

CONFERENCE CALL**(only in Portuguese)****Date: May 8th, 2017****at 3 pm BRT/ 2 pm US ET/****7 pm London****Phone:****Dial-in Brazil: +55 11 3193-1001****Code: Alpargatas****Slides:****<http://ri.alpargatas.com.br>****Speakers:****Márcio Utsch****CEO****IR****fabiols@alpargatas.com.br****jsalvio@alpargatas.com.br****mweger@alpargatas.com.br****pbueno@alpargatas.com.br****<http://ri.alpargatas.com.br>****NET INCOME GROWS
62.1% IN 1Q17****havaianas®****OSKLEN**
Topper
MIZUNO®
dupe' **MEGGASHOP
OUTLET**

1. SUMMARY OF FIRST QUARTER 2017 PERFORMANCE (1Q17)

The results from the discontinued operations were excluded from the numbers for Brazil and isolated in the line Net Result of Discontinued Operations in the Financial Statements for the first quarters of 2016 (Topper, Rainha and Timberland) and 2017 (Timberland), in line with the CPC Ruling 31.

R\$ million	1Q17	1Q16	Var.
NET REVENUE	807.5	993.8	-18.7%
BRAZIL	466.1	560.3	-16.8%
SANDALS INTERNATIONAL	187.3	235.7	-20.5%
ARGENTINA	154.1	197.8	-22.1%
GROSS PROFIT	351.2	479.2	-26.7%
Gross margin	43.5%	48.2%	-4.7 pp
BRAZIL	194.9	251.6	-22.5%
Margin	41.8%	44.9%	-3.1 pp
SANDALS INTERNATIONAL	119.2	165.0	-27.8%
Margin	63.7%	70.0%	-6.3 pp
ARGENTINA	37.1	62.6	-40.7%
Margin	24.1%	31.6%	-7.5 pp
EBITDA	247.9	189.2	31.0%
EBITDA margin	30.7%	19.0%	11.7 pp
BRAZIL	201.4	73.0	175.9%
Margin	43.2%	13.0%	30.2 pp
SANDALS INTERNATIONAL	50.8	85.8	-40.8%
Margin	27.1%	36.4%	-9.3 pp
ARGENTINA	-4.3	30.4	-
Margin	-2.8%	15.4%	-18.2 pp
CONSOLIDATED NET INCOME (FROM CONTINUING OPERATIONS)	181.4	113.6	59.7%
Net margin	22.5%	11.4%	11.1 pp
NET RESULT FROM DISCONTINUED OPERATIONS	-1.7	-2.8	+R\$ 1.1 mm
CONSOLIDATED NET INCOME	179.8	110.9	62.1%
Net margin	22.3%	11.2%	11.1 pp

Alpargatas' performance in 1Q17 should be viewed in light of the fact that the recording of non-recurring amounts had a significant impact on results. The most representative were the revenue from the successful outcome of tax lawsuits in Brazil and Argentina, the expenses from manufacturing restructuring in these countries and the write off of assets and surplus value from commercial locations. As the net accounting balance was positive (more revenue), exceptionally, consolidated EBITDA and net income showed significant growth. They totaled R\$ 247.9 million and R\$ 179.8 million respectively in the quarter, growing 31.0% and 62.1% compared with 1Q16, with margins of 30.7% and 22.3%.

Performance in Brazil was impacted by the retraction in sandals sales volume. In the fourth quarter 2016 Management Report it was commented that the strong sandals sell in recorded at the end of the year could have a negative impact on first quarter 2017 sales, which is what in fact happened. Major customers started the year with high inventories that were slow to move due to their reduced sell out.

In Sandals International, the highlights were the 5.3% growth in the volume exported and 4.9% growth in sales in the EMEA region. Export revenue in dollars was lower than 1Q16 due to the lower average price in function of the country mix. In the United States and the EMEA region, revenues in dollars and euros were higher than in 1Q16. The appreciation of the real reduced the international sandals businesses' revenues in Brazilian currency.

In Argentina, Topper footwear volume was in line with the 1Q16 figure while Textiles saw a drop in volume due to the opening up of garment imports. As in Sandals International, the exchange rate had a negative impact on Alpargatas Argentina's revenue in reais.

