Conference Call

4Q13 and 2013 results

March 18th, 2014

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2013

- Inflation*:
  - General: 5.91%
  - Services: 8.75%
- Interest rate (Selic)**:
  - 2012: 7.25%
  - 2013: 10.0%
  - March 2014: 10.75%
- Devaluation of Real:
  - 12.8% x US dollar

In a complex year, especially for the footwear market, Alpargatas grows revenues and preserves profitability

*Source: IBGE – Brazilian Statistics Institute
** At the end of the year

Main accomplishments in 2013

Main accomplishments in 2013

havaianas
- Elected one of the 10 most valuable brands in Brazil by Interbrand
- Significant volume growth in international businesses: 10.4%
- Preparation for debut in apparel and for the World Cup

OSKLEN
- Acquisition of 30% in March

Topper
- Preparation for World Cup: products (focus on soccer) and points of sale

RAINHA
- Increased presence in specialized sports footwear channels
- 11% growth in footwear sales (x 2012)

Mizuno
- Record footwear sales: 33% up on 2012
- Renewal of licensing contract:
  - 13 years (from 2014) + 13 years

Timberland
- Celebration of 40th anniversary
- 27% increase in sales volume in multibrand channel (x 2012)
- Strengthening of casual footwear line

MEGGASHOP OUTLET
- New logo and remodeling of stores

Main accomplishments in 2013

PRODUCTION CAPACITY

- Inauguration of sandals plant in Montes Claros



RETAIL

- Opening of Havaianas stores:
  - Brazil: 62
  - Europe: 28
  - USA: 2

Exclusive Stores – as of December, 2013			
Brand	**Brazil**	**Abroad**	**Total**
Havaianas	**343**	**91**	**434**
Osklen	**73**	**7**	**80**
Topper	**-**	**13**	**13**
Timberland	**17**	**-**	**17**
Meggashop	**22**	**-**	**22**
Outlet Alpargatas	**-**	**17**	**17**
Total stores	**455**	**128**	**583**

Main accomplishments in 2013

SUPPLY CHAIN

- New global sourcing structure implemented
- Rubber prices decreased by 14% in US dollar (x 2012) and by 4% in BR real (due to FX)

SOCIAL RESPONSIBILITY

- 10th anniversary of Instituto Alpargatas with 580 thousand students benefited

Instituto ALPARGATAS 10 anos



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Performance in domestic and international markets

Net revenue

Net revenue R$ million	4Q13	4Q12	Chg.	2013	2012	Chg.
Brazil	**732.6**	**652.6**	**12.3%**	**2,417.8**	**2,162.3**	**11.8%**
Argentina	**159.1**	**128.2**	**24.1%**	**603.9**	**524.3**	**15.2%**
International sandals businesses	**73.2**	**55.8**	**31.2%**	**404.3**	**320.4**	**26.2%**
Consolidated	**964.9**	**836.6**	**15.3%**	**3,426.0**	**3,007.0**	**13.9%**

Factors that impacted net revenue in 2013 (x 2012)

Volume Growth	Price Increase	Mix	FX	Distribution Channels
• **16.1%** in sports footwear in Brazil, especially **33%** in Mizuno volume • **7.6%** in sports footwear in Argentina • **10.4%** in sandals in overseas market • **1.4%** in Havaianas in Brazil • Havaianas gained share in the R$10-R$20 price range	• Domestic market: from 3% to 28% in sandals and sporting goods • International markets: from 1% to 5%, in dollar and euro	• Higher value footwear in sales mix	• Increased revenues in BR real due to dollar and euro appreciation • Decreased revenues in BR real due to Argentinean peso devaluation	• Increased number of clients in the USA, reaching 6,500 points of sale • Opening of Havaianas stores in Brazil, Europe and the USA

