(A free translation of the original in Portuguese)

Hypermarcas S.A. and Subsidiaries

Quarterly Information (ITR) and Review Report of Independent Accountants

June 30, 2010

(A free translation of the original in Portuguese)

Review Report of Independent Accountants

To the Board of Directors and Stockholders
Hypermarcas S.A. and Subsidiaries

1 We have reviewed the accounting information included in the Quarterly Information (ITR) (parent company and consolidated) of Hypermarcas S.A. (the "Company") and subsidiaries for the quarter ended June 30, 2010, comprising the balance sheet and the statements of income, changes in equity and cash flows, explanatory notes and the performance report. This Quarterly Information is the responsibility of the Company's management.

2 Our review was carried out in accordance with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON), in conjunction with the Federal Accounting Council (CFC), and mainly comprised: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Company with regard to the main criteria adopted for the preparation of the Quarterly Information; and (b) a review of information and of subsequent events which have, or could have, significant effects on the financial position and operations of the Company and its subsidiaries.

3 Based on our limited review, we are not aware of any material modifications that should be made to the quarterly information of the parent company referred to above in order that it be stated in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), applicable to the preparation of the Quarterly Information, consistent with the standards issued by the Brazilian Securities Commission (CVM).

4 Based on our limited review, we are not aware of any material modifications that should be made to the consolidated quarterly information referred to above in order that it be stated in accordance with CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB) applicable to the preparation of Quarterly Information, in accordance with the standards issued by the Brazilian Securities Commission (CVM).

5 We have also reviewed the parent company and consolidated interim statements of value added for the quarter ended June 30, 2010, which are required to be presented in accordance with standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which does not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, we are not aware of any fact that leads us to believe that they are not properly prepared, in all material respects, in relation to the parent company and consolidated interim accounting information taken as a whole.

6 As mentioned in Note 33, the Brazilian Securities Commission (CVM), through CVM Resolution 603/09, permitted companies to present their Quarterly Information during 2010 based on the accounting standards effective until December 31, 2009, provided that this Quarterly Information was subsequently restated, including comparative figures, to comply with the new standards. Accordingly, this Quarterly Information (ITR) differs from that originally disclosed by the Company.

São Paulo, May 14, 2011

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Douglas Souza de Oliveira
Contador CRC 1SP191325/O-0

Hypermarcas S.A. and Subsidiaries

Balance Sheets

All amounts in R$ thousands (A free translation of the original in Portuguese)

		Parent		Consolidated	
Assets	**Notes**	**June 30, 2010**	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**
Current assets					
Cash and cash equivalents	**9**	1,400,544	499,137	1,436,218	499,279
Trade receivables	**10**	615,633	723,945	693,486	725,008
Inventories	**11**	289,280	238,764	419,167	323,585
Taxes recoverable	**12**	259,875	184,278	278,623	192,969
Other assets		102,776	50,910	124,844	57,188
		2,668,108	1,697,034	2,952,338	1,798,029
Non-current assets					
Long-term receivables					
Receivables from related parties	**32**	444	287		
Deferred income tax and social contribution	**19**	102,398	149,609	114,158	160,769
Taxes recoverable	**12**	6,472	6,959	11,991	9,067
Other assets		18,779	20,366	19,980	20,584
Investments in subsidiaries	**13**	1,093,169	132,491		
Other investments		287	287	272	287
Property, plant and equipment	**14**	348,031	342,397	662,475	416,281
Intangible assets	**15**	3,638,992	3,639,278	4,385,377	3,688,080
Deferred charges		390	550	390	550
		5,208,962	4,292,224	5,194,643	4,295,618
Total assets		7,877,070	5,989,258	8,146,981	6,093,647

		Parent		Consolidated	
Equity and liabilities	**Notes**	**June 30, 2010**	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**
Current liabilities					
Trade payables	**17**	101,587	131,843	182,563	120,477
Borrowings	**18**	213,979	405,554	259,030	413,932
Salaries payable		48,565	37,210	68,403	46,155
Income tax and social contribution payable	**19**		3,887	7,078	4,931
Taxes payable	**20**	20,138	14,092	60,768	74,517
Notes payable	**22**	585,856	488,030	585,856	488,030
Proposed dividends	**26 (i)**		27,685		27,685
Payables	**21**	135,312	124,339	147,788	129,880
		1,105,437	1,232,640	1,311,486	1,305,607
Non-current liabilities					
Borrowings	**18**	847,725	363,721	883,906	380,817
Payables to related parties	**32**	240	346	6,371	
Notes payable	**22**	953,752	921,359	953,752	921,359
Other payables	**23**	29,247	28,491	34,937	28,491
Provisions for contingencies	**29**	21,048	24,968	36,908	39,640
		1,852,012	1,338,885	1,915,874	1,370,307
		2,957,449	2,571,525	3,227,360	2,675,914
Equity					
Share capital		3,168,195	2,555,552	3,168,195	2,555,552
Capital reserves	**26**	1,554,606	792,877	1,554,606	792,877
Revenue reserves		116,566	69,304	116,566	69,304
Profit for the period		80,254		80,254	
		4,919,621	3,417,733	4,919,621	3,417,733
Total equity and liabilities		7,877,070	5,989,258	8,146,981	6,093,647

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

	Notes	Parent			
		Current quarter - 4/1/2010 to 6/30/2010	Accumulated 1/1/2010 to 6/30/2010	Current quarter - 4/1/2009 to 6/30/2009	Accumulated 1/1/2009 to 6/30/2009
Continuing operations					
Net revenue	**28**	677,551	1,346,763	405,407	779,236
Cost of sales		(305,317)	(616,690)	(173,852)	(335,161)
Gross profit		372,234	730,073	231,555	444,075
Selling and marketing expenses	**25**	(257,578)	(448,213)	(130,653)	(232,676)
Administrative and general expenses	**25**	(35,543)	(78,752)	(20,874)	(37,297)
Other operating income (expenses), net		18,663	38,217	19,273	18,896
Share of profit of subsidiaries		12,872	17,944	11,098	8,469
Operating profit		110,648	259,269	110,399	201,467
Finance income	**25**	34,854	48,773	7,928	14,215
Finance costs	**25**	(74,111)	(149,058)	37,646	4,271
Finance costs, net		(39,257)	(100,285)	45,574	18,486
Profit before income tax and social contribution		71,391	158,984	155,973	219,953
Income tax and social contribution	**19**	(26,745)	(59,153)	(24,534)	(11,766)
Profit for the year		44,646	99,831	131,439	208,187

	Notes	Consolidated Current quarter - 4/1/2010 to 6/30/2010	Consolidated Accumulated 1/1/2010 to 6/30/2010	Consolidated Current quarter - 4/1/2009 to 6/30/2009	Consolidated Accumulated 1/1/2009 to 6/30/2009
Continuing operations					
Net revenue	**28**	746,659	1,394,340	404,357	778,452
Cost of sales		(329,744)	(603,045)	(170,969)	(334,768)
Gross profit		416,915	791,295	233,388	443,684
Selling and marketing expenses	**25**	(283,305)	(475,627)	(130,746)	(232,841)
Administrative and general expenses	**25**	(43,876)	(89,857)	(21,100)	(38,314)
Other operating income (expenses), net		29,049	44,930	22,762	22,439
Share of profit of subsidiaries					
Operating profit		118,783	270,741	104,304	194,968
Finance income	**25**	35,660	49,653	7,929	14,218
Finance costs	**25**	(79,484)	(155,067)	37,978	5,090
Finance costs, net		(43,824)	(105,414)	45,907	19,308
Profit before income tax and social contribution		74,959	165,327	150,211	214,276
Income tax and social contribution	**19**	(30,313)	(65,496)	(18,772)	(6,089)
Profit for the year		44,646	99,831	131,439	208,187

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

Hypermarcas S.A.

Statements of Changes in Stockholders' Equity

All amounts in R$ thousands (A free translation of the original in Portuguese)

		Revenue reserves									
	Capital	Reserve for future capital increase	Share premium	Stock Options	Legal reserve	Tax incenti-ves reserve	Unrealized profit reserve	Statutory reserve	Profit for appropriation by AGO*	Retained earnings (accumulated deficit)	Carrying value adjustments	Total
At January 1, 2009	**1,592,177**		**521,158**							**(195,118)**		**1,918,217**
Partial split-off	(47,747)											(47,747)
Payment of capital - merger of shares	47,747											47,747
Stock options (Nota 26(D))				14,462								14,462
Profit for the year										208,187		208,187
Legal reserve (Nota 26(E))												
Dividends proposed (increase/decrease) (Nota 26(J))												
Profit at the disposal of AGO*									13,069	(13,069)		
At June 30, 2009	**1,592,177**		**521,158**	**14,462**					**13,069**			**2,140,866**
Primary public distribution (Nota 26 (A))	281,750		281,750									563,500
Costs incurred - CVM Resolution 556/08			(15,271)									(15,271)
Payment of capital - merger of shares (Nota 26 (A))	681,625											681,625
Stock options (Nota 26(D))				(9,222)								(9,222)
Profit for the year										83,920		83,920
Legal reserve					5,828					(5,828)		
Dividends proposed (increase/decrease)										(27,685)		(27,685)
Profit at the disposal of AGO*									69,984	(69,984)		
At December 31, 2009	**2,555,552**		**787,637**	**5,240**	**5,828**				**83,053**	**(19,577)**		**3,417,733**
Payment of capital - funds obtained from the stock option program	6,565											6,565
Reserve for future capital increase (Nota 26 (C))		153,000										153,000
Primary public offering (Nota 26 (A))	606,078		626,538									1,232,616
Costs incurred - CVM Resolution 556/08 (Nota 26 (J))			(23,179)									(23,179)
Stock options				5,370								5,370
Establishment of tax incentive reserve (Nota 26(F))						38,726			(38,726)			
Establishment of statutory reserve (Nota 26(H))								44,327	(44,327)			
Profit for the year										99,831		99,831
Dividends proposed (increase/decrease) (Nota 26(i))							27,685					27,685
At June 30, 2010	**3,168,195**	**153,000**	**1,390,996**	**10,610**	**5,828**	**38,726**	**27,685**	**44,327**		**80,254**		**4,919,621**

*Stockholders Ordinary General Meeting

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

Hypermarcas S.A. and Subsidiaries

Statements of Cash Flows

All amounts in R$ thousands (A free translation of the original in Portuguese)

	Parent		Consolidated	
	June 30,2010	June 30,2009	June 30,2010	June 30,2009
Cash flows from operating activities				
Profit before income tax and social contribution	158,984	219,953	165,327	214,276
Adjustments				
Depreciation and amortization	18,375	16,885	22,236	17,442
Gain on sale of permanent assets	(148)	55	(143)	55
Share of profit/(loss) of subsidiaries	(17,944)	(8,469)		
Foreign exchange (gains) losses	23,366	(81,531)	23,847	(81,476)
Interest and other related expenses	76,919	63,045	82,579	62,168
Stock option expenses	5,371	2,188	5,371	2,188
Adjusted profit	264,923	212,126	299,217	214,653
Decrease (increase) in assets				
Trade receivables	108,312	81,904	89,762	89,138
Inventories	(50,516)	10,959	(62,660)	12,753
Taxes recoverable	(75,111)	13,887	(78,815)	13,389
Judicial deposits and other	2,064	182	1,342	355
Other receivables	(52,274)	(9,099)	(58,609)	(14,232)
Increase (decrease) in liabilities				
Trade payables	(30,256)	(13,223)	26,083	14,094
Income tax and social contribution paid	(3,887)	(2,265)	(6,072)	(2,265)
Taxes payable	5,754	(10,403)	(37,420)	(4,597)
Salaries and social charges	11,452	2,505	16,390	1,873
Payables	10,972	(21,820)	14,610	(23,623)
Interest paid	(9,943)	(453)	(12,193)	926
Other payables	(4,953)	(149)	(16,801)	(3,671)
Net cash generated from operating activities	176,537	264,151	174,834	298,793
Cash flows from investing activities				
Acquisition of subsidiaries (less net cash acquired)	(467,922)		(418,822)	
Purchase of property, plant and equipment	(13,936)	(5,753)	(30,224)	(6,654)
Purchase of intangible assets	(9,591)	(810)	(1,801)	(952)
Loans granted to subsidiaries				
Proceeds from sale of equipment	199	251	665	251
Interest received	46,648	12,431	47,159	12,432
Net cash used in investing activities	(444,602)	6,119	(403,023)	5,077
Cash flows from financing activities				
Proceeds from issuance of shares	1,204,060		1,204,060	
Proceeds from borrowings	639,470	199,342	666,091	102,360
Repayment of borrowings	(678,168)	(296,016)	(708,661)	(231,001)

	Parent		Consolidated	
	June 30,2010	**June 30,2009**	**June 30,2010**	**June 30,2009**
Interest paid on borrowings	4,110	(6,083)	3,638	(7,718)
Net cash provided by financing activities	1,169,472	(102,757)	1,165,128	(136,359)
Net increase in cash and cash equivalents	901,407	167,513	936,939	167,511
Cash and cash equivalents at the beginning of the period	499,137	149,705	499,279	149,759
Cash and cash equivalents at the end of the period	1,400,544	317,218	1,436,218	317,270
Change in cash and cash equivalents	901,407	167,513	936,939	167,511
Transactions not involving cash				
Acquisition of property, plant and equipment through leases		1,295	3,137	1,295
Acquisition of trademarks/ rights of use			558	
Acquisition of companies (Facilit, Luper, Sapeka)	321,900		321,900	
Acquisition of companies with issuance/exchange of shares	153,000		153,000	
	474,900	1,295	478,595	1,295

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

	Parent		Consolidated	
	June 30,2010	**June 30,2009**	**June 30,2010**	**June 30,2009**
Gross revenue				
Sales of goods and products	1,659,900	1,063,774	1,785,695	1,062,339
Other revenue	38,217	18,896	44,930	22,439
Provision for impairment of trade receivables	(7,592)	(7,261)	(7,806)	(7,262)
	1,690,525	1,075,409	1,822,819	1,077,516
Inputs acquired from third parties				
Cost of material, products and services sold	(598,100)	(313,529)	(571,913)	(313,711)
Material, electricity, outsourced services and other operating expenses	(560,825)	(335,584)	(614,661)	(337,455)
	(1,158,925)	(649,113)	(1,186,574)	(651,166)
Gross value added	531,600	426,296	636,246	426,350
Depreciation and amortization	(18,375)	(16,885)	(22,236)	(17,442)
Net value generated by the Company	513,225	409,411	614,010	408,908
Value added received through transfer				
Share of profit of subsidiaries	17,944	8,469		
Finance income	48,773	14,215	49,653	14,218
	66,717	22,684	49,653	14,218
Total value added to distribute	579,942	432,095	663,662	423,126
Distribution of value added	579,942	432,095	663,662	423,126
Personnel and social charges	145,673	87,730	207,303	94,702
Direct compensation	111,325	65,498	151,562	69,605
Benefits	34,348	22,232	55,741	25,097
Taxes and contributions	176,454	133,431	186,127	117,107
Federal	45,781	43,598	83,730	33,146
State	128,362	88,377	97,554	82,406
Municipal	2,311	1,456	4,843	1,555
Interest	145,262	(4,747)	150,864	(5,601)
Rentals	12,722	7,494	19,537	8,731
Earnings reinvested	99,831	208,187	99,831	208,187

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

1 General Information

Hypermarcas S.A. is a Brazilian company engaged in manufacturing mass consumer products, operating three main business lines, with a wide portfolio of traditional brands: (i) pharmaceutical; (ii) beauty and personal hygiene; and (iii) cleaning and food. Among the various brands in the Company's portfolio, we highlight the following: Finn, Zero Cal, Apracur, Atroveran, Biotônico Fontoura, Benegrip, Doril, Engov, Epocler, Estomazil, Gelol, Lactopurga, Melhoral, Merthiolate, Rinosoro, Lisador, Tamarine, Lucretin, Monange, Olla, Jontex, Neo Química Genéricos, Gastrol, Virilon, Dramovit, Blumel, Senareti, Paixão, Cenoura & Bronze, Avanço, Rastro, Três Marchand, Éh!, Bozzano, NY.Looks, Personna, Risqué, Biocolor, Biorene, Pom Pom, Bigfral, Sanifill, Sapeka, Fluffy, Maturidade, Única, Leve, Assolan, Mat Inset, Etti e Salsaretti.

The production of merchandise related to the pharmaceutical, beauty and personal hygiene segments is substantially carried out by the subsidiary Cosmed Indústria de Cosméticos e Medicamentos S.A.

The Company's industrial complexes and distribution centers are located in Araçatuba-SP, Barueri-SP, Bragança Paulista-SP, Cajamar-SP, Guarulhos-SP, São Paulo-SP, São Roque-SP, Taboão da Serra-SP, Anápolis-GO, Aparecida de Goiânia-GO, Goiânia-GO, Contagem-MG, Juiz de Fora-MG, Itajaí-SC, Curitiba-PR, Porto Alegre-RS, Maceió-AL e Cabo de Santo Agostinho-PE. The Company is headquartered in São Paulo, capital of the State of São Paulo.

The Company enjoys State Value-added Tax (ICMS) tax benefits under the following programs: Program for the Development of the State of Pernambuco (Prodepe), Fund for the Industrial Development of the State of Goiás (Fomentar) and Program for the Industrial Development of the State of Goiás (Produzir).

Corporate restructuring

On April 16, 2008, the Brazilian Securities Commission (CVM) approved the listing of Hypermarcas S.A. on the New Market of the São Paulo Stock Exchange (BOVESPA), thus allowing the Company's common shares to be traded on that stock exchange.

In July 2009 and April 2010, primary public offerings of shares were held.

The funds obtained from these offerings have been used mainly to acquire new companies, assets and brands, as well as to launch new products.

Since the start-up of operations, the Company has carried out various corporate transactions in line with its strategy of expansion and investment in a portfolio of brands and products.

The acquisitions reflect the Company's strategic focus on the search for opportunities to achieve synergies in its sales, distribution, operating and administrative structure, as well as to take advantage of the untapped growth potential of dormant brands. Below are the main acquisitions of companies, brands and rights of use carried out, which are further detailed in Note 16.

. 2007 - Strategic acquisitions in the following business activities: (i) food, cosmetics and drugs, primarily represented by DM Indústria Farmacêutica Ltda., Finn Administradora de Marcas Ltda. and Éh Cosméticos S.A. (50%), and (ii) insecticides and sanitary deodorizers, with the acquisition of Sul Química Ltda. Also in 2007, these companies were merged into the Company, as were Etti Produtos Alimentícios Ltda., Quimivale Industrial Ltda. and Distribuidora Clean Ltda., companies acquired up to 2006.

. 2008 - The most significant acquisitions carried out in 2008 were Laboratório Americano de Farmacoterapia S.A. - Farmasa (drug segment), Niasi Indústria e Comércio Ltda. (currently Cosmed) and Aprov Comércio de Cosméticos Ltda. (beauty segment) and Ceil Comércio e Distribuidora Ltda. (personal hygiene and beauty sector). Except for Niasi, all the other companies were merged into the Company in 2008.

