ITR - Quarterly Financial Information

Alpargatas S.A.

June 30, 2012

A free translation from Portuguese into English of Independent Auditor's Review Report on Individual Interim Financial Information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil, and on Consolidated Interim Financial Information prepared in Brazilian currency in accordance with International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB and accounting practices adopted in Brazil

Independent auditor's review report on quarterly information

The Shareholders, Board of Directors and Officers of
Alpargatas S.A.
São Paulo – SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Alpargatas S.A., contained in the Quarterly Information Form (ITR) for the quarter ended June 30, 2012, which comprise the balance sheet as at June 30, 2012 and the related statement of operations and statements of comprehensive income for the three and six-month periods then ended and statement of changes in equity and cash flow statement for the six-month period then ended, including explanatory notes.

Management is responsible for the preparation of the individual interim financial information in accordance with CPC 21 - Interim Financial Reporting, and consolidated interim financial information in accordance with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Financial Information (ITR), and presented consistently with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Conclusion on the consolidated interim financial information

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

Other matters

Statements of value added

We also reviewed the individual and consolidated statements of value added (SVA), for the six-month period ended June 30, 2012, prepared under the responsibility of Company management, whose presentation in the interim financial information is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Financial Information (ITR) and considered supplementary information under IFRS, which do not require SVA presentation. These statements were submitted to the same review procedures previously described and, based on our review, we are not aware of any fact that would make us believe that they were not prepared, in all material respects, in accordance with the overall individual and consolidated interim financial information.

Audit and review of prior-year/period corresponding figures

The corresponding figures for the three and six-month periods ended June 30, 2011, presented for comparison purposes, were previously reviewed by other independent auditors who issued an unqualified opinion dated August 12, 2011.

The corresponding figures for the year ended December 31, 2011, presented for comparison purposes, were previously audited by other independent auditors who issued an unqualified opinion dated March 16, 2012.

São Paulo, August 6, 2012.

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC-2SP015199/O-6

Waldyr Passetto Junior
Accountant CRC-1SP173518/O-8

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Company Information / Capital Breakdown

Number of Shares (in thousands)	Current Quarter 6/30/2012
Paid-in Capital	
Common	199,676
Preferred	189,125
Total	388,801
Treasury Shares	
Common	0
Preferred	5,603
Total	5,603

Company Information / Cash Dividends

Event	Approval	Type	Date of Payment	Type of Share	Class of Share	Amount per Share (R$/share)
Board of Directors Meeting	3/16/2012	Interest on Equity	4/18/2012	Common		0.05917
Board of Directors Meeting	3/16/2012	Interest on Equity	4/18/2012	Preferred		0.06509
Board of Directors Meeting	5/4/2012	Interest on Equity	7/4/2012	Common		0.05429
Board of Directors Meeting	5/4/2012	Interest on Equity	7/4/2012	Preferred		0.05972
Board of Directors Meeting	8/6/2012	Interest on Equity	9/3/2012	Common		0.05130
Board of Directors Meeting	8/6/2012	Interest on Equity	9/3/2012	Preferred		0.05643

Individual Quarterly Financial Information / Balance Sheet - Assets

R$ (in thousands)

Code	Description	6/30/2012	12/31/2011
1	Total Assets	2,185,806	2,034,938
1.01	Current Assets	1,371,737	1,291,951
1.01.01	Cash and Cash Equivalents	403,631	451,388
1.01.02	Short-Term Investments	144,670	160,487
1.01.02.02	Short-Term Investments Measured at Amortized Cost	144,670	160,487
1.01.02.02.01	Securities Held to Maturity	144,670	160,487
1.01.03	Accounts Receivable	467,275	433,456
1.01.03.01	Trade Accounts Receivable	467,275	433,456
1.01.04	Inventories	284,039	198,200
1.01.06	Recoverable Taxes	30,897	15,886
1.01.06.01	Current Recoverable Taxes	30,897	15,886
1.01.07	Prepaid Expenses	17,976	6,293
1.01.07.01	Prepaid Expenses	3,960	4,977
1.01.07.02	Prepaid Advertising Expenses	14,016	1,316
1.01.08	Other Current Assets	23,249	26,241
1.01.08.03	Other	23,249	26,241
1.01.08.03.01	Advance to Suppliers	2,667	1,077
1.01.08.03.02	Accounts Receivable – Employees	3,002	3,458
1.01.08.03.03	Accounts Receivable from Sale of Subsidiary	12,377	17,094
1.01.08.03.04	Dividends Receivable	1,045	1,045
1.01.08.03.05	Other	4,158	3,567
1.02	Non-Current Assets	814,069	742,987
1.02.01	Long-Term Receivables	82,652	84,699
1.02.01.06	Deferred Taxes	37,164	41,148
1.02.01.06.01	Deferred Income and Social Contribution Taxes	37,164	41,148
1.02.01.08	Receivables from Related Parties	2,549	1,448
1.02.01.08.02	Receivables from Subsidiaries	2,549	1,448
1.02.01.09	Other Non-Current Assets	42,939	42,103
1.02.01.09.03	Judicial Deposits	12,054	13,665
1.02.01.09.04	Recoverable Taxes	8,818	6,490
1.02.01.09.05	Compulsory Deposits	269	269
1.02.01.09.06	Other Accounts Receivable	21,798	21,679
1.02.02	Investments	386,652	357,367
1.02.02.01	Equity Interest	386,652	357,367
1.02.02.01.02	Interest in Subsidiaries	386,457	357,172
1.02.02.01.04	Other Equity Interest	195	195
1.02.03	Property, Plant and Equipment	258,159	204,700
1.02.03.01	Operational Property, Plant and Equipment	175,194	160,014
1.02.03.03	Construction in Progress	82,965	44,686
1.02.04	Intangible Assets	86,606	96,221
1.02.04.01	Intangible Assets	86,606	96,221

Individual Quarterly Financial Information / Balance Sheet – Liabilities

R$ (in thousands)

Code	Description	6/30/2012	12/31/2011
2	Total Liabilities	2,185,806	2,034,938
2.01	Current Liabilities	449,816	390,402
2.01.01	Social Charges and Labor Liabilities	71,501	64,745
2.01.01.01	Social Charges	8,327	8,668
2.01.01.02	Labor Liabilities	63,174	56,077
2.01.01.02.01	Salaries and Social Charges	63,174	56,077
2.01.02	Trade Accounts Payable	275,557	218,573
2.01.02.01	Trade Accounts Payable - Domestic	190,397	177,612
2.01.02.02	Trade Accounts Payable - Foreign	85,160	40,961
2.01.03	Tax Liabilities	14,788	4,127
2.01.03.01	Federal Tax Liabilities	8,615	132
2.01.03.01.02	Other Tax Liabilities	8,615	132
2.01.03.02	State Tax Liabilities	6,173	3,995
2.01.04	Loans and Financing	34,010	67,824
2.01.04.01	Loans and Financing	34,010	67,824
2.01.04.01.01	In Domestic Currency	34,010	63,030
2.01.04.01.02	In Foreign Currency	0	4,794
2.01.05	Other Liabilities	46,182	27,950
2.01.05.02	Other	46,182	27,950
2.01.05.02.01	Dividends and Interest on Equity Payable	20,352	843
2.01.05.02.04	Provisions and Other Liabilities	25,830	27,107
2.01.06	Provisions	7,778	7,183
2.01.06.01	Provisions for Tax, Social Security, Labor and Civil Claims	7,778	7,183
2.01.06.01.02	Provisions for Social Security and Labor Claims	7,778	7,183
2.02	Non-Current Liabilities	165,221	166,848
2.02.01	Loans and Financing	43,853	53,907
2.02.01.01	Loans and Financing	43,853	53,907
2.02.01.01.01	In Domestic Currency	43,853	53,907
2.02.02	Other Liabilities	102,864	94,476
2.02.02.02	Other	102,864	94,476
2.02.02.02.03	Other Liabilities	5,427	4,974
2.02.02.02.04	Suspended Tax Payments and Others	94,644	86,654
2.02.02.02.05	Provisions for Employee Benefits	1,919	1,973
2.02.02.02.06	Tax Installment Payment - Law 11941/09	874	875
2.02.04	Provisions	18,504	18,465
2.02.04.01	Provisions for Tax, Social Security, Labor and Civil Claims	18,504	18,465
2.02.04.01.01	Provisions for Tax Claims	4,877	4,877
2.02.04.01.02	Provisions for Social Security and Labor Claims	10,480	10,480
2.02.04.01.04	Provisions for Civil Claims	3,147	3,108
2.03	Equity	1,570,769	1,477,688
2.03.01	Paid-In Capital	562,158	518,922
2.03.02	Capital Reserves	127,377	126,514
2.03.02.05	Treasury Shares	(40,587)	(40,587)
2.03.02.07	Other Reserves	177,739	177,739

Individual Quarterly Financial Information / Balance Sheet – Liabilities

R$ (in thousands)

Code	Description	3/31/2012	12/31/2011
2.03.02.08	Negative Goodwill on Sale of Treasury Shares	(14,217)	(14,217)
2.03.02.09	Additional Paid-In Capital	4,442	3,579
2.03.04	Income Reserves	914,659	865,824
2.03.04.01	Legal Reserve	49,676	49,676
2.03.04.05	Income Retention Reserve	329,261	336,604
2.03.04.07	Tax Incentive Reserve	535,722	479,544
2.03.06	Equity Valuation Adjustments	33,226	33,640
2.03.07	Cumulative Translation Adjustments	(66,651)	(67,212)

Individual Quarterly Financial Information / Statement of Income

R$ (in thousands)

Code	Description	Current Quarter 4/1/2012 to 6/30/2012	YTD Current Year 1/1/2012 to 6/30/2012	Same Quarter of Previous Year 4/1/2011 to 6/30/2011	YTD Previous Year 1/1/2011 to 6/30/2011
3.01	Revenue from Sales of Goods and/or Services	496,849	981,822	444,083	832,067
3.02	Cost of Goods and/or Services Sold	(277,621)	(543,716)	(232,592)	(431,420)
3.03	Gross Profit	219,228	438,106	211,491	400,647
3.04	Operating Expenses/Income	(168,306)	(316,648)	(143,416)	(253,437)
3.04.01	Selling Expenses	(139,510)	(257,457)	(122,185)	(216,609)
3.04.02	General and Administrative Expenses	(33,532)	(65,422)	(30,219)	(57,257)
3.04.04	Other Operating Income	847	8,651	14,090	15,914
3.04.05	Other Operating Expenses	(16,089)	(24,813)	(11,220)	(20,303)
3.04.05.01	Amortization of Intangible Assets	(5,023)	(10,047)	(4,767)	(8,805)
3.04.05.02	Other Operating Expenses	(11,066)	(14,766)	(6,453)	(11,498)
3.04.06	Equity Pickup	19,978	22,393	6,118	24,818
3.05	Income Before Financial Income (Expenses) and Taxes	50,922	121,458	68,075	147,210
3.06	Net Financial Income	12,172	25,816	10,947	23,647
3.06.01	Financial Income	24,003	43,555	20,472	40,490
3.06.01.01	Foreign Exchange Fluctuations	9,690	11,742	1,702	3,405
3.06.01.02	Other Financial Income	14,313	31,813	18,770	37,085
3.06.02	Financial Expenses	(11,831)	(17,739)	(9,525)	(16,843)
3.06.02.01	Foreign Exchange Fluctuations	(7,295)	(8,738)	(1,944)	(3,260)
3.06.02.02	Other Financial Expenses	(4,536)	(9,001)	(7,581)	(13,583)
3.07	Income Before Income Taxes	63,094	147,274	79,022	170,857
3.08	Income Tax and Social Contribution Tax	(1,656)	(7,671)	(5,160)	(9,744)
3.08.01	Current	3,014	(3,688)	(4,191)	(11,178)
3.08.02	Deferred	(4,670)	(3,983)	(969)	1,434
3.09	Net Income	61,438	139,603	73,862	161,113
3.11	Income/(Loss) for the Period	61,438	139,603	73,862	161,113

Individual Quarterly Financial Information / Statement of Comprehensive Income

R$ (in thousands)

Code	Description	Current Quarter 4/1/2012 to 6/30/2012	YTD Current Year 1/1/2012 to 6/30/2012	Same Quarter of Previous Year 4/1/2011 to 6/30/2011	YTD Previous Year 1/1/2011 to 6/30/2011
4.01	Net Income for the Period	61,438	139,603	73,862	161,113
4.02	Other Comprehensive Income	4,650	561	(5,952)	(8,142)
4.02.01	Profits/(Losses) on Translation of Financial Statements of Subsidiaries Abroad	4,650	561	(5,952)	(8,142)
4.03	Comprehensive Income for the Period	66,088	140,164	67,910	152,971

Individual Quarterly Financial Information / Statement of Cash Flows – Indirect Method

R$ (in thousands)

Code	Description	YTD Current Year 1/1/2012 to 6/30/2012	YTD Previous Year 1/1/2011 to 6/30/2011
6.01	Net Cash from Operating Activities	72,179	115,269
6.01.01	Cash Generated by Operations	152,044	154,307
6.01.01.01	Net Income for the Period	139,603	161,113
6.01.01.02	Depreciation and Amortization	20,255	18,349
6.01.01.03	Income from Sale/Write-Off of Property, Plant and Equipment	1,271	649
6.01.01.04	Equity Pickup	(22,393)	(24,818)
6.01.01.05	Interest, Monetary and Foreign Exchange Fluctuations	3,188	1,446
6.01.01.06	Provisions for Tax, Civil and Labor Risks	5,600	4,816
6.01.01.07	Deferred Income and Social Contribution Taxes	3,983	(1,434)
6.01.01.08	Allowance for (Reversal of) Doubtful Accounts	1,110	481
6.01.01.09	Amortization of Loans and Financing – Charges	(4,431)	(7,269)
6.01.01.10	Provision for Inventory Losses	2,995	340
6.01.01.11	Stock Option Plan Granted	863	634
6.01.02	Changes in Assets and Liabilities	(79,865)	(39,038)
6.01.02.01	Trade Accounts Receivable	(34,929)	54,115
6.01.02.02	Inventories	(88,834)	(36,338)
6.01.02.03	Prepaid Expenses	(11,683)	(16,503)
6.01.02.04	Recoverable Taxes	(17,339)	564
6.01.02.05	Trade Accounts Payable	56,985	(2,205)
6.01.02.06	Taxes Payable	20,301	5,947
6.01.02.07	Salaries and Social Charges	6,755	(5,699)
6.01.02.08	Payment of Income Tax and Social Contribution Tax	(8,035)	(7,102)
6.01.02.09	Other	(3,086)	(31,817)
6.02	Net Cash from Investing Activities	(53,399)	(145,960)
6.02.01	Acquisition of Investments	(96)	(306)
6.02.02	Acquisition of Property, Plant and Equipment and Intangible Assets	(65,370)	(16,499)
6.02.03	Receipts from the Sale of Fixed Assets	5,650	15,723
6.02.04	Short-Term Investments	17,287	(105,637)
6.02.05	Purchase of Non-Controlling Interest	(10,870)	(39,241)
6.03	Net Cash from Financing Activities	(66,537)	(82,610)
6.03.01	Borrowings and Financing	33,746	23,342
6.03.02	Amortization of Loans and Financing – Principal	(76,480)	(45,098)
6.03.03	Acquisition of Treasury Shares	0	(15,308)
6.03.04	Payment of Dividends and Interest on Equity	(23,803)	(45,546)
6.05	Increase (Decrease) in Cash and Cash Equivalents	(47,757)	(113,301)
6.05.01	Opening Balance of Cash and Cash Equivalents	451,388	494,962
6.05.02	Closing Balance of Cash and Cash Equivalents	403,631	381,661

Individual Quarterly Financial Information / Statement of Changes in Equity - 1/1/2012 to 6/30/2012

R$ (in thousands)

Code	Description	Paid-In Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserve	Accumulated Losses	Other Comprehensive Income	Equity
5.01	Opening Balances	518,922	126,514	865,824	0	(33,572)	1,477,688
5.03	Adjusted Opening Balances	518,922	126,514	865,824	0	(33,572)	1,477,688
5.04	Capital Transactions with Shareholders	43,236	863	(47,782)	(43,400)	0	(47,083)
5.04.01	Capital Increase	43,236	0	(43,236)	0	0	0
5.04.03	Recognized Options Granted	0	863	0	0	0	863
5.04.06	Dividends	0	0	88	0	0	88
5.04.07	Interest on Equity	0	0	0	(43,400)	0	(43,400)
5.04.08	Goodwill generated as a result of increased participation in the subsidiary	0	0	(4,634)	0	0	(4,634)
5.05	Total Comprehensive Income	0	0	0	139,603	561	140,164
5.05.01	Net Income for the Period	0	0	0	139,603	0	139,603
5.05.02	Other Comprehensive Income	0	0	0	0	561	561
5.05.02.04	Translation Adjustments for the Period	0	0	0	0	561	561
5.06	Internal Changes in Equity	0	0	96,617	(96,203)	(414)	0
5.06.01	Set Up of Reserves	0	0	96,617	(96,617)	0	0
5.06.04	Realization of Other Comprehensive Income	0	0	0	414	(414)	0
5.07	Closing Balances	562,158	127,377	914,659	0	(33,425)	1,570,769

Individual Quarterly Financial Information / Statement of Changes in Equity - 1/1/2011 to 6/30/2011

R$ (in thousands)

Code	Description	Paid-In Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserve	Retained Earnings	Other Comprehensive Income	Equity
5.01	Opening Balances	441,171	144,513	757,956	0	(33,165)	1,310,475
5.03	Adjusted Opening Balances	441,171	144,513	757,956	0	(33,165)	1,310,475
5.04	Capital Transactions with Shareholders	77,751	(14,674)	(120,900)	(39,500)	0	(97,323)
5.04.01	Capital Increase	77,751	0	(77,751)	0	0	0
5.04.03	Recognized Options Granted	0	634	0	0	0	634
5.04.04	Acquired Treasury Shares	0	(17,273)	0	0	0	(17,273)
5.04.05	Sold Treasury Shares	0	1,965	0	0	0	1,965
5.04.06	Dividends	0	0	(24,150)	0	0	(24,150)
5.04.07	Interest on Equity	0	0	0	(39,500)	0	(39,500)
5.04.08	Goodwill generated as a result of increased participation in the subsidiary	0	0	(18,999)	0	0	(18,999)
5.05	Total Comprehensive Income	0	0	0	161,113	(8,142)	152,971
5.05.01	Net Income for the Period	0	0	0	161,113	0	161,113
5.05.02	Other Comprehensive Income	0	0	0	0	(8,142)	(8,142)
5.05.02.04	Translation Adjustments for the Period	0	0	0	0	(8,142)	(8,142)
5.06	Internal Changes in Equity	0	0	123,175	(121,613)	(1,562)	0
5.06.01	Set Up of Reserves	0	0	123,175	(123,175)	0	0
5.06.04	Realization of Other Comprehensive Income	0	0	0	1,562	(1,562)	0
5.07	Closing Balances	518,922	129,839	760,231	0	(42,869)	1,366,123