The variations in the main consolidated indicators were as follows, in comparison with 1Q16:

- **Net revenue:** R\$ 807.5 million, 18.7% less.
- **Gross profit:** R\$ 351.2 million, retraction of 26.7%. At 43.5%, gross margin was 4.7 percentage points lower.
- **EBITDA:** R\$ 247.9 million, 31.0% higher, with a margin of 30.7%.
- **Net income:** R\$ 179.8 million, up 62.1%, with a margin of 22.3%.
- **Operating cash generation:** R\$ 301.4 million in the 12 months ended on March 31, 2017.
- **Shareholder compensation in the year:** R\$ 74.6 million.
- **Appreciation of preferred shares in 1Q17:** 24.0%.

In a meeting held on April 20, the Board of Directors authorized Alpargatas to convene a Special Shareholders' Meeting to decide on the proposal to migrate to Bovespa's Novo Mercado. Listing on the Novo Mercado will benefit the company and its shareholders, resulting in: (i) better corporate governance practices; (ii) entitlement to vote for all shareholders; (iii) for non-controlling shareholders full tag along; (iv) broader access to the capital market; and (v) potentially greater liquidity for shares. The exchange ratio of 1.30 preferred shares for 1.0 common share for the conversion proposed by the controlling shareholder was based on a study undertaken by Banco Bradesco BBI S.A., the financial institution contracted to coordinate the migration process.

2. OPERATING RESULTS

In the comments on 1Q17 performance the comparisons are made with 1Q16.

2.1. SALES VOLUME

Sandals and Havaianas Extension Products

Thousand pairs/pieces	1Q17	1Q16	Var.
SANDALS	44,633	60,993	-26.8%
Brazil	35,565	52,273	-32.0%
International markets	9,068	8,720	4.0%
HAVAIANAS BRAND EXTENSION	487	585	-16.8%
Brazil	269	419	-35.8%
International markets	218	166	31.3%
TOTAL	45,121	61,578	-26.7%
Brazil	35,834	52,692	-32.0%
International markets	9,286	8,886	4.5%

In the fourth quarter 2016 Management Report it was reported that the strong sandals sell in increased inventory levels in the indirect channels (wholesalers and distributors) in Brazil. As, at the beginning of the year, the sell out in these channels weakened due to the retraction in consumption (according to Nielsen data the sandals market dropped 17.0% and 2.0% in February and March respectively compared with the same months in 2016), the normalization of their inventories did not take place as expected, resulting in a 32.0% decrease in the sandals volume sold in the quarter. The effect of the retraction in consumption was also felt in the Havaianas brand extension lines, with a volume decrease of 35.8%. However, the sandals sales forecast for 2Q17 points to an increase in sell in compared with 1Q17, indicating that the indirect channels have reached their desired minimum inventory and are starting to buy again. Despite the decrease in sales volume, the “power” of the Havaianas brand, which measures intention to purchase the brand's products, increased 4.4 points in March 2017, against the same month of previous year, according to a brand tracking survey conducted by Millward Brown, meaning that consumer preference for buying Havaianas products remains strong.

In the overseas market, sandals sales volume increased in all regions:

- Exports: +5.3%, worthy of note being the increased sales to Paraguay and Australia;
- EMEA: +4.9%, with a robust performance for Havaianas retail; and
- USA: +0.2%.

Sporting Goods and Textiles

Thousand pairs/pieces/meters	1Q17	1Q16	Var.
FOOTWEAR (thousand pairs)	1,998	2,149	-7.0%
Brazil	738	890	-17.1%
Argentina	1,260	1,259	0.1%
APPAREL (thousand pieces)	637	755	-15.6%
Brazil	254	394	-35.5%
Argentina	382	361	5.8%
TEXTILES (thousand meters)	3,108	4,142	-25.0%
Argentina	3,108	4,142	-25.0%
TOTAL	5,743	7,046	-18.5%
Brazil	992	1,284	-22.7%
Argentina	4,751	5,762	-17.5%

Mizuno recorded stronger demand for higher added value footwear (Prophecy and Creation) and continued to supply the market with the brand's basic products, which are being manufactured in Brazil. These factors increased volume by around 2.0%; however, due to the atypical sales cut off (products billed but not delivered), the volume accounted for in the quarter was lower than in 1Q16.

In Argentina, footwear sales volume remained at the same level as 1Q16, putting a stop to the series of decreases. The opening of the market to imported garments resulted in a decrease in textile sales volume.