. 2009 - The Company, through partial split-off and merger processes, decided to concentrate the drug, beauty and personal hygiene manufacturing operations in its subsidiary Cosmed Indústria de Cosméticos e Medicamentos S.A. In the second half of 2009, the companies Pom Pom Produtos Higiênicos Ltda. (Pom Pom), Indústria Nacional de Artefatos de Látex Ltda. (Inal) and Laboratório Neo Química Comércio e Indústria S.A. were acquired and merged into the Company.

. 2010 - The main acquisitions carried out in 2010 were:

I. Versoix Participações Ltda. (Jontex, Olla and Lovetex) - condom maker and Luper Indústria Farmacêutica Ltda. (Virilon and Gastrol) - drug maker.

II. Facilit Odontológica e Perfumaria Ltda. (Sanifil) - maker of dental hygiene products and Sapeka Indústria e Comércio de Fraldas Descartáveis S.A. (Sapeka) - diaper maker.

2 Summary of Significant Accounting Policies

The main accounting policies applied in the preparation of these individual and consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale, non-current assets, and financial assets and liabilities (including derivative instruments) at fair value through profit or loss for the year, as described in Note 2.12.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company and consolidated financial statements are disclosed in Note 3.

These quarterly information were approved at a Board of Directors' Meeting held on May 14, 2011.

(a) Consolidated quarterly information

The consolidated quarterly information has been prepared in accordance with technical pronouncement CPC 21, "Interim Financial Reporting", of the Brazilian Accounting Pronouncements Committee (CPC).

The consolidated quarterly information has also been prepared in accordance with the International Accounting Standard (IAS) 34, "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB).

This quarterly information is being presented in accordance with the standards issued by CVM applicable to the Quarterly Information (ITR).

(b) Parent company quarterly information

The parent company quarterly information has been prepared in accordance with the technical pronouncement CPC 21, "Interim Financial Reporting", and is disclosed together with the consolidated quarterly information.

This quarterly information is being presented in accordance with the standards issued by CVM applicable to the Quarterly Information (ITR).

(c) Statements of comprehensive income

The Company has no transactions classified as "Other comprehensive income", and, therefore, did not present this statement.

2.2 Consolidation

(a) Consolidated Quarterly Information

The following accounting policies are applied in the preparation of the consolidated financial statements.

(i) Subsidiaries

Subsidiaries are all entities over which the Company has the power to determine the financial and operating policies, and they are generally wholly-owned subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company uses the acquisition method to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities assumed and the equity instruments issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, when applicable. Acquisition-related costs are recognized in the result as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company considers a measurement period of one year, as from the date of the business combination.

The excess of the consideration transferred, and the acquisition-date fair value of any previous equity interest in the acquiree, over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealized gains on transactions between the Company and its subsidiaries are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

(b) Parent Quarterly Information

In the parent quarterly information, the subsidiaries are accounted for under the equity method. The same adjustments are made in the consolidated quarterly information to reach the same profit or loss and equity attributable to the holders of the parent. The accounting practices adopted in Brazil applicable to the individual financial statements differ from IFRS applicable to the separate financial statements only in relation to the measurement of investments in subsidiaries based on the equity accounting method, while this is based on cost or fair value in accordance with IFRS.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO.

2.4 Foreign currency translation

(a) Functional currency and presentation currency

Items included in the quarterly information of each of the Company's entities are measured using the currency of the primary economic environment in which it operates (“the functional currency”). The consolidated quarterly information are presented in R$, which is the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates effective at the dates of the transactions, or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Foreign exchange gains and losses that relate to borrowings, trade payables, notes payable, trade receivables, and cash and cash equivalents are presented in the statement of income within "Finance income or costs".

2.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, with immaterial risk of change in value, and bank overdrafts. Bank overdrafts are shown within "Borrowings" in current liabilities in the balance sheet.

2.6 Financial assets

2.6.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise "Trade receivables" and "Cash and cash equivalents" in the balance sheet (Notes 2.5 and 2.8).

2.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are presented in the statement of income within "Finance income (costs)" in the period in which they arise.

Interest calculated using the effective interest method is recognized in the statement of income as part of finance income.

2.6.3 Offset of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.6.4 Impairment of financial assets

(a) Assets carried at amortized cost

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. An asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine whether there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

. adverse changes in the payment status of borrowers in the portfolio; and

. national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of income.

2.7 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gain or loss is accounted for in the statement of income within “Finance income or costs”, since such financial instruments are not designated as hedging instruments, i.e., although the Company makes use of derivatives for hedging purposes, it does not apply hedge accounting.

2.8 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of the Company's business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for impairment of trade receivables. Usually, in practice, they are recognized at the amount billed, adjusted by the provision for impairment, when necessary.

2.9 Inventories

Inventories of raw and packaging materials are stated at average purchase cost, which is lower than replacement cost or realizable values. The costs of finished products and work in process comprise raw materials, direct labor, other direct costs and related general production expenses, always based on the normal operating capacity. The net realizable value is the estimated sales price in the normal course of business, net of completion costs and selling expenses. Imports in transit are stated at the accumulated cost of each import.

2.10 Non-current assets held for sale

Assets of the disposal group are classified as held for sale when their carrying value is recoverable, particularly in the case of a sale and when the completion of such sale is practically certain. These assets are stated at the lower of the carrying value and fair value, less sales cost, if the carrying value can be recovered, particularly by means of a sale transaction and not due to continuing use.

2.11 Intangible assets

(a) Goodwill

Goodwill is represented by the positive difference between the consideration paid and/or payable for the acquisition and the net amount of the fair value of the assets and liabilities of the subsidiary acquired. Goodwill on acquisitions of subsidiaries is included in “Intangible assets” in the consolidated financial statements and in “Investments” in the parent company. If the acquirer determines negative goodwill, it must record the amount as a gain in profit for the period at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to business segment.

(b) Trademarks and licenses

Separately acquired trademarks and licenses are initially shown at historical cost.

If a portion of the amount paid in a business combination is related to trademarks, the trademarks are recognized in a specific account of intangible assets and measured at the fair value at the acquisition date. Subsequently, the trademarks, which have an indefinite useful life, are stated at cost less accumulated impairment losses. Trademarks are tested annually for impairment.

Expenditures incurred for the development of a trademark are recognized as expenses.

(c) Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the software and bring it to use. These costs are amortized over their estimated useful lives of five years.

Costs associated with maintaining computer software programs are expensed as incurred.

(d) Research and development

Research expenditures are recognized directly in the statement of income when incurred. Development expenditures are recorded in assets when the requirements of CPC 04 are met.

2.12 Property, plant and equipment

Land and buildings comprise mainly plants. Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditures directly attributable to the acquisition of the items. Historical cost also includes finance costs related to the acquisition of qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. The carrying amount of replaced items or parts is derecognized. All other repairs and maintenance are charged to the statement of income for the year when incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost down to their residual values over their estimated useful lives, as follows:

	Years
Buildings	30-50
Machinery and equipment	26-28
Vehicles	9-10
Furniture and fittings	17-20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.13).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within “Other operating income (losses) - net” in the statement of income.

The assets related to the acquisitions carried out in 2009 and 2010 represent a significant portion of the Company's property, plant and equipment and were valued at the fair value at the acquisition dates; accordingly, also considering the aspects mentioned in item 3.1, the Company elected not to apply the deemed cost method to its assets at the date of the CPC 27/ ICPC 10 opening balance sheet.

2.13 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For impairment testing purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating Units - CGUs). Non-financial assets other than goodwill that suffered impairment are subsequently reviewed for possible reversal of the impairment at each reporting date.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. In practice, they are usually recognized at the amount of the related invoice.

2.15 Borrowings, promissory notes and debentures

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the settlement value is recognized in the statement of income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Compound financial instruments (which comprise financial liability (debt) and equity components) issued by the Company include debentures with subscription warrants that can be converted into share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is initially measured at fair value. The fair value of the liability portion of a convertible bond is determined using the discounted cash flow method, considering a market interest rate for an equivalent non-convertible bond with similar characteristics (period, value, credit risk). The equity component is recognized initially at the difference between the total amount received by the Company with the issuance of the bond and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.16 Provisions and other liabilities, except for borrowings

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Accordingly, the recognition, measurement and disclosure of the provisions and contingent liabilities take into consideration the criteria defined in CPC 05 and CVM Instruction 489, as well as the contractual guarantees of the acquisitions of companies.

The other liabilities are stated at known or determinable amounts, including, when applicable, the related accrued charges, exchange rate changes and inflation adjustments. Notes payable subject to foreign exchange rates and without interest rates, the “Fomentar” and “Produzir” liabilities and the Tax Recovery Program (New REFIS) are recognized at their present values, pursuant to CVM Resolution 564/08.

2.17 Current and deferred income tax and social contribution

The income tax and social contribution expenses for the period comprise current and deferred taxes. Income taxes are recognized in the statement of income, except to the extent that they relate to items recognized in comprehensive income or directly in equity. In this case, the taxes are also recognized in comprehensive income or directly in equity.

The current income tax and social contribution are calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates the positions taken by the Company in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax and social contribution are recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax and social contribution are not accounted for if they arise from initial recognition of an asset or liability in a transaction other than a business

combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax and social contribution are determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax and social contribution assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for the deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

(a) Share-based compensation

The Company operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the balance sheet date, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium, if applicable, when the options are exercised.

(b) Profit sharing

The Company recognizes a liability and an expense for profit-sharing based on a formula that takes into consideration the profit attributable to the Company's stockholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.19 Share capital

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options, when applicable, are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products and goods in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales between subsidiaries.

The Company recognizes revenue when its amount can be reliably estimated, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of products are recognized when the risks and benefits inherent to the products have been substantially transferred to the purchaser, the acceptance provisions have been agreed upon and the purchaser has accepted the products in accordance with the sales contract.

Interest income

Interest income is recognized on the accrual basis, using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. Subsequently, as time goes by, interest is incorporated into loans and receivables against interest income. This interest income is calculated at the same effective interest rate used to determine the recoverable amount, i.e., the original rate of the receivables.

2.21 Leases

Leases of property, plant and equipment in which the Company substantially retains all ownership risks and benefits are classified as finance leases. These finance leases are recorded in the same manner as a financed purchase, recognizing at the beginning of the lease a property, plant and equipment item and a financing liability (lease). Property, plant and equipment acquired through finance leases are depreciated at the rates established in the contracts.

Leases in which a significant portion of the ownership risks and benefits remains with the lessor are classified as operating leases. Operating lease payments (net of all incentives received from the lessor) are charged to results of operations on the straight-line basis over the term of the lease.

2.22 Earnings per share

The Company calculates earnings per share using the weighted average number of total common shares outstanding during the period corresponding to the profit or loss, pursuant to technical pronouncement CPC 41 (IAS 33).

2.23 Payment of dividends

Dividends paid to the Company's stockholders are recognized as a liability in the Company's financial statements at the end of the year, pursuant to the Company's bylaws. Any amount that differs from the mandatory minimum dividend is only accounted for on the date of its approval by the stockholders at a General Meeting.

2.24 Standards, amendments and interpretations to existing standards that are not yet effective

(a) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2011 or later periods. However, the Company has not early adopted them.

. IFRS 9, "Financial instruments", issued in November 2009. This standard is the first step in the process to replace IAS 39, “Financial instruments: recognition and measurement”. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until January 1, 2013 but is available for early adoption

. IFRIC 19, “Extinguishing financial liabilities with equity instruments”, effective July 1, 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

(b) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Company's operations

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2011 or later periods, but are not relevant for the Company's operations:

Below is a list of the standards/interpretations issued which are effective for periods beginning on or after January 1, 2010.

Matter	Key requirements	Effective date
IAS 24, "Related party disclosures" (revised in 2009)	Amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.	January 1, 2011
Amendment to IFRIC 14, "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction"	Removes unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. Results in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense.	January 1, 2011

Improvements to IFRS in 2010

The amendments are generally applicable to annual periods beginning after January 1, 2011 unless otherwise stated. Although permitted by IASB, early adoption is not available in Brazil.

Standard	Key requirements	Applications
IFRS 1 - "First-time adoption of International Financial Reporting Standards"	**(a) Accounting policy changes in the year of adoption** Clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in IFRS 1 after it has published an interim financial report in accordance with IAS 34, "Interim financial reporting", it should explain those changes and update the reconciliations between previous GAAP and IFRS.	Applied prospectively.
IFRS 3, "Business combinations"	**(a) Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS.** Clarifies that the amendments to IFRS 7, "Financial instruments: Disclosures", IAS 32, "Financial instruments: Presentation", and IAS 39, "Financial instruments: Recognition and measurement", that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). **(b) Un-replaced and voluntarily replaced share-based payment awards**	Applicable to annual periods beginning on or after July 1, 2010. Applied retrospectively. Applicable to annual

Standard	Key requirements	Applications
	The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards.	periods beginning on or after July 1, 2010. Applied prospectively.
IFRS 7, "Financial instruments"	Emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.	January 1, 2011 Applied retrospectively.
IAS 1, "Presentation of financial statements"	Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.	January 1, 2011 Applied retrospectively.
IAS 27, "Consolidated and separate financial statements"	Clarifies that the consequential amendments from IAS 27 made to IAS 21, "The effect of changes in foreign exchange rates", IAS 28, "Investments in associates", and IAS 31, "Interests in joint ventures", apply prospectively for annual periods beginning on or after July 1, 2009, or earlier when IAS 27(R) is applied earlier.	Applicable to annual periods beginning on or after July 1, 2010. Applied retrospectively.
IAS 34, "Interim financial reporting"	Provides guidance to illustrate how to apply the disclosure principles in IAS 34 and adds disclosure requirements about: . The circumstances likely to affect fair values of financial instruments and their classification; . Transfers of financial instruments between different levels of the fair value hierarchy; . Changes in classification of financial assets; and . Changes in contingent liabilities and assets.	January 1, 2011 Applied retrospectively.

3 Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting judgments

Useful life of property, plant and equipment

The review of useful lives carried out during the period ended June 30, 2010, based on reports issued by independent external experts, had no material impacts on the depreciation recorded in that period.

3.2 Critical accounting estimates and assumptions

Based on assumptions, the Company makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below.

(a) Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.11. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 15).

(b) Allocation of fair value in business combinations

On the dates of business combinations, the Company evaluates identifiable assets and liabilities, pursuant to CPC 15 ("Business combinations") and identifies the items for which it finds it necessary to involve external independent experts, who will provide support for the Company in the calculation of the fair value of these items (Refer to Note 16 for comments).

(c) Realization of deferred taxes

The realization of deferred income tax credits (Note 19) is evaluated based on technical studies approved by the Board of Directors which take into consideration the budget planned for a five-year period (plus a five-year projection), pursuant to CVM Instruction 371/2002.

(d) Fair values of derivatives and stock options

The fair value estimates of derivative instruments and stock options are based on models generally accepted in the market, as disclosed in Note 26 d (Stock options) and Note 4 (f) (Derivatives). Such models have been consistently applied throughout the periods presented.

4 Financial Risk Management

4.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Company follows a risk management policy, which provides guidance on transactions and requires the diversification of transactions and counterparties. Pursuant to this policy, the nature of and the overall exposure to financial risks is regularly monitored and managed to assess results and the financial impact on cash flow. Credit limits and the quality of hedge counterparties are also periodically reviewed.

The Company's risk management policy was established by the Board of Directors. According to this policy, market risks are hedged when it is considered necessary to support the corporate strategy or maintain the level of financial flexibility. The Finance Director's area analyzes and revises information related to risk management, adding new significant policies, procedures and practices to be applied in risk management.

Pursuant to terms of the risk management policy, the Company manages some of the risks by using derivative instruments, and speculative negotiations and short sales are prohibited.

(a) Foreign exchange risk

This risk arises from the possibility that the Company may incur losses due to exchange rate fluctuations that would increase the liability for funds raised in the market.

At June 30, 2010 and December 31, 2009, the assets and liabilities denominated in foreign currency and the financial instruments that mitigate foreign exchange risks are as follows:

	June 30, 2010		December 31, 2009	
	US$ thousand	R$ thousand	US$ thousand	R$ thousand
Assets				
Trade receivables	3	5	708	1,234
Liabilities				
Trade payables	11,121	20,034	3,429	5,971
Borrowings	60,444	108,889	100,721	175,376
Notes payable	285,379	514,110	361,879	630,103
Derivative instruments that mitigate risks	(99,491)	(179,234)	(188,229)	(327,744)
Net exposure	257,456	463,804	278,508	484,940

The “Borrowings” and “Notes payable” explanatory notes present the maturities of the transactions and future commitments listed above, indicating the respective terms for the financial impacts of possible foreign exchange risks.

(b) Risk of volatility in share prices

At June 30, 2010, the Company had investments in shares amounting to R$ 16,256. However, such investments are not subject to the risk of changes in the prices of the shares, since they are linked to the Company's liability referring to the acquisition of the NY Looks brands (Note 22 - Notes payable).

(c) Cash flow and fair value interest rate risk

The Company's interest rate risk arises from financial investments, notes payable and short-term and long-term borrowings. Borrowings at floating rates expose the Company to interest rate risk. Borrowings at fixed rates expose the Company to fair value interest rate risk.

The Company analyzes its interest rate exposure on a dynamic basis and seeks to use diversified indexes for its financial liabilities. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on those scenarios, the Company determines a reasonable change in the interest rate and calculates its impact on profit or loss. For each simulation, the same interest rate change is used for all currencies. Scenarios are prepared only for the liabilities representing the main interest-bearing positions.

Below is the Company's exposure to the interest rate risk of transactions linked to the variation of the Interbank Deposit Certificate (CDI), Long-term Interest Rate (TJLP) and Referential Rate (TR):

	Parent	Consolidated
Borrowings	831,386	865,185
Notes payable	1,006,916	1,006,916
Financial investments	(1,393,138)	(1,419,948)
Net exposure	445,164	452,153

The Company, in view of the government's current monetary policy, which has been giving priority to economic stability, does not expect an increase of more than 25% in the variable interest rates to which it is exposed, which would represent an increase of approximately 2.7 p.p. in Brazil's base interest rate (SELIC). According to the sensitivity analysis for interest rate increase risk, that scenario could have an impact of approximately R$ 9,380 on finance costs.

Also, the Company from time to time enters into fixed to variable interest rate swap transactions to hedge against fair value interest rate risk. As of June 30, 2010, the Company had interest rate swap transactions with a notional value of R$ 31,763, in which the Company has an asset position in a fixed rate and a liability position in a floating rate.

(d) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and repurchase transactions.

For banks and financial institutions, the Company adopts the policy of diversifying its financial investments among prime financial institutions with the rating classification described in Note 8 (Quality of the credit of financial assets).

