

**citi**<sup>®</sup>

**Grendene**<sup>®</sup>

**Non deal roadshow**

**September 2012**

**Grendene**<sup>®</sup>

## Disclaimer

This presentation contains statements that can represent expectations about future events or results. These statements are based on certain suppositions and analyses made by the company in accordance with its experience, with the economic environment and market conditions, and expected future developments, many of which are beyond the company's control. Important factors could lead to significant differences between real results and the statements on expectations about future events or results, including the company's business strategy, Brazilian and international economic conditions, technology, financial strategy, developments in the footwear industry, conditions of the financial market, and uncertainty on the company's future results from operations, plans, objectives, expectations and intentions – among other factors. In view of these aspects, the company's results could differ significantly from those indicated or implicit in any statements of expectations about future events or results.

## Agenda

History
Highlights
Plants
Production
Sustainability
Footwear sector
Products
Results
Strategy
Guidance

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### Mission

- To create democratic fashion, responding rapidly to the market's needs, generating an attractive return for the company and its partners.


### Values

- Profitability, Competitiveness, Innovation and Agility, and Ethics

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## Timeline Grendene®

### The beginning




**1971**

Grendene was founded.  
With two injection machines, 15 employees and novelty: to produce plastic packaging for wine.

**1975**

With diversification, was the pioneer to produce shoes with nylon as raw material.



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## Timeline Grendene®



**1978**

The launch of the *Nuar* sandal, an old dream came true.

**1979**

The collection of sandals with the Melissa brand has conquered the world.





**1979**

Melissa innovation, being the first shoe brand to do merchandising on Brazilian television soap opera in "Dancin 'Days".

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## Timeline

### 1983

The succesful collaboration between **Melissa** and greatest designers like: Jean-Paul Gaultier, Thierry Mugler, Jacqueline Jacobson and Elisabeth De Seneville.



### 1986

Launch of the **Rider** sandals line, target for the masculine public.

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## Timeline

### 1990/93/97

In Ceará, the plant at **Fortaleza, Sobral** and **Crato**, was inaugurated.



### 1994

Launch of the **Grendha** product line, targeting the feminine public.

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## Timeline

### 2001

Launch of the **Ipanema** brand and partnership with top model **Gisele Bündchen**.



Foto: A. Carreiro – Out/2004

### 2004

**Grendene** started having common shares ("GRND3") negotiated at the *Novo Mercado* at BM&FBOVESPA.

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## Timeline



### 2005

Opening of **Galeria Melissa** in São Paulo.

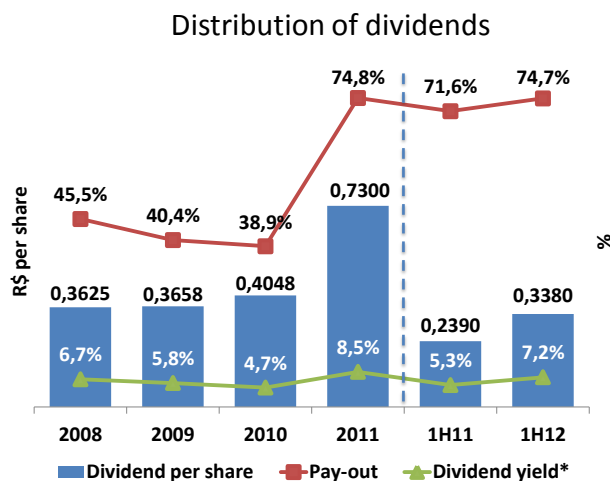
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## Timeline

### 2011

New Dividend Policy:

Quarterly Payments and payout of approximately 75% of the net profit after the allocations to reserves required by law.



(\*) Dividend yield: earning per share divided by the average price of the share for the year.

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## Timeline

### 2012

Opening of **Galeria Melissa** in Nova York.



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## Timeline

**2012**

Memorandum of  
Understanding  
between Grendene  
& Jelly



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## Highlights

Grendene is one of the world's largest producers of footwear.

Production capacity: 200 million pairs/year

Average production: 500,000 pairs/day.

Employees: 23,000 in December 31, 2011.

New products in 2011: 1,002.

World presence: more than 90 countries.

Brands with strong personality.

Innovation in product, distribution and media.

Listed on *BM&FBOVESPA*: Free float: 25%.

Solid capital structure and strong cash flow.

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## Plants

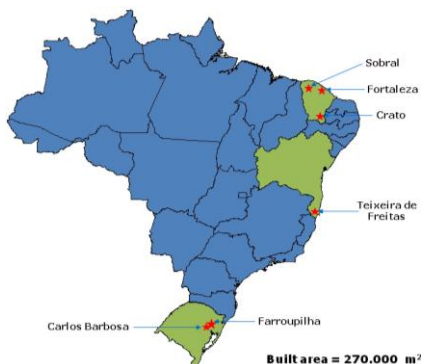


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## Location of industrial plants and productive process

### Brazil



### Verticalization = Agility

PVC formulation

Design

Moulds

R&amp;D

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## Industrial Plants



Carlos Barbosa / RS



Sobral / CE



Fortaleza / CE



Teixeira de  
Freitas/BA



Crato / CE



Farroupilha / RS

Installed  
capacity:  
200,000,000  
pairs / year

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## Productive process



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## Sustainability




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## Our response



Farroupilha - RS

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## Social responsibility



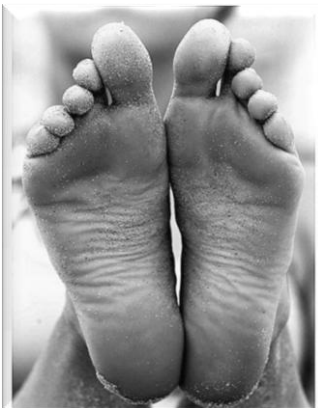
Providing employment and income, healthy food, education / vocational training and health.



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## Social responsibility



Over the years  
Grendene has  
helped to put  
on the shoes  
of people.



**GUGA**  
GUERREIRO  
Grendene®

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## Social and Environmental Responsibility

PVC that is unused or damaged in the process, plus leftovers and scraps are fully reused.



Unused paints are removed from the water for reuse of the paint and the water.



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## Social and Environmental Responsibility

The water is treated in a stabilization lake and reused for conserving the vegetation.



The water used for watering the plants comes from reusing factory water.



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## Footwear Sector



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## Brazil's Footwear Sector

### Profile

**8,200 producers in 2011**

**337,500 direct employees**

**Production:** 819 million pairs in 2011 (894 million pairs in 2010)

World's 3<sup>rd</sup> largest producer.

