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guararapes
GUARARAPES CONFECÇÕES S/A

First Quarter 2010

GUARARAPES-RIACHUELO REPORTS 1Q10 RESULTS WITH HIGHEST EBITDA MARGIN IN DATA SERIES

Price (May/13/2010)
GUAR3: R$ 58.55
GUAR4: R$ 51.00
Market Capitalization
R$ 3.42 billion

Conference Call
in Portuguese

Monday (May 17)
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Code: Guararapes

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São Paulo, May 14, 2010 - Guararapes Confecções S.A. (Bovespa: GUAR3 - ON and GUAR4 - PN), Brazil's largest apparel manufacturer and the parent company of Lojas Riachuelo, one of the country's leading apparel department store chains, reports its results for the first quarter of 2010 (1Q10).
Except where stated otherwise, the financial and operating data are presented on a consolidated basis and in Brazilian real, pursuant to Brazilian Corporate Law.

1Q10 Financial and Operating Highlights

- ✓ Net Profit grows 182.9% to R$52.3 million;
- ✓ Consolidated net revenue grows 18.7% to R$466.0 million;
- ✓ Riachuelo same-store sales increase 12.1% from same quarter a year ago and 12.3% from 1Q08 (two-year period);
- ✓ Consolidated gross product margin up 2.2 p.p. to 53.1%;
- ✓ EBITDA of R$98.4 million, increasing 88.5% from 1Q09;
- ✓ EBITDA margin (ratio of product sales) of 25.7% in 1Q10, up 9.7 p.p.;
- ✓ Riachuelo card loss ratio resumes a downward path, falling to 5.9% at end March.

Financial Highlights *(R$ Million)*	**1Q10**	**1Q09**	**Chg.(%)**
Gross Revenue	602.6	510.5	18.1%
Net Revenue	**466.0**	**392.7**	**18.7%**
Gross Profit	**278.5**	**222.1**	**25.4%**
Gross Margin	*59.8%*	*56.5%*	*3.2 p.p.*
Financial Service Revenues	*53.1%*	*50.9%*	*2.2 p.p.*
Adjusted EBITDA	**98.4**	**52.2**	**88.5%**
EBITDA Margin	*21.1%*	*13.3%*	*7.8 p.p.*
EBITDA margin on revenue from goods	*25.7%*	*16.0%*	*9.7 p.p.*
Net Income (Loss)	**52.3**	**18.5**	**182.9%**
EPS (R$)	0.84	0.30	182.9%

EBITDA is not a measure recognized by Brazilian GAAP or US GAAP, does not represent cash flow for the periods presented and should not be considered an indicator of operational performance or a substitute for cash flow as a measure of liquidity. EBITDA does not have a standardized meaning and our calculation of EBITDA may not be directly comparable with the EBITDA or Adjusted EBITDA of other companies.

Management's Comments

Given the seasonality for apparel retailers, the first quarter typically registers the lowest sales volume of any quarter of the year. The main factor driving this behavior is the use of income by consumers to pay for summer vacations, taxes and back-to-school expenses.

Every year in late January and February, stock adjustments are made in the spring/summer collections ahead of the arrival of merchandise for the fall/winter collection in March. This year, however, the higher level of integration observed between the development, production and retail divisions required fewer adjustments, generating an increase in **consolidated gross product margin**, which expanded to **53.1%** in 1Q10, **2.2 p.p.** higher than in 1Q09.

Another highlight in the first quarter was the acceleration in **sales growth at Riachuelo**. The growth of **17.3%** in net revenue and **12.1%** in same-store sales was driven by the series of measures implemented over recent years, during which the Company has significantly accelerated the level of integration between its retail and manufacturing operations.

Operating Data	1Q10	1Q09	Chg.(%)
Consolidated Net Revenue (R$ MM)	466.0	392.7	18.7%
Riachuelo's Net Revenue (R$ MM)	382.6	326.0	17.3%
All-store nominal growth over the previous year	17.3%	3.2%	14.1 p.p.
Same-store nominal growth over the previous year	12.1%	0.2%	11.9 p.p.
Number of stores under remodeling in the Period	0	4	
Total number of stores at the end of the period	107	101	5.9%
Sales area in thousand m² at end of the period	277.7	257.5	7.8%
Net revenue per m² (R$ per m²)			
Net revenue per average sales area in the period	*1,377.7*	*1,281.6*	7.5%
Average Ticket of the Riachuelo Card (R$)	104.1	94.4	10.4%
Total number of Riachuelo Cards (MM)	15.9	14.8	8.1%
% of total sales using the Riachuelo Card	53.6%	56.7%	-3.2 p.p.
% of sales through interest-bearing plans (0+8)	14.4%	10.7%	3.8 p.p.
Total Net Personal Loan Portfolio (R$ MM)	43.2	47.2	-8.5%
Number of employees			
Guararapes + Riachuelo + TCV + Midway Mall + Midway Financeira	*35,362*	*32,709*	*8.1%*

Advancing its **expansion process**, Riachuelo intensified the pace of store inaugurations scheduled for 2010. To date, 14 new stores have been confirmed, with five already inaugurated during April. The Company's goal is to open at least 30 stores during 2010 and 2011.

The credit card branding process also registered consistent progress during the quarter. The Company already began initial testing involving Riachuelo's private-label card under the Visa and MasterCard brands. As soon as the tests are concluded, the Company will begin the process of transforming its card base from private-label into branded cards. In the first 12 months of operations, the Company plans to convert a total of one million cards into Visa and MasterCard brands.

The Annual Shareholders' Meeting held on April 26, 2010 approved the distribution of R**$41.5 million** in dividends for fiscal year 2009, equivalent to **R$0.63** per **common share** and **R$0.70** per **preferred share**.

