ALPARGATAS

Press Release

4Q11 and FY2011

ALPARGATAS

PRESS RELEASE

4Q11 and FY2011

1. Capital Market

Closing Price (March 16, 2012)

- **ALPA3 – R$ 16.01**
- **ALPA4 – R$ 16.00**
- **Market Cap:** **R$ 5.6 billion**

2. Conference Call (in Portuguese only)

- Date: March 19, 2012 At 5:00 pm (BRT)
- Phone: (55 11) 4688-6361
- Code: Alpargatas
- Slides: http://ri.alpargatas.com.br
- Speakers: Márcio Utsch - CEO José Roberto Lettiere - CFO

3. Investor Relations

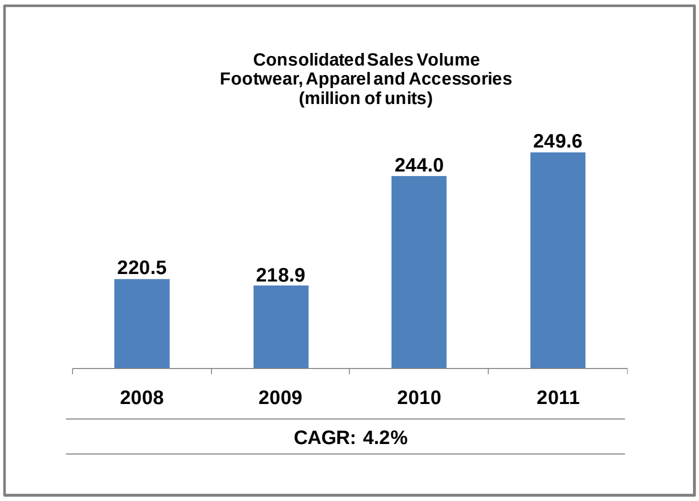
- José Roberto Lettiere lettiere@alpargatas.com.br
- José Sálvio Moraes jsalvio@alpargatas.com.br
- Mariane Weger mweger@alpargatas.com.br

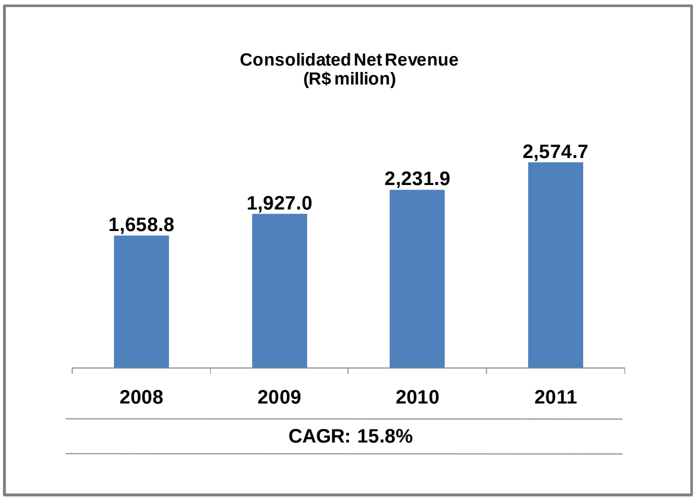
4. Investor Relations website: http://ri.alpargatas.com.br

CASH GENERATION OF R$ 281.4 MILLION STANDS OUT IN THE PERFORMANCE OF 2011. NET REVENUE INCREASED 15.4% REACHING R$ 2.6 BILLION IN 2011. NET INCOME OF R$ 307.4 MILLION IS THE HIGHEST IN ALPARAGATAS' HISTORY.

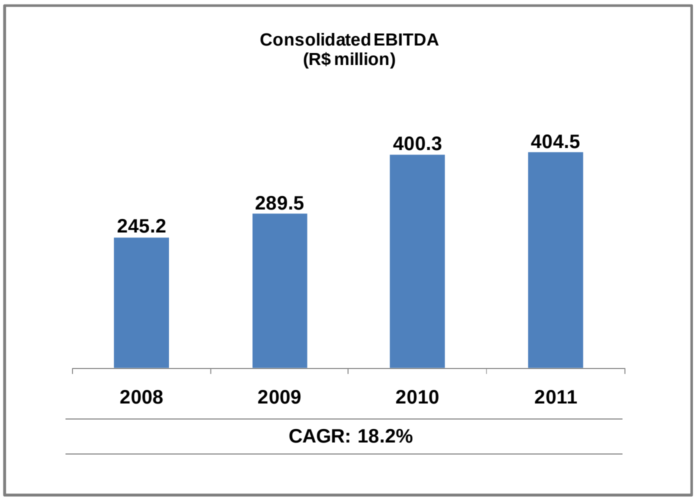
INTRODUCTION

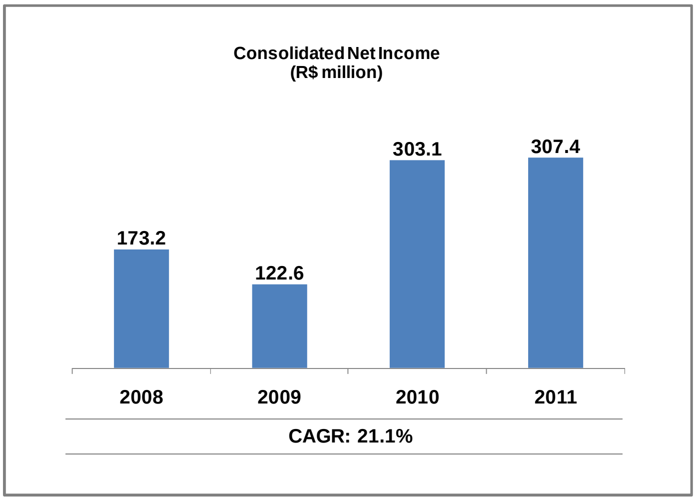
In 2011, Alpargatas took some important steps towards its goal of becoming a renowned global brand company. Its investments enabled an outstanding performance in the Brazilian footwear sector and the strength needed to boost growth in coming years. The sales volume and net revenue rose – reaching R$ 2.6 billion, up 15.4% over the figures registered in 2010 from the sale of 249.6 million pairs of footwear and units of apparel and accessories. The 2.3% increase in volume stood above the industry average and boosted the market share of the Company's brands.



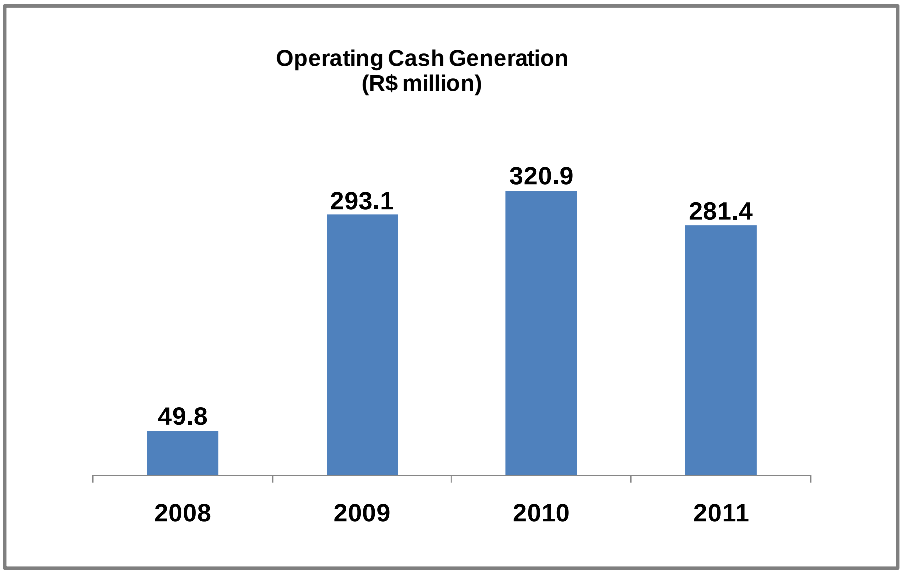


Alpargatas overcame the soaring commodity prices and invested in key structural projects to continue growing in the Brazilian and international footwear, apparel and accessories markets.

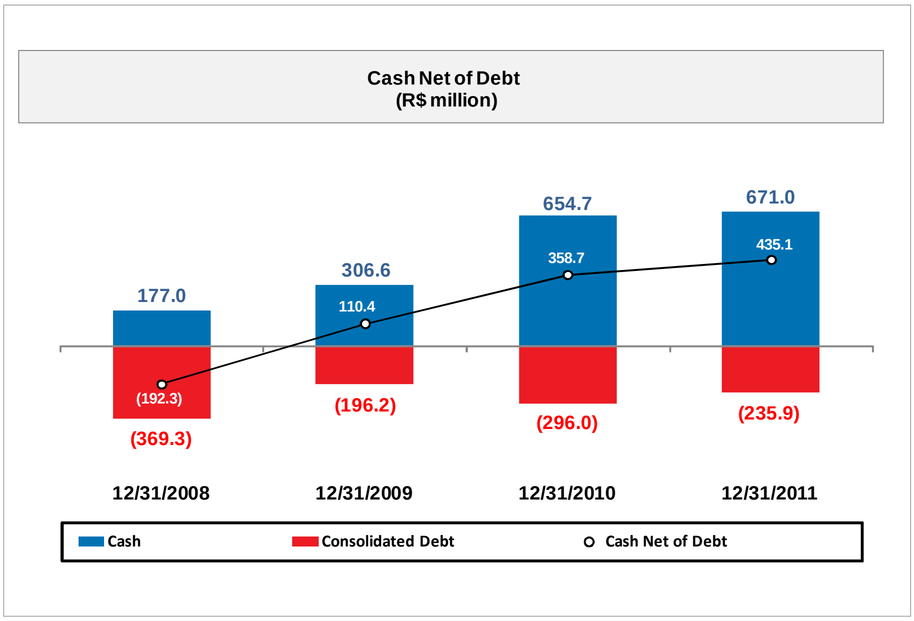




Alpargatas' business model, aimed at creating and managing brands, has provided a steady cash flow and has enabled the Company to become increasingly more financially sound. The operating cash generation of R$ 281.4 million stands out in the performance of 2011. An important indicator monitored during the year was the Cash Conversion Cycle (CCC), which evolved as a result of an improvement in the management of the Company's current accounts. The reduction to 14 days in the CCC had an important role in cash generation. The Cash Cycle, which was 66 days at the end of 2010, reached 52 days at the end of 2011.