**Apparent consumption, Brazilian domestic market:** 740 million pairs and 3.8 pairs per capita/year in 2011 (780 million pairs and 4.0 pairs in 2010)

**Exports:** 113 million pairs to more than 140 countries in 2011 (-21.0% vs. 2010)

#### Source:

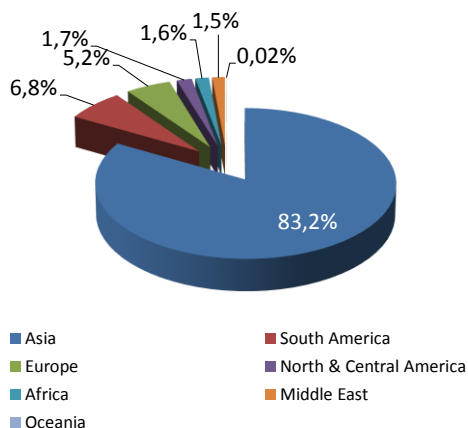
IEMI/RAIS/ABICALÇADOS/SECEX

**The industry itself is much more than 150 years old – companies are typically small and labor-intensive, with no entry or exit barriers.**

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## Footwear Sector

Distribution of footwear production by continent in 2010



Country	Production 2010 (million pairs)
China	10,210
India	2,180
Brazil	894
Vietnam	682
Indonesia	604
Others	3,022
<b>Total</b>	<b>17,592</b>

The 5 principal countries produce: 14,570 million pairs  
= 82,8% of total world production.

Source: World Shoe Review 2010 / ABICALÇADOS

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## The footwear sector in Brazil

Million pairs	2006	2007	2008	2009	2010	2011
Production	830	808	816	814	894	819
Imports	19	29	39	30	29	34
Exports	180	177	166	127	143	113
Apparent consumption	669	660	689	717	780	740
Per capita consumption (pairs)	3.6	3.5	3.6	3.7	4.0	3.8

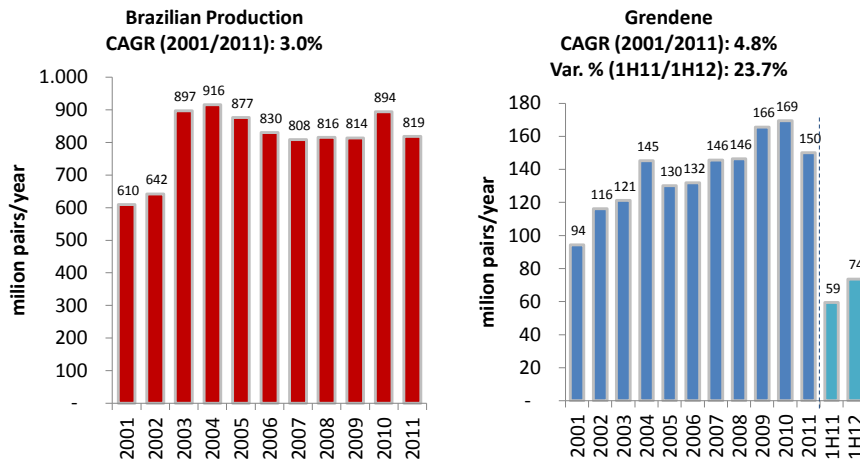
Source: IEMI / Secex / Abicalçados

Consumption – 2010	Total	Per capita
United States of America	2,263	7.3
United Kingdom	419	6.7
France	412	6.4
Italy	336	5.5
Japan	680	5.3

Source: World Shoe Review 2011 / Abicalçados / US Census Bureau / Office for National Statistics (UK) / Institut national de la statistique et des études économiques / istituto Nazionale di Statistica / Statistics Bureau (Japan)

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## Grendene x Brazilian footwear sector

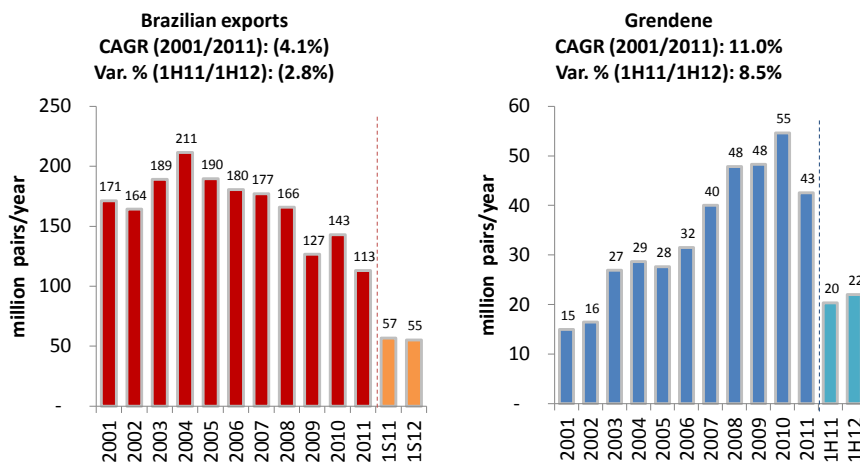


Source: IEMI / Abicalçados

Grendene has grown faster than the Brazilian footwear industry.

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## Exports: Grendene vs. Brazil



Source: DECEX / MDIC / ABICALÇADOS

Grendene's exports were 39.9% of total Brazilian footwear exports in 1H12 (35.8% in 1H11).

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## Products



Products that meet essential and basic needs at low cost.



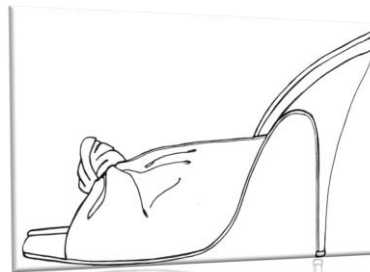
Products for all the income groups: A, B, C, D and E – with very good cost x benefit.



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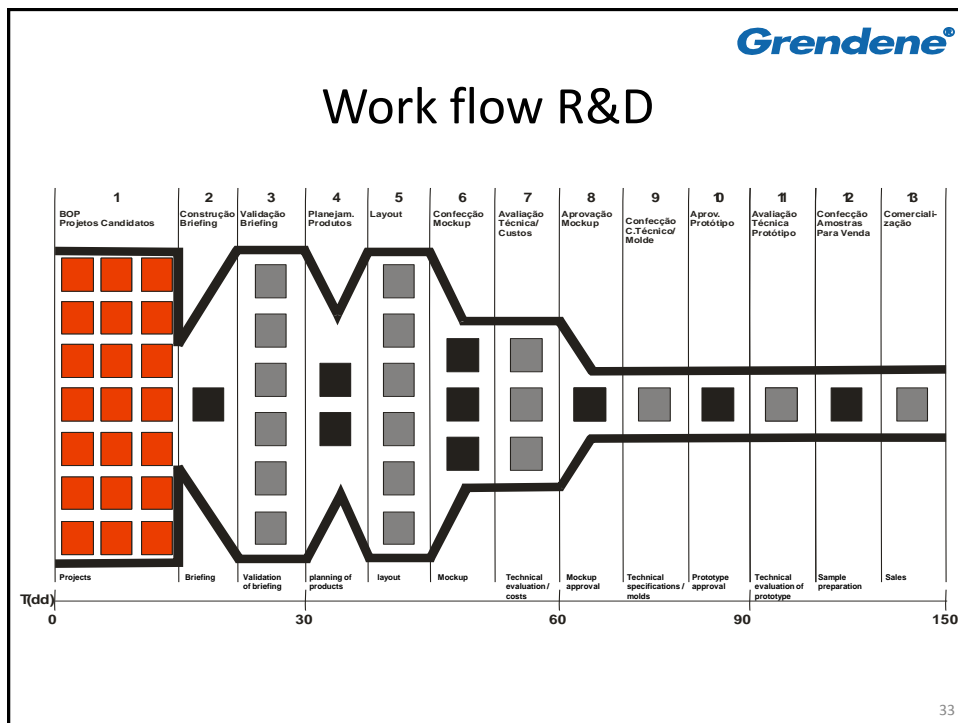
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## Creative Process



Melissa + Vivienne Westwood

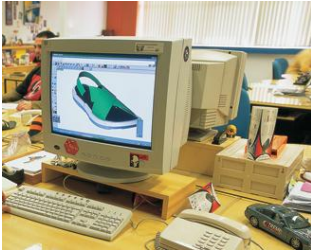

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## Development molding

- The modeling of the products is made with last generation software.
- With a network of machines, the molds are size-scaled.
- The CNC shaping machines were specially developed and projected for the Grendene molds. They are programmed to shape four molds at the time.