Guararapes Confecções

The parent company is responsible for the group's manufacturing division. The Company's entire production is allocated to Riachuelo, reflecting the total integration that exists between the retail and manufacturing divisions.

Production

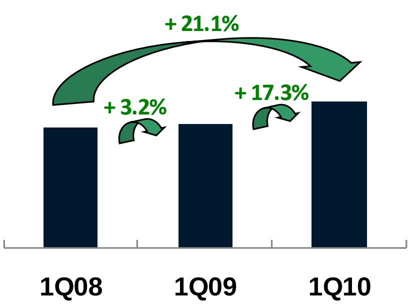
Guararapes has two manufacturing centers, one in Fortaleza, Ceará and the other in Natal, Rio Grande do Norte, with total output in excess of 300,000 items per day. Responsible for knitwear and part of the clothing line, the Natal plant has a total area of 150,000 m² and is capable of producing more than 240,000 items per day. Meanwhile, the Fortaleza plant is responsible for the jeans and shirts line, with production capacity that exceeds 60,000 items per day and occupying an area of 60,000 m².

Guararapes **production** totaled **9.4 million items** in the period, representing a 4.5% decline from the 9.8 million items made in the first quarter of 2009. This performance is due to the increased share of production allocated to the development of higher value-added items with greater fashion appeal, in line with the needs of Riachuelo's product mix.

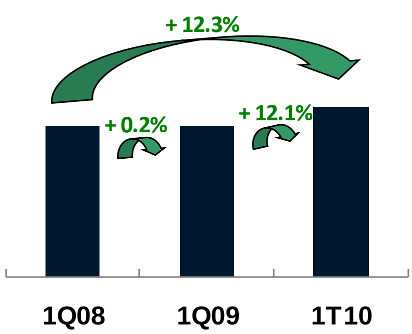
Lojas Riachuelo

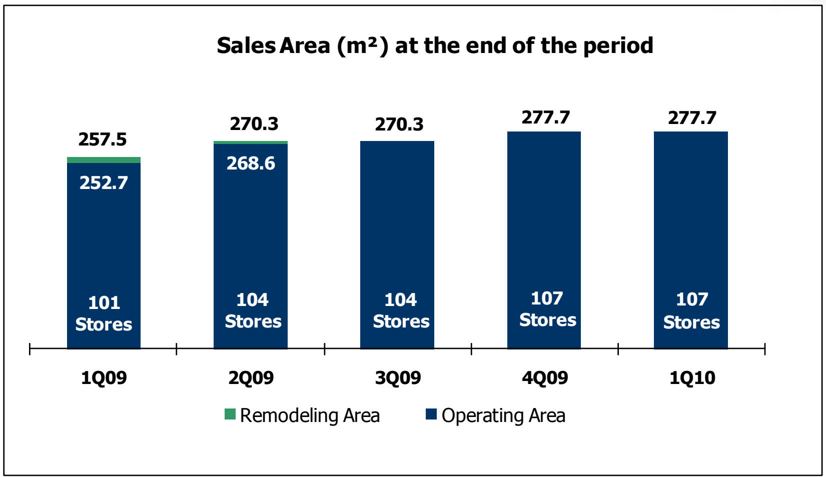
Even considering the comparison base of a 0.2% increase in same-store sales from 1Q09, Riachuelo's **net revenue** grew by **17.3%** in the first quarter, or by **12.1%** on a **same-store basis**. **Consolidated gross product margin** presented further improvement during the quarter, expanding by **2.2 p.p.** in the period to **53.1%**, from 50.9% in 1Q09, with Guararapes' products accounting for a 47.1% share of Riachuelo's Sales.

Net Revenue - Riachuelo



Same Store Sales

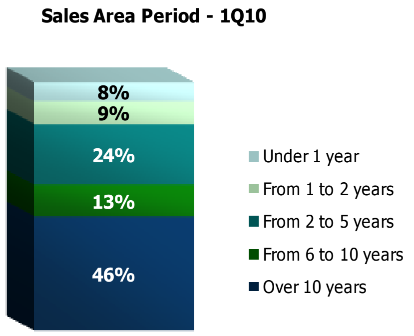




The expansion program is one of the highlights of 2010. To date, 14 new stores have been confirmed, and other stores are in the negotiation phase. The goal is to inaugurate 30 stores in 2010 and 2011, still under the Company's current format, that is, with an average sales area of 2,600 m².

New Stores 2010	Opening	m²
1 - Diadema/SP - Shopping Praça da Moça	April 8	1,990
2 - São Luis/MA - Rio Anil Shopping Center	April 15	2,587
3 - Osasco/SP - Shopping União de Osasco	April 20	2,277
4 - Caxias do Sul/RS - Shopping Center Iguatemi Caxias	April 22	2,071
5 - Goiânia/GO - Goiânia Shopping Center	April 29	1,744
6 - Palmas/TO - Capim Dourado Shopping	3Q10	
7 - Feira de Santana/BA	3Q10	
8 - Uberlândia/MG - Uberlândia Center Shopping	4Q10	
9 - São Gonçalo/RJ - Shopping Boulevard São Gonçalo	4Q10	
10 - São Paulo/SP - Shopping SP Market	4Q10	
11 - Belo Horizonte/BH - Boulevard Shopping BH	4Q10	
12 - Salvador/BA - Salvador Norte Shopping	4Q10	
13 - Rio de Janeiro/RJ - West Shopping Rio	4Q10	
14 - Maringá/PR - Catuaí Shopping Center	4Q10	

The expansion process reflects Riachuelo's objective to capture new markets and strengthen its regional positioning by inaugurating and remodeling units. Remember that the maturation period of a new store is approximately five years, which means these areas are of particular importance in determining the Company's pace of sales growth. At the end of March 2010, **33%** of Riachuelo's sales area was between **one and five years old**, up from 27% a year earlier.



