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

Alpargatas S.A.

Individual and Consolidated Interim Financial Information for the Quarter Ended September 30, 2011 and Report on Review of Interim Financial Information

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

Deloitte Touche Tohmatsu
Rua José Guerra, 127
04719-030 - São Paulo - SP
Brasil

Tel.: +55 (11) 5186-1000
Fax: +55 (11) 5181-2911
www.deloitte.com.br

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the individual and consolidated interim financial information of Alpargatas S.A. (the "Company"), included in the Interim Financial Information Form (ITR), for the quarter ended September 30, 2011, which comprises the balance sheets as of September 30, 2011 and the related statements of income and comprehensive income for the quarter and nine-month period then ended and the statements of changes in shareholders' equity and cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual interim financial information in accordance with CPC 21 - Interim Financial Reporting and the consolidated interim financial information in accordance with CPC 21 and the International Accounting Standard - IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Interim 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 of interim financial information (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, respectively). 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 standards on auditing 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 ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by CVM.

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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 ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by CVM.

Other matters

Interim statements of value added

We have also reviewed the individual and consolidated interim statements of value added ("DVA") for the nine-month period ended September 30, 2011, for which the presentation is required by the standards issued by CVM applicable to the preparation of Interim Financial Information (ITR) and is considered as supplemental information for the International Financial Reporting Standards - IFRS that do not require the presentation of DVA. These statements were subjected to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in relation with the individual and consolidated interim financial information taken as a whole.

The accompanying individual and consolidated interim financial information has been translated into English for the convenience of readers outside Brazil.

São Paulo, November 11, 2011

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

André Rafael de Oliveira
Engagement Partner

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

ALPARGATAS S.A.

BALANCE SHEETS AS OF SEPTEMBER 30, 2011 AND DECEMBER 31, 2010
(In thousands of Brazilian reais - R$)

ASSETS	Note	Parent (BR GAAP) 09/30/2011	Parent (BR GAAP) 12/31/2010	Consolidated (BR GAAP and IFRS) 09/30/2011	Consolidated (BR GAAP and IFRS) 12/31/2010
CURRENT ASSETS					
Cash and cash equivalents	8.a)	218,562	454,094	270,327	482,488
Short-term investments	8.b)	413,378	172,177	413,378	172,177
Trade accounts receivable	9	431,382	403,494	527,552	465,433
Inventories	10	196,018	160,971	342,818	272,978
Recoverable taxes	11	10,563	13,451	21,368	24,685
Prepaid expenses		11,172	3,187	14,546	5,783
Other receivables		34,083	25,034	53,168	50,247
Total current assets		1,315,158	1,232,408	1,643,157	1,473,791
NONCURRENT ASSETS					
Recoverable taxes	11	8,074	3,795	23,931	19,028
Judicial deposits	13	14,182	11,698	15,071	12,650
Deferred income tax and social contribution	12.a)	45,346	43,005	85,911	88,797
Related parties	21.a)	280	-	-	-
Other receivables		37,273	37,434	39,311	37,910
Investments:					
Subsidiaries and associate	14	378,078	324,683	80,163	77,143
Others		195	195	195	195
Property, plant and equipment	15	180,858	171,606	317,387	301,520
Intangible assets	15	97,901	102,974	260,840	262,454
Total noncurrent assets		762,187	695,390	822,809	799,697
TOTAL ASSETS		2,077,345	1,927,798	2,465,966	2,273,488

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Parent (BR GAAP) 09/30/2011	Parent (BR GAAP) 12/31/2010	Consolidated (BR GAAP and IFRS) 09/30/2011	Consolidated (BR GAAP and IFRS) 12/31/2010
CURRENT LIABILITIES					
Trade accounts payable	16	191,218	158,375	264,634	212,777
Loans and financing	17	155,120	150,770	255,626	226,371
Debt-restructuring agreements of subsidiary	18	-	-	15,264	13,367
Salaries and related charges		68,436	61,854	103,295	88,021
Accrual for tax, civil and labor risks	22	6,511	4,859	10,633	8,847
Interest on capital and dividends payable	21.c)	803	495	803	495
Taxes payable	19	13,207	13,756	27,580	28,629
Provisions and other liabilities	20	36,024	31,819	53,515	44,267
Total current liabilities		471,319	421,928	731,350	622,774
NONCURRENT LIABILITIES					
Loans and financing	17	58,911	69,031	61,741	69,589
Debt-restructuring agreements of subsidiary	18	-	-	64,443	63,403
Deferred income tax and social contribution	12.a)	5,619	3,261	44,811	42,625
Accrual for tax, civil and labor risks	22	17,959	22,193	26,622	30,784
Taxes with suspended payment and others	23	74,991	86,405	75,343	90,620
Related parties	21.a)	-	9,475	-	-
Tax installment - Law 11941/09		875	-	875	-
Other payables		6,537	5,030	7,146	5,620
Total noncurrent liabilities		164,892	195,395	280,981	302,641
SHAREHOLDERS' EQUITY					
Capital	24.a)	518,922	441,171	518,922	441,171
Capital reserve		163,522	170,723	163,522	170,723
Additional paid-in capital		4,023	3,072	4,023	3,072
Earnings reserves		823,222	757,956	823,222	757,956
Other comprehensive loss		(27,968)	(33,165)	(27,968)	(33,165)
Treasury shares		(40,587)	(29,282)	(40,587)	(29,282)
Shareholders' equity attributable to controlling shareholders		1,441,134	1,310,475	1,441,134	1,310,475
Noncontrolling interest in subsidiaries' shareholders' equity		-	-	12,501	37,598
Total shareholders' equity		1,441,134	1,310,475	1,453,635	1,348,073
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,077,345	1,927,798	2,465,966	2,273,488

The accompanying notes are an integral part of the interim financial statements.

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

ALPARGATAS S.A.

STATEMENTS OF INCOME
FOR THE QUARTERS AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010
(In thousands of Brazilian reais - R$, except earnings per share)

		Parent (BR GAAP)		Consolidated (BR GAAP and IFRS)		Parent (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	Note	09/30/2011	09/30/2010	09/30/2011	09/30/2010	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010
CONTINUING OPERATIONS									
Net sales	26	1,358,067	1,174,941	1,886,356	1,620,590	511,591	435,461	687,521	580,667
Cost of sales	27	(705,700)	(603,339)	(1,029,190)	(873,230)	(258,559)	(223,717)	(374,537)	(320,701)
GROSS PROFIT		652,367	571,602	857,166	747,360	253,032	211,744	312,984	259,966
Selling	27	(348,668)	(279,002)	(475,714)	(388,037)	(133,461)	(98,234)	(175,622)	(130,726)
General and administrative	27	(87,412)	(73,254)	(101,666)	(89,235)	(30,155)	(24,306)	(35,035)	(29,684)
Equity in subsidiaries	14	26,670	39,297	(1,220)	(6,727)	1,852	(5,860)	(1,088)	(3,193)
Amortization of intangible assets	15	(13,582)	(11,847)	(14,665)	(12,978)	(4,777)	(3,961)	(5,198)	(4,287)
Other operating income (expenses), net	32	(280)	(12,559)	(2,097)	3,537	(4,606)	879	(5,738)	(1,239)
		(423,272)	(337,365)	(595,362)	(493,440)	(171,147)	(131,482)	(222,681)	(169,129)
OPERATING INCOME BEFORE FINANCIAL INCOME (EXPENSES)		229,095	234,237	261,804	253,920	81,885	80,262	90,303	90,837
Financial income	30	57,272	30,396	59,865	31,388	20,187	13,059	21,464	13,368
Financial expenses	30	(18,970)	(11,331)	(38,532)	(31,036)	(5,387)	(3,747)	(12,652)	(10,568)
Exchange rate variation, net	31	(1,144)	(84)	(1,427)	1,720	(1,289)	978	(2,124)	1,155
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		266,253	253,218	281,710	255,992	95,396	90,552	96,991	94,792
Current income tax and social contribution	12.b)	(17,639)	(19,980)	(27,675)	(28,300)	(6,461)	(9,183)	(10,194)	(12,793)
Deferred income tax and social contribution	12.b)	(18)	384	(3,755)	8,730	(1,452)	(54)	1,071	248
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS		248,596	233,622	250,280	236,422	87,483	81,315	87,868	82,247
NET INCOME FOR THE PERIOD FROM DISCONTINUED OPERATIONS	36	-	3,241	-	3,241	-	-	-	-
NET INCOME FOR THE PERIOD		248,596	236,863	250,280	239,663	87,483	81,315	87,868	82,247
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO THE									
Controlling shareholders		248,596	236,863	248,596	236,863	87,483	81,315	87,483	81,315
Noncontrolling shareholders		-	-	1,684	2,800	-	-	385	932
EARNINGS PER SHARE									
Basic per share (ON) - R$	37	0.4412	0.4260	0.4412	0.4260				
Diluted per share (ON) - R$	37	0.4412	0.4260	0.4412	0.4260				
Basic per share (PN) - R$	37	0.4856	0.4548	0.4856	0.4548				
Diluted per share (PN) - R$	37	0.4472	0.4689	0.4472	0.4689				

The accompanying notes are an integral part of the interim financial statements.

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

ALPARGATAS S.A.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTERS AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010
(In thousands of Brazilian reais - R$)

		Parent (BR GAAP)		Consolidated (BR GAAP and IFRS)		Parent (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	Note	09/30/2011	09/30/2010	09/30/2011	09/30/2010	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010
Net income for the period from continuing operations		248,596	233,622	250,280	236,422	87,483	81,315	87,868	82,247
Net income for the period from discontinued operations		-	3,241	-	3,241	-	-	-	-
NET INCOME FOR THE PERIOD		248,596	236,863	250,280	239,663	87,483	81,315	87,868	82,247
Gains (losses) on translation of financial statements of foreign subsidiaries	14	7,076	(9,114)	5,804	(11,772)	15,218	(688)	16,940	(3,146)
		255,672	227,749	256,084	227,891	102,701	80,627	104,808	79,101
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO									
Controlling shareholders		255,672	227,749	255,672	227,749	102,701	80,627	102,701	80,627
Noncontrolling shareholders		-	-	412	142	-	-	2,107	(1,526)

The accompanying notes are an integral part of the interim financial statements.

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ALPARGATAS S.A.

STATEMENTS OF CHANGES IN SHAREHOLDER´S EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011 AND YEARS ENDED DECEMBER 31, 2010 AND 2009
(In thousands of Brazilian reais - R$, except value per share)

	Note	Capital	Capital reserves			Additional paid-in capital	Earnings reserves			Other comprehensive loss	Treasury shares	Proposed additional dividend	Retained earnings	Shareholders' equity attributable to controlling shareholders'	Noncontrolling interest in subsidiaries' shareholders' equity	Total shareholders' equity
			Negative goodwill on the disposal of treasury shares	Tax incentives - investment grants	Capital reserve		Legal	Tax incentives	Investments							
BALANCES AS OF JANUARY 1, 2009 - ORIGINALLY REPORTED (PRIOR TO ADJUSTMENTS FROM FIRST-TIME ADOPTION OF IFRS AND NEW ACCOUNTING PRONOUNCEMENTS (CPC) ISSUED IN 2009)		391,804	(5,002)	169,241	8,498	1,624	49,676	95,382	311,555	(19,096)	(28,500)	-	-	975,182	49,713	1,024,895
Adjustments from the first-time adoption of IFRS and new accounting pronouncements (CPCs) issued in 2009		-	-	-	-	-	-	-	(6,850)	52,466	-	-	(6,850)	45,616	24,438	70,054
Absorption of loss from the first-time adoption of new accounting practices		-	-	-	-	-	-	-	-	-	-	-	6,850	-	-	-
(ADJUSTED BY THE FIRST-TIME ADOPTION OF IFRS AND NEW ACCOUNTING PRONOUNCEMENTS (CPC) ISSUED IN 2009)		391,804	(5,002)	169,241	8,498	1,624	49,676	95,382	304,705	33,370	(28,500)	-	-	1,020,798	74,151	1,094,949
Acquisition of shares to be held in treasury		-	-	-	-	-	-	-	-	-	(424)	-	-	(424)	-	(424)
Disposal of treasury shares due to the exercise of stock options		-	(441)	-	-	-	-	-	-	-	597	-	-	156	-	156
Grant of stock options		-	-	-	-	934	-	-	-	-	-	-	-	934	-	934
Exercise of stock options		-	-	-	-	(393)	-	-	-	-	-	-	393	-	-	-
Cumulative adjustments from the translation of the financial statements of foreign subsidiaries and associate		-	-	-	-	-	-	-	-	(38,294)	-	-	-	(38,294)	(21,911)	(60,205)
Realization of other comprehensive income (loss) (valuation adjustments to equity of subsidiary and associate)		-	-	-	-	-	-	-	-	(12,326)	-	-	12,326	-	-	-
Net income for the year		-	-	-	-	-	-	-	-	-	-	-	125,872	125,872	(1,926)	123,946
Allocations of net income for the year:																
Recognition of reserves - tax incentives		-	-	-	-	-	-	106,411	-	-	-	-	(106,411)	-	-	-
Payment of interest on capital - R$1.69 per share		-	-	-	-	-	-	-	(2,069)	-	-	-	(27,315)	(29,384)	-	(29,384)
Absorption of profit generated in 2009 through the first-time adoption of new accounting practices		-	-	-	-	-	-	-	4,865	-	-	-	(4,865)	-	-	-
BALANCES AS OF DECEMBER 31, 2009		391,804	(5,443)	169,241	8,498	2,165	49,676	201,793	307,501	(17,250)	(28,327)	-	-	1,079,658	50,314	1,129,972
Capital increase		49,367	-	-	-	-	-	-	(49,367)	-	-	-	-	-	-	-
Acquisition of shares to be held in treasury		-	-	-	-	-	-	-	-	-	(3,465)	-	-	(3,465)	-	(3,465)
Disposal of treasury shares due to the exercise of stock options		-	(1,573)	-	-	-	-	-	-	-	2,510	-	-	937	-	937
Grant of stock options		-	-	-	-	1,085	-	-	-	-	-	-	-	1,085	-	1,085
Exercise of stock options		-	-	-	-	(178)	-	-	-	-	-	-	178	-	-	-
Cumulative adjustments from the translation of the financial statements of foreign subsidiaries and associate		-	-	-	-	-	-	-	-	(12,361)	-	-	-	(12,361)	(3,435)	(15,796)
Acquisition of noncontrolling interest in subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-	(13,392)	(13,392)
Negative goodwill on the acquisition of noncontrolling interest in subsidiary		-	-	-	-	-	-	-	1,692	-	-	-	-	1,692	-	1,692
Realization of other comprehensive income (loss) (valuation adjustments to equity of subsidiary and associate)		-	-	-	-	-	-	-	-	(3,554)	-	-	3,554	-	-	-
Net income for the year		-	-	-	-	-	-	-	-	-	-	-	306,341	306,341	4,111	310,452
Allocations of net income for the year:																
Recognition of reserves - tax incentives		-	-	-	-	-	-	131,207	-	-	-	-	(131,207)	-	-	-
Investments		-	-	-	-	-	-	-	115,454	-	-	-	(115,454)	-	-	-
Payment of interest on capital - R$0.18 per share		-	-	-	-	-	-	-	-	-	-	-	(63,412)	(63,412)	-	(63,412)
Dividends declared on March 18, 2011 - R$0.07 per share		-	-	-	-	-	-	-	(24,150)	-	-	24,150	-	-	-	-
BALANCES AS OF DECEMBER 31, 2010		441,171	(7,016)	169,241	8,498	3,072	49,676	333,000	351,130	(33,165)	(29,282)	24,150	-	1,310,475	37,598	1,348,073
Capital increase		77,751	-	-	-	-	-	-	(77,751)	-	-	-	-	-	-	-
Acquisition of shares to be held in treasury		-	-	-	-	-	-	-	-	-	(24,252)	-	-	(24,252)	-	(24,252)
Disposal of treasury shares due to the exercise of stock options	24.d)	-	5,746	-	-	-	-	-	-	-	-	-	-	5,746	-	5,746
Grant of stock options		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise of stock options		-	-	-	-	951	-	-	-	-	-	-	-	951	-	951
Cumulative adjustments from the translation of the financial statements of foreign subsidiaries and associate	14	-	-	-	-	-	-	-	-	7,076	-	-	-	7,076	(1,272)	5,804
Acquisition of noncontrolling interest in subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-	(25,509)	(25,509)
Negative goodwill on the acquisition of noncontrolling interest in subsidiary		-	-	-	-	-	-	-	(23,284)	-	-	-	-	(23,284)	-	(23,284)
Realization of other comprehensive income (loss) (valuation adjustments to equity of subsidiary and associate)		-	-	-	-	-	-	-	-	(1,879)	-	-	1,879	-	-	-
Net income for the nine-month period		-	-	-	-	-	-	-	-	-	-	-	248,596	248,596	1,684	250,280
Allocations of net income for the nine-month period:																
Recognition of reserves - tax incentives	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of interest on capital - R$0.18 per share		-	-	-	-	-	-	-	-	-	-	(24,074)	-	(24,074)	-	(24,074)
Dividends declared on March 18, 2011 - R$0.07 per share	24.c)	-	-	-	-	-	-	-	(19,500)	-	-	-	-	(19,500)	-	(19,500)
Dividends declared on May 12, 2011 - R$0.06 per share	24.c)	-	-	-	-	-	-	-	(20,000)	-	-	-	-	(20,000)	-	(20,000)
Dividends declared on August 12, 2011 - R$0.06 per share	24.c)	-	-	-	-	-	-	-	(20,600)	-	-	-	-	(20,600)	-	(20,600)
BALANCES AS OF SEPTEMBER 30, 2011		518,922	(1,270)	169,241	8,498	4,023	49,676	333,000	189,995	(27,968)	(53,534)	76	250,475	1,441,134	12,501	1,453,635

The accompanying notes are an integral part of the interim financial statements.

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

ALPARGATAS S.A.

STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010
(In thousands of Brazilian reais - R$)

		Parent (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	Note	09/30/2011	09/30/2010	09/30/2011	09/30/2010
CASH FLOW FROM OPERATING ACTIVITIES					
Net income for the nine-month period from continuing operations		248,596	236,863	250,280	239,663
Adjustments to reconcile net income for the nine-month period from continuing operations to cash provided by operating activities:					
Depreciation and amortization	15	28,046	28,206	39,386	40,548
Loss on the sale/write-off of property, plant and equipment items		1,336	532	2,118	750
Income from the sale of held-for-sale assets		-	(2,005)	-	(14,305)
Equity in subsidiaries	14	(26,670)	(39,297)	1,220	6,727
Interest, monetary restatements and exchange rate changes		(12,177)	9,364	(2,233)	21,842
Accrual for tax, civil and labor risks	22	7,393	10,451	8,673	11,725
Income with lawsuit - credit Eletrobras		15,043	-	15,043	-
Deferred income tax and social contribution	12.a)	18	(384)	3,755	(8,730)
Grant of stock options	28	951	749	951	749
Amortization of borrowings and financing - charges		(11,949)	(6,411)	(13,984)	(8,557)
Provision for inventory losses	10	(1,561)	2,091	(545)	1,334
Income from sale of subsidiaries		-	-	-	(2,005)
Allowance for doubtful accounts	9.c)	3,605	1,170	5,804	2,301
		252,631	241,329	310,468	292,042
Decrease (increase) in assets:					
Trade accounts receivable		(31,492)	(5,963)	(63,165)	(27,899)
Inventories		(33,487)	(52,478)	(60,113)	(63,376)
Prepaid expenses		(7,985)	(4,995)	(8,528)	(5,297)
Recoverable taxes		(1,391)	5,090	(85)	(3,604)
Increase (decrease) in liabilities:					
Trade accounts payable		32,843	78,690	47,628	89,280
Taxes payable		20,867	16,425	26,837	23,311
Payment of REFIS		(26,994)	-	(27,642)	-
Salaries and related charges		6,583	19,196	13,254	23,704
Related parties		(9,755)	-	-	-
Others		(38,572)	15,814	(42,528)	(26,772)
Other cash flows from operating activities:					
Payment of income tax and social contribution		(9,316)	(8,447)	(20,318)	(11,984)
Net cash provided by operating activities		153,932	304,661	175,808	289,405
CASH FLOW FROM INVESTING ACTIVITIES					
Cash of disposed subsidiary at end of the period		-	(14,256)	-	-
Acquisition of noncontrolling interest	14	(48,793)	(11,700)	(48,793)	(11,700)
Acquisition of investments		(640)	(419)	-	-
Acquisition of property, plant and equipment and intangible assets	15	(29,082)	(15,185)	(44,667)	(28,638)
Proceeds for sales of property, plant and equipment and intangible assets		15,723	15,900	24,725	19,100
Short-term investments		(213,934)	(39,805)	(213,934)	(39,805)
Net cash used in investing activities		(276,726)	(65,465)	(282,669)	(61,043)
CASH FLOW FROM FINANCING ACTIVITIES					
Borrowings and financing		47,643	9,068	136,994	113,149
Amortizations of borrowings and financing - principal		(58,009)	(41,663)	(131,604)	(139,324)
Acquisition of shares to be held in treasury, net of disposals		(18,506)	(1,961)	(18,506)	(1,961)
Payment of interest on capital		(83,866)	(46,846)	(83,866)	(46,846)
Amortization of debt-restructuring agreements of subsidiary		-	-	(8,998)	(5,749)
Net cash used in financing activities		(112,738)	(81,402)	(105,980)	(80,731)
Effect of exchange rate variation on cash and cash equivalents		-	-	680	(2,021)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(235,532)	157,794	(212,161)	145,610
Cash and cash equivalents at beginning of the year		454,094	267,155	482,488	306,590
Cash and cash equivalents at end of the year		218,562	424,949	270,327	452,200
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(235,532)	157,794	(212,161)	145,610

The accompanying notes are an integral part of the interim financial statements.

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

ALPARGATAS S.A.

STATEMENTS OF VALUE ADDED
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010
(In thousands of Brazilian reais - R$)

		Parent (BR GAAP)		Consolidated (BR GAAP and IFRS)	
	Note	09/30/2011	09/30/2010	09/30/2011	09/30/2010
REVENUES		1,601,020	1,417,757	2,220,467	1,988,262
Sale of goods and products		1,586,449	1,372,328	2,205,002	1,929,848
Allowance for doubtful accounts	9.c)	(3,630)	(1,172)	(5,890)	(2,671)
Other revenues		18,201	46,601	21,355	61,085
INPUTS PURCHASED FROM THIRD PARTIES		(936,938)	(824,308)	(1,239,902)	(1,096,327)
Cost of sales		(533,497)	(450,849)	(745,292)	(641,978)
Materials, electric power, outside services and others		(395,612)	(371,540)	(486,781)	(452,364)
Losses/recovery of assets		(7,479)	(381)	(7,479)	(455)
Others		(350)	(1,538)	(350)	(1,530)
		664,082	593,449	980,565	891,935
RETENTIONS		(28,046)	(28,206)	(39,386)	(40,548)
Depreciation and amortization	15	(28,046)	(28,206)	(39,386)	(40,548)
VALUE ADDED CREATED BY THE COMPANY		636,036	565,243	941,179	851,387
VALUE ADDED RECEIVED IN TRANSFER		92,481	73,115	67,904	25,584
Equity in subsidiaries	14	26,670	39,299	(1,220)	(6,727)
Financial income - includes exchange rate variation		65,678	30,396	68,991	31,477
Others		133	3,420	133	834
VALUE ADDED FOR DISTRIBUTION		728,517	638,358	1,009,083	876,971
DISTRIBUTION OF VALUE ADDED		728,517	638,358	1,009,083	876,971
Salaries and related charges		226,956	204,733	368,411	323,082
Taxes, fees and contributions		192,403	160,350	309,643	260,363
Financial expenses and rents		60,562	36,412	80,749	53,863
Interest on capital	24.c)	60,100	47,012	60,100	47,012
Retained earnings from continuing operations		188,496	189,851	188,496	189,851
Noncontrolling interest in retained earnings		-	-	1,684	2,800

The accompanying notes are an integral part of the interim financial statements.