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# Ipanema

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## Merchandising Garotas de Ipanema

(Ipanema Girls Merchandising)



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## Management process



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Melissa Dance Hit

Melissa Artemis + Jason Wu

Melissa Trippy

Melissa Gradient

Melissa Morning + Salinas

Melissa N° 1 + Pedro Lourenço

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Zaxy Happy Trancê



Zaxy Intense Birk

Zaxy Movie






Zaxy Happy Flock



Zaxy Happy Glitter

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Avengers Universe



Hello Kitty Super Fashion



Barbie Ballet



Homem Aranha Street

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Hot Wheels Speed Baby



Backyardigans Baby



Patati -Patatá  
Alegria Baby



Hello Kitty Diva  
Baby












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## Celebrities

 Gisele Bündchen	 Shakira	 Taís Araújo	 Ivete Sangalo
 Tânia Khalill	 Caio Castro	 Di Ferrero	 Mariana Rios

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## Sales channels: Brazil

**Retail**

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## Sales channels: Brazil

**Retail**

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## Sales channels: Brazil

**Magazine**

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## Sales channels: Brazil

**Self-service**

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## Sales channels: Brazil



**Selective  
distribution**

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## Sales channels: Brazil



**Selective  
distribution**

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## International sales channels



**RSH Malaysia**  
Studio R Store – Sunway



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## International sales channels



**Famous Footwear**  
Chain stores with  
more than 1,200  
points of sale in the  
U.S.

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## International sales channels



**Hard Rock Store**  
Orlando, FL

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## Galeria Melissa – Concept store



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**827, Oscar Freire Street, São Paulo, SP**

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## Melissa Gallery – New York



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**102 Greene St, Manhattan, New York/ US**

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## Results (in IFRS)



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## Main financial and economic indicators – 2007 to 2011

R\$ million	2007	2008	2009	2010	2011	Change % 2010-2011
Net sales revenue	1,198.6	1,249.9	1,455.8	1,604.5	1,482.6	(7.6%)
Net Income	260.5	239.4	272.2	312.4	305.4	(2.2%)

Margins %	2007	2008	2009	2010	2011	Change p.p. 2010-2011
Gross	42.2%	41.5%	38.9%	40.6%	43.3%	2.7
EBIT	14.5%	12.9%	10.4%	13.2%	12.5%	(0.7)
EBITDA	16.7%	15.0%	12.2%	15.0%	14.4%	(0.6)
Net	21.7%	19.2%	18.7%	19.5%	20.6%	1.1

**iPANEMA®**

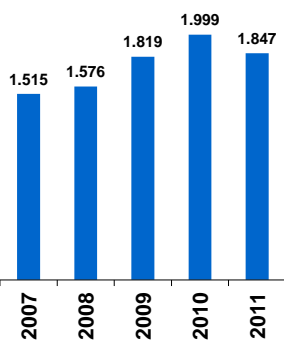
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**Grendene®**

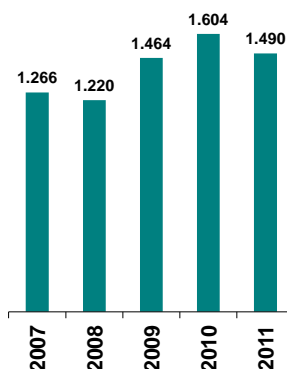
## Gross sales revenue (IFRS) (R\$ million)

**Gross sales revenue**

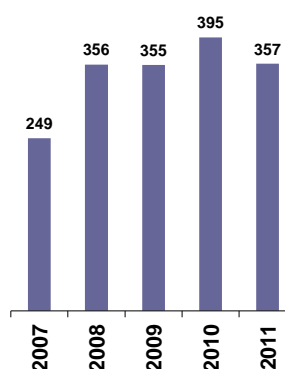
CAGR (2007-2011): 5.1%

**Gross sales revenue  
Domestic market**

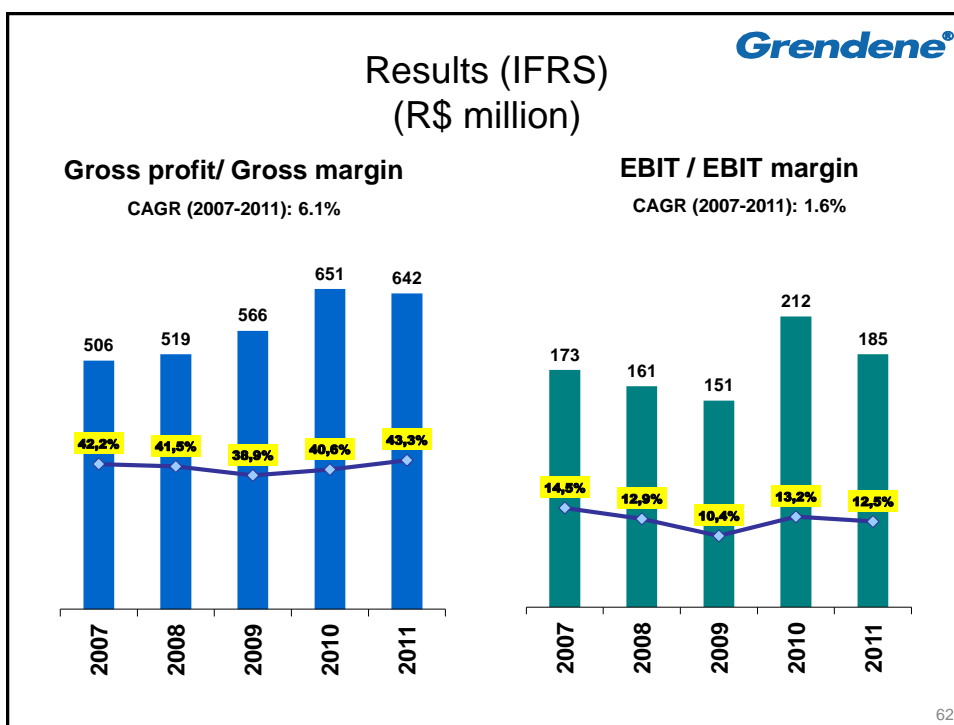
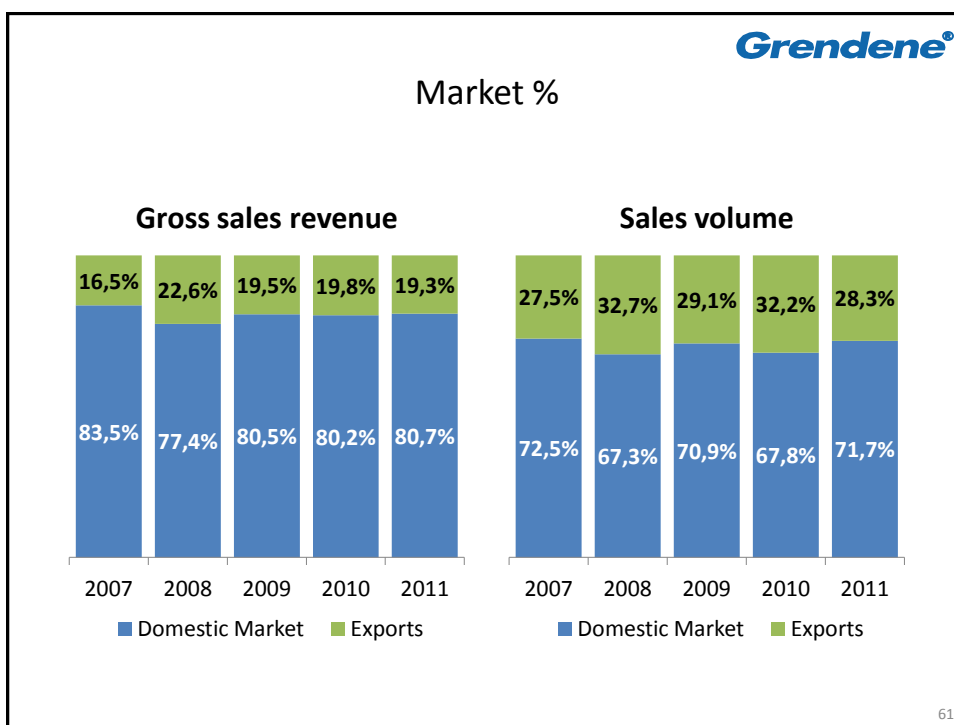
CAGR (2007-2011): 4.2%