Midway Financeira

Midway Financeira S.A. was created in January 2008 and inaugurated in July of the same year to carry out financing operations for consumers of the products and services of its parent company, Lojas Riachuelo, seeking the financial resources best suited to support these transactions.

As of August 2008, all new operations related to the Riachuelo card (non-interest-bearing installment sales, interest-bearing installment sales, “Saque Fácil” cash withdrawals, personal loans and financial products) began to be accounted at Midway Financeira. Pre-existing portfolios at Riachuelo were not transferred to the new company. Therefore, these amounts were gradually reduced as they matured until they became residual.

The income statement of Midway Financeira is presented below, showing the location where each line is allocated on the Company's consolidated income statement.

Midway Financeira - Income Statement	1Q10	1Q09	Chg.(%)	Location in the Consolidated Income Statement
Financial Service Revenues	**81,639.37**	**66,117.34**	**23.5%**	
Financial Revenue from interest-bearing sales, late fines and interest on arreas	61,696.85	44,134.53	*39.8%*	Gross revenue
Revenue from Registration and Collection Fees	1,789.31	2,812.84	*-36.4%*	Other Operating Income
Revenue from Personal Loans and Saque Fácil	7,284.53	8,362.41	*-12.9%*	Gross revenue
Revenue from Fees on Financial Products	10,868.68	10,807.56	*0.6%*	Gross revenue
Allowance for Doubtful Accounts	**(14,299.34)**	**(18,154.74)**	**-21.2%**	
Personal Loans and Saque Fácil Provision For Doubtful Accounts (PDA)	(1,484.18)	(2,918.19)	*-49.1%*	Selling Expenses
Interest-bearing and Non-interest Bearing Sales Provision For Doubtful Accounts (PDA)	(12,815.15)	(15,236.56)	*-15.9%*	Selling Expenses
Funding Expenses	**(884.20)**	**(6,137.37)**	**-85.6%**	Cost of Goods and Services Sold
Discounts on Loan Operations	**(3,469.74)**	**(505.05)**	**587.0%**	Cost of Goods and Services Sold
Gross Revenue from Financial Operations	**62,986.10**	**41,320.17**	**52.4%**	
Revenue From Securities	1,465.70	1,533.30	*-4.4%*	Gross Revenue
Revenue From Services Rendered to Riachuelo	5,298.04	4,806.30	*10.2%*	Other Operating Income
Other Operating Income	29.84	6,173.95	*-99.5%*	Other Operating Income
Administrative Expenses	(22,506.43)	(7,383.91)	*204.8%*	General and Administrative Expenses
Taxes Expenses	(4,867.42)	(4,587.22)	*6.1%*	Deductions
Securities Expenses	(3,498.37)	(3,855.00)	*-9.3%*	Cost of Goods and Services Sold
Other Operating Expenses	(2,808.28)	(2,584.83)	*8.6%*	General and Administrative Expenses
Income/loss from Exchange Rate Variation	(23.77)		*0.0%*	Cost of Goods and Services Sold
Operating Result	**36,075.43**	**35,422.76**	**1.8%**	
Non-operating Result	0.00	(0.60)	*-100.0%*	Non-operating Result
Earnings Before Income Tax	**36,075.43**	**35,422.16**	**1.8%**	
Income and Social Contribution Taxes	(14,432.02)	(13,949.77)	*3.5%*	Income and Social Contribution Taxes
Profit Sharing	-	-	-	Other Operating Expenses
Net Income (Loss)	**21,643.40**	**21,472.38**	**0.8%**	

During 2009, Midway Financeira recognized on its financial statements the expenses related to the private-label card operations that previously were recognized at Riachuelo. Therefore, of the R$22.5 million recorded as administrative expenses in the first quarter of 2010, R$19.6 million refer to operating expenses related to the private-label card, with R$13.8 million transferred during the period from the end of 1Q09 to 1Q10.

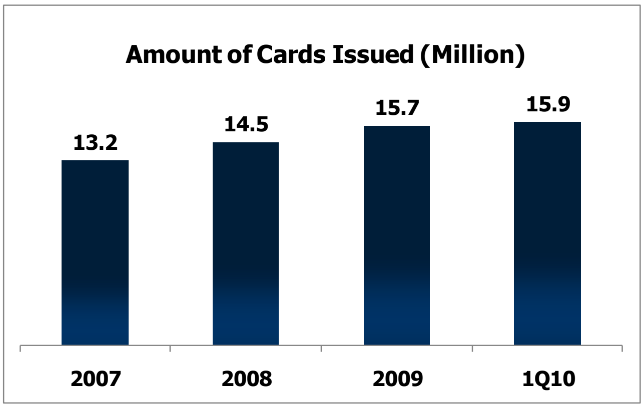
During the first quarter of 2010, the Company continued to manage its balance of provisions for doubtful accounts (PDA) in order to maintain the **PDA / Portfolio Volume ratio** at **levels adequate** for the level of risk of its operations. To better illustrate the process of constituting the provision for doubtful accounts, the table below provides a breakdown of the portfolio by period overdue and the respective provision amounts. The chart also presents a comparison of the PDA / Portfolio Volume ratio with the minimum levels required by Central Bank Resolution 2,682.

