

Presentation of 1Q10 Results

Conference Call
05/18/2010
4:00 pm



1st quarter 2010

Conjuncture

1. Upturn in demand
2. Faster turnover in retail footwear stocks
3. Appreciation in value of real compared with 1Q09:
   - + 28.1% x Argentine peso
   - + 22.0% x dollar
   - + 17.2% x euro
4. Lower raw material costs
5. Increased manufacturing efficiency

Results Achieved

Increases in all Alpargatas' main indicators



Consolidated Performance Indicators

	1Q10 x 1T09
Net revenues with exchange variation	+ 14.8%
Net revenues without exchange variation	+ 25.5%
Gross profit	+ 38.8%
EBITDA	+ 89.2%
Net profit	+ 239.3%
Gross margin	+ 8.3 p.p.
EBITDA margin	+ 8.1 p.p.
Net margin	+ 8.8 p.p.
Cash	+ 108.5%
Financial indebtedness	- 43.7%
Net financial position	+ R$ 382.8 million



1st Quarter 2010:
Growth in revenues and earnings

Alpargatas maintains position as sector leader and the largest footwear company in South America



Domestic Operations

Alpargatas Brazil



Impressive growth in domestic operations' revenues and profits

R$ million	1Q10	1Q09	Variation
Net revenues	374.3	302.3	+ 23.8%
Gross profit	190.5	126.5	+ 50.6%
EBITDA	82.8	34.4	+ 140.7%

%	1Q10	1Q09	Variation
Gross margin	50.9%	41.8%	+ 9.1 p.p.
EBITDA margin	22.1%	11.3%	10.8 p.p.



Operations in Brazil in the 1Q10

SANDALS

- ✓ Boxes at Carnival in Salvador and Rio de Janeiro
- ✓ Participation in Cow Parade Exhibition
- ✓ Film with Luiza Brunet
- ✓ Carnival Display at C&A
- ✓ Dupé – Special Project for Schin



SPORTING GOODS

- ✓ **Topper:**
  - Sponsorship of Paulista Championship
  - Sponsorship of Atlético Mineiro
  - Brasil Open
  - Sponsorship of Brazilian Rugby Team
  - Launch of World Cup products

- ✓ **Mizuno:**
  - Launch of Creation 11
  - Circuito do Sol (Sun Circuit -SP, RJ, BSB, BH)
  - Promotion of Vienna Marathon

- ✓ **Rainha**
  - Back to school action (20 chains in Brazil)
  - Development of models for V.ROM (SP Fashion Week)
  - Development of new technology for 2011 collection
  - Redefinition of brand strategy



Domestic Operations Achievements in 1Q10

TIMBERLAND

- ✓ Launch of 2010 Fall/Winter collection
- ✓ Launch of new institutional campaign
- ✓ Launch of Anti-Fatigue technology
- ✓ Launch of new virtual store in partnership with NetShoes

RETAIL

- ✓ 83 Havaianas franchises
- ✓ Launch of Havaianas Franchise Portal
- ✓ One year of Concept Store (23/01/10)
- ✓ Launch of new virtual Havaianas store in partnership with NetShoes



International Operations



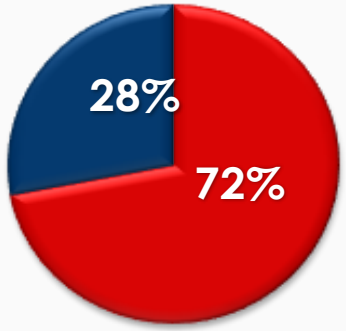


Alpargatas Argentina
Alpargatas USA
Alpargatas Europe
Exports



International operations accounted for 28% of consolidated net revenues

Breakdown of Consolidated Net Revenues (R$ 523.2 million in 1Q10)



Domestic Operations

International Operations



Growth of revenues in original currencies accelerates advance of international operations

International Operations Revenue Growth	1Q10 x 1Q09
Alpargatas Argentina Argentine Peso	+ 27.8%
Alpargatas USA Dollar	+ 10.9%
Alpargatas Europa Euro	+ 72.3%
Exports (currencies of 10 main countries converted into dollars)	+ 2.7%

