Balance at December 31, 2010	(19,973)	(579)	51	48	11	(54,445)	77,143	2,256
Equity pickup	10,366	22	32	28	5	(401)	(1,297)	8,755
Exchange fluctuation on investments	(734)	(22)	(1)	2	-	1,235	28	508
Balances at March 31, 2011	(10,341)	(579)	82	78	16	(53,611)	75,874	11,519
Equity pickup	1,633	(78)	39	5	(12)	(4,156)	1,166	(1,403)
Exchange fluctuation on investments	149	13	(29)	(2)	-	2,307	(2,230)	208
Balance at June 30, 2011	(8,559)	(644)	92	81	4	(55,460)	74,810	10,324
Equity pickup	(4,455)	36	49	45	210	(5,112)	(1,088)	(10,315)
Exchange fluctuation on investments	(1,222)	(62)	2	12	19	(11,171)	6,441	(5,981)
Balance at September 30, 2011	(14,236)	(670)	143	138	233	(71,743)	80,163	(5,972)

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Additional information on acquisitions of subsidiaries

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

In continuation of the process for acquiring noncontrolling interest, in April 2011, the Company acquired more 11,483,857 shares with at par value of AR$8.71 (eight Argentinean pesos and seventy-one cents) each. These shares, together with the 49,569,771 shares already held, grant the Company a total of 61,053,628 shares, representing 87.067% of the total capital of Alpargatas S.A.I.C. - Argentina. The amounts of investment and goodwill paid in this acquisition were broken down into R$20,242 and R$18,999, respectively.

In July 2011, the Company acquired 3,073,205 shares with a par value of US$1.98 (one dollar and ninety-eight cents) each. These shares, together with the 61,053,628 shares already held, grant the Company a total of 64,126,833 shares, representing 91.4502% of the total capital of Alpargatas S.A.I.C. - Argentina. The consideration paid in this acquisition was broken down into R$5,267 referring to acquisition cost and R$4,285 referring to goodwill, respectively.

The total amount of the two acquisitions made in 2011 was R$23,509 referring to acquisition of noncontrolling interest and R$23,284 of goodwill.

In addition, in continuation of the process for acquiring 100% of outstanding shares of the subsidiary, on October 11, 2011, the Company filed with "Comisión Nacional de Valores - CNV" of Argentina an application for the registration of a share takeover bid ("OPA") to acquire all outstanding book-entry common shares and preferred shares of Alpargatas S.A.I.C. - Argentina with a par value of AR$8.14 each.

In March 2012, the Comisión Nacional de Valores ("CNV") of Argentina approved such request.

In May 2012, the Company acquired 2,971,857 shares with a par value of AR$8.14 (eight Argentinean pesos and fourteen cents) each. These shares, together with the 64,126,833 shares already held, grant the Company a total of 67,098,690 shares, representing 95.69% of the total capital of Alpargatas S.A.I.C. - Argentina. The consideration paid in this acquisition was broken down into R$6,236 referring to acquisition cost and R$4,634 referring to goodwill, respectively.

In July 2012, the Company acquired 512,405 shares with a par value of AR$8.14 (eight Argentinean pesos and fourteen cents) each. These shares, together with the 67,098,690 shares already held, grant the Company a total of 67,611,095 shares, representing 96.42% of the total capital of Alpargatas S.A.I.C. - Argentina. The consideration paid in this acquisition was broken down into R$1,156 referring to acquisition cost and R$725 referring to goodwill, respectively.

On July 25, 2012, the Company disclosed a material news release, informing shareholders and the market in general that it will file with the *Comisión Nacional de Valores - CNV* of Argentina, a Declaration of Acquisition and Implementation of Offering of Residual Interest of all outstanding common and preferred shares of Alpargatas S.A.I.C. - Argentina, at the value of AR$8.14 (eight Argentinean pesos and fourteen cents) each.

CBS S.A. - Companhia Brasileira de Sandálias

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

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In November 2007, the Company acquired, for R$49,500, all shares representing the capital of CBS S.A. - Companhia Brasileira de Sandálias, 21.89% of which were held by individuals and 78.11% by a holding company named Atlântico Participações S.A.

On April 15, 2008, holding Atlântico Participações S.A. was merged into the Company, directly holding 100% of interest in CBS S.A. - Companhia Brasileira de Sandálias.

Additional information on associates

Grupo Tavex S.A.

Although the Company holds an indirect interest of 18.687%, management considers the investment as an associate, decisions of which are influenced thereby, by maintaining a seat on the Board of Directors in Spain. Therefore, in accordance with accounting practices adopted in Brazil, the Company has been valuing the investment according to the equity method.

On February 13, 2012, the controlling shareholder, Camargo Correa S.A., disclosed a material news release informing that it had received an indicative non-binding offer from a Private Equity fund for selling the package of shares held in Grupo Tavex S.A., including the interest held by the Company of 18.687%, with a par value of € 0.41 each. Such transaction was not carried out. Given that this investment cannot be considered as available for sale, Company management, based on the requirements of IAS 28, tested such investment for impairment at December 31, 2011, taking into account the cash flow discounted from future operations of the associate, in accordance with the plans approved by the investee's Board for the next five years. Net cash flows obtained by projections were adjusted to present value and subject to a sensitivity analysis at discount rates between 11% and 15%, and there was no need to set up provision for impairment losses based on the valor in use thereof.

14. Property, plant and equipment and intangible assets

a) Property, plant and equipment

	Company					
		09/30/2012			12/31/2011	
	% - Weighted average annual depreciation rate (%)	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	-	**9,650**	**-**	**9,650**	9,650	-	9,650
Buildings and constructions	4	**121,679**	**(60,222)**	**61,457**	117,913	(57,684)	60,229
Machinery and equipment	8	**209,507**	**(130,772)**	**78,735**	198,976	(125,657)	73,319
Furniture and fixtures	10	**27,891**	**(12,094)**	**15,797**	21,879	(10,674)	11,205
Vehicles	15	**2,766**	**(1,931)**	**835**	2,829	(1,878)	951
Leasehold improvements	20	**23,701**	**(8,275)**	**15,426**	14,177	(8,766)	5,411
Construction in progress	-	**97,751**	**-**	**97,751**	44,686	-	44,686
Other PP&E	-	**545**	**-**	**545**	545	-	545
Provision for impairment losses	-	**(449)**	**-**	**(449)**	(449)	-	(449)
Portion of government subsidies to be appropriated from land		**(847)**	**-**	**(847)**	(847)	-	(847)
Total		492,194	(213,294)	278,900	409,359	(204,659)	204,700

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		Consolidated					
		09/30/2012			12/31/2011		
	% - Weighted average annual depreciation rate (%)	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	-	**14,198**	**-**	**14,198**	15,373	-	15,373
Buildings and constructions	4	**318,910**	**(188,075)**	**130,835**	283,519	(152,588)	130,931
Machinery and equipment	8	**475,914**	**(349,690)**	**126,224**	520,881	(397,389)	123,492
Furniture and fixtures	10	**84,246**	**(62,066)**	**22,180**	80,165	(61,920)	18,245
Vehicles	15	**5,003**	**(3,850)**	**1,153**	5,287	(3,946)	1,341
Leasehold improvements	20	**28,835**	**(11,111)**	**17,724**	20,016	(12,586)	7,430
Construction in progress	-	**112,043**	**-**	**112,043**	56,034	-	56,034
Other PP&E	-	**3,968**	**-**	**3,968**	5,016	-	5,016
Provision for losses	-	**(995)**	**-**	**(995)**	(585)	-	(585)
Portion of government subsidies to be appropriated from land		**(847)**	**-**	**(847)**	(847)	-	(847)
Provision for impairment losses		**(14,341)**	**-**	**(14,341)**	(14,450)	-	(14,450)
Total		1,026,934	(614,792)	412,238	970,409	(628,429)	341,980

Additional information on property, plant and equipment

(i) *Review of the useful life of property, plant and equipment*

Company and its subsidiary management did not change the remaining economic useful lives of property, plant and equipment items, for the six-month period ended September 30, 2012, due to the lack of significant changes in the conditions for the use thereof.

(ii) *Assets pledged as collateral*

At September 30, 2012, the Company and its subsidiaries had property, plant and equipment items pledged as collateral in bank loans and financing transactions, as well as items listed in the defense of lawsuits, as follows:

	R$
Buildings and constructions	6,114
Machinery and equipment	117
Other	50
Total	6,281

(iii) *Impairment of assets*

There were no risk factors indicating the need for an impairment test of assets of the parent company and subsidiaries for the quarter, or facts indicating that the impairment loss recognized in subsidiary Alpargatas S.A.I.C. Argentine did not exist any longer or had decreased.

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b) Intangible assets

	Company						
	Annual amortization rate (%)	09/30/2012			12/31/2011		
		Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Finite useful life:							
Trademarks, rights and patents	10	17,849	(17,652)	197	17,849	(17,652)	197
ERP system (iv)	10	122,790	(56,591)	66,199	120,756	(45,696)	75,060
Customer portfolio (i)	20	27,311	(19,319)	7,992	27,311	(15,088)	12,223
Construction in progress		5,144	-	5,144	4,678	-	4,678
Indefinite useful life:							
Assignment of trade rights (iii)	-	4,297	(234)	4,063	4,297	(234)	4,063
Total		177,391	(93,796)	83,595	174,891	(78,670)	96,221

	Consolidated						
	Annual amortization rate (%)	09/30/2012			12/31/2011		
		Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Finite useful life:							
Trademarks, rights and patents	10	26,121	(17,652)	8,469	26,650	(17,652)	8,998
ERP system (iv)	10	127,811	(59,519)	68,292	124,689	(47,941)	76,748
Customer portfolio (i)	20	31,810	(19,319)	12,491	32,326	(15,088)	17,238
Construction in progress		5,144	-	5,144	4,678	-	4,678
Indefinite useful life:							
Goodwill on acquisition of subsidiaries (ii)	-	150,130	-	150,130	150,130	-	150,130
Assignment of trade rights (iii)	-	8,669	(1,410)	7,259	5,840	(234)	5,606
Provision for losses	-	(1,093)	-	(1,093)	-	-	-
Total		348,592	(97,900)	250,692	344,313	(80,915)	263,398

(i) This refers to amounts paid on acquisition of customer portfolios of former sales representatives of the Company (which basically sold "Havaianas" sandals) in certain European countries, for which the Company is now acting by means of its indirect subsidiaries located in Europe. Costs are amortized under the straight-line method according to the five-year term of future cash flows expected by Company management. At September 30, 2012, in view of indications that the Company will enjoy expected future benefits, based on the Company management's economic projections, no provision for impairment losses was set up on these balances.