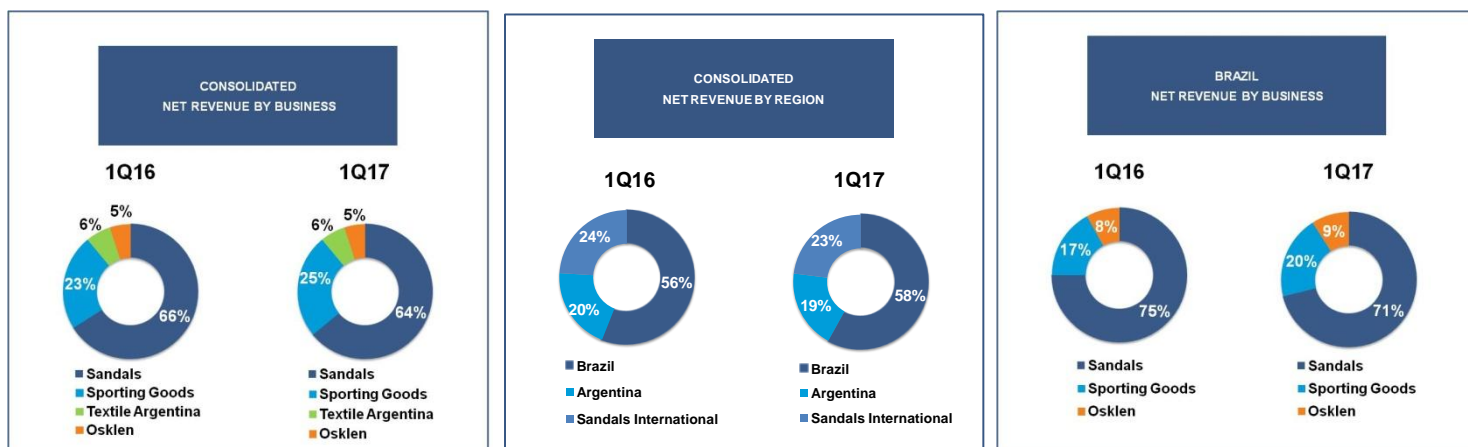
Osklen

Thousand pairs/pieces	1Q17	1Q16	Var.
Osklen footwear, apparel and accessories	300	320	-6.3%

Osklen saw a decrease in sales volume due mainly to the 13.0% retraction in the volume commercialized in its stores as a result of the closure of seven units and lower consumer traffic, especially in Rio de Janeiro. The multibrand channel continued to grow (+8.0%), driven by the higher number of points of sale.

2.2. NET REVENUE

R\$ million	1Q17	1Q16	Var.
NET REVENUE	807.5	993.8	-18.7%
BRAZIL	466.1	560.3	-16.8%
SANDALS INTERNATIONAL	187.3	235.7	-20.5%
ARGENTINA	154.1	197.8	-22.1%



Net revenue in Brazil was lower due to the decreased turnover in Sandals, Osklen and Mizuno.

In Sandals International, the decreased revenue in foreign currency occurred in Exports. Even with the higher volume, there was a reduction in average price because of the country and product mixes. In the United States, the higher revenue in dollars is explained by the better product mix and by direct distribution in Canada, reported in the 4Q16 report, which raised average prices. In the EMEA region, the revenue increase in euros was due to growth in sales volume. In reais, revenue decreased as a result of the 19.6% devaluation of the dollar and the 22.0% devaluation of the euro compared with 1Q16.

CHANGE IN NET REVENUE IN FOREIGN CURRENCIES	1Q17 x 1Q16
EMEA - euro	2.7%
USA - dollar	3.5%
Exports - dollar	-10.3%

In Argentina, the average price increase of 25.2% offset the drop in volume, driving a 3.5% revenue increase in pesos. In reais, revenue decreased 22.1% due to the appreciation of the real against the peso (vs 1Q16). The footwear business accounted for 70.0% of revenue in 1Q17 (67.0% in 1Q16), and textiles, 30.0% (33.0% in 1Q16).

