Alpargatas S.A

Quartely Information
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KPDS 197517

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Company information / Capital composition

Quantity of shares (Thousand)	Current quarter 06/30/2017
Paid-in capital	
Common	241,609
Preferred	228,841
Total	470,450
Treasury	
Common	0
Preferred	7,396
Total	7,396

Company information / Dividends in cash

Event	Approval	Dividend	Start payment	Type of share	Type of share	Dividend per share - (Reais / Share)
Board of Directors' Meeting	03/10/2017	Interest on own capital	04/12/2017	Common		0.07873
Board of Directors' Meeting	03/10/2017	Interest on own capital	04/12/2017	Preferred		0.08660
Board of Directors' Meeting	05/05/2017	Interest on own capital	07/12/2017	Common		0.07502
Board of Directors' Meeting	05/05/2017	Interest on own capital	07/12/2017	Preferred		0.08252
Board of Directors' Meeting	08/04/2017	Interest on own capital	09/19/2017	Common		0.07729
Board of Directors' Meeting	08/04/2017	Interest on own capital	09/19/2017	Preferred		0.08502

Individual financial statements / Balance sheet - Assets

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2017	Prior year 12/31/2016
1	Total assets	3,001,961	3,164,766
1.01	Current assets	1,329,917	1,604,163
1.01.01	Cash and cash equivalents	285,422	266,327
1.01.02	Interest earning bank deposits	29,167	110,771
1.01.02.01	Interest earning bank deposits measured at fair value	29,167	110,771
1.01.02.01.02	Securities available for sale	29,167	110,771
1.01.03	Accounts receivable	443,874	749,073
1.01.03.01	Clients	443,874	749,073
1.01.04	Inventories	491,875	355,859
1.01.06	Recoverable taxes	38,247	26,763
1.01.06.01	Current recoverable taxes	38,247	26,763
1.01.07	Prepaid expenses	19,503	358
1.01.07.01	Prepaid expenses	2,742	358
1.01.07.02	Prepaid expenses with Advertising	16,761	0
1.01.08	Other current assets	21,829	95,012
1.01.08.02	Assets from discontinued operations	0	65,453
1.01.08.03	Other	21,829	29,559
1.01.08.03.01	Advances to suppliers	7,853	7,045
1.01.08.03.02	Accounts receivable - Employees	5,038	7,384
1.01.08.03.03	Dividends receivable	0	1,700
1.01.08.03.04	Unrealized gains on derivative operations	96	632
1.01.08.03.05	Other	8,842	12,798
1.02	Non-current assets	1,672,044	1,560,603
1.02.01	Long-term assets	159,600	127,574
1.02.01.06	Deferred taxes	53,143	70,628
1.02.01.06.01	Deferred income and social contribution taxes	53,143	70,628
1.02.01.08	Related party credits	30,271	531
1.02.01.08.02	Receivables from subsidiaries	30,271	531
1.02.01.09	Other non-current assets	76,186	56,415
1.02.01.09.03	Compulsory deposits	73	73
1.02.01.09.04	Judicial deposits	19,992	19,869
1.02.01.09.05	Recoverable taxes	10,002	10,487
1.02.01.09.07	Other accounts receivable	46,119	25,986
1.02.02	Investments	769,637	747,645
1.02.02.01	Equity interest	769,637	747,645
1.02.02.01.02	Interest in subsidiaries	769,492	747,500
1.02.02.01.04	Other ownership interest	145	145
1.02.03	Property, plant and equipment	628,000	614,108
1.02.03.01	Property, plant and equipment in operation	556,587	558,995
1.02.03.03	Construction in progress	71,413	55,113
1.02.04	Intangible asset	114,807	71,276
1.02.04.01	Intangible assets	114,807	71,276

Individual financial statements/ Balance sheet - Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2017	Prior year 12/31/2016
2	Total liabilities	3,001,961	3,164,766
2.01	Current liabilities	617,580	573,592
2.01.01	Social and labor obligations	101,737	114,013
2.01.01.01	Social charges	8,971	7,645
2.01.01.02	Labor obligations	92,766	106,368
2.01.01.02.01	Salaries and social security charges	92,766	106,368
2.01.02	Suppliers	250,042	322,036
2.01.02.01	Domestic suppliers	187,811	269,807
2.01.02.02	Foreign suppliers	62,231	52,229
2.01.03	Tax liabilities	6,313	25,983
2.01.03.01	Federal tax liabilities	4,381	22,382
2.01.03.01.02	Other tax liabilities	4,381	22,382
2.01.03.02	State tax liabilities	1,932	3,601
2.01.04	Loans and financing	176,731	46,530
2.01.04.01	Loans and financing	176,731	46,530
2.01.04.01.01	In domestic currency	176,731	46,530
2.01.05	Other liabilities	70,679	41,944
2.01.05.02	Other	70,679	41,944
2.01.05.02.01	Dividends and interest on own capital	36,094	4,891
2.01.05.02.04	Unrealized losses on derivative operations	23	1,369
2.01.05.02.05	Suppliers and other liabilities	34,562	35,684
2.01.06	Provisions	12,078	10,558
2.01.06.01	Tax, social security, labor and civil provisions	12,078	10,558
2.01.06.01.02	Social security and labor provisions	12,078	10,558
2.01.07	Liabilities on non-current assets held for sale and discontinued assets	0	12,528
2.01.07.02	Liabilities on assets from discontinued operations	0	12,528
2.02	Non-current liabilities	225,952	615,151
2.02.01	Loans and financing	187,378	382,658
2.02.01.01	Loans and financing	187,378	382,658
2.02.01.01.01	In domestic currency	187,378	382,658
2.02.02	Other liabilities	12,354	206,917
2.02.02.02	Other	12,354	206,917
2.02.02.02.03	Other liabilities	3,025	2,964
2.02.02.02.04	Taxes with enforceability suspended and other	0	198,624
2.02.02.02.05	Provisions to employee benefits	172	172
2.02.02.02.06	Long-term incentive plan	9,157	5,157
2.02.04	Provisions	26,220	25,576
2.02.04.01	Tax, social security, labor and civil provisions	26,220	25,576
2.02.04.01.01	Tax provisions	5,785	4,315
2.02.04.01.02	Social security and labor provisions	4,312	4,369
2.02.04.01.04	Civil provisions	16,123	16,892
2.03	Shareholders' equity	2,158,429	1,976,023
2.03.01	Realized capital	648,497	648,497
2.03.02	Capital reserves	108,551	108,551
2.03.02.05	Treasury shares	-64,248	-64,248

Individual financial statements/ Balance sheet - Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2017	Prior year 12/31/2016
2.03.02.07	Other reserves	169,241	169,241
2.03.02.08	Goodwill in the sale of treasury shares	3,558	3,558
2.03.04	Profit reserves	1,533,098	1,365,194
2.03.04.01	Legal reserve	67,754	67,754
2.03.04.05	Profit retention reserve	182,605	68,410
2.03.04.07	Tax incentive reserve	1,282,739	1,229,030
2.03.06	Equity valuation adjustments	13,500	13,665
2.03.07	Accumulated translation adjustments	-145,453	-159,456
2.03.08	Other comprehensive income	236	-428
2.03.08.01	Unrealized income (loss) in hedge operations	-58	-428
2.03.08.02	Unrealized income (loss) in hedge operations - Subsidiaries	294	0

Individual financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2017-06/30/2017	Accumulated of the current year 01/01/2017-06/30/2017	Same quarter of the prior year 04/01/2016-06/30/2016	Accumulated of the prior year 01/01/2016-06/30/2016
3.01	Income from sales of goods and/or services	465,007	957,156	577,865	1,191,191
3.02	Cost of goods and/or services rendered	-284,203	-600,803	-372,173	-745,407
3.03	Gross income (loss)	180,804	356,353	205,692	445,784
3.04	Operating expenses/income	-135,112	-82,735	-137,737	-248,786
3.04.01	Sales expenses	-123,190	-236,186	-137,024	-248,689
3.04.02	General and administrative expenses	-39,202	-80,738	-42,818	-82,402
3.04.04	Other operating income	3,314	216,977	6,257	7,823
3.04.05	Other operating expenses	-7,249	-44,345	-5,612	-29,805
3.04.05.01	Amortization of intangible assets	-3,865	-8,610	-5,125	-10,911
3.04.05.02	Other operating expenses	-3,384	-35,735	-487	-18,894
3.04.06	Equity in income of subsidiaries	31,215	61,557	41,460	104,287
3.05	Income (loss) before financial income (loss) and taxes	45,692	273,618	67,955	196,998
3.06	Financial income (loss)	254	-3,836	-21,516	-31,278
3.06.01	Financial income	16,278	34,232	25,992	50,427
3.06.01.01	Foreign exchange rate	5,530	8,225	6,932	14,332
3.06.01.02	Gains on derivative operations	775	1,740	6,082	11,646
3.06.01.03	Other financial income	9,973	24,267	12,978	24,449
3.06.02	Financial expenses	-16,024	-38,068	-47,508	-81,705
3.06.02.01	Foreign exchange rate	-2,083	-7,207	-13,232	-25,382
3.06.02.02	Losses on derivative operations	-596	-1,620	-2,310	-11,330
3.06.02.03	Other financial expenses	-13,345	-29,241	-31,966	-44,993
3.07	Income (loss) before income tax	45,946	269,782	46,439	165,720
3.08	Income and social contribution taxes	10,032	-26,284	14,764	14,091
3.08.01	Current	2,205	-8,128	1,762	-284
3.08.02	Deferred	7,827	-18,156	13,002	14,375
3.09	Net income (loss) from continued operations	55,978	243,498	61,203	179,811
3.10	Net income (loss) from discontinued operations	0	-1,674	-1,018	-3,796
3.10.01	Net income/loss from discontinued operations	0	-1,674	0	0

Individual financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2017-06/30/2017	Accumulated of the current year 01/01/2017-06/30/2017	Same quarter of the prior year 04/01/2016-06/30/2016	Accumulated of the prior year 01/01/2016-06/30/2016
3.11	Income/loss for the period	55,978	241,824	60,185	176,015
3.99	Earnings per share - (Reais / Shares)				

Individual financial statements / Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2017-06/30/2017	Accumulated of the current year 01/01/2017-06/30/2017	Same quarter of the prior year 04/01/2016-06/30/2016	Accumulated of the prior year 01/01/2016-06/30/2016
4.01	Net income for the period	55,978	241,824	60,185	176,015
4.02	Other comprehensive income	12,843	14,667	-48,884	-103,229
4.02.01	Gain/losses in translation of financial statements of foreign subsidiaries	12,886	14,003	-47,404	-100,073
4.02.02	Unrealized income (loss) in hedge operations	-444	561	271	-1,673
4.02.03	Deferred tax on unrealized income (loss) in hedge operations	151	-191	-92	569
4.02.04	Unrealized income (loss) in hedge operations - Subsidiaries	250	294	-1,659	-2,052
4.03	Comprehensive income for the period	68,821	256,491	11,301	72,786

Individual financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2017-06/30/2017	Accumulated of the prior year 01/01/2016-06/30/2016
6.01	Net cash from operating activities	91,970	107,746
6.01.01	Cash generated in operations	322,371	114,129
6.01.01.01	Net income for the period	243,498	179,811
6.01.01.02	Depreciation and amortization	33,676	36,049
6.01.01.03	Income (loss) from sale/write-off of property, plant and equipment	2,330	627
6.01.01.04	Equity in income of subsidiaries	-61,557	-104,287
6.01.01.05	Interest, monetary restatement and foreign exchange variation	14,699	22,388
6.01.01.06	Provisions for tax, civil and labor risks	7,254	7,295
6.01.01.07	Deferred income and social contribution taxes	18,156	-14,375
6.01.01.08	Prov. (Reversal) for doubtful accounts	8,888	9,790
6.01.01.09	Amortization of charges on loans and financing	-17,843	-17,912
6.01.01.10	Unrealized gains/losses on derivative operations	-248	1,795
6.01.01.11	Provision (Reversal) for inventory losses	7,930	6,023
6.01.01.12	Provision for property, plant and equipment/intangible asset losses	14,337	0
6.01.01.13	Net cash generated/consumed in Discontinued operations	51,251	-13,075
6.01.02	Changes in assets and liabilities	-230,401	-6,383
6.01.02.01	Trade accounts receivable	260,401	156,995
6.01.02.02	Inventories	-171,405	-62,073
6.01.02.03	Prepaid expenses	-19,145	-15,422
6.01.02.04	Recoverable taxes	-10,858	12,108
6.01.02.05	Suppliers	-63,227	-40,022
6.01.02.06	Taxes payable	-207,431	-7,339
6.01.02.07	Salaries and social security charges	-11,230	-1,570
6.01.02.08	IR/CSLL payment	-10,338	-236
6.01.02.09	Other	2,832	-48,824
6.02	Net cash used in investment activities	35,077	22,367
6.02.01	Acquisition of property, plant and equipment, intangible assets	-50,356	-22,902
6.02.02	Interest earning bank deposits	-59,010	-71,870
6.02.03	Redemption of interest earning bank deposits	144,443	116,718
6.02.04	Payment of dividends and interest on own capital	0	421
6.03	Net cash from financing activities	-107,952	36,261
6.03.01	Funding loans and financing	4,665	224,024
6.03.02	Amortization of loans and financing - Principal	-69,734	-187,950
6.03.03	Payment of dividends and interest on own capital	-42,883	-23,703
6.03.04	Sale/Acquisition of treasury shares, net	0	23,890
6.05	Increase (decrease) in cash and cash equivalents	19,095	166,374
6.05.01	Opening balance of cash and cash equivalents	266,327	220,465
6.05.02	Closing balance of cash and cash equivalents	285,422	386,839

Individual financial statements / Statement of changes in shareholders’ equity / DMPL - 01/01/2017-06/30/2017

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	648,497	108,551	1,365,194	0	-146,219	1,976,023
5.03	Adjusted opening balances	648,497	108,551	1,365,194	0	-146,219	1,976,023
5.04	Capital transactions with partners	0	0	515	-74,600	0	-74,085
5.04.06	Dividends	0	0	238	0	0	238
5.04.07	Interest on own capital	0	0	277	-74,600	0	-74,323
5.05	Total comprehensive income	0	0	0	241,824	14,667	256,491
5.05.01	Net income for the period	0	0	0	241,824	0	241,824
5.05.02	Other comprehensive income	0	0	0	0	14,667	14,667
5.05.02.01	Financial instruments' adjustments	0	0	0	0	855	855
5.05.02.02	Taxes on financial instruments' adjustments	0	0	0	0	-191	-191
5.05.02.04	Translation adjustments in the period	0	0	0	0	14,003	14,003
5.06	Internal changes in shareholders' equity	0	0	167,389	-167,224	-165	0
5.06.01	Formation of reserves	0	0	167,389	-167,389	0	0
5.06.04	Realization of Other comprehensive income	0	0	0	165	-165	0
5.07	Closing balances	648,497	108,551	1,533,098	0	-131,717	2,158,429

Individual financial statements / Statement of changes in shareholders’ equity / DMPL - 01/01/2016-06/30/2016

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	648,497	95,404	1,123,749	0	-28,121	1,839,529
5.03	Adjusted opening balances	648,497	95,404	1,123,749	0	-28,121	1,839,529
5.04	Capital transactions with partners	0	23,890	448	-38,900	0	-14,562
5.04.05	Treasury shares sold	0	23,890	0	0	0	23,890
5.04.06	Dividends	0	0	448	0	0	448
5.04.07	Interest on own capital	0	0	0	-38,900	0	-38,900
5.05	Total comprehensive income	0	0	0	176,015	-103,229	72,786
5.05.01	Net income for the period	0	0	0	176,015	0	176,015
5.05.02	Other comprehensive income	0	0	0	0	-103,229	-103,229
5.05.02.01	Financial instruments' adjustments	0	0	0	0	-3,725	-3,725
5.05.02.02	Taxes on financial instruments' adjustments	0	0	0	0	569	569
5.05.02.04	Translation adjustments in the period	0	0	0	0	-100,073	-100,073
5.06	Internal changes in shareholders' equity	0	0	137,668	-137,115	-553	0
5.06.01	Formation of reserves	0	0	137,668	-137,668	0	0
5.06.04	Realization of Other comprehensive income	0	0	0	553	-553	0
5.07	Closing balances	648,497	119,294	1,261,865	0	-131,903	1,897,753

Individual financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2017-06/30/2017	Accumulated of the prior year 01/01/2016-06/30/2016
7.01	Income	1,120,590	1,443,607
7.01.01	Sale of goods, products and services	1,125,851	1,401,409
7.01.02	Other income	3,627	51,988
7.01.04	Allowance/reversal of allowance for doubtful accounts	-8,888	-9,790
7.02	Inputs acquired from third parties	-457,632	-614,511
7.02.01	Cost of products, goods and services sold	-339,315	-499,940
7.02.02	Materials, Energy, Outsourced services and other	-101,302	-111,889
7.02.03	Loss/recovery of asset values	-16,288	-1,239
7.02.04	Other	-727	-1,443
7.03	Gross added value	662,958	829,096
7.04	Retentions	-33,676	-36,049
7.04.01	Depreciation, amortization and depletion	-33,676	-36,049
7.05	Net added value produced	629,282	793,047
7.06	Added value received as transfer	95,285	153,007
7.06.01	Equity in income of subsidiaries	61,557	104,287
7.06.02	Financial income	34,232	50,427
7.06.03	Other	-504	-1,707
7.06.03.01	Other	1,170	2,089
7.06.03.02	Income (loss) from discontinued operations	-1,674	-3,796
7.07	Total added value payable	724,567	946,054
7.08	Distribution of added value	724,567	946,054
7.08.01	Personnel	312,147	311,445
7.08.01.01	Direct remuneration	242,739	241,738
7.08.01.02	Benefits	53,692	53,121
7.08.01.03	FGTS (Severance Pay Fund)	15,716	16,586
7.08.02	Taxes, rates and contributions	101,159	338,234
7.08.02.01	Federal	-19,105	194,491
7.08.02.02	State	119,230	142,871
7.08.02.03	Municipal	1,034	872
7.08.03	Third-party capital remuneration	69,437	120,360
7.08.03.01	Interest	39,029	81,552
7.08.03.02	Rentals	15,323	17,548
7.08.03.03	Other	15,085	21,260
7.08.04	Remuneration of own capital	241,824	176,015
7.08.04.01	Interest on own capital	74,600	38,900
7.08.04.03	Retained earnings / Loss for the period	167,224	137,115