(ii) See the breakdown in Note 13. Considering the accounting changes introduced by Laws No. 11638/07 and No. 11941/09, as of January 1, 2009, the goodwill balance at December 31, 2008 was no longer amortized and is tested for impairment annually. Accordingly, as of January 1, 2009, tax benefit of goodwill on the merger of former subsidiary Atlântico Participações S.A., as described in Note 14, was used in the monthly calculations of income and social contribution taxes based on the Transition Tax Regime (RTT), pursuant to provisions of Law No. 11941/09, the effects of which are described in Note 11.a).

(iii) This substantially refers to amounts paid on acquisition of rights of use of points of sale where certain "Timberland" and "Concept Havaianas" stores are located. As these are sellable intangible assets, they are not amortized, subject to annual impairment test.

(iv) This refers to expenses incurred in acquisition, development and implementation of ERP systems that are used by the Company and its subsidiaries. These are represented substantially by SAP/R3, WMS and LINX and costs incurred in the value chain management project. Expenses are amortized under the straight-line method according to the ten-year term of future benefit expected by Company management for SAP/R3 management system and five-year term for other systems. At September 30, 2012, in view of indications that the Company will enjoy expected future benefits by these systems and projects, no provision for impairment losses was set up on these balances.

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Consolidated amortization expenses on intangible assets estimated for the next periods are as follows:

2012 (three months)	5,965
2013	23,841
2014	18,760
2015 onward	42,996
Total	91,562

Additional information on intangible assets

(i) *Research and development expenses of products*

	Consolidated	
	09/30/2012	09/30/2011
Research and development expenses of products recorded in P&L:	**14,554**	10,624

(ii) *Impairment test of goodwill*

No indication of impairment of goodwill was identified for the nine-month period.

c) Changes

	Company					
	12/31/2011	Additions	Transfers (i)	Depreciation	Write-offs	09/30/2012
Property, plant and equipment						
Land	9,650	-	-	-	-	**9,650**
Buildings and constructions	60,229	-	3,991	(2,611)	(152)	**61,457**
Machinery and equipment	73,319	-	15,901	(9,535)	(950)	**78,735**
Furniture and fixtures	11,205	-	6,361	(1,632)	(137)	**15,797**
Vehicles	951	-	(7)	(103)	(6)	**835**
Leasehold improvements	5,411	-	12,967	(2,028)	(924)	**15,426**
Construction in progress	44,686	94,604	(41,539)	-	-	**97,751**
Other PP&E	545	-	-	-	-	**545**
Provision for impairment losses	(449)	-	-	-	-	**(449)**
Portion of government subsidies to be appropriated from land	(847)		-	-	-	**(847)**
Total	204,700	94,604	(2,326)	(15,909)	(2,169)	**278,900**

	Company					
	12/31/2011	Additions	Transfers (i)	Amortization	Write-offs	09/30/2012
Intangible assets						
Finite useful life:						
Trademarks, rights and patents	197	-	-	-	-	**197**
ERP system	75,060	-	2,357	(10,905)	(313)	**66,199**
Customer portfolio	12,223	-	-	(4,231)	-	**7,992**
Construction in progress	4,678	497	(31)	-	-	**5,144**
Indefinite useful life:						
Assignment of trade rights	4,063	-	-	-	-	**4,063**
Total	96,221	497	2,326	(15,136)	(313)	**83,595**
Total	300,921	95,101	-	(31,045)	(2,482)	**362,495**

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	Consolidated							
	12/31/2011	Additions	Transfers (i)	Depreciation	Write-offs	Impairment	Exchange fluctuations	09/30/2012
Property, plant and equipment								
Land	15,373	-	-	-	(718)	-	(457)	14,198
Buildings and constructions	130,931	2,563	3,916	(5,557)	(677)	-	(341)	130,835
Machinery and equipment	123,492	322	18,270	(14,776)	(1,497)	-	413	126,224
Furniture and fixtures	18,245	1,373	6,548	(3,755)	(271)	-	40	22,180
Vehicles	1,341	-	(7)	(180)	(6)	-	5	1,153
Leasehold improvements	7,430	15	13,140	(2,652)	(924)	-	715	17,724
Construction in progress (iii)	56,034	101,309	(45,479)	-	-	-	275	112,139
Other PP&E	5,016	-	542	-	(604)	-	(986)	3,968
Provision for impairment losses	(15,035)	-	-	-	-	(405)	104	(15,336)
Portion of government subsidies to be appropriated from land	(847)	-	-	-	-	-	-	(847)
Total	341,980	105,582	(3,070)	(26,920)	(4,697)	(405)	(232)	412,238

	Consolidated							
	12/31/2011	Additions	Transfers (i)	Amortization	Write-offs	Impairment	Exchange fluctuations	09/30/2012
Intangible assets								
Finite useful life:								
Trademarks, rights and patents	8,998	-	(225)	(1,067)	-	-	763	8,469
ERP system	76,748	532	3,082	(11,339)	(1,346)	-	615	68,292
Customer portfolio	17,238	-	-	(5,225)	(128)	-	606	12,491
Construction in progress (iii)	4,678	497	(31)	-	-	-	-	5,144
Indefinite useful life:								
Goodwill on acquisition of subsidiaries	150,130	-	-	-	-	-	-	150,130
Assignment of trade rights	5,606	1,682	244	(43)	-	-	(230)	7,259
Provision for losses	-	-	-	-	-	(1,093)	-	(1,093)
Total	263,398	2,711	3,070	(17,674)	(1,474)	(1,093)	1,754	250,692
Total	605,378	108,293	-	(44,594)	(6,171)	(1,498)	1,522	662,930

(I) Transfers correspond to reclassification of assets from "Construction in progress" to the related definite accounts of "Property, plant and equipment" and "Intangible assets", upon the completion of projects.

(ii) Exchange fluctuations arising from the translation of the financial statements of foreign subsidiaries.

(iii) Additions recorded under the "Construction in progress" account substantially refer to the following projects: (1) construction of a new plant of sandals in the city of Montes Claros - MG, investing R$53,300; (2) improvements in the new Company's headquarters in the city of São Paulo - SP, investing approximately R$21,600; (3) various improvements and expansion of the manufacturing process, investing approximately R$21,542; (4) Internationalization of Havaianas sandals R$2,982; and (5) Other ongoing projects R$8,869.

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15. Trade accounts payable

	Company		Consolidated	
	09/30/2012	12/31/2011	09/30/2012	12/31/2011
Domestic suppliers	185,628	177,612	203,245	194,580
Foreign	145,826	40,961	203,083	102,570
Total	331,454	218,573	406,328	297,150

The balance of foreign trade accounts payable refers mainly to amounts denominated in U.S. dollars.

16. Loans and financing

		Currency	Index and annual interest rate	Company		Consolidated	
				09/30/2012	12/31/2011	09/30/2012	12/31/2011
Denominated in Brazilian reais:							
FNE (BNB)	(a)		7.92%	46,867	57,424	46,867	57,424
FINAME			6.55%	7,302	8,321	7,302	8,321
Finem (BNDES)	(b)		Currency basket and TJLP + 8.05%	4,906	8,245	4,906	8,245
Exim (BNDES)	(c)		8.00%	30,026	-	30,026	-
Assignment of receivables	(d)		8.06%	33,676	42,947	33,676	42,947
Automatic Finem (BNDES) - CBS			TJLP + 2.8%	-	-	-	369
Total in reais				122,777	116,937	122,777	117,306
Denominated in foreign currency:							
Finimp - Import Financing	(e)	US$	2.77%	-	4,794	-	4,794
Working capital - Alpargatas U.S.	(f)	US$	1.81%	-	-	102,880	82,616
Working capital - Alpargatas Europe	(f)	€	2.32%	-	-	939	-
Working capital - Alpargatas International APS	(f)	€	2.45%	-	-	10,551	17,131
Finance leases - Alpargatas S.A.I.C. - Argentina		AR$	19.45%	-	-	103	225
Working capital - Alpargatas S.A.I.C. - Argentina		AR$	18.21%	-	-	62,044	13,819
ACC/prepayment - CBS		US$	-	-	-	-	42
Total in foreign currency				-	4,794	176,517	118,627
Grand total				122,777	121,731	299,294	235,933
Current liabilities				53,962	67,824	185,035	180,077
Noncurrent liabilities				68,815	53,907	114,259	55,856

(a) On February 23, 2006, the Company entered into a financing agreement with Banco do Nordeste do Brasil (BNB), limited to R$112,000, to fund investment programs in the Northeast Region. The financing has been monthly amortized since 2008 and will be amortized in ten years. The release of funds is linked to the investment disbursement schedule. The guarantee is backed by a bank letter of guarantee.

(b) In October 2007, the Company entered into with the Brazilian Development Bank (BNDES) a financing agreement of R$22,180 to fund the implementation of an ERP system. The financing has been amortized in monthly installments since November 2008 and is expected to be fully settled by October 2013. The guarantee is backed by a bank letter of guarantee.

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(c) On September 30, 2012, the Company received a credit amounting to R$30,000, related to the "BNDES-EXIM Pre-Shipment" financing executed with Banco Alfa de Investimentos. This financing will be amortized in six monthly installments maturing between May and October 2014.

(d) In October 2010, the Company executed with Banco Santander the credit assignment agreement. These transactions are usually settled within 90 days. The assignments are amortized to Banco Santander in accordance with trade accounts receivable.