(e) Liquidity risk

The Company believes that the cash flows from operating activities, cash and cash equivalents and available borrowing facilities are sufficient to fund its future financial commitments and dividend payments.

The table below analyzes the Company's non-derivative and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

					Consolidated June 30, 2010
	Less than one year	**From one to two years**	**From two to five years**	**Over five years**	**Total**
Debentures	46,561	61,944	453,197		561,702
Borrowings	247,417	315,634	191,543	14,802	769,396
Notes payable	658,439	601,225	486,175	24,731	1,770,570
Trade payables	182,563				182,563
Other payables		34,937			34,937
Derivative financial instruments	137	5,820			5,957
	1,135,117	1,019,560	1,130,915	39,533	3,325,125

					Consolidated December 31, 2009
	Less than one year	**From one to two years**	**From two to five years**	**Over five years**	**Total**
Borrowings	422,005	320,781	91,562	5,645	839,993
Notes payable	500,063	856,113	277,837		1,634,013
Trade payables	120,477				120,477
Other payables		28,491			28,491
Derivative financial instruments	85,766	12,103			97,869
	1,128,311	1,217,488	369,399	5,645	2,720,843

(i) As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed in the balance sheet for borrowings, derivative financial instruments and trade and other payables.

(ii) The specific time buckets presented are not mandated by the relevant accounting standard but are defined by management.

(iii) The maturity analysis applies to financial instruments only and therefore legal obligations are not included.

(f) Derivatives

At June 30, 2010, the Company had derivative financial instruments such as currency forwards (US dollar vs. Brazilian real) and other outstanding positions in derivative instruments.

These transactions, performed to hedge fluctuations in short-term liabilities denominated in foreign currencies and related to the "Borrowings" and "Notes payable" captions, are not used for speculative purposes and are financial instruments highly correlated with the liabilities to which they are related (see sensitivity analysis below).

At June 30, 2010, the transactions with foreign exchange derivative instruments entered into by the Company amounted to US$ 99,941 (Dec. 2009 - US$ 188,229), and the results of unsettled transactions were losses in the amount of R$ 4,401 (Dec.2009, losses of R$ 92,634). At June 30, 2010, interest rate derivative transactions entered into by the Company amounted to R$ 27,462 (Dec. 2009, R$ 26,107), and the results of unsettled transactions represented gains of R$ 213 (Dec. 2009, losses of R$ 23).

The adjustments to fair value are recorded under the captions corresponding to each transaction, that is, "Borrowings" (Note 18) and "Notes payable" (Note 22). At June 30, 2010 and December 31, 2009, these transactions can be summarized as follows:

Type	Counterparties	Notional value		Fair value		Receivables/payables		Realized gains/losses		Unrealized gains/losses	
		Jun/10	Dec/09	Jun/10	Dec/09	Jun/10	Dec/09	Jun/10	Dec/09	Jun/10	Dec/09
Foreign currency											
Forward contracts		**55,301**	**313,324**	**56,001**	**231,735**	**700**	**(81,589)**	**(13,906)**	**(27,978)**	**700**	**(81,589)**
Purchased position	Bradesco, Merrill Lynch, HSBC, Deutsche Bank, Votorantim, Citibank e UBS.	55	313,324	56,001	231,735	700	(81,589)	(13,906)	(27,978)	700	(81,589)
Sold position											
Swap contracts		**128,333**	**107,054**	**123,233**	**96,009**	**(5,101)**	**(11,045)**	**(899)**	**(1,892)**	**(5,101)**	**(11,045)**
Purchased position	Itaú BBA, Bradesco, Safra e BB	128,333	107,054	123,233	96,009	(5,101)	(11,045)	(899)	(1,892)	(5,101)	(11,045)
Sold position											
Interest rate											
Swap contracts		**31,763**	**31,763**	**27,462**	**26,107**	**213**	**(23)**			**213**	**(23)**
Asset Position - Fixed rate		31,763	31,763	27,462	26,107						
Liability position - Floating rate	BTG Pactual	(31,763)	(31,763)	(27,249)	(26,131)	213	(23)			213	(23)
Total		**215,397**	**452,141**	**206,696**	**353,851**	**(4,188)**	**(92,657)**	**(14,805)**	**(29,870)**	**(4,188)**	**(92,657)**

The contracts listed above fall due as follows:

Maturity	Notional value			
Foreign currency	**Jun/10**	**Rate**	**Dec/09**	**Rate**
06/01/2009				
07/30/2009				
09/03/2009				
09/08/2009				
01/20/2010			28,358	2.499
02/17/2010			72,006	2.453
03/08/2010			28,984	2.419
04/26/2010			3,330	2.372
06/01/2010			184,420	2.411
12/07/2009				1.872
06/07/2010			461	1.919
07/30/2010	8,244	1.803		
09/03/2010	505	1.951	505	1.951
12/01/2010	27,700	1.832		
12/02/2010	509	1.984	509	1.984
03/02/2011	580	2.028	580	2.028
05/31/2011	551	2.071	551	2.071
06/01/2011	19,357	1.936		
08/24/2011	46,526	2.26	84,032	2.26
08/29/2011	16,642	2.119	16,642	2.119
02/07/2012	63,020	2.146		
Total	**183,634**	**2.046**	**420,378**	**2.376**
Interest rate	**Dec/10**	**Liability rate CDI+**	**Dec/09**	**Liability rate CDI+**
11/16/2010	1,473	1.25%	1,473	1.25%
12/15/2010	1,434	1.25%	1,434	1.25%
01/17/2011	1,457	1.25%	1,457	1.25%
02/15/2011	1,412	1.25%	1,412	1.25%
03/15/2011	1,393	1.25%	1,393	1.25%
04/15/2011	1,404	1.25%	1,404	1.25%
05/16/2011	1,392	1.25%	1,392	1.25%
06/15/2011	1,373	1.25%	1,373	1.25%
07/15/2011	1,362	1.25%	1,362	1.25%
08/15/2011	1,356	1.25%	1,356	1.25%
09/15/2011	1,344	1.25%	1,344	1.25%
10/17/2011	1,337	1.25%	1,337	1.25%
11/16/2011	1,315	1.25%	1,315	1.25%
12/15/2011	1,299	1.25%	1,299	1.25%
01/16/2012	1,300	1.25%	1,300	1.25%
02/15/2012	1,281	1.25%	1,281	1.25%
03/15/2012	1,266	1.25%	1,266	1.25%
04/16/2012	1,263	1.25%	1,263	1.25%
05/15/2012	1,243	1.25%	1,243	1.25%
06/15/2012	1,236	1.25%	1,236	1.25%
07/16/2012	1,224	1.25%	1,224	1.25%
08/15/2012	1,210	1.25%	1,210	1.25%
09/17/2012	1,202	1.25%	1,202	1.25%
10/15/2012	1,187	1.25%	1,187	1.25%
	31,763	**1.25%**	**31,763**	**1.25%**

(g) Derivative fair value calculation method

. Forward currency contracts are valued by using an interpolation of the market rates of US dollar futures contracts for each reporting date, as informed by the Brazilian Futures and Commodities Exchange (BM&F).

. Swaps - are valued by using an interpolation of the market rates of foreign exchange coupons and future interbank deposit (DI) for each reporting date, as informed by BM&F.

(h) Additional sensitivity analysis required by CVM

The table below presents the sensitivity analysis of the financial instruments, including derivatives, describing risks that may result in material losses for the Company. It comprises the most probable scenario (scenario I, with a fluctuation of approximately 6.44% for the US dollar and 10.14% for the Japanese yen, taking into consideration 3 standard deviations in the fluctuation of these currencies during the second quarter) according to an evaluation carried out by management, considering a three-month period, when the next financial information containing this analysis should be disclosed. In addition, in accordance with CVM Instruction 475/08, two other scenarios (II and III) are presented, which contemplate deterioration of 25% and 50%, respectively, in the exchange rate of the Real against the US dollar and Japanese yen, respectively.

Risk	**Scenario I**		**Scenario II**		**Scenario III**	
			25% fluctuation		**50% fluctuation**	
	Appreciation	Depreciation	Appreciation	Depreciation	Appreciation	Depreciation
US dollar exchange rate	1.685	1.918	1.351	2.252	0.901	2.702
Yen exchange rate	0.01831	0.02245	0.01529	0.02548	0.01019	0.03057
Foreign currency						
Hedge	**(16,892)**	**8,090**	**(49,210)**	**40,407**	**(94,018)**	**85,216**
Forward contracts	(2,907)	4,306	(13,301)	14,700	(27,301)	28,700
Swap	(13,985)	3,784	(35,909)	25,707	(66,717)	56,516
Hedged transactions	**14,788**	**(7,842)**	**44,068**	**(37,122)**	**84,663**	**(77,717)**
Short-term loans, financing and notes payable subject to exchange variation	14,788	(7,842)	44,068	(37,122)	84,663	(77,717)
Net effect	**(2,104)**	**248**	**(5,142)**	**3,285**	**(9,355)**	**7,499**
Other liabilities	**55,850**	**(3,478)**	**141,341**	**(88,968)**	**256,495**	**(204,123)**
Other borrowings and notes payable subject to exchange variation	55,850	(3,478)	141,341	(88,968)	256,495	(204,123)

The sensitivity analysis presented above considers changes relating to the US dollar and Japanese yen exchange rate, with all variables associated with other risks held constant.

5 Capital Risk Management

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

In order to maintain or adjust its capital structure, the Company may revise the policy for payment of dividends, return capital to stockholders, issue new shares, or sell assets to reduce, for example, the indebtedness level.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings and notes payable" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

At June 30, 2010 and December 31, 2009, the gearing ratios can be summarized as follows:

	Jun/2010	Dec/2009
Total borrowings (Nota 18)	1,142,936	794,749
Total notes payable (Nota 22)	1,539,608	1,409,389
Less: cash and cash equivalents (Nota 9)	(1,436,218)	(499,279)
Net debt	1,246,326	1,704,859
Total equity	4,919,621	3,417,733
Total capital	6,165,947	5,122,592
Gearing ratio - %	20	33

6 Fair Value Estimation

The carrying values, net of the impairment provision, of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments (Note 18).

The Company adopted CPC 40/IFRS 7 for financial instruments that are measured at fair value in the balance sheet; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at June 30, 2010.

	Consolidated			
	Level 1	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through profit or loss		1,435,312		1,435,312
Total assets		1,435,312		1,435,312
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives		4,188		4,188
Total liabilities		4,188		4,188

The following table presents the Company's assets and liabilities that are measured at fair value at December 31, 2009.

	Consolidated			
	Level 1	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through profit or loss		487,617		487,617
Total assets		487,817		487,817
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives		92,657		92,657
Total liabilities		92,657		92,657

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates.

7 Financial Instruments by Category

	Consolidated		
	Loans and receivables	**Assets at fair value through profit or loss**	**Total**
June 30, 2010			
Assets as per balance sheet			
Trade receivables	693,486		693,486
Financial assets at fair value through profit or loss		1,419,948	1,419,948
Cash and cash equivalents	16,270		16,270
	709,756	1,419,948	2,129,704

	Consolidated		
	Liabilities at fair value through profit or loss	**Other financial liabilities**	**Total**
June 30, 2010			
Liabilities as per balance sheet			
Borrowings		1,131,374	1,131,374
Finance lease liabilities		11,562	11,562
Derivative financial instruments (Note 4(f))	4,188		4,188
Trade payables		182,563	182,563
	4,188	1,325,499	1,329,687

	Consolidated		
	Loans and receivables	**Assets at fair value through profit or loss**	**Total**
December 31, 2009			
Assets as per balance sheet			
Trade receivables	725,008		725,008
Financial assets at fair value through profit or loss		487,617	487,617
Cash and cash equivalents	11,662		11,662
	736,670	487,617	1,224,287

	Consolidated		
	Derivatives	**Other financial liabilities**	**Total**
December 31, 2009			
Liabilities as per balance sheet			
Borrowings		786,473	786,473
Finance lease liabilities		8,276	8,276
Derivative financial instruments	92,657		92,657
Trade payables		120,477	120,477
	92,657	915,226	1,007,883

8 Credit Quality of Financial Assets

Credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	Parent		Consolidated	
	June 30, 2010	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**
Cash at bank and short-term bank deposits (*)				
AAA	1,042,765	290,497	1,072,928	290,629
AA+	352,400	208,286	357,910	208,287
AA-				
A	245	238	245	238
A-		5		5
BBB+	5,134		5,135	
	1,400,544	499,026	1,436,218	499,159

	Parent		Consolidated	
	June 30, 2010	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**
Derivative financial assets				
AAA	809		809	
AA+				
AA	213		213	
	1,022		1,022	

None of the financial assets that are fully performing has been renegotiated in the last year. None of the loans to related parties is past due or impaired.

Trade receivables - The credit analysis area appraises a customer's credit quality by taking into account its financial position, payment history, public information and information from credit analysis entities (Serasa, CISP and Credinfar). Individual risk limits are determined based on ongoing internal monitoring.

9 Cash and Cash Equivalents

	Parent		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Cash at bank and on hand	7,406	11,520	16,270	11,662
Financial investments:				
Repurchase transactions	779,931	299,832	802,534	299,832
Fixed income fund				
CDBs	596,833	172,355	600,542	172,355
Other	16,374	15,430	16,872	15,430
	1,393,138	487,617	1,419,948	487,617
	1,400,544	499,137	1,436,218	499,279

Repurchase transactions yield from 100% to 104.1% of the variation of the Interbank Deposit Certificate (CDI) rate (with a weighted average of 100.97%). Bank Deposit Certificates (CDBs) yield between 100% and 105% of the CDI variation (with a weighted average of 102.1%).

10 Trade Receivables

	Parent		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Local customers	641,913	769,298	724,189	771,060
Foreign customers	4	2,023	4	2,023
Customers - related parties	20	699		
	641,937	772,020	724,193	773,083
Provision for impairment of receivables	(26,304)	(48,075)	(30,707)	(48,075)
	615,633	723,945	693,486	725,008

The fair values of trade receivables approximate the carrying amounts above, as all these amounts are realizable in the short term.

At June 30, 2010, consolidated trade receivables of R$ 46,093 (December 31, 2009 - R$51,693) are past due, but not impaired. These receivables refer to a series of independent customers with no recent history of default. At June 30, 2010, in the parent company, trade receivables amounting to R$ 34,808 (December 31, 2009 - R$37,979) are past due, but not impaired. These receivables are also from customers for which there is no history of default. The ageing of these receivables is as follows:

	Parent		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Up to 3 months	30,249	33,714	41,410	46,266
3-6 months	4,559	4,265	4,683	5,427
	34,808	37,979	46,093	51,693

As of June 30, 2010, consolidated trade receivables of R$ 30,707 (December 31, 2009 - R$ 48,075) were impaired and provided for. The individually impaired receivables mainly relate to certain customers, which, considering the delay in payment and other specific aspects, present a high probability of not settling their obligations. Based on an evaluation, a portion of the trade receivables should be recovered. The ageing of these receivables is as follows:

	Parent		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Up to 3 months	5,646	2,782	7,574	2,782
3-6 months	20,658	45,293	23,133	45,293
	26,304	48,075	30,707	48,075

The additions to and release of the provision for impaired receivables have been included in "Selling and marketing expenses" in the statement of income. Amounts included in the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company pledged certain trade notes receivables as collateral, as mentioned in Note 18 (a).

11 Inventories

	Parent		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Finished products and goods for resale				
Semi-finished products	194,282	153,286	231,044	183,814
Raw materials	20,335	30,351	29,843	32,786
Maintenance material and supplies	77,410	54,856	167,271	98,498
Provision for losses on inventories	3,371	6,472	10,093	23,042
Finished products and goods for resale	(6,118)	(6,201)	(19,084)	(14,555)
	289,280	238,764	419,167	323,585

12 Taxes Recoverable

	Parent		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Federal taxes (PIS/COFINS/IPI/other)	123,054	74,315	133,938	82,179
ICMS (credit balance and substitute tax system)	140,185	113,814	149,061	116,284
IRPJ and CSLL recoverable	3,108	3,108	7,615	3,573
	266,347	191,237	290,614	202,036
Current	259,875	184,278	278,623	192,969
Non-current	6,472	6,959	11,991	9,067

13 Investments in Subsidiaries

The investments in subsidiaries held by the Company are as follows:

Name	Country	Line of business	Direct interest in equity units
Cosmed Indústria de Cosméticos S.A.	Brazil	Personal hygiene	100%
My Agência de Propaganda Ltda	Brazil	Advertising agency	100%
Versoix Participações Ltda	Brazil	Pharmaceutical	100%
Luper Indústria Farmacêutica Ltda	Brazil	Pharmaceutical	100%
Facilit Odontológica e Perfumaria Ltda	Brazil	Personal hygiene	100%
Sapeka Indústria e Comércio de Fraldas Descartáveis S.A.	Brazil	Personal hygiene	100%

(a) Changes in investments (parent only)

	Cosmed		My		
	Cost	Goodwill	Cost	Goodwill	Total
Balances at January 1, 2009	17,584	48,358			65,942
Capital payment/acquisition	47,747		10		47,757
Share of profit/(loss)	18,892		173		19,065
Other		(273)			(273)
Balances at December 31, 2009	84,223	48,085	183		132,491

	Cosmed		My		Versoix		
	Cost	Goodwill	Cost	Goodwill	Cost	Goodwill	Subtotal
Balances at December 31, 2009	84,223	48,085	183				132,491
Capital payment/acquisition	25,000				25,439	155,817	206,256
Share of profit/(loss)	4,964		144		(42)	6	5,072
Balances at March 31, 2010	114,187	48,085	327		25,397	155,823	343,819

	Cosmed		My		Versoix		
	Cost	Goodwill	Cost	Goodwill	Cost	Goodwill	Subtotal
Balances at March 31, 2010	114,187	48,085	327		8,808	172,412	343,819
Dividends received	(1,444)						(1,444)
Capital payment/acquisition					105		105
Share of profit/(loss)	5,370		103		(109)		5,364
Transfers					557	(557)	
Balances at June 30, 2010	118,113	48,085	430		9,361	171,855	347,844

	Luper		Facilit		Sapeka		
	Cost	Goodwill	Cost	Goodwill	Cost	Goodwill	Subtotal
Balances at March 31, 2010							
Dividends received							

Capital payment/acquisition	25,952	43,196	31,438	45,748	186,115	405,368	737,817
Share of profit/(loss)	(422)	1,477	834	(375)	9,548	(3,554)	7,508
Transfers	510	(510)	-	-	-	-	
Balances at June 30, 2010	26,040	44,163	32,272	45,373	195,663	401,814	745,325

The Company's share of the results of its main direct subsidiaries, all of which are unlisted, and the aggregated assets (including goodwill) and liabilities as well as statement of income items, are as follows:

June 30, 2010	Assets	Liabilities	Revenue	Profit (loss)
Cosmed Indústria de Cosméticos S.A.	245,028	(122,683)	430,607	14,566
My Agência de Propaganda Ltda	783	(353)	900	247
Versoix Participações Ltda	2,926	(4)		(71)
Luper Indústria Farmacêutica Ltda	31,919	(28,051)	12,858	713
Facilit Odontológica e Perfumaria Ltda	31,137	(9,472)	17,280	1,629
Sapeka Indústria e Comércio de Fraldas Descartáveis S.A.	196,992	(115,432)	86,920	11,785
December 31, 2009	**Assets**	**Liabilities**	**Revenue**	**Profit (loss)**
Cosmed Indústria de Cosméticos S.A.	235,306	(151,084)	471,758	18,891
My Agência de Propaganda Ltda	624	(441)	600	173

(b) Share of profit/(loss) of subsidiaries

	Equity at June 30, 2010	Interest %	Accumulated share of profit/(loss) at June 30, 2010	Investment balance at June 30, 2010	Accumulated share of profit/(loss) at June 30, 2009	Investment balance at December 31, 2009
Cosmed Indústria de Cosméticos e Medicamentos S.A. (i)	118,113	100%	10,334	118,113	8,469	84,223
My Agência de Propaganda Ltda. (ii)	430	100%	247	430		183
Versoix Participações Ltda.(iii)	25,950	100%	(145)	25,950		
Luper Indústria Farmacêutica Ltda (iv)	26,040	100%	1,055	26,040		
Facilit Odontológica e Perfumaria Ltda(v)	32,272	100%	459	32,272		
Sapeka Indútria e Comércio de Fraldas Descartáveis S.A.(vi)	195,663	100%	5,994	195,663		
			17,944	398,468	8,469	84,406

(i) Hypermarcas holds 142,894,037 common shares of its subsidiary Cosmed Indústria de Cosméticos e Medicamentos S.A.

