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

São Paulo Alpargatas S.A.

Individual and Consolidated Interim Financial Information for the Quarter Ended March 31, 2011 and Report on Review of Interim Financial Information

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of São Paulo Alpargatas S.A. (the "Company"), included in the Interim Financial Information Form (ITR) for the quarter ended March 31, 2011, which comprises the balance sheet and the related income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the three-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 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 the Brazilian and international standards on review of interim financial information (NBC TR 2410 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 the 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 accompanying 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 the 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 accompanying 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 the 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 three-month period ended March 31, 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 IFRS that does 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 to the individual and consolidated interim financial information taken as a whole.

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

São Paulo, May 13, 2011

Deloitte Touche Tohmatsu
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)

SÃO PAULO ALPARGATAS S.A.

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

ASSETS	Note	Parent (BR GAAP) 03/31/2011	Parent (BR GAAP) 12/31/2010	Consolidated (BR GAAP and IFRS) 03/31/2011	Consolidated (BR GAAP and IFRS) 12/31/2010
CURRENT ASSETS					
Cash and cash equivalents	8	340,495	454,094	370,608	482,488
Short-term investments	8	289,582	172,177	289,582	172,177
Trade accounts receivable	9	390,816	403,494	467,283	465,433
Inventories	10	177,672	160,971	293,719	272,978
Recoverable taxes	11	15,871	13,451	30,840	24,685
Prepaid expenses		22,001	3,187	24,856	5,783
Noncurrent assets held for sale and discontinued operations		-	-	-	-
Other receivables		28,726	25,034	55,702	50,247
Total current assets		1,265,163	1,232,408	1,532,590	1,473,791
NONCURRENT ASSETS					
Recoverable taxes	11	3,596	3,795	18,549	19,028
Judicial deposits	13	13,268	11,967	14,245	12,919
Deferred income tax and social contribution	12.a)	45,816	43,005	89,910	88,797
Related parties	21	-	-	-	-
Other receivables		37,748	37,165	38,315	37,641
Investments:					
Subsidiaries and associates	14	341,193	324,683	75,874	77,143
Others		195	195	195	195
Property, plant and equipment	15	171,581	171,606	296,467	301,520
Intangible assets	15	101,591	102,974	261,004	262,454
Total noncurrent assets		714,988	695,390	794,559	799,697
TOTAL ASSETS		1,980,151	1,927,798	2,327,149	2,273,488

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Parent (BR GAAP) 03/31/2011	Parent (BR GAAP) 12/31/2010	Consolidated (BR GAAP and IFRS) 03/31/2011	Consolidated (BR GAAP and IFRS) 12/31/2010
CURRENT LIABILITIES					
Trade accounts payable	16	147,374	158,375	202,172	212,777
Loans and financing	17	143,458	150,770	220,829	226,371
Debt restructuring agreements	18	-	-	12,855	13,367
Salaries and related taxes		74,207	61,854	101,861	88,021
Accrual for tax, civil and labor risks	22	4,782	4,859	8,543	8,847
Interest on capital and dividends		17,807	495	17,807	495
Taxes and contributions	19	10,531	13,756	20,920	23,135
Provision for income tax and social contribution		-	-	8,478	5,494
Provisions and other liabilities	20	22,010	31,819	36,252	44,267
Total current liabilities		420,169	421,928	629,717	622,774
NONCURRENT LIABILITIES					
Loans and financing	17	65,224	69,031	65,606	69,589
Debt restructuring agreements	18	-	-	59,655	63,403
Deferred income tax and social contribution	12.a)	39,378	38,466	76,355	77,830
Accrual for tax, civil and labor risks	22	22,701	22,193	30,951	30,784
Taxes with suspended payment and others	23	56,975	51,200	60,243	55,415
Related parties	21	8,832	9,475	-	-
Other payables		5,827	5,030	6,324	5,620
Total noncurrent liabilities		198,937	195,395	299,134	302,641
SHAREHOLDERS' EQUITY					
Capital		441,171	441,171	441,171	441,171
Capital reserve	24.a)	164,556	170,723	164,556	170,723
Additional paid-in capital		3,389	3,072	3,389	3,072
Earnings reserves		826,905	757,956	826,905	757,956
Other comprehensive loss		(36,553)	(33,165)	(36,553)	(33,165)
Treasury shares		(38,423)	(29,282)	(38,423)	(29,282)
Shareholders' equity attributable to controlling shareholders		1,361,045	1,310,475	1,361,045	1,310,475
Noncontrolling interest in subsidiaries' shareholders' equity		-	-	37,253	37,598
Total shareholders' equity		1,361,045	1,310,475	1,398,298	1,348,073
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,980,151	1,927,798	2,327,149	2,273,488

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

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

SÃO PAULO ALPARGATAS S.A.

STATEMENTS OF INCOME
FOR THE QUARTERS ENDED MARCH 31, 2011 AND 2010
(In thousands of Brazilian reais - R$, except earnings per share)

	Note	Parent (BR GAAP)		Consolidated (BR GAAP and IFRS)	
		03/31/2011	03/31/2010	03/31/2011	03/31/2010
CONTINUING OPERATIONS					
Net sales	26	420,048	362,754	586,701	499,578
Cost of sales	27	(217,926)	(182,296)	(314,640)	(258,176)
GROSS PROFIT		202,122	180,458	272,061	241,402
OPERATING INCOME (EXPENSES)					
Selling	27	(101,490)	(85,484)	(136,999)	(117,256)
General and administrative	27	(27,038)	(26,780)	(31,506)	(31,951)
Management fees		-	-	-	-
Equity in subsidiaries	14	18,700	11,391	(1,297)	(2,886)
Amortization of intangible assets	15	(4,038)	(3,939)	(4,368)	(4,292)
Other operating expenses, net	32	(9,121)	(5,919)	(9,508)	(6,317)
		(122,987)	(110,731)	(183,678)	(162,702)
OPERATING INCOME BEFORE FINANCIAL INCOME (EXPENSES)		79,135	69,727	88,383	78,700
Financial income	30	18,315	7,485	18,817	8,137
Financial expenses	30	(6,002)	(3,624)	(11,965)	(9,886)
Exchange rate variation, net	31	387	(608)	1,716	(1,353)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		91,835	72,980	96,951	75,598
Current income tax and social contribution	12.b)	(6,987)	(6,698)	(10,689)	(9,689)
Deferred income tax and social contribution	12.b)	2,403	598	2,241	1,442
NET INCOME FOR THE QUARTER FROM CONTINUING OPERATIONS		87,251	66,880	88,503	67,351
NET INCOME FOR THE QUARTER FROM DISCONTINUED OPERATIONS	36	-	2,881	-	2,881
NET INCOME FOR THE QUARTER		87,251	69,761	88,503	70,232
NET INCOME FOR THE QUARTER ATTRIBUTABLE TO THE					
Controlling shareholders		306,341	125,872	87,251	69,761
Noncontrolling shareholders		-	-	1,252	471
EARNINGS PER SHARE					
Basic per share (ON) - R$	37	0.2389	0.1911	0.2389	0.1911
Diluted per share (ON) - R$	37	0.2389	0.1911	0.2389	0.1911
Basic per share (PN) - R$	37	0.2630	0.2103	0.2630	0.2103
Diluted per share (PN) - R$	37	0.2553	0.2040	0.2553	0.2040

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

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

SÃO PAULO ALPARGATAS S.A.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTERS ENDED MARCH 31, 2011 AND 2010
(In thousands of Brazilian reais - R$)

	Note	Parent (BR GAAP)		Consolidated (BR GAAP and IFRS)	
		03/31/2011	03/31/2010	03/31/2011	03/31/2010
Net income for the quarter from continuing operations		87,251	66,880	88,503	67,351
Net income for the quarter from discontinued operations		-	2,881	-	2,881
NET INCOME FOR THE QUARTER		87,251	69,761	88,503	70,232
Other comprehensive loss-					
Losses on translation of financial statements of foreign subsidiaries	14	(2,190)	(867)	(2,190)	(867)
Total comprehensive income for the quarter		85,061	68,894	86,313	69,365
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER ATTRIBUTABLE TO:					
Controlling shareholders		85,061	68,894	85,061	68,894
Noncontrolling shareholders		-	-	1,252	471

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

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

SÃO PAULO ALPARGATAS S.A.

STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED MARCH 31, 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 income (loss)	Treasury shares	Proposed additional dividends	Retained earnings	Shareholders' equity attributable to controlling shareholders'	Noncontrolling interest in subsidiaries' shareholders' equity	Total shareholders' equity
			Goodwill (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 (CPC) issued in 2009		-	-	-	-	-	-	-		52,466	-	-	(6,850)	45,616	24,438	70,054
Absorption of loss from the first-time adoption of new accounting practices		-	-	-	-	-	-	-	(6,850)	-	-		6,850	-	-	-
OPENING BALANCES AS OF JANUARY 1, 2009 (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
Acquisition of shares to be held in treasury		-	-	-	-	-	-	-	-	-	(17,273)	-	-	(17,273)	-	(17,273)
Disposal of treasury shares due to the exercise of stock options	24.d)	-	(6,167)	-	-	-	-	-	-	-	8,132	-	-	1,965	-	1,965
Grant of stock options		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise of stock options		-	-	-	-	317	-	-	-	-	-	-		317	-	317
Cumulative adjustments from the translation of the financial statements of foreign subsidiaries and associate	14	-	-	-	-	-	-	-	-	(2,190)	-	-	-	(2,190)	(1,597)	(3,787)
Acquisition of noncontrolling interest in subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Negative goodwill on the acquisition of noncontrolling interest in subsidiary		-	-	-	-	-	-	-		-	-	-	-	-	-	-
Realization of other comprehensive income (loss) (valuation adjustments to equity of subsidiary and associate)		-	-	-	-	-	-	-	-	(1,198)	-	-	1,198	-	-	-
Net income for the quarter		-	-	-	-	-	-	-	-	-	-	-	87,251	87,251	1,252	88,503
Allocations of net income for the quarter:																
Recognition of reserves-																
Tax incentives	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-	68,949	-	-	-	(68,949)	-	-	-
Payment of interest on capital - R$0.18 per share	24.c)	-	-	-	-	-	-	-	-	-	-	-	(19,500)	(19,500)	-	(19,500)
Dividends declared on March 18, 2011 - R$0.07 per share		-	-	-	-	-	-	-	-	-	-		-	-	-	-
														-		
BALANCES AS OF MARCH 31, 2011		441,171	(13,183)	169,241	8,498	3,389	49,676	333,000	420,079	(36,553)	(38,423)	24,150	-	1,361,045	37,253	1,398,298

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

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

SÃO PAULO ALPARGATAS S.A.

STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2011 AND 2010
(In thousands of Brazilian reais - R$)

	Note	Parent (BR GAAP)		Consolidated (BR GAAP and IFRS)	
		03/31/2011	03/31/2010	03/31/2011	03/31/2010
CASH FLOW FROM OPERATING ACTIVITIES					
Net income for the quarter from continuing operations		87,251	66,880	88,503	67,351
Adjustments to reconcile net income for the quarter from continuing operations to cash provided by operating activities:					
Net income for the quarter from discontinued operations	36	-	2,881	-	2,881
Depreciation and amortization	15	8,720	9,913	12,649	14,084
Loss on the sale/write-off of property, plant and equipment items		119	336	393	421
Allowance for impairment losses on property, plant and equipment		-	-	-	-
Income from the sale of assets held for sale		-	-	-	-
Equity in subsidiaries	14	(18,700)	(11,391)	1,297	2,886
Interest, monetary restatements and exchange rate changes		(6,725)	3,053	(3,570)	7,854
Accrual for tax, civil and labor risks	22	2,336	4,297	2,421	4,680
Deferred income tax and social contribution	12.b)	(2,403)	(598)	(2,241)	(1,442)
Grant of shares	28	317	-	317	-
Provision for inventory losses	10	1,262	2	1,094	346
Allowance for doubtful accounts	9.c)	(823)	2,866	(705)	3,068
		71,354	78,239	100,158	102,129
Decrease (increase) in assets:					
Trade accounts receivable		13,501	36,488	(2,988)	25,600
Inventories		(17,964)	(9,014)	(25,377)	(3,332)
Prepaid expenses		(18,814)	(8,284)	(19,107)	(8,050)
Recoverable taxes		(2,220)	8,505	(6,194)	8,406
Increase (decrease) in liabilities:					
Trade accounts payable		(11,001)	12,661	(9,263)	16,218
Taxes payable		7,113	(381)	10,683	1,647
Salaries and related taxes		12,354	11,809	14,615	12,392
Related parties		(643)	-	-	-
Others		(16,492)	6,963	(16,734)	(16,353)
Other cash flows from operating activities:					
Payment of income tax and social contribution		(5,673)	(862)	(6,624)	(2,916)
Payment of interest on loans and financing		(3,705)	(2,228)	(4,387)	(2,939)
Net cash provided by operating activities		27,810	133,896	34,782	132,802
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of noncontrolling interest	14	-	(11,292)	-	-
Acquisition of property, plant and equipment and intangible assets	15	(7,431)	(4,268)	(10,574)	(8,279)
Short-term investments		(105,374)	-	(105,374)	-
Net cash used in investing activities		(112,805)	(15,560)	(115,948)	(8,279)
CASH FLOW FROM FINANCING ACTIVITIES					
Borrowings and financing		15,363	1,908	42,717	25,779
Repayment of borrowings and financing - principal		(26,471)	(24,248)	(51,586)	(46,604)
Acquisition of shares to be held in treasury, net of disposals		(15,308)	-	(15,308)	-
Payment of interest on capital		(2,188)	(1,710)	(2,188)	(1,710)
Amortization of debt restructuring agreements of subsidiary		-	-	(3,735)	(2,480)
Net cash used in financing activities		(28,604)	(24,050)	(30,100)	(25,015)
Effect of exchange rate on cash and cash equivalents		-	-	(614)	(309)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(113,599)	94,286	(111,880)	99,199
Cash and cash equivalents at beginning of the quarter		454,094	267,155	482,488	306,590
Cash and cash equivalents at end of the Qyarter		340,495	361,441	370,608	405,789
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(113,599)	94,286	(111,880)	99,199

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

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

SÃO PAULO ALPARGATAS S.A.

STATEMENTS OF VALUE ADDED
FOR THE QUARTERS ENDED MARCH 31, 2011 AND 2010
(In thousands of Brazilian reais - R$)

	Note	Parent (BR GAAP) 03/31/2011	Parent (BR GAAP) 03/31/2010	Consolidated (BR GAAP and IFRS) 03/31/2011	Consolidated (BR GAAP and IFRS) 03/31/2010
REVENUES		491,158	417,336	684,288	608,210
Sale of goods and products		488,828	419,534	681,934	610,422
Allowance for doubtful accounts	9.c)	823	(2,866)	705	(3,068)
Other revenues		1,507	668	1,649	856
INPUTS PURCHASED FROM THIRD PARTIES		(285,910)	(235,369)	(373,162)	(346,904)
Cost of sales		(161,662)	(134,244)	(224,244)	(209,926)
Materials, electric power, outside services and others		(121,296)	(98,728)	(145,966)	(131,953)
Losses/recovery of assets		(2,101)	(1,894)	(2,101)	(1,968)
Others		(851)	(503)	(851)	(3,057)
		205,248	181,967	311,126	261,306
RETENTIONS		(8,720)	(9,913)	(12,649)	(14,084)
Depreciation and amortization	15	(8,720)	(9,913)	(12,649)	(14,084)
VALUE ADDED CREATED BY THE COMPANY		196,528	172,054	298,477	247,222
VALUE ADDED RECEIVED IN TRANSFER		37,128	21,824	17,637	5,521
Equity in subsidiaries	14	18,700	11,391	(1,297)	(2,886)
Income from discontinued operation	36	-	2,881	-	2,881
Financial income - includes exchange rate changes		18,315	7,485	18,817	8,137
Others		113	67	117	(2,611)
VALUE ADDED FOR DISTRIBUTION		233,656	193,878	316,114	252,743
VALUE ADDED FOR DISTRIBUTION		233,656	193,878	316,114	252,743
Salaries and related taxes		73,273	64,839	111,521	88,362
Taxes, fees and contributions		58,165	48,604	96,601	76,358
Financial expenses and rents		14,967	10,674	19,489	17,791
Interest on capital	24.c)	19,500	12,012	19,500	12,012
Retained earnings from continuing operations		67,751	57,749	67,751	57,749
Noncontrolling interest in retained earnings		-	-	1,252	471

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

1. GENERAL INFORMATION

1.1. General considerations

São Paulo 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 symbol "ALPA4" and "ALPA3".

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

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 the 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 (three pesos and forty cents) per share. This takeover bid was held exclusively at "Bolsa de Comercio de Buenos Aires", Argentina, and was completed on March 12, 2010, upon the acquisition of 7,265,327 shares, at the price of AR$3.40 (three pesos and forty cents) per share. 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 total capital of Alpargatas S.A.I.C. - Argentina.

In June 2010, the Company acquired 257,290 shares at AR$3.33 (three pesos and thirty--three cents) each. These shares, together with the 49,312,481 shares already held, granted the Company a total of 49,569,771 shares, representing 70.69% of the total capital of Alpargatas S.A.I.C. - Argentina, held by the Company as of December 31, 2010.

Also, in April 2011 the Company acquired 11,483,857 shares, at the price of US$2.15 (two U.S. dollars and fifteen cents) per share. These shares, together with the 49,569,771 shares already held, grant the Company a total of 61,053,628 shares, representing 87.07% of the total capital of Alpargatas S.A.I.C. - Argentina.

1.3. Discontinued operation

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 (ITR) form for the quarter ended March 31, 2011, comprise:

- The consolidated interim financial statements prepared in accordance with the International Financial Reporting Standards - IFRS, 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 and Exchange 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.

As there is no difference between the consolidated shareholders' equity and the consolidated net income attributable to the owners of the Company, disclosed in the consolidated interim financial statements prepared in accordance with IFRSs and the accounting practices adopted in Brazil, and the Company's shareholders' equity and net income, disclosed in the individual interim financial statements prepared in accordance with accounting practices adopted in Brazil, the Company opted for presenting these individual and consolidated interim financial statements in a single set, side by side.

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 individual 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.

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, disclosed on March 18, 2011.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

In applying the accounting practices, 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 INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

The Accounting Pronouncements Committee ("CPC") has not yet issued the pronouncements and amendments related to the new and revised IFRSs presented above. Because of the CPC's and the CVM's commitment to keep the set of standards issued updated according to the changes made by the International Accounting Standards Board - 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.

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, disclosed on March 18, 2011.

