

CONFERENCE CALL**(in English)****Date: March 10, 2015****at 12 pm BRT / 11 am US EST /****3 pm London****Phone:****Dial-in Brazil: +55 11 3193-1001****Dial-in USA: +1 786 924-6977****Code: Alpargatas****Slides:****<http://ri.alpargatas.com.br>****Speaker:****José Roberto Lettiere****CFO****IR****lettieri@alpargatas.com.br****jsalvio@alpargatas.com.br****mweger@alpargatas.com.br****havaianas®****OSKLEN****Topper****RAINHA****Timberland®**  **MEGGASHOP
OUTLET**

INTRODUCTION

Alpargatas' aspiration to be a global company of desired brands is the foundation of a strategy which has been in place for twelve years and is working well. In its 108 years in operation, the company's main learning has been in brand development – a competency it has mastered so well that will take Alpargatas to the ranking of the five largest companies in the world in the segments in which it operates. In a more complex year for business, Alpargatas generated consolidated net revenue of R\$ 3.7 billion, an increase of 8.3% (or 13.7% discounting the FX effect) over 2013. Another highlight was the progress in the international operations, which showed significant growth in revenues and profitability compared with 2013, evolving in alignment with the projections of the organization's internationalization strategy.

In Alpargatas Argentina, the restructuring involved all areas. The footwear portfolio was optimized and distribution channels were expanded, as were investments in Topper communication and sports sponsorship, driving growth in net revenue. Production costs and expenses were reduced, the textile machinery park was renewed and direct labor was adjusted, driving significant growth in EBITDA and margin.

Every year, Havaianas becomes better known to and more desired by foreign consumers, driving the sales and profitability of the international sandals businesses. In the United States and in Europe there was a three percentage point increase in spontaneous brand awareness according to a brand tracking survey conducted by Millward Brown in the third quarter of 2014. This was due to various factors, worthy of note during the year being:

- Ongoing marketing campaigns and actions.
- Expansion of the exclusive retail.
- Growth in sales to key accounts in the United States and Europe.
- Direct operations in five new countries: Germany, Austria, Belgium, Holland and Luxemburg.
- Partnerships with renowned brands such as Mara Hoffman and Valentino.

In Brazil, key factors for the businesses in 2014 were:

- Gain in sandals market share, driven by brand strength and higher sales volume due to greater production capacity at the Montes Claros plant.
- Havaianas' debut in the apparel segment. The first collection with around 500 models was warmly welcomed by Brazilian consumers, with sales above the estimates.

4Q14 AND 2014 RESULTS E DE 2014

- Increase in number of Havaianas stores, totaling 389 units located in main Brazilian cities by the end of the year, as part of company strategy to make retail a business that adds more value to operations.
- Preparation for incorporation (finalized in February 2015) of Companhia Brasileira de Sandálias (CBS), owner of the Dupé brand, which will drive decreased costs and more efficient administration with the integration of systems and processes.
- Conclusion of acquisition of control of Osklen, a reference in the luxury lifestyle fashion market. The brand is preparing to consolidate its presence in Brazil and begin international expansion.
- Renewal of Mizuno license for 13 years + another 13 years. The 26 years license contract ensures the brand will continue to gain market share in the running performance segment in Brazil and expand sales to other Latin American markets.
- Celebration of 80th anniversary of Rainha, Brazil's most traditional sporting goods brand.
- December start up of Value Improvement Program (VIP), focused on reduced costs and gains in manufacturing productivity as of 2015.
- Divestment in Tavex.

The Alpargatas business model has provided consistent operational cash generation, totaling R\$ 194.1 million in 2014, even with high investments in Capex, resulting in a cash balance of R\$ 485.6 million at the end of the year.

In a year in which the business environment was more adverse than in 2013, the focus on brand management, product innovation, efficient distribution and communication, and commercial strategy was fundamental for Alpargatas' performance.

4Q14 AND 2014 RESULTS E DE 2014
MAIN CONSOLIDATED FINANCIAL INDICATORS

(R\$ million, except margins)	4Q14	4Q13	Change	2014	2013	Change
Net Revenues	1,060.0	964.9	9.9%	3,711.2	3,426.0	8.3%
Domestic businesses	806.0	732.6	10.0%	2,566.0	2,471.8	6.1%
Alpargatas Argentina	179.6	159.1	12.9%	644.4	603.9	6.7%
International Sandals Businesses	74.4	73.2	1.6%	500.8	404.3	23.9%
Gross Profit	433.9	375.7	15.5%	1,498.2	1,420.6	5.5%
Domestic businesses	347.6	306.1	13.6%	1,021.1	1,056.7	-3.4%
Alpargatas Argentina	47.8	31.0	54.2%	164.6	120.5	36.6%
International Sandals Businesses	38.5	38.6	-0.3%	312.5	243.4	28.4%
Gross Margins	40.9%	38.9%	2.0 p.p	40.4%	41.5%	-1.1 p.p
Domestic businesses	43.1%	41.8%	1.3 p.p	39.8%	43.7%	-3.9 p.p
Alpargatas Argentina	26.6%	19.5%	7.1 p.p	25.5%	20.0%	5.5 p.p
International Sandals Businesses	51.8%	52.7%	-0.9 p.p	62.4%	60.2%	2.2 p.p
EBITDA	153.1	136.2	12.4%	470.5	494.4	-4.8%
Domestic businesses	140.4	131.4	6.8%	307.9	413.1	-25.5%
Alpargatas Argentina	18.8	5.7	229.8%	71.7	24.9	188.0%
International Sandals Businesses	-6.1	-0.9	-	90.9	56.4	61.2%
EBITDA Margins	14.4%	14.1%	0.3 p.p	12.7%	14.4%	-1.7 p.p
Domestic businesses	17.4%	17.9%	-0.5 p.p	12.0%	17.1%	-5.1 p.p
Alpargatas Argentina	10.5%	3.6%	6.9 p.p	11.1%	4.1%	7.0 p.p
International Sandals Businesses	-8.2%	-1.2%	-7.0 p.p	18.2%	14.0%	4.2 p.p
Net Income	84.9	72.7	16.8%	280.2	310.0	-9.6%
Net Margin	8.0%	7.5%	0.5 p.p	7.5%	9.0%	-1.5 p.p

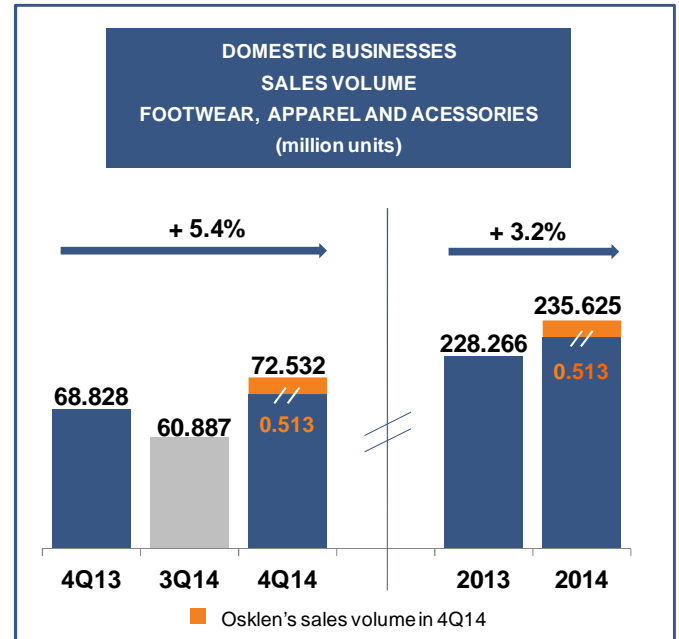
4Q14 AND 2014 RESULTS E DE 2014

DOMESTIC BUSINESSES

Sales volume

In the fourth quarter, volume growth in the domestic businesses was 5.4% higher than in 4Q13, due to the increase in sandals and Mizuno sales and the consolidation of Osklen volume, which added another 513,000 units of footwear, apparel and accessories.

In 2014, sales were 3.2% up on 2013, totaling 235.6 million units.

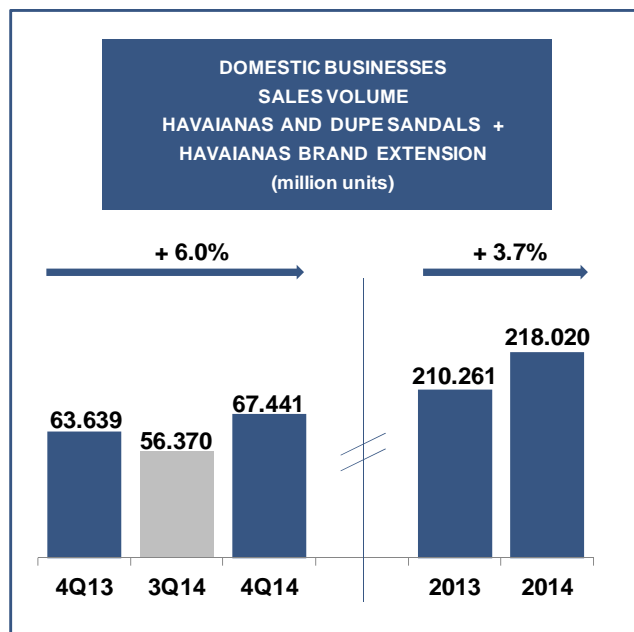
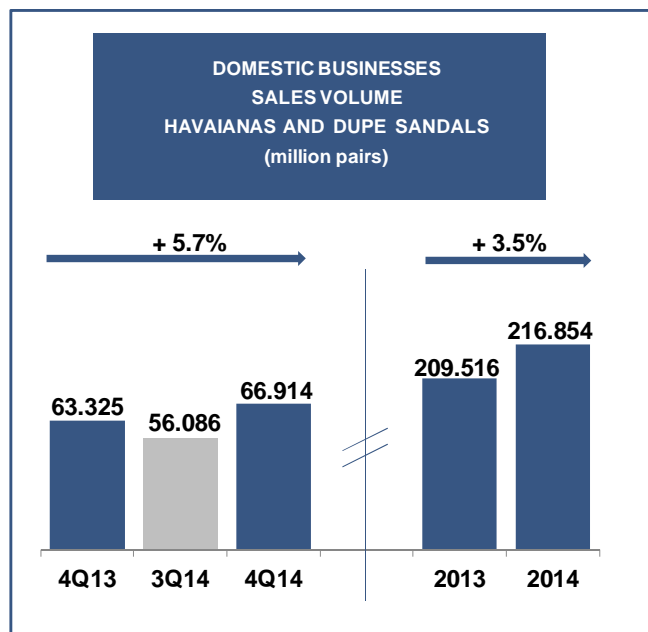


Sandals

In the fourth quarter, Havaianas sandal, apparel and footwear volume, together with Dupé, increased 6.0% in comparison with 4Q13 in Brazil. The expansion, mainly in the second half of the year, is explained (i) by the success of the 2014/15 sandals collection, which resulted in a gain in market share; (ii) by the expansion of the Havaianas retail, which ended the year with 389 stores in Brazil; (iii) by the evolution of the non-sandals category, which grew 67.9% compared with 4Q13, driven by the Soul Collection closed footwear line and the successful debut of Havaianas apparel in May.

In 2014, units sold totaled 218.020 million, an increase of 3.7% over 2013 volume, of which 216.854 million were pairs of sandals, an increase of 3.5%.

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Other factors driving Havaianas product sales in the fourth quarter were:

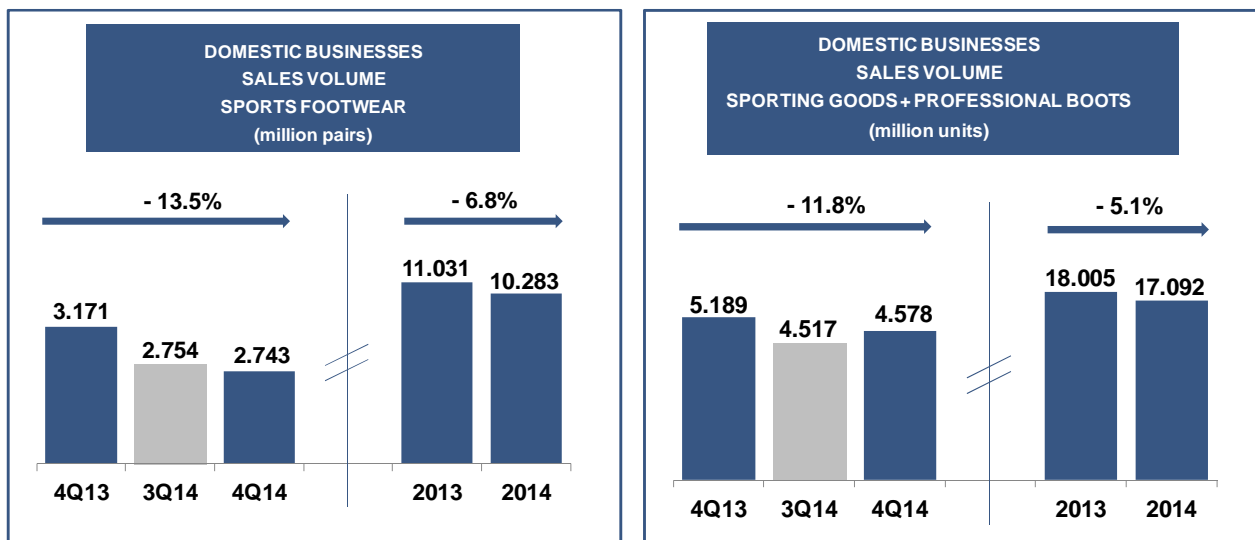
- The good performance of the Havaianas Sport men's line and the women's Flat line, as well as licensed products, especially Snoopy, Minions and Frozen.
- TV campaign "Essa é a minha" with commercial starring the actor Chay Suede, as well as advertisements in magazines and digital media.
- Exposure of Havaianas brand at the Copacabana Palace New Year's party in Rio de Janeiro, and at the Espaço Cultural Veja São Paulo, at Riviera de São Lourenço, a famous beach in the state of São Paulo.