March 2010 (R$ thousand)					PDA (%), minimum required by Central Bank	
Period of overdue (days)	Risk	Portfolio	PDA Balance	PDA Balance (%)	Risk	PDA (%), minimum required by Central Bank
performing	A	474,387	24,336	5.1%	A	0.5%
15-30	B	37,751	2,594	6.9%	B	1.0%
31-60	C	25,156	2,425	9.6%	C	3.0%
61-90	D	18,279	3,051	16.7%	D	10.0%
91-120	E	10,946	4,269	39.0%	E	30.0%
121-150	F	8,924	5,800	65.0%	F	50.0%
151-180	G	9,225	8,394	91.0%	G	70.0%
> 180	H	116,398	116,398	100.0%	H	100.0%
Mar/10 Total		**701,065**	**167,267**	**23.9%**		
Up to 180 days		**584,667**	**50,869**	**8.7%**		
Coverage ratio (overdue more than 90 days)*						**115.0%**

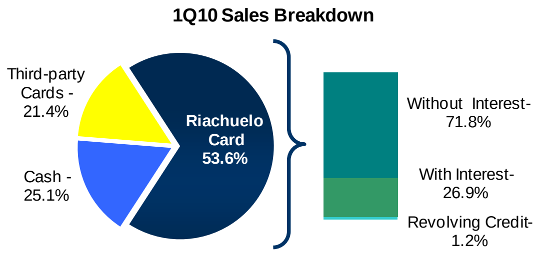
Total PDA for credits overdue more than 90 days (E-H)

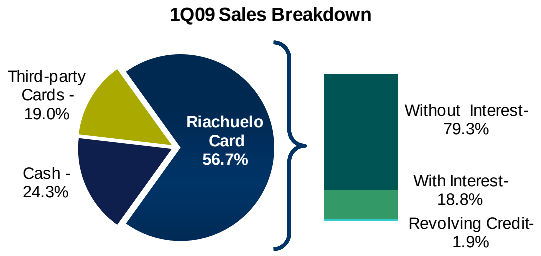
As shown, the Company maintains provisions above the minimum levels required for all ranges in the portfolio (A-H). It is also important to note that **total provisioning** currently covers **115.0% of the amounts overdue more than 90 days**.

Midway Financeira continues to book on its financial statements the expenses related to the Riachuelo card operations that previously were booked at Riachuelo. Therefore, of the R$22.5 million recorded as administrative expenses in the first quarter of 2010, R$12.9 million involves the operating expenses related to the private-label card that previously were booked as selling expenses at Riachuelo. Therefore, this figure does not represent any type of increase in the Company's administrative structure.



During the first quarter of 2010, the Company reached a base of **15.9 million cards**, of which **270,600** were issued in the first quarter of 1Q10. The **average ticket** of the Riachuelo card increased by **10.4%** to **R$104.1** in 1Q10, from R$94.4 in the same period of 2009.





The **Riachuelo Card** accounted for **53.6%** of sales in the first quarter of 2010, while in the same period of 2009, this share was 56.7%. This variation is due to the period involved with building up the cardholder base at recently inaugurated stores and the growing penetration of branded cards in all income brackets.

The **share of interest-bearing installment sales** in total sales stood at **14.4% in 1Q10**, up from 10.7% in the same period of 2009. Note that in January and part of February 2009, the Company did not offer the option of interest-bearing installment sales with a grace period. Only as of February, Riachuelo lowered back to 5.9% per month the rate charged on its interest-bearing sales, allowing its longer plans to return to more significant levels.

In addition to interest-bearing installment sales, personal loans and cash withdrawals, Midway Financeira also offers its customers three different types of insurance (**Unemployment, Home Owner and Personal Accident**) and three types of assistance plans (**Home, Vehicle and Dental**), in addition to **Card Protection**, where customers pay a monthly fee to have their card insured against loss and theft.

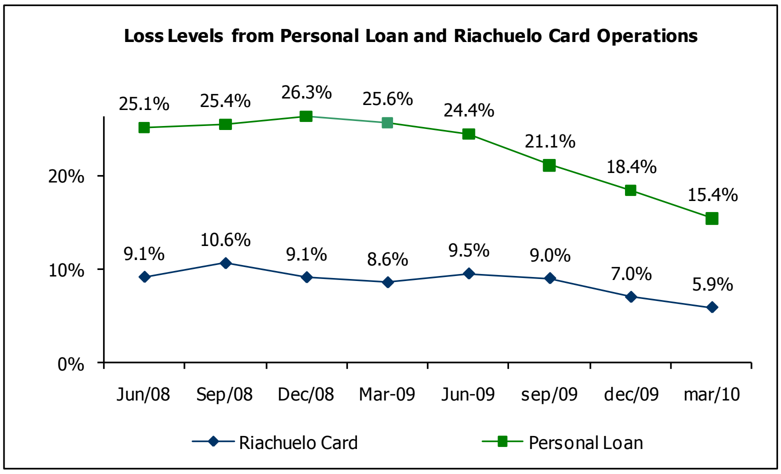
Performance of Financial Operations involving Riachuelo's portfolio

Financial operations income from the Riachuelo portfolio totaled **R$1.8 million** in 1Q10, declining 93.4% from the R$26.4 million recorded in the same period of the previous year, due to the current residual value of the active portfolio.

For comparison purposes, to obtain the amount of consolidated income from **Financial Operations** using the previous method, add R$1.8 million from Riachuelo, R$81.6 million for the income from Midway's financial operations and subtract R$3.6 million from the variation in the balance of "income to be recognized" at Midway Financeira, R$3.5 million from the Discounts on Loan Operations and the funding costs involved, for a total of **R$75.4 million** in 1Q10, as shown below.