(e) In September 2011, the Company executed import financing agreements (Finimp) with Banco Itaú BBA. These transactions are settled within 180 days and the loan was terminated in March 2012.

(f) Loans and financing raised by foreign subsidiaries are guaranteed by the Company, within the limits approved by the Board of Directors. These transactions are settled within 180 and 360 days.
The other loans are guaranteed by Promissory Notes and chattel mortgage of the Company's and its subsidiaries' assets, except for working capital operations of Alpargatas S.A.I.C. - Argentina.

Maturities of noncurrent liabilities are as follows:

	Company		Consolidated	
	09/30/2012	12/31/2011	09/30/2012	12/31/2011
Year				
2013	**4,234**	19,326	**47,515**	21,266
2014	**45,323**	15,323	**45,323**	15,332
2015	**15,324**	15,324	**17,487**	15,324
2016	**2,454**	2,454	**2,454**	2,454
2017	**1,188**	1,187	**1,188**	1,187
2018	**264**	264	**264**	264
2019	**28**	29	**28**	29
Total	68,815	53,907	114,259	55,856

Restrictive covenants

At September 30, 2012 and December 31, 2011, loan and financing agreements entered into by the Company and its subsidiaries did not contain restrictive covenants establishing obligations as to the maintenance of financial ratios by the Company and its subsidiaries.

17. Debt-restructuring agreements of subsidiaries

On September 26, 2001, subsidiary Alpargatas S.A.I.C. - Argentina requested a preventive debt restructuring from creditors, a decision ratified by the General 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 subsidiary 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.

The amounts are reported in the consolidated quarterly interim financial information under the "Debt-restructuring agreements" account, in current and noncurrent liabilities, amounting to R$11,674 and R$63,587, respectively, at September 30, 2012 (R$14,758 and R$63,537, respectively, at December 31, 2011), net of present value adjustments, amounting to R$50,363 and R$53,630, respectively, at September 30, 2012 and December 31, 2011.

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The present value adjustment is calculated based on the difference between the Argentinean basic interest rate and the fixed adjustment rate of liabilities, as established in debt-restructuring agreements. At September 30, 2012, the average discount rate adopted for the present value adjustment was 15% per year.

The effects of the net reversal of the present value adjustment are recorded under the "Financial expenses" account, in the consolidated, and totaled R$2,938 in P&L for the nine-month period ended September 30, 2012 (R$3,111 for the same period in 2011).

Total liabilities are subject to annual interest from 1% to 3%, maturing between 15 and 25 years, with grace period from 6 to 10 years, as of the dates the agreements are entered into.

At September 30, 2012, reversals expected for the next periods, related to the present value adjustment, are as follows:

2012 (three months)	1,094
2013	4,397
2014	4,297
2015 onward	40,575
Total	50,363

Expected maturities of noncurrent liabilities are as follows:

2013	8,778
2014	9,173
2015 onward	45,636
Total	63,587

Balance at December 31, 2011	78,295
Interest	7,939
Exchange losses	(618)
Payment	(10,355)
Balance at September 30, 2012	75,261

18. Tax liabilities

	Company		Consolidated	
	09/30/2012	12/31/2011	09/30/2012	12/31/2011
State VAT (ICMS)	10,101	1,383	10,321	1,595
PIS and COFINS to be offset	1,538	1,145	1,259	1,554
Federal VAT (IPI)	229	212	229	212
Income and social contribution taxes	1,532	-	2,294	2,233
Alpargatas S.A.I.C. – Argentina:				
IRPJ	-	-	9	2,553
Value Added Tax - VAT	-	-	4,080	2,193
Other taxes	-	-	1,765	1,266
Alpargatas Europe S.L.U. - Spain - Value Added Tax - VAT	-	-	2,618	306
Alpargatas USA Inc. - United States - Value Added Tax - VAT	-	-	-	14
Other	622	1,387	659	1,630
	14,022	4,127	23,234	13,556

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19. Provisions and other liabilities

	Company		Consolidated	
	09/30/2012	12/31/2011	09/30/2012	12/31/2011
Royalties payable	**11,162**	13,448	**11,162**	13,448
Provision for freight payable	**7,896**	8,467	**8,406**	9,138
Commercial agreement termination commitments	**-**	-	**-**	5,014
Other accounts payable (commissions, third party services, utilities and others)	**12,139**	5,192	**30,057**	20,023
Total	**31,197**	27,107	**49,625**	47,623

20. Related parties

a) Related-party balances

Noncurrent assets (liabilities)	Company	
	09/30/2012	12/31/2011
CBS S.A. - Companhia Brasileira de Sandálias	**4,042**	1,445
Alpargatas Internacional APS	**(20)**	(18)
Alpargatas Imobiliária S.A.	**(106)**	19
Fibrasil Agrícola e Comercial Ltda.	**-**	2
Total	**3,916**	1,448

The balance is represented by a current account between the Company and its subsidiaries due to the centralized management of cash and cash equivalents, not subject to financial charges.

b) Balances receivable and payable referring to related-party transactions are as follows:

		Company		Company and Consolidated	
		Accounts receivable		Accounts payable	
		09/30/2012	12/31/2011	09/30/2012	12/31/2011
Alpargatas USA Inc. - United States	(ii)	**15,787**	8,808	**-**	-
Alpargatas Europe S.L.U. - Spain	(ii)	**9,294**	8,814	**-**	-
Alpargatas S.A.I.C. - Argentina		**1,275**	1,755	**61**	-
Grupo Camargo Corrêa	(iii)	**-**	-	**57**	794
Total		**26,356**	19,377	**118**	794

c) Dividends and interest on equity payable

Company and Consolidated	
09/30/2012	12/31/2011
1,671	843

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d) Transactions with related parties

Breakdown of transactions with related parties is as follows:

		Sale of products/services		Purchase of products/services	
		09/30/2012	09/30/2011	09/30/2012	09/30/2011
Alpargatas S.A.	(i)	**38,198**	27,311	**16,285**	12,608
Alpargatas USA Inc. - United States		**-**	-	**13,169**	5,336
Alpargatas Europe S.L.U. - Spain		**-**	-	**25,013**	21,788
Alpargatas S.A.I.C. - Argentina		**-**	-	**16**	187
CBS S.A. - Companhia Brasileira de Sandálias		**4,454**	1,446	**-**	-
Grupo Camargo Corrêa					
Rental and condominium fees		**595**	1,522	**-**	-
Shared services - CSC	(iv)	**9,827**	8,721	**-**	-
Corporate projects		**1,380**	849	**-**	-
Other		**29**	70	**-**	-
		54,483	39,919	**54,483**	39,919

(i) These basically consist of sales of "Havaianas" sandals to subsidiaries located in the United States and Europe, due to the operating model and design of the distribution channel established for Company's international transactions, in which products are manufactured in Brazil and subsequently sold to foreign subsidiaries for resale.

For the nine-month period ended September 30, 2012 and 2011, the Company did not record any write-off or allowance for doubtful accounts on balances receivable from its foreign subsidiaries.

(ii) Accounts receivable for sales of products described in item (i), which will be received between October 2012 and March 2013.

(iii) Accounts payable for the provision of services described in item (iv).

(iv) These consist of shared corporate service costs, such as telephone, insurance and administrative and IT services, provided under an agreement entered into with the Shared Service Center of Grupo Camargo Corrêa.

At September 30, 2012, except for the guarantees provided to support loans and financing, as described in Note 16, the Company and its subsidiaries did not provide any other guarantees to related parties.

e) Key management personnel compensation

Total key management personnel compensation is as follows:

	09/30/2012				
	Compensation			Options grant	
	Fixed	Variable (i)	Total	Options balance (number) (ii)	Average exercise price - R$ (iii)
Board of Directors and Supervisory Board	**2,099**	**-**	**2,099**	**-**	**-**
Officers	**3,618**	**3,296**	**6,914**	**3,633,464**	**5.22**
	5,717	**3,296**	**9,013**	**3,633,464**	

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	09/30/2011				
	Compensation			Options grant	
	Fixed	Variable (i)	Total	Options balance (number) (ii)	Average exercise price - R$ (iii)
Board of Directors and Supervisory Board	2,056	-	2,056	-	-
Officers	2,549	3,107	5,656	3,344,840	4.55
	4,605	3,107	7,712	3,344,810	

(i) This refers to profit sharing for the year. The amounts include additions to and/or reversals of the prior-year provision due to the final determination of goals set to statutory officers.

(ii) This refers to vested and non-vested options not exercised at the balance sheet date.

(iii) This refers to the weighted average exercise price of the option on the date of option plans, adjusted for inflation through the balance sheet date.

According to details described in Note 27, for the nine-month period ended September 30, 2012, an expense referring to stock option plans of R$1,295 (R$951 for period same period in 2011) was recognized.

For the nine-month period ended September 30, 2012, in addition to management fee, the Company made contributions to the private pension plan amounting to R$279 (R$223 for period same period in 2011) on behalf of statutory officers.

The total annual management fee fixed for 2012 at the General Shareholder's Meeting held on April 25, 2012 was R$12,127.

21. Provision for tax, civil, and labor risks

At September 30, 2012 and December 31, 2011, the Company and its subsidiaries are parties to tax, civil and labor claims arising from tax delinquency notices by tax authorities and from claims filed by third parties and former employees or from legal proceedings and challenges. For these contingencies, provisions were set up, when, in the management's and its legal advisors' opinion, the risk of loss was considered as probable. These provisions are as follows:

		Company		Consolidated	
		09/30/2012	12/31/2011	09/30/2012	12/31/2011
Labor claims	(a)	**17,951**	17,663	**25,856**	24,449
Tax claims	(b)	**9,177**	9,056	**13,726**	13,255
Judicial deposits	(b)	**(4,179)**	(4,179)	**(4,179)**	(4,179)
Civil claims		**3,132**	3,108	**3,980**	4,156
		26,081	25,648	**39,383**	37,681
Current portion		**7,471**	7,183	**12,947**	11,436
Noncurrent portion		**18,610**	18,465	**26,436**	26,245

(a) These refer to lawsuits filed against the Company and its subsidiaries by former and current employees, whose claims basically refer to severance pay, salary premiums, overtime and amounts considered due for joint liability. The provisioned amounts refer to the best estimates for each lawsuit considered as probable loss.