1. GENERAL INFORMATION

1.1. General considerations

Alpargatas S.A. (the "Company") is a publicly-traded corporation headquartered in the city of São Paulo, at Rua Funchal, 160, listed in the São Paulo Stock Exchange (BMF&BOVESPA) under the ticker symbols "ALPA4" and "ALPA3".

On April 26, 2011, the Extraordinary 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 ("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 sporting goods.

The direct and indirect subsidiaries and associate through which the Company conducts activities in Brazil and abroad are described in note 6.

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

Details on the acquisition and increase of interest in subsidiary Alpargatas S.A.I.C. - Argentina are set out in note 14.

1.3. Discontinued operation - Industrial Textiles

The Company entered into a Share Purchase and Sale Agreement on December 22, 2009 (the "Agreement") for the direct sale of all the shares in subsidiary Locomotiva Indústria e Comércio de Têxteis Industriais Ltda., a limited-liability company headquartered in Pouso Alegre, State of Minas Gerais, and the indirect sale of all the shares in Locomotiva da Amazônia Indústria e Comércio de Têxteis Industriais Ltda., a limited-liability company headquartered in Manaus, State of Amazonas, for the total price of R$43,000. This transaction was completed on April 20, 2010. Details are disclosed in note 36.

2. BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS

2.1. Statement of compliance

The Company's interim financial statements, contained in the Interim Financial Information Form (ITR) for the quarter and nine-month period ended September 30, 2011, comprise:

- The consolidated interim financial statements prepared in accordance with the International Financial Reporting Standards - IFRSs, issued by the International Accounting Standards Board - IASB, and the accounting practices adopted in Brazil, identified as Consolidated (BR GAAP and IFRS), prepared in accordance with technical pronouncements IAS 34 and CPC 21 - Interim Financial Reporting.

- The individual interim financial statements of the parent company prepared in accordance with accounting practices adopted in Brazil, identified as Parent (BR GAAP), prepared in accordance with technical pronouncement CPC 21 - Interim Financial Reporting.

  The accounting practices adopted in Brazil comprise the policies set out in Brazilian Corporate Law and the pronouncements, instructions and interpretations issued by the Accounting Pronouncements Committee - CPC, approved by the Brazilian Securities Commission - CVM.

The individual interim financial statements present the valuation of investments in subsidiaries and associate under the equity method, pursuant to prevailing Brazilian Corporate Law. Accordingly, these individual interim financial statements are not considered as being in conformity with IFRSs, which require the valuation of these investments in the Company's separate interim financial statements at cost or fair value; however, equity in subsidiaries is prescribed by Brazilian Corporate Law.

2.2. Basis of preparation

The interim financial statements have been prepared based on the historical cost, except for 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.

The Company's consolidated financial statements for the year ended December 31, 2010 were the first to be prepared in accordance with IFRSs, with the transition date being set at January 1, 2009. When preparing the financial statements, the Company adopted the changes in accounting practices adopted in Brazil introduced by CPC 15 - Business Combinations to CPC 40 - Financial Instruments - Disclosure.

As mentioned in item 2.1, the interim financial statements have been prepared and are 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, 2010, disclosed on March 18, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared consistently with the accounting policies described in note 3 to the annual financial statements for the year ended December 31, 2010.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

In applying the accounting policies, Management makes judgments and estimates regarding the reported assets and liabilities' carrying amounts that are not easily obtained from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effects of revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in future periods if the revision affects both current and future periods.

The critical accounting judgments and estimates applied in the preparation of the interim financial statements are consistent with those described in note 4 to the annual financial statements for the year ended December 31, 2010.

5. ADOPTION OF NEW AND REVISED IFRSs

The Company did not early adopt the following new and revised pronouncements and interpretations already issued but not yet effective:

Pronouncement or interpretation	Description	Applicable to fiscal years beginning on or after
IFRS 1	Limited Exemption from Comparative IFRS 7 - Disclosures for First-time Adopters	July 1, 2011
IFRS 7	Disclosures - Transfers of Financial Assets	July 1, 2011
IFRS 9	Financial Instruments - Measurement and Classification	January 1, 2013
IAS 12	Deferred Taxes - Recovery of the Underlying Assets when the Asset is Measured under IAS 40 - Fair Value Framework	January 1, 2012
IFRIC 14 (revised)	Prepayment of a Minimum Funding Requirement	January 1, 2011

CPC has not yet issued the pronouncements and amendments related to the new and revised IFRSs listed above. Because of CPC's and CVM's commitment to keep the issued set of standards up-to-date as amendments are made by IASB, it is expected that such pronouncements and amendments be issued by CPC and approved by CVM by the date they become effective.

The Company's Management will assess the impacts of the adoption of these pronouncements and interpretations on the financial statements, which will be adopted when they become effective, i.e., after being approved by CVM.

6. CONSOLIDATED FINANCIAL STATEMENTS

Criteria for consolidation, definition of subsidiaries and changes in interests in existing subsidiaries

The consolidation criteria used in the preparation of the interim financial statements were applied consistently with the criteria described in note 6 to the annual financial statements for the year ended December 31, 2010.

The consolidation comprises the financial statements of the Company and the following direct and indirect subsidiaries:

	Interest and voting rights - %		
	09/30/2011	12/31/2010	09/30/2010
Direct ownership interest:			
Locomotiva Indústria e Comércio de Têxteis Industriais Ltda. (*)	-	-	100.00
CBS S.A. - Companhia Brasileira de Sandálias	100.00	100.00	100.00
Fibrasil Agrícola e Comercial Ltda.	100.00	100.00	100.00
Alpargatas Imobiliária S.A.	100.00	100.00	100.00
Alpargatas Chile Ltda. - Chile	100.00	100.00	100.00
Alpargatas Internacional APS - Denmark	100.00	100.00	100.00
Alpargatas S.A.I.C. - Argentina	91.45	70.69	70.69
Indirect ownership interest (through Alpargatas Internacional - APS):			
Alpargatas Europe S.L.U. - Spain	100.00	100.00	100.00
Alpargatas USA Inc. - United States	100.00	100.00	100.00
Alpargatas UK Limited - United Kingdom	100.00	100.00	100.00
Alpargatas France S.A.R.L. - France	100.00	100.00	100.00
Alpargatas Itália S.R.L. - Italy	100.00	100.00	100.00
Alpargatas Portugal Limited - Portugal	100.00	100.00	-
Indirect ownership interest (through Locomotiva Indústria e Comércio de Têxteis Industriais Ltda.)- Locomotiva da Amazônia Indústria e Comércio de Têxteis Industriais Ltda. (*)	-	-	100.00

(*) Discontinued operations as disclosed in notes 1.3 and 36.

- CBS S.A. - Companhia Brasileira de Sandálias: acquired in November 2007, engaged in the manufacture and sale of rubber sandals.

- Fibrasil Agrícola e Comercial Ltda.: acquired in November 1989. It is engaged in 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 December 2007, although with the transfer of control 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 Itália S.R.L. - Italy and Alpargatas Portugal Limited - Portugal: organized in July, August and September 2008, and May 2009, respectively, are engaged in the import and sale of footwear in the European market.

- Alpargatas USA Inc. - United States: constituted after the merger of Expasa Florida Inc. in December 2006 and 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, the Company's Management approved the discontinuation of the operations of this subsidiary, and, starting May 2010, the Company sells its products through an independent distributor, under a sales representation agreement.

7. TAX INCENTIVES - INVESTMENT GRANTS

The Company and its subsidiaries have tax incentives granted by the state governments where the main plants are located, which will expire between 2018 and 2020. The Company and its subsidiaries also enjoy federal government grants through the profit from exploration in the Northeast Region based on which income tax reductions/exemptions are granted. Beginning January 1, 2008, with the enactment of Law 11638/07, the referred benefits tax incentives were recognized directly in net income and were allocated, at year end, to a tax incentive reserve in shareholders' equity, as prescribed in the new accounting practices adopted in Brazil.

Investment grants, including income tax incentives, recorded for the nine-month periods ended September 30, 2011 and 2010 are as follows:

		Parent		Consolidated	
		09/30/2011	09/30/2010	09/30/2011	09/30/2010
ICMS incentive:					
Paraíba	(a)	98,297	84,559	98,297	84,559
Pernambuco	(b)	-	-	6,751	6,121
IRPJ incentives-					
Northeast Region	(c)	9,056	9,971	11,842	12,238
Total		107,353	94,530	116,890	102,918

(a) Amounts of the investment grant of State of Paraíba, used as calculation of deemed ICMS (State VAT) credit. The amounts refer to unpaid ICMS installments and, therefore, committed with what was agreed with the State government. The Company is compliant with the established agreement, consisting of expanding the manufacturing facility 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, 2011 and 2010, there were no incentive installments to be recorded in the accounting books, resulting from obligations established by the incentive program, to be complied with by the Company. Tax incentive installments are credited to "Taxes on sales and discounts" in the statement of income.

(b) Amounts of the investment grant in the State of Pernambuco, used in the calculation of deemed ICMS (State VAT) credit and, therefore, committed with what was agreed with the State government and 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) Credited to "Income tax and social contribution - current" in the statement of income for the period (see details in note 12.b).

8. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

a) Cash and cash equivalents

	Parent		Consolidated	
	09/30/2011	12/31/2010	09/30/2011	12/31/2010
Cash and banks	639	7,381	19,484	31,552
Short-term investments:				
Bank deposit certificates - fixed and floating CDBs	56,322	133,878	61,012	133,878
Repurchase commitments	161,601	312,835	188,842	312,835
Other - Alpargatas S.A.I.C. - Argentina (*)	-	-	700	3,408
Other - Alpargatas Europe - S.L.U. Spain (*)	-	-	289	815
Total	218,562	454,094	270,327	482,488

(*) As of September 30, 2011, the short-term investments held by subsidiaries Alpargatas S.A.I.C. - Argentina and Alpargatas Europe S.L.U. - Spain are represented by fixed--income securities with average yield of 2.64% and 1.60% per year, respectively (9.38% and 1.24%, respectively, as of December 31, 2010).

As of September 30, 2011, Bank deposit certificates (CDBs) investments are distributed across several financial institutions at an average yield of 100.56% of the interbank deposit certificate (CDI) (102.39% as of December 31, 2010) and repurchase commitments are distributed across several financial institutions at an average yield of 102.03% of the CDI rate (101.55% as of December 31, 2010).

As of September 30, 2011, the redemption terms of CDBs and securities relating to repurchase commitments range between October 2011 and November 2016; however, they are classified as "Cash and cash equivalents" since they are considered as immediately redeemable financial assets, subject to an immaterial risk of change in value.

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

The accounting classification of cash and cash equivalents components used by the Management of the Company and its subsidiaries is described in note 3.c) to the annual financial statements for the year ended December 31, 2010.

b) Short-term investments

As of September 30, 2011 and December 31, 2010, short-term investments, Parent and Consolidated, refer to CDBs and repurchase commitments with average yield of 102.33% of CDI (107.99% as of December 31, 2010), broken down as follows:

	09/30/2011	12/31/2010
Fixed and floating CDBs	153,444	77,549
Repurchase commitments	259,934	94,628
Total	413,378	172,177

Classified in current assets as they can be redeemed 180 days after the investment date and are stated separately from line item "Cash and cash equivalents" because there is no reasonable assurance they can be immediately redeemed without an immaterial risk of change in value.

9. TRADE ACCOUNTS RECEIVABLE

a) Composed by:

	Parent		Consolidated	
	09/30/2011	12/31/2010	09/30/2011	12/31/2010
Domestic market	418,244	385,834	442,790	405,391
Foreign market	23,574	16,760	108,937	78,412
Related parties (note 21.b))	6,254	13,986	-	-
Allowance for doubtful accounts	(16,690)	(13,086)	(24,175)	(18,370)
Total	431,382	403,494	527,552	465,433

Accounts receivable are classified as "Loans and receivables", stated at amortized cost. Their carrying amounts are equivalent to fair values, as described in note 3.d) to the financial statements for the year ended December 31, 2010. Foreign trade accounts receivable are denominated in U.S. dollars, euros and Argentinean pesos.

b) Aging list of trade accounts receivable

	Parent		Consolidated	
	09/30/2011	12/31/2010	09/30/2011	12/31/2010
Current	410,613	372,799	487,627	424,036
Past-due:				
Up to 30 days	9,609	15,980	18,913	22,426
From 31 to 90 days	3,853	5,603	11,300	8,770
Over 91 days	23,997	22,198	33,887	28,571
	448,072	416,580	551,727	483,803

c) Allowance for doubtful accounts

Changes in allowance for doubtful accounts are as follows:

	Parent	Consolidated
Balances as of December 31, 2010	(13,086)	(18,370)
Additions	(5,255)	(7,516)
Reversals and write-offs	1,651	1,711
Balances as of September 30, 2011	(16,690)	(24,175)

The consolidated aging list of trade accounts receivable, included in the allowance for doubtful accounts, is as follows:

	09/30/2011	12/31/2010
Up to 30 days	(233)	(73)
From 31 to 90 days	(802)	(320)
Over 91 days	(23,140)	(17,997)
Total	(24,175)	(18,370)

The expense on the recognition of the allowance for doubtful accounts was recorded under the line item “Selling expenses” in the statement of income.

Maximum exposure to credit risk at the interim financial information is the carrying amount of each aging range, as shown in the aging list above. Except for some defaulting customers with rescheduled debts, for which the Company and its subsidiaries have letters of credit and properties as collaterals, other past due trade accounts receivable, which are included in the allowance for doubtful accounts, are not collateralized.

10. INVENTORIES

	Parent		Consolidated	
	09/30/2011	12/31/2010	09/30/2011	12/31/2010
Finished products	126,250	96,359	221,224	164,429
Work in process	14,246	12,546	31,900	26,517
Raw materials	40,269	41,617	75,093	70,599
Imports in transit	17,178	14,957	17,951	14,957
Others	2,139	1,117	5,915	6,285
Allowance for inventory losses	(4,064)	(5,625)	(9,265)	(9,809)
Total	196,018	160,971	342,818	272,978

Changes in the allowance for inventory losses on inventories are as follows:

	Parent	Consolidated
Balances as of December 31, 2010	(5,625)	(9,809)
Additions	(3,299)	(4,411)
Reversals and write-offs	4,860	4,955
Balances as of September 30, 2011	(4,064)	(9,265)

11. RECOVERABLE TAXES

	Parent		Consolidated	
	09/30/2011	12/31/2010	09/30/2011	12/31/2010
Prepayments of income tax and social contribution	7,119	7,385	8,683	9,657
State VAT (ICMS)	3,645	3,241	3,831	3,389
Federal VAT (IPI)	94	87	94	87
Taxes on revenue (PIS and COFINS)	2,445	1,086	2,823	1,418
Alpargatas Europe- Value Added Tax (VAT)	-	-	2,173	1,503
Alpargatas Chile	-	-	-	555
Alpargatas S.A.I.C. - Argentina:				
Income tax	-	-	13,474	14,143
VAT	-	-	7,868	6,553
Other	5,334	5,447	6,353	6,408
Total	18,637	17,246	45,299	43,713
Current portion	10,563	13,451	21,368	24,685
Noncurrent portion	8,074	3,795	23,931	19,028

12. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred

		Parent and Consolidated	
		09/30/2011	12/31/2010
Noncurrent assets:			
Allowance for doubtful accounts		5,675	4,449
Allowance for inventory losses		1,382	1,913
Accrual for tax, civil and labor risks		7,645	6,963
Reserve for suspended-payment taxes		19,508	15,844
Write-off of deferred charges		775	1,328
Other temporary differences		9,575	9,301
Tax loss carryforward		786	3,207
Total - Parent		45,346	43,005
Subsidiaries:			
Alpargatas S.A.I.C. - Argentina:			
Provision for trust		9,195	13,516
Accrual for tax, civil and labor risks		10,584	7,829
Other temporary differences		7,528	5,988
		27,307	27,333
Alpargatas Europe S.L.U. - Spain-			
Tax loss carryforwards	(a)	6,910	8,567
Alpargatas Chile Ltda. - Chile		-	2,046
CBS S.A. - Companhia Brasileira de Sandálias:			
Temporary differences		986	1,970
Tax loss carryforward	(a)	4,682	7,157
		5,668	9,127
Unrealized profits on inventories		680	765
(-) Valuation allowance (Alpargatas Chile)		-	(2,046)
Total - Consolidated		85,911	88,797
Noncurrent liabilities-			
Goodwill on acquisition of subsidiaries amortized for tax purposes	(b)	5,619	3,261
Total - Parent		5,619	3,261
Subsidiary-			
Alpargatas S.A.I.C. - Argentina-			
Adjustment to present value on obligations and tax difference in the valuation of property, plant and equipment items		39,192	39,364
Total - Consolidated		44,811	42,625

(a) 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 tax loss carryforwards taken by subsidiary Alpargatas Europe S.L.U. - Spain. This subsidiary, until that year, reported losses due to the start of its operations, when it incurred in several marketing and start-up expenses, as described in note 14. However, based on projections for the generation of taxable income beginning 2011, Management, in compliance with CPC 32 and IAS 12 - Income Taxes, decided to recognize the deferred tax credit, which is expected to be realized until 2015.

CBS S.A. - Companhia Brasileira de Sandálias

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

Deferred tax credits, on a consolidated basis, are expected to be realized as follows:

	09/30/2011	12/31/2010
2011	11,091	19,235
2012	29,202	20,573
2013	16,112	20,573
2014 and thereafter	29,506	28,416
Total - Consolidated	85,911	88,797

As of September 30, 2011, the Company has unrecognized tax credits on tax loss carryforwards and temporary differences in the consolidated interim financial information, resulting from its foreign subsidiaries, which, in view of the lack of projected future taxable income over the next years, were not recorded in the financial information of the corresponding foreign subsidiaries.

Unrecognized tax credits, calculated at the prevailing tax rates in the related countries where the subsidiaries are located, are stated as follows:

Tax loss carryforwards:	
Alpargatas USA Inc. - United States	35,833
Alpargatas France S.A.R.L. - France	228
	36,061

(b) Goodwill in acquisition of subsidiaries amortized for tax purposes

Due to the cancellation of the amortization of goodwill on the acquisition of subsidiaries, in accordance with the changes in accounting practices adopted in Brazil enacted by Laws 11638/07 and 11941/09, beginning January 1, 2009 the Company started to enjoy the goodwill tax benefit from the acquisition of subsidiary CBS S.A. - Companhia Brasileira de Sandálias, after the merger of the former subsidiary Atlântico Participações S.A., through the Transitional Tax Regime (RTT), whose effect was offset previously at the ratio of 1 to 60th per month, with a monthly amortization value of R$400, which has been resulting in a tax effect of R$136/month. Therefore, as required by the accounting practices adopted in Brazil, the difference between the base of the utilized tax benefits and accounting amortization is being considered a temporary difference for deferred income tax and social contribution purposes, and its impact is recorded in noncurrent liabilities.

Tax credits on tax loss carryforwards generated by subsidiaries have no offset date (expiry date).

Changes in deferred income tax and social contribution assets and liabilities for the reported nine-month periods ended September 30, 2011 and 2010 are stated as follows:

	12/31/2010	(Charged) credited in the statement of income	Exchange rate variation, charges and other changes	09/30/2011
Noncurrent assets:				
Parent:				
Allowance for doubtful accounts	4,449	1,226	-	5,675
Allowance for inventory losses	1,913	(531)	-	1,382
Accrual for tax, civil and labor risks	6,963	682	-	7,645
Reserve for suspended--payment taxes	15,844	3,664	-	19,508
Write-off of deferred charges	1,328	(553)	-	775
Other temporary differences	9,301	274	-	9,575
Tax loss carryforward	3,207	(2,421)	-	786
Total - Parent	43,005	2,341	-	45,346
Subsidiaries:				
Alpargatas S.A.I.C. - Argentina:				
Provision for trust	13,516	(3,696)	(625)	9,195
Accrual for tax, civil and labor risks	7,829	3,575	(820)	10,584
Other temporary differences	5,988	1,361	179	7,528
	27,333	1,240	(1,266)	27,307

	12/31/2010	(Charged) credited in the statement of income	Exchange rate variation, charges and other changes	09/30/2011
Alpargatas Europe S.L.U. - Spain	8,567	(2,314)	657	6,910
Alpargatas Chile Ltda. - Chile	2,046	-	(2,046)	-
CBS S.A. - Companhia Brasileira de Sandálias:				
Temporary differences	1,970	-	(984)	986
Tax loss carryforward	7,157	(2,071)	(405)	4,682
	9,127	(2,071)	(1,389)	5,668
Unrealized profits on inventories	765	(85)	-	680
(-) Valuation allowance (Alpargatas Chile)	(2,046)	-	2,046	-
Total - Consolidated	88,797	(890)	(1,998)	85,911
Noncurrent liabilities:				
Parent:				
Amortized goodwill on acquisition of subsidiaries	3,261	2,358	-	5,619
Total - Parent	3,261	2,358	-	5,619
Subsidiary-				
Alpargatas S.A.I.C. - Argentina-				
Obligations negotiated and valuation of property, plant and equipment	39,364	507	(679)	39,192
Total - Consolidated	42,625	2,865	(679)	44,811
Total net - Parent		(18)		
Total net - Consolidated		(3,755)		

	12/31/2009	(Charged) credited in the statement of income	Exchange rate variation, charges and other changes	09/30/2010
Noncurrent assets:				
Parent:				
Allowance for doubtful accounts	4,143	397	-	4,540
Allowance for inventory losses	2,678	614	-	3,292
Accrual for tax, civil and labor risks	7,013	(852)	-	6,161
Reserve for suspended--payment taxes	11,296	3,232	-	14,528
Write-off of deferred charges	2,139	(600)	-	1,539
Other temporary differences	11,820	(1,185)	-	10,635
Tax loss carryforward	3,206	1	-	3,207
Total - Parent	42,295	1,607	-	43,902
Subsidiaries:				
Alpargatas S.A.I.C. - Argentina	1,472	(292)	(76)	1,104
Alpargatas Europe S.L.U. - Spain	9,404	-	(739)	8,665
Alpargatas Chile Ltda. - Chile	1,213	-	497	1,710
CBS S.A. - Companhia Brasileira de Sandálias-		8,525	(541)	7,984
Unrealized profits on inventories	1,322	(697)	-	625
Total - Consolidated	55,706	9,143	(859)	63,990
Noncurrent liabilities:				
Parent:				
Tax loss carryforward	33,736	-	787	34,523
Judicial deposits	(6,277)	-	-	(6,277)
Goodwill on acquisition of subsidiaries amortized for tax purposes	1,631	1,223	-	2,854
IRPJ - CSLL deduction from IRPJ tax base	2,164	-	(615)	1,549
Provision for IRPJ - other contingencies	2,803	-	(1,268)	1,535
Total - Parent	34,057	1,223	(1,096)	34,184
Subsidiary-				
Alpargatas S.A.I.C. - Argentina	15,023	(810)	(945)	13,268
Total - Consolidated	49,080	(413)	(2,041)	47,452
Total net - Parent		384		
Total net - Consolidated		8,730		

b) Current

Reconciliation of income tax and social contribution on net income:

	Parent		Consolidated	
	09/30/2011	09/30/2010	09/30/2011	09/30/2010
Income before income tax and social contribution	266,253	253,218	281,710	255,992
Combined IRPJ/CSLL tax rate	34%	34%	34%	34%
Income tax and social contribution expenses at statutory rate	(90,526)	(86,094)	(95,781)	(87,037)
Equity in subsidiaries	9,068	13,361	(415)	(2,287)
Interest on capital benefit	20,434	15,984	20,434	15,984
Tax effects from adopting the RTT:				
Investment grant - ICMS	33,421	28,750	35,716	30,831
Stock option plan expenses	(323)	(255)	(323)	(255)
Federal government grant - IRPJ (note 7)	9,056	9,971	11,842	12,238
Effect of the systematic of the deemed income in subsidiary	-	-	-	4,377
Tax credit unrecognized on tax losses generated by subsidiaries	-	-	(2,828)	(1,336)
Tax credit used by subsidiaries not recognized in prior years	-	-	-	8,524
Other permanent (additions) deductions, net	1,213	(1,313)	(75)	(609)
Income tax and social contribution expense	(17,657)	(19,596)	(31,430)	(19,570)
Current	(17,639)	(19,980)	(27,675)	(28,300)
Deferred	(18)	384	(3,755)	8,730

	Parent		Consolidated	
	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010
Income before income tax and social contribution	95,396	90,552	96,991	94,792
Combined IRPJ/CSLL tax rate	34%	34%	34%	34%
Income tax and social contribution expenses at statutory rate	(32,435)	(30,788)	(32,977)	(32,229)
Equity in subsidiaries	630	(1,992)	(370)	(1,086)
Interest on capital benefit	7,004	5,100	7,004	5,100
Tax effects from adopting the Transitional Tax Regime (RTT):				
Investment grant - ICMS	12,763	9,792	13,747	10,675
Stock option plan expenses	(108)	(96)	(108)	(96)
Federal tax incentive - income tax	3,310	9,528	4,639	8,136
Use of subsidiary's unrecognized tax credit in prior years	-	-	(1,889)	(3,769)
Other permanent (additions) deductions, net	923	(781)	831	724
Income tax and social contribution expenses	(7,913)	(9,237)	(9,123)	(12,545)
Current	(6,461)	(9,183)	(10,194)	(12,793)
Deferred	(1,452)	(54)	1,071	248

13. JUDICIAL DEPOSITS

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

As of September 30, 2011 and December 31, 2010, balances are represented basically by judicial deposits related to labor and tax lawsuits. These deposits, which do not involve current obligations, were necessary to proceed with lawsuits. Based on Management's and its legal counsel's opinion, the likelihood of loss is not considered as probable and, therefore, no accrual for tax, civil and labor risks was recognized.

