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

São Paulo Alpargatas S.A.

Financial Statements for the Six-month Period Ended June 30, 2009 and Independent Accountants' Limited Review Report

Deloitte Touche Tohmatsu Auditores Independentes

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

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

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

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

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

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

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

São Paulo, August 14, 2009

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

José Roberto Bravin
Engagement Partner

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

SÃO PAULO ALPARGATAS S.A.

BALANCE SHEETS AS OF JUNE 30 AND MARCH 31, 2009
(In thousands of Brazilian reais - R$, except book value per share)

	Company		Consolidated	
ASSETS	06/30/09	03/31/09	06/30/09	03/31/09
CURRENT ASSETS				
Cash and cash equivalents	234,134	155,589	267,709	194,909
Trade accounts receivable	256,172	318,385	333,574	377,677
Inventories	150,264	159,266	262,346	305,330
Recoverable taxes	25,339	28,662	39,834	47,993
Deferred income tax and social contribution	15,940	14,264	21,075	21,282
Prepaid expenses	10,259	13,258	13,443	16,321
Other receivables	9,715	12,955	18,624	21,574
Total current assets	701,823	702,379	956,605	985,086
NONCURRENT ASSETS				
Long-term assets:				
Properties held for sale	612	612	6,678	7,330
Recoverable taxes	5,500	5,962	21,572	21,434
Escrow deposits	11,537	10,968	11,906	11,364
Deferred income tax and social contribution	23,870	23,361	28,280	26,434
Due from related parties	30,646	30,198	-	-
Other receivables	23,047	20,989	23,562	21,857
Investments:				
Subsidiaries and associates	117,073	135,661	93,489	106,787
Other	195	195	196	195
Property, plant and equipment	189,747	187,874	304,669	325,321
Intangible assets	246,150	251,578	266,175	273,336
Deferred charges	7,544	7,793	7,721	7,934
Total noncurrent assets	655,921	675,191	764,248	801,992
TOTAL ASSETS	1,357,744	1,377,570	1,720,853	1,787,078

	Company		Consolidated	
LIABILITIES AND SHAREHOLDERS' EQUITY	06/30/09	03/31/09	06/30/09	03/31/09
CURRENT LIABILITIES				
Trade accounts payable	70,375	41,136	99,074	76,612
Loans and financing	100,545	100,760	221,239	230,899
Payroll and related taxes	36,424	50,098	59,340	75,334
Accrual for contingencies	4,670	4,590	8,060	8,720
Interest on capital and dividends payable	5,186	13,597	5,186	13,597
Taxes payable	3,466	7,593	13,182	22,059
Debt restructuring agreements	-	-	15,147	16,735
Provisions and other payables	18,281	15,188	35,192	27,223
Total current liabilities	238,947	232,962	456,420	471,179
NONCURRENT LIABILITIES				
Loans and financing	96,547	101,279	146,548	160,835
Deferred income tax and social contribution	17,542	16,386	17,542	16,386
Accrual for contingencies	18,771	18,771	27,548	28,475
Taxes with suspended payment and others	20,462	27,908	35,382	43,162
Debt restructuring agreements	-	-	35,080	45,778
Other payables	3,290	3,421	5,138	5,856
Total noncurrent liabilities	156,612	167,765	267,238	300,492
MINORITY INTEREST	-	-	39,014	45,490
SHAREHOLDERS' EQUITY				
Capital	391,804	391,804	391,804	391,804
Capital reserve	270,112	269,743	270,112	269,743
Earnings reserve	361,009	370,067	357,005	363,141
Valuation adjustments to equity	(32,240)	(26,271)	(32,240)	(26,271)
Treasury shares	(28,500)	(28,500)	(28,500)	(28,500)
Total shareholders' equity	962,185	976,843	958,181	969,917
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,357,744	1,377,570	1,720,853	1,787,078
Book value per share - R$	55.24	56.08		

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

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

SÃO PAULO ALPARGATAS S.A.

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

	Company		Consolidated	
	2009	2008	2009	2008
GROSS SALES				
Sales of products	745,900	764,737	1,075,275	825,016
Taxes on sales	(109,050)	(123,529)	(165,133)	(131,617)
NET SALES	636,850	641,208	910,142	693,399
Cost of sales	(364,263)	(354,653)	(557,664)	(391,818)
GROSS PROFIT	272,587	286,555	352,478	301,581
OPERATING INCOME (EXPENSES)				
Selling	(174,125)	(171,615)	(248,780)	(200,870)
General and administrative	(41,758)	(41,562)	(53,048)	(41,673)
Equity in subsidiaries and associates	(34,539)	(16,459)	(12,864)	1,400
Amortization of deferred charges	(7,768)	(5,595)	(8,935)	(5,643)
Amortization of goodwill	-	(5,088)	-	(5,088)
Other operating income, net	12,172	23,610	9,348	23,247
	(246,018)	(216,709)	(314,279)	(228,627)
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES)	26,569	69,846	38,199	72,954
Financial income	12,636	6,842	15,754	7,715
Financial expenses	(12,641)	(8,025)	(29,580)	(10,222)
Exchange rate changes, net	(6,760)	(1,832)	(4,983)	(1,438)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	19,804	66,831	19,390	69,009
Income tax and social contribution	(548)	(9,497)	646	(11,432)
Minority interest	-	-	(795)	-
NET INCOME	19,256	57,334	19,241	57,577
EARNINGS PER SHARE - R$	1.11	3.29		

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

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

SÃO PAULO ALPARGATAS S.A.

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

	Company		Consolidated	
	2009	2008	2009	2008
GROSS SALES				
Sales of products	359,357	373,163	535,291	405,288
Taxes on sales	(51,993)	(59,986)	(81,080)	(64,807)
NET SALES	307,364	313,177	454,211	340,481
Cost of sales	(179,404)	(180,191)	(281,472)	(200,003)
GROSS PROFIT	127,960	132,986	172,739	140,478
OPERATING INCOME (EXPENSES)				
Selling	(94,172)	(92,714)	(137,267)	(111,336)
General and administrative	(17,591)	(23,273)	(22,473)	(23,370)
Equity in subsidiaries and associates	(21,364)	(12,914)	(8,412)	272
Amortization of deferred charges	(4,380)	(2,860)	(4,939)	(2,893)
Amortization of goodwill	-	(2,544)	-	(2,544)
Other operating income, net	8,557	19,780	7,274	23,247
	(128,950)	(114,525)	(165,817)	(116,624)
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES)	(990)	18,461	6,922	23,854
Financial income	6,226	3,777	8,492	4,057
Financial expenses	(6,320)	(3,873)	(13,983)	(5,066)
Exchange rate changes, net	(6,505)	(1,242)	(3,207)	(1,438)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	(7,589)	17,123	(1,776)	21,407
Income tax and social contribution	3,407	(2,516)	1,995	(3,137)
Minority interest	-	-	(1,480)	-
NET INCOME (LOSS)	(4,182)	14,607	(1,261)	18,270
(LOSS) EARNINGS PER SHARE - R$	(0.24)	0.84		

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

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

SÃO PAULO ALPARGATAS S.A.

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

	Company		Consolidated	
	2009	2008	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the period	19,256	59,151	19,241	59,393
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	19,651	19,144	30,561	21,236
Amortization of goodwill/deferred charges	-	3,894	-	3,894
Gain on sale of property, plant and equipment	-	(6,320)	-	(5,959)
Gain on sale of properties held for sale	-	(1,272)	-	(1,272)
Equity in subsidiaries and associates	34,539	14,641	12,864	(1,810)
Interest, monetary restatement and exchange rate changes	10,756	5,970	22,080	7,275
Reversal for contingencies and industrial optimization costs	(287)	(775)	(464)	(788)
Deferred income tax and social contribution	548	3,208	(1,545)	2,372
Exchange variation on investments	-	-	(4,102)	-
Allowance for doubtful accounts	(4,298)	1,129	-	1,025
	80,165	98,770	78,635	85,366
Decrease (increase) in assets:				
Trade accounts receivable	121,477	76,939	87,873	75,356
Inventories	(16,525)	(45,267)	(9,523)	(47,187)
Prepaid expenses	(7,147)	(7,162)	(8,427)	(7,347)
Recoverable taxes	(4,497)	(4,507)	(10,881)	(4,374)
Increase (decrease) in liabilities:				
Trade accounts payable	1,820	(28,549)	(6,298)	(30,989)
Taxes payable	(6,848)	(8,874)	(4,341)	(4,697)
Payroll and related taxes	(7,968)	(5,048)	(9,199)	(9,481)
Provision for income tax and social contribution	2,776	6,548	3,795	802
Income tax and social contribution payment	(3,570)	(6,659)	(4,764)	-
Related parties	(3,433)	27,138	-	-
Other	(223)	(17,736)	11,328	(15,976)
Net cash provided by operating activities	156,027	85,593	128,198	41,473
CASH FLOW FROM INVESTING ACTIVITIES				
Investment acquisition	(8,746)	(24,919)	-	(24,436)
Purchase of property, plant and equipment and intangible assets	(23,117)	(27,393)	(27,491)	(27,949)
Receipts from sale of property and equipment items	550	12,100	550	12,100
Minority interest	-	-	795	-
Net cash used in investing activities	(31,313)	(40,212)	(26,146)	(40,285)
CASH FLOW FROM FINANCING ACTIVITIES				
Loans and financing obtained	2,341	9,642	61,317	48,537
Repayment of loans and financing - principal	(12,645)	(6,804)	(34,206)	(32,966)
Repayment of loans and financing - charges	(7,840)	(5,334)	(11,318)	(12,725)
Dividends and interest on capital paid	(15,312)	(21,840)	(15,313)	(21,840)
Purchase of shares to be held in treasury, net of disposals	-	(14,499)	-	(14,499)
Stock option grants	369	-	369	-
Restructuring of subsidiary's debts	-	-	(5,244)	-
Net cash used in financing activities	(33,087)	(38,835)	(4,395)	(33,493)
EXCHANGE VARIATION ON CASH AND CASH EQUIVALENTS	-	-	(6,993)	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	91,627	6,546	90,664	(32,305)
Cash and cash equivalents at beginning of period	142,506	73,058	177,045	120,477
Cash and cash equivalents at end of period	234,133	79,604	267,709	88,172
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	91,627	6,546	90,664	(32,305)

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

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

SÃO PAULO ALPARGATAS S.A.

