ALPARGATAS INTERNATIONAL ApS

Annual report
1 January 2014 - 31 December 2014

The annual report has been presented and approved on the company's general meeting the

17/07/2015

Stefano Oragano
Chairman of general meeting

Content

Company information

Reporting company	ALPARGATAS INTERNATIONAL ApS Omøgade 8 2100 København Ø	
	Phone number:	45461088
	Fax number:	45461089
	CVR-nr:	29611858
	Reporting period:	01/01/2014 - 31/12/2014
Auditor	ERNST & YOUNG P/S Osvald Helmuths Vej 4 2000 Frederiksberg DK Denmark	
	CVR-nr:	30700228
	P-number:	1013415044

Statement by Management

The Management has today presented the Annual Report for 2014 of Alpargatas International ApS.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company’s assets, liabilities and financial position at 31 December 2014, and the results for the financial year 1 January - 31 December 2014. Also, we believe that the Management’s review contains a fair review of the affairs and conditions referred to therein.

The Annual Report is submitted for adoption by the General Meeting.

Copenhagen, the 17/07/2015

Management

Márcio Luiz Simões Utsch　　　　Andrew Deri Woods

Independent Auditor's Reports

To the shareholders of ALPARGATAS INTERNATIONAL ApS

Report on Financial Statements

We have audited the financial statements of ALPARGATAS INTERNATIONAL ApS for the financial year 1 January 2014 - 31 December 2014, which comprise summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Executive and supervisory board's responsibility for financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish Audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit has not resulted in any qualifications.

Opinion

In our opinion the financial statements give a true and fair view of the Company’s assets, liabilities and financial position as at 31 December 2014 and of its financial performance for the financial year 1 January 2014 - 31 December 2014, in accordance with the Danish Financial Statements Act.

Reports on other Legal and Regulatory Requirements

Statement on Management's review

Pursuant to the Danish Financial Statements Act, we have read the management’s review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the management’s review is consistent with the financial statements.

Copenhagen, 17/07/2015

Eskild Jakobsen
State Authorised Public Accountant
ERNST & YOUNG P/S

Management's Review

Principal activities
The Company's object is to conduct trade and financial activities, including the acquisition of and investment in share capital as a holding company in Danish and foreign companies, and any other similar business in accordance with the decision of the management board.

Financial development
The Company has sold the shares of the associated company Tavex Algodonera S.A. during the year.

On this basis, the Company considers the results for the year to be in line with expectations.

Impairment test for Alpargatas USA Inc.
The Company's Management has performed an impairment test for 2014 as regards its investment in the subsidiary Alpargatas USA Inc. The impairment test, which was based on a business plan and budgets for a 5-year period as well as a terminal period, presumes marked growth in revenue as well as earnings. Since the test is based on future events, it is associated with uncertainty. However, the Management believes that the assumptions used are realistic and reasonable. The impairment test did not imply recognition of any impairment losses.

Events after closing of the accounts
No events have occurred after the end of the financial year that may have a significant impact on the financial position of the company.

Accounting Policies

The annual report has been prepared in accordance with the regulation applying to Reporting class B.

Changes in accounting policies
There are no changes in accounting policies.

Referring to section 112(1) of the Danish Financial Statements Act, Alpargatas International ApS has not prepared any consolidated financial statements.

The company meets the requirement as the ultimate parent company is preparing consolidated financial statement.

GENERAL

Income is recognised in the income statement as and when it is earned, including recognition of value adjustments of financial assets and liabilities. Any costs, including depreciation, amortisation and write-down, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is likely that future economic benefits will accrue to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is likely that future economic benefits will not accrue to the company and the value of the liability can be measured reliably.

The initial recognition measures assets and liabilities at cost. Subsequently, assets and liabilities are measured as described in the following for each item.

Certain financial assets and liabilities are measured at amortised cost, recognising a constant yield to maturity. Amortised cost is stated at initial cost less any deductions and with addition/deduction of the accumulated amortisation on the difference between cost and nominal amount.

The recognition and measurement takes into account predictable losses and risks arising before the year-end reporting and which prove or disprove matters that existed at the balance sheet date.

The carrying amount of intangible and tangible fixed assets should be estimated annually to determine if there is any indication of impairment in excess of the amount reflected by normal amortisation or depreciation. If this is the case, write-down should be made to the lower recoverable amount.

The Annual Report has been prepared in EUR.