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

	Interest and voting rights - %		
	03/31/2011	12/31/2010	03/31/2010
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	70.69	70.69	70.32
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
Indirect ownership interest (through Locomotiva Indústria e Comércio de Têxteis Industriais Ltda.):			
Locomotiva da Amazônia Indústria e Comércio de Têxteis Industriais Ltda.	-	-	100.00

- Locomotiva Indústria e Comércio de Têxteis Industriais Ltda. (discontinued operation - note 36): established in June 2008 to segregate the operations of the industrial textiles division, including the interest in the subsidiary Amapoly Indústria e Comércio Ltda. (changed its corporate name to Locomotiva da Amazônia Indústria e Comércio de Têxteis Industriais Ltda.). It was engaged in production of PVC and polyester laminates for use in the manufacture of tarpaulins, backlights, frontlights, banners, awnings and polyethylene laminates used in the manufacture of covers for agribusiness, home and leisure.

- 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.

- 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) (100% indirect interest, through holding company Alpargatas Internacional APS - Denmark): 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) (100% indirect interest, through holding company Alpargatas Internacional APS - Denmark): organized after the merger of Expasa Florida Inc. and engaged in the import and sale of footwear in the US 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 2010 products will be sold through a 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, 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 quarters ended March 31, 2011 and 2010 are as follows:

		Parent		Consolidated	
		03/31/2011	03/31/2010	03/31/2011	03/31/2010
ICMS incentive:					
Paraíba	(a)	31,905	28,331	31,905	28,331
Pernambuco	(b)	-	-	2,257	2,130
IRPJ incentives-					
Northeast Region	(c)	2,831	560	3,594	1,430
Total		34,736	28,891	37,756	31,891

(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 quarters ended on March 31, 2011 and 2010, there were no incentive installments to be recorded in the accounting books, resulting from obligations established by the regulation of the incentive plan, to be complied with by the Company. 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).

8. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

a) Cash and cash equivalents

	Parent		Consolidated	
	03/31/2011	12/31/2010	03/31/2011	12/31/2010
Cash and banks	1,646	7,381	18,715	31,552
Short-term investments:				
Bank deposit certificates - fixed and floating CDBs	128,642	133,878	131,186	133,878
Repurchase commitments	210,207	312,835	216,774	312,835
Other - Alpargatas S.A.I.C. - Argentina	-	-	3,665	3,408
Other - Alpargatas Europe - Spain	-	-	268	815
Total	340,495	454,094	370,608	482,488

As of March 31, 2011, CDB investments are distributed across several financial institutions at an average yield of 102.71% 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 101.57% of the CDI rate (101.55% as of December 31, 2010).

As of March 31, 2011, the redemption terms of CDBs and securities relating to repurchase commitments range between May 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 Company's treasury policy does not establish criteria to determine the breakdown of cash and cash equivalents; however, the accounting classification of these components used by the Management of the Company and its subsidiaries is described in note 3.c) to the annual financial statements for the year ended December 31, 2010.

b) Short-term investments

As of March 31, 2011 and December 31, 2010, short-term investments, Parent and Consolidated, refer to CDBs and Repurchase Commitments with average yield of 102.35% of CDI (107.99% as of December 31, 2010) broken down as follows:

	03/31/2011	12/31/2010
Bank deposit certificates - fixed and floating CDBs	170,082	77,549
Repurchase commitments	119,500	94,628
Total	289,582	172,177

Classified in current assets as they can be redeemed 180 days after the investment date and are stated separately from caption "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	
	03/31/2011	12/31/2010	03/31/2011	12/31/2010
Domestic market	356,931	385,834	377,151	405,391
Foreign market	19,195	16,760	107,630	78,412
Related parties (note 21.b)	26,953	13,986	-	-
Allowance for doubtful accounts	(12,263)	(13,086)	(17,498)	(18,370)
Total	390,816	403,494	467,283	465,433

Financial assets included in trade 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 is substantially denominated in U.S. dollars, euros and Argentinean pesos.

b) Aging list of trade accounts receivable

	Parent		Consolidated	
	03/31/2011	12/31/2010	03/31/2011	12/31/2010
Current	363,069	372,799	423,770	424,036
Past-due:				
Up to 30 days	11,761	15,980	21,868	22,426
From 31 to 90 days	5,787	5,603	11,439	8,770
Over 91 days	22,462	22,198	27,704	28,571
	403,079	416,580	484,781	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	(16)	(16)
Reversals and write-offs	839	888
Balances as of March 31, 2011	(12,263)	(17,498)

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

	03/31/2011	12/31/2010
Up to 30 days	142	74
Over 30 days	17,356	18,296
Total	17,498	18,370

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

Maximum exposure to credit risk at the interim financial statements 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 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	
	03/31/2011	12/31/2010	03/31/2011	12/31/2010
Finished products	111,279	96,359	181,149	164,429
Work in process	12,927	12,546	29,359	26,517
Raw materials	40,529	41,617	68,307	70,599
Imports in transit	17,466	14,957	18,087	14,957
Others	2,359	1,117	7,720	6,285
Allowance for inventory losses	(6,888)	(5,625)	(10,903)	(9,809)
Total	177,672	160,971	293,719	272,978

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

	Parent	Consolidated
Balances as of December 31, 2010	(5,625)	(9,809)
Additions	(1,393)	(1,356)
Reversals and write-offs	130	262
Balances as of March 31, 2011	(6,888)	(10,903)

11. RECOVERABLE TAXES

		Parent		Consolidated	
		03/31/2011	12/31/2010	03/31/2011	12/31/2010
Prepayments of income tax and social contribution		8,658	7,385	11,445	9,657
State VAT (ICMS)		4,552	3,241	4,702	3,389
Federal VAT (IPI)		97	87	97	87
Taxes on revenue (PIS and COFINS) to offset		1,092	1,086	1,426	1,418
Recoverable taxes - foreign subsidiaries	(a)	-	-	25,672	22,754
Recoverable import taxes		5,068	5,447	6,047	6,408
Total		19,467	17,246	49,389	43,713
Current portion		15,871	13,451	30,840	24,685
Noncurrent portion		3,596	3,795	18,549	19,028

(a) Refers to recoverable taxes of the subsidiaries Alpargatas S.A.I.C. - Argentina, totaling R$21,303 (R$20,696 as of December 31, 2010), and Alpargatas Chile, totaling R$536 (R$555 as of December 31, 2010), and R$3,833 (R$1,503 as of December 31, 2010), related to indirect subsidiaries located in Europe, whose investments are maintained through the holding company Alpargatas Internacional APS. Consists mainly of prepayment of income tax and taxes on value added amounts (IVA), which will be offset against the future operations of these subsidiaries.

12. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred

	Parent and Consolidated	
	03/31/2011	12/31/2010
Noncurrent assets:		
Allowance for doubtful accounts	4,169	4,449
Allowance for inventory losses	2,342	1,913
Accrual for tax, civil and labor risks	6,988	6,963
Reserve for suspended-payment taxes	17,004	15,844
Write-off of deferred charges	1,141	1,328
Other temporary differences	10,965	9,301
Tax loss carryforward	3,207	3,207
Total - Parent	45,816	43,005

		Parent and Consolidated	
		03/31/2011	12/31/2010
Subsidiaries:			
Alpargatas S.A.I.C. - Argentina:			
Provision for trust		11,681	13,516
Accrual for tax and labor risks		7,403	7,829
Other temporary differences		6,877	5,988
		25,961	27,333
Alpargatas Europe S.L.U. - Spain-			
Tax loss carryforwards	(d)	8,894	8,567
Alpargatas Chile		43	2,046
CBS S.A. - Companhia Brasileira de Sandálias:			
Temporary differences		1,876	1,970
Tax loss carryforwards (IRPJ and CSLL)	(d)	6,565	7,157
		8,441	9,127
Unrealized profits on inventories		755	765
(-) Provision for realization risk (Alpargatas Chile)		-	(2,046)
Total - Consolidated		89,910	88,797
Noncurrent liabilities:			
Tax loss carryforwards (IRPJ and CSLL)	(a)	35,196	34,849
Judicial deposits		(6,277)	(6,277)
Amortized goodwill on acquisition of subsidiaries	(b)	3,669	3,261
IRPJ - CSLL deduction from IRPJ tax base	(c)	3,987	3,830
Provision for IRPJ - other contingencies		2,803	2,803
Total - Parent		39,378	38,466
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		36,977	39,364
Total - Consolidated		76,355	77,830

(a) 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 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.

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

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.

The following steps of the tax debt installment plan include the consolidation of tax debts by the National Treasury Attorney General (PGFN) and the Federal Revenue Service; in this step, the Company must designate the debts to be paid in installments and the number of installments. This consolidation stage is estimated to take place by the end of 2011.

(b) 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. - Sociedade 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.

(c) IRPJ - CSLL deduction from IRPJ tax base

The Company filed a lawsuit claiming the deduction of social contribution from IRPJ tax base 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 base, and to accrue these amounts.

(d) Recognition of tax credit from subsidiaries

Alpargatas Europe S.L.U. - Spain

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. Up to December 31, 2009, this subsidiary 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 the subsidiary's technical feasibility study, which estimates 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 through 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.