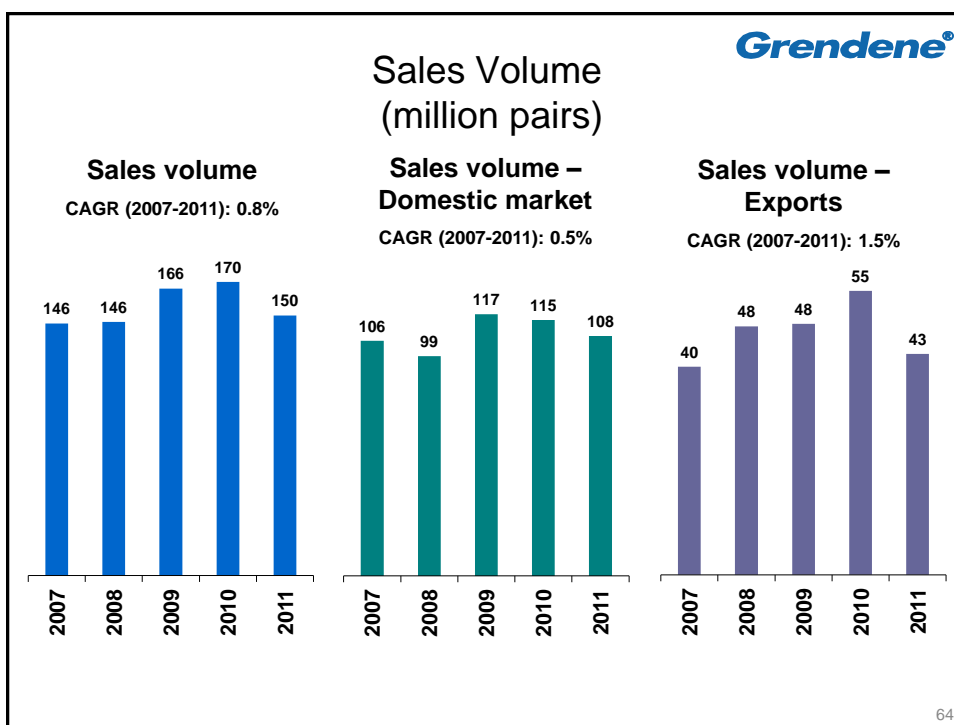
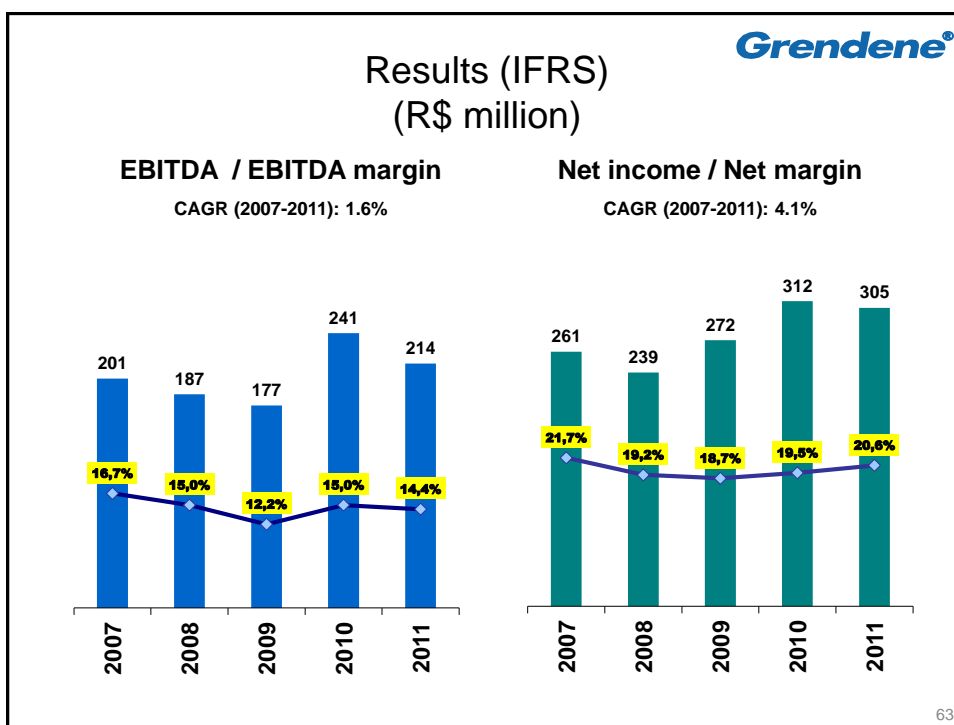
**Gross sales revenue  
Exports**

CAGR (2007-2011): 9.4%



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## Main financial and economic indicators – 1H08 to 1H12

R\$ million	1H08	1H09	1H10	1H11	1H12	Change % 1H12-1H11
Net sales revenue	483.3	600.3	680.0	561.1	726.2	29.4%
Net Income	83.4	121.6	84.9	100.4	141.5	41.0%