Financial Operation (thousand)	1Q10	1Q09	Chg.(%)
Financial Operation Revenue (Consolidated)	**75,441**	**84,962**	**-11.2%**
Financial Operation Revenue (Midway Financeira)	81,639	66,117	23.5%
Credit Assignment (Funding) Expenses	(884)	(6,137)	-85.6%
Discounts on Loan Operations	(3,470)	(505)	587.0%
Variation in Revenue to be Recognized (Midway Financeira)	(3,596)	(875)	311.0%
Financial Operation Revenue (Riachuelo)	1,752	26,362	-93.4%
Provision and Loss (Consolidated)	**(4,584)**	**(50,928)**	**-91.0%**
Provision and Loss (Midway Financeira)	(14,299)	(18,155)	-21.2%
Provision and Loss (Riachuelo)	9,716	(32,774)	n.m.
Total	**70,857**	**34,033**	**108.2%**

The chart below shows the trajectory of losses from the Riachuelo Card and personal loan operations. The amounts indicate the percentage overdue more than 180 days in relation to the total receivables expected in the respective period.



The **Riachuelo card loss ratio** decreased from 7.0% at year-end 2009 to **5.9%** at end 2010. Meanwhile, the **2.7 p.p. reduction** from the loss ratio of 8.6% at end March 2009, as already mentioned in the past quarter, was due to the redesign of the credit-approval process, with the addition of **external databases**, which led to much more accurate mapping of customer credit behavior in their respective markets. Moreover, the implementation of cutting-edge technology, such as the acquisition of an **SAS** program, has contributed significantly to enhancing the current **Behavior Score** and **Credit Score** systems. The collection process was also reviewed, making it more efficient.

In line with the Riachuelo card, the loss ratio from the **personal loan operations also decreased**, from 18.4% in December 2009 to 15.4% at the end of March 2010. In comparison with a year earlier, the decrease was even more substantial, of **10.2 p.p.** To reduce the current level of losses, a more conservative loan approval policy has been adopted for some time now. The **personal loan portfolio** (Riachuelo + Midway Financeira) totaled **R$43.2 million at the end of 1Q10**, compared with R$37.7 million at end December 2009 and R$47.2 million at the end of the first quarter of 2009.

Midway Mall and Own Stores

Midway Mall is located on the most important intersection of Natal, Rio Grande do Norte, which is formed by the avenues Senador Salgado Filho and Bernardo Vieira, the city's main thoroughfares. The mall enjoys excellent access and is located just 15 minutes from the city's main districts, ensuring that the entire urban area is within its area of influence.

Inaugurated on April 27, 2005, and with nearly all its gross area currently leased, the mall has **231,000 m²** with **three floors** in operation, with satellite stores, 13 anchor stores, a food court and several service outlets. The **third floor**, which was recently expanded (April 2009), has seven Cinemark movie theaters, five new anchor stores and other satellite stores.

Also on the third level, Midway Mall will have the city's most modern and comprehensive concert halls. With inauguration scheduled for the second half of 2010, the halls can hold up to 3,500 spectators, at its largest configuration. With this project, the mall consolidates its mix of leisure, entertainment and cultural attractions, providing the public with a wide range of shows and performances, through a specialized management in partnership with highly experienced operators of the segment.

The table below shows the evolution of the mall's revenue and EBITDA. Note that revenue and expenses related to the shopping mall operations are booked under "Gross Revenue" and "General and Administrative Expenses", respectively.

Midway Results (R$ thousand)	1Q10	1Q09	Chg.(%)
Rental and Key Money Net Revenue (R$ '000)	6,985.5	6,311.2	10.7%
EBITDA (R$ '000)	6,363.5	5,706.9	11.5%
EBITDA Margin	**91.1%**	**90.4%**	**0.7 p.p.**
GLA (thousand m^2)	56.6	46.8	20.9%
EBITDA/GLA (R$/$m^2$)	**112.4**	**121.9**	**-7.8%**

In addition to the Mall operations, the group enjoys a competitive advantage by having a large portfolio of stores located on **own properties**. Of the 107 Riachuelo stores at the close of the quarter, 46 were installed in properties owned by the group. Therefore, of the 277,700 m² in total sales area, 116,800 m² (42.1%) were located in own stores. Considering these stores together with the two distribution centers and six production plants, the Company currently has approximately **800,000 m²** in gross built area.

	Quantity	(%)
Own Stores	**46**	**43%**
Mall Stores	8	7%
Street Stores	38	36%
Rented Stores	**61**	**57%**
Mall Stores	59	55%
Street Stores	2	2%
Total Stores	**107**	**100%**

Street stores located on own properties

State	No. of Own Stores	Sales Area (m²)	Total Area
Alagoas	1	1,968	3,135
Amazonas	1	3,101	5,282
Ceará	1	2,562	4,129
Distrito Federal	2	3,641	6,746
Goiás	2	3,888	5,972
Maranhão	1	3,886	4,319
Minas Gerais	1	2,895	7,849
Mato Grosso do Sul	2	4,109	6,423
Mato Grosso	1	2,310	4,766
Pará	1	3,830	5,905
Pernambuco	1	5,093	12,931
Piauí	2	2,616	5,619
Paraná	5	10,761	21,307
Rio Grande do Norte	2	7,902	12,089
Rio Grande do Sul	1	1,996	3,055
Sergipe	1	3,202	5,481
São Paulo	13	25,534	58,160
Total Street Stores	**38**	**89,294**	**173,168**

Mall stores located on own properties

State	No. of Own Stores	Sales Area (m²)	Total Area
Amazonas	1	3,177	4,172
Distrito Federal	1	2,774	3,870
Espírito Santo	1	3,206	4,560
Pernambuco	1	3,010	4,446
Rio de Janeiro	1	4,128	5,384
Rio Grande do Norte	1	6,556	10,230
Sergipe	2	4,649	7,639
Total Mall Stores	**8**	**27,500**	**40,301**
Total Own Stores	**46**	**116,794**	**213,469**

Guarulhos Distribution Center	
Guarulhos DC land area	175,678
Total Built-up Area	84,725

Riachuelo São Paulo Head Office	
Headquarters land area	45,030
Total Built-up Area	42,312

Guarulhos Distribution Center	
Total Built-up Area	57,552

TCV

Transportadora Casa Verde (TCV) is responsible for part of the group's logistics, and with investments made over the past few years, particularly in the technology area, TCV assures timely and efficient delivery of the products made by Guararapes Confecções to the Riachuelo stores.