INCOME STATEMENT

Administrative and external expenses

Administrative expenses comprise expenses incurred during the year for management and administration. Also in this, items are write-downs for bad debt losses.

Financial income and financial expenses
Financial income and expenses include interest, realised and unrealised capital gains and losses on shares, liabilities and transactions in foreign currency. Financial income and expenses are recognised in the income statement with the amounts concerning the financial year.

Dividend from investments will be booked as income in the year the dividend is declared.

Tax for the year
The tax for the year consists of the current tax and the deferred tax for the year. The tax relating to the results is recognised in the income statement, whereas the tax directly relating to equity entries is taken directly to equity.

BALANCE SHEET

Intangible Assets
Intangible fixed assets are booked at acquisition price less accumulated depreciation. Depreciation is made on a straight-line basis over the asset's economic life, which is estimated to be between 5-10 years.

Financial fixed assets
Shares in group companies and associates are measured at historical cost. Under circumstances where the cost exceeds the net realisable value, then the value is written down to the lower value.

Receivables
Receivables are measured at amortised cost. The value will be reduced by the provision for bad debts.

Prepayment and deferred income
Prepayments stated as assets include expenses paid relating to subsequent financial years.

Dividend
Dividends that are expected to be paid during the year are shown as a separate booking in equity after decision at the annual general meeting.

Tax payable and deferred tax
Current tax liabilities and tax receivables are recognised in the balance sheet as calculated tax of taxable income for the financial year adjusted for the tax paid in previous years and paid tax on account.

Deferred tax is measured on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination against tax on future earnings or by setoff against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would be applicable when the deferred tax is expected to crystallise as current tax. A change in the deferred tax, which is a result of changes to tax rates, is recognised in the income statement with the exception of items that are taken directly to equity.

Financial debt
Financial liabilities are recognised initially at the proceeds net of loan expenses incurred. In the subsequent periods the financial liabilities are measured at amortised cost equal to the capitalised value by using the effective yield method in order for the difference between the proceeds and the redemption value to be recognised in the income statement over the period of the loan.

Other liabilities are measured at amortised cost corresponding substantially to nominal value.

Translation policies
Transactions in foreign exchange are translated at exchange rates approximating those in effect at the date of each transaction. Exchange rate adjustments arising between the transaction date rates and the rates at the date of payment are recognised under financials in the income statement. When exchange rate transactions are considered as hedging of future cash flows, the adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign exchange not settled at the balance sheet date are translated at the average of the buy and sell exchange rates available at the close of business on the balance sheet date. Differences between the exchange rates at the balance sheet date and the transaction date rates are recognised under financials in the income statement.

Income statement 1 Jan 2014 - 31 Dec 2014

	Disclosure	2014 EUR	2013 EUR
Other operating income		4,550	0
Administrative expenses		-74,730	-62,964
Gross Result		**-70,180**	**-62,964**
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets	1	-2,128	-25,532
Profit (loss) from ordinary operating activities		**-72,308**	**-88,496**
Gains (losses) from fair value adjustments of other investment assets			0
Development expenditure		-729,804	-788,237
Other finance income	2	126,117	-671,562
Impairment of financial assets		108,415	455,347
Other finance expenses	3	-7,099	-38,468
Profit (loss) from ordinary activities before tax		**-574,679**	**-1,131,416**
Extraordinary profit (loss) before tax		**-574,679**	**-1,131,416**
Tax expense			0
Profit (loss)		**-574,679**	**-1,131,416**
Proposed distribution of results			
Proposed dividend recognised in equity		0	0
Retained earnings		-574,679	-1,131,416
Proposed distribution of profit (loss)		**-574,679**	**-1,131,416**

Balance sheet 31 December 2014

Assets

	Disclosure	2014 EUR	2013 EUR
Acquired other similar rights		0	2,128
Intangible assets	**4**	**0**	**2,128**
Investments in group enterprises		32,060,429	26,939,821
Investments in associates		0	4,987,132
Investments	**5**	**32,060,429**	**31,926,953**
Total non-current assets		**32,060,429**	**31,929,081**
Receivables from group enterprises		0	8,913,807
Deferred income assets		5,625	5,625
Receivables		**5,625**	**8,919,432**
Cash and cash equivalents		8,387,353	186,047
Current assets		**8,392,978**	**9,105,479**
Total assets		**40,453,407**	**41,034,560**