The cash generation increase resulted in a positive net financial position of R$ 435.1 million on December 31, 2011, consolidating the financial soundness of Alpargatas.



Alpargatas continued to innovate, boost retail, enter in new markets and invest in strategic projects in various areas in order to raise its management to a world class standard.

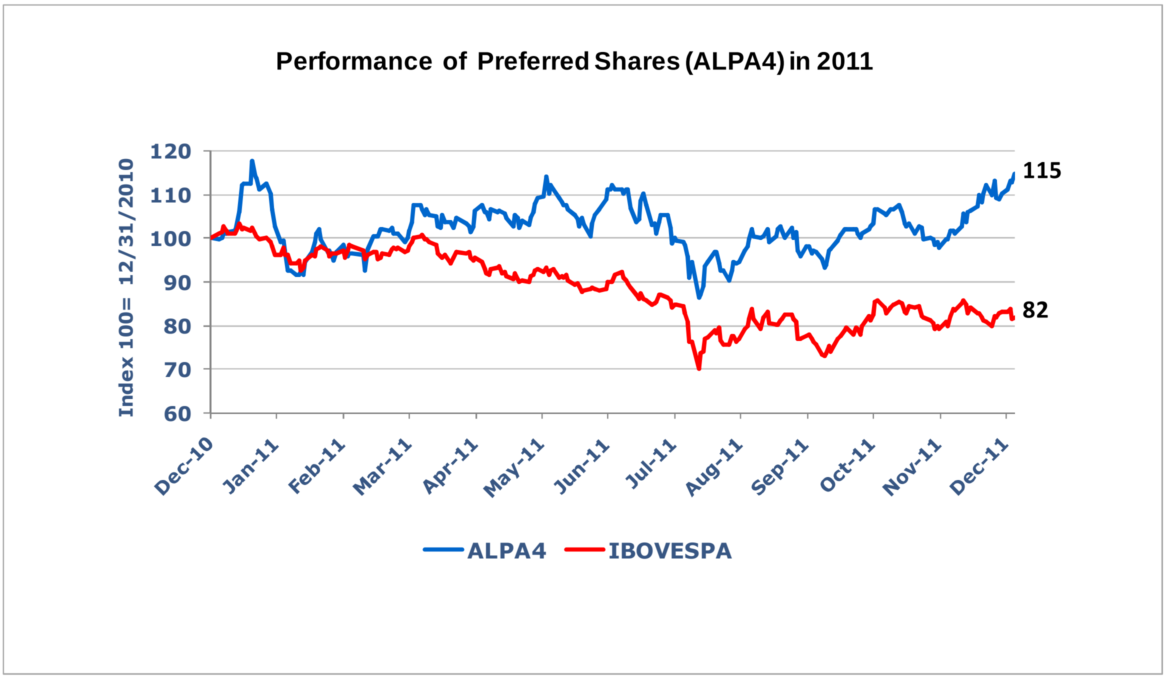
- **Innovation**
  Innovation was key in the introduction of the new sandal and sporting goods lines. Together with brand communication, it led to an increase in sales. Havaianas grew in the children's category with the launching of flip flops stamped with Disney and Warner characters. The same happened with Dupé flip flops with prints of the famous Brazilian characters of "Turma da Monica". Rubber boots were launched in Europe as a way to offset the seasonality in sandals sales and the fourth closed footwear collection, dubbed Soul Collection, was introduced to the Brazilian and international markets. Special editions, such Havaianas Missoni, have been successful worldwide. Topper strengthened its leadership in soccer in Brazil and Argentina after launching the Instinct line of soccer cleats and apparel and gave Brazilian rugby a boost with a line of rugby products. Rainha was renovated and has moved into the running active category by launching running footwear and apparel for this sports segment. Mizuno grabbed a greater share of the running performance market after expanding its Wave running shoe line and entered the volleyball and soccer markets with footwear for these sports. Timberland expanded its product portfolio and sales grew after it launched new footwear models for outdoor activities. Sete Léguas celebrated its 50th anniversary. An important event this year was the change in the corporate logo and title, which changed to Alpargatas S.A. As such, the global dissemination of its image has become aligned to the internationalization strategy being undertaken by a team of entrepreneurs.

- **Growth in Retail**
  Alpargatas' retail has continued to grow in Brazil and abroad. The Havaianas franchises have totaled 211 stores with the opening of 80 units in the year. Besides the two Havaianas owned stores in São Paulo, others were opened in London, Paris, Rome, Valencia and New York. Topper stores were opened in Buenos Aires. The e-commerce channel registered a great performance. The online Havaianas shop grew 238% in net income and the Timberland counterpart, 23%.

- **New Markets**
  An important strategic move was implemented in the United States with direct sales from Alpargatas USA to independent retailers, which were previously serviced by a local distributor. As of January 2012, this change will lead to a better level of service at two thousand points of sale in the country and will increase the revenue and profitability of Havaianas sales. India, Pakistan and Indonesia are the new export markets that have joined the other 79 countries that sell Havaianas. In order to keep up the strategy of making Topper an important brand in the South American sporting goods market, the company has started to export to Colombia and Peru from Argentina.

- **Strategic Projects**
  In the supply chain, a progress was made in the implementation of the Lógica Project. The new processes introduced into the athletic footwear plants during the year increased the quality of customer service and reduced, from 18 to12 months, the time-to-market of the footwear launches. In the Sourcing area, the partnership with suppliers was strengthened to ensure quality, speed and flexibility in the procurement of raw materials and finished products. To meet the growing demand for Havaianas, a rubber sandal plant is being set up in Montes Claros, Minas Gerais State and it will have the capacity to produce 100 million pairs/year, with infrastructure to reach 150 million pairs in five years. Research and development activities have been decentralized so they can be closer to the business unit managers, expanding the focus on innovation. In Information Technology, a global platform is being implemented to increase the speed of information processing and to create a faster intelligence system for decision-making in the different areas of the Company. Finance changed the budget tool and adopted a new methodology for analysis and presentation of management results. Human Resources implemented a series of projects aimed at improving the way of developing and assessing the Company's employees.

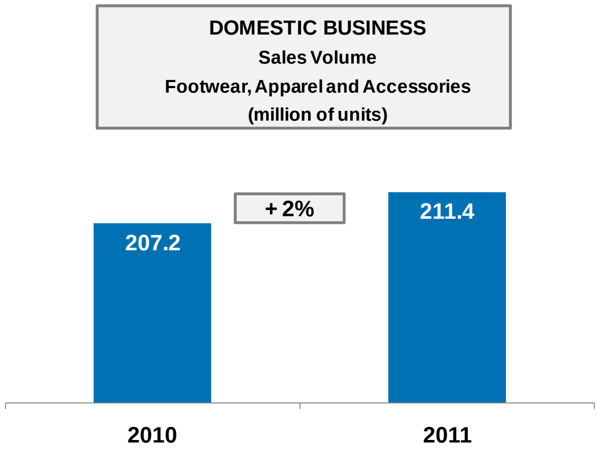
All these investments add value for shareholders, who, in addition to benefitting from the 15% appreciation of the preferred shares, received R$ 78.6 million in the form of interest on equity in 2011, an amount that represents 49% of the distributable net income of the year.

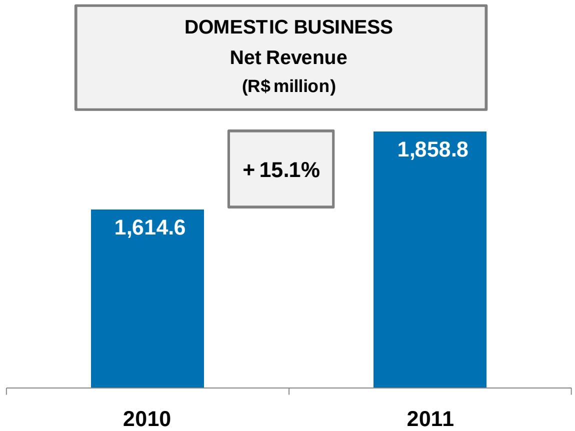


1. DOMESTIC BUSINESS

1.1. Sales Volume and Net Revenue

Alpargatas sold 211.4 million pairs of sandals and footwear and units of apparel and accessories, up 2% in comparison with 2010. This increase in volume was due to **(i)** the launch of the 2011/2012 collection of Havaianas and Dupé sandals, **(ii)** the new sports footwear models of Topper, Mizuno and Timberland and **(iii)** the opening of Havaianas franchises. The greater volume, combined with the strength of the brands and the efficient management of the commercial policy and sales, which prioritized the sale of products with higher added value, enabled net revenue from domestic operations to rise 15.1% as compared with 2010, reaching R$ 1.9 billion.

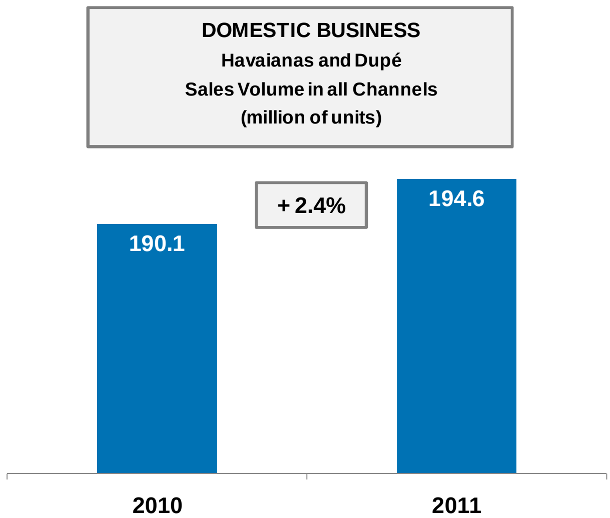




In the fourth quarter, 56.3 million units were sold, equivalent to 97% of the amount registered in the same period of 2010, generating a revenue of R$ 536.1 million, 12.1% higher than in 4Q10.