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

	03/31/2011	12/31/2010
2011	18,101	19,235
2012	21,196	20,573
2013	21,196	20,573
2014 and thereafter	29,417	28,416
Total - Consolidated	89,910	88,797

Additionally, on March 31, 2011, the Company recorded unrecognized tax credits on tax loss carryforwards and temporary differences in the consolidated interim financial statements, 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 statements 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	30,808
Alpargatas France	612
Alpargatas UK	54
	31,474

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 interim period ended on March 31, 2011 are stated as follows:

	12/31/2010	(Charged) credited in the statement of income	Exchange rate change, charges and other changes	03/31/2011
Noncurrent assets:				
Parent:				
Allowance for doubtful accounts	4,449	(280)	-	4,169
Allowance for inventory losses	1,913	429	-	2,342
Accrual for tax, civil and labor risks	6,963	25	-	6,988
Reserve for suspended-payment taxes	15,844	1,160	-	17,004
Write-off of deferred charges	1,328	(187)	-	1,141
Other temporary differences	9,301	1,664	-	10,965
Tax loss carryforward	3,207	-	-	3,207
Total - Parent	43,005	2,811	-	45,816
Subsidiaries:				
Alpargatas S.A.I.C. - Argentina:				
Provision for trust	13,516	1,365	(470)	11,681
Accrual for tax and labor risks	7,829	153	(273)	7,403
Other temporary differences	5,988	(1,098)	(209)	6,877
	27,333	(420)	(952)	25,961
Alpargatas Europe S.L.U. - Spain	8,567	-	327	8,894
Alpargatas Chile	2,046	-	(2,003)	43
CBS S.A. -Companhia Brasileira de Sandálias:				
Temporary differences	1,970	(94)	-	1,876
Tax loss carryforwards (IRPJ and CSLL)	7,157	(592)	-	6,565
	9,127	(686)	-	8,441
Unrealized profits on inventories	765	(10)	-	755
(-) Provision for realization risk	(2,046)	-	2,046	-
Total - Consolidated	88,797	1,695	(582)	89,910
Noncurrent liabilities:				
Parent:				
Tax loss carryforwards (IRPJ and CSLL	34,849	-	347	35,196
Judicial deposits	(6,277)	-	-	(6,277)
Amortized goodwill on acquisition of subsidiaries	3,261	408	-	3,669
IRPJ - CSLL deduction from IRPJ tax base	3,830	-	157	3,987
Provision for IRPJ - other contingencies	2,803	-	-	2,803
Total - Parent	38,466	408	504	39,378

	12/31/2010	(Charged) credited in the statement of income	Exchange rate change, charges and other changes	03/31/2011
Subsidiary-				
Alpargatas S.A.I.C. - Argentina-				
Obligations negotiated and valuation of property, plant and equipment	39,364	(954)	(1,433)	36,977
Total - Consolidated	77,830	(546)	(929)	76,355
Total assets and liabilities, net - Parent		2,403		
Total assets and liabilities, net - Consolidated		2,241		

	12/31/2009	(Charged) credited in the Statement of income	Exchange rate change, charges and other changes	03/31/2010
Noncurrent assets:				
Parent:				
Allowance for doubtful accounts	4,143	974	-	5,117
Allowance for inventory losses	2,678	-	-	2,678
Accrual for tax, civil and labor risks	7,013	299	-	7,312
Reserve for suspended-payment taxes	11,296	977	-	12,273
Write-off of deferred charges	2,139	(204)	-	1,935
Other temporary differences	11,820	(1,042)	-	10,778
Tax loss carryforward	3,206	1	-	3,207
Total - Parent	42,295	1,005	-	43,300
Subsidiaries:				
Alpargatas S.A.I.C. - Argentina	1,472	254	5	1,731
Alpargatas Europe S.L.U. - Spain	9,404	-	(404)	9,000
Alpargatas Chile	1,213	-	4	1,217
CBS S.A. - Companhia Brasileira de Sandálias- Unrealized profits on inventories	1,322	250	-	1,572
Total - Consolidated	55,706	1,509	(395)	56,820

	12/31/2009	(Charged) credited in the Statement of income	Exchange rate change, charges and other changes	03/31/2010
Noncurrent liabilities:				
Parent:				
Tax loss carryforwards (IRPJ and CSLL)	33,736	-	165	33,901
Judicial deposits	(6,277)	-	-	(6,277)
Amortized goodwill on acquisition of subsidiaries	1,631	407	-	2,038
IRPJ - CSLL deduction from IRPJ tax base	2,164	-	(682)	1,482
Provision for IRPJ - other contingencies	2,803	-	-	2,803
Total - Parent	34,057	407	(517)	33,947
Subsidiary- Alpargatas S.A.I.C. - Argentina	15,023	(340)	68	14,751
Total - Consolidated	49,080	67	(449)	48,698
Total assets and liabilities, net - Parent		598		
Total assets and liabilities, net - Consolidated		1,442		

b) Current

Reconciliation of income tax and social contribution on net income:

	Parent		Consolidated	
	03/31/11	03/31/10	03/31/11	03/31/10
Income before income tax and social contribution	91,835	72,980	96,951	75,598
Combined IRPJ/CSLL tax rate	34%	34%	34%	34%
Income tax and social contribution expenses at statutory rate	(31,224)	(24,813)	(32,963)	(25,703)
Equity in subsidiaries	6,358	3,873	(441)	(981)
Interest on capital benefit	6,630	4,084	6,630	4,084
Tax effects from adopting the Transitional Tax Regime (RTT):				
Investment grant - ICMS	10,848	9,632	11,615	10,357
Stock option plan expenses	(108)	-	(108)	-
Federal government grant - IRPJ (note 7)	2,831	560	3,594	1,430
Use of Parent's unrecognized tax credit in prior years	-	-	3,429	1,754
Other permanent (additions) deductions, net	81	564	(204)	812
Income tax and social contribution expenses	(4,584)	(6,100)	(8,448)	(8,247)
Current	(6,987)	(6,698)	(10,689)	(9,689)
Deferred	2,403	598	2,241	1,442

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 March 31, 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	
	03/31/11	12/31/10	03/31/11	12/31/10
Tax lawsuits	6,804	6,096	6,804	6,823
Labor claims	6,464	5,871	7,441	6,096
	13,268	11,967	14,245	12,919

14. INVESTMENTS

Investments are as follows:

	Parent		Consolidated	
	03/31/2011	12/31/2010	03/31/2011	12/31/2010
Investments	191,063	174,553	75,874	77,143
Goodwill	150,130	150,130	-	-
	341,193	324,683	75,874	77,143

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Information as of March 31, 2011	Fibrasil Agríc. e Coml. Ltda.	Alpargatas Internacional APS	Alpargatas Imobiliária S.A.	CBS S.A. - Companhia Brasileira de Sandálias	Alpargatas S.A.I.C. - Argentina	Alpargatas Chile Ltda.	Total
Number of shares held	1,157,111	30,262,854	4,468,061	750,645	49,569,771	-	
Capital	1,157	70,450	8,766	20,848	28,189	8,331	
Shareholders' equity	2,104	42,833	23,318	34,889	126,617	(123)	
Profit from inventories	-	(1,464)	-	-	-	-	
		41,369					
Net income (loss) for the period	-	(8,784)	339	6,536	4,275	19	
Ownership interest (%)	100	100	100	100	70,69	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

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Information as of March 31, 2010	Fibrasil Agríc. e Coml. Ltda.	Alpargatas Internacional APS	Alpargatas Imobiliária S.A.	CBS S.A. - Companhia Brasileira de Sandálias	Alpargatas S.A.I.C. - Argentina	Alpargatas Chile Ltda.	Total
Number of shares held	1,157,111	30,004,124	5,585,855	750,645	49,312,484	-	
Capital	1,157	72,712	8,766	20,848	32,214	4,675	
Shareholders' equity	2,104	61,705	8,669	(3,309)	127,232	(2,385)	
Profit from inventories	-	(2,881)	-	-	-	(171)	
		58,824				(2,556)	
Net income (loss) for the period	-	4,112	(12)	8,304	1,400	(1,444)	
Ownership interest (%)	100	100	100	100	70,32	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

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As of March 31, 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 March 31, 2011	Alpargatas Europe S.L.U.	Alpargatas France S.A.R.L.	Alpargatas UK Limited	Alpargatas Italy Limited	Alpargatas Portugal Limited	Alpargatas USA Inc.	Tavex Algodonera S.A.	Total
Number of shares held	100,000	5,000	1	10,000	4,900	21,370,000	106,733,526	
Shareholders' equity (deficit)	(10,341)	(579)	82	78	16	(53,611)		
Net income (loss) for the period	10,366	22	32	28	5	(401)		
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

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Indirect investments through the holding company Alpargatas Internacional APS

Information as of March 31, 2010	Alpargatas Europe S.L.U.	Alpargatas France S.A.R.L.	Alpargatas UK Limited	Alpargatas Italy Limited	Alpargatas USA Inc.	Tavex Algodonera S.A.	Total
Number of shares held	3,600	5,000	100	1	10	21,683,180	
Shareholders' equity (deficit)	(13.970)	(1,484)	(576)	(786)	(43,110)	473,145	
Net income (loss) for the period	8,467	(740)	(543)	(844)	886	(15,444)	
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

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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, therefore exercising the control of its operations.

As part of the process for the 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 the 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 the acquisition of the 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.

Also, in April 2011 the Company acquired 11,483,857 shares, at the price of US$2.15 (two U.S. dollars and fifteen cents) per share. These shares, together with the 49,569,771 shares already held, grant the Company a total of 61,053,628 shares, representing 87.07% of the total capital of Alpargatas S.A.I.C. - Argentina. The amounts of investment and negative goodwill paid in this acquisition were broken down into R$20,242 and R$18,999, respectively.

15. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

a) Property, plant and equipment

	Parent						
	Annual weighted average depreciation rate (%)	03/31/2011			12/31/2010		
		Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	-	8,803	-	8,803	8,803	-	8,803
Buildings and construction	4	117,616	(55,340)	62,276	117,526	(54,520)	63,006
Machinery and equipment	8	192,726	(121,792)	70,934	190,288	(121,553)	68,735
Furniture and fixtures	10	20,458	(9,767)	10,691	19,895	(9,342)	10,553
Vehicles	15	3,071	(2,086)	985	3,071	(2,052)	1,019
Leasehold improvements	20	14,805	(7,755)	7,050	14,805	(7,290)	7,515
Projects in progress	-	10,749	-	10,749	11,879	-	11,879
Other fixed assets	-	545	(3)	542	545	-	545
Allowance for losses	-	(449)	-	(449)	(449)	-	(449)
Total		368,324	(196,743)	171,581	366,363	(194,757)	171,606

	Consolidated						
	Annual weighted average depreciation rate (%)	03/31/2011			12/31/2010		
		Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	-	14,144	-	14,144	14,338	-	14,338
Buildings and construction	4	264,315	(143,620)	120,695	269,756	(145,602)	124,154
Machinery and equipment	8	502,451	(377,912)	124,539	511,902	(386,951)	124,951
Furniture and fixtures	10	72,192	(57,632)	14,560	73,452	(58,546)	14,906
Vehicles	15	5,210	(3,980)	1,230	5,329	(4,029)	1,300
Leasehold improvements	20	18,057	(10,405)	7,652	18,472	(10,013)	8,459
Projects in progress	-	20,650	-	20,650	21,034	-	21,034
Other fixed assets	-	6,902	-	6,902	6,860	-	6,860
Allowance for losses	-	(13,905)	-	(13,905)	(14,482)	-	(14,482)
Total		890,016	(593,549)	296,467	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 March 31, 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	442
Buildings	6,862
IT equipment	1,377
Total	8,681

3) Impairment test

The Company and its subsidiaries tested property, plant and equipment for impairment at years ended 2010 and 2009, based on the discounted cash flow model for its cash-generating units. For 2009, subsidiary Alpargatas S.A.I.C. - Argentina recorded a provision for asset impairment of its textile division in the amount of R$18,148.

b) Intangible assets

	Parent						
	Annual amortization rate (%)	03/31/2011			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	10	111,748	(35,020)	76,728	97,090	(32,395)	64,695
Customer portfolio (a)	20	27,311	(10,857)	16,454	27,311	(9,446)	17,865
Projects in progress		4,109	-	4,109	16,114	-	16,114
With indefinite useful lives-							
Assignment of trade rights (c)	-	4,297	(194)	4,103	4,297	(194)	4,103
Total		165,314	(63,723)	101,591	162,661	(59,687)	102,974

	Consolidated						
	Annual amortization rate (%)	03/31/2011			12/31/2010		
		Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
With finite useful lives:							
Trademarks, rights and patents	10	31,366	(21,808)	9,558	31,077	(21,530)	9,547
ERP system	10	114,398	(37,748)	76,650	97,090	(32,395)	64,695
Customer portfolio (a)	20	27,311	(10,857)	16,454	27,311	(9,446)	17,865
Projects in progress		4,109	-	4,109	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)	-	4,297	(194)	4,103	4,297	(194)	4,103
Total		331,611	(70,607)	261,004	326,019	(63,565)	262,454

(a) Refers to amounts paid on the acquisition of customer 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 March 31, 2011, in view of indications that the Company will obtain the expected future benefits, based on the Company's Management 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, the 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 the 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 sales points 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 March 31, 2011, no allowance has been recognized regarding the amounts of these rights since there is no indication of impairment loss.

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

2011 (nine months)	15,854
2012	20,431
2013	20,397
2014 and thereafter	45,980
Total	102,662

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

Additional information on intangible assets

1) Product research and development expenses

	Consolidated	
	03/31/11	03/31/10
Research and development expenses of products recorded in income	3,066	1,936

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 March 31, 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	03/31/2011
Land	8,803	-	-	-	-	8,803
Buildings and construction	63,006	-	91	(821)	-	62,276
Machinery and equipment	68,735	-	5,225	(2,937)	(89)	70,934
Furniture and fixtures	10,553	-	562	(424)	-	10,691
Vehicles	1,019	-	1	(35)	-	985
Leasehold improvements	7,515	-	-	(465)	-	7,050
Projects in progress	11,879	5,021	(6,151)	-	-	10,749
Other fixed assets	545	-	(3)	-	-	542
Allowance for losses	(449)	-	-	-	-	(449)
Total	171,606	5,021	(275)	(4,682)	(89)	171,581

Intangible assets	Parent					
	12/31/2010	Additions	Transfers (*)	Amortization	Write-offs	03/31/2011
With finite useful lives:						
Trademarks, rights and patents	197	-	-	-	-	197
ERP system	64,695	-	14,690	(2,627)	(30)	76,728
Customer portfolio	17,865	-	-	(1,411)	-	16,454
Projects in progress	16,114	2,410	(14,415)	-	-	4,109
With indefinite useful lives-						
Assignment of trade rights	4,103	-	-	-	-	4,103
Total	102,974	2,410	275	(4,038)	(30)	101,591
Total	274,580	7,431	-	(8,720)	(119)	273,172

(*) Transfers correspond to reclassification of assets from “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 (**)	03/31/2011
Land	14,338	-	-	-	-	(194)	14,144
Buildings and construction	124,154	3	215	(1,487)	(3)	(2,187)	120,695
Machinery and equipment	124,951	813	5,748	(4,916)	(195)	(1,862)	124,539
Furniture and fixtures	14,906	29	609	(970)	-	(14)	14,560
Vehicles	1,300	-	88	(60)	-	(98)	1,230
Leasehold improvements	8,459	12	-	(650)	(35)	(134)	7,652
Projects in progress	21,034	6,934	(6,932)	-	-	(386)	20,650
Other fixed assets	6,860	373	(3)	(198)	(130)	-	6,902
Allowance for losses	(14,482)	-	-	-	-	577	(13,905)
Total	301,520	8,164	(275)	(8,281)	(363)	(4,298)	296,467

	Consolidated						
Intangible assets	12/31/2010	Additions	Transfers (*)	Depreciation	Write--offs	Foreign exchange variation (**)	03/31/2011
With finite useful lives:							
Trademarks, rights and patents	9,547	-	-	(330)	-	341	9,558
ERP system	64,695	-	14,690	(2,627)	(30)	(78)	76,650
Customer portfolio	17,865	-	-	(1,411)	-	-	16,454
Projects in progress	16,114	2,410	(14,415)	-	-	-	4,109
With indefinite useful lives:							
Goodwill on subsidiaries	150,130	-	-	-	-	-	150,130
Assignment of trade rights	4,103	-	-	-	-	-	4,103
Total	262,454	2,410	275	(4,368)	(30)	263	261,004
Total	563,974	10,574	-	(12,649)	(393)	(4,035)	557,471

(*) Transfers correspond to reclassification of assets from "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 statements of foreign subsidiaries.

16. TRADE ACCOUNTS PAYABLE

	Parent		Consolidated	
	03/31/2011	12/31/2010	03/31/2011	12/31/2010
Domestic	119,997	132,858	133,174	144,331
Foreign	27,377	25,517	68,998	68,446
Total	147,374	158,375	202,172	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	
				03/31/2011	12/31/2010	03/31/2011	12/31/2010
Denominated in Brazilian reais:							
FNE (BNB)	(a)		Interest of 8.42%	67,971	71,487	67,971	71,487
FINAME			Interest of 5.72%	5,002	3,972	5,002	3,972
FINEM - BNDES	(b)		Currency basket and TJLP 8.99%	11,479	12,609	11,479	12,609
EXIM - BNDES	(c)		Fixed rate: 7.00% p.y.	110,871	110,870	110,871	110,870
Banco Santander - Assignment of receivables	(d)		Interest of 12.82% p.y. (average)	13,359	20,863	13,358	20,863
Automatic BNDES - CBS			TJLP + 2.8% and US$ variation + interest of 2.3%	-	-	813	951
Total in reais				208,682	219,801	209,494	220,752

		Currency	Index and annual average interest rate	Parent		Consolidated	
				03/31/2011	12/31/2010	03/31/2011	12/31/2010
Denominated in foreign currency:							
Working capital - Alpargatas USA	(e)	US$	Interest of 1.67%	-	-	57,768	56,964
Working capital - Alpargatas Europe	(e)	€	Interest of 2.42%	-	-	1,680	
Working capital - Alpargatas International APS		€	Interest of 2.42%	-	-	16,338	15,643
Working capital - Alpargatas Chile	(e)	CLP	Interest of 6.43%	-	-	733	971
Finance leases - Alpargatas S.A.I.C. - Argentina		AR$	Interest of 23.89%	-	-	355	486
Working capital - Alpargatas S.A.I.C. - Argentina		AR$	Interest of 12.24%	-	-	65	1,142
ACC/prepayment - CBS		US$	Libor + interest of 1.25%	-	-	2	2
Total in foreign currency				-	-	76,941	75,208
Grand total				208,682	219,801	286,435	295,960
Current liabilities				143,458	150,770	220,829	226,371
Noncurrent liabilities				65,224	69,031	65,606	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 amortized monthly, since 2008, and will be repaid 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 August 2008, the Company received R$79,800 related to the financing of the credit line of BNDES-EXIM Pré Embarque signed with Bradesco and Unibanco, payable into five installments, falling due between September 2009 and January 2010. In October 2010, the Company received R$110,500 related to the new financing of the same credit line of BNDES-EXIM, with agreements executed with Alfa and Bradesco, payable in one single installment, maturing in December 2011.