(ii) Hypermarcas holds 9,999 equity units of its subsidiary My Agência de Propaganda Ltda. out of a total of 10,000 equity units.

(iii) Hypermarcas is the holder of 3,068,254 equity units of its subsidiary Versoix Participações Ltda.

(iv) Hypermarcas is the holder of 15,551,620 equity units of its subsidiary Luper Indústria Farmacêutica Ltda.

(v) Hypermarcas is the holder of 1,000,000 equity units of its subsidiary Facilit Odontológica e Perfumaria Ltda.

(vi) Hypermarcas holds 43,953,521 common shares of its subsidiary Sapeka Indústria e Comércio de Fraldas Descartáveis S.A. of the total of 73,871,467 common shares. The remaining shares representing 40.50% were recorded as usufruct of Hypermarcas, as at June 30, 2010.

14 Property, Plant and Equipment

Parent

	Land	Buildings and improvements	Machinery, equipment and facilities	Vehicles	Furniture and fittings	Tools, containers and other	Total in use	Construction in progress	Provision for losses	Total PP&E
Balances at January 1, 2009	2,170	21,793	87,092	361	4,106	4,774	120,296	16,468	(2,901)	133,863
Additions through merger at December 31,2009	189	53,630	57,995	545	4,202	654	117,215	31,627		148,842
Additions	1,620	46,245	79,840	(14)	2,836	5,277	135,804	9,375		145,179
COSMED split-off - 06/30/2009	(130)	(3,506)	(42,353)	(319)	(2,214)	(2,409)	(50,931)	(12,511)		(63,442)
Disposals			(288)	(59)	(342)	(2)	(691)	35		(656)
Transfers		4,422	2,198	86	18	5	6,729	(6,735)		(6)
Depreciation/ amortization		(2,075)	(17,109)	(115)	(787)	(1,297)	(21,383)			(21,383)
Balances at December 31, 2009	3,849	120,509	167,375	485	7,819	7,002	307,039	38,259	(2,901)	342,397
Pom Pom split-off										
Additions	1,300	127	1,400		562	251	3,640	2,344		5,984
Held for sale										
Disposals			(32)		(11)		(43)			(43)
Transfers		1,205	5,190		801	44	7,240	(7,263)		(23)
Other - Provision for losses										
Depreciation/ amortization		(781)	(2,552)	(33)	(143)	(448)	(3,957)			(3,957)
Balances at March 31, 2010	5,149	121,060	171,381	452	9,028	6,849	313,919	33,340	(2,901)	344,358
Total cost	5,149	140,226	307,784	2,356	14,745	14,308	484,568	33,340	(2,901)	515,007
Accumulated depreciation		(19,166)	(136,403)	(1,904)	(5,717)	(7,459)	(170,649)			(170,649)
Net book amount	5,149	121,060	171,381	452	9,028	6,849	313,919	33,340	(2,901)	344,358
Balances at March 31, 2010	5,149	121,060	171,381	452	9,028	6,849	313,919	33,340	(2,901)	344,358
Pom Pom split-off										
Additions		734	3,676		241	281	4,932	3,018		7,950
Held for sale										
Disposals			(7)				(7)			(7)
Transfers			1,470		15	175	1,660	(1,843)		(183)
Other - Provision for losses										
Depreciation/ amortization		(846)	(2,592)	(33)	(155)	(461)	(4,087)			(4,087)
Balances at June 30, 2010	5,149	120,948	173,928	419	9,129	6,844	316,417	34,515	(2,901)	348,031
Total cost	5,149	140,960	312,894	2,356	15,002	14,770	491,131	34,515	(2,901)	522,745
Accumulated depreciation		(20,012)	(138,966)	(1,937)	(5,873)	(7,926)	(174,714)			(174,714)
Net book amount	5,149	120,948	173,928	419	9,129	6,844	316,417	34,515	(2,901)	348,031

Consolidated

	Land	Buildings and improvements	Machinery, equipment and facilities	Vehicles	Furniture and fittings	Tools, containers and other	Total in use	Construction in progress	Provision for losses	Total PP&E
Balances at January 1, 2009	2,170	21,793	91,004	361	4,560	5,794	125,682	17,264	(2,901)	140,045
Additions through merger	189	53,631	57,995	545	4,202	654	117,216	31,627		148,843
Additions	1,620	46,245	85,346	(13)	2,928	6,750	142,876	13,262		156,138
Disposals			(435)	(81)	(386)	(2)	(904)	35		(869)
Transfers		4,422	2,084	86	19	5	6,616	(6,619)		(3)
Depreciation/ amortization		(2,343)	(22,245)	(166)	(1,063)	(2,056)	(27,873)			(27,873)
Balances at December 31, 2009	3,979	123,748	213,749	732	10,260	11,145	363,613	55,569	(2,901)	416,281
Additions through merger			1,518				1,518			1,518
Additions	1,300	177	8,740		602	1,306	12,125	3,179		15,304
Held for sale										
Disposals			(163)		(19)		(182)			(182)
Transfers		1,205	5,190		813	44	7,252	(7,277)		(25)
Depreciation/ amortization		(926)	(3,465)	(39)	(200)	(788)	(5,418)			(5,418)
Balances at March 31, 2010	5,279	124,204	225,569	693	11,456	11,707	378,908	51,471	(2,901)	427,478
Total cost	5,279	145,358	424,410	3,865	21,479	25,302	625,693	51,471	(2,901)	674,263
Accumulated depreciation		(21,154)	(198,841)	(3,172)	(10,023)	(13,595)	(246,785)			(246,785)
Net book amount	5,279	124,204	225,569	693	11,456	11,707	378,908	51,471	(2,901)	427,478
Balances at March 31, 2010	5,279	124,204	225,569	693	11,456	11,707	378,908	51,471	(2,901)	427,478
Additions through merger	4,453	19,671	52,663	3,040	840	1,179	81,846	22,091		103,937
Additions		74,223	53,551	211	702	680	129,367	8,156		137,523
Held for sale										
Disposals			(252)	(87)			(339)			(339)
Transfers	3,133	1,509	8,366	351	346	175	13,880	(13,131)		749
Depreciation/ amortization		(1,403)	(4,199)	(42)	(197)	(1,032)	(6,873)			(6,873)
Balances at June 30, 2010	12,865	218,204	335,698	4,166	13,147	12,709	596,789	68,587	(2,901)	662,475
Total cost	12,865	242,687	557,304	9,618	24,067	28,601	875,142	68,587	(2,901)	940,828
Accumulated depreciation		(24,483)	(221,606)	(5,452)	(10,920)	(15,892)	(278,353)			(278,353)
Net book amount	12,865	218,204	335,698	4,166	13,147	12,709	596,789	68,587	(2,901)	662,475

15 Intangible Assets

	Parent		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Goodwill on non-merged companies				
Sapeka Indústria e Comércio de Fraldas Descartáveis S.A.			401,814	
Versoix Participações Ltda.			155,266	
Luper Indústria Farmacêutica Ltda.			44,163	
Facilit Odontológica e Perfumaria Ltda.			45,373	
Cosmed Indústria de Cosméticos e Medicamentos S.A.			48,085	48,085
Goodwill and negative goodwill on acquisition of investments in merged companies				
Laboratório Neo Química Comércio e Indústria S.A	1,008,157	1,008,157	1,008,157	1,008,156
DM Indústria Farmacêutica Ltda.	743,029	743,029	743,029	743,029
Laboratório Americano de Farmacoterapia S.A. Farmasa	666,808	666,808	666,808	666,808
Pom Pom Produtos Higiênicos Ltda.	269,264	269,205	269,264	269,205
Aprov Comércio de Cosméticos Ltda.	275,535	275,535	275,535	275,535
Inal – Indústria Nacional do Látex S.A.	156,260	156,260	156,260	156,260
Ceil Comércio e Distribuidora Ltda.	148,886	148,886	148,886	148,887
Barrenne Indústria Farmacêutica Ltda.	33,955	33,955	33,955	33,955
Sul Química Ltda.	32,053	32,053	32,053	32,053
Etti Produtos Alimentícios Ltda.	18,319	18,319	18,319	18,319
Finn Administradora de Marcas Ltda.	17,857	17,857	17,857	17,857
Éh Cosméticos S.A.	15,860	15,860	15,860	15,860
Quimivale Industrial Ltda. e Distribuidora Clean Ltda.	10,231	10,231	10,231	10,231
Castro Verde Participações Ltda.	(129)	(129)	(129)	(129)
	3,396,085	3,396,026	4,090,786	3,444,111
Rights of use	50,420	57,420	51,282	57,814
Trademarks and patents	160,132	159,700	210,954	160,004
Software	12,849	8,773	12,772	8,793
Product research and development	19,506	17,359	19,583	17,358
	3,638,992	3,639,278	4,385,377	3,688,080

Goodwill is based on expected future profitability, supported by appraisal reports prepared by a specialized company, using the cash flow discounted to present value method. The discount rates used in the calculations were based on the Weighted Average Cost of Capital (WACC). For acquisitions carried

out as from 2009, portions of the initial goodwill were allocated to certain assets acquired in the transactions (inventories, property, plant and equipment and trademarks).

Changes in the balances

Parent

	Rights of use	Trademarks and patents	System implementation	Product development	Goodwill	Total
Balances at January 1, 2009	43,692	68,342	9,997	479	1,962,176	2,084,686
Additions through merger	3,174	184	103	16,993		20,454
Additions	22,923	91,477	969	194	1,433,850	1,549,413
COSMED split-off - 06/30/2009	(200)	(303)				(503)
Disposals	(61)					(61)
Transfers	115			(109)		6
Amortization	(12,223)		(2,296)	(198)		(14,717)
Balances at December 31, 2009	57,420	159,700	8,773	17,359	3,396,026	3,639,278
Additions	530		117	1,232		1,879
Transfers	48		21	(45)		24
Amortization	(4,062)		(574)	(125)		(4,761)
Balances at March 31, 2010	53,936	159,700	8,337	18,421	3,396,026	3,636,420
Total cost	87,943	159,700	18,276	20,989	3,396,026	3,682,934
Accumulated amortization	(34,007)		(9,939)	(2,568)		(46,514)
Net book amount	53,936	159,700	8,337	18,421	3,396,026	3,636,420
Balances at March 31, 2010	53,936	159,700	8,337	18,421	3,396,026	3,636,420
Additions	387	432	5,085	1,836	59	7,799
Transfers	185					185
Amortization	(4,088)		(573)	(751)		(5,412)
Balances at June 30, 2010	50,420	160,132	12,849	19,506	3,396,085	3,638,992
Total cost	88,516	160,132	23,361	22,826	3,396,085	3,690,920
Accumulated amortization	(38,096)		(10,512)	(3,320)		(51,928)
Net book amount	50,420	160,132	12,849	19,506	3,396,085	3,638,992

Consolidated

	Rights of use	Trademarks and patents	System implementation	Product development	Goodwill	Total
Balances at January 1, 2009	43,702	68,343	10,037	478	2,010,533	2,133,093
Additions through merger	3,174	184	104	16,993		20,455
Acquisition	23,154	91,477	970	194	1,433,578	1,549,373
Disposals	(61)					(61)
Transfers	104		9	(109)		4
Amortization	(12,259)		(2,327)	(198)		(14,784)
Balances at December 31, 2009	57,814	160,004	8,793	17,358	3,444,111	3,688,080
Acquisition	534		117	1,232	172,412	174,295
Transfers	50	16,589	18	(44)	(16,589)	24
Amortization	(4,083)		(576)	(125)		(4,784)
Balances at March 31, 2010	54,315	176,593	8,352	18,421	3,599,934	3,857,615
Total cost	89,876	176,593	18,486	20,990		305,945
Accumulated amortization	(35,561)		(10,134)	(2,569)	3,599,934	3,551,670
Net book amount	54,315	176,593	8,352	18,421	3,599,934	3,857,615
Balances at March 31, 2010	54,315	176,593	8,352	18,421	3,599,934	3,857,615
Acquisition	538	682	(74)	52		1,198
Additions	390	990	5,085	1,862	523,541	531,868
Transfers	200	32,689	(15)		(32,689)	185
Amortization	(4,161)		(576)	(752)		(5,489)
Balances at June 30, 2010	51,282	210,954	12,772	19,583	4,090,786	4,385,377
Total cost	91,663	210,954	23,361	22,904	4,090,786	4,439,668
Accumulated amortization	(40,381)		(10,589)	(3,321)		(54,291)
Net book amount	51,282	210,954	12,772	19,583	4,090,786	4,385,377

Impairment of assets

The Company annually tests the recoverable amount of its intangible assets with an indefinite useful life, which mainly comprise the goodwill based on expected profitability and trademarks arising from business combination processes.

For long-lived non-financial assets, which are not subject to amortization, an impairment test is performed whenever there is an indication that the carrying amount of the assets may not be recoverable. In this case, the recoverable value is calculated to verify if there is any loss. In the event of loss, it is recognized at the amount by which the carrying amount of the asset exceeds its recoverable value, which is the higher between the net sales price and the value in use of an asset. For evaluation purposes, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Goodwill, trademarks and rights of use are allocated to the Cash-generating units (CGUs) identified based on the business units:

	June 30, 2010	December 31, 2009
Pharmaceutical	2,939,673	2,717,598
Beauty and personal hygiene	1,252,746	775,017
Hygiene and food	172,641	175,892
Unallocated	20,317	19,573
	4,385,377	3,688,080

16 Business Combinations

The Company uses the acquisition method to account for business combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the acquisition date. Costs directly attributable to the acquisition are accounted for as expenses as incurred.

When acquiring a business, the Company values the assets acquired and the liabilities assumed in order to classify them and allocate them pursuant to the terms of the agreements, economic circumstances and the conditions prevailing at the acquisition date.

Goodwill is initially measured as the excess of the consideration transferred over the fair value of the net assets acquired (identified assets and liabilities assumed).

The table below shows the movements in 2010 and 2009:

Acquisition period	Company	Consideration	Identifiable assets and liabilities adjusted to fair value	Additional fair value adjustments to identifiable assets and liabilities		Remaining goodwill	Acquisition expenses (*)
2009	Neo Química	1,368,926	(205,189)	(155,581)	(1)	1,008,156	4,819
06/30/2010	Neo Química					1,008,157	160
2009	Inal	217,206	(16,019)	(44,927)	(2)	156,260	295
06/30/2010	Inal					156,260	127
2009	Pom Pom	300,000	27,699	(58,494)	(3)	269,205	715
06/30/2010	Pom Pom			59		269,264	390
06/30/2010	Versoix	181,256	(2,330)	(23,660)	(4)	155,266	56
06/30/2010	Luper	52,161	14,052	(22,050)	(5)	44,163	78
06/30/2010	Facilit	60,385	(1,440)	(13,572)	(6)	45,373	6,122
06/30/2010	Sapeka	602,011	(69,775)	(130,422)	(7)	401,814	6,167

(*) Refer to legal and advisory services, among other expenses, incurred in connection the acquisitions and directly recorded in profit or loss for the period.

When allocating goodwill, the items requiring fair value adjustments identified in the assets and liabilities of the companies acquired were trademarks, inventories and property, plant and equipment, as shown below:

(1) Trademarks: R$ 53,098, appreciation of property, plant and equipment of R$ 87,634 and

appreciation of inventories of R$ 12,058
(2) Trademarks: R$ 18,280, appreciation of property, plant and equipment of R$ 7,182 and appreciation of inventories of R$ 2,155
(3) Trademarks: R$ 16,477, appreciation of property, plant and equipment of R$ 27,272 and appreciation of inventories of R$ 2,814
(4) Trademarks: R$ 16,589 and appreciation of property, plant and equipment of R$ 6,520
(5) Trademarks: R$ 3,130, appreciation of property, plant and equipment of R$ 18,980 and appreciation of inventories of R$ 687
(6) Trademarks: R$ 3,041, appreciation of property, plant and equipment of R$ 7,131 and appreciation of inventories of R$ 1,230
(7) Trademarks: R$ 26,518, appreciation of property, plant and equipment of R$ 86,871 and appreciation of inventories of R$ 2,950

In 2010, the Company carried out the following business combination transactions:

- Versoix (Jontex) - In March 2010, Versoix Participações Ltda. (Jontex), a company engaged in manufacturing condoms, was acquired for R$ 181,256, resulting in goodwill, prior to reclassifications, of approximately R$ 178,926.

- Luper - In April 2010, Luper Indústria Farmacêutica Ltda. was acquired for R$ 52,161, resulting in goodwill, prior to reclassifications, of approximately R$ 67,195.

- Facilit (Sanifil) - In May 2010, Facilit Odontológica e Perfumaria Ltda. was acquired for R$ 79,000, resulting in goodwill, prior to reclassifications, of approximately R$ 65,083.

- Sapeka - In June 2010, Sapeka Indústria e Comércio de Fraldas Descartáveis S.A. was acquired for R$ 602,011, including a price adjustment clause of R$ 222,000 (contingent consideration) subject to the achievement of EBITDA targets. The resulting goodwill, prior to reclassifications, was R$ 535,362.

In 2009, the Company carried out the following business combination transactions:

- Pom Pom - In November 2009, Pom Pom Produtos Higiênicos Ltda. was acquired for R$ 300,000, resulting in goodwill, prior to all allocations, of approximately R$ 328,000. Pom Pom was merged into the Company in December 2009.