(b) These basically consist of: (i) tax delinquency notice concerning COFINS in July and from September to December 1992 issued against the Company, which discusses differences not taxed, amount adjusted of which for September 30, 2012 is R$3,844; and (ii) discussion on the collection of the difference of the Accident Prevention Factor - FAP and Occupational Accident Insurance - SAT, totaling R$5,106, in which the Company discusses collection at the maximum rate applied in the industry. The lawsuit is pending a legal decision by a higher court; ~~judicial deposit of which amounts to~~ R$4,179.

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	Company				
	Labor	Tax	Civil	Judicial deposits	Total
Balance at December 31, 2011	17,663	9,056	3,108	(4,179)	25,648
Additions	1,353	338	106	-	1,797
Payments	(1,082)	(337)	-	-	(1,419)
Balances at March 31, 2012	17,934	9,057	3,214	(4,179)	26,026
Additions	3,871	-	-	-	3,871
Reversals	-	-	(68)	-	(68)
Payments	(3,547)	(1)	1	-	(3,547)
Balance at June 30, 2012	18,258	9,056	3,147	(4,179)	26,282
Additions	2,441	248	278	-	2,967
Reversals	-	-	-	-	-
Payments	(2,748)	(127)	(293)	-	(3,168)
Balance at September 30, 2012	**17,951**	**9,177**	**3,132**	**(4,179)**	**26,081**

	Consolidated				
	Labor	Tax	Civil	Judicial deposits	Total
Balance at December 31, 2011	24,449	13,254	4,157	(4,179)	37,681
Additions	1,844	338	106	-	2,288
Payments / exchange fluctuations	(1,217)	(403)	(47)	-	(1,667)
Balances at March 31, 2012	25,076	13,189	4,216	(4,179)	38,302
Additions	4,307	-	-	-	4,307
Reversals	-	-	(68)	-	(68)
Payments / exchange fluctuations	(3,306)	1,059	(554)	-	(2,801)
Balance at June 30, 2012	26,077	14,248	3,594	(4,179)	39,740
Additions	2,444	248	278	-	2,970
Reversals	-	-	-	-	-
Payments / exchange fluctuations	(2,665)	(770)	108	-	(3,327)
Balance at September 30, 2012	25,856	13,726	3,980	(4,179)	39,383

Possible losses

The Company and its subsidiaries are parties to tax and civil claims that are not provisioned as their risk of loss was classified by management and its attorneys and legal advisors as possible. Contingent liabilities are as follows:

	Company and Consolidated	
	09/30/2012	12/31/2011
Tax:		
Tax delinquency notice - IRRF (a)	**8,679**	8,439
CSLL and IRPJ (b)	**9,517**	3,781
Royalties (c)	**52,491**	49,160
IPI (c)	**38,181**	36,494
Other	**10,532**	6,797
	119,400	104,671
Civil (compensation actions)	**5,254**	5,655

(a) Tax delinquency notice for collection of IRRF, offset against IRPJ credits.

(b) Tax delinquency notices related to the non-approval of offset of tax debts against IRPJ and CSLL credits.

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(c) Tax delinquency notices seeking at collection of II, IPI, PIS-Imports and COFINS-Imports on amounts remitted abroad by way of royalties from 2007 to 2010.

(d) Tax delinquency notices related to the non-approval of IPI credit offset in the acquisition of exempt inputs from former subsidiary Locomotiva da Amazônia Indústria e Comércio de Têxteis Industriais Ltda., from July 2004 to June 2008.

Additionally, in December 2005, a company holding the rights to a certain sports brand filed a civil claim against the Company for compensation of losses on alleged breach of the license agreement, which was terminated in prior years. In the opinion of the Company's legal advisors, the likelihood of loss was considered as possible and the amount involved could not be calculated yet; therefore, no provision was recognized to cover such contingency. In February 2007, there was a decision favorable to the Company resulting in the termination of the claim. This decision is subject to appeal that will be judged by the São Paulo Court of Justice on a date not yet defined.

22. Suspended tax payments

		Company and Consolidated	
		09/30/2012	12/31/2011
PIS/COFINS - Law No. 9718/98		30,983	30,008
Judicial deposits		(30,983)	(30,008)
	(a)	-	-
COFINS - exclusion of ICMS from tax base		102,749	83,484
Judicial deposits		(10,769)	(10,106)
	(b)	91,980	73,378
IRPJ - exclusion of CSLL from IRPJ tax base	(b)	7,283	6,906
Provision for IRPJ (other contingencies)		-	2,803
Other		2,698	3,567
Total - Company		101,961	86,654
Alpargatas S.A.I.C. - Argentina		-	126
Total - Consolidated		101,961	86,780

(a) COFINS – Law No. 9718/98

On March 8, 1999, the Company was granted an injunction on the ordinary lawsuit challenging the unconstitutionality of Law 9718/98 and Constitutional Amendment No. 20, more specifically the 1% increase in COFINS rate and broadening of COFINS and PIS tax base. This injunction authorized the payment of these contributions as provided for in legislation prevailing until January 1999.

As of that date, the amounts of these contributions determined for the periods under litigation were recorded in liabilities as suspended tax payments and started to be adjusted for inflation at the SELIC rate, monetary restatement effects of which were recorded under the "Financial expenses" account in statement of operations for the year. From September 2002 to January 2004, the Company judicially deposited 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 1% increase 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, totaling R$43,041. This decision did not impact the continuity of the litigation from September 2002 to January 2004, and the Company started to make payments of monthly calculations as of April 2006, amount of which was recorded as suspended tax payment and judicial deposit, totaling R$28,804, adjusted for inflation.

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Law No. 11941/09 revoked article 3, paragraph 1, of Law No. 9718/98, which addressed the broadening of PIS and COFINS tax base, which strengthened the grounds challenged by the Company. Based on such amendment, considering the decision issued by STF, the Brazilian Institute of Independent Auditors (IBRACON) issued Technical Bulletin (CT) 05/09 allowing part of PIS and COFINS related to the broadening of tax base to be reversed by some companies. On June 30, 2009, the Company reversed the portion corresponding to this liability with suspended payment, totaling R$12,401.

Therefore, the amounts recorded at September 30, 2012 and December 31, 2011 refer solely to the portion related to the 1% increase in COFINS rate, on which STF issued an unfavorable decision to the Company in August 2009. At September 30, 2012, 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 will be transferred to the Federal Government.

At September 30, 2012 and December 31, 2011, the provisioned amounts, as well as judicial deposits, are adjusted for inflation at the SELIC rate.

(b) COFINS - exclusion of ICMS from tax base

The Company has been legally challenging since 1993 the inclusion of ICMS in the COFINS tax base, and made judicial deposits from May 1993 to February 1996.
From June 2008, the Company started to use the suspended tax payment obtained in an Injunction filed with STF to continue excluding ICMS from COFINS tax base; however, the Company is not required to make judicial deposits anymore. Notwithstanding, such amounts have been recorded as liability with suspended payment.

At September 30, 2012, the litigation is pending a decision by STF; therefore, the Company adjusts for inflation the amounts of liabilities and judicial deposits at the SELIC rate at such date and at December 31, 2011.

Tax installment payment programs created by Law No. 11941/09

By virtue of the adoption of the federal tax installment payment program created by Law No. 11.941/09, on November 30, 2009, the Company formally dropped this lawsuit and increased the tax liability by R$14,264, including lawsuits previously classified by its legal advisors with remote chances of an unfavorable outcome.

The Company concurrently recognized R$11,234 for the year ended 2009, related to deferred income and social contribution tax assets on income and social contribution tax losses at issue, which were realized in 2009.

At June 30, 2011, the consolidation process of tax debts before the Brazilian IRS and PGFN was concluded. The Company, as of that date, will pay the monthly installments referring thereto. The total balance of R$29,478 was reclassified into the "Tax Installment Payment - Law No. 11.941/09" account, R$8,581 of which into current liabilities and R$20,897 into noncurrent liabilities.

At September 30, 2011, the Company opted to prepay some installments, totaling R$25,508, and the remaining amount of R$7,151, or R$875 net of judicial deposit, was recorded under the "Tax Installment Payment - Law No. 11941/09" account.

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In accordance with the current tax installment payment program rules, it is not possible to make prepayments. The Company is awaiting the Brazilian IRS and PGFN (National Treasury Attorney General) to provide the tools required to settle this installment. Up to that date, the Company will continue to pay the minimum monthly installment of R$100.00.

Changes in suspended tax payments - parent company

	12/31/2011	Restatements	Additions/ (reversals)	09/30/2012
PIS/COFINS	30,008	975	-	30,983
Judicial deposits	(30,008)	(975)	-	(30,983)
	-	-	-	-
COFINS – ICMS	83,484	4,757	14,508	102,749
Judicial deposits	(10,106)	(663)	-	(10,769)
	73,378	4,094	14,508	91,980
IRPJ - exclusion of CSLL from IRPJ tax base	6,906	377	-	7,283
Provision for IRPJ (other contingencies)	2,803	-	(2,803)	-
	9,709	377	(2,803)	7,283
Other	3,567	106	(975)	2,698
Total	86,654	4,577	10,730	101,961

23. Equity

a) Capital

Paid-in capital at September 30, 2012 totaled R$562,158 after increase due to payment of the amount earmarked for 2006 investment reserve, approved on April 25, 2012, with issuance of 35,345,588 new shares, 18,152,408 of which are common shares and 17,193,180 are preferred shares, including treasury shares. The bonus was performed in the proportion of 10 shares to each 100 shares held on April 25, 2012.

Due to the bonus performed on May 2, 2012, the total number of shares increased to 388,801,468 registered shares without par value, 199,676,488 of which are common shares and 189,124,980 are preferred shares.

