

2Q18 and 1H18 Results

Conference call
July 27, 2018

9:30 a.m. (Eastern Time)

10:30 a.m. (Brasilia Time)



melissa

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.

Dividends



Basis for the distribution of dividends – 1H18	R\$
Net profit for the period	221,862,014.69
(-) Tax incentives reserve	(90,896,778.07)
Legal reserve calculation basis	130,965,236.62
(-) Legal reserve – 5%	(6,548,261.83)
Basis for the dividend for the period up to June 30, 2018	124,416,974.79 ¹
(-) 1st interim dividend	(90,731,045.64) ¹
Balance of dividends payable, 2Q18	33,685,929.15 ¹
Total dividends proposed by management	33,685,929.15 ¹
<i>Mandatory dividends (R\$124.416.974,79 x 25%)</i>	<i>31,104,243.70</i>
<i>Dividend proposed in addition to the minimum mandatory</i>	<i>93,312,731.09</i>
Sum	124,416,974.79

¹ Dividend will be paid “ad referendum” of the Annual General Meeting that will examine the balance sheet and financial statements for the 2018 fiscal year.

Dividends















Dividend proposed							
Dividend	Date approved	Ex-dividend date	Date of start of payment	Gross amount R\$	Gross amount per share R\$	Net amount R\$	Net amount per share R\$
Dividend ^{1 e 2}	Apr. 26, 2018	May 8, 2018	May 23, 2018	90,731,045.64	0.100570903	90,731,045.64	0.100570903
Dividend ¹	Jul. 26, 2018	Aug. 7, 2018	Aug. 22, 2018	33,685,929.15	0.037418208	33,685,929.15	0.037418208
Soma				124,416,974.79	0.137989111	124,416,974.79	0.137989111

¹ Dividend approved “ad referendum” of the Annual General Meeting that will examine the balance sheet and financial statements for the 2018 fiscal year.

² Amount per share adjusted to the split approved at the Extraordinary General Meeting of April 23, 2018.

Highlights 2Q18 (YOY 2017)