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

	Company		Consolidated	
	2009	2008	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES				
Net income (loss) for the quarter	(4,182)	16,425	(1,261)	16,671
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	10,382	10,607	15,648	12,264
Amortization of goodwill/deferred charges	-	1,350	-	1,350
Gain on sale of property, plant and equipment	-	(5,955)	-	(5,594)
Equity in subsidiaries and associates	21,364	12,179	8,412	(682)
Interest, monetary restatement and exchange rate changes	5,045	1,797	12,389	2,489
Accrual (reversal) for contingencies and industrial optimization costs	80	(1,069)	(139)	(939)
Deferred income tax and social contribution	(1,482)	4,046	30	2,731
Exchange variation on investments	-	-	(4,102)	-
Allowance for doubtful accounts	(2,718)	(367)	-	(116)
	28,489	39,013	30,977	28,174
Decrease (increase) in assets:				
Trade accounts receivable	64,931	59,028	36,588	54,965
Inventories	9,002	(9,774)	22,170	(11,146)
Prepaid expenses	3,000	3,291	2,439	8,744
Recoverable taxes	3,784	1,402	2,458	1,998
Increase (decrease) in liabilities:				
Trade accounts payable	29,238	(15,387)	27,550	(7,946)
Taxes payable	(11,315)	(409)	(13,009)	3,949
Payroll and related taxes	(13,674)	(10,248)	(12,596)	(15,104)
Provision for income tax and social contribution	3,540	1,140	2,101	442
Income tax and social contribution payment	(3,570)	(1,190)	(4,764)	-
Due to related parties	(447)	27,138	-	-
Other	3,245	(42,804)	12,139	(14,331)
Net cash provided by operating activities	116,223	51,200	106,053	49,745
CASH FLOW FROM INVESTING ACTIVITIES				
Investment acquisition	(8,746)	(13,535)	-	(13,052)
Purchase of property, plant and equipment and intangible assets	(6,578)	(14,249)	(8,405)	(13,608)
Gains on sale of property and equipment items	330	2,330	330	2,330
Minority interest	-	-	1,461	-
Net cash used in investing activities	(14,994)	(25,454)	(6,614)	(24,330)
CASH FLOW FROM FINANCING ACTIVITIES				
Loans and financing obtained	1,471	-	(439)	12,381
Repayment of loans and financing - principal	(7,375)	(3,911)	2,699	(15,959)
Repayment of loans and financing - charges	(3,863)	(2,510)	(6,396)	(149)
Dividends and interest on capital paid	(13,287)	(8,098)	(13,288)	(8,098)
Purchase of shares to be held in treasury, net of disposals	-	(149)	-	(149)
Stock option grants	369	-	369	-
Restructuring of subsidiary's debts	-	-	(586)	-
Net cash used in financing activities	(22,685)	(14,668)	(17,641)	(11,974)
EXCHANGE VARIATION ON CASH AND CASH EQUIVALENTS	-	-	(8,998)	-
INCREASE IN CASH AND CASH EQUIVALENTS	78,544	11,078	72,800	13,441
Cash and cash equivalents at beginning of quarter	155,589	68,526	194,909	74,731
Cash and cash equivalents at end of quarter	234,133	79,604	267,709	88,172
INCREASE IN CASH AND CASH EQUIVALENTS	78,544	11,078	72,800	13,441

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

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

SÃO PAULO ALPARGATAS S.A.

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

	Capital	Capital reserve	Earnings reserve	Accumulated earnings	Valuation adjustments to equity	Total
BALANCES AS OF DECEMBER 31, 2008	391,804	269,743	332,731	-	(19,096)	975,182
Net income for the period	-	-	-	19,256	-	19,256
Allocations:	-	-	-	(19,478)	-	(19,478)
Interest on capital	-	-	-	(19,478)	-	(19,478)
Valuation adjustment to equity	-	-	-	-	(13,144)	(13,144)
Accumulated translation adjustment	-	-	-	-	(13,144)	(13,144)
Treasury shares	-	369	-	-	-	369
BALANCES AS OF JUNE 30, 2009	391,804	270,112	332,731	(222)	(32,240)	962,185

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

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

SÃO PAULO ALPARGATAS S.A.

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

	Capital	Capital reserve	Earnings reserve	Accumulated earnings	Valuation adjustments to equity	Total
BALANCES AS OF DECEMBER 31, 2008	391,804	269,743	328,741	-	(19,096)	971,192
Net income for the period	-	-	-	19,241	-	19,241
Allocations:	-	-	-	(19,477)	-	(19,477)
Interest on capital	-	-	-	(19,477)	-	(19,477)
Valuation adjustment to equity	-	-	-	-	(13,144)	(13,144)
Accumulated translation adjustment	-	-	-	-	(13,144)	(13,144)
Treasury shares	-	369	-	-	-	369
BALANCES AS OF JUNE 30, 2009	391,804	270,112	328,741	(236)	(32,240)	958,181

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

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

SÃO PAULO ALPARGATAS S.A.

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

	Capital	Capital reserve	Earnings reserve	Accumulated earnings	Valuation adjustments to equity	Total
BALANCES AS OF MARCH 31, 2009	391,804	269,743	332,731	8,836	(26,271)	976,843
Net loss the quarter	-	-	-	(4,182)	-	(4,182)
Allocations:	-	-	-	(4,876)	-	(4,876)
Interest on capital	-	-	-	(4,876)	-	(4,876)
Valuation adjustment to equity	-	-	-	-	(5,969)	(5,969)
Accumulated translation adjustment	-	-	-	-	(5,969)	(5,969)
Treasury shares	-	369	-	-	-	369
BALANCES AS OF JUNE 30, 2009	391,804	270,112	332,731	(222)	(32,240)	962,185

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

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

SÃO PAULO ALPARGATAS S.A.

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

	Capital	Capital reserve	Earnings reserve	Accumulated earnings	Valuation adjustments to equity	Total
BALANCES AS OF MARCH 31, 2009	391,804	269,743	328,741	5,900	(26,271)	969,917
Net loss for the quarter	-	-	-	(1,261)	-	(1,261)
Allocations:	-	-	-	(4,875)	-	(4,875)
Interest on capital	-	-	-	(4,875)	-	(4,875)
Valuation adjustment to equity	-	-	-	-	(5,969)	(5,969)
Accumulated translation adjustment	-	-	-	-	(5,969)	(5,969)
Treasury shares	-	369	-	-	-	369
BALANCES AS OF JUNE 30, 2009	391,804	270,112	328,741	(236)	(32,240)	958,181

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

1. OPERATIONS

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

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

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

2. PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING PRACTICES

Financial statements (Company and consolidated) included in the Interim Financial Statements (ITR) have been prepared and are presented in conformity with Brazilian accounting practices and standards established by the Brazilian Securities and Exchange Commission (CVM), in accordance with Corporate Law, including the changes introduced by Law 11,638/07 and Provisional Act 449/08 (later converted into Law 11,941/09), which are consistent with accounting practices applied in the preparation of the annual financial statements (Company and consolidated) for the year ended December 31, 2008.

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

Significant accounting practices adopted are as follows:

a) Cash and cash equivalents

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

b) Financial instruments

(i) Classification and measurement

Cash and cash equivalents

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

Financial assets and liabilities

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

Financial assets measured at fair value through income or loss

This category encompasses only derivatives which are classified as held-for-trading. Assets under this category are recorded in current assets or current liabilities and gains or losses arising from changes in fair value are recorded under “Financial income” or “Financial expenses”.