Judicial deposits are as follows:

	Parent		Consolidated	
	09/30/2011	12/31/2010	09/30/2011	12/31/2010
Tax lawsuits	6,544	5,827	6,653	5,827
Labor claims	7,638	5,871	8,418	6,823
	14,182	11,698	15,071	12,650

14. INVESTMENTS

Investments are as follows:

	Parent		Consolidated	
	09/30/2011	12/31/2010	09/30/2011	12/31/2010
Investments	227,948	174,553	80,163	77,143
Goodwill	150,130	150,130	-	-
	378,078	324,683	80,163	77,143

Information as of September 30, 2011	Fibrasil Agrícola e Comercial Ltda.	Alpargatas Internacional APS	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 held	1,157,111	30,393,854	5,585,856	750,645	64,126,833	-	-
Capital	1,157	76,287	8,766	20,848	30,945	9,063	-
Shareholders' equity	2,124	27,726	17,541	49,787	144,626	(93)	-
Profit from inventories	-	(1,295)	-	-	-	-	-
	-	26,431	-	-	-	(93)	-
Net income (loss) for the nine-month period	77	(3,293)	1,063	21,434	9,219	(299)	-
Ownership interest (%)	100	100	100	100	91,45	100	-
Carrying amount of investments:							
Balance as of December 31, 2010	2,104	30,939	22,979	28,353	90,325	(147)	174,553
Equity in subsidiaries	-	8,784	339	6,536	3,022	19	18,700
Exchange rate on investments	-	1,646	-	-	(3,841)	5	(2,190)
Balance as of 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 in subsidiaries	20	(1,287)	411	6,995	399	(420)	6,118
Exchange rate on investments	-	(427)	-	-	(5,533)	9	(5,951)
Balance as of June 30, 2011	2,124	39,961	17,229	41,884	104,614	(534)	205,278
Capital increase	-	-	-	-	5,267	334	5,601
Equity in subsidiaries	57	(10,619)	312	7,903	4,077	121	1,851
Exchange rate on investments	-	(2,911)	-	-	18,143	(14)	15,218
Balance as of September 30, 2011	2,181	26,431	17,541	49,787	132,101	(93)	227,948

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Information as of September 30, 2010	Fibrasil Agrícola e Comercial Ltda.	Alpargatas Internacional APS	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 held	1,157,111	30,004,124	5,585,855	750,645	49,569,771	-	-
Capital	1,157	69,776	8,766	20,848	30,112	4,713	-
Shareholders' equity	2,104	46,398	22,679	17,936	125,894	(3,613)	-
Profit from inventories	-	(1,029)	-	-	-	(184)	-
		45,369				(3,797)	-
Net income (loss) for the nine-month period	-	(9,894)	13,998	29,549	9,411	(2,278)	-
Ownership interest (%)	100	100	100	100	70,69	100	-
Carrying amount of investments:							
Balance as of December 31, 2009	2,104	56,738	7,563	(11,613)	75,021	(1,211)	128,602
Capital increase	-	-	-	-	12,973	-	12,973
Capital increase (assignment of assets)	-	-	1,118	-	-	-	1,118
Equity in subsidiaries	-	3,552	(12)	8,304	916	(1,369)	11,391
Exchange rate on investments	-	(1,466)	-	-	564	24	(878)
Balance as of March 31, 2010	2,104	58,824	8,669	(3,309)	89,474	(2,556)	153,206
Capital increase	-	-	-	-	419	-	419
Equity in subsidiaries	-	2,211	13,905	14,008	3,384	258	33,766
Exchange rate on investments	-	(6,711)	-	-	(651)	(197)	(7,559)
Balance as of June 30, 2010	2,104	54,324	22,574	10,699	92,626	(2,495)	179,832
Equity in subsidiaries	-	(14,366)	105	7,237	1,852	(1,105)	(6,277)
Exchange rate on investments	-	5,411	-	-	(5,483)	(199)	(690)
Balance as of September 30, 2010	2,104	45,369	22,679	17,936	88,995	(3,799)	173,284

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As of September 30, 2011 and December 31, 2010, 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 as of September 30, 2011	Alpargatas Europe S.L.U. - Spain	Alpargatas France S.A.R.L. - France	Alpargatas UK Limited- United Kingdom	Alpargatas S.R.L. - Italy	Alpargatas Portugal Limited - Portugal	Alpargatas USA Inc. - United States	Tavex Algodonera S.A.	Total
Number of shares held	100,000	5,000	100	10,000	4,900	21,370,000	106,733,526	-
Shareholders' equity (deficit)	(14,237)	(671)	143	139	233	(71,743)	428,976	-
Net income (loss) for the nine-month period	7,545	(20)	120	78	203	(9,669)	(6,527)	-
Company's indirect interest (%)	100	100	100	100	100	100	18,687	-
Carrying amount of investments:								
Balance as of December 31, 2010	(19,973)	(579)	51	48	11	(54,445)	77,143	2,256
Equity in subsidiaries	10,366	22	32	28	5	(401)	(1,297)	8,755
Exchange rate on investments	(734)	(22)	(1)	2	-	1,235	28	508
Balance as of March 31, 2011	(10,341)	(579)	82	78	16	(53,611)	75,874	11,519
Equity in subsidiaries	1,633	(78)	39	5	(12)	(4,156)	1,166	(1,403)
Exchange rate on investments	149	13	(29)	(2)	-	2,307	(2,230)	208
Balance as of June 30, 2011	(8,559)	(644)	92	81	4	(55,460)	74,810	10,324
Equity in subsidiaries	(4,455)	36	49	45	210	(5,112)	(1,088)	(10,315)
Exchange rate on investments	(1,222)	(62)	2	12	19	(11,171)	6,441	(5,981)
Balance as of September 30, 2011	(14,236)	(670)	143	138	233	(71,743)	80,163	(5,972)

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Indirect investments through the holding company Alpargatas Internacional APS

Information as of September 30, 2010	Alpargatas Europe S.L.U. - Spain	Alpargatas France S.A.R.L. - France	Alpargatas UK Limited - United Kingdom	Alpargatas S.R.L. - Italy	Alpargatas USA Inc. - United States	Tavex Algodonera S.A.	Total
Number of shares held	3,600	5,000	100	1	10	21,683,180	
Shareholders' equity (deficit)	(10,904)	(1,453)	(630)	(580)	(53,001)	435,985	
Net income (loss) for the nine-month period	11,092	(725)	(572)	(616)	(11,749)	(35,993)	
Company's indirect interest (%)	100	100	100	100	100	18,687	
Carrying amount of investments:							
Balance as of December 31, 2009	(23,252)	(802)	(54)	29	(43,008)	91,328	24,241
Equity in subsidiaries	8,467	(740)	(543)	(844)	886	(2,886)	4,340
Exchange rate on investments	815	58	21	29	(988)	(25)	(90)
Balance as of March 31, 2010	(13,970)	(1,484)	(576)	(786)	(43,110)	88,417	28,491
Equity in subsidiaries	8,228	(387)	(170)	187	(6,816)	(647)	395
Exchange rate on investments	719	125	40	18	(475)	(4,333)	(3,906)
Balance as of June 30, 2010	(5,023)	(1,746)	(706)	(581)	(50,401)	83,437	24,980
Equity in subsidiaries	5,603	402	141	41	(5,819)	(3,195)	(14,033)
Exchange rate on investments	(278)	(109)	(65)	(40)	3,219	1,230	3,957
Balance as of September 30, 2010	(10,904)	(1,453)	(630)	(580)	(53,001)	81,472	14,904

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Additional information on acquisitions of subsidiaries

Alpargatas S.A.I.C. (“Alpargatas Argentina”)

Since October 30, 2008, the Company became the holder of 42,047,157 registered common shares, with one voting right, representing 59.96% of the Alpargatas Argentina’s capital and, therefore, exercising the control of its operations.

As part of the process for acquisition of the subsidiary, on October 6, 2009, the Company filed with “Comisión Nacional de Valores - CNV” of Argentina a request for the registration of a share takeover bid (“OPA”) to buy all outstanding book-entry common shares and preferred shares of Alpargatas S.A.I.C. - Argentina, representing 40.04% of capital, at the price of AR$3.40 per share, to be carried out exclusively at the Buenos Aires Stock Exchange (Argentina).

On March 12, 2010, the public offering for acquisition of shares issued by Alpargatas S.A.I.C. - Argentina was concluded. The Company acquired 7,265,327 shares at AR$3.40 each. These shares, together with the 42,047,157 shares already held, grant the Company a total of 49,312,481 shares, representing 70.32% of the Alpargatas S.A.I.C. - Argentina’s total capital. The investment and negative goodwill paid in this acquisition were broken down into R$12,916 and R$1,624, respectively.

In June 2010, the Company acquired 257,290 shares at AR$3.33 each. With these shares, together with the 49,312,481 shares already held, Alpargatas became the holder of 49,569,771 shares, representing 70.69% of the Alpargatas S.A.I.C. - Argentina’s total capital. The investment and negative goodwill paid in this acquisition were broken down into R$476 and R$68, respectively.

On April 2011, the Company acquired 11,483,857 shares, at the price of AR$8.71 per share. 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.

Also on July 2011, the Company acquired 3,073,205 shares, at the price of US$1.98 per share. 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 amounts of investment and goodwill paid in this acquisition were broken down into R$5,267 and R$4,285, respectively.

In addition, as part of the process for acquisition of all outstanding shares of the subsidiary, on October 11, 2011, the Company filed with “Comisión Nacional de Valores - CNV” of Argentina a request for the registration of a share takeover bid (“OPA”) to buy all outstanding book-entry common shares and preferred shares of Alpargatas S.A.I.C. Argentina, at the price of AR$8.14 per share. However, on the reporting date, such request was still awaiting approval by the capital markets authority in Argentina.

15. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

a) Property, plant and equipment

	Parent						
	Annual weighted average depreciation rate (%)	09/30/2011			12/31/2010		
		Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	-	8,803	-	8,803	8,803	-	8,803
Buildings and construction	4	117,837	(56,854)	60,983	117,526	(54,520)	63,006
Machinery and equipment	8	195,722	(122,615)	73,107	190,288	(121,553)	68,735
Furniture and fixtures	10	21,001	(10,307)	10,694	19,895	(9,342)	10,553
Vehicles	15	2,899	(2,017)	882	3,071	(2,052)	1,019
Leasehold improvements	20	14,177	(8,320)	5,857	14,805	(7,290)	7,515
Projects in progress	-	20,439	-	20,439	11,879	-	11,879
Other fixed assets	-	542	-	542	545	-	545
Allowance for losses	-	(449)	-	(449)	(449)	-	(449)
Total		380,971	(200,113)	180,858	366,363	(194,757)	171,606

	Consolidated						
	Annual weighted average depreciation rate (%)	09/30/2011			12/31/2010		
		Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	-	14,585	-	14,585	14,338	-	14,338
Buildings and construction	4	313,321	(180,282)	133,039	269,756	(145,602)	124,154
Machinery and equipment	8	463,170	(340,948)	122,222	511,902	(386,951)	124,951
Furniture and fixtures	10	74,711	(59,437)	15,274	73,452	(58,546)	14,906
Vehicles	15	5,079	(3,943)	1,136	5,329	(4,029)	1,300
Leasehold improvements	20	19,369	(12,451)	6,918	18,472	(10,013)	8,459
Projects in progress	-	34,079	-	34,079	21,034	-	21,034
Other fixed assets	-	5,344	-	5,344	6,860	-	6,860
Allowance for losses	-	(15,210)	-	(15,210)	(14,482)	-	(14,482)
Total		914,448	(597,061)	317,387	906,661	(605,141)	301,520

Additional information on property, plant and equipment

1) Review of the useful life of property, plant and equipment

The Company and its subsidiaries carried out the first periodic analysis on the remaining economic useful lives of property, plant and equipment, as required by ICPC 10 - Clarifications on CPC 27 - Property, Plant and Equipment and CPC 28 - Investment Property, whose effects were recorded beginning January 1, 2010.

2) Assets pledged as collateral

As of September 30, 2011, the Company and its subsidiaries have property, plant and equipment items pledged as collateral in bank loan and financing transactions, as well as items listed in the defense of lawsuits, as shown below:

Machinery and equipment	293
Buildings	6,812
Others	295
Total	7,400

3) Impairment test

The Company and its subsidiaries initially tested property, plant and equipment for impairment at year ended 2008, based on the discounted cash-flow model for their Cash-generating Units (UGC) and for the other years ended by analyzing internal and external factors that indicate the presence of realization risk indicators; however, no allowance for impairment was recorded due to the absence of those indicators.

b) Intangible assets

		Parent					
	Annual amortization rate (%)	09/30/2011			12/31/2010		
		Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
With finite useful lives:							
Trademarks, rights and patents	10	17,849	(17,652)	197	17,849	(17,652)	197
ERP system (d)	10	112,561	(42,076)	70,485	97,090	(32,395)	64,695
Customer's portfolio (a)	20	27,311	(13,677)	13,634	27,311	(9,446)	17,865
Projects in progress		9,511	-	9,511	16,114	-	16,114
With indefinite useful lives-							
Assignment of trade rights (c)	-	4,074	-	4,074	4,103	-	4,103
Total		171,306	(73,405)	97,901	162,467	(59,493)	102,974

		Consolidated					
	Annual amortization rate (%)	09/30/2011			12/31/2010		
		Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
With finite useful lives:							
Trademarks, rights and patents	10	32,368	(22,827)	9,541	31,077	(21,530)	9,547
ERP system (d)	10	117,465	(45,096)	72,369	97,090	(32,395)	64,695
Customer's portfolio (a)	20	27,311	(13,677)	13,634	27,311	(9,446)	17,865
Projects in progress		9,511	-	9,511	16,114	-	16,114
With indefinite useful lives:							
Goodwill on subsidiaries (b)	-	150,130	-	150,130	150,130	-	150,130
Assignment of trade rights (c)	-	5,655	-	5,655	4,103	-	4,103
Total		342,440	(81,600)	260,840	325,825	(63,371)	262,454

(a) Refers to amounts paid on the acquisition of customer's portfolios of former sales representatives of the Company (who basically sold "Havaianas" sandals) in certain European countries. Costs are being amortized under the straight--line method according to the five-year term of future cash flows expected by the Company's Management. As of September 30, 2011, in view of indications that the Company will obtain the expected future benefits, based on the Company's Management's economic projections, no allowance for impairment was recognized on these balances.

(b) See the breakdown in note 14. Considering the accounting changes introduced by Laws 11638/07 and 11941/09, as from January 1, 2009, the goodwill balance on December 31, 2008 was no longer amortized and has been tested for impairment annually. Accordingly, beginning January 1, 2009, tax benefit of goodwill on the merger of former subsidiary Atlântico Participações S.A., as shown in note 14, was used in the monthly calculations of income tax and social contribution based on Transition Tax Regime (RTT), pursuant to provisions of Law 11941/09, the effects of which are shown in note 12.a).

(c) Refers to amounts paid on the acquisition of rights of use of points of sales where certain "Timberland" and "Havaianas" stores are located. Since these are sellable intangible assets and are not impaired over time, they are not amortized and are annually tested for impairment. As of September 30, 2011, no allowance has been recognized regarding amounts of these rights, since there is no indication of impairment loss.

(d) Refers to expenditure incurred in acquisition, developing and implementing of management systems, represented substantially by SAP/R3 ERP, WMS and LINX and developments made in the process of managing the value chain. Costs are being amortized in accordance with the period of future benefit estimated by the Company's Management, and ten years for SAP/R3 ERP and five years for other systems. As of September 30, 2011, in view of indications that the Company will obtain the expected future benefits, based on the Company's Management's economic projections, no allowance for impairment was recognized over these amounts.

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

2011 (three months)	4,989
2012	20,293
2013	19,626
2014 and thereafter	50,636
Total	95,544

Additional information on intangible assets

1) Product research and development expenses

	Consolidated	
	09/30/2011	09/30/2010
Research and development expenses of products recorded in income of the nine-month period ended	10,624	6,775

2) Goodwill impairment test

For the closing of the financial statements for the year ended December 31, 2010, the Company tested goodwill for impairment based on the value in use, using the discounted cash-flow model for the Cash-generating Units (UGCs). The value in use is estimated based on assumptions, judgments and estimates on future cash flows and represents the Company's best estimates approved by the Board of Directors. The Company's asset impairment test did not indicate the need to recognize impairment losses. As of September 30, 2011, there were no indicators of impairment of goodwill.

The assumptions used are described in note 16 to the annual financial statements for the year ended December 31, 2010.

c) Changes

	Parent					
Property, plant and equipment	12/31/2010	Additions	Transfers (*)	Depreciation	Write-offs	09/30/2011
Land	8,803	-	-	-	-	8,803
Buildings and construction	63,006	-	588	(2,476)	(135)	60,983
Machinery and equipment	68,735	-	14,270	(9,196)	(702)	73,107
Furniture and fixtures	10,553	-	1,566	(1,307)	(118)	10,694
Vehicles	1,019	-	1	(105)	(33)	882
Leasehold improvements	7,515	-	-	(1,380)	(278)	5,857
Projects in progress	11,879	25,145	(16,585)	-	-	20,439
Other fixed assets	545	-	(3)	-	-	542
Allowance for losses	(449)	-	-	-	-	(449)
Total	171,606	25,145	(163)	(14,464)	(1,266)	180,858

Intangible assets	Parent 12/31/2010	Additions	Transfers (*)	Amortization	Write-offs	09/30/2011
With finite useful lives:						
Trademarks, rights and patents	197	-	-	-	-	197
ERP system	64,695	-	15,171	(9,351)	(30)	70,485
Customer's portfolio	17,865	-	-	(4,231)	-	13,634
Projects in progress	16,114	8,416	(15,019)	-	-	9,511
With indefinite useful lives-						
Assignment of trade rights	4,103	-	11	-	(40)	4,074
Total	102,974	8,416	163	(13,582)	(70)	97,901
Grand total	274,580	33,561	-	(28,046)	(1,336)	278,759

(*) Transfers correspond to reclassification of assets from line item "Projects in progress" to the related definite line items of "Property, plant and equipment" and "Intangible assets", on the conclusion of projects.

Property, plant and equipment	Consolidated 12/31/2010	Additions	Transfers (*)	Depreciation	Write--offs	Foreign exchange variation (**)	09/30/2011
Land	14,338	-	-	-	-	247	14,585
Buildings and construction	124,154	2,379	7,724	(5,134)	(147)	4,063	133,039
Machinery and equipment	124,951	2,711	7,623	(14,126)	(1,072)	2,135	122,222
Furniture and fixtures	14,906	1,635	1,613	(2,471)	(156)	(253)	15,274
Vehicles	1,300	30	88	(172)	(33)	(77)	1,136
Leasehold improvements	8,459	1,240	-	(2,057)	(378)	(346)	6,918
Projects in progress	21,034	30,101	(17,366)	-	-	310	34,079
Other fixed assets	6,860	373	(1,671)	(761)	(130)	673	5,344
Allowance for losses	(14,482)	-	-	-	-	(728)	(15,210)
Total	301,520	38,469	(1,989)	(24,721)	(1,916)	6,024	317,387

Intangible assets	Consolidated 12/31/2010	Additions	Transfers (*)	Amortization	Write--offs	Foreign exchange variation (**)	09/30/2011
With finite useful lives:							
Trademarks, rights and patents	9,547	-	-	(651)	-	645	9,541
ERP system	64,695	801	16,997	(9,783)	(162)	(179)	72,369
Customer portfolio	17,865	-	-	(4,231)	-	-	13,634
Projects in progress	16,114	8,416	(15,019)	-	-	-	9,511
With indefinite useful lives:							
Goodwill on subsidiaries	150,130	-	-	-	-	-	150,130
Assignment of trade rights	4,103	1,460	11	-	(40)	121	5,655
Total	262,454	10,677	1,989	(14,665)	(202)	587	260,840
Grand total	563,974	49,146	-	(39,386)	(2,118)	6,611	578,227

(*) Transfers correspond to reclassification of assets from line item "Projects in progress" to the related definite line items of "Property, plant and equipment" and "Intangible assets", on the conclusion of projects.