(d) In October 2010, the Company executed with Banco Santander the receivable assignment agreement with a limit of R$30,000. The average term of the transactions is 90 days. The assignments are repaid to 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	12/31/2010	12/31/2009	12/31/2010	12/31/2009
2012	14,616	19,302	14,979	19,841
2013	18,671	18,494	18,690	18,513
2014	14,717	14,534	14,717	14,534
2015	14,717	14,534	14,717	14,534
2016	1,848	1,664	1,848	1,664
2017	598	445	598	445
2018	29	29	29	29
2019	28	29	28	29
Total	65,224	69,031	65,606	69,589

Other loans are collateralized by the Company's and 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:

	03/31/2011	12/31/2010
Gross finance lease obligations - minimum leasing payments:		
Less than a year	309	405
More than a year and less than five years	127	172
	436	577
Future financing charges on finance lease	(81)	(91)
Finance lease obligations - accounting balance	355	486

b) Restrictive covenants

As of March 31, 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 Shareholders' Meeting held on March 1, 2002, and the request was approved by the competent Commercial Court on March 7, 2002.

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

The amounts are reported in the consolidated interim financial statements under the caption "Debt restructuring agreements", in current and noncurrent liabilities, at the amounts of R$12,885 and R$59,655, respectively, as of March 31, 2011 (R$13,367 and R$63,403, respectively, as of December 31, 2010), net of the adjustments to present value, in the amounts of R$52,553 and R$55,926, respectively, as of March 31, 2011 and December 31, 2010.

The adjustment to present value is calculated by the subsidiary Alpargatas S.A.I.C. - Argentina based on the difference between the Argentinean basic interest rate and the fixed inflation adjustment rate of liabilities, as established in the debt restructuring agreements. As of March 31, 2011, the average discount rate adopted for the adjustment to present value was 15% per year.

The effects of the reversal of the adjustment to present value are recorded in the caption "Financial expenses", in the consolidated, and totaled R$1,088 in income or loss for the quarter ended March 31, 2011 (R$1,305 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 March 31, 2011, reversals expected for the next fiscal years, related to the discount to present value are as follows:

2011 (nine months)	3,085
2012	4,146
2013	4,078
2014 and thereafter	41,244
Total	52,553

Maturities of noncurrent liabilities are as follows:

2013	7,976
2014	6,798
2015 and thereafter	44,881
Total	59,655

19. TAXES PAYABLE

	Parent		Consolidated	
	03/31/2011	12/31/2010	03/31/2011	12/31/2010
ICMS payable	2,929	5,901	2,929	5,901
PIS/COFINS payable	6,513	6,578	9,048	9,229
Other withholding taxes payable	917	754	3,485	1,074
IPI payable	172	523	302	752
Taxes payable - foreign subsidiaries	-	-	4,422	5,445
Income tax payable	-	-	8,478	5,494
Other	-	-	734	734
	10,531	13,756	29,398	28,629

20. PROVISIONS AND OTHER LIABILITIES

	Parent		Consolidated	
	03/31/2011	12/31/2010	03/31/2011	12/31/2010
Royalties payable	3,787	5,945	3,787	5,945
Provision for freight payable	10,521	12,078	11,120	12,805
Other payables (commissions, outside services, utilities and others)	7,702	13,796	21,345	25,517
Total	22,010	31,819	36,252	44,267

21. RELATED PARTIES

a) Related-party balances

Noncurrent liabilities	Parent	
	03/31/2011	12/31/2010
CBS S.A. - Companhia Brasileira de Sandálias	121	525
Alpargatas Internacional APS	17	14
Alpargatas Imobiliária S.A.	6,590	6,832
Fibrasil Agrícola e Comercial Ltda.	2,104	2,104
Total	8,832	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		Parent and Consolidated	
		Trade accounts receivable		Trade accounts payable	
		03/31/2011	12/31/2010	03/31/2011	12/31/2010
Alpargatas USA Inc. - United States	(b)	5,113	4,007	47	-
Alpargatas Europe S.L.U. - Spain	(b)	21,840	9,979	93	-
Camargo Corrêa Group	(c)	-	-	-	318
Total		26,953	13,986	140	318

c) Related-party transactions

Related-party transactions are as follows:

	Sale of products/services		Purchase of products/services	
	03/31/2011	03/31/2010	03/31/2011	03/31/2010
São Paulo Alpargatas S.A. (a)	16,345	18,149	4,193	5,132
Alpargatas USA Inc. - United States	-	-	2,309	3,339
Alpargatas Europe S.L.U. - Spain	-	-	14,036	14,810
Alpargatas Chile Ltda. - Chile	-	-	-	
CBS S.A. - Companhia Brasileira de Sandálias	705	164	-	-
Locomotiva Ind. e Com. de Têxteis Ltda. - Brasil	-	1,037	-	-
Camargo Corrêa Group:				
Rentals and common area management fees	375	558	-	-
Shared services - CSC (d)	2,883	3,244	-	-
Corporate projects	165	64	-	-
Others	65	65	-	-
	20,538	23,281	20,538	23,281

(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 on 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 quarters ended March 31, 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 the products described in item (a), which will be received between April to September 2011.

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

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

As of March 31, 2011, except for the guarantees provide to support loans and financing, as described in note 17, the Company and its subsidiaries have not provided any other guarantees to related parties.

d) Compensation of key management personnel

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

	03/31/2011				
	Compensation			Stock option grant	
	Fixed	Variable (a)	Total	Option balance (number) (b)	Average exercise price - R$ (c)
Board of Directors and Supervisory Board	621	-	621	-	-
Statutory officers	753	700	1,453	3,974,300	4.72
	1,374	700	2,074	3,974,300	

	03/31/2010				
	Compensation			Stock option grant	
	Fixed	Variable (a)	Total	Option balance (number) (b)	Average exercise price - R$ (c)
Board of Directors and Supervisory Board	481	-	481	-	-
Statutory officers	657	975	1,632	5,366,280	3.30
	1,138	975	2,113	5,366,280	

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

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

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

During the quarter ended March 31, 2011, in addition to Management's compensation, the Company made contributions to the private pension plan in the amount of R$74 (R$58 in 2010) on behalf of the statutory officers.

22. ACCRUAL FOR TAX, CIVIL AND LABOR RISKS

As of March 31, 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 opinion of Management and its legal counsel, the risk of loss was considered probable. These accruals are as follows:

	Parent		Consolidated	
	03/31/2011	12/31/2010	03/31/2011	12/31/2010
Labor lawsuits (a)	15,262	15,339	23,226	23,818
Tax lawsuits (b)	14,078	13,438	17,594	16,983
Judicial deposits	(4,032)	(3,880)	(4,032)	(3,880)
Civil lawsuits	2,175	2,155	2,706	2,710
	27,483	27,052	39,494	39,631
Current portion	4,782	4,859	8,543	8,847
Noncurrent portion	22,701	22,193	30,951	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 (reversals)	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

	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

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	
	03/31/2011	12/31/2010
Tax:		
Tax deficiency notice - IRRF (*)	8,143	8,050
CSLL and IRPJ	3,629	3,581
Other	4,208	4,181
	15,980	15,812
Civil (compensation actions)	6,323	6,321

(*) Tax deficiency notice for the collection of IRPJ offset against IRPJ credits.

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 of debts with the 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 paying or dividing in installments the debts under this Law are allowed to settle, when applicable, the 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, the Company recorded, on November 30, 2009, tax debits with INSS in the adjusted amount of R$3,485.

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 the rules set out in joint Federal Revenue Service and PGFN Administrative Rule.

The following steps of the tax debt installment plan include the consolidation of tax debts by the PGFN and the Federal Revenue Service; in this step the Company must designate the debts to be paid in installments and the number of installments. This consolidation stage is estimated to take place by the end of 2011.

23. TAXES WITH SUSPENDED PAYMENT AND OTHERS

		Parent and Consolidated	
		03/31/2011	12/31/2010
PIS/COFINS - Law 9718/98		28,804	28,429
Judicial deposits		(28,804)	(28,429)
	(a)	-	-
COFINS - deduction of ICMS from tax base		62,936	56,972
Judicial deposits		(9,339)	(9,101)
	(b)	53,597	47,871
Others		3,378	3,329
Total - Parent		56,975	51,200
Taxes in installments - PIS and COFINS (CBS S.A. - Sociedade Brasileira de Sandálias)	(c)	1,577	1,699
Alpargatas S.A.I.C. - Argentina		1,691	2,516
Total - Consolidated		60,243	55,415

(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 base. 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 "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 the litigation related to the period from September 2002 to January 2004, and the Company started to make the payments of the monthly calculations from April 2006, the amount of which was recorded as 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 the PIS and COFINS tax base, 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 the tax base 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, recorded in the statement of income for the six-month period then ended, in "Other operating revenues".

Therefore, the amounts recorded as of March 31, 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 March 31, 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 base

The Company is challenging in court since 1993 the inclusion of ICMS in the COFINS tax base 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 base; however, the Company is not required to make judicial deposits. Notwithstanding, it still accrues such amounts.

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

(c) 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 for paying or dividing in installments the 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 the 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.

Changes in taxes with suspended payment - Parent

	12/31/2010	Monetary restatements	Additions/ reversals	03/31/2011
PIS/COFINS	28,429	375	-	28,804
Judicial deposits	(28,429)	(375)	-	(28,804)
	-	-	-	-
COFINS - ICMS	56,972	1,407	4,557	62,936
Judicial deposits	(9,101)	(238)	-	(9,339)
	47,871	1,169	4,557	53,597
Others	3,329	49	-	3,378
Total	51,200	1,218	4,557	56,975

24. SHAREHOLDERS' EQUITY

a) Capital

Paid-in capital as of March 31, 2011 and December 31, 2010 is R$441,171.