Margins %	1H08	1H09	1H10	1H11	1H12	Change p.p. 1H12-1H11
Gross	35.1%	37.7%	30.4%	36.6%	42.2%	5.6
EBIT	6.4%	10.2%	4.9%	7.0%	12.0%	5.0
EBITDA	9.0%	12.4%	7.0%	9.6%	14.1%	4.5
Net	17.3%	20.3%	12.5%	17.9%	19.5%	1.6

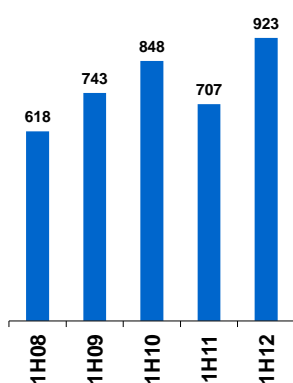
**iPANEMA®**

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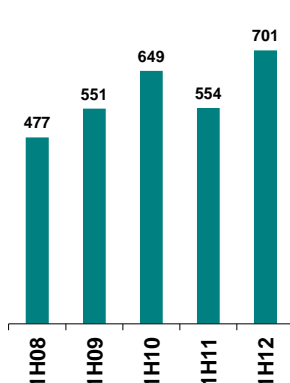
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## Gross sales revenue (IFRS) (R\$ million)

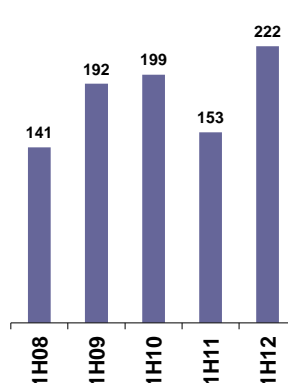
**Gross sales revenue**  
CAGR (1H08-1H12): 10.5%



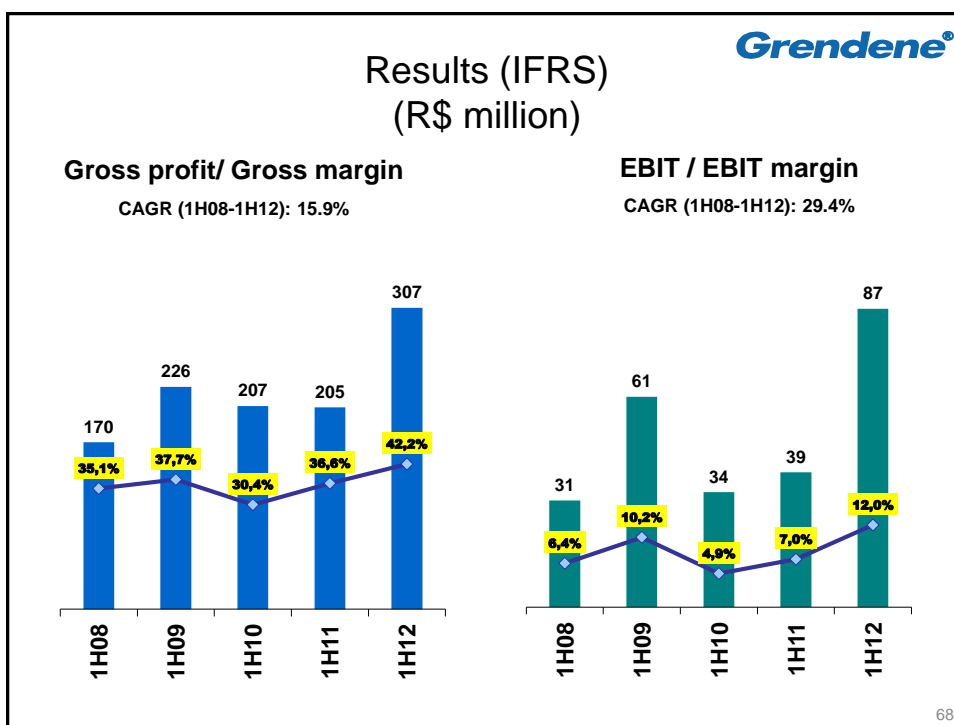
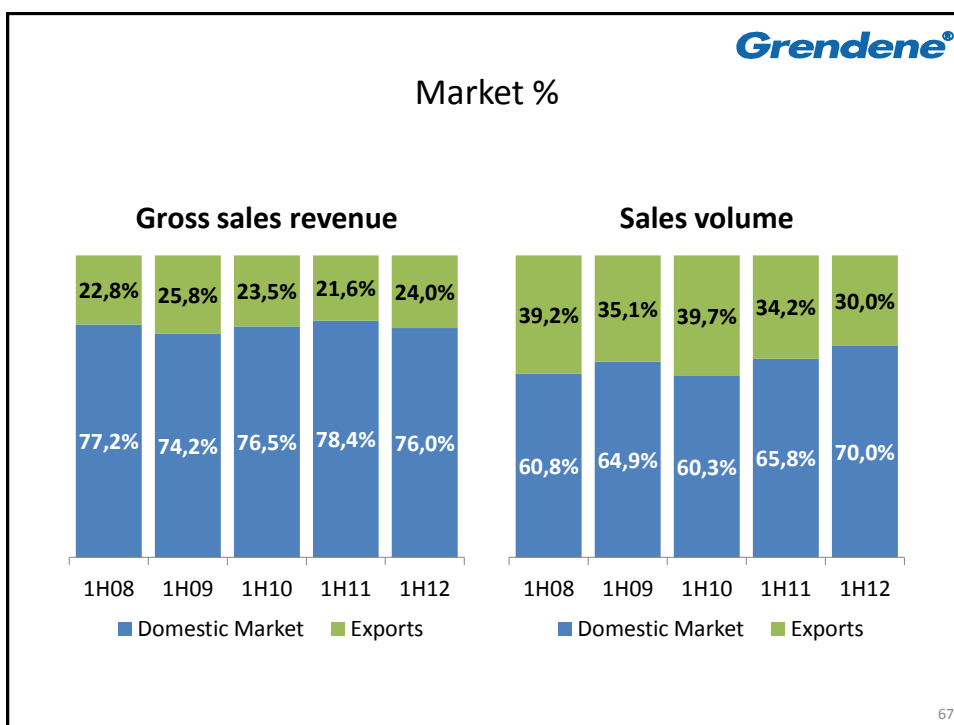
**Gross sales revenue Domestic market**  
CAGR (1H08-1H12): 10.1%