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

16. TRADE ACCOUNTS PAYABLE

	Parent		Consolidated	
	09/30/2011	12/31/2010	09/30/2011	12/31/2010
Domestic	147,374	132,858	164,119	144,331
Foreign	43,844	25,517	100,515	68,446
Total	191,218	158,375	264,634	212,777

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

17. LOANS AND FINANCING

		Currency	Index and annual average interest rate	Parent		Consolidated	
				09/30/2011	12/31/2010	09/30/2011	12/31/2010
Denominated in Brazilian reais							
FNE (BNB)	(a)		Interest of 8.42%	60,927	71,487	60,927	71,487
FINAME			Interest of 6.51%	8,505	3,972	8,505	3,972
FINEM - BNDES	(b)		Currency basket and TJLP 8.55%	9,319	12,609	9,319	12,609
EXIM - BNDES	(c)		Fixed rate: 7.00% p.y.	110,850	110,870	110,850	110,870
Banco Santander - assignment of receivables	(d)		Interest of 12.83% p.y. (average)	19,716	20,863	19,716	20,863
Automatic BNDES - CBS			TJLP + 2.8% and US$ variation + interest of 2.3%	-	-	547	951
Total in reais				209,317	219,801	209,864	220,752
Denominated in foreign currency							
Working capital - Alpargatas USA	(e)	US$	Interest of 1.59%	-	-	72,572	56,964
Working capital - Alpargatas International APS		€	Interest of 3.01%	-	-	17,632	15,643
Working capital - Alpargatas Chile	(e)	CLP	Interest of 6.84%	-	-	-	971
Finance leases - Alpargatas S.A.I.C. - Argentina		AR$	Interest of 23.14%	-	-	265	486
Working capital - Alpargatas S.A.I.C. - Argentina		AR$	Interest of 14.88%	-	-	12,320	1,142
ACC/prepayment - CBS		US$	Libor + interest of 1.25%	-	-	-	2
FINIMP		US$	Interest of 2.77%	4,714	-	4,714	-
Total in foreign currency				4,714	-	107,503	75,208
Grand total				214,031	219,801	317,367	295,960
Current liabilities				155,120	150,770	255,626	226,371
Noncurrent liabilities				58,911	69,031	61,741	69,589

(a) On February 23, 2006, the Company signed with Banco do Nordeste do Brasil (BNB) a financing agreement, limited to R$112,000, to fund investment programs in the Northeast Region. The financing is 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 of guarantee.

(b) In October 2007, the Company signed with the National Bank for Economic and Social Development (BNDES) a financing agreement of R$22,180 to fund the implementation of an ERP system. This financing is amortized in monthly installments since November 2008 and will be fully repaid in October 2013. The guarantee is backed by a letter of bank of guarantee.

(c) In October 2010, the Company received R$110,500 related to the financing of the credit line of BNDES-EXIM Pré-Embarque signed with Bradesco and Alfa banks,payable in one single installment, maturing in December 2011.

(d) In October 2010, the Company executed with Banco Santander the receivable assignment agreement in a limit of R$30,000. The average term of settlement of transactions is 90 days, which are amortized to Banco Santander in accordance with trade accounts receivable.

(e) Loans and financing raised by foreign subsidiaries are guaranteed by the Company, within the limits approved by the Board of Directors. The maturities of these transactions ranged from 180 to 360 days.

Maturities of noncurrent liabilities are as follows:

	Parent		Consolidated	
Year	09/30/2011	12/31/2010	09/30/2011	12/31/2010
2012	5,017	19,302	7,814	19,841
2013	19,315	18,494	19,348	18,513
2014	15,323	14,534	15,323	14,534
2015	15,323	14,534	15,323	14,534
2016	2,454	1,664	2,454	1,664
2017	1,187	445	1,187	445
2018	264	29	264	29
2019	28	29	28	29
Total	58,911	69,031	61,741	69,589

Other loans are collateralized by the Company's and its subsidiaries' guarantees and properties.

a) Finance lease agreements

Lease obligations are effectively guaranteed, since the leased asset is reversed to the lessor in case of default.

Financial obligations are broken down as follows:

	09/30/2011	12/31/2010
Gross finance lease obligations - minimum leasing payments:		
Less than a year	235	405
More than a year and less than five years	80	172
	315	577
Future financing charges on finance lease	(50)	(91)
Finance lease obligations - accounting balance	265	486

b) Restrictive covenants

As of September 30, 2011 and December 31, 2010, loan and financing agreements entered into by the Company and its subsidiaries do not contain restrictive covenants establishing obligations as to the maintenance of financial ratios by the Company and its subsidiaries.

18. DEBT-RESTRUCTURING AGREEMENTS OF SUBSIDIARY

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

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

The amounts are reported in the consolidated interim financial information under the line item "Debt-restructuring agreements", in current and noncurrent liabilities, at the amounts of R$15,264 and R$64,443, respectively, as of September 30, 2011 (R$13,367 and R$63,403, respectively, as of December 31, 2010), net of adjustments to present value, in the amounts of R$55,414 and R$55,926, respectively, as of September 30, 2011 and December 31, 2010.

The adjustment to present value is calculated based on the difference between the Argentinean basic interest rate and the fixed inflation adjustment rate of liabilities, as established in debt--restructuring agreements. As of September 30, 2011, the average discount rate adopted for the adjustment to present value was 15% per year.

The effects of the net reversal of the adjustment to present value are recorded in the line item "Financial expenses", in the consolidated, and totaled R$512 in income or loss for the nine--month period ended September 30, 2011 (R$3,629 for the same period in 2010).

Total liabilities are subject to annual interest from 1% to 3%, with maturity over 15 and 25 years and grace period from 6 to 10 years as of the agreement dates.

As of September 30, 2011, reversals expected for the next periods, related to the discount to present value, are as follows:

2011 (three months)	1,125
2012	4,548
2013	4,473
2014	4,372
2015 and thereafter	40,896
Total	55,414

Foreseen maturities of noncurrent liabilities are as follows:

2012	2,171
2013	8,423
2014	7,639
2015 and thereafter	46,210
Total	64,443

19. TAXES PAYABLE

	Parent		Consolidated	
	09/30/2011	12/31/2010	09/30/2011	12/31/2010
ICMS payable	1,265	5,901	1,480	5,901
PIS/COFINS payable	10,039	6,578	10,761	9,229
IPI payable	139	523	139	752
Income tax and social contribution payable	1,091	-	4,692	5,494
Alpargatas Europe - Spain				
Income tax	-	-	893	-
Value Added Tax (VAT)	-	-	189	10
Others	-	-	149	252
Alpargatas Inc. - United States	-	-	14	10
Alpargatas S.A.I.C - Argentina:				
Income tax	-	-	3,213	2,687
Value Added Tax (VAT)	-	-	2,444	1,363
Others	-	-	2,481	1,123
Other withholding taxes payable	673	754	1,125	1,074
Others	-	-	-	734
Total	13,207	13,756	27,580	28,629

20. PROVISIONS AND OTHER LIABILITIES

	Parent		Consolidated	
	09/30/2011	12/31/2010	09/30/2011	12/31/2010
Royalties payable	10,572	5,945	10,572	5,945
Provision for freight payable	11,363	12,078	11,996	12,805
Other payables (commissions, outside services, utilities and others)	14,089	13,796	30,947	25,517
Total	36,024	31,819	53,515	44,267

21. RELATED PARTIES

a) Related-party balances

	Parent	
Noncurrent assets and liabilities	09/30/2011	12/31/2010
CBS S.A. - Companhia Brasileira de Sandálias	240	(525)
Alpargatas Internacional APS	(19)	(14)
Alpargatas Imobiliária S.A.	57	(6,832)
Fibrasil Agrícola e Comercial Ltda.	2	(2,104)
Total	280	(9,475)

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

b) Balances receivable and payable from related-party transactions

		Parent		Parent and Consolidated	
		Trade accounts receivable		Trade accounts payable	
		09/30/2011	12/31/2010	09/30/2011	12/31/2010
Alpargatas USA Inc. - United States	(b)	2,066	4,007	-	-
Alpargatas Europe S.L.U. - Spain	(b)	4,188	9,979	-	-
Camargo Corrêa Group	(c)	-	-	190	318
Total		6,254	13,986	190	318

c) Interest on capital and dividends payable

	Parent and Consolidated	
	09/30/2011	12/31/2010
	803	495

d) Related-party transactions

Related-party transactions are as follows:

		Sale of products/services		Purchase of products/services	
		09/30/2011	09/30/2010	09/30/2011	09/30/2010
Alpargatas S.A.	(a)	27,311	26,423	12,608	13,191
Alpargatas USA Inc. - United States		-	-	5,336	6,777
Alpargatas Europe S.L.U. - Spain		-	-	21,788	19,646
Alpargatas Argentina S.A.I.C		-	-	187	-
CBS S.A. - Companhia Brasileira de Sandálias		1,446	461	-	-
Locomotiva Indústria e Comércio de Têxteis Ltda. - Brasil		-	1,070	-	-
Camargo Corrêa Group:					
Rentals and common area management fees		1,522	1,772	-	-
Shared services - CSC	(d)	8,721	9,415	-	-
Corporate projects		849	449	-	-
Others		70	24	-	-
		39,919	39,614	39,919	39,614

(a) It basically consists of sales of “Havaianas” sandals to subsidiaries in the United States and Europe. Due to the operating model and the design of the distribution channel adopted to start the Company’s internationalization process, where products are manufactured in Brazil and subsequently sold to foreign subsidiaries for resale, such sales are normally made at prices lower than those charged from unrelated parties located abroad.

For the nine-month periods ended September 30, 2011 and 2010, the Company did not record any write-off or allowance for doubtful accounts on balances receivable from its foreign subsidiaries.

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

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

(d) Consist of costs with shared corporate services, such as telephone, insurance and administrative and IT services, provided under an agreement entered into with the Shared Service Center of Camargo Corrêa Group.

As of September 30, 2011, except for the guarantees provided to support loans and financing, as described in note 17, the Company and its subsidiaries have not provided any other guarantees to related parties.

e) Compensation of Management's key personnel

Overall compensation to the Company's Management is as follows:

	09/30/2011				
	Compensation			Stock-option grant	
	Fixed	Variable (a)	Total	Option balance (number) (b)	Average exercise price - R$ (c)
Board of Directors and Supervisory Board	1,786	-	1,786	-	-
Statutory officers	2,499	2,427	4,926	3,344,840	4.55
	4,285	2,427	6,712	3,344,840	

	09/30/2010				
	Compensation			Stock-option grant	
	Fixed	Variable (a)	Total	Option balance (number) (b)	Average exercise price - R$ (c)
Board of Directors and Supervisory Board	1,446	-	1,446	-	-
Statutory officers	1,971	2,925	4,896	4,917,780	3.34
	3,417	2,925	6,342	4,917,780	

(a) Refers to profit sharing for the period. The amounts include potential additions to and/or reversals of the prior-year provision due to the final determination of goals set to directors and officers, whether statutory or nonstatutory.

(b) Refers to vested and nonvested options not exercised on the balance sheet date.

(c) Refers to the weighted average exercise price of the option on the date of concession plans, adjusted for inflation through the balance sheet date.

In addition, 1,908,060 options were exercised in the nine-month period ended September 30, 2011, at the average price of R$2.90 (230,340 options in the same period of 2010, at the average price of R$3.34).

During the nine-month period ended September 30, 2011, in addition to Management's compensation, the Company made contributions to the private pension plan in the amount of R$223 (R$193 in 2010) on behalf of the statutory officers.

22. ACCRUAL FOR TAX, CIVIL AND LABOR RISKS

As of September 30, 2011 and December 31, 2010, the Company and its subsidiaries are parties to tax, civil and labor lawsuits arising from assessments by tax authorities and from claims filed by third parties and former employees or from legal proceedings and challenges. Accruals for risks were recognized when, in the Management's and its legal counsel's opinion, the risk of loss was considered probable. These accruals are as follows:

		Parent		Consolidated	
		09/30/2011	12/31/2010	09/30/2011	12/31/2010
Labor claims	(a)	16,990	15,339	25,086	23,818
Tax lawsuits	(b)	9,100	13,438	13,220	16,983
Judicial deposits		(4,179)	(3,880)	(4,179)	(3,880)
Civil lawsuits		2,559	2,155	3,128	2,710
		24,470	27,052	37,255	39,631
Current portion		6,511	4,859	10,633	8,847
Noncurrent portion		17,959	22,193	26,622	30,784

(a) 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 accrued amounts refer to the best estimates for each lawsuit considered as loss.

(b) Consist basically of tax notifications related to São Paulo State Value-added Tax (ICMS) and Occupational Accident Insurance (SAT).

Changes

	Parent				
	Labor	Tax	Civil	Judicial deposits	Total
Balance as of December 31, 2010	15,339	13,438	2,155	(3,880)	27,052
Additions (reversal)	1,493	823	20	(152)	2,184
Payments	(1,570)	(183)	-	-	(1,753)
Balance as of March 31, 2011	15,262	14,078	2,175	(4,032)	27,483
Additions (reversals)	3,290	(1,241)	431	(147)	2,333
Transfers to tax installment - Law 11941/09	-	(1,671)	-	-	(1,671)
Payments	(1,647)	(41)	-	-	(1,688)
Balance as of June 30, 2011	16,905	11,125	2,606	(4,179)	26,457
Additions (reversal)	2,624		(47)	-	2,577
Payments	(2,539)	(2,025)	-	-	(4,564)
Balance at September 30, 2011	16,990	9,100	2,559	(4,179)	24,470

	Consolidated				
	Labor	Tax	Civil	Judicial deposits	Total
Balance as of December 31, 2010	23,818	16,983	2,710	(3,880)	39,631
Additions (reversals)	1,458	943	20	(152)	2,269
Payments	(2,050)	(332)	(24)	-	(2,406)
Balance as of March 31, 2011	23,226	17,594	2,706	(4,032)	39,494
Additions (reversals)	3,648	(1,126)	414	(147)	2,789
Transfers to tax installment - Law 11941/09	-	(1,671)	-	-	(1,671)
Payments	(1,996)	(235)	(42)	-	(2,273)
Balance as of June 30, 2011	24,878	14,562	3,078	(4,179)	38,339
Additions (reversals)	3,221	123	(28)	-	3,316
Payments	(3,013)	(1,465)	78	-	(4,400)
Balance at September 30, 2011	25,086	13,220	3,128	(4,179)	37,255

Possible losses

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

	Parent and Consolidated	
	09/30/2011	12/31/2010
Tax	8,345	8,050
Tax assessment notice - IRRF (a)	3,733	3,581
CSLL and IRPJ	36,024	3,762
IPI (b)	2,491	419
Others	50,593	15,812
Civil (compensation actions)	7,058	6,321

(a) Tax assessment notice for collection of IRPJ offset against IRPJ credits.

(b) Tax assessment notices for the offset of credits on the purchase of exempted inputs 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. The Company's legal counsel understood that the likelihood of an unfavorable outcome was possible and that the amount involved could not be calculated yet and, therefore, no accrual was recognized for this 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.

Tax installments programs introduced by Law 11941/09

On May 28, 2009, Federal Government published Law 11941, as a result of the conversion of Provisional Act 449/08, which, among other changes to tax law, established the possibility of a new installment payment of tax debts managed by the Federal Revenue Service of Brazil and the National Institute of Social Security (INSS) and debts with the National Treasury Attorney General (PGFN), including the remaining balance of consolidated debts in the Tax Debt Refinancing Program (REFIS - Law 9964/00), in the Special Installment Plan (PAES - Law 10684/03) and the Tax Debt Refinancing Program (PAEX - Provisional Act 303/06), in addition to the regular payment in installments provided for in article 38 of Law 8212/91 and article 10 of Law 10522/02.

The entities that elected to pay or divide in installments debts under this Law are allowed to settle, when applicable, amounts corresponding to arrears and automatic fines and late-payment interest, including those recorded as debts to the government, utilizing own tax loss carryforwards, and will benefit from reduced fines, interest and legal charges in percentages that depend on the installment plan chosen.

In joining the installment payment program introduced by Law 11941/09, on November 30, 2009, the Company recorded tax debts with INSS in the adjusted amount as of June 30, 2011 of R$1,671.

Pursuant to the established rules, in order to comply with the first stage of installment program, after having filed with courts a request to withdrawal from lawsuits related to each tax payable in installments, the Company joined the installment program electing an appropriate plan and indicating the generic nature of tax debts, paying the corresponding first installment, in conformity with rules set out in joint Federal Revenue Service and PGFN Administrative Rule.

As of June 30, 2011, the consolidation process of tax debts before the Federal Revenue Service and PGFN was concluded. The Company, from this date, will monthly collect installments due in 40 months from June 30, 2011, related to the total amount of R$1,671. Of this balance, R$501 was reclassified for the line item “Installment tax - Law 11941/09”, in current liabilities and R$1,170, in noncurrent liabilities.

As of September 30, 2011, the Company chose to pay in advance the remaining balance of the installment plan in the amount of R$1,458 and enjoyed the same benefits applicable to lump--sum payment.

23. TAXES WITH SUSPENDED PAYMENT AND OTHERS

		Parent and Consolidated	
		09/30/2011	12/31/2010
PIS/COFINS - Law 9718/98		29,625	28,429
Escrow deposits		(29,625)	(28,429)
	(a)	-	-
COFINS - deduction of ICMS from tax base		74,337	56,972
Escrow deposits		(9,865)	(9,101)
	(b)	64,472	47,871
Tax loss carryforwards (IRPJ and CSLL)		-	34,849
Escrow deposits		-	(6,277)
	(c)	-	28,572
Income tax - exclusion of social contribution of the basis for calculating income tax	(d)	4,199	3,830
Income tax provision (other contingencies)		2,803	2,803
Others		3,517	3,329
Total - Parent		74,991	86,405
Taxes in installments - PIS and COFINS (CBS S.A. - Companhia Brasileira de Sandálias)	(e)	-	1,699
Alpargatas S.A.I.C. - Argentina		352	2,516
Total - Consolidated		75,343	90,620

(a) COFINS - Law 9718/98

On March 8, 1999, the Company was granted an injunction on the ordinary lawsuit challenging the constitutionality of Law 9718/98 and Constitutional Amendment 20, more specifically on the 1% in COFINS rate and the broadening of COFINS and PIS tax basis. This injunction authorized the payment of these contributions as provided for in legislation prevailing until January 1999.

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

In March 2006, after an unfavorable decision rendered by the Federal Supreme Court (STF) on the extraordinary appeal related to the 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 litigation related to the period from September 2002 to January 2004, and the Company started to make payments of monthly calculations from April 2006, the amount of which was recorded as taxes with suspended payment and judicial deposit, totaling R$28,804, adjusted for inflation.

Law 11941, enacted on May 28, 2009, revoked article 3, paragraph 1, of Law 9718/98, which addressed the broadening of PIS and COFINS tax basis, which strengthened the grounds challenged by the Company. With this change, considering the decision issued by STF, the Brazilian Institute of Independent Auditors (IBRACON) issued the Technical Bulletin (CT) 05/09 allowing part of PIS and COFINS related to the broadening of tax basis to be reversed by the 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 as of September 30, 2011 and December 31, 2010 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. The Company's lawsuit has not been 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.

As of September 30, 2011 and December 31, 2010, the accrued amounts, as well as judicial deposits, are adjusted for inflation based on the SELIC rate.

(b) COFINS - deduction of ICMS from tax basis

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

As from June 2008, the Company started to use the stay of the lawsuit obtained in an Injunction filed with STF to continue deducting ICMS from COFINS tax basis; however, the Company is not required to make judicial deposits. Notwithstanding, it still accrues such amounts.

As of September 30, 2011 and December 31, 2010, the accrued amounts, as well as judicial deposits, were adjusted for inflation based on the SELIC rate.

(c) Tax loss carryforwards (IRPJ and CSLL)

The Company is challenging in court the right to offset tax loss carryforwards against total income tax and social contribution payable each period without considering the legal 30% cap. As a result, the Company recorded separately in noncurrent liabilities the portion in excess of the legal 30% cap that it was offset, plus financial charges, based on the SELIC rate.

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

Tax installment programs created by Law 11941/09

Because of joining federal installment program created by Law 11941/09, 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 counsel with remote chances of an unfavorable outcome.

The Company concurrently recognized R$11,234 related to deferred income tax and social contribution assets on tax loss carryforwards at issue, which were realized within 2009.

On June 30, 2011, the consolidation process of tax debts before the Federal Revenue Service and PGFN was concluded. The Company, from this date, will collect the monthly installments due to that installment. The total balance of R$29,478 was reclassified for the line item “Installment tax - Law 11941/09”, being R$8,581 in current liabilities and R$20,879 in noncurrent liabilities.

As of September 30, 2011, the Company chose to partially pay in advance the installment in the total amount of R$25,508, and the remaining amount of R$7,151, or R$875 net of the escrow deposit, was recorded under line item “Installment tax - Law 11941/09”. In accordance with the current installment plan rules, it is not possible to make payments in advance. The Company is awaiting the Federal Revenue Service and the 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 portion of R$100.00.

(d) IRPJ - CSLL deduction from IRPJ tax basis

The Company filed a lawsuit claiming the deduction of social contribution from IRPJ tax basis, as it understands that it is not an income tax taxable event. In July 2009, the court issued a decision favorable to the Company and it started to deduct social contribution from IRPJ tax basis and accrue these amounts.

As of September 30, 2011 and December 31, 2010, the accrued amounts, as well as judicial deposits, are adjusted for inflation based on the SELIC rate.

(e) Taxes in installments - COFINS and PIS

On July 31, 2003 and September 29, 2006, the subsidiary CBS S.A. - Companhia Brasileira de Sandálias joined PAES and PAEX (taxes in installments programs), respectively, to pay COFINS and PIS for the period from January 2003 to July 2004 in 120 installments.

Tax installment programs introduced by Law 11941/09 and Provisional Act 470/09

In order to benefit from the new payment plan in installments introduced by Law 11941/09, since the entities that opted to pay or divide in installments debts under this Law may settle the amounts corresponding to default and automatic fines and late-payment interest, including those related to debts to the government, using tax loss carryforwards, and will benefit from reduced fines, interest and legal charges whose reduction percentage depends on the installment payment option chosen, the subsidiary CBS S.A. - Companhia Brasileira de Sandálias elected to join the new installment payment program, including PAES and PAEX debts, offsetting fines and interest in arrears, in the amount of R$4,566.

The installment plan was approved by the Federal Revenue Service on December 12, 2009 and is consolidating PIS and COFINS debts.

Under this installment plan, the subsidiary commits to the timely payment of the monthly installments, as well as other federal taxes calculated on a monthly basis.

As of June 30, 2011, the amount of R$1,548 was transferred to the line item “Installment tax - Law 11941/09” in noncurrent liabilities.

As of September 30, 2011, the Company chose to pay in advance the remaining balance of the installment in the total amount of R$648.

Changes in taxes with suspended payment - Parent

	12/31/2010	Monetary restatements	Complements	Reclassifications	09/30/2011
PIS/COFINS	28,429	1,196	-	-	29,625
Judicial deposits	(28,429)	(1,196)	-	-	(29,625)
	-	-	-	-	-
COFINS - deduction of ICMS from tax basis	56,972	4,896	12,469	-	74,337
Judicial deposits	(9,101)	(764)	-	-	(9,865)
	47,871	4,132	12,469	-	64,472
Tax loss carryforwards (IRPJ and CSLL)	34,849	1,622	-	(36,471)	-
Judicial deposits	(6,277)	-	-	6,277	-
	28,572	1,622	-	(30,194)	-
IRPJ - exclusion of CSLL from the basis for calculating income tax	3,830	290	79	-	4,199
Income tax provision (other contingencies)	2,803	-	-	-	2,803
Others	3,329	151	37	-	3,517
Total	86,405	6,195	12,585	(30,194)	74,991

24. SHAREHOLDERS' EQUITY

a) Capital

Paid-in capital as of September 30, 2011 is R$518,922 (R$441,171 as of December 31, 2010), after the increase with the integralization of the earnings reserve in the amount of R$77,751 on April 26, 2011.

On February 24, 2010, the Company split its common and preferred shares at the ratio of 1:20, and the total number of its shares increased to 353,455,880 registered shares without par value, of which 181,524,080 are common shares and 171,931,800 are preferred shares.

This stock split was designed to benefit investors as it allowed the amount of shares to be adjusted to ideal market levels, resulting in a more accessible trading lot (100 shares), thus increasing share liquidity.