Held-to-maturity financial assets and liabilities

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

(ii) Derivatives

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

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

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

c) Allowance for doubtful accounts

Recorded based on an individual analysis of receivables, analysis of the economic scenario and history of losses reported in prior years, in an amount considered sufficient to cover probable losses on the collection of receivables.

d) Inventories

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

e) Properties held for sale

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

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

f) Investments

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

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

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

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

g) Property, plant and equipment

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

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

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

In compliance with paragraph 54 of the Accounting Pronouncements Committee - CPC 13 - First-time Adoption of Law 11,638/07 and Provisional Act 449/08, the Company and its subsidiaries will conduct the first periodic analysis of the economic useful lives of assets, effective January 1, 2009.

h) Intangible assets

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

For details, see note 12.

i) Deferred charges

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

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

j) Impairment assessment

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

For the closing of the quarterly financial statements Management evaluates the presence of internal and external factors to assess the risk of impairment of assets.

k) Research and development expenses of products

Recognized in expenses as incurred.

l) Loans and financing

Adjusted for inflation based on inflation and exchange rate changes, when applicable, plus charges incurred through the balance sheet dates, according to contractual clauses, as mentioned in note 13. As of June 30 and March 31, 2009, the financial liability of the subsidiary Alpargatas S.A.I.C. - Argentina resulting from debt restructuring agreements with financial institutions is stated at present value.

m) Other current and noncurrent liabilities

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

n) Foreign currency transactions

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

o) Income tax and social contribution

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

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

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

p) Provisions

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

q) Interest on capital

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

r) Results of operations

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

s) Actuarial assets and liabilities - pension plans

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

See details in note 25.

t) Stock option plan

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

u) Recognition of tax incentives - investment grants

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

As mentioned in note 4, the Company recognizes the incentive related to the State of Paraíba grant upon the ICMS calculation since there are conditions to be met for the recognition of the incentive, as well as nonmonetary assets to be received as part of the incentive plan.

v) Earnings (loss) per share and book value per share

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

3. FIRST-TIME ADOPTION OF NEW BRAZILIAN ACCOUNTING PRACTICES

Law 11,638/07 and Provisional Act 449/08 (later converted into Law 11,941/09) altered, revoked and added new provisions to the Brazilian Corporate Law (Law 6,404/76), especially with respect to chapter XV, which provides on accounting matters, effective as of January 1, 2008.

The main changes in accounting practices introduced by Law 11,638/07 and articles 36 and 37 of Provisional Act 449/08 (later converted into Law 11,941/09) applicable to the Company and its subsidiaries are as follows:

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

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

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

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

e) Requirement for the periodic test of the impairment of amounts recorded in property, plant and equipment, intangible assets and deferred charges, as set forth by CPC 01 - Impairment of Assets (required from the date of the financial statements for the year ended December 31, 2008). This change did not generate effects to be recorded in the financial statements for the year ended December 31, 2008, and for the six-month period ended June 30, 2009.

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

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

h) Discontinuation of the presentation of the "Nonoperating income (expenses)" account in the statement of income, as required by Provisional Act 449/08.

i) Cancellation of items "c" and "d" of paragraph 1, article 182 of Law 6,404/76, which allowed the recording of: (i) premium received on the issuance of debentures; and (ii) donations and investment grant directly as capital reserves in shareholders' equity. Change applicable to the Company and its subsidiary Locomotiva Amazônia Indústria e Comércio de Têxteis Industriais Ltda. as regards to the registration of tax incentives, which are now recorded directly in the statement of income, and later allocated to the "Tax incentive reserve - investment grant" account in shareholders' equity, in conformity with CPC 07 - Government Grants and Assistance.

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

Considering the changes introduced by Law 11,638/07 and Provisional Act 449/08 (later converted into Law 11,941/09), for a better comparability with net income recorded for the six-month period ended June 30, 2009, the effects on income for the six-month period ended December 31, 2008, recorded under "Retained earnings (accumulated losses)" in shareholders' equity, previously determined in conformity with the accounting practices set forth in Law 6,404/76, are as follows:

	Company	Consolidated
Net income pursuant to accounting practices under Law 6,404/76	27,011	27,254
Adjustments for changes in accounting practices:		
Exchange rate change on foreign investments (CPC 02)	(1,817)	(1,817)
Investment grants - tax incentives (CPC 07)	32,140	32,140
Net income pursuant to accounting practices under Law 11,638/07 and Provisional Act 449/08	57,334	57,577

4. TAX INCENTIVES - INVESTMENT GRANTS

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

As mentioned in note 3, the tax benefit related to these incentives was also recognized in shareholders' equity under "Tax incentive reserve" up to December 31, 2007, and as from January 1, 2008, with the enactment of Law 11,638/07 and Provisional Act 449/08 (later converted into Law 11,941/09), the Company started to recognize these tax incentives in the Company's income, subsequently recognizing a tax incentive reserve in shareholders' equity, in accordance with new Brazilian accounting practices.

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

	Company		Consolidated	
	06/30/09	06/30/08	06/30/09	06/30/08
Grant ICMS (State VAT) State of Paraíba (*)	38,548	30,812	38,548	30,812
IRPJ incentives - Northern and Northeastern Regions	-	1,328	588	1,895
Total	38,548	32,140	39,136	32,707

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

Additionally, on June 30 and March 31, 2009, there were no incentive installments to be recorded in the accounting books, resulting from obligations established by the regulation of the incentive plan, to be complied with by the Company.

5. CONSOLIDATION OF FINANCIAL STATEMENTS

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

	Ownership interest - %		
	06/2009	03/2009	06/2008
Direct subsidiaries:			
Locomotiva Indústria e Comércio de Têxteis Industriais Ltda.	100.00	100.00	100.00
CBS - Companhia Brasileira de Sandálias	100.00	100.00	100.00
Fibrasil Agrícola e Comercial Ltda.	100.00	100.00	100.00
Alpargatas Imobiliária S.A.	100.00	100.00	100.00
Alpargatas Chile Ltda. - Chile	100.00	100.00	100.00
Alpargatas Internacional APS - Denmark	100.00	100.00	100.00
Alpargatas S.A.I.C. - Argentina (*)	60.19	60.19	25.687
Indirect subsidiaries (through Alpargatas Internacional - APS):			
Alpargatas Europe S.L.U. - Spain	100.00	100.00	-
Alpargatas USA Inc. - United States	100.00	100.00	100.00
Alpargatas UK Limited - United Kingdom	100.00	100.00	-
Alpargatas France S.A.R.L. - France	100.00	100.00	-
Indirect subsidiaries (through Locomotiva Indústria e Comércio de Têxteis Industriais Ltda.)- Locomotiva da Amazônia Ind. e Com. de Têxteis Industriais Ltda.	100.00	100.00	100.00

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

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

Net equities presented on June 30 and March 31, 2009 by the Company differ by R$4,004 and R$6,926, respectively, from those stated in consolidated financial statements through the elimination of unrealized profits in subsidiary Alpargatas Internacional APS. By the same reason, net income of the six-month periods ended June 30, 2009 and 2008, by the Company, differ by R$15 and R$243, respectively, from those stated in consolidated financial statements.

The activities of direct and indirect subsidiaries are described in note 11.

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

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

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

Gross sales	213,178
(-) Sales taxes and deductions	(35,528)
Net revenue from sales	177,650
(-) Cost of sales	(123,728)
Gross profit	53,922
Operating expenses	(27,834)
Financial expenses, net	(8,870)
Other operating expenses, net	(1,076)
Profit before income tax and social contribution	16,142
Income tax and social contribution	73
Minority interest	12
Net income for the six-month period	16,227

6. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	06/30/09	03/31/09	06/30/09	03/31/09
Cash and banks	1,478	1,506	31,184	28,563
Short-term investments-				
Bank Certificates of Deposit (CDBs)	232,656	154,083	236,525	166,346
	234,134	155,589	267,709	194,909

As of June 30, 2009, the Company has CDBs in several financial institutions, earning average interest of 102.5% of the Interbank Deposit Rate (CDI) (102.9% as of March 31, 2009). As of June 30, 2009, CDBs mature from July 2009 to November 2016; however, they are classified as "Cash and cash equivalents" because they are considered as immediately redeemable financial assets.

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

- During the six-month periods ended June 30, 2009 and 2008, the Company and its subsidiaries did not purchase property, plant and equipment without having cash effect (payments made directly by financial institutions to suppliers).

7. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	06/30/09	03/31/09	06/30/09	03/31/09
Domestic market	249,006	270,670	266,237	288,387
Foreign market	39,520	57,361	88,859	103,674
Advance on foreign exchange contract	(25,426)	-	(10,291)	-
Allowance for loan losses	(6,928)	(9,646)	(11,231)	(14,384)
	256,172	318,385	333,574	377,677

8. INVENTORIES

	Company		Consolidated	
	06/30/09	03/31/09	06/30/09	03/31/09
Finished products	119,015	118,264	188,053	208,372
Work in process	8,344	8,547	19,714	23,551
Raw materials	25,103	31,466	58,542	68,880
Other	2,570	4,391	5,482	13,450
Provision for losses	(4,768)	(3,402)	(9,445)	(8,923)
	150,264	159,266	262,346	305,330

9. RECOVERABLE TAXES

	Company		Consolidated	
	06/30/09	03/31/09	06/30/09	03/31/09
Prepaid income tax and social contribution	9,086	6,887	10,358	8,273
Recoverable ICMS	4,990	6,454	5,977	7,451
Recoverable Federal VAT (IPI)	344	347	3,363	3,282
PIS and COFINS (taxes on revenue)	2,735	3,404	3,367	4,142
Federal tax credits arising from final and unappealable court decisions (a)	13,642	17,390	13,642	17,390
Recoverable taxes - foreign subsidiaries (b)	-	-	24,554	28,747
Other	42	142	145	142
	30,839	34,624	61,406	69,427
Current portion	25,339	28,662	39,834	47,993
Noncurrent portion	5,500	5,962	21,572	21,434

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

(b) As of June 30, 2009, refer to recoverable taxes of the subsidiaries Alpargatas S.A.I.C. - Argentina of R$21,003 (R$26,259 as of March 31, 2009); Alpargatas Chile R$1,061 (R$1,116 as of March 31, 2009) and R$2,490 (R$1,372 as of March 31, 2009) are related to the subsidiaries located in Europe through the holding company Alpargatas Internacional APS, and consist mainly of prepayment of income tax and taxes on value added amounts (IVA), which will be offset against future operations.

