Conference Call

3Q14 and 9M14 results

November 12, 2014

ALPARGATAS

Quarter highlights

Increases in sales volumes and in net revenue in reais and in foreign currencies

Sales volume (million pairs/pieces)	3Q13	3Q14	Var.	9M13	9M14	Var.
Brazil	53.576	60.887	13.6%	159.438	163.093	2.3%
Argentina	2.223	2.418	8.8%	5.922	6.528	10.2%
Sandals exports + Alpargatas USA	4.581	6.162	34.5%	20.037	20.102	0.3%
Alpargatas Europe	1.046	926.0	-11.5%	6.582	8.372	27.2%
Consolidated	**61.426**	**70.393**	**14.6%**	**191.979**	**198.095**	**3.2%**

Net Revenue (in million)	3Q13	3Q14	Var.	9M13	9M14	Var.
Real	613.8	639.7	4.2%	1,685.2	1,760.0	4.4%
Peso	428.8	645.7	50.6%	1,105.5	1,625.8	47.1%
Dollar	19.1	25.1	31.4%	86.8	92.5	6.6%
Euro	10.4	9.9	-4.8%	55.4	68.9	24.4%
Consolidated in Real excluding FX variation	**865.0**	**991.6**	**14.6%**	**2,461.1**	**2,794.7**	**13.6%**

Quarter highlights

Significant growth in main indicators from 2Q14 to 3Q14

Consolidated Result R$ million	2Q14	3Q14	Var.
Sales volume (million units)	61.5	70.4	14.3%
Net revenue	874.3	903.8	3.4%
EBITDA	73.3	105.1	43.4%
EBITDA margin	*8.4%*	*11.6%*	*3.2 p.p.*
Net income	22.8	55.9	145.2%
Net margin	*2.6%*	*6.2%*	*3.6 p.p.*

Quarter summary (x 3Q13) – Domestic operations

Sandals

- Sandals sales volume increased 15.1%.
- Brand extension: corresponded on average to 44% of the stores' revenues in the quarter.

Sporting Goods

- Demand for running footwear resumed growth after end of World Cup. Mizuno sales volume grew 6.5% and Timberland, 28.7%.
- Apparel and sports accessories increased 2.4% in volume.

Retail

- On September 30th there were 478 stores in operation, of which 366 were Havaianas.
- Opening of 66 exclusive stores (YoY September/14), of which 61 were Havaianas.
- Revenue growth on same store basis :
  - Havaianas: 11.1%
  - Osklen: 0.7%
  - Meggashop: 22%

Osklen

- Option to buy another 30% of the capital for R$ 159 million was exercised on September 30.
- Alpargatas holds now 60% of Osklen stock.

Sources of value generation

1. Operational synergies:
   - Processes
   - Back office
   - Third-party services
2. Commercial, product and distribution synergies:
   - Sales team
   - Footwear manufacture
   - Entry into multibrand channels
   - Store openings
3. International expansion

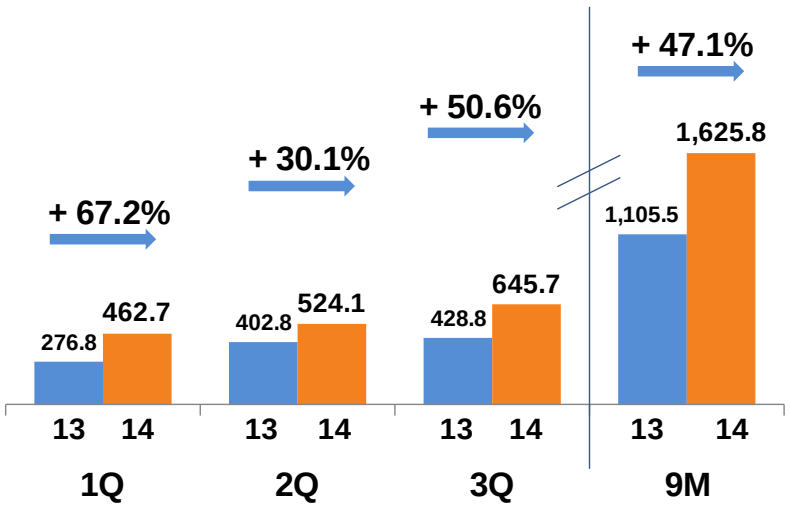
High NPV and value generation projects.
All proceeding according to plan.

Quarter summary (x 3Q13) – International operations

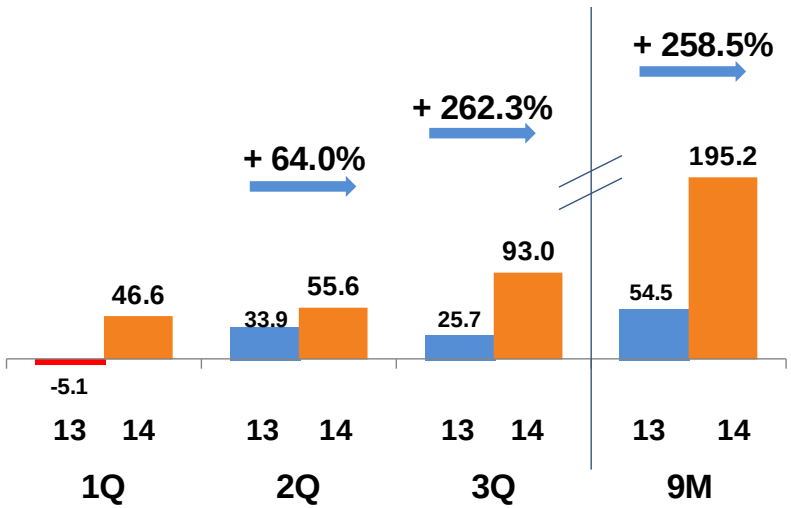
Alpargatas Argentina

- Yet another period of growth:
  - Volume, revenues and EBITDA
  - Decrease in inventories and in capital employed.
  - Cash net of debt of AR$ 27.2 million on September 30th, 2014