As a result of the amendment to the Company's Articles of Incorporation, the authorized capital limit is 399,352,976 preferred shares, and the Board of Directors shall determine the terms and conditions applicable to the issuance of shares, based on the authorized capital limit, as well as whether the preemptive rights of current shareholders shall apply, pursuant to article 172 of Law No. 10.303/01.

Breakdown of subscribed and paid-in capital is as follows:

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At September 30, 2012:

Shareholders	Common shares		Preferred shares		Total	
	Number	%	Number	%	Number	%
Controlling shareholders (Grupo Camargo Corrêa)	133,757,338	66.99	37,792,634	19.98	171,549,972	44.12
Management:						
Board of Directors	39,560,580	19.81	7,948,700	4.20	47,509,280	12.22
Supervisory Board	24,200	0.01	222,310	0.12	246,510	0.06
Other shareholders	26,334,370	13.19	143,161,336	75.70	169,495,706	43.60
Total	199,676,488	100.00	189,124,980	100.00	388,801,468	100.00

At December 31, 2011:

Shareholders	Common shares		Preferred shares		Total	
	Number	%	Number	%	Number	%
Controlling shareholders (Grupo Camargo Corrêa)	121,597,580	66.99	34,356,940	19.98	155,954,520	44.12
Board of Directors	35,963,700	19.81	7,199,980	4.19	43,163,680	12.21
Supervisory Board	22,000	0.01	202,000	0.12	224,000	0.06
Other shareholders	23,940,800	13.19	130,172,880	75.71	154,113,680	43.61
Total	181,524,080	100.00	171,931,800	100.00	353,455,880	100.00

b) Share buyback plan

The Board of Directors Meeting, held on December 9, 2011, approved the buyback plan of up to 8,664,266 preferred shares and 5,992,650 common shares. The authorization shall be effective for not later than 361 days and shall expire on December 12, 2012. The Company has not acquired its own preferred shares or common shares in the last program authorized on December 10, 2010, comprising a period from December 13, 2010 to December 09, 2011.

The plan was approved to support the exercise of the Company's options, as detailed in Note 27.

Changes:

	Number	Average cost- R$
At December 31, 2011	5,093,220	7.97
Disposed (*)	-	-
Acquisitions (*)	-	-
Balances at March 31, 2012	5,093,220	7.97
Disposed (*)	-	-
Acquisitions (*)	-	-
Bonus of shares	509,322	(0.73)
Balance at June 30, 2012	5,602,542	7.24
Disposed (*)	36,300	8.37
Acquisitions (*)	(36,300)	13.20
Balance at September 30, 2012	5,602,542	5.75

(*) Disposals and acquisitions referring to stock option plans.

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c) Dividends and interest on equity

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

For the nine-month period ended September 30, 2012, interest on equity was recorded by management amounting to R$64,000 (R$56,094, net of Withholding Income Tax - IRRF).

The payment of dividends and interest on equity proposed by management is as follows:

	Per share - R$ (gross)			
	09/30/2012		12/31/2011	
	Preferred	Common	Preferred	Common
Interest on equity	**0.18124**	**0.16476**	0.2368	0.2153

d) Goodwill (negative goodwill) on the sale of treasury shares

This refers to goodwill or negative goodwill on the sale of treasury shares mainly arising from the exercise of stock option plans described in Note 27.

e) Tax incentive reserve

From January 1, 2008, tax incentives started to be recorded directly in P&L and, thereafter, at the annual financial statement closing date, recognized under the "Tax incentive reserve" account in "Income reserves".

24. Business segment reporting

CPC 22/IFRS 08 - Segment Reporting requires segment reporting consistently with managerial reports provided and revised by the chief operating decision-maker to assess the performance of each segment and allocation of funds. The Company's chief operating decision-maker is the CEO.

Although the Company has a matrix management structure in which sales revenues are analyzed by the chief operating decision-maker at various levels, considering that products manufactured and sold by the Company and its subsidiaries are divided into several brands of shoes, sports items, sandals and clothing, operations are managed according to geographic areas divided into as follows: (i) Domestic Operations: Company's and its subsidiaries' performance in Brazil; and (ii) Foreign Operations: subsidiaries' performance in Argentina and subsidiaries' consolidated performance in the United States and Europe, as well as direct exports and Tavex Corporation S.A.'s exports, in which the Company holds interest of 18.687%.

Net revenue by segment is represented for the nine-month period ended September 30, 2012 as follows:

- Domestic operations:
  - Brazil: 69.6%

- Foreign operations
  - Argentina: 18.2%
  - Europe, United States and Exports: 12.2%

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The accounting policies of each segment are those applied in the preparation of the Company's quarterly financial information. The performance of each segment was determined based on net operating income, net income and capital allocated (total assets less current liabilities and non-current liabilities) in each segment. This basis of measurement includes financial effects, income and social contribution taxes, depreciation and amortization and is consistent with the amounts reported in the consolidated financial information.

Information is as follows:

	09/30/2012					
	Net operating revenue	Net income (loss)	Depreciation and amortization	Financial income (expense)	Exchange gains (losses), net	Income and social contribution taxes
P&L accounts						
Domestic operations:						
Brazil	1,510,142	159,847	(32,396)	34,848	(5,351)	(17,743)
Foreign operations						
Argentina	396,156	13,193	(7,946)	(24,782)	(121)	13,736
Europe/United States/Exports	264,118	50,425	(4,252)	(1,382)	2,924	(4,783)
Grupo Tavex S.A.	-	(9,802)	-	-	-	-
Noncontrolling interest	-	603	-	-	-	-
Consolidated	2,170,416	214,266	(44,594)	8,684	(2,548)	(8,790)

	09/30/2011					
	Net operating revenue	Net income (loss)	Depreciation and amortization	Financial income (expense)	Exchange gains (losses), net	Income and social contribution taxes
P&L accounts						
Domestic operations:						
Brazil	1,325,666	217,470	(29,988)	40,578	(4,467)	(21,858)
Foreign operations						
Argentina	349,752	7,535	(6,811)	(18,264)	443	(6,419)
Europe/United States/Exports	198,531	24,811	(2,587)	(982)	2,597	(3,153)
Grupo Tavex S.A.	-	(1,220)	-	-	-	-
Noncontrolling interest	-	1,684	-	-	-	-
Consolidated	1,873,949	250,280	(39,386)	21,332	(1,427)	(31,430)

Asset and liability balances at September 30, 2012 and December 31, 2011 are as follows:

	09/30/2012			12/31/2011		
	Total assets	Current and noncurrent liabilities	Addition to PP&E and intangible assets	Total assets	Current and noncurrent liabilities	Addition to PP&E and intangible assets
Balance sheet accounts						
Domestic operations:						
Brazil	2,147,633	712,427	98,442	1,863,862	557,942	71,214
Foreign operations						
Brazil - exports	56,252	12,812	-	43,055	5,631	-
Argentina	404,161	249,600	6,149	345,852	203,497	13,930
Europe / United States	82,767	161,172	3,702	69,252	139,359	9,337
Grupo Tavex S.A.	67,327	-	-	74,267	-	-
Consolidated	2,758,140	1,136,011	108,293	2,396,288	906,429	94,481

The Company's customer portfolio is diluted, and no individual customer accounts for more than 6% of sales revenues.

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Breakdown of consolidated net income for the nine-month period ended September 30, 2012 per divisions is as follows: sandals R$1,237,613, sports items R$685,711, retail R$194,594 and others R$52,497 (R$1,026,058, R$628,624, R$174,503 and R$44,764, respectively, for the same period of 2011).

25. Net operating revenue

	Company		Consolidated	
	09/30/2012	09/30/2011	09/30/2012	09/30/2011
Gross operating revenue:				
Domestic market	1,773,691	1,504,954	2,114,888	1,605,283
Foreign market	147,120	103,011	544,580	646,939
	1,920,811	1,607,965	2,659,468	2,252,222
Returns and cancelations	(43,727)	(37,344)	(84,637)	(63,048)
Sales taxes	(300,152)	(224,961)	(404,415)	(315,225)
Net operating revenue	1,576,932	1,345,660	2,170,416	1,873,949

26. Expenses by nature

The Company's statement of operations is presented based on a classification of expenses according to their function. Expenses by nature are as follows:

	Company		Consolidated	
	09/30/2012	09/30/2011	09/30/2012	09/30/2011
Cost of sales:				
Raw material	642,223	427,181	756,236	568,937
Salaries, charges and benefits	176,751	154,010	323,062	264,526
Depreciation	11,978	11,430	19,919	19,151
Other costs	47,580	99,122	148,113	162,619
Total	878,532	691,743	1,247,330	1,015,233
Selling expenses:				
Salaries, charges and benefits	59,753	54,529	95,277	82,795
Freight costs	57,511	48,032	76,257	63,017
Advertising and publicity	155,417	134,883	198,226	169,583
Commissions	11,773	12,158	23,103	20,645
Depreciation	2,394	2,382	4,192	4,233
Royalties	23,765	18,386	25,514	18,842
Third-party services	8,484	10,214	18,090	19,603
Rental/Leases	8,729	8,643	13,937	12,633
Travel expenses	4,031	3,852	6,619	6,450
Storage expenses	2,302	3,642	19,711	4,986
Transportation insurance	4,986	5,255	7,035	7,515
Other	55,786	48,240	64,974	66,960
	394,931	350,216	552,935	477,262
General and administrative:				
Salaries, charges and benefits	45,494	47,918	57,609	56,505
Management fees (Note 20.e)	8,445	6,286	9,013	6,712
Third-party services	22,343	25,920	25,550	29,324
Depreciation	1,518	649	2,765	1,395
Other	20,255	6,639	21,457	7,730
	98,055	87,412	116,394	101,666

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27. Stock option plans

The Company grants preferred stock options to some executive officers under a program approved at Special Shareholders' Meetings held on April 26, 2002, October 26, 2006 and April 29, 2011, for the purpose of retaining and encouraging them to contribute to the interests and objectives of the Company and its shareholders. The plans are managed by the Human Resources Department of the Company.