Individual Quarterly Financial Information / Statement of Value Added

R$ (in thousands)

Code	Description	YTD Current Year 1/1/2012 to 6/30/2012	YTD Previous Year 1/1/2011 to 6/30/2011
7.01	Income	1,182,320	987,802
7.01.01	Sales of Goods, Products and Services	1,174,576	971,208
7.01.02	Other Income	8,854	17,075
7.01.04	Allowance for (Reversal of) Doubtful Accounts	(1,110)	(481)
7.02	Inputs Acquired from Third Parties	(730,845)	(569,484)
7.02.01	Costs of Products, Goods and Services Sold	(419,534)	(316,758)
7.02.02	Materials, Electricity, Third Party Services and Other Expenses	(309,304)	(249,004)
7.02.03	Impairment of Assets	(853)	(4,165)
7.02.04	Other	(1,154)	443
7.03	Gross Value Added	451,475	418,318
7.04	Retentions	(20,255)	(18,349)
7.04.01	Depreciation, Amortization and Depletion	(20,255)	(18,349)
7.05	Net Value Added Produced	431,220	399,969
7.06	Value Added Received in Transfer	65,964	65,441
7.06.01	Equity Pickup	22,393	24,818
7.06.02	Financial Income	43,555	40,490
7.06.03	Other	16	133
7.07	Total Value Added to be Distributed	497,184	465,410
7.08	Distribution of Value Added	497,184	465,410
7.08.01	Personnel	181,543	149,719
7.08.01.01	Salaries	144,196	120,805
7.08.01.02	Benefits	27,895	22,369
7.08.01.03	Unemployment Compensation Fund (FGTS)	9,452	6,545
7.08.02	Taxes, Fees and Contributions	130,986	117,793
7.08.02.01	Federal	96,408	96,753
7.08.02.02	State	34,024	20,518
7.08.02.03	Municipal	554	522
7.08.03	Yield on Third Party Capital	45,052	36,785
7.08.03.01	Interest	17,567	16,615
7.08.03.02	Rents	13,739	8,841
7.08.03.03	Other	13,746	11,329
7.08.04	Equity Yield	139,603	161,113
7.08.04.01	Interest on Equity	43,400	39,500
7.08.04.03	Retained Earnings/Loss for the Period	96,203	121,613

Consolidated Quarterly Financial Information / Balance Sheet - Assets

R$ (in thousands)

Code	Description	6/30/2012	12/31/2011
1	Total Assets	2,613,403	2,396,288
1.01	Current Assets	1,776,588	1,607,580
1.01.01	Cash and Cash Equivalents	466,332	510,467
1.01.02	Short-Term Investments	155,139	160,487
1.01.02.02	Short-Term Investments Measured at Amortized Cost	155,139	160,487
1.01.02.02.01	Securities Held to Maturity	155,139	160,487
1.01.03	Accounts Receivable	579,615	505,858
1.01.03.01	Trade Accounts Receivable	579,615	505,858
1.01.04	Inventories	477,012	351,023
1.01.06	Recoverable Taxes	43,711	26,000
1.01.06.01	Current Recoverable Taxes	43,711	26,000
1.01.07	Prepaid Expenses	23,872	11,433
1.01.07.01	Prepaid Expenses	9,668	9,845
1.01.07.02	Prepaid Advertising Expenses	14,204	1,588
1.01.08	Other Current Assets	30,907	42,312
1.01.08.01	Non-Current Assets Available for Sale	0	323
1.01.08.03	Other	30,907	41,989
1.01.08.03.01	Advance to Suppliers	9,292	14,544
1.01.08.03.02	Accounts Receivable - Employees	3,258	3,904
1.01.08.03.03	Accounts Receivable from Sale of Subsidiary	12,377	17,094
1.01.08.03.06	Other Assets	5,980	6,447
1.02	Non-Current Assets	836,815	788,708
1.02.01	Long-Term Receivables	116,557	108,868
1.02.01.06	Deferred Taxes	52,417	45,244
1.02.01.06.01	Deferred Income and Social Contribution Taxes	52,417	45,244
1.02.01.09	Other Non-Current Assets	64,140	63,624
1.02.01.09.03	Judicial Deposits	12,867	14,528
1.02.01.09.04	Recoverable Taxes	27,766	25,848
1.02.01.09.05	Other Accounts Receivable	23,238	22,979
1.02.01.09.06	Compulsory Deposits	269	269
1.02.02	Investments	71,530	74,462
1.02.02.01	Equity Interest	71,530	74,462
1.02.02.01.01	Interest in Associates	71,335	74,267
1.02.02.01.04	Other Equity Interest	195	195
1.02.03	Property, Plant and Equipment	394,941	341,980
1.02.03.01	Operational Property, Plant and Equipment	298,465	285,946
1.02.03.03	Construction in Progress	96,476	56,034
1.02.04	Intangible Assets	253,787	263,398
1.02.04.01	Intangible Assets	253,787	263,398
1.02.04.01.02	Intangible Assets	253,787	263,398

Consolidated Quarterly Financial Information / Balance Sheet – Liabilities

R$ (in thousands)

Code	Description	6/30/2012	12/31/2011
2	Total Liabilities	2,613,403	2,396,288
2.01	Current Liabilities	750,602	664,340
2.01.01	Social Charges and Labor Liabilities	115,165	98,897
2.01.01.01	Social Charges	17,659	16,791
2.01.01.02	Labor Liabilities	97,506	82,106
2.01.02	Trade Accounts Payable	358,354	297,150
2.01.02.01	Trade Accounts Payable - Domestic	209,605	194,580
2.01.02.02	Trade Accounts Payable - Foreign	148,749	102,570
2.01.03	Tax Liabilities	23,412	13,556
2.01.03.01	Federal Tax Liabilities	17,119	9,349
2.01.03.01.01	Income and Social Contribution Taxes Payable	3,384	2,233
2.01.03.01.03	Other Tax Liabilities	13,735	7,116
2.01.03.02	State Tax Liabilities	6,293	4,207
2.01.04	Loans and Financing	146,716	180,077
2.01.04.01	Loans and Financing	146,588	179,894
2.01.04.01.01	In Domestic Currency	34,011	63,441
2.01.04.01.02	In Foreign Currency	112,577	116,453
2.01.04.03	Financing under Finance Lease	128	183
2.01.05	Other Liabilities	93,562	63,224
2.01.05.02	Other	93,562	63,224
2.01.05.02.01	Dividends and Interest on Equity Payable	20,352	843
2.01.05.02.04	Debt Restructuring Agreements	14,807	14,758
2.01.05.02.05	Provisions and Other Liabilities	58,403	47,623
2.01.06	Provisions	13,393	11,436
2.01.06.01	Provisions for Tax, Social Security, Labor and Civil Claims	13,393	11,436
2.01.06.01.02	Provisions for Social Security and Labor Claims	12,946	11,000
2.01.06.01.04	Provision for Civil Claims	447	436
2.02	Non-Current Liabilities	285,220	242,089
2.02.01	Loans and Financing	88,816	55,856
2.02.01.01	Loans and Financing	88,802	55,814
2.02.01.01.01	In Domestic Currency	43,853	53,907
2.02.01.01.02	In Foreign Currency	44,949	1,907
2.02.01.03	Financing under Finance Lease	14	42
2.02.02	Other Liabilities	170,057	159,988
2.02.02.02	Other	170,057	159,988
2.02.02.02.03	Debt-Restructuring Agreements of Subsidiaries	65,178	63,537
2.02.02.02.04	Suspended Tax Payments	94,644	86,780
2.02.02.02.05	Provisions for Employee Benefits	1,963	1,973
2.02.02.02.06	Tax Installment Payment - Law 11941/09	874	875
2.02.02.02.07	Other Liabilities	7,398	6,823
2.02.04	Provisions	26,347	26,245
2.02.04.01	Provisions for Tax, Social Security, Labor and Civil Claims	26,347	26,245
2.02.04.01.01	Provisions for Tax Claims	9,441	9,075
2.02.04.01.02	Provisions for Social Security and Labor Claims	13,131	13,449
2.02.04.01.04	Provisions for Civil Claims	3,775	3,721
2.03	Consolidated Equity	1,577,581	1,489,859

Consolidated Quarterly Financial Information / Balance Sheet – Liabilities

R$ (in thousands)

Code	Description	6/30/2012	12/31/2011
2.03.01	Paid-In Capital	562,158	518,922
2.03.02	Capital Reserves	127,377	126,514
2.03.02.05	Treasury Shares	(40,587)	(40,587)
2.03.02.07	Other Capital Reserves	177,739	177,739
2.03.02.08	Negative Goodwill on Sale of Treasury Shares	(14,217)	(14,217)
2.03.02.09	Additional Paid-In Capital	4,442	3,579
2.03.04	Income Reserves	914,659	865,824
2.03.04.01	Legal Reserve	49,676	49,676
2.03.04.05	Income Retention Reserve	329,261	336,604
2.03.04.07	Tax Incentive Reserve	535,722	479,544
2.03.06	Equity Valuation Adjustments	33,226	33,640
2.03.07	Cumulative Translation Adjustments	(66,651)	(67,212)
2.03.09	Non-Controlling Interest	6,812	12,171

Consolidated Quarterly Financial Information / Statement of Operations

R$ (in thousands)

Code	Description	Current Quarter 4/1/2012 to 6/30/2012	YTD Current Year 1/1/2012 to 6/30/2012	Same Quarter of Previous Year 4/1/2011 to 6/30/2011	YTD Previous Year 1/1/2011 to 6/30/2011
3.01	Revenue from Sales of Goods and/or Services	727,294	1,376,233	629,789	1,184,426
3.02	Cost of Goods and/or Services Sold	(413,993)	(775,267)	(343,390)	(638,932)
3.03	Gross Profit	313,301	600,966	286,399	545,494
3.04	Operating Expenses/Income	(261,819)	(466,754)	(203,281)	(373,993)
3.04.01	Selling Expenses	(204,392)	(363,835)	(171,561)	(301,494)
3.04.02	General and Administrative Expenses	(39,853)	(77,007)	(35,125)	(66,631)
3.04.04	Other Operating Income	8,257	16,176	17,216	19,151
3.04.05	Other Operating Expenses	(23,756)	(36,284)	(14,976)	(24,887)
3.04.05.01	Amortization of Intangible Assets	(5,817)	(11,631)	(5,099)	(9,467)
3.04.05.02	Other Operating Expenses	(17,939)	(24,653)	(9,877)	(15,420)
3.04.06	Equity Pickup	(2,075)	(5,804)	1,165	(132)
3.05	Income Before Financial Income (Expenses) and Taxes	51,482	134,212	83,118	171,501
3.06	Net Financial Income	1,009	7,072	4,650	13,218
3.06.01	Financial Income	24,757	46,066	20,686	42,778
3.06.01.01	Foreign Exchange Fluctuations	8,867	11,430	1,102	4,377
3.06.01.02	Other Financial Income	15,890	34,636	19,584	38,401
3.06.02	Financial Expenses	(23,748)	(38,994)	(16,036)	(29,560)
3.06.02.01	Foreign Exchange Fluctuations	(9,718)	(12,670)	(2,121)	(3,680)
3.06.02.02	Other Financial Expenses	(14,030)	(26,324)	(13,915)	(25,880)
3.07	Income Before Income Taxes	52,491	141,284	87,768	184,719
3.08	Income and Social Contribution Taxes	9,419	(1,131)	(13,859)	(22,307)
3.08.01	Current	1,978	(8,338)	(6,792)	(17,481)
3.08.02	Deferred	7,441	7,207	(7,067)	(4,826)
3.09	Net Income from Going Concern Operations	61,910	140,153	73,909	162,412
3.11	Consolidated Income/Loss for the Period	61,910	140,153	73,909	162,412
3.11.01	Attributed to Shareholders of the Parent Company	61,438	139,603	73,862	161,113
3.11.02	Attributed to Non-Controlling Interest	472	550	47	1,299

Consolidated Quarterly Financial Information / Statement of Comprehensive Loss

R$ (in thousands)

Code	Description	Current Quarter 4/1/2012 to 6/30/2012	YTD Current Year 1/1/2012 to 6/30/2012	Same Quarter of Previous Year 4/1/2011 to 6/30/2011	YTD Previous Year 1/1/2011 to 6/30/2011
4.01	Consolidated Net Income for the Period	61,910	140,153	73,909	162,412
4.02	Other Comprehensive Income	5,519	888	(7,349)	(11,136)
4.02.01	Losses in Translation of Financial Statements of Subsidiaries Abroad	5,519	888	(7,349)	(11,136)
4.03	Consolidated Comprehensive Income for the Period	67,429	141,041	66,560	151,276
4.03.01	Attributed to Shareholders of the Parent Company	66,088	140,164	67,910	152,971
4.03.02	Attributed to Non-Controlling Interest	1,341	877	(1,350)	(1,695)

Consolidated Quarterly Financial Information / Statement of Cash Flows – Indirect Method

R$ (in thousands)

Code	Description	YTD Current Year 1/1/2012 to 6/30/2012	YTD Previous Year 1/1/2011 to 6/30/2011
6.01	Net Cash from Operating Activities	66,790	129,279
6.01.01	Cash Generated by Operations	190,682	201,075
6.01.01.01	Net Income for the Period	140,153	162,412
6.01.01.02	Depreciation and Amortization	29,014	26,081
6.01.01.03	Income from Sale/Write-Off of Property, Plant and Equipment	4,220	953
6.01.01.04	Equity Pickup	5,804	132
6.01.01.05	Interest, Monetary and Foreign Exchange Fluctuations	13,033	7,960
6.01.01.06	Provisions for Tax, Civil and Labor Risks	6,527	5,357
6.01.01.07	Deferred Income and Social Contribution Taxes	(7,207)	4,826
6.01.01.08	Allowance for (Reversal of) Doubtful Accounts	2,604	1,700
6.01.01.09	Provision for Inventory Losses	3,219	(51)
6.01.01.10	Amortization of Loans and Financing - Charges	(9,046)	(8,929)
6.01.01.11	Stock Option Plan Granted	863	634
6.01.01.12	Provision for loss on Property, Plant and Equipment / Intangible Assets "Impairment"	1,498	0
6.01.02	Changes in Assets and Liabilities	(123,892)	(71,796)
6.01.02.01	Trade Accounts Receivable	(71,045)	23,780
6.01.02.02	Inventories	(122,858)	(56,653)
6.01.02.03	Prepaid Expenses	(12,254)	(18,279)
6.01.02.04	Recoverable Taxes	(18,856)	453
6.01.02.05	Trade Accounts Payable	57,146	9,145
6.01.02.06	Taxes Payable	24,767	15,167
6.01.02.07	Salaries and Social Charges	15,014	(1,199)
6.01.02.08	Payment of Income and Social Contribution Taxes	(14,816)	(14,540)
6.01.02.09	Other	19,010	(29,670)
6.02	Net Cash from Investing Activities	(61,948)	(115,710)
6.02.01	Acquisition of Property, Plant and Equipment and Intangible Assets	(74,455)	(25,796)
6.02.02	Receipts from the Sale of Fixed Assets	5,650	15,723
6.02.03	Short-Term Investments	6,857	(105,637)
6.03	Net Cash from Financing Activities	(50,579)	(116,011)
6.03.01	Borrowings and Financing	134,101	91,133
6.03.02	Amortization of Loans and Financing – Principal	(144,479)	(101,134)
6.03.03	Acquisition of Treasury Shares	0	(15,308)
6.03.04	Payment of Dividends and Interest on Equity	(23,803)	(45,546)
6.03.05	Amortization for Debt Restructuring of Subsidiaries	(5,528)	(5,915)
6.03.06	Purchase of Non-Controlling Interest	(10,870)	(39,241)
6.04	Foreign Exchange Fluctuations on Cash and Cash Equivalents	1,602	(1,489)
6.05	Increase (Decrease) in Cash and Cash Equivalents	(44,135)	(103,931)
6.05.01	Opening Balance of Cash and Cash Equivalents	510,467	523,356
6.05.02	Closing Balance of Cash and Cash Equivalents	466,332	419,425

Consolidated Quarterly Financial Information / Statement of Changes in Equity - 1/1/2012 to 6/30/2012

R$ (in thousands)

Code	Description	Paid-In Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserve	Accumulated Losses	Other Comprehensive Income	Equity Attributable to Controlling Shareholders	Non-controlling interest	Consolidated Equity
5.01	Opening Balances	518,922	126,514	865,824	0	(33,572)	1,477,688	12,171	1,489,859
5.03	Adjusted Opening Balances	518,922	126,514	865,824	0	(33,572)	1,477,688	12,171	1,489,859
5.04	Capital Transactions with Shareholders	43,236	863	(47,782)	(43,400)	0	(47,083)	(6,236)	(53,319)
5.04.01	Capital Increase	43,236	0	(43,236)	0	0	0	0	0
5.04.03	Recognized Options Granted	0	863	0	0	0	863	0	863
5.04.06	Dividends	0	0	88	0	0	88	0	88
5.04.07	Interest on Equity	0	0	0	(43,400)	0	(43,400)	0	(43,400)
5.04.08	Purchase of Non-Controlling Interest	0	0	0	0	0	0	(6,236)	(6,236)
5.04.09	Goodwill Generated Virtue of Increased Participation in Subsidiary	0	0	(4,634)	0	0	(4,634)	0	(4,634)
5.05	Total Comprehensive Income	0	0	0	139,603	561	140,164	877	141,041
5.05.01	Net Income for the Period	0	0	0	139,603	0	139,603	550	140,153
5.05.02	Other Comprehensive Income	0	0	0	0	561	561	327	888
5.05.02.04	Translation Adjustments for the Period	0	0	0	0	561	561	327	888
5.06	Internal Changes in Equity	0	0	96,617	(96,203)	(414)	0	0	0
5.06.01	Set Up of Reserves	0	0	96,617	(96,617)	0	0	0	0
5.06.04	Realization of Other Comprehensive Income	0	0	0	414	(414)	0	0	0
5.07	Closing Balances	562,158	127,377	914,659	0	(33,425)	1,570,769	6,812	1,577,581