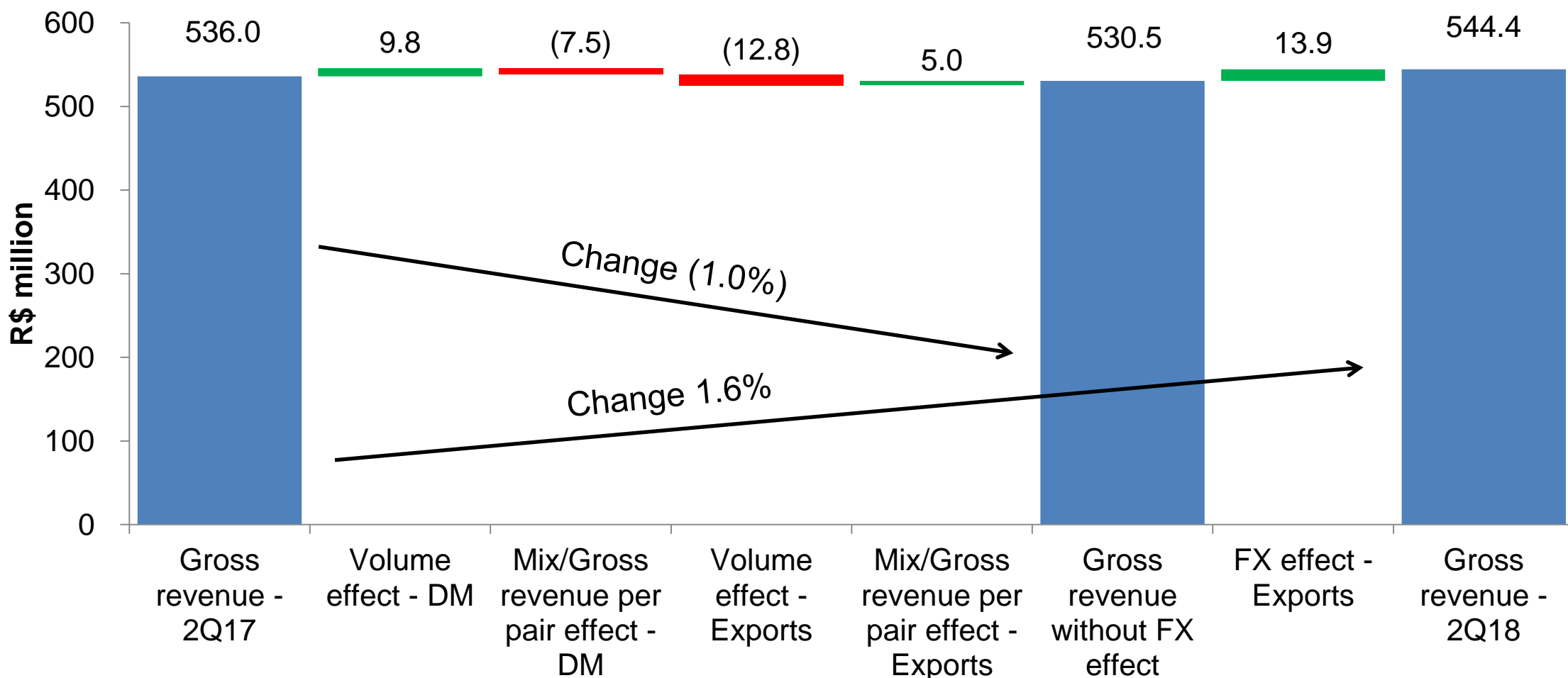
Grendene®

Gross revenue	Domestic market: R\$ 416.5 million			0.6%
	Exports: R\$ 127.9 million			5.0%
	Exports: US\$ 35.5 million			(6.4%)
Net profit	R\$ 65.8 million			(28.4%)
EBIT	R\$ 62.2 million			8.7%
	Margin 13.9%			0.9 p.p.
Exchange	Positive impact: R\$ 13.9 million			
Volumes	Domestic market: 24.7 million pairs			2.4%
	Exports: 8.3 million pairs			(10.5%)
Gross revenue per pair	Domestic Market	R\$ 16.86		(1.7%)
	Exports	R\$ 15.49		17.3%
		US\$ 4.30		4.6%