1.1.1. Havaianas and Dupé

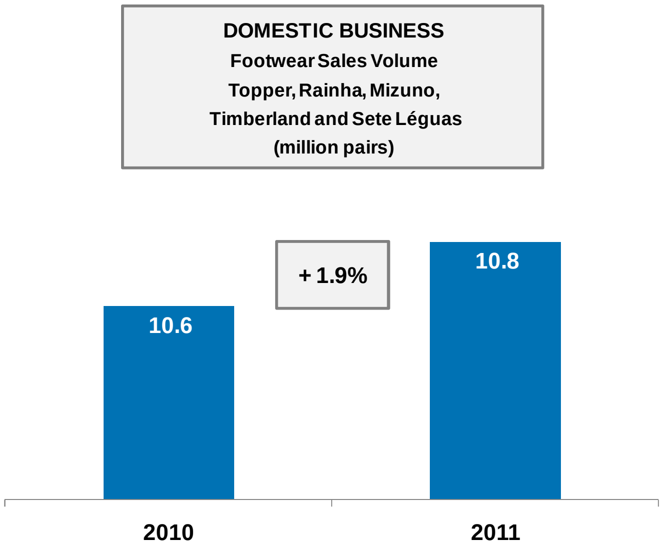
Sales of Havaianas and Dupé sandals and accessory products in all distribution channels totaled 194.6 million units in Brazil, up 2.4% over that registered in 2010. Greater volume, the 10% increase in the average price of sandals and the increase from 37% to 40% in the share of higher-priced sandals in the sales mix of the year stepped up revenue by 12.4% in the sandal business in Brazil.



Sales in the fourth quarter declined 2.1%, to 51.9 million units sold, as compared with those in the same period of 2010. The new processes introduced in the sandal supply chain led to operational instabilities, compromising shipment capacity and product delivery. All necessary actions are being implemented and the

1.1.2. Topper, Rainha, Mizuno, Timberland and Sete Léguas

Consolidated net revenue of Topper, Rainha, Mizuno and Sete Léguas was 18% higher than that registered in 2010. The strength of Topper in soccer and of Mizuno in running performance combined with the sports tradition of Rainha helped to boost the revenue of these sports brands. The sales volume of sports footwear, plus the Sete Léguas boots and Timberland shoes in all distribution channels, reached 10.8 million pairs, 1.9% higher than in 2010, primarily due to the excellent sales performance of Mizuno and Timberland. The sale of apparel and accessories totaled 5.9 million units.



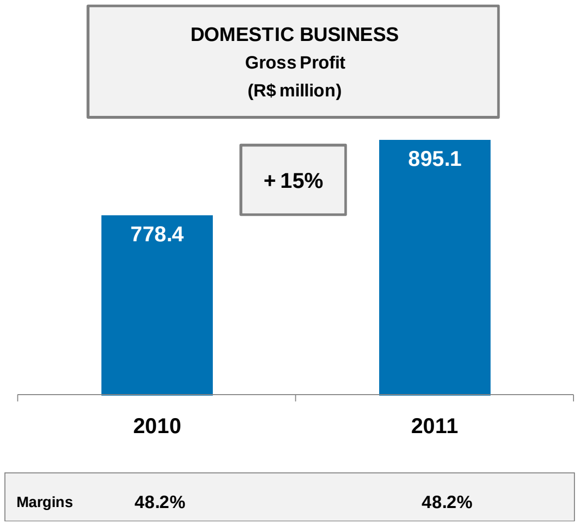
Footwear sales in the fourth quarter reached 2.7 million pairs, equal to that registered in the same period of 2010. Apparel and accessory sales amounted to 1.6 million units.

1.1.3. Havaianas, Timberland and Meggashop Retail

Alpargatas operates in Brazilian retail through its own and franchised Havaianas and Timberland stores, the Meggashop outlet chain and online stores. The volume sold was up 38% and revenue was 32% higher in comparison with the same indicators in 2010. Havaianas retail at the end of the year had 213 stores, of which 211 were franchises and two were owned. Its revenue grew 78% as compared with 2010 and 24% in the same-store concept. The year was marked by a strong expansion in the franchise chain nationwide after the opening of 80 operations. Timberland retail plays an essential role in brand awareness. Its revenue, under the same store concept, was 9.6% higher than in 2010. Actions such as new visual communication and shop window displays were adopted in 16 units. The online Havaianas shop was visited by 2.7 million people and registered a growth of 238% in net revenue with the sale of 150 thousand products of the brand. The online Timberland store also registered an excellent performance with a growth of 23% compared to 2010. Topper kicked off its online activities in February 2011 and its store, which sells the brand's complete line, has been visited by 332 thousand people.

1.2. Gross Profit

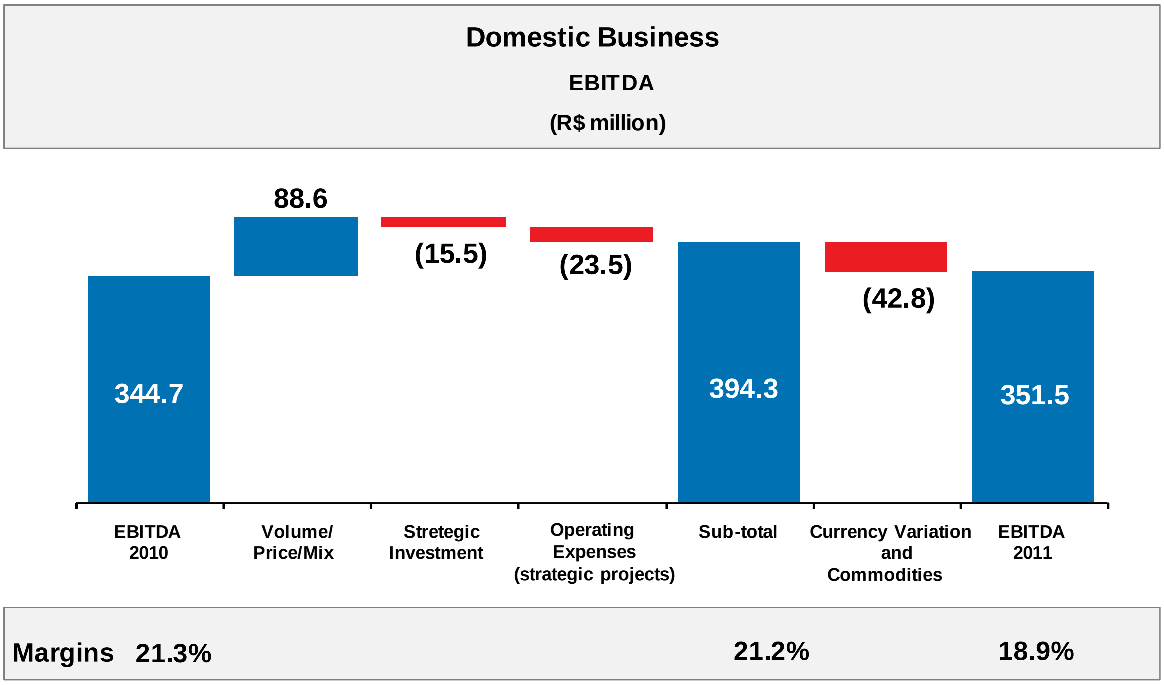
Gross profit of domestic business amounted to R$ 895.1 million, up 15% over that registered in 2010. Gross margin represented 48.2% of net revenue, the same as that posted in the previous year. This result shows Alpargatas' ability to manage its business in a way that provides value in an environment of high priced raw material commodities and wages. The average cost of rubber in the year rose 20% as compared with the price in 2010.



Gross profit in the fourth quarter, which reached R$ 245.1 million, was 10.3% higher than that registered in the same period last year. The gross margin of 45.7% was 0.8 percentage points lower than that in the fourth quarter of 2010.

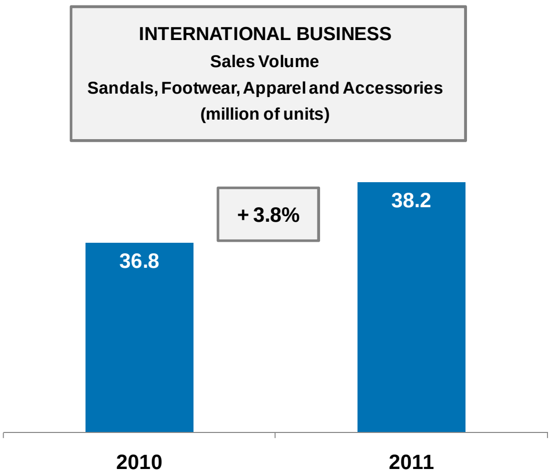
1.3. EBITDA

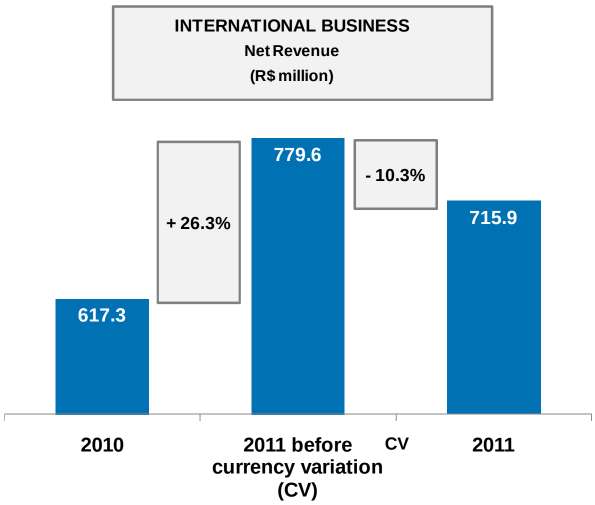
EBITDA of domestic business totaled R$ 351.5 million, up 2% in relation to 2010, and the margin reached 18.9%, a decline of 2.4 percentage points. If not considering the R$ 42.8 million related mostly to higher commodity costs, EBITDA totaled R$ 394.3 million, representing a 14% increase, and the margin continues stable in comparison with 2010. The greater volume, higher sandal and sports footwear prices and richer sales mix added R$ 88.6 million to the EBITDA. In addition to commodities, brand communication expenses increased by R$ 15.5 million, which resulted in increased revenue. Operating expenses were R$ 23.5 million higher due to: **(i)** an increase in the commercial and administrative structure of the brands to support the expansion of their activities, **(ii)** expenses with the strategic projects in the areas of Logistics, Sourcing, Accounting, Human Resources, Information Technology and for the changes introduced into the R&D area aimed at optimizing the Company's innovation and; **(iii)** an increase in costs with third-party services due to inflation and salary-related expenses. In the fourth quarter, the EBITDA of R$ 89.1 million was 1.1% higher than that in the same period last year, and the margin of 16.6% was 1.8 percentage points lower.