Consolidated financial statements or Balance sheet - Assets

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2017	Prior year 12/31/2016
1	Total assets	3,708,692	3,782,052
1.01	Current assets	2,152,961	2,262,005
1.01.01	Cash and cash equivalents	370,163	391,347
1.01.02	Interest earning bank deposits	29,167	110,771
1.01.02.01	Interest earning bank deposits measured at fair value	29,167	110,771
1.01.02.01.02	Securities available for sale	29,167	110,771
1.01.03	Accounts receivable	776,785	931,300
1.01.03.01	Clients	776,785	931,300
1.01.04	Inventories	794,898	652,408
1.01.06	Recoverable taxes	99,649	63,476
1.01.06.01	Current recoverable taxes	99,649	63,476
1.01.07	Prepaid expenses	35,119	11,684
1.01.07.01	Prepaid expenses	18,061	11,523
1.01.07.02	Prepaid expenses with Advertising	17,058	161
1.01.08	Other current assets	47,180	101,019
1.01.08.02	Assets from discontinued operations	0	65,453
1.01.08.03	Other	47,180	35,566
1.01.08.03.01	Advance to suppliers	27,245	12,312
1.01.08.03.02	Accounts receivable - Employees	5,086	7,477
1.01.08.03.03	Unrealized gains on derivative operations	488	632
1.01.08.03.04	Other assets	14,361	15,145
1.02	Non-current assets	1,555,731	1,520,047
1.02.01	Long-term assets	189,037	148,601
1.02.01.06	Deferred taxes	61,727	76,689
1.02.01.06.01	Deferred income and social contribution taxes	61,727	76,689
1.02.01.09	Other non-current assets	127,310	71,912
1.02.01.09.03	Compulsory deposits	73	73
1.02.01.09.04	Judicial deposits	22,568	22,264
1.02.01.09.05	Recoverable taxes	54,257	19,523
1.02.01.09.07	Other accounts receivable	50,412	30,052
1.02.02	Investments	1,142	2,206
1.02.02.01	Equity interest	1,142	2,206
1.02.02.01.04	Other ownership interest	1,142	2,206
1.02.03	Property, plant and equipment	736,222	722,083
1.02.03.01	Property, plant and equipment in operation	661,191	661,097
1.02.03.03	Construction in progress	75,031	60,986
1.02.04	Intangible asset	629,330	647,157
1.02.04.01	Intangible assets	629,330	647,157
1.02.04.01.02	Intangible assets	629,330	647,157

Consolidated financial statements or Balance sheet - Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2017	Prior year 12/31/2016
2	Total liabilities	3,708,692	3,782,052
2.01	Current liabilities	1,132,862	994,530
2.01.01	Social and labor obligations	152,247	162,695
2.01.01.01	Social charges	23,647	23,065
2.01.01.02	Labor obligations	128,600	139,630
2.01.02	Suppliers	364,178	427,288
2.01.02.01	Domestic suppliers	194,359	281,602
2.01.02.02	Foreign suppliers	169,819	145,686
2.01.03	Tax liabilities	43,397	68,840
2.01.03.01	Federal tax liabilities	37,040	55,534
2.01.03.01.01	Income and social contribution tax payable	23,956	19,399
2.01.03.01.02	Other tax liabilities	13,084	36,135
2.01.03.02	State tax liabilities	6,357	13,306
2.01.04	Loans and financing	384,293	209,908
2.01.04.01	Loans and financing	384,143	209,829
2.01.04.01.01	In domestic currency	241,386	72,189
2.01.04.01.02	In foreign currency	142,757	137,640
2.01.04.03	Financial leases	150	79
2.01.05	Other liabilities	172,261	99,922
2.01.05.02	Other	172,261	99,922
2.01.05.02.01	Dividends and interest on own capital	36,094	4,891
2.01.05.02.04	Liabilities traded from subsidiaries	5,315	6,100
2.01.05.02.05	Unrealized losses on derivative operations	23	1,369
2.01.05.02.06	Suppliers and other liabilities	130,829	87,562
2.01.06	Provisions	16,486	13,349
2.01.06.01	Tax, social security, labor and civil provisions	16,486	13,349
2.01.06.01.01	Tax provisions	2,020	1,500
2.01.06.01.02	Social security and labor provisions	14,457	11,840
2.01.06.01.04	Civil provisions	9	9
2.01.07	Liabilities on non-current assets held for sale and discontinued assets	0	12,528
2.01.07.02	Liabilities on assets from discontinued operations	0	12,528
2.02	Non-current liabilities	335,317	721,773
2.02.01	Loans and financing	187,542	382,766
2.02.01.01	Loans and financing	187,379	382,659
2.02.01.01.01	In domestic currency	187,379	382,659
2.02.01.03	Financial leases	163	107
2.02.02	Other liabilities	51,603	233,139
2.02.02.02	Other	51,603	233,139
2.02.02.02.03	Liabilities traded from subsidiaries	23,962	24,626
2.02.02.02.04	Taxes with enforceability suspended	0	198,624
2.02.02.02.05	Provisions to employee benefits	172	172
2.02.02.02.07	Other liabilities	16,978	3,229
2.02.02.02.08	Long-term incentive plan	10,491	6,488
2.02.03	Deferred taxes	59,445	67,510
2.02.03.01	Deferred income and social contribution taxes	59,445	67,510

Consolidated financial statements or Balance sheet - Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 06/30/2017	Prior year 12/31/2016
2.02.04	Provisions	36,727	38,358
2.02.04.01	Tax, social security, labor and civil provisions	36,727	38,358
2.02.04.01.01	Tax provisions	5,785	4,315
2.02.04.01.02	Social security and labor provisions	14,704	17,037
2.02.04.01.04	Civil provisions	16,238	17,006
2.03	Consolidated shareholders' equity	2,240,513	2,065,749
2.03.01	Realized capital	648,497	648,497
2.03.02	Capital reserves	108,551	108,551
2.03.02.05	Treasury shares	-64,248	-64,248
2.03.02.07	Other capital reserves	169,241	169,241
2.03.02.08	Goodwill in the sale of treasury shares	3,558	3,558
2.03.04	Profit reserves	1,533,098	1,365,194
2.03.04.01	Legal reserve	67,754	67,754
2.03.04.05	Profit retention reserve	182,605	68,410
2.03.04.07	Tax incentive reserve	1,282,739	1,229,030
2.03.06	Equity valuation adjustments	13,500	13,665
2.03.07	Accumulated translation adjustments	-145,453	-159,456
2.03.08	Other comprehensive income	236	-428
2.03.08.01	Unrealized income (loss) in hedge operations	-58	-428
2.03.08.02	Unrealized income (loss) in hedge operations - Subsidiaries	294	0
2.03.09	Non-controlling interest	82,084	89,726

Consolidated financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2017-06/30/2017	Accumulated of the current year 01/01/2017-06/30/2017	Same quarter of the prior year 04/01/2016-06/30/2016	Accumulated of the prior year 01/01/2016-06/30/2016
3.01	Income from sales of goods and/or services	859,585	1,667,045	1,011,899	2,005,662
3.02	Cost of goods and/or services rendered	-468,220	-925,453	-564,517	-1,079,079
3.03	Gross income (loss)	391,365	741,592	447,382	926,583
3.04	Operating expenses/income	-342,821	-469,172	-360,244	-677,888
3.04.01	Sales expenses	-277,570	-497,814	-277,354	-498,846
3.04.02	General and administrative expenses	-54,839	-111,520	-71,899	-138,006
3.04.04	Other operating income	4,299	218,564	7,053	8,966
3.04.05	Other operating expenses	-14,711	-78,402	-18,044	-50,002
3.04.05.01	Amortization of intangible asset	-6,564	-13,958	-8,439	-17,286
3.04.05.02	Other operating expenses	-8,147	-64,444	-9,605	-32,716
3.05	Income (loss) before financial income (loss) and taxes	48,544	272,420	87,138	248,695
3.06	Financial income (loss)	-18,347	-30,770	-30,820	-52,638
3.06.01	Financial income	17,226	36,764	33,247	62,308
3.06.01.01	Foreign exchange rate	6,444	9,390	8,644	17,881
3.06.01.02	Gains on derivative operations	775	1,740	6,082	11,646
3.06.01.03	Other financial income	10,007	25,634	18,521	32,781
3.06.02	Financial expenses	-35,573	-67,534	-64,067	-114,946
3.06.02.01	Foreign exchange rate	-9,415	-15,254	-16,710	-35,101
3.06.02.02	Losses on derivative operations	-596	-1,620	-2,310	-11,330
3.06.02.03	Other financial expenses	-25,562	-50,660	-45,047	-68,515
3.07	Income (loss) before income tax	30,197	241,650	56,318	196,057
3.08	Income and social contribution taxes	24,222	-5,794	5,141	-20,955
3.08.01	Current	17,934	2,376	-15,854	-44,001
3.08.02	Deferred	6,288	-8,170	20,995	23,046
3.09	Net income (loss) from continued operations	54,419	235,856	61,459	175,102
3.10	Net income (loss) from discontinued operations	0	-1,674	-1,018	-3,796
3.10.01	Net income/loss from discontinued operations	0	-1,674	-1,018	-3,796
3.11	Consolidated income/loss for the period	54,419	234,182	60,441	171,306

Consolidated financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2017-06/30/2017	Accumulated of the current year 01/01/2017-06/30/2017	Same quarter of the prior year 04/01/2016-06/30/2016	Accumulated of the prior year 01/01/2016-06/30/2016
3.11.01	Attributed to the Parent company's partners	55,978	241,824	60,185	176,015
3.11.02	Attributed to non-controlling partners	-1,559	-7,642	256	-4,709
3.99	Earnings per share - (Reais / Shares)				

Consolidated financial statements or Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Current quarter 04/01/2017-06/30/2017	Accumulated of the current year 01/01/2017-06/30/2017	Same quarter of the prior year 04/01/2016-06/30/2016	Accumulated of the prior year 01/01/2016-06/30/2016
4.01	Consolidated net income for the period	54,419	234,182	60,441	171,306
4.02	Other comprehensive income	12,843	14,667	-49,165	-103,457
4.02.01	Gain/losses in translation of financial statements of foreign subsidiaries	12,886	14,003	-47,685	-100,301
4.02.02	Unrealized income (loss) in hedge operations	-444	561	271	-1,673
4.02.03	Deferred tax on unrealized income (loss) in hedge operations	151	-191	-92	569
4.02.04	Unrealized income (loss) in hedge operations - Subsidiaries	250	294	-1,659	-2,052
4.03	Consolidated comprehensive income for the period	67,262	248,849	11,276	67,849
4.03.01	Attributed to the Parent company's partners	68,821	256,491	11,301	72,786
4.03.02	Attributed to non-controlling partners	-1,559	-7,642	-25	-4,937

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2017-06/30/2017	Accumulated of the prior year 01/01/2016-06/30/2016
6.01	Net cash from operating activities	20,442	89,967
6.01.01	Cash generated in operations	193,443	227,150
6.01.01.01	Net income for the period	235,856	175,102
6.01.01.02	Depreciation and amortization	48,120	53,349
6.01.01.03	Income (loss) from sale/written-off of property, plant and equipment	8,728	1,575
6.01.01.04	Interest, monetary restatement and foreign exchange variation	24,432	26,929
6.01.01.05	Provisions for tax, civil and labor risks	8,098	11,960
6.01.01.06	Deferred income and social contribution taxes	8.170	-23,046
6.01.01.07	Prov. (Reversal) for doubtful accounts	10,678	10,325
6.01.01.08	Provision (Reversal) for inventory losses	8,140	6,395
6.01.01.09	Amortization of charges on loans and financing	-25,396	-24,159
6.01.01.10	Unrealized gains/losses on derivative operations	-641	3,847
6.01.01.11	Taxes with enforceability suspended	-198,624	0
6.01.01.12	Provision for property, plant and equipment/intangible asset losses	14,337	0
6.01.01.13	Unrealized gains/losses on derivative operations - Subsidiaries	294	-2,052
6.01.01.14	Net cash generated/consumed in Discontinued operations	51,251	-13,075
6.01.02	Changes in assets and liabilities	-173,001	-137,183
6.01.02.01	Trade accounts receivable	117,140	-7,088
6.01.02.02	Inventories	-180,342	-106,063
6.01.02.03	Prepaid expenses	-23,160	-16,330
6.01.02.04	Recoverable taxes	-70,074	3,540
6.01.02.05	Suppliers	-52,200	-18,203
6.01.02.06	Taxes payable	327	35,198
6.01.02.07	Salaries and social security charges	-8,774	2,077
6.01.02.08	IR/CSLL payment	-27,415	-17,921
6.01.02.09	Other	71,497	-12,393
6.02	Net cash used in investment activities	22,085	8,987
6.02.01	Acquisition of property, plant and equipment, intangible assets	-63,348	-39,647
6.02.02	Interest earning bank deposits	-59,010	-71,870
6.02.03	Redemption of interest earning bank deposits	144,443	116,718
6.02.04	Receipt from sale of permanent	0	3,786
6.03	Net cash from financing activities	-65,676	18,616
6.03.01	Funding loans and financing	101,937	239,039
6.03.02	Amortization of loans and financing - Principal	-121,695	-215,013
6.03.03	Payment of dividends and interest on own capital	-42,883	-23,703
6.03.04	Amortization for debt restructuring of subsidiary	-3,035	-5,597
6.03.05	Sale/Acquisition of treasury shares, net	0	23,890
6.04	Foreign exchange variation on cash and cash equivalents	1,965	-30,034
6.05	Increase (decrease) in cash and cash equivalents	-21,184	87,536
6.05.01	Opening balance of cash and cash equivalents	391,347	394,926
6.05.02	Closing balance of cash and cash equivalents	370,163	482,462

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2017-06/30/2017

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	648,497	108,551	1,365,194	0	-146,219	1,976,023	89,726	2,065,749
5.03	Adjusted opening balances	648,497	108,551	1,365,194	0	-146,219	1,976,023	89,726	2,065,749
5.04	Capital transactions with partners	0	0	515	-74,600	0	-74,085	0	-74,085
5.04.06	Dividends	0	0	238	0	0	238	0	238
5.04.07	Interest on own capital	0	0	277	-74,600	0	-74,323	0	-74,323
5.05	Total comprehensive income	0	0	0	241,824	14,667	256,491	-7,642	248,849
5.05.01	Net income for the period	0	0	0	241,824	0	241,824	-7,642	234,182
5.05.02	Other comprehensive income	0	0	0	0	14,667	14,667	0	14,667
5.05.02.01	Financial instruments' adjustments	0	0	0	0	855	855	0	855
5.05.02.02	Taxes on financial instruments' adjustments	0	0	0	0	-191	-191	0	-191
5.05.02.04	Translation adjustments in the period	0	0	0	0	14,003	14,003	0	14,003
5.06	Internal changes in shareholders' equity	0	0	167,389	-167,224	-165	0	0	0
5.06.01	Formation of reserves	0	0	167,389	-167,389	0	0	0	0
5.06.04	Realization of Other comprehensive income	0	0	0	165	-165	0	0	0
5.07	Closing balances	648,497	108,551	1,533,098	0	-131,717	2,158,429	82,084	2,240,513

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2016-06/30/2016

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Interest of non-controlling shareholders	Consolidated shareholders' equity
5.01	Opening balances	648,497	95,404	1,123,749	0	-28,121	1,839,529	91,707	1,931,236
5.03	Adjusted opening balances	648,497	95,404	1,123,749	0	-28,121	1,839,529	91,707	1,931,236
5.04	Capital transactions with partners	0	23,890	448	-38,900	0	-14,562	0	-14,562
5.04.05	Treasury shares sold	0	23,890	0	0	0	23,890	0	23,890
5.04.06	Dividends	0	0	448	0	0	448	0	448
5.04.07	Interest on own capital	0	0	0	-38,900	0	-38,900	0	-38,900
5.05	Total comprehensive income	0	0	0	176,015	-103,229	72,786	-4,937	67,849
5.05.01	Net income for the period	0	0	0	176,015	0	176,015	-4,709	171,306
5.05.02	Other comprehensive income	0	0	0	0	-103,229	-103,229	-228	-103,457
5.05.02.01	Financial instruments' adjustments	0	0	0	0	-3,725	-3,725	0	-3,725
5.05.02.02	Taxes on financial instruments' adjustments	0	0	0	0	569	569	0	569
5.05.02.04	Translation adjustments in the period	0	0	0	0	-100,073	-100,073	-228	-100,301
5.06	Internal changes in shareholders' equity	0	0	137,668	-137,115	-553	0	0	0
5.06.01	Formation of reserves	0	0	137,668	-137,668	0	0	0	0
5.06.04	Realization of Other comprehensive income	0	0	0	553	-553	0	0	0
5.07	Closing balances	648,497	119,294	1,261,865	0	-131,903	1,897,753	86,770	1,984,523

Consolidated financial statements or Statement of added value

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2017-06/30/2017	Accumulated of the prior year 01/01/2016-06/30/2016
7.01	Income	1,941,036	2,387,767
7.01.01	Sale of goods, products and services	1,946,886	2,345,738
7.01.02	Other income	4,828	52,354
7.01.04	Allowance/reversal of allowance for doubtful accounts	-10,678	-10,325
7.02	Inputs acquired from third parties	-870,297	-987,407
7.02.01	Cost of products, goods and services sold	-530,703	-832,577
7.02.02	Materials, Energy, Outsourced services and other	-323,440	-149,365
7.02.03	Loss/recovery of asset values	-15,437	-4,022
7.02.04	Other	-717	-1,443
7.03	Gross added value	1,070,739	1,400,360
7.04	Retentions	-48,120	-53,349
7.04.01	Depreciation, amortization and depletion	-48,120	-53,349
7.05	Net added value produced	1,022,619	1,347,011
7.06	Added value received as transfer	36,667	61,079
7.06.02	Financial income	36,764	62,308
7.06.03	Other	-97	-1,229
7.06.03.01	Other	1,577	2,567
7.06.03.02	Income (loss) from discontinued operations	-1,674	-3,796
7.07	Total added value payable	1,059,286	1,408,090
7.08	Distribution of added value	1,059,286	1,408,090
7.08.01	Personnel	479,097	511,911
7.08.01.01	Direct remuneration	393,906	430,331
7.08.01.02	Benefits	62,062	62,757
7.08.01.03	FGTS (Severance Pay Fund)	23,129	18,823
7.08.02	Taxes, rates and contributions	221,076	539,332
7.08.02.01	Federal	79,522	378,537
7.08.02.02	State	140,349	159,759
7.08.02.03	Municipal	1,205	1,036
7.08.03	Third-party capital remuneration	124,931	185,541
7.08.03.01	Interest	66,191	110,595
7.08.03.02	Rentals	43,486	50,844
7.08.03.03	Other	15,254	24,102
7.08.04	Remuneration of own capital	234,182	171,306
7.08.04.01	Interest on own capital	74,600	38,900
7.08.04.03	Retained earnings / Loss for the period	167,224	137,115
7.08.04.04	Non-controlling interest in retained earnings	-7,642	-4,709

ALPARGATAS S.A.
NOTES TO FINANCIAL STATEMENTS FOR THE SEMESTER ENDED JUNE 30, 2017
(Amounts expressed in thousands of reais - R$, unless otherwise indicated)

1. Operations

1.1. General considerations

Alpargatas S.A. ("Company") is a publicly-held corporation headquartered in the capital city of São Paulo, at Avenida Doutor Cardoso de Melo, 1.336, listed in the São Paulo Stock Exchange (BMF&BOVESPA) under the ticker symbols “ALPA4” and
"ALPA3"
.
The Company and its subsidiaries (hereinafter collectively referred to as “Alpargatas Group” or the “Group”) are primarily engaged in the manufacturing and sale of footwear and footwear components, apparel items, textiles and textile components, leather, resin and natural or synthetic rubber goods, and sports items.
The direct and indirect subsidiaries through which the Company conducts activities in Brazil and abroad are described in Note 4.