Sporting Goods

In the fourth quarter, the volume of sports footwear was 13.5% down on 4Q13 in Brazil. Mizuno recorded a 5.6% volume increase compared with 4Q13, due to a more aggressive sales plan. Topper and Rainha, however, had their portfolios restructured with the removal of some products, leading to a drop in volume compared with 4Q13.

In 2014, Sporting Goods volume plus professional boots totaled 17.092 million units, a 5.1% volume decrease compared with 2013.

4Q14 AND 2014 RESULTS E DE 2014



In the fourth quarter, the highlights for the sports brands in Brazil were:

Mizuno

- Early launch of Prophecy 4 running footwear, the brand's most technological model, with new fabric and design.
- Launch of Trail line, with three cross country running models equipped with multidirectional grip and technology that ensures adherence and mobility.
- Campaign "Tecnologia de ponta contra o mimimi" of the Prophecy 4 running footwear in print media, the internet and points of sale, underscoring model's capacity to prevent injuries.
- Organization of the Uphill Marathon by the brand at Serra do Rio do Rastro (Santa Catarina state), with an internet film, program on the Off Sports and Adventure channel and a special edition of the Sayonara model, generating high brand exposure.
- Organization of the Ironman in Fortaleza, Ceará state, the Mizuno Half Marathon and Circuito das Estações race circuits in various state capitals.

Rainha

- Excellent receptiveness for Energy model, the Rainha footwear receiving the best evaluation from the Instituto Brasileiro de Tecnologia do Couro, Calçados e Artefatos (IBTeC), with technology that optimizes damping and flexibility.
- Continuation of Energy footwear marketing campaign in social media and points of sale.
- Relaunch of classic Rainha System RG5100 model, as part of the commemoration of the brand's 80th anniversary.
- Success of apparel line, in particular the fitness models, driving brand growth in the segment.

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- Remodeling of website, with the inclusion of new functionalities and greater exposition of the brand's products and look book.

Topper

- Growth in apparel and accessory sales, in particular bermuda shorts, backpacks, gloves and balls.
- Greater brand exposure in key e-commerce sites, with dedicated Topper product spaces at major customers.
- Organization of “A Hora do Jogo” – an event promoted by Topper with key opinion makers and the ex-goalkeeper Marcos in a football match, strengthening brand awareness.
- Restructuring of the website, prioritizing and optimizing product communication.

Timberland

- Highlight for EK Hookset Handcrafted and Rangeley footwear in the summer 2014/15 collection and for the apparel and accessories line.
- Campaign “A vida tá aqui fora”, with interactive window displays at all stores, in online media and hot site.
- Advertisement in *Caras* magazine.
- Opening of store in Londrina (Paraná state).
- Focus on online communication, surpassing the mark of 1 million followers on Facebook in December, and high rate of engagement in the social network.

Osklen

On November 28th, 2014 Alpargatas' ownership interest in Osklen increased to 60%. Acquisition of control was ratified at an extraordinary shareholders meeting on February 2nd, 2015. Osklen is one of the major luxury lifestyle fashion brands in Brazil. It is involved in the design, manufacture and distribution of apparel, footwear and accessories for men and women. Sales volume in 4Q14 totaled 513,000 units. Osklen ended 2014 with 1,100 employees and 87 stores, 80 of which in Brazil and seven overseas. Its main distribution channel is its own stores, followed by multibrand stores and franchises (the brand's retail network is described in the next chapter).

The main events for Osklen in the fourth quarter were:

- Fall/winter 2015 collection fashion show at São Paulo Fashion Week (SPFW), with positive percussion in the most important media in the segment, such as *Vogue*, *Elle*, *Harper's Bazaar*, *Marie Claire*, *L'Officiel*, *GQ*, *Glamour*, *Glamurama*, *Lilian Pacce*, *Chic* and *RG*.
- Launch of Osklen Sunglasses line, with dissemination in the main fashion segment websites.
- Opening of four stores: Leblon, in Rio de Janeiro, Moema and Vila Madalena, in São Paulo, and Maceió (Alagoas state).

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Retail

At the end of 2014, the Alpargatas store chain totaled 508 units in Brazil, 53 more than at the end of 2013, and 30 more than at the end of 3Q14. The following table shows the breakdown of stores by brand:

Brand	Own Stores	Franchises	Total Stores
Havaianas	3	386	389
Osklen	58	22	80
Timberland	7	11	18
Meggashop	21	-	21
Total stores in Brazil	89	419	508

Havaianas

Havaianas retail recorded a 4.0% increase in net revenue on a same store basis compared with 4Q13, due to the good receptiveness to the new sandals collection. Using the same criteria, revenue growth for the year was 16.0%, driven by the performance of the stores during the World Cup.

Osklen

Osklen ended 2014 with seven stores more than in December 2013. On average its units have a floor space of 120 m² and are concentrated mainly in the states of Rio de Janeiro and São Paulo. On a same store basis, Osklen revenue grew 1.1% compared with 2013, with no growth in 4Q14.

Timberland

On a same store basis, Timberland retail revenue was 6.0% up on 4Q13. In the year, the increase was 4.0% over 2013, as a result of prioritizing sales with higher prices and margins.

Meggashop Outlet

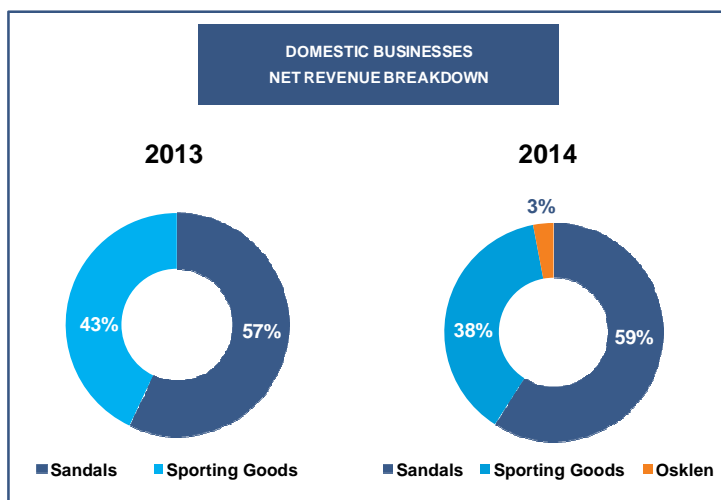
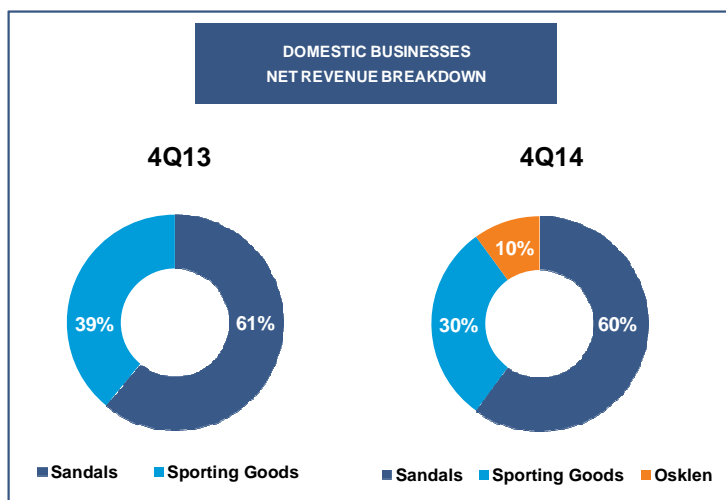
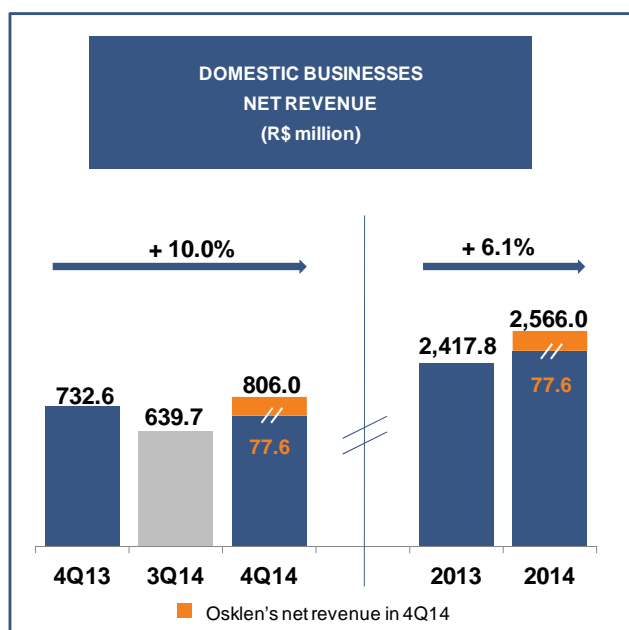
In the fourth quarter, revenue growth on a same store basis was 1.0%. For the year, using the same criteria, the increase was 6.0% over 2013, as a result of promotional campaigns that increased consumer traffic and drove sales.

4Q14 AND 2014 RESULTS E DE 2014

Net revenue

In the fourth quarter, net revenue for the domestic businesses grew 10.0% against 4Q13, driven by the 8.5% increase in sandals revenue and the consolidation of Osklen (typically, 35% to 40% of this company's revenue is generated in the fourth quarter). The growth in sandals revenue was due to an average higher price compared with 4Q13, higher volume and an improved mix. The share of higher value sandals increased from 48% in 4Q13 to 56% in 4Q14. Additionally, the increase in domestic revenue in the quarter was due to the higher sales volume of Havaianas apparel, footwear and accessories, which have higher average prices.

In 2014, Alpargatas' revenue in Brazil reached R\$ 2,566.0 million, an increase of 6.1% over 2013. This was due to 9.3% growth in sandals revenue and the consolidation of Osklen revenue. Sporting goods sales were down on 2013, because a more competitive market and higher stocks led to the granting of discounts to customers, resulting in sales with lower average prices.

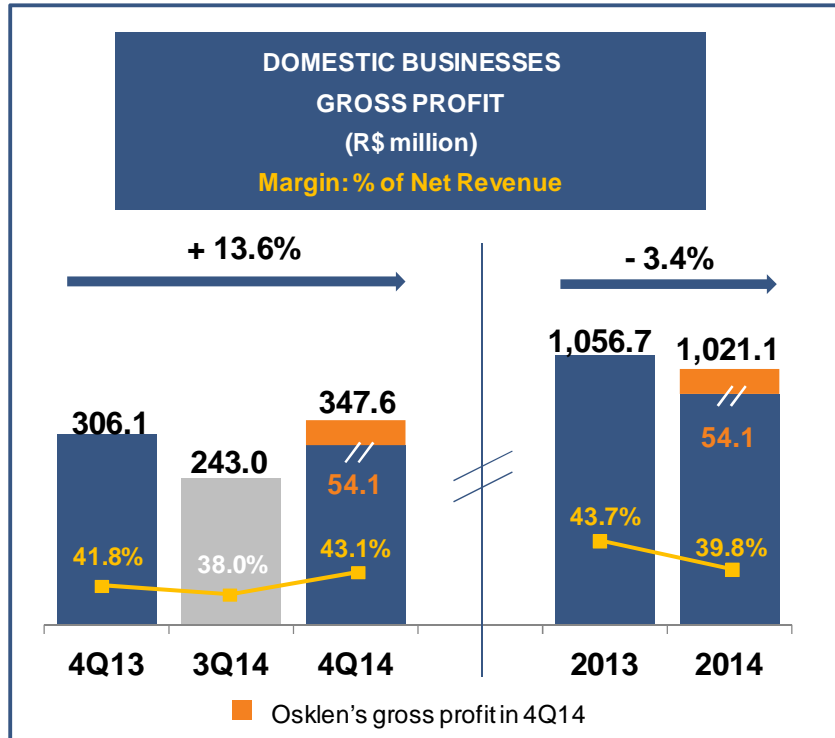


4Q14 AND 2014 RESULTS E DE 2014

Gross profit and margin

In the fourth quarter, the gross profit of the domestic businesses was 13.6% higher than in 4Q13, while gross margin increased 1.3 percentage point. Gross profit was impacted by:

- ↑ Increase in the share of sandals (with higher margins) in revenue in Brazil (from 61%, in 4Q13, to 67%, in 4Q14, not counting Osklen).
- ↑ Consolidation with Osklen.
- ↓ Lower average price in the sporting goods sales mix, affecting the net revenue of the domestic businesses.
- ↓ Impact of FX on the cost of imported finished products and the cost of rubber. In spite of the 3.3% drop in average cost in dollars, the devaluation of the real in the 4Q14 against 4Q13 increased the price of the kilo of rubber by 5.9% in the quarter.