ALPARGATAS ARGENTINA
NET REVENUE
(AR$ million)



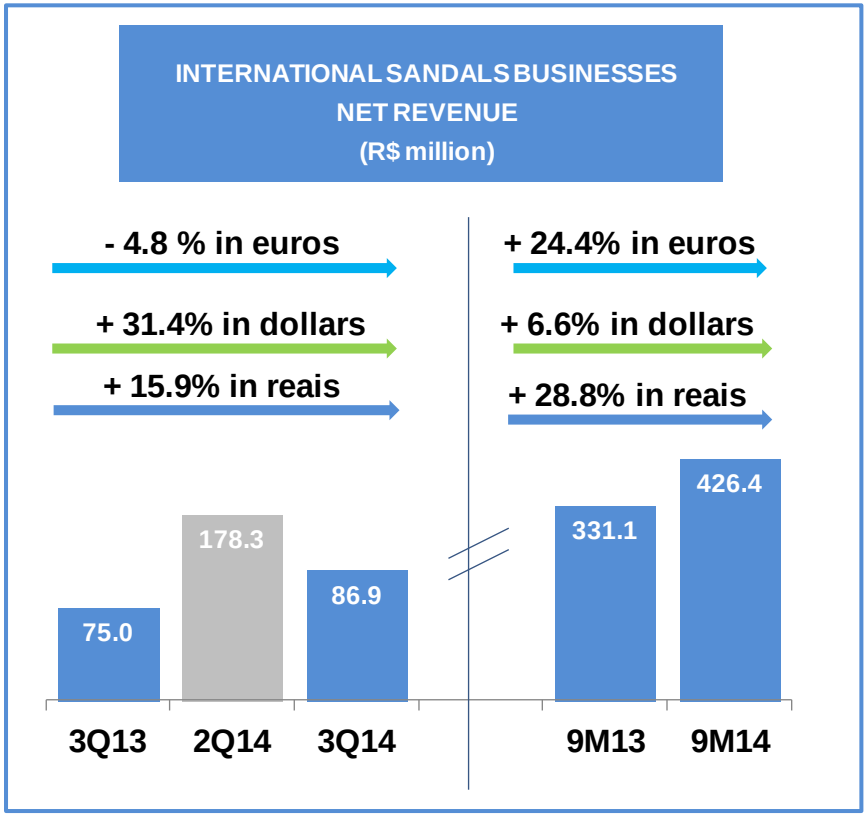
ALPARGATAS ARGENTINA
EBITDA
(AR$ million)