Consolidated Quarterly Financial Information / Statement of Changes in Equity – 1/1/2011 to 6/30/2011

R$ (in thousands)

Code	Description	Paid-In Capital	Capital Reserves, Options Granted and Treasury Shares	Income Reserve	Retained Earnings	Other Comprehensive Income	Equity Attributable to Controlling Shareholders	Non-controlling interest	Consolidated Equity
5.01	Opening Balances	441,171	144,513	757,956	0	(33,165)	1,310,475	37,598	1,348,073
5.03	Adjusted Opening Balances	441,171	144,513	757,956	0	(33,165)	1,310,475	37,598	1,348,073
5.04	Capital Transactions with Shareholders	77,751	(14,674)	(120,900)	(39,500)	0	(97,323)	(20,242)	(117,565)
5.04.01	Capital Increase	77,751	0	(77,751)	0	0	0	0	0
5.04.03	Recognized Options Granted	0	634	0	0	0	634	0	634
5.04.04	Acquired Treasury Shares	0	(17,273)	0	0	0	(17,273)	0	(17,273)
5.04.05	Sold Treasury Shares	0	1,965	0	0	0	1,965	0	1,965
5.04.06	Dividends	0	0	(24,150)	0	0	(24,150)	0	(24,150)
5.04.07	Interest on Equity	0	0	0	(39,500)	0	(39,500)	0	(39,500)
5.04.08	Purchase of Non-Controlling Interest	0	0	0	0	0	0	(20,242)	(20,242)
5.04.09	Goodwill Generated Virtue of Increased Participation in Subsidiary	0	0	(18,999)	0	0	(18,999)	0	(18,999)
5.05	Total Comprehensive Income	0	0	0	161,113	(8,142)	152,971	(1,695)	151,276
5.05.01	Net Income for the Period	0	0	0	161,113	0	161,113	1,299	162,412
5.05.02	Other Comprehensive Income	0	0	0	0	(8,142)	(8,142)	(2,994)	(11,136)
5.05.02.04	Translation Adjustments for the Period	0	0	0	0	(8,142)	(8,142)	(2,994)	(11,136)
5.06	Internal Changes in Equity	0	0	123,175	(121,613)	(1,562)	0	0	0
5.06.01	Set Up of Reserves	0	0	123,175	(123,175)	0	0	0	0
5.06.04	Realization of Other Comprehensive Income	0	0	0	1,562	(1,562)	0	0	0
5.07	Closing Balances	518,922	129,839	760,231	0	(42,869)	1,366,123	15,661	1,381,784

Consolidated Quarterly Financial Information / Statement of Value Added

R$ (in thousands)

Code	Description	YTD Current Year 1/1/2012 to 6/30/2012	YTD Previous Year 1/1/2011 to 6/30/2011
7.01	Income	1,648,184	1,395,602
7.01.01	Sales of Goods, Products and Services	1,633,170	1,379,145
7.01.02	Other Income	17,618	18,157
7.01.04	Allowance for (Reversal of) Doubtful Accounts	(2,604)	(1,700)
7.02	Inputs Acquired from Third Parties	(946,574)	(760,397)
7.02.01	Costs of Products, Goods and Services Sold	(552,808)	(453,537)
7.02.02	Materials, Electricity, Third Party Services and Other Expenses	(391,395)	(303,138)
7.02.03	Impairment of Assets	(1,217)	(4,165)
7.02.04	Other	(1,154)	443
7.03	Gross Value Added	701,610	635,205
7.04	Retentions	(29,014)	(26,081)
7.04.01	Depreciation, Amortization and Depletion	(29,014)	(26,081)
7.05	Net Value Added Produced	672,596	609,124
7.06	Value Added Received in Transfer	40,429	44,158
7.06.01	Equity Pickup	(5,804)	(132)
7.06.02	Financial Income	46,066	42,778
7.06.03	Other	167	1,512
7.07	Total Value Added to be Distributed	713,025	653,282
7.08	Distribution of Value Added	713,025	653,282
7.08.01	Personnel	294,466	238,115
7.08.01.01	Salaries	249,914	198,687
7.08.01.02	Benefits	34,471	32,320
7.08.01.03	Unemployment Compensation Fund (FGTS)	10,081	7,108
7.08.02	Taxes, Fees and Contributions	213,110	203,585
7.08.02.01	Federal	173,948	178,304
7.08.02.02	State	38,525	24,667
7.08.02.03	Municipal	637	614
7.08.03	Yield on Third Party Capital	65,296	49,170
7.08.03.01	Interest	33,331	26,249
7.08.03.02	Rents	17,266	11,239
7.08.03.03	Other	14,699	11,682
7.08.04	Equity Yield	140,153	162,412
7.08.04.01	Interest on Equity	43,400	39,500
7.08.04.03	Retained Earnings/Loss for the Period	96,203	121,613
7.08.04.04	Non-Controlling Interest in Retained Earnings	550	1,299

1. Operations

1.1. General considerations

Alpargatas S.A. (the "Company") is a publicly-traded corporation headquartered in the city of São Paulo, at Rua Doutor Cardoso de Melo, 1336, listed in the São Paulo Stock Exchange (BMF&BOVESPA) under the ticker symbols "ALPA4" and "ALPA3".

On April 26, 2011, the Special Shareholders' Meeting approved the change in the Company's corporate name from São Paulo Alpargatas S.A. to Alpargatas S.A.

The Company and its subsidiaries (hereinafter referred to as "Alpargatas Group" or the "Group") are primarily engaged in the manufacture and sale of footwear and footwear components, apparel items, textiles and textile components, leather, resin and natural or synthetic rubber goods, and sports items.

The direct and indirect subsidiaries and associate through which the Company conducts activities in Brazil and abroad are described in Note 5.

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

Details on acquisition and increase in interest in subsidiary Alpargatas S.A.I.C. - Argentina are set out in Note 13.

1.3. Ownership reorganization in subsidiary Alpargatas S.A.I.C. Argentina

In order to streamline the ownership structure of Alpargatas S.A.I.C. - Argentina, generating synergies and higher efficiency, at a meeting held on December 20, 2011, the Company's Board of Directors approved an ownership reorganization to merge eight subsidiaries. The reorganization became effective as from April 1, 2012, according to the conditions and effects provided for by articles 82 to 87 of Law No. 19550 of Argentina Business Companies, standards from *"Comisión Nacional de Valores - CNV"*, *"Buenos Aires Trade Regulations - BCBA"* and other applicable legal and regulatory standards.

The ownership reorganization was approved at the Special General Meetings held on April 25 and 26, 2012.

2. Basis for preparation of quarterly interim financial information

2.1. Statement of compliance

The Company's quarterly interim financial information, contained in the Quarterly Financial Information Form (ITR) for the quarter ended June 30, 2012, comprises:

- The consolidated quarterly interim financial information prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and accounting practices adopted in Brazil, under accounting pronouncements IAS 34 and CPC 21 - Interim Financial Reporting; and

- The individual quarterly interim financial information of the parent company prepared in accordance with accounting practices adopted in Brazil, under accounting pronouncement CPC 21 - Interim Financial Reporting.

The accounting practices adopted in Brazil comprise those set out in Brazilian Corporate Law and the pronouncements, guidance and interpretations issued by the Brazilian FASB (CPC), approved by the Brazilian SEC (CVM).

The individual quarterly interim financial information presents the valuation of investments in subsidiaries and associate under the equity method, pursuant to prevailing Brazilian Corporate Law. Accordingly, this individual quarterly interim financial information is not considered as being in conformity with IFRS, which require the valuation of these investments in the parent company's separate interim financial information at cost or fair value; however, equity pickup is prescribed by Brazilian Corporate Law.

2.2. Basis for preparation

The quarterly interim financial information was prepared based on the historical cost, except for, as applicable, certain financial instruments measured at their fair values, as described in the following accounting practices. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

As mentioned in item 2.1, the quarterly interim financial information was prepared and is presented in accordance with IAS 34 and CPC 21 - Interim Financial Reporting, and, accordingly, should be read together with the Company's annual financial statements for the year ended December 31, 2011, disclosed on March 16, 2012.

3. Significant accounting practices

The quarterly interim financial information was prepared consistently with the accounting practices described in Note 3 to annual financial statements for the year ended December 31, 2011. There are no new interpretations and amendments to existing standards at June 30, 2012 in addition to those described in Note 5 to annual financial statements for the year ended December 31, 2011.

4. Significant accounting judgments and estimates

When applying accounting practices, management must make judgments and prepare estimates related to carrying amounts of assets and liabilities not easily obtained from other sources. The estimates and respective assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The effects of accounting estimate reviews are recognized in the period in which estimates are reviewed, if the review only affects that period, or also in later periods, if the review affects both current and future periods.

Significant accounting judgments and estimates applied in the preparation of the quarterly interim financial information are consistent with those described in Note 4 to annual financial statements for the year ended December 31, 2011.

5. Consolidated financial information

Consolidation criteria, definition of subsidiaries and changes in interest held in existing subsidiaries

The consolidation criteria used in the preparation of the quarterly interim financial information were applied consistently with the criteria described in Note 6 to annual financial statements for the year ended December 31, 2011.

The consolidation comprises the Company's financial information and the following direct and indirect subsidiaries:

	Interest held and voting rights - %	
	6/30/2012	**12/31/2011**
Direct interest:		
CBS S.A. - Companhia Brasileira de Sandálias	100.00	100.00
Fibrasil Agrícola e Comercial Ltda.	100.00	100.00
Alpargatas Imobiliária S.A.	100.00	100.00
Alpargatas Chile Ltda. – Chile	100.00	100.00
Alpargatas Internacional APS – Denmark	100.00	100.00
Alpargatas S.A.I.C. - Argentina	95.69	91.45
Indirect interest (by means of Alpargatas Internacional APS):		
Alpargatas Europe S.L.U. – Spain	100.00	100.00
Alpargatas USA Inc. – United States	100.00	100.00
Alpargatas UK Limited - United Kingdom	100.00	100.00
Alpargatas France S.A.R.L. – France	100.00	100.00
Alpargatas Italia S.R.L. – Italy	100.00	100.00
Alpargatas Portugal Limited – Portugal	100.00	100.00

- CBS S.A. - Companhia Brasileira de Sandálias: acquired in November 2007. It is engaged in the manufacture and sale of rubber sandals.
- Fibrasil Agrícola e Comercial Ltda.: acquired in November 1989. It is engaged in the import and export activities in general, purchase, sale and lease of own properties, and holding interest in other companies, in Brazil or abroad. The subsidiary is currently dormant.
- Alpargatas Imobiliária S.A.: organized in January 2005. It is engaged in the purchase, sale and lease of own properties and holding interest in other companies, in Brazil or abroad.
- Alpargatas S.A.I.C. - Argentina: acquired in October 2007, but its control was transferred to the Company in October 2008. It is engaged in the manufacture and sale of footwear and textile products mainly in the Argentinean market.
- Alpargatas Europe S.L.U. - Spain, Alpargatas France S.A.R.L. - France, Alpargatas UK Limited - United Kingdom, Alpargatas Italia S.R.L. - Italy and Alpargatas Portugal Limited - Portugal: organized in July, August and September 2008, and April and May 2009, respectively. They are primarily engaged in the import and sale of footwear in the European market.

- Alpargatas USA Inc. - United States: organized after the merger of Expasa Florida Inc. in December 2006. It is primarily engaged in the import and sale of footwear in the U.S. market.
- Alpargatas Chile Ltda. - Chile: organized in November 2007. It is primarily engaged in the import and sale of footwear in the Chilean market. In November 2009, Company management approved the discontinuation of the operations of this subsidiary, and, from May 2010, the Company will sell its products through an independent distributor, under a sales representation agreement.

6. Tax incentives - investment grants

The Company and its subsidiaries have tax incentives granted by state governments where the main plants are located, which will expire between 2018 and 2020. The Company and its subsidiaries also have tax incentives granted by federal governments through the income from exploitation in the Northeast Region.

Investment grants, including income tax incentives, recorded for the six-month periods ended June 30, 2012 and 2011, are as follows:

		Company		Consolidated	
		6/30/2012	6/30/2011	6/30/2012	6/30/2011
State VAT (ICMS) incentive					
Paraíba	(a)	53,130	60,759	53,130	60,759
Pernambuco	(b)	-	-	3,832	3,856
IRPJ incentives:					
Northeast Region	(c)	3,049	5,747	3,049	7,203
Total		56,179	66,506	60,011	71,818

(a) Amounts of the investment grant in the State of Paraíba, used in the calculation of matching ICMS (State VAT) credit, calculated by Santa Rita, Campina Grande and João Pessoa plants. The amounts refer to unpaid ICMS installments, thus committed with what was agreed with the state government. The Company is compliant with the established agreement, consisting of expanding the manufacturing facilities in that region, increasing its production of footwear and generating direct jobs in plants in the State of Paraíba.

Additionally, during the six-month periods ended June 30, 2012 and 2011, there were no incentive installments to be accounted for, arising from obligations established by the incentive program, to be complied with by the Company. Tax incentive installments are credited to “Sales taxes” in the statement of operations.

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

(c) These are credited to “Income and social contribution taxes - current” in the statement of operations (see details in Note 11.b).

7. Cash and cash equivalents and short-term investments

a) Cash and cash equivalents

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Cash and banks	1,594	458	18,786	14,847
Yield on current account (i)	-	644	-	2,458
Short-term investments:				
Bank Deposit Certificates (CDBs) – fixed and floating rates (ii)	101,852	133,208	104,145	136,610
Repurchase agreements (ii)	289,078	306,968	331,403	345,351
National Treasury Notes - type B (iii)	11,107	10,110	11,107	10,110
Other - Alpargatas S.A.I.C. - Argentina (iv)	-	-	876	809
Other - Alpargatas Europe S.L.U. - Spain (iv)	-	-	15	282
Total	403,631	451,388	466,332	510,467

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

The Company's policy does not establish criteria for determining breakdown of "Cash and cash equivalents". However, the accounting classification of cash and cash equivalent components used by Company and its subsidiary management is described in Note 3.c to annual financial statements at December 31, 2011.

Short-term investments classified as cash equivalents by the Company and its subsidiaries are as follows:

(i) At December 31, 2011, the Company and its subsidiaries held a balance in a current account yielded at 20% of Interbank Deposit Certificate - CDI variation.

(ii) At June 30, 2012, CDBs were distributed among various financial institutions with average yield of 104.04% of CDI (103.66% at December 31, 2011), and repurchase agreements were distributed among various financial institutions with average yield of 101.96% of CDI (103.32% at December 31, 2011). At June 30, 2012, CDBs and securities relating to repurchase agreements mature between July 2012 and November 2016 and are classified into "Cash and cash equivalents" as their grace period for redemption is less than 90 days or as they are considered as financial assets with immediate redemption guaranteed, subject to an insignificant risk of change in value.

(iii) The Company acquired National Treasury Notes - type B (NTN-B) indexed to changes in the Extended Consumer Price Index - IPCA plus interest of 6% p.a., maturing in August 2020. As they are highly liquid securities, the Company adjusts them to market value, thus classifying them as "Cash and cash equivalents".

(iv) Short-term investments held by subsidiaries Alpargatas S.A.I.C. - Argentina and Alpargatas Europe S.L.U. - Spain at June 30, 2012 are represented by fixed-income securities, with average annual yield of 2.69% and 1.60%, respectively (3.38% and 1.60%, respectively, at December 31, 2011).

b) Short-term investments

At June 30, 2012, these refer to CDBs and repurchase agreements with average yield of 102.95% of CDI (103.61% at December 31, 2011), broken down as follows:

	Company		Consolidated	
	6/30/2012	**12/31/2011**	**6/30/2012**	**12/31/2011**
Fixed and floating CDBs	56,962	10,737	56,962	10,737
Repurchase agreements	87,708	149,750	98,177	149,750
Total	144,670	160,487	155,139	160,487

These are classified into current assets as they can be redeemed within 360 days from the investment date and are not classified into "Cash and cash equivalents" as their grace period for redemption is 90 days and as there is a significant risk of change in value in the event of early redemption.

8. Trade accounts receivable

a) Breakdown:

	Company		Consolidated	
	6/30/2012	**12/31/2011**	**6/30/2012**	**12/31/2011**
Domestic market	411,086	413,346	431,831	436,915
Foreign market	33,188	17,309	174,055	93,393
Related parties (Note 20 b)	40,687	19,377	-	-
Allowance for doubtful accounts	(17,686)	(16,576)	(26,271)	(24,450)
Total	467,275	433,456	579,615	505,858

Trade accounts receivable are classified into "Loans and receivables", stated at amortized cost. Their net book value approximates their fair value, as described in Note 7 to significant accounting practices. Foreign trade accounts receivable are denominated in U.S. dollars, euro and Argentinean pesos.

b) Aging list:

	Company		Consolidated	
	6/30/2012	**12/31/2011**	**6/30/2012**	**12/31/2011**
Falling due	435,857	396,982	509,057	452,512
Overdue				
Up to 30 days	15,595	20,627	37,721	30,114
From 31 to 90 days	6,520	4,994	18,805	10,954
Above 91 days	26,989	27,429	40,303	36,728
Total	484,961	450,032	605,886	530,308

c) Allowance for doubtful accounts

Changes in the allowance for doubtful accounts are as follows:

	Company	Consolidated
Balances at December 31, 2011	(16,576)	(24,450)
Additions	(5,741)	(6,499)
Reversals and write-offs	4,631	4,678
Balances at June 30, 2012	(17,686)	(26,271)

Aging list of trade accounts receivable, included in allowance for doubtful accounts, is broken down as follows:

	Consolidated	
	6/30/2012	12/31/2011
Up to 30 days	(387)	(298)
From 31 to 90 days	(2,002)	(983)
Above 91 days	(23,882)	(23,169)
Total	(26,271)	(24,450)

Expense on setting up allowance for doubtful accounts was recorded under the “Selling expenses” account in the statement of operations.

The maximum exposure to credit risk at the quarterly interim financial information date is the carrying amount of each aging range, as detailed in the aging list of trade accounts receivable above. No provision for losses was set up for defaulting customers with rescheduled debts, for which the Company and its subsidiaries have letters of credit and properties as collaterals. For other past due trade accounts receivable, which are not collateralized, an allowance for doubtful account was set up.