10. ESCROW DEPOSITS

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

11. INVESTMENTS

Direct investments:

Information as of June 30, 2009	Locomotiva Ind. e Com. Têxteis Ltda.	Fibrasil Agríc. e Coml. Ltda.	Alpargatas Internacional APS	Alpargatas Imobiliária S.A.	CBS S.A. - Companhia Brasileira de Sandálias	Alpargatas SAIC	Alpargatas Chile Ltda.	Total
Number of shares held	27,943,728	1,157,111	13,378,615	4,648,060	750,645	42,047,157	-	
Capital	27,943	1,157	38,281	7,648	20,848	36,051	2,155	
Shareholders' equity	34,700	2,106	33,802	7,409	(18,908)	97,210	(541)	
Net income (loss) for the six-month period	1,733	(3)	(33,697)	79	(3,822)	2,047	(62)	
Ownership interest (%)	100	100	100	100	100	60.19	100	
Book value of investments								
Balance as of December 31, 2008	32,967	2,109	54,823	7,330	(15,086)	74,499	(631)	156,011
Equity in subsidiaries	1,622	-	(11,764)	(26)	(1,855)	(1,006)	(146)	(13,175)
Exchange rate changes on foreign investments	-	-	(1,961)	-	-	(5,298)	84	(7,175)
Balance as of March 31, 2009	34,589	2,109	41,098	7,304	(16,941)	68,195	(693)	135,661
Capital increase	-		8,745	-	-	-	-	8,745
Equity in subsidiaries	111	(3)	(21,933)	105	(1,967)	2,238	85	(21,364)
Exchange rate changes on foreign investments	-	-	5,892	-	-	(11,927)	66	(5,969)
Balance as of June 30, 2009	34,700	2,106	33,802	7,409	(18,908)	58,506	(542)	117,073

Goodwill on subsidiaries:

	CBS S.A. - Companhia Brasileira de Sandálias	Atlântico Participações S.A.	Alpargatas S.A.I.C.	Total
June 30, 2009	11,498	42,202	96,268	149,968
March 31, 2009	11,498	42,202	96,268	149,968

Indirect investments through the holding company Alpargatas Internacional APS

	Subsidiaries				Affiliate	
Information as of June 30, 2009	Alpargatas Europe S.L.U.	Alpargatas France S.A.R.L.	Alpargatas UK Limited	Alpargatas USA Inc.	Tavex Algodonera S.A.	Total
Number of shares held	3,600	5,000	100	10	21,683,180	
Shareholders' equity (deficit)	(11,368)	(3,318)	(1,131)	(62,309)	498,328	
Net loss	(8,841)	(2,406)	(1,054)	(13,120)	(68,829)	
Company's indirect interest (%)	100	100	100	100	18.687	
Book value of investments:						
Balance as of December 31, 2008	(3,550)	(1,205)	(167)	(60,283)	113,232	48,027
Equity in subsidiaries	(5,223)	(838)	(326)	(5,271)	(4,452)	(16,110)
Exchange rate changes on foreign investments	242	(108)	(24)	553	(2,404)	(1,741)
Balance as of March 31, 2009	(8,531)	(2,151)	(517)	(65,001)	106,376	30,176
Equity in subsidiaries	(3,618)	(1,568)	(728)	(7,849)	(8,412)	(22,174)
Exchange rate changes on foreign investments	781	401	114	10,541	(4,828)	7,009
Balance as of June 30, 2009	(11,368)	(3,318)	(1,131)	(62,309)	93,136	15,011

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

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

Information for the six-month period ended June 30, 2009

Number of shares held	6,557,122
Capital	15,502
Shareholders' equity	86,746
Net income for the six-month period	2,791
Company's indirect interest (%)	100

Book value of investments:	
Balance as of December 31, 2008	83,955
Equity in subsidiaries	1,622
Balance as of March 31, 2009	85,577
Equity in subsidiaries	1,169
Balance as of June 30, 2009	86,746

Additional information on subsidiaries

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

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

The Agreement established two closes, the first one on the execution date, related to 21,169,893 shares, when the Company disbursed R$82,364, equivalent to US$45,409,000. Additionally, on January 8, 2008, the remaining 2,931,969 shares were purchased at the second close, after compliance with contractual terms and conditions, for R$11,384, equivalent to US$6,289,000.

Also in October 2007, the Company filed with the Comisión Nacional de Valores - CNV, from Argentina, a request for the registration of a tender offer for the acquisition of 17,815,047 shares with voting right ("Offer"), representing up to 25.5005% of the capital of Alpargatas Argentina, for AR$5.80 per share. On December 19, 2007, the Company acquired the shares of the Offer for R$59,296, equivalent to US$32,884,000. This transaction generated goodwill of R$41,626, which was amortized up to December 31, 2008, considering a ten-year period starting January 2008.

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

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

Considering both portions of the acquisition of Alpargatas S.A.I.C. - Argentina as from October 30, 2008, the Company became the holder of 42,047,157 registered common shares, with one voting right, representing 60.1863% of the capital of Alpargatas S.A.I.C. - Argentina, therefore exercising the control of its operations.

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

As of June 30, 2009, the amounts related to investment and goodwill are R$58,506 and R$96,268, respectively, and goodwill was recorded under “Intangible assets”.

CBS S.A. - Companhia Brasileira de Sandálias

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

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

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

Tavex Algodonera S.A.

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

Establishment of subsidiaries

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

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

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

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

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

- Alpargatas S.A.I.C. - Argentina (60.19% interest): acquired in December 2007, although with the transfer of control to the Company in October 2008, engaged in the manufacture and sale of footwear and textile products mainly in the Argentinean market.

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

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

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

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

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

Property, plant and equipment

	Annual average depreciation rate (%)	Company					
		06/30/09			03/31/09		
		Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	-	7,752	-	7,752	7,752	-	7,752
Buildings and constructions	4	113,835	(48,181)	65,654	112,864	(46,634)	66,230
Machinery and equipment	10	183,744	(111,813)	71,931	186,580	(114,233)	72,347
Furniture and fixtures	10	17,973	(7,199)	10,774	15,680	(7,147)	8,533
Vehicles	20	3,242	(2,246)	996	3,276	(2,158)	1,118
Construction in progress	-	23,543	-	23,543	28,528	-	28,528
Leasehold improvements	5	14,242	(3,961)	10,281	10,622	(6,392)	4,230
Provision for losses		(1,184)	-	(1,184)	(864)	-	(864)
		363,147	(173,400)	189,747	364,438	(176,564)	187,874

	Annual average depreciation rate (%)	Consolidated					
		06/30/09			03/31/09		
		Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	-	11,864	-	11,864	12,437	-	12,437
Buildings and constructions	4	205,962	(99,579)	106,383	221,131	(105,222)	115,909
Machinery and equipment	10	397,295	(268,515)	128,780	438,080	(296,292)	141,788
Furniture and fixtures	10	50,442	(35,591)	14,851	53,289	(39,880)	13,409
Vehicles	20	4,821	(3,555)	1,266	5,195	(3,697)	1,498
Construction in progress		29,573	-	29,573	34,939	-	34,939
Leasehold improvements	5	16,243	(4,656)	11,587	13,879	(8,417)	5,462
Other		1,649	(50)	1,599	906	-	906
Finance lease (a)	30	394	(212)	182	205	(136)	69
Provision for losses		(1,416)	-	(1,416)	(1,096)	-	(1,096)
		716,827	(412,158)	304,669	778,965	(453,644)	325,321

(a) Consisting mainly by machinery and equipment, recorded in subsidiary CBS S.A. - Companhia Brasileira de Sandálias and Alpargatas S.A.I.C. - Argentina. Additionally, on June 30 and March 31, 2009, the Company and its subsidiaries do not have finance leases.

Supplemental information on property, plant and equipment

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

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

In the six-month periods ended June 30, 2009 and 2008, in consolidated, the total expenses with operating lease transactions amounted to R$7,118 and R$7,586, respectively.

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

	Amount
Six-month period in 2009	7,200
2010	13,400
2011 to 2013	40,080

Intangible assets

		Company					
	Annual amortization rate (%)	06/30/09			03/31/09		
		Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
With finite useful lives:							
Business management system	10	92,033	(17,260)	74,773	96,933	(14,501)	82,432
Customer portfolios (c)	20	18,877	(1,692)	17,185	16,733	(1,088)	15,645
Without finite useful lives:							
Trademarks and patents	-	17,849	(17,652)	197	17,849	(17,652)	197
Goodwill on subsidiaries (b)	-	159,718	(9,750)	149,968	159,718	(9,750)	149,968
Goodwill (d)	-	4,236	(209)	4,027	3,545	(209)	3,336
		293,713	(46,563)	246,150	294,778	(43,200)	251,578

	Annual amortization rate (%)	Consolidated 06/30/09 Cost	Accumulated amortization	Net	03/31/09 Cost	Accumulated amortization	Net
With finite useful lives:							
Business management system	10	100,431	(19,239)	81,192	106,693	(18,126)	88,567
Customer portfolios (c)	20	18,877	(1,692)	17,185	16,733	(1,088)	15,645
Without finite useful lives:							
Trademarks and patents	-	33,728	(19,925)	13,803	36,538	(20,718)	15,820
Goodwill on subsidiaries (b)	-	159,718	(9,750)	149,968	159,718	(9,750)	149,968
Goodwill (d)	-	4,236	(209)	4,027	3,545	(209)	3,336
		316,990	(50,815)	266,175	323,227	(49,891)	273,336

(b) See breakdown in note 11.