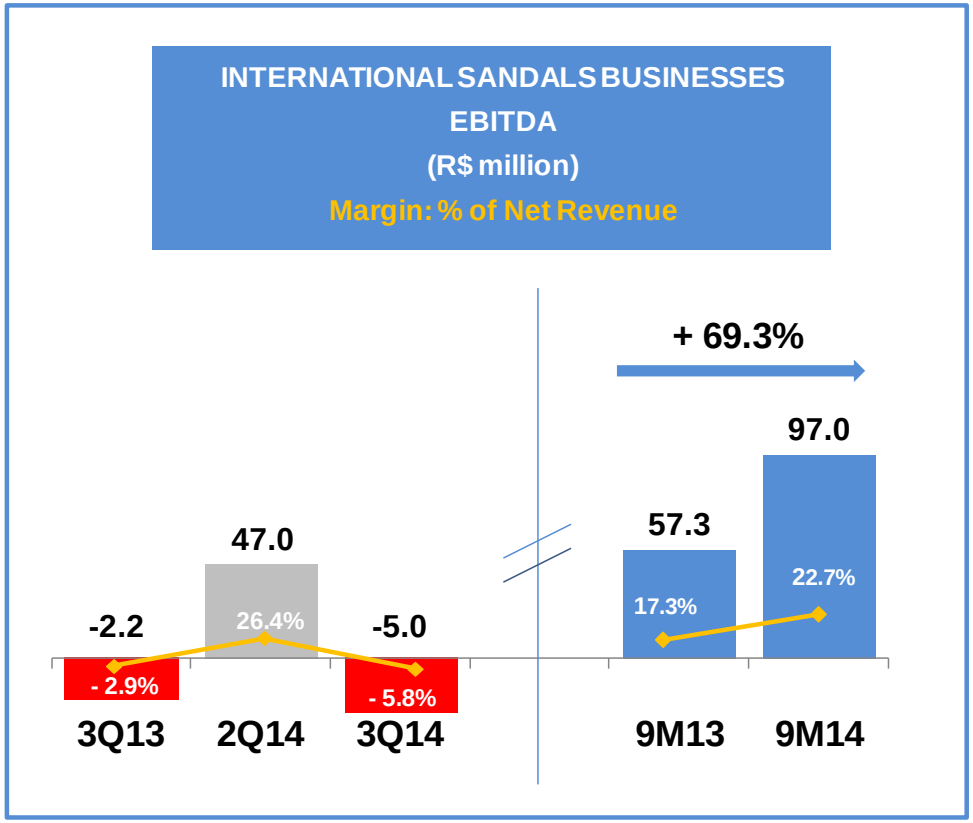


Quarter summary (x 3Q13) – International operations

Sandals international

- Volume grows 26% due to retail expansion; increase in exports and stronger e-commerce sales
- Negative EBITDA in 3Q14 reflects seasonality in sales





Tavex

- Material fact disclosed on October, 30, 2014:

a) Alpargatas will not contribute to the liquidation of the tender offer, implying continuation of an indirect 18.7% stake in TAVEX;

b) In up to 180 days after the liquidation of the tender offer, members of the board not associated with the controlling shareholder will opt for one of three possibilities:

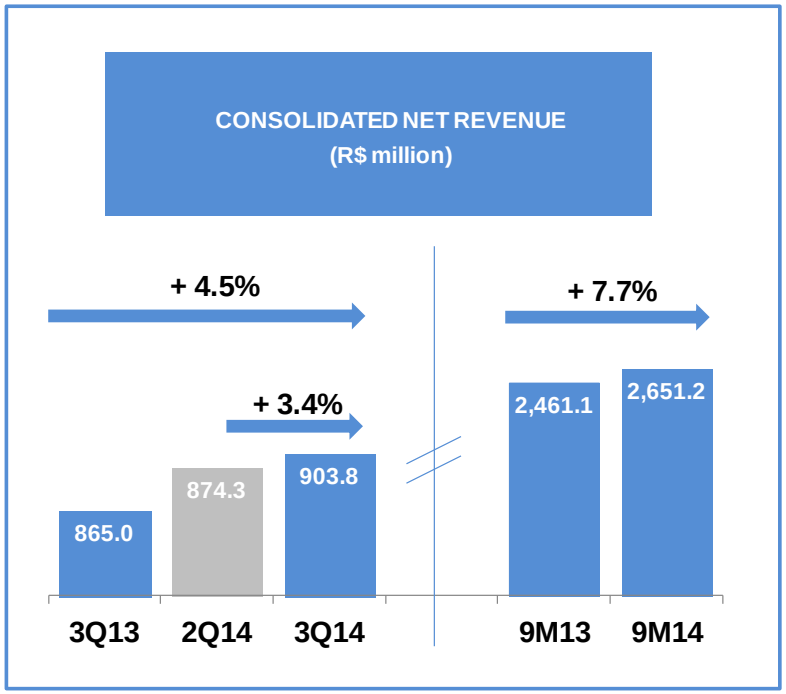
i) maintain Alpargatas' indirect 18.7% stake in Tavex or;
ii) Sell Alpargatas's stake in Tavex to Camargo Corrêa (at the tender offer share price); or
iii) restructure the textile business.

Financial Performance

Summary of quarter results

Consolidated Results R$ million	3Q13	3Q14	Var.	9M13	9M14	Var.
Net revenue	865.0	903.8	4.5%	2,461.1	2,651.2	7.7%
Gross profit	354.2	340.8	-3.8%	1,044.8	1,064.3	1.9%
gross margin	*41.0%*	*37.7%*	*-3.3 p.p.*	*42.5%*	*40.1%*	*-2.4 p.p.*
EBITDA	104.7	105.1	0.4%	358.2	317.4	-11.4%
EBITDA margin	*12.1%*	*11.6%*	*-0.5 p.p.*	*14.6%*	*12.0%*	*-2.6 p.p.*
Net income	74.5	55.9	-25.0%	237.4	195.3	-17.7%
Net margin	*8.6%*	*6.2%*	*-2.4 p.p.*	*9.6%*	*7.4%*	*-2.2 p.p.*