9. Inventories

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Finished products	167,208	114,366	297,878	218,866
Work-in-process	16,607	11,560	34,525	29,707
Raw materials	48,188	38,858	88,458	69,149
Imports in transit	43,016	12,777	43,016	13,552
Other	16,335	24,959	25,598	28,993
Provision for inventory losses	(7,315)	(4,320)	(12,463)	(9,244)
Total	284,039	198,200	477,012	351,023

Changes in provision for inventory losses are as follows:

	Company	Consolidated
Balances at December 31, 2011	(4,320)	(9,244)
Additions	(6,667)	(8,456)
Reversals and write-offs	3,672	5,237
Balances at June 30, 2012	(7,315)	(12,463)

10. Taxes recoverable

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Prepayments of income and social contribution taxes	18,179	10,270	19,950	12,250
Withholding Income Tax (IRRF)	5,191	4,013	3,797	2,054
State VAT (ICMS)	3,075	2,687	3,316	2,874
Federal VAT (IPI)	149	108	149	108
Contribution Tax on Gross Revenue for Social Integration Program (PIS) and Contribution Tax on Gross Revenue for Social Security Financing (COFINS) to be offset	5,490	4,785	5,989	5,275
Tax incentive - Brasil Maior	3,600	-	3,600	-
Value Added Tax - VAT - Alpargatas Europe	-	-	1,893	2,046
Prepayments of income tax - Alpargatas S.A.I.C. - Argentina	-	-	18,619	15,880
Value Added Tax - VAT - Argentina	-	-	6,393	8,326
Other	4,031	513	7,771	3,035
Total	39,715	22,376	71,477	51,848
Current portion	30,897	15,886	43,711	26,000
Non-current portion	8,818	6,490	27,766	25,848

11. Income and social contribution taxes

a) Deferred

		Company and Consolidated	
		6/30/2012	12/31/2011
Assets:			
Allowance for doubtful accounts		6,013	5,636
Provision for inventory losses		2,487	1,469
Provision for tax, civil, and labor risks		8,265	8,050
Provision for suspended tax payments		23,329	20,853
Write-off of deferred assets		280	601
Adjustment to recognition of sales revenue		3,173	3,721
Income and social contribution tax losses		112	-
Other temporary differences		3,783	6,508
Total - Company		47,442	46,838
Subsidiaries:			
Alpargatas S.A.I.C. - Argentina			
- Provision for trust		7,438	7,259
- Provisions for tax, civil, and labor risks		8,145	7,253
- Deferred tax on tax losses	(iii)	16,780	4,896
- Other temporary differences		8,759	7,328
		41,122	26,736
Alpargatas Europe S.L.U. – Spain:			
- Tax losses	(i)	6,856	9,750
CBS S.A. - Companhia Brasileira de Sandálias:			
- Temporary differences		1,834	1,816
- Income and social contribution tax losses	(i)	2,361	3,376
		4,195	5,192
Deferred taxes on unrealized profits		2,006	1,035
Total - Consolidated		101,621	89,551
Liabilities:			
Company:			
Goodwill on acquisition of subsidiaries amortized for tax purposes	(ii)	6,506	5,690
Provision for IRPJ/CSLL on difference of useful live of PP&E (depreciation)		1,305	-
Provision for CSLL – 25% on depreciation		2,467	-
Total - Company		10,278	5,690
Subsidiaries:			
Alpargatas S.A.I.C. – Argentina: Present value adjustment to renegotiated obligations and tax difference in the valuation of PP&E items		38,926	38,617
Total - Consolidated		49,204	44,307
Net total - Company		37,164	41,148
Net total - Consolidated		52,417	45,244

(i) *Recognition of tax credits of subsidiaries*

Alpargatas Europe S.L.U. - Spain

For the closing of the financial statements for the year ended December 31, 2009, based on a technical feasibility study, approved by the Board of Directors, management decided to recognize a deferred income tax credit on income tax losses incurred by subsidiary Alpargatas Europe S.L.U. - Spain. Based on projections of future taxable profit of the subsidiary as from 2011, management, in compliance with CPC 32 and IAS 12 - Income Taxes, decided to recognize deferred tax credit, which is expected to be realized until 2015. According to the Spanish tax law, the maximum statute of limitations of income tax losses is 18 years from the date they are incurred.

CBS S.A. - Companhia Brasileira de Sandálias

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

(ii) *Goodwill on acquisition of subsidiaries amortized for tax purposes*

Due to the cancellation of the amortization of goodwill on acquisition of subsidiaries, in accordance with amendments to accounting practices adopted in Brazil enacted by Laws No. 11638/07 and No. 11941/09, from January 1, 2009, the Company is now enjoying goodwill tax benefit on acquisition of subsidiary CBS S.A. - Companhia Brasileira de Sandálias, after the merger of the former subsidiary Atlântico Participações S.A., through the Transition Tax Regime (RTT), effect of which was offset previously at the ratio of 1 to 60th per month, with a monthly amortization of R$400, which has been resulting in a tax effect of R$136/month. Therefore, as required by accounting practices adopted in Brazil, the difference between the base for enjoying tax benefits and accounting amortization is being considered a temporary difference for deferred income and social contribution taxes (IRPJ and CSLL), effects of which are recorded in non-current liabilities.

(iii) *Setup of tax credit provided by ownership reorganization*

In June 2012, Alpargatas S.A.I.C - Argentina recorded a tax credit amounting to R$11,800 stemming from merger of subsidiaries, as mentioned in Note 1.3.

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

	6/30/2012	12/31/2011
2012 (six months)	2,541	4,478
2013	5,081	4,758
2014	5,081	4,758
2015 onward	88,918	75,557
Total - Consolidated	101,621	89,551

At June 30, 2012, the Company had unrecognized tax credits on income tax losses and unrecognized temporary differences in the consolidated quarterly interim financial information, generated by its foreign subsidiaries, which, in view of the lack of projected taxable profit for the next years, were not recorded by the corresponding foreign subsidiaries.

Tax credits calculated at rates in force in the corresponding countries where the subsidiaries are located, are as follows:

	R$
Total temporary differences	839
Tax losses:	
Alpargatas USA Inc. - United States	43,714
Alpargatas France S.A.R.L. - France	264
Total	44,817

Tax credits on income tax losses generated by subsidiaries have no offset date (expiration date).

Changes in deferred income and social contribution tax assets and liabilities for the six-month periods ended June 30, 2012 and 2011 are as follows:

	12/31/2011	(Charged) credited in the statement of operations	Exchange fluctuations, charges and other changes	6/30/2012
Assets:				
Company:				
Allowance for doubtful accounts	5,636	377	-	6,013
Provision for inventory losses	1,469	1,018	-	2,487
Provision for tax, civil, and labor risks	8,050	215	-	8,265
Provision for suspended tax payments	20,853	2,476	-	23,329
Write-off of deferred assets	601	(321)	-	280
Adjustment to recognition of sales revenue	3,721	(548)	-	3,173
Other temporary differences	6,508	(2,724)	(1)	3,783
Income and social contribution tax losses	-	112	-	112
Total - Company	46,838	605	(1)	47,442
Subsidiaries:				
Alpargatas S.A.I.C. - Argentina:				
Provision for trust	7,259	-	179	7,438
Provision for tax, civil, and labor risks	7,253	729	163	8,145
Deferred tax on tax losses	4,896	12,006	(122)	16,780
Other temporary differences	7,328	1,096	335	8,759
	26,736	13,831	555	41,122
Alpargatas Europe S.L.U. - Spain	9,750	(3,167)	273	6,856
CBS S.A. - Companhia Brasileira de Sandálias:				
Temporary differences	1,816	18	-	1,834
Income and social contribution tax losses	3,376	(1,016)	1	2,361
	5,192	(998)	1	4,195

	12/31/2011	(Charged) credited in the statement of operations	Exchange fluctuations, charges and other changes	6/30/2012
Deferred taxes on unrealized profits	1,035	863	108	2,006
Total - Consolidated	89,551	11,134	936	101,621
Liabilities:				
Company:				
Goodwill on acquisition of subsidiaries amortized for tax purposes	5,690	816	-	6,506
Provision for IRPJ/CSLL on difference of useful live of PP&E (depreciation)	-	1,305	-	1,305
Provision for CSLL – 25% on depreciation	-	2,467	-	2,467
Total - Company	5,690	4,588	-	10,278
Subsidiaries:				
Alpargatas S.A.I.C. – Argentina:				
Present value adjustment to renegotiated obligations and tax difference in the valuation of PP&E items	38,617	(661)	970	38,926
Total - Consolidated	44,307	3,927	970	49,204
Net total - Company		(3,983)		
Net total - Consolidated		7,207		

	12/31/2010	(Charged) credited in the statement of operations	Exchange fluctuations, charges and other changes	6/30/2011
Assets:				
Company:				
Allowance for doubtful accounts	4,449	159	-	4,608
Provision for inventory losses	1,913	115	-	2,028
Provision for contingencies	6,963	669	-	7,632
Provision for suspended tax payments	15,844	2,332	-	18,176
Write-off of deferred assets	1,328	(370)	-	958
Adjustment to recognition of sales revenue	5,477	-	-	5,477
Other temporary differences	3,824	(655)	-	3,169
Income and social contribution tax losses	3,207	-	-	3,207
Total - Company	43,005	2,250	-	45,255
Subsidiaries:				
Alpargatas S.A.I.C. - Argentina				
Provision for trust	13,516	(3,390)	(514)	9,612
Provision for tax and labor risks	7,349	1,069	(280)	8,138
Other temporary differences	6,468	(131)	(246)	6,091

	12/31/2010	(Charged) credited in the statement of operations	Exchange fluctuations, charges and other changes	6/30/2011
	27,333	(2,452)	(1,040)	23,841
Alpargatas Europe S.L.U. - Spain	8,567	(5,189)	192	3,570
Alpargatas Chile	2,046	-	(2,046)	-
CBS S.A. - Companhia Brasileira de Sandálias				
Total temporary differences	1,970	(79)	-	1,891
Income and social contribution tax losses	7,157	(1,265)	-	5,892
	9,127	(1,344)	-	7,783
Unrealized profits in inventories	765	(166)	-	599
(-) Provision for realization risk	(2,046)	-	2,046	-
Total - Consolidated	88,797	(6,901)	(848)	81,048
Liabilities:				
Company:				
Goodwill on acquisition of subsidiaries	3,261	816	-	4,077
Total - Company	3,261	816	-	4,077
Subsidiary				
Alpargatas S.A.I.C. - Argentina				
Negotiated obligations and valuation of PP&E items	39,364	(2,891)	(2,135)	34,338
Total - Consolidated	42,625	(2,075)	(2,135)	38,415
Net total - Company		1,434		
Net total - Consolidated		(4,826)		

b) Current

Reconciliation of income and social contribution taxes:

	Company		Consolidated	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Income before income and social contribution taxes	147,274	170,857	141,284	184,719
Combined rate of income and social contribution taxes	34%	34%	34%	34%
Expected income and social contribution tax expense at the statutory rate	(50,073)	(58,091)	(48,037)	(62,804)
Equity pickup	7,614	8,438	(1,973)	(45)
Interest on equity benefit	14,756	13,430	14,756	13,430
Tax effects from adopting RTT:				
Investment grant - ICMS	18,064	20,658	19,367	21,969
Stock option plan granted	(293)	(216)	(293)	(216)
Federal government subsidies - IRPJ (Note 6)	3,049	5,747	3,049	7,203
Use of tax credit of subsidiaries not recognized in previous years	-	-	(298)	(939)
Tax credit recorded due to merger in subsidiary Alpargatas S.A.I.C. - Argentina	-	-	11,837	-
Other permanent exclusions (additions), net	(788)	290	461	(905)
Income and social contribution tax expense	(7,671)	(9,744)	(1,131)	(22,307)
Current	(3,688)	(11,178)	(8,338)	(17,481)
Deferred	(3,983)	1,434	7,207	(4,826)

12. Judicial deposits

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

At June 30, 2012 and December 31, 2011, balances are represented basically by judicial deposits related to labor and tax claims. These deposits, which do not involve current obligations, were necessary to proceed with claims. Based on the management's and its legal advisors' opinion, the likelihood of loss is not considered probable; therefore, no provision for tax, civil and labor risks was set up.

Judicial deposits are as follows:

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Tax claims	6,571	6,571	6,681	6,680
Civil claims	-	-	20	-
Labor claims	5,483	7,094	6,166	7,848
	12,054	13,665	12,867	14,528

13. Investments

Investments are as follows:

	Company		Consolidated	
	6/30/2012	**12/31/2011**	**6/30/2012**	**12/31/2011**
Investments	236,327	207,042	71,335	74,267
Goodwill	150,130	150,130	-	-
	386,457	357,172	71,335	74,267

	Fibrasil Agrícola e Comercial Ltda.	Alpargatas Internacional APS - Denmark	Alpargatas Imobiliária S.A.	CBS S.A. - Companhia Brasileira de Sandálias	Alpargatas S.A.I.C. - Argentina	Alpargatas Chile Ltda. - Chile	Total
Information at June 30, 2012							
Number of shares or units of interest held	1,157,111	30,393,854	5,585,855	750,645	67,098,690	-	
Total assets	2,293	185,311	18,248	97,794	450,888	2	
Total liabilities	12	181,276	115	33,174	292,899	28	
Capital	1,157	78,433	8,766	20,848	31,323	10,224	
Equity (capital deficiency)	2,281	4,036	18,133	64,620	157,990	(27)	
Unrealized profits in inventories		(3,612)		(103)	(180)		
		424		64,517	157,810		
Net income for the six-month period	-	118,651	36	64,483	246,865	-	
Net income (loss) for the six-month period	59	1,971	299	9,763	12,317	106	
Net revenue for the quarter	-	73,019	17	34,211	137,339	-	
Net income (loss) for the quarter	31	4,094	204	5,179	11,407	235	
Interest held - %	100.00	100.00	100.00	100.00	95.69	100.00	
Book value of investments:							
Balance at December 31, 2011	2,222	2,175	17,834	54,755	130,162	(106)	207,042
Equity pickup	28	(3,005)	95	4,583	842	(128)	2,415
Exchange fluctuation on investments	-	1,881	-	-	(5,960)	(11)	(4,090)
Balances at March 31, 2012	2,250	1,051	17,929	59,338	125,044	(245)	205,367
Capital increase	-	96	-	-	6,236	-	6,332
Equity pickup	31	3,389	204	5,179	10,940	235	19,978
Exchange fluctuation on investments	-	(4,112)	-	-	8,779	(17)	4,650
Balance at June 30, 2012	2,281	424	18,133	64,517	150,999	(27)	236,327

	Fibrasil Agrícola e Comercial Ltda.	Alpargatas Internacional APS - Denmark	Alpargatas Imobiliária S.A.	CBS S.A. - Companhia Brasileira de Sandálias	Alpargatas S.A.I.C. - Argentina	Alpargatas Chile Ltda. - Chile	Total
Information at June 30, 2011							
Number of shares or units of interest held	1,157,111	30,393,854	5,585,856	750,645	61,053,628	-	
Total assets	2,124	156,593	17,229	70,416	324,405	64	
Total liabilities	-	115,470	-	28,532	204,129	598	
Capital	1,157	69,340	8,766	20,848	26,660	8,160	
Equity (capital deficiency)	2,124	41,123	17,229	41,884	120,276	(534)	
Unrealized profits in inventories		(1,163)					
		39,960					
Net income for the six-month period	-	99,186	42	56,200	221,764	22	
Net income (loss) for the six-month period	20	7,193	750	13,531	4,734	(420)	
Net revenue for the quarter	-	52,367	20	26,235	115,028	-	
Net income (loss) for the quarter	20	(1,591)	411	6,995	459	(420)	
Interest held - %	100.00	100.00	100.00	100.00	87.07	100.00	
Book value of investments:							
Balance at December 31, 2010	2,104	30,939	22,979	28,353	90,325	(147)	174,553
Equity pickup	-	8,784	339	6,536	3,022	19	18,700
Exchange fluctuation on investments	-	1,646	-	-	(3,841)	5	(2,190)
Balances at March 31, 2011	2,104	41,369	23,318	34,889	89,506	(123)	191,063
Capital increase	-	306	-	-	20,242	-	20,548
Payment of dividends	-	-	(6,500)	-	-	-	(6,500)
Equity pickup	20	(1,287)	411	6,995	399	(420)	6,118
Exchange fluctuation on investments	-	(427)	-	-	(5,533)	9	(5,951)
Balance at June 30, 2011	2,124	39,961	17,229	41,884	104,614	(534)	205,278

At June 30, 2012 and December 31, 2011, goodwill on subsidiaries is as follows:

CBS S.A. – Companhia Brasileira de Sandálias	Atlântico Participações S.A.	Alpargatas S.A.I.C. - Argentina	Total
11,498	42,364	96,268	150,130

Indirect investments through the holding company Alpargatas Internacional APS

Information at June 30, 2012	Alpargatas Europe S.L.U. - Spain	Alpargatas France S.A.R.L. - France	Alpargatas UK Limited - United Kingdom	Alpargatas Italia S.R.L. - Italy	Alpargatas Portugal Limited - Portugal	Alpargatas USA Inc. - United States	Grupo Tavex S.A.	Total
Number of shares or units of interest held	100,000	5,000	100	1	2	10	106,733,526	
Total assets	92,686	4,458	2,194	3,193	1,176	23,725	1,678,677	
Total liabilities	79,435	5,250	1,881	2,984	813	115,227	808,659	
Equity (capital deficiency)	(8,793)	(792)	313	209	364	(91,502)	381,735	
Net income for the six-month period	98,365	2,209	1,790	1,950	754	26,989	564,133	
Net income (loss) for the six-month period	13,988	(26)	167	115	193	(6,073)	(31,060)	
Net revenue for the quarter	62,463	1,410	1,026	1,307	539	14,838	295,545	
Net income (loss) for the quarter	10,376	172	133	186	261	(5,231)	(2,075)	
Indirect interest held - %	100.00	100.00	100.00	100.00	100.00	100.00	18,687	
Book value of investments:								
Balance at December 31, 2011	(22,472)	(726)	125	(15)	152	(79,087)	74,267	(27,756)
Equity pickup	3,623	(198)	34	(71)	(68)	(842)	(3,729)	(1,251)
Exchange fluctuation on investments	65	(9)	8	(3)	(4)	2,246	(303)	2,000
Balances at March 31, 2012	(18,784)	(933)	167	(89)	80	(77,683)	70,235	(27,007)
Increase in/payment of capital	96	-	-	-	-	-	-	96
Equity pickup	10,376	172	133	186	261	(5,231)	(2,075)	3,822
Exchange fluctuation on investments	(480)	(31)	13	112	23	(8,588)	3,175	(5,776)
Balance at June 30, 2012	(8,792)	(792)	313	209	364	(91,502)	71,335	(28,865)

Information at June 30, 2011	Alpargatas Europe S.L.U. - Spain	Alpargatas France S.A.R.L. - France	Alpargatas UK Limited - United Kingdom	Alpargatas Italia S.R.L. - Italy	Alpargatas Portugal Limited - Portugal	Alpargatas USA Inc. - United States	Grupo Tavex S.A.	Total
Number of shares or units of interest held	100,000	5,000	100	1	2	10	106,733,526	
Total assets	54,125	3,304	2,322	2,388	1,029	9,712	1,603,618	
Total liabilities	62,684	3,948	2,230	2,307	1,025	65,262	1,203,278	
Equity (capital deficiency)	(8,559)	(644)	92	81	4	(55,460)	400,331	
Net income for the six-month period	80,888	-	-	-	-	18,298	568,178	
Net income (loss) for the six-month period	11,999	(55)	71	33	(7)	(4,557)	(705)	
Net revenue for the quarter	69,113	(768)	(595)	(493)	(81)	10,035	295,297	
Net income (loss) for the quarter	1,633	(77)	39	5	(12)	(4,156)	6,238	
Indirect interest held - %	100	100	100	100	100	100	18,687	
Book value of investments:								
Balance at December 31, 2010	(19,973)	(579)	51	48	11	(54,445)	77,143	2,256
Equity pickup	10,366	22	32	28	5	(401)	(1,297)	8,755
Exchange fluctuation on investments	(734)	(22)	(1)	2	-	1,235	28	508
Balances at March 31, 2011	(10,341)	(579)	82	78	16	(53,611)	75,874	11,519
Equity pickup	1,633	(78)	39	5	(12)	(4,156)	1,166	(1,403)
Exchange fluctuation on investments	149	13	(29)	(2)	-	2,307	(2,230)	208
Balance at June 30, 2011	(8,559)	(644)	92	81	4	(55,460)	74,810	10,324

Additional information on acquisitions of subsidiaries

Alpargatas S.A.I.C. ("Alpargatas Argentina")
In continuation of the process for acquiring non-controlling interest, in April 2011, the Company acquired more 11,483,857 shares with at par value of AR$8.71 (eight Argentinean pesos and seventy-one cents) each. These shares, together with the 49,569,771 shares already held, grant the Company a total of 61,053,628 shares, representing 87.067% of the total capital of Alpargatas S.A.I.C. - Argentina. The amounts of investment and goodwill paid in this acquisition were broken down into R$20,242 and R$18,999, respectively.