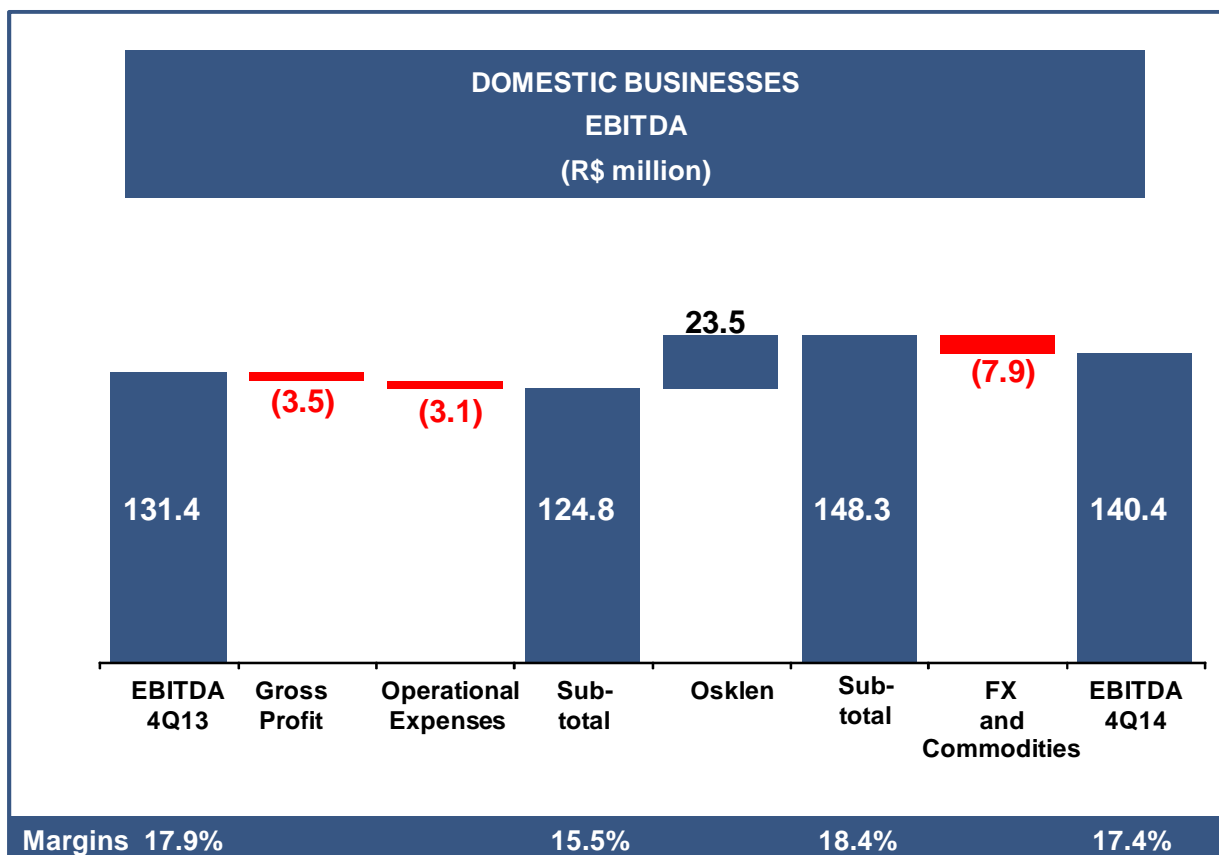
In 2014, the gross profit of the domestic businesses was R\$ 1,021.1 million compared with R\$ 1,056.7 million in 2013. Gross margin, at 39.8%, was 3.9 percentage points lower than in 2013, due to strong cost pressure caused by inflation and higher exchange rates than the previous year, as well as the lower dilution of fixed costs during the Montes Claros plant ramp up phase.

4Q14 AND 2014 RESULTS E DE 2014

EBITDA

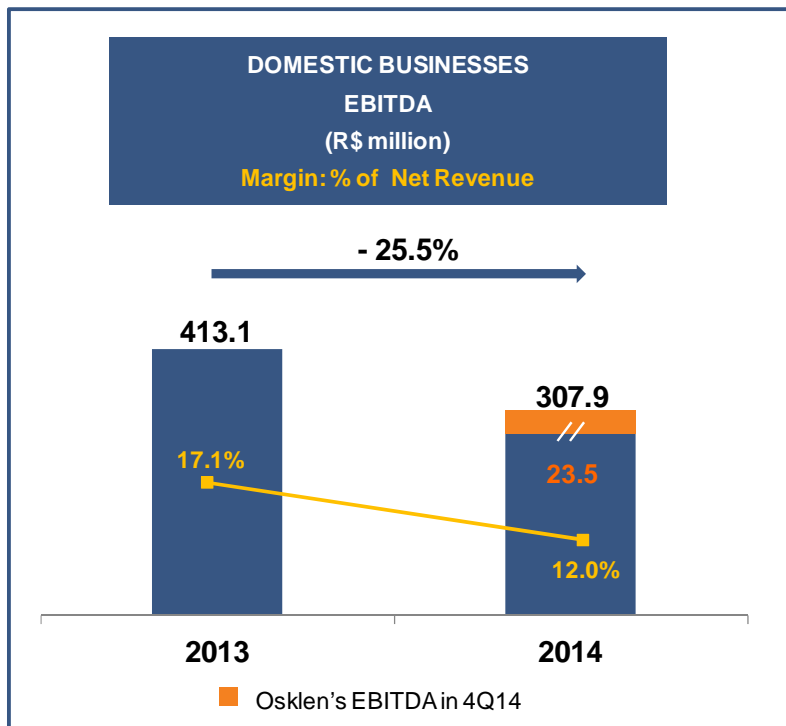
In the fourth quarter, the EBITDA of the domestic businesses was R\$ 140.4 million, 6.8% up on 4Q13, with a margin of 17.4%. The factors explaining the quarterly variation in the EBITDA are:

- ↓ R\$ 3.5 million less gross profit.
- ↓ R\$ 3.1 million more in operational expenses to strengthen the brands during the period.
- ↑ R\$ 23.5 million from the consolidation of Osklen.
- ↓ R\$ 7.9 million resulting from the FX impact on the average cost of rubber and imported products. Discounting FX, EBITDA is R\$ 148.3 million with a margin of 18.4%.



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In 2014, the EBITDA in Brazil totaled R\$ 307.9 million (R\$ 413.1 million in 2013), with a margin of 12.0% (17.1% in 2013), impacted by the lower gross profit, non-recurring expenses of R\$ 25.0 million with marketing for the World Cup and the launch of Havaianas apparel, as well as the negative effect of FX on the cost of finished imported products and on the cost of rubber.



INTERNATIONAL BUSINESSES

ALPARGATAS ARGENTINA

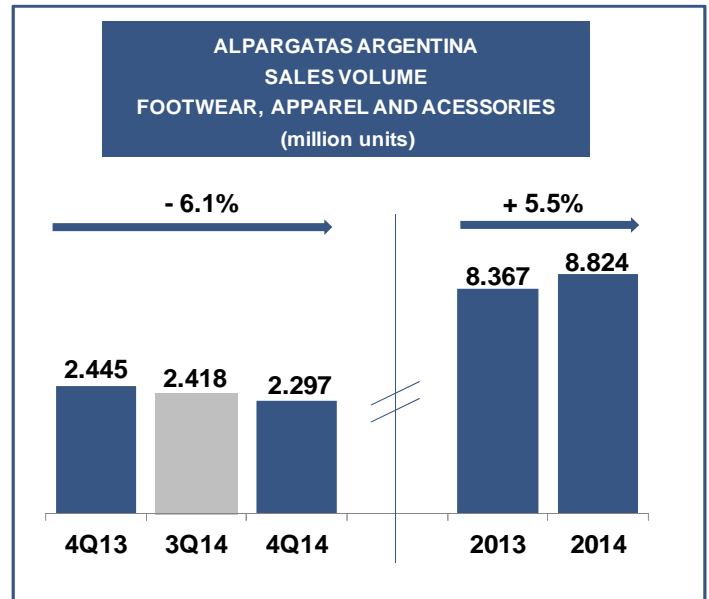
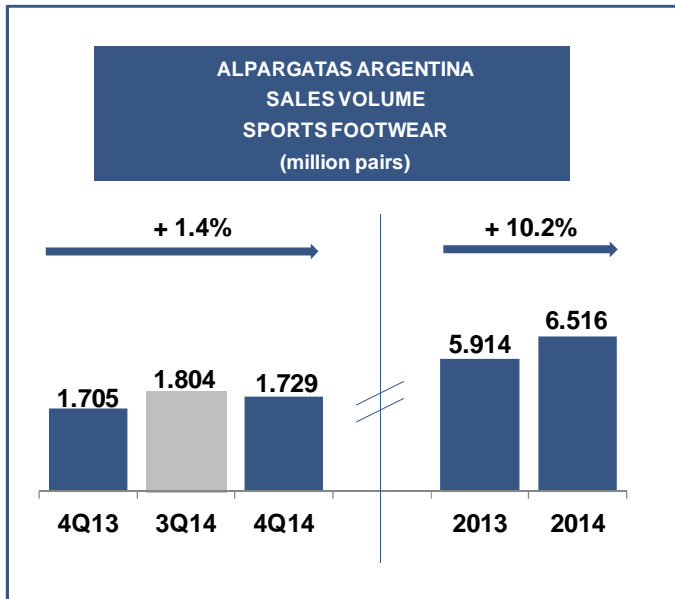
Alpargatas Argentina's performance in 2014 mirrors the success of the turnaround implemented in diverse areas, such as products, communication, production and sales channels. With the application of an efficient pricing policy, investment in innovation for Topper products, successful sports marketing, increased manufacturing productivity and strong control over operational expenses, the Argentinean operation presented significant improvements in its main indicators and levels of profitability.

Sales volume

In the fourth quarter, sports footwear sales volume in Argentina increased 1.4% in comparison with 4Q13. While in 4Q13 there were high stock levels, leading to sales and generating high volume in the period, sales in 2014 were more evenly distributed throughout the quarters.

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In 2014, sports footwear sales volume totaled 6.516 million pairs, an increase of 10.2% over 2013, giving Topper a one percentage point gain in market share in volume and almost two points in value. The results for the year demonstrate: (i) Topper's strong connection with the Argentinean consumer, (ii) the good performance of the exclusive Topper retail, (iii) the increase in sales to key accounts, and (iv) the successful partnerships with brands, artists, famous personalities: Pesqueira, Martin Churba, Warner Bros. and Bolivia.



In the fourth quarter, Alpargatas Argentina's main achievements were:

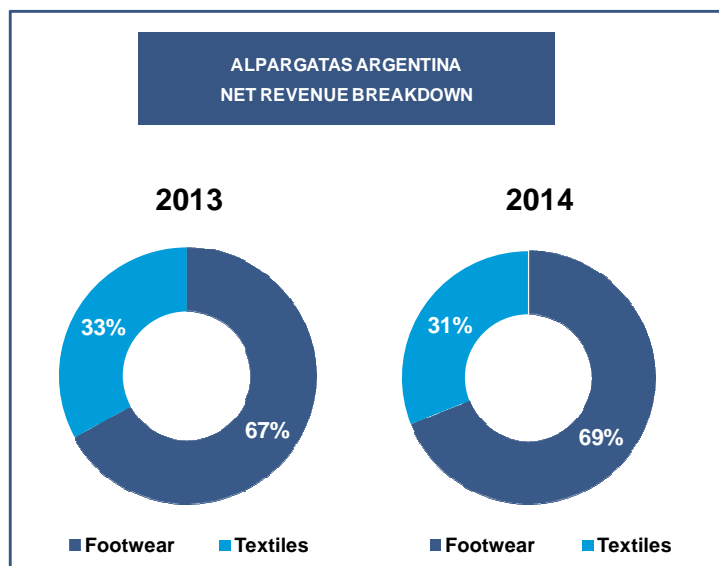
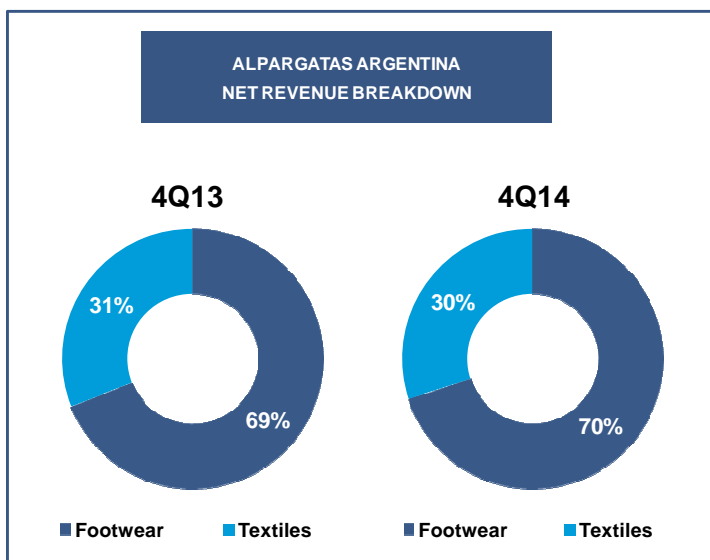
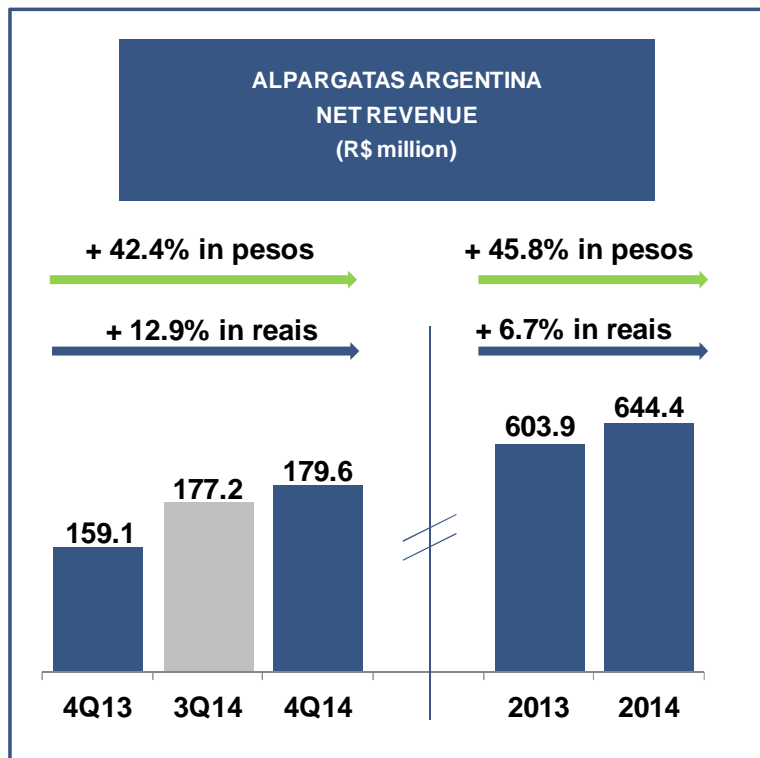
- Communication campaign for new Topper collection, in particular the ads in social media and press events.
- Launch of 2015 Rueda Verão alpargatas collection.
- Digital campaign and POS communication for footwear collections in partnership with the artists Valeria Pesqueira and Martín Churba and the Bolivia brand.
- Organization of Mizuno Half Marathon race in Buenos Aires.

Net revenue

In the fourth quarter, Alpargatas Argentina's net revenue grew 42.4% in pesos, reaching AR\$ 602.9 million in comparison with 4Q13. Converted into reais, this represents an increase of 12.9% compared with the year ago quarter. The increase is lower than in pesos due to the strong appreciation of the real. This expansion is due to the growth in footwear volume, the adjustment of sale prices and the enrichment of the product mix, both in footwear and textiles. The share of footwear in net revenue increased from 69%, in 4Q13, to 70%, in 4Q14.

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In 2014, net revenue grew 45.8% in pesos and 6.7% in reais compared with 2013, totaling R\$ 644.4 million. Footwear share was 69%, in 2014; compared with 67%, in 2013.

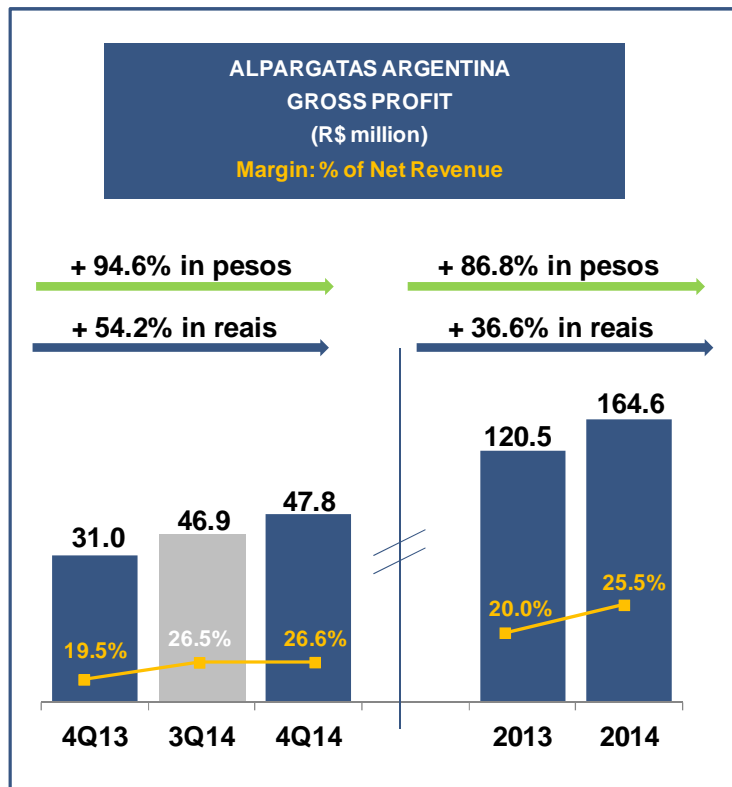


Gross profit and margin

Alpargatas Argentina posted a gross profit of AR\$ 160.8 million in the fourth quarter, a significant 94.6% increase compared with 4Q13. In reais, gross profit improved 54.2% due to the appreciation of the currency against the peso. At 26.6%, gross margin was 7.1 percentage points higher than in 4Q13, even with higher production costs driven by inflation and the 22.2% increase in the average price of cotton in pesos.

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In 2014, gross profit increased 86.8% in pesos, or 36.6% in reais, totaling R\$ 164.6 million, with 5.5 percentage point growth in gross margin, reaching 25.5%. The increase in sales prices above inflation generated gains in profitability for all the businesses – footwear, textiles and retail. Additionally, manufacturing efficiency grew due to investments in renewing machinery in the textile unit, the greater dilution of fixed cost and the adjustment of direct labor to production activities.



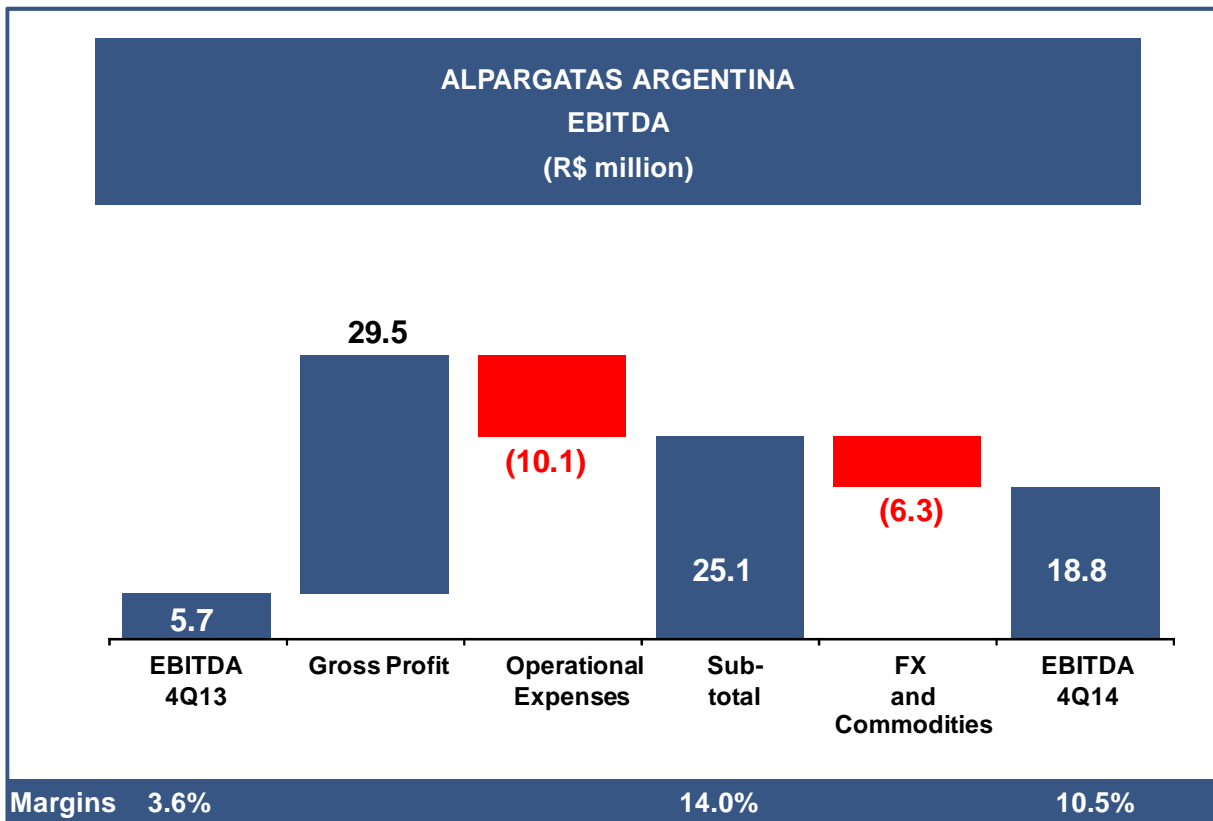
EBITDA

In the fourth quarter, EBITDA at Alpargatas Argentina totaled AR\$ 65.4 million, or R\$ 18.8 million, an impressive 290.2% increase in pesos and 229.8% in reais, compared with 4Q13. Margin in the fourth quarter grew 6.9 percentage points in reais, reaching 10.5%. The factors explaining the quarterly variation in EBITDA are:

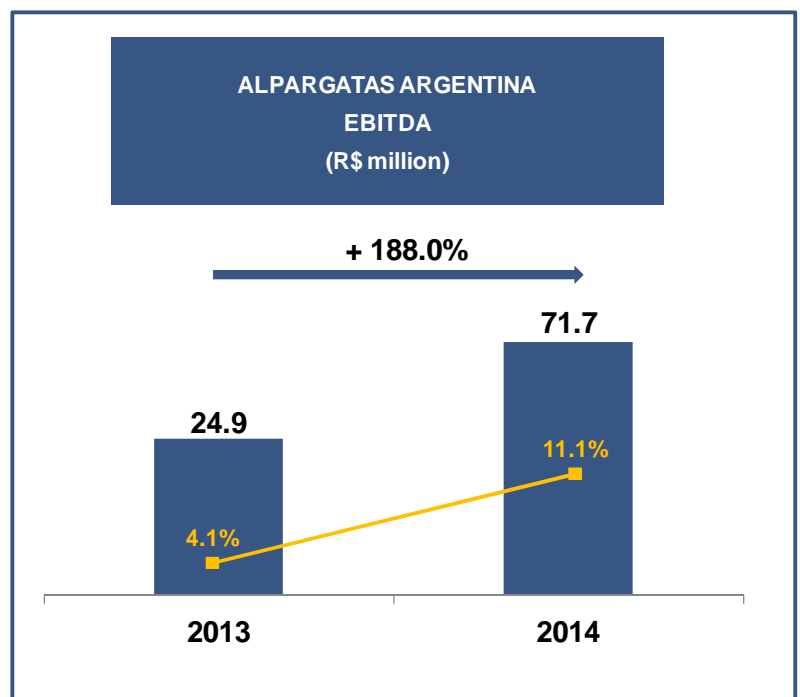
- ↑ R\$ 29.5 million more in gross profit (without commodities and FX impact) due to the strong increase in revenue and manufacturing productivity.
- ↓ R\$ 10.1 million more in operational expenses due to inflation. With a greater austerity in controlling spending, there was an increase in the productivity of these expenses, which accounted for 17.1% of net revenue, in 4Q13, decreasing to 16.3%, in 4Q14.

4Q14 AND 2014 RESULTS E DE 2014

↓ R\$ 6,3 million from the impact of FX (real stronger than peso) and increase in the average price of cotton in pesos. Discounting these effects, EBITDA is R\$ 25.1 million, growing 340.4%, and margin increases 10.4 percentage points to 14.0%.



In 2014, EBITDA totaled AR\$ 260.6 million, an increase of 265.9%, and R\$ 71.7 million, an increase of 188.0% in comparison with 2013. Margin grew seven percentage points in the year, reaching 11.1%. The increase in EBITDA in the year is explained by the strong growth in gross profitability and higher productivity of operational expenses, which decreased from 16.7%, in 2013, to 15.1% in 2014.