EBITDA

EBITDA R$ million	4Q13	4Q12	Chg.	2013	2012	Chg.
Brazil	**131.4**	**127.5**	**3.1%**	**413.1**	**347.1**	**19%**
margin	***17.9%***	***19.5%***	***- 1.6 pp***	***17.1%***	***16.1%***	***1 pp***
Argentina	**5.7**	**5.1**	**11.8%**	**24.9**	**33.6**	**- 25.9%**
margin	***3.6%***	***4%***	***- 0.4 pp***	***4.1%***	***6.4%***	***- 2.3 pp***
International sandals businesses	**- 0.9**	**- 3.1**	**na**	**56.4**	**33.0**	**70.9%**
margin	***- 1.2%***	***- 5.6%***	***4.4 pp***	***13.9%***	***10.3%***	***3.6 pp***
Consolidated	**136.2**	**129.5**	**5.2%**	**494.4**	**413.7**	**19.5%**
margin	***14.1%***	***15.5%***	***- 1.4 pp***	***14.4%***	***13.8%***	***0.6 pp***

Factors that impacted EBITDA in 2013 (x 2012)

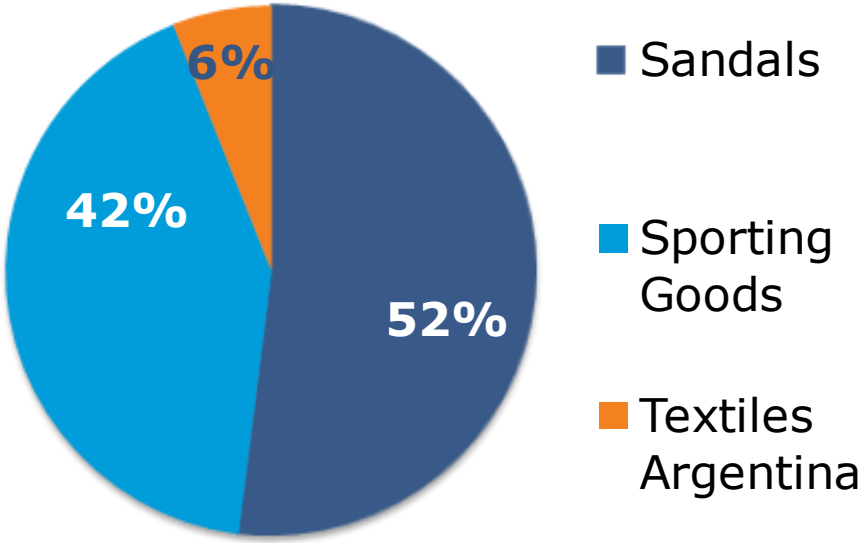
Sales Mix	Productivity	Commodities	SG&A	FX/Hedge

• Sandals and sporting goods businesses increased 1 pp in contribution margin
• Stronger retail presence generates higher margins
• Same stores volume growth:
  • Havaianas: 13%
  • Timberland: 12%
  • Meggashop: 13%
	• Dilution of fixed costs with higher sports footwear production volume in Brazil and Argentina
	• 4Q: impact of Montes Claros plant start-up with lower dilution of fixed costs
		• Lower rubber prices in BR real (-4%)
		• Increase in cotton prices (30%) in Argentinean peso
			• Reduction in SG&A as a percentage of net revenue due to strict control of expenses: Zero-based Budgeting process	• Increase in cost of finished imported products and raw materials offset by operating hedge