In July 2011, the Company acquired 3,073,205 shares with a par value of US$1.98 (one dollar and ninety-eight cents) each. These shares, together with the 61,053,628 shares already held, grant the Company a total of 64,126,833 shares, representing 91.4502% of the total capital of Alpargatas S.A.I.C. - Argentina. The consideration paid in this acquisition was broken down into R$5,267 referring to acquisition cost and R$4,285 referring to goodwill, respectively.

The total amount of the two acquisitions made in 2011 was R$23,509 referring to acquisition of non-controlling interest and R$23,284 of goodwill.

On October 11, 2011, the Company filed with "Comisión Nacional de Valores - CNV" of Argentina an application for the registration of a share takeover bid ("OPA") to acquire all outstanding book-entry common shares and preferred shares of Alpargatas S.A.I.C. - Argentina with a par value of AR$8.14 each.

In March 2012, the Comisión Nacional de Valores ("CNV") of Argentina approved such request.

In May 2012, the Company acquired 2,971,857 shares with a par value of AR$8.14 (eight Argentinean pesos and fourteen cents) each. These shares, together with the 64,126,833 shares already held, grant the Company a total of 67,098,690 shares, representing 95.69% of the total capital of Alpargatas S.A.I.C. - Argentina. The consideration paid in this acquisition was broken down into R$6,236 referring to acquisition cost and R$4,634 referring to goodwill, respectively.

On July 25, 2012, the Company disclosed a material news release, informing shareholders and the market in general that it will file with the *Comisión Nacional de Valores - CNV* of Argentina, a Declaration of Acquisition and Implementation of Offering of Residual Interest of all outstanding common and preferred shares of Alpargatas S.A.I.C. - Argentina, at the value of AR$8.14 (eight Argentinean pesos and fourteen cents) each.

CBS S.A. - Companhia Brasileira de Sandálias

On September 20, 2007, the Company entered into a share purchase and sale agreement with all shareholders of CBS S.A. - Companhia Brasileira de Sandálias, owner of the brand "Dupé", among others.

In November 2007, the Company acquired, for R$49,500, all shares representing the capital of CBS S.A. - Companhia Brasileira de Sandálias, 21.89% of which were held by individuals and 78.11% by a holding company named Atlântico Participações S.A.

On April 15, 2008, holding Atlântico Participações S.A. was merged into the Company, directly holding 100% of interest in CBS S.A. - Companhia Brasileira de Sandálias.

Additional information on associates

Grupo Tavex S.A.

Although the Company holds an indirect interest of 18.687%, management considers the investment as an associate, decisions of which are influenced thereby, by maintaining a seat on the Board of Directors in Spain. Therefore, in accordance with accounting practices adopted in Brazil, the Company has been valuing the investment according to the equity method.

On February 13, 2012, the controlling shareholder, Camargo Correa S.A., disclosed material information that it received an indicative non-binding offer from a Private Equity fund for selling the package of shares held in Grupo Tavex S.A., including the interest held by the Company of 18.687%, with a par value of € 0.41 each. Such transaction was not carried out. Given that this investment cannot be considered as available for sale, Company management, based on the requirements of IAS 28, tested such investment for impairment at December 31, 2011, taking into account the cash flow discounted from future operations of the associate, in accordance with the plans approved by the investee's Board for the next five years. Net cash flows obtained by projections were adjusted to present value and subject to a sensitivity analysis at discount rates between 11% and 15%, and there was no need to set up provision for impairment losses based on the valor in use thereof.

14. Property, plant and equipment and intangible assets

a) Property, plant and equipment

		Company					
		6/30/2012			12/31/2011		
	% - Weighted average annual depreciation rate	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	-	9,650	-	9,650	9,650	-	9,650
Buildings and constructions	4	62,157	-	62,157	117,913	(57,684)	60,229
Machinery and equipment	8	201,354	(128,726)	72,628	198,976	(125,657)	73,319
Furniture and fixtures	10	26,249	(11,564)	14,685	21,879	(10,674)	11,205
Vehicles	15	2,766	(1,897)	869	2,829	(1,878)	951
Leasehold improvements	20	23,357	(7,402)	15,955	14,177	(8,766)	5,411
Construction in progress	-	82,966	-	82,966	44,686	-	44,686
Other property, plant and equipment	-	545	-	545	545	-	545
Provision for impairment losses	-	(449)	-	(449)	(449)	-	(449)
Portion of government subsidies to be appropriated from land		(847)	-	(847)	(847)	-	(847)
Total		407,748	(149,589)	258,159	409,359	(204,659)	204,700

		Consolidated					
		6/30/2012			12/31/2011		
	% - Weighted average annual depreciation rate	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	-	14,752	-	14,752	15,373	-	15,373
Buildings and constructions	4	262,564	(129,830)	132,734	283,519	(152,588)	130,931
Machinery and equipment	8	474,758	(352,422)	122,336	520,881	(397,389)	123,492
Furniture and fixtures	10	83,966	(62,580)	21,386	80,165	(61,920)	18,245
Vehicles	15	5,041	(3,841)	1,200	5,287	(3,946)	1,341
Leasehold improvements	20	28,503	(9,768)	18,735	20,016	(12,586)	7,430
Construction in progress	-	96,476	-	96,476	56,034	-	56,034
Other property, plant and equipment	-	3,558	-	3,558	5,016	-	5,016
Provision for losses	-	(584)	-	(584)	(585)	-	(585)
Portion of government subsidies to be appropriated from land		(847)	-	(847)	(847)	-	(847)
Provision for impairment losses		(14,805)	-	(14,805)	(14,450)	-	(14,450)
Total		953,382	(558,441)	394,941	970,409	(628,429)	341,980

Additional information on property, plant and equipment

(i) Review of the useful life of property, plant and equipment

Company and its subsidiary management did not change the remaining economic useful lives of property, plant and equipment items, for the six-month period ended June 30, 2012, due to the lack of significant changes in the conditions for the use thereof.

(ii) *Assets pledged as collateral*

At June 30, 2012, the Company and its subsidiaries had property, plant and equipment items pledged as collateral in bank loans and financing transactions, as well as items listed in the defense of lawsuits, as follows:

	R$
Buildings and constructions	6,458
Machinery and equipment	6,832
Other	132
Total	13,422

(iii) *Impairment of assets*

There were no risk factors indicating the need for an impairment test of assets of the parent company and subsidiaries for the quarter, or facts indicating that the impairment loss recorded in subsidiary Alpargatas S.A.I.C. did not exist anymore or would have been reduced.

b) Intangible assets

	Company						
	Annual amortization rate (%)	6/30/2012			12/31/2011		
		Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Finite useful life:							
Trademarks, rights and patents	10	17,849	(17,652)	197	17,849	(17,652)	197
ERP system (iv)	10	120,752	(52,918)	67,834	120,756	(45,696)	75,060
Customer portfolio (i)	20	27,311	(17,909)	9,402	27,311	(15,088)	12,223
Construction in progress		5,110	-	5,110	4,678	-	4,678
Indefinite useful life:							
Assignment of trade rights (iii)	-	4,063	-	4,063	4,297	(234)	4,063
Total		175,085	(88,479)	86,606	174,891	(78,670)	96,221

	Consolidated						
	Annual amortization rate (%)	6/30/2012			12/31/2011		
		Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Finite useful life:							
Trademarks, rights and patents	10	26,362	(17,652)	8,710	26,650	(17,652)	8,998
ERP system (iv)	10	125,771	(56,123)	69,648	124,689	(47,941)	76,748
Customer portfolio (i)	20	32,052	(17,908)	14,144	32,326	(15,088)	17,238
Construction in progress		5,110	-	5,110	4,678	-	4,678
Indefinite useful life:							
Goodwill on acquisition of subsidiaries (ii)	-	150,130	-	150,130	150,130	-	150,130
Assignment of trade rights (iii)	-	7,543	-	7,543	5,840	(234)	5,606
Provision for losses	-	(1,498)	-	(1,498)	-	-	-
Total		345,470	(91,683)	253,787	344,313	(80,915)	263,398

(i) This refers to amounts paid on acquisition of customer portfolios of former sales representatives of the Company (which basically sold "Havaianas" sandals) in certain European countries, for which the Company is now acting by means of its indirect subsidiaries located in Europe. Costs are amortized under the straight-line method according to the five-year term of future cash flows expected by Company management. At June 30, 2012, in view of indications that the Company will enjoy expected future benefits, based on the Company management's economic projections, no provision for impairment losses was set up on these balances.

(ii) See the breakdown in Note 13. Considering the accounting changes introduced by Laws No. 11638/07 and No. 11941/09, as of January 1, 2009, the goodwill balance at December 31, 2008 was no longer amortized and is tested for impairment annually. Accordingly, as of January 1, 2009, tax benefit of goodwill on the merger of former subsidiary Atlântico Participações S.A., as described in Note 14, was used in the monthly calculations of income and social contribution taxes based on the Transition Tax Regime (RTT), pursuant to provisions of Law No. 11941/09, the effects of which are described in Note 11.a).

(iii) This substantially refers to amounts paid on acquisition of rights of use of points of sale where certain "Timberland" and "Concept Havaianas" stores are located. As these are sellable intangible assets, they are not amortized, subject to annual impairment test.

(iv) This refers to expenses incurred in acquisition, development and implementation of ERP systems that are used by the Company and its subsidiaries. These are represented substantially by SAP/R3, WMS and LINX and costs incurred in the value chain management project. Expenses are amortized under the straight-line method according to the ten-year term of future benefit expected by Company management for SAP/R3 management system and five-year term for other systems. At June 30, 2012, in view of indications that the Company will enjoy expected future benefits by these systems and projects, no provision for impairment losses was set up on these balances.

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

2012 (six months)	11,486
2013	22,949
2014	27,302
2015 onward	30,765
Total	92,502

Additional information on intangible assets

(i) *Research and development expenses of products*

	Consolidated	
	6/30/2012	**6/30/2011**
Research and development expenses of products recorded P&L	9,416	6,830

(ii) *Impairment test of goodwill*

No indication of impairment of goodwill was identified for the six-month period.

c) Changes

	Company					
	12/31/2011	Additions	Transfers (i)	Depreciation	Write-offs	6/30/2012
Property, plant and equipment						
Land	9,650	-	-	-	-	9,650
Buildings and constructions	60,229	-	3,806	(1,726)	(152)	62,157
Machinery and equipment	73,319	-	5,823	(6,372)	(142)	72,628
Furniture and fixtures	11,205	-	4,546	(1,010)	(56)	14,685
Vehicles	951	-	(7)	(69)	(6)	869
Leasehold improvements	5,411	-	12,490	(1,031)	(915)	15,955
Construction in progress	44,686	64,938	(26,658)	-	-	82,966
Other property, plant and equipment	545	-	-	-	-	545
Provision for impairment losses	(449)	-	-	-	-	(449)
Portion of government subsidies to be appropriated from land	(847)		-	-	-	(847)
Total	204,700	64,938	-	(10,208)	(1,271)	258,159

	Company					
	12/31/2011	Additions	Transfers (i)	Amortization	Write-offs	6/30/2012
Intangible assets						
Finite useful life:						
Trademarks, rights and patents	197	-	-	-	-	197
ERP system	75,060	-	-	(7,226)	-	67,834
Customer portfolio	12,223	-	-	(2,821)	-	9,402
Construction in progress	4,678	432	-	-	-	5,110
Indefinite useful life:						
Assignment of trade rights	4,063	-	-	-	-	4,063
Total	96,221	432	-	(10,047)	-	86,606
Total	300,921	65,370	-	(20,255)	(1,271)	344,765

	Consolidated							
	12/31/2011	Additions	Transfers (i)	Depreciation	Write-offs	Impairment	Exchange fluctuations	6/30/2012
Property, plant and equipment								
Land	15,373	-	-	-	(737)	-	116	14,752
Buildings and constructions	130,931	446	3,710	(3,679)	(231)	-	1,557	132,734
Machinery and equipment	123,492	324	7,646	(9,866)	(145)	-	885	122,336
Furniture and fixtures	18,245	465	4,771	(2,337)	(154)	-	396	21,386
Vehicles	1,341	-	(12)	(128)	(6)	-	5	1,200
Leasehold improvements	7,430	145	12,490	(1,542)	(915)	-	1,127	18,735
Construction in progress (iii)	56,034	70,139	(28,848)	-	-	-	(849)	96,476
Other property, plant and equipment	5,016	-	(1,455)	-	-	-	(3)	3,558
Provision for impairment losses	(15,035)	-	-	-	-	-	(354)	(15,389)
Portion of government subsidies to be appropriated from land	(847)	-	-	-	-	-	-	(847)
Total	341,980	71,519	(1,698)	(17,552)	(2,188)	-	2,880	394,941

	Consolidated							
	12/31/2011	Additions	Transfers (i)	Amortization	Write-offs	Impairment	Exchange fluctuations	6/30/2012
Intangible assets								
Finite useful life:								
Trademarks, rights and patents	8,998	-	-	(252)	-	-	(36)	8,710
ERP system	76,748	434	1,698	(7,677)	(1,864)	-	309	69,648
Customer portfolio	17,238	-	-	(3,533)	(168)	-	607	14,144
Construction in progress (iii)	4,678	432	-	-	-	-	-	5,110
Indefinite useful life:								
Goodwill on acquisition of subsidiaries	150,130	-	-	-	-	-	-	150,130
Assignment of trade rights	5,606	2,070	-	-	-	-	(133)	7,543
Provision for losses	-	-	-	-	-	(1,498)	-	(1,498)
Total	263,398	2,936	1,698	(11,462)	(2,032)	(1,498)	747	253,787
Total	605,378	74,455	-	(29,014)	(4,220)	(1,498)	3,627	648,728

(i) Transfers correspond to reclassification of assets from “Construction in progress” to the related definite accounts of “Property, plant and equipment” and “Intangible assets”, upon the completion of projects.

(ii) Exchange fluctuations arising from the translation of the financial statements of foreign subsidiaries.

(iii) Additions recorded under the “Construction in progress” account substantially refer to the following projects: (1) construction of a new plant of sandals in the city of Montes Claros - MG, investing R$32,000; (2) improvements in the new Company's headquarters in the city of São Paulo - SP, investing approximately R$21,300; (3) various improvements and expansion of the manufacturing process, investing approximately R$7,000; (4) Internationalization of Havaianas sandals R$2,600; and (5) Other ongoing projects R$7,239.

15. Trade accounts payable

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Domestic	190,397	177,612	209,605	194,580
Foreign	85,160	40,961	148,749	102,570
Total	275,557	218,573	358,354	297,150

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

16. Loans and financing

				Company		Consolidated	
		Currency	Index and annual interest rate	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Denominated in Brazilian reais:							
FNE (BNB)	(a)		7.92%	50,381	57,424	50,381	57,424
FINAME			6.58%	7,711	8,321	7,711	8,321
Finem (BNDES)	(b)		Currency basket and TJLP + 8.49%	6,058	8,245	6,058	8,245
Assignment of receivables	(c)		9.38%	13,713	42,947	13,713	42,947
Automatic Finem (BNDES) - CBS			TJLP + 2.8%	-	-	123	369
Total in reais				77,863	116,937	77,986	117,306
Denominated in foreign currency:							
Finimp - Import Financing	(d)	US$	2.77%	-	4,794	-	4,794
Working capital - Alpargatas EUA	(e)	US$	1.82%	-	-	98,419	82,616
Working capital - Alpargatas Europe	(e)	€	2.57%	-	-	79	-
Working capital - Alpargatas International APS	(e)	€	2.45%	-	-	10,284	17,131
Finance leases - Alpargatas S.A.I.C. - Argentina		AR$	20.55%	-	-	142	225
Working capital - Alpargatas S.A.I.C. - Argentina		AR$	19.83%	-	-	48,607	13,819
ACC/prepayment - CBS		US$	-	-	-	15	42
Total in foreign currency				-	4,794	157,546	118,627
Grand total				77,863	121,731	235,532	235,933
Current liabilities				34,010	67,824	146,716	180,077
Non-current liabilities				43,853	53,907	88,816	55,856

(a) On February 23, 2006, the Company entered into a financing agreement with Banco do Nordeste do Brasil (BNB), limited to R$112,000, to fund investment programs in the Northeast Region. The financing has been monthly amortized since 2008 and will be amortized in ten years. The release of funds is linked to the investment disbursement schedule. The guarantee is backed by a bank letter of guarantee.