The Board of Directors authorized the issue of these financial statements on August 4, 2017.

1.2. Acquisition of controlling interest by J&F Investimentos S.A.

On November 23, 2015, J&F Investimentos S.A. (“J&F”) entered into a Controlling Interest Purchase and Sale Agreement and Other Covenants with Camargo Corrêa S.A. (“CCSA”), the Company’s controlling shareholder, for acquisition of the controlling interest of Alpargatas S.A. by J&F. The purpose of this agreement is the acquisition of 207,575,464 shares issued by Alpargatas (161,846,378 common shares and 45,729,086 preferred shares), i.e. 44.12% of the Company capital (66.99% of total common shares and 19.98% of total preferred shares).
On December 4, 2015, the Administrative Council for Economic Defense (CADE) approved this acquisition.

On December 23, 2015, J&F and CCSA entered into the Closing Document for the Controlling Interest Purchase and Sale Agreement and Other Covenants, through which the acquisition of all shares issued by Alpargatas and held by CCSA was concluded.
The price, after adjustments made due to dividend distribution and interest on own capital to CCSA, was R$2,614,172, and the price per share amounted to R$12.60 per common share and R$12.57 per preferred share.

On July 12, 2016, the Company informed its shareholders and the market in general that J&F Investimentos S.A., the Company's parent company, as the offeror of the mandatory public offering of shares of the Company, due to the acquisition of Company’s controlling shares (“Mandatory IPO" (i) contracted Banco Bradesco BBI S.A. to provide the intermediation services of the Mandatory IPO and (ii) resubmitted, in the scope of the request for registration of the Mandatory IPO, all documents provided for by CVM Instruction 361.

The call notice of mandatory IPO was published on August 17, 2016. As a result of the auction, J&F Investimentos S.A. acquired 45,322,491 common shares issued by the Company, representing 56.82% of the common shares object of the IPO, now holding 207,168,869 common shares, representing 85.75% of the total of this type of shares. The shares were acquired at the unit price of R$ 11.02, totaling R$ 499,454. Considering that J&F already had 47,937,043 preferred shares of the Company, its interest in the total share capital of Alpargatas was 54.23%. The mandatory IPO (Initial Public Offering) was settled on October 5, 2016.

1.3. Disposal of Topper and Rainha operations

On November 3, 2015, for the purpose of increasing its focus on its most strategic businesses, the Company entered into with a group of investors led by Mr. Carlos Roberto Wizard Martins: (a) Purchase and Sale Agreement referring to disposal of 100% of the business unit that will comprise all operations related to the Topper brand in Brazil, and to Rainha brand in Brazil and worldwide; (b) Purchase and Sale Agreement referring to disposal of 20% of the business unit that will comprise all operations related to the Topper brand in Argentina and worldwide (except in the United States and China), currently conducted by the subsidiary Alpargatas S.A.I.C.; and (c) License Agreement referring to the Topper brand, for the period of 15 years, in the United States and China.

Such operations will be closed on different dates, and such closing is subject to compliance with certain precedent conditions.

As anticipated in the structuring of the transaction, in February 2016, Alpargatas segregated the business unit responsible for the Topper and Rainha brands activities in Brazil into a new company, BRS Comércio e Indústria de Material Esportivo S.A.(BRS), which was acquired by the buyers on May 2, 2016.

The operation in Argentina will also take place by segregating the operation into a new company ("NewCo Argentina") to be organized by Alpargatas S.A.I.C.-Argentina, and buyers will acquire shares representing 20% of the capital of NewCo Argentina.
The Brazil operation purchase price was R$49,836. The Argentina operation purchase price will be equivalent to the disposed interest of 20% multiplied by 6.5 times the effective EBITDA of the Argentina Topper business for the year ended December 31, 2015, adjusted by the net indebtedness on the respective closing date (see details in Note 11).
On May 2, 2016, the Company received the first installment of the purchase price of the Brazil transaction in the amount of R$ 24,345. The remaining receipts are occurring since July 2016, pursuant to the contract and respective addenda.

1.4. Timberland brand licensing

On May 13, 2016, the Company announced in a material fact that, as of January 2017, would not be no longer representative of the Timberland brand in Brazil. This decision was in line with the Company's strategy regarding its positioning in the sporting goods market (see details in note 11).

1.5. Relocation Alpargatas International S.L.

On December 5, 2016, the Company completed the relocation process of Alpargatas International SL, new corporate name of Alpargatas International ApS, from Copenhagen (Denmark) to Madrid (Spain). Such European holding company relocation was due to strategic business growth issues, and to optimize management in a country with a strong presence, a strong cultural identity and a structure prepared to absorb new projects.

2. Basis of Preparation and description of significant accounting policies

The individual and consolidated quarterly information was prepared and are presented in accordance with Technical Pronouncement CPC 21 (R1) - Interim Statement and IAS 34 - Interim Financial Reporting, issued by Accounting Pronouncement Committee and International Accounting Standards Board (IASB), respectively, and in a manner consistent with the standards issued by the Securities Commission, applicable to the preparation of the Quarterly Information - ITR.

Accounting practices adopted in Brazil comprise those included in the Brazilian corporate law and the Pronouncements, Guidelines and Interpretations issued by the Accounting Pronouncement Committee (CPC) and approved by Securities Commission (CVM).

The information regarding the preparation and presentation basis of the quarterly information, the description of significant accounting policies and the use of estimates and judgments have not changed in relation to those disclosed in Note 2 to the annual financial statements for the year ended December 31 (hereinafter referred to as "financial statements as of December 31, 2016"), published on March 10, 2017 in the Valor Econômico and Official Gazette newspapers, and made available through the following websites: www.cvm.gov.br, www.bmfbovespa.com.br and www.alpargatas.com.br .

Reclassifications

The Company made some reclassifications in the statement of income for the first quarter of 2017 to make it comparable to the presentations made in the statement of income for the second quarter of 2017.

	1Q17	Reclassifications	1Q17 - Adjusted
Cost of goods sold	456,248	986	457,234
Sales expenses	209,574	10,670	220,244
General and administrative expenses	70,794	(14,113)	56,681
Other operating income and expenses	(160,425)	2,457	(157,968)
Total	576,191	-	576,191

3. New standards, amendments and interpretations of standards

The standards, amendments and interpretations of standards issued but not yet adopted to the date of issuance of the financial statements of the Company, are shown below. The Company intends to adopt them when they become effective.

Notes

IFRS 15 - Income from Contracts with Clients
Establishes a five-step model applicable to revenue earned from a client contract, regardless of the type of revenue transaction or industry. It applies to all revenue contracts and provides a model for the recognition and measurement of gains or losses from the sale of certain non-financial assets that are not related to the Company's ordinary activities (for example, sales of real estate, facilities and equipment or intangible assets). Extensive disclosures are also required by this standard. This pronouncement shall be applied for years beginning or after January 1, 2018. The early adoption, although allowed by IFRS, was prohibited by Brazilian capital market regulators.

For product sales, income is currently recognized when the goods are delivered to the client's location, considered as the time when the client accepts the goods and the risks and benefits related to ownership are transferred. Income is recognized at this time, provided that the income and costs can be measured reliably, receipt of consideration is probable, and there is no continuous involvement of Management with the products. According to IFRS 15, income must be recognized when the client obtains control of the products.

For certain contracts that allow the client to return goods, income is currently recognized when a reasonable estimate of returns can be made, provided that all other income recognition criteria are met. If a reasonable estimate cannot be made, income recognition is deferred until the return period expires or until a reasonable estimate of the returns can be made. According to IFRS 15, revenue for these contracts will be recognized when it is probable that there is no significant reversal in the value of the accrued income.

Up to the date of disclosure of these interim financial information, management have not concluded the measurement of the effects of this new pronouncement, thus not being able to disclose such effects.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments, which replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 meets the three aspects of accounting for financial instruments of the project: classification and measurement, impairment loss and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and the early adoption is permitted. Except for hedge accounting, the retrospective application is required. However, the presentation of comparative information is not mandatory.

For hedge accounting, the requirements are generally applied prospectively, with few exceptions.

Up to the date of disclosure of these interim financial information, management have not concluded the measurement of the effects of this new pronouncement, thus not being able to disclose such effects.

(i) Classification - Financial assets

IFRS 9 contains a new approach to financial asset classification and measurement that reflects the business model in which the assets are managed and their cash flow characteristics.

IFRS 9 contains three main classification categories for financial assets: measured at amortized cost, at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL). The standard eliminates the categories existing in IAS 39 of held-to-maturity, loans and receivables, and available for sale.

According to IFRS 9, embedded derivatives of contracts where the host is a financial asset within the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is evaluated for its classification.

(ii) Impairment - Financial and contractual assets

IFRS 9 replaces the “incurred losses” model of CPC 38 (IAS 39) with a prospective “expected credit losses” model. This will require a relevant judgment as to how changes in economic factors affect the expected credit losses, which will be determined based on weighted probabilities.

The new model of expected losses will be applied to financial assets measured at amortized cost or VFTOCI, with the exception of investments in equity instruments and contractual assets.

According to IFRS 9, the provisions for expected losses will be measured on one of the following bases:

- Expected credit losses for 12 months, i.e., credit losses that result from potential delinquency events within 12 months after the reporting date; and

- Lifetime expected credit losses, i.e., credit losses that result from all possible delinquency events over the expected life of a financial instrument.

The measurement of lifetime expected credit losses applies if the credit risk of a financial asset at the reporting date has increased significantly since its initial recognition, and the 12-month credit loss measurement applies if the risk has not increased significantly since its initial recognition. An entity may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk on the reporting date. However, the measurement of lifetime expected credit losses always applies to trade accounts receivable and contractual assets without a significant financing component; an entity may opt to apply this policy also to trade accounts receivable and contractual assets with a significant financing component.

(iii) Classification - Financial liabilities

IFRS 9 retains a large part of the requirements of IAS 39 for the classification of financial liabilities.

However, according to IAS 39, all changes in fair value of the liabilities designated as FVTPL are recognized in Income, whereas, according to IFRS 9, these changes in fair value are generally reported as follows:

- The amount of the change in fair value that is attributable to changes in the credit risk of the financial liability is presented in OCI; and

- The remaining amount of the change in fair value is presented in income (loss).

The Company did not designate or intend to designate financial liabilities as FVTPL. Up to the date of disclosure of these interim financial information, management have not concluded the measurement of the effects of this new pronouncement, thus not being able to disclose such effects.

(iv) Hedge accounting

In the initial application of IFRS 9, the Company may choose, as the accounting policy, to continue to apply the hedge accounting requirements of IAS 39 instead of the new requirements of IFRS 9.
IFRS 9 will require the Company to assure that hedge accounting relationships are aligned with the Group's risk management objectives and strategies, and that the Company applies a more qualitative and forward-looking approach to assessing the effectiveness of the hedge. IFRS 9 also introduces new requirements for rebalancing hedging relationships and prohibits the voluntary discontinuation of hedge accounting. According to the new model, it is likely that more risk management strategies, particularly those of a hedge of a risk component (other than foreign currency risk) of a non-financial item, may qualify for hedge accounting.

With the adoption of IFRS 9, the Company may opt to account for changes in the fair value of the future element separately, as a hedge cost. In such a case, such changes would be recognized in OCI and accumulated in a hedge cost reserve as a separate component within shareholders' equity, and subsequently accounted for in the same way as the accumulated gains and losses in the cash flow hedge reserve.

Up to the date of disclosure of these interim financial information, management have not concluded the measurement of the effects of this new pronouncement, thus not being able to disclose such effects.

IFRS 16 Leases

IFRS 16 introduces a single model for the accounting of leases in the balance sheet for lessees. A lessee recognizes a right-of-use asset that represents their right to use the leased asset and a lease liability that represents their obligation to make lease payments. Optional exemptions are available for short-term leases and low value items. The lessor accounting remains similar to the current standard, that is, lessors continue to classify leases into finance or operating leases.

IFRS 16 supersedes the existing lease standards, including CPC 06 (IAS 17) Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) Complementary Aspects of Leases.

The standard in force for annual periods starting on or after January 1, 2019. The early adoption is only permitted to financial statements according to IFRSs and only to entities that apply IFRS 15 Income from Contracts with Clients on or before the date of early adoption of IFRS 16.

Up to the date of disclosure of these interim financial information, management have not concluded the measurement of the effects of this new pronouncement, thus not being able to disclose such effects.

Other amendments

In addition, the following new standards, amendments and interpretations were issued by IASB, but management does not expect material impacts on the Company's consolidated financial statements and/or consolidated interim financial information upon its initial adoption:
Amendment to IAS 7 - The amendments are part of the IASB disclosure improvement initiative and will be effective from annual periods beginning on January 1, 2017.

Amendments in IAS 12 - The amendments clarify the accounting of deferred tax assets on unrealized losses with debt instruments measured at fair value and will be in effect from annual periods beginning on January 1, 2017.

Amendments to IFRS 2 - The amendments address areas involving measurement, classification and modification of the terms and/or conditions of such transactions and will be effective from annual periods beginning on January 1, 2018.
Amendments in IFRS 4 - The amendments address concerns about the adoption of IFRS 9 and will be effective from annual periods beginning on January 1, 2018.

The Company intends to adopt such standards when they come into force, disclosing and recognizing the impacts on the financial statements and/or interim financial information that may occur upon the application of such adoptions.

Considering the current operations of the Company and its subsidiaries, Management does not expect that these amendments will have a material effect on the financial statements and/or interim financial information as of its adoption.

There are no other standards and interpretations issued and not yet adopted that might, in management's opinion, have a significant impact on the income (loss) or shareholders' equity disclosed by the Company.

4. Consolidated financial statements

The consolidation comprises the accounting information of the Company and the following direct and indirect subsidiaries:

	Main activity	Interest (%)	
		06/30/2017	12/31/2016
Direct interest:			
Fibrasil Agrícola e Comercial Ltda. '	Import and export in general, purchase, sale and lease of own properties and interest in other companies, in the country or abroad	100.00	100.00
Alpargatas Imobiliária S.A.	Sale and lease of own properties and holding interest in other companies, in Brazil or abroad.	100.00	100.00
Alpargatas International S.L. - Espanha (formerly Alpargatas International - APS)	Holding company with investments in other companies (Alpargatas USA Inc. and Alpargatas Europe S.L.U.)	100.00	100.00
Alpargatas S.A.I.C. - Argentina	Manufacturing and trading of footwear and textile products, mainly in the Argentine market	98.35	98.35
Terras de Aventura Indústria de Artigos Esportivos S.A. - Osklen	Premium fashion retail chain with stores in Brazil and abroad	60.00	60.00
Alpargatas Asia Ltd. - Hong Kong	Trading of footwear	100.00	100.00
Indirect interest (through Alpargatas Internacional S.L.):			
Alpargatas USA Inc. - United States	Import and trading of footwear in the U.S. market	100.00	100.00
Alpargatas Europe S.L.U. - Spain	Import and trading of footwear in the European market	100.00	100.00
Alpargatas UK Limited - United Kingdom		100.00	100.00
Alpargatas France S.A.R.L. - France		100.00	100.00
Alpargatas Itália S.R.L. - Italy		100.00	100.00
Alpargatas Portugal Limited - Portugal		100.00	100.00
Alpargatas Germany GmbH - Germany		100.00	100.00
Indirect interest (by means of Fibrasil Agrícola e Comercial Ltda.):			

	Main activity	Interest (%)	
		06/30/2017	12/31/2016
Direct interest:			
Alpargatas S.A.I.C. - Argentina	Manufacturing and trading of footwear and textile products, mainly in the Argentine market	1.65	1.65
Dialog S.A.	Logistic services	10.00	10.00
Indirect interest (by means of Alpargatas S.A.I.C. - Argentina):			
Alpargatas Calzados de Uruguay S.A.	Trading of footwear	100.00	100.00
Dialog S.A.	Logistic services	90.00	90.00

Thus, the Company considers that it controls an investee if, and only if, it has all the following characteristics: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect their return value.

The balance sheet of foreign subsidiaries in a functional currency is other than the Brazilian real was translated into reais at the exchange rates prevailing on the balance sheet dates. The statement of income of foreign subsidiaries was translated into reais at average exchange rates. The differences arising from the use of different translation rates are recorded in shareholders' equity, under "Equity valuation adjustment".

5. Tax incentives - Investment grant

The Company has tax incentives granted by state governments where the main plants are located, which will expire between 2018 and 2020 in Northeast region and in 2031, in Minas Gerais. The extension, as well as the term of the aforementioned incentives, should be defined in accordance with the Complementary Law Project No. 54, approved by the National Congress and that, until the conclusion of these financial statements, were pending presidential approval. Such standard provides for the possibility of extending industrial incentives for a maximum period of 15 years.
The Company also has tax incentives granted by the federal government through profit from tax-incentive activities in the Northeast Region, which will expire in 2021.

These investments grants and tax incentives are as follows:

		Parent company		Consolidated	
		06/30/2017	06/30/2016	06/30/2017	06/30/2016
ICMS grant:					
Paraíba	(a)	40,507	58,471	40,507	58,471
Pernambuco	(b)	3,207	7,024	3,207	7,024
State of Minas Gerais	(c)	7,961	7,742	7,961	7,742
Corporate Income Tax (IRPJ) incentives:					
Northeastern region	(d)	2,034	-	2,034	-
Total		53,709	73,237	53,709	73,237

(a) Amounts of the investment grant in the State of Paraíba, used in the calculation of matching ICMS credit. The amounts refer to unpaid ICMS installments, thus committed to what was agreed upon with the state government. The Company is compliant with the established agreement, which consists of expanding the manufacturing facilities in that region, increasing its production of footwear and generating direct jobs in plants in the State of Paraíba.

In addition, during the semesters ended June 30, 2017 and 2016, there were no incentive installments to be accounted for, arising from obligations established by the incentive program, to be complied with by the Company.

Tax incentive installments are credited to “Sales taxes” in the statement of income.