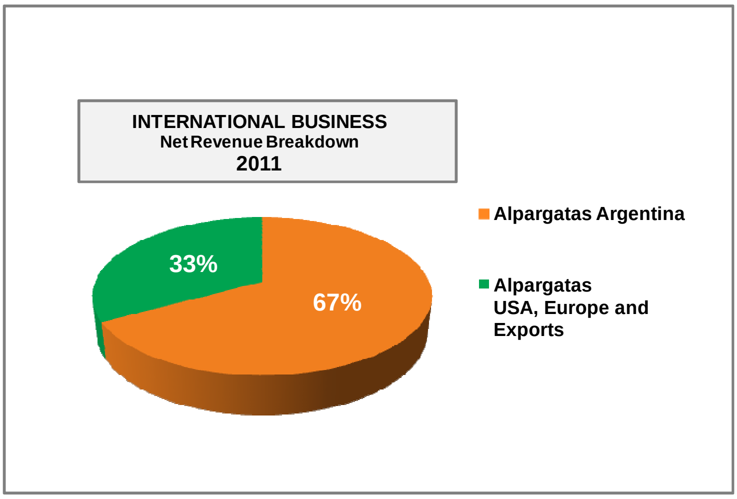


2. INTERNATIONAL BUSINESS

Consolidated figures of the international operations refer to Alpargatas Argentina, Alpargatas USA, Alpargatas Europe and to exports from Brazil. The actions that increased the volume and revenue of international business in 2011 were the boost given to Topper in Argentina, Havaianas advertising investments and an expansion in the number of points of sale outside Brazil.







EBITDA of such operations totaled R$ 53 million in the year, down 4.7% as compared with that in 2010 due mostly to the price hike in cotton, which affects the textile business in Argentina. Additional factors were expenses for the opening of own Havaianas stores in Europe and the intensification of brand advertising, mainly in Europe and the United States.

Variations in revenue based in foreign currencies was positive in all international business, except for Alpargatas USA, where the sales volume in 2011 was impacted by the change in the US operation model, which replaced the local distributor with direct services for independent retailers. As of 2012, this strategic move will increase the volume and profitability of business in the US.

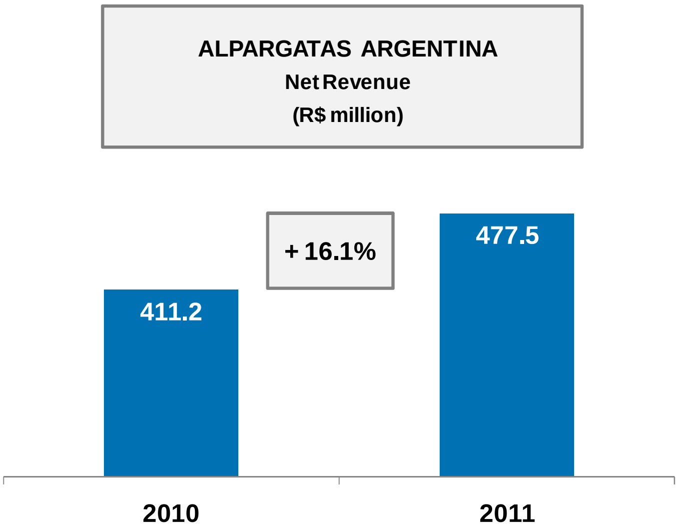
International Business Net Revenue Variation in Foreign Currencies	2011 X 2010
Alpargatas Argentina (Argentine Peso)	+ 28.5%
Alpargatas USA (Dollar)	- 1.2%
Alpargatas Europe (Euro)	+ 35.6%
Exports (Dollar)	+ 20.9%

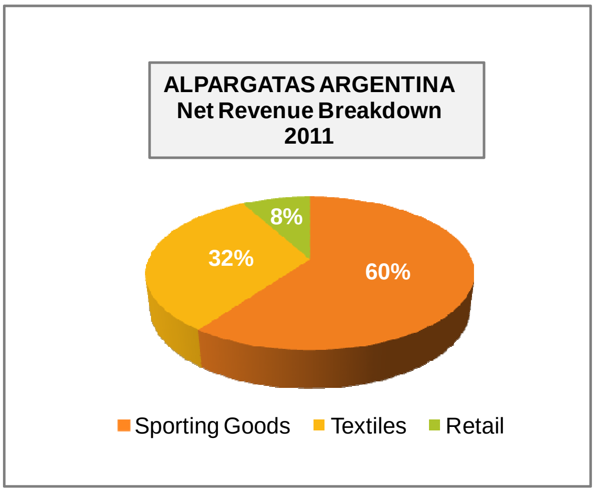
2.1. Alpargatas Argentina

After making a public offer for the acquisition of shares in Buenos Aires Stock Exchange, Alpargatas S.A. raised its stake to 91.5% in the equity of Alpargatas Argentina. The company plays an important role in Alpargatas' internationalization strategy, especially to increase the share of Topper in the Latin American sporting goods market. The brand is already a leader in Argentina accounting for a 21% share in the sporting goods market and in Uruguay it holds a 25% share. Topper is exported to Chile, Paraguay and Bolivia and has begun to be sold in Peru and Colombia. The innovation highlights of the year were the launch of the Topper Instinct soccer cleats collection and the new running shoe technology dubbed FlyTech.

2.1.1. Sales Volume and Net Revenue

Footwear sales totaled 8.5 million pairs, down 4.5% as compared with 2010, and 1.7 million units of apparel and accessories, equal to the amount registered the previous year. The drop in volume is due to factors such as a slowdown in the consumption market and restrictions on imports. Nevertheless, Topper ended 2011 with a volume in line with that of 2010. Topper footwear sales migrated from the casual segment to the running and tennis segments, which includes higher value-added products. This fact led to a growth of 16.1% in net revenue, totaling R$ 477.5 million. In the fourth quarter, footwear sales in Argentina reached 2.1 million pairs, down 20%, and 581 thousand units of apparel and accessories, up 55%, in relation to the same period last year. The revenue of R$ 127.8 million was up by 11.1% in comparison with that of the fourth quarter of 2010.

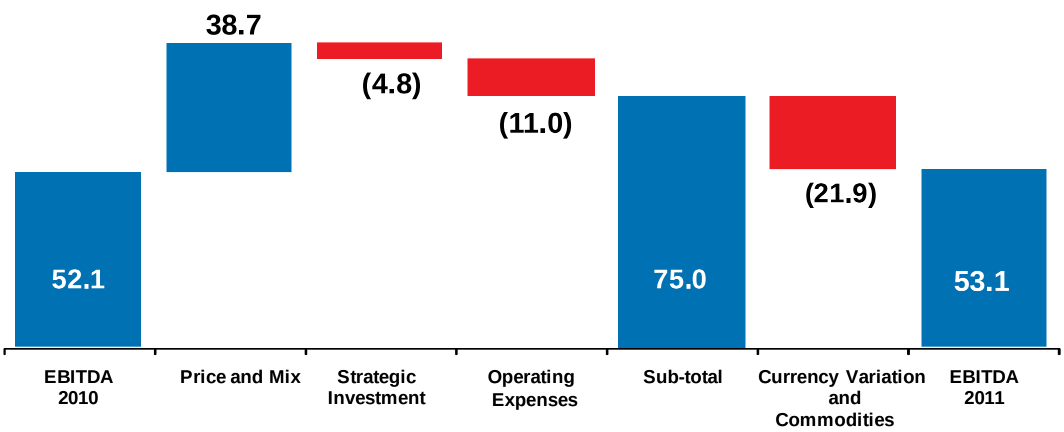




2.1.2. EBITDA

EBITDA of Alpargatas Argentina totaled R$ 53.1 million, up 1.9% over that registered in 2010 and the margin reached 11.1%, down 1.6 percentage point. If the R$ 21.9 million related mostly to the higher cost of commodities (the kilo of cotton rose 42% in US dollars in 2011) is not considered, the EBITDA totaled R$ 75 million, representing an increase of 44% and the margin of 15.7% represented a rise of three percentage points in relation to 2010. The higher price and the richer mix increased the EBITDA by R$ 38.7 million. In addition to the price increase in cotton and the exchange rate variation (the real stronger than the Argentine peso affected revenue, costs and expenses), EBITDA was impacted by higher strategic expenses, amounting to R$ 4.8 million, for Topper advertising, and an R$ 11 million increase in operating expenses due to inflation. In the fourth quarter, EBITDA registered R$ 11.1 million, up 33.9% over that posted in the same period last year and the margin of 8.7% was 5.9 percentage points lower.