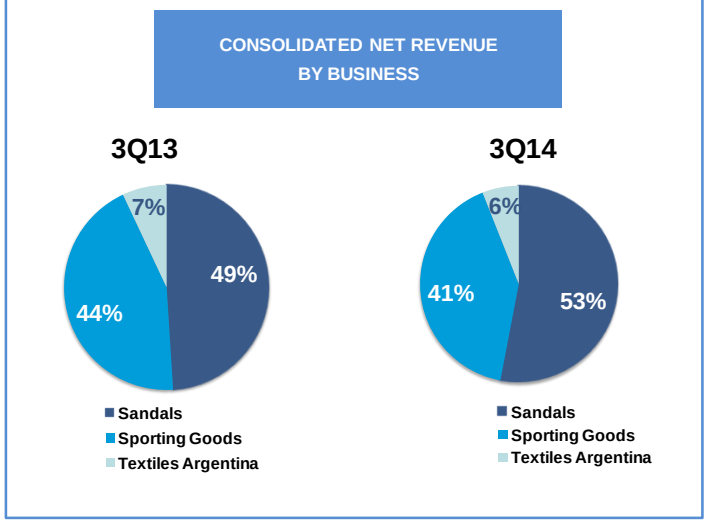
Consolidated net revenue

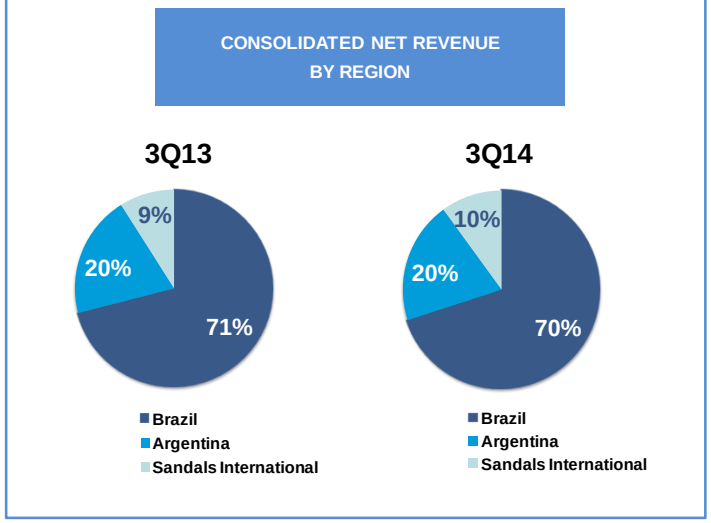


Factors that impacted revenues

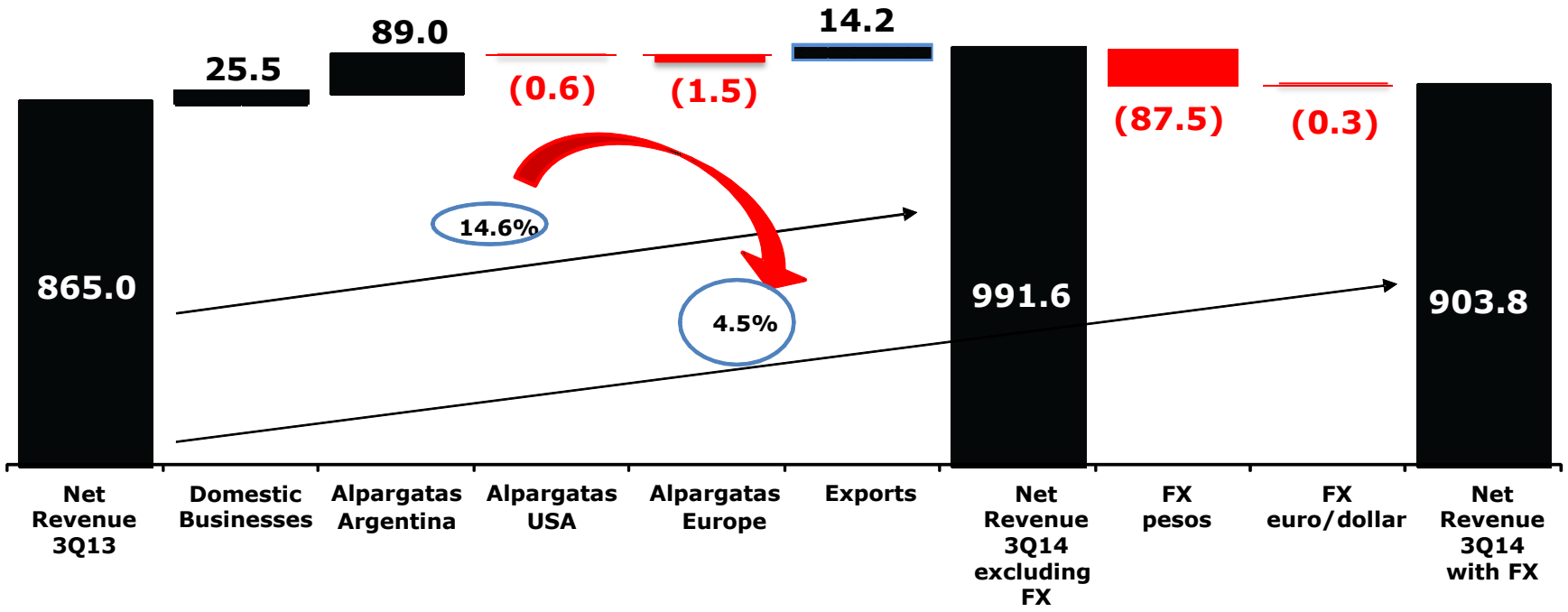
- Growth in volumes :
  - Sandals in Brazil and overseas
  - Mizuno and Timberland in Brazil
  - Topper in Argentina
  - Apparel and accessories in Brazil
- FX in revenues