(b) Amounts of the investment grant in the State of Pernambuco, used in the calculation of ICMS deemed credit, thus committed to what was agreed with the state government by subsidiary CBS S.A. - Companhia Brasileira de Sandálias, which was merged by the parent company on February 1, 2015. The parent company is compliant with the established agreement, which consists of maintaining a minimum number of direct jobs in the region and reaching gross revenue of at least R$2,500 per month.

(c) Determination of presumed ICMS credit by Montes Claros plant. The amounts refer to unpaid ICMS installments, thus committed to what was agreed upon with the state government. The Company is in compliance with the established agreement, which consists of investing, generating income and creating direct jobs in Minas Gerais state plant.

(d) Recorded at credit under “Current income and social contribution taxes” caption in statement of income (see details in Note 10.b).

6. Cash and cash equivalents and interest earning bank deposits

a) Cash and cash equivalents

	Parent company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Cash and banks	36,775	2,050	110,222	86,144
Interest earning bank deposits:				
Post-fixed CDBs (Bank Deposit Certificates) (i)	158,053	105,094	165,663	114,135
Post-fixed purchase and sale commitments (i)	90,594	159,183	94,278	170,278
Other - Alpargatas S.A.I.C. - Argentina (ii)	-	-	-	20,790
Total	285,422	266,327	370,163	391,347

(i) As of June 30, 2017, CDBs (Bank Deposit Certificates) and purchase and sale commitments had an average remuneration of 99.35% of CDI (100.57% as of December 31, 2016). The maturity terms range from July 2017 to January 2023, with a grace period for redemption of three months or less, and are subject to an insignificant risk of change in value.

(ii) On June 30, 2017, the subsidiary Alpargatas S.A.I.C. - Argentina had no financial investments. As of December 31, 2016, they were represented by fixed income securities with an annual average remuneration of 26.80%.

b) Interest earning bank deposits

As of June 30, 2017, refer to CDBs (Bank Deposit Certificates) and post-fixed purchase and sale commitments at the average remuneration of 102.04% of CDI (Interbank Deposit Certificate) (103.05% as of December 31, 2016).

	Parent company and Consolidated	
	06/30/2017	12/31/2016
Post-fixed CDBs (Bank Deposit Certificates) (i)	15,281	63,179
Post-fixed purchase and sale commitments (i)	13,886	47,592
Total	29,167	110,771

(i) They have grace period for redemption longer than three months and are subject to the risk of change in value in case of early redemption.

7. Trade accounts receivable

Trade accounts receivable are recorded in the balance sheet at that nominal value of securities, net of allowance for doubtful accounts, which is formed considering an individual analysis of receivables, of the economic environment and the history of losses recorded in prior years by maturity bracket.

	Parent company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Domestic market	436,481	682,712	482,790	746,257
Foreign market (i)	34,831	59,858	341,581	224,684
Related parties (Note 21.b))	16,828	43.597	-	-
Allowance for doubtful accounts	(44,266)	(37,094)	(47,586)	(39,641)
Total	443,874	749,073	776,785	931,300

(i) Foreign trade accounts receivable are denominated in U.S. dollars, euros and Argentinean pesos.

a) Trade accounts receivable by maturity age

	Parent company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Falling due	411,976	690,963	690,503	850,929
Overdue - in days:				
Up to 30	7,829	23,165	40,313	30,464
31-60	3,069	3,186	13,912	7,878
61-90	1,236	1,384	5,506	4,169
91-180	12,861	4,430	17,198	9,244
>181	51,169	63,039	56,939	68,257
Total	488,140	786,167	824,371	970,941

b) Allowance for doubtful accounts

Changes in the allowance for doubtful accounts are as follows:

	Parent company	Consolidated
Balances at December 31, 2016	(37,094)	(39,641)
Additions	(8,888)	(10,678)
Other changes / Foreign exchange	1,716	2,733
Balances at June 30, 2017	(44,266)	(47,586)

The breakdown by aging of trade accounts receivable included in the allowance for doubtful accounts is as follows:

	Parent company		Consolidated	
In days:	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Up to 30	(1,150)	-	(1,150)	-
31-60	(103)	(23)	(247)	(99)
61-90	(1,653)	(101)	(2,159)	(125)
91-180	(1,127)	(1,991)	(2,146)	(2,828)
>181	(40,233)	(34,979)	(41,884)	(36,589)
Total	(44,266)	(37,094)	(47,586)	(39,641)

Additions and reversals of allowance for doubtful accounts were recorded in “Sales expenses” caption in the statement of income.

The maximum credit risk exposure on the date of the financial statements is the book value of each maturity bracket as shown in the table above. No provision for losses was recorded for default clients with rescheduled debts, for which Company and subsidiaries have letters of credit and properties as collaterals. For other past due trade accounts receivable, in which the Group is not collateralized, an allowance for doubtful accounts was formed.

8. Inventories

Recorded at average acquisition or production cost and when applicable, restated at market value and possible losses.

	Parent company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Finished products	308,056	190,405	523,243	402,065
Work in process	24,923	27,491	49,272	47,608
Raw materials	101,429	110,778	149,689	156,466
Imports in progress	26,095	27,190	26,095	27,190
Other	38,746	3,145	60,443	28,315
Provision for inventory losses	(7,374)	(3,150)	(13,844)	(9,236)
Total	491,875	355,859	794,898	652,408

Changes in the provision for inventory losses are as follow:

	Parent company	Consolidated
Balances at December 31, 2016	(3,150)	(9,236)
Additions	(7,930)	(8,140)
Other changes / Foreign exchange	3,706	3,532
Balances at June 30, 2017	(7,374)	(13,844)

9. Recoverable taxes

	Parent company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Prepayments of income and social contribution taxes	4,974	2,290	5,235	2,545
Withholding income tax - IRRF	15,985	12,060	16,389	12,477
ICMS	3,456	842	4,880	4,965
Excise Tax - IPI	503	469	503	1,430
Social Integration Program (PIS) and Contribution for social security funding - COFINS to be offset	3,899	3,976	3,899	5,947
Tax incentive - Brasil Maior Plan	6,480	3,804	6,480	3,804
Credit from INSS lawsuit	6,988	6,988	6,988	6,988
Alpargatas Europe S.L.U. - Spain:				
Value-Added Tax - VAT	-	-	2,825	1,719
Prepayments of income tax	-	-	17,794	8,798
Alpargatas S.A.I.C. - Argentina:				
Value-Added Tax - VAT	-	-	3,491	1,802
Prepayments of income tax	-	-	34,223	14,351
Export taxes	-	-	2,717	4,649
Tax credit (note 33.b)	-	-	36,341	3,483
Other	5,964	6,821	12,141	10,041
Total	48,249	37,250	153,906	82,999

Current portion	38,247	26,763	99,649	63,476
Installments - non-current	10,002	10,487	54,257	19,523

10. Income and social contribution taxes

Deferred tax assets and liabilities are recognized on temporary differences only when it is probable that the Company will present future taxable income in sufficient amount to use these deductible temporary differences. The amounts are calculated based on the rates provided for by the tax legislation prevailing on the balance sheet dates.

a) Deferred

		Parent company and Consolidated	
		06/30/2017	**12/31/2016**
Assets:			
Parent company:			
Allowance for doubtful accounts		13,406	10,987
Provision for inventory losses		1,947	1,012
Provision for tax, civil and labor risks		12,502	11,899
Provisions for taxes with enforceability suspended		-	32,249
Recognition adjustment of sales income		8.881	405
Transactions with derivative financial instruments		30	221
Tax losses and the negative social contribution base		18,155	22,346
Other temporary differences		14,026	6,022
Total - parent company		68,947	85,141
Subsidiaries:			
Alpargatas S.A.I.C. - Argentina:			
- Provisions for tax, civil and labor risks		7,110	5,228
- Tax difference in inventory valuation		1,075	225
- Other temporary differences		6,981	12,089
		15,166	17,542
Alpargatas Europe S.L.U. - Spain:			
- Tax losses		3,372	1,375
Deferred taxes on unrealized income		2,637	4,686
Total - consolidated		90,122	108,744
Liabilities:			
Parent company:			
Goodwill in the acquisition of subsidiaries - amortized for tax purposes	(i)	15,749	14,543
Transactions with derivative financial instruments		55	(30)
Total parent company		15,804	14,513
Subsidiaries:			
Alpargatas S.A.I.C. - Argentina:			
- Adjustment to present value on renegotiated liabilities and tax difference in valuation of fixed asset items		12,591	18,215
Terras de Aventura Indústria de Artigos Esportivos S.A. - Osklen	(ii)	59,445	66,837
Total - consolidated		87,840	99,565

Parent Company - Non-current assets	53,143	70,628
Consolidated - Non-current assets	61,727	76,689
Consolidated - Non-current liabilities	(59,445)	(67,510)

(i) The Company enjoys the goodwill tax benefit on acquisition of subsidiary CBS S.A. Companhia Brasileira de Sandálias, at the ratio of 1/60, after the merger of former subsidiary Atlântico Participações S.A., with monthly amortization of R$400 from January 2009 to October 2017, which has resulted in a R$136/month tax effect, and of CBS S.A., with monthly amortization of R$192 from February 2015 to January 2020, with a tax effect of R$65/month for income and social contribution taxes (IRPJ and CSLL) purposes.

(ii) Refer to deferred income and social contribution tax liabilities on fair value of assets acquired and liabilities assumed upon acquisition of the controlling interest of Osklen. Liabilities are reversed as the acquired defined useful life intangible assets are amortized.

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

	06/30/2017	**12/31/2016**
2017 (six months)	14,999	23,444
2018	24,483	12,282
2019	14,322	17,303
2020	14,322	12,886
2021 onwards	21,996	42,829
Total - consolidated	90,122	108,744

As of June 30, 2017, the Company had unrecognized tax credits on income tax losses and unrecognized temporary differences in the consolidated financial statements, generated by its foreign subsidiary Alpargatas USA Inc., which, in view of the lack of projected taxable profits for the next years, were not recorded by the corresponding foreign subsidiary.

The amount of unrecorded tax credit, calculated at the current rate in the United States of America, is as follows:

Total temporary differences	42
Tax losses	95,109
Tax credit	95,151

The tax credit on tax losses arising from such subsidiary has a 20-year period to be offset (expiration date).

Changes in balances of deferred income and social contribution taxes, assets and liabilities for the semester ended June 30, 2017 is as follows:

Notes

	Parent company			Consolidated		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Balance at December 31, 2016	85,141	14,513	70,628	108,744	99,565	9,179
Effects on income (loss)	(16,865)	1,291	(18,156)	(19.129)	(10,959)	(8,170)
Other comprehensive income	(191)	-	(191)	(191)	-	(191)
Taxes - Discontinued operations	862	-	862	862	-	862
FX rate, charges and other changes	-	-	-	(164)	(766)	602
Balance at June 30, 2017	68,947	15,804	53,143	90,122	87,840	2,282

b) Current

Reconciliation of income and social contribution taxes on net income:

	Parent company		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Income before income and social contribution taxes	269,782	165,720	241,650	196,057
Combined tax rate for income and social contribution taxes	34%	34%	34%	34%
Expense with income and social contribution taxes at the current tax rate	(91.726)	(56,344)	(82,161)	(66,659)
Equity in income of subsidiaries	20,929	35,457	-	-
Benefits from interest on own capital	25,364	13,226	25,364	13,226
Investment grant - ICMS	19,214	24,725	19,214	24,725
Federal tax grant - IRPJ (Corporate Income Tax) (Note 5)	2,034	-	2,034	-
Tax credit - Argentina (note 33.b))	-	-	11,330	-
Tax Adjustment from inflation - Argentina (i)	-	-	18,421	-
Unrecognized tax credit on tax loss carryforwards and temporary differences calculated by subsidiaries abroad			2,061	10,695
Other permanent exclusions (additions), net	(2,099)	(2,972)	(2,057)	(2,942)
Total income and social contribution tax expense	(26,284)	14,091	(5,794)	(20,955)
Current	(8,128)	(284)	2,376	(44,915)
Deferred	(18,156)	14,375	(8,170)	23,960
Effective rate	10%	(9%)	2%	11%

(i) Adjustment of income tax in Argentina arising from the reduction of the calculation basis due to the recognition of the 2016 inflation for monetary assets and liabilities.

11. Discontinued operations

As disclosed in Note 1.3, on November 3, 2015, the Company entered into an agreement on purchase and sale of the Topper and Rainha brands operations in Brazil and Argentina. Additionally, on May 13, 2016, the Company announced that, as of January 2017, would no longer be the representative of the Timberland brand in Brazil. As of June 30, 2017, the income and expenses from such operations were classified discontinued operations, causing an impact on the business segment “Domestic operations". Thus, certain captions of the financial statements corresponding to Timberland operations and related to the semester ended June 30, 2016 were reclassified for the separate presentation of Discontinued Operations, as established by the accounting standard.

The profit or loss for Topper and Rainha brands in Brazil for the semesters is as follows:

Notes

June 30, 2017:

	Topper and Rainha	Timberland	Total
Income		25,857	25,857
Cost	-	(26,051)	(26,051)
Gross income	-	(194)	(194)
Net operating expenses	-	(2,503)	(2,503)
Financial income (loss)	-	161	161
Income (loss) from discontinued operations before taxes	-	(2,536)	(2,536)
Tax income (expense):			
Related to income (loss) before taxes	-	862	862
Income (loss) for the year from discontinued operations - Attributable to the Parent Company's partners		(1,674)	(1,674)

June 30, 2016:

	Topper and Rainha	Timberland	Total
Income	40,502	38,776	79,278
Cost	(34,281)	(24,186)	(58,467)
Gross income	6,221	14,590	20,811
Net operating expenses	(12,633)	(15,149)	(27,782)
Financial income (loss)	453	767	1,220
Income (loss) from discontinued operations before taxes	(5,959)	208	(5,751)
Tax income (expense):			
Related to income (loss) before taxes	2,026	(71)	1,955
Income (loss) for the semester from discontinued operations - Attributable to the Parent Company's partners	(3,933)	137	(3,796)

12. Judicial deposits

	Parent company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Tax lawsuits	10,040	10,040	10,040	10,040
Civil lawsuits	13	13	13	13
Labor claims	9,939	9,816	12,515	12,211
	19,992	19,869	22,568	22,264

These judicial deposits, which do not involve current obligations, were necessary to proceed with these claims. Based on the management’s and its legal advisors’ opinion, the likelihood of loss is not considered probable; therefore, no provision for tax, civil and labor contingencies was recorded.

Notes

13. Investments

They are represented as follow:

	Parent company	
	06/30/2017	**12/31/2016**
Investments	496,099	420,245
Goodwill	273,393	327,255
	769,492	747,500

Notes

Information as of June 30, 2017	Fibrasil Agrícola e Comercial Ltda.	Alpargatas International S.L. - Spain		Alpargatas Imobiliária S.A.	Alpargatas S.A.I.C. - Argentina		Terras de Avent Ind. de Art. Esportivos S.A. - Osklen		Total
Quantity of shares or quotas held	5,978,751	57,734,570		10,296,177	507,021,800		50,914,603		
Total current assets	278	273,278		8,051	428,051		120,864		
Total non-current assets	3,982	61,702		3,234	100,369		265,314		
Total current liabilities	-	196,349		69	235,187		95,267		
Total non-current liabilities	-	772		-	64,495		85,700		
Capital	5,979	218,694		10,296	102,795		80,209		
Non-controlling interest	-	-		-	211		82,085		
Shareholders' equity - Controlling shareholders	4,260	137,859		11,216	228,527		123,126		
Unrealized income in inventories / Unrealized gain from sale of assets		(3,597)			46		(1,568)		
	4,260	134,262		11,216	228,573		121,558		
Net revenue for the period		331,502		54	331,472		91,811		
Net income (loss) for the period	394	48,098	(i)	469	20,460		(18,105)		
Interest - %	100.00	100.00		100.00	98.35	(ii)	60.00		
Book value of investments:									
Balance at December 31, 2016	3,985	62,366		10,747	210,127		133,020		420,245
Hedge operations	-	294		-	-		-		294
Equity in income of subsidiaries	394	52,023	(i)	469	20,133		(11,462)		61,557
Foreign exchange rate of investments	(119)	19,579		-	(5,457)		-		14,003
Balance at June 30, 2017	4,260	134,262		11,216	224,803		121,558	(iii)	496,099

(i) The difference of R$(3,925) between income earned by Alpargatas APS and equity pickup for the year refers to unrealized profit in inventories of subsidiary.
(ii) The other 1.65% interest of Alpargatas S.A.I.C. - Argentina is held by subsidiary Fibrasil Agrícola e Comercial Ltda. and totals R$3,770 at June 30, 2017.
(iii) As of June 30, 2017, the amount related to the goodwill of assets and liabilities of Terras de Avent. Ind. de Art. Esportivos S.A. - Osklen was R$ 77,771 (R$81,034 as of December 31, 2016).

Notes

	Subsidiaries					
	Fibrasil Agrícola e Comercial Ltda.	**Alpargatas Internacional APS - Denmark**	**Alpargatas Imobiliária S.A.**	**Alpargatas S.A.I.C. - Argentina**	**Terras de Avent Ind. de Art. Esportivos S.A. - Osklen**	**Total**
Information as of June 30, 2016						
Quantity of shares or quotas held	5,978,751	57,734,570	10,296,177	507,021,800	50,914,603	
Total current assets	293	232,977	8,563	341,620	111,086	
Total non-current assets	3,684	36,556	3,234	68,303	277,284	
Total current liabilities	-	164,347	92	155,352	101,814	
Total non-current liabilities	-	948	-	40,604	69,631	
Capital	5,979	205,161	10,296	110,734	76,292	
Non-controlling interest	-	-	-	157	86,770	
Shareholders' equity - Controlling shareholders	3,977	104,238	11,705	213,810	130,155	
Unrealized income from inventories	-	(3,921)	-	-	-	
	3,977	100,317	11,705	213,810	130,155	
Net revenue for the period		367,625	50	419,192	98,941	
Net income (loss) for the period	466	78,447 (i)	505	28,724	(11,773)	
Interest - %	100.00	100.00	100.00	98.35 (ii)	60.00	
Book value of investments:						
Balance at December 31, 2015	4,904	40,097	11,200	260,934	137,561	454,696
Hedge operations	(34)	-	-	(2,018)	-	(2,052)
Dividend distribution	-	-	-	-	(421)	(421)
Equity in income of subsidiaries	466	82,103 (i)	505	28,277	(7,064)	104,287
Foreign exchange rate of investments	(1,359)	(21,883)	-	(76,910)	79	(100,073)
Balance at June 30, 2016	3,977	100,317	11,705	210,283	130,155 (iii)	456,437

(i) The difference of R$ (3,656) between income earned by Alpargatas APS and equity pickup for the year refers to unrealized profit in inventories of subsidiary.
(ii) The other 1.65% interest of Alpargatas S.A.I.C. - Argentina is held by the subsidiary Fibrasil Agrícola e Comercial Ltda. and totals R$3,527 at June 30, 2016.
(iii) As of June 30, 2016, the amount related to the goodwill of assets and liabilities of Terras de Avent. Ind. de Art. Esportivos S.A. - Osklen was R$(163,796) (R$84,733 as of December 31, 2015).