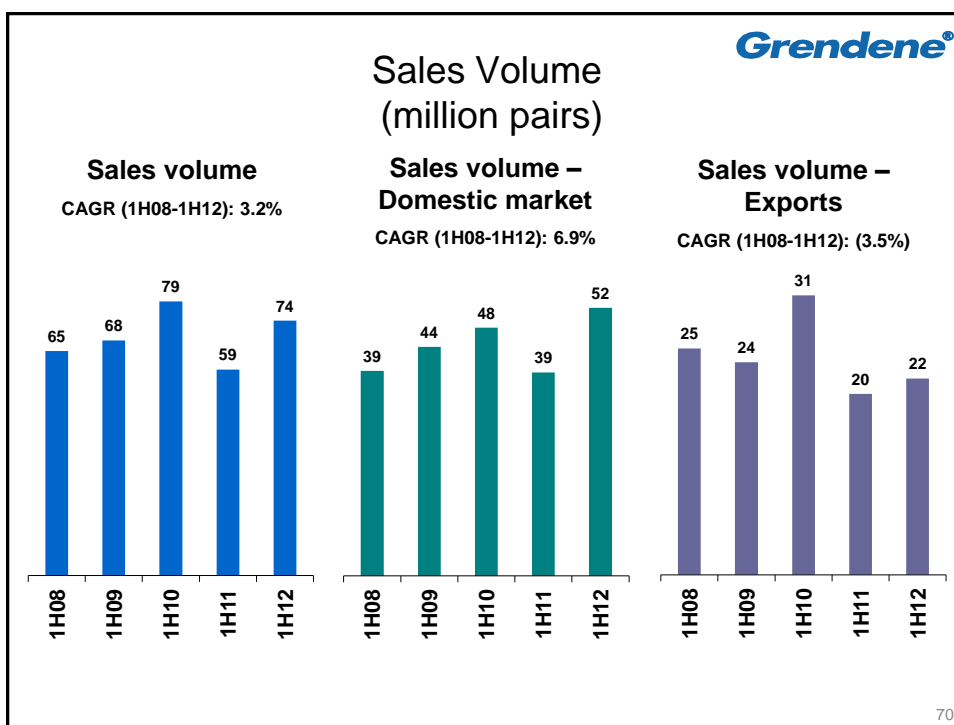
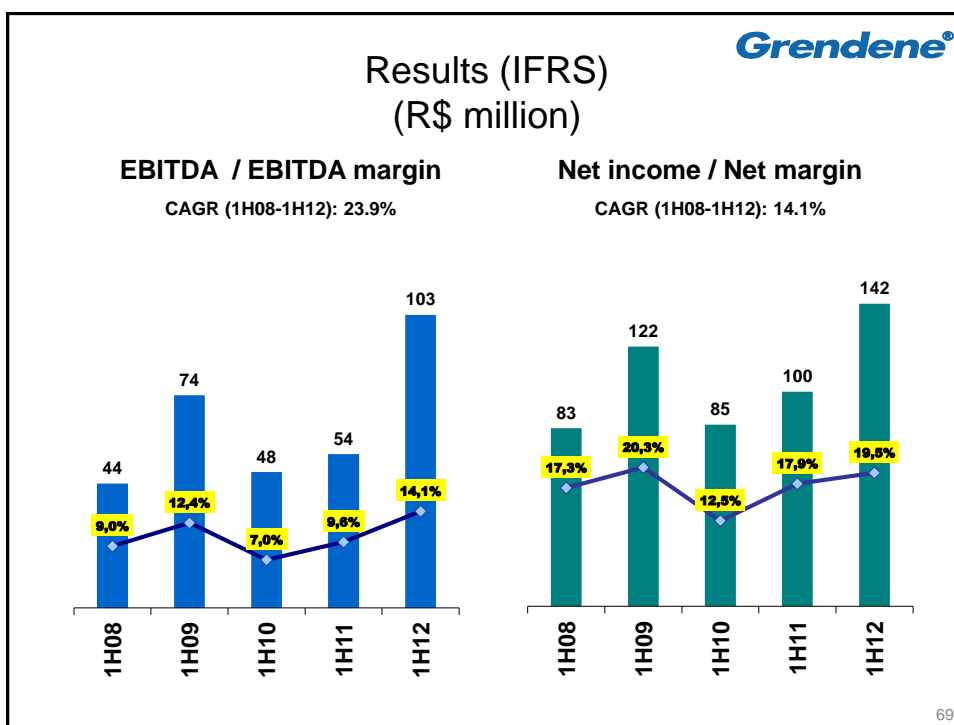


**Gross sales revenue Exports**  
CAGR (1H08-1H12): 12.0%



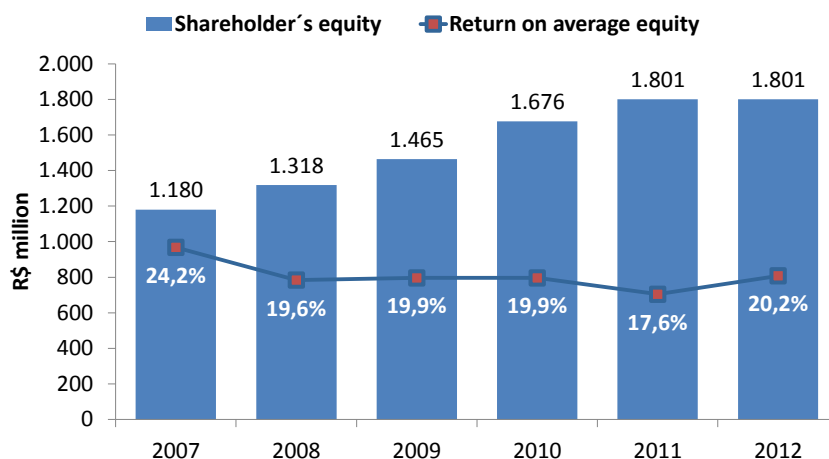
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## Shareholder's equity and return on equity