Grupo Guararapes - Consolidated Results

The Company's consolidated results include the results of the parent company and its subsidiaries.

Net Revenue

Consolidated net revenue totaled **R$466.0 million** in the first quarter of 2010, an **18.7%** increase from the R$392.7 million reported in the same period of 2009. Consolidated net revenue is composed of net sales revenue (R$ 382.6 million), net revenue from Midway Financeira (R$ 76.4 million) and net revenue from Midway Mall (R$ 7.0 million).

Gross Profit and Gross Margin

During the first quarter, **consolidated gross profit** climbed **25.4%**, from R$222.1 million in 1Q09 to **R$278.5 million** in 1Q10. **Consolidated gross margin** reached **59.8%**, expanding by **3.2 p.p.** from 1Q09, due to the greater integration between Riachuelo and Guararapes and the consolidation of the results from Midway Financeira.

Excluding the impact of Midway Financeira and Midway Mall, **consolidated gross product margin (Retail + Industry)** came to **53.1%** in the quarter, **2.2 p.p.** higher than in the same period of last year, as shown in the table below.

In R$ thousand

	1Q10	1Q09	Chg.(%)
Consolidated Net Revenue	**466,004**	**392,692**	**18.7%**
(-) Net Revenue - Midway Financeira	(76,448)	(60,251)	26.9%
(-) Net Revenue - Midway Mall	(6,985)	(6,311)	10.7%
(=) Consolidated Net Revenue of Merchandise (Industry + Retail)	**382,571**	**326,130**	**17.3%**
Consolidated Gross Profit	**278,526**	**222,062**	**25.4%**
(-) Gross Profit - Midway Financeira	(68,572)	(49,753)	37.8%
(-) Gross Profit - Midway Mall	(6,985)	(6,311)	10.7%
(=) Consolidated Gross Profit of Merchandise (Industry + Retail)	**202,968**	**165,997**	**22.3%**
Consolidated Gross Margin of Merchandise (Industry + Retail)	**53.1%**	**50.9%**	**2,2 p.p.**

Selling, General and Administrative Expenses

Selling expenses decreased by **21.3%**, from R$163.5 million in 1Q09 to **R$128.6 million** in 1Q10. Excluding the expenses with **losses and the provision for doubtful accounts** related to the Riachuelo and Midway Financeira operations (R$4.6 million), accounted under selling expenses, the amount reported in the first quarter reached **R$124.1 million**, **10.2%** higher than in 1Q09, equivalent to **26.6%** of net revenue, compared with 28.7% in 1Q09.

The group's **general and administrative expenses** closed the first quarter of 2010 with growth of **32.3%** to **R$82.7 million**, from R$62.5 million in 1Q09. This variation was due to the transfer of a portion of the expenses related to the Riachuelo Card operations to Midway Financeira, which are now booked as administrative expenses.

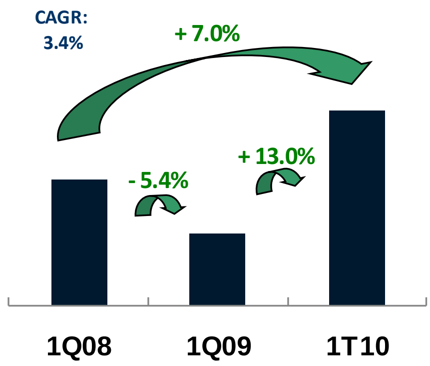
The sum of **administrative and selling expenses**, excluding the effects from the provision for doubtful accounts (**R$4.6 million** in 1Q10 and R$50.9 million in 1Q09) and from **depreciation** expenses (**R$19.9 million** in 1Q10 and R$21.7 million in 1Q09), increased by **21.8%** in the quarter and corresponded to 40.1% of net revenue, versus 39.0% in 1Q09.

Operating Expenses (R$ thousand)	1Q10	1Q09	Chg.(%)
Selling Expenses	**(128,639)**	**(163,520)**	**-21.3%**
Expenses with losses and PDA	4,584	50,934	-91.0%
Selling Expenses excluding PDA	**(124,056)**	**(112,586)**	**10.2%**
General and Administrative Expenses	**(82,669)**	**(62,473)**	**32.3%**
Depreciation Expenses	19,944	21,741	-8.3%
G&A Expenses excluding Depreciation	**(62,724)**	**(40,732)**	**54.0%**
Total Expenses excluding PDA and Depreciation	**(186,780)**	**(153,318)**	**21.8%**
% / Net Revenue	40.1%	39.0%	1.0 p.p.

Operating Expenses (R$ thousand)	1Q10	1Q09	Chg.(%)
Total Expenses with losses and PDA	**(186,780)**	**(153,318)**	21.8%
Total Expenses excluding PDA and Depreciation per Store	**(1,746)**	**(1,518)**	**15.0%**
Total Expenses excluding PDA and Depreciation per m²	**(673)**	**(595)**	**13.0%**

As shown, **operating expenses per m²** increased by **7.0%** from 1Q08, representing an **annualized increase** of **3.4%** over the last two years. The higher expenses in the quarter reflect the higher allocation of resources to marketing campaigns, the reformulation of personnel due to the higher number of stores, and the adjustment of support areas to accelerate the pace of expansion.