Notes

As of June 30, 2017 and December 31, 2016, the goodwill in subsidiaries is comprised as follows:

	CBS S.A. - Companhia Brasileira de Sandálias	Alpargatas S.A.I.C. - Argentina	Terras de Avent. Ind. de Art. Esportivos S.A. - Osklen	Total
Balance at December 31, 2016	53,862	96,268	177,125	327,255
Balance at June 30, 2017	-	96,268	177,125	273,393

Indirect investments through the holding company Alpargatas International S.L.

	Indirect subsidiaries							
Information as of June 30, 2017	Alpargatas Europe S.L.U. - Spain	Alpargatas France S.A.R.L. - France	Alpargatas UK Limited - United Kingdom	Alpargatas Itália S.R.L. - Italy	Alpargatas Portugal Limited - Portugal	Alpargatas Germany GmbH - Germany	Alpargatas USA Inc. - USA	Total indirect subsidiaries
Quantity of shares or quotas held	100,000	5,000	1	1	2	25,000	10	
Total current assets	194,666	12,255	9,719	5,956	3,900	1,584	44,150	
Total non-current assets	29,570	5,449	2,143	4,939	3,273	1,056	14,228	
Total current liabilities	63,851	16,768	6,005	8,304	5,690	2,358	136,010	
Total non-current liabilities	430	-	-	-	-	-	342	
Shareholders' equity (unsecured liability)	159,955	936	5,857	2,591	1,493	282	(77,974)	
Net revenue for the period	235,459	10,981	7,501	9,232	3,905	1,584	62,480	
Net income (loss) for the period	52,209	(850)	7	309	52	(12)	(1,268)	
Indirect interest - %	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
Book value of investments:								
Balance at December 31, 2016	91,999	1,701	5,247	2,051	1,298	269	(75,642)	26,923
Equity in income of subsidiaries	52,209	(850)	7	309	52	(12)	(1,268)	50,447
Foreign exchange rate of investments	15,747	85	603	231	133	25	(1,064)	15,760
Balance at June 30, 2017	159,955	936	5,857	2,591	1,483	282	(77,974)	93,130

Notes

Information as of June 30, 2016	Indirect subsidiaries							
	Alpargatas Europe S.L.U. - Spain	**Alpargatas France S.A.R.L. - France**	**Alpargatas UK Limited - United Kingdom**	**Alpargatas Itália S.R.L. - Italy**	**Alpargatas Portugal Limited -Portugal**	**Alpargatas Germany GmbH - Germany**	**Alpargatas USA Inc. - USA**	**Total indirect subsidiaries**
Quantity of shares or quotas held	100,000	5,000	1	1	2	25,000	10	
Total current assets	154,666	9,200	7,209	3,874	2,903	1,424	53,289	
Total non-current assets	7,743	4,597	2,311	3,630	2,226	221	12,889	
Total current liabilities	52,631	12,797	3,968	5,642	3,746	1,309	123,792	
Total non-current liabilities	610	-	-	-	-	-	338	
Shareholders' equity (unsecured liability)	109,168	1,000	5,552	1,862	1,383	336	(57,952)	
Net revenue for the period	262,104	11,260	7,444	8,307	3,683	2,109	72,718	
Net income (loss) for the period	72,386	(85)	940	524	372	213	7,209	
Indirect interest - %	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
Book value of investments:								
Balance at December 31, 2015	58,596	1,289	6,258	1,696	1,277	183	(78,081)	(8,782)
Equity in income of subsidiaries	72,386	(85)	940	524	372	213	7,209	81,559
Foreign exchange rate of investments	(21,814)	(204)	(1,646)	(358)	(266)	(60)	12,920	(11,428)
Balance at June 30, 2016	109,168	1,000	5,552	1,862	1,383	336	(57,952)	61,349

14. Property, plant and equipment

Property, plant and equipment are measured at historical cost, including expenditures directly attributable to the acquisition of items and financing costs related to the acquisition of qualified assets.

		Parent company					
		06/30/2017			12/31/2016		
	Useful life for depreciation (years)	Cost	Accumulated depreciation (i)	Net	Cost	Accumulated depreciation (i)	Net
Land		10,321	-	10,321	10,321	-	10,321
Buildings and constructions	10 - 80	347,004	(93,116)	253,888	340,000	(90,036)	249,964
Machinery and equipment	3 - 30	493,083	(224,553)	268,530	467,526	(208,239)	259,287
Furniture and fixtures	10	66,779	(46,275)	20,504	46,410	(24,496)	21,914
Vehicles	10	7,043	(4,370)	2,673	6,905	(3,937)	2,968
Leasehold improvements	5 - 10	31,133	(21,303)	9,830	33,067	(21,967)	11,100
Projects in progress	-	71,413	-	71,413	55,113	-	55,113
Other property, plant and equipment	-	5,525	-	5,525	3,788	-	3,788
Provision for losses ("impairment") (ii)		(14,684)	-	(14,684)	(347)	-	(347)
Total		1,017,617	(389,617)	628,000	962,783	(348,675)	614,108

		Consolidated					
		06/30/2017			12/31/2016		
	Useful life for depreciation (years)	Cost	Accumulated depreciation (i)	Net	Cost	Accumulated depreciation (i)	Net
Land		11,905	-	11,905	12,256	-	12,256
Buildings and constructions	10 - 80	435,605	(158,227)	277,378	472,338	(194,893)	277,445
Machinery and equipment	3 - 30	623,714	(331,629)	292,085	645,197	(358,152)	287,045
Furniture and fixtures	10	96,711	(64,930)	31,781	108,040	(77,897)	30,143
Vehicles	10	8,766	(5,993)	2,773	9,214	(6,092)	3,122
Leasehold improvements	5 - 10	104,307	(54,819)	49,488	101,220	(56,927)	44,293
Projects in progress	-	75,031	-	75,031	60,986	-	60,986
Other property, plant and equipment	-	10,465	-	10,465	13,440	-	13,440
Provision for losses ("impairment") (ii)		(14,684)	-	(14,684)	(6,647)	-	(6,647)
Total		1,351,820	(615,598)	736,222	1,416,044	(693,961)	722,083

(i) Depreciation is calculated under the straight-line method, based on the estimated useful life of each asset, which is reviewed every year.

(ii) Refers to provision for asset losses of deactivated plants or obsolete assets.

Notes

Changes

	Parent company						
	12/31/2016	Additions	Transfers (i)	Depreciation	Write-offs	Foreign exchange variation /Other changes	06/30/2017
Property, plant and equipment							
Land	10,321	-	-	-	-	-	10,321
Buildings and constructions	249,964	-	8,686	(4,726)	(57)	21	253,888
Machinery and equipment	259,287	-	25,646	(16,118)	(404)	119	268,530
Furniture and fixtures	21,914	-	1,032	(2,217)	(366)	141	20,504
Vehicles	2,968	-	74	(349)	(20)	-	2,673
Leasehold improvements	11,100	-	400	(1,656)	(14)	-	9,830
Projects in progress	55,113	50,031	(33,731)		-	-	71,413
Other property, plant and equipment	3,788	-	-	-	(135)	1,872	5,525
Provision for losses ("impairment")	(347)	-	-	-	-	(14,337)	(14,684)
Total	614,108	50,031	2,107	(25,066)	(996)	(12,184)	628,000

	Consolidated						
	12/31/2016	Additions	Transfers (i)	Depreciation	Write-offs	Foreign exchange variation /Other changes	06/30/2017
Property, plant and equipment							
Land	12,256	-	-	-	-	(351)	11,905
Buildings and constructions	277,445	12	8,686	(5,631)	(57)	(3,077)	277,378
Machinery and equipment	287,045	4,205	25,677	(17,411)	(404)	(7,027)	292,085
Furniture and fixtures	30,143	2,214	1,035	(3,785)	(419)	2,593	31,781
Vehicles	3,122	-	74	(440)	(20)	37	2,773
Leasehold improvements	44,293	3,251	3,336	(6,895)	(137)	5,640	49,488
Projects in progress (ii)	60,986	50,628	(36,704)	-	-	121	75,031
Other property, plant and equipment	13,440	-	-	-	(135)	(2,840)	10,465
Provision for losses ("impairment")	(6,647)	-	-	-	-	(8,037)	(14,684)
Total	722,083	60,310	2,104	(34,162)	(1,172)	(12,941)	736,222

(i) The transfers correspond to the changes in assets between the line item "Projects in progress" to the corresponding definite accounts in "Property, plant and equipment", upon completion of projects.

(ii) The balances recorded in line item "Projects in progress" refer to the following projects: (1) maintenance and modernization of plants, with investments of approximately R$ 10,294; and (2) several improvements and expansion of the manufacturing process, with investments of approximately R$ 46,659; and (3) other projects R$ 18,078.

Notes

15. Intangible assets

		Parent company					
		06/30/2017			12/31/2016		
	Useful life for amortization (years)	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
With defined useful life:							
Business management systems (i)	4 - 10	196,688	(144,650)	52,038	193,854	(134,228)	59,626
Client portfolio	5	27,311	(27,311)	-	27,311	(27,311)	-
Without defined useful life:							
Brands, rights and patents	-	1,027	-	1,027	1,027	-	1,027
Goodwill in the acquisition of merged subsidiaries	-	53,862	-	53,862	-	-	-
Projects in progress	-	4,159	-	4,159	7,005	-	7,005
Assignment of commercial rights (ii)	-	3,721	-	3,721	3,618	-	3,618
Total		286,768	(171,961)	114,807	232,815	(161,539)	71,276

		Consolidated					
		06/30/2017			12/31/2016		
	Useful life for amortization (years)	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
With defined useful life:							
Brands, rights and patents	0-10	20,883	(19,840)	1,044	24,712	(22,810)	1,902
Business management systems (i)	4 - 10	206,309	(151,134)	55,175	203,337	(141,286)	62,051
Assignment of commercial rights	0 - 5	14,364	(7,285)	7,078	11,076	(4,809)	6,267
Client portfolio	0 - 5	41,929	(39,509)	2,420	35,806	(32,694)	3,112
Non-compete agreement	4	20,850	(11,201)	9,649	20,850	(9,204)	11,646
Without defined useful life:							
Brands, rights and patents	-	143,916	-	143,916	143,916	-	143,916
Goodwill in the acquisition of subsidiaries	-	327,255	-	327,255	327,255	-	327,255
Projects in progress	-	5,100	-	5,100	5,569	-	5,569
Assignment of commercial rights (ii)	-	77,693	-	77,693	85,439	-	85,439
Total		858,299	(228,969)	629,330	857,960	(210,803)	647,157

(i) They refer to the expenditures incurred in the acquisition, development and implementation of business management systems, such as SAP/R3, WMS and LINX, and the costs incurred in the value chain management project.

(ii) Refer to amounts paid in the acquisition of the rights to use points of sale where certain "Concept Havaianas" and Osklen are located. As it refers to tradable intangible assets, they are not amortized, being submitted to annual test for impairment to determine recovery.

Notes

(iii)
i)

Notes

Additional information on intangible assets

(i) *Expenditures with research and development of products*

	Consolidated	
	06/30/2017	06/30/2016
Expenditures with research and development of products recorded in income (loss):	9,284	11,089

(ii) *Goodwill impairment test*

Factors that indicated loss on the recoverable value of goodwill in the period were not found.

Changes

	Parent company						
	12/31/2016	Additions	Transfers (i)	Amortizations	Write-offs	Foreign exchange variation /Other changes	06/30/2017
Intangible asset							
With defined useful life: Business management system	59,626	-	1,064	(8.610)	(7)	(35)	52,038
Without defined useful life: Brands, rights and patents	1,027	-	-	-	-	-	1,027
Goodwill in the acquisition of merged subsidiaries	-	-	-	-	-	53,862	53,862
Projects in progress Assignment of commercial rights	7,005 3,618	325	(3,171)	-	(1,327)	1,430	4,159 3,721
Total	71,276	325	(2,107)	(8.610)	1,334	55,257	114,807

	Consolidated						
	12/31/2016	Additions	Transfers (i)	Amortizations	Write-offs	Foreign exchange variation /Other changes	06/30/2017
Intangible asset							
With defined useful life:							
Brands, rights and patents	1,902	-	-	(953)	-	95	1,044
Business management systems	62,051	1,497	1,067	(12,266)	(7)	2,833	55,175
Assignment of commercial rights	6,267	1,569		(739)	(670)	651	7,078
Client portfolio	3,112	-	-			(692)	2,420
Non-compete agreement	11,646	-	-	-	-	(1,997)	9,649
Without defined useful life:							
Brands, rights and patents	143,916	-	-	-	-	-	143,916
Goodwill in the acquisition of subsidiaries	327,255	-	-	-	-	-	327,255
Projects in progress (ii)	5,569	(28)	(3,171)	-	-	2,730	5,100
Assignment of commercial rights	85,439	-	-	-	(6,879)	(867)	77,693
Total	647,157	3,038	(2,104)	(13,958)	(7,556)	2,753	629,330

Notes

(i) The transfers correspond to the changes in assets between the line item "Projects in progress" to the corresponding definite accounts in "Intangible assets", upon completion of projects.

(ii) The balances recorded in line item "Projects in progress" refer to the following projects: (1) investments in infrastructure and IT, with investment of R$4,136, and (2) other projects, R$ 964.

16. Suppliers

	Parent company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Domestic	182,063	257,818	188,611	269,613
Foreign	62,231	52,229	169,819	145,686
	5,748	11,989	5,748	11,989
Total	250,042	322,036	364,178	427,288

The balance of foreign suppliers mostly refers to amounts denominated in US dollars.
The amount of R$ 5,748 on June 30, 2017 (R$ 11,989 on December 31, 2016) refers to financial liabilities with suppliers, through financial institutions. Due to the characteristics, these financial liabilities were included in programs of advances of funds using the credit facilities of the Company. The Company understands that this transaction has a specific nature, maintaining the same maturity and amounts involved in commercial transactions with suppliers. Thus, we classified it separately from the caption “Suppliers”.

17. Loans and financing

				Parent company		Consolidated	
		Currency	Index and annual interest rate	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Denominated in reais:							
FNE (BNB)	(a)		4.25%	136,621	144,145	136,621	144,145
Finame	(b)		3.41%	37,822	41,765	37,822	41,765
Finem	(c)		10.89%	49,800	57,008	49,800	57,008
Exim (BNDES)	(d)		11.84%	139,866	186,270	139,866	186,270
Debtor risk	(e)		13.64%	-	-	20,770	25,660
Total in reais				364,109	429,188	384,879	454,848
Denominated in foreign currency:							
Foreign facility (4131) - Terras deAventura Ind. Artigos Esportivos S.A. - Osklen	(f)	US$	11.56%	-	-	27,714	42,545
"Working capital" - Alpargatas USA "Working capital" - Terras de Aventura	(g)	US$	2.99%	-	-	66,116	56,099
Ind. Artigos Esportivos S.A. - Osklen	(e)	US$	12.14%	-	-	16,172	8,148
"Line of Credit" - Alpargatas USA - Leases		US$	3.47%	-	-	6,170	-
Alpargatas S.A.I.C. - Argentina		AR$	23.88%	-	-	313	186
"Working capital" - Alpargatas S.A.I.C. - Argentina	(h)	AR$	25.19%	-	-	70,471	30,848
Total foreign currency				-	-	186,956	137,826

Notes

Overall total	364,109	429,188	571,835	592,674
Current liabilities	176,731	46,530	384,293	209,908
Non-current liabilities	187,378	382,658	187,542	382,766

a. Allocated to support investment programs in the Northeastern region, and investment in the Montes Claros plant in the Northern region of Minas Gerais. The clearance of contract installments was tied to disbursement schedule of investments. Guarantees are backed by a letter of bank guarantee.

b. Loans and financing related to FINAME, which were raised by the parent company, are aimed at financing equipment that will be used by the company for improving and increasing production (usually plant equipment). The average term of operations is 96 months (eight years). These financings are monthly amortized, one portion relating to principal value and the other to interest.

c. In October 2015, the Company received a credit of R$25,445 related to Pro Design (FINEM). The amounts raised in this modality are aimed at contributing and fostering the development and strengthen the trademark, and also product creation. There are two financing contracts in this modality, one for flip flops and other focused on sports items. Both with a term of 60 months.

d. In June 2016, the company received a credit of R$ 180,840 related to the financing of the BNDES-EXIM Pre-Shipment facility signed with the banks Santander and Safra. The funds are aimed at financing the exports of flip flops, and require evidence of the export performance during the contract period at the end of the operation. The financing will be amortized in a single installment in 2018.

e. Loans obtained by subsidiary Terras de Aventura Indústria de Artigos Esportivos S.A. to finance working capital.

f. In August 2016, the Company, by means of the subsidiary Terras de Aventura Indústria de Artigos Esportivos S.A., raised the amount of US$4,746 (four million seven hundred forty-six thousand dollars) with maturity in February 2017. On the same date, it purchased a Swap to hedge against interest rate, converting the financial charges (Libor + 1.65% p.a.) into 114.00% of CDI (see note 35.c)), designating the derivative financial instrument to fair value hedge. In September 2016, the Company, also by means of the subsidiary Terras de Aventura Indústria de Artigos Esportivos S.A., raised the amount of US$3,773 (three million seven hundred seventy-tree thousand dollars) with maturity in August 2017. On the same date, a swap was purchased to hedge against interest rate, converting the financial charges (Libor + 1.85% p.a.) into 114.00% of CDI (see note 35.c)), designating the derivative financial instrument to fair value hedge. In October 2016, the Company, also by means of the subsidiary Terras de Aventura Indústria de Artigos Esportivos S.A., raised the amount of US$4,658 (four million six hundred fifty-eight thousand dollars) with maturity in August 2017. On the same date, a swap was purchased to hedge against interest rate, converting the financial charges (Libor + 1.85% p.a.) into 114.00% of CDI (see note 35.c)), designating the derivative financial instrument to fair value hedge. The loans and swaps are presented at their fair values.

g. The loans and financing funded by foreign subsidiaries are guaranteed by Company’s collaterals, according to the limits approved by the Board of Directors.

h. The loans and financing funded by Alpargatas S.A.I.C. - Argentina are used in the working capital of the operation, and do not have covenants or guarantees.

The other loans are guaranteed by Promissory Notes and conditional disposal of the assets of the Company and its subsidiaries, with the exception of the working capital of Alpargatas S.A.I.C. - Argentina.