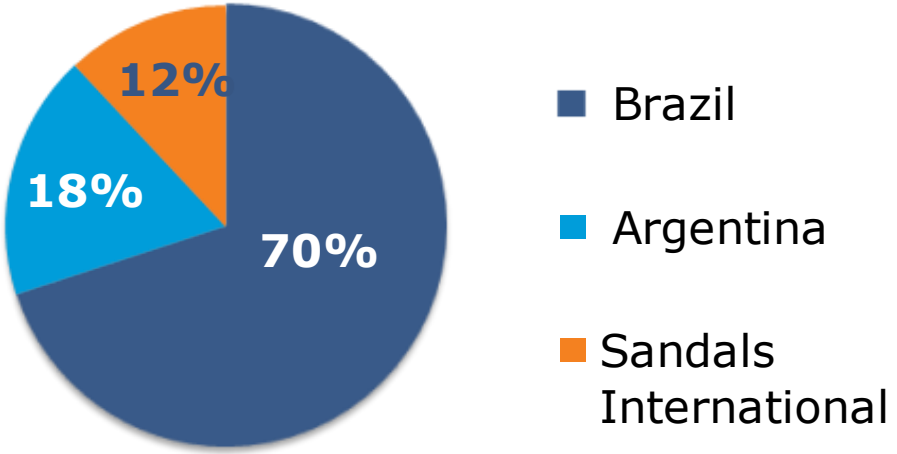
Breakdown of consolidated net revenue

Share of Sporting Goods business increased from 38%, in 2012 to 42%, in 2013

By business
2013