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 March 31, 2011:

	Common shares		Preferred shares		Total	
Shareholders	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	7,225,880	4.20	43,177,780	12.22
Supervisory Board	22,000	0.01	182,000	0.11	204,000	0.06
Other shareholders	23,952,600	13.19	130,066,980	75.71	154,119,580	43.60
Total	181,524,080	100.00	171,931,800	100.00	353,455,880	100.00

As of December 31, 2010:

	Common shares		Preferred shares		Total	
Shareholders	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 acquisition of 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.

In the quarter ended March 31, 2011, 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$
As of December 31, 2010	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 the bylaws.

In the quarter ended March 31, 2011, interest on capital was declared by Management in the gross amount of R$19,500 (R$16,898, net of Withholding Income Tax - IRRF).

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

	Per share - R$ (gross)			
	03/31/2011		12/31/2010 (*)	
	Preferred shares	Common shares	Preferred shares	Common shares
Interest on capital	0.0588	0.0534	0.1911	0.1737
Dividends	-	-	0.0727	0.0661

Additionally, on April 26, 2011, the Annual Shareholders' Meeting approved the proposed dividends in the amount of R$24,150, 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 the sale of treasury shares mainly arising from the exercise of the stock option plans.

e) Tax incentive reserve

Beginning January 1, 2008, tax incentives started to be recorded directly in income, and, thereafter, on the close of the financial statements, recognized in caption "Tax incentives" under earnings reserves.

25. SEGMENT INFORMATION REPORTING

IFRS 8/CPC 22 rules - 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 decision-maker at various levels because products manufactured and sold by the Company and its subsidiaries are divided among various brands of shoes, sports items, sandals and clothing, operations are managed according to the geographic areas divided 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 18.67%.

Net revenue by segment is represented as follows on March 31, 2011:

- Domestic Operations:
  - Brazil: 69.8%.
- Foreign Operations:
  - Argentina: 18.2%.
  - Europe, United States and Exports: 12.0%.

The accounting policies of each segment are those applied by the Company and described in note 3. 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 statements.

The information is summarized in the table below:

	03/31/2011					
Income and expense accounts	Net operating revenues	Net income (loss) for the year	Depreciation and amortization	Financial income (expenses)	Net foreign exchange variation	Income tax and social contribution
Domestic operations-						
Brazil	409,354	67,872	(9,218)	12,722	1,341	(5,859)
International operations:						
Argentina	106,736	3,024	(2,477)	(5,455)	681	(2,589)
Europe/USA/Exports	70,611	17,652	(954)	(415)	(306)	-
TAVEX	-	(1,297)	-	-	-	-
Noncontrolling interest	-	1,252	-	-	-	-
Consolidated	586,701	88,503	(12,649)	6,852	1,716	(8,448)

Income and expense accounts	03/31/2010 Net operating revenues	Net income (loss) for the year	Depreciation and amortization	Financial income (expenses)	Net foreign exchange variation	Income tax and social contribution
Domestic operations-						
Brazil	351,774	58,625	(9,986)	4,241	(929)	(6,555)
International operations:						
Argentina	85,811	929	(3,616)	(4,964)	165	(1,684)
Europe/USA/Exports	61,993	13,093	(482)	(1,026)	(589)	(8)
TAVEX	-	(2,886)	-	-	-	-
Noncontrolling interest	-	471	-	-	-	-
Consolidated	499,578	70,232	(14,084)	(1,749)	(1,353)	(8,247)

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

Balance sheet accounts	03/31/2011 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	1,777,341	617,666	7,900	1,793,820	622,316	31,475
International operations:						
Brazil - exports	66,081	5,050	-	44,594	1,466	-
Argentina	324,959	190,200	2,254	306,188	205,151	15,014
Europe/USA	82,894	115,935	420	51,743	96,482	2,588
TAVEX	75,874	-	-	77,143	-	-
Consolidated	2,327,149	928,851	10,574	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 quarter ended on March 31, 2011, consolidated net revenues per segment are as follows: sandals - R$332,466, sporting goods - R$174,703, retail - R$52,179 and other - R$27,353 (R$300,043, R$138,741, R$42,873 and R$17,921, respectively, in 2010).

26. NET SALES

	Parent		Consolidated	
	03/31/2011	03/31/2010	03/31/2011	03/31/2010
Gross operating revenue:				
Domestic market	463,966	394,375	495,705	422,859
Foreign market	37,069	35,001	201,000	168,376
	501,035	429,376	696,705	591,235
Returns and cancelations	(12,207)	(9,842)	(14,613)	(12,821)
Taxes on sales	(68,780)	(56,780)	(95,391)	(78,836)
Net operating revenue	420,048	362,754	586,701	499,578

27. EXPENSES BY NATURE

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

	Parent		Consolidated	
	03/31/11	03/31/10	03/31/11	03/31/10
Cost of sales:				
Raw material	124,500	120,635	168,876	148,549
Payroll, related taxes and benefits	48,779	36,368	79,471	58,566
Other costs	44,647	25,293	66,293	51,061
Total	217,926	182,296	314,640	258,176
Selling expenses:				
Payroll, related taxes and benefits	17,452	15,274	26,187	23,502
Freights	13,530	12,251	17,994	15,887
Advertising and publicity	42,003	26,197	50,013	33,556
Others	28,505	31,762	42,805	44,311
	101,490	85,484	136,999	117,256
General and administrative expenses:				
Payroll, related taxes and benefits	16,302	13,222	19,027	16,546
Compensation of key management personnel (as described in note 21)	1,947	1,986	2,074	2,113
Third-party services	7,220	7,645	7,220	9,095
Others	1,569	3,927	3,185	4,197
	27,038	26,780	31,506	31,951

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 and October 26, 2006, for the purpose of retaining key management 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 period exercise period), 30% in the fourth year (two-month period 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 the options was the same adopted for the 2006-2009 plans; however, the maximum period for the exercise of the 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 the initial prices for the exercise of the 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 (BMF&BOVESPA) 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 BMF&BOVESPA 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 BMF&BOVESPA 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 options plans

The table below shows the changes in the stock options plans for the periods ended March 31, 2011 and December 31, 2010:

	03/31/2011		12/31/2010	
	Stock options	Weighted average exercise price - R$	Stock options	Weighted average exercise price -R$
Outstanding options at beginning of year/quarter	5,252,900	3.84	5,366,280	64.56
Options granted	-	-	631,000	6.21
Options exercised	(1,278,600)	1.37	(548,500)	2.25
Options cancelled	-	-	(195,880)	3.58
Outstanding options at end of year/quarter	3,974,300	4.72	5,252,900	3.84

Stock options outstanding have the following features:

	Outstanding options			
Year	Options not exercised at end of year/quarter	Remaining contractual life (months)	Exercise price rate - R$	Options exercisable at end of year/quarter
March 31, 2011	3,974,300	41	1.08-8.82	1,316,160
December 31, 2010	5,252,900	43	1.05-8.61	2,594,760

Detailed features of the stock options, by plan:

	03/31/2011			
Grant date	Options not exercised at end of quarter (*)	Remaining contractual life (months)	Exercise price - R$ (*)	Options exercisable at end of quarter (*)
July 1, 2004	71,200	39	1.56	71,200
July 1, 2005	889,240	51	2.21	889,240
July 1, 2006	432,860	3	6.02	244,720
July 1, 2007	280,000	15	8.82	111,000
July 1, 2008	550,000	27	6.08	-
July 1, 2009	1,120,000	39	3.89	-
July 1, 2010	631,000	81	6.21	-
Total	3,974,300	41	1.05-8.82	1,316,160

	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	6	5.88	244,720
July 1, 2007	280,000	18	8.61	111,000
July 1, 2008	550,000	30	5.93	-
July 1, 2009	1,120,000	42	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 expenses recorded in the statement of income relating to stock option plans totaled R$317 for the quarter ended March 31, 2011 compared to R$467 for the quarter ended March 31, 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 March 31, 2011.

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

In both scenarios, we assumed that all options were vested on March 31, 2011, based on the Company's shareholders' equity as of this date.

Amounts in Brazilian reais - R$:

	Scenario I	Scenario II
Weighted average exercise price	4.72	4.72
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	3,974,300	11,993,200
Book value per outstanding share	3.91	3.91
Book value per share considering the exercise of options	3.82	3.64
Dilution of book value per share	0.09	0.27
Percentage dilution	2.31%	6.97%

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 March 31, 2011 is R$2,197 (R$2,224 as of December 31, 2010), which is recorded in "Other payables" under noncurrent liabilities.