	△3Q	△9M
US$	31,4%	6,6%
EUR	-4,8%	24,4%
AR$	50,6%	47,1%

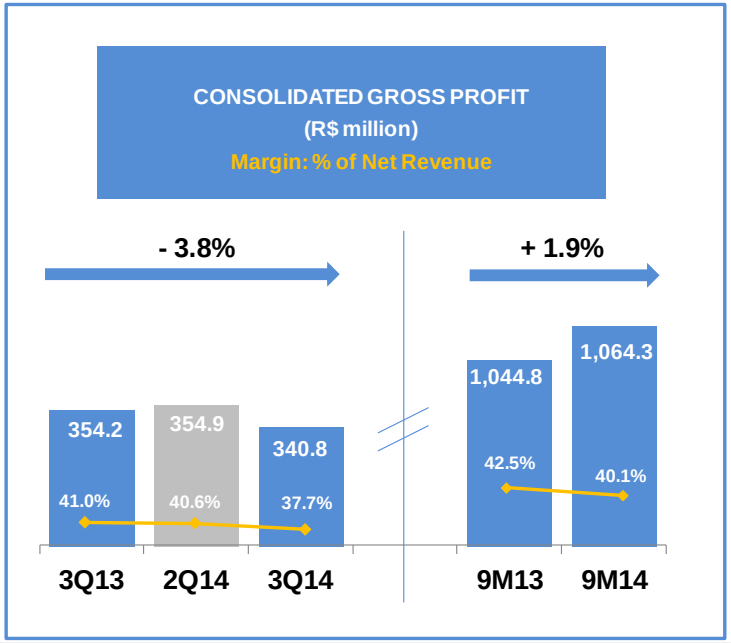




Consolidated net revenue – millions of R$

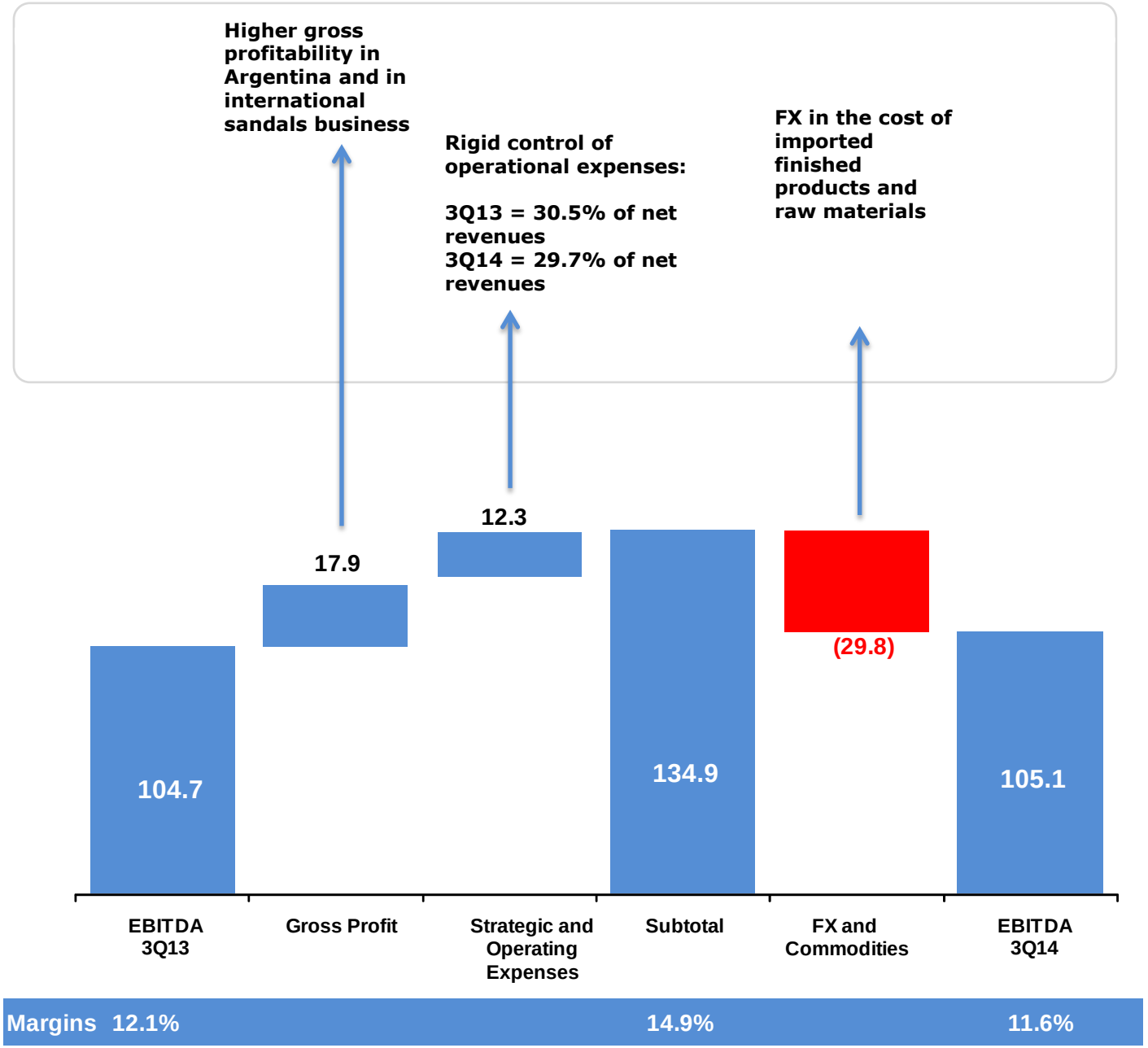


Consolidated gross profit

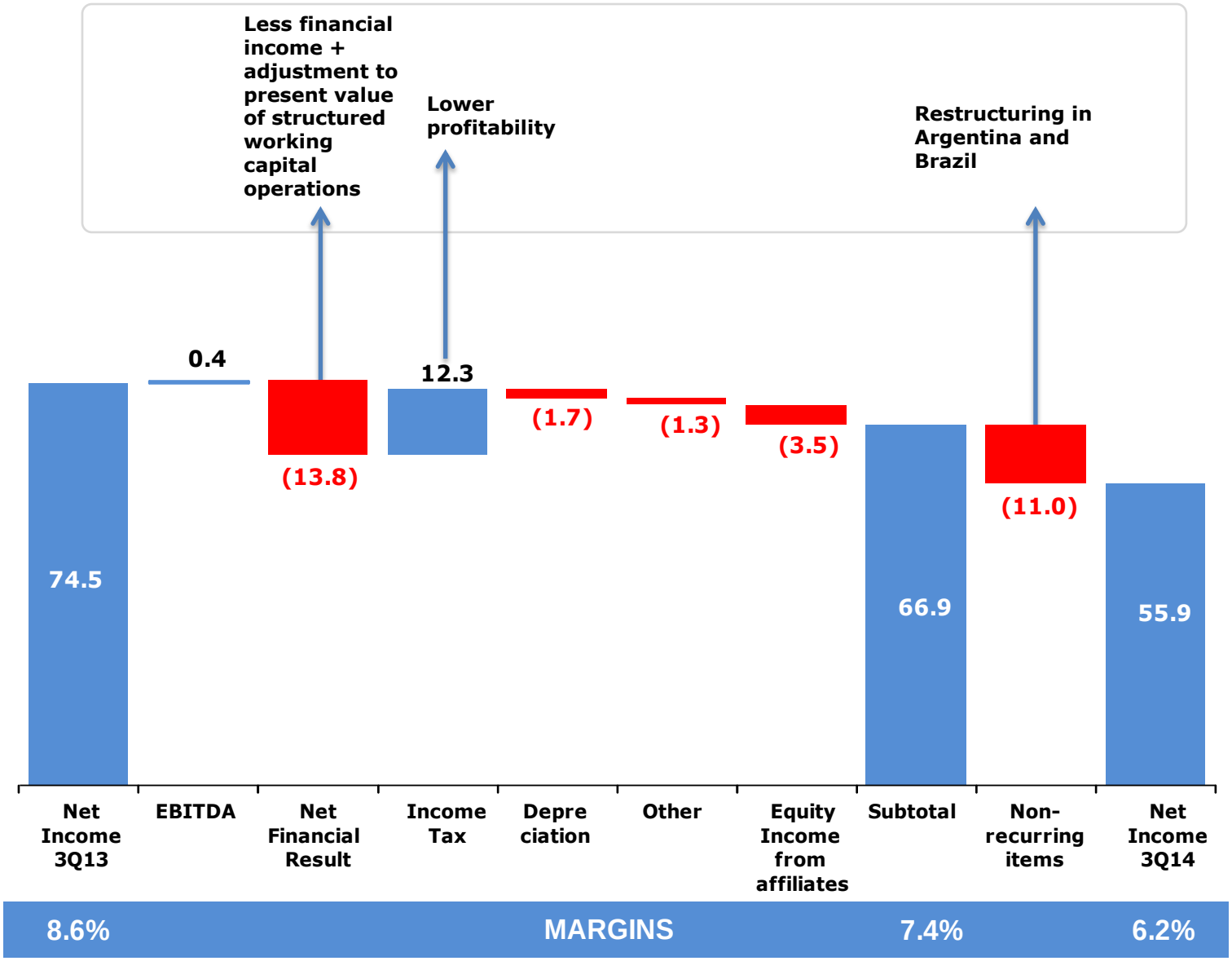


Factors that impacted gross margin in 3Q14 (x 3Q13)		
Commodities	Exchange	Productivity
↓ 6% increase in rubber prices in dollars	↓ Increase in cost of raw materials and imported finished products. Cost of rubber increased 2.7% in reais	↑ Modernization of textile manufacturing park and adjustment of labor in Argentina
↑ 2.6% decrease in cost of cotton in pesos	↑ Appreciation of dollar x euro against the real	↑ Greater dilution of fixed costs due to increased production in Argentina
	↓ Appreciation of the real x Argentinean peso	↓ Ramp up of Montes Claros plant (lower dilution of fixed costs)

