ALPARGATAS

PRESS RELEASE
2nd QUARTER 2011

1. Capital Market

Closing Price (August 12, 2011)

- ALPA3 – R$ 10.10
- ALPA4 – R$ 10.17
- Market Cap: R$ 3,5 billion

2. Conference Call (in Portuguese only)

- Date: August 15, 2011 at 4:00 pm (BRT)
- Phone: (55 11) 4688-6361
- Code: Alpargatas
- Slides: http://ri.alpargatas.com.br
- Speakers:
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  CEO
  José Roberto Lettiere
  CFO

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ALPARGATAS GROWTH
2Q11 x 2Q10:

SALES VOLUME: 6,1%
NET REVENUE: 13,3%
EBITDA: 17,5%
NET INCOME: 28%

In 2Q11, Alpargatas's main performance indicators recorded an improvement over the same period last year:

- Sales volume: 57.6 million units of footwear, apparel and accessories, up by 6.1%;
- Net revenue: R$ 612.1 million, up by 13.3%. Excluding the impact of the exchange variation, due to the appreciation of the Brazilian real against the foreign currencies making up the Company's international revenues, net revenue increased by an even bigger 17.9%;
- EBITDA: R$ 102.5 million, up by 17.5%; and
- Net income: R$ 73.9 million, up by 28% on 2Q10, adjusted for the following non-recurring items:
  - Sale of Locomotiva: R$ 14.8 million; and
  - Income tax from the constitution of tax credits in CBS-Companhia Brasileira de Sandálias: R$ 12.9 million.

Alpargatas continued to invest in important initiatives to become a more gobal company and triple in size by 2014. The Company's name was changed to Alpargatas S.A., representing its status as a corporation worldwide, and its visual identity was modernized to reflect the essence of a bold and creative company committed to the sustainability of its business. It announced the construction of a new sandals factory to support the growth of Havaianas sales in Brazil and abroad, and increased its stake in Alpargatas Argentina to 91.5%, aiming at even greater consolidation. Investments in the quarter were focused on: (i) innovation, especially R&D; (ii) supply chain; (iii) retail expansion; (iv) new collections; (v) partnerships, particularly those with Disney; (vi) the improved management of fixed costs and expenses; and (vii) human resources development. These investments will allow Alpargatas to continue generating value for its shareholders in the medium and long-term and help it maintain its position as the largest footwear company in Latin America.

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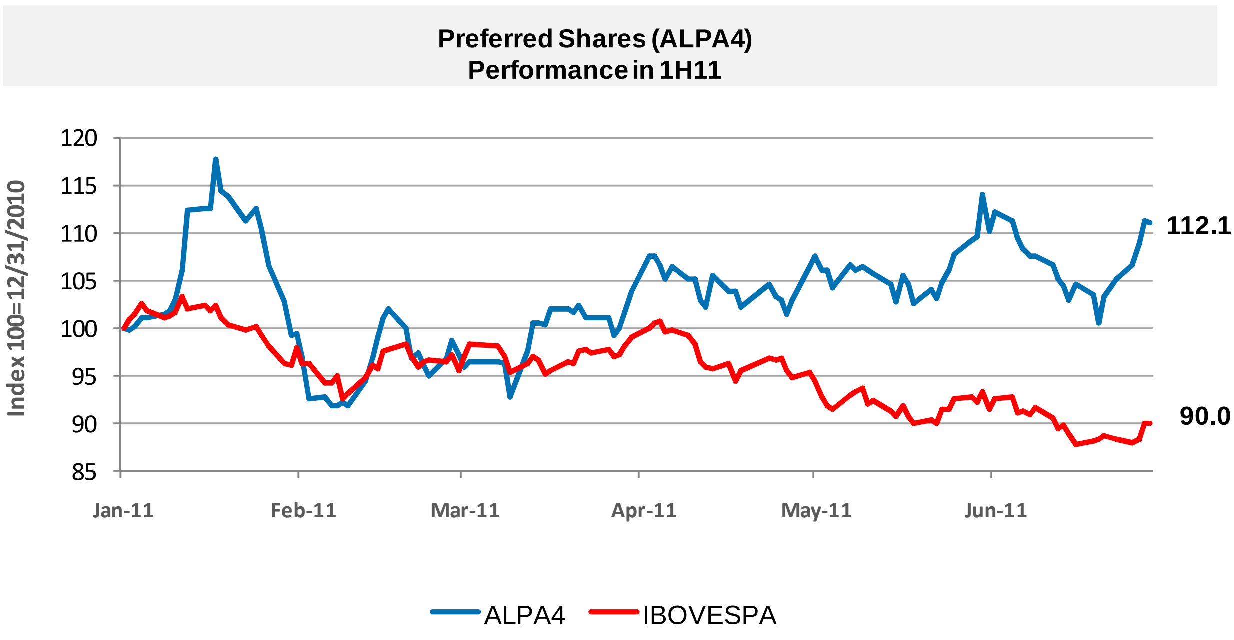
Thanks to operating cash flow of R$ 224.8 million, the Company's cash and cash equivalents closed the quarter at R$ 666.4 million, 43.8% higher than on the same date last year, while net cash stood at an exceptionally solid R$382.1 million. In the first six months (1H11), Alpargatas' preferred shares appreciated by 12.1%, versus the Ibovespa's 10% decline.

Consolidated Financial Results (R$ million, except margins)	2Q10	2Q11	▲	1H10	1H11	▲
Net Revenue	**540.3**	**612.1**	**13.3%**	**1,039.9**	**1,198.8**	**15.3%**
Gross Profit	**246.0**	**272.1**	**10.6%**	**487.4**	**544.2**	**11.7%**
Gross Margin	**45.5%**	**44.5%**	**-1.0 p.p.**	**46.9%**	**45.4%**	**-1.5 p.p.**
EBITDA	**87.2**	**102.5**	**17.5%**	**189.5**	**208.3**	**9.9%**
EBITDA Margin	**16.1%**	**16.7%**	**0.6 p.p.**	**18.2%**	**17.4%**	**-0.8 p.p.**
Cash	**463.3**	**666.4**	**43.8%**	**463.3**	**666.4**	**43.8%**
Net Financial Position	**296.1**	**382.1**	**29.0%**	**296.1**	**382.1**	**29.0%**

Operating Results Sales Volume (million of units)	2Q10	2Q11	▲	1H10	1H11	▲
Domestic Businesses	**44.3**	**47.0**	**6.1%**	**93.5**	**98.1**	**4.9%**
International Businesses	**10.0**	**10.6**	**6.0%**	**19.2**	**20.7**	**7.8%**
Consolidated	**54.3**	**57.6**	**6.1%**	**112.7**	**118.8**	**5.4%**



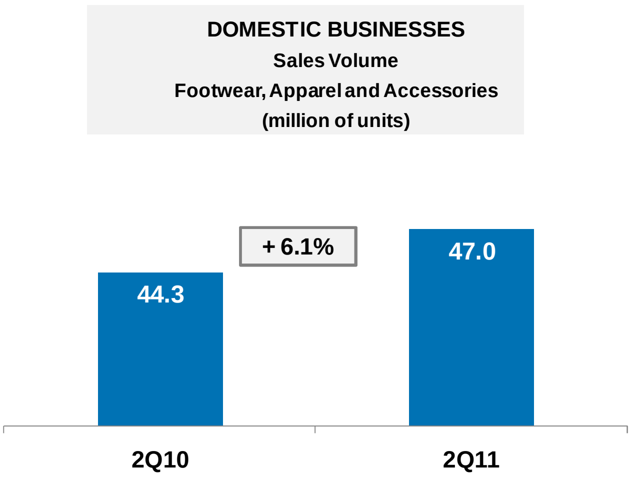
1.0. DOMESTIC BUSINESSES PERFORMANCE

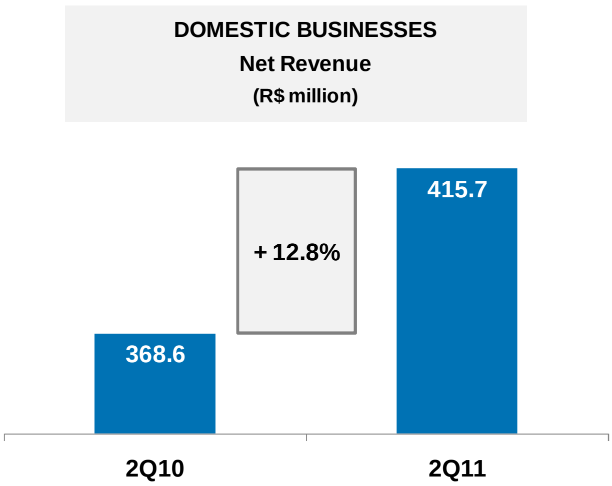
2.1. Sales Volume and Net Revenue

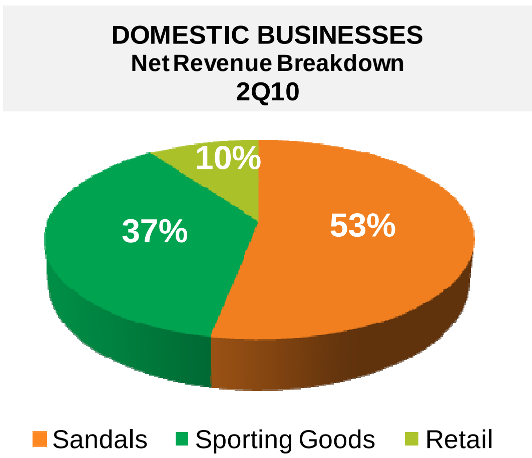
The Company sold 47 million units of footwear, apparel and accessories in Brazil, 6.1% up on 2Q10, due to the following factors:

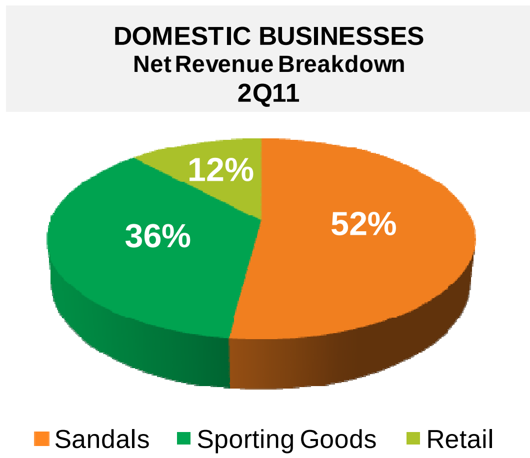
- New products (Timberland and athletic footwear models);
- The higher number of retail outlets;
- Competitive prices;
- Investments in communication; and
- An increase in 2Q11 sales volumes over 2Q10:
  - Sandals: 6.8%
  - Athletic footwear: 3.4%
  - Own retail and franchises: 27.3%

Higher volume, combined with increased revenue from sandals (13%), sporting goods (8%) and retail (30%, or 9% same-store sales), resulted in a second-quarter revenue increase by 12.8% year-on-year to R$ 415.7 million.