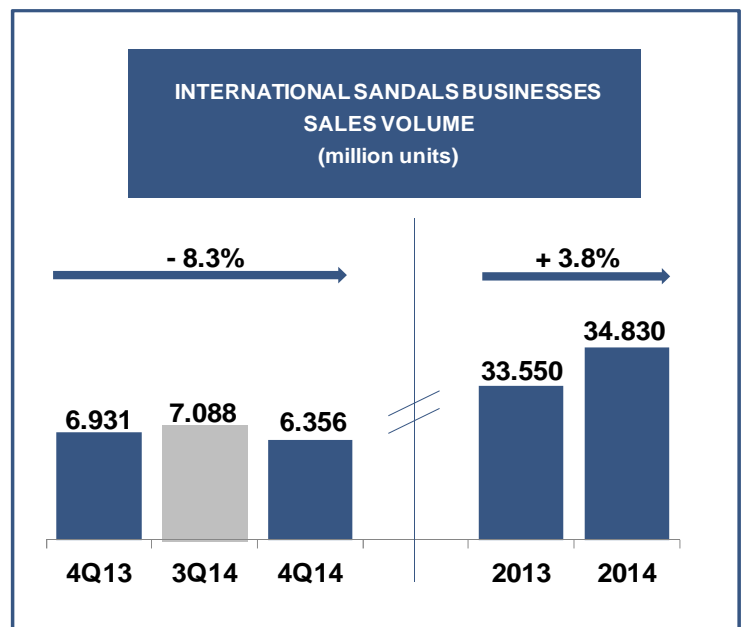
4Q14 AND 2014 RESULTS E DE 2014

INTERNATIONAL SANDALS BUSINESSES

ALPARGATAS USA, ALPARGATAS EUROPE AND EXPORTS

Sales volume

In the fourth quarter, the 53.7% volume growth in the American operation compared with 4Q13 was impressive. This was driven by expansion in all channels, in particular the key accounts and retail, with seven Havaianas stores in operation in the United States at the end of 2014. The products sold by the Alpargatas USA and Alpargatas Europa subsidiaries plus exports represented 91.7% of 4Q13 sales, the result of the challenge the company faces in exports to South America, because of the economic situation, in particular in Argentina and Venezuela.



In 2014, international sandals and accessories sales totaled 34.830 million units, growing 3.8% compared with 2013. Considering only the Alpargatas USA and Europe operations, expansion was a significant 20.0%.

Havaianas sales performance and recognition overseas is the result of a number of initiatives that have brought the brand closer to consumers. Worthy of note in the fourth quarter were:

United States

- Opening of two stores: one in the Farmers' Market, in Los Angeles, and one in Linq, in Las Vegas.
- Expansion to new product categories with the launch of Havaianas accessories and rainboots for children.
- Launch of sandals 2015 collection.

Europe

- Growth in retail and e-commerce sales.
- Fall/winter "Samba in the rain" campaign with display of Havaianas rainboots in store windows and digital media.

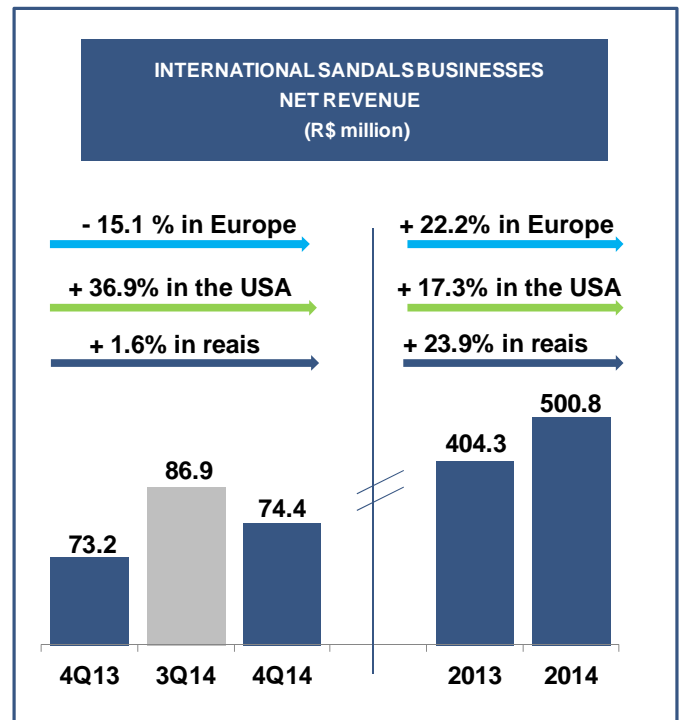
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Exports

- Organization of MYOH - Make Your Own Havaianas event in South Africa and Indonesia.
- Exclusive Havaianas window display in the General Pants and Ozmosis stores in Australia.
- Special Christmas tree installation and extensive brand exposure at the Beachwalk Shopping Center in Bali, Indonesia.

Net revenue

In the fourth quarter, net revenue for the international sandals businesses grew 1.6% in reais. Particularly worthy of note was revenue in the USA, which increased 36.9% in dollars compared with 4Q13. This was the result of volume expansion and greater POS penetration in the country. Export revenues suffered mainly because of the difficulty in getting products into Argentina.



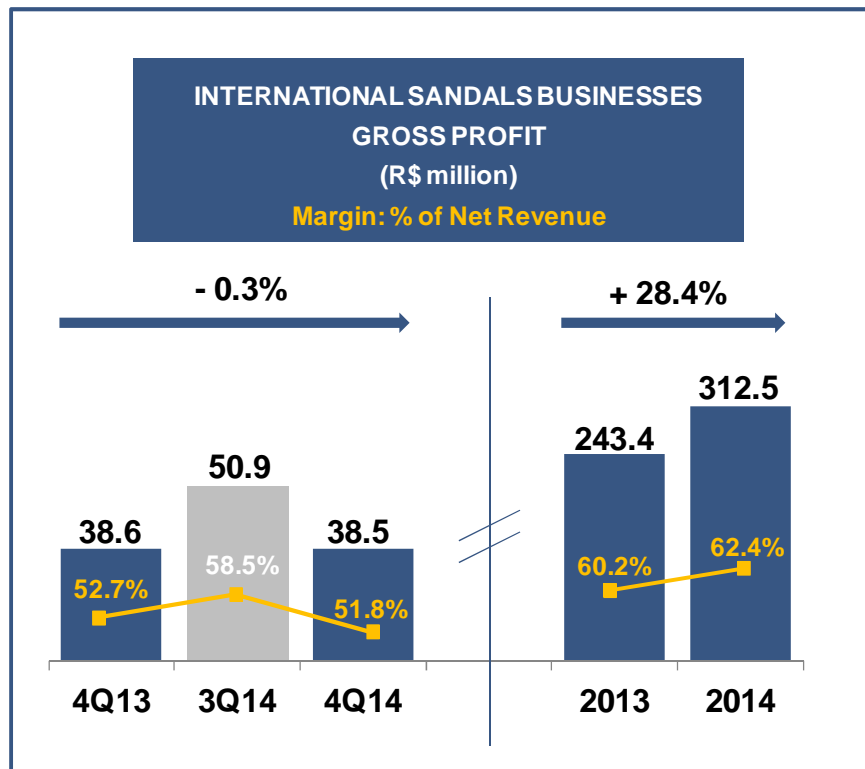
In 2014, the growth in net revenue was significant, with a 23.9% increase in reais compared with 2013. Alpargatas Europe revenues grew 22.2% in euros, while Alpargatas USA revenues grew 17.3% in dollars. Export revenues in dollars remained stable in the year on year comparison due to the retraction in sales to South America.

Gross profit and margin

In the fourth quarter, the gross profit from sandals sales in the overseas market totaled R\$ 38.5 million, remaining stable in relation to the same period of 2013. Margin decreased from 52.7%, in 4Q13, to 51.8%, in 4Q14, impacted by lower export revenue.

In 2014, at R\$ 312.5 million, gross profit was 28.4% up on 2013, with gross margin increasing from 60.2%, in 2013, to 62.4%, in 2014. Margin benefited from sales growth, favorable exchange rates and the increased share of more profitable channels in sales, such as the exclusive Havaianas retail in Europe and the United States.

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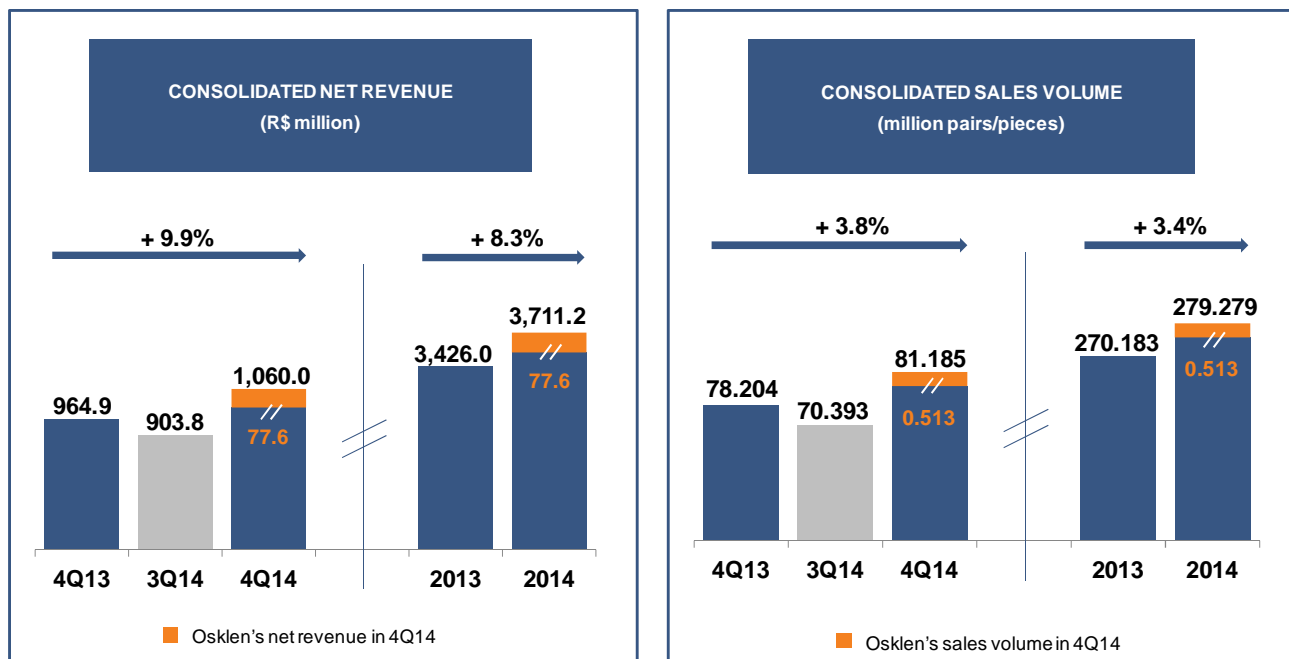
EBITDA

In the fourth quarter, EBITDA for the international sandals business was R\$ 6.1 million negative (R\$ 0.9 million negative in 4Q13) due to ongoing investments in building the Havaianas brand overseas, with more advertising and store openings even with the stability of gross profit. For example, in the United States, there were more Havaianas stores in operation in December 2014 than at the same time the previous year.

In the year, the EBITDA was R\$ 90.9 million, 61.2% higher than in 2013. At 18.2%, margin increased 4.2 percentage points compared with the previous year. The annual variation in the EBITDA is explained by:

- ↑ Increase of R\$ 31 million in gross profit.
- ↓ R\$ 19.3 million more in operational expenses due to increased investments in communication, events, store openings and expansion of points of sale and higher headcounts in overseas subsidiaries.
- ↑ R\$ 22.8 million with the positive FX impact resulting from the appreciation of the dollar and euro against the real.