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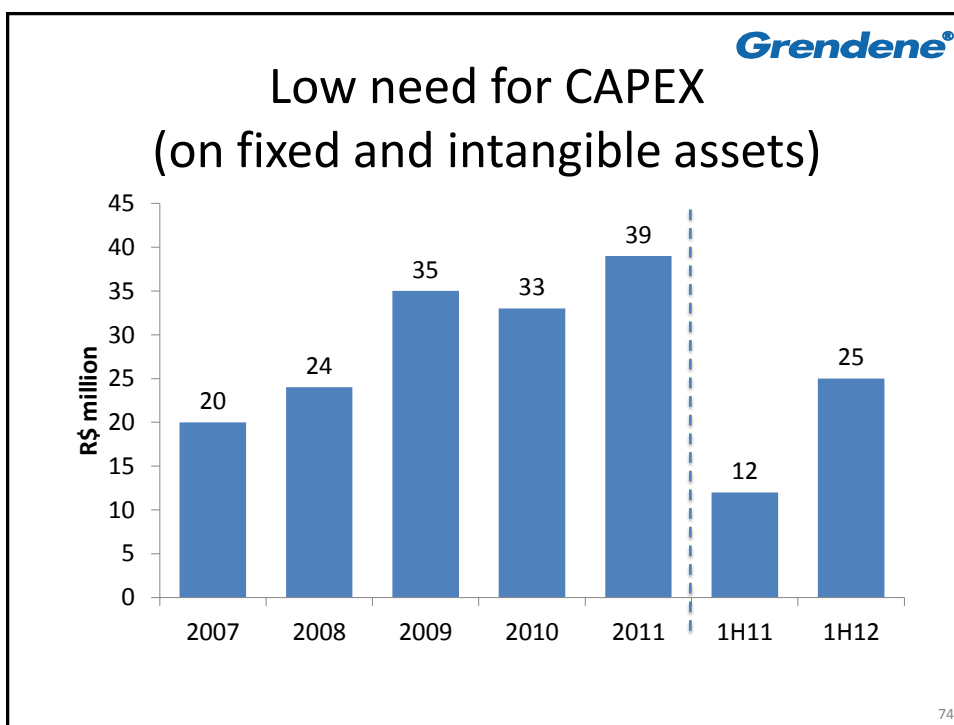
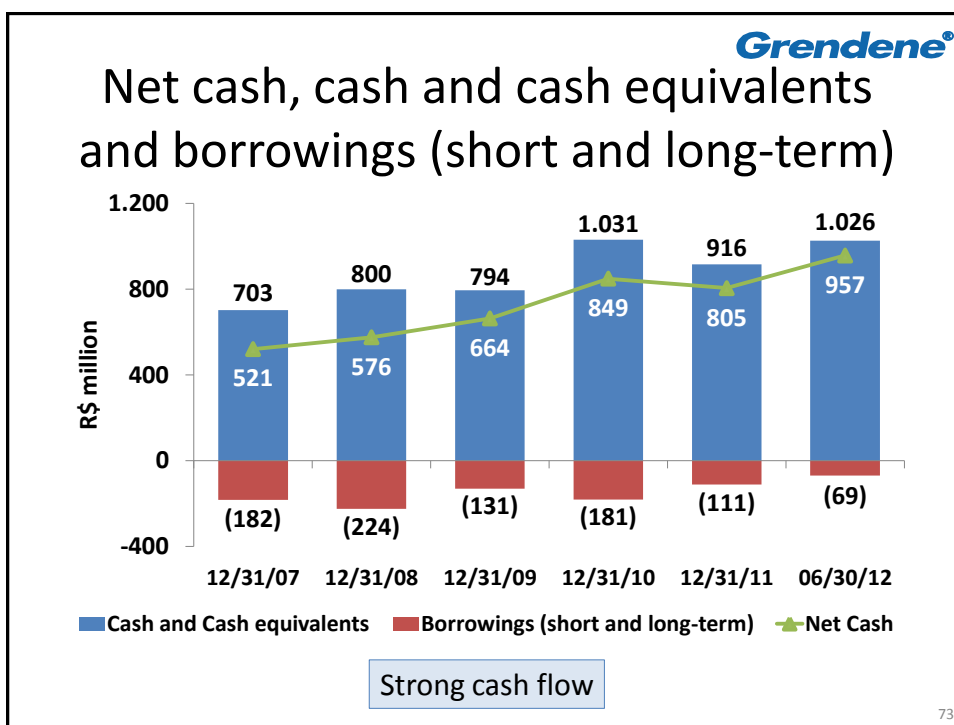
Operational result (IFRS)  
(R\$ '000)

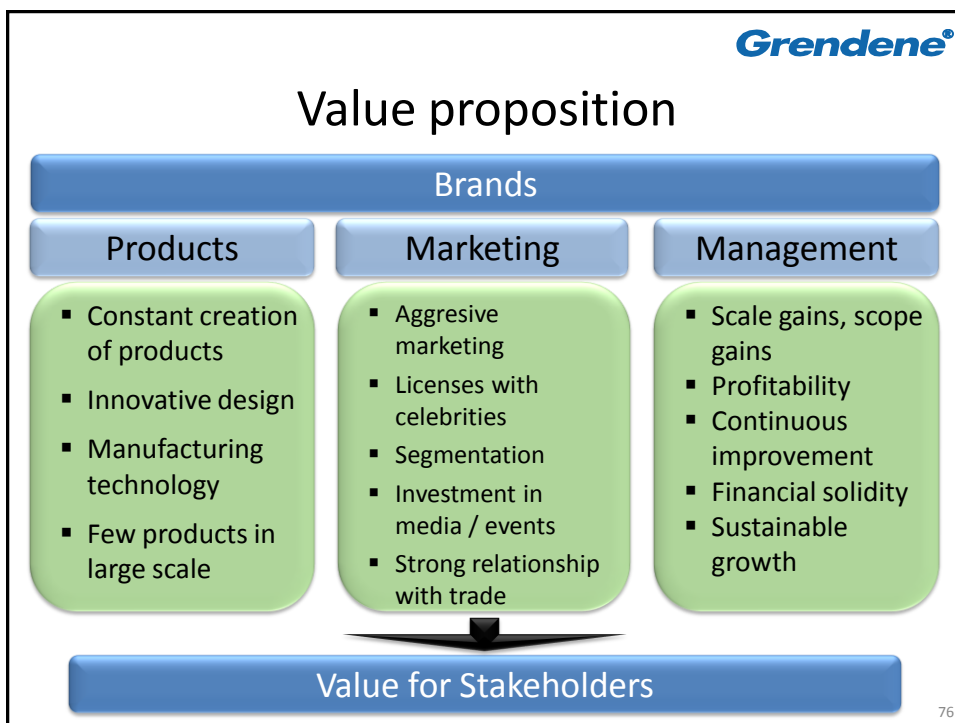
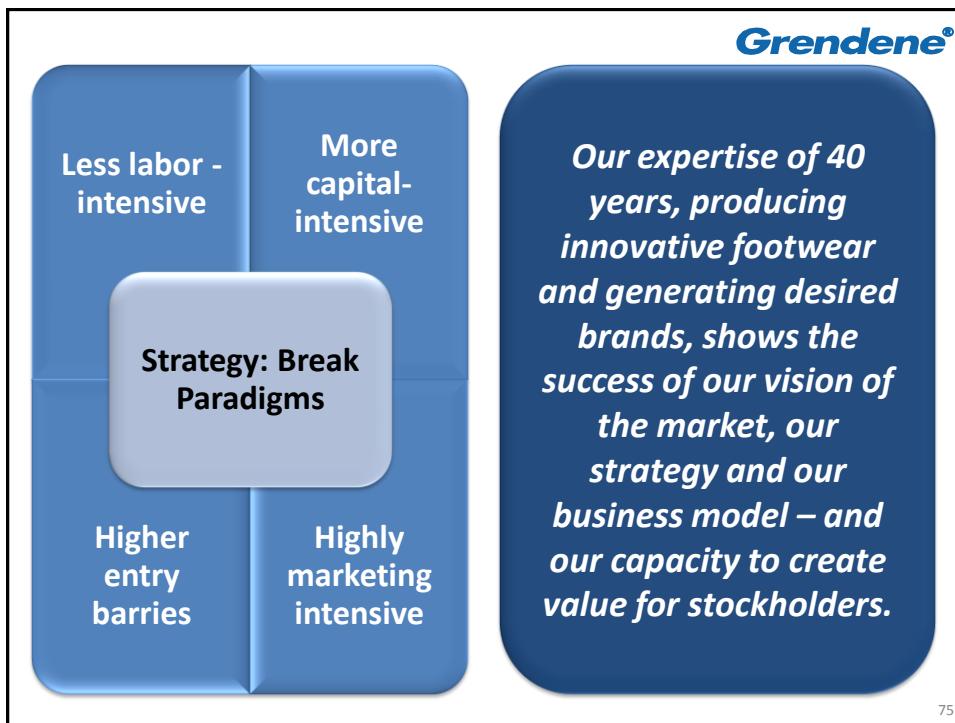
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	1H11	% V	1H12	%V	%H
Domestic market	553,699	98.7%	700,723	96.5%	26.6%
Exportação	152,894	27.2%	221,867	30.6%	45.1%
<b>Gross sales revenue</b>	<b>706,593</b>	<b>125.9%</b>	<b>922,590</b>	<b>127.0%</b>	<b>30.6%</b>
Sales deduction	(145,489)	(25.9%)	(196,374)	(27.0%)	35.0%
<b>Net sales revenue</b>	<b>561,104</b>	<b>100.0%</b>	<b>726,216</b>	<b>100.0%</b>	<b>29.4%</b>
Cost of sales	(355,738)	(63.4%)	(419,554)	(57.8%)	17.9%
<b>Gross profit</b>	<b>205,366</b>	<b>36.6%</b>	<b>306,662</b>	<b>42.2%</b>	<b>49.3%</b>
<b>Operating income (expenses)</b>					
Selling expenses	(137,106)	(24.4%)	(185,012)	(25.5%)	34.9%
General & administrative expenses	(28,830)	(5.1%)	(34,466)	(4.7%)	19.5%
<b>EBIT</b>	<b>39,430</b>	<b>7.0%</b>	<b>87,184</b>	<b>12.0%</b>	<b>121.1%</b>
Other operating income	3,808	0.7%	2,334	0.3%	(38.7%)
Other operating expenses	(1,622)	(0.3%)	(1,769)	(0.2%)	9.1%
<b>Operating result before financial revenue (expenses)</b>	<b>41,616</b>	<b>7.4%</b>	<b>87,749</b>	<b>12.1%</b>	<b>110.9%</b>
Finance costs	(19,876)	(3.5%)	(39,705)	(5.5%)	99.8%
Finance income	91,396	16.3%	115,978	16.0%	26.9%
<b>Finance Result</b>	<b>71,520</b>	<b>12.7%</b>	<b>76,273</b>	<b>10.5%</b>	<b>6.6%</b>
<b>Profit before taxation</b>	<b>113,136</b>	<b>20.2%</b>	<b>164,022</b>	<b>22.6%</b>	<b>45.0%</b>
<b>Income tax and social contribution</b>					
Current	(11,599)	(2.1%)	(16,643)	(2.3%)	43.5%
Deferred	(1,285)	(0.2%)	(5,623)	(0.8%)	337.6%
Non-controlling interests	138	0.0%	(207)	(0.0%)	(250.0%)
<b>Profit for the period</b>	<b>100,390</b>	<b>17.9%</b>	<b>141,549</b>	<b>19.5%</b>	<b>41.0%</b>