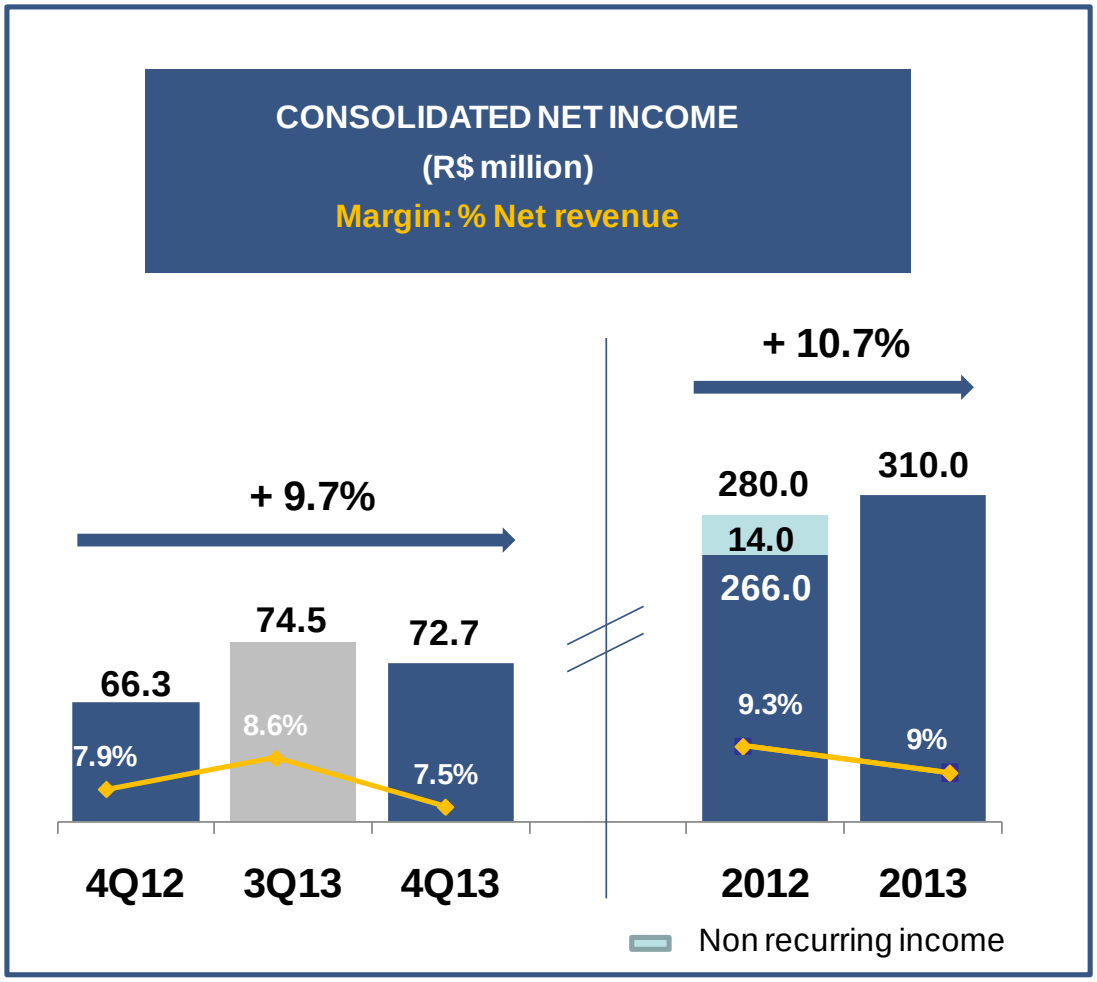
By region
2013



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Consolidated net income

2013 net income increased 10,7%

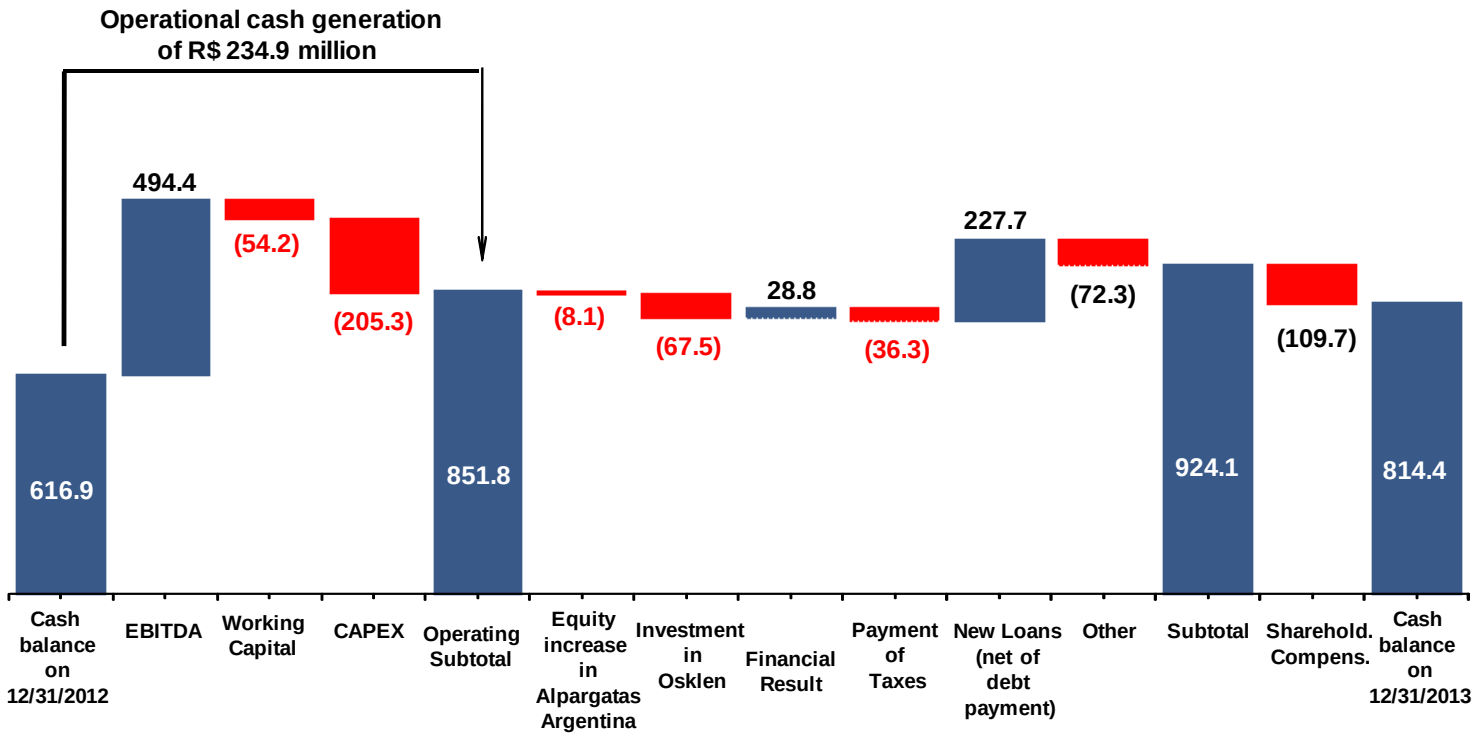