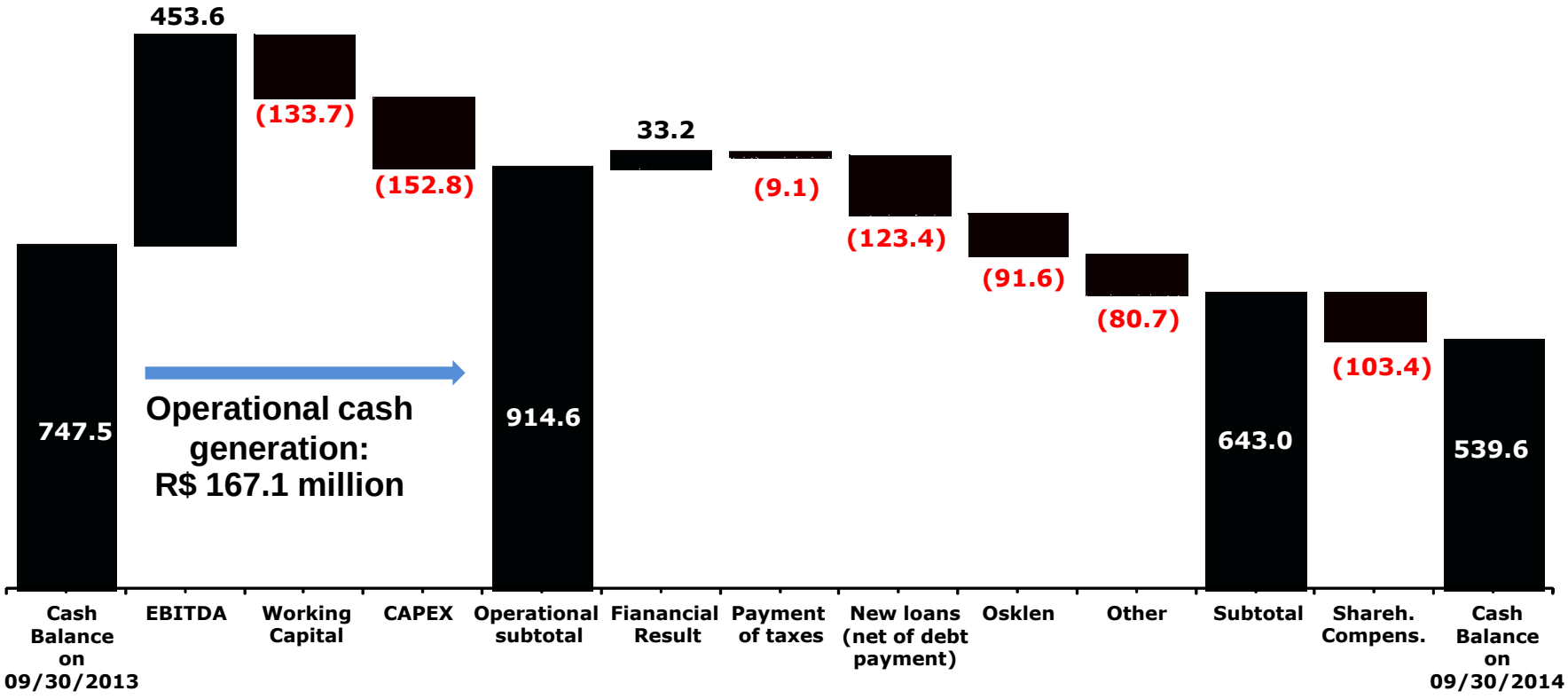
Variation in consolidated EBITDA –millions of R$



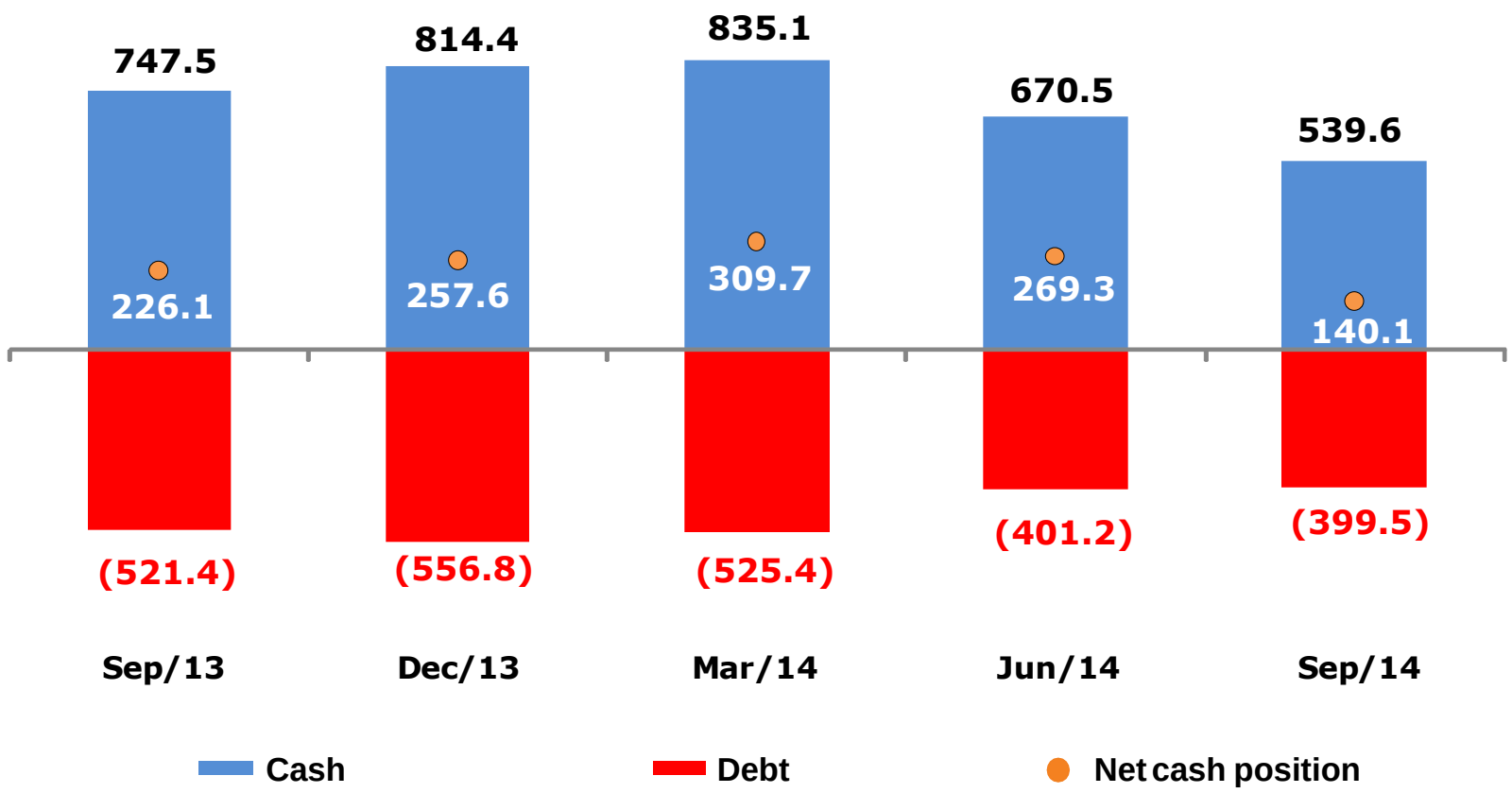
Variation in consolidated net income– millions of R$