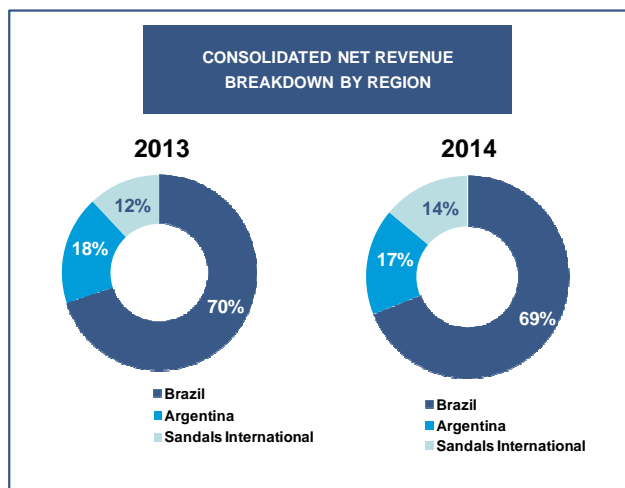
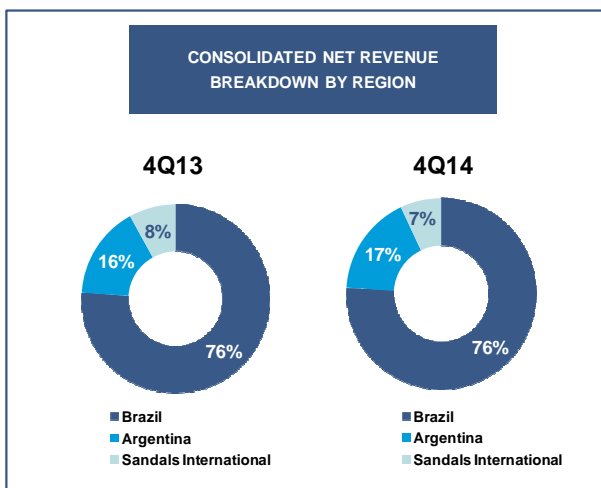
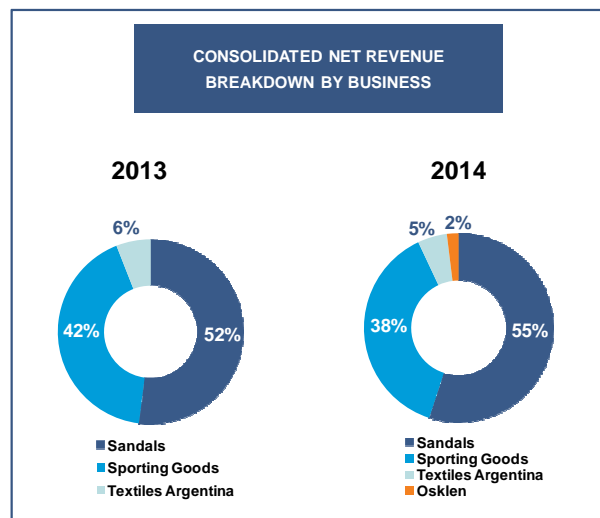
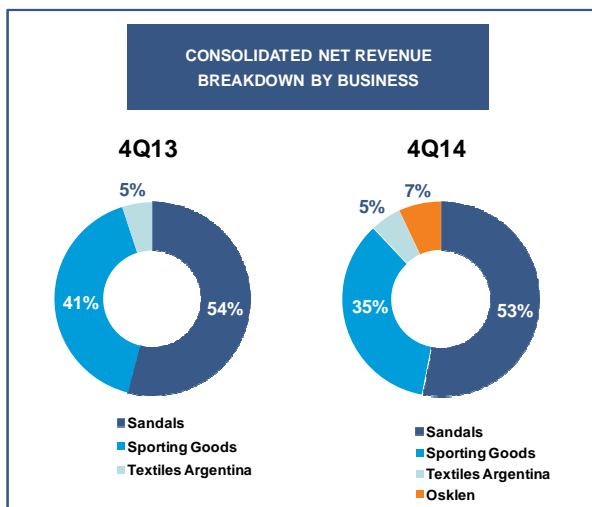
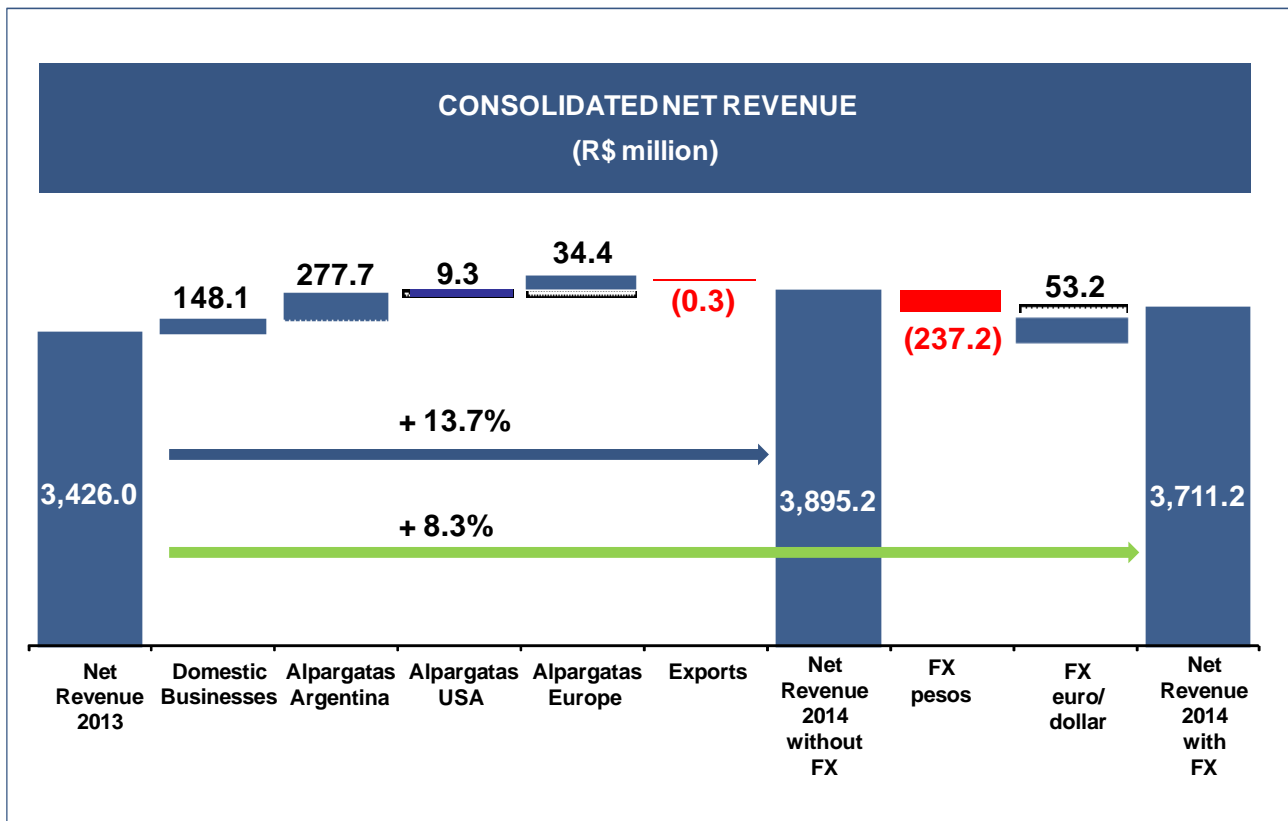
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In a year in which Brazilians were more cautious about spending on consumer goods Alpargatas' increase in revenues is worthy of note. In addition to higher sales volumes in Brazil and overseas, and efficient commercial policy and sales management, the company sold more because its brands lead or dominate their markets, enjoy widespread distribution and offer consumers products that innovate in design and technology at prices compatible with all income levels.

In 2014, consolidated net revenue is positively impacted by the appreciation of the dollar and euro, and negatively by the devaluation of the peso. Excluding all the FX effects, revenue growth in the year is 13.7% as shown in the following chart:

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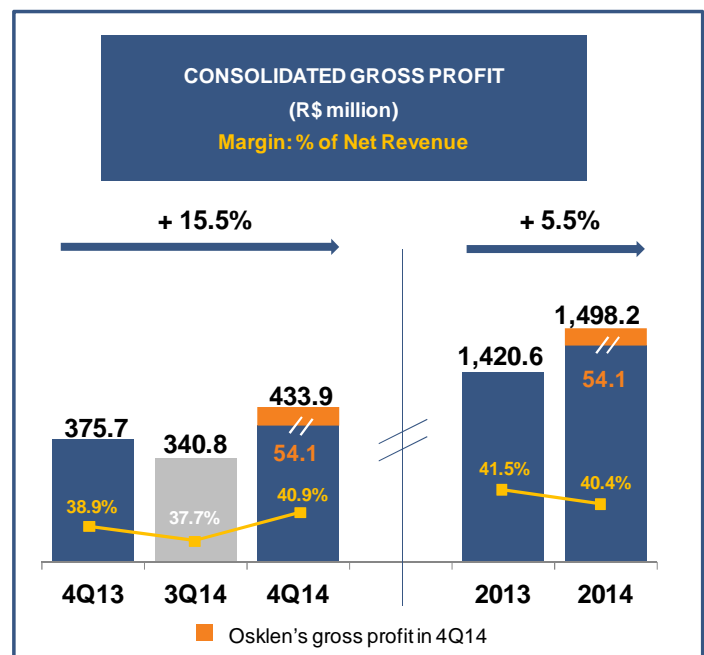
Retail is an important means of value generation for Alpargatas. The company's exclusive stores provide consumers with a unique brand experience because they may only find the full range of company products in these outlets. At the end of the quarter, there were 644 units in operation in Brazil and abroad.

Brand	Brazil	Overseas	Total stores
Havaianas	389	102	491
Osklen	80	7	87
Topper	-	11	11
Timberland	18	-	18
Meggashop/Outlet Alpargatas	21	16	37
Total stores worldwide	508	136	644

Gross profit and margin

In the fourth quarter, consolidated gross profit totaled R\$ 433.9 million, 15.5% higher than in 4Q13. At 40.9%, consolidated gross margin was two percentage points higher than in 4Q13. The main factors explaining this variation are:

- ↑ R\$ 54.1 million gross profit from Osklen.
- ↑ Adjustment of prices above inflation and increase in manufacturing productivity in Argentina.
- ↑ Increase in share of sandals, which have higher margins, in Brazilian revenues.
- ↓ Lower average price of sporting goods in sales mix in Brazil, impacting net revenues of domestic businesses.
- ↓ Impact of FX on cost in reais of imported finished products and rubber.
- ↓ Impact of FX on cost of cotton in pesos.



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In the year, consolidated gross profit reached R\$ 1,498.2 million, 5.5% higher than in 2013. At 40.4%, gross margin was 1.1 percentage point lower.

In 2014, 58% of the costs of goods sold correspond to raw materials; 24% to direct labor and 18% to general manufacturing expenses.

EBITDA

In the fourth quarter, consolidated EBITDA was R\$ 153.1 million, growing 12.4% compared with 4Q13. At 14.4%, margin was 0.3 percentage point higher than in 4Q13. The factors explaining the quarterly variation in EBITDA are:

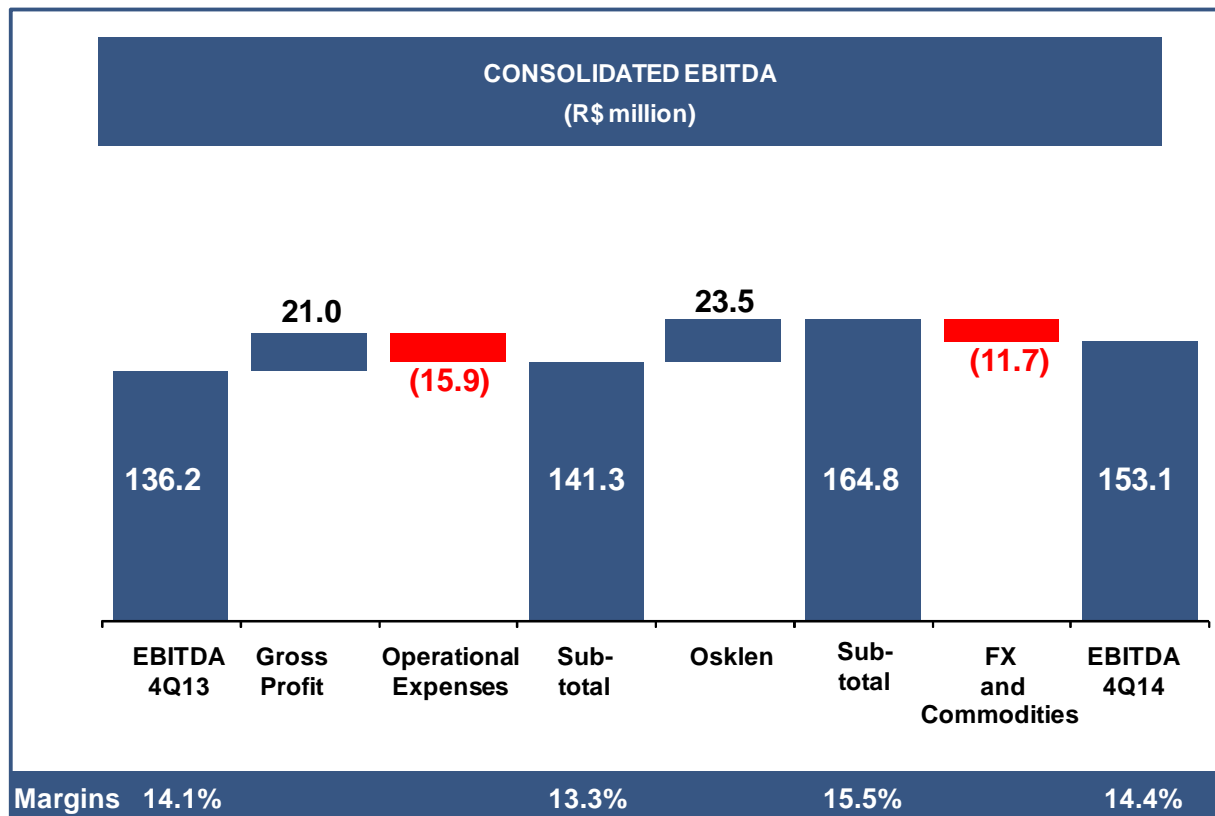
↑ Higher gross profit from Argentina.

↓ R\$ 15.9 million more in operational expenses to support company growth, with investments in communication, events, store openings and expansion of points of sale, as well as higher headcount in overseas subsidiaries.