Operating Expenses per m²



Operating Income

In addition to its retail apparel operations, the Company also considers the results from Midway Mall and Midway Financeira as part of its core operations.

Therefore, we add the revenue from financial operations to our EBIT and EBITDA in order to better demonstrate our operating cash generation, since all expenses related to these operations, including losses and the provisions for doubtful accounts, are booked under operating expenses.

Given the strategy adopted to increase **integration**, as of 2008, **EBITDA** began to incorporate the revenue from **tax credits**. The purpose of this change was to reflect the revenue generated by these incentives, in light of the strategic importance of this element in the Company's operations.

EBITDA Reconciliation (R$ thousand)	1Q10	1Q09	Chg. (%)
Gross Profit	**278,526**	**222,062**	**25.4%**
(-) Selling Expenses	(128,639)	(163,520)	-21.3%
(-) Administrative Expenses	(82,669)	(62,473)	32.3%
(+) Other Operating Income/Expenses	(1,322)	(585)	125.8%
(+) Financial Service Revenues	1,752	26,362	-93.4%
(+) IR Tax Benefits	6,327	4,082	55.0%
EBIT	**73,975**	**25,926**	**185.3%**
(+) Depreciation and Amortization	24,437	26,271	-7.0%
EBITDA	**98,412**	**52,198**	**88.5%**
EBITDA Margin	*21.1%*	*13.3%*	7.8 p.p.
EBITDA margin on revenue from goods	*25.7%*	*16.0%*	9.7 p.p.

As a result of the solid sales performance, strong margin expansion and lower delinquency, combined with the high levels of renegotiation of debits overdue more than 180 days, **EBITDA grew 88.5%** in the quarter to **R$98.4 million**, with **EBITDA margin** (ratio of consolidated net product revenue) of **25.7%** (**21.1%** as a ratio of the Company's net revenue), compared with 16.0% in 1Q09 (13.3% as a ratio of the Company's net revenue).

Net Income

Consolidated net income totaled **R$52.3 million** in the first quarter of 2010, up **182.9%** from R$18.5 million in the same period last year. **Net margin** calculated as a ratio of net product revenue was **13.7%** (**11.2%** as a ratio of the Company's total net revenue), up from 5.7% in 1Q09 (4.7% as a ratio of the Company's total net revenue).

Investments (CAPEX)

The group's **investments** in fixed assets totaled **R$37.9 million** in 1Q10. Of this amount, **R$28.1 million** (**74.3%**) was allocated to Riachuelo, of which **R$22.8 million** was allocated to the inauguration of **new stores**.

Investments	1Q10	(%)
2009 Remodelings	0.4	1.2%
2009 New Stores	1.7	4.5%
2010 Remodelings	0.0	0.1%
2010 New Stores	21.1	55.6%
IT	1.6	4.2%
General Rebuilding	2.5	6.7%
Other	0.8	2.1%
Total Riachuelo	**28.1**	**74.3%**
Guararapes	9.7	25.7%
Total	**37.9**	**100.0%**

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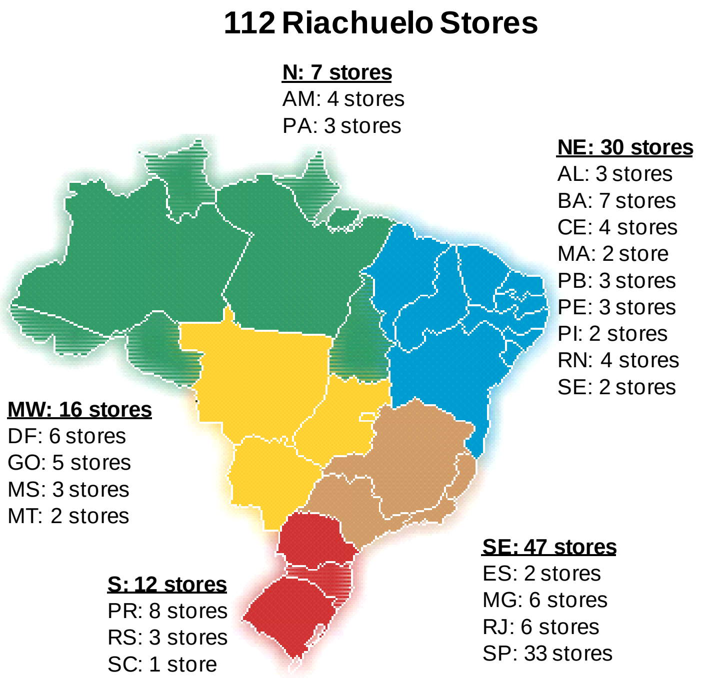
About Guararapes-Riachuelo

Guararapes is one of the largest apparel manufacturers in Brazil and the parent company of Riachuelo, one of the largest apparel department store chains in Brazil, with 112 stores nationwide, the locations of which are shown on the adjacent map.

In developed countries, large companies account for 30% to 40% of the retail textile market, whereas in Brazil the sum of the biggest firms accounts for less than 10%. The main competitive advantage of small companies is the informality of their operations.

However, big chains have expanded due to scale gains, investments in product quality, their position as sellers of fashion and fast inventory turnover, allowing them to adapt rapidly to the season’s trends.



In recent years, Guararapes has invested heavily in its support operations by modernizing its facilities, opening distribution centers in Natal and Sao Paulo and implementing IT in the financial and operational management of its operations.