STORES	3/31/2017			31/03/16		
	FRANCHISES	OWN	TOTAL	FRANCHISES	OWN	TOTAL
HAVAIANAS	550	38	588	513	32	545
Brazil	430	4	434	399	4	403
Overseas	120	34	154	114	28	142
OSKLEN	23	56	79	22	64	86
Brazil	22	53	75	20	60	80
Overseas	1	3	4	2	4	6
TOPPER ARGENTINA	0	9	9	0	9	9
OUTLETS	0	30	30	0	34	34
Brazil	0	15	15	0	19	19
Argentina	0	15	15	0	15	15
TOTAL	573	133	706	535	139	674

In the quarter, the variations in revenue for Alpargatas retail, on a same store basis, were as follows:

- Havaianas (franchises Brazil): -11.5%, caused by lower volume due to weaker consumption.
- Meggashop: +1.3%, driven by increased Mizuno and Havaianas sales volume.
- Osklen: -2.3%, due to the lower number of tickets, even though the product mix sold was richer, with an increased share for women's segment items.

2.3. GROSS PROFIT

R\$ million	1Q17	1Q16	Var.
GROSS PROFIT	351.2	479.2	-26.7%
Gross margin	43.5%	48.2%	-4.7 pp
BRAZIL	194.9	251.6	-22.5%
Margin	41.8%	44.9%	-3.1 pp
SANDALS INTERNATIONAL	119.2	165.0	-27.8%
Margin	63.7%	70.0%	-6.3 pp
ARGENTINA	37.1	62.6	-40.7%
Margin	24.1%	31.6%	-7.5 pp

In Brazil, gross margin was reduced in consequence of the lower share of the Sandals business in revenue (see chart on page 6) and the reduction of its margin due to lower dilution of fixed costs. The average cost of rubber in reais benefited from the exchange rate and remained stable compared with 1Q16. The reduction in gross margin in Brazil was attenuated by the increased margin for Mizuno, due to a richer mix and improved cost productivity as a result of production in Brazil and the exchange variation, which reduced the cost of imported products.

In Sandals International, the gross margin was lower as a result of the FX and the decrease in Export margin, caused by the lower average price.

In Argentina, gross margin decreased because of the drop in the footwear (the increase in average price was not enough to offset the increase in costs) and textile margins, caused by a 48.0% increase in the price of cotton in pesos.

2.4. EBITDA

R\$ million	1Q17	1Q16	Var.
EBITDA	247.9	189.2	31.0%
EBITDA margin	30.7%	19.0%	11.7 pp
BRAZIL	201.4	73.0	175.9%
Margin	43.2%	13.0%	30.2 pp
SANDALS INTERNATIONAL	50.8	85.8	-40.8%
Margin	27.1%	36.4%	-9.3 pp
ARGENTINA	-4.3	30.4	-
Margin	-2.8%	15.4%	-18.2 pp

In Brazil, EBITDA was impacted negatively by the loss of gross margin and the lower productivity of SG&A, due to the decrease in revenue. On the other hand, there was a net benefit of R\$ 180.2 million due to the accounting of non-recurring items, worthy of note being the credit relative to the successful outcome of a law suit questioning the exclusion of ICMS tax from the COFINS calculation base.

In Sandals International, the reduction in EBITDA margin was larger than in gross margin due to the loss of productivity in operating expenses caused by the decrease in Export revenue.

In Argentina, in addition to the lower gross margin and loss of productivity in operating expenses, EBITDA also decreased due to the negative net balance of R\$ 14.9 million in non-recurring items.

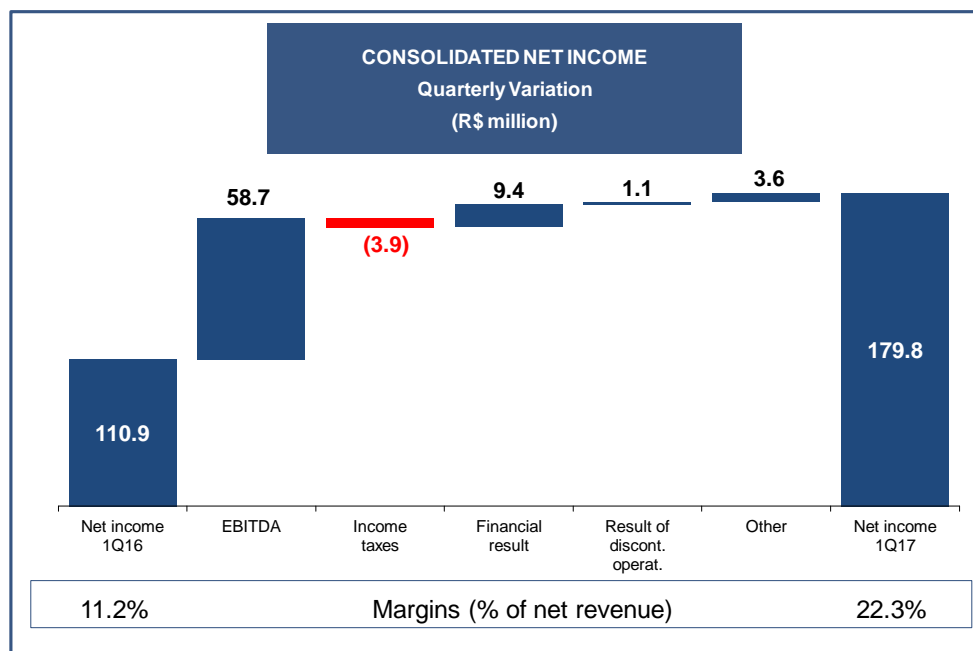
From this year, Alpargatas is starting to report consolidated EBITDA as identified in the following table and in accordance with CVM Instruction 527.