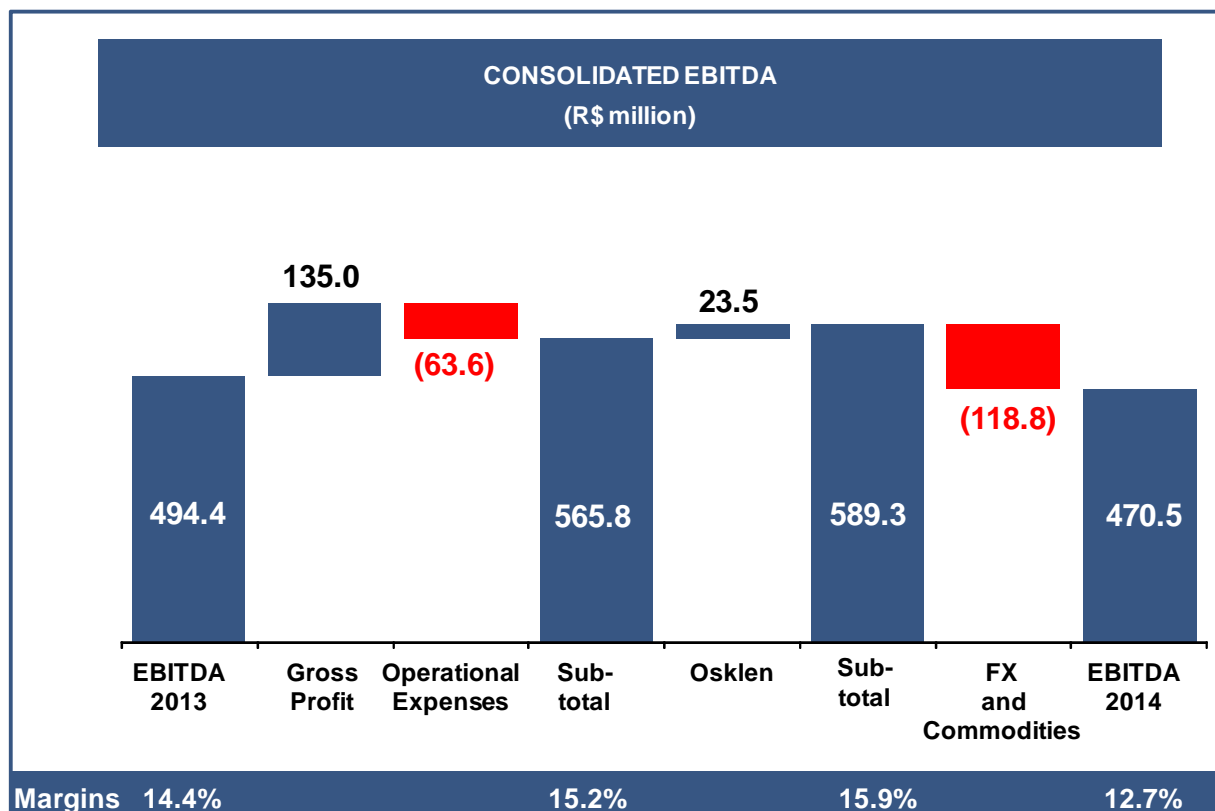
↑ R\$ 23.5 million from the consolidation of Osklen's results in 4Q14.

↓ R\$ 11.7 million resulting from the FX impact on the average cost of rubber and imported products. Isolating the negative FX effect, Alpargatas has a consolidated EBITDA of R\$ 164.8 million and a margin of 15.5% in 4Q14.

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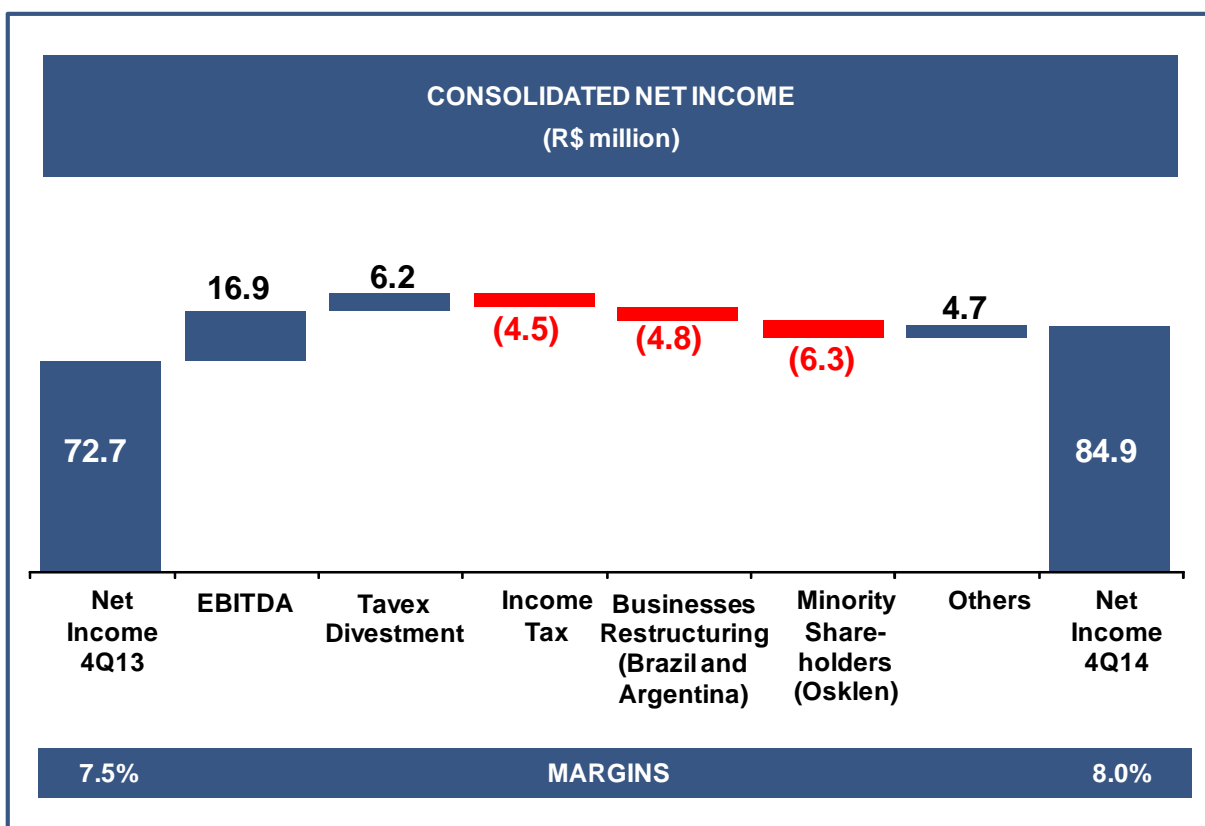
In 2014, consolidated EBITDA was R\$ 470.5 million (R\$ 494.4 million in 2013), with a margin of 12.7% (14.4% in 2013). Excluding the FX effect, 2014 EBITDA totals R\$ 589.3 million, and margin represents 15.9% of consolidated net revenue.



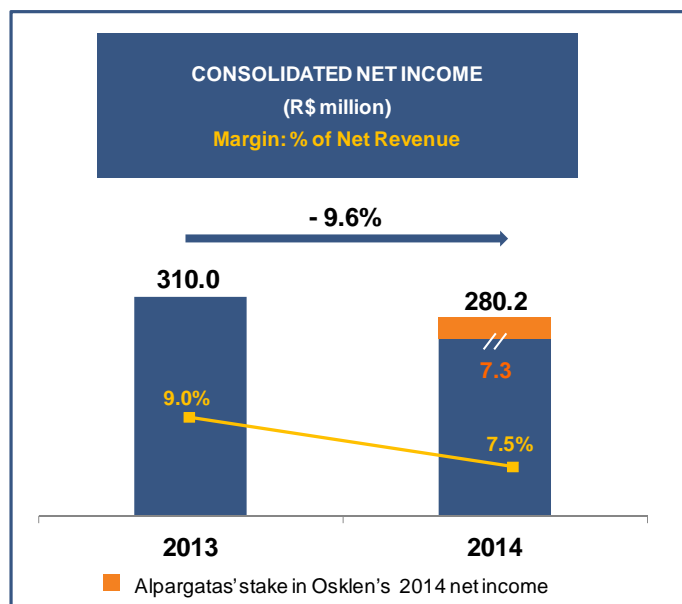
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Net income

In the fourth quarter 2014, consolidated net income was R\$ 84.9 million, 16.8% higher than the figure for the year ago quarter. The factors contributing to the increase in net income in the quarter were the higher EBITDA generation, the result of the divestment in Tavex and the net income in Osklen. Income tax and spending on restructuring the businesses in Brazil and Argentina reduced profit in 4Q14. The R\$ 6.3 million refers to 40% of Osklen's net income in the fourth quarter which belongs to the company's minority shareholders.



For the year, consolidated net income was R\$ 280.2 million. At 7.5%, margin decreased 1.5 percentage point.



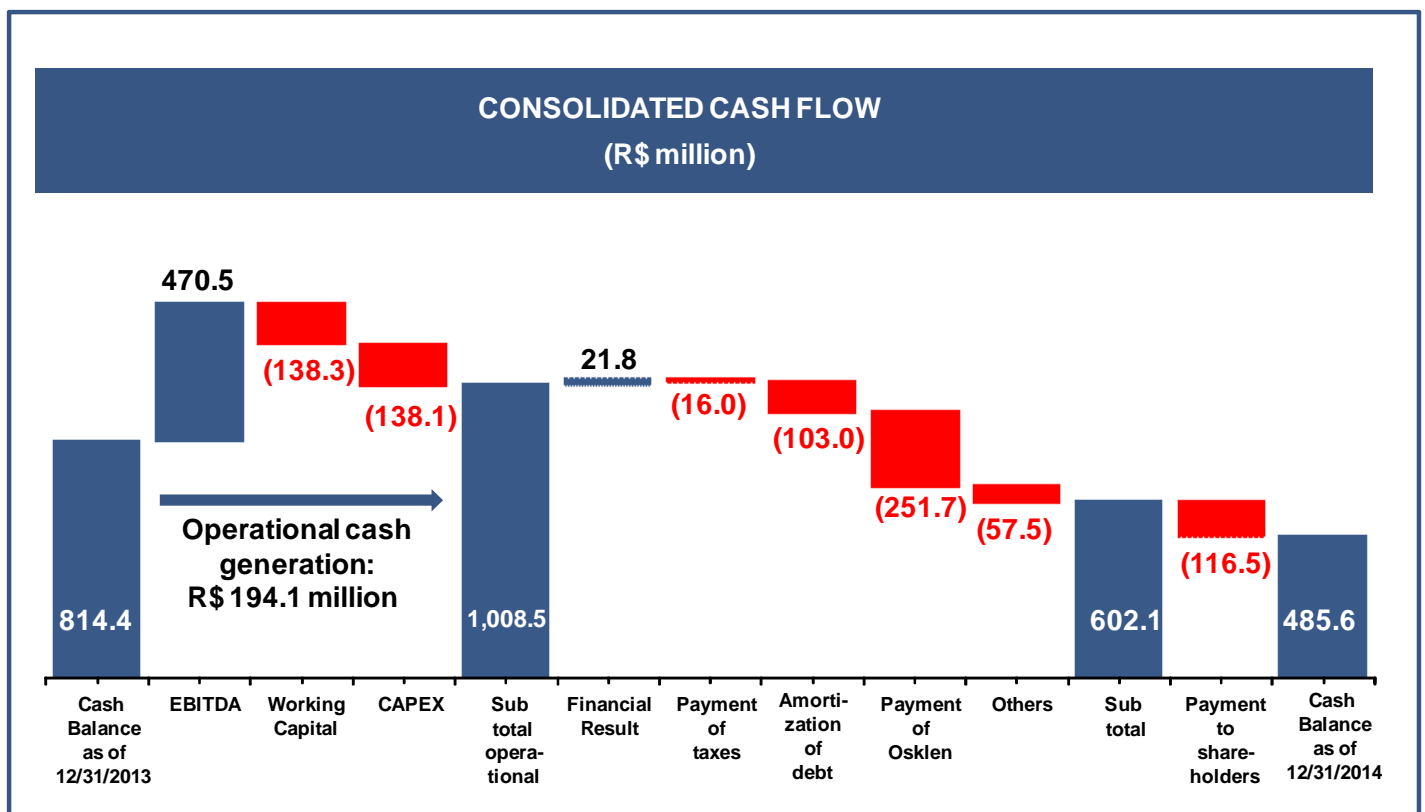
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Cash Conversion Cycle (CCC)

The average CCC for the year was 58 days, a decrease of 4 days compared with the average CCC for 2013. This was due mainly to strong stock control and maintenance of accounts receivable days in a complex year.

Cash flow

On December 31st 2014, Alpargatas had a cash balance of R\$ 485.6 million compared with R\$ 814.4 million on the same date of the previous year. Operational generation totaled R\$ 194.1 million. The biggest positive impact on cash in the 12 months was due to EBITDA, which totaled R\$ 470.5 million. The most significant disbursements were: (i) R\$ 138.3 million in working capital to support business growth; (ii) R\$ 138.1 million in Capex; (iii) R\$ 103.0 million in amortization of debts; (iv) R\$ 251.7 million in payment of ownership interest in Osklen; and (v) R\$ 116.5 million in shareholder compensation.