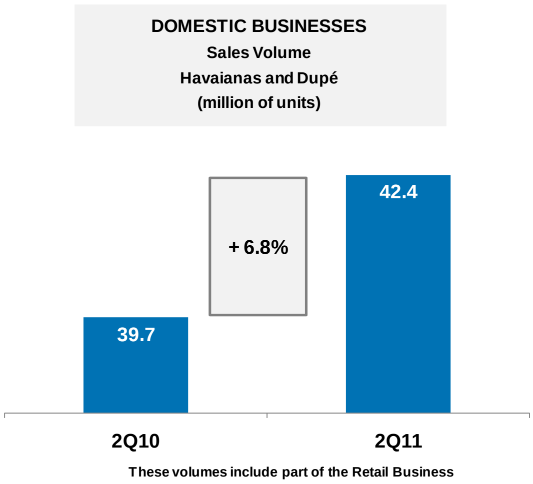




In the first half, sales totaled 98.1 million units of footwear, apparel and accessories, 4.9% more than in 1H10, while net revenue came to R$ 825 million, up by 14.5%.

1.1.1. Havaianas and Dupé

Sales of Havaianas and Dupé sandals, plus brand extension products, totaled 42.4 million units, 6.8% more than in 2Q10. The increase in volume, the higher prices in 2Q11 (due to the average 3% upturn that accompanied the launch of last year's collection), and the enhanced product mix (new collection) pushed up revenue by 13%. In the first half, sales volume increased by 5.4% to 90.2 million units.

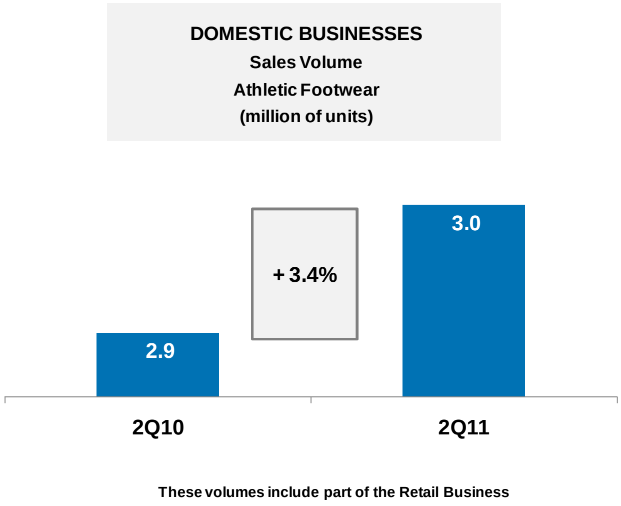


The price of synthetic rubber increased by 15.8% over 2Q10. In order to reduce the impact on its results, Alpargatas optimized the use of raw materials in its manufacturing processes and invested in technology and new equipment. To meet strong demand in the quarter, production at the Campina Grande plant moved up following an overhaul of productive processes. The Company also announced the construction of a new sandals factory in Montes Carlos, State of Minas Gerais, beginning in 3Q11, with start-up scheduled for 2012. The new plant will increase sandals production capacity by 100 million pairs. In 2Q11, the key events related to Havaianas and Dupé in Brazil were:

- Launch of the global 2011/12 sandals collection, with 104 models (20 more than in the previous collection) in the children's, women's, men's, unisex and special collection categories. The children's category highlights were the Disney line of Havaianas, and Dupé's Turma da Mônica line, two important partnerships for capturing the brand loyalty of children and youngsters.
- Launch of the special collection of "Havaianas Missoni" sandals in Brazil and abroad, linking Havaianas to the renowned Italian *haute couture* label.
- Sponsorship of the Pierre Cardin exhibition, held in São Paulo, strengthening the link between Havaianas and the fashion world.
- Fourth year of Dupé's *Arte Brasileira* line, featuring work by the artist Francisco Brennand.

1.1.2. Topper, Rainha and Mizuno

Athletic footwear sales volume, including Sete Léguas professional boots, totaled 3 million pairs, 3.4% up on 2Q10, led by Mizuno footwear and professional boots, while apparel and accessory volume totaled 1.6 million units. Net revenue from athletic footwear and professional boots was 8% higher than in 2Q10. In 1H11, athletic footwear sales volume increased by 2.2% over the first six months of last year to 5.1 million pairs, while apparel and accessory volume reached 2.8 million units.



Topper

Investments in innovation, focused on processes and products, played an important role in Topper's second-quarter launches, which are listed below:

- The Impact, Atitude, Urban and Kanvas Mid men’s footwear, complementing the soccer product portfolio;
- The Instinct apparel and accessory line, with products for different soccer player profiles. In September, a cleat collection will be launched, which was introduced to clients through a showroom in June;
- The official Atlético/MG soccer team collection, involving uniforms and apparel for daily wear, travel and training. Sales to fans also began; and
- The Grêmio soccer team casual wear collection, sold at the team's stores and in sporting goods stores in the State of Rio Grande do Sul.

There were also several media and sports-related initiatives to increase Topper’s brand exposure, including:

- Advertisements in sports magazines and newspapers of The One II cleats displaying the face of the soccer player Conca, sponsored by Topper;
- Videos featuring Conca broadcast in the social media, emphasizing the characteristics of the Topper soccer cleats he uses;
- Advertisements featuring The One II cleats in sports magazines and newspapers; and
- TV broadcast of the new rugby commercial. The Company set up stands during the Brazilian rugby team’s matches in São Paulo and Rio de Janeiro, displaying Topper’s rugby products.

Rainha

In 2Q11, Rainha launched the Active-line Blaze and Movie casual/sporting models. The partnership with V-Rom continued, with the launch of a special footwear collection for São Paulo Fashion Week. The partnership, established four years ago, is important for increasing Rainha’s exposure to the fashion world. The branding project has advanced, with the conclusion of the “communications scenario,” stage which defined new posters, packaging, labels and points of sale materials. In order to increase Rainha’s exposure among teenagers, it will sponsor the TV series *Julie e os Fantasmas* (Julie and the Ghosts) broadcast by the Bandeirantes network, in which all the actors will wear its footwear.

Mizuno

The Mizuno brand's main second-quarter highlights were:

A. Products
  - Wave Prophecy. Following seven years of research, with an important contribution from the Alpargatas team, Mizuno launched Wave Prophecy, the most advanced and dynamic running footwear of all time. The model combines nine different technologies, including: (i) Wave Infinity, a unique system that provides support, impact absorption and durability, offering users an unprecedented running experience; (ii) Dynamotion Fit; (iii) Outsole; and (iv) Gender Engineering. The model was launched in June with a suggested retail price of R$ 899.99.
  - Launch of the 2011 global apparel line, equipped with technology that absorbs perspiration and facilitates its evaporation.
  - Launch of the 2011 Brazilian Judo Confederation uniforms.

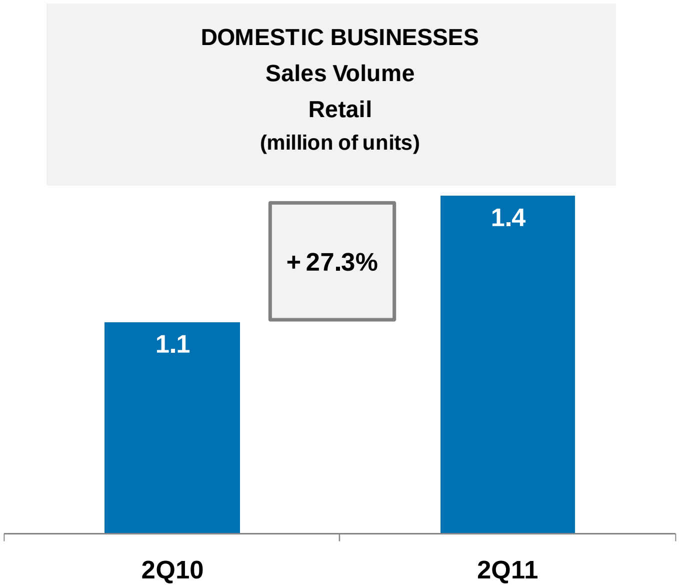
B. Media
  - Advertisements for Wave Prophecy and Creation 12 in *Veja*, *Época*, *Isto É* and *Runner's World* magazines.
  - Beginning of social media communications to increase interaction between the brand and consumers.

C. Campaigns
  - Creation 12 and Prophecy banners and product displays in 46 retail clients (346 points of sale).

D. Sports Relations
  - Launch of the Mizuno 10 Series, with marathons in Rio de Janeiro and São Paulo, where the Company set up: (i) an Eco-friendly Space, with initiatives that helped capture CO_2 generated during the marathons; (ii) a Mizuno store; (iii) a Spa; and (iv) a performance clinic. In September and October marathons will take place in Porto Alegre and Belo Horizonte. More than 20,000 runners are expected to participate in the four series, resulting in ample brand exposure.