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	
	03/31/11	03/31/10	03/31/11	03/31/10
Financial income:				
Interest on short-term investments	16,830	6,669	16,939	6,788
Interest receivable	1,243	517	1,637	1,074
Other	242	299	241	275
	18,315	7,485	18,817	8,137
Financial expenses:				
Interest on loans and financing	(3,693)	(2,198)	(4,224)	(4,661)
Interest payable on debt restructuring	-	-	(2,624)	(2,338)
IOF	(36)	(77)	(1,579)	(1,222)
Inflation adjustment of taxes	(1,641)	(794)	(1,641)	(818)
Other	(632)	(555)	(1,897)	(847)
	(6,002)	(3,624)	(11,965)	(9,886)

31. EXCHANGE RATE VARIATION, NET

	Parent		Consolidated	
	03/31/11	03/31/10	03/31/11	03/31/10
Exchange gain	1,703	1,251	3,261	1,522
Exchange loss	(1,316)	(1,859)	(1,545)	(2,875)
	387	(608)	1,716	(1,353)

32. OTHER OPERATING INCOME (EXPENSES), NET

	Parent		Consolidated	
	03/31/11	03/31/10	03/31/11	03/31/10
Other operating income	1,824	668	1,935	691
Other operating expenses:				
Amortization of intangible assets	(4,038)	(3,939)	(4,368)	(4,292)
Provisions for labor, civil and tax risks (note 22)	(2,336)	(4,297)	(2,421)	(4,680)
Other	(8,609)	(2,290)	(9,022)	(2,328)
Other operating expenses, net	(14,983)	(10,526)	(15,811)	(11,300)

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 quarters ended March 31, 2011 and 2010, profit sharing recognized in the statement of income was as follows:

	Parent		Consolidated	
	03/31/2011	03/31/2010	03/31/2011	03/31/2010
Profit sharing program	9,475	7,638	11,147	8,050

Profit sharing is recorded in "Salaries and related taxes" under current liabilities.

34. PLEDGES AND COLLATERALS

As of March 31, 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 as follows:

Parent and Consolidated	
03/31/11	12/31/10
5,286	3,810

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

Loans and financing

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 a single cash (cash and cash equivalents) by the Company, and there are no financial charges on these transactions.

Derivative policy

Due to the 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 March 31, 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 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 area 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 statements arising from the Company's operations, and future cash flows.

ii) Interest rate risk

The Company's interest rate risk arises from short-term investments, loans and financing in the short and long term. 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 portfolio and credit assessment and granting policies. The result of this management is reflected in "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 area 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:

	03/31/2011						
	Less than one year	Between one and two years	Between three and five years	Over five years	Fair value	Discount effects	Carrying value
Current:							
Finance lease transactions	309	-	-	-	309	(57)	252
Loans and financing	220,577	-	-	-	220,577	-	220,577
Trade accounts payable	202,172	-	-	-	202,172	-	202,172
Noncurrent:							
Finance lease transactions	-	127	-	-	127	(24)	103
Loans and financing	-	33,566	29,434	2,503	65,503	-	65,503

	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 value
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	2,167	69,417	-	69,417

d) Capital management

The objectives of the Company in managing its capital are to ensure that the Company 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 net financial position is equivalent to total cash, cash equivalents and short-term investments, less short- and long-term loans and financing.

	03/31/2011	12/31/2010
Cash, cash equivalents and short-term investments	660,190	654,665
(-) Short- and long-term loans and financing	(286,435)	(295,960)
Net financial position	373,755	358,705
Shareholders' equity	1,398,298	1,348,073

e) Exchange rate exposure

		Parent		Consolidated	
		03/31/2011	12/31/2010	03/31/2011	12/31/2010
Assets-					
Trade accounts receivable	(i)	46,148	30,746	107,630	78,412
Total assets		46,148	30,746	107,630	78,412
Liabilities:					
Loans and financing	(ii)	-	-	76,941	75,208
Trade accounts payable		27,377	26,110	68,998	68,446
Royalties payable		3,787	5,945	3,787	5,945
Total liabilities		31,164	32,055	149,726	149,599
Net exposure		14,984	(1,309)	(42,096)	(71,187)
(-) Foreign subsidiaries		-	-	59,050	72,365
Total exposure for sensitivity analysis purpose		14,984	(1,309)	16,954	1,178

(i) Of the consolidated amounts as of March 31, 2011, 80.5% (76.4% as of December 31, 2010) refer to trade accounts receivable of foreign subsidiaries (Alpargatas USA Inc., Alpargatas Europe S.L.U., Alpargatas Chile Ltda. and Alpargatas S.A.I.C. - Argentina) and 19.5% refer to foreign trade accounts receivable of the Company in Brazil.

(ii) Of the consolidated amounts as of March 31, 2011 and December 31, 2010, 100% refer to local currency-denominated loans of foreign subsidiaries (Alpargatas USA Inc., Alpargatas Europe S.L.U., Alpargatas Chile Ltda. 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 March 31, 2011 and December 31, 2010, the fair values of short-term investments approximate their carrying amounts since they are pegged to the interbank deposit rate (CDI) fluctuation registered on interim financial statements. 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 the 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, where available, and rely as little as possible on entity 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 foreign exchange futures 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 quarter ended March 31, 2011 and year ended December 31, 2010.

g) Sensitivity analysis of financial instruments

Currency risk

In the consolidated currency exposure sensitivity analysis as of March 31, 2011, the Company disregarded the balances of trade accounts receivable and loans and financing of foreign subsidiaries, because they are denominated in the 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 March 31, 2011, the sensitivity analysis of outstanding positions is as follows:

	Loss	
Company's risk	Possible scenario	Remote scenario
U.S. dollar depreciation	4,238	8,477

The possible scenario considers a 25% appreciation of the Brazilian real against the U.S. dollar over the exchange rate as of March 31, 2011 of R$1.6287/US$1.00 (R$1.2215/US$1.00), and the remote scenario considers a 50% appreciation (R$0.8144/US$1.00).

In light of the parities considered, results would correspond to a loss of R$4,238 in the possible scenario and a loss of R$8,477 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 interim financial statements for the quarter ended March 31, 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 5 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 quarter ended March 31, 2011 would have increased or decreased by approximately R$2,716. 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. ASSETS HELD FOR SALE AND 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 was recorded due to the disposal of investment and R$1,500 was 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 from discontinued operations, for the quarter ended March 31, 2010, is as follows:

(i) Income from discontinued operations

	2010
Net revenue from sales	24,479
Cost of products sold	(17,264)
Gross profit	7,215
Operating expenses	(3,676)
Net financial income	10
Operating income	3,549
(-) Income tax and social contribution	(668)
Net income from discontinued operations	2,881

(ii) Cash flows from discontinued operations

	2010
Arising from operations	664
Net cash used in investing activities	(70)
Net cash provided by discontinued operations	594

37. EARNINGS PER SHARE

	03/31/2011		
	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	-	(5,082,711)	(5,082,711)
Weighted average number of outstanding shares	181,524,080	166,849,089	348,373,169
% of shares	52.11%	47.89%	100.00%
Numerator - Basic-			
Net income for the quarter from continuing operations attributable to each class of shares	43,374	43,877	87,251
Basic earnings per share for the quarter from continuing operations	0.2389	0.2630	0.2505
Basic earnings per share for the quarter	0.2389	0.2630	0.2505
Numerator - Diluted:			
Weighted average number of outstanding shares	181,524,080	166,849,089	348,373,169
Weighted number of shares in stock option plans	-	5,011,192	5,011,192
Weighted average number of outstanding shares	181,524,080	171,860,281	353,384,361
Diluted earnings per share for the quarter from continuing operations	0.2389	0.2553	0.2469
Diluted earnings per share for the quarter	0.2389	0.2553	0.2469

	03/31/2010		
	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 quarter from continuing operations attributable to each class of shares	33,248	33,632	66,880
Net income for the quarter from discontinued operations attributable to each class of shares	1,432	1,449	2,881
Net income for the quarter attributable to each class of shares	34,680	35,081	69,761
Basic earnings per share for the quarter from continuing operations	0.1832	0.2016	0.1920
Basic earnings per share for the quarter from discontinued operations	0.0079	0.0087	0.0083
Basic earnings per share for the quarter	0.1911	0.2103	0.2003

	03/31/2010		
	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	-	5,123,842	5,123,842
Weighted average number of outstanding shares	181,524,080	171,963,925	353,488,005
Diluted earnings per share for the quarter from continuing operations	0.1832	0.1956	0.1892
Diluted earnings per share for the quarter from discontinued operations	0.0079	0.0084	0.0082
Diluted earnings per share for the quarter	0.1911	0.2040	0.1974

(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 March 31, 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$659 (R$439 in 2010). Such lease agreements mature between 5 and 15 years, subject to renewal.

For the quarter ended March 31, 2011, rental expenses, net of recoverable taxes, totaled R$1,978 (R$1,316 in 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.

For the quarter ended March 31, 2011, rental expenses, net of recoverable taxes, totaled R$3,787 (R$3,977 in 2010) in consolidated.

Future commitments

Total future commitments arising from operating lease agreements totaled a minimum fixed amount of R$64,027 as of March 31, 2011, distributed as follows:

Period	R$
2011 (nine months)	11,251
2012	13,752
2013	12,963
2014 to 2015	26,061
	64,027

Such transactions are subject to usual restrictive clauses, such as guarantees for early termination of agreement, among others; these clauses, as of March 31, 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 quarter ended March 31, 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 25,773 kW, equivalent to R$607, which can be amended within no less than six months. As of March 31, 2011, the Company was compliant to this agreement's commitments.

The Company and its subsidiaries have insurance coverage for property, plant and equipment and inventories subject to risk of fire, in the amount of actual cash value replacement, and for coverage of loss of profits. As of March 31, 2011, insurance coverage (consolidated) amounts is considered sufficient by Management to cover the related risks.

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 Management according to the type of its activities and advice of the insurance brokers.

40. ADDITIONAL INFORMATION TO THE STATEMENTS OF CASH FLOWS

	Parent		Consolidated	
	03/31/11	03/31/10	03/31/11	03/31/10
Acquisition of property, plant and equipment without cash effect	840	-	840	-
Limits of unused secured accounts	-	-	25,142	9,635

41. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS FOR ISSUANCE

These interim financial statements were approved for issuance by the Board of Directors at the meeting held on May 13, 2011.