Alpargatas Argentina
EBITDA
(R$ million)



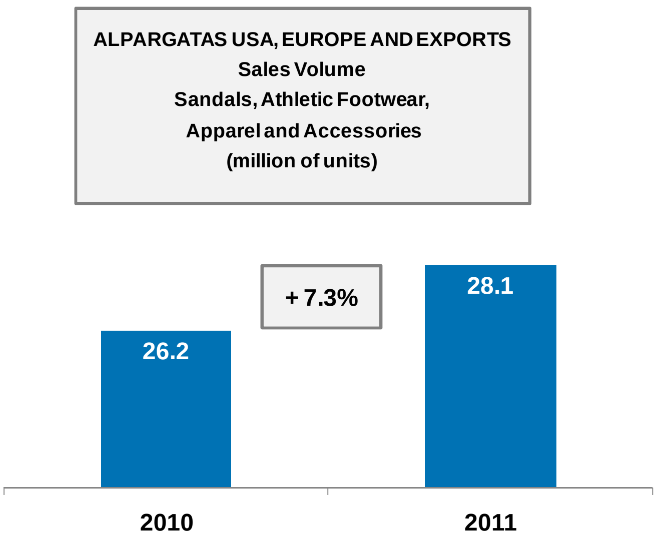
Margins	12.7%	15.7%	11.1%

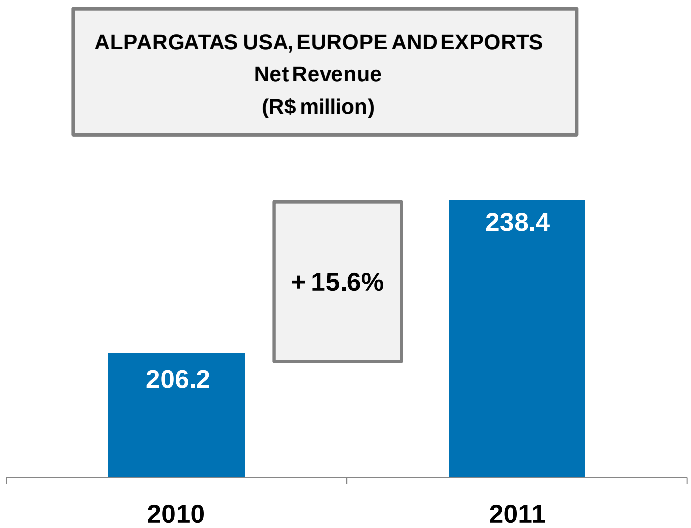
2.2. Alpargatas USA, Alpargatas Europe and Exports

Havaianas' growth in Europe was supported by advertising campaigns, public relations and the opening of own stores in London, Paris, Rome and Valencia. The event "Make Your Own Havaianas" held at prominent department stores such as El Corte Inglés, Galleries Lafayette and Selfridges continue to be an excellent way to come into direct contact with consumers. Special collections such as Havaianas Missoni were important to increase sales and the brand's prestige. The Soul Collection and Havaianas boots launched in Europe are product categories that are contributing to reducing the seasonality of sales during the cold months in the Northern Hemisphere. All these actions have helped to raise Havaianas' brand awareness, which can be verified in the annual surveys conducted for this purpose. The result of the survey conducted in September showed that brand awareness increased from 36%, in 2010, to 51%, in 2011, in the top five European markets surveyed: UK, France, Italy, Spain and Portugal. In the United States, 33% of the Americans interviewed said they knew the brand Havaianas. Several Havaianas events, printed media in renowned advertising channels, outdoor media in New York and Los Angeles and presence in social networks have strengthened sales in America. The amount of Havaianas sandals exported to markets not served directly by Alpargatas Europe and by Alpargatas USA also grew significantly. In the fourth quarter, India, Indonesia and Pakistan joined the list of 79 countries where Havaianas is sold.

2.2.1. Sales Volume and Net Revenue

The volume of sandals sold by Alpargatas USA and Alpargatas Europe, plus those exported directly from Brazil, totaled 28.1 million units, up 7.3% over 2010. Net revenue accrued R$ 238.4 million, 15.6% higher than the amount registered in the previous year, as a result of the increase in volume and of 13.1% in the average dollar price of exports. In the fourth quarter, net revenue totaled R$ 39.8 million, 13.7% higher than in the same period last year, with sales of 6.1 million pairs, up 2.9%.





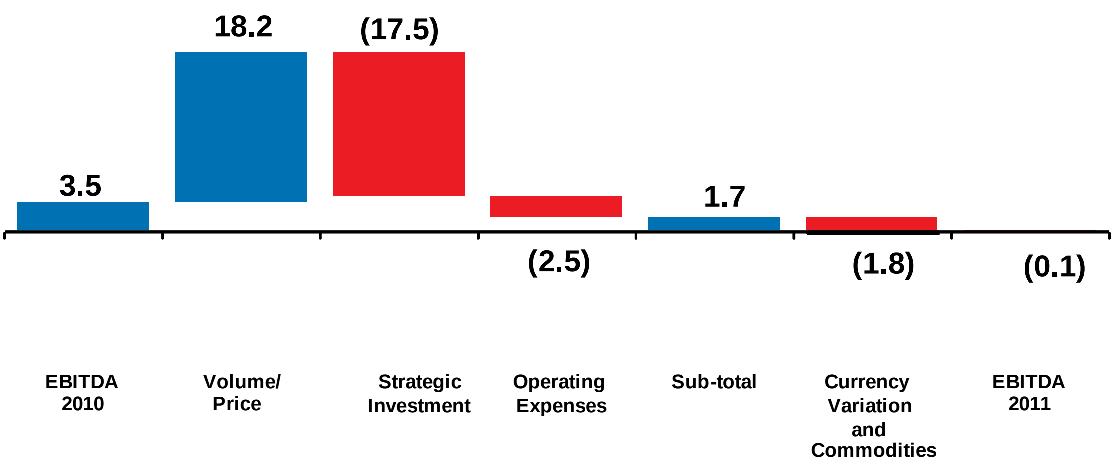
2.2.2. EBITDA

EBITDA amounted to a negative R$ 100 thousand. In its annual variation, the gain from increases in volume and price totaled R$ 18.2 million. Strategic expenditures increased by R$ 17.5 million, mainly for Havaianas advertising investments, which led to an increase in brand awareness by Americans and Europeans. Operating expenses increased due to the need to expand the structure in Europe to support the opening of own stores. There was also the impact of a negative R$ 1.8 million due to exchange rate variations (appreciation of the real in relation to the euro and the dollar) and rising commodity prices.

Alpargatas USA, Europe and Exports

EBITDA

(R$ million)



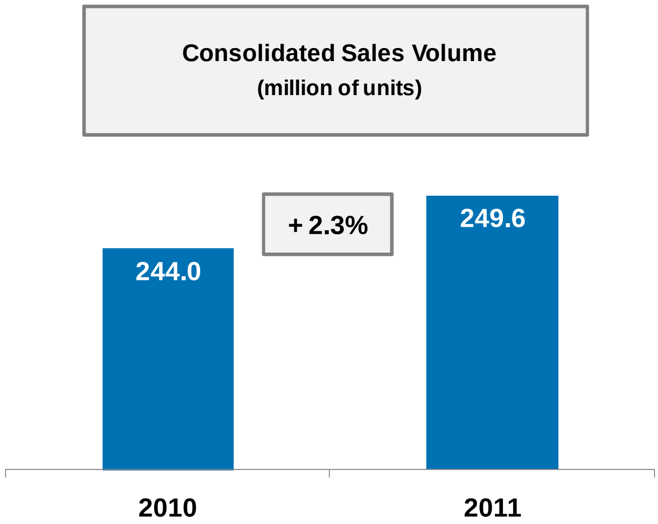
Margins	1.7 %	0.7%	-

3. CONSOLIDATED FINANCIAL PERFORMANCE

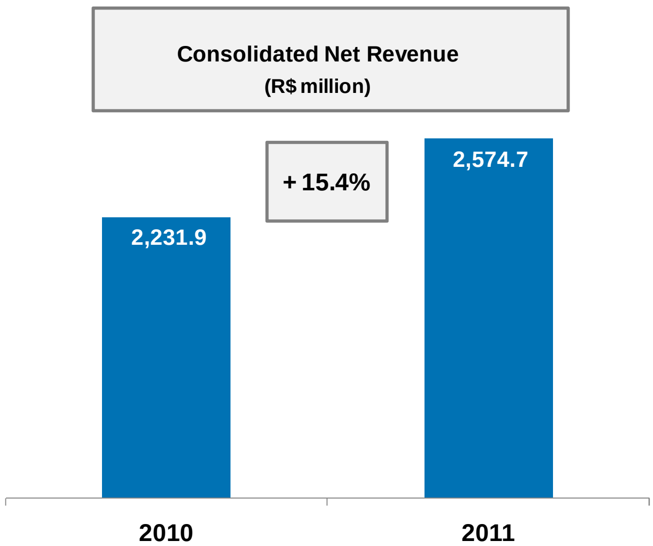
3.1. Sales Volume and Net Revenue

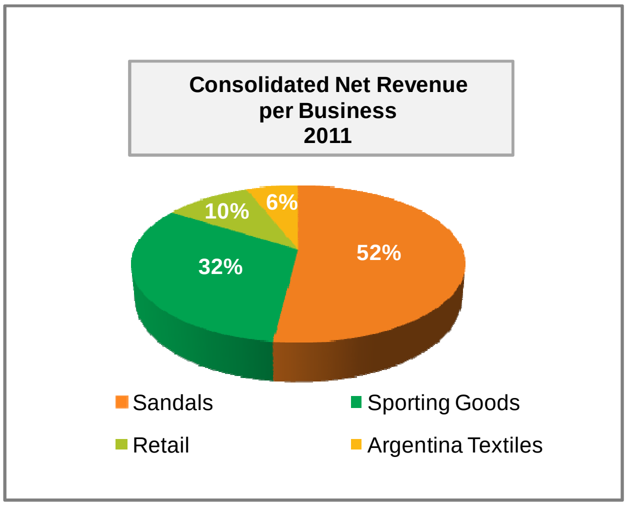
Consolidated sales volume totaled 249.6 million units of footwear, apparel and accessories, up 2.3% in relation to that registered in 2010. The highlights were the annual increases of the following volumes:

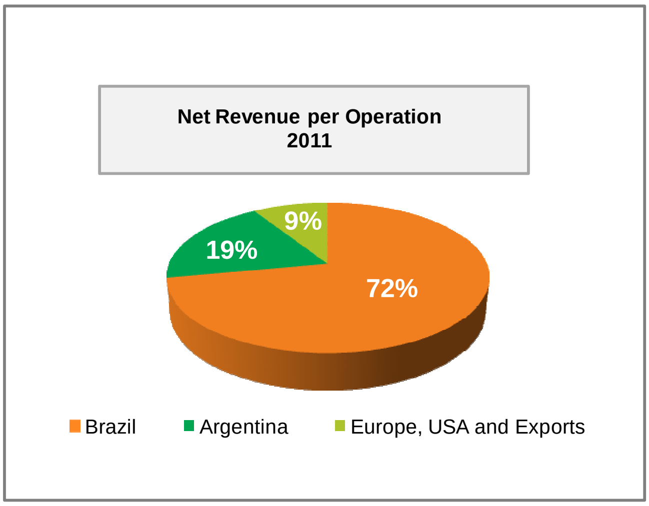
- Havaianas and Dupé in Brazil: 2.4%, due to its leading position in the sandals market in the country.
- Havaianas in Europe: 28%, due to greater brand awareness and new points of sale.
- Mizuno: 48%, due to the brand's leadership in the running performance segment in Brazil.
- Timberland multibrand channel: 37%, with the expansion of product portfolio, advertising investments and proximity to key customers.
- Havaianas, Timberland and Meggashop retail: 44%, due to the opening of 80 Havaianas franchises and the growth in online sales.