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## Guidance

melissa®

Targets for:  
2011-2015

Growth of gross revenue at a CAGR between 8% and 12% in the five years.

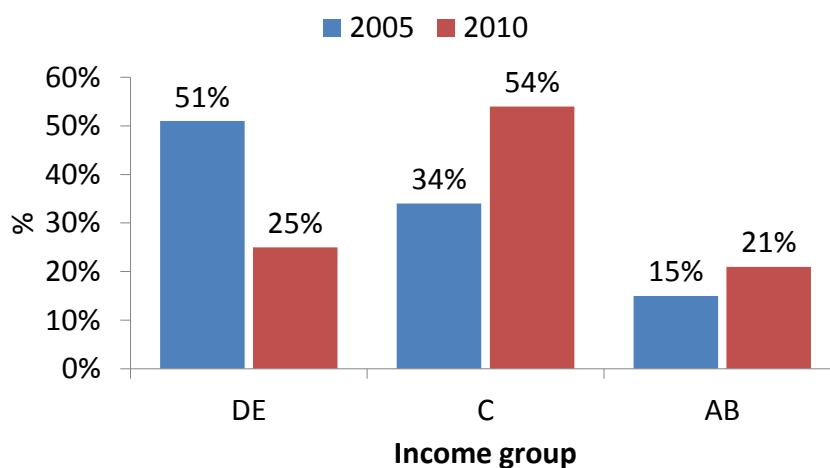
Growth of net profit at a CAGR between 12% and 15% in the five years.

Advertising expenses: average: 8% - 10% of net revenue in this period.

We expect in this period to have some years with higher growth than these rates, and others with lower growth, but on average we intend to achieve these targets.

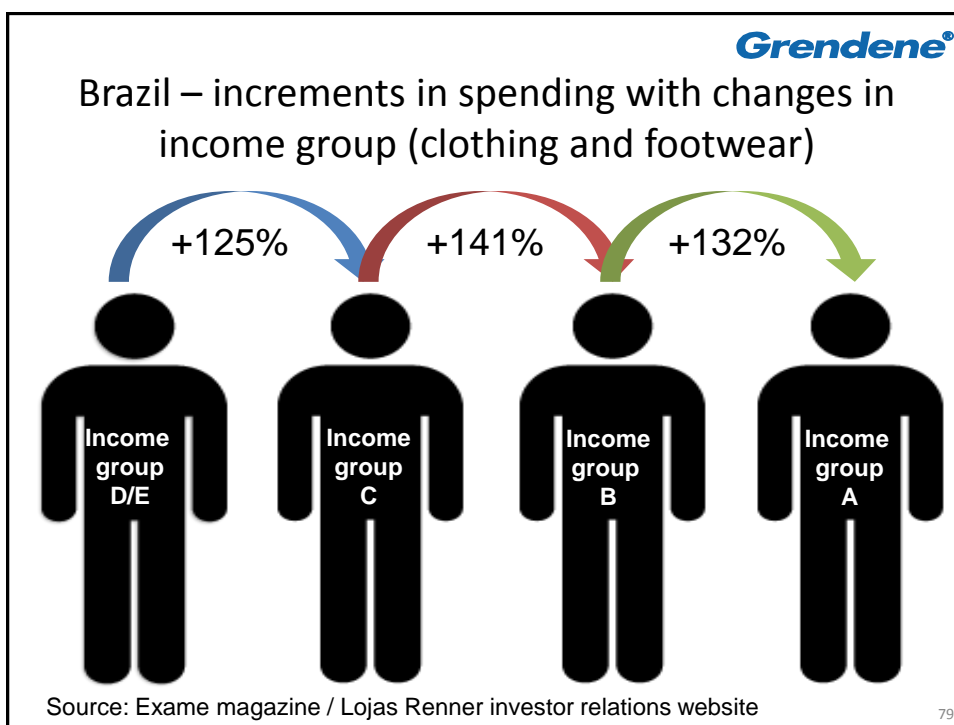
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## Distribution of population by income group



Source: 2010 Cetelem-Ipsos research

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# THANK YOU!

**Grendene's IR Team**  
**Francisco Schmitt**  
 Investor Relations Officer  
 (55 54) 2109.9022

**Secretary**  
 Cátia Gastmann  
 (55 54) 2109.9011

**Further information**

Internet: <http://ri.grendene.com.br> / Email: [dri@grendene.com.br](mailto:dri@grendene.com.br)

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