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Cash

Strong operational cash generation of R$ 234.9 million

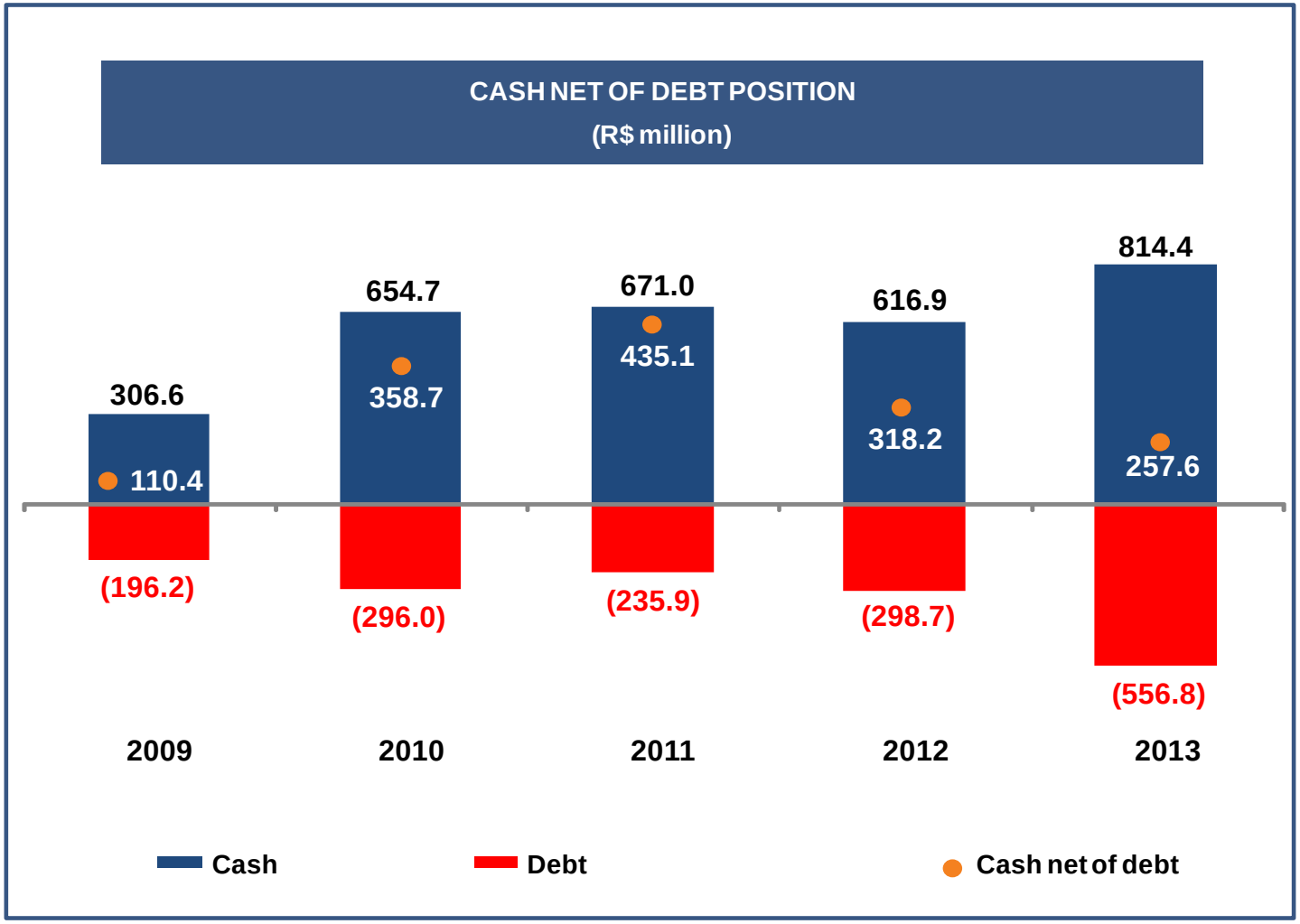
CONSOLIDATED CASH FLOW
(R$ million)