- INAL - In December 2009, Indústria Nacional de Artefatos de Látex (INAL) was acquired for R$ 212,619, resulting in goodwill of approximately R$ 201,483. INAL was merged into the Company in December 2009.

- Neo Química - On December 1, 2009, the Company acquired all the shares of Hypernova, the parent company of Laboratório Neo Química Comércio e Indústria S.A. The total amount of the transaction was R$ 1,368,926, and a portion of this amount comprised 35,000,000 common shares, after share split, issued by Hypermarcas to the former stockholders of Neo Química, resulting in a capital increase of R$ 681,625. The remaining balance was paid in cash and through long-term notes payable. This transaction generated goodwill, prior to all allocations, of R$ 1,163,738. Hypernova and

Neo Química were merged into Hypermarcas in 2009.

In years prior to 2009, the Company carried out the following business combination transactions:

- Quimivale and Clean - in February 2005, the Company acquired the ownership control of Quimivale and Distribuidora Clean (through the control of the holding company Baule Participações S.A., subsequently merged into Hypermarcas) for approximately R$ 34,700. Quimivale and Clean were merged into the Company in November 2007.

- Etti - in March 2006, the Company acquired the control of Etti Produtos Alimentícios Ltda., for R$ 71,400, generating goodwill of approximately R$ 40,035. Etti was merged into the Company in January 2007.

- Éh Cosméticos - in March 2007, the Company acquired 50% of the shareholding control of Éh Cosméticos S.A. for R$ 12,800. In January 2008, the Company acquired the remaining 50% for R$ 13,510, generating goodwill of approximately R$ 12,150. Éh Cosméticos was merged into the Company in December 2008.

- Finn - in March 2007, 100% of Finn Administradora de Marcas Ltda. was acquired for R$ 27,477. Finn was merged into the Company in October 2007.

- Sul Química - In March 2007, the Company acquired an ownership interest of 90% in Sul Química Ltda., for R$ 50,566, generating goodwill of approximately R$ 42,345. In September 2007, the Company acquired the remaining ownership interest of 10% for R$ 8,900, generating additional goodwill of approximately R$ 7,700. Sul Química was merged into the Company in October 2007.

- DM - In June 2007, DM Indústria Farmacêutica Ltda. was acquired for the amount of R$ 1,191,689, generating goodwill of approximately the same amount. On the same date, there was a capital increase in the amount of R$ 112,166, through the subscription and payment of new equity units. DM was merged into the Company in October 2007.

- Farmasa - On June 1, 2008, the Company and Laboratório Americano de Farmacoterapia S.A. - Farmasa signed a share merger agreement for the purpose of merging all the shares of Farmasa's capital into Hypermarcas, in exchange for the subscription of new shares in Hypermarcas by the stockholders of Farmasa. As a result of this merger, the subscribed and paid-up capital of Hypermarcas was increased by R$ 873,446 through the issuance of 39,720,140 common shares, representing 20% of its share capital. The Protocol and Justification of the share merger established that the share merger was effective as from July 1, 2008. This transaction generated goodwill of R$ 732,254. Farmasa was merged into the Company in December 2008.

- Ceil - On July 28, 2008, Ceil Comércio e Distribuidora Ltda. was acquired for R$ 173,388, resulting in goodwill of approximately R$ 160,357. Ceil was merged into the Company in December 2008.

- Cosmed and Aprov - In October 2008, Niasi Indústria de Cosméticos e Medicamentos S.A. (currently

Cosmed) and Aprov Comércio de Cosméticos Ltda. were acquired for R$ 328,400, resulting in goodwill of approximately R$ 347,014. Aprov was merged into the Company in December 2008.

17 Trade Payables

	Parent		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Domestic suppliers	73,589	77,655	162,529	112,330
Trade payables - related parties	20,652	46,498		
Foreign suppliers	7,346	7,690	20,034	8,147
	101,587	131,843	182,563	120,477

18 Borrowings

		Parent		Consolidated	
Foreign currency		June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Short-term borrowing	US$ + 3,7% to 5,65% p.a.	2,009	91,596	2,009	91,596
Long-term borrowing	US$ + 3,7% to 5,3% p.a.	85,958	81,196	85,958	81,196
Short-term borrowing (Yen)	Iene + 5,8225% p.a.	23,592		23,592	
Hedge		5,065	47,347	5,065	47,347
Local currency					
FCO (i)	8,5% p.a.	36,304	37,671	36,305	37,672
Working capital	CDI + 1,15% to 1,55% p.a.	376,304	379,872	401,442	379,872
Leasing	CDI + 4,6%	1,587	7,482	11,562	8,276
Finame	Fixed rate of 4.5% p.a. and TJLP + 1,3% to 6,5% p.a.	2,397	2,924	26,069	6,271
Letter of guarantee	-	2,851	3,361	2,851	3,361
FINEP	TJLP + 6%p.a.			7,183	8,215
FINIMP	Exchange rate variation + 4.5% p.a.				2,539
BNDES (i)	Fixed rate of 4.5% to 6% p.a. and TJLP + 1.5% to 3% p.a.	116,157	117,789	131,420	128,367
Rural Promissory Notes (NPRs)	Fixed rate of 6.75% p.a.				
Banco Regional de Brasilia - BRB - PRÓ-DF	2.4265% p.a.	36	37	36	37
Banco Itaú "Fixed rate notes"					
Debentures (ii,iii ,iv and v)	IPCA+ 8.43; 113.72% of CDI and CDI + 1.65% to 1.85% p.a.	409,444		409,444	
		1,061,704	769,275	1,142,936	794,749
Current		213,979	405,554	259,030	413,932
Non-current		847,725	363,721	883,906	380,817

(i) Agreements containing covenants restricting sale, split-off, combination, merger or any corporate restructuring which, if they occur, should be previously authorized by the lenders. If any of these events do occur without approval of the banks, outstanding balances will fall due immediately.

(ii) On January 8, 2010, the Company made the first public issue of two hundred debentures, in a single series, not convertible into shares, with a face value of R$ 1 million each on the issue date. Total finance charges correspond to the internal rate of return of 0.15% per annum plus interest equivalent to 113.72 % of the accumulated variation of the daily average Interbank Deposit (DI) rates for one day "over extra group", expressed as an annual percentage, 252-day basis, calculated and disclosed by CETIP. Interest will be calculated on a pro rata basis from the date of issue up to the date of maturity on January 8, 2013. Transaction costs totaled R$ 894.

Of the outstanding debt balance, R$ 9,077 and R$ 199,544 are recorded in current and non-current liabilities, respectively.

The breakdown of transaction costs to be amortized, by year, is as follows:

	06/30/2010
2010	150
2011	298
2012	299
2013	6
	753

(iii) On June 4, 2010, the Company made the second public issue of two hundred debentures, in a single series, not convertible into shares with a face value of R$ 1 million each on the issue date. Total finance charges correspond to the internal rate of return of 0.14% per annum plus interest equivalent to 113.70 % of the accumulated variation of the daily average Interbank Deposit (DI) rates for one day "over extra group", expressed as an annual percentage, 252-day basis, calculated and disclosed by CETIP. Interest will be calculated on a pro rata basis from the date of issue up to the date of maturity on February 4, 2013. Transaction costs totaled R$ 745.

Of the outstanding debt balance, R$ 1,270 and R$ 199,553 are recorded in current and non-current liabilities, respectively.

The breakdown of transaction costs to be amortized, by year, is as follows:

	06/30/2010
2010	140
2011	278
2012	280
2013	27
	725

(iv) On February 4, 2010, the first public issue in a sole series of twenty promissory notes was carried out, with a nominal value of R$ 10,000 each on the issue date. Total charges correspond to the internal return rate of 1.01% per year plus remuneration of promissory notes bearing interest equivalent to 113.70% of CDI per year, 252-day basis, calculated and disclosed daily by CETIP. The maturity term is 210 days, but it was settled in June. Transaction costs totaled R$ 338.

The breakdown of long-term amounts of borrowings and debentures by maturity year is as follows:

	Parent		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
2010				
2011	194,044	251,025	205,189	255,491
2012	135,248	43,435	143,878	48,138
2013	402,248	25,600	407,048	29,659
2014	116,185	20,631	127,791	22,575
2015		18,687		20,612
2016		4,028		4,028
2017		164		164
2018		151		150
	847,725	363,721	883,906	380,817

(a) Collateral provided for borrowings

	Parent		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009

Trade notes receivable - pledged in guarantee	84,870	90,380	114,833	90,380
Letter of guarantee	51,210	49,982	68,969	68,584
Surety of stockholder and former stockholder	79,042	145,478	79,042	145,478
Property, plant and equipment (net value) pledged in guarantee	123,579	139,177	151,771	139,177
Financial investments (held in connection with bank guarantees)	99,447	95,180	99,447	95,180
	438,148	520,197	514,062	538,799

(b) Finance lease liabilities

The minimum future finance lease payments, in total and for each of the periods stated below, are as follows:

	Consolidated	
	June 30, 2010	**December 31, 2009**
Gross finance lease liabilities - minimum lease payments		
Less than one year	9,107	7,489
Later than 1 year and no later than 5 years	3,708	2,000
	12,815	9,489
Future finance charges on finance leases	(1,253)	(1,213)
Present value of finance lease liabilities	11,562	8,276
The present value of finance lease liabilities is as follows:		
Less than one year	8,108	7,050
Later than 1 year and no later than 5 years	3,454	1,226
	11,562	8,276

Leases by category of assets:

	Consolidated				
	06/30/2010				
Final maturities	**Machinery and equipment**	**Pallet racking structure**	**IT equipment**	**Vehicles**	**Total**
2011	4,960	262	98	662	5,982
2012	2,585	1,277		1,154	5,016
2013				564	564
	7,545	1,538	98	2,380	11,562
Current	5,605	899	98	1,506	8,108
Non-current	1,940	640		874	3,454

(c) Carrying amounts and fair value estimates

The carrying amounts and fair value estimates of non-current borrowings are as follows:

		Consolidated		Fair value	
		June 30, 2010	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**
Short-term borrowing	US$ + 3.7% to 5.65% p.a.	2,009	91,596	2,009	91,596
Long-term borrowing	US$ + 3.7% to 5.3% p.a.	85,958	81,196	85,958	81,196
Short-term borrowing (Yen)	Yen + 5.8225% p.a.	23,592		23,592	
Hedge		5,065	47,347	5,065	47,347
Finimp					
Local currency					
FCO	8,5% p.a.	36,305	37,672	32,574	34,587
Working capital	CDI + 1.15% to 1.55% p.a.	401,442	379,872	401,200	379,872
Local-currency borrowing					
Overdraft					
Leasing	CDI + 4,6%	11,562	8,276	10,576	8,276
Finame	Fixed rate of 4.5% p.a. and TJLP + 1.3% to 6.5% p.a.	26,069	6,271	26,195	6,271
Letter of guarantee		2,851	3,361	2,851	3,361
FINEP	TJLP + 6% p.a.	7,183	8,215	7,183	8,215
FINIMP	Exchange rate variation + 4.5% p.a.		2,539		2,539
BNDES	Fixed rate of 4.5% to 6% p.a. and TJLP + 1.5% to 3% p.a.	131,420	128,367	113,774	118,562
Rural Promissory Notes (NPRs)	Fixed rate of 6.75% p.a.				
Banco Regional de Brasilia - BRB - PRÓ-DF	2.4265% p.a.	36	37	36	37
Banco Itaú "Fixed rate notes"					
Debentures	IPCA+8.43; 113.72% of CDI and CDI + 1.65% to 1.85% p.a.	409,444		409,444	
		1,142,936	794,749	1,120,457	781,859

FINAME: Government Agency for Machinery and Equipment Financing
FINEP: Financing Agency for Studies and Projects
FINIMP: Import Financing

The fair value of the current portion of borrowings equals the carrying amount, since the impact of the discount to present value is not significant. The fair values are based on the discounted cash flows, using a CDI market rate + 1.00% to 1.20% per year (2009 - CDI +1.20% to 1.50% per year).

19 Deferred Income Tax and Social Contribution

(a) Breakdown of deferred tax assets

These refer to tax assets on tax loss carry-forwards and temporary differences recognized based on a study of their utilization against taxable income as from 2011.

	Parent		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Tax assets:				
Tax loss carry-forwards	224,850	126,811	227,432	131,716
Temporary differences, mainly amortized goodwill	114,237	125,534	164,967	131,789
	339,087	252,345	392,399	263,505
Goodwill of merged companies, pursuant to CVM 319/99:				
Erches Participações Ltda.	36,300	45,770	36,300	45,770
Setiba Participações S.A.	47,385	50,442	47,385	50,442
	83,685	96,212	83,685	96,212
Total tax assets	422,772	348,557	476,084	359,717
(-) Portion of deferred tax assets that can be offset against deferred liabilities of the same nature	(320,374)	(198,948)	(361,926)	(198,948)
Remaining balance of tax assets	102,398	149,609	114,158	160,769
Deferred tax liabilities on temporary differences:				
Goodwill	261,972	155,270	261,972	155,270
Other business combination adjustments	39,779	41,713	80,139	41,713
Adjustments to present value and other	18,623	1,965	19,815	1,965
	320,374	198,948	361,926	198,948
	(320,374)	(198,948)	(361,926)	(198,948)
Remaining balance of deferred tax liabilities				

The tax asset on goodwill of merged companies corresponds to deferred income tax and social contribution on the difference between the carrying amount of goodwill and its tax basis:

. Erches - On June 2, 2007, Erches Participações Ltda., a company owned by a foreign stockholder, acquired 38% of the shareholding control of Hypermarcas, for the amount of R$ 480,400. This acquisition resulted in goodwill of R$ 278,518, which was recognized net of the provision for realization of tax assets of R$ 183,822, resulting in net goodwill of R$ 94,696, recorded in "Long-term receivables". Erches was merged into the Company in June 2007.
. Setiba - On March 31, 2008, the parent company of Farmasa at the time, Setiba Participações S.A., was spun off and the portion related to the investment in Farmasa was merged on the same date into its subsidiary Farmasa. A provision equivalent to the amount of the difference between the total goodwill and the tax benefit of its amortization was established.

(b) Estimated realization period

Deferred tax assets are expected to be realized as follows:

Utilization period	Parent 06/30/2010	Consolidated 06/30/2010
2010	146,277	196,284
2011	22,231	22,231
2012	19,945	19,945
2013	41,842	41,842
2014	65,887	65,887
2015 a 2019	126,590	129,895
	422,772	476,084

The deferred tax assets arising from tax loss carry-forwards and temporary differences are expected to be realized by the end of 2020, in accordance with studies carried out by management, in view of the projected future positive results arising from the corporate restructuring actions mentioned in Note 1 which take into consideration: (i) the large number of brands which are well placed in the market; (ii) the diversification of operations in four market segments; and (iii) positive cash flows.

(c) Reconciliation of income tax and social contribution expense

	Parent		Consolidated	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Profit before income tax and social contribution	158,984	219,953	165,327	214,276
Share of profit/(loss) of subsidiaries	(17,944)	(8,469)		
Calculation basis	141,040	211,484	165,327	214,276
Income tax and social contribution standard rate	34%	34%	34%	34%
Income tax and social contribution at statutory rate	(48,193)	(71,905)	(56,679)	(72,854)
Provision for impairment of trade receivables and other assets	15,093	12,257	14,299	14,017
Exchange rate variation - deferred	10,527	30,220	10,527	30,220
(Permanent (additions)/ deductions	(4,939)	(1,441)	(6,148)	(1,448)
Tax asset recorded directly in capital reserves - CVM Regulatory Instruction 556/08 and CPC 08/2008	11,941		11,941	
Amortization of goodwill	123,279	94,194	123,279	94,194
Transitional Tax System (RTT)	(9,669)	(12,069)	(9,539)	(12,109)
Refund of income tax and social contribution tax incentives			567	
Offset of tax loss carry-forwards			2,847	
Income tax and social contribution in profit or loss - current	**98,039**	**51,256**	**91,094**	**52,020**
Derecognition of income tax and social contribution due to offset				
Offset of tax losses			(2,322)	
Tax asset recorded in prior periods				6,625
Realization of income tax and social contribution on temporary differences	(27,364)	31,036	(26,597)	29,284
Income tax and social contribution on goodwill (CPC 32)	(106,701)	(77,616)	(106,701)	(77,616)
Realization of deferred tax liabilities	1,341	(1,557)	3,498	(1,517)
Tax asset recorded directly in capital reserves - CVM Regulatory Instruction 556/08 and CPC 08/2008	(11,941)		(11,941)	
Realization on goodwill - CVM Regulatory Instruction 319/99	(12,527)	(12,527)	(12,527)	(12,527)
Derecognition of income tax and social contribution due to split-off		(2,358)		(2,358)
Income tax and social contribution in profit or loss - deferred	(157,192)	(63,022)	(156,590)	(58,109)
Income tax and social contribution	(59,153)	(11,766)	(65,496)	(6,089)

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

(d) Deferred tax liabilities

These substantially comprise deferred income tax and social contribution liabilities in the amount of R$ 361,926, arising from the temporary difference between the tax basis of goodwill and its carrying amount in the balance sheet, since goodwill continues to be amortized for tax purposes, but has no longer been amortized in the accounting records since January 1, 2009, resulting in a lower tax basis than the carrying amount of the goodwill.

This temporary difference will result in amounts to be added back in the calculation of the taxable income of future years, when the carrying amount of the asset is reduced by impairment or is written off, making it necessary to record a deferred tax liability.