Gross sales revenue

– Domestic Market (DM) and exports

Analysed by effect of volume, mix and gross revenue per pair



Average US dollar: 2Q17 = R\$3.2137 / 2Q18 = R\$3.6056 - Δ 12.2%

Performance

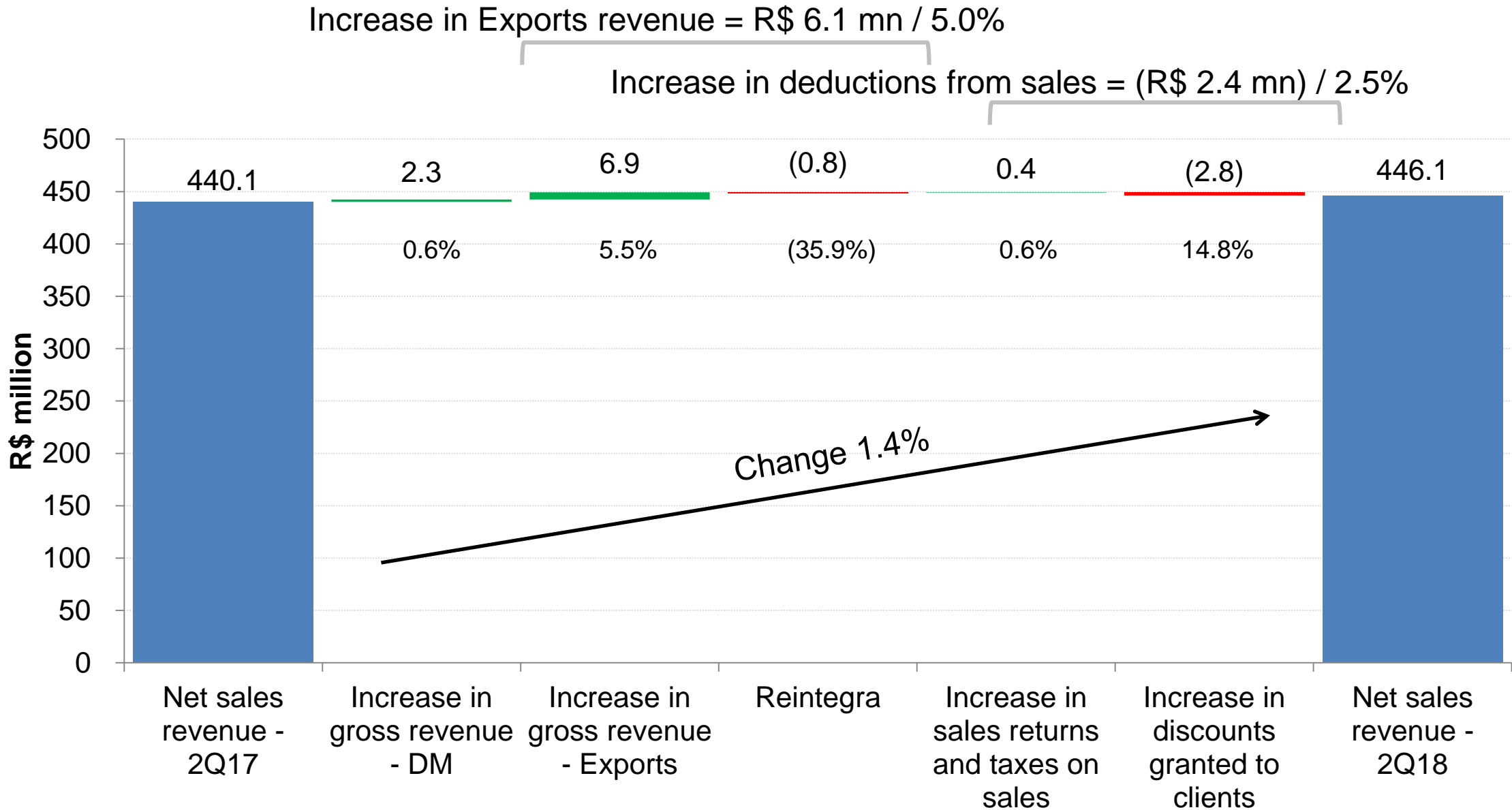


– Compound average growth rate (CAGR):