REPORTED EBITDA		
R\$ million	1Q17	1Q16
(=) Consolidated net income	179.8	110.9
(+) Income taxes	30.0	26.1
(+) Financial result	12.4	21.8
(+) Depreciation and amortization	24.0	27.6
(+) Results from discontinued operations	1.7	2.8
(=) EBITDA	247.9	189.2

The difference compared with the form of reporting used up until 2016 is that EBITDA will no longer be adjusted for non-recurring items, which will be identified separately as in the table below.

R\$ million	1Q17	1Q16
OTHER NON-RECURRING OPERATING REVENUE	246.0	-
REVERSAL OF PROVISIONS AND CREDITS FROM TAXES IN BRAZIL	212.7	-
CREDITS FROM TAXES IN ARGENTINA	33.3	-
OTHER NON-RECURRING OPERATING EXPENSES	(80.7)	(3.2)
BRAZIL	(32.5)	(2.8)
ARGENTINA	(48.2)	(0.4)
BALANCE OF OTHER NON-RECURRING OPERATING REVENUES (EXPENSES)	165.3	(3.2)
BRAZIL	180.2	(2,8)
ARGENTINA	(14.9)	(0.4)

2.5. NET INCOME



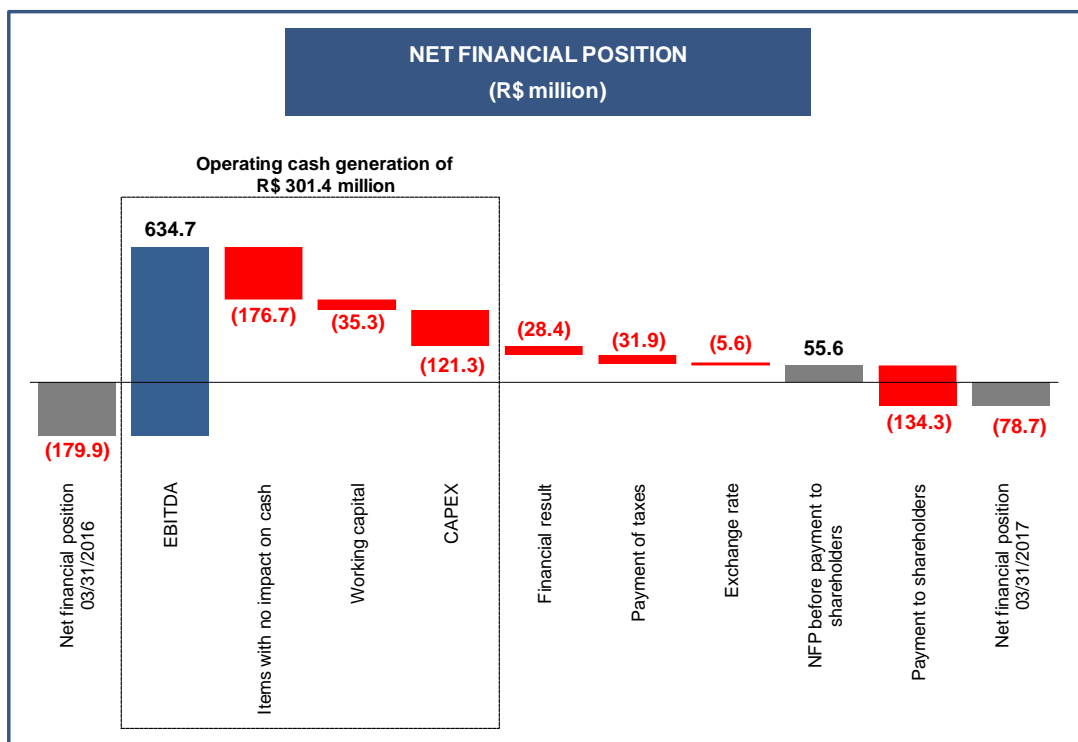
Consolidated net income for the quarter totaled R\$ 179.8 million. The main factors contributing to its growth in the quarter were:

- EBITDA, benefiting from the accounting for non-recurring items in Brazil and in Argentina, explained in 2.4.
- Income Tax, due to the increased profit in the period.
- Higher financial results due to the charges on taxes and FX.
- Result from discontinued operations.

2.6. NET FINANCIAL POSITION

On March 31, 2017, Alpargatas had a negative net financial position of R\$ 78.6 million, resulting from a cash balance of R\$ 510.2 million (operating generation totaled R\$ 301.4 million in the year) and indebtedness of R\$ 588.8 million, with the following profile:

- R\$ 215.7 million (37.0% of the total) due in the short term, of which R\$ 103.5 million in Brazilian currency. The short-term debt in foreign currency totaled R\$ 112.2 million, mainly financing working capital for the company's overseas subsidiaries.
- R\$ 373.1 million (63.0%) due in the long term, of which R\$ 373.0 million in Brazilian currency and R\$ 88,000 in foreign currency.



3. CAPITAL MARKET AND SHAREHOLDER COMPENSATION

On March 31, 2017, the preferred shares (ALPA4) were quoted at R\$ 12.30, and common shares (ALPA3), at R\$ 10.30, respectively 24.0% and 17.5% higher than on December 31, 2016. From January to March Ibovespa increased by 7.9%. At the end of the quarter, Alpargatas' market capitalization was R\$ 5.3 billion, 22.0% higher than the same period of 2016. Average daily trading volume for ALPA4 in the first quarter was R\$ 6.9 million, 32.8% higher than the average volume traded daily in the same period of the previous year. In a meeting held on May 5, 2017, the Board of Directors decided to bring forward a payment of interest on own equity amounting to R\$ 36.4 million, to be paid on July 12, 2017. Added to the R\$ 38.2 million decided on in March, Alpargatas' shareholder compensation for 2017 now totals R\$ 74.6 million.



ALPARGATAS

BALANCE SHEET
(in thousand reais)

ASSETS	3/31/2017	3/31/2016	LIABILITIES	3/31/2017	3/31/2016
Current assets	2,194,715	2,150,935	Current liabilities	1,003,419	1,183,424
Cash and banks	113,910	341,325	Suppliers	364,879	406,479
Tempory cash investment	396,290	50,515	Loans and financing	215,688	402,882
Trade accounts receivable (net of provisions)	795,163	850,313	Debt restructuring agreements	5,870	6,568
Inventories	734,463	707,180	Payroll and related charges	172,767	149,003
Other receivables	37,112	37,041	Reserve for contingencies	15,209	16,500
Prepaid expenses	41,965	37,506	Provision for income and social contribution taxes	34,433	33,560
Assets held for sale	-	-	Taxes payable	25,465	22,512
Other assets	-	-	Interest on capital and dividends payable	37,402	22,945
Recoverable taxes	59,947	78,365	Other payable liabilities	130,465	122,975
Assets from discontinued operations	15,865	48,690	Liabilities on assets from discontinued operations	1,241	
Long-term assets	184,593	140,513	Long-term liabilities	521,568	501,537
Recoverable taxes	53,263	22,144	Loans and financing	373,194	168,970
Deferred income and social contribution taxes	57,718	68,647	Debt restructuring agreements	24,387	31,947
Escrow deposits	22,335	21,590	Provision for taxes	0	187,934
Other receivables	51,277	28,132	Taxes Installments	-	-
			Provision for income and social contribution taxes	62,292	81,013
			Reserve for contingencies	37,254	21,556
			Other payable	24,441	10,117
Permanent Assets	1,354,950	1,384,042	Shareholders' equity	2,209,271	1,990,529
Investments	3,062	2,793	Capital	648,497	648,497
Property, plant and equipment	716,484	719,286	Capital reserves	172,799	183,542
Intangible	635,404	661,963	Treasury shares	(64,248)	(64,248)
			Profit reserves	1,513,070	1,218,788
			Equity assessment	(144,490)	(83,456)
			Hedge operation	-	611
			Additional dividend	-	-
			Minority interest	83,643	86,795
TOTAL ASSETS	3,734,258	3,675,490	TOTAL LIABILITIES	3,734,258	3,675,490
			Book value per share (R\$)	4.59	4.11