One of the Company’s most important advantages is this integration between its retail and manufacturing operations, a model that has proved highly successful since it allows for responding quickly to changes in the market.

Riachuelo’s private-label card base is another major asset that establishes long-term relationships with a growing customer base, which currently numbers close to 15.9 million (March 2010). Another of the Company’s main operations is financial services, which offer customers interest-bearing installment sales, personal loans and insurance and other financial products.

This release contains forward-looking statements relating to the prospects of the business, estimates for operating and financial results, and those related to growth prospects of Guararapes Confecções S.A. and its subsidiaries. These are merely projections and as such are based exclusively on the expectations of Guararapes’ management concerning the future of the business and its continuous access to capital to finance the Company’s business plan. Such forward-looking statements depend substantially on changes in market conditions, government regulations, competitive pressures and the performance of the Brazilian and international economies and the industry, and therefore are subject to change without prior notice.

Quarterly Consolidated Financial Statements

In R$ thousand

Income Statement	1Q10	1Q09	Chg.(%)
Gross Revenue	602,614	510,461	18.1%
Gross Revenue - Goods	*513,926*	*439,015*	*17.1%*
Gross Revenue - Midway Financeira	*81,316*	*64,838*	*25.4%*
Gross Revenue - Midway Mall	*7,373*	*6,608*	*11.6%*
Deductions	(149,242)	(130,577)	14.3%
ICMS tax benefits	*12,632*	*12,807*	*-1.4%*
Net Revenue	**466,004**	**392,692**	**18.7%**
Net Revenue - Goods	*382,571*	*326,130*	*17.3%*
Net Revenue - Midway Financeira	*76,448*	*60,251*	*26.9%*
Net Revenue - Midway Mall	*6,985*	*6,311*	*10.7%*
Cost of Goods and Services Sold	(187,479)	(170,630)	9.9%
COGS - Goods	*(179,603)*	*(160,133)*	*12.2%*
Costs- Midway Financeira	*(7,876)*	*(10,497)*	*-25.0%*
Costs - Midway Mall	-	-	-
Gross Profit	**278,526**	**222,062**	**25.4%**
Gross Profit - Goods	*202,968*	*165,997*	*22.3%*
Gross Profit - Midway Financeira	*68,572*	*49,753*	*37.8%*
Gross Profit - Midway Mall	*6,985*	*6,311*	*10.7%*
Gross Margin	*59.8%*	*56.5%*	*3.2 p.p.*
Gross Margin - Mercadorias	*53.1%*	*50.9%*	*2.2 p.p.*
Gross Margin - Midway Financeira	*89.7%*	*82.6%*	*7.1 p.p.*
Selling Expenses	(128,639)	(163,520)	-21.3%
General and Administrative Expenses	(82,669)	(62,473)	32.3%
Other Operating Expenses/Income	(1,322)	(585)	125.8%
IR Tax Benefits	6,327	4,082	55.0%
Financial Service Revenues (Riachuelo)	1,752	26,362	-93.4%
EBIT	**73,975**	**25,926**	**185.3%**
Financial Revenue (Expense)	3,367	(8,542)	n.m.
Earnings Before Income Tax and Social Contribution	**77,343**	**17,384**	**344.9%**
Income and Social Contribution Taxes	(25,019)	1,114	n.m.
Net Income (Loss)	**52,324**	**18,498**	**182.9%**
Depreciation and Amortization	24,437	26,271	-7.0%
EBITDA	**98,412**	**52,198**	**88.5%**
EBITDA Margin	**21.1%**	**13.3%**	**7.8 p.p.**
EBITDA margin on revenue from goods	**25.7%**	**16.0%**	**9.7 p.p.**
Total Preferred Shares	31,200	31,200	
Total Common Shares	31,200	31,200	
EPS	**0.84**	**0.30**	**182.9%**

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guararapes
GUARARAPES CONFECÇÕES S/A

Consolidated Balance Sheet

In R$ thousand

	03/31/2010	03/31/2009
Current Assets	**1,126,158**	**828,196**
Cash Equivalents	113,171	60,863
Credits	558,591	264,900
Inventories	382,905	382,685
Deferred or Recoverable Taxes	47,874	58,514
Prepaid Expenses	7,775	5,426
Other Accounts Receivable	15,843	55,808
Long Term Assets	**73,269**	**58,825**
Deferred or Recoverable Taxes	64,469	56,957
Judicial Deposits and Others	8,237	1,305
Other Accounts Receivable	563	563
Permanent Assets	**1,023,128**	**985,246**
Investments	1,256	1,256
Property, plan and equipment	980,867	945,367
Intangible	38,318	35,108
Deferred	2,688	3,514
Total Assets	**2,222,556**	**1,872,267**

	03/31/2010	03/31/2009
Current Liabilities	**537,989**	**493,072**
Suppliers	176,720	91,770
Loans and financing	103,127	149,902
Dividends Payable	41,969	29,461
Wages, Benefits and Provisions	108,763	89,115
Taxes, Charges and Contributions	78,113	74,959
Liabilities from assigned credits	25,906	-
Other accounts payable	3,391	57,865
Long Term Liabilities	**132,758**	**33,877**
Loans and financing	74,244	-
Taxes and Contributions	40,315	26,341
Loans with related parties	18,012	6,560
Deferred Revenues	187	626
Other accounts payable	0.01	350.01
Shareholders' Equity	**1,551,810**	**1,345,319**
Paid-in Capital	1,300,000	1,200,000
Profit Reserve	204,429	130,880
Accumulated Profit/Loss	47,381	14,439
Total Liabilities	**2,222,556**	**1,872,267**