Balance sheet 31 December 2014

Liabilities and equity

	Disclosure	2014	2013
		EUR	**EUR**
Contributed capital		57,734,570	57,734,570
Retained earnings		-17,297,044	-16,722,365
Total equity	**6**	**40,437,526**	**41,012,205**
Payables to group enterprises		61	0
Other payables		15,820	22,355
Short-term liabilities other than provisions, gross		**15,881**	**22,355**
Liabilities other than provisions, gross		**15,881**	**22,355**
Liabilities and equity, gross		**40,453,407**	**41,034,560**

Disclosures

1. Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets

	2014 EUR	2013 EUR
Opening Balance	-5,657,462	-5,631,930
Depreciation for the year (20%)	-2,128	-25,532
Closing Balance	**-5,659,590**	**-5,657,462**
Net Book Value	**0**	**2,128**

2. Other finance income

	2014 EUR	2013 EUR
Interest income from related companies	120,500	237,648
Adjustment of interest income previous year	0	-926,850
Foreign exchange difference	5,616	17,640
	126,116	**-671,562**

3. Other finance expenses

	2014 EUR	2013 EUR
Interest expense from credit institute	0	30,321
Foreign exchange difference	5,351	5,504
Other interest expense	0	1,316
Bank charges	1,748	1,327
	7,099	**38,468**

4. Intangible assets

	2014 EUR	2013 EUR
Opening Balance	5,659,590	5,659,590
Closing Balance	**5,659,590**	**5,659,590**

5. Investments

	2014 EUR	2013 EUR
Historical cost at 1 January	104,648,159	93,019,839
Additions during the year at cost	5,120,608	11,628,320
Disposals during the year at cost	-65,845,451	0
Historical cost at 31 December	**43,923,316**	**104,648,159**
Write up and down		
Opening Balance	-72,721,206	-73,176,553
Write up/down for the year	60,858,319	455,347
Closing Balance	**-11,862,887**	**-72,721,206**
Net Book Value	**32,060,429**	**31,926,953**

Investments in subsidiaries can be specified as follows, EUR

	Equity	Profit/loss	Ownership	Accounting value
Alpargatas USA Inc.	-13,409,947	-96,519	100%	26,779,920
Alpargatas Europe S.L.U., Spain	4,023,229	8,239,286	100%	100,000
Alpargatas France S.a.r.l., France	111,192	158,463	100%	5,000
Alpargatas UK Ltd, England	893,007	253,034	100%	1
Alpargatas Italia SrL, Italy	224,994	108,446	100%	50,000
Alpargatas Portugal Lda, Portugal	229,843	-2,098	98%	4,900
Alpargatas Germany GmbH, Germany	31,097	6,097	100%	25,000
A.Y.U.S.P.E. S.A., Brasil	-	-	37.6%	5,095,608
Net Book Value				**32,060,429**

The accounts for the subsidiaries are based on the financial year 2014. Not all subsidiaries prepares audited financial statements.

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The Company’s Management has performed an impairment test for 2014 as regards its investment in the subsidiary Alpargatas USA Inc. The impairment test, which was based on a business plan and budgets for a 5-year period as well as a terminal period, presumes marked growth in revenue as well as earnings. Since the test is based on future events, it is associated with uncertainty. However, the Management believes that the assumptions used are realistic and reasonable. The impairment test did not imply recognition of any impairment losses.

6. Total equity

	2014 EUR	2013 EUR
Balance on 1 January	57,734,570	45,532,752
Increase in share capital 28.02.2013	0	305,041
Increase in share capital 19.12.2013	0	11,896,777
Balance on 31 December	**57,734,570**	**57,734,570**

The share capital for the last 5 years can be specified as follows:

	2010	2011	2012	2013	2014
Balance on 1 January	24,304,124	30,262,854	30,393,854	45,532,752	57,734,570
Increase in share capital	5,958,730	131,000	15,138,898	12,201,818	0
Balance on 31 December	**30,262,854**	**30,393,854**	**45,532,752**	**57,734,570**	**57,734,570**

	Share capital	Retained earnings	Proposed dividend	Total
Opening balance	57,734,570	-16,722,365	0	41,012,205
Retained earnings	0	-574,679	0	-574,679
Closing Balance	**57,734,570**	**-17,297,044**	**0**	**40,437,526**

7. Disclosure of contingent liabilities

The Company has an unrecognized tax asset as a result of unused carried forward tax losses.