20 Taxes Payable

	Parent		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Value-added Tax on Sales and Services (ICMS)	12,203	4,619	35,656	57,331
Excise Tax (IPI)	2,197	3,461	4,103	5,789
Social Integration Program (PIS)		78	1,537	979
Social Contribution on Revenues (COFINS)		1,000	7,327	5,328
Tax Recovery Program (REFIS)	3,560	3,269	9,134	3,269
Other taxes payable	2,178	1,665	3,011	1,821
	20,138	14,092	60,768	74,517

(i) Net of adjustment to present value of R$ 527 on June 30, 2010. See Note 23 (ii)

21 Payables

	Parent		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Freight payable	14,203	18,955	14,541	19,049
Services rendered	6,954	14,570	10,830	16,967
Agreements, commercial budgets and other	30,281	41,043	30,281	41,043
Advertising	57,150	25,924	57,150	25,924
Rentals	1,285	1,362	2,304	1,839
Other	25,439	22,485	32,682	25,058
	135,312	124,339	147,788	129,880

22 Notes Payable

	Parent		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Acquisition of DM Indústria Farmacêutica Ltda. (i)	374.522	552.420	374.522	552.420
(-) Adjustment to present value	(35.490)	(49.838)	(35.490)	(49.838)
	339.032	502.582	339.032	502.582
Acquisition of Laboratório Neo Química Comércio e Indústria S.A.(ii)	470.461	446.736	470.461	446.736
(-) Adjustment to present value	(9.215)	(8.748)	(9.215)	(8.748)
	461.246	437.988	461.246	437.988
Acquisition of Sapeka Indústria de Fraldas Descartáveis Ltda. (v)	222.000		222.000	
(-) Adjustment to present value	(10.286)		(10.286)	
	211.714		211.714	
Acquisition of Pom Pom Produtos Higiênicos Ltda. (ii)	189.127	181.363	189.127	181.363
(-) Adjustment to present value	(8.752)	(10.083)	(8.752)	(10.083)
	180.375	171.280	180.375	171.280
Acquisition of Ind. Nacional de Artefatos de Látex S.A. (iv)	133.106	133.714	133.106	133.714
(-) Adjustment to present value	(14.503)	(16.769)	(14.503)	(16.769)
	118.603	116.945	118.603	116.945
Acquisition of NY Looks brands	49.272	48.099	49.272	48.099
(-) Adjustment to present value (iii)	(3.562)	(4.472)	(3.562)	(4.472)
	45.710	43.627	45.710	43.627
Acquisition of Facilit Odontológica e Perfumaria Ltda. (ii)	31.951		31.951	
(-) Adjustment to present value	(1.762)		(1.762)	
	30.189		30.189	
Acquisition of Luper Indústria Farmacêutica Ltda. (ii)	21.250		21.250	
(-) Adjustment to present value	(1.137)		(1.137)	
	20.113		20.113	
Acquisition of Hydrogem brands (ii)	5.307	12.724	5.307	12.724
(-) Adjustment to present value	(17)	(103)	(17)	(103)
	5.290	12.621	5.290	12.621
Acquisition of Aprov Comércio de Cosméticos Ltda.	57.782	55.426	57.782	55.426
(-) Adjustment to present value	(3.624)	(3.984)	(3.624)	(3.984)
	54.158	51.442	54.158	51.442
Acquisition of Niasi Ind. de Cosmésticos Ltda.	52.107	49.985	52.107	49.985
(-) Adjustment to present value	(1.054)	(1.372)	(1.054)	(1.372)

	Parent		Consolidated	
	June 30, 2010	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**
	51.053	48.613	51.053	48.613
Acquisition of Sul Química Ltda. (ii)	14.028	13.463	14.028	13.463
(-) Adjustment to present value	(238)	(292)	(238)	(292)
	13,790	13,171	13,790	13,171
Acquisition of ÉH Cosméticos S.A. (ii)	664	955	664	955
(-) Adjustment to present value	(8)	(16)	(8)	(16)
	656	939	656	939
Acquisition of rights of use	7,433	7,033	7,433	7,033
(-) Adjustment to present value	(271)	(322)	(271)	(322)
	7,162	6,711	7,162	6,711
Acquisition of FINN Administradora de Marcas Ltda.		1,726		1,726
Acquisition of New Look brands		1,250		1,250
Acquisition of Quimivale Industrial Ltda. and Distribuidora Clean Ltda.	401	378	401	378
Acquisition of CEIL Comércio e Distribuidora Ltda.	116	116	116	116
	517	3,470	517	3,470
	1,539,608	1,409,389	1,539,608	1,409,389
Current liabilities	585,856	488,030	585,856	488,030
Non-current liabilities	953,752	921,359	953,752	921,359

(i) The debt is collateralized by a Letter of Guarantee issued by a prime bank, and will be reduced on an annual basis, in accordance with the repayment schedule. The agreement contains a clause that provides for the adjustment of the installments based on the variation of US dollar exchange rate.

(ii) Adjusted based on the rates used on the financial market, basically the CDI.

(iii) The contract for acquisition of the brands (NY Looks, Bia Blanc, Radical, Aroma & Cor, Day, Dois! Earth, Um!, Três!, Ski, Sun, and Eco) from Brasil Global Ltda. establishes a price retention of R$ 12 million to collateralize possible contingencies of the seller. This amount is invested following the instructions of the creditor, and is invested in shares, recorded in long-term receivables and, consequently, both the investment and the related portion of the debt were valued at the market value of the shares. The remaining balance of the debt is adjusted in accordance with the exchange variation. The debt is collateralized by a Letter of Guarantee.

(iv) Pursuant to the contract, the installment payments are adjusted based on the variation of the US dollar exchange rate.

(v) Installment subject to price adjustment. To be adjusted at the CDI rate as from 2011.

The rates used to calculate the adjustment to present value are described in Note 30.

Long-term amounts by maturity year are as follows:

	Consolidated
	06/30/2010
2011	290,850
2012	325,842
2013	184,665
2014	99,444
2015	26,311
2016	26,640
	953,752

23 Other Payables

	Parent		Consolidated	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Fomentar borrowing (i)	18,154	3,576	18,907	3,576
Produzir borrowing			4,256	
(-) Adjustment to present value	(16,269)	(4,049)	(20,727)	(4,049)
	1,885	(473)	2,436	(473)
Tax Recovery Program (REFIS) (ii)	30,894	31,220	36,468	31,220
(-) Adjustment to present value	(2,421)	(2,595)	(2,421)	(2,595)
	28,473	28,625	34,047	28,625
National Institute of Social Security (INSS) – installment payment	532	684	2,362	684
Other	2,134	4,102	5,443	4,102
	2,666	4,786	7,805	4,786
	33,024	32,938	44,288	32,938
Current liabilities:				
- Included in salaries and social charges (INSS)	217	315	5,791	315
- Included in taxes payable (REFIS) (ii)	3,560	4,132	3,560	4,132
	3,777	4,447	9,351	4,447
Non-current liabilities	29,247	28,491	34,937	28,491

(i) The "Fomentar" and "Produzir" liabilities relate to the ICMS tax incentive through which 70% to 73% of the ICMS calculated on a monthly basis is financed by the Government of the State of Goiás, with a 20-year payment term, bearing interest of 2.4% per annum, and installments payable on a monthly basis. The State Government holds auctions periodically to sell these credits, with discounts of up to 89%, at which the debtor (Hypermarcas) also has the right to acquire them.

(ii) Tax Recovery Program (REFIS)

Law 11941 was enacted by the Federal Government on May 27, 2009, as a result of the conversion of Provisional Measure 449/08 which, among other amendments to the tax law, established a new

installment program for payment of federal tax debts administered by the Brazilian Federal Revenue Secretariat (RFB) and the National Institute of Social Security (INSS), and debts to the Office of the Attorney-General of the National Treasury (PGFN), including the remaining balance of debts consolidated under the REFIS program (Law 9964/00), the Special Tax Debt Installment Program (PAES) under Law 10684/03, and the Exceptional Tax Debt Installment Program (PAEX) under Provisional Measure 303/06, in addition to the regular tax debt installment programs established in article 38 of Law 8212/91 and article 10 of Law 10522/02.

The entities that opted to pay taxes in cash or in installments under this law, can settle, if applicable, the amounts corresponding to fine in arrears and fine on assessment, as well as interest in arrears, including those related to executable debts, by using its own income tax and social contribution losses, and will benefit from the reduction in penalties, interest and legal charges. The percentage of reduction depends on the payment term selected.

In accordance with the procedures for the first phase of the installment programs, the Company, after having filed petitions formalizing its withdrawal from the lawsuits relating to taxes which have been included in the tax debt installment program, requested its inclusion in such program, selecting the form of payment and identifying the generic type of the tax debts for which the initial installments have been made, according to the rules defined in the Joint Ordinance of the Federal Revenue Secretariat (SRF) and Attorney-General of the National Treasury (PGFN).

Consolidated obligations included in the program:

	Principal	Charges	Fine	Interest	Balance at 06/30/2010
Balance of previous programs (REFIS, PAES, PAEX)	3,999	2,915	3,693	6,880	17,487
Other	8,301	307	2,736	7,637	18,981
	12,300	3,222	6,429	14,517	36,468

For the next phase of the program, and payment of tax debts by the Company, the consolidation thereof by the PGFN and the RFB is required, pursuant to ordinance PGNF/RFB No. 02/2011; in this phase, the Company must identify the debts to be included in the tax debt installment program and the number of installments selected.

The adjustment to present value was calculated by installment, considering the funding rate in the period when the financing was obtained (rate of 2% p.a.).

24 Insurance

The Company's policy for insurance mainly takes into consideration the concentration of risks and the significance and replacement amount of the assets. The main information on the insurance coverage in effect, by insurance policy, is as follows:

	Cosmed	Goiânia	Itajaí	Araçatuba	Neo Química	Pom Pom	Inal	Lúper	Facilit	Sapeka	Distribution centers
Fire, fire caused by commotion, lightning and explosion of any nature	92,000	60,000	25,500	60,000	121,642	45,000	38,000	27,300	6,000	109,000	246,120
Maximum indemnity limit	51,000	60,000	25,500	60,000	121,642	45,000	38,000	27,300	6,000	109,000	246,120
Windstorm/ smoke	45,000	15,000	15,000	15,000	6,309	140	15,000	50	400	2,050	17,518
Electrical damage	3,000	1,000	1,000	1,000	6,232	100	1,000	1,000	50	520	3,447

(*) Includes insurance of inventories

25 Breakdown of Statement of Income Accounts

(a) Selling and marketing expenses

	Parent			
	04/01/2010 to 06/30/2010	01/01/2010 to 06/30/2010	04/01/2009 to 06/30/2009	01/01/2009 to 06/30/2009
Salaries, social charges and other (i)	(37,440)	(69,741)	(17,836)	(36,488)
Freight and insurance on sales	(22,733)	(45,839)	(19,657)	(30,824)
Advertising and publicity	(92,287)	(138,735)	(48,124)	(77,467)
Agreements, commercial budgets and other	(45,987)	(85,579)	(11,835)	(21,027)
Promotions, gifts and samples	(14,826)	(22,996)	(4,887)	(10,527)
Medical visits	(8,434)	(15,115)	(5,397)	(11,475)
Sales commissions	(2,310)	(6,033)	(193)	(284)
Third-party services	(8,686)	(17,228)	(5,277)	(11,126)
Travel and lodging	(3,441)	(5,855)	(1,630)	(3,350)
Car rentals	(1,420)	(2,488)	(1,357)	(2,045)
Provision for impairment of trade receivables and other losses	(3,329)	(7,592)	(4,814)	(7,261)
Depreciation and amortization	(3,960)	(7,867)	(3,184)	(7,089)
Other selling expenses	(12,725)	(23,145)	(6,462)	(13,713)
	(257,578)	(448,213)	(130,653)	(232,676)

	Consolidated			
	04/01/2010 to 06/30/2010	01/01/2010 to 06/30/2010	04/01/2009 to 06/30/2009	01/01/2009 to 06/30/2009
Salaries, social charges and other (i)	(40,956)	(73,901)	(17,878)	(36,550)
Freight and insurance on sales	(26,497)	(49,716)	(19,695)	(30,872)
Advertising and publicity	(95,178)	(141,242)	(48,124)	(77,467)
Agreements, commercial budgets and other	(50,142)	(89,736)	(11,836)	(21,044)
Promotions, gifts and samples	(15,185)	(23,355)	(4,887)	(10,527)
Medical visits	(8,434)	(15,115)	(5,397)	(11,475)
Sales commissions	(6,101)	(9,824)	(193)	(284)
Third-party services	(11,438)	(20,663)	(5,277)	(11,126)
Travel and lodging	(3,612)	(6,027)	(1,630)	(3,350)
Car rentals	(1,445)	(2,593)	(1,357)	(2,045)
Provision for impairment of trade receivables and other losses	(3,543)	(7,806)	(4,814)	(7,262)
Depreciation and amortization	(4,424)	(8,375)	(3,185)	(7,090)
Other selling expenses	(16,350)	(27,274)	(6,473)	(13,749)
	(283,305)	(475,627)	(130,746)	(232,841)

(i) Substantially salaries and social charges.

(b) General and administrative expenses

	Parent			
	04/01/2010 to 06/30/2010	01/01/2010 to 06/30/2010	04/01/2009 to 06/30/2009	01/01/2009 to 06/30/2009
Salaries, social charges and other	(23,427)	(45,311)	(8,806)	(15,898)
Travel and lodging	(721)	(1,612)	(456)	(877)
Rentals	(620)	(1,228)	(279)	(516)
Donations and contributions	(237)	(1,155)	(45)	(219)
Third-party services	(6,357)	(18,450)	(6,798)	(12,818)
Taxes and contributions	(19)	(19)	(38)	(38)
Depreciation and amortization	(2,219)	(4,373)	(2,294)	(2,584)
Other administrative expenses	(1,943)	(6,604)	(2,158)	(4,347)
	(35,543)	(78,752)	(20,874)	(37,297)

	Consolidated			
	04/01/2010 to 06/30/2010	01/01/2010 to 06/30/2010	04/01/2009 to 06/30/2009	01/01/2009 to 06/30/2009
Salaries, social charges and other	(25,072)	(48,207)	(9,186)	(16,750)
Travel and lodging	(3,645)	(4,557)	(456)	(877)
Rentals	(650)	(1,269)	(279)	(516)
Donations and contributions	(240)	(1,158)	(45)	(219)
Third-party services	(8,068)	(21,198)	(6,798)	(12,818)
Taxes and contributions	(34)	(34)	(38)	(38)
Depreciation and amortization	(2,300)	(4,707)	(2,323)	(2,643)
Other administrative expenses	(3,867)	(8,727)	(1,975)	(4,453)
	(43,876)	(89,857)	(21,100)	(38,314)

(c) Finance costs

	Parent			
	04/01/2010 to 06/30/2010	01/01/2010 to 06/30/2010	04/01/2009 to 06/30/2009	01/01/2009 to 06/30/2009
Working capital	(10,763)	(21,342)	(3,482)	(7,175)
	(10,763)	(21,342)	(3,482)	(7,175)
Interest local-currency borrowings				
Center-West Financing (FCO)	(203)	(420)	(269)	(562)
Fund for Financing of Studies and Projects (FINEP)			(144)	(647)
National Bank for Economic and Social Development (BNDES)	(1,104)	(2,380)	(1,231)	(2,185)
Government Agency for Machinery and Equipment Financing (FINAME)	(49)	(119)	(114)	(189)
	(1,356)	(2,919)	(1,758)	(3,583)
Interest on foreign-currency borrowings	(2,867)	(5,169)	(3,831)	(8,225)
Interest on notes payable and other	(19,095)	(37,043)	(4,221)	(8,534)
Debentures	(6,620)	(10,842)		
Promissory notes	(3,602)	(6,381)		
Interest and commission on letters of guarantee	(3,148)	(3,691)	(2,036)	(5,380)
Banking expenses, discounts granted and other	(6,762)	(13,106)	(709)	(2,872)
Exchange variation on loans (net)	394	(205)	(185)	(2,503)
Exchange variation on acquisition of company	(7,113)	(21,999)	80,431	83,564
Exchange variation on trade payables and receivables (net)	(621)	(1,163)	479	470
	(49,434)	(99,599)	69,928	56,520
Reversals of adjustments to present value	(12,558)	(25,198)	(27,042)	(41,491)
	(74,111)	(149,058)	37,646	4,271

	Consolidated			
	04/01/2010 to 06/30/2010	01/01/2010 to 06/30/2010	04/01/2009 to 06/30/2009	01/01/2009 to 06/30/2009
Working capital	(11,398)	(21,977)	(3,728)	(7,548)
	(11,398)	(21,977)	(3,728)	(7,548)
Interest local-currency borrowings				
Center-West Financing (FCO)	(203)	(420)	(269)	(562)
Fund for Financing of Studies and Projects (FINEP)	(106)	(320)	(144)	(647)
National Bank for Economic and Social Development (BNDES)	(1,430)	(2,932)	(1,231)	(2,185)
Government Agency for Machinery and Equipment Financing (FINAME)	(979)	(1,103)	(104)	(212)
	(2,718)	(4,775)	(1,748)	(3,606)
Interest on foreign-currency borrowings	(2,755)	(5,169)	(3,831)	(8,225)
Interest on notes payable and other	(20,166)	(37,920)	(3,637)	(7,222)
Debentures	(6,620)	(10,842)		
Promissory notes	(3,602)	(6,381)		
Interest and commission on letters of guarantee	(3,233)	(3,776)	(2,036)	(5,380)
Banking expenses, discounts granted and other	(8,880)	(15,180)	(729)	(2,914)
Exchange variation on loans (net)	411	(246)	(185)	(2,503)
Exchange variation on acquisition of company	(7,113)	(21,999)	80,431	83,564
Exchange variation on trade payables and receivables (net)	(852)	(1,604)	483	415
	(52,810)	(103,117)	70,496	57,735
Reversals of adjustments to present value	(12,558)	(25,198)	(27,042)	(41,491)
	(79,484)	(155,067)	37,978	5,090

(d) Finance income

	Parent			
	04/01/2010 to 06/30/2010	01/01/2010 to 06/30/2010	04/01/2009 to 06/30/2009	01/01/2009 to 06/30/2009
Interest receivable	797	1,514	518	1,565
Income from investments and other	34,057	47,259	7,410	12,650
	34,854	48,773	7,928	14,215

	Consolidated			
	04/01/2010 to 06/30/2010	01/01/2010 to 06/30/2010	04/01/2009 to 06/30/2009	01/01/2009 to 06/30/2009
Interest receivable	1,041	1,755	519	1,566
Income from investments and other	34,619	47,898	7,410	12,652
	35,660	49,653	7,929	14,218

26 Share Capital and Reserves

(a) Share capital

As provided for in its by-laws and as approved by the Board of Directors, the Extraordinary General Meeting (AGE) held on March 11, 2010 authorized, the Company to increase its capital up to the limit of R$ 4,500,000.

At June 30, 2010, fully paid-up capital amounts to R$ 3,168,195, comprising 541,061,447 common shares.

In April 2010, capital was increased by R$ 606,078 through funds obtained from a primary public offering of 58,696,000 common shares and R$ 6,565 through funds obtained from the issue of 1,164,056 shares granted by the Company under the 2008 Stock Option Program.

In December 2009, share capital was increased by R$ 681,625 through exchange of shares during the merger process of Hypernova (acquisition of Neo Química).

In July 2009, capital was increased by R$ 281,750 arising from a primary public offering of the Company's common shares, generating a share premium of R$ 281,750, which was allocated to the capital reserve.

(b) Share premium

This reserve is recorded upon share issues and refers to the portion of non-par share issue price exceeding the amount appropriated to capital. There was an increase of R$ 603,359 in this reserve arising from the public share offering in April 2010.

(c) Reserve for future capital increase

This reserve was recorded due to the acquisition of Sapeka, of which a portion totaling R$ 153,000 will be settled through the merger of shares, corresponding to 40.50%, according to article 252 of the Brazilian Corporate Law, expected up to September 2010.

(d) Stock options

The Extraordinary General Meeting of Hypermarcas S.A. held on March 24, 2008 approved a stock option plan (“Plan I”) under which the employees are allowed to acquire the Company's shares.

The Board of Directors' Meeting held on May 30, 2008, subsequently amended by the Board of Directors' Meeting of December 29, 2008, approved 1,802,212 options relating to the year 2008 (“2008 Program”) to be granted to the employees through Private Stock Option Agreements. These agreements have been executed by the Company and the employees participating in Plan I - 2008 Program as from February 2, 2009.