With sales of R$ 2.6 billion, Alpargatas has established itself as the top Brazilian company in the footwear sector in Latin America. The 15.4% growth compared to the revenue of 2010 was due to increased sales of footwear, apparel and accessories in Brazil and abroad, efficiency in the sales policy and in the management of prices and of the greater mix of value-added products. Excluding the impact of exchange rate changes, due to the appreciation of the real in relation to foreign currencies that make up the revenue from international operations, consolidated net revenue rose 18.2%.



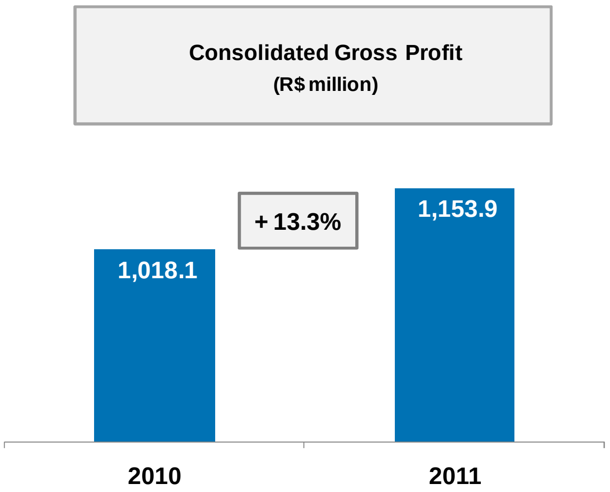


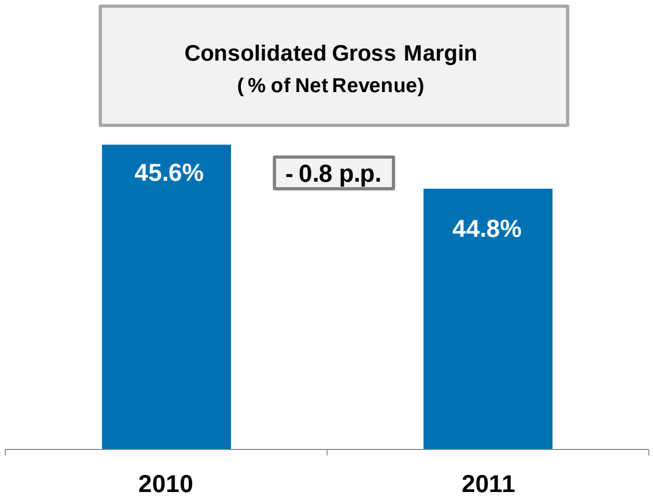


In the fourth quarter, Alpargatas sold 65.1 million units, down 2.4% as compared with the same period in 2010, due to the new processes introduced into the sandals supply chain. They led to operational instabilities and a consequent drop in the amount delivered to clients in Brazil. Nevertheless, net revenue totaled R$ 703.7 million, 12% higher than that registered in the fourth quarter last year.

3.2. Gross Profit

Consolidated gross profit totaled R$ 1.2 billion, 13.3% higher than that in 2010. The consolidated gross margin dropped only 0.8 percentage point, reaching 44.8%. Besides the increase in revenue, the increase in consolidated gross profit in 2011 was a result of: **(i)** the focus on cost management and manufacturing expenses, **(ii)** the increase in efficiency of direct labor, **(iii)** the adoption of measures to reduce water and electricity consumption per pair of shoes produced and **(iv)** a decrease in the consumption of rubber by using the scraps of the sandal and footwear factories. These factors were crucial to offsetting much of the increase in costs that occurred during the year. In the fourth quarter, the R$ 295.4 million of consolidated gross profit was 7.3% higher than that registered in the same period of 2010, with a margin of 42% compared to 43.8% in 4Q2010.





3.3. EBITDA

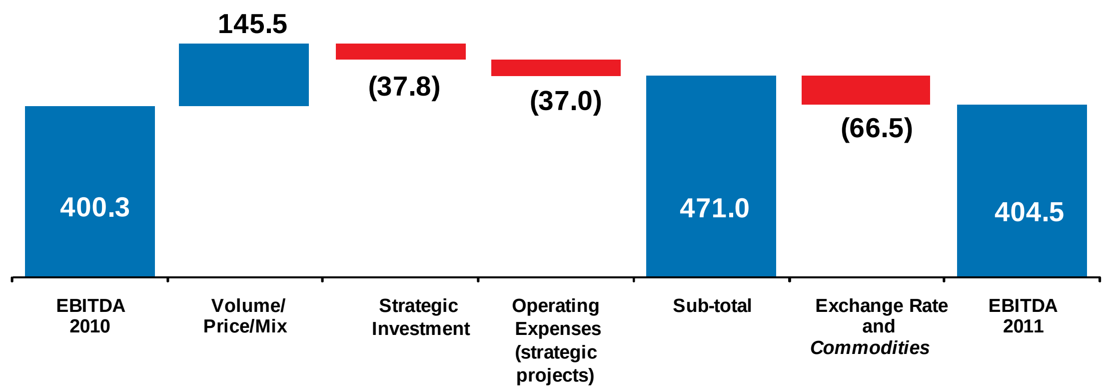
Consolidated EBITDA (R$ million)	4Q10	4Q11	2010	2011
Operating Income before Financial Result and Equity in Subsidiaries	72.8	54.4	333.4	317.5
(+) Depreciation and Amortization	10.4	15.0	50.7	54.4
(+/-) Other	12.7	18.2	16.2	32.6
EBITDA	95.9	87.6	400.3	404.5

Consolidated EBITDA totaled R$ 404.5 million, up 1% in relation to 2010 and the margin declined 2.3 percentage points to 15.7%. If the R$ 66.5 million related mostly to higher commodity costs (rubber and cotton) is not considered, EBITDA totaled R$ 471 million, representing an increase of 17.7% with a margin of 18.2%, up 0.3 percentage point over that in 2010. The greater volume, higher sandal and sports footwear prices and richer sales mix added R$ 145.5 million to the EBITDA. In addition to the commodities, brand advertising in Brazil and abroad, rose by R$ 37.8 million, which resulted in increased revenue. Operating expenses with strategic projects were R$ 37 million higher due to:

- the increase in commercial and administrative structures in Brazil, Argentina and Europe needed to support business expansion;
- expenses with the introduction of processes in the areas of Logistics, Sourcing, Accounting, Human Resources, Information Technology and to the changes introduced into the R&D area aimed at optimizing the Company's innovation and;
- the higher costs of outsourced services and salaries due to higher inflation in Brazil and Argentina.

Consolidated EBITDA

(R$ million)