(b) In October 2007, the Company entered into with the Brazilian Development Bank (BNDES) a financing agreement of R$ 22,180 to fund the implementation of an ERP system. The financing has been amortized in monthly installments since November 2008 and is expected to be fully settled by October 2013. The guarantee is backed by a bank letter of guarantee.

(c) In October 2010, the Company executed with Banco Santander the credit assignment agreement. These transactions are usually settled within 90 days. The assignments are amortized to Banco Santander in accordance with trade accounts receivable.

(d) In September 2011, the Company executed import financing agreements (Finimp) with Banco Itaú BBA. These transactions are settled within 180 days.

(e) Loans and financing raised by foreign subsidiaries are guaranteed by the Company, within the limits approved by the Board of Directors. These transactions are settled within 180 and 360 days.
The other loans are guaranteed by Promissory Notes and chattel mortgage of the Company's and its subsidiaries' assets, except for working capital operations of Alpargatas S.A.I.C. - Argentina.

Maturities of non-current liabilities are as follows:

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Year				
2013	9,273	19,326	54,236	21,266
2014	15,323	15,323	15,323	15,332
2015	15,323	15,324	15,323	15,324
2016	2,454	2,454	2,454	2,454
2017	1,188	1,187	1,188	1,187
2018	264	264	264	264
2019	28	29	28	29
Total	43,853	53,907	88,816	55,856

Restrictive covenants

At June 30, 2012 and December 31, 2011, loan and financing agreements entered into by the Company and its subsidiaries did not contain restrictive covenants establishing obligations as to the maintenance of financial ratios by the Company and its subsidiaries.

17. Debt restructuring agreements of subsidiaries

On September 26, 2001, subsidiary Alpargatas S.A.I.C. - Argentina requested a preventive debt restructuring from creditors, a decision ratified by the General 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 subsidiary management, issued a decision acknowledging the existence of a pre-agreement with creditors and, on September 15, 2006, after fulfilling certain legal obligations previously required, the subsidiary started to implement the debt-restructuring agreement with creditors.

The amounts are reported in the consolidated quarterly interim financial information under the "Debt-restructuring agreements" account, in current and non-current liabilities, amounting to R$14,807 and R$65,178, respectively, at June 30, 2012 (R$14,758 and R$63,537, respectively, at December 31, 2011), net of present value adjustments, amounting to R$53,176 and R$53,630, respectively, at June 30, 2012 and December 31, 2011.

The present value adjustment is calculated based on the difference between the Argentinean basic interest rate and the fixed adjustment rate of liabilities, as established in debt-restructuring agreements. At June 30, 2012, the average discount rate adopted for the present value adjustment was 15% per year.

The effects of the net reversal of the present value adjustment are recorded under the "Financial expenses" account, in the consolidated, and totaled R$1,888 in P%L for the six-month period ended June 30, 2012 (R$2,098 for the same period in 2011).

Total liabilities are subject to annual interest from 1% to 3%, maturing between 15 and 25 years, with grace period from 6 to 10 years, as of the dates the agreements are entered into.

At June 30, 2012, reversals expected for the next periods, related to the present value adjustment, are as follows:

2012 (six months)	2,300
2013	4,543
2014	4,441
2015 onward	41,892
Total	53,176

Expected maturities of non-current liabilities are as follows:

2013	4,543
2014	4,441
2015 onward	56,194
Total	65,178

Balance at December 31, 2011	78,295
Interest	5,308
Exchange fluctuations	1,910
Payment	(5,528)
Balance at June 30, 2012	79,985

18. Tax liabilities

	Company		Consolidated	
	6/30/2012	**12/31/2011**	**6/30/2012**	**12/31/2011**
State VAT (ICMS)	6,173	1,383	6,294	1,595
PIS and COFINS to be offset	7,483	1,145	7,300	1,554
Federal VAT (IPI)	207	212	207	212
Income and social contribution taxes	-	-	792	2,233
Alpargatas Europe S.L.U. - Spain - Value Added Tax - VAT	-	-	1,726	306
Alpargatas USA Inc. - United States - Value Added Tax - VAT	-	-	120	14
Alpargatas S.A.I.C. – Argentina:				
Income tax	-	-	2,592	2,553
Value Added Tax - VAT	-	-	1,101	2,193
Other taxes	-	-	2,300	1,266
Other	925	1,387	980	1,630
	14,788	4,127	23,412	13,556

19. Provisions and other liabilities

	Company		Consolidated	
	6/30/2012	12/31/2011	6/30/2012	12/31/2011
Royalties payable	9,688	13,448	9,688	13,448
Provision for freight payable	7,371	8,467	8,030	9,138
Commercial agreement termination commitments	-	-	-	5,014
Other accounts payable (commissions, third party services, utilities and others)	8,771	5,192	40,685	20,023
Total	25,830	27,107	58,403	47,623

20. Related parties

a) Related party balances

	Company	
Non-current assets (liabilities)	6/30/2012	12/31/2011
CBS S.A. - Companhia Brasileira de Sandálias	2,631	1,445
Alpargatas Internacional APS	(19)	(18)
Alpargatas Imobiliária S.A.	(63)	19
Fibrasil Agrícola e Comercial Ltda.	-	2
Total	2,549	1,448

The balance is represented by a current account between the Company and its subsidiaries due to the centralized management of cash and cash equivalents, not subject to financial charges.

b) Balances receivable and payable referring to related party transactions are as follows:

		Company		Company and Consolidated	
		Accounts receivable		Accounts payable	
		6/30/2012	12/31/2011	6/30/2012	12/31/2011
Alpargatas USA Inc. - United States	(ii)	11,289	8,808	-	-
Alpargatas Europe S.L.U. - Spain	(ii)	27,918	8,814	-	-
Alpargatas S.A.I.C. - Argentina		1,480	1,755	-	-
Grupo Camargo Corrêa	(iii)	-	-	463	794
Total		40,687	19,377	463	794

c) Dividends and interest on equity payable

Company and Consolidated	
6/30/2012	12/31/2011
20,352	843

d) Transactions with related parties

Breakdown of related-party transactions is as follows:

		Sale of products/services		Purchase of products/services	
		6/30/2012	6/30/2011	6/30/2012	6/30/2011
Alpargatas S.A.	(i)	31,940	23,629	10,785	8,400
Alpargatas USA Inc. - United States		-	-	7,723	4,750
Alpargatas Europe S.L.U. - Spain		-	-	24,201	18,879
Alpargatas Argentina S.A.I.C.		-	-	16	-
CBS S.A. - Companhia Brasileira de Sandálias		2,935	1,283	-	-
Grupo Camargo Corrêa					
Rental and condominium fees		595	1,108	-	-
Shared services - CSC	(iv)	6,807	5,485	-	-
Corporate projects		423	456	-	-
Other		25	68	-	-
		42,725	32,029	42,725	32,029

(i) These basically consist of sales of "Havaianas" sandals to subsidiaries located in the United States and Europe, due to the operating model and design of the distribution channel established for Company's international transactions, in which products are manufactured in Brazil and subsequently sold to foreign subsidiaries for resale.

For the six-month period ended June 30, 2012 and 2011, the Company did not record any write-off or allowance for doubtful accounts on balances receivable from its foreign subsidiaries.

(ii) Accounts receivable for sales of products described in item (i), which will be received between April and September 2012.

(iii) Accounts payable for the provision of services described in item (iv).

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

At June 30, 2012, except for the guarantees provided to support loans and financing, as described in Note 16, the Company and its subsidiaries did not provide any other guarantees to related parties.

e) Key management personnel compensation

Total key management personnel compensation is as follows:

	6/30/2012				
	Compensation			Options grant	
	Fixed	Variable (i)	Total	Options balance (number) (ii)	Average exercise price - R$ (iii)
Board of Directors and Supervisory Board	1,377	-	1,377	-	-
Officers	2,412	3,021	5,433	3,897,803	5.06
	3,789	3,021	6,810	3,897,803	

	6/30/2011				
	Compensation			Options grant	
	Fixed	Variable (i)	Total	Options balance (number) (ii)	Average exercise price - R$ (iii)
Board of Directors and Supervisory Board	1,396	-	1,396	-	-
Officers	1,634	2,107	3,741	3,974,300	4.77
	3,030	2,107	5,137	3,974,300	

(i) This refers to profit sharing for the year. The amounts include additions to and/or reversals of the prior-year provision due to the final determination of goals set to statutory officers.

(ii) This refers to vested and non-vested options not exercised at the balance sheet date.

(iii) This refers to the weighted average exercise price of the option on the date of option plans, adjusted for inflation through the balance sheet date.

According to details described in Note 27, for the six-month period ended June 30, 2012, an expense referring to stock option plans of R$863 (R$634 for the six-month period ended June 30, 2011) was recognized.

For the six-month period ended June 30, 2012, in addition to management fee, the Company made contributions to the private pension plan amounting to R$181 (R$148 at June 30, 2011) on behalf of statutory officers.

The total annual management fee fixed for 2012 at the General Shareholder's Meeting held on April 25, 2012 was R$12,127.

21. Provision for tax, civil, and labor risks

At June 30, 2012 and December 31, 2011, the Company and its subsidiaries are parties to tax, civil and labor claims arising from tax delinquency notices by tax authorities and from claims filed by third parties and former employees or from legal proceedings and challenges. For these contingencies, provisions were set up, when, in the management's and its legal advisors' opinion, the risk of loss was considered as probable. These provisions are as follows:

		Company		Consolidated	
		6/30/2012	12/31/2011	6/30/2012	12/31/2011
Labor claims	(a)	18,258	17,663	26,077	24,449
Tax claims	(b)	9,056	9,056	14,248	13,255
Judicial deposits	(b)	(4,179)	(4,179)	(4,179)	(4,179)
Civil claims		3,147	3,108	3,594	4,156
		26,282	25,648	39,740	37,681
Current portion		7,778	7,183	13,393	11,436
Non-current portion		18,504	18,465	26,347	26,245

(a) These refer to lawsuits filed against the Company and its subsidiaries by former and current employees, whose claims basically refer to severance pay, salary premiums, overtime and amounts considered due for joint liability. The provisioned amounts refer to the best estimates for each lawsuit considered as probable loss.

(b) These basically consist of: (i) tax delinquency notice concerning COFINS in July and from September to December 1992 issued against the Company, which discusses differences not taxed, amount adjusted of which for June 30, 2012 is R$3,844; and (ii) discussion on the collection of the difference of the Accident Prevention Factor - FAP and Occupational Accident Insurance - SAT, totaling R$5,106, in which the Company discusses collection at the maximum rate applied in the industry. The lawsuit is pending a legal decision by a higher court, judicial deposit of which amounts to R$4,179.

Changes

	Company				
	Labor	Tax	Civil	Judicial deposits	Total
Balance at December 31, 2011	17,663	9,056	3,108	(4,179)	25,648
Additions	1,353	338	106	-	1,797
Payments	(1,082)	(337)	-	-	(1,419)
Balances at March 31, 2012	17,934	9,057	3,214	(4,179)	26,026
Additions	3,871	-	-	-	3,871
Reversals	-	-	(68)	-	(68)
Payments	(3,547)	(1)	1	-	(3,547)
Balance at June 30, 2012	18,258	9,056	3,147	(4,179)	26,282

	Consolidated				
	Labor	**Tax**	**Civil**	**Judicial deposits**	**Total**
Balance at December 31, 2011	24,449	13,254	4,157	(4,179)	37,681
Additions	1,844	338	106	-	2,288
Payments / exchange fluctuations	(1,217)	(403)	(47)	-	(1,667)
Balances at March 31, 2012	25,076	13,189	4,216	(4,179)	38,302
Additions	4,307	-	-	-	4,307
Reversals	-	-	(68)	-	(68)
Payments / exchange fluctuations	(3,306)	1,059	(554)	-	(2,801)
Balance at June 30, 2012	26,077	14,248	3,594	(4,179)	39,740

Possible losses

The Company and its subsidiaries are parties to tax and civil claims that are not provisioned as their risk of loss was classified by management and its attorneys and legal advisors as possible. Contingent liabilities are as follows:

	Company and Consolidated	
	6/30/2012	**12/31/2011**
Tax:		
Tax delinquency notice - IRRF (a)	8,608	8,439
CSLL and IRPJ (b)	9,428	3,781
Royalties (c)	51,528	49,160
IPI (c)	37,790	36,494
Other	10,439	6,797
	117,793	104,671
Civil (compensation actions)	5,454	5,655

(a) Tax delinquency notice for collection of IRRF, offset against IRPJ credits.

(b) Tax delinquency notices related to the non-approval of offset of tax debts against IRPJ and CSLL credits.

(c) Tax delinquency notices seeking collection of II, IPI, PIS-Imports and COFINS-Imports on amounts remitted abroad by way of royalties from 2007 to 2010.

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

Additionally, in December 2005, a company holding the rights to a certain sports brand filed a civil claim against the Company for compensation of losses on alleged breach of the license agreement, which was terminated in prior years. In the opinion of the Company's legal advisors, the likelihood of loss was considered as possible and the amount involved could not be calculated yet; therefore, no provision was recognized to cover such contingency. In

February 2007, there was a decision favorable to the Company resulting in the termination of the claim. This decision is subject to appeal that will be judged by the São Paulo Court of Justice on a date not yet defined.

22. Suspended tax payments

		Company and Consolidated	
		6/30/2012	**12/31/2011**
PIS/COFINS – Law No. 9718/98		30,696	30,008
Judicial deposits		(30,696)	(30,008)
	(a)	**-**	-
COFINS - exclusion of ICMS from tax base		95,361	83,484
Judicial deposits		(10,576)	(10,106)
	(b)	84,785	73,378
IRPJ - exclusion of CSLL from IRPJ tax base	(b)	7,191	6,906
Provision for IRPJ (other contingencies)		-	2,803
Other		2,668	3,567
Total - Company		94,644	86,654
Alpargatas S.A.I.C. - Argentina		-	126
Total - Consolidated		94,644	86,780

(a) COFINS – Law No. 9718/98

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

As of that date, the amounts of these contributions determined for the periods under litigation were recorded in liabilities as suspended tax payments and started to be adjusted for inflation at the SELIC rate, monetary restatement effects of which were recorded under the "Financial expenses" account in the statement of income. From September 2002 to January 2004, the Company judicially deposited the amount under litigation.

In March 2006, after an unfavorable decision rendered by the Federal Supreme Court (STF) on the extraordinary appeal related to the 1% increase in COFINS rate, the Company decided to pay the amount calculated for the periods from: (i) March 1999 to August 2002; and (ii) February 2004 to March 2006, totaling R$43,041. This decision did not impact the continuity of the litigation from September 2002 to January 2004, and the Company started to make payments of monthly calculations as of April 2006, amount of which was recorded as suspended tax payment and judicial deposit, totaling R$28,804, adjusted for inflation.

Law No. 11941/09 revoked article 3, paragraph 1, of Law No. 9718/98, which addressed the broadening of PIS and COFINS tax base, which strengthened the grounds challenged by the Company. Based on such amendment, considering the decision issued by STF, the Brazilian Institute of Independent Auditors (IBRACON) issued Technical Bulletin (CT) 05/09 allowing part of

PIS and COFINS related to the broadening of tax base to be reversed by some companies. On June 30, 2009, the Company reversed the portion corresponding to this liability with suspended payment, totaling R$12,401.

Therefore, the amounts recorded at June 30, 2012 and December 31, 2011 refer solely to the portion related to the 1% increase in COFINS rate, on which STF issued an unfavorable decision to the Company in August 2009. At June 30, 2012, the Company's lawsuit was not judged yet; however, based on the judgment of the grounds, it will have an unfavorable outcome, and the judicial deposits will be transferred to the Federal Government.
At June 30, 2012 and December 31, 2011, the provisioned amounts, as well as judicial deposits, are adjusted for inflation at the SELIC rate.

(b) COFINS - exclusion of ICMS from tax base

The Company has been legally challenging since 1993 the inclusion of ICMS in the COFINS tax base, and made judicial deposits from May 1993 to February 1996.
From June 2008, the Company started to use the suspended tax payment obtained in an Injunction filed with STF to continue excluding ICMS from COFINS tax base; however, the Company is not required to make judicial deposits anymore. Notwithstanding, such amounts have been recorded as liability with suspended payment.

At March 31, 2012, the litigation is pending a decision by STF; therefore, the Company adjusts for inflation the amounts of liabilities and judicial deposits at the SELIC rate at such date and at December 31, 2011.

Tax installment payment programs created by Law No. 11941/09

By virtue of the adoption of the federal tax installment payment program created by Law No. 11941/09, on November 30, 2009, the Company formally dropped this lawsuit and increased the tax liability by R$14,264, including lawsuits previously classified by its legal advisors with remote chances of an unfavorable outcome.

The Company concurrently recognized R$11,234 for the year ended 2009, related to deferred income and social contribution tax assets on income and social contribution tax losses at issue, which were realized in 2009.

At June 30, 2011, the consolidation process of tax debts before the Brazilian IRS and PGFN was concluded. The Company, as of that date, will pay the monthly installments referring thereto. The total balance of R$29,478 was reclassified into the "Tax Installment Payment - Law No. 11941/09" account, R$8,581 of which into current liabilities and R$20,897 into non-current liabilities.

At September 30, 2011, the Company opted to prepay some installments, totaling R$25,508, and the remaining amount of R$7,151, or R$875 net of judicial deposit, was recorded under the "Tax Installment Payment - Law No. 11941/09" account.

In accordance with the current tax installment payment program rules, it is not possible to make prepayments. The Company is awaiting the Brazilian IRS and PGFN (National Treasury Attorney General) to provide the tools required to settle this installment. Up to that date, the Company will continue to pay the minimum monthly installment of R$100.00.