The main characteristics of Plan I - 2008 Program are as follows:

. Exercise price of R$8.50
. Vesting period of 3 years for 50% of the options granted and of 4 years for the remaining 50%

The Extraordinary General Meeting (AGE) held on December 29, 2008 approved a new stock option plan (“Plan II”) for the employees of Hypermarcas S.A., for the purpose of “attracting and retaining the Company's officers”.

The Board of Directors' Meeting held on December 29, 2008, subsequently amended by the Board of Directors' Meeting of February 6, 2009, approved 8,800,000 options relating to the year 2008 (“2008 Program”) to be granted to the Company's officers through Stock Option Agreements.

The main characteristics of Plan II - 2008 Program are as follows:

. Exercise price of R$5.36
. Vesting period of 1 year for up to 10% of the options granted, 2 years for up to 20%, 3 years for up to 40%, 4 years for up to 60%, 5 years for up to 80% and 6 years for up to 100%.

. Requirement to allocate 50% of the annual bonus of the officers participating in the plan to purchase Hypermarcas shares.

The Board of Directors' Meeting held on December 17, 2009 approved 2,800,000 options referring to the year 2009 ("2009 Program") to be granted to the Company's officers through Stock Option Agreements.
The main characteristics of Plan II - 2009 Program are as follows:

. Exercise price of R$17.06
. Vesting period of 1 year for up to 20% of the options granted, 2 years for up to 40%, 3 years for up to 60%, 4 years for up to 80%, 5 years for up to 100%.
. Requirement to allocate 50% of the annual bonus of the officers participating in the plan to purchase Hypermarcas shares.

Total options granted

Plan	Program	Vesting period	Exercise price	Options granted	Options exercised	Outstanding agreements at 06/30/2010	Fair value at grant date	Estimated cost (in thousands of reais)
Plan I	2008	06/01/11	8.50	901,106	0	901,106	0.33	287
Plan I	2008	06/01/12	8.50	901,106	0	901,106	0.73	628
Plan II	2008	11/01/08	5.36	880,000	878,144	1,856	0.04	35
Plan II	2008	11/01/09	5.36	880,000	285,909	594,091	0.64	559
Plan II	2008	11/01/10	5.36	1,640,000	0	1,640,000	1.19	1,904
Plan II	2008	11/01/11	5.36	1,640,000	0	1,640,000	1.71	2,682
Plan II	2008	11/01/12	5.36	1,640,000	0	1,640,000	2.20	3,406
Plan II	2008	11/01/13	5.36	1,640,000	0	1,640,000	2.68	4,077
Plan II	2009	12/17/10	17.06	560,000	0	560,000	4.13	2,279
Plan II	2009	12/17/11	17.06	560,000	0	560,000	5.55	3,016
Plan II	2009	12/17/12	17.06	560,000	0	560,000	6.95	3,715
Plan II	2009	12/17/13	17.06	560,000	0	560,000	8.31	4,373
Plan II	2009	12/17/14	17.06	560,000	0	560,000	9.62	4,985
Total				**12,922,212**	**1,164,053**	**11,758,159**		**31,946**

The dilution percentage to which the current stockholders are subject if all options outstanding at June 30, 2010 are exercised is 2.44%.

Option pricing model

The Company considered the following assumptions to calculate the fair value of the options granted:

- The options are exercised at the end of each vesting period, mainly due to the requirement of allocating the officers' bonuses to the purchase of shares issued by the Company.

- No account taken of the distribution of dividends, since the exercise price is adjusted for any distributions.

- Valuation of the options in accordance with market parameters at the date of each contract with the plan's beneficiaries.

- 1.5% annual reduction of options to be exercised considering estimated employee turnover.

- The valuation utilized was therefore based on the Black & Scholes Model for simple European options, using Brazil's base interest rate (SELIC) and the historical monthly volatility at the date of the agreements entered into with the beneficiaries.

(e) Legal reserve

The legal reserve is credited annually with 5% of net income for the year and cannot exceed 20% of share capital. The purpose of the legal reserve is to ensure the integrity of capital and it can be used only to offset losses and increase capital. The amount of R$ 5,828 was appropriated to this reserve at December 31, 2009.

(f) Tax incentive reserve

On March 26, 2010, the Annual General Meeting (AGO) approved the transfer of R$ 38,726 to this reserve, pursuant to article 195-A of the Brazilian Corporation Law (amended by Law 11638 of 2007); this reserve is credited with the benefits of tax incentives, which are recognized in the statement of income for the year and allocated from retained earnings to this reserve. These incentives are not included in the calculation of the minimum mandatory dividend.

(g) Unrealized profit reserve

On March 26, 2010, the Annual General Meeting (AGO) approved the transfer of R$ 27,685 to this reserve, pursuant to article 197 of the Brazilian Corporation Law, considering that the mandatory dividend amount, calculated in accordance with the Company's bylaws, exceeds the realized portion of profit for the year.

(h) Revenue reserve for expansion

Also on March 26, 2010, the Annual General Meeting (AGO) approved the transfer of R$ 44,327 to this reserve, pursuant to article 194 of the Brazilian Corporation Law and the sole paragraph of article 39 of the Company's bylaws.

(i) Proposed dividends

Dividends of R$ 27,685 proposed at December 31, 2009 were reversed to the Unrealized profit reserve as approved by the Annual General Meeting (AGO) held on March 26, 2010, pursuant to article 197 of the Brazilian Corporation Law.

(j) Primary offering of shares

In April 2010, the Company received funds from the primary offering of 58,696,000 common shares issued by the Company at the subscription price of R$ 21.00 (twenty-one reais) per share. The gross funds obtained were R$ 1,232,616, issuance costs totaled R$ 35,121 (R$ 23,179 net of tax effects) and the net amount received was R$ 1,197,495. Of this amount, R$ 606,078 was used to increase share capital and the remainder was allocated to the share premium capital reserve.

27 Segment Information

Management has determined the Company's operating segments based on the reports used to make strategic decisions reviewed by the CEO.

The CEO considers the business also from a business segment perspective. The three segments defined are: Pharmaceutical, Beauty and personal hygiene, Cleaning and food.

The revenue generated by the operating segments reported mainly arises from the manufacturing and sale of pharmaceutical, hygiene and beauty, cleaning and food products.

The segment information reviewed by the CEO for the period ended June 30, 2010 is as follows:

				Consolidated
	Pharmaceutical	Personal hygiene	Cleaning and food	Total
Net sales	331,123	324,086	91,450	746,659
Cost of sales	(109,737)	(167,589)	(52,418)	(329,744)
Gross profit	221,386	156,497	39,032	416,915

At June 30, 2009, the segment information is as follows:

				Consolidated
	Pharmaceutical	Personal hygiene	Cleaning and food	Total
Net sales	173,915	141,741	88,701	404,357
Cost of sales	(49,376)	(68,711)	(52,882)	(170,969)
Gross profit	124,539	73,030	35,819	233,388

The assets per business segment are as follows:

	Consolidated	
	06/30/2010	12/31/2009
Pharmaceutical	3,417,164	3,129,949
Beauty and personal hygiene	1676,960	944,981
Cleaning and food	322,186	305,044
Unallocated	2,730,671	1,713,673
	8,146,981	6,093,647

28 Revenue

The reconciliation between gross sales and net revenue is as follows:

	Parent			
	04/01/2010 to 06/30/2010	01/01/2010 to 06/30/2010	04/01/2009 to 06/30/2009	01/01/2009 to 06/30/2009
Gross sales and services	842,267	1,659,900	574,542	1,063,774
Returns	(30,023)	(53,250)	(25,896)	(29,304)
Discounts (*)	(12,194)	(22,178)	(37,017)	(69,680)
Taxes	(122,499)	(237,709)	(106,222)	(185,554)
Net revenue	677,551	1,346,763	405,407	779,236

	Consolidated			
	04/01/2010 to 06/30/2010	01/01/2010 to 06/30/2010	04/01/2009 to 06/30/2009	01/01/2009 to 06/30/2009
Gross sales and services	965,205	1,785,695	572,800	1,062,339
Returns	(32,297)	(55,537)	(25,899)	(29,324)
Discounts (*)	(12,194)	(22,178)	(37,017)	(69,680)
Taxes	(174,055)	(313,640)	(105,527)	(184,883)
Net revenue	746,659	1,394,340	404,357	778,452

(*) Commercial budgets directly related to billings, originally recorded in selling expenses (former BR GAAP), have been reclassified to Net revenue (R$ 19,861 – 06/30/2010 and R$ 29,351 – 06/30/2009).

29 Contingent Liabilities

(a) Provisions for contingencies

At June 30, 2010 and December 31, 2009, the Company had the following liabilities and corresponding judicial deposits related to contingencies:

Parent	06/30/2010				12/31/2009			
	Judicial deposit	Probable loss	Contingency net of judicial deposit	Possible loss	Judicial deposit	Probable loss	Contingency net of judicial deposit	Possible loss

Labor	2,296	4,954	2,658	8,034	311	682	371	4,185
Civil	2	297	295	1,360	5	88	83	1,155
Tax	2,125	2,341	216	2,824		94	94	2,562
Administrative/other		269	269	718		225	225	282
	4,423	7,861	3,438	12,936	316	1,089	773	8,184
Provision - companies acquired		17,610	17,610			24,195	24,195	
	4,423	25,471	21,048	12,936	316	25,284	24,968	8,184

Consolidated	**06/30/2010**				**12/31/2009**			
	Judicial deposit	**Probable loss**	**Contingency net of judicial deposit**	**Possible loss**	**Judicial deposit**	**Probable loss**	**Contingency net of judicial deposit**	**Possible loss**
Labor	2,296	4,955	2,659	8,618	311	682	371	4,363
Civil	2	297	295	1,397	5	88	83	1,155
Tax	2,125	3,042	917	2,824		94	94	2,562
Administrative/other		269	269	738		225	225	302
	4,423	8,563	4,140	13,577	316	1,089	773	8,382
Provision - companies acquired		32,768	32,768			38,867	38,867	
	4,423	41,331	36,908	13,577	316	39,956	39,640	8,382

(i) The Company and its subsidiaries have judicial deposits of R$ 1,080 made due to a legal requirement and/or because they were already recorded in companies acquired and are partially linked to lawsuits which are the responsibility of the sellers.

(ii) The Company and its subsidiaries have the estimated amount of R$ 2,070 in excess of judicial deposits in relation to the probable losses, of which an excess of R$ 499 relates to judicial deposits for labor issues, R$ 1,482 to judicial deposits for tax issues, R$ 48 to judicial deposits for civil lawsuits and R$ 41 to judicial deposits for administrative proceedings.

(iii) The Company also has the estimated amount of R$ 161 as judicial deposits linked to contingencies arising from the acquisition of Luper, Sanifil and Sapeka.

(b) Possible contingencies

The Company and its subsidiaries are parties to labor, civil, tax and regulatory lawsuits which, according to the current evaluation of the likelihood of a favorable outcome, established based on the opinion of legal advisors and legal aspects, do not require the recording of provisions, either because they are classified as possible losses, or because of exclusion of liability arising from agreements entered into with the sellers.

As of June 30, 2010 at the consolidated level, the amount of possible losses arising from these lawsuits is estimated at R$ 13,577, of which R$ 8,618 refers to labor lawsuits, R$ 1,397 to civil lawsuits, R$ 2,824 to tax lawsuits, and R$ 738 to administrative, regulatory and other lawsuits.

The Company have litigation with competitors related to lawsuit discussing the use of trademark, there is no financial amount involved on this matter.

(a) Labor lawsuits

As of June 30, 2010 at the consolidated level, there are approximately 808 labor lawsuits against the Company and/or its subsidiaries and/or the partners that sold the companies acquired by and merged into the Company, in which possible losses are estimated at R$ 8,618.

These lawsuits claim overtime and related effects, failure to compensate overtime hours worked, salary

differences and related effects, indemnities related to occupational diseases and/or accidents, health hazard premium or hazardous duty premium and related effects, among other issues.

Of these labor lawsuits, 122 arise from the acquisition of Laboratório Americano de Farmacoterapia S.A. (Farmasa), merged into the Company, with possible losses under the Company's responsibility estimated at R$ 3,592, claiming, among other issues, indemnities related to occupational diseases and/or accidents, employment relationship and resulting payment of payroll amounts, salary differences, overtime and related effects, as well as temporary job stability.

A labor action was filed against the Company in the 82nd Labor Court of São Paulo by one of the former officers of Ceil Comércio e Distribuidora Ltda. (merged into the Company), and the value of the matter under dispute is estimated at R$ 5,312. The likelihood of loss from this contingency was classified by the Company's external lawyers as possible, and practically the entire period involved is the responsibility of the partners that sold Ceil, with contractual mechanisms for reimbursement of any losses incurred.

(b) Tax lawsuits

Former Laboratório Americano de Farmacoterapia S.A. (Farmasa) filed a request with the Federal Revenue Secretariat for a refund of IPI credits to be offset against PIS and COFINS payables. However, only a portion of the refund requested was recognized by the tax authorities and, since the Company has assumed this debt, it is now liable for adjusted PIS and COFINS payables totaling R$ 1,990. The decision is still pending analysis at the administrative level.

(c) Contingencies from companies acquired - Possible and probable losses

The Company chose not to establish provisions for the contingencies whose likelihood of loss is classified as probable and possible which are the responsibility of the selling partners. Should these losses be confirmed, the Company has contractual mechanisms for reimbursement. There are amounts payable to the selling partners which are not yet due, recorded in notes payable, which can be retained in case of losses arising from these contingencies.

Below is a summary of the contingencies and probable and possible losses which are the responsibility of the sellers:

Company and/or trademarks acquired	Possible	Probable	Total
DM	18,457	8,590	27,047
Ceil	39,352	1,391	40,743
Barrene / Farmasa	8,165	6,488	14,653
Niasi	4,800	6,070	10,870
Aprov	267	54	321
Pom Pom	2,035	5,233	7,268
Neo Quimica	6,398	411	6,809
Inal		11	11
Facilit	234	116	350
Sapeka	3,079	2,437	5,516
Luper	1,811	2,092	3,903
Etti (**)	1,131	520	1,651
	85,729	33,413	119,142

(*) acquisition carried out under Law 11101/2005, without employment succession.

30 Adjustments to Present Value

Pursuant to Technical Pronouncement CPC 12/08 and CVM Resolution 564/08, adjustments to present value were applied to the following main liabilities:

(a) Long-term notes payable (Nota 22) - Resulting from the acquisition of companies and/or assets, adjusted by foreign exchange variation or the CDI rate, but not bearing interest. The initial adjustment was calculated using the average funding rate at the date of acquisition. The corresponding entries for the initial adjustments were recorded as a reduction of the costs of the assets-goodwill, as follows:

Companies	Rates	Balance adjusted to present value	
		06/30/2010	12/31/2009
DM	7.25% p.a.	35,490	49,838
Neo Química	2.00% p.a.	9,215	8,748
NY Looks	7.73% p.a.	3,562	4,472
Inal	5.00% p.a.	14,503	16,769
Hydrogen	2.00% p.a.	17	103
Pom Pom	2.00% p.a.	8,752	10,083
Luper	2.00% p.a.	1,137	
Sapeka	2.00% p.a.	10,286	
Facilit	2.00% p.a.	1,762	
Niasi	2.00% p.a.	1,054	1,372
Aprov	2.00% p.a.	3,624	3,984
ASR	2.00% p.a.	271	322
Éh	2.00% p.a.	8	16
Sul Quimica	2.00% p.a.	238	292

(b) Payments in installments - The adjustment to present value was calculated by installment, considering the funding rate in the period when the financing was obtained (2% rate).

(c) "Fomentar" and "Produzir" liabilities - The long-term debt, bearing interest of 2.4% per year, was discounted to present value, using the estimated discount observed at auctions (89%). The

corresponding entry for the original adjustments was recorded in "ICMS on sales/sales deductions", since the amount financed refers to ICMS payable.

				06/30/2010
	Federal taxes payable in installments	**Fomentar**	**Notes payable**	**Total**
a) Recognition: ICMS expenses		11,897		11,897
b) Reversal of the adjustment to present value - interest expense	(182)	19	(25,035)	(25,198)

				06/31/2009
	Federal taxes payable in installments	**Fomentar**	**Notes payable**	**Total**
c) Recognition: ICMS expenses		4.333		4.333
d) Reversal of the adjustment to present value - interest expense	(474)	1,193	(42,210)	(41,491)

31 Commitments

Operating lease commitments

The minimum future operating lease payments, in total and for each of the periods stated below, are as follows:

	Consolidated	
	06/30/2010	**12/31/2009**
Less than one year	23,867	23,990
Later than 1 year and no later than 5 years	49,509	55,389
Later than 5 years	25,841	27,829
	99,217	107,208

Rental agreements are renewable upon expiry or have no defined maturity. These agreements are broken down as follows:

Plant/Distribution Center (CD)	Lessors	Type of lease	Adjustment	Adjustment in case of overdue payments	Guarantee	Monthly amount of the agreement	Start of agreement	End of agreement	Number of months	Total cost/ expense at 06/30/2010
Goiânia Office - Goiás State	TV Serra Dourada Ltda	For business purposes	IGPM/FGV - annual	Arrears interest of 1% p.m. and 2% fine	Not provided for in the agreement	30	02/28/10	Unspecified	36	210
CD - Maceió - SC	RS Empreendimentos e Participações Ltda	For business purposes	INPC - annual	INPC variation, arrears interest of 1% p.m.	Not provided for in the agreement	15	12/20/06	Unspecified	36	103
CD - Tamboré - SP	Goveg Edificações Ltda	For business purposes	Not provided for in the agreement	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	Not provided for in the agreement	150	04/01/09	05/31/10	14	157
Office on the 9th floor - São Paulo - SP	Fundação Petrobras de Seguridade Social - Petros	For business purposes	IPCA/IBGE - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	12 times the rental	42	10/26/09	10/25/12	36	252
Office on the 5th floor - São Paulo - SP	Fundação Petrobras de Seguridade Social - Petros	For business purposes	IPCA/IBGE - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	12 times the rental	37	05/25/09	05/24/12	36	222
Office - São Paulo - SP	Solibem Participações Ltda	For business purposes	IGPM/FGV - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	Bank guarantee of R$ 55,830.00 for 36 months	41	05/01/09	04/30/12	36	246
CD block 7 - Cajamar - SP	LP Administradora de Bens Ltda	For business purposes	IGPM/FGV - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	Bank guarantee equivalent to three times the rental amounts	263	05/15/09	05/15/12	36	1,706
CD block 6 - Cajamar - SP	LP Administradora de Bens Ltda	For business purposes	IGPM/FGV - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	Not provided for in the agreement	277	09/01/09	09/15/12	36	1,932
CD - Contagem - MG	MRV Serviços de engenharia Ltda	For business purposes	IGPM/FGV - annual	Arrears interest of 1% p.m. and 10% fine	Not provided for in the agreement	32	01/23/07	01/22/13	36	184
Office - São Paulo - SP	Raiz Administração e Participações de Bens Ltda	For business purposes				3	07/05/06	Unspecified		18
CD - Porto Alegre	Alessandro de Souza Duarte	For business purposes	IGPM/FGV - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	Not provided for in the agreement	5	07/01/08	06/01/10	23	31
Office - São Paulo - SP	Caixa de Previdência do Funcionários do Banco do Brasil - PREVI	For business purposes	IGP-DI/FGV - annual	IGP-DI/FGV variation, arrears interest of 1% p.m. and 10% fine	Deposit totaling three times the rental	48	02/15/10	02/14/13	36	192
CD - Cajamar - SP	Fundação Aplicações de Tecnologias Críticas - ATECH	For business purposes	IGP-DI/FGV - annual	IGP-DI/FGV variation, arrears interest of 1% p.m. and 10% fine	Bank guarantee effective for 12 months and which must be renewed	16	05/10/05	05/09/10	60	102
CD - Fortaleza - CE	Fernando Robson Timbó Silveira	For business purposes	Agreed upon between the parties	IGPM/FGV variation, arrears interest of 1% p.m. and 0.33% fine	Not provided for in the agreement	1	09/01/09	02/28/10	6	2
Office - São Paulo - SP	Manzoni Cunha Engenharia Ltda	For business purposes	IGPM/FGV - annual	Arrears interest of 1% p.m. and 2% fine	Not provided for in the agreement	16	07/08/09	09/07/11	26	67
Plant - Juiz de Fora - MG	Neo Marcas Ind.Farmacêutica e Alimentícia Com.e Particip. Ltda	For business purposes	Fixed amount	Arrears interest of 1% p.m. and 2% fine	Not provided for in the agreement	80	03/06/06	03/06/11	60	618