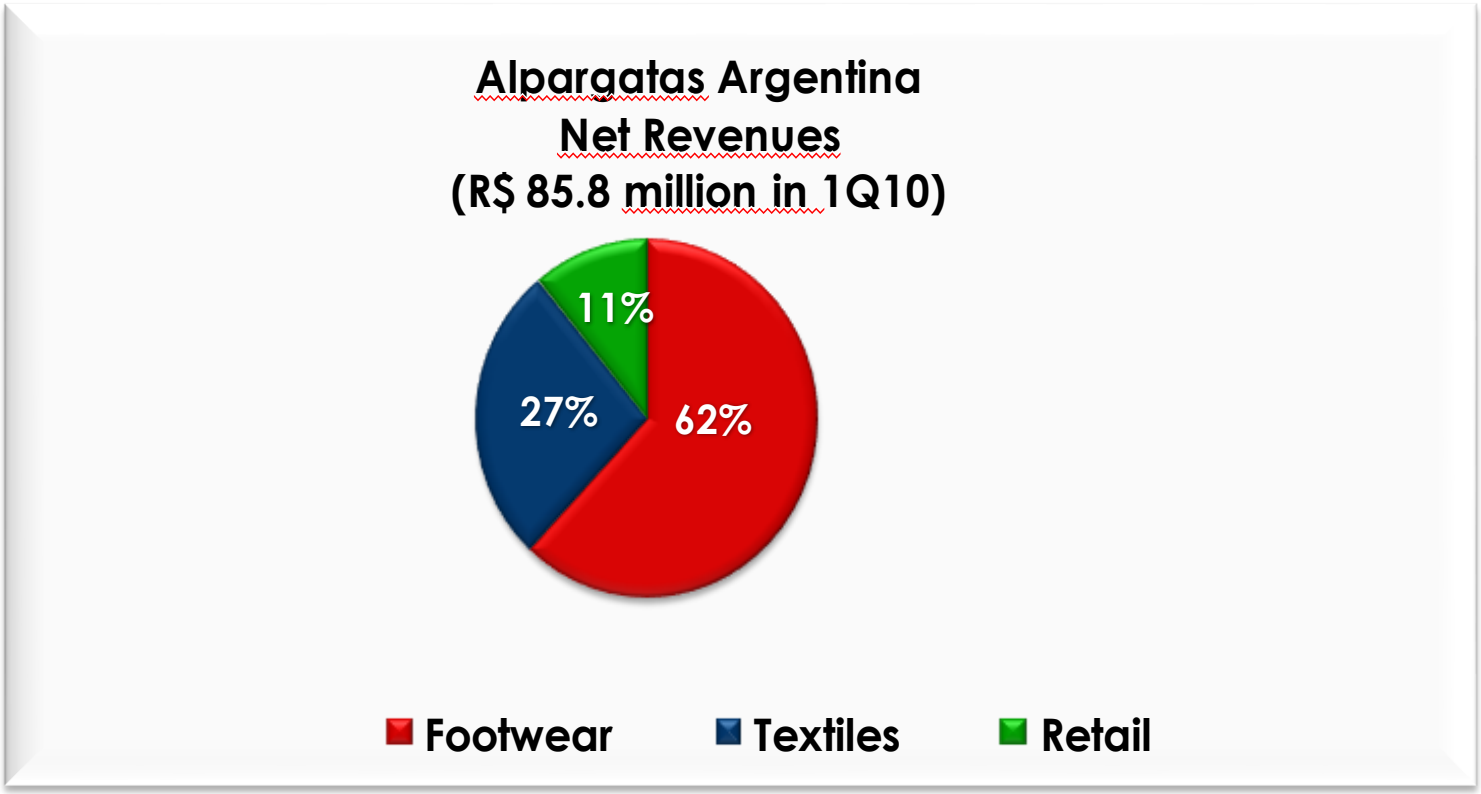




Alpargatas Argentina



Footwear accounted for 62% of Alpargatas Argentina's net revenues





Increased textiles sales and price adjustments elevated Alpargatas Argentina's net revenues in pesos

Alpargatas Argentina Net Revenues (in millions)	1Q10	1Q09	Variation
Pesos	183.6	143.7	+ 27.8%
Reais BRGAAP	85.8	92.5	(7.0%) *

* Impact of 28.1% appreciation of Brazilian real x Argentine peso in 1Q10



Growth in revenues of 27.8% and 53.2% in gross profit drove a 45.4% EBITDA increase for Alpargatas Argentina

Alpargatas Argentina	1Q10	1Q09	Variation
EBITDA (AR$ million)	22.1	15.2	+ 45.4%
EBITDA margin in pesos (%)	12.1%	10.6%	+ 1.5 p.p.
EBITDA (BRGAAP – R$ million)	11.2	8.7	+ 28.7%
EBITDA margin in reais (%)	13.0%	9.4%	+ 3.6 p.p.