1.1.3. Retail

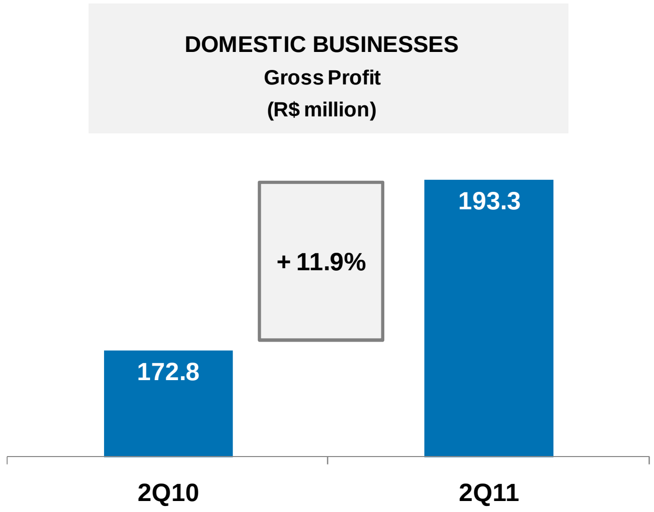
A total of 1.4 million sandal, footwear and sporting goods units were sold by the Havaianas, Timberland (multi-brand channel, own stores and franchises), Meggashop, Topper, and Mizuno stores, as well as e-commerce, 27.3% more than in 2Q10. Havaianas retail sales continued to expand. On June 30, 2011 there were 156 franchises in operation, versus 89 on the same date in 2010, pushing up franchise network sales volume by 74% and revenue by 107% (20% in same-store terms). In addition to the higher number of stores, franchise revenue was fueled by sales of the Havaianas Soul Collection, an enormously successful brand extension initiative. The Concept Store, in São Paulo, also performed exceptionally well, recording respective year-on-year sales volume and revenue increases of 29% and 22%.

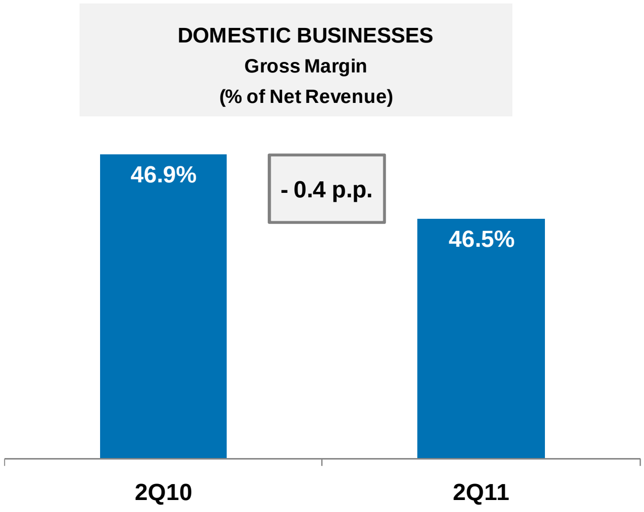


In the first half, franchise revenue climbed by 122% (21% in same-store terms) over the same period last year, while revenue from the Concept Store grew by 22%. Two years after its creation, the Havaianas franchise received the seal of excellence in franchising from the Brazilian Franchising Association (ABF), and it also won an award from the Brazilian Shopping Mall Store Association (Alshop) in the Women's and Men's Footwear category. Timberland also recorded an excellent performance. Revenue from sales to the multi-brand channel increased by 40% over 2Q10, thanks to the 43% upturn in footwear volume. In 1H11, revenue increased by 36% year-on-year and sales volume by 41%. In the second quarter, certain initiatives were implemented to increase brand value perception, including new visual communications in the stores and shop windows, in addition to the expansion of the product portfolio through the launch of the Overhill, Endurance and Fast Trail running footwear and the EK 2.0 boots in the Earthkeepers line, which were widely advertised in the press. Timberland was sold to VF Co., in the United States, and the brand license agreement with Alpargatas is valid until December 31, 2014, with automatic renewal. The sale has no impact on Company's relationship with Timberland Co.

1.2. Gross Profit

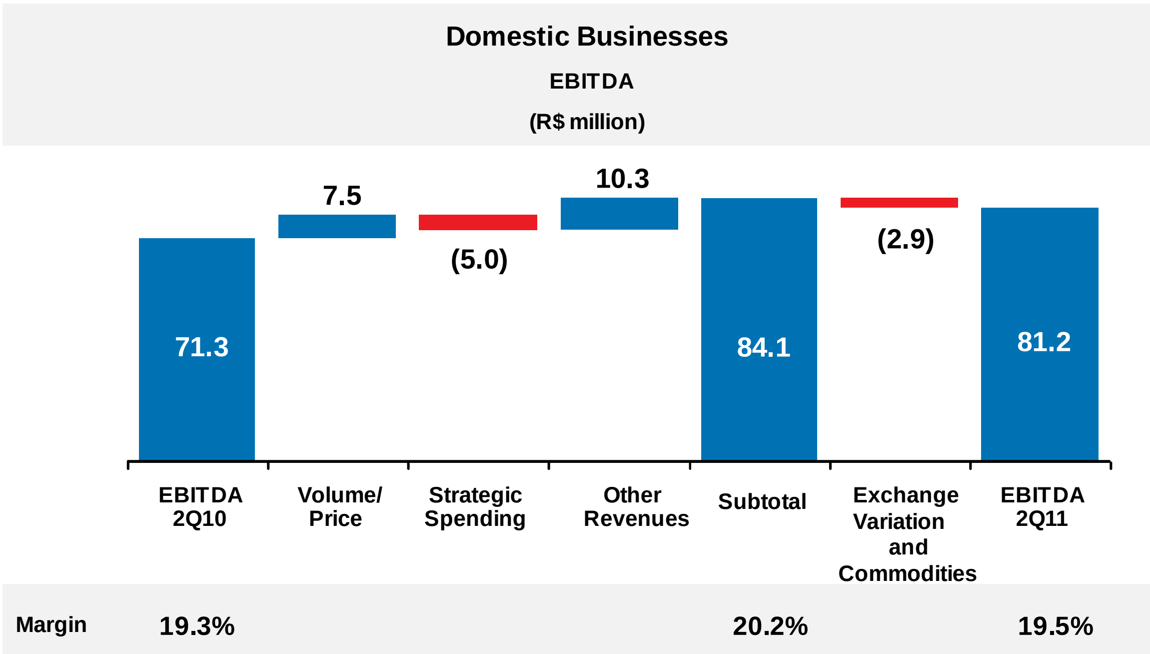
The substantial growth in revenue from domestic businesses (12.8%) and the optimization of footwear manufacturing processes played a crucial role in minimizing the impact of higher production costs in 2Q11, pushing up gross profit by 11.9% to R$ 193.3 million. Rubber prices increased by 15.8% in 2Q11 and 14.8% in 1H11 over the same periods last year and, in 3Q11, are expected to accompany oil prices, which have already begun to fall. The higher revenue and profitability benefited the gross margin, which, despite the higher costs, narrowed by only 0.4 p.p. over 2Q10 to 46.5%. In 1H11, gross profit amounted to R$ 394.2 million, 12.2% up on 1H10, accompanied by a margin of 47.8%, down by 1.0 p.p.





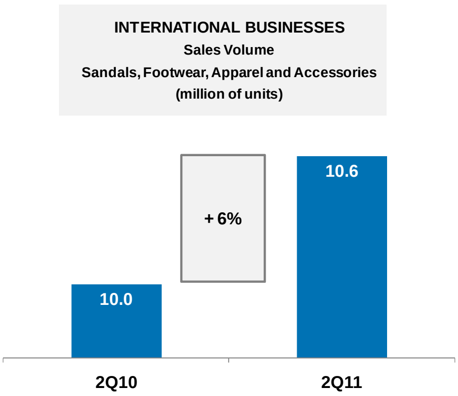
1.3. EBITDA

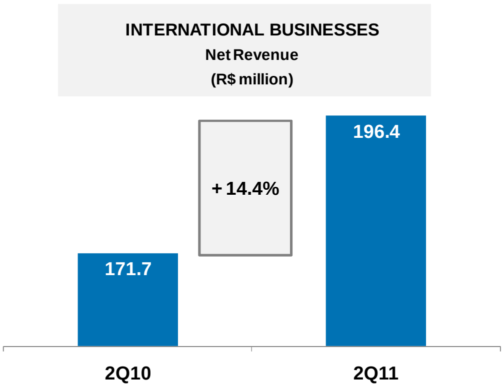
EBITDA from domestic businesses totaled R$ 81.2 million in 2Q11, 13.9% up year-on-year, accompanied by a margin of 19.5%, up by 0.2 p.p. The increase was fueled by higher volume and prices, which added R$ 7.5 million. Strategic spending on brand communications accounted for an additional R$ 5 million and played an important role in the quarterly revenue upturn. Other revenues, totaling R$ 10.3 million, mostly refer to revenue from a lawsuit involving a compulsory Eletrobrás loans. The net exchange result and higher expenditure on commodities contributed a negative R$ 2.9 million. Excluding this amount, EBITDA would have moved up by 18% and the EBITDA margin would have increased to 20.2%. In 1H11, EBITDA totaled R$ 159.4 million, 6.5% up on 1H10, accompanied by a margin of 19.3%, down by 1.5 p.p.