As a result of the change in the Company's bylaws, the authorized capital limit is 363,048,160 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 10303/01.

Subscribed and paid-in capital is held as follows:

As of September 30, 2011

Shareholders	Common shares		Preferred shares		Total	
	Number	%	Number	%	Number	%
Controlling shareholders (Camargo Corrêa Group)	121,597,580	66.99	34,356,940	19.98	155,954,520	44.12
Management:						
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

As of December 31, 2010

Shareholders	Common shares		Preferred shares		Total	
	Number	%	Number	%	Number	%
Controlling shareholders (Camargo Corrêa Group)	121,597,580	66.99	34,356,940	19.98	155,954,520	44.12
Management:						
Board of Directors	35,951,900	19.81	7,329,980	4.26	43,281,880	12.25
Supervisory Board	22,000	0.01	182,000	0.11	204,000	0.06
Other shareholders	23,952,600	13.19	130,062,880	75.65	154,015,480	43.57
Total	181,524,080	100.00	171,931,800	100.00	353,455,880	100.00

b) Share buyback plan

The Meeting of the Board of Directors, held on December 10, 2010, approved the plan of buy up to 8,664,266 preferred shares and 5,992,650 common shares. The authorization will be valid for a maximum term of 361 days, beginning December 13, 2010 and ending December 9, 2011. The Company has not acquired its own preferred shares or common shares in the last program authorized on December 11, 2009, comprising the period from December 15, 2009 to December 10, 2010.

The plan was approved to support the exercise of the Company's options, as detailed in note 28.

In the nine-month period ended September 30, 2011, the line item "Treasury shares" was not changed and recorded the balance as of December 31, 2010, as follows:

Number of shares	Average price per share - R$
5,093,220	5.75

c) Dividends and interest on capital

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

In the nine-month period ended September 30, 2011, interest on capital was declared by Management in the gross amount of R$60,100 (R$53,389, net of IRRF).

Quarter ended March 31, 2011	19,500
Quarter ended June 30, 2011	20,000
Quarter ended September 30, 2011	20,600
Total	60,100

The payment of dividends and interest on capital proposed by Management is as follows:

	Per share - R$ (gross)			
	09/30/2011		12/31/2010	
	Preferred shares	Common shares	Preferred shares	Common shares
Interest on capital	0.0621	0.0564	0.1911	0.1737
Dividends	-	-	0.0727	0.0661

On April 26, 2011, the Annual Shareholders' Meeting approved the proposed dividends in the amount of R$24,074, relating to the earnings retention reserve recognized in 2005, which were proposed by the Board of Directors on March 18, 2011. These dividends were paid on May 2, 2011.

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

Refers to the goodwill or negative goodwill on sale of treasury shares mainly arising from the exercise of stock-option plans.

e) Tax incentive reserve

Beginning January 1, 2008, tax incentives started to be recorded directly in income and, thereafter, on the annual financial statements closing, recognized in line item "Tax incentives" under earnings reserves.

25. SEGMENT INFORMATION

IFRS 8/CPC 22 - Segment Reporting require segment reporting consistently with managerial reports provided and revised by the chief operating decision-maker to assess the performance of each segment and the 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 because products manufactured and sold by the Company and its subsidiaries are divided among several brands of shoes, sports items, sandals and clothing, operations are managed according to the 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 an interest of 18.687%.

Net revenue by segment is represented for the nine-month period ended on September 30, 2011 as follows:

- Domestic operations:
  - Brazil: 71.0%.
- Foreign operations:
  - Argentina: 18.5%.
  - Europe, United States and exports: 10.5%.

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

The information is summarized in the table below:

	09/30/2011					
Income and expense accounts	Net operating revenues	Net income (loss)	Depreciation and amortization	Financial income (expenses)	Net foreign exchange variation	Income tax and social contribution
Domestic operations-						
Brazil	1,338,073	217,482	(29,988)	40,579	(4,467)	(21,858)
International operations:						
Argentina	349,752	7,523	(6,811)	(18,264)	443	(6,419)
Europe/United States/exports	198,531	24,811	(2,587)	(982)	2,597	(3,153)
Tavex	-	(1,220)	-	-	-	-
Noncontrolling interest	-	1,684	-	-	-	-
Consolidated	1,886,356	250,280	(39,386)	21,333	(1,427)	(31,430)

	09/30/2010					
Income and expense accounts	Net operating revenues	Net income (loss)	Depreciation and amortization	Financial income (expenses)	Net foreign exchange variation	Income tax and social contribution
Domestic operations-						
Brazil	1,153,325	217,818	(28,317)	19,199	1,266	(14,757)
International operations:						
Argentina	296,144	6,611	(10,565)	(17,135)	434	(5,306)
Europe/United States/Exports	171,121	19,161	(1,666)	(1,712)	20	493
Tavex	-	(6,727)	-	-	-	-
Noncontrolling interest	-	2,800	-	-	-	-
Consolidated	1,620,590	239,663	(40,548)	352	1,720	(19,570)

Income and expense accounts	07/01/2011 to 09/30/2011 Net operating revenues	Net income (loss)	Depreciation and amortization	Financial income (expenses)	Net foreign exchange variation	Income tax and social contribution
Domestic operations-						
Brazil	513,029	83,655	(10,478)	15,968	(5,214)	(9,367)
Foreign operations:						
Argentina	127,987	4,101	(2,002)	(6,972)	(747)	(1,707)
Europe/United States/exports	46,505	816	(825)	(184)	3,837	1,951
Tavex	-	(1,088)	-	-	-	-
Noncontrolling interest	-	384	-	-	-	-
Consolidated	687,521	87,868	(13,305)	8,812	(2,124)	(9,123)

Income and expense accounts	07/01/2010 to 09/30/2010 Net operating revenues	Net income (loss)	Depreciation and amortization	Financial income (expenses)	Net foreign exchange variation	Income tax and social contribution
Domestic operations-						
Brazil	432,932	87,543	(8,993)	9,289	1,785	(10,385)
Foreign operations:						
Argentina	107,714	2,280	(3,144)	(6,135)	(16)	(2,393)
Europe/United States/exports	40,021	(5,314)	(542)	1,358	(614)	233
Tavex	-	(3,194)	-	(1,712)	-	-
Noncontrolling interest	-	932	-	-	-	-
Consolidated	580,667	82,247	(12,679)	2,800	1,155	(12,545)

The table below shows asset and liability balances as of September 30, 2011 and December 31, 2010:

Balance sheet accounts	09/30/2011 Total assets	Current and noncurrent liabilities	Addition to property, plant and equipment and intangible assets	12/31/2010 Total assets	Current and noncurrent liabilities	Addition to property, plant and equipment and intangible assets
Domestic operations-						
Brazil	1,891,836	652,749	35,619	1,793,820	622,316	31,475
International operations:						
Brazil - exports	48,398	6,203	-	44,594	1,466	-
Argentina	385,166	240,540	9,460	306,188	205,151	15,014
Europe/United States	60,403	112,839	4,067	51,743	96,482	2,588
Tavex	80,163	-	-	77,143	-	-
Consolidated	2,465,966	1,012,331	49,146	2,273,488	925,415	49,077

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

In the nine-month period ended September 30, 2011, consolidated net revenues per segment are as follows: sandals - R$1,026,058, sporting goods - R$628,624, retail - R$174,503 and others - R$57,171 (R$878,035, R$507,938, R$137,676 and R$96,941, respectively, on September 30, 2010).

26. NET SALES

	Parent		Consolidated	
	09/30/2011	09/30/2010	09/30/2011	09/30/2010
Gross operating revenue:				
Domestic market	1,520,781	1,308,639	1,621,110	1,394,049
Foreign market	103,011	93,220	646,939	540,041
	1,623,792	1,401,859	2,268,049	1,934,090
Returns and cancelations	(37,344)	(29,531)	(63,048)	(40,475)
Taxes on sales	(228,381)	(197,387)	(318,645)	(273,025)
Net operating revenue	1,358,067	1,174,941	1,886,356	1,620,590

	Parent		Consolidated	
	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010
Gross operating revenue:				
Domestic market	577,333	490,439	617,869	523,852
Foreign market	32,456	30,668	210,902	174,361
	609,789	521,107	828,771	698,213
Returns and cancellations	(12,854)	(8,470)	(21,220)	(12,117)
Taxes on sales	(85,344)	(77,176)	(120,030)	(105,429)
Net operating revenue	511,591	435,461	687,521	580,667

27. EXPENSES BY NATURE

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

	Parent		Consolidated	
	09/30/2011	09/30/2010	09/30/2011	09/30/2010
Cost of sales:				
Raw material	427,181	395,286	568,937	504,959
Payroll, related taxes and benefits	154,010	118,156	264,526	207,028
Other costs	124,509	89,897	195,727	161,243
Total	705,700	603,339	1,029,190	873,230

	Parent		Consolidated	
	09/30/2011	09/30/2010	09/30/2011	09/30/2010
Selling expenses:				
Payroll, related taxes and benefits	54,529	47,686	82,795	72,713
Freights	48,032	41,495	63,017	54,293
Advertising and publicity	134,883	84,083	169,583	114,987
Commissions	12,158	10,742	20,645	18,671
Royalties	18,386	11,446	18,842	11,450
Others	80,680	83,550	120,832	115,923
Total	348,668	279,002	475,714	388,037
General and administrative expenses:				
Payroll, related taxes and benefits	47,918	37,843	56,505	48,267
Compensation of Management's key personnel (as described in note 21)	6,286	5,934	6,712	6,342
Third-party services	25,920	20,691	29,324	23,001
Others	7,288	8,786	9,125	11,625
Total	87,412	73,254	101,666	89,235

	Parent		Consolidated	
	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010
Cost of sales:				
Raw materials	173,481	147,288	220,308	191,138
Payroll, related taxes and benefits	53,347	42,920	94,026	77,776
Other costs	31,731	33,509	60,203	51,787
Total	258,559	223,717	374,537	320,701
Selling expenses:				
Payroll, related taxes and benefits	18,550	16,510	28,611	24,901
Freights	19,196	16,275	23,357	19,630
Advertising and publicity	49,054	26,400	60,498	34,514
Commissions	3,993	3,454	5,325	4,927
Royalties	7,087	4,547	7,177	4,547
Others	35,581	31,048	50,654	42,207
Total	133,461	98,234	175,622	130,726
General and administrative expenses:				
Payroll, related taxes and benefits	14,599	11,234	17,409	14,786
Compensation of Management's key personnel (as described in note 21)	2,108	1,966	2,254	2,104
Outside services	10,953	5,858	12,451	6,801
Others	2,495	5,248	2,921	5,993
Total	30,155	24,306	35,035	29,684

28. STOCK-OPTION PLANS

The Company grants preferred share options to the Executive Committee under a program approved by the Extraordinary Shareholders' Meetings held on April 26, 2002, October 26, 2006 and April 29, 2011, for the purpose of retaining Management's key personnel 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 the stock-option plans

The vesting period of plans approved in 2002, 2003, 2004 and 2005 is two years, with the vesting of 20% of the options in the second year, 20% in the third year, 20% in the fourth year and 40% in the fifth year after grant date, and a maximum ten-year term to exercise of the options granted.

The vesting period of plans approved between 2006 and 2009 is three years, with vesting of 30% in the third year (two-month exercise period), 30% in the fourth year (two-month exercise period) and 40% in the fifth year after grant date, and a maximum five-year term to exercise of the options granted. As regards to these plans, the option exercise is contingent to the attainment of performance goals, based on internal performance indicators.

For the 2010 program, the grace period for the exercise of options was the same adopted for the 2006-2009 plans; however, the maximum period for the exercise of options granted is different for each tranche, corresponding to three years after the maturity date of each grace period. As regards to these plans, the option exercise is 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 on the São Paulo Mercantile and Stock Exchange (BM&FBOVESPA) in the last sixty trading sessions before the date of approval of each annual plan. The exercise price is adjusted using 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 on the BM&FBOVESPA in the last sixty trading sessions before May 31 of the grant year. The exercise price is adjusted using the Extended Consumer Price Index (IPCA).

(iii) 2010 plan: initial exercise price equivalent to the average quotation weighted by the closing trading volume of the Company's preferred shares on the BM&FBOVESPA in the last sixty trading sessions before May 31 of the grant year. This exercise price is not adjusted based on any index.

Changes in the stock-option plans

The table below shows the changes in the stock-option plans for September 30, 2011 and December 31, 2010:

	09/30/2011		12/31/2010	
	Stock options	Weighted average exercise price - R$	Stock options	Weighted average exercise price -R$
Outstanding options at beginning of period/ year	5,252,900	3.84	5,366,280	3.22
Options granted	-	-	631,000	6.21
Options exercised	(1,908,060)	2.90	(548,500)	2.25
Options cancelled	-		(195,880)	3.58
Outstanding options at end of year/period	3,344,840	4.55	5,252,900	3.84

Stock options outstanding have the following features:

	Outstanding options			
	Options not exercised at end of period/year	Remaining contractual life (months)	Exercise price rate - R$	Options exercisable at end of period/year
September 30, 2011	3,344,840	43	1.58-8.99	1,280,840
December 31, 2010	5,252,900	43	1.05-8.61	2,594,760

Detailed features of the stock options, by plan:

	09/30/2011			
Grant date	Options not exercised at end of period (*)	Remaining contractual life (months)	Exercise price - R$ (*)	Options exercisable at end of period (*)
July 1, 2004	71,200	33	1.58	71,200
July 1, 2005	889,240	45	2.23	889,240
July 1, 2007	258,400	11	8.99	200,400
July 1, 2008	435,000	23	6.19	120,000
July 1, 2009	1,060,000	35	3.97	-
July 1, 2010	631,000	81	6.21	-
Total	3,344,840	43	1.58 - 8.99	1,280,840

	12/31/2010			
Grant date	Options not exercised at end of year	Remaining contractual life (months)	Exercise price - R$	Options exercisable at end of year
July 1, 2002	178,000	18	1.05	178,000
July 1, 2003	363,600	30	1.20	363,600
July 1, 2004	808,200	42	1.52	808,200
July 1, 2005	889,240	54	2.16	889,240
July 1, 2006	432,860	8	5.88	244,720
July 1, 2007	280,000	20	8.61	111,000
July 1, 2008	550,000	32	5.93	-
July 1, 2009	1,120,000	44	3.80	-
July 1, 2010	631,000	90	6.21	-
Total	5,252,900	43	1.05 - 8.61	2,594,760

For accounting purposes, the fair value of options was estimated using a binomial valuation model. The expense recorded in the statement of income account relating to stock-option plans totaled R$951 for the period ended September 30, 2011 compared to R$749 for the same period ended September 30, 2010. 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 grant date, the fair value of stock options granted on July 1, 2010 totaled R$3.70. The performance conditions were not reflected in the fair value since they are based on internal performance indicators. The expected volatility assumption was based on historic volatility in the five-year period prior to the grant date, and the early exercises were reflected using a Hull-White type binomial valuation model, with a voluntary exercise trigger of 150% of the exercise price.

The main assumptions used in the calculation are as follows:

	Amounts in R$
Share price	7.75
Exercise price	6.21
Expected volatility	38.00%
Expected dividends	3.00%
Risk-free rate (nominal rate)	12.25%
Post-vesting rate	10.00%
Fair value	3.70

The table below shows the simulated effects arising from:

(i) Scenario I: exercise of the stock options granted up to September 30, 2011.

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

In both scenarios, it was assumed that all options were vested on September 30, 2011, based on the Company's shareholders' equity as of this date.

	Amounts in R$	
	Scenario I	Scenario II
Weighted average exercise price	4.55	4.55
Number of preferred shares	171,931,800	171,931,800
Number of outstanding preferred shares	166,838,580	166,838,580
Number of shares to be purchased with exercise of options	3,344,840	12,000,000
Book value per outstanding share	4.18	4.18
Book value per share considering the exercise of options	4.08	3.89
Dilution of book value per share	0.10	0.29
Percentage dilution	2.31	6.98

29. EMPLOYEE BENEFITS

The Company and its subsidiaries sponsor two supplementary pension plans and grant, through their 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 as of September 30, 2011 is R$2,172 (R$2,224 as of December 31, 2010).

The assumptions on and calculation of actuarial liabilities are described in note 30 to the annual financial statements for the year ended December 31, 2010.

30. FINANCIAL INCOME (EXPENSES), NET

	Parent		Consolidated	
	09/30/2011	09/30/2010	09/30/2011	09/30/2010
Financial income:				
Income on short-term investments	52,722	27,302	53,968	27,875
Interest receivable	1,853	1,522	2,104	1,903
Others	2,697	1,572	3,793	1,610
Total	57,272	30,396	59,865	31,388
Financial expenses:				
Interest on loans and financing	(10,737)	(6,277)	(12,653)	(12,945)
Interest payable on debt restructuring of subsidiaries	-	-	(8,027)	(5,811)
IOF	(355)	(114)	(355)	(114)
Tax on bank transactions (Argentina)	-	-	(4,958)	(4,181)
Inflation adjustment of taxes	(4,630)	(3,110)	(4,630)	(3,134)
Others	(3,248)	(1,830)	(7,907)	(4,851)
Total	(18,970)	(11,331)	(38,532)	(31,036)

	Parent		Consolidated	
	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010
Financial income:				
Income on short-term investments	18,739	11,681	19,527	11,817
Interest receivable	604	506	819	600
Others	844	872	1,118	951
Total	20,187	13,059	21,464	13,368
Financial expenses:				
Interest on loans and financing	(3,574)	(2,000)	(4,423)	(4,007)
Interest payable on debt restructuring of subsidiaries	-	-	(2,579)	(1,591)
IOF	(127)	(105)	2,985	2,541
Tax on bank transactions (Argentina)	-	-	(4,958)	(4,181)
Inflation adjustment of taxes	(216)	99	(216)	75
Others	(1,470)	(1,741)	(3,461)	(3,405)
Total	(5,387)	(3,747)	(12,652)	(10,568)

31. EXCHANGE RATE VARIATION, NET

	Parent		Consolidated	
	09/30/2011	09/30/2010	09/30/2011	09/30/2010
Exchange gain	8,406	6,219	9,126	6,324
Exchange loss	(9,550)	(6,303)	(10,553)	(4,604)
	(1,144)	(84)	(1,427)	1,720

	Parent		Consolidated	
	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010
Exchange gain	5,001	2,440	4,749	1,868
Exchange loss	(6,290)	(1,462)	(6,873)	(713)
	(1,289)	978	(2,124)	1,155

32. OTHER OPERATING INCOME (EXPENSES), NET

	Parent		Consolidated	
	09/30/2011	09/30/2010	09/30/2011	09/30/2010
Other operating income				
Income on sale of property, plant and equipment	-	-	-	14,305
Gains on favorable final and unappealable court decisions	-	4,127	-	4,127
Recoverable tax Alpargatas S.A.I.C.	-	-	-	4,927
Recoverable tax Eletrobras (*)	15,043	-	15,043	-
Recoverable tax Alpargatas CBS approved by final court action	-	-	2,158	-
Others	1,892	2,005	3,305	2,005
Other operating income, net	16,935	6,132	20,506	25,364
Other operating expenses:				
Amortization of intangible assets	(13,582)	(11,847)	(14,665)	(12,978)
Provisions for labor, civil and tax risks (note 22)	(7,393)	(10,451)	(8,673)	(11,725)
Others	(9,822)	(8,240)	(13,930)	(10,102)
Other operating expenses, net	(30,797)	(30,538)	(37,268)	(34,805)

(*) It 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 when RESP 1003955 and RESP 1028592 were judged, 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 735933 filed by Eletrobras, the Superior Federal Court (STF) ratified the understanding of STJ in the sense that the discussion of the matter is infraconstitutional. 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; for which reason the Company's Management decided to account for the asset in the amount of R$15,043, including the principal of R$23,263, adjusted for inflation, less R$8,220 of estimated loss in case of a potential disposal of these credits for closing of the interim financial information as of September 30, 2011. The amount of R$15,043 is accounted for as a contra entry to the line item "Compulsory deposits", in noncurrent assets. The estimated loss amount was based on offers to buy the asset position of the lawsuit filed by the Company.

	Parent		Consolidated	
	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010
Other operating income				
Gain on sale of subsidiary	-	1,500	-	1,500
Gains on favorable final and unappealable court decisions	-	4,127	-	4,127
Others	1,021	-	1,355	-
	1,021	5,627	1,355	5,627
Other operating expenses:				
Amortization of intangible assets	(4,777)	(3,961)	(5,198)	(4,287)
Provisions for labor, civil and tax risks (note 22)	(2,577)	(4,960)	(6,252)	(5,540)
Others	(3,050)	212	(841)	(1,326)
Other operating expenses, net	(10,404)	(8,709)	(12,291)	(11,153)

33. PROFIT SHARING

The Company and its subsidiaries offer its employees a profit-sharing program 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, 2011 and 2010, profit sharing recognized in the statement of income was as follows:

	Parent		Consolidated	
	09/30/2011	09/30/2010	09/30/2011	09/30/2010
Profit-sharing program	23,278	24,319	27,544	30,326

Profit sharing is recorded in the line item “Salaries and related taxes” under current liabilities.

	Parent		Consolidated	
	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010	07/01/2011 to 09/30/2011	07/01/2010 to 09/30/2010
Profit-sharing program	5,972	8,499	6,723	10,329

34. PLEDGES AND COLLATERALS

As of September 30, 2011 and December 31, 2010, in addition to the information disclosed in notes 15 and 17, pledges and collaterals provided by the Company to financial institutions related to vendor-financing transactions were R$2,972 and R$3,810, respectively.

For the nine-month period ended September 30, 2011 and year ended December 31, 2010, the Company did not record losses arising from the guarantees pledged.

35. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

a) General considerations and policies

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

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

Treasury procedures set by the policy in effect include monthly projection routines and assessment of the consolidated foreign-exchange exposure for the Company and its subsidiaries, based on which Management makes its decisions.

Short-term investments

The Short-term Investment Policy established by the Company's and its subsidiaries' Management elects financial institutions with which the agreements may be entered into based on the evaluation of credit rating attributed to the counterparty, maximum exposure percentage by institution based on the rating and bank's maximum net equity percentage. As of September 30, 2011 and December 31, 2010, short-term investments were made according to such limits.

Loans and financing

Are recorded based on interest contractually established for each operation, as shown in note 17.

Current accounts with related parties

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

Derivative policy

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

Treasury procedures under the policy in effect include monthly projection and exposure assessment routines for the Company and its subsidiaries, on which Management bases decision-making regarding the use of such financial instruments.

As of September 30, 2011 and December 31, 2010, the Company and its subsidiaries did not have any outstanding transaction involving derivatives.

b) Financial risk management

Financial risk factors

The Company's and its subsidiaries' activities expose them to several financial risks: market risk (including currency and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program is focused on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance, using derivatives to protect certain risk exposures.

Risk management is carried out by the Company's treasury, 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.

b.1) Market risk

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

i) Currency risk

Due to different types of receivables 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 receivables and payables related to commitments already made and recorded in the interim financial information 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 loans and financing in the short and long terms. The Company's Management adopts the policy of maintaining its rates of exposure to asset and liability interest rates pegged to floating rates. Short-term investments and loans and financing are adjusted based on the fixed CDI rate, pursuant to the agreements entered into with financial institutions.

b.2) Credit risk

Sales are mainly made to retailers and wholesalers and retailers. The credit risk is reduced due to the higher dispersion of the customer's portfolio, credit assessment and granting policies. The result of this management is reflected in line item "Allowance for doubtful accounts", as explained in note 9.