The maturities for the installment recorded in non-current liabilities are shown as follow:

	Parent company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
2018	28,352	232,762	28,516	232,768
2019	56,491	51,469	56,491	51,556
2020	37,555	35,522	37,555	35,535
2021	31,253	30,215	31,252	30,216
2022	31,253	30,215	31,253	30,216
2023	1,837	1,837	1,837	1,837
2024 onwards	638	638	638	638
Total	187,379	382,658	187,542	382,766

Contractual covenants

As of June 30, 2017 and December 31, 2016, the loans and financing contracts of the Company and its subsidiaries did not contain restrictive covenants that established obligations regarding of the compliance with the financial ratios by the Company and its subsidiaries.

18. Liabilities traded from subsidiaries

	Consolidated	
	06/30/2017	12/31/2016
Current	5,315	6,100
Non-current	23,962	24,626
Total	29,277	30,726

On September 26, 2001, the subsidiary Alpargatas S.A.I.C. - Argentina filed proceedings for provisional remedy regarding the liabilities negotiated with creditors, such decision having been ratified at the Annual Shareholders' Meeting held on March 1, 2002, and the deferral by the competent Commercial Court, on March 7, 2002.

In December 2005, this same Commercial Court, granted the request from the Management of the subsidiary, awarded a decision-making public the existence of a preliminary agreement with creditors, and on September 15, 2006, after the fulfillment of certain previously imposed legal obligations, the subsidiary started the implementation of the debt restructuring agreement with creditors.

The above amounts are shown net of the adjustments to present value, in the amounts of R$ 14,181 and R$ 15,556, respectively, as at June 30, 2017 and December 31, 2016. The adjustment to present value has been calculated considering as rate, the difference between the base rate of Argentina and the fixed rate for restating liabilities, as established according to the terms of the traded liabilities. As at June 30, 2017, the average discount rate for adjustment to present value was 15% per year.

The effects arising from the net reversal of adjustment to present value have been recorded in the line item "Financial Expenses" in the consolidated, and totaled R$ 920 in profit or loss for the semester ended June 30, 2017 (R$ 969 for the same period of 2016).

Total liabilities is subject to annual interests between 1% and 3%, and have maturity terms between 15 and 25 years, with grace period from 6 to 10 years, from the date in which agreements were entered into.

As at June 30, 2017, the reversals expected for the following years related to the adjustment to present value are shown as follow:

2017 (six months)	844
2018	1,632
2019	1,528
2020 onwards	10,177
Total	14,181

The maturities estimated for the installment recorded in non-current liabilities are shown as follow:

2018	3,958
2019	4,095
2020 onwards	15,909
Total	23,962

Balance at December 31, 2016	30,726
Interest	2,507
Foreign exchange rate	(921)
Payments	(3,035)
Balance at June 30, 2017	29,277

19. Tax liabilities

	Parent company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
ICMS	1,932	4,061	6,357	13,765
Social Integration Program - PIS and Contribution for				
Social Security Funding - COFINS	-	13,419	3,785	19,301
Excise Tax - IPI	338	150	338	150
Income and social contribution taxes	-	-	23,956	19,399
Brasil Maior Plan	2,500	3,900	2,500	3,994
Alpargatas S.A.I.C. - Argentina:				
Value-Added Tax - VAT	-	-	-	2,016
Other taxes	-	-	860	2,442
Alpargatas Europe S.L.U. - Spain:				
Value-Added Tax - VAT	-	-	2,827	7
Other taxes	-	-	488	2,151
Other	1,543	4,453	2,286	5,615
Total	6,313	25,983	43,397	68,840

20. Provisions and other liabilities

	Parent company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
“Royalties” payable	4,807	6,429	4,895	6,440
Provision for freight payable	4,399	10,917	11,459	11,281
Advertising payable	7,172	9,163	24,524	11,145

Commissions payable	2,447	663	14,761	1,989
Provision for industrial restructuring (i)	5,688	-	10,718	-
Provision for legal fees - COFINS lawsuit (Note 23)	8,046	-	8,046	-
Import expenses - US	-	-	5.922	7,235
Advance from clients	1,174	2,127	8,436	5,588
Storage - EMEA/USA	-	-	6,560	3,688
Other accounts payable (commissions, outsourced services, concessionaires and other)	829	6,385	35,508	40,196
Total	34,562	35,684	130,829	87,562

(i) Refer to expenditures with industrial restructuring in Brazil and Argentina.

21. Related parties

a) Related-party balances

	Parent company	
Non-current assets and (liabilities)	**06/30/2017**	**12/31/2016**
Alpargatas Imobiliária S.A.	(23)	(23)
Alpargatas S.A.I.C. - Argentina	8,985	-
Terras de Aventura Indústria de Artigos Esportivos S.A. - Osklen	21,309	554
Total	30,271	531

The balance is represented by the current account between the Company and its subsidiaries, in view of the centralized management of cash and cash equivalents, not being imposed financial charges.

b) Balances receivable and payable from related-party transactions

		Parent company Accounts receivable		Parent company and Consolidated Accounts payable	
		06/30/2017	**12/31/2016**	**06/30/2017**	**12/31/2016**
Alpargatas USA Inc. - United States	(ii)	7,889	19,029	-	-
Alpargatas Europe S.L.U. - Spain	(ii)	7,124	24,212	-	-
Alpargatas S.A.I.C. - Argentina		930	-	-	-
Alpargatas Calzados del Uruguay S.A.		885	356	-	-
JBS S.A.	(iii)	-	-	-	1,147
Total		16,828	43.597		1,147

c) Dividends and interest on own capital payable

	Parent company and Consolidated	
	06/30/2017	**12/31/2016**
Interest on own capital	36,094	4,891

Notes

Related-party transactions

Related-party transactions are as follow:

		Sale of products/services		Purchase of products/services	
		06/30/2017	06/30/2016	06/30/2017	06/30/2016
Alpargatas S.A.	(i)	45,270	47,270	2,363	-
Alpargatas USA Inc. - United States		-	-	6,688	9,671
Alpargatas Europe S.L.U. - Spain		-	-	36,958	37,453
Alpargatas S.A.I.C. - Argentina		-	-	1,251	13
Terras de Aventura Ind. Artigos Esportivos S.A. - Osklen		-	-	-	133
J&F Investimentos S/A		-	-	373	-
JBS S.A.	(ii i)	2,363	-	-	-
Total		47,633	47,270	47,633	47,270

(i) Substantially comprise sales of flip flops of "Havaianas" trademark to the subsidiaries located in the US and Europe, in view of the operations model, and the distribution channel format defined for the Company's foreign operations, in which products are manufactured in Brazil and then sold to foreign subsidiaries, where they are resold.

(ii) During the semesters ended June 30, 2017 and 2016, the Company did not record any write off or allowance for doubtful accounts for balances receivable of foreign subsidiaries.

(iii) Accounts receivable for the sales of the products described in item (i), which receipts will occur through September 2017.

(iv) Refer to reimbursements of media and freight expenses.

As of June 30, 2017, except for the collaterals and for the guarantees granted to support the loans and financing operations, as mentioned in Note 17, the Company and its subsidiaries had not granted other collaterals and guarantees to the related parties.

d) Remuneration of key management personnel

The Directors' fees are as follow:

	06/30/2017		
	Remuneration		
	Fixed	Variable (i)	Total
Board of Directors and Tax Council	1,724	-	1,724
Directors	4,015	984	4,999
Total	5,739	984	6,723

	06/30/2016		
	Remuneration		
	Fixed	Variable (i)	Total
Board of Directors and Tax Council	1,621	-	1,621
Directors	3,720	3,819	7,539
Total	5,341	3,819	9,160

(i) Refers to profit sharing recorded in the year.

According to Note 29, during the semester ended June 30, 2017, an expense was recognized for the long-term incentive plan amounting to R$ 4,000 (R$ 2,867 as of June 30, 2016).

In addition to the Directors' fees, during the semester ended June 30, 2017, the Company made contributions to the private pension plan in the amount of R$ 158 (R$ 261 as at June 30, 2016) on behalf of the statutory directors.

The annual aggregate Directors' fees set for the year 2017 in the Annual Shareholders' Meeting of April 19, 2017 was R$23,900.

22. Provision for tax, civil and labor risks

As of June 30, 2017 and December 31, 2016, the Company and its subsidiaries are parties to tax, civil and labor lawsuits, arising from tax assessment notices by tax authorities, third-parties and former employees claims, or actions and questionings. For these contingencies, new provisions were recognized, when, in the opinion of Management and its legal advisors, the risk of any loss is considered probable. These provisions are shown as follow:

		Parent company		Consolidated	
		06/30/2017	12/31/2016	06/30/2017	12/31/2016
Labor claims	(a)	16,390	14,927	27,760	27,475
Tax lawsuits	(b)	5,785	4,315	7,805	5,815
Civil lawsuits		16,123	16,892	16,132	16,901
Contingent liabilities	(c)	-	-	1,516	1,516
Total		38,298	36,134	53,213	51,707
Current portion		12,078	10,558	16,486	13,349
Installments - non-current		26,220	25,576	36,727	38,358

(a) Refer to the claims filed against the Company and its subsidiaries by former employees and collaborators, who basically claim severance payment, extras, overtime, and allowances that they understand as due in view of the subsidiary liability.

(b) Basically refers to a COFINS collection of the period from July and September to December 1992, in which the non-taxed differences are disputed, which amount adjusted as at June 30, 2017 amounts to R$4,293. The claim is waiting from a decision in the lower court.

(c) Refers to a contingent liability recognized at fair value as a result of the acquisition of subsidiary Osklen.

Changes

Balance at December 31, 2016	Parent company			
	Labor	Tax	Civil	Total
	14,927	4,315	16,892	36,134
Complements	6,552	1,470	-	8,022
Reversals	-	-	(768)	(768)
Payments / Write-offs	(5,089)	-	(1)	(5,090)
Balance at June 30, 2017	16,390	5,785	16,123	38,298

Notes

	Consolidated				
	Labor	**Tax**	**Civil**	**Contingent liabilities**	**Total**
Balance at December 31, 2016	27,475	5,815	16,901	1,516	51,707
Complements	7,406	1,470	-	-	8,866
Reversals	-	-	(778)	-	(768)
Payments / Write-offs / FX	(7,121)	520	9	-	(6,592)
Balance at June 30, 2017	27,760	7,805	16,132	1,516	53,213

Possible losses

Contingent liabilities with risk of loss classified as possible:

	Parent company and Consolidated	
	06/30/2017	**12/31/2016**
Tax:		
Tax assessment notice - IRRF (Withholding Income Tax) (a)	10,472	10,267
CSLL and IRPJ (b)	11,790	11,529
Royalties (c)	7,475	7,303
IPI (d)	48,032	46,865
Other	9,823	13,974
	87,592	89,938
Civil (indemnity lawsuits)	8,986	4,826

(a) Tax assessment notice aimed at collecting IRRF, offset against IRPJ credits.

(b) Tax assessment notice related to the non-approval of offsets of tax debits against IRPJ and CSLL debits.

(c) Tax assessment notice aimed at collecting II, IPI, PIS-Import and COFINS-Import on amounts remitted abroad as royalties, in the period from 2007 to 2010. The Company was awarded a final and unappealable favorable decision in administrative proceeding in the amount of R$ 51,569. The remaining amount refers to tax assessment notice that is still pending judgment.

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

Contingent assets

The Company claims in court the refund for PIS and COFINS collected with the inclusion of ICMS in their tax bases, the expectation of favorable outcome in such claim is considered probable according to the opinion of its legal advisors.

Such refund refers to the period from March 1996 to May 2008 and from January 2015 onwards for COFINS, and March 2002 onwards for PIS. The amounts involved are estimated at R$300,000, and the Company does not recognize the contingent asset listed above in its assets, according to the Pronouncement CPC 25 - Provisions and contingent liabilities and assets.

23. Taxes with enforceability suspended

		Changes in deferred income and social contribution taxes		
	12/31/2016	Restatements	Complements/ (Reversals)	06/30/2017
COFINS - exclusion of ICMS calculation basis	198,624	-	(198,624)	-

Since 1993 the Company has challenged in court the inclusion of ICMS in the tax base of COFINS, and in the period from May 1993 to February 1996 it made judicial deposits and provision has not been reversed since they were not returned yet.
From June 2008 to December 2014, the Company used the stay effects from the Injunction sought at the Federal Supreme Court to keep excluding ICMS from the COFINS tax base, however, with no need for making judicial deposits. Nevertheless, such amounts were recorded as liability with suspended payment requirement.

On March 15, 2017 the Federal Supreme Court ruled, in the systematics of general repercussion, the Appeal to the Supreme Court No. 574.706, interpreting the issue favorable to taxpayers, establishing the following thesis: “ICMS should not comprise PIS and COFINS calculation basis”. Such judgment was duly formalized by the Judgment Records published on March 17, 2017 and March 20, 2017, reason why the Company reversed the provision for the amounts which payment was suspended with no judicial deposits, according to the opinion of its legal advisors.

24. Shareholders' equity

a) Capital

Subscribed and paid-in capital have the following ownership structure: June 30, 2017:

	Common shares		Preferred shares		Total	
Shareholders	Quantity	%	Quantity	%	Quantity	%
Parent companies (J&F Investimentos)	207,246,069	85.78	47,937,043	20.95	255,183,112	54.24
Directors:						
Board of Directors	25,220,333	10.44	23,410,711	10.23	48,631,044	10.51
Tax Council	-	-	2,000	-	2,000	-
Other shareholders	9,142,149	3.78	150,095,095	65.59	159,237,218	33.85
Treasury	26	0	7,396,377	3.23	7,396,403	1.57
Total	241,608,577	100.00	228,841,226	100.00	470,449,777	100.00

Notes

December 31, 2016:

	Common shares		Preferred shares		Total	
Shareholders	Quantity	%	Quantity	%	Quantity	%
Parent companies (J&F Investimentos)	207,174,069	85.75	47,937,043	20.95	255,111,112	54.23
Directors:						
Board of Directors	25,220,333	10.44	26,241,111	11.47	51,461,444	10.94
Tax Council	-	-	3,000	-	3,000	-
Other shareholders	9,214,123	3.81	147,263,695	64.35	156,477,818	33.26
	26	-	7,396,377	3.23	7,396,403	1.57
Total	241,608,551	100.00	228,841,226	100.00	470,449,777	100.00

b) Share repurchase plan

In the semester ended June 30, 2017, the “Treasury Shares” accounts had no changes.

	Quantity	Average Cost - R$
Balance at December 31, 2016	7,396,403	8.69
Balance at June 30, 2017	7,396,403	8.69

c) Dividends and interest on own capital

Shareholders are guaranteed, every year, minimum dividends of 25% of net income, calculated under the terms of Corporation law and by-laws.

In the semester ended June 30, 2017, Management declared interest on own capital in the gross amount of R$ 74,600 (R$ 64,462, net of Withholding Income Tax - IRRF).

The breakdown of the distribution of dividends and interest on own capital proposed by Management is as follows:

	Per share - R$ (gross)			
	06/30/2017	06/30/2017	12/31/2016	12/31/2016
	Common	Preferred	Common	Preferred
Interest on own capital	0.15375	0.16913	0.27328	0.30061

d) Tax incentive reserve

From January 1, 2008, tax incentives started to be directly recorded in profit or loss, being later on, upon the closing of the annual financial statements, recognized as “Tax incentive reserve" in “Profit Reserves” group.

e) Legal reserve

The legal reserve is calculated at the rate of 5% of the net income under current legislation, up to the limit of 20% of the capital.

25. Information per business segment

The main operating decision maker about the Company's operations is the CEO.

Although the Company has a matrix management structure where sales income is analyzed by the main decision maker in several levels, because the products manufactured and sold by the Company and its subsidiaries are divided into several trademarks among shoes, sports items, flip flops and clothing, the operations are managed by geographical segments with the following segregation: (i) Domestic Operations: performance of the Company and its subsidiaries in Brazil, and (ii) Foreign Operations: performance of the subsidiaries in Argentina, and the consolidated performance of the subsidiaries in the US and Europe, as well as direct exports.

Net revenue per segment is as follows in the semester ended June 30, 2017:

- Domestic operations:
  - Brazil: 54.7%

- Foreign operations:
  - Argentina: 19.9%
  - Europe, United States and Exports: 25.4%

The segment performance was assessed based on net operating income, net income, and employed capital (total assets less current and non-current liabilities) in each segment. This measurement basis includes the financial effects, income and social contribution taxes, depreciation and amortization.

Information is shown below:

	06/30/2017					
Statement of income accounts - Continued operations	**Net operating income**	**Net income (loss)**	**Depreciation and amortization**	**Financial income (loss)**	**Net foreign exchange rate**	**Income and social contribution taxes**
Domestic operations:						
Brazil	819,993	155,496	(32,169)	(4,480)	(2,600)	(28,518)
Terras de Avent. Ind. Art.Esport. S.A. - Osklen	91,811	(19,105)	(7,254)	(5,003)	434	6,562
Foreign operations:						
Argentina	331,472	20,460	(2,243)	(13,999)	(3,111)	34,731
Europe/United States/Exports	423,769	71,363	(6,454)	(1,424)	(587)	(18,569)
Non-controlling interest	-	7,642	-	-	-	-
Consolidated	1,667,045	235,856	(48,120)	(24,906)	(5,864)	(5,794)

Notes

Statement of income accounts - Continued operations	06/30/2016					
	Net operating income	Net income (loss)	Depreciation and amortization	Financial income (loss)	Net foreign exchange rate	Income and social contributio n taxes
Domestic operations:						
Brazil	1,031,884	68,471	(36,248)	(21,068)	(1,866)	11,997
Terras de Avent. Ind. Art.Esport. S.A. - Osklen	98,941	(11,773)	(5,047)	(6,288)	(2,161)	6,975
Foreign operations:						
Argentina	419,192	28,724	(3,808)	(6,887)	(476)	(15,784)
Europe/United States/Exports	455,645	81,587	(8,246)	(1,175)	(12,717)	(24,143)
Non-controlling interest	-	8,093	-	-	-	-
Consolidated	2,005,662	175,102	(53,349)	(35,418)	(17,220)	(20,955)

The table below presents equity balance as of June 30, 2017 and December 31, 2016.

	06/30/2017			12/31/2016		
	Total assets	Current and non-current liabilities	Addition to fixed and intangible assets	Total assets	Current and non-current liabilities	Addition to fixed and intangible assets
Assets and liabilities						
Domestic operations:						
Brazil	2,340,507	769,137	50,356	2,577,971	1,118,907	80,830
Terras de Avent. Ind. Art.Esport. S.A. - Osklen	386,178	180,967	1,690	422,953	198,639	9,622
Foreign operations:						
Argentina	528,419	299,681	2,096	441,897	228,056	9,069
Europe / USA / Exports	453,588	218,394	9,206	339,231	170,701	9,582
Consolidated	3,708,692	1,468,179	63,348	3,782,052	1,716,303	109,103

The Company has a diluted client portfolio, and no individual client accounts for more than 6% of sales income.