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Cash net of debt position

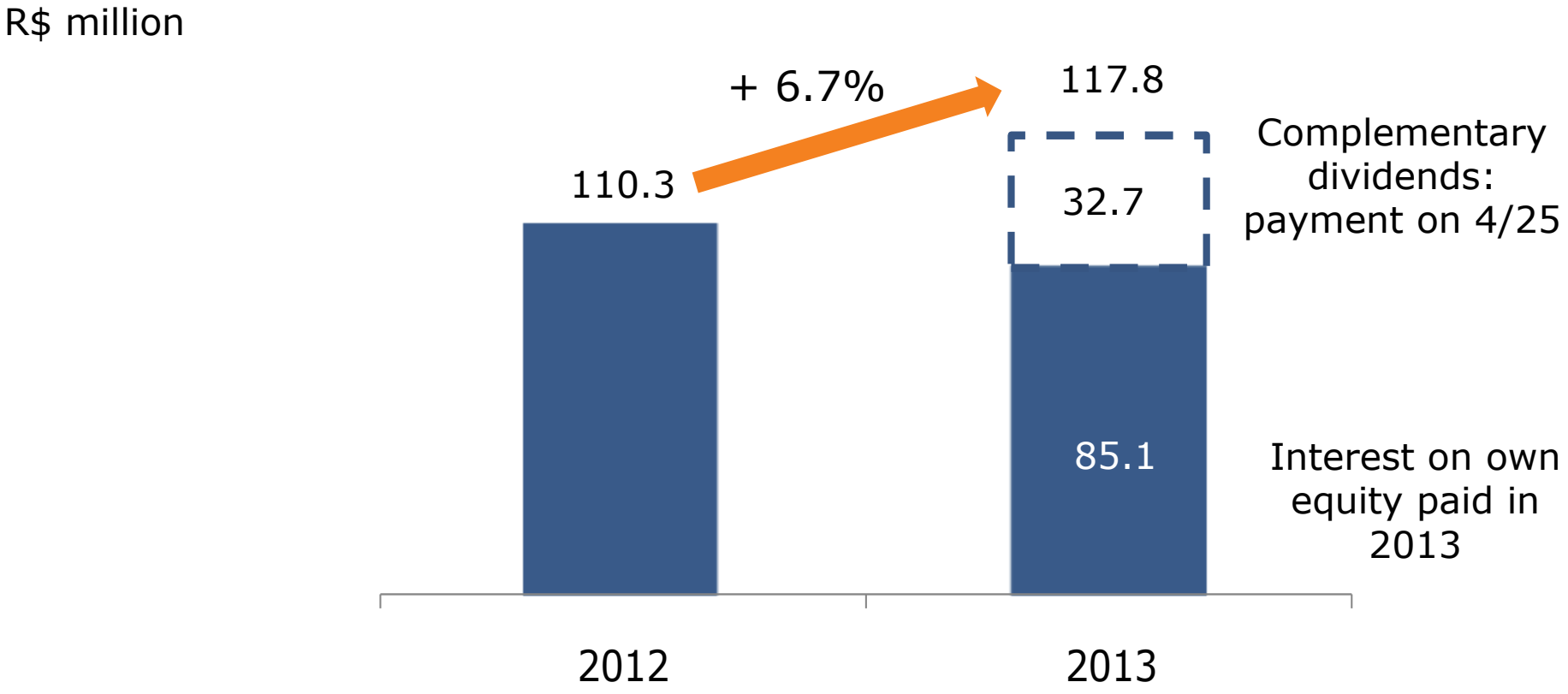
Strong financial solidity with a R$ 257.6 million cash net of debt position