General criteria of stock option plans

The grace period for exercising the option plans for 2002, 2003, 2004 and 2005 was two years, vesting 20% in the second year, 20% in the third year, 20% in the fourth year and 40% in the fifth year after the vesting date, and the options granted should be exercised not later than ten years.

The grace period for exercising the option plans from 2006 to 2009 was three years, vesting 30% in the third year (two-month exercise period), 30% in the fourth year (two-month exercise period) and 40% in the fifth year, and the options granted should be exercised not later than five years and two months. As regards to these plans, the option exercise is contingent to the attainment of performance goals, based on internal performance indicators.

The grace period for exercising the option plans for 2010 and 2011 was that of 2006-2009, but the options granted should be exercised not later than three years after the expiration of each grace period, for each tranche. As regards to these plans, the option exercise is also contingent to the attainment of performance goals, based on internal performance indicators.

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

(i) 2002-2005 plans: initial exercise price equivalent to the average quotation weighted by the closing trading volume of the Company's preferred shares traded on the São Paulo Stock Exchange (BM&FBOVESPA) in the last 60 trading sessions before the date of approval of each annual plan. The exercise price is adjusted at the General Market Price Index (IGP-M).

(ii) 2006-2009 plans: initial exercise price equivalent to the average quotation weighted by the closing trading volume of the Company's preferred shares traded on the São Paulo Stock Exchange (BM&FBOVESPA) in the last 60 trading sessions before May 31 of the vesting year. The exercise price is adjusted at the Extended Consumer Price Index (IPCA).

(iii) 2010-2011 plans: exercise price equivalent to the average quotation weighted by the closing trading volume of the Company's preferred shares traded on the São Paulo Stock Exchange (BM&FBOVESPA) in the last 60 trading sessions before May 31 of the vesting year. This exercise price is not adjusted at any index.

Changes in stock option plans

Changes in stock option plans for the nine-month period ended September 30, 2012 and for the year ended December 31, 2011 are as follows. The number and prices informed at December 31, 2011 were adjusted due to bonus of 1:10 approved at the Special General Meeting held on April 25, 2012.

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	09/30/2012		12/31/2011	
	Number of options	Weighted average exercise price - R$	Number of options	Weighted average exercise price - R$
Outstanding options at the beginning of the period/year	4,222,303	5.04	5,778,190	3.49
Cancelled options	172,581	2.21	623,279	1.49
Exercised options	(436,920)	7.19	(2,098,866)	2.64
Cancelled options	(324,500)	4.78	(80,300)	0.11
Outstanding options at the beginning of the period/year	3,633,464	5.22	4,222,303	5.04

Outstanding stock options are as follows:

	Outstanding options			
	Options not exercised at the end of the year / period	Remaining contractual life (months)	Exercise price rate - R$	Options exercisable at the end of the year/period
September 30, 2012	3,633,464	44	1,56-10,12	1,445,884
December 31, 2011	4,222,303	52	1,45-10,12	1,408,924

The detail of the characteristics of outstanding stock option plans, by plan, is as follows:

	09/30/2012			
Vesting date	Options not exercised at the end of the year	Remaining contractual life (months)	Exercise price rate (R$)	Options exercisable at the end of the year/period
July 1, 2004	78,320	21	1.56	78,320
July 1, 2005	978,164	33	2.21	978,164
July 1, 2008	385,000	11	5.96	217,800
July 1, 2009	838,420	23	3.82	171,600
July 1, 2010	557,700	69	5.65	-
July 1, 2011	795,860	81	10.12	-
Total	3,633,464	44	1,56-10,12	1,445,884

	12/31/2011			
Vesting date	Options not exercised at the end of the year	Remaining contractual life (months)	Exercise price rate (R$)	Options exercisable at the end of the year
July 1, 2004	78,320	30	1.45	78,320
July 1, 2005	978,164	42	2.06	978,164
July 1, 2007	284,240	8	8.34	220,440
July 1, 2008	478,500	20	5.75	132,000
July 1, 2009	1,166,000	32	3.68	-
July 1, 2010	613,800	78	5.65	-
July 1, 2011	623,279	90	10.12	-
Total	4,222,303	52	1,45-10,12	1,408,924

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For accounting purposes, the fair value of options was estimated by using a binomial valuation model. The accounting expense recorded in the P&L account relating to stock option plans totaled R$1,295 for the nine-month period ended September 30, 2012 compared to R$951 for the nine-month period ended September 30, 2011. For calculation of expenses, a probability of attainment of performance conditions of 100% (for 2006-2010 grants) and an expected stock cancellation rate of 0% were adopted.

On the vesting date, the fair value of stock options granted on July 1, 2011 was estimated in R$4.91. The performance conditions were not reflected in the fair value as they are based on internal performance indicators. The expected volatility assumption was based on a five-year historical volatility previous to the vesting date, and early exercises were reflected by using a Hull-White binomial valuation model, with a voluntary exercise trigger of 150% of the exercise price.

Major hypotheses used in referred to calculation are as follows:

	Amounts stated in (R$)
Price per share	11.00
Exercise price	10.12
Expected volatility	37.00%
Expected dividends	2.75%
Risk-free rate (nominal rate)	12.50%
Post-vesting rate	10.00%
Fair value	4.91

The following are the simulated effects arising from:

(i) Scenario I: exercise of the stock options granted up to September 30, 2012.
(ii) Scenario II: exercise of all stock options to be granted under the stock option plan.

In both scenarios, it was assumed that all options were exercisable at September 30, 2012, based on parent company's equity at that reporting date.

Amounts stated in reais:

	Scenario I	Scenario II
Weighted average exercise price	5.22	5.22
Number of preferred shares	189,124,980	189,124,980
Number of outstanding preferred shares	183,522,438	183,522,438
Number of shares to be purchased by exercising the options	3,633,464	13,200,000
Book value per outstanding share	4.23	4.23
Book value per share considering the exercise of options	4.15	3.94
Dilution of book value per share	0.08	0.29
Percentage dilution	1.90%	6.98%

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28. Employee benefits

The Company and its subsidiaries sponsor two supplementary pension plans and also provide, by means of an own pension plan, life annuity and health care benefits for a certain group of former employees and their spouses. The actuarial liability of these plans at September 30, 2012 is R$1,889 (R$1,973 at December 31, 2011).

The assumptions on and calculations of actuarial liabilities are described in Note 29 to annual financial statements for the year ended December 31, 2011.

29. Financial income and expenses, net

	Company		Consolidated	
	09/30/2012	09/30/2011	09/30/2012	09/30/2011
Financial income:				
Short-term investment yield	**39,416**	52,722	**42,708**	53,968
Interest receivable	**3,796**	1,853	**4,098**	2,104
Other	**809**	2,697	**1,084**	3,793
	44,021	57,272	**47,890**	59,865
Financial expenses:				
Interest and charges on loans and financing	**(4,170)**	(10,737)	**(11,906)**	(12,653)
Interest and charges on debt restructuring of subsidiaries	**-**	-	**(7,939)**	(8,027)
Tax on Financial Transactions (IOF)	**(231)**	(355)	**(1,887)**	(355)
Tax on bank transactions (Argentina)	**-**	-	**(6,524)**	(4,958)
Inflation adjustment of taxes	**(3,967)**	(4,630)	**(3,967)**	(4,630)
Other	**(3,477)**	(3,248)	**(6,983)**	(7,909)
	(11,845)	(18,970)	**(39,206)**	(38,532)

30. Exchange gains (losses), net

	Company		Consolidated	
	09/30/2012	09/30/2011	09/30/2012	09/30/2011
Exchange gains	**14,283**	8,406	14,724	9,126
Exchange losses	**(10,752)**	(9,550)	(17,271)	(10,553)
	3,531	(1,144)	(2,547)	(1,427)

31. Other operating income (expenses)

	Company		Consolidated	
	09/30/2012	09/30/2011	09/30/2012	09/30/2011
Other operating income:				
Receivable Eletrobras (a)	**7,726**	15,043	**7,726**	15,043
Tax credits (CBS)	**-**	-	**-**	2,158
Taxes on operating income	**(1,248)**	(2,704)	**(1,261)**	(2,704)
Income from sale of properties (Argentina)	**-**	-	**7,294**	-
Income from sale of brand (Argentina)	**-**	-	**5,031**	-
Other	**3,194**	4,596	**4,974**	6,009
	9,672	16,935	**23,764**	20,506
Other operating expenses:				
Amortization of intangible assets	**(15,136)**	(13,582)	**(17,674)**	(14,665)
Provisions for tax, civil and labor risks (Note 21)	**(5,600)**	(7,393)	**(6,527)**	(8,673)
Other	**(14,852)**	(9,824)	**(26,599)**	(13,932)
Other operating expenses	**(35,588)**	(30,799)	**(50,800)**	(37,270)

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(a) This refers to a lawsuit filed by the Company for reimbursement of compulsory loans made to Eletrobras with full inflation adjustment and interest on principal. The Superior Court of Justice (STJ) decided the lawsuit favorably to taxpayers upon RESP 1003955 and RESP 1028592 judgment, under the sequence of repeated appeals, in accordance with article 543-C of the Code of Civil Procedure, whereby it decided favorably with respect to all lawsuits addressing the matter. In turn, through the judgment of Interlocutory Appeal No. 735933 filed by Eletrobras, the Federal Supreme Court (STF) ratified the understanding of STJ in the sense that the discussion of the matter is subordinated to the Constitution. Although the lawsuit filed by the Company has not yet received a final and unappealable decision, a decision that the understanding expressed by STJ should be applied to the matter was issued.

In March 2012, the Company received R$7,726 in addition to the credit right assignment and acquisition agreement and other covenants for third parties unrelated to the Companies of the Group, to which all risks and benefits arising from such lawsuit were transferred, for R$19,765, entered into in December 2011, when the Company ensured its right to complement the sales amount based on information that could be obtained in the future from electric power companies.