The Company and its subsidiaries are also subject to credit risks related to financial instruments contracted for the management of its business.

The risk of not settling transactions with financial institutions is low, as these are considered by the market as prime banks.

b.3) Liquidity risk

Effectively managing liquidity risk implies to maintain enough cash and 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' businesses, 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.

c) Financial liabilities

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

	09/30/2011						
	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 transactions	235	-	-	-	235	(42)	193
Loans and financing	255,433	-	-	-	255,433	-	255,433
Trade accounts payable	264,634	-	-	-	264,634	-	264,634
Noncurrent:							
Finance lease transactions	-	80	-	-	80	(8)	72
Loans and financing	-	27,090	30,646	3,933	61,669	-	61,669

	12/31/2010						
	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 transactions	405	-	-	-	405	(70)	335
Loans and financing	226,036	-	-	-	226,036	-	226,036
Trade accounts payable	212,777	-	-	-	212,777	-	212,777
Noncurrent:							
Finance lease transactions	-	172	-	-	172	(21)	151
Loans and financing	-	38,182	29,068	2,188	69,438	-	69,438

d) Capital management

The objectives of the Company in managing its capital are to ensure that it is continuously capable of offering return to its shareholders and benefits to other related stakeholders and maintain an ideal capital structure to reduce this cost.

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

	09/30/2011	12/31/2010
Cash, cash equivalents and short-term investments	683,705	654,665
(-) Short- and long-terms loans and financing	(317,367)	(295,960)
Net financial position	366,338	358,705
Shareholders' equity	1,453,635	1,348,073

e) Exchange rate exposure

		Parent		Consolidated	
		09/30/2011	12/31/2010	09/30/2011	12/31/2010
Assets-					
Trade accounts receivable	(i)	29,828	30,746	108,937	78,412
Total assets		29,828	30,746	108,937	78,412
Liabilities:					
Loans and financing	(ii)	4,714	-	107,503	75,208
Trade accounts payable		43,844	25,517	100,515	68,446
Royalties payable		10,572	5,945	10,572	5,945
Total liabilities		59,130	31,462	218,590	149,599
Net exposure		(29,302)	(716)	(109,653)	(71,187)
(-) Foreign subsidiaries		-	-	84,091	72,365
Total exposure for sensitivity analysis purpose		(29,302)	(716)	(25,562)	1,178

(i) Of the consolidated amounts as of September 30, 2011, 75.7% (76.4% as of December 31, 2010) refer to trade accounts receivable of foreign subsidiaries (Alpargatas Inc. - United States, Alpargatas Europe S.L.U. - Spain, Alpargatas Chile Ltda. - Chile and Alpargatas S.A.I.C. - Argentina) and 24.3% refer to foreign trade accounts receivable of the Company in Brazil.

(ii) Of the consolidated amounts as of September 30, 2011, 95.62% (100% as of December 31, 2010) refer to local currency-denominated loans of foreign subsidiaries (Alpargatas Inc. - United States, Alpargatas Europe S.L.U. - Spain, Alpargatas Chile Ltda. - Chile and Alpargatas S.A.I.C. - Argentina), as shown in note 17.

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

f) Fair values

As of September 30, 2011 and December 31, 2010, fair values of short-term investments approximate their carrying amounts since they are pegged to the CDI rate fluctuation registered on interim financial information. Loans and financing are adjusted for inflation based on interest rates contracted according to the usual market conditions and, therefore, balances payable at the balance sheet date substantially approximate their fair values, including those classified as "noncurrent", considering the type of the corresponding loans and financing.

The fair value of financial instruments not traded in active markets (for example over-the-counter derivatives) is determined using valuation techniques. The Company and its subsidiaries use several methods and set assumptions that are based on existing market conditions 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 value in view of the short term of transactions conducted.

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

- Prices quoted (nonadjusted) in active markets for identical assets and liabilities (Level 1).

- In addition to the quoted prices, included in Level 1, inputs used by the market for assets or liabilities, whether directly (e.g. prices) or indirectly (e.g. derived 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 an 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 not traded in active markets (for example over-the-counter derivatives) is determined using valuation techniques. These valuation techniques make maximum use of market inputs, when available, and rely as little as possible on entity's specific inputs. If all relevant inputs required for the fair value of an instrument are adopted by the market, the instrument will be included in Level 2.

If one or more than one material input is not based on market inputs, the instrument is 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 as the present value of future cash flows estimated based on the yield curves adopted by the market.

- The fair value of future foreign exchange contracts is determined using future exchange rates at the balance sheet date, using the amount resulting from the discount 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 do not have financial instruments stated at fair value for the nine-month period ended September 30, 2011 and year ended December 31, 2010.

g) Sensitivity analysis of financial instruments

Currency risk

In the consolidated currency exposure sensitivity analysis as of September 30, 2011, whose effects reflect just the changes over the monetary assets and liabilities, the Company disregarded the balances of trade accounts receivable and loans and financing of foreign subsidiaries, because they are denominated in local functional currencies of each one of these subsidiaries which, according to the Company's Management, are not exposed to currency risks.

Considering the foreign exchange exposures described in item (e) above, as of September 30, 2011, the sensitivity analysis of outstanding positions is as follows:

	Loss	
Company's risk	Possible scenario	Remote scenario
Appreciation of the U.S. dollar	6,391	12,782

The possible scenario considers a 25% depreciation of the Brazilian real against the U.S. dollar over the exchange rate as of September 30, 2011 of R$1.8544/US$1.00 (R$2.3180/US$1.00), and the remote scenario considers a 50% depreciation (R$2.7816/US$1.00).

In light of the parities considered, results would correspond to a loss of R$6,391 in the possible scenario and a loss of R$12,782 in the remote scenario.

Management did not consider the sensitivity analysis for the probable scenario because it understands that this scenario reflects the exchange rate fluctuation already recorded in the financial information for the nine-month period ended September 30, 2011

Interest rate risk

The sensitivity analysis was determined based on the exposure to interest rates of nonderivative financial instruments at the end of the reporting period. For financial assets indexed to 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 Management's key personnel and corresponds to Management's assessment of the possible changes in interest rates.

Had interest rates been 3 percentage point higher or lower and all other variables remained stable, net income for the nine-month period ended September 30, 2011 would have increased or decreased by approximately R$15,000. 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 shown in note 17.

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

36. DISCONTINUED OPERATIONS

The Company entered into a Share Purchase and Sales Agreement on December 22, 2009 (the "Agreement") for the direct sale of all the shares in subsidiary Locomotiva Indústria e Comércio de Têxteis Industriais Ltda., a limited-liability company headquartered in Pouso Alegre, State of Minas Gerais, and the indirect sale of all the shares in Locomotiva da Amazônia Indústria e Comércio de Têxteis Industriais Ltda., a limited-liability company headquartered in Manaus, State of Amazonas.

The disposal of this cash-generating unit, denominated Industrial Textile segment, is part of the effort to concentrate the Company's activities in the footwear, sporting goods and retail segments to maximize its performance in these segments. This operation was completed on April 20, 2010. This operation generated a capital gain in the amount of R$2,005, of which R$505 were recorded due to the disposal of investment and R$1,500 were recorded in September 2010 due to the price adjustment in accordance with contractual clause.

As of December 31, 2009, upon classification as discontinued operation and group of assets held for sale, the income or loss and the cash flows from discontinued operations, for the nine--month period ended September 30, 2010, are as follows:

(i) Income from discontinued operations

Net revenue from sales	27,859
Cost of products sold	(19,531)
Gross profit	8,328
Operating expenses	(4,380)
Net financial income	48
Operating income	3,996
(-) Income tax and social contribution	(755)
Net income from discontinued operations	3,241

(ii) Cash flows from discontinued operations

Arising from operations	664
Net cash used in investing activities	(70)
Net cash provided by discontinued operations	594

37. EARNINGS PER SHARE

	09/30/2011		
	Common - ON	Preferred -PN (a)	Total
Denominator:			
Total weighted average number of shares	181,524,080	171,931,800	353,455,880
Weighted number of treasury shares	-	(5,080,868)	(5, 080,868)
Weighted average number of outstanding shares	181,524,080	166,850,932	348,375,012
% of shares	52.11%	47.89%	100.00%
Numerator - basic-			
Net income for the period from continuing operations attributable to each class of shares	123,580	125,016	248,596
Basic earnings per share for the period from continuing operations	0.6808	0.7493	0.7136
Basic earnings per share for the period	0.6808	0.7493	0.7136
Numerator - diluted:			
Weighted average number of outstanding shares	181,524,080	166,850,932	348,375,012
Weighted number of shares in stock option plans	-	4,270,517	4,270,517
Weighted average number of outstanding shares	181,524,080	171,121,449	352,645,529
Diluted earnings per share for the period from continuing operations	0.6808	0.7306	0.7049
Diluted earnings per share for the period	0.6808	0.7306	0.7049

	09/30/2010		
	Common - ON	Preferred - PN (a)	Total
Denominator:			
Total weighted average number of shares	181,524,080	171,931,800	353,455,880
Weighted number of treasury shares	-	(5,091,717)	(5,091,717)
Weighted average number of outstanding shares	181,524,080	166,840,083	348,364,163
% of shares	52.11	47.89	100.00
Numerator - basic:			
Net income for the period from continuing operations attributable to each class of shares	116,140	117,482	233,622
Net income for the period from discontinued operations attributable to each class of shares	1,611	1,630	3,241
Net income for the period attributable to each class of shares	117,751	119,112	236,863
Basic earnings per share for the period from continuing operations	0.6398	0.7042	0.6706
Basic earnings per share for the period from discontinued operations	0.0089	0.0098	0.0093
Basic earnings per share for the period	0.6487	0.7140	0.6799

	09/30/2010		
	Common - ON	Preferred - PN (a)	Total
Numerator - diluted:			
Weighted average number of outstanding shares	181,524,080	166,840,083	348,364,163
Weighted number of shares in stock-option plans	-	5,165,207	5,186,207
Weighted average number of outstanding shares	181,524,080	172,005,290	353,529,370
Diluted earnings per share for the period from continuing operations	0.6398	0.6830	0.6608
Diluted earnings per share for the period from discontinued operations	0.0089	0.0095	0.0092
Diluted earnings per share for the period	0.6487	0.6925	0.6700

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

38. COMMITMENTS ASSUMED

38.1. Operating leases

Stores leased

As of September 30, 2011, the Company had lease agreements with third parties for its stores. Management reviewed these agreements 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 using various inflation indexes. The average monthly lease expenses paid totaled R$789 (R$620 in September 30, 2010). Such lease agreements mature between 5 and 15 years, subject to renewal.

For the nine-month period ended September 30, 2011, rental expenses, net of recoverable taxes, totaled R$7,105 (R$5,578 in September 30, 2010) 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 based on usual market inflation indices.

In August 2011, the Company made a lease contract to set up its head office in a new office space in 2012. The contract is effective for 10 years, beginning September 2011, and has a grace period of 90 days from the commencement date. The monthly lease amount is R$893, annually adjusted using the General Market Price Index (IGP-M) / FGV.

For the nine-month period ended September 30, 2011, rental expenses, net of recoverable taxes, totaled R$14,425 (R$12,128 in September 30, 2010) in consolidated.

Future commitments

Total future commitments arising from operating lease agreements totaled a minimum fixed amount of R$78,349 as of September 30, 2011, distributed as follows:

Period	R$
2011 (three months)	12,683
2012	26,460
2013	25,319
2014 to 2015	50,885
	115,347

Such transactions are subject to usual restrictive clauses, such as guarantees for early termination of agreement, among others. These clauses, as of September 30, 2011, were complied with by the Company and, therefore, no effective lease agreement on such date was characterized as onerous agreement by the Company's Management. In addition, no contingent payment was made by the Company during the nine-month period ended on September 30, 2011.

38.2. Inputs supply contracts

The Company has commitments deriving from an agreement for the supply of electric power effective through 2011, providing for the purchase of a minimum monthly volume of 25,883 kW, equivalent to R$611, which can be amended within no less than six months. As of September 30, 2011, the Company was compliant to this agreement's commitments.

39. INSURANCE COVERAGE (UNREVIEWED INFORMATION)

The Company and its subsidiaries have an insurance policy that considers principally risk concentration and materiality, providing it with a level of insurance coverage considered sufficient by the Management according to the type of its activities and advice of the insurance brokers as of September 30, 2011.

40. ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS

	Parent		Consolidated	
	09/30/2011	09/30/2010	09/30/2011	09/30/2010
Dividends received with settlement of the current account of subsidiary	6,500	-	-	-
Acquisition of property, plant and equipment without cash effect	4,479	235	4,479	235
Limits of unused secured accounts	-	-	29,437	13,207

41. APPROVAL OF THE INTERIM FINANCIAL INFORMATION FOR ISSUANCE

This interim financial information was approved for issuance by the Board of Directors at the meeting held on November 11, 2011.

1.0. INTRODUCTION

In the third quarter (3Q11), Alpargatas continued to grow and generate value, investing in brands, products, processes, increased production capacity and training. This year, Alpargatas has faced a more challenging macroeconomic environment than in the previous year, with high inflation and higher commodities prices - especially cotton and rubber - affecting costs and expenses, significantly impacting the Company's results. By increasing manufacturing productivity and measures toward environmental responsibility, Alpargatas has minimized the impact of higher rubber costs and ensure profitability. By November, the average price in U.S. dollars of rubber had fallen 17% as compared to September, signaling a downward trend that should benefit Alpargatas' profitability in the medium term. In 3Q11, the Company performed well in comparison to 3Q10, considering external economic factors in the period. The consolidated sales volume grew and revenue, up in all currencies, increased 18.4% (or 21.8% excluding the impact of currency). Revenue growth offset higher manufacturing costs, increasing gross profit 20.4% with gross margins up to 49.6% in Brazil and 28.7% in Argentina. Higher commodity costs, together with strategic investments and increased operating expenses necessary to the Company's growth, impacted EBITDA, with margin at 15.8% for the quarter and 16.8% for the first nine months (9M11), led by domestic operations, which posted EBITDA margin at 20.1% in 3Q11 and 19.6% in 9M11. Alpargatas registered a 7.6% increase in net income for the quarter, consistently demonstrating its ability to deliver positive results to shareholders. The key consolidated indicators in 3Q11 and 9M11 are presented in the table below.

Consolidated Financial Results (R$ million, except margins)	3Q10	3Q11	▲	9M10	9M11	▲
Net Revenue	580.6	687.5	18.4%	1,620.6	1,886.4	16.4%
Gross Profit	260.0	313.0	20.4%	747.4	857.2	14.7%
Gross Margin	44.8%	45.5%	0.7 p.p.	46.1%	45.4%	-0.7 p.p.
EBITDA	114.9	108.6	-5.5%	304.4	316.9	4.1%
EBITDA Margin	19.8%	15.8%	-4.0 p.p.	18.8%	16.8%	-2.0 p.p.
Net Income [(1)]	81.3	87.5	7.6%	233.7	248.6	6.4%
Net Margin	14.0%	12.7%	-1.3 p.p.	14.4%	13.2%	-1.2 p.p.
Cash	492.0	683.6	38.9%	492.0	683.6	38.9%
Net Financial Position	325.1	366.2	12.6%	325.1	366.2	12.6%

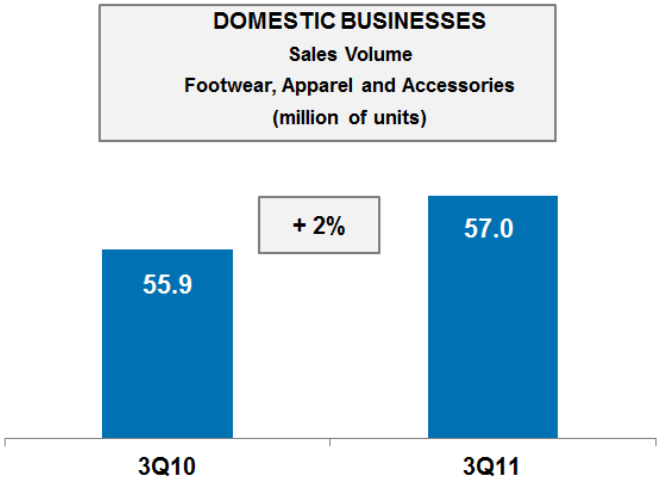
(i) Net income attributable to Alpargatas S.A.'s shareholders.

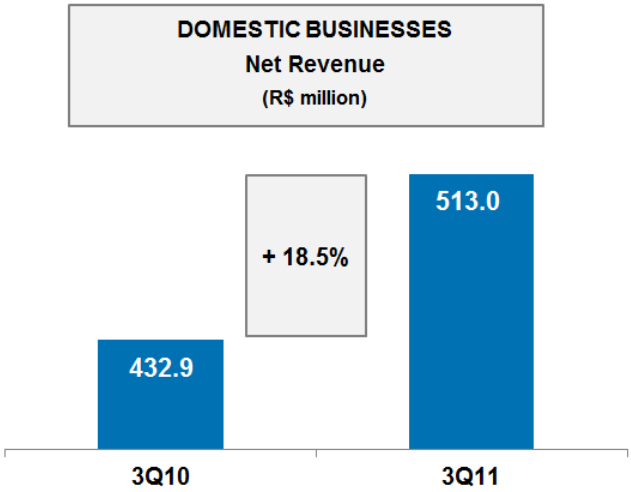
Alpargatas' shares were driven by strong performance during a difficult year, more active communication with the capital markets and increased contact with domestic and international investors, outperforming the Ibovespa Index. In 9M11, common shares were up 8.7% and preferred shares fell only 3.2%, compared to the Ibovespa's 24.5% decline.

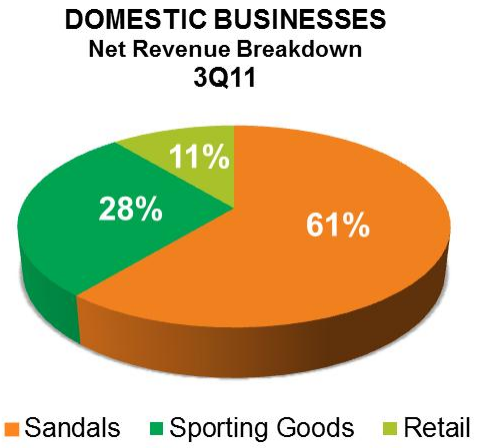
2.0. DOMESTIC PERFORMANCE

2.1. Sales Volume and Net Revenue

The company sold 57 million units of footwear, apparel and accessories in Brazil, up 2% over 3Q10 due to: (i) the launch of the 2011/2012 Havaianas and Dupé sandal collections; (ii) new athletic footwear models from Topper, Mizuno and Timberland; and (iii) more points of sale (franchises). Third quarter net revenue increased 18.5% year-on-year to R$513 million as a result of greater sales volume and higher revenues from sandals, sporting goods and retail. This is the largest increase posted in the last four quarters, attributed to the strength of Alpargatas' brands.



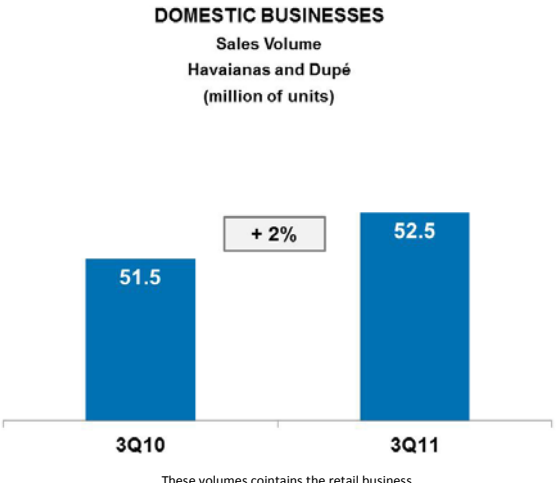




In 9M11, consolidated sales reached 155.1 million units of footwear, apparel and accessories, up 4% over 9M10, while net income was up 16% to R$1.3 billion.

2.1.1. Havaianas and Dupé

Sales of Havaianas and Dupé sandals, coupled with brand extension products, totaled 52.5 million units in Brazil, up 2% from 3Q10. In August, the implementation of the Lógica Project provoked changes at sandal factories, reducing deliveries. Increased volume, combined with higher prices and a more diversified product mix, resulted in a 15.3% increase in sandal revenue for 3Q11. In 9M11, sales were up 4% to 142.7 million units.

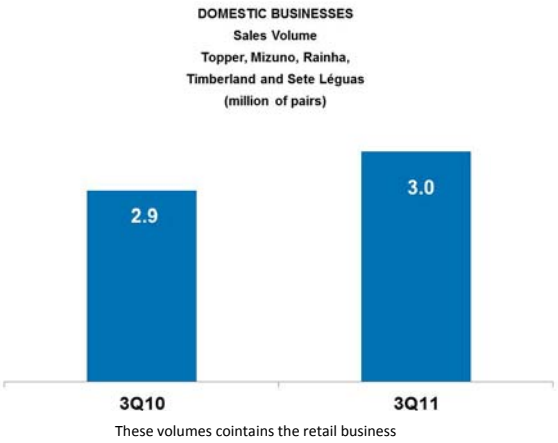


The main 3Q11 Havaianas developments in Brazil were:

- A iring two new commercials on broadcast television.
- P rint ads for Havaianas Slim and the Havaianas IPÊ and International Conservation campaign.
- T he Make Your Own Havaianas (MYOH) Event at the concept store in São Paulo.
- P articipation in Francal, an important footwear trade fair held in São Paulo, and in ABAD, a trade fair for wholesalers and distributors in Recife.
- T he Oscar Freire store in São Paulo was decorated with Disney characters for Children's Day and with IPÊ and International Conservation sandal prints during the Sustainability Campaign.
- H avaianas with commemorative pins were distributed at Rock in Rio.
- D upé continued to provide comfort, style and design in its sandals. The brand reinforced its presence at points of sale in the Northeast region through Father's Day and Children's Day marketing campaigns.

2.1.2. Topper, Rainha, Mizuno and Timberland

Net revenue from Topper, Rainha, Mizuno and Sete Léguas increased 26% year-on-year, driven by the brands' strength in their respective markets: Topper in soccer, Rainha in active running and Mizuno in performance running. Timberland's sales revenues from the multibrand channel increased 33% over 3Q10 as a result of a higher sales volume. Sales of Topper, Mizuno, Rainha, Timberland and Sete Léguas footwear reached 3 million pairs, up 3.4% year-on-year.



Apparel and accessories sales totaled 1.5 million units in 3Q11. In 9M11, active footwear sales, together with Sete Léguas boots and Timberland footwear, totaled 8.1 million pairs, up 3.1% over 9M10. Apparel and accessory sales reached 4.3 million units.

Topper

Product-focused investments in innovation were key to the Instinct line, Topper's primary 3Q11 launch in Brazil and in Argentina. The line reinforces the brand's dominance in the soccer market with products segmented according to the athlete's profile. The society and indoor soccer cleat models have features according to player profiles: classic, fast and tough. The Instinct line has 30 models for adults and youth players, complemented with apparel and accessories. This major launch also included the new Dominator, Durable and Frontier children's models. Topper increased its media exposure with the "Marriage" commercial on broadcast television that emphasizes love of sports. Sponsorships increased during the quarter. In addition to sponsorship of the Grêmio and

Atlético-MG soccer clubs, as well as the Brazilian Rugby Confederation and soccer player Conca, Topper also began sponsoring Corinthians' soccer player, Alex.

Rainha
Third-quarter launches included Control and Celebrate footwear as part of the Active casual athletic line. The branding project was concluded with the "footprint" stage, which defined how Rainha will communicate with its target market. At the end of November, the Rainha showroom will open, presenting clients with the new logo and the 2012 collection, which should include 26 footwear models for men and women, strengthening the brand in the active running segment.