INCOME STATEMENT

(in thousands of Brazilian reais)

	1Q17	1Q16
Net Sales	807,460	993,763
Cost of sales	456,248	514,562
Gross Profit	351,212	479,201
<i>gross margin</i>	43.5%	48.2%
Operating Income (Expenses)	(127,338)	(317,643)
Selling	(210,908)	(221,492)
General and administrative	(66,176)	(61,693)
Management fees	(4,618)	(4,415)
Amortization of intangible charges	(7,394)	(8,847)
Other operating Income (expenses), net	161,758	(21,197)
EBIT - Operating Results	223,874	161,558
<i>operating margin</i>	27.7%	16.3%
Financial Result	(9,529)	(12,664)
Exchange variation	(2,891)	(9,154)
Operating Income	211,454	139,740
Income and social contribution taxes	(30,016)	(26,095)
Net Income from continuing operations	181,438	113,645
Net result from discontinued operations	(1,674)	(2,779)
Consolidated net income	179,764	110,866
EBITDA - R\$ million	247.9	189.2
<i>EBITDA margin</i>	30.8%	19.0%

CASH FLOW

(in thousand reais)

CASH FLOW FROM OPERATING ACTIVITIES	3/31/2017	3/31/2016
Cash from operating activities	98,183	144,774
Net income for the period	181,437	113,464
Depreciation and amortization	24,074	27,499
Income (loss) from disposal/derecognition of property, plant and equipments.	7,027	1,096
Equity pickup	0	0
Interest and Monetary and foreign exchange variation	11,572	6,924
Provisions for tax, civil contingencies and labor claims	3,795	5,210
Deferred income and social contribution taxes	14,458	-2,143
Suspended taxes payments	-198,624	0
Allowance (reversal of) for doubtful accounts	5,558	1,712
Provision for (reversal of) inventory losses	8,498	2,361
Amortization of charges on loans and financing	-11,340	-12,606
Unrealized gains/losses on derivative transactions	720	4,756
Gain/loss in operation with derivatives	0	-393
Stock option plan granted	0	0
Remeasurement adjustment - 1st acquisition Osklen	44	0
From sale of Real property	0	0
Provision for Impairment of property, plant and equipment/Intangible assets	14,337	0
Remeasurement of asset for sale	0	0
Net cash spent in discontinued operations	36,627	-3,106
Changes in assets and liabilities	-55,722	-153,294
Trade accounts receivable	111,206	-11,595
Inventories	-118,604	-114,699
Prepaid expenses	-30,269	-24,061
Taxes recoverable	-29,535	7,971
Trade accounts payable	-53,519	-2,371
Taxes payable	-8,180	19,695
Payroll and social charges	10,486	-14,094
Payment of income and social contribution taxes	-613	-5,862
Other	63,306	-8,278
NET CASH - OPERATING ACTIVITIES	42,461	-8,520

CASH FLOW FROM INVESTING ACTIVITIES	3/31/2017	3/31/2016
Acquisition of property, plant and equipment and intangible assets	-27,115	-14,944
Short-term investments	53,993	50,962
Receivable from sale of permanent assets	0	2,827
Acquisition of Investments	0	0
Initial Cash Balance of controlled company	0	0
NET CASH - INVESTING ACTIVITIES	26,878	38,845
CASH FLOW FROM FINANCING ACTIVITIES		
Loans and financing raised	45,115	45,346
Amortization loans and financing - Principal	-47,081	-130,562
Payment of dividends and interest on equity	-5,554	-3,010
Amortization through debt restructuring of subsidiary	-1,676	-3,705
Acquisition shares to be held in treasury, net	0	23,890
NET CASH - FINANCING ACTIVITIES	-9,196	-68,041
Exchange gains (losses) on cash and cash equivalents	-1,624	-15,885
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	58,519	-53,601
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	391,347	394,926
CASH AND CASH EQUIVALENTS AT END OF PERIOD	449,866	341,325