Alpargatas USA

Alpargatas Europe

Exports



Alpargatas USA and Europe Achievements in 1Q10

- ✓ Opening of Havaianas store in Barcelona, Spain
- ✓ Start up of Havaianas direct operations in Portugal and Italy
- ✓ Havaianas showcase in Harrods (3 weeks)
- ✓ Beginning of Havaianas Soul Collection footwear sales with pop-up in Galeries Lafayette
- ✓ Havaianas concession in Citadium, ECI Lisbon and Marbella
- ✓ Havaianas USA –THREADLESS partnership with 3 award-winning designs



Alpargatas USA, Alpargatas Europe and export revenues impacted by appreciation of the Real

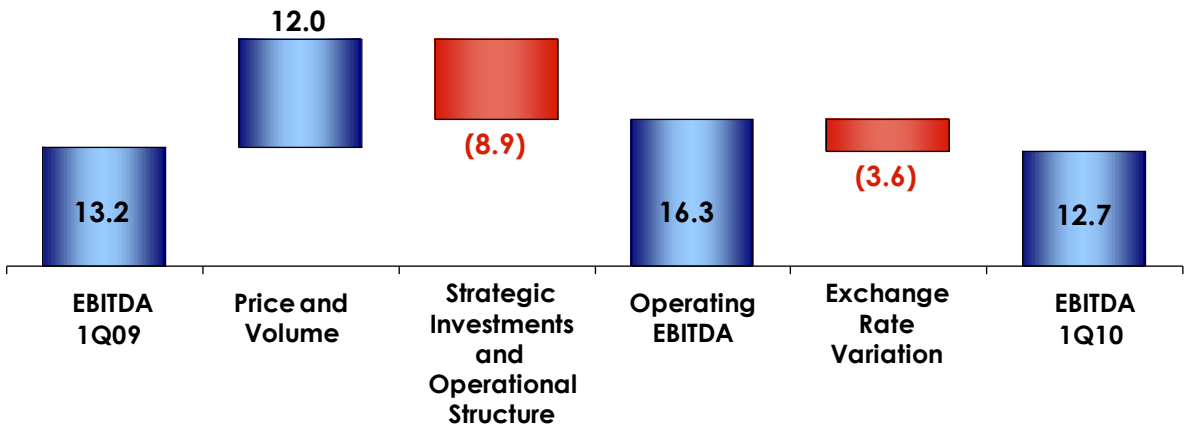
Alpargatas USA, Alpargatas Europe and Exports	1Q10	1Q09	Variation
Net Revenues (BRGAAP – R$ millions)	**63.1**	**61.1**	**+ 3.3% ***

- Impact of appreciation of Real by 22% and 17.2% respectively against the dollar and euro



Discounting the exchange variation, EBITDA for Alpargatas USA, Alpargatas Europa and exports was R$ 16.3 million, with a 25.8% margin

Alpargatas USA, EUROPE AND EXPORTS
EBITDA
(BRGAAP - R$ million)



Margins					
21.6 %			25.8 %		20.1%



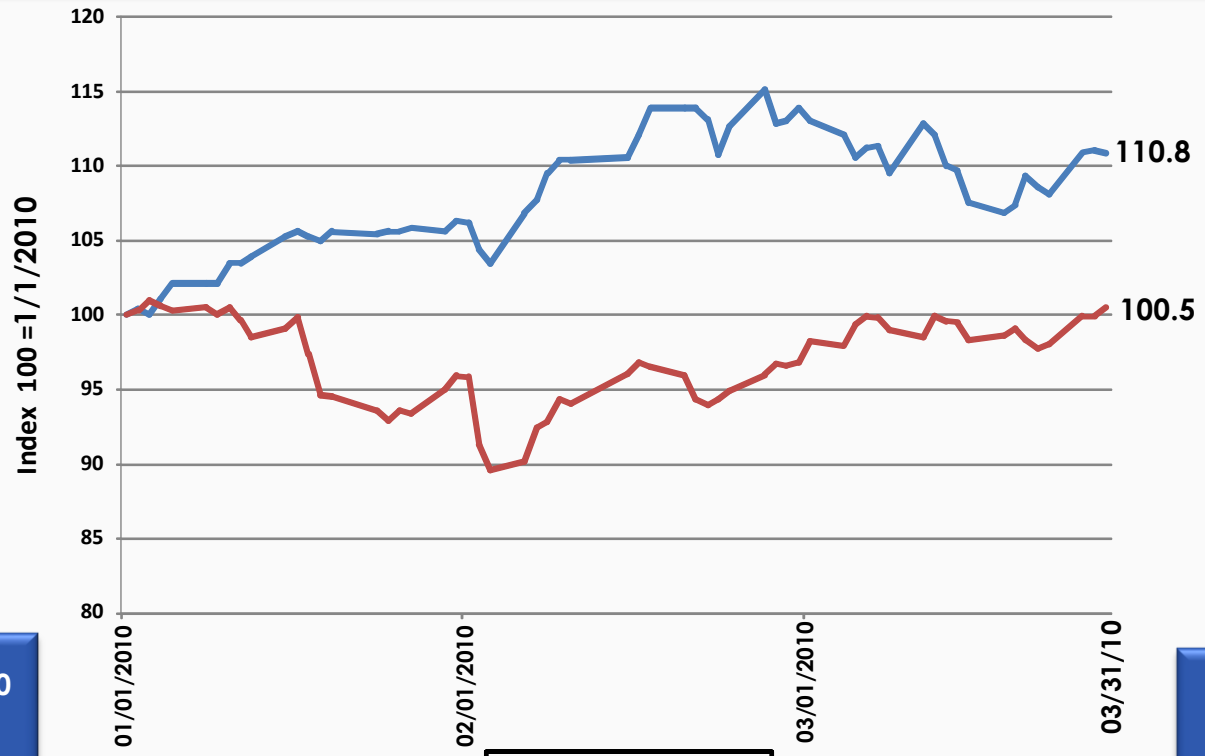
Consolidated Results
José Roberto Lettiere
CFO