Mizuno
Mizuno's main highlights in the third quarter were the launch of Precision 12, the Última 3, Ovation and Endeavor models, and the Enigma footwear line with Wave insoles. There was also the launch of the new summer 2011/2012 line of running apparel, made with breathable fabrics that provide protection from the sun. Ads were placed for the Wave Prophecy and Creation 12, while social media communication was amplified. Mizuno began sponsoring Vasco's soccer player, Dedé, who was elected the best defender in the 2010 Brazilian Soccer Championship and has participated in the last five games of the Brazilian national soccer team. Dedé uses the Morelia soccer cleat. Regarding sports, the "Mizuno 10 Series" race was held in Porto Alegre.

Timberland
Timberland participated in the Adventure Sports Fair in São Paulo to present its products to practitioners of adventure sports. It supported Trip magazine's Transformers Award, which paid tribute to people who have distinguished themselves through social action. In the media, Timberland placed ads for the EK 2.0 and EK City boots in major magazines.

2.1.3. Retail

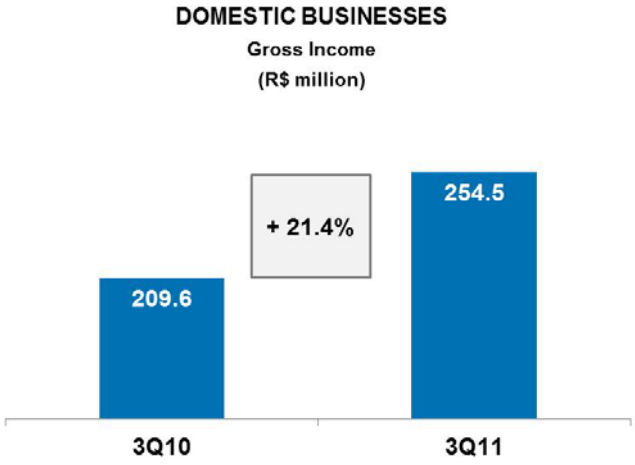
Havaianas
On September 30, 2011 there were 180 franchises in operation, as compared to 106 on the same date in 2010. Thus, sales volume was up 50% year-on-year and revenues, 125% (32% on a same--store basis). Espaço Havaianas in São Paulo also saw increased year-on-year sales, which were up 32%. In 9M11, the revenue from franchises increased 124% (27% on a same-store basis) and revenue from the concept store increased 17%. After two years of existence, the Havaianas franchise received the Retail Design award from the Brazilian Franchising Association (ABF), in the ample category.

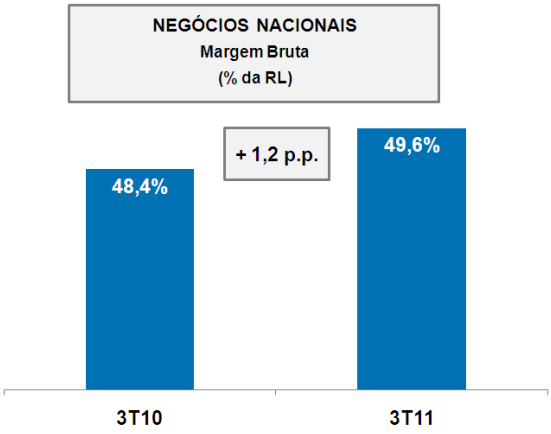
Timberland
In 3Q11, Timberland stores increased the volume of footwear, apparel and accessory sales by 10% and revenues by 15%, driven by the strong performance of the winter collection with higher value products. Sales volume at the brand's franchises was up 33% over 3Q10.

Meggashop
In 3Q11, the Alpargatas outlets saw a 9% year-on-year increase in sales volume, with revenues up 3%. The façades of several stores were remodeled, with some receiving revamped visual communication.

2.2. Gross Income

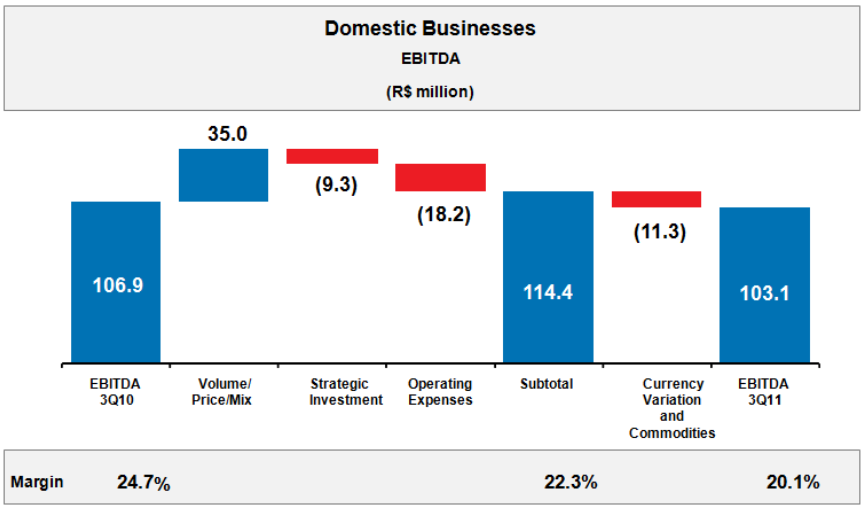
The 18.5% increase in revenue from domestic businesses in 3Q11 offset the 16% increase in production costs (driven mainly by the 28% increase in rubber prices) for a 21.4% increase in gross income, which totaled R$254.5 million. The growth of gross income increased margin, up 1.2 percentage point over 3Q10, to 49.6%. In 9M11, gross income was up 15.6% over 9M10, to R$648.7 million, while the margin at 48.5% was stable over 9M10's, 48.6%. These results demonstrate Alpargatas' adroit business management, generating value despite rising commodity prices.





2.3. EBITDA

EBITDA from the domestic businesses totaled R$103.1 million in 3Q11, 96% of 3Q10 EBITDA, and margin was down 4.6 percentage points over 3Q10 to 20.1%. Excluding the R$11.3 million primarily composed of higher rubber and cotton prices, EBITDA would have been R$114.4 million, representing a 7% increase, with margin at 22.3%. Increased volume, higher sandal prices and a diversified sales mix contributed R$35 million to EBITDA. In addition to commodities, the decline in EBITDA was driven by the R$9.3 million increase in strategic investments in brand communication, justified by increased 3Q11 revenue, and an additional R$18.2 million in operating expenses. In 9M11, EBITDA was R$262.5 million, and 2.3% higher than 9M10, and the margin, of 19.6% was 2.6 points lower than 9M10.



3.0. INTERNATIONAL PERFORMANCE

Consolidated international figures refer to Alpargatas Argentina, Alpargatas USA, Alpargatas Europe and exports from Brazil. In 3Q11, international revenues grew 18.1%, to R$174.5 million, with the sale of 8.7 million units, stable over 3Q10. Revenue growth in Brazilian reais was due to increased sales in foreign currencies, as shown below.



International Businesses Net Revenue Growth in Foreign Currencies	3Q11 X 3Q10	9M11 X 9M10
Alpargatas Argentina (Argentine peso)	33.9%	35.1%
Alpargatas USA (Dollar)	23.7%	2.7%
Alpargatas Europe (Euro)	41.2%	34.1%
Exports (Dollar)	18.8%	24.6%

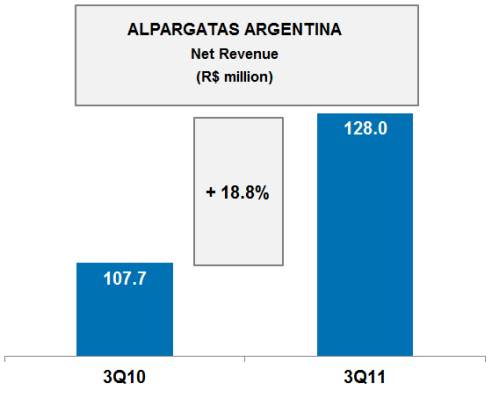
3.1. Alpargatas Argentina

In 3Q11, the Company began operations at the new “Plaza Logística” in greater Buenos Aires that will improve customer service. The key product launch of the quarter was the Instinct line by Topper. The brand’s sponsorships included the Davis Cup (tennis), the Velez Sarsfield soccer club and the Buenos Aires Rugby Union (URBA). A license was obtained for the use of “The Simpsons” characters on Topper footwear. Two Topper stores were opened in Buenos Aires shopping centers.

3.1.1. Sales Volume and Net Revenue

In 3Q11, Argentine sales of athletic footwear reached 2.2 million pairs, with apparel and accessories sales at 400 thousand units, stable year-on-year. In the period, sales were impacted by the lack of imported footwear as the Argentine government only approved these imports at the beginning of 4Q11. Net revenue reached R$128 million, up 18.8% over 3Q10. This growth is explained by a real increase in the average prices of athletic footwear in Argentinean pesos and by greater sales of higher value added athletic footwear. Of the total net revenue in Brazilian reais of Alpargatas Argentina in 3Q11, 61% was generated by footwear, 32% by textiles and 7% by retail.

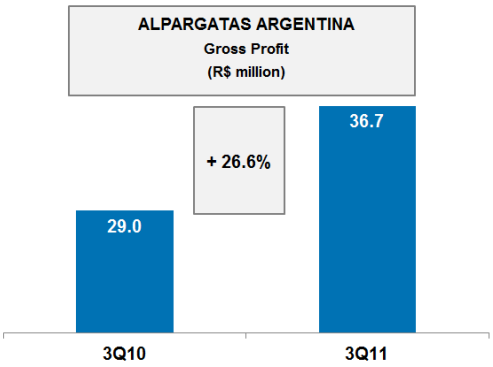




In 9M11, sales volume totaled 6.4 million pairs of athletic footwear, stable over 9M10, and 1.1 million units of apparel and accessories. Net revenue reached R$349.7 million, up 18.1% over 9M10.

3.1.2. Gross Income

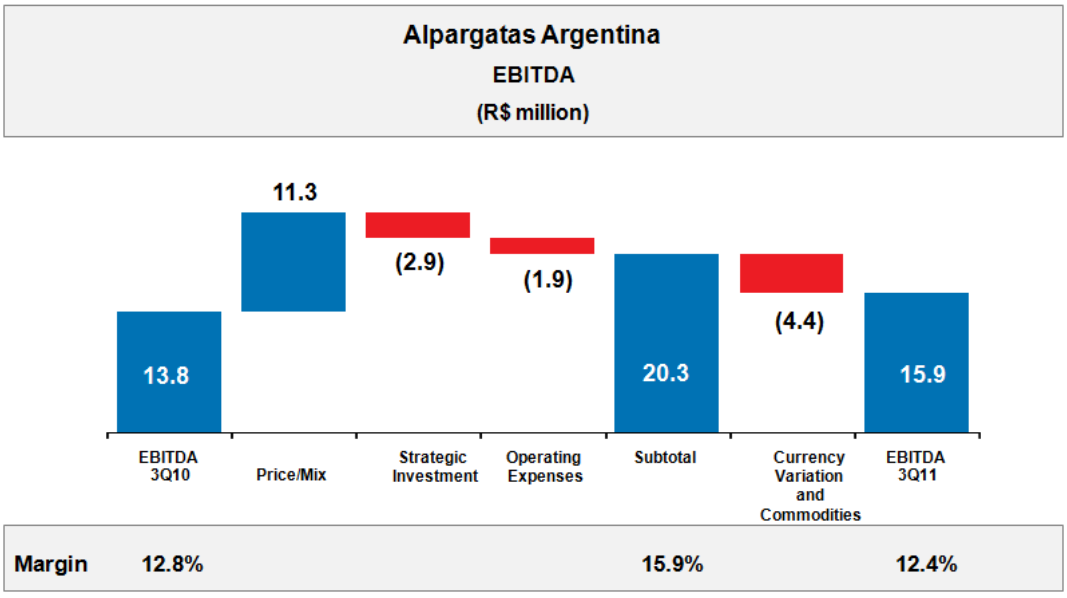
The 18.8% increase in revenue in 3Q11 offset the 16% increase in production costs (driven mainly by the increase in direct labor costs and cotton prices) for a 26.6% increase in gross income, which totaled R$36.7 million. The growth of gross income increased margin, up 1.8 percentage point over 3Q10, to 28.7%.



In 9M11, the gross income of R$96 million was 18.1% higher than in 9M10, while the 27.4% margin was in line with the 9M10 margin.

3.1.3. EBITDA

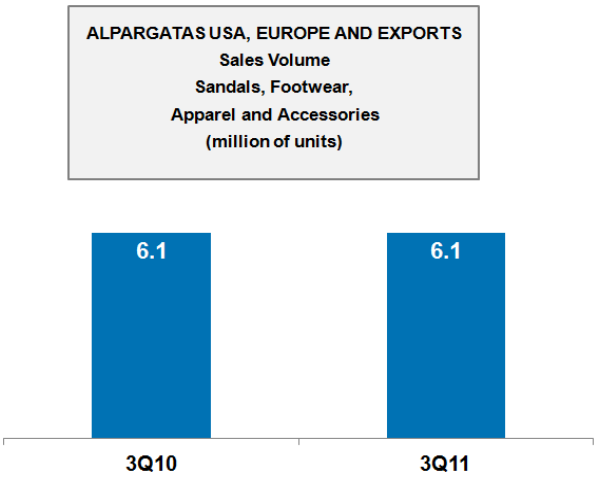
Alpargatas Argentina posted EBITDA of R$15.9 million in 3Q11, up 15.2%. The margin of 12.4% was negatively impacted by the textile business, falling 0.4 percentage point over 3Q10. EBITDA growth was mainly driven by price and product mix, adding R$11.3 million. Strategic investments were up R$2.9 million, chiefly allocated to Topper communication in the country. The net result from foreign exchange variation, with the real stronger than the Argentinean peso, and from the higher expenses with cotton, was negative R$4.4 million. Excluding these effects, EBITDA would have increased 47.1% with margin at 15.9%. In 9M11, EBITDA was up 19% over 9M10 to R$42 million with margin at 12%, down 0.1 percentage point.

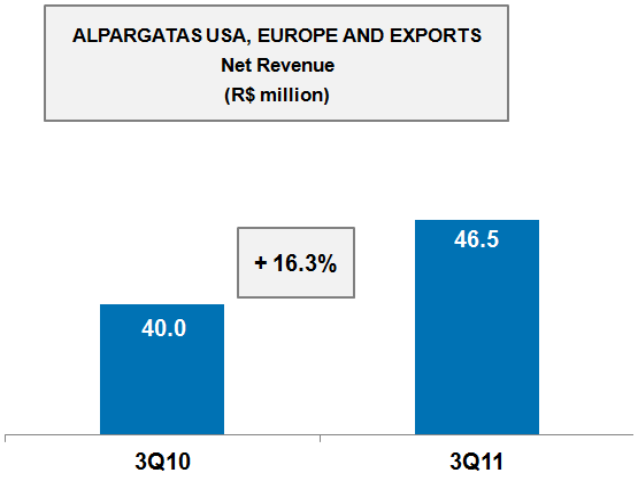


3.2. Alpargatas USA, Europe and Exports

3.2.1. Sales Volume and Net Revenue

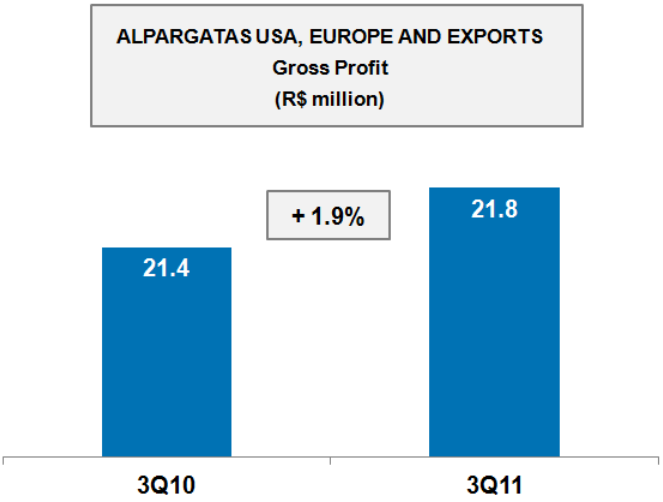
In 3Q11, Alpargatas USA and Alpargatas Europe sold 6.1 million units of sandals and footwear, apparel and accessories exported directly from Brazil. Sales in Europe and the United States grew 26% over year-on-year. The strength of Havaianas drove volume growth in these markets in a quarter with strong seasonality (fall/winter). Net revenue totaled R$46.5 million, up 16.3% over 3Q10. In 9M11, sales volume totaled 22 million units, up 8.4% over 9M10. Net revenue totaled R$198.5 million, up 16% over the same period. In the United States, the Havaianas "shop in shop" operation was launched in department store Bloomingdale', allowing consumers to customize their sandals. In Europe, the Havaianas stores opened in London, Paris and Rome performed very well. Make Your Own Havaianas (MYOH) events were held at a variety of points of sale, driving increases in sandal sales on the continent.





3.2.2. Gross Income

Gross income totaled R$21.8 million, up 1.9% over 3Q10. As the cost of goods sold by foreign subsidiaries increased above revenue, gross margin increase 3Q10 over 6.6 percentage points to 46.8%. In 9M11, the gross income of R$112.5 million was 7% higher than that of 9M10, but margin fell 4.7 percentage points to 56.7%.



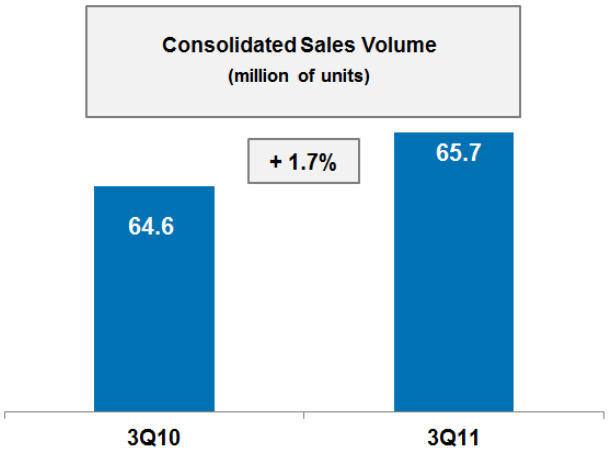
3.2.3. EBITDA

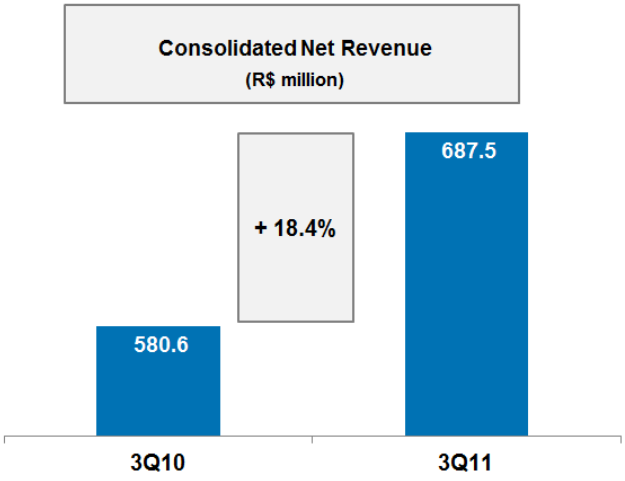
The arrival of fall/winter in Europe and the United States impacts the third and fourth quarters EBITDA of these operations. In 3Q11, the EBITDA was negative R$10.4 million, as compared to negative R$5.8 million in 3Q10. Volume, price and product mix contributed to R$0.7 million to EBITDA. Strategic investments in Havaianas communication consumed R$3.3 million more in resources. Operating expenses increased by R$2.1 million. In 9M11, EBITDA reached R$12.4 million, practically stable year-on-year, with margin at 6.3%, as compared to 9M10's 7.3%.

4.0. CONSOLIDATED PERFORMANCE

4.1. Sales Volume and Net Revenue

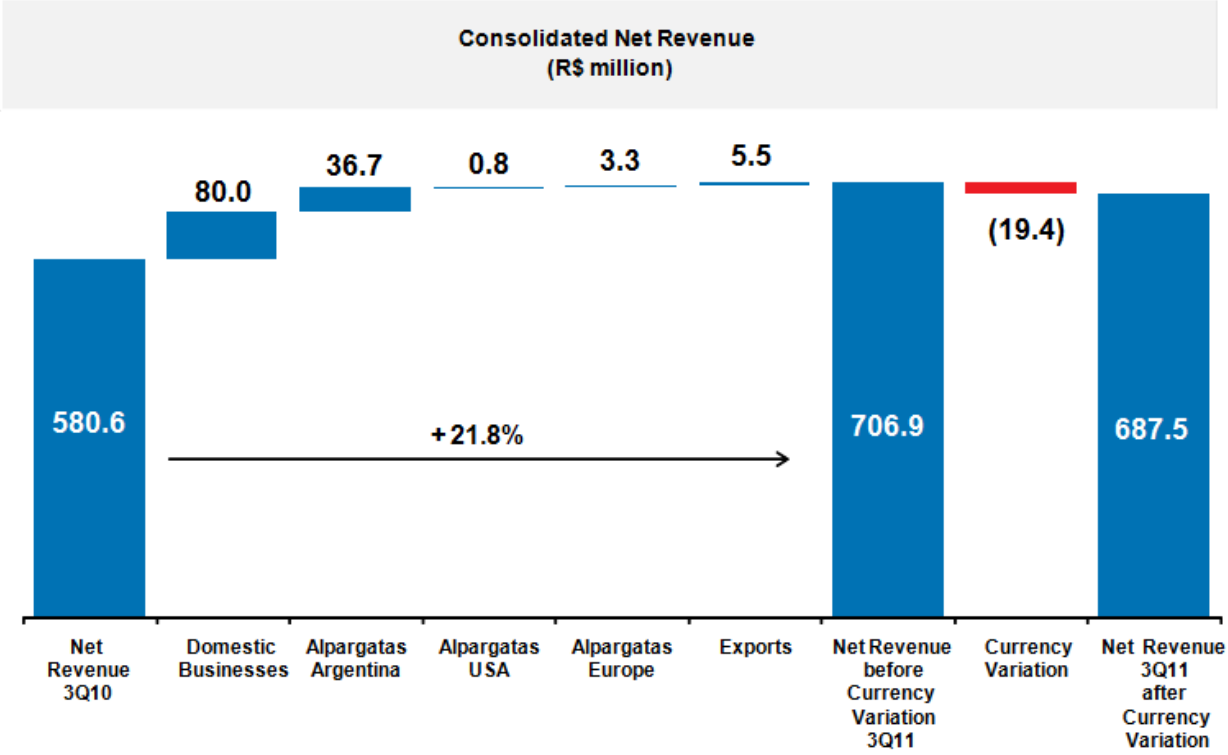
Consolidated sales totaled 65.7 million units, up 1.7% year-on-year. Consolidated net revenue grew 18.4%, the greatest increase in the last four quarters, to R$687.5 million. Of this total, 75% was generated in Brazil and 25%, abroad. In 9M11, the consolidated sales volume reached 184.5 million units of footwear, apparel and accessories, a 4.1% increase over 9M10, while net revenue was up 16.4% over 9M10 to R$1.9 billion.