26. Net operating income

	Parent company		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Gross operating income:				
Domestic market	1,019,598	1,294,639	1,148,430	1,395,990
Foreign market	136,043	134,425	862,141	1,003,399
	1,155,641	1,429,064	2,010,571	2,399,389
Returns and cancellations	(29,790)	(27,655)	(63,685)	(53,651)
Sales taxes	(168,695)	(210,218)	(279,841)	(340,076)
Net operating income	957,156	1,191,191	1,667,045	2,005,662

27. Expenses per type

The Company presents the statement of income using a classification of expenses based on their function. The information on expense by type is as follows:

Notes

	Parent company		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Cost of products sold:				
Raw materials	298,820	474,507	477,160	684,327
Salaries, social charges and benefits	223,606	202,122	332,582	329,191
Depreciation	21,729	20,487	23,459	23,138
Hedge accounting	1,490	5,003	1,490	5,003
Provision for tax, civil and labor risks	6,313	-	7,059	-
Other costs	48,845	43,288	83,703	37,420
Total	600,803	745,407	925,453	1,079,079
Sales expenses:				
Salaries, social charges and benefits	34,191	33,777	93,256	93,520
Profit sharing	5,674	5,007	7,986	7,963
Freight	30,428	35,708	55,886	61,352
Advertising and publicity	80,417	88,065	129,494	135,737
Commissions	4,099	3,310	29,289	28,706
Clients' agreement	8,228	6,634	9,447	7,889
Depreciation	1,257	1,247	7,440	3,974
Royalties	15,030	19,410	15,199	20,392
Outsourced services	7,521	7,232	27,168	22,786
Rental / Leasing	5,162	4,687	35,959	34,774
Traveling expenses	2,087	2,351	5,228	4,942
Storage expenses	2,419	2,882	22,381	24,428
Bulk packaging	13,668	11,538	13,668	11,538
Cargo Insurance	3,369	1,669	4,696	3,357
Other	22,636	25,172	40,717	37,488
	236,186	248,689	497,814	498,846
General and administrative				
Salaries, social charges and benefits	42,186	41,798	61,106	71,489
Directors' fees (Note 21.d))	6,549	8,957	6,723	9,160
Outsourced services	12,784	12,826	19,216	24,825
Depreciation	1,738	1,955	2,938	7,641
Rent and condominium	6,048	7,217	6,619	7,477
Maintenance and repairs	4,296	3,770	4,418	4,101
Other	7,137	5,879	10,500	13,313
	80,738	82,402	111,520	138,006

28. Stock option programs

The Company granted stock options of preferred shares to some of its employees by means of a program approved by Special Shareholders' Meetings aimed at retaining and encourage them to work towards the interests and goals of the Company and its shareholders. The plans are managed by the Human Resources area of the Company.

In the Annual and Special Shareholders' Meeting held on April 23, 2015, shareholders approved the termination of the Stock Option Plan of the Company, preserving the options already granted and not exercised, according to the contracts in effect.

As a result of the change in the Company's control, as disclosed in note 1.2, the program beneficiaries were entitled to exercise in advance their stock options, and the new parent company was required to acquire the shares for the same price paid to Camargo Corrêa S.A. The program beneficiaries exercised the options in February 2016.

29. Long-term incentive plan

On April 23, 2015, in the Annual and Special Shareholders' Meeting the shareholders approved the new long-term incentive plan (ILP). The ILP plan, which is not technically a share-based remuneration or variable remuneration, is based on a value-creation policy that enables some employees of the Company and its subsidiaries to acquire rights with the Company, based on the distribution of a portion of the creation of future value for the Company that exceeds the hurdle rate *(ke / hurdle rate)* to its shareholders, and has the following benchmarks: (i) market (BM&F Bovespa); (ii) economic (multiple of EBITDA); and (iii) multiple of dividends.

Individual interest of beneficiaries in the creation of value in excess of the hurdle rate is operationalized by granting Virtual Value Units (UVV), which individual value is calculated by: (i) weighing of the average quotation of shares over the last 60 trading sessions (40%); (ii) multiple of EBITDA discounted of net debt divided by the number of shares (40%); and (iii) dividends and interest on own capital per share divided into dividend yield (20%).

The UVV translations into payment will be made by the beneficiary in up to five years and three months from the commencement of each annual program, provided that the following grace periods are observed: (i) up to 36 months: no translation will be allowed; (Ii) after 36 months: up to 33%; (iii) after 48 months: up to 66%; less those already exercised and; (iv) after 60 months: up to 100%, discounted of those already exercised. The settlement will be in cash.

The new plan started on January 1, 2015 and provides five annual programs, from 2015 to 2019. The Board of Directors of the Company may approve new programs after 2019.

In case the beneficiary is no longer an employee or director of the Company and its subsidiaries during the effective period of the ILP plan, except due to death, retirement or permanent disability, the conversion into payment of the UVVs granted to the beneficiary will be restricted only to the UVVs that have already been vested for conversion. In the event any beneficiary is no longer an employee or management member of the Company and its subsidiaries due to just cause, all of the UVVs not exercised, whether vested or not, will be cancelled. In case of death, permanent disability or retirement, all of the UVVs, including those that have not been vested yet for translation into payment, will become exercisable earlier, and converted into cash, and such right shall be exercised for said employee by the respective heirs and successors.

The accounting expense recorded in profit or loss related to long-term incentive plans, in the semester ended June 30, 2017, was R$ 4,000 (R$ 2,867 in the quarter ended June 30, 2016), as contra-entry to the liability account of long-term incentive plan.

30. Employee benefits

The Company and its subsidiaries sponsor a defined contribution private pension plan, and, in addition, grant its own concede um single-life annuity and pension plan for a certain group of former employees and respective spouses. As of June 30, 2017 and December 31, 2016, actuarial liabilities of these plans is R$ 172.

31. Financial income and expenses, net

	Parent company		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Financial income:				
Yields from interest earning bank deposits	18,838	18,508	19,739	21,551
Asset interest	4,147	2,557	5,218	3,765
Other	1,282	3,384	677	7,465
	24,267	24,449	25,634	32,781
Financial expenses				
Interest and charges on loans and financing	(17,750)	(19,908)	(25,695)	(23,812)
Interest and charges on liabilities traded from subsidiary	-	-	(2,507)	(3,646)
Tax on Financial Operations - IOF	(116)	(153)	(496)	(1,501)
Tax on bank operations - Argentina	-	-	(4,281)	(4,583)
Monetary restatement on taxes	-	(7.036)	(639)	(7,051)
Bank expenses	(1,825)	(3,535)	(2,540)	(5,225)
Adjustment to present value	(7,473)	(12,768)	(6,585)	(11,826)
Liability interest	(129)	-	(6,988)	(2,321)
Other	(1,948)	(1,593)	(929)	(8,550)
Total	(29,241)	(44,993)	(50,660)	(68,515)
Gains on operations with derivative financial instruments	1,740	11,646	1,740	11,646
Losses on operations with derivative financial instruments	(1,620)	(11,330)	(1,620)	(11,330)
	120	316	120	316
Total	(4,854)	(20,228)	(24,906)	(35,418)

32. Net foreign exchange rate

	Parent company		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Asset foreign exchange fluctuation	8,225	14,332	9,390	17,881
Liability foreign exchange fluctuation	(7,207)	(25,382)	(15,254)	(35,101)
	1,018	(11,050)	(5,864)	(17,220)

33. Other operating income (expenses)

	Parent company		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Other operating income:				
Sale of scrap	330	411	330	411
Income from deductible rate	507	745	507	745
Sale of property, plant and equipment	259	-	758	25
Income from disposal of investments	-	574	31	574
Escrow Osklen	235	1,934	235	1,934
Write-off of taxes with enforceability suspended (Note 23)	190,518	3,638	190,518	3,638
Credit action premium IPI	22,223	-	22,223	-
Reimbursement of affected goods	2,004	-	2,004	-
Other	901	521	1,958	1,639
	216,977	7,823	218,564	8,966
Other operating expenses:				
Amortization of intangible assets	(8.610)	(10,911)	(13,958)	(17,286)
Provisions for tax, civil and labor risks (note 22).	(941)	(7,295)	(1,039)	(11,960)
Long-term incentive plan	(4,000)	(2,867)	(4,000)	(2,867)
Special projects	(766)	(663)	(766)	(663)
Depreciation for revaluation of plant 22 useful life	-	(1,291)	-	(1,291)
Severance pay	(2,008)	(1,349)	(4,398)	(5,235)
Profit sharing program	-	(7,331)	-	(9,733)
Provision for industrial restructuring	(14,695)	-	(14,695)	-
Provision for losses on property, plant and equipment	(7,719)	-	(7,719)	-
Cotton moratorium Argentina (a)		-	(14,660)	-
Tax credit - Argentina (b)	-	-	33,323	-
Restructuring - Argentina	-	-	(33,462)	-
Negative goodwill - Points of sale - Osklen	-	-	(5,552)	-
Reversal of provision for change in interest	-	8,000	-	9,417
Other	(5,606)	(6,098)	(11,476)	(10,384)
	(44,345)	(29,805)	(78,402)	(50,002)
Total	172,632	(21,982)	140,162	(41,036)

(a) In March 2017, Alpargatas S.A.I.C. - Argentina renegotiated with the domestic tax authority the payment of a debit of taxes levied on cotton purchases, not paid for the years from 2005 to 2012. The payment will be made in sixty (60) monthly installments starting in April 2017.

(b) In March 2017, Alpargatas S.A.I.C. - Argentina obtained favorable outcome in a lawsuit against the Argentine Government, which challenged the suspension of export benefit in 1992.

34. Profit sharing

The Company and its subsidiaries grant profit sharing to its employees related to the achievement of operating goals and specific objectives established and approved at the beginning of each year for each plant/unit. In the semesters ended June 30, 2017 and 2016, the following amounts were recognized:

	Parent company		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Profit sharing program	28,734	31,656	34,502	38,585

This liability is recorded in “Salaries and social security charges payable” account in current liabilities.

35. Management of risks and financial instruments

a) Sundry considerations and policies

The management of financial instruments, including derivatives, is carried out by means of policies, definition of strategies and establishment of control systems, and are monitored by the Company's management.

The treasury procedures defined by the prevailing policy include monthly routines of projection and evaluation of the consolidated foreign exchange exposure of the Company and its subsidiaries, on which the decisions made by Management are based.

b) Financial risk management

Financial risk factors

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

The risk management is conducted by the Company’s Treasury Department, and policies are mandatorily approved by the Board of Directors. The Treasury Department identifies, values and hires financial instruments with the intention of protecting the Company from possible financial risks, specially those derived from interest and foreign exchange rate.

b.1) *Market risk*

The Company is exposed to market risks arising from a number of its business activities. These risks mainly involve the possibility of fluctuations in exchange rates and changes in interest rates.

i) Foreign exchange risk

In view of accounts receivable and financial obligations of several natures assumed by the Company in foreign currencies, an Foreign Exchange Hedge policy is conducted establishing levels of exposure related to this risk.

Considering values in foreign currency of balances receivable and payable of commitments already assumed and recorded in the financial statements derived from the Company’s operations, as well as future cash flows.

ii) Interest rate risk

The Company's interest rate risk arises from interest earning bank deposits which are post-fixed and loans and financing are on short and long-term basis.

b.2) *Credit risk*

Sales are mainly made to retail and wholesale stores. The credit risk is reduced by the large dispersion of the client portfolio and the procedures of evaluation and concession of credit. As of June 30, 2017, the amount recorded for allowance for doubtful accounts was R$ 47,586 (R$ 39,641 as of December 31, 2016).

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

The risk of non-settlement of the operations that it maintains at financial institutions with which it operates was considered low, which are considered prime by the market.

The Company maintains cash, cash equivalents and short-term interest earning bank deposits in prime financial institutions and does not limit its exposure to a specific institution. The balances of cash, cash equivalents and interest earning bank deposits subject to credit risk are shown in note 6.

b.3) *Liquidity risk*

Prudent liquidity risk management implies in maintaining cash, enough marketable securities, cash fund raising availability by means of bank credit facilities and capacity to settle market positions.

Management monitors the consolidated liquidity level of the Company, considering the expected cash flows against the credit facilities not used and amounts not available in cash and cash equivalents. The following table, in item d), analyzes financial liabilities per maturity brackets, corresponding to the remaining period in balance sheet, in relation to contract maturity date. Amounts presented in the table are contracted undiscounted cash flows.

c) Derivative financial instruments and hedge accounting

The Company has imports of finished products and raw materials in dollars, in relation to business units of Sporting Goods and Flip Flops. In addition, the Company also buys part of its local raw materials at a price that is subject to indirect impact of the foreign exchange variation. On the other hand, the Company also has exports of flip flops which are mostly sold in dollars.

The volume of exports and receipts in foreign currency is higher than the volume of imports and payments in foreign currency. Accordingly, the Company has foreign exchange exposure whose export position is higher than the import position, that is, it has a risk of loss in case of decrease in the foreign exchange rate.

In addition, the Company may eventually contract exchange derivatives against the risk of foreign exchange variation on debts in foreign currency (for example, Export Credit Note (NCE), Export Prepayment (PPE), among other).

In order to mitigate this risk and mainly to hedge its cash flow, the Foreign Exchange Risk Management Policy was approved by the Company's Board of Directors. This policy establishes the guidelines for operations of hedge of the cash flow through derivative financial instruments.

Notes

The operations with derivatives aim to hedge the Company's future cash flow through reduction of foreign exchange exposure to a horizon of 12 months in the future. The future foreign exchange exposure is based on projections of payments and receipts in foreign currency. As of June 30, 2017, the total volume covered by hedge (Notional) represented the amount of US$ 1,366 (one million, three hundred sixty thousand) through operations of the type NDF ("Non-Deliverables Forward"). These operations aim to hedge against impacts of the foreign exchange rate on imports and exports.

Cash flow hedge

The Company adopts the hedge accounting to all operations with derivative financial instruments of the type NDF, whose object of hedge, exports of flip flops are highly-probable imports and future purchases of inventories in foreign currency.

As of June 30, 2017, the Company had a position of derivative financial instruments of the type NDF ("Non-Deliverable Forward") designated as hedge of cash flow of the Company in view of commercial commitments in foreign currency, which Alpargatas believes to be highly probable. The operations have different maturities within a horizon of 12 months in the future. The settlement of this type of instrument is made according to the PTAX on the maturity date. The book balance recorded in Company's balance sheet as of June 30, 2017 is in the table below:

	06/30/2017		12/31/2016	
	Assets	**Liabilities**	**Assets**	**Liabilities**
NDF - "Non-Deliverable Forward" (Fair value - MtM)	96	23	632	1,369

The book balance recorded in Company's shareholders' equity as of June 30, 2017 is in the table below:

	06/30/2017	**Other comprehensive income**	**12/31/2016**
Gross balance held in shareholders' equity	(87)	561	(648)
Deferred income and social contribution tax assets on hedge operation	30	(190)	220
Net balance held in shareholders' equity	(57)	371	(428)

Cash flow hedge operations from export of flip flops and for future purchases expected in a horizon of 12 months in the future were considered as efficient on June 30, 2017.

The value transferred during the semester ended June 30, 2017 of shareholders' equity from the reserve of other comprehensive income to the book balance of the items was equal to R$(1,490), since the operation was designated to purchases as of January 2017.

Notes

The accumulated impacts of derivative instruments of the NDF type on income (loss) for the semester ended June 30, 2017 totaled R$ (1,370) of which R$ 120 in Financial Income/Expenses (see note 31) and R$ (1,490) in Costs of Sold Products (see note 27).

The settlements of derivative financial instruments of the type NDF in the semester ended June 30, 2017 totaled a cash outflow of R$(1,619).

Fair value hedge

The Company adopts the hedge accounting to operations with derivative financial instruments of the Swap type, whose object of hedge is the risk of exchange variation on debts in foreign currency.

As of June 30, 2017, the Company, through the subsidiary Terras de Aventura Indústria de Artigos Esportivos S.A. had a position of derivative financial instruments of the type Swap designated as "hedge" of debts in foreign currency, obtained through Foreign Facility 4131, with maturity on August 22, 2017. The settlement of this type of instrument is made according to the present value on the settlement date. The book balance recorded in Company's balance sheet as of June 30, 2017 is in the table below:

	06/30/2017		12/31/2016	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Swap	634	-	167	-

The operations of fair value hedge of loans in currency were considered as highly efficient on June 30, 2017.

Accumulated impacts on transactions in income (loss) for the semester ended June 30, 2017 totaled R$(2,109).

d) Liquidity risk

The consolidated book value of financial liabilities is measured under the amortized cost method, and its corresponding fair values are as follows:

	06/30/2017				
	<1 year	**1-2 years**	**3-5 years**	**>5 years**	**Book balance**
Current:					
Obligations from financial lease	150	163	-	-	313
Loans and financing	384,143	84,844	100,060	2,475	571,522
Suppliers	364,178	-	-	-	364,178
Total	748,471	85,007	100,060	2,475	936,013

Notes

	<1 year	1-2 years	3-5 years	>5 years	Future Flow
Non-current					
Loans and financing (charges)	36,750	32,209	8,372	-	77,330
Total	36,750	32,209	8,372	-	77,330
Overall total	785,221	117,216	108,432	2,475	1,013,343

	12/31/2016				
	<1 year	1-2 years	3-5 years	>5 years	Book balance
Obligations from financial lease	79	6	101		186
Loans and financing	209,829	232,763	117,206	32,690	592,488
Suppliers	427,288	-	-	-	427,288
Total	637,196	232,769	117,307	32,690	1,019,962

	<1 year	1-2 years	3-5 years	>5 years	Book balance
Loans and financing (charges)	38,414	32,444	7,618	150	78,626
Total	38,414	32,444	7,618	150	78,626
Overall total	675,610	265,213	124,925	32,840	1,098,588

e) Capital management

The Company's objectives in managing its capital are to safeguard its business continuity capacity to offer return to shareholders and benefits to the other stakeholders besides maintaining an optimal capital structure to reduce this cost.