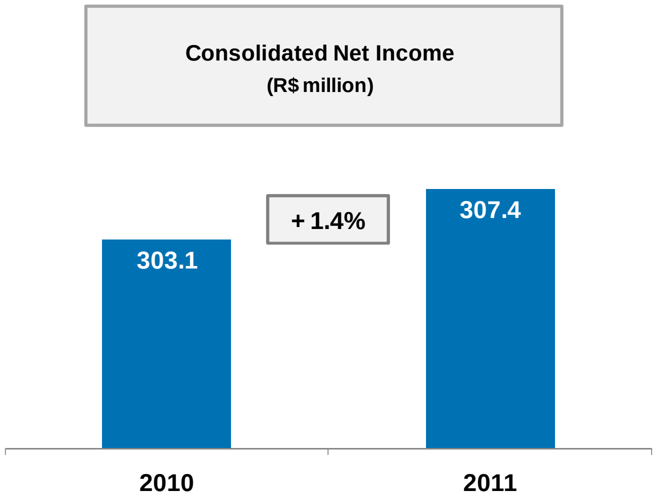


Margens	**18.0%**				**18.2%**		**15.7%**

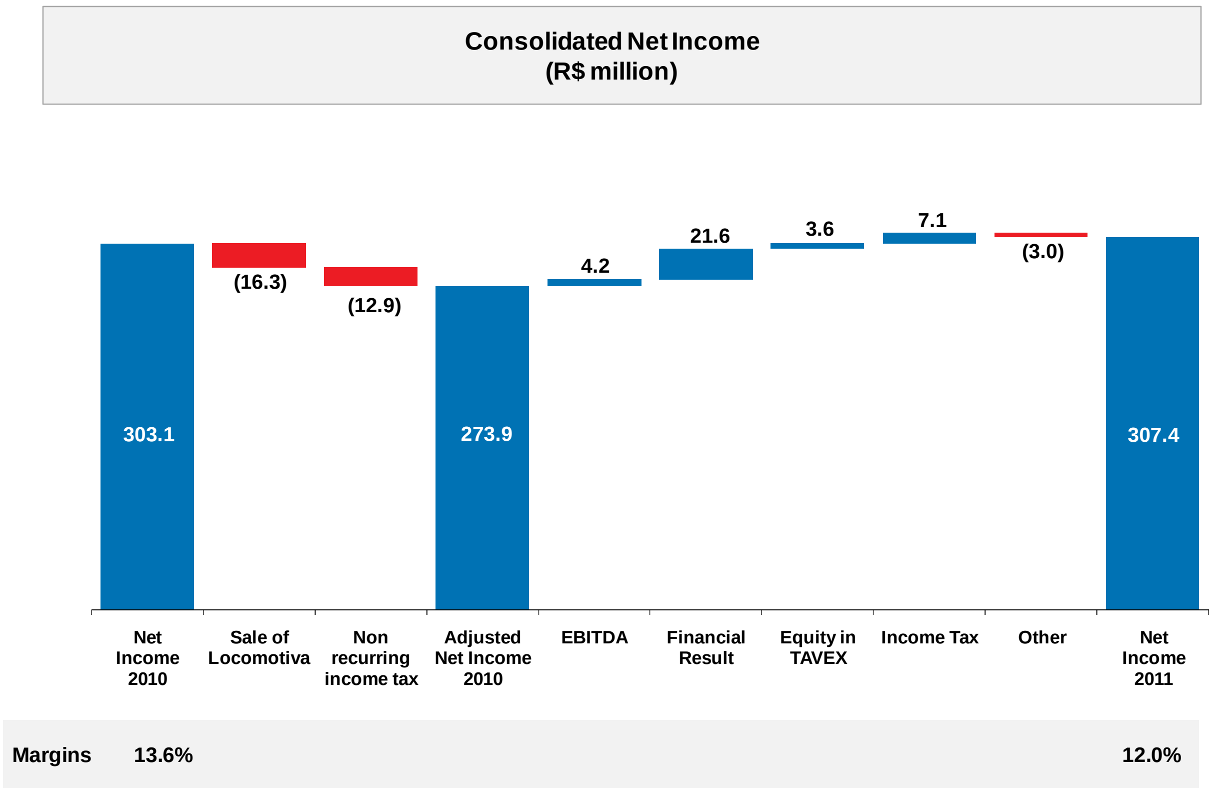
In the fourth quarter, the EBITDA of R$ 87.6 million represented 91.3% of the total registered in the same period of 2010 and the margin of 12.4% was 2.9 percentage points lower.

3.4. Net Income

Alpargatas reported a net income of R$ 307.4 million (R$ 0.88 per share), the highest in its history, with a 12% margin. This amount represents an increase of 1.4% in the net income registered in 2010. The return on equity was 22% and on capital, 20%. In the fourth quarter, net income summed R$ 58.8 million, down 15.4% in relation to the same period of the previous year, generating a net margin of 8.7% or down 2.7 percentage points.



The most relevant factors that explain the change in consolidated net income, adjusted for nonrecurring items, such as the R$ 16.3 million gain from the sale of Locomotiva company and R$ 12.9 million due mainly to tax gains on the sale of the property in Pouso Alegre, Minas Gerais State, were: **(I)** an increase of R$ 4.2 million in EBITDA, **(ii)** an increase in financial income of R$ 21.6 million due to a rise in cash volume, **(iii)** a gain of R$ 3.6 million from the equity income of the Tavex Corporation and, **(iv)** a greater payment of R$ 7.1 million in Income Tax due to an increase in profit.



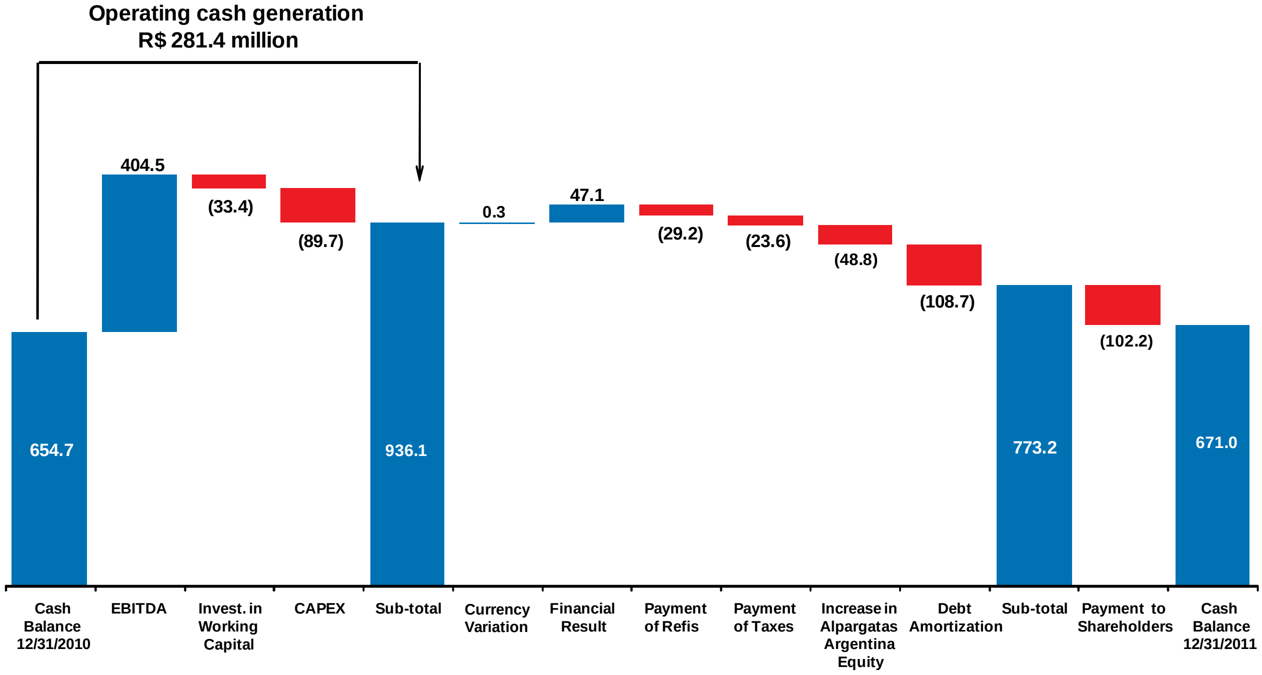
3.5. Cash Conversion Cycle (CCC)

An important indicator monitored during the year was the Cash Conversion Cycle (CCC), which shows the number of days that working capital accounts turn into cash. This indicator evolved after the improvement of the management of current accounts in Alpargatas' balance sheet. The CCC was shortened by 14 days in 2011. At the end of the year, the consolidated CCC was 52 days against 66 at the end of 2010 and 135 in previous years. The Conversion Cycle was speeded up by lengthening to 23 days the payment period of suppliers and reducing accounts receivable in one day. The increment of ten days in inventories is related to the Company's expansion model for international business. As a result of this growth in CCC, Alpargatas' cash generation was R$ 281.4 million in 2011.

3.6. Cash Flow

On December 31, 2011, Alpargatas had a cash balance of R$ 671 million, up R$ 16 million over that posted in December 31, 2010. The cash balance increase was primarily due to the operating cash generation that totaled R$ 281.4 million. The investment in working capital totaled R$ 33.4 million and in CAPEX, R$ 89.7 million. The debt amortization and the payment to shareholders were the largest disbursements. Together, they totaled R$ 210.9 million. The increased stake in Alpargatas Argentina generated a cash output of R$ 48.8 million.

Consolidated Cash Flow
(R$ million)



Operating cash flow includes investments in CAPEX

3.7. Debt

On December 31, 2011, the consolidated financial debt totaled R$ 235.9 million, of which R$ 117.3 million is in reais and R$ 118.6 million in foreign currency, broken down as follows:

- R$ 180.1 million (76% of the total) maturing in the short term, of which R$ 63.4 million in local currency. The short-term debt in foreign currency equals to R$ 116.7 million and finances imports and working capital of foreign subsidiaries, and may be renewed at maturity.
- R$ 55.8 million (24% of the total) maturing in the long term, of which R$ 53.9 million in local currency and R$ 1.9 million in foreign currency with the following amortization schedule:
  - 2013: R$ 21.3 million;
  - 2014: R$ 15.3 million;
  - 2015: R$ 15.3 million;
  - 2016: R$ 2.4 million; and
  - 2017 to 2019: R$ 1.5 million.

4. CAPITAL MARKET

Preferred shares (ALPA4) ended the year listed at R$ 12.40, 15% higher than on December 31, 2010. The common shares (ALPA3) at the price of R$ 12.25 were worth 18% more. In 2011, the Ibovespa index fell 18%. The more active communication with the capital market and the greater proximity to investors contributed to the good performance of Alpargatas' shares in the stock market in a year of extreme volatility in global stock markets. On December 31, 2011, the Company's market capitalization was R$ 4.3 billion, versus R$ 3.7 billion on the same date in 2010. During the year, the J. Safra bank and Bradesco initiated the coverage of Alpargatas with "buy" recommendations. Bradesco Corretora was hired to be the Company's market maker. As such, the average daily trading volume increased from R$ 2.6 million, in 2010, to R$ 3.6 million. The shareholders were paid R$ 78.6 million in the form of interest on own capital for the year of 2011, an amount that represents 49% of the distributable net income of 2011.

5. SHARE ISSUE

The Board of Directors decided on March 16, 2012 to include in the matters to be voted on at the Shareholders' Meeting to be held on April 25 an increase in the Company's capital stock through the use of R$ 43.2 million from the 2006 Investment Reserve with the issue of 34,836,266 shares, of which 18,152,408 are common and 16,683,858 are preferred. If such decision is approved, the shares will be distributed as to the shareholders according to their respective participation in the Company's capital equity. The Notice of Shareholders' Meeting will contain all the information needed to understand the matter.

6. SOCIAL RESPONSIBILITY

The Topper *Educação pelo Esporte* (Education through Sports) program directly benefited 62,6 thousand students from 243 public schools in nine cities of Paraiba and Pernambuco States. In addition, another 5 thousand children and teenagers took part in the *Educação pela Cultura* (Education through Culture) program. Applied in 88 institutions, including 27 centers of the program for eradication of child labor, 11 foundations and 50 schools, this program offered 12 different types of supervised cultural, recreational and social workshops, after school hours. One of the greatest achievements of the Alpargatas Institute in 2011 was the systematized dissemination of practices in the Topper *Educação pelo Esporte* program for all social entities and institutions interested in implementing a successful experience. Alpargatas found in sports a way to integrate and value the human being, by engaging professors, students and communities. The amount of Alpargatas volunteers also grows every year. In 2011, 970 employees spent time and knowledge in volunteer activities that included courses in basic electricity and joint efforts to collect clothing and food for Winter and Christmas Campaigns.