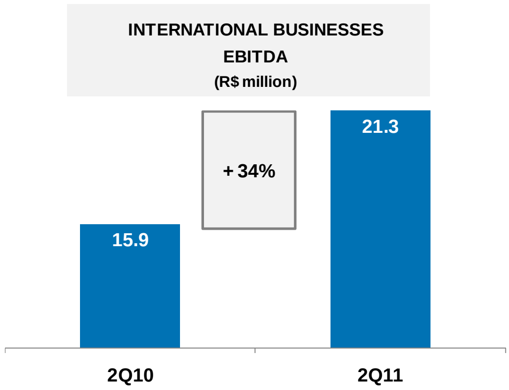


2.0. INTERNATIONAL BUSINESSES

The consolidated international figures refer to Alpargatas Argentina, Alpargatas USA, Alpargatas Europe and exports from Brazil. Second-quarter sales volume, revenue and EBITDA all recorded a year-on-year upturn, thanks to Topper's increasing inroads into Argentina, investments to boost Havaianas sales and the higher number of retail outlets abroad.





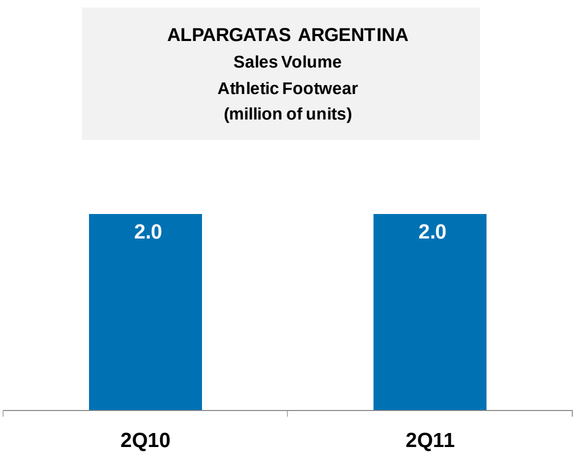


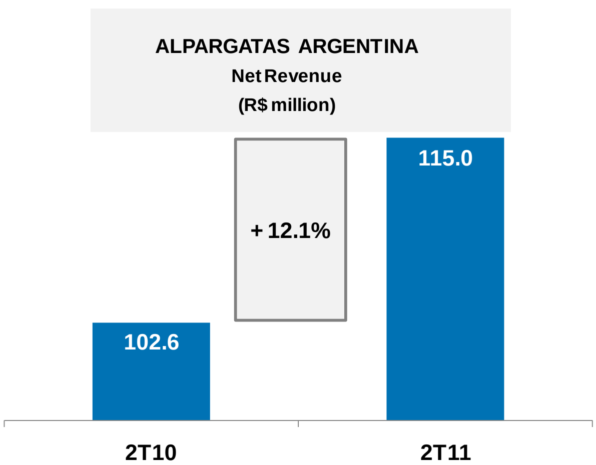
Foreign currency revenue moved up strongly due to the increase in average prices and higher sales volume, led by the 32.5%, 32% and 23.5% upturns in dollar, Argentine peso and euro revenue, respectively. Despite the stronger Brazilian real, which jeopardizes exports and reduces revenue when converted into Brazilian currency, sales managed to increase due to the strength of the Company's brands.

2.1. Alpargatas Argentina

2.1.1. Sales Volume and Net Revenue

Athletic footwear sales volume in Argentina totaled 2 million units, in line with 2Q10, and would have recorded growth if not for the restrictive measures on footwear imports imposed by the Argentinean government. Apparel and accessory sales totaled 300 thousand units in the quarter. Net revenue totaled R$ 115 million, 12.1% up on 2Q10 due to higher prices (to offset inflation) and the 22% increase in the sales of more expensive athletic footwear. Of total net revenue from Alpargatas Argentina, 58% came from footwear, 35% from textiles and 7% from retail.

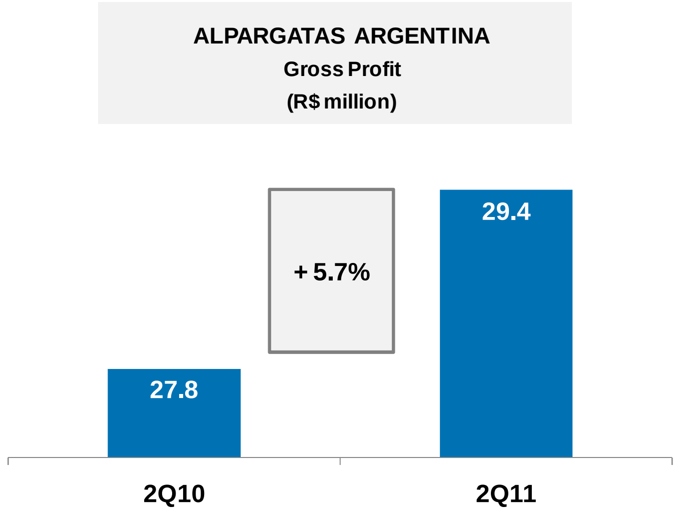




In 1H11, sales volume totaled 4.1 million units of footwear, apparel and accessories, in line with 1H10, and 700 thousand units of apparel and accessories. Net revenue amounted to R $221.8 million, 17.7% up on 1H10.

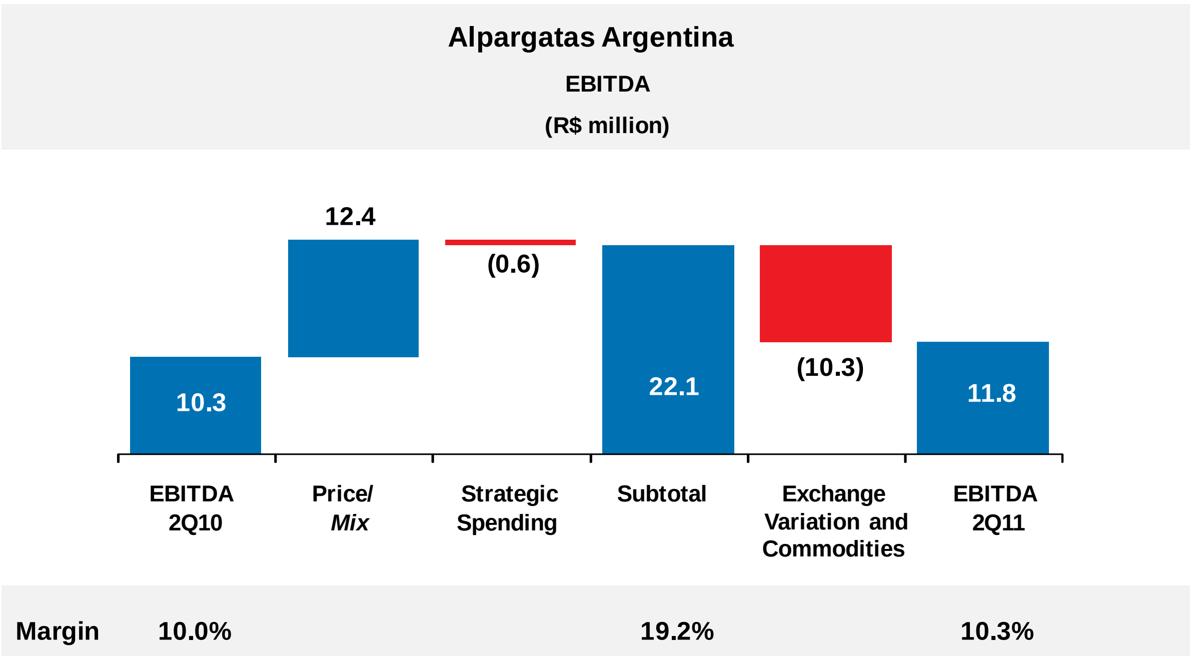
2.1.2. Gross Profit

Given that the 14.4% year-on-year increase in production costs in 2Q11 outpaced revenue growth, the gross margin narrowed by 1.6 p.p. over 2Q10 to 25.5%. Production costs were heavily impacted by the 77% increase in cotton prices in Argentine pesos, as cotton is the main raw material for the textile business, and by higher labor costs. However, current cotton prices are lower. Alpargatas Argentina recorded gross profit of R $29.4 million. In 1H11, gross profit amounted to R$ 59.3 million, 13.4% higher than in 1H10, accompanied by a margin of 26.7%, down by 1.0 p.p.



2.1.3. EBITDA

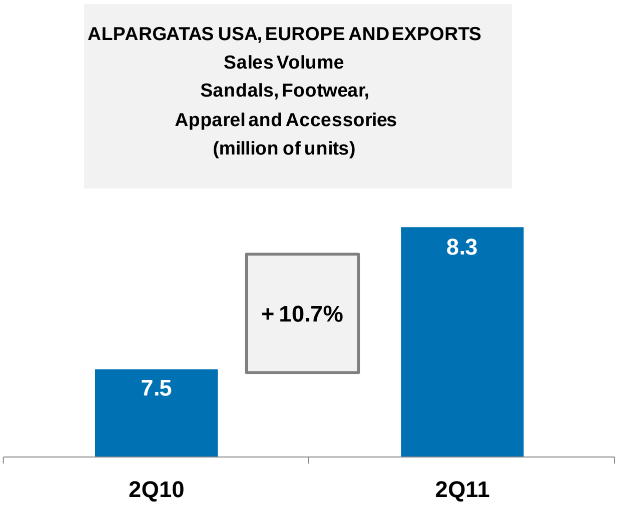
Alpargatas Argentina posted EBITDA of R$ 11.8 million in 2Q11, 14.6% up year-on-year, accompanied by a margin of 10.2%, up by 0.2 p.p., mainly reflecting higher prices and an enhanced product mix, which added R$ 12.4 million. Strategic expenditure, mainly involving communications, absorbed R$ 0.6 million, while appreciation of the Brazilian Real against the Argentine peso and higher expenditure on cotton contributed a negative R$ 10.3 million. In 1H11, EBITDA totaled R$ 26.1 million, 21.4% up year-on-year, accompanied by a margin of 11.8%, up by 0.4 p.p.