As mentioned in notes 2 and 3, considering the accounting changes introduced by Law 11,638/07 and Provisional Act 449/09, later converted into Law 11,941/09, as from January 2, 2009 the goodwill balance on December 31, 2008 was no longer amortized.

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

During the six-month period ended June 30, 2008, the amount of R$5,088 of goodwill generated on the acquisition of subsidiaries mentioned in note 11 was amortized, and it is recorded in the statement of income in the caption “Goodwill amortization” under “Other operating expenses” account.

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

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

Supplemental information on intangible assets

	Consolidated	
	06/30/09	06/30/08
Research and development expenses of products recorded in the statement of income in the six-month periods ended	5,903	5,879

Additionally, in consolidated, the amortization expense of intangible assets of items (c) and (d) expected for the next periods is as follows:

Six-month period in 2009	6,847
2010	13,513
2011	13,513
2012	13,513
2013 thereafter	50,991
	98,377

Changes

	Quarter ended June 30, 2009			
	Property, plant and equipment	Intangible assets	Deferred charges	Total
Balance as of March 31, 2009 (Company)	187,874	251,578	7,793	447,245
Construction in progress				
Addition to construction in progress	4,045	1,924	-	5,969
(-) Depreciation and amortization	(6,259)	(3,553)	(249)	(10,061)
Additions:				
Buildings	971	-	-	971
Machinery and equipment	3,775	-	-	3,775
Furniture and fixtures	2,602	-	-	2,602
Customer base	-	2,144	-	2,144
Vehicles	121	-	-	121
Leasehold improvements	6,581	-	-	6,581
Assignment of business rights	-	692	-	692
Business management system		17,524	-	17,524
Construction in progress	(14,050)	(20,360)	-	(34,410)
Total	-	-	-	-
Write-offs	(869)	(41)	-	(910)
Other changes	4,956	(3,758)	-	1,198
Balance as of June 30, 2009 (Company)	189,747	246,150	7,544	443,441

	Quarter ended June 30, 2009			
	Property, plant and equipment	Intangible assets	Deferred charges	Total
Balance of subsidiaries:				
Alpargatas Internacional - APS	1,898	15,033	124	17,055
CBS S.A. - Companhia Brasileira de Sandálias	16,198	745	53	16,996
Alpargatas S.A.I.C. - Argentina	83,896	-	-	83,896
Locomotiva Indústria e Comércio de Têxteis Industriais Ltda.	12,837	4,247	-	17,084
Alpargatas Chile	93	-	-	93
Balance as of June 30, 2009 (consolidated)	304,669	266,175	7,721	578,565

13. LOANS AND FINANCING

Denominated in Brazilian reais	Currency	Index and average annual interest rate	Company		Consolidated	
			06/30/09	03/31/09	06/30/09	03/31/09
Exim - BNDES (c)		TJLP + interest of 2.20%	80,725	80,576	80,725	80,576
FNE (BNB) (a)		Interest of 8.42%	92,562	96,097	92,562	96,097
FINAME		TJLP + interest of 2.4%	2,553	2,621	2,553	2,621
BNDES (b)		Currency basket + interest of 2.3% and TJLP + interest from 2.3% to 2.8%	19,331	20,513	19,331	20,513
Capital investment - BNDES Automatic - CBS		TJLP + interest of 2.8% and exchange variation US$ + interest of 2.3%	-	-	1,787	1,962
Finance lease (g)		Interest of 16.36%	-	-	18	25
Modermaq		Interest of 11.47%	16	20	405	476
Total in reais			195,187	199,827	197,381	202,270
Denominated in foreign currency						
Working capital - Alpargatas Inc. - EUA (f)	US$	Interest of 5.59%	-	-	63,276	74,668
Working capital - Alpargatas APS - Europe (f)	US$/€	Interest of 6.79%	-	-	24,654	43,652
Working capital - Alpargatas Chile (f)	US$/CLP	Interest of 9.71%	-	-	5,708	3,835
Debt restructuring agreements - Alpargatas S.A.I.C. - Argentina (e)	AR$	Interest of 7.57%	-	-	49,098	58,237
Finance lease - ASAIC	AR$	Interest of 20.5%	-	-	244	327
Working capital - ASAIC	AR$	Interest from 19.0% to 23.5%	-	-	7,925	3,045

	Currency	Index and average annual interest rate	Company		Consolidated	
			06/30/09	03/31/09	06/30/09	03/31/09
FINIMP - HSBC	US$	Interest of 11.49% + exchange variation	1,905	2,212	1,913	2,219
ACE - Banco do Brasil (d)	US$	Interest of 2.40%	-	-	15,135	-
ACC/Prepayment	US$	Libor + interest of 1.25%	-	-	2,453	3,481
Total in foreign currency			1,905	2,212	170,406	189,464
Grand total			197,092	202,039	367,787	391,734
Current liabilities			100,545	100,760	221,239	230,899
Noncurrent liabilities			96,547	101,279	146,548	160,835

(a) On February 23, 2006, the Company signed with Banco do Nordeste do Brasil (BNB) a financing agreement, in the limit of R$112,000, intended to support programs for investments in the Northeast region. The financing will be repaid over ten years beginning 2008, with monthly payments. The release of funds is dependent on the investment disbursement schedule. The first portion of R$50,671 was released in September 2006, the second portion of R$33,568 in February 2007, the third portion of R$24,327 in December 2007, and the fourth portion of R$3,436 in October 2008. In the first half of 2009, financial charges in the amount of R$3,834 were incurred, and R$7,020 has been amortized in this period. The guarantee is backed by a bank letter of guarantee.

(b) In October 2007, the Company signed with the National Bank for Economic and Social Development (BNDES) a financing agreement of R$22,700 to support the implementation of the integrated corporate management system. Of this amount, R$11,960 was released in December 2007. In January and March 2008 two portions totaling R$9,624 were released. In September 2008, the last portion of R$596 was released. In the first half of 2009, financial charges in the amount of R$950 were incurred, and R$2,271 has been amortized in this period. The financing is being paid in monthly installments since November 2008 maturing in October 2013. The guarantee is backed by a bank letter of guarantee.

(c) In August 2008, the credit of the Exim contract with Bradesco and Unibanco banks was released, amounting to R$79,755. In the first half of 2009, financial charges in the amount of R$3,970 were incurred. The financing shall be paid in monthly installments from September 2009 to January 2010.

(d) In June 2009, the Company entered into Advances on Export Contracts (ACE) amounting to US$8,320 thousand (corresponding to R$15,135 at historical amounts on the release of funds). Until June 30, 2009, US$565 thousand (R$1,103) has already been amortized. This transaction matures until December 2009.

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

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

The amounts were estimated based on the Company's best judgment and are subject to revision. These balances are stated net of adjustment to present value in the amounts of R$64,831 and R$74,681 on June 30 and March 31, 2009, respectively.

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

The effects of reversal of the adjustment to present value are recorded under the caption "Financial expenses" in consolidated and amounted to R$1,856 in the six-month period ended June 30, 2009.

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

2009 (second half)	1,469
2010	3,065
2011	3,264
2012	3,503
2013 onward	53,530
	64,831

(f) Loans and financing obtained by foreign subsidiaries are collateralized by bank guarantees granted by Brazilian financial institutions, obtained with the Company's approval.

(g) As of June 30, 2009, the future value of lease payments amounted to R$297 (R$406 as of March 31, 2009), which is the difference in relation to the present value recorded as of the reporting date, corresponding to the financial charges that will be recorded to income (loss) for the year over the remaining term of the respective agreements, on the accrual basis.

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

	Company		Consolidated	
Year	06/30/09	03/31/09	06/30/09	03/31/09
2010 (six months)	11,517	16,198	14,168	19,904
2011	18,866	18,885	21,269	21,684
2012	18,866	18,885	22,185	22,729
2013	18,050	18,063	20,736	21,229
2014	14,039	14,039	17,242	17,828
2015	14,039	14,039	18,494	19,329
2016	1,170	1,170	5,460	6,267
2017	-	-	5,721	6,779
2018	-	-	5,380	6,378
2019	-	-	15,893	18,708
	96,547	101,279	146,548	160,835

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

14. PROVISIONS AND OTHER LIABILITIES

	Company		Consolidated	
	06/30/09	03/31/09	06/30/09	03/31/09
Royalties payable	654	-	654	578
Provision for freight payable	2,798	4,496	3,156	4,924
Other payables (commissions, outside services, utilities and others)	14,829	10,692	31,382	21,721
	18,281	15,188	35,192	27,223

15. DEBT RESTRUCTURING AGREEMENTS

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

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

The amounts are stated in the consolidated financial statements under the caption "Debt restructuring agreements", in current and noncurrent liabilities, in the amounts of R$15,147 and R$35,080, respectively (R$16,735 and R$45,778 on March 31, 2009, respectively). These balances are stated net of adjustment to present value in the amounts of R$11,526 and R$14,716 on June 30 and March 31, 2009, respectively.

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

The effects of reversal of the adjustment to present value are recorded under the caption "Financial expenses" in consolidated and amounted to R$1,422 in the statement of income for the six-month period ended June 30, 2009.