32. Profit sharing

The Company and its subsidiaries provide their employees with profit sharing linked to the achievement of operating goals and specific objectives, annually established and approved for each plant/unit. For the nine-month periods ended September 30, 2012 and 2011, profit sharing recognized in P&L was as follows:

	Company		Consolidated	
	09/30/2012	09/30/2011	09/30/2012	09/30/2011
Profit-sharing program	**25,029**	20,171	**32,338**	24,438

Profit sharing is recorded under the "Salaries and social charges payable" account in current liabilities.

33. Pledges and collaterals

At September 30, 2012 and December 31, 2011, in addition to the information disclosed in Notes 14 and 16, pledges and collaterals provided by the Company to financial institutions related to vendor financing transactions were R$0 and R$ 2,007, respectively.

For the nine-month period ended September 30, 2012 and year ended December 31, 2011, the Company did not record losses arising from these pledges and collaterals.

34. Risk and financial instrument management

a) General considerations and policies

The Company and its subsidiaries are engaged in transactions involving financial instruments, including derivatives, when applicable, which are recorded in balance sheet accounts in order to meet their operating and financial needs.

These financial instruments are managed by means of policies, definition of strategies and establishment of control systems, which are monitored by Company management.

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Treasury procedures set by the policy in effect include monthly projection routines and assessment of the consolidated currency exposure of the Company and its subsidiaries, based on which management makes its decisions.

Short-term investments

The short-term investment policy established by Company and its subsidiary management elects the financial institutions with which agreements may be entered into based on the evaluation of credit rating of the counterparty in question, maximum exposure percentage by institution based on the rating and bank's maximum equity percentage. At September 30, 2012 and December 31, 2011, short-term investments are within those limits.

Related party current accounts

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

Policies for contracting derivative financial instruments

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

Treasury procedures under the policy in effect include monthly projection and currency exposure assessment routines of the Company and its subsidiaries, based on which management makes decisions on the contracting of such financial instruments.

At September 30, 2012 and December 31, 2011, the Company and its subsidiaries did not have any outstanding derivative financial instrument transactions.

b) Financial risk management

Financial risk factors

The Company's and its subsidiaries' activities expose them to various financial risks: market risk (including currency and interest rate risk), credit risk and liquidity risk. The Company's risk management is focused on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance, using derivative financial instruments to hedge against certain risk exposures, if necessary.

Risk management is carried out by the Company's Treasury Department, and the policies must be approved by the Board of Directors. The Treasury Department identifies, assesses and contracts financial instruments in order to hedge the Company against potential financial risks, mainly those arising from interest and exchange rates.

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b1) *Market risk*

The Company is exposed to market risks arising from its business activities. These market risks mainly comprise possible changes in exchange and interest rates.

i) Currency risk

Due to different types of accounts receivable and financial liabilities assumed by the Company in foreign currencies, the Exchange Rate Hedging Policy was implemented establishing exposure limits linked to this risk.

This policy considers foreign currency-denominated amounts from accounts receivable and payable related to commitments already made and recorded in the financial statements arising from the Company's operations and future cash flows.

ii) Interest rate risk

The Company's interest rate risk arises from short-term investments and short and long-term loans and financing. Company management adopts the policy of maintaining the rates of its exposures at asset and liability interest rates pegged to floating rates. Short-term investments and loans and financing are adjusted based on the floating CDI rate, pursuant to agreements entered into with financial institutions.

b2 *Credit risk*

Sales are mainly made to retailers and wholesalers. The credit risk is reduced due to the high dilution of the customer portfolio, credit assessment and granting policies. The result of this management is reflected under the "Allowance for doubtful accounts" account, as described in Note 8.

The Company and its subsidiaries are also subject to credit risks related to financial instruments contracted for the management of their business.
The risk of not settling transactions with financial institutions is low, as these are considered by the market as prime banks.

b3) *Liquidity risk*

Effectively managing liquidity risk implies maintaining enough cash and marketable securities, funds available through credit facilities used and the ability to gain market share. Due to the active nature of the Company's and its subsidiaries' business, the Treasury Department is flexible in raising funds through the maintenance of committed credit lines.

Management monitors the Company's consolidated liquidity level considering the expected cash flow against unused credit lines and cash and cash equivalents. The table below analyzes financial liabilities by maturity ranges corresponding to the remaining period in the balance sheet compared to the contractual maturity date. Amounts presented in the table are undiscounted cash flows contracted.

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c) Financial liabilities

The consolidated carrying amounts of financial liabilities are measured by the amortized cost method, and the corresponding fair values are as follows:

	09/30/2012						
	Less than one year	Between one and two years	Between three and five years	Over five years	Fair value	Discount effects	Carrying amount
Current:							
Finance lease liabilities	100	-	-	-	100	(7)	93
Loans and financing	184,942	-	-	-	184,942	-	184,942
Trade accounts payable	406,328	-	-	-	406,328	-	406,328
Noncurrent							
Finance lease liabilities	-	10	-	-	10	-	10
Loans and financing	-	47,505	65,264	1,480	114,249	-	114,249

	12/31/2011						
	Less than one year	Between one and two years	Between three and five years	Over five years	Fair value	Discount effects	Carrying amount
Current:							
Finance lease liabilities	215	-	-	-	215	(32)	183
Loans and financing	179,894	-	-	-	179,894	-	179,894
Trade accounts payable	297,150	-	-	-	297,150	-	297,150
Noncurrent							
Finance lease liabilities	-	48	-	-	48	(6)	42
Loans and financing	-	21,224	33,110	1,480	55,814	-	55,814

d) Capital management

The Company's objectives in managing its capital are to safeguard its ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders as well as to maintain an optimal target capital structure to reduce the cost of capital.

The consolidated net financial position is equivalent to total cash, cash equivalents and short-term investments, less short and long-term loans and financing.

	09/30/2012	12/31/2011
Cash and cash equivalents and short-term investments	660,296	670,954
(-) Short and long-term loans and financing	(299,294)	(235,933)
Net financial position	361,002	435,021
Equity	1,622,129	1,489,859

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e) Currency exposure

		Company		Consolidated	
		09/30/2012	12/31/2011	09/30/2012	12/31/2011
Assets:					
Trade accounts receivable	(i)	**54,166**	36,686	**145,414**	93,393
Total assets		**54,166**	36,686	**145,414**	93,393
Liabilities:					
Loans and financing	(ii)	**-**	4,794	**176,517**	118,627
Trade accounts payable		**145,826**	40,961	**203,083**	102,570
Royalties payable		**11,162**	13,448	**11,162**	13,448
Total liabilities		**156,988**	59,203	**390,762**	234,645
Net exposure		**(102,822)**	(22,517)	**(245,348)**	(141,252)
(-) Foreign subsidiaries		**-**	-	**146,088**	122,460
Total exposure for sensitivity analysis purpose		**(102,822)**	(22,517)	**(99,260)**	(18,792)

(i) In consolidated at September 30, 2012, 77.0% (77.4% at December 31, 2011) refer to trade accounts receivable of foreign subsidiaries (Alpargatas USA Inc. - United States, Alpargatas Europe S.L.U. - Spain, Alpargatas Chile Ltda. - Chile and Alpargatas S.A.I.C. - Argentina) and 23.0% refer to foreign trade accounts receivable of the parent company in Brazil.

(ii) In consolidated at September 30, 2012, 100.0% (95.9% at December 31, 2011) refer to currency-denominated loans of foreign subsidiaries (Alpargatas USA Inc. - United States, Alpargatas Europe S.L.U. - Spain and Alpargatas S.A.I.C. - Argentina), as described in Note 16.

Currency risk arises from fluctuations in exchange rates on foreign currency-denominated loans and financing, trade accounts receivable and trade accounts payable and royalties.

f) Market value

At September 30, 2012 and December 31, 2011, market values of short-term investments approximate the amounts recorded in the interim financial information as they are pegged to the CDI rate fluctuation. Loans and financing are adjusted for inflation based on interest rates contracted according to the usual market conditions; therefore, balances payable at the balance sheet dates substantially approximate their market values, including those classified as "noncurrent", considering the type of the corresponding financing.

The fair value of financial instruments that are not traded in active markets (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company and its subsidiaries use various methods and define assumptions that are based on market conditions existing at the balance sheet date. The fair value of forward exchange contracts is determined based on forward exchange rates quoted at the balance sheet date.

It is estimated that the amounts of trade accounts receivable and trade accounts payable recognized at their carrying amounts approximate their fair market value in view of the short term of transactions conducted.

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The Company and its subsidiaries use hierarchy rules to measure the fair values of their financial instruments, as set out in IFRS 7/CPC 40, for financial instruments measured in the balance sheet, which requires the disclosure of fair value measurements at the following hierarchy level:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1).
- Information, in addition to quoted prices, included in Level 1, used by the market for assets or liabilities, either directly (that is, based on prices) or indirectly (that is, deriving from prices) (Level 2).
- Exemptions for assets or liabilities that are not based on the data adopted by the market (i.e., unobservable inputs) (Level 3).

The fair value of the financial instruments traded in active markets (such as held-for-trading and available-for-sale securities) is based on market prices at the balance sheet date. A market is considered active if quoted prices are readily and regularly available from a stock exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for the financial assets held by the Group is the price of current competitors. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in active markets (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques make maximum use of data adopted by the market, when available, and rely as little as possible on entity's specific estimates. If all material information required for the fair value of an instrument is adopted by the market, the instrument will be included in Level 2.

If any material information is not based on the data adopted by the market, the instrument will be included in Level 3.

Specific valuation techniques used to measure financial instruments, according to Level 2 rules, include:

- Quoted market prices or quotations of financial institutions or brokers for similar instruments.
- The fair value of interest rate swaps is measured at the present value of future cash flows estimated based on the yield curves adopted by the market.
- The fair value of future exchange contracts is determined at future exchange rates at the balance sheet date, and the amount resulting therefrom is discounted to present value.
- Other techniques, such as the analysis of discounted cash flows, are used to determine the fair value of the remaining financial instruments.