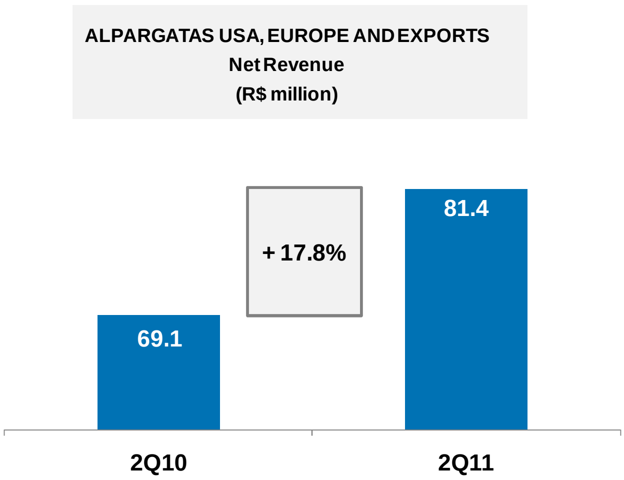


2.2. Alpargatas USA, Europe and Exports

2.2.1. Sales Volume and Net Revenue

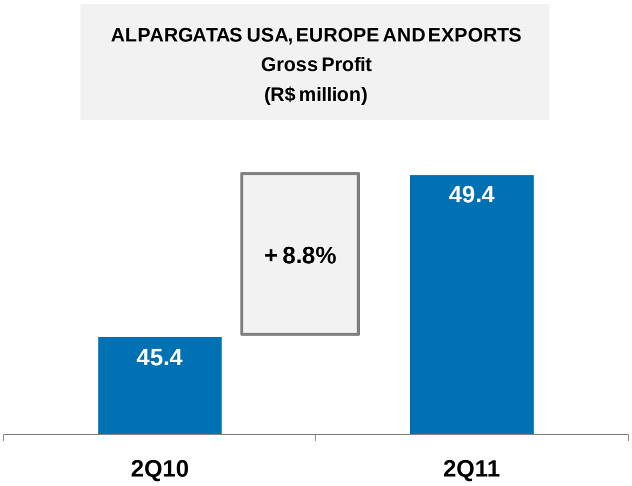
In 2Q11, the volume of sandals sold by Alpargatas USA and Alpargatas Europe, together with footwear, apparel and accessories exported directly from Brazil, totaled 8.3 million units, 10.7% more than in 2Q10, due to the 22.7% increase in sales volume in the USA, 22.5% in Europe and the 5% in exports. Net revenue totaled R$ 81.4 million, a 17.8% year-on-year improvement. In 1H11, sales volume amounted to 15.9 million units, 12% up on 1H10, while net revenue increased by 16% to R$ 152 million. In Europe, the Company opened its own stores in London, Paris and Rome, joining those in Valencia and Barcelona. Havaianas rubber boots are now being tested in London. In the United States, the Soul Collection line was being sold by Henri Bendel, an important New York department store focusing on premium products. Investments in billboards also helped increase Havaianas sales in America. As in São Paulo, Havaianas Missoni was launched in the U.S. during an event with the participation of the members of the family that founded the brand. In the Philippines, a market where Havaianas sales are particularly strong, the MYOH (Make Your Own Havaianas) event was held for the fifth time, and was visited by thousands of consumers. In order to further increase exports, sandals sales to India and Pakistan were initiated.





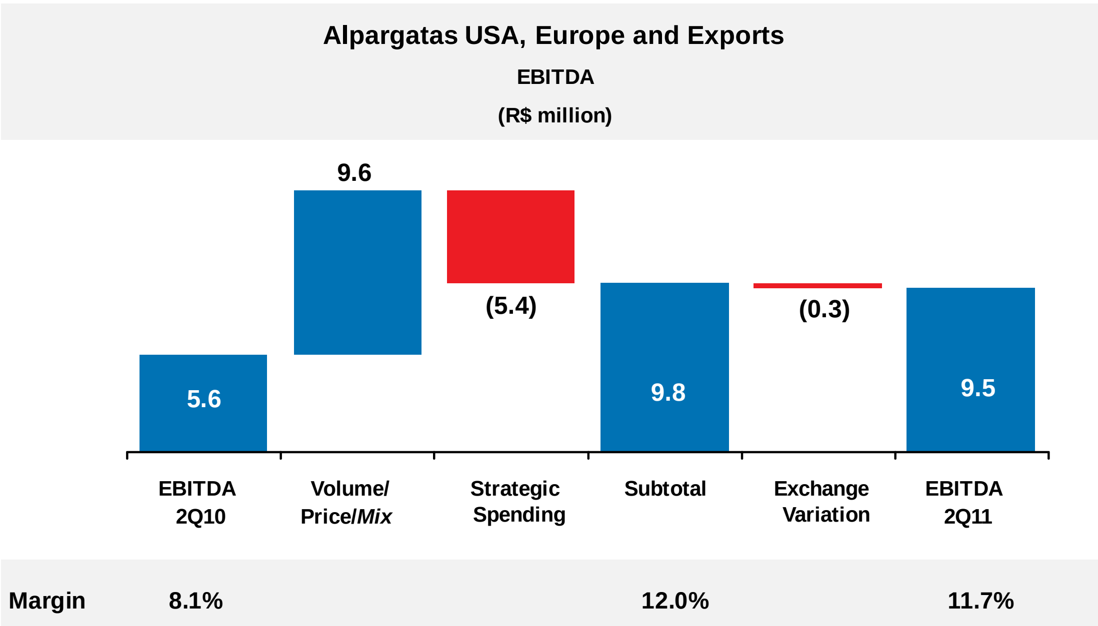
2.2.2. Gross Profit

Gross profit totaled R$ 49.4 million, 8.8% higher than in 2Q10. However, since the increase in the cost of goods sold (commodities and the appreciation of Brazilian real) outpaced revenue growth, the gross margin narrowed by 5.0 p.p. to 60.7% in 2Q11. In 1H11, gross profit amounted to R$ 90.7 million, 8.3% up on 1H10, while the gross margin fell by 4.2 p.p. to 59.7%.



2.2.3. EBITDA

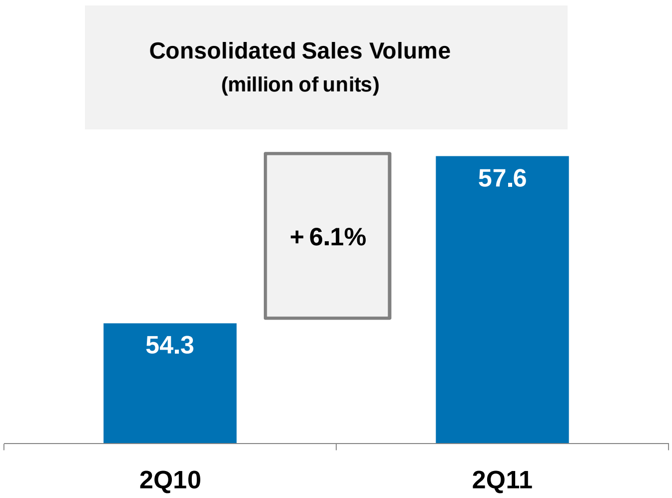
EBITDA from foreign subsidiaries and exports amounted to R$ 9.5 million in 2Q11, 69.6% up year-on-year, with a margin of 11.7%, a 3.6 p.p. improvement. The increase was mainly due to higher volume and prices and an enhanced product mix, which added R$ 9.6 million. Strategic expenditure on the Company's operational structure in Europe (opening of stores, business growth in the region, etc.), and on communications, as well as higher freight costs in Europe, absorbed R$ 5.4 million. The impact of the appreciation of the Brazilian real over the currencies comprising subsidiary and export revenue was a negative R$ 0.3 million. Excluding this amount, EBITDA would have increased by 75%, with a margin of 12%. In 1H11, EBITDA came to R$ 22.8 million, 24.6% up on 1H10, accompanied by a margin of 15%, up by 1.0 p.p.