In the 1Q10, Alpargatas preferential shares rose 10.8%, against 0.5% for Ibovespa

Preferred Shares (Alpa 4)
Variation 1Q10



01/01/2010
R$ 5.72

03/31/2010
R$ 6.34

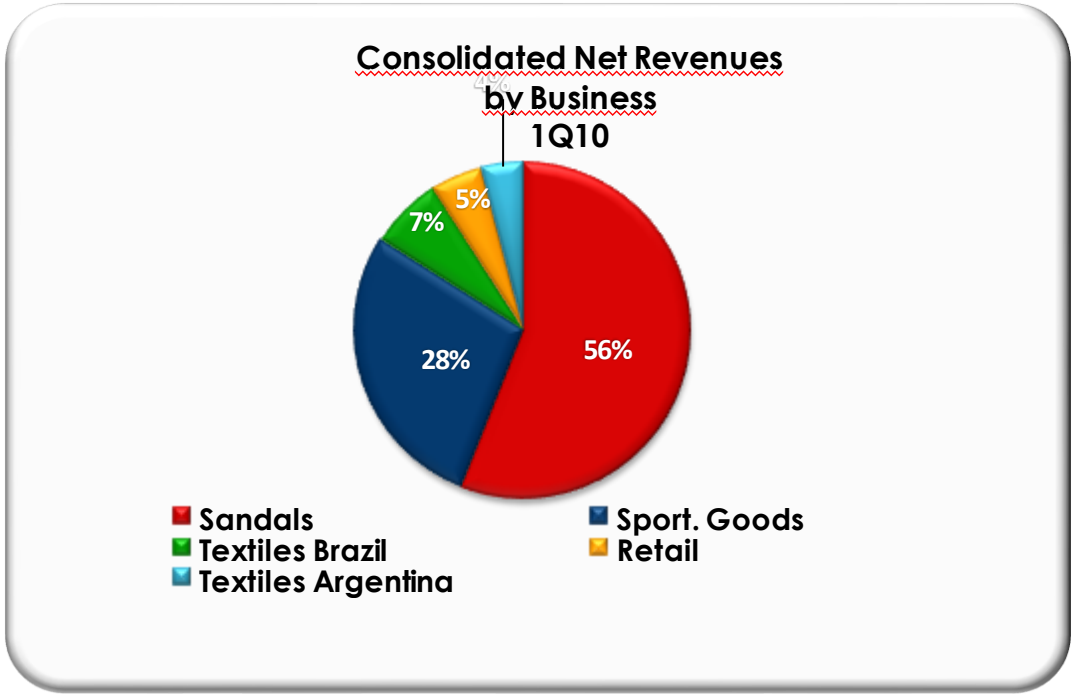


Consolidated sales volume grew 14.3%

Consolidated Sales Volume (millions of units)	1Q10	1Q09	Variation
Sandals	52.3	45.1	+ 16.0%
Sporting Goods (footwear/clothing and accessories)	6.0	5.9	+ 1.7%
Total	58.3	51.0	+ 14.3%



Sandals and Sporting Goods accounted for 84% of the consolidated net revenues of R$ 523.2 million in 1Q10





Consolidated net revenues grew 14.8% ...