Changes in suspended tax payments - parent company

	12/31/2011	Restatements	Additions/ (reversals)	6/30/2012
PIS/COFINS	30,008	688	-	30,696
Judicial deposits	(30,008)	(688)	-	(30,696)
	-	-	-	-
COFINS – ICMS	83,484	3,694	8,183	95,361
Judicial deposits	(10,106)	(470)	-	(10,576)
	73,378	3,224	8,183	84,785
IRPJ - exclusion of CSLL from IRPJ tax base	6,906	285	-	7,191
Provision for IRPJ (other contingencies)	2,803	-	(2,803)	-
	9,709	285	(2,803)	7,191
Other	3,567	75	(974)	2,668
Total	86,654	3,584	4,406	94,644

23. Equity

a) Capital

Paid-in capital at June 30, 2012 totaled R$562,158 (R$518,922 at March 31, 2012) after increase due to payment of the amount earmarked for 2006 investment reserve, with issuance of 35,345,588 new shares, 18,152,408 of which are common shares and 17,193,180 are preferred shares, including treasury shares. The bonus was performed in the proportion of 10 shares to each 100 shares held on April 25, 2012.

Due to the bonus performed on May 2, 2012, the total number of shares increased to 388,801,468 registered shares without par value, 199,676,488 of which are common shares and 189,124,980 are preferred shares.

As a result of the amendment to the Company's Articles of Incorporation, the authorized capital limit is 399,352,976 preferred shares, and the Board of Directors shall determine the terms and conditions applicable to the issuance of shares, based on the authorized capital limit, as well as whether the preemptive rights of current shareholders shall apply, pursuant to article 172 of Law No. 10303/01.

Breakdown of subscribed and paid-in capital is as follows:

At June 30, 2012:

	Common shares		Preferred shares		Total	
Shareholders	Number	%	Number	%	Number	%
Controlling shareholders (Camargo Corrêa Group)	133,757,338	66.99	37,792,634	19,98	171,549,972	44.12
Management:						
Board of Directors	39,560,580	19.81	7,948,700	4,20	47,509,280	12.22
Supervisory Board	24,200	0.01	222,310	0,12	246,510	0.06
Other shareholders	26,334,370	13.19	143,161,336	75,70	169,495,706	43.60
Total	199,676,488	100.00	189,124,980	100,00	388,801,468	100.00

At December 31, 2011:

	Common shares		Preferred shares		Total	
Shareholders	Number	%	Number	%	Number	%
Controlling shareholders (Camargo Corrêa Group)	121,597,580	66.99	34,356,940	19.98	155,954,520	44.12
Board of Directors	35,963,700	19.81	7,199,980	4.19	43,163,680	12.21
Supervisory Board	22,000	0.01	202,000	0.12	224,000	0.06
Other shareholders	23,940,800	13.19	130,172,880	75.71	154,113,680	43.61
Total	181,524,080	100.00	171,931,800	100.00	353,455,880	100.00

b) Share buyback plan

The Board of Directors Meeting, held on December 9, 2011, approved the buyback plan of up to 8,664,266 preferred shares and 5,992,650 common shares. The authorization shall be effective for not later than 361 days and shall expire on December 12, 2012. The Company has not acquired its own preferred shares or common shares in the last program authorized on December 11, 2009, comprising a period from December 15, 2009 to December 10, 2010.

The plan was approved to support the exercise of the Company's options, as detailed in Note 27.

For the quarter ended June 30, 2012, changes in "Treasury shares" were as follows:

	Number	Average Cost - R$
At December 31, 2011	5,093,220	7.97
Disposed (*)	-	-
Acquisitions (*)	-	-
Balances at March 31, 2012	5,093,220	7.97
Disposed (*)	-	-
Acquisitions (*)	-	-
Bonus of shares	509,322	(0.73)
Balance at June 30, 2012	5,602,542	7.24

(*) Disposals and acquisitions referring to stock option plans.

c) Dividends and interest on equity

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

For the six-month period ended June 30, 2012, interest on equity was recorded by management amounting to R$43,400 (R$38,260, net of Withholding Income Tax - IRRF).

The payment of dividends and interest on equity proposed by management is as follows:

	Per share - R$ (gross)			
	6/30/2012		12/31/2011	
	Preferred	Common	Preferred	Common
Interest on equity	0.1248	0.1135	0.2368	0.2153

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

This refers to goodwill or negative goodwill on the sale of treasury shares mainly arising from the exercise of stock option plans described in Note 27.

e) Tax incentive reserve

From January 1, 2008, tax incentives started to be recorded directly in P&L and, thereafter, at the annual financial statement closing date, recognized under the "Tax incentive reserve" account in "Income reserves".

24. Business segment reporting

CPC 22/IFRS 08 - Segment Reporting requires segment reporting consistently with managerial reports provided and revised by the chief operating decision-maker to assess the performance of each segment and allocation of funds. The Company's chief operating decision-maker is the CEO.

Although the Company has a matrix management structure in which sales revenues are analyzed by the chief operating decision-maker at various levels, considering that products manufactured and sold by the Company and its subsidiaries are divided into several brands of shoes, sports items, sandals and clothing, operations are managed according to geographic areas divided into as follows: (i) Domestic Operations: Company's and its subsidiaries' performance in Brazil; and (ii) Foreign Operations: subsidiaries' performance in Argentina and subsidiaries' consolidated performance in the United States and Europe, as well as direct exports and Tavex Corporation S.A.'s exports, in which the Company holds interest of 18.687%.

Net revenue by segment is represented for the six month period ended June 30, 2012 as follows:

- Domestic Operations:
  - Brazil: 67.4%

- Foreign Operations:
  - Argentina: 17.9%
  - Europe, United States and Exports: 14.7%

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

Information is as follows:

	6/30/2012					
	Net operating revenue	**Net income (loss)**	**Depreciation and amortization**	**Financial income (expense)**	**Exchange gains (losses), net**	**Income and social contribution taxes**
P&L accounts						
Domestic operations:						
Brazil	927,851	80,993	(20,405)	24,698	(2,819)	(10,322)
Foreign operations						
Argentina	246,864	12,317	(5,524)	(15,456)	(986)	13,852
Europe/United States/Exports	201,518	52,098	(3,085)	(930)	2,565	(4,661)
Grupo Tavex S.A.	-	(5,804)	-	-	-	-
Noncontrolling interest	-	549	-	-	-	-
Consolidated	1,376,233	140,153	(29,014)	8,312	(1,240)	(1,131)

	6/30/2011					
	Net operating revenue	**Net income (loss)**	**Depreciation and amortization**	**Financial income (expense)**	**Exchange gains (losses), net**	**Income and social contribution taxes**
P&L accounts						
Domestic operations:						
Brazil	810,637	132,516	(19,510)	24,612	748	(12,492)
Foreign operations						
Argentina	221,764	4,734	(4,809)	(11,292)	1,189	(4,712)
Europe/United States/Exports	152,025	23,995	(1,762)	(799)	(1,240)	(5,103)
Grupo Tavex S.A.	-	(132)	-	-	-	-
Noncontrolling interest	-	1,299	-	-	-	-
Consolidated	1,184,426	162,412	(26,081)	12,521	697	(22,307)

Asset and liability balances at June 30, 2012 and December 31, 2011 are as follows:

	6/30/2012			12/31/2011		
	Total assets	**Current and non-current liabilities**	**Addition to PP&E and intangible assets**	**Total assets**	**Current and non-current liabilities**	**Addition to PP&E and intangible assets**
Balance sheet accounts						
Domestic operations:						
Brazil	1,937,150	593,187	66,584	1,863,862	557,942	71,214
Foreign operations						
Brazil - exports	79,000	7,406	-	43,055	5,631	-
Argentina	411,961	253,972	3,150	345,852	203,497	13,930
Europe / United States	113,957	181,257	4,721	69,252	139,359	9,337
Grupo Tavex S.A.	71,335	-	-	74,267	-	-
Consolidated	2,613,403	1,035,822	74,455	2,396,288	906,429	94,481

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

Breakdown of consolidated net operating income for the six-month period ended June 30, 2012 is as follows: sandals R$821,282, sports items R$401,023, retail R$116,791 and others R$37,137 (R$630,114, R$394,328, R$108,537 and R$51,447, respectively, for the same six-month period ended June 30, 2011).

25. Net operating revenue

	Company		Consolidated	
	6/30/2012	**6/30/2011**	**6/30/2012**	**6/30/2011**
Gross operating revenue:				
Domestic market	1,100,907	925,143	1,164,140	984,937
Foreign market	106,551	70,555	525,931	436,036
	1,207,458	995,698	1,690,071	1,420,973
Returns and cancelations	(32,881)	(24,490)	(56,901)	(41,828)
Sales taxes	(192,755)	(139,141)	(256,937)	(194,719)
Net operating revenue	981,822	832,067	1,376,233	1,184,426

26. Expenses by nature

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

	Company		Consolidated	
	6/30/2012	**6/30/2011**	**6/30/2012**	**6/30/2011**
Cost of sales:				
Raw material	372,823	253,701	486,836	348,629
Salaries, charges and benefits	115,351	100,663	154,235	170,500
Accumulated depreciation	8,017	7,528	13,287	12,931
Other costs	47,525	69,528	120,909	106,872
Total	543,716	431,420	775,267	638,932
Selling expenses:				
Salaries, charges and benefits	39,591	35,979	62,525	54,185
Freight costs	36,821	28,836	50,620	39,660
Advertising and publicity	101,425	85,829	131,573	109,085
Commissions	7,328	8,165	15,987	15,320
Depreciation	1,576	1,594	2,843	2,738
Royalties	13,746	11,299	14,699	11,665
Third-party services	5,309	5,265	10,155	11,311
Rental/Leases	5,724	5,452	8,966	7,799
Travel expenses	2,494	2,325	4,154	4,051
Storage expenses	1,609	4,513	12,588	4,541
Transportation insurance	3,250	820	4,633	841
Other	38,584	26,532	45,092	40,298
	257,457	216,609	363,835	301,494
General and administrative:				
Salaries, charges and benefits	26,888	33,319	41,009	39,095
Management fees (Note 20.e)	6,449	4,178	6,810	4,458
Third-party services	15,075	14,967	17,052	16,873
Depreciation	615	422	1,422	937
Other	16,395	4,371	10,714	5,268
	65,422	57,257	77,007	66,631

27. Stock option plans

The Company grants preferred stock options to some executive officers under a program approved at Special Shareholders' Meetings held on April 26, 2002, October 26, 2006 and April 29, 2011, for the purpose of retaining and encouraging them to contribute to the interests and objectives of the Company and its shareholders. The plans are managed by the Human Resources Department of the Company.

General criteria of stock option plans

The grace period for exercising the option plans for 2002, 2003, 2004 and 2005 was two years, vesting 20% in the second year, 20% in the third year, 20% in the fourth year and 40% in the fifth year after the vesting date, and the options granted should be exercised not later than ten years.

The grace period for exercising the option plans from 2006 to 2009 was three years, vesting 30% in the third year (two-month exercise period), 30% in the fourth year (two-month exercise period) and 40% in the fifth year, and the options granted should be exercised not later than five years and two months. As regards to these plans, the option exercise is contingent to the attainment of performance goals, based on internal performance indicators.

The grace period for exercising the option plans for 2010 and 2011 was that of 2006-2009, but the options granted should be exercised not later than three years after the expiration of each grace period, for each tranche. As regards to these plans, the option exercise is also contingent to the attainment of performance goals, based on internal performance indicators.

The criteria to determine initial prices for the exercise of options granted according to the plans are as follows:

(i) 2002-2005 plans: initial exercise price equivalent to the average quotation weighted by the closing trading volume of the Company's preferred shares traded on the São Paulo Stock Exchange (BM&FBOVESPA) in the last 60 trading sessions before the date of approval of each annual plan. The exercise price is adjusted at the General Market Price Index (IGP-M).

(ii) 2006-2009 plans: initial exercise price equivalent to the average quotation weighted by the closing trading volume of the Company's preferred shares traded on the São Paulo Stock Exchange (BM&FBOVESPA) in the last 60 trading sessions before May 31 of the vesting year. The exercise price is adjusted at the Extended Consumer Price Index (IPCA).

(iii) 2010-2011 plans: exercise price equivalent to the average quotation weighted by the closing trading volume of the Company's preferred shares traded on the São Paulo Stock Exchange (BM&FBOVESPA) in the last 60 trading sessions before May 31 of the vesting year. This exercise price is not adjusted at any index.

Changes in stock option plans

Changes in stock option plans for the six-month period ended June 30, 2012 and for the year ended December 31, 2011 are as follows. The number and prices informed at December 31, 2011 were adjusted due to bonus of 1:10 approved at the Special General Meeting held on April 25, 2012.

	6/30/2012		12/31/2011	
	Number of options	Weighted average exercise price - R$	Number of options	Weighted average exercise price - R$
Outstanding options at the beginning of the period/year	4,222,303	5.04	5,778,190	3.49
Cancelled options	0	0	623,279	1.49
Exercised options	0	0	(2,098,866)	2.64
Cancelled options	(324,500)	4.78	(80,300)	0.11
Outstanding options at the beginning of the period/year	3,897,803	5.06	4,222,303	5.04

Outstanding stock options are as follows:

	Outstanding options			
	Options not exercised at the end of the year / period	Remaining contractual life (months)	Exercise price rate- R$	Options exercisable at the end of the year / period
June 30, 2012	3,897,803	45	1,50-10,12	1,339,624
December 31, 2011	4,222,303	52	1,45-10,12	1,408,924

The detail of the characteristics of outstanding stock option plans, by plan, is as follows:

	6/30/2012			
Vesting date	Options not exercised at the end of the year	Remaining contractual life (months)	Exercise price- R$	Options exercisable at the end of the year
July 1, 2004	78,320	24	1.50	78,320
July 1, 2005	978,164	36	2.13	978,164
July 1, 2006	0	0	0	0
July 1, 2007	207,240	2	8.53	174,240
July 1, 2008	401,500	14	5.88	108,900
July 1, 2009	1,051,600	26	3.76	-
July 1, 2010	557,700	72	5.65	-
July 1, 2011	623,279	84	10.12	-
Total	3,897,803	45	1.50-10.12	1,339,624

Notes to interim financial information (Continued)
Six-month period ended June 30, 2012
(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

	12/31/2011			
Vesting date	**Options not exercised at the end of the year**	**Remaining contractual life (months)**	**Exercise price-R$**	**Options exercisable at the end of the year**
July 1, 2004	78,320	30	1.45	78,320
July 1, 2005	978,164	42	2.06	978,164
July 1, 2007	284,240	8	8.34	220,440
July 1, 2008	478,500	20	5.75	132,000
July 1, 2009	1,166,000	32	3.68	-
July 1, 2010	613,800	78	5.65	-
July 1, 2011	623,279	90	10.12	-
Total	4,222,303	52	1.45-10.12	1,408,924

For accounting purposes, the fair value of options was estimated by using a binomial valuation model. The accounting expense recorded in the P&L account relating to stock option plans totaled R$863 for the six-month period ended June 30, 2012 compared to R$634 for the six-month period ended June 30, 2011. For calculation of expenses, a probability of attainment of performance conditions of 100% (for 2006-2010 grants) and an expected stock cancellation rate of 0% were adopted.

On the vesting date, the fair value of stock options granted on July 1, 2011 was estimated in R$4.91. The performance conditions were not reflected in the fair value as they are based on internal performance indicators. The expected volatility assumption was based on a five-year historical volatility previous to the vesting date, and early exercises were reflected by using a Hull-White binomial valuation model, with a voluntary exercise trigger of 150% of the exercise price.

The main assumptions used in the calculation are as follows:

	Amounts stated in (R$)
Price per share	11.00
Exercise price	10.12
Expected volatility	37.00%
Expected dividends	2.75%
Risk-free rate (nominal rate)	12.50%
Post-vesting rate	10.00%
Fair value	4.91

The following are the simulated effects arising from:

(i) Scenario I: exercise of the stock options granted up to June 30, 2012.
(ii) Scenario II: exercise of all stock options to be granted under the stock option plan.

In both scenarios, it was assumed that all options were exercisable at June 30, 2012, based on parent company's equity at that date.

Amounts stated in reais:

	Scenario I	Scenario II
Weighted average exercise price	5.06	5.06
Number of preferred shares	189,124,980	189,124,980
Number of outstanding preferred shares	183,522,438	183,522,438
Number of shares to be purchased by exercising the options	3,897,803	13,200,000
Book value per outstanding share	4.10	4.10
Book value per share considering the exercise of options	4.02	3.81
Dilution of book value per share	0.08	0.29
Percentage dilution	2.06%	6.98%

28. Employee benefits

The Company and its subsidiaries sponsor two supplementary pension plans and also provide, by means of an own pension plan, life annuity and health care benefits for a certain group of former employees and their spouses. The actuarial liability of these plans at June 30, 2012 is R$1,919 (R$1,973 at December 31, 2011).

The assumptions on and calculations of actuarial liabilities are described in Note 30 to annual financial statements for the year ended December 31, 2011.

29. Financial income and expenses, net

	Company		Consolidated	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Financial income:				
Short-term investment yield	28,760	33,983	30,950	34,440
Interest receivable	2,636	2,533	2,846	3,402
Other	417	569	840	559
	31,813	37,085	34,636	38,401
Financial expenses:				
Interest and charges on loans and financing	(2,862)	(7,164)	(7,438)	(8,230)
Interest and charges on debt restructuring of subsidiaries	-	-	(5,308)	(5,448)
Tax on Financial Transactions (IOF)	(172)	(229)	(1,029)	(229)
Tax on bank transactions (Argentina)	-	-	(4,634)	(3,111)
Inflation adjustment of taxes	(3,586)	(4,414)	(3,586)	(4,414)
Other	(2,381)	(1,776)	(4,329)	(4,448)
	(9,001)	(13,583)	(26,324)	(25,880)

Notes to interim financial information (Continued)
Six-month period ended June 30, 2012
(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

30. Exchange gains (losses), net

	Company		Consolidated	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Exchange gains	11,742	3,405	11,430	4,377
Exchange losses	(8,738)	(3,260)	(12,670)	(3,680)
	3,004	145	(1,240)	697

31. Other operating income (expenses)

	Company		Consolidated	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Other operating income:				
Receivable Eletrobras (a)	7,726	15,043	7,726	15,043
Tax credits (CBS)	-	-	-	2,158
Income from sale of properties (Argentina)	-	-	7,294	-
Taxes on operating income	(1,116)	(1,875)	(1,128)	(1,875)
Other	2,041	2,746	2,284	3,825
	8,651	15,914	16,176	19,151
Other operating expenses:				
Amortization of intangible assets	(10,047)	(8,805)	(11,631)	(9,467)
Provisions for tax, civil and labor risks (Note 21)	(5,600)	(4,815)	(6,527)	(5,357)
Other	(9,166)	(6,683)	(18,126)	(10,063)
Other operating expenses	(24,813)	(20,303)	(36,284)	(24,887)

(a) This refers to a lawsuit filed by the Company for reimbursement of compulsory loans made to Eletrobras with full inflation adjustment and interest on principal. The Superior Court of Justice (STJ) decided the lawsuit favorably to taxpayers upon RESP 1003955 and RESP 1028592 judgment, under the sequence of repeated appeals, in accordance with article 543-C of the Code of Civil Procedure, whereby it decided favorably with respect to all lawsuits addressing the matter. In turn, through the judgment of Interlocutory Appeal No. 735933 filed by Eletrobras, the Federal Supreme Court (STF) ratified the understanding of STJ in the sense that the discussion of the matter is subordinated to the Constitution. Although the lawsuit filed by the Company has not yet received a final and unappealable decision, a decision that the understanding expressed by STJ should be applied to the matter was issued.