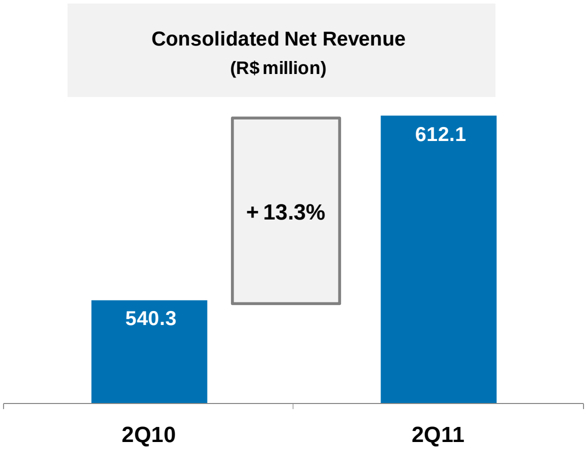


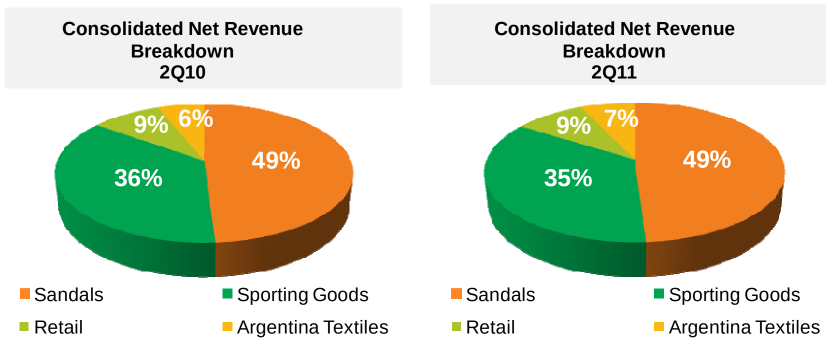
3.0. CONSOLIDATED PERFORMANCE

3.1. Sales Volume and Net Revenue

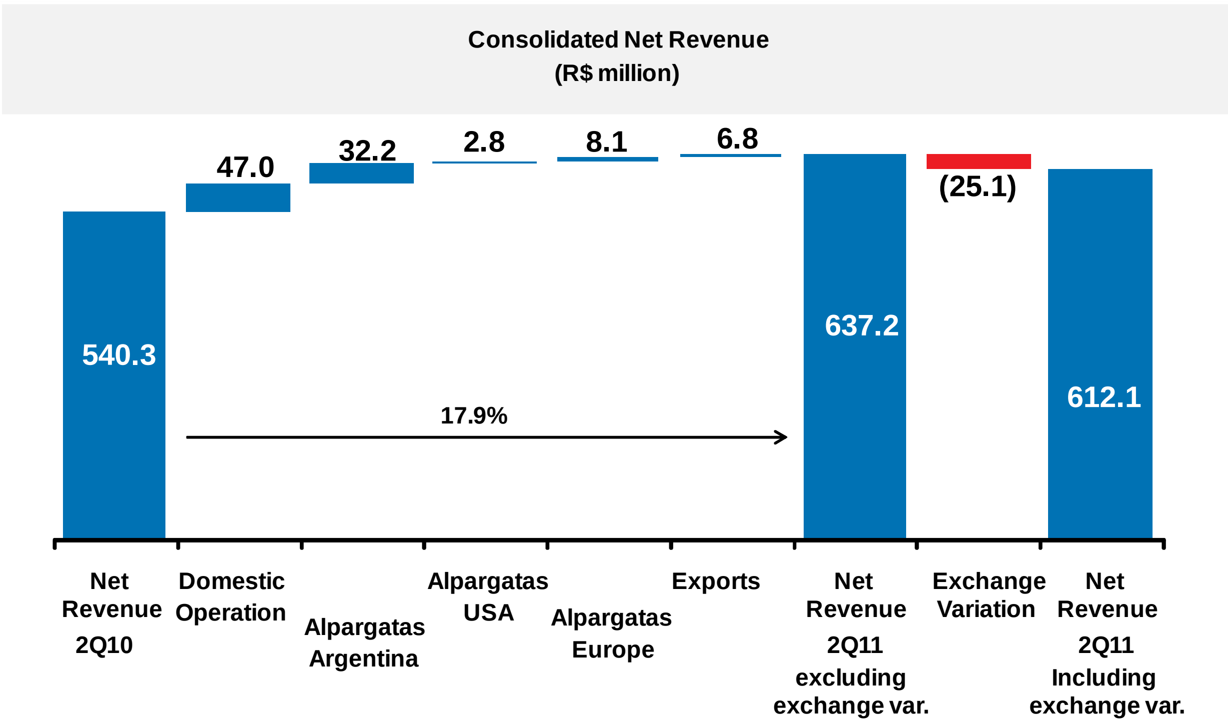
In 2Q11, consolidated sales volume totaled 57.6 million units, 6.1% up on 2Q10, driven by strong domestic sales, (reflecting the leadership of the Company's brands in Brazil) and international sales. Havaianas sandals are playing an increasingly important role. Consolidated net revenue increased by 13.3% to R$ 612.1 million, 68% of which generated in Brazil and 32% abroad. In the first half, consolidated sales totaled 118.8 million units of footwear, apparel and accessories, 5.4% more than in 1H10, while net revenue came to R$ 1.2 billion, 15.3% up year-on-year.





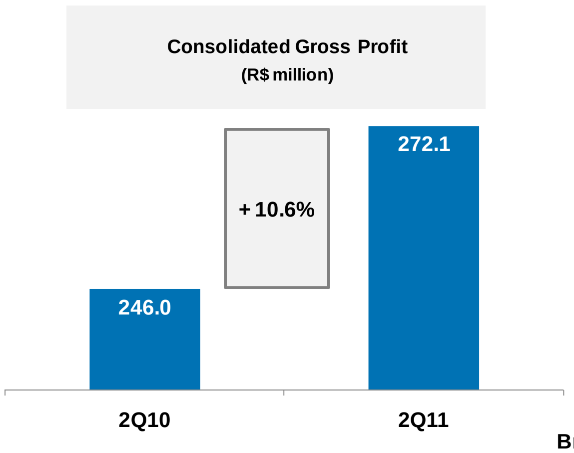


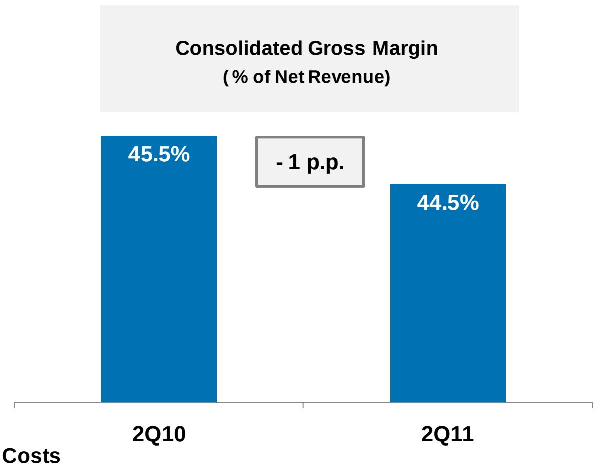
Excluding the impact of the exchange variation, due to the appreciation of the Brazilian real against the foreign currencies making up the Company's international revenues, consolidated net revenue increased by 17.9%, as shown in the graph below.

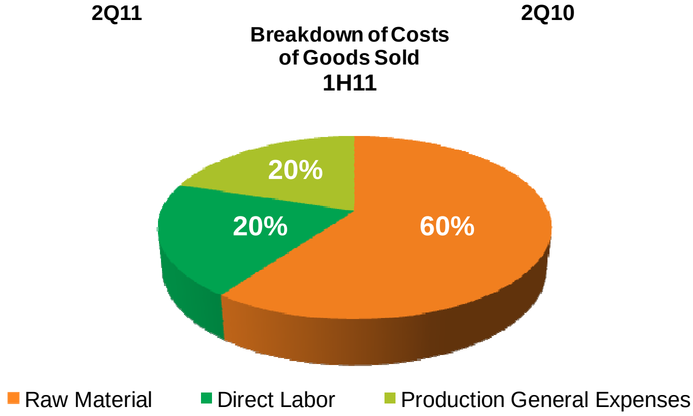


3.2. Gross Profit

Consolidated gross profit stood at R$ 272.1 million in 2Q11, 10.6% higher than in 2Q10. The 44.5% margin recorded a 1 p.p. year-on-year decline due to higher commodity prices in Brazil and Argentina. In the first six months, consolidated gross profit totaled R$ 544.2 million, 11.7% up on the same period last year, accompanied by a margin of 45.4%, 1.5 p.p. below the figure reported in 1H10.

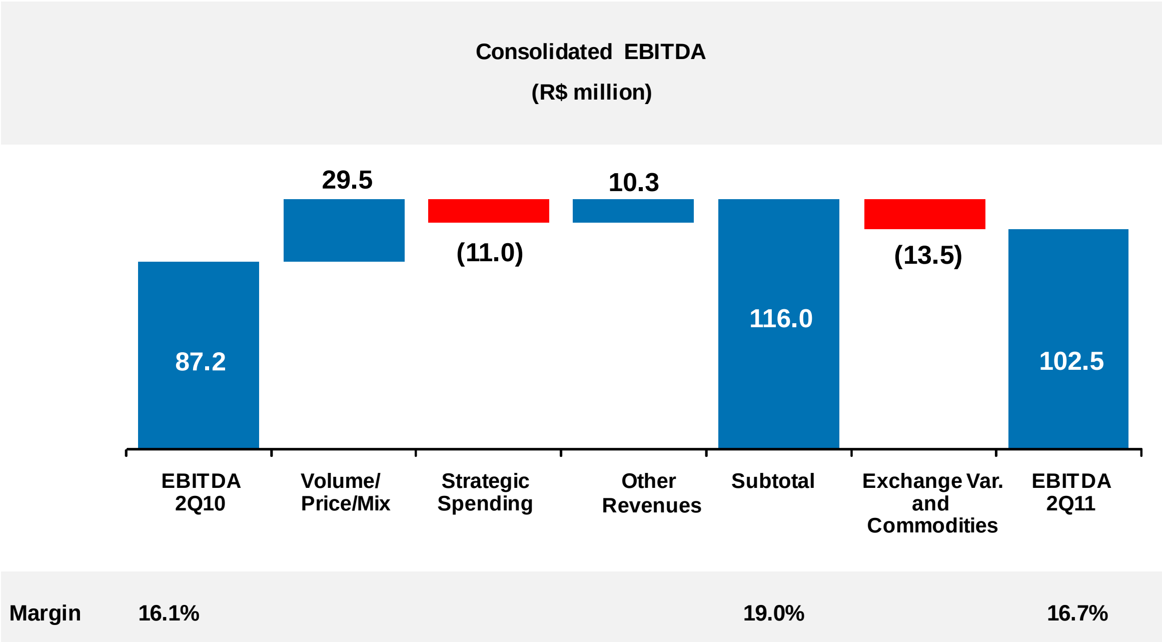






3.3. EBITDA

Consolidated EBITDA totaled R$ 102.5 million in 2Q11, 17.5% up on 2Q10, with a margin of 16.7%, up by 0.6 p.p. EBITDA growth was fueled by (i) higher sales in Brazil, Argentina, the United States, and Europe, plus exports; (ii) higher prices; and (iii) the enhanced product mix, all of which had an impact of R$ 29.5 million. The strategic expenditures mentioned in the variations between the national and international EBITDAs absorbed R$ 11.0 million. Other revenues, totaling R$ 10.3 million, mostly refer to revenue from a lawsuit involving a compulsory Eletrobrás loans. The appreciation of the Brazilian Real against foreign currencies and higher expenditure on commodities (rubber and cotton) contributed a negative R$ 13.5 million. Excluding this amount, EBITDA would have increased by 33% with a margin of 19%. In 1H11, consolidated EBITDA totaled R$ 208.3 million, 9.9% up year-on-year, accompanied by a margin of 17.4%, 0.8 p.p. below the 1H10 margin.