Consolidated Net Revenues (BRGAAP -R$ millions)	1Q10	1Q09	Variation
Domestic Operations	374.3	302.3	+ 23.8%
International Operations	148.9	153.6	(3.0%) *
Total	523.2	455.9	+ 14.8%

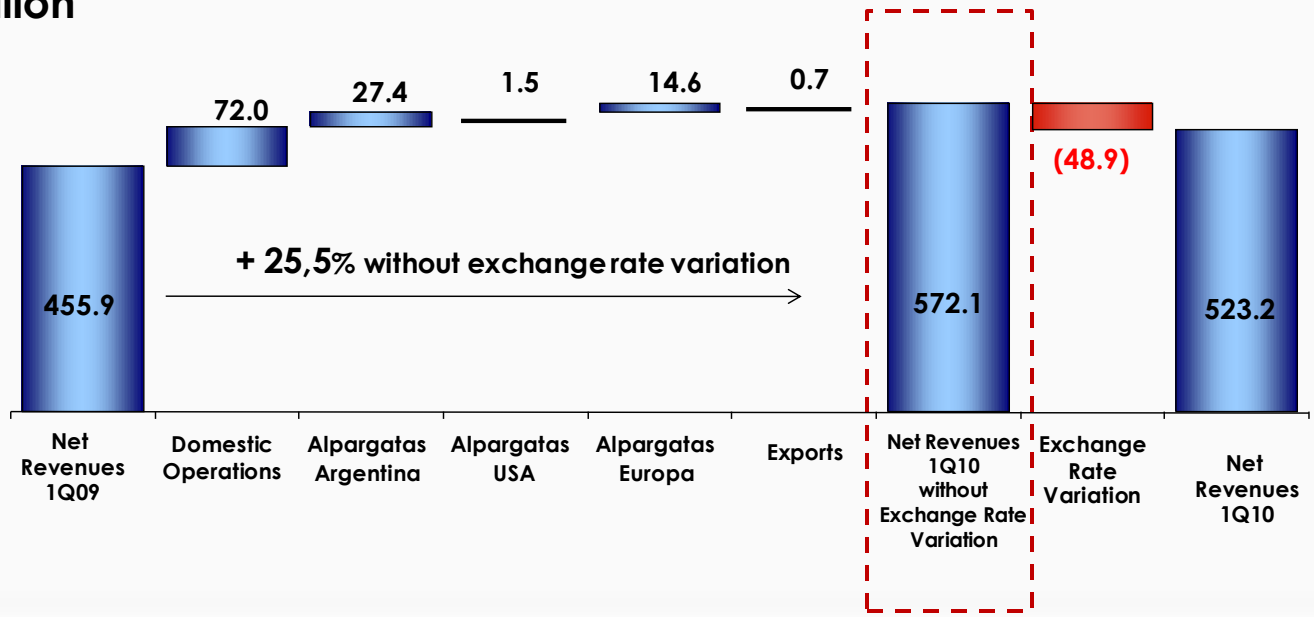
- Impact of appreciation of real against currencies of international operations in 1Q10



.... or 25.5% discounting the exchange variation

Consolidated Net Revenues
(BRGAAP - R$ million)

R$ million





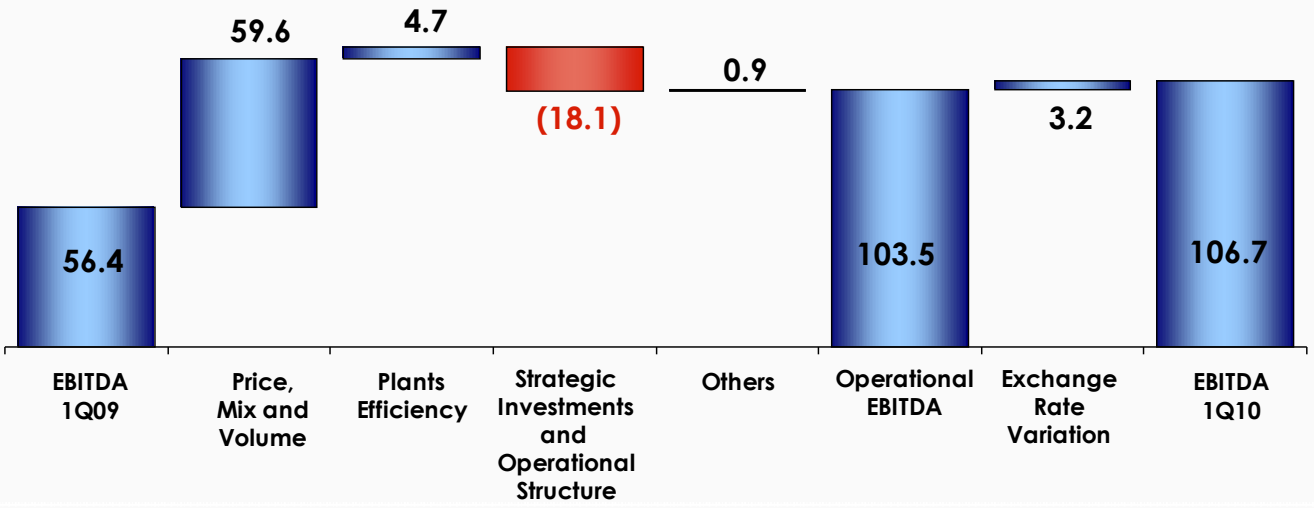
The 38.8% growth in consolidated gross profit generated a margin of 47.7%