In March 2012, the Company received R$7,726 in addition to the credit right assignment and acquisition agreement and other covenants for third parties unrelated to the Companies of the Group, to which all risks and benefits arising from such lawsuit were transferred, for R$19,765, entered into in December 2011, when the Company ensured its right to complement the sales amount based on information that could be obtained in the future from electric power companies.

32. Profit sharing

The Company and its subsidiaries provide their employees with profit sharing linked to the achievement of operating goals and specific objectives, annually established and approved for each plant/unit. For the six-month periods ended June 30, 2012 and 2011, profit sharing recognized in P&L was as follows:

	Company		Consolidated	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Profit-sharing program	18,804	15,660	23,512	19,175

Profit sharing is recorded under the "Salaries and social charges payable" account in current liabilities.

33. Pledges and collaterals

At June 30, 2012 and December 31, 2011, in addition to the information disclosed in Notes 14 and 16, pledges and collaterals provided by the Company to financial institutions related to vendor financing transactions were R$474 and R$ 2,007, respectively.

For the six-month period ended June 30, 2012 and year ended December 31, 2011, the Company did not record losses arising from these pledges and collaterals.

34. Risk and financial instrument management

a) General considerations and policies

The Company and its subsidiaries are engaged in transactions involving financial instruments, including derivatives, when applicable, which are recorded in balance sheet accounts in order to meet their operating and financial needs.

These financial instruments are managed by means of policies, definition of strategies and establishment of control systems, which are monitored by Company management.

Treasury procedures set by the policy in effect include monthly projection routines and assessment of the consolidated currency exposure of the Company and its subsidiaries, based on which management makes its decisions.

Short-term investments

The short-term investment policy established by Company and its subsidiary management elects the financial institutions with which agreements may be entered into based on the evaluation of credit rating of the counterparty in question, maximum exposure percentage by institution based on the rating and bank's maximum equity percentage. At June 30, 2012 and December 31, 2011, short-term investments are within those limits.

Related party current accounts

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

Policies for contracting derivative financial instruments

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

Treasury procedures under the policy in effect include monthly projection and currency exposure assessment routines of the Company and its subsidiaries, based on which management makes decisions on the contracting of such financial instruments.

At June 30, 2012 and December 31, 2011, the Company and its subsidiaries did not have any outstanding derivative financial instrument transactions.

b) Financial risk management

Financial risk factors

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

Risk management is carried out by the Company's Treasury Department, and the policies must be approved by the Board of Directors. The Treasury Department identifies, assesses and contracts financial instruments in order to hedge the Company against potential financial risks, mainly those arising from interest and exchange rates.

b1) *Market risk*

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

i) Currency risk

Due to different types of accounts receivable and financial liabilities assumed by the Company in foreign currencies, the Exchange Rate Hedging Policy was implemented establishing exposure limits linked to this risk.

This policy considers foreign currency-denominated amounts from accounts receivable and payable related to commitments already made and recorded in the financial statements arising from the Company's operations and future cash flows.

ii) Interest rate risk

The Company's interest rate risk arises from short-term investments and short and long-term loans and financing. Company management adopts the policy of maintaining the rates of its exposures at asset and liability interest rates pegged to floating rates. Short-term investments and loans and financing are adjusted based on the floating CDI rate, pursuant to agreements entered into with financial institutions.

b2) *Credit risk*

Sales are mainly made to retailers and wholesalers. The credit risk is reduced due to the high dilution of the customer portfolio, credit assessment and granting policies. The result of this management is reflected under the "Allowance for doubtful accounts" account, as described in Note 8.

The Company and its subsidiaries are also subject to credit risks related to financial instruments contracted for the management of their business.
The risk of not settling transactions with financial institutions is low, as these are considered by the market as prime banks.

b3) *Liquidity risk*

Effectively managing liquidity risk implies maintaining enough cash and marketable securities, funds available through credit facilities used and the ability to gain market share. Due to the active nature of the Company's and its subsidiaries' business, the Treasury Department is flexible in raising funds through the maintenance of committed credit lines.

Management monitors the Company's consolidated liquidity level considering the expected cash flow against unused credit lines and cash and cash equivalents. The table below analyzes financial liabilities by maturity ranges corresponding to the remaining period in the balance sheet compared to the contractual maturity date. Amounts presented in the table are undiscounted cash flows contracted.

c) Financial liabilities

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

	6/30/2012						
	Less than one year	Between one and two years	Between three and five years	Over five years	Fair value	Discount effects	Carrying amount
Current:							
Finance lease transactions	142	-	-	-	142	(14)	128
Loans and financing	146,588	-	-	-	146,588	-	146,588
Trade accounts payable	358,354	-	-	-	358,354	-	358,354
Non-current:							
Finance lease transactions	-	14	-	-	14	-	14
Loans and financing	-	54,222	33,100	1,480	88,802	-	88,802

	12/31/2011						
	Less than one year	Between one and two years	Between three and five years	Over five years	Fair value	Discount effects	Carrying amount
Current:							
Finance lease transactions	215	-	-	-	215	(32)	183
Loans and financing	179,894	-	-	-	179,894	-	179,894
Trade accounts payable	297,150	-	-	-	297,150	-	297,150
Non-current:							
Finance lease transactions	-	48	-	-	48	(6)	42
Loans and financing	-	21,224	33,110	1,480	55,814	-	55,814

d) Capital management

The Company's objectives in managing its capital are to safeguard its ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders as well as to maintain an optimal target capital structure to reduce the cost of capital.

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

	6/30/2012	12/31/2011
Cash and cash equivalents and short-term investments	621,471	670,954
(-) Short and long-term loans and financing	(235,532)	(235,933)
Net financial position	385,939	435,021
Equity	1,577,581	1,489,859

e) Currency exposure

		Company		Consolidated	
		6/30/2012	12/31/2011	6/30/2012	12/31/2011
Assets:					
Trade accounts receivable	(i)	73,875	36,686	174,055	93,393
Total assets		73,875	36,686	174,055	93,393
Liabilities:					
Loans and financing	(ii)	-	4,794	157,546	118,627
Trade accounts payable		85,160	40,961	148,749	102,570
Royalties payable		9,688	13,448	9,688	13,448
Total liabilities		94,848	59,203	315,983	234,645
Net exposure		(20,973)	(22,517)	(141,928)	(141,252)
(-) Foreign subsidiaries		-	-	126,409	122,460
Total exposure for sensitivity analysis purpose		(20,973)	(22,517)	(15,519)	(18,792)

(i) In consolidated at June 30, 2012, 78.7% (77.4% at December 31, 2011) refer to trade accounts receivable of foreign subsidiaries (Alpargatas USA Inc. - United States, Alpargatas Europe S.L.U. - Spain, Alpargatas Chile Ltda. - Chile and Alpargatas S.A.I.C. - Argentina) and 21.3% refer to foreign trade accounts receivable of the parent company in Brazil.

(ii) In consolidated at June 30, 2012, 100.0% (95.9% at December 31, 2011) refer to currency-denominated loans of foreign subsidiaries (Alpargatas USA Inc. - United States, Alpargatas Europe S.L.U. - Spain and Alpargatas S.A.I.C. - Argentina), as described in Note 16.

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

f) Market value

At June 30, 2012 and December 31, 2011, market values of short-term investments approximate the amounts recorded in the interim financial information as they are pegged to the CDI rate fluctuation. Loans and financing are adjusted for inflation based on interest rates contracted according to the usual market conditions; therefore, balances payable at the balance sheet dates substantially approximate their market values, including those classified as “non-current”, considering the type of the corresponding financing.

The fair value of financial instruments that are not traded in active markets (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company and its subsidiaries use various methods and define assumptions that are based on market conditions existing at the balance sheet date. The fair value of forward exchange contracts is determined based on forward exchange rates quoted at the balance sheet date.

It is estimated that the amounts of trade accounts receivable and trade accounts payable recognized at their carrying amounts approximate their fair market value in view of the short term of transactions conducted.

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

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1).
- Information, in addition to quoted prices, included in Level 1, used by the market for assets or liabilities, either directly (that is, based on prices) or indirectly (that is, deriving from prices) (Level 2).
- Exemptions for assets or liabilities that are not based on the data adopted by the market (i.e., unobservable inputs) (Level 3).

The fair value of the financial instruments traded in active markets (such as held-for-trading and available-for-sale securities) is based on market prices at the balance sheet date. A market is considered active if quoted prices are readily and regularly available from a stock exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for the financial assets held by the Group is the price of current competitors. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in active markets (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques make maximum use of data adopted by the market, when available, and rely as little as possible on entity's specific estimates. If all material information required for the fair value of an instrument is adopted by the market, the instrument will be included in Level 2.

If any material information is not based on the data adopted by the market, the instrument will be included in Level 3.

Specific valuation techniques used to measure financial instruments, according to Level 2 rules, include:

- Quoted market prices or quotations of financial institutions or brokers for similar instruments.
- The fair value of interest rate swaps is measured at the present value of future cash flows estimated based on the yield curves adopted by the market.
- The fair value of future exchange contracts is determined at future exchange rates at the balance sheet date, and the amount resulting therefrom is discounted to present value.
- Other techniques, such as the analysis of discounted cash flows, are used to determine the fair value of the remaining financial instruments.

The Company and its subsidiaries did not have financial instruments measured at fair value for the quarter ended June 30, 2012 and for the year ended December 31, 2011.

g) Sensitivity analysis of financial instruments

Currency risk

For the consolidated currency exposure sensitivity analysis at June 30, 2012, effects of which reflect only the impacts on monetary assets and liabilities, the Company did not consider the balances of trade accounts receivable and loans and financing of foreign subsidiaries, as they are denominated in local functional currencies of each one of these subsidiaries; therefore, Company management understands that there is no currency exposure risk for such subsidiaries.

Considering currency exposures described in item (e) above, at June 30, 2012, the sensitivity analysis of outstanding positions is as follows:

	Gain/(loss)		
	Probable scenario	**Possible scenario**	**Remote scenario**
Company's risk			
US dollar depreciation	621	(3,880)	(7,760)

The probable scenario considers a 4% appreciation of the Brazilian real against the U.S. dollar at the average exchange rate of R$1.9500, based on market references.

The possible scenario considers a 25% depreciation of the Brazilian real against the U.S. dollar at the exchange rate at June 30, 2012 of R$2.0213/US$ (R$2.5266/US$), and the remote scenario considers a 50% depreciation (R$3.0320/US$).

Interest rate risk

The sensitivity analysis was determined based on the exposure to interest rates of non-derivative financial instruments at the end of each reporting period. For financial assets indexed at the CDI rate and liabilities indexed to the floating TJLP rate, the analysis is prepared assuming that the net amount between the asset and liability outstanding at the end of the reporting period remained outstanding throughout the year. A 3 percentage point increase or decrease is used to internally present the interest rate risks to key management personnel and corresponds to management's assessment of possible changes in interest rates.

Had interest rates been 3 percentage points higher or lower and all other variables remained stable, net income for the six-month period ended June 30, 2012 would have increased or decreased by approximately R$19,212. This is mainly due to the Company's net exposure to the CDI rate on short-term investments, considering that the financial liabilities are mainly stated at fixed rates, as described in Note 16.

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

35. Earnings per share

	6/30/2012		
	Common - ON	**Preferred - PN (a)**	**Total**
Denominator			
Total weighted average number of shares	188,079,116	178,140,448	366,219,564
Weighted number of treasury shares	-	(5,277,142)	(5,277,142)
Weighted average number of outstanding shares	188,079,116	172,863,306	360,942,422
% of shares in relation to the total number	52.11%	47.89%	100.00%
Numerator – basic			
Net income for the period attributable to each class of shares	69,404	70,199	139,603
Basic earnings per share for the period from going concern operations	0.3690	0.4061	0.3868
Total basic earnings per share for the period	0.3690	0.4061	0.3868
Numerator – diluted			
Weighted average number of outstanding shares	188,079,116	172,863,306	360,942,422
Number of shares of weighted stock option plans	-	3,831,043	3,831,043
Weighted average number of outstanding shares	188,079,116	176,694,349	364,773,465
Diluted earnings per share for the period from going concern operations	0.3690	0.3973	0.3827
Total diluted earnings per share for the period	0.3690	0.3973	0.3827

	6/30/2011		
	Common - ON	**Preferred - PN (a)**	**Total**
Denominator			
Total weighted average number of shares	188,079,116	178,140,448	366,219,564
Weighted number of treasury shares	-	(5,082,711)	(5,082,711)
Weighted average number of outstanding shares	188,079,116	173,057,737	361,136,853
% of shares in relation to the total number	52.08%	47.92%	100.00%
Numerator – basic			
Net income for the period attributable to each class of shares	80,047	81,066	161,113
Basic earnings per share for the period from going concern operations	0.4256	0.4684	0.4461
Total basic earnings per share for the period	0.4256	0.4684	0.4461
Numerator – diluted			
Weighted average number of outstanding shares	188,079,116	173,057,737	361,136,853
Number of shares of weighted stock option plans	-	4,692,418	4,692,418
Weighted average number of outstanding shares	188,079,116	177,750,155	365,829,271
Diluted earnings per share for the period from going concern operations	0.4256	0.4561	0.4404
Total diluted earnings per share for the period	0.4256	0.4561	0.4404

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

Due to the bonus of shares disclosed in Note 23.a), the number of common and preferred shares at June 30, 211 was adjusted to reflect the current number of shares, as required by paragraph 64 of Technical Pronouncement CPC 41 - Earnings per Share.

36. Commitments made

36.1 Operating leases

Stores leased

At June 30, 2012, the Company had lease agreements entered into with third parties, which management reviewed and concluded that they qualify as operating leases.

The lease amount of properties is the greater of: (i) the equivalent to the average rate between 3% and 4% of the store's monthly gross sales; or (ii) the minimum monthly amount annually adjusted at various inflation rates. The average monthly lease expenses paid totaled R$854 (R$768 at June 30, 2011). Such lease agreements expire between 5 and 15 years, subject to renewal.

For the six-month period ended June 30, 2012, rental expenses, net of recoverable taxes, totaled R$5,124 (R$4,608 at June 30, 2011) in consolidated.

Other leases

The Company also has warehouse lease agreements for the warehousing of products and goods and commercial offices with monthly fixed amounts, adjusted annually at usual market inflation rates.

In August 2011, the Company entered into a lease agreement to set up its head office in a new office space in 2012. The agreement is effective for 10 years, beginning September 2011, grace period of which is 90 days from such date. The monthly lease amount is R$893, annually adjusted at the accumulated positive variation of General Market Price Index (IGP-M) / FGV.

For the six-month period ended June 30, 2012, rental expenses, net of recoverable taxes, totaled R$12,639 (R$8,557 at June 30, 2011) in consolidated.

Future commitments

Total future commitments arising from operating lease agreements totaled a minimum fixed amount of R$68.032 at June 30, 2012, distributed as follows:

Period	R$
2012 (six months)	16,353
2013	29,459
2014	28,411
2015 to 2016	54,593
	128,816

Such transactions are subject to usual restrictive covenants, such as guarantees for early termination of agreement, among others. These covenants, at June 30, 2012, were complied with by the Company; therefore, no effective lease agreement at such date was considered as onerous by Company management. In addition, no contingent payment was made by the Company for the period ended June 30, 2012.

36.2 Input supply agreements

The Company has commitments deriving from an electric power supply agreement effective through 2011, providing for the purchase of a minimum monthly volume of 26,863 kw, equivalent to R$611, which can be amended not less than six months. At June 30, 2012, the Company was compliant to the agreement's commitments.

37. Insurance coverage

The Company and its subsidiaries have insurance coverage for property, plant and equipment items and inventories subject to fire damage for the technical replacement amount and to cover loss of profits. At June 30, 2012, consolidated insurance coverage was considered sufficient by management to cover the risks involved.

38. Additional information to the statements of cash flows

	Company		Consolidated	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Dividends received with settlement of subsidiary's current account	-	6,500	-	-
Non-cash acquisitions of PP&E	-	2,064	-	2,064
Unused secured account limits	-	-	30,066	31,598

39. Reclassifications

39.1 Statements of cash flows

Certain transactions of statements of cash flows for the six-month period ended June 30, 2011 were reclassified in comparison with those originally published for better comparability with the classification adopted in 2012. Accordingly, the Company restates these statements, as follows:

	Company		Consolidated	
	Restated	Original	Restated	Original
Operating activities	115,269	108,672	129,279	122,682
Investing activities	(145,960)	(233,522)	(115,710)	(242,513)
Financing activities	(82,610)	(82,610)	(116,011)	(76,770)

39.2 Deferred income and social contribution taxes - assets and liabilities

In order to better present the balance of deferred income and social contribution taxes, assets and liabilities, reclassifications were made in non-current asset and liability balances at December 31, 2011, as follows:

	Company		Consolidated	
	Restated	**Original**	**Restated**	**Original**
Deferred income tax asset	41,148	46,838	45,244	89,551
Total deferred income tax liabilities	-	5,690	-	44,307

39.3 Adjustment of interruption in recognition of sales revenue

In order to better present the effects of the adjustment referring to the cut-off of sales, reclassifications were made in the balances of net sales revenue and in cost of sales referring to the balances at June 30, 2011, since until the end of that six-month period said accounting practice was adopted considering the net effect of the adjustment calculated by the Company. There was no change in net income or equity, only reclassifications among account lines.

The effects reclassified at June 30, 2011 were as follows:

	Company		Consolidated	
	Restated	**Original**	**Restated**	**Original**
Net operating revenue	832,067	846,476	1,184,426	1,198,835
Cost of goods and sales	431,420	447,141	638,932	654,653
Selling expenses	216,609	215,207	301,494	300,092
Other operating expenses	20,303	20,393	24,887	24,977

40 Approval for disclosure of the quarterly interim financial information

This quarterly interim financial information of the Company was approved for disclosure by the Board of Directors at a meeting held on August 6, 2012.