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

2009 (second half)	1,332
2010	2,178
2011	1,977
2012	1,771
2013 thereafter	4,268
	11,528

16. RELATED PARTIES

Balances with related parties

	Company	
	06/30/09	03/31/09
Noncurrent assets:		
Alpargatas Internacional APS	379	423
Locomotiva Indústria e Comércio de Têxteis Industriais Ltda.	244	3,069
CBS S.A. - Companhia Brasileira de Sandálias	35,968	32,429
Alpargatas Imobiliária S.A.	(3,839)	(3,714)
Alpargatas Chile Ltda.	-	100
Fibrasil Agrícola e Comercial Ltda.	(2,106)	(2,109)
	30,646	30,198

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

Balances receivable and payable from intercompany transactions - Company

	Accounts receivable		Accounts payable	
	06/30/09	03/31/09	06/30/09	03/31/09
Alpargatas USA Inc. - United States (b)	10,209	13,468	-	-
Alpargatas Europe S.L.U. - Spain (b)	4,780	7,885	-	-
Alpargatas Chile Ltda. - Chile	1,016	1,210	-	-
Amapoly Indústria e Comércio Ltda. - Brazil	-	-	-	-
Locomotiva Indústria e Comércio de Têxteis Industriais Ltda. - Brazil (d)	-	-	270	364
Grupo Camargo Corrêa S.A. (c)	-	-	92	-
	16,005	22,563	362	364

Transactions with related parties

Related-party transactions are as follows:

	Sale of products and services		Purchase of products and services	
	06/2009	06/2008	06/2009	06/2008
São Paulo Alpargatas S.A. (a)	18,146	10,462	10,483	27,714
Alpargatas USA Inc. - United States	-	-	12,220	10,462
Alpargatas Europe S.L.U. - Spain	-	-	5,700	-
Alpargatas Chile Ltda. - Chile	-	-	226	-
Amapoly Indústria e Comércio Ltda. - Brazil	-	13,006	-	-
Locomotiva Indústria e Comércio de Têxteis Industriais Ltda. - Brazil	1,883	899	-	-
Grupo Camargo Corrêa S.A.:				
Rentals and common area management fees	909	853	-	-
Shared services - CSC (e)	6,422	8,529	-	-
Corporate projects	1,269	4,378	-	-
Purchase of property, plant and equipment	-	49	-	-
	28,629	38,176	28,629	38,176

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

During such period the Company had not recorded any write-off or provision for doubtful accounts on balances receivable from its foreign subsidiaries.

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

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

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

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

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

17. RESERVE FOR CONTINGENCIES

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

	Company		Consolidated	
	06/30/09	03/31/09	06/30/09	03/31/09
Labor claims (a)	15,150	15,070	23,679	24,672
Tax lawsuits (b)	7,065	6,942	10,503	10,930
Civil lawsuits	4,232	4,232	4,432	4,476
Escrow deposits	(3,006)	(2,883)	(3,006)	(2,883)
	23,441	23,361	35,608	37,195
Current portion	4,670	4,590	8,060	8,720
Noncurrent portion	18,771	18,771	27,548	28,475

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

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

Changes

	Company				
	Labor	Tax	Civil	Escrow deposits	Total
Balance as of December 31, 2008	15,437	6,799	4,232	(2,740)	23,728
Increases (reversals)	1,041	143	-	(143)	1,041
Payments	(1,408)	-	-	-	(1,408)
Balance as of March 31, 2009	15,070	6,942	4,232	(2,883)	23,361
Increases (reversals)	2,194	123	-	(123)	2,194
Payments	(2,114)	-	-	-	(2,114)
Balance as of June 30, 2009	15,150	7,065	4,232	(3,006)	23,441

	Consolidated				
	Labor	Tax	Civil	Escrow deposits	Total
Balance as of December 31, 2008	25,537	10,932	4,496	(2,740)	38,225
Increases (reversals)	1,214	143	-	(143)	1,214
Payments	(2,086)	-	-		(2,086)
Alpargatas S.A.I.C. - Argentina	7	(145)	(20)	-	(158)
Balance as of March 31, 2009	24,672	10,930	4,476	(2,883)	37,195
Increases (reversals)	2,194	123	-	(123)	2,194
Payments	(2,448)	-	-	-	(2,449)
Alpargatas S.A.I.C. - Argentina	(739)	(550)	(44)	-	(1,333)
Balance as of June 30, 2009	23,679	10,503	4,432	(3,006)	35,608

Possible losses - tax lawsuits

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

	Company and consolidated	
	06/30/09	03/31/09
Tax:		
Tax deficiency notice - IRRF (*)	7,577	7,486
Other	1,957	1,975
	9,534	9,461
Civil	5,867	5,032

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

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

18. TAXES WITH SUSPENDED PAYMENT AND OTHERS

		Company and consolidated	
		06/30/09	03/31/09
COFINS (tax on revenue) - Law 9,718/98		26,508	38,573
Escrow deposits		(26,508)	(26,140)
	(a)	-	12,433
COFINS - deduction of ICMS from tax basis		25,601	20,434
Escrow deposits		(8,250)	(8,227)
	(b)	17,351	12,207
Other		3,111	3,268
Total Company		20,462	27,908
Tax debt refinancing program (REFIS) - PIS and COFINS- CBS S.A. - Companhia Brasileira de Sandálias (c)		7,850	6,229
Alpargatas S.A.I.C. - Argentina		7,070	9,025
Total consolidated		35,382	43,162

(a) COFINS (tax on revenue) - Law 9,718/98

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

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

In March 2006, after an unfavorable decision rendered by the Federal Supreme Court (STF) on the extraordinary appeal related to the increase of 1% in COFINS rate, the Company decided to pay the amount calculated for the periods from: (i) March 1999 to August 2002; and (ii) February 2004 to March 2006, in the total amount of R$43,041. Such decision was made and did not affect the continuity of the litigation related to the period from September 2002 to January 2004, and the Company started to make the payments of the monthly calculations from April 2006, the amount of which was recorded as tax with suspended payment and escrow deposit, and amounted to R$26,508, monetarily adjusted.

On May 27, 2009, Law 11,941 revoking paragraph 1, article 3 of Law 9,718/98, related to the expansion of the tax basis of PIS and COFINS, was enacted, a fact that strengthened the grounds challenged by the Company. With this change, considering the decision rendered by STF which enacted a binding in the beginning of August 2009, the Brazilian Institute of Independent Auditors (IBRACON) enacted the Technical Bulletin - CT No. 05/09 allowing that part of PIS and COFINS related to the expansion of the tax basis was reversed by the companies. Accordingly, on the closing of financial statements for the six-month period ended June 30, 2009, the Company reversed the portion corresponding to this liability with suspended payment, in the total amount of R$12,401, and it was recorded in the statement of income of the six-month period then ended, under the caption "Other operating revenues".

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

Except for the reversal mentioned above, changes in the account for the six-month period ended June 30, 2009 correspond basically to monetary adjustment of the liabilities and the existing escrow deposits.

(b) COFINS - deduction of ICMS from tax basis

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

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

On June 30 and March 31, 2009, accrued amounts and escrow deposits are adjusted based on the SELIC rate.

(c) PAES/PAEX - COFINS and PIS

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

	Year
2009 (second half)	654
2010	1,309
2011	1,309
2012 thereafter	6,134
Total	9,406

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

19. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred

	Company and consolidated	
	06/30/09	03/31/09
Current assets - temporary differences:		
Allowance for loan losses	2,355	3,280
Provision for inventory losses	1,613	1,151
Reserve for contingencies	1,588	1,561
Other temporary differences	10,384	8,272
Total Company	15,940	14,264
Subsidiaries:		
Alpargatas International APS	3,069	3,448
Alpargatas Chile	3	2
Deferred taxes on unrealized profits on inventories	2,063	3,568
Total consolidated	21,075	21,282

	Company and consolidated	
	06/30/09	03/31/09
Noncurrent assets-		
Tax loss carryforwards	6,482	6,482
Temporary differences:		
Provision for taxes with suspended payment	9,508	9,434
Reserve for contingencies	6,017	6,017
Other temporary differences	1,863	1,428
Total Company	23,870	23,361
Subsidiaries:		
Alpargatas S.A.I.C. - Argentina	3,813	2,448
Alpargatas Chile	597	625
Total consolidated	28,280	26,434
Noncurrent liabilities (Company and consolidated):		
Provision for income tax (IRPJ) and social contribution (CSLL) (a)	19,472	19,472
Escrow deposits	(6,277)	(6,277)
Provision for IRPJ and CSLL on amortized goodwill on acquisition of subsidiaries (b)	815	-
Provision for income tax on royalties	3,532	3,191
	17,542	16,386

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

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

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

(b) As mentioned in note 12, due to the suspension of the practice to amortize the goodwill generated on the acquisition of subsidiaries, according to the changes in Brazilian accounting practices introduced by Law 11,638/07 and Provisional Act 449/08, since January 1, 2009, the Company started to take advantage of the tax benefit of the goodwill generated on the acquisition of the subsidiary CBS S.A. - Companhia Brasileira de Sandálias, after merger of former subsidiary Atlântico Participações S.A., through the Tax Transition Regime (RTT), the effect of which has been previously offset at the rate of 1/60 per month, with a monthly amortization amount of R$400, which is generating a tax impact of R$136 per month. Thus, as required by the Brazilian accounting practices, the difference between the tax advantage basis and the accounting amortization is being considered a temporary difference for deferred IRPJ and CSLL, the effects of which are recorded in noncurrent liabilities.