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Shareholder compensation

Record compensation for shareholders totals R$ 117.8 million in 2013



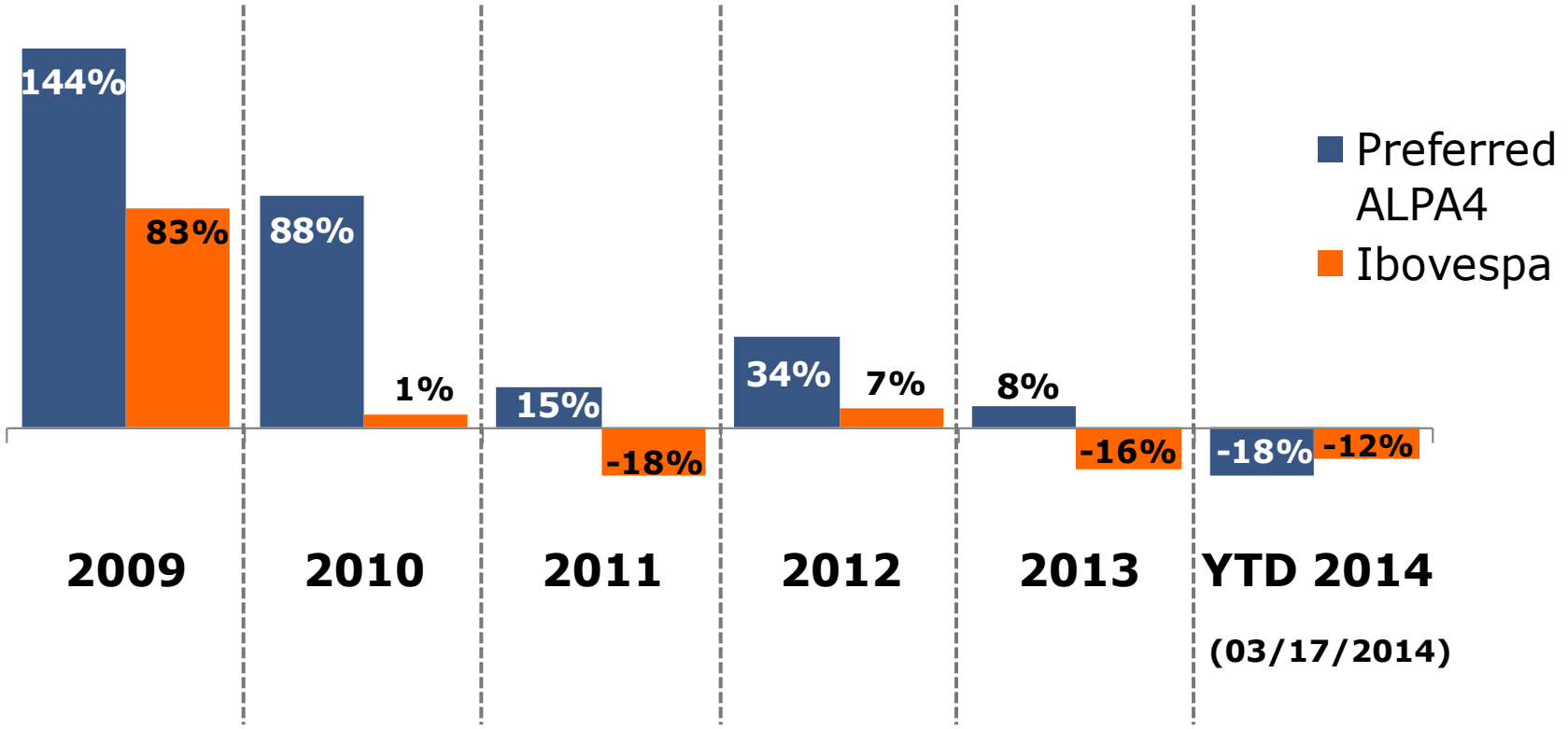
Payout:

	2012	2013
• on total net income:	39%	38%
• on net income without incentives:	82.5%	71.6%

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Share performance

ALPA4 grows 24 p.p. above Ibovespa in 2013



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Thank you !

IR team:

José Roberto Lettiere – CFO and IR Director
lettiere@alpargatas.com.br

José Sálvio Moraes – IR Manager
jsalvio@alpargatas.com.br

Mariane Weger – IR Analyst
mweger@alpargatas.com.br

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