7. ENVIRONMENTAL COMMITMENT

Alpargatas has maintained its commitment to environmental preservation and to the safety of its employees by investing R$ 7.9 million in actions to reduce the impact of its activities, which represents 46% more than was invested in 2010. Water consumption by unit produced was 22.3% lower than in 2010 due mainly to the reuse of rainwater in the industrial process, in bathrooms and to clean floors. Electrical energy consumption per unit produced was 2.7% lower than the previous year due to several actions adopted in factories. Recycling has been made possible through partnerships with suppliers. The practice has provided a better use of rubber waste, reducing consumption of this raw material. The path of sustainability also included the use of water-based glue to produce the footwear, which is now contained in recyclable packages.

8. NEW PLANT

Alpargatas has started building a plant in Montes Claros, Minas Gerais State. When completed, the plant will add more 100 million pairs/year of sandals production capacity and will have an infrastructure to reach 150 million pairs in five years. The unit, which is being built on a land of approximately 350 thousand m^2, is expected to have its first phase inaugurated in the second half of 2012. It will be the most technologically advanced factory of sandals in Brazil. Regarding sustainability, it will exceed the legal requirements and will be a model of energy efficiency.

9. OUTLOOK

Alpargatas starts 2012 more financially sound and ready to face the challenges of its business, whether they are related to the volatility of commodities or to the political and economic environment of its core markets. Management understands that the rise in oil prices is circumstantial and the price should return to levels that are lower than those registered at the end of 2011. Rubber is a critical raw material for the Company's and the actions to minimize its impact on earnings will continue full steam ahead. The Management believe that, with the investments underway, in line with the strategic growth plan, Alpargatas is gaining ground and will continue growing in the Brazilian and global footwear, apparel and accessories market, with brands that, year after year, strengthen their leadership position, and with products that exceed the expectations of the consumers. Investments in areas that enhance competitiveness, such as innovation, communication, manufacturing productivity, supply chain management and retail expansion, will continue. The ongoing effort to build an innovative, admirable and respected Company will continue in 2012 and in future years. An Alpargatas that inspires projects that motivate and increase the quality of life of its employees, that respects the environment and applies the principles of sustainability to all its activities.

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Appendix I - Balance Sheet (R$ thousands)

ASSETS	12/31/2011	12/31/2010
Current assets	**1,609,539**	**1,457,838**
Cash and banks	14,847	31,552
Tempory cash investment	656,108	623,113
Trade accounts receivable (net of provisions)	505,858	426,573
Inventories	351,023	295,885
Other receivables	41,988	50,247
Prepaid expenses	11,433	5,783
Assets held for sale	323	-
Other assets	-	-
Recoverable taxes	27,959	24,685
Long-term assets	**153,174**	**158,385**
Recoverable taxes	25,848	19,028
Deferred income and social contribuition taxe	89,551	88,797
Escrow deposits	14,798	12,919
Other receivables	22,977	37,641
Permanent Assets	**679,841**	**641,312**
Investments	74,462	77,338
Property, plant and equipment	341,980	301,520
Intangible	263,399	262,454
Total assets	**2,442,554**	**2,257,535**

LIABILITIES	12/31/2011	12/31/2010
Current liabilities	**666,299**	**606,821**
Suppliers	297,150	212,777
Loans and financing	180,077	226,371
Debt reestructuring agreements	14,758	13,367
Payroll and related charges	98,897	88,021
Reserve for contingencies	11,436	8,847
Provision for income and social contribuition	4,192	5,494
Taxes payable	11,323	16,620
Taxes Installments	-	-
Interest on capital and dividends payable	843	495
Other payable liabilities	47,623	34,829
Long-term liabilities	**286,396**	**302,641**
Loans and financing	55,856	69,589
Debt reestructuring agreements	63,537	63,403
Provision for taxes	86,780	90,620
Taxes Installments	875	-
Provision for income and social contribuition	44,307	42,625
Reserve for contingencies	26,245	30,784
Other payable	8,796	5,620
Shareholders' equity	**1,489,859**	**1,348,073**
Capital	518,922	441,171
Capital reserves	167,101	173,795
Treasury shares	(40,587)	(29,282)
Profit reserves	865,824	757,956
Equity assessment	(33,572)	(33,165)
Minority shares	12,171	37,598
Total liabilities	**2,442,554**	**2,257,535**
Book value per share (R$)	**4.28**	**3.87**

Appendix II - Income Statement (R$ thousand)

	4Q10	4Q11	2010	2011
Net revenue	**628,299**	**703,715**	**2,231,875**	**2,574,700**
Cost of goods sold	(352,878)	(408,266)	(1,213,784)	(1,420,772)
Gross profit	**275,421**	**295,449**	**1,018,091**	**1,153,928**
Gross margin	*43.8%*	*42.0%*	*45.6%*	*44.8%*
Operating revenues (expenses)	**(202,621)**	**(241,000)**	**(684,644)**	**(836,456)**
Sales	(157,979)	(186,121)	(539,403)	(663,239)
General and administrative	(26,036)	(35,704)	(111,853)	(133,085)
Management compensation	(5,121)	(6,823)	(8,538)	(11,109)
Amortization of intangible charges	(3,843)	(5,520)	(16,822)	(20,184)
Other operating revenues (expenses)	(9,642)	(6,832)	(8,028)	(8,839)
EBIT – Operating result	**72,800**	**54,449**	**333,447**	**317,472**
Operating margin	*11.6%*	*7.7%*	*14.9%*	*12.3%*
Financial earnings	18,520	20,965	49,907	80,830
Financial expenses	(12,244)	(12,681)	(43,279)	(51,214)
Exchange rate variation	610	860	2,330	(567)
Results in subsidiaries	(2,495)	(4,438)	(9,222)	(5,657)
Operating income	**77,191**	**59,155**	**333,183**	**340,864**
Income tax and charges	(6,402)	(367)	(25,972)	(31,797)
Minority interest	(1,312)	36	(4,111)	(1,647)
Net income	**69,477**	**58,825**	**303,100**	**307,420**
	-	-	-	-
EBITDA – R$ million	**95.9**	**87.6**	**400.3**	**404.5**
EBITDA margin	11.1%	12.4%	*17.9%*	15.7%

Appendix III - Operating Results

Operating Results Sales Volume (million of units)	1Q10	1Q11	2Q10	2Q11	1H10	1H11
Domestic Businesses	**49.2**	**51.1**	**44.3**	**47.0**	**93.5**	**98.1**
Sandals	45.9	47.8	39.7	42.4	85.6	90.2
Sporting Goods	3.3	3.3	4.6	4.6	7.9	7.9
International Businesses	**9.2**	**10.1**	**10.0**	**10.6**	**19.2**	**20.7**
Sandals	6.7	7.6	7.5	8.3	14.2	15.9
Sporting Goods	2.5	2.5	2.5	2.3	5.0	4.8
Consolidated	**58.4**	**61.2**	**54.3**	**57.6**	**112.7**	**118.8**
Sandals	52.6	55.4	47.2	50.7	99.8	106.1
Sporting Goods	5.8	5.8	7.1	6.9	12.9	12.7

Operating Results Sales Volume (million of units)	3Q10	3Q11	4Q10	4Q11	2010	2011
Domestic Businesses	**55.9**	**57.0**	**57.8**	**56.3**	**207.2**	**211.4**
Sandals	51.5	52.5	53.0	51.9	190.1	194.6
Sporting Goods	4.4	4.5	4.8	4.4	17.1	16.8
International Businesses	**8.7**	**8.7**	**8.9**	**8.8**	**36.8**	**38.2**
Sandals	6.1	6.0	5.9	6.1	26.2	28.0
Sporting Goods	2.6	2.7	3.0	2.7	10.6	10.2
Consolidated	**64.6**	**65.7**	**66.7**	**65.1**	**244.0**	**249.6**
Sandals	57.6	58.5	58.9	58.0	216.3	222.6
Sporting Goods	7.0	7.2	7.8	7.1	27.7	27.0

Appendix IV - Consolidated Financial Results

Consolidated Financial Results (R$ million, except margins)	1Q10	1Q11	2Q10	2Q11	1H10	1H11
Net Revenue	499.6	554.6	540.3	629.8	1,039.9	1,184.4
Gross Profit	241.4	259.1	246.0	286.4	487.4	545.5
Gross Margin	48.3%	46.7%	45.5%	45.5%	46.9%	46.1%
EBITDA	102.3	105.8	87.2	102.5	189.5	208.3
EBITDA Margin	20.5%	19.1%	16.1%	16.3%	18.2%	17.6%
Net Income (1)	66.9	87.2	85.4	73.9	152.3	161.1
Net Margin	13.4%	15.7%	15.8%	11.7%	14.6%	13.6%
Cash	660.2	405.8	463.3	666.4	463.3	666.4
Net Financial Position	373.8	229.9	296.1	382.1	296.1	382.1

Consolidated Financial Results (R$ million, except margins)	3Q10	3Q11	4Q10	4Q11	2010	2011
Net Revenue	563.6	686.6	628.3	703.7	2,231.9	2,574.7
Gross Profit	255.3	313.0	275.4	295.4	1,018.1	1,153.9
Gross Margin	45.3%	45.6%	43.8%	42.0%	45.6%	44.8%
EBITDA	114.9	108.6	95.9	87.6	400.3	404.5
EBITDA Margin	20.4%	15.8%	15.3%	12.4%	18.0%	15.7%
Net Income (1)	81.3	87.5	69.5	58.8	303.1	307.4
Net Margin	14.4%	12.7%	11.1%	8.4%	13.6%	12.0%
Cash	492.0	683.6	654.7	671.0	654.7	671.0
Net Financial Position	325.1	366.2	358.7	435.1	358.7	435.1