Consolidated Gross Profit	1Q10	1Q09	Variation
Gross Profit (BRGAAP - R$ million)	249.5	179.7	+ 38.8%
Gross Margin (%)	47.7%	39.4%	+ 8.3 p.p.



Improved operational performance drove an 89.2% increase in consolidated EBITDA and an 8.1% increase in margin

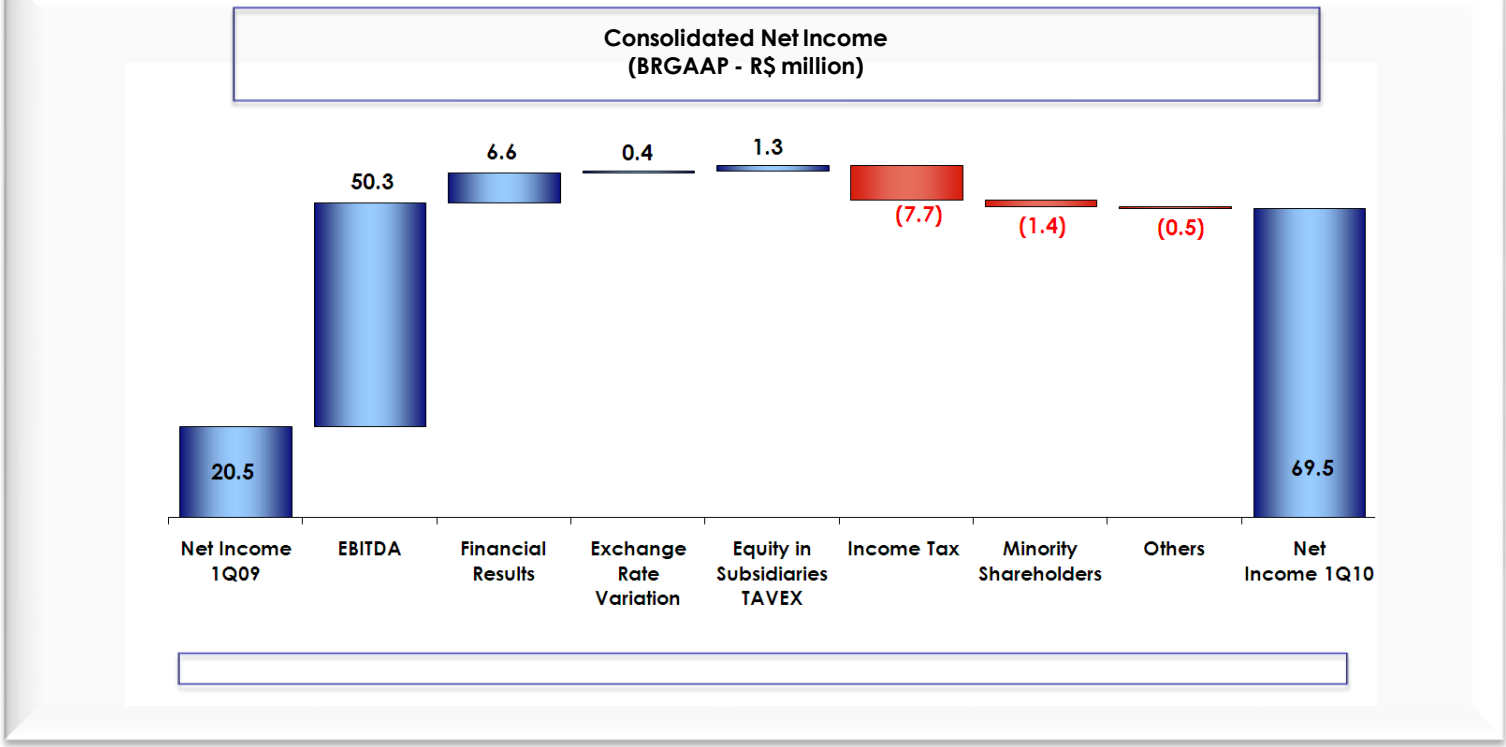
Consolidated EBITDA (BRGAAP - R$ million)