The Company and its subsidiaries had no financial instruments measured at fair value for the nine-month period ended September 30, 2012 and for the year ended December 31, 2011.

g) Sensitivity analysis of financial instruments

Currency risk

For the consolidated currency exposure sensitivity analysis at September 30, 2012, effects of which reflect only the impacts on monetary assets and liabilities, the Company did not consider the balances of trade accounts receivable and loans and financing of foreign subsidiaries, as they are denominated in local functional currencies of each one of these subsidiaries; therefore, Company management understands that there is no currency exposure risk for such subsidiaries.

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Considering currency exposures described in item (e) above, at September 30, 2012, the sensitivity analysis of outstanding positions is as follows:

	Gain/(loss)		
	Probable scenario	Possible scenario	Remote scenario
Company's risk			
US dollar appreciation	3,970	(24,815)	(49,630)

The probable scenario considers a 4% appreciation of the Brazilian real against the U.S. dollar at the average exchange rate of R$2.0300, based on market references.

The possible scenario considers a 25% depreciation of the Brazilian real against the U.S. dollar at the exchange rate at September 30, 2012 of R$2.0306/US$ (R$2.5383/US$), and the remote scenario considers a 50% depreciation (R$3.0459/US$).

Interest rate risk

The sensitivity analysis was determined based on the exposure to interest rates of non-derivative financial instruments at the end of each reporting period. For financial assets indexed at the CDI rate and liabilities indexed to the floating TJLP rate, the analysis is prepared assuming that the net amount between the asset and liability outstanding at the end of the reporting period remained outstanding throughout the year. A 3 percentage point increase or decrease is used to internally present the interest rate risks to key management personnel and corresponds to management's assessment of possible changes in interest rates.

Had interest rates been 3 percentage points higher or lower and all other variables remained stable, net income for the nine-month period ended September 30, 2012 would have increased or decreased by approximately R$18,780. This is mainly due to the Company's net exposure to the CDI rate on short-term investments, considering that the financial liabilities are mainly stated at fixed rates, as described in Note 16.

The Company's sensitivity to interest rates increased during the current period mainly due to the increase in balances of cash and cash equivalents and short-term investments indexed to the CDI rate.

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35. Earnings per share

	09/30/2012		
	Registered common shares	Registered preferred shares (a)	Total
Denominator			
Total weighted average number of shares	192,079,369	181,929,316	374,008,685
Weighted number of treasury shares	-	(5,386,321)	(5,386,321)
Weighted average number of outstanding shares	192,079,369	176,542,995	368,622,364
% of shares in relation to the total number	52.11%	47.89%	100.00%
Numerator – basic			
Net income for the period attributable to each class of shares	106,224	107,439	213,663
Basic earnings per share for the period from going concern operations	0.5530	0.6086	0.5796
Total basic earnings per share for the period	0.5530	0.6086	0.5796
Numerator – diluted			
Weighted average number of outstanding shares	192,079,369	176,542,995	368,622,364
Number of shares of weighted stock option plans	-	3,875,869	3,875,869
Weighted average number of outstanding shares	192,079,369	180,418,864	372,498,233
Diluted earnings per share for the period from going concern operations	0.5530	0.5955	0.5736
Total diluted earnings per share for the period	0.5530	0.5955	0.5736

	09/30/2011		
	Registered common shares	Registered preferred shares (a)	Total
Denominator			
Total weighted average number of shares	192,079,369	181,929,316	374,008,685
Weighted number of treasury shares	-	(5,082,711)	(5,082,711)
Weighted average number of outstanding shares	192,079,369	176,846,605	368,925,974
% of shares in relation to the total number	52.06	47.94	100.00%
Numerator - basic			
Net income for the period attributable to each class of shares	123,460	125,136	248,596
Basic earnings per share for the period from going concern operations	0.6428	0.7076	0.6738
Total basic earnings per share for the period	0.6428	0.7076	0.6738
Numerator – diluted			
Weighted average number of outstanding shares	192,079,369	176,846,605	368,925,974
Number of shares of weighted stock option plans	-	4,270,517	4,270,517
Weighted average number of outstanding shares	192,079,369	181,117,122	373,196,491
Diluted earnings per share for the period from going concern operations	0.6428	0.6909	0.6661
Total diluted earnings per share for the period	0.6428	0.6909	0.6661

(a) Preferred shares are entitled to dividends 10% greater than those of common shares.

Due to the bonus of shares, disclosed in Note 23.a, the number of common and preferred shares at September 30, 2011 was adjusted to reflect the current number of shares, as required by paragraph 64 of Accounting Pronouncement CPC 41 - Earnings per Share.

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36. Commitments made

36.1 Operating leases

Stores leased

At September 30, 2012, the Company had lease agreements entered into with third parties, which management reviewed and concluded that they qualify as operating leases.

The lease amount of properties is the greater of: (i) the equivalent to the average rate between 3% and 4% of the store's monthly gross sales; or (ii) the minimum monthly amount annually adjusted at various inflation rates. The average monthly lease expenses paid totaled R$842 (R$789 at September 30, 2011). Such lease agreements expire between 5 and 15 years, subject to renewal.

For the nine-month period ended September 30, 2012, rental expenses net of recoverable taxes totaled R$7,581 (R$7,105 for the same period in 2011) in consolidated.

Other leases

The Company also has warehouse lease agreements for the warehousing of products and goods and commercial offices with monthly fixed amounts, adjusted annually at usual market inflation rates.

In August 2011, the Company entered into a lease agreement to set up its head office in a new office space in 2012. The agreement is effective for 10 years, beginning September 2011, grace period of which is 90 days from such date. The monthly lease amount is R$893, annually adjusted at the accumulated positive variation of General Market Price Index (IGP-M) / FGV.

For the nine-month period ended September 30, 2012, rental expenses, net of recoverable taxes, totaled R$22,286 (R$14,425 for the same period in 2011) in consolidated.

Future commitments

Total future commitments arising from operating lease agreements totaled a minimum fixed amount of R$132,046 at September 30, 2012, distributed as follows:

Period	R$
2012 (three months)	9,573
2013	32,389
2014	31,459
2015 to 2016	58,625
	132,046

Such transactions are subject to usual restrictive covenants, such as guarantees for early termination of agreement, among others. At September 30, 2012, the Company was compliant with these covenants; therefore, no effective lease agreement at such date was considered as onerous by Company management. In addition, no contingent payment was made by the Company for the nine-month period ended September 30, 2012.

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36.2 Input supply agreements

The Company has commitments deriving from an electric power supply agreement effective through 2012, providing for the purchase of a minimum monthly volume of 27,998 kw, equivalent to R$737.4, which can be amended not less than six months. At September 30, 2012, the Company was compliant with the agreement's commitments.

37. Insurance coverage

The Company and its subsidiaries have insurance coverage for property, plant and equipment items and inventories subject to fire damage for the technical replacement amount and to cover loss of profits. At September 30, 2012, consolidated insurance coverage was considered sufficient by management to cover the risks involved.

38. Additional information to cash flow statements

	Company		Consolidated	
	09/30/2012	09/30/2011	09/30/2012	09/30/2011
Dividends received with settlement of subsidiary's current account	-	6,500	-	-
Non-cash acquisitions of PP&E	-	4,479	-	4,479
Unused secured account limits	-	-	**25,721**	29,437

39. Reclassifications

39.1. Cash flow statements

Certain transactions of cash flow statements for the nine-month period ended September 30, 2011 were reclassified in comparison with those originally published for better comparability with the classification adopted in 2012. Accordingly, the Company restates these statements, as follows:

	Company		Consolidated	
	Restated	Original	Restated	Original
Operating activities	179,872	153,932	201,748	175,808
Investing activities	16,283	(276,726)	59,133	(282,669)
Financing activities	(112,738)	(112,738)	(154,773)	(105,980)

39.2. Deferred income and social contribution taxes - assets and liabilities

In order to better present the balance of deferred income and social contribution taxes, assets and liabilities, reclassifications were made in noncurrent asset and liability balances at December 31, 2011, as follows:

	Company		Consolidated	
	Restated	Original	Restated	Original
Deferred income tax asset	41,148	46,838	45,244	89,551
Total deferred income tax liability	-	5,690	-	44,307

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39.3. Adjustment of interruption in recognition of sales revenue

In order to better present the effects of the adjustment referring to the interruption in recognition of sales revenue, reclassifications were made in the balances of net sales revenue and in cost of sales referring to the balances at September 30, 2011, since until the end of that nine-month period said accounting practice was adopted, considering the net effect of the adjustment calculated by the Company. There was no change in net income or equity, only reclassifications among account lines.

The effects reclassified at September 30, 2011 were as follows:

	Company		Consolidated	
	Restated	Original	Restated	Original
Operating revenue, net	1,345,661	1,358,067	1,873,949	1,886,356
Cost of goods and sales	691,743	705,700	1,015,233	1,029,190
Selling expenses	350,216	348,668	477,263	475,714
Other operating expenses	30,799	30,797	37,271	37,268

40. Subsequent events

On October 10, 2012, the Company disclosed to the market a material news release informing the initial acquisition of 30% (thirty percent) of the capital of Terras de Aventura Indústria de Artigos Esportivos S.A. ("Osklen"). Conclusion of this acquisition is subject to fulfilling certain conditions under the Share Purchase and Sale Agreement, and this will only occur after performance of these conditions and obtainment of approval from the Brazilian Competition Defense System (SBDC) ("Closing"), which had not taken place until the authorization date to conclude this interim financial information.

The purchase price will be equivalent to the acquired percentage result (30%) multiplied by 13.0 (thirteen) times Osklen's actual EBITDA of the next 12 (twelve) subsequent months, less the net debt ("Acquisition Price"). The Acquisition Price shall be paid in 2 installments, the first one in the amount of R$67,500 on the closing date, and the second one corresponding to the difference between the Acquisition Price and the first installment, within 15 months after the closing (2nd installment).

Once the acquisition is completed, the Company will have the option to purchase a further 30% (thirty percent) stake in Osklen's capital within a period of 60 (sixty) days after the payment of the 2nd installment, for the same amount of the Acquisition Price.

41. Approval for disclosure of the quarterly interim financial information

This quarterly interim financial information of the Company was approved for disclosure by the Board of Directors at a meeting held on November 9, 2012.

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