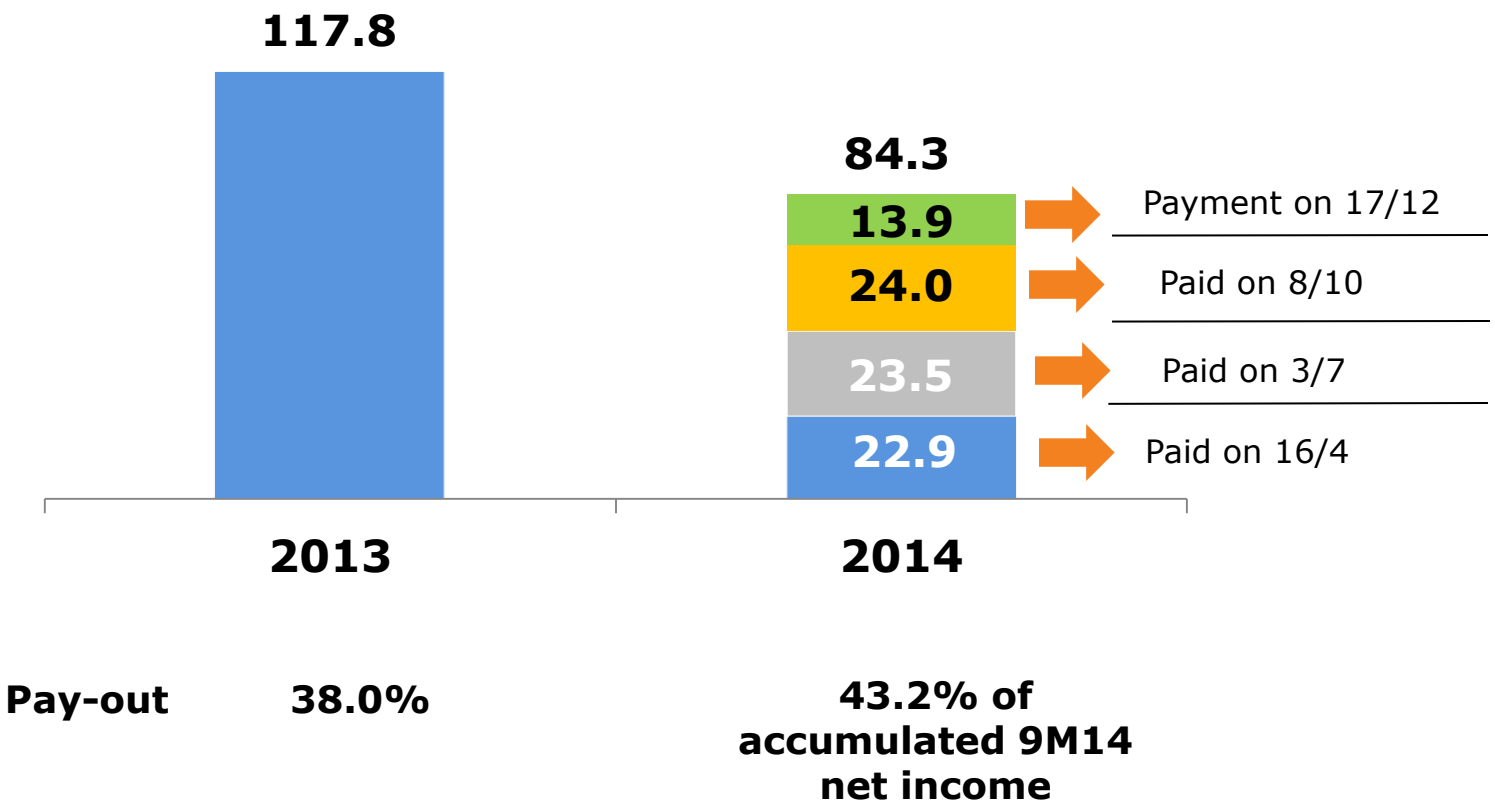
Variation in cash flow – millions of R$



Net financial position – millions of R$



Shareholder compensation – millions of R$



Final message