Margins							
12.3 %					19.8 %		20.4%

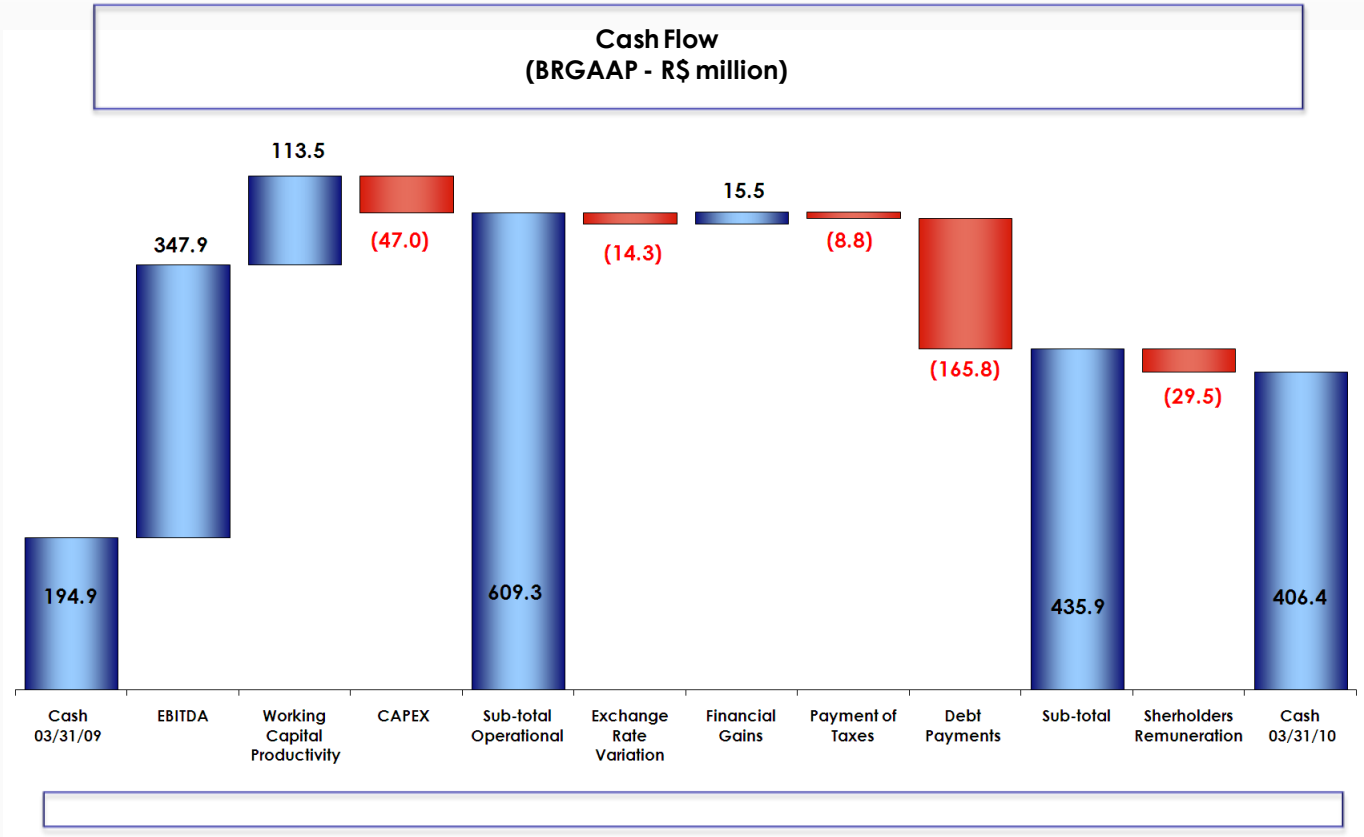


The R$ 69.5 million consolidated net profit was 239% higher than in 1Q09





The acceleration of the Cash Conversion Cycle generated R$ 211.5 million in cash in 12 months