Debt

On December 31st, 2014, Alpargatas' consolidated financial debt totaled R\$ 514.0 million, of which R\$ 446.4 million denominated in reais and R\$ 67.6 million in foreign currency, having the following profile:

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- R\$ 295.9 million (57.6% of the total) due in the short term, of which R\$ 229.5 million in Brazilian currency. The short-term debt in foreign currency is equivalent to R\$ 66.4 million. This finances the working capital of the overseas subsidiaries and is renewable on maturity.
- R\$ 218.1 million (42.4% of the total) due in the long term, of which R\$ 216.8 million in Brazilian currency and R\$ 1.3 million in foreign currency, maturing in accordance with the following schedule:
 - 2016: R\$ 64.5 million;
 - 2017: R\$ 26.3 million;
 - 2018: R\$ 25.3 million;
 - 2019: R\$ 24.9 million;
 - 2020 on: R\$ 77 million.

Banco do Nordeste do Brasil (BNB) and BNDES Finame

In 2012, the company contracted loans and financing from the Banco do Nordeste do Brasil (BNB) and from the BNDES Finame credit line totaling R\$196.4 million for the construction of its sandals factory in Montes Claros (Minas Gerais state). The interest rates are prefixed from 2.5% a year – a cost that optimizes the company's capital structure.

BNDES EXIM Pre-shipment

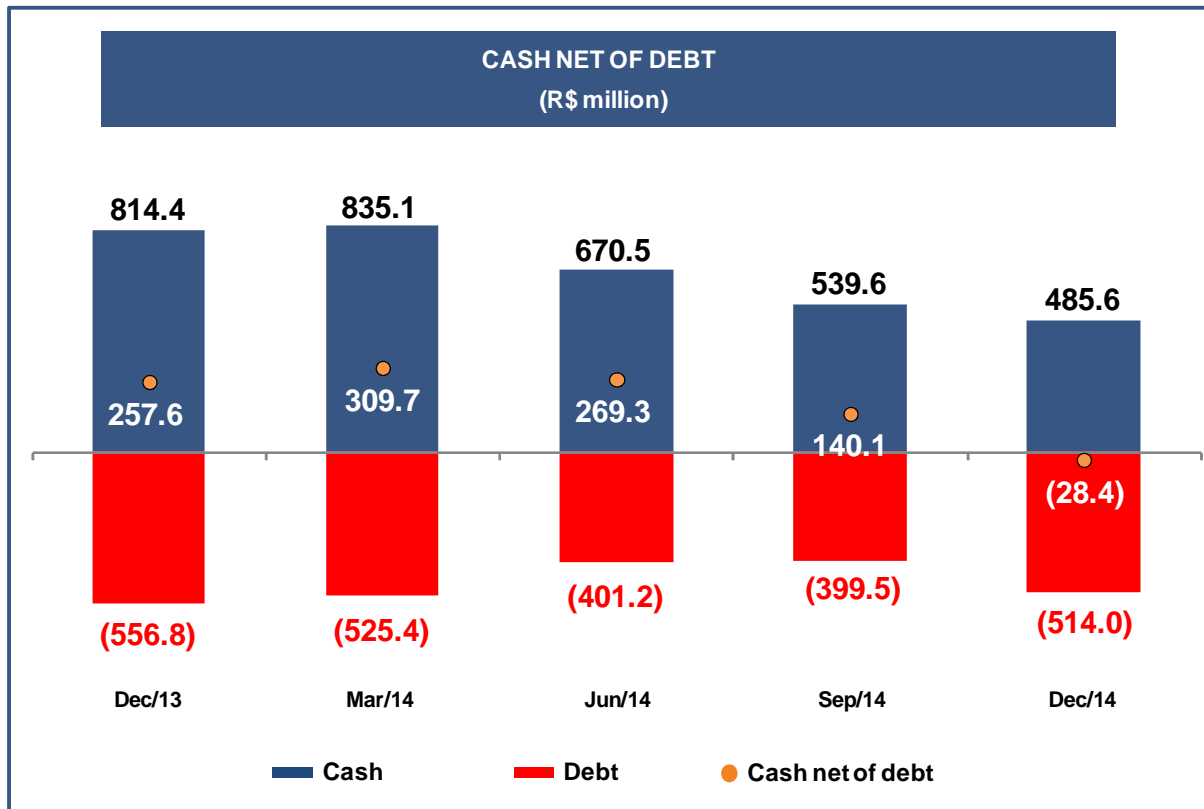
In August 2013, Alpargatas received credits of R\$ 70.0 million, corresponding to the BNDES EXIM Pre-shipment line of credit, at a fixed cost of 8.0% a year. These funds are to finance sandals exports and will be amortized in six installments maturing in 2015.

Export Credit Note (NCE)

In February and July 2013 the company received, respectively, credits of R\$ 25.0 million and R\$ 10.0 million corresponding to the Export Credit Note (NCE) at the fixed average cost of 7.5% per year. The credit line is similar to the BNDES EXIM Pre-shipment operation, and will be amortized in one-off payment on the due date in 2016.

Subtracting the debt of R\$ 514.0 million from the cash balance of R\$ 485.6 million, Alpargatas cash net of debt position was negative R\$ 28.4 million at the end of 2014, due to greater use of own capital to support strategic investments, optimizing capital structure.

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CAPITAL MARKET AND SHAREHOLDER COMPENSATION

2014 was a year of great volatility on the Brazilian stock market, marked by high inflation, interest and exchange rates and by a retraction in consumption in the major cities in the country. On December 31st 2014, the company's preferred shares (ALPA4) were quoted at R\$ 7.25, and its voting shares (ALPA3) at R\$ 6.70, prices respectively 46.1% and 43.3% lower than on December 31st 2013. From January to December, Ibovespa depreciated 2.9%. At the end of the year Alpargatas was valued at R\$ 3.2 billion on BM&FBovespa. ALPA4 average daily trading volume in 2014 was R\$ 5.7 million, 1.3% up on the average daily volume traded in 2013. During the year R\$ 84.3 million was paid out in interest on equity. Additionally, in a meeting held on March 6th, 2015, the Board of Directors approved an additional dividend payment of R\$ 147.1 million on April 28th 2015. As such, total compensation for Alpargatas shareholders in 2014 will be R\$ 231.4 million, corresponding to 82.5% of the accumulated net income in the year. At the same meeting, the Board of Directors decided to bring forward the payment of R\$ 26.9 million in interest on equity to be paid out on March 24th 2015, attributable to the mandatory annual dividend to be approved by the 2016 Annual General Meeting.

OUTLOOK

Alpargatas begins the new year certain that it has the solid foundations necessary to guarantee its ongoing growth in a period in which the Brazilian economy is undergoing a strong adjustment. This will require company leadership to focus on growing net revenue, strengthen control over operational expenses, boost cost productivity and, above all, prioritize cash generation.

In Sandals, the main challenges will be to increase Havaianas' leadership in the domestic market by accelerating gains in market share; evolving the strategy of extending the brand to other product categories and driving international expansion. Havaianas retail will continue to grow with the opening of stores in Brazil and abroad, as part of the effort to boost awareness of the brand's products and new categories aiming at growing sales of non-sandals products.

The increased production capacity enabled by the Montes Claros plant will permit Alpargatas to meet growing demand for Havaianas in Brazil and overseas, particularly in Asia, a region in which an office should be opened in 2015.

Growth in Sporting Goods is supported by the advance of Mizuno and Topper as regional brands, and Rainha and Timberland in Brazil. After having implanted a sustainable, long-term partnership with Mizuno Co., the brand will continue to work on strengthening its leadership in the running performance segment and in other categories. To do this, it will seek to increase brand equity among runners through higher marketing investment; sponsorship of athletes, clubs and events; the implementation of a retail model and expanded footwear production in Brazil. Topper will strengthen its identity as a Latin American sports brand in key segments, such as soccer, running and tennis through the expanded offer of products for these sports, as well as adjustments to the points of sale with a focus on communicating the products and developing distributors in other countries in South America. It will also increment the casual footwear line in order to boost the brand's perceived and aspirational value. The brand will also drive business growth through the offer of apparel, accessories and balls. Rainha, through investment in points of sale, media and sports relationships, will grow in the active running, casual and training footwear markets. In addition to striving for greater growth and profitability, Timberland will act as a platform for new brands in Brazil.

For Osklen, in 2015 attention will be focused on capturing synergies in transaction (back office), production and commercial (distribution to clients of current brands) activities, as well as preparing for international expansion, which will gain strength from 2016.

Optimization of the manufacturing footprint via the Value Improvement Programme (VIP) and the review of the logistics model will make the operations more competitive and further improve productivity, resulting in



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improved profitability. The cost of commodity raw materials, in particular rubber, should be less volatile in 2015, remaining at a lower average levels than 2014.

Alpargatas will continue to be agile, always attentive to the opportunities that drive its businesses. The objective is to grow and to strengthen the company that everyone knows: innovative, admired, respected and concerned about people's quality of life, about the environment and about sustainability.

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Appendix I - Balance Sheet (R\$ thousands)

ASSETS	12/31/2014	12/31/2013	LIABILITIES	12/31/2014	12/31/2013
Current assets	2,138,855	2,184,259	Current liabilities	995,623	1,014,522
Cash and banks	72,803	27,976	Trade accounts payable	396,898	384,055
Temporary cash investment	412,819	786,424	Loans and financing	295,931	275,311
Trade accounts receivable (net of provisions)	914,957	801,554	Debt restructuring agreements	9,106	10,942
Inventories	595,233	467,528	Salaries and social Charges	150,873	127,176
Other receivables	46,585	31,828	Reserve for contingencies	10,819	6,755
Prepaid expenses	12,546	10,765	Provisions for Tax, Labor and Civil Claims	3,475	4,075
Assets held for sale	-	-	Taxes payable	37,653	21,194
Other assets	15,572	-	Interest on capital and dividends payable	2,074	2,135
Recoverable taxes	68,340	58,184	Other payable liabilities	88,794	182,879
			Long-term liabilities	550,039	513,011
Long-term assets	137,627	130,264	Loans and financing	218,072	281,523
Recoverable taxes	28,465	20,777	Debt restructuring agreements	43,020	50,731
Deferred income and social contribution taxes	53,209	58,000	Provision for taxes	167,638	133,611
Judicial and compulsory deposits	15,353	13,134	Taxes Installments	-	766
Other accounts receivables	40,600	38,353	Provisions for Tax, Labor and Civil Claims	86,222	-
			Reserve for contingencies	27,620	30,514
			Other payable liabilities	7,467	15,866
Permanent Assets	1,370,084	1,047,461	Equity	2,100,904	1,834,451
Investments	2,042	183,098	Capital	648,497	624,610
Property, plant and equipment	698,095	624,264	Paid-in capital	177,461	168,572
Intangible assets	669,947	240,099	Treasury shares	(85,003)	(54,662)
			Income Reserves	1,134,715	1,121,802
			Equity valuation	(27,846)	(56,811)
			Hedge operation	2,802	(1,760)
			Minority shares	103,178	-
Total assets	3,646,566	3,361,984	Total liabilities	3,646,566	3,361,984
			Book value per share (R\$)	4.34	4.35

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Appendix II - Income Statement (R\$ thousands)

	4Q13	4Q14	2013	2014
Net revenue	964,888	1,059,951	3,425,959	3,711,162
Cost of goods sold	(589,179)	(626,025)	(2,005,390)	(2,212,917)
Gross profit	375,709	433,926	1,420,569	1,498,245
<i>Gross margin</i>	38.9%	40.9%	41.5%	40.4%
Operating revenues (expenses)	(269,865)	(324,542)	(1,068,084)	(1,153,713)
Selling expenses	(217,571)	(240,356)	(823,259)	(914,453)
General and administrative expenses	(34,957)	(59,011)	(162,704)	(191,527)
Management compensation	(8,374)	(10,634)	(13,617)	(16,756)
Amortization of intangible assets	(6,512)	(7,681)	(25,074)	(24,717)
Other operating revenues (expenses)	(2,450)	(6,861)	(43,430)	(6,260)
EBIT – Operating result	105,845	109,384	352,485	344,532
<i>Operating margin</i>	11.0%	10.3%	10.3%	9.3%
Financial income	19,169	13,513	55,545	66,712
Financial expenses	(23,490)	(26,160)	(75,380)	(88,606)
Foreign exchange rate variation	(4,331)	5,228	41,853	(760)
Results in subsidiaries	(18,226)	-	(27,087)	(19,513)
Operating income	78,967	101,965	347,416	302,364
Income tax and social contribution tax	(6,317)	(10,754)	(37,653)	(15,836)
Minority interest	-	(6,377)	248	(6,377)
Net income	72,650	84,834	310,011	280,151
			-	-
EBITDA – R\$ million	136.2	153.1	494.4	470.5
<i>EBITDA margin</i>	14.1%	14.4%	14.4%	12.7%