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

	Tax credit not recognized
CBS S.A. - Companhia Brasileira de Sandálias	13,004
Alpargatas S.A.I.C. - Argentina	26,148
Alpargatas Europe S.L.U. - Spain	2,169
Alpargatas Chile Ltda. - Chile	797
Alpargatas France S.A.R.L. - France	322
Alpargatas UK Limited - United Kingdom	43
Total	42,483

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

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

Company	06/30/09	03/31/09
2010	4,774	4,585
2011	7,161	7,014
2012 thereafter	11,935	11,762
Total Company	23,870	23,361
Subsidiaries (2012 thereafter)	4,410	3,073
Total	28,280	26,434

b) Income

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

	Company		Consolidated	
	06/30/09	06/30/08	06/30/09	06/30/08
Income before income tax and social contribution	19,804	66,831	19,390	69,009
Combined tax rate (IRPJ and CSLL)	34%	34%	34%	34%
Income tax and social contribution expenses at statutory rate	(6,733)	(22,723)	(6,593)	(23,463)
Equity in subsidiaries	(11,743)	(5,596)	(4,734)	476
Interest on capital benefit	6,622	8,866	6,622	8,866
Tax effects of the adoption of the Tax Transition Regime (RTT) (Law 11,638/07 and Provisional Act 449/08):				
Investment grant - ICMS	13,106	10,476	13,106	10,476
Stock option plan expenses	(126)	-	(126)	-
Tax incentive benefit - IRPJ	-	1,328	588	1,895
Goodwill amortization (nondeductible installment)	-	(1,324)	-	(1,324)
Unrecorded tax credit on tax loss of foreign subsidiaries	-	-	(5,173)	(6,514)
Other permanent additions, net	(1,674)	(524)	(3,404)	(1,844)
Income tax and social contribution expense	(548)	(9,497)	646	(11,432)
Current	-	(6,401)	(692)	(8,336)
Deferred charges	(548)	(3,096)	1,338	(3,096)

20. SHAREHOLDERS' EQUITY

a) Capital

Paid-up capital as of June 30 and March 31, 2009 is R$391,804, represented by 17,672,794 shares without par value, of which 9,076,204 are common shares and 8,596,590 are preferred shares.

The Company's bylaws authorize the increase of its capital up to the total limit of 18,152,408 shares, complying with the proportionality among the existing classes, and the Board of Directors shall determine the conditions applicable to the issuance of shares, based on the authorized capital, as well as whether or not the preference right of the current shareholders shall be applied, pursuant to the terms of article 172 of Law 10,303/01.

As of June 30, 2009, subscribed and paid-up capital is held as follows:

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

Capital as of March 31, 2009 is held as follows:

	Common shares		Preferred shares		Total	
Shareholders	Quantity	%	Quantity	%	Quantity	%
Controlling shareholders (Grupo Camargo Corrêa)	6,079,879	66.99	1,717,847	19.98	7,797,726	44.12
Management:						
Board of Directors	737,737	8.13	23,100	0.27	760,837	4.31
Executive Committee	-	-	-	-	-	-
Supervisory Board	1,100	0.01	9,100	0.11	10,200	0.06
Other shareholders	2,257,488	24.87	6,846,543	79.64	9,104,031	51.51
Total	9,076,204	100.00	8,596,590	100.00	17,672,794	100.00

b) Share buyback plan

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

In the quarter ended June 30, 2009, changes in treasury shares account were as follows:

	Quantity	Average cost
Balance at beginning of quarter	254,661	111.91
Acquisitions	-	-
Sales (exercise of options)	-	-
Balance at end of quarter	254,661	111.91

During the quarter ended June 30, 2009, there were no sales resulting from the exercise of stock options of the Company.

c) Dividends and interest on capital

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

In the first half of 2009, interest on capital was declared by Management amounting to R$19,478 (R$16,770, net of withholding income tax (IRRF)).

d) Investment reserve

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

21. OTHER OPERATING INCOME (EXPENSES)

	Company		Consolidated	
	06/30/09	06/30/08	06/30/09	06/30/08
Other operating income:				
Gain on sale of properties	-	1,272	-	1,272
Gains on favorable final and unappealable decisions in lawsuits (*)	11,805	19,498	11,805	19,498
Other	2,561	3,521	2,561	3,521
	14,366	24,291	14,366	24,291
Other operating expenses:				
Amortization of intangible assets/deferred charges	(7,768)	(5,595)	(8,935)	(5,643)
Goodwill amortization in subsidiaries	-	(5,088)	-	(5,088)
Reserve for contingencies	(2,194)	(591)	(2,320)	(611)
Other	-	(90)	(2,698)	(433)
	(9,962)	(11,364)	(13,953)	(11,775)

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

- R$18,182 - IPI (federal VAT) premium credit established by Decree-Law 491/69 and Decree 64,833/69, where the Company challenged the refusal to grant the benefit in the period from May 1989 to October 1990.

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

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

- R$1,274 - unconstitutionality of the Public Cleansing Tax charged by the city of São Paulo. These amounts were recorded net of related lawyers' fees, in the total net amount of R$19,498.

Additionally, as mentioned in note 18.(a), for the six-month period ended June 30, 2009 the Company reversed the liability with suspended payment related to PIS and COFINS - increase in the tax basis introduced by Law 9,718/98, in the total amount of R$12,401, of which R$11,805 is net of attorney's fees in the amount of R$596.

22. FINANCIAL INSTRUMENTS

a) General considerations

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

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

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

Short-term investments

The short-term investments policy established by the Company's and its subsidiaries' Management elects the financial institutions with which contracts can be entered into and defines limits for the amounts to be invested in each financial institution, and as of June 30 and March 31, 2009 short-term investments are within the limits.

Loans and financing

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

Derivative policy

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

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

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

b) Foreign exchange exposure and details on derivative transactions

As of June 30 and March 31, 2009, the main captions linked to foreign currency are described below:

	Company		Consolidated	
	06/30/09	03/31/09	06/30/09	03/31/09
Assets-				
Trade accounts receivable (a)	39,520	57,361	88,859	103,674
Advance on foreign exchange contract	(25,426)	-	(10,291)	-
	14,094	57,361	78,568	103,674
Liabilities:				
Loans and financing (b)	1,905	2,212	170,405	189,464
Suppliers	26,500	17,317	49,828	47,454
Royalties payable	654	-	654	-
Total liabilities and shareholders' equity	29,059	19,529	220,887	236,918
Net exposure	(14,965)	37,832	(142,319)	(133,244)
Foreign subsidiaries	-	-	113,905	175,297
Total exposure for sensitivity analysis purpose	(14,965)	37,832	(28,414)	42,053

(a) In the consolidated financial statements as of June 30, 2009, 67.1% (60.6% as of March 31, 2009) refer to trade accounts receivable of foreign subsidiaries (Alpargatas USA Inc., Alpargatas Chile Ltda. and Alpargatas S.A.I.C. - Argentina) and 32.9% (39.4% as of March 31, 2009) refer to foreign trade accounts receivable of the Company in Brazil.

(b) In the consolidated financial statements as of June 30, 2009, 88.8% (97.6% as of March 31, 2009) refer to loans in local currency of foreign subsidiaries (Alpargatas USA Inc., Alpargatas Chile Ltda. and Alpargatas S.A.I.C. - Argentina) and 11.2% (2.4% as of March 31, 2009) refer to transactions in Brazil (FINIMP and Advance on Foreign Exchange Contract (ACC)), as shown in note 13.

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

As of June 30, 2009, only subsidiary Alpargatas S.A.I.C. - Argentina had forward derivative transactions maturing between July and August 2009. Such transactions, all of the same nature (forward currency contract - U.S. dollars) and contracted with a single financial institution in Argentina, are used by this subsidiary as foreign exchange hedging instruments (Argentinean peso versus U.S. dollar) in the Argentinean market. The portfolio position is as follows:

Description	Notional amount 06/30/09	Market value 06/30/09	Accumulated effect through June 30, 2009 at fair value - amount payable
Forward agreements:			
Asset position - long position in U.S. dollar:			
Transaction 4	1,195	1,182	(13)
Transaction 5	996	985	(11)
Transaction 6	996	985	(11)
Transaction 7	1,009	996	(13)
Transaction 8	1,009	996	(13)
	5,205	5,144	(61)
Liability position - fixed rate:			
Transaction 4	1,195	1,195	
Transaction 5	996	996	
Transaction 6	996	996	
Transaction 7	1,009	1,009	
Transaction 8	1,009	1,009	
	5,205	5,205	

Derivatives held by the subsidiary do not require deposit of guarantee margin. Derivative agreements do not have penalty clauses if they are terminated in advance by the subsidiary, which shall assume potential losses resulting from fluctuations of market values in cases of early settlement, when applicable.

Accrued liabilities in the period refer to net adjustment payable calculated at market value as of June 30, 2009 of outstanding derivative positions. Fair values are calculated through comparison among future contracted rates and market rates (mark-to-market) and discounted at present value between the balance sheet dates and the maturity date.

Such transactions are recorded in consolidated under the caption "Trade accounts payable", and their corresponding entry is exchange variation result.

As of March 31, 2009, the Company had, also through its subsidiary Alpargatas S.A.I.C. - Argentina, a portfolio with the same class of forward derivative transactions with notional value of R$7,894 and market value of R$9,139.