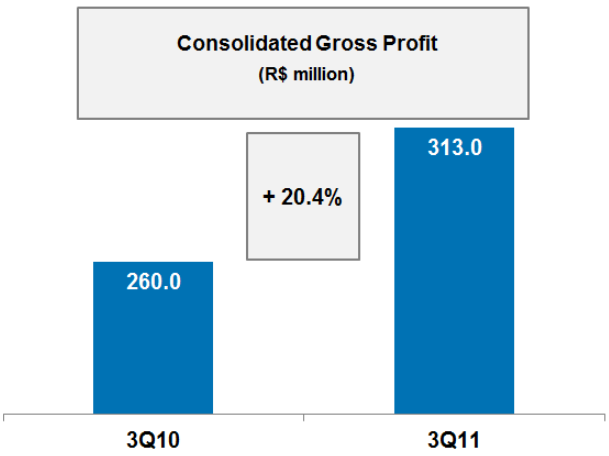


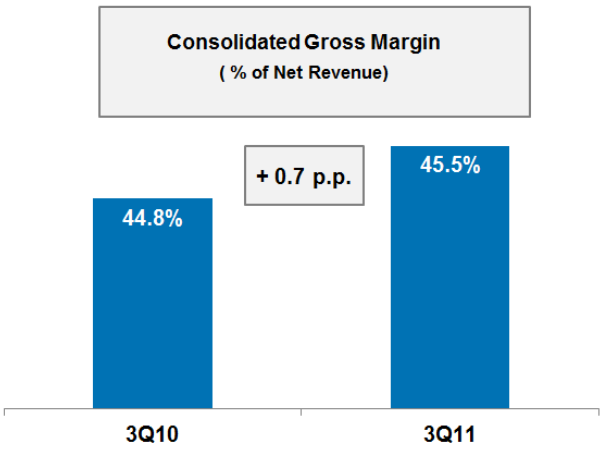
Excluding the impact of foreign exchange from the Brazilian real's appreciation against foreign currencies composing international revenues, consolidated net revenue increased 21.8%, as shown in the graph below.



4.2. Gross Income

Increased revenues and the focus on managing manufacturing costs were responsible for the 20.4% rise in consolidated gross income, which totaled R$313 million in 3Q11. Margin was up 0.7 percentage point year-on-year to 45.5% despite the greater volatility in commodities prices, particularly rubber and cotton. In 9M11, the consolidated gross income of R$857.2 million was 14.7% higher than 9M10 while margin was down 0.7 percentage point, to 45.4%.

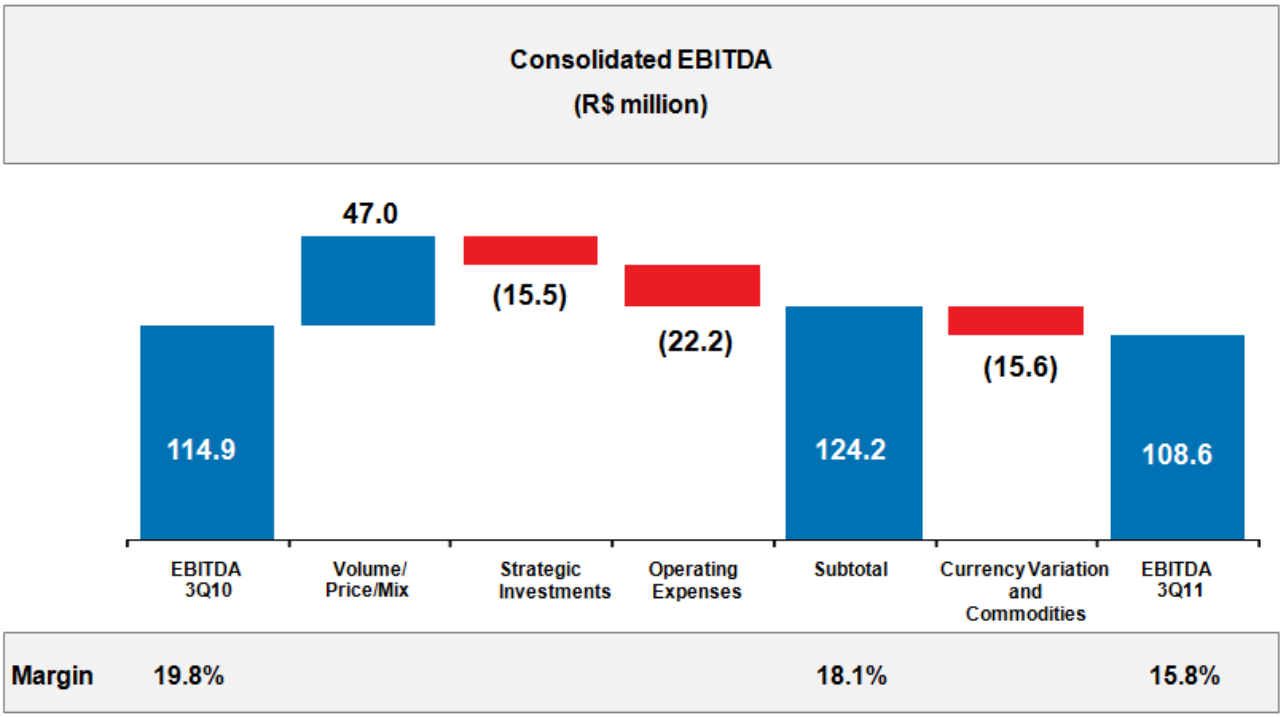






4.3. EBITDA

Consolidated EBITDA totaled R$108.6 million in 3Q11, which is 95% of the 3Q10 figure, and margin fell 4 percentage points, to 15.8%. Excluding the R$15.6 million primarily composed of higher rubber and cotton prices, EBITDA reached R$124.2 million, up 8.1% with margin at 18.1%. Increased volume, higher sandal prices and a diversified sales mix contributed R$47 million to the EBITDA increase. In addition to commodities prices, the decline in EBITDA was driven by the additional R$15.5 million investment in brand communication in Brazil and abroad, necessary to increase revenues in the quarter, and a R$22.2 million increase in operating expenses, explained by the expansion of Alpargatas' domestic and international operations. The 9M11 EBITDA of R$316.9 million was 4.1% higher than in 9M10, although margin was down 2 percentage points, to 16.8%.



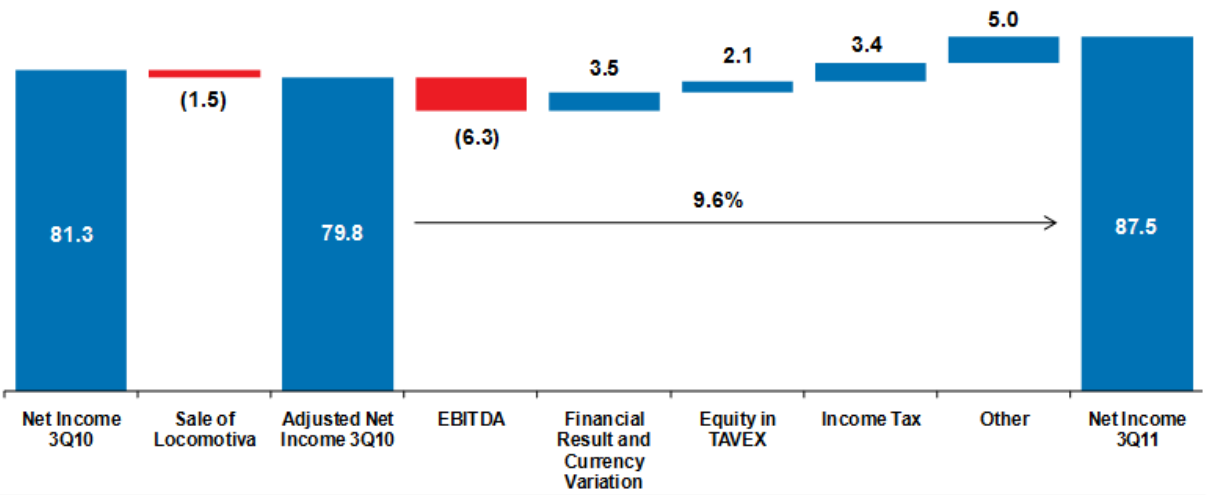
Consolidated EBITDA (R$ million)	3Q10	3Q11	9M10	9M11
Operating Income before Financial Result and Equity in Subsidiaries	94.0	91.4	260.6	263.0
(+) Depreciation and Amortization	12.8	13.3	40.3	39.4
(+/-) Other	8.1	3.9	3.5	14.5
EBITDA	114.9	108.6	304.4	316.9

"EBITDA should not be considered an alternative to net income as an indicator of the operating performance or cash flow as an indicator of liquidity. EBITDA has no standard meaning, and Alpargatas' calculation of this figure may not be comparable to those of other companies. Even though EBITDA is not a measure of cash flow, the Management uses it as a measure of the Company's operating performance."

4.4. Net Income

In 3Q11, Alpargatas posted net income of R$87.9 million, R$87.5 million of which is attributable to Alpargatas S.A.'s shareholders. Net income was up 7.6% year-on-year, or 9.6% when the R$1.5 million from the sale of Locomotiva are excluded. Net margin was 12.7%. Even with higher strategic and operating expenditures, driven by the Company's expansion, 3Q11 net income is a reflection of Alpargatas' ability to continually deliver positive results to its shareholders. In 9M11, net income attributable to shareholders totaled R$248.6 million (with margin at 13.2%), up 6.4% over 9M10. Income per share reached R$0.71, as compared to R$0.68 in 2010.

Consolidated Net Income (R$ million)



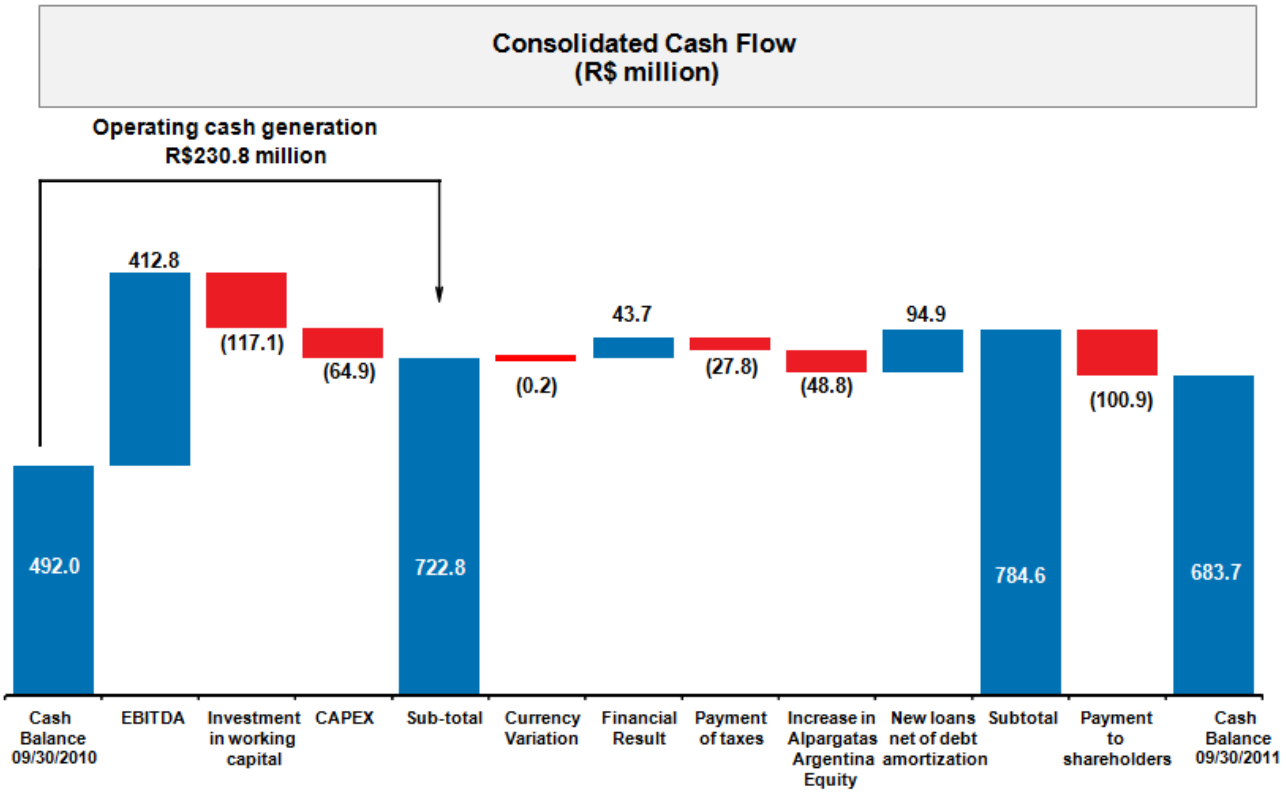
Margin	14.0%	13.7%	12.7%

4.5. Cash Conversion Cycle (CCC)

In the 12-month period ended September 30, 2011, the CCC was extended by 16 days, mainly due to the 19-day increase in inventories. Inventory values were impacted by higher commodities prices and the inventories of the international operations, which have a longer storage time.

4.6. Cash Flow

On September 30, 2011, Alpargatas had a total cash balance of R$683.7 million, up R$191.7 million over the balance on the same date of the previous year. Operating cash flow reached R$230.8 million. The increased cash flow in the 12 months ended September 30, 2011 was driven by EBITDA, at R$412.8 million. The largest outlays were: (i) R$117.1 million in working capital to support businesses growth; (ii) CAPEX of R$64.9 million; (iii) R$48.8 million to increase the Company's stake in Alpargatas Argentina to 91.5%; and (iv) R$100.9 million in interest on equity payment.



4.7. Debt

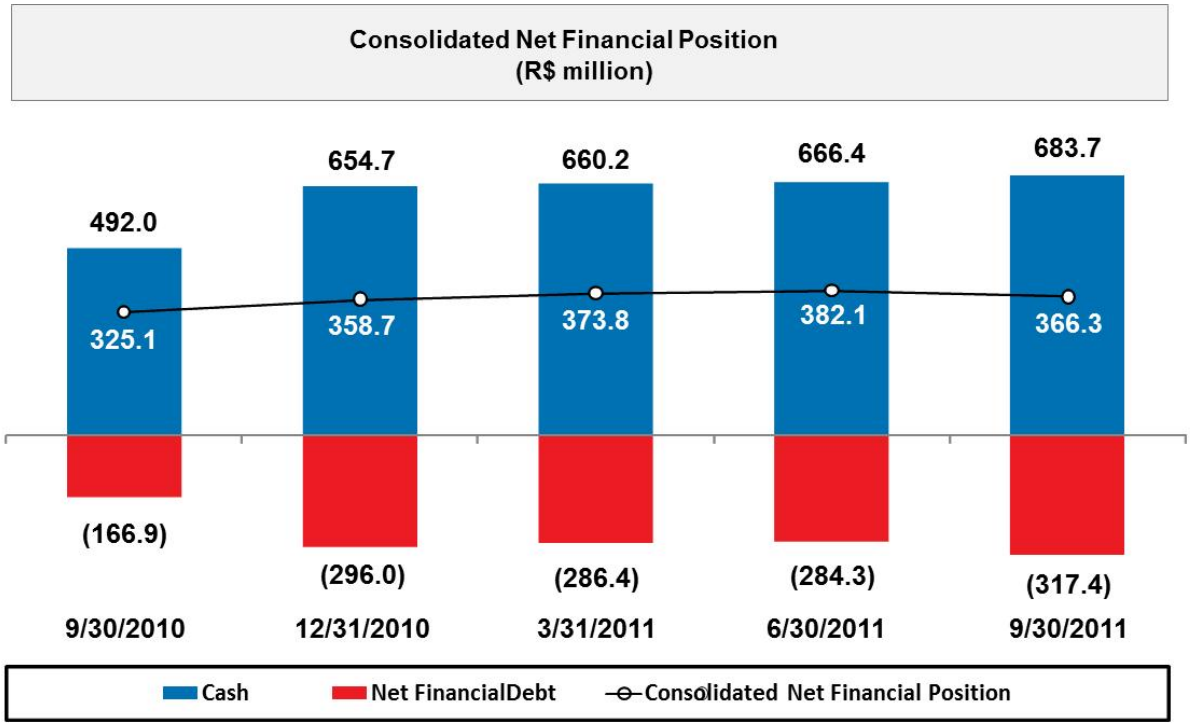
On September 30, 2011, consolidated financial debt totaled R$317.4 million, with R$209.8 million denominated in Brazilian reais and R$107.6 million in foreign currencies, as follows:

- R$255.7 million (80% of the total) maturing in the short-term, R$150.9 million of which is denominated in domestic currency. The largest amount (R$110.9 million) refers to the BNDES-EXIM Pre-shipment financing line. Short-term debt in foreign currency equals R$104.7 million to finance the working capital of foreign subsidiaries, and may be renewed upon its maturity.
- R$61.7 million (20% of the total) in long-term debt, R$58.9 million of which is denominated in domestic currency and R$2.8 million, in foreign currencies, with the following amortization schedule:

- 2012: R$7.8 million;
- 2013: R$19.4 million;
- 2014: R$15.3 million;
- 2015: R$15.3 million; and
- 2016 to 2019: R$3.9 million.

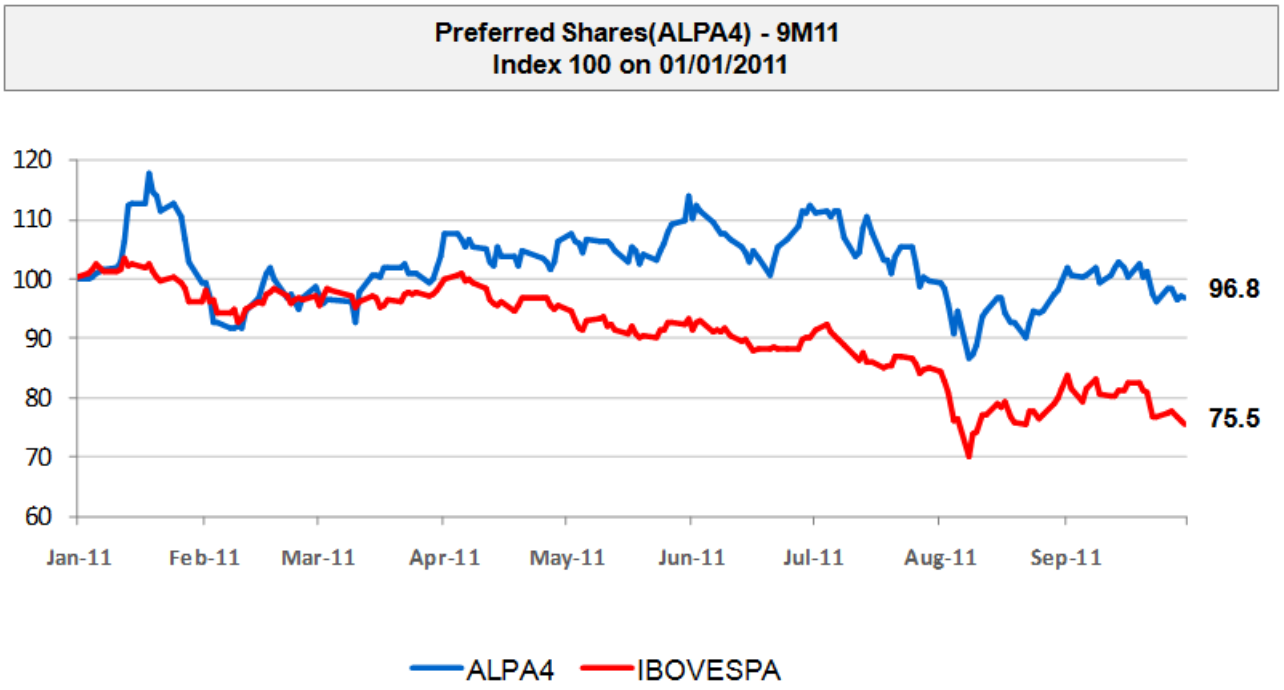
4.8. Net Financial Position

The increased cash flow resulted in a positive net financial position of R$366.3 million on September 30, 2011, consolidating Alpargatas' financial solidity. The higher debt at the close of 2010 reflects the BNDES-EXIM Pre-shipment financing line to fund exports, totaling R$110.9 million. Cash, consolidated financial debt and the net financial position in recent quarters are shown below:



5.0. CAPITAL MARKET

On September 30, 2011, the preferred shares (ALPA4) were quoted at R$10.44, down 3.2% from the January 1, 2011 quote, and the common shares (ALPA3) were worth R$11.30, up 8.7% from the start of the year. The Ibovespa fell 24.5% from January to September. More active communication with capital markets and greater proximity to investors, through visits to its offices in Brazil, the United States and the United Kingdom, are contributing to the positive market performance of Alpargatas' shares during a year of extreme volatility in the global stock markets. On September 30, 2011 the Company's market capitalization on the BM&FBovespa was R$3.9 billion, up from R$3.7 billion on the same date last year. 42% of the total equity was in free float. In a meeting on November 11, 2011, the Board of Directors approved the prepayment of R$18.5 million in interest on equity, which, added to the R$60.1 million already distributed this year, totals R$78.6 million for 2011. In September, Banco J.Safra revised its estimates, maintaining a buy recommendation for the Company's preferred shares and increasing the year-end target price for ALPA4 to R$18.02. Bradesco Corretora also increased the year-end target price of ALPA4 to R$17.60 and classified Alpargatas as a top pick in the consumer goods sector in its August report.



6.0. HUMAN RESOURCES

In September, Alpargatas established an action plan prioritizing the requirements of its factories to meet the key demands identified in the Organizational Climate Survey. The plan included initiatives based on the employees' suggestions. Some have already been adopted, such improvements to factory restaurants. Reinforcing talent management, the Company continued its management cycle, evaluating the potential and performance of 300 leaders based on the Ninebox model, and began Individual Development Plans based on the results of this assessment. Alpargatas continued investing to develop employee skills. In the quarter, the Employee Training Program was expanded with new tactical and operating training modules for Supervisors and Leaders. The highlights of 3Q11 at the Alpargatas Institute were the conclusion of two Topper Development Trail workshops, a part of Topper's Education from Sport Program structuring training of physical education teachers. The Company also won the 2nd Paraíba Abraça ODM (Millenium Development Goals) award for its commitment to and work towards the milennium's education goals.

7.0. RECOGNITION

Alpargatas was recognized as one of the five most transparent publicly-traded companies with annual sales of up to R$8 billion by the National Association of Finance, Management and Accounting Executives (ANEFAC), the Financial, Accounting and Actuarial Research Foundation (FIPECAFI) and Serasa Experian, who awarded the Company with the 2011 Transparency Trophy. This was the 15th edition of the award for companies publishing the best financial statements in the country.

8.0. SERVICES PROVIDED BY INDEPENDENT AUDITORS

In compliance with CVM Instruction 381/03, Alpargatas S.A. informs that, in 3Q11, it did not contract other services from Deloitte Touche Tohmatsu other than those related to audit of its financial statements.

9.0. STATEMENT OF THE BOARD

In compliance with article 25, paragraph 1, item 5, of CVM Instruction 480/09, the Board of Directors declares that reviewed, discussed and approved Alpargatas' interim financial statements for 3Q11 based on the review report of the independent auditors.

10.0. PROSPECTS

Alpargatas' performance prospects for the end of 2011 remain positive. In the fourth quarter, the demand for the Company's products continues to exceed sales estimates, indicating a period of increased volume and revenue. As mentioned previously, the average rubber price in U.S. dollars decreased 17% in November as compared to September, and the Company expects this trend to continue through the end of the year. Despite this downward trend, Alpargatas will continue to prioritize the initiatives that have helped minimize the impact of raw materials on its results, such as price management, strategic inventory, reduced production costs and cost control.

São Paulo, November 11, 2011.
Board of Directors