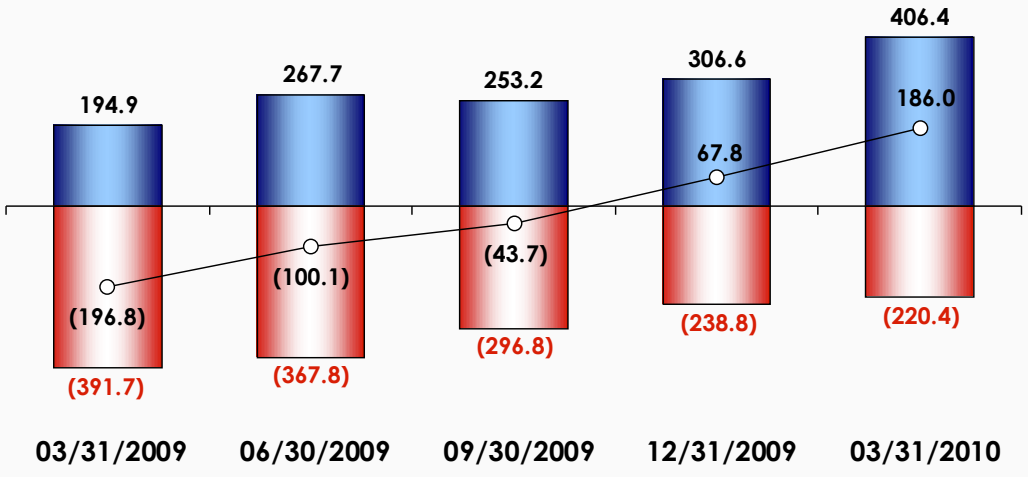
Consolidated financial indebtedness decreased by R$ 171.3 million in 12 months

- ✓ Consolidated financial debt on 31/03/2010: R$ 220.4 million
  - ✓ 79% Brazil and subsidiaries
  - ✓ 21% Argentina
  - ✓ 43% short-term, of which 79% in foreign currency
  - ✓ 57% long-term, of which 35% in foreign currency
  - ✓ Overseas revenues provide a natural hedge for foreign currency debts



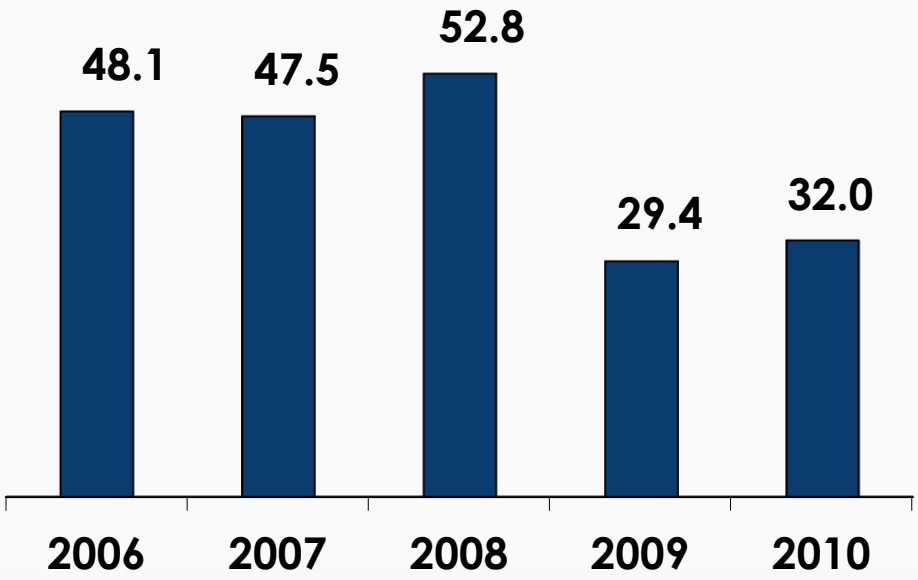
The increase in cash and reduction in indebtedness resulted in a Net Financial Position of R$ 186 million

Consolidated Net Financial Position
(BRGAAP - R$ million)





Interest on own capital totals R$ 32.0 million in 2010





Márcio Utsch
CEO

Final Considerations



- ✓ Sale of Locomotiva concluded in April
- ✓ We acquired a further 10% stake in Alpargatas Argentina through a public offer
- ✓ Constant focus on investment to value company through our brands
- ✓ Progress in two major strategic initiatives:
  1. Lógica Project:
     - World class supply chain
     - Higher service levels and lower logistics costs
  2. Long-term strategic planning:
     - Choice of 3 main growth platforms
     - Winning in new markets and categories
     - Long-term increase in value of Alpargatas


havaianas
dupé
Topper
RAINHA
Mizuno
Timberland
SETE LÉGUAS
MEGGASHOP

THANKS