Additionally, for forward derivative transactions ended by June 30, 2009, the subsidiary Alpargatas S.A.I.C. - Argentina recorded a net gain of R$306, recorded under the caption "Net exchange variation", in consolidated, which was added to the recorded loss in outstanding transactions, as shown above, and amounted to R$246 in net gains with derivative transactions.

Except for the derivatives contracted by the subsidiary Alpargatas S.A.I.C. - Argentina shown above, as of June 30, 2009 the Company and its subsidiaries did not have any outstanding derivative transactions.

c) Market values

As of June 30 and March 31, 2009, the market value of short-term investments approximates the values recorded in financial statements since they are based on interbank deposit rate (CDI). Loans and financings are monetarily adjusted based on interest rates contracted according to the usual market conditions and, therefore, balances payable on the balance sheet dates substantially approximate their market values, including those classified as "Noncurrent".

Market values of forward derivatives held by subsidiary Alpargatas S.A.I.C. - Argentina are stated above in item b) and were determined through the comparison between future rates contracted in each effective transaction and market future rates.

d) Credit risk

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

e) Sensitivity analysis of financial instruments

Derivatives - Alpargatas S.A.I.C. - Argentina

Considering forward transactions as of June 30, 2009, as shown in item b) above, the sensitivity analysis of outstanding positions is as follows:

	Gain (loss)		
Company risk	Probable scenario	Possible scenario	Remote scenario
Drop in U.S. dollars	42	(2,468)	(6,703)

The probable scenario considered by Management reflects an Argentinean peso quotation equivalent to that recorded at the end of July 2009 (peso 3.82/US$). The possible scenario considers a 25% valuation of the Argentinean peso over US$ (peso 2.865/US$) and the remote scenario considers a 50% valuation (peso 1.91/US$).

Considering these parities, the result would be a gain of R$42 in the probable scenario, losses of R$2,468 in the possible scenario and R$6,703 in the remote scenario.

Foreign exchange exposure (consolidated)

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

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

	Loss	
	Possible	Remote
Company risk	scenario	scenario
U.S. dollar appreciation	3,741	7,482

The possible scenario considers a 25% devaluation of Brazilian real over U.S. dollar, using the exchange rate as of June 30, 2009 of R$1.9516/US$1.00 (R$2.4395/US$1.00), and the remote scenario considers a 50% devaluation (R$2.9274/US$1.00).

Considering these parities, the result would be a gain of R$3,741 in the possible scenario and a gain of R$7,482 in the remote scenario.

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

23. STOCK OPTION PLANS

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

General provisions of stock option plans

For plans approved in 2002, 2003, 2004 and 2005, the grace period to exercise the options is two years, with vesting of 20% in the second year, 20% in the third year, 20% in the fourth year and 40% in the fifth year, after the granting, with a maximum term of up to ten years for the exercise of the options granted; for the plans of 2006, 2007 and 2008, as approved by the Extraordinary Shareholders' Meeting held on October 23, 2006, the grace period to exercise the options is three years, with vesting of 30% in the third year, 30% in the fourth year and 40% in the fifth year, with a maximum term of five years and two months for the exercise of the options granted.

The criteria to determine the initial prices for the exercise of the options granted according to the plans are as follows: (i) plans from 2002 to 2005: initial price of exercise equivalent to the weighted average by trading volume of the closing quotations of the Company's preferred shares on BMF&BOVESPA during the last 60 trading sessions before the date of approval of each annual plan; and (ii) plans from 2006 to 2008: initial price of exercise equivalent to the weighted average by trading volume of the closing quotations of the Company's preferred shares on BMF&BOVESPA during the last 60 trading sessions prior to May 31 of the year of granting.

Exercising the options guarantees beneficiaries the same rights granted to other preferred shareholders of the Company.

The number of outstanding share purchase options and their corresponding weighted average prices for the year are as follows:

	06/30/09		03/31/09	
	Average exercise price per share - R$	Number of options	Average exercise price per share - R$	Number of options
At beginning of period/quarter	69.48	217,654	68.82	217,654

In the six-month period ended June 30, 2009, there was no exercise and/or cancellation of stock options, nor new grants.

On June 30 and March 31, 2009, the outstanding share purchase options have the following remaining useful lives and average prices of exercise:

June 30, 2009

	Outstanding options			Exercisable options	
Date of grant	Outstanding options	Remaining contractual live (years)	Exercise average price - R$	Exercisable options	Exercise average price - R$
2002	8,900	3	19.01	8,900	19.01
2003	19,960	4	21.61	19,960	21.61
2004	56,582	5	27.54	23,890	27.54
2005	60,218	6	38.98	16,520	38.98
2006	25,994	2	109.13	-	-
2007	18,500	3	159.94	-	-
2008	27,500	4	110.14	-	-
	217,654			69,270	

March 31, 2009

	Outstanding options			Exercisable options	
Date of grant	Outstanding options	Remaining contractual live (years)	Exercise average price - R$	Exercisable options	Exercise average price - R$
2002	8,900	3	19.07	8,900	19.07
2003	19,960	4	21.68	19,960	21.68
2004	56,582	5	27.63	23,890	27.63
2005	60,218	6	39.11	16,520	39.11
2006	25,994	2	107.72	-	-
2007	18,500	3	157.86	-	-
2008	27,500	4	108.71	-	-
	217,654			69,270	

On June 30, 2009, the outstanding share purchase options have the following intervals in exercise prices, by price range:

	Table of exercise prices		
	Outstanding options		
Date of grant	Minimum price	Average price	Maximum price
2002	10.46	14.87	19.27
2003	15.19	18.55	21.91
2004	21.30	24.61	27.92
2005	31.81	35.67	39.52
2006	94.69	101.91	109.13
2007	143.89	151.91	159.94
2008	105.09	107.61	110.14

For accounting purposes, the estimated fair value of the options granted for the plan of 2008, determined based on the binomial evaluation model, was R$107.36 per option. Significant data included in the model for valuation of stock options granted were: weighed average share price of R$105.00 on grant date, volatility of 29.76%, dividend yield of 1.75%, expected option life of three to four years, as applicable, and an annual risk-free interest rate of 6.14%.

On June 30, 2009, the unit market price of the Company's preferred share was $78.99 (R$51.15 on March 31, 2009) per share.

The simulated effects resulting from: (i) the exercise of options granted until June 30, 2009; and (ii) the exercise of all options that can be granted under the stock option plan are shown below. For both scenarios, it was considered the hypothesis that all options were exercisable on June 30, 2009, considering the Company's shareholders' equity as of June 30, 2009.

	Scenario I	Scenario II
	Granted options	Total of plan
Average exercise price per share - R$	69.48	69.48
Number of common shares	8,596,590	8,596,590
Number of common shares - outstanding	8,341,929	8,341,929
Number of shares to be issued with the exercise of the options	217,654	599,660
Book value per share as of June 30, 2009 - R$	115.34	115.34
Book value per share as of June 30, 2009 considering the exercise of all options granted in each plan - R$	112.41	107.50
Dilution of book value per share considering the exercise of all options granted in each plan - R$	2.93	7.84
Dilution in percentage considering the exercise of all options granted in each plan	2.54%	6.80%

24. MANAGEMENT COMPENSATION

Total management compensation is as follows:

	Information for the six-month period ended June 30		
		Stock option grant	
		Balance of options (amount)	Average exercise price
	Yield	(a)	(b)
2009	2,204	217,654	69.48
2008	1,692	217,458	60.38

Management compensation is recorded under "General and administrative expenses".

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

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

25. EMPLOYEE BENEFITS

The Company sponsors two pension plans and grants, through its own retirement plan, life annuity and health care benefits for a group of former employees and their spouses. The actuarial liability of these plans, recognized on June 30 and March 31, 2009, is R$2,664, which is recorded under the caption "Other payables" in noncurrent liabilities. The pension plans are as follows:

a) Pension plan - SPASAPREV

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

Actuarial amounts recognized on June 30 and March 31, 2009 are as follows:

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

During the six-month period ended June 30, 2009, the Company made contributions in the total amount of R$1,135 (R$1,641 in the same period of 2008).

b) Pension plan - HSBC

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

Actuarial amounts recognized on June 30 and March 31, 2009 are as follows:

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

(*) This asset was not recognized in the Company's financial statements as of June 30 and March 31, 2009 due to the lack of evidence of reimbursement or deductions of future contributions.

c) Pension plan for former employees

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

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

Actuarial amounts recognized on June 30 and March 31, 2009 are as follows:

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

d) Health care plan for retirees

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

Actuarial amounts recognized on June 30 and March 31, 2009 are as follows:

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

26. PROFIT SHARING

The Company offers its employees a profit sharing program linked to the achievement of operating goals and specific objectives annually established and approved for each plant/unit. In the six-month period ended June 30, 2009, the amounts of R$7,181 in the Company and R$8,045 in consolidated (R$3,826 in the Company and R$3,907 in consolidated in the same period of 2008) were recognized in income for the year as employee profit sharing, which is recorded under "Payroll and related taxes", in current liabilities.

27. PLEDGES AND COLLATERALS

As of June 30 and March 31, 2009, in addition to those mentioned in note 13, pledges and collaterals provided by the Company to financial institutions amount to R$4,812 and R$5,734, Company, and R$5,758 and R$6,913, consolidated, respectively, referring to vendor financing.

28. COMMITMENTS ASSUMED

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

29. INSURANCE (Information not reviewed by independent accountants)

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