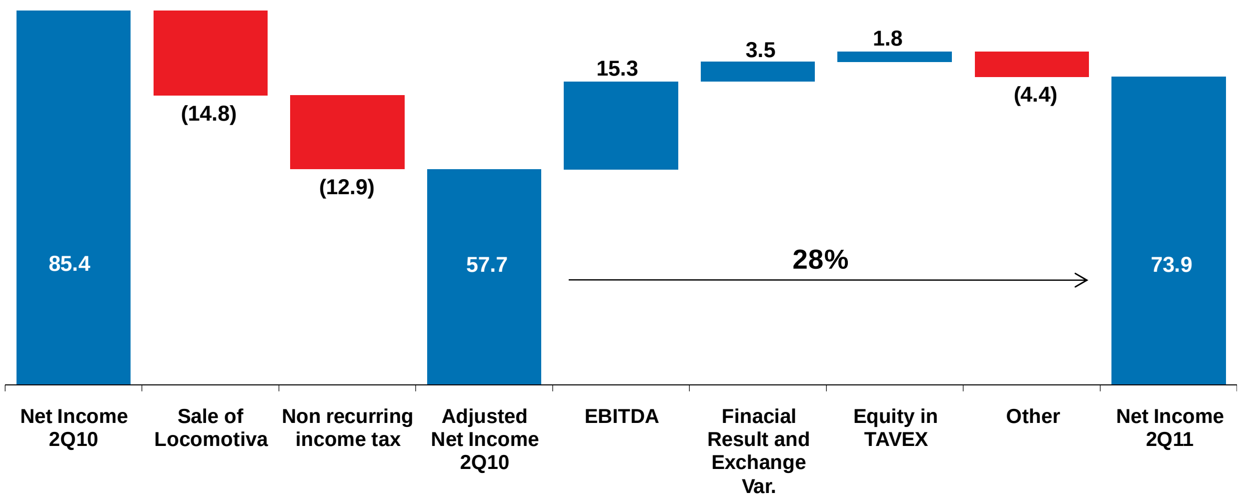
Consolidated EBITDA (R$ million)	2Q10	2Q11	1H10	1H11
Operating Income before Financial Result and Equity in Subsidiaries	85.0	82.0	166.6	171.6
(+) Depreciation and Amortization	13.6	13.5	27.6	26.1
(+/-) Other	(11.4)	7.0	(4.7)	10.6
EBITDA	87.2	102.5	189.5	208.3

3.4. Net Income

Alpargatas posted consolidated net income of R$73.9 million in 2Q11, 28% up on 2Q10, adjusted for the following non-recurring items:

- Sale of Locomotiva company: R$14.8 million; and
- Income tax from the constitution of tax credits in CBS- Companhia Brasileira de Sandálias: R$ 12.9 million.

Consolidated Net Income
(R$ million)



Margin	**15.8%**	**10.7%**	**12.1%**

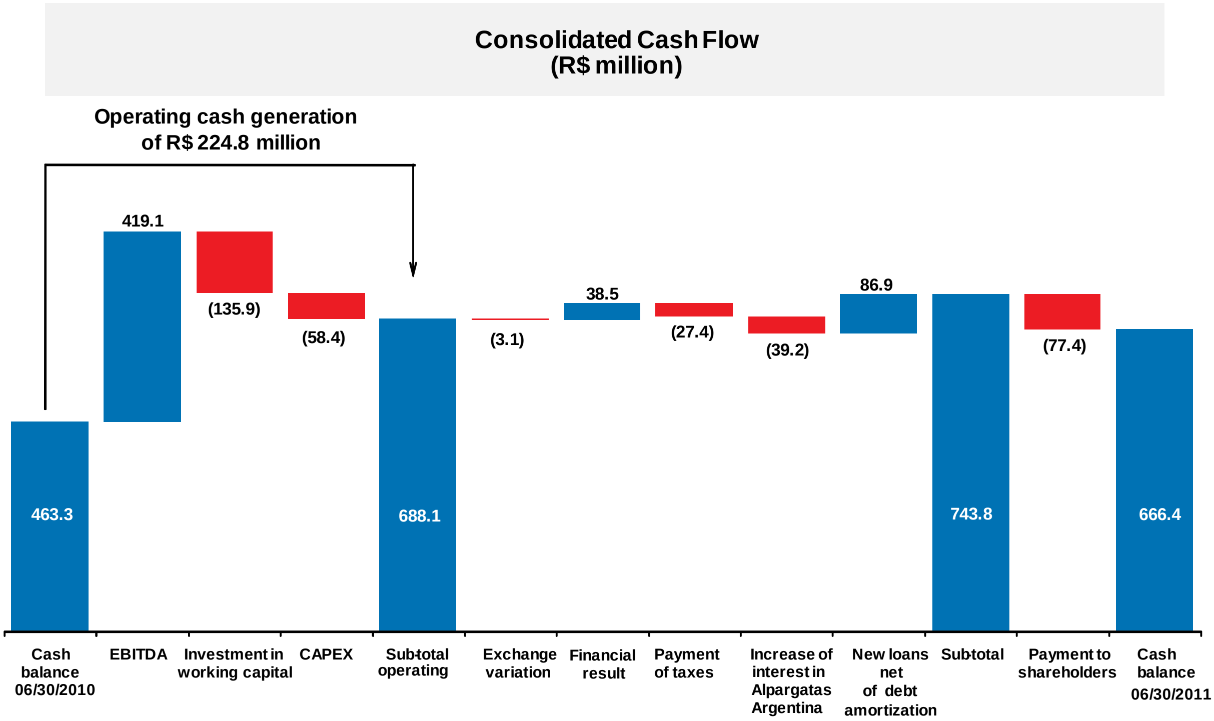
In the first half, consolidated net income totaled R$ 161.1 million, 5.8% up on 1H10, accompanied by a margin of 13.4%, 1.2 p.p. less than in the same period last year.

3.5. Cash Conversion Cycle (CCC)

In the 12 months ended June 30, 2011, the CCC lengthened by nine days, mainly due to the 11-day increase in inventories, given that the average accounts payable and accounts receivable periods remained stable. Inventory value was impacted by: (i) higher commodity costs; (ii) the build-up of strategic rubber invetory; and (iii) sandal inventories for international operations, which have a longer storage time.

3.6. Cash Flow

On June 30, 2011, Alpargatas had a total cash balance of R$ 666.4 million, R$ 203.1 million up on the same date a year before. Operating cash flow increased to R$ 224.8 million, mainly thanks to EBITDA of R$ 419.1 million. The most significant disbursements were: (i) R$ 135.9 million in working capital to support business growth; (ii) CAPEX of R$ 58.4 million; (iii) R$ 39.2 million to increase the Company's interest in Alpargatas Argentina capital to 91.5%; and (iv) R$ 77.4 million in payments to shareholders.



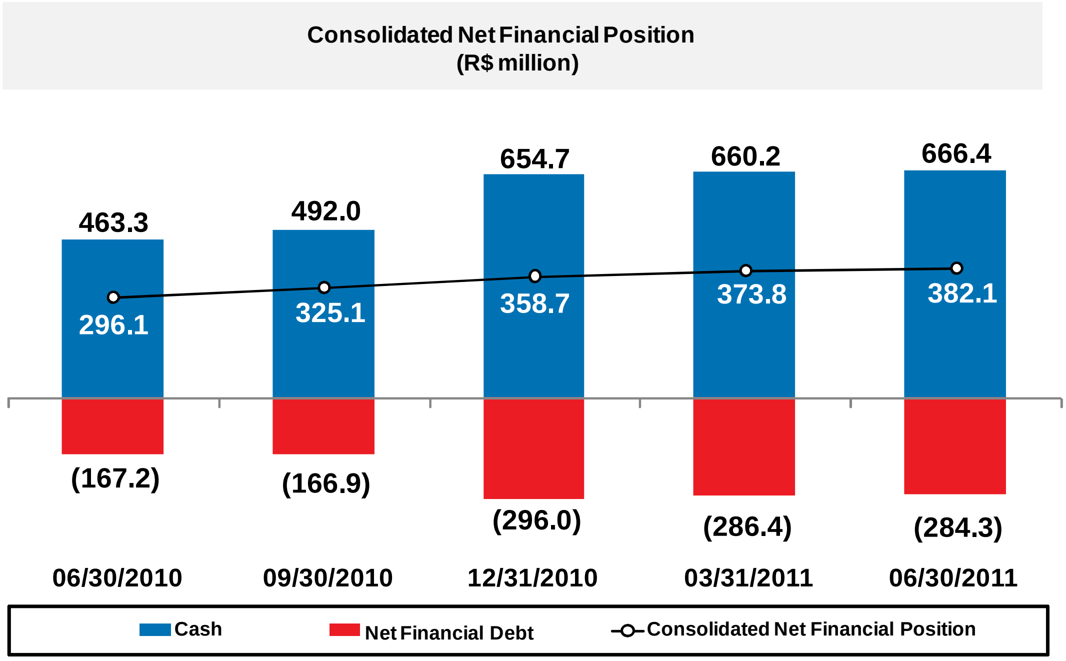
3.7. Debt

The Company closed 2Q11 with consolidated financial debt of R$ 284.3 million, R$ 200.7 million denominated in Brazilian reais and R$ 83.6 million in foreign currencies, with the following profile:

- R$ 222.5 million (78% of the total) in short-term debt, R$ 139 million of which in reais. The largest portion (R$ 110.9 million) came from the BNDES-EXIM Pre-shipment financing line. Short-term foreign debt (R$ 83.5 million) is used to fund the working capital of the foreign subsidiaries and may be renewed on maturity.
- R$ 61.8 million (22% of the total) in long-term debt, 100% of which in reais, with the following amortization schedule:
  - 2012: R$ 10 million;
  - 2013: R$ 18.9 million;
  - 2014: R$ 15 million;
  - 2015: R$ 15 million; and
  - 2016 to 2019: R$ 2.9 million.