	06/30/2017	12/31/2016
Cash and cash equivalents and interest earning bank deposits	399,330	502,118
(-) Short and long-term loans and financing	(571,835)	(592,674)
Net financial position	(172,505)	(90,556)
Shareholders' equity	2,240,513	2,065,749

f) Foreign exchange exposure

	Parent company		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Assets:				
Banks	-	4	-	4
Trade accounts receivable	51,658	103,455	51,658	103,455
Total assets	51,658	103,459	51,658	103,459
Liabilities:				
Suppliers	62,231	52,229	62,231	52,246
“Royalties” payable	4,807	6,429	4,807	6,429
Total liabilities	67,038	58,658	67,038	58,675
Net exposure	(15,380)	44,801	(15,380)	44,784
Derivative financial instruments	4,519	(20,330)	4,519	(20,330)
Total exposure for sensitivity analysis purpose	(10,861)	24,471	(10,861)	24,454

g) Market values

On June 30, 2017 and December 31, 2016, the market values of variable cash investments approximate the values recorded in the financial statements since they are linked to the CDI variation. The Company adjusts the market value of its prefixed investments recorded in the balance sheet. Loans and financing are maintained monetarily updated based on interest rates contracted according to usual market conditions and, therefore, the balances payable on the balance sheet dates substantially approximate market values, even those classified as “non-current", considering the type of the corresponding financing.

The fair value of financial instruments that are not traded on active markets (for example, over-the-counter market derivatives) is determined based on evaluation techniques. The Company and its subsidiaries use several methods and define assumptions that are based on market conditions on the balance sheet date. The fair value of forward exchange agreements is determined based on forward exchange rates, quoted on the balance sheet date.
It is assumed that balances of trade accounts receivable and trade accounts payable, recorded at book value, approximate their market fair values, due to the short-term of transactions made.

The Company and its subsidiaries adopt hierarchical rules to determine the fair values of its financial instruments, which requires disclosure of the measurements of fair value according to the level of the following hierarchy:

- Prices quoted (not adjusted) in active markets for identical assets and liabilities (Level 1).
- In addition to quoted prices, information included in level 1 that is adopted by the market for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Exemptions for assets or liabilities that are not based on data adopted by the market (that is, non-observable entries) (Level 3).

The market price quoted and used for the financial assets held by the Group is the price of the existing competitor. These instruments are included in the Level 1.

Specific evaluation techniques used to measure the financial instruments pursuant to Level 2 rules include:

Notes

- Market prices quoted or quotations of financial institutions or brokerage firms for similar instruments.
- The fair value of "swaps" of interest rate is calculated at the present value of future cash flows estimated based on yield curves adopted by the market.
- The fair value of future exchange agreements is determined based on future exchange rates on the balance sheet date, whose result is discounted at present value.
- Other techniques, such as analysis of discounted cash flows, are used to determine the fair value of the remaining financial instruments.

Notes

Accounting classification and fair values

June 30, 2017	Book value				Fair value		
	Fair value through profit or loss	Fair value - Hedging instruments	Loans and receivables	Total	Level 1	Level 2	Total
Financial assets measured at fair value							
Foreign currency forward contract	-	488	-	488	-	488	488
	-	488	-	488	-	488	488
Financial assets not measured at fair value							
Trade accounts receivable	-	-	776,785	776,785	-	-	-
Cash and cash equivalents	259,941	-	110,222	370,163	259,941	-	259,941
Interest earning bank deposits	29,167	-	-	29,167	-	29,167	29,167
Other accounts receivable	-	-	64,773	64,773	-	-	-
	289,108	-	951,780	1,240,888	259,941	29,167	289,108

June 30, 2017	Book value				Fair value		
	Designated at fair value	Hedging instruments at fair value	Other financial liabilities	Total	Level 2	Level 3	Total
Financial liabilities measured at fair value							
Foreign currency forward contract	-	23	-	23	23	-	23
	-	23	-	23	23	-	23
Financial liabilities not measured at fair value							
Loans and financing	-	-	571,835	571,835	571,835	-	571,835
Liabilities traded from subsidiary	-	-	29,277	29,277	-	-	-
Suppliers	-	-	364,178	364,178	-	-	-
	-	-	965,290	965,290	571,835	-	571,835

Notes

December 31, 2016	Book value				Fair value		
	Fair value through profit or loss	Fair value - Hedging instruments	Loans and receivables	Total	Level 1	Level 2	Total
Financial assets measured at fair value							
Foreign currency forward contract	-	632	-	632	632	-	632
	-	632	-	632	632	-	632
Financial liabilities not measured at fair value							
Trade accounts receivable	-	-	931,300	931,300	-	-	931,300
Cash and cash equivalents	305,203	-	86,144	391,347	305,203	-	391,347
Interest earning bank deposits	110,771	-	-	110,771	110,771	-	110,771
Other accounts receivable	-	-	65,059	65,059	-	-	65,059
	415,974	-	1,082,503	1,498,477	415,974	-	1,498,477

December 31, 2016	Book value				Fair value		
	Designated at fair value	Hedging instruments at fair value	Other financial liabilities	Total	Level 2	Level 3	Total
Financial liabilities measured at fair value							
Foreign currency forward contract	-	1,369	-	1,369	1,369	-	1,369
	-	1,369	-	1,369	1,396	-	1,396
Financial liabilities not measured at fair value							
Loans and financing	-	-	592,674	592,674	-	-	592,674
Liabilities traded from subsidiary	-	-	30,726	30,726	-	-	30,726
Long-term incentive plan	6,488	-	-	6,488	6,488	-	6,488
Suppliers	-	-	427,288	427,288	-	-	427,288
	6,488	-	1,050,688	1,057,176	6,488	-	1,057,176

h) Sensitivity analysis of financial instruments

Foreign exchange risk

For the sensitivity analysis of the consolidated foreign exchange exposure on June 30, 2017, whose effects reflect only the impacts on monetary assets and liabilities, the balances of trade accounts receivable and of loans and financing held by the foreign subsidiaries were not considered, which are denominated in local functional currencies of each of these subsidiaries, and for this reason, the Company's Management believes that there is no risk of exchange exposure to these subsidiaries.

Considering the foreign exchange exposures described in item (e) above, on June 30, 2017 the sensitivity analysis concerning the outstanding position is as follows:

	Gain/(loss)		
	Probable scenario	**Possible scenario**	**Remote scenario**
Impacts of USD variation.			
Trade accounts receivable	2,583	12,915	25,829
Suppliers	(3,112)	(15,558)	(31,116)
"Royalties" payable	(240)	(1,202)	(2,404)
Impact on income (loss)	(769)	(3,845)	(7,691)
Derivative financial instruments	184	1,086	2,213
Total impact in income (loss) from derivatives	(585)	(2,759)	(5,478)

The probable scenario considers a devaluation of the Brazilian real of 5% against the U.S. dollar considering an exchange rate of R$3.3082, based on market references.

Possible scenario considers a devaluation of 25% of Brazilian Real in relation to US dollar, considering foreign exchange rate on June 30, 2017 of (R$4.1353/US$), and the remote scenario considers an appreciation of 50% (R$ 4.9623/US$).

Interest rate risk

The sensitivity analysis was calculated based on the interest rates of non-derivative financial instruments in the end of each reporting period.

The analysis considers the financial assets and liabilities of Alpargatas S.A. at the end of the period and forecasts the financial income and expenses calculated on such balance. Three scenarios have been used. The probable scenario is the interest curve disclosed by BM&FBovespa on the date and the possible and remote scenarios are defined according to the economic panorama.

As of June 30, 2017, 100% of investments was indexed at CDI (Interbank Deposit Certificate). Loans comprised 18% of the balance tied to the variable interest curve and 82% of the balance tied to the post-fixed rate or TJLP plus a fixed spread.

Notes

	Gain/(loss)		
	Probable scenario	**Possible scenario**	**Remote scenario**
Impacts of interest rate variation			
Income from interest earning bank deposits	12,610	11,226	12,103
Expenses with interest on loans	(10,115)	(9,791)	(9,996)
Impact on income (loss)	2,495	1,435	2,106

The benchmark interest rate (Selic) target on June 30, 2017 was 10.25% per annum, and the CDI rate was 10.14% per annum. The probable scenario considers the interest curve as of June 30, 2017, incorporating a cycle of interest cuts of 150 basis points in the Selic target, thus taking the target to 8.75% per annum.

The possible scenario estimates a larger cycle of cuts in the Selic rate, with an additional cut of 50 basis points, taking the Selic target to 8.25% by the end of the year.

The remote scenario forecasts only a further cut of interest of 75 basis points, with the interruption of the downward cycle in the Selic target until the end of the year.

36. Net income per share

	06/30/2017		
Continued operations	**Common - ON**	**Preferred - PN (a)**	**Total**
Denominator			
Weighted average of total number of shares	241,608,551	228,841,226	470,449,777
Weighted number of treasury shares	-	(7,396,403)	(7,396,403)
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
% of shares in relation to total	52.18%	47.82%	100.00%
Basic / diluted numerator			
Net income for the period of each class of shares	117,430	118,425	235,855
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
Weighted number of stock option programs	-	-	-
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
% of shares in relation to total	52.18%	47.82%	100.00%
Total net income per share for the period - diluted	0.4860	0.5348	0.5093

	06/30/2017		
Discontinued operations	**Common - ON**	**Preferred - PN (a)**	**Total**
Denominator			
Weighted average of total number of shares	241,608,551	228,841,226	470,449,777
Weighted number of treasury shares	-	(7,396,403)	(7,396,403)
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
% of shares in relation to total	52.18%	47.82%	100.00%
Basic / diluted numerator			
Net income for the period of each class of shares	(833)	(841)	(1,674)
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
Weighted number of stock option programs	-	-	-
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
% of shares in relation to total	52.18%	47.82%	100.00%
Total net income per share for the period - diluted	(0.0034)	(0.0038)	(0.0036)

Notes

Consolidated	06/30/2017		
	Common - ON	**Preferred - PN (a)**	**Total**
Denominator			
Weighted average of total number of shares	241,608,551	228,841,226	470,449,777
Weighted number of treasury shares	-	(7,396,403)	(7,396,403)
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
% of shares in relation to total	52.18%	47.82%	100.00%
Basic / diluted numerator			
Net income for the period of each class of shares	116,596	117,585	234,181
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
Weighted number of stock option programs	-	-	-
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
% of shares in relation to total	52.18%	47.82%	100.00%
Total net income per share for the period - diluted	0.4826	0.5310	0.5057

Continued operations	06/30/2016		
	Common - ON	**Preferred - PN (a)**	**Total**
Denominator			
Weighted average of total number of shares	241,608,551	228,841,226	470,449,777
Weighted number of treasury shares	-	(7,396,403)	(7,396,403)
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
% of shares in relation to total	52.18%	47.82%	100.00%
Basic / diluted numerator			
Net income for the period of each class of shares	87,182	87,921	175,103
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
Weighted number of stock option programs			
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
% of shares in relation to total	52.18%	47.82%	100.00%
Total net income per share for the period - diluted	0.3608	0.3970	0.3781

Discontinued operations	06/30/2016		
	Common - ON	**Preferred - PN (a)**	**Total**
Denominator			
Weighted average of total number of shares	241,608,551	228,841,226	470,449,777
Weighted number of treasury shares	-	(7,396,403)	(7,396,403)
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
% of shares in relation to total	52.18%	47.82%	100.00%
Basic / diluted numerator			
Net income (loss) for the period of each class of shares	(1,890)	(1,906)	(3,796)
Weighted average number of outstanding common shares Weighted number of stock option programs	241,608,551	221,444,823	463,053,374
Weighted average number of outstanding shares - % of shares in total	241,608,551 52.18%	221,444,823 47.82%	463,053,374 100.00%
Total net income (loss) per share for the year - diluted	(0.0078)	(0.0086)	(0.0082)

Notes

	06/30/2016		
Consolidated	**Common - ON**	**Preferred - PN (a)**	**Total**
Denominator			
Weighted average of total number of shares	241,608,551	228,841,226	470,449,777
Weighted number of treasury shares	-	(7,396,403)	(7,396,403)
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
% of shares in relation to total	52.18%	47.82%	100.00%
Basic / diluted numerator			
Net income for the period of each class of shares	85,292	86,015	171,307
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
Weighted number of stock option programs			
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
% of shares in relation to total	52.18%	47.82%	100.00%
Total net income per share - diluted	0.3530	0.3884	0.3700

(a) Preferred shares are entitled to dividend 10% higher than common shares.

37. Commitments

37.1. Operating leases

Stores leases

As of June 30, 2017, the Company had rental contracts entered into with third-parties which Management analyzed and concluded that they may be classified as operating leases.

The value of rent of real estate properties is always the highest value between: (i) the equivalent to the average rate between 3 and 4% of monthly gross sales, practiced by the store; or (ii) a monthly minimum value restated on annual basis at several indexes representing the inflation. The aforementioned rental agreements are valid from 5 to 15 years and are subject to novation.

In the semester ended June 30, 2017, rental expenses, net of recoverable taxes, in consolidated, totaled R$ 14,822 (R$ 16,583 in the semester ended June 30, 2016).

Other leases

The Company also has rental agreements of warehouses for products and goods and commercial offices with monthly fixed values, restated on annual basis at usual market inflation indices.

In the semester ended June 30, 2017, rental expenses, net of recoverable taxes, in consolidated, totaled R$ 39,788 (R$ 39,231 in the semester ended June 30, 2016).

Future commitments

Total future commitments derived from operating lease agreements, in amounts on June 30, 2017, totaled a minimum fixed amount of R$ 417,629, distributed as follow:

	R$
2017 (six months)	54,395
2018	92,963
2019	91,982
2020	89,928
2021	88,361
Total	417,629

These operations contain usual covenants, such as guarantees against early termination of agreement, among other, with which the Company was compliant on June 30, 2017.

37.2. Input supply agreements

The Company has commitments derived from electric power supply agreement, according to which a minimum monthly volume of 39,037 kw, equivalent to R$ 312,323, should be acquired, which may be changed with minimum term of six months. On June 30, 2017, the Company fulfilled with the commitments of this agreement.

38. Insurance coverage

The Company and its subsidiaries adopt the policy of contracting insurance to cover fixed assets and inventories subject to risk of fire, at the technical replacement value, and to cover loss of profits. As of June 30, 2017, the insurance coverage in consolidated was considered sufficient by Management to cover risks involved.

39. Additional information to statements of cash flows

	Parent company		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Limits of secured accounts without use	_	_	46,236	92,083

40. Subsequent event

On July 12, 2017, the Company was informed that J&F Investimentos and ITAÚSA, Cambuhy and Brasil Warrant signed a purchase and sale agreement for the acquisition of the controlling interest of Alpargatas. The transaction involves the acquisition of the total of 207,246,069 shares issued by Alpargatas and held by J&F for the price of R$ 3,500,000,000.

The closing of said transaction is subject to the prior approval of the Administrative Council for Economic Defense (CADE) and any other competent antitrust authorities, and to the precedent conditions of (i) launching of a Public Offering of Shares by the purchasers; (ii) corporate approvals of the seller; and (iii) preceding conditions.

On August 4, 2017, the decision of CADE's General Superintendent was published in the Federal Official Gazette, approving, without restrictions, the acquisition of Alpargatas S.A. controlling interest, carried out between J&F Investimentos S.A., as the seller, and the companies Itaúsa - Investimentos Itaú S.A., Cambuhy Investimentos Ltda. and Brazil Warrant Gestão de Bens e Empresas S.A., as purchasers. That decision is still subject to appeal and, thus, has not been res judicata.

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Report on Review of Interim Financial Information

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

Introduction
We have reviewed the accompanying, individual and consolidated interim financial information of Alpargatas S.A. ("Company") contained in the Quarterly Information Form - ITR for the quarter ended June 30, 2017, which comprises the balance sheet as of June 30, 2017 and related statements of income, of comprehensive income for the three and six months periods then ended, of changes in shareholders' equity and of cash flows for the quarter then ended, including the notes.

The Company's management is responsible for the preparation of the interim financial information in accordance with Technical Pronouncement CPC 21 (R1) - Interim Statement and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in accordance with standards issued by the Brazilian Securities and Exchange Commission, applicable to the preparation of Quarterly 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 engagements of interim financial information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for the 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 audit standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim financial information
Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 issued by IASB, applicable to the preparation of Quarterly Information - ITR, and presented in accordance with the standards issued by the Brazillian Securities and Exchange Commission.

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Other matters

Statements of Value Added

The individual and consolidated interim financial information, related to statements of value added for the six-month period ended June 30, 2017, prepared under the responsibility of the Company's management, presented as supplementary information for the purposes of IAS 34, were submitted to the review procedures followed together with the review of the Quarterly Information - ITR of the Company. In order to form our opinion, we evaluated whether these statements are reconciled to the interim financial information and to the accounting records, as applicable, and whether their forms and contents are in accordance with criteria set on Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that it has not been prepared, in all material respects, in accordance with individual and consolidated interim financial information taken as a whole.

Corresponding values

The individual and consolidated corresponding values comprising the statement of financial position for the year ended December, 31, 2016 were previously audited by other independent auditors who issued an unmodified audit report on March 10, 2017 and the statements of profit and loss, comprehensive (loss) income, changes in shareholders' equity, cash flows for the three and six months periods ended June 30, 2016 were reviewed by other independent auditors respectively, who issued an unqualified review report on August 5, 2016. The individual and consolidated corresponding values comprising the statements of added-value, individual and consolidated, for the six-month period ended June 30, 2016, were submmited to the same review procedures by those independent auditors and, based on their review, those independent auditors issued a report that nothing has come to their attention that causes us to believe that the statement of the added-value has not been prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

São Paulo, August 04, 2017

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
Marcelo Pereira Gonçalves
Contador CRC 1SP220026/O-3

Opinions and Statements / Statement of the Executive Officers on the Financial Statements

Alpargatas S.A.

STATEMENT OF THE EXECUTIVE BOARD ON THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED JUNE 30, 2017.

In compliance with article 29, paragraph 1, item II of CVM Instruction No. 480/09, the Executive Board states that reviewed, discussed and agreed with the individual and consolidated financial statements contained in the Quarterly Information Form (ITR) of Alpargatas S.A. for the quarter ended June 30, 2017.

Márcio Luiz Simões Utsch - CEO

Adalberto Fernandes Granjo

Ana Marcia Lopes

Carla Schmitzberger

Diego Mohadeb

Edson Rubião Gonzales

Fabio Leite de Souza

Marcelo Ferreira

Marcelo Turri

Rogério Bastos Shimizu

Opinions and Statements / Statement of the Executive Officers on the Independent auditors' report

Alpargatas S.A.

STATEMENT OF EXECUTIVE BOARD ON INDEPENDENT AUDITORS' REPORT FOR THE QUARTER ENDED JUNE 30, 2017

In compliance with article 29, paragraph 1, item II of CVM Instruction No. 480/09, the Executive Board states that reviewed, discussed and agreed with opinions stated in the Independent Auditors' Report on the individual and consolidated financial statements of Alpargatas S.A. for the year ended June 30, 2017.

Márcio Luiz Simões Utsch - CEO

Adalberto Fernandes Granjo

Ana Marcia Lopes

Carla Schmitzberger

Diego Mohadeb

Edson Rubião Gonzales

Fabio Leite de Souza

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