Plant/Distribution Center (CD)	Lessors	Type of lease	Adjustment	Adjustment in case of overdue payments	Guarantee	Monthly amount of the agreement	Start of agreement	End of agreement	Number of months	Total cost/ expense at 06/30/2010
Plant - São Roque - SP	Adriano Dias Araújo	For business purposes	IGPM/FGV - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	Not provided for in the agreement	50	12/01/09	11/30/14	60	300
Plant - Garulhos - SP	M.A.R. Participações e Representações Ltda	For business purposes	IGPM/FGV - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 2% fine	Not provided for in the agreement	180	11/27/09	11/26/14	60	1,080
Plant - Taboão da Serra - SP	Merano participações Ltda	For business purposes	IPCA - annual	Arrears interest of 1% p.m. and 2% fine	Not provided for in the agreement	200	10/06/08	10/06/13	60	1,461
Plant - Barueri - SP	RS Morizono - Empreendimentos e Participações Ltda	For business purposes	IGPM/FGV - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	Not provided for in the agreement	380	06/01/07	05/31/11	48	2,635
Plant - São Paulo - SP	Farmib Administradora de Bens Ltda	For business purposes	IGPM/FGV - annual	Not applicable	The property - Encartucheira,"MARCHESINI Mod. BA-400 No. 393000269 - 1994	331	12/18/06	12/17/21	180	1,988
Files - Bragança Paulista - SP	Natália Yoshida Rossi Rafael	For business purposes	IGPM/FGV - annual	INPC/IBGE variation, arrears interest of 1% p.m. and 10% fine	Not provided for in the agreement	1	07/22/08	01/22/11	30	2
Office - Belo Horizonte - MG	José Anastácio de Souza	For business purposes	IGPM/FGV - annual	IGPM/FGV variation, arrears interest of 1% p.m.	Not provided for in the agreement		03/03/08	Unspecified	12	1
Parking Lot - Bragança Paulista - SP	Abel da Conceição Marques	For business purposes	Not provided for in the agreement	Not provided for in the agreement	Not provided for in the agreement	1	05/28/01	Unspecified	12	5
Luper - Warehouse - Bragança Paulista - SP	Edvaldo Brás Bueno de Moraes	For business purposes	IGPM/FGV - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	Not provided for in the agreement	4	05/01/09	04/30/12	36	16
CD - Feira de Santana - BA	Adalberto de Lima Silva	For business purposes	IGPM/FGV - annual	IGPM/FGV variation, arrears interest of 1% p.m. and 10% fine	Not provided for in the agreement	3	03/15/10	03/15/13	36	14
Head office - São Paulo	Irene Ferreira de Carvalho	For business purposes	IPC/FIPE - annual	Arrears interest of 1% p.m. and 10% fine	Not provided for in the agreement	2	04/18/05	Unspecified	36	8
Office - São Paulo	Reginaldo Privato	For business purposes	IGPM/FGV - annual	Arrears interest of 1% p.m. and 20% fine	Three times the rental	3	06/05/06	Unspecified	12	16
Plant - Curitiba - PR	PHB - Produtos de Higine do Brasil Ltda	For business purposes	IGPM/FGV - biannual	Arrears interest of 1% p.m.	Not provided for in the agreement	10	01/10/202	Unspecified		37
Total						**2,221**				**13,605**

32 Related-party Transactions

(a) Transactions and balances

The main asset and liability balances, as well as the transactions that impacted the profit for the year, arise from transactions between the Company and its subsidiaries, which management considers to have been carried out under the usual market terms and conditions for such types of transactions.
Intercompany loans are adjusted by the variation of the Interbank Deposit Certificate (CDI) and fall due in one year.

The business transactions related to the purchase and sale of products, raw materials, services and rental, as well as the financial transactions referring to intercompany loans are presented below:

(a) The rental agreement with TV Serra Dourada Ltda. is adjusted based on the IGPM - FGV variation and terminates in 2013.

(b) The rental agreement with Neo Marcas Indústria Farmacêutica e Alimentos e Participações Ltda. is not adjusted for inflation and terminates in 2011.

										06/30/2010			
	Cosmed Indústria de Cosméticos e Medicamentos S.A.	**My - Agência Propaganda Ltda.**	**TV Serra Dourada Ltda.**	**Neo Marcas Ind. Farm. e Alim. e Participações Ltda**	**Versoix Participações Ltda**	**Luper Industria Farmaceutica Ltda.**	**ICF Instituto de Cien. Farm.**	**Embalagens Allbox Ltda**	**Gráfica e Editora Faberprint Ltda**	**Macro Etiquetas e Rótulos Adesivos**	**Neolatina**	**MCLG**	**Total**
Balances													
Short-term receivables	**18**	**2**											**20**
Trade receivables	18	2											20
Long-term receivables	444												**444**
Intercompany loans	444												444
Current liabilities	**(5,225)**	**(150)**		**(1,676)**			**(1,578)**	**(5,729)**	**(1,674)**	**(1,011)**	**(3,574)**	**(35)**	**(20,652)**
Trade payables	(5,225)	(150)		(1,676)			(1,578)	(5,729)	(1,674)	(1,011)	(3,574)	(35)	(20,652)
Long-term liabilities		**(141)**			(99)								**(240)**
Intercompany loans		(141)			(99)								(240)
Transactions	**(421,734)**												**(421,734)**
Sales of goods/products	68												68
Purchases of goods/products	(421,802)												(421,802)

	06/30/2010												
	Cosmed Indústria de Cosméticos e Medicamentos S.A.	My - Agência Propaganda Ltda.	TV Serra Dourada Ltda.	Neo Marcas Ind. Farm. e Alim. e Participações Ltda	Versoix Participações Ltda	Luper Industria Farmaceutica Ltda.	ICF Instituto de Cien. Farm.	Embalagens Allbox Ltda	Gráfica e Editora Faberprint Ltda	Macro Etiquetas e Rótulos Adesivos	Neolatina	MCLG	Total
Sundry expenses/ revenues		**(900)**	**(3,224)**	**(618)**									**(4,742)**
Advertising		(900)	(3,014)										(3,914)
Rentals			(210)	(618)									(828)
Interest on intercompany loans	**150**	**(5)**				**26**							**171**
Finance costs	(30)	(6)											(36)
Finance income	180	1				26							207

The subsidiary Sapeka Indústria e Comércio de Fraldas Descartáveis S.A. has intercompany loans payable to individual stockholders in the amount of R$ 6,372, adjusted by the CDI and falling due in December 2010.

						12/31/2009
	Cosmed Indústria de Cosméticos e Medicamentos S.A.	My - Agência Propaganda Ltda.	Maiorem S.A de C.V	TV Serra Dourada Ltda.	Farmib Administradora de Bens Ltda.	Total
Balances						
Short-term receivables	699					699
Trade receivables	699					699
Long-term receivables		**287**				**287**
Intercompany loans		287				287
Current liabilities	**45,898**	**600**				**46,498**
Trade payables	45,898	600				46,498
Long-term liabilities	**346**					**346**
Intercompany loans	346					346
Transactions	**(464,411)**	**(600)**				**(465,011)**
Sales of goods/products	3,356					3,356
Purchases of goods/products	(467,767)	(600)				(468,367)
Sundry expenses		**(515)**		**(3,459)**	**(1,973)**	**(5,947)**
Advertising		(515)		(3,039)		(3,554)
Rentals				(420)	(1,973)	(2,393)
Interest on intercompany loans	**(1,128)**	**1**	**5**			**(1,122)**
Finance costs	(1,548)	(1)				(1,549)
Finance income	420	2	5			427

(b) Key management compensation

Key management includes directors and officers, members of the Executive Committee, and the Head of Internal Audit. The compensation paid or payable to key management for employee services is shown below:

	06/30/2010	06/30/2009
Salaries and other short-term employee benefits	20,095	11,495
Officers' fees	221	201
Share-based payments	5,278	2,188
	25,594	13,884

33 First-time Adoption of IFRS and CPCs

33.1 Basis of transition

33.1.1 Application of CPCs 37 and 43 and IFRS 1

The consolidated quartely information for the period ended June 30, 2010 is the first quartely information prepared in conformity with CPCs and IFRSs. The Company adopted CPCs 37 and 43 and IFRS 1 for the preparation of these consolidated quarterly information.

The parent company individual quarterly information for the period ended June 30, 2010 is the first quarterly information individual prepared in conformity with CPCs. The Company applied CPCs 37 and 43 in preparing these individual financial statements.

The transition date is January 1, 2009. Management prepared the opening balance sheets according to CPCs and IFRSs on that date.

In preparing these financial statements, the Company applied the material compulsory exceptions and certain voluntary exemptions to full retrospective application.

33.1.2 Exemptions to full retrospective application - elected by the Company

The Company applied the exemption for business combinations described in IFRS 1 and CPC 37 and, as a result, did not restate the business combinations completed before January 1, 2009, the transition date.

33.1.3 Exceptions to retrospective application followed by the Company

(a) Exemption for estimates

Estimates used in the preparation of these financial statements as at January 1, 2009 and December 31, 2009 are consistent with the estimates as at the same dates made in conformity with the accounting practices previously adopted in Brazil (“former BR GAAP”).

33.2 Impacts of first-time adoption of IFRS and CPCs on profit or loss and equity for the quarters ended June 30, 2010 and June 30, 2009

CVM Deliberation 603/09 permitted that the companies presented the Quarterly Information of the quarters of 2010 based on the accounting standards effective up to December 31, 2009. Accordingly, the Company opted for the subsequent presentation of its Quarterly Information for the quarters of 2010. The reconciliation of the impact of adoption of IFRS and CPCs on profit or loss and equity for the quarters of 2010 and 2009 is presented in the table below.

Reconciliation referring to the quarters ended 06/30/2010 and 06/30/2009

	Parent				Consolidated			
	06/30/2009		06/30/2010		06/30/2009		06/30/2010	
	Equity	**Profit**	**Equity**	**Profit**	**Equity**	**Profit**	**Equity**	**Profit**
Balance after the adoption of the new practices	2,140,866	208,187	4,919,621	99,831	2,140,866	208,187	4,919,621	99,831
Depreciation of the fair values allocated	86		725	(874)	86		(4,945)	(1,473)
Realization of the appreciation attributed to inventories	(9,667)	86	10,637	569	(9,667)	86	16,208	2,059
Adjustment of provisions	(234)	(3,071)	3,198	3,867	(234)	(3,071)	3,198	3,867
Income tax and social contribution	972	(161)	(15,985)	(5,826)	858	(201)	(17,088)	(7,982)
Share of profit/(loss) of subsidiaries	222	78	1,441	3,484				
Other	7,323	3,459	35,058	14,275	7,659	3,577	37,701	19,024
Balance before the adoption of the new practices	2,139,568	208,578	4,954,695	115,326	2,139,568	208,578	4,954,695	115,326

(a) CPC 15 - Business combinations - mainly as regards the allocation of the fair values arising from acquired assets, inventories (Fair Value), property, plant and equipment (Deemed Cost) and trademarks. It also addresses, throughout 2009, the effects related to the realization of these allocations.

(b) CPC 38 - Financial instruments - adoption of the concept of probable loss; and reclassification of judicial deposits.

(c) CPC 32 - recognition of deferred income tax and social contribution on the effects of the adjustments for convergence with IFRS.

(d) CPCs 08(R1), 12, 16 - Substantially reclassifications and other.

(a) Taxes and social contribution

Changes in deferred taxes and social contribution represent the impacts of deferred taxes on the adjustments necessary for transition to CPCs and IFRS and total R$ 1,060 as at January 1, 2009 and R$ 858 as at June 30, 2009, and R$ 201 in the 2009 statement of income.

(b) Retained earnings

The profit for 06/30/2009 and 06/30/2010 is already presented in accordance with the new accounting practices.

34 Subsequent Events

a) Business combinations/acquisitions of trademarks

I. On December, 2010, Hypermarcas S.A. acquired the total capital of York S.A. Indústria e Comércio, for the estimated amount of R$ 100,000, in accordance with the related Memorandum of Understanding. The business comprises the manufacture and distribution of flexible swabs, dressings, sanitary pads and cotton, among other products, which are traded under the brands York, Palinetes and Silhouette, among others.

II. On January 19, 2011, the Company acquired the total equity units representing the capital of Mabesa do Brasil Participações Ltda. and its subsidiaries for US$ 194.5 million. This company is engaged in manufacturing and selling disposable diapers, wet tissues and women's sanitary pads, among other products, which are sold under the brand names Cremer-Disney, Plim Plim, Puppet and Affective.

III. On January 24, 2011, the Company acquired the total shares of Mantecorp for R$ 2,492,346 of the shares acquired 23.77% of Mantecorp's voting capital, in the amount of R$ 592,346, was settled in cash and the remaining amount through the issue of 78,013,947 new Hypermarcas S/A shares. This company is engaged in manufacturing and selling medicines. On February 2011, the partial split-off of Mantecorp Indústria Química e Farmacéutica S.A. was carried out, referring to the investments held in the companies Brainfarma Indústria Química e Farmacêutica Ltda. and Mantecorp Logística, Distribuição e Comércio S.A., with the subsequent merger of these net assets into Hypermarcas. Later on, Mantecorp Logística, Distribuição e Comércio S.A. was merged into the Company. As a result of this new share issue, capital was increased by R$ 1,900,000, changing from R$ 3,321,195 to R$ 5,221,195.

IV. In March 2011, the acquisition of the medicine trademarks Digedrat, Peridal and Lopigrel prescribed by Medley was concluded, according to agreement dated November 10, 2010, as well as the corresponding stocks, promotional materials, formulas, specifications and know-how related to business, for R$ 84,000.

V Pursuant to a provision in the bylaws and the Board of Directors' resolution, at an Extraordinary General Meeting (AGE) held on January 24, 2011, an increase in the Company's authorized capital of R$ 1,000,000 was approved, and the current authorized share capital of R$ 4,500,000 will increase to R$ 5,500,000.

VI In January 2011, the companies York S.A., D P H Distribuidora de Produtos de Higiene Ltda, Comercial Maripa Ltda, Versoix Participações Ltda, Sapeka - Indústria e Comércio de Fraldas Descartáveis S.A. and Facilit Odontológica e Perfumaria Ltda. were merged into the Company.

(b) Third issue of debentures

On July 30, 2010, the definitive prospectus for the public distribution of 651,042 Hypermarcas simple subordinated debentures, non-convertible into shares, in three series, all nominative and registered, of the third issue was disclosed, with a unit nominal value of R$1,000.00 (“Debentures”), totaling R$ 651,042,000.00 on the issue date, that is, July 15, 2010. The unit nominal value of debentures of the first or second series will not be restated. The unit nominal value of debentures of the third series will be restated as from the issue date by the Amplified Consumer Price Index (IPCA), calculated and disclosed by the Brazilian Institute of Geography and Statistics (IBGE), and the restatement amount will be automatically included in the unit nominal value. The first series will be remunerated at the CDI rate + 1.65% p.a. and falls due in 4 years; the second series will be remunerated at the CDI rate + 1.85% p.a. and falls due in 5 years; and the third series will be remunerated at 8.43% p.a., plus the aforementioned IPCA adjustment, and falls due in 6 years

(c) First Private Issue of Simple Debentures with Floating Guarantee

The issue will comprise the distribution of 1,097,450 simple debentures, with floating guarantee, in two series ("Debentures"), of which (i) 548,725 - 1st series debentures and (ii) 548,725 - 2nd series debentures, together with 548,725 subscription warrants. The debentures will have a nominal value of R$1,002.32 each on the issue date, totaling R$ 1,099,996,084.00, and each subscriber will subscribe at least two debentures, one of the 1st series and another one of the 2nd series.

The 1st series debentures (i) will have a maturity of five years as from their issue date, when they will be fully settled for their nominal values restated based on the variation of the Amplified Consumer Price Index (IPC-A); and (ii) will accrue interest of 3.0% p.a., which will be payable on an annual basis as from October 15, 2011;

The 2nd series debentures (i) will have a maturity of eight years as from their issue date, and amortized at their nominal values in 12 semi-annual installments, the first falling due on April 15, 2013; and (ii) will accrue interest at fixed rates, corresponding to 11.3% p.a., which will be payable on a semi-annual basis;

The subscription warrants will be exercised at the price of R$ 29.48 restated based on the variation of the Amplified Consumer Price Index (IPC-A). They may be exercised as from their issue date until the date of settlement of the 1st series debentures, at the sole discretion of the debenture holder.

In connection with the issue, on October 6, 2010, the controlling stockholders of the Company ("Controlling Stockholders") and BNDES Participações S.A. - BNDESPAR ("BNDESPAR") entered into an Agreement of Promise of Subscription of Debentures and other Covenants ("Subscription Agreement"). Under the Subscription Agreement, the Controlling Stockholders of the Company agree to assign to BNDESPAR all of their respective preferential rights to the subscription of debentures corresponding to 274,454 debentures of the 1st series and 274,454 of the 2nd series. BNDESPAR in turn agreed to exercise all of the preferential rights of the Controlling Stockholders to subscribe to the debentures, and to request, subscribe and pay for any unsold debentures it may be entitled to.

* * *