3.8. Net Financial Position

The increase in cash flow resulted in a positive net financial position of R$ 382.1 million on June 30, 2011, reinforcing the Company's financial solidity. The higher debt reflects the loan from the BNDES – EXIM Pré-shipment financing line to fund exports, totaling R$ 110.9 million. Cash and cash equivalents, consolidated financial debt and the net financial position in recent quarters are shown below:



4.0. CAPITAL MARKET

Alpargatas' preferred shares (ALPA4) closed June at R$ 12.10, up 12.1% in the semester, versus the Ibovespa's 10% decline, and its voting shares (ALPA3) closed at R$ 12.50. On June 30, 2011, the Company's BM&FBovespa market cap totaled R$ 4.3 billion, versus R$ 2.7 billion on the same date last year, with a free float of 42%. The Board of Directors meeting of August 12, 2011 approved the payment of R$ 20.6 million in interest on equity, which, added to the R$ 39.5 million paid in May and July, gave a total of R$ 60.1 million for fiscal year 2011. In April, Banco Safra initiated coverage of Alpargatas with a buy recommendation for ALPA4 and a year-end target price of R$ 17.63. In July, Bradesco Corretora also initiated coverage of Alpargatas with a buy recommendation for ALPA4, accompanied by a year-end target price of R$ 17.10.

5.0. HUMAN RESOURCES AND ENVIRONMENTAL RESPONSIBILITY

On June 3, Alpargatas presented its new visual identity simultaneously in Brazil and abroad, following on from the change in the Company's name to Alpargatas S.A. The new brand reflects the bold, good-natured, creative and dynamic spirit of Alpargatas' 17 thousand employees worldwide. Also in the second quarter, the Company disclosed the results of its 2010 Organizational Climate Survey, in which 89% of the Company's employees in Brazil, Argentina and elsewhere took part. The Favorability Index grew by three percentage points over the 2008 Climate Survey result. Alpargatas continued to invest in the professional development of its employees. In the first half, its evaluation mechanisms, including the Alpargatas Integrated Management System (SIGA) and the Individual Development Plan (PDI), were restructured and began to adopt a new competency model aligned with the Company's strategy. The Training Program for Leading Operators and Supervisors, through which factory operators and supervisors undergo tactical and operational training, encompassing communications, feedback and leadership style programs, is just one example of Alpargatas' investment in the development of its employee. Alpargatas is also committed to reducing the consumption of natural resources, and its efforts to ensure more efficient and sustainable operations were reflected in the improvement of its indicators. In the second quarter, water consumption per thousand units produced fell by 7%, power consumption by 2%, and waste generation by 2.6% over the same period last year, despite the 5% interim increase in production. These positive results reflect the success of the Company's initiatives, including such awareness-raising programs as Direct Safety Dialogue, Occupational Accident Prevention Week, and Environmental Conservation Week, which were directed at employees in all the Company's factories.

6.0. NEW PLANT

In the third quarter, Alpargatas will begin constructing a new plant in Montes Claros, in the north of the State of Minas Gerais, which will produce Havaianas sandals and also serve as a product distribution center. The Company expects to invest R$ 177 million in the new plant over the next four years, generating more than 2,200 direct jobs and 3,000 indirect jobs. At full capacity, the plant will produce around 100 million pairs of sandals per year, 30% more than current capacity. Montes Claros, which is located in the region covered by Sudene (the Northeast Development Board), was chosen due to its proximity to major consumer centers, especially the South and Southeast, and also due to the presence of skilled labor.

7.0. RECOGNITION

Alpargatas was elected the top company in the Textile, Leather and Apparel sector, and the best company in Human Resources Management, Innovation and Quality by the *"As Melhores da Dinheiro 2011"* special edition of *IstoÉ Dinheiro* magazine,

8.0. BOARD OF DIRECTORS AND BOARD OF AUDITORS

The Annual Shareholders' Meeting of April 26 elected the sitting members of the Board of Directors, and their respective alternates, for the three-year period between 2011 and 2014. Márcio Garcia de Souza was elected Chairman, and Gilberto Mestriner Stocche and Rodrigo Cardoso Barbosa (alternate) were elected to the Board for the first time. At the same meeting, the members of the Fiscal Council were relected for another year.

.9. OUTLOOK

The outlook for Alpargatas in the second half of 2011 remains positive, because its businesses will continue to develop despite Brazil's slower growth in the last few months. Indeed, Management will be considering the impact of this slowdown when taking the necessary decisions to align performance with profitability. In regard to the higher raw material prices, the Company will continue to prioritize initiatives designed to mitigate their impact, such as price management, the build-up of strategic inventories, reducing production costs and maintaining tighter control over expenses. It will also continue to invest in the initiatives defined in the Strategic Plan for the Company's businesses in Brazil and abroad. The Board of Directors is convinced that all achievements to date were made possible by the Company's competitive advantages, including:

- Talent in the construction and management of own and third-party brands;
- Excellence in footwear manufacturing;
- Flexible production, with the ability to strike a balance between outsourcing and local manufacturing;
- Competent business management; and
- Financial solidity.

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Appendix I - Balance Sheet (R$ thousands)

ASSETS	6/30/2011	6/30/2010
Current assets	**1,527,163**	**1,160,797**
Cash and banks	19,335	37,777
Tempory cash investment	647,110	425,509
Trade accounts receivable (net of provisions)	452,552	380,865
Inventories	304,106	240,552
Other receivables	56,475	44,890
Prepaid expenses	23,865	12,819
Assets held for sale	-	-
Other assets	-	-
Recoverable taxes	23,720	18,385
Long-term assets	**151,695**	**168,464**
Recoverable taxes	17,102	19,761
Deferred income and social contribuition taxe	81,048	93,962
Escrow deposits	30,227	12,860
Other receivables	23,318	41,881
Permanent Assets	**630,454**	**659,729**
Investments	75,005	84,022
Property, plant and equipment	293,995	311,565
Intangible	261,454	264,142
Total assets	**2,309,312**	**1,988,990**

LIABILITIES	6/30/2011	6/30/2010
Current liabilities	**640,856**	**444,333**
Suppliers	217,323	194,458
Loans and financing	222,488	90,474
Debt reestructuring agreements	12,146	15,119
Payroll and related charges	84,675	72,685
Reserve for contingencies	10,256	5,736
Provision for income and social contribuition	2,485	3,895
Taxes payable	17,909	10,471
Taxes Installments	9,082	-
Interest on capital and dividends payable	18,598	920
Other payable liabilities	45,894	50,575
Long-term liabilities	**286,672**	**310,144**
Loans and financing	61,756	76,683
Debt reestructuring agreements	57,009	71,168
Provision for taxes	70,720	78,218
Taxes Installments	23,525	-
Provision for income and social contribuition	38,415	46,251
Reserve for contingencies	28,083	30,081
Other payable	7,164	7,743
Shareholders' equity	**1,381,784**	**1,234,513**
Capital	518,922	441,171
Capital reserves	168,262	172,223
Treasury shares	(38,423)	(28,465)
Profit reserves	760,231	637,580
Equity assessment	(42,869)	(26,587)
Minority shares	15,661	38,591
Total liabilities	**2,309,312**	**1,988,990**
Book value per share (R$)	**3.97**	**3.54**

Appendix II - Income Statement (R$ thousand)

	2Q10	2Q11	1H10	1H11
Net revenue	**540,346**	**612,134**	**1,039,923**	**1,198,835**
Cost of goods sold	(294,352)	(340,013)	(552,529)	(654,653)
Gross profit	**245,994**	**272,121**	**487,394**	**544,182**
Gross margin	*45.5%*	*44.5%*	*46.9%*	*45.4%*
Operating revenues (expenses)	**(160,959)**	**(190,168)**	**(320,776)**	**(372,549)**
Sales	(140,054)	(163,093)	(257,311)	(300,092)
General and administrative	(26,450)	(33,687)	(57,262)	(63,819)
Management compensation	(1,150)	(1,438)	(2,288)	(2,812)
Amortization of intangible charges	(4,398)	(5,100)	(8,691)	(9,467)
Other operating revenues (expenses)	11,093	13,150	4,776	3,641
EBIT – Operating result	**85,035**	**81,953**	**166,618**	**171,633**
Operating margin	*15.7%*	*13.7%*	*16.0%*	*14.5%*
Financial earnings	9,882	19,584	18,019	38,401
Financial expenses	(10,585)	(13,914)	(20,468)	(25,880)
Exchange rate variation	1,917	(1,019)	565	697
Results in subsidiaries	(647)	1,165	(3,533)	(132)
Operating income	**85,602**	**87,769**	**161,201**	**184,719**
Income tax and charges	1,221	(13,859)	(7,026)	(22,307)
Minority interest	(1,396)	(47)	(1,868)	(1,299)
Net income	**85,427**	**73,862**	**152,307**	**161,113**
	-	-	**-**	-
EBITDA – R$ million	**87.2**	**102.5**	**189.5**	**208.3**
EBITDA margin	16.1%	16.7%	*18.2%*	17.4%