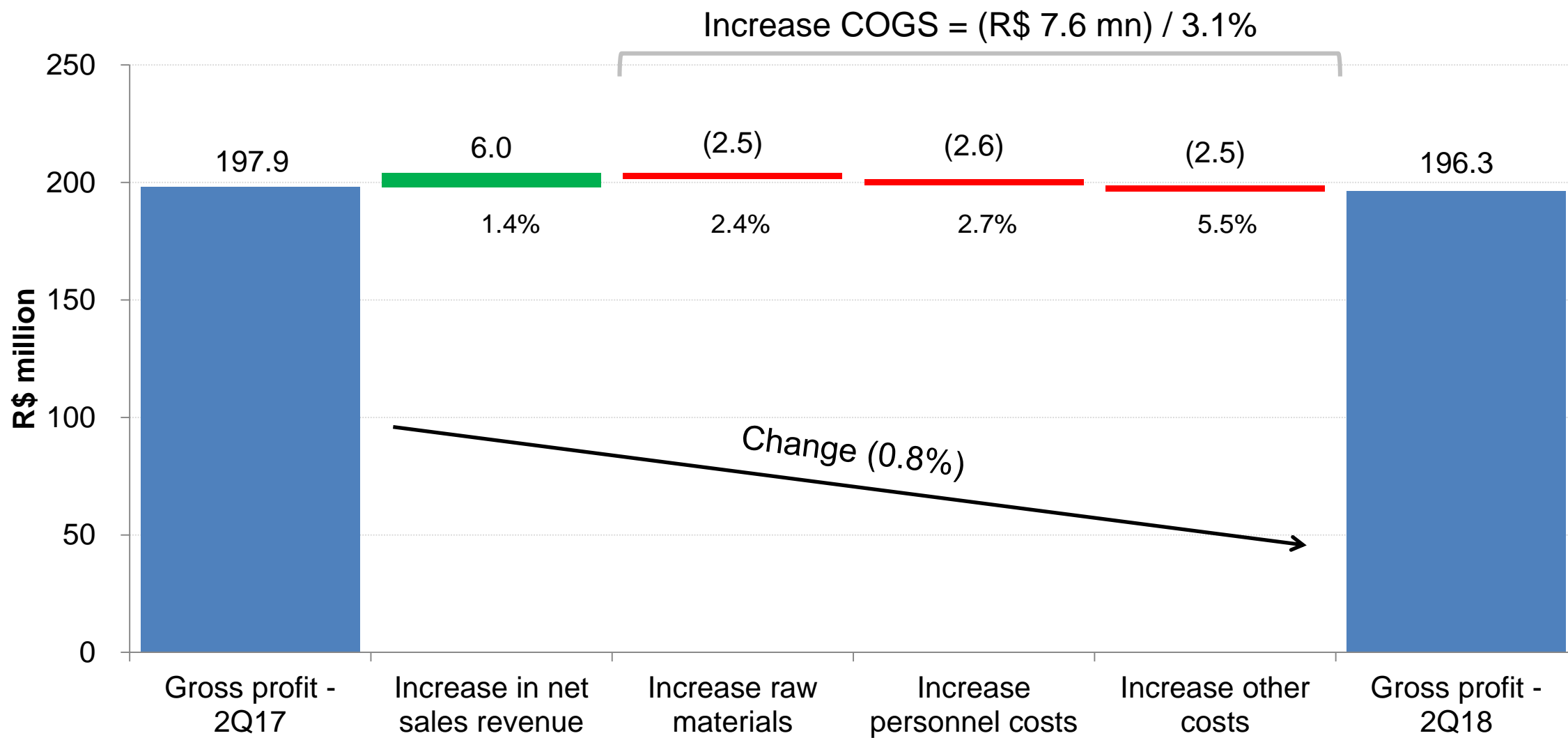
R\$ million	2Q08	2Q09	2Q10	2Q11	2Q12	2Q13	2Q14	2Q15	2Q16	2Q17	2Q18	CAGR
Gross revenue	286.9	371.7	391.0	307.2	412.6	504.7	488.7	462.1	499.2	536.0	544.4	6.6%
Change Y-o-Y		29.6%	5.2%	(21.4%)	34.3%	22.3%	(3.2%)	(5.4%)	8.0%	7.4%	1.6%	
Net profit	42.4	57.3	38.0	36.9	59.5	66.2	72.4	86.8	93.0	92.0	65.8	4.5%
Change Y-o-Y		35.2%	(33.7%)	(3.1%)	61.4%	11.2%	9.4%	19.8%	7.2%	(1.1%)	(28.4%)	

R\$ million	2Q08	2Q09	2Q10	2Q11	2Q12	2Q13	2Q14	2Q15	2Q16	2Q17	2Q18	CAGR
Advertising expenses	19.8	19.8	19.9	20.0	28.5	26.7	26.2	21.3	25.1	25.9	23.8	1.8%
% of net revenue	9.1%	6.7%	6.5%	8.2%	8.6%	6.6%	6.6%	5.6%	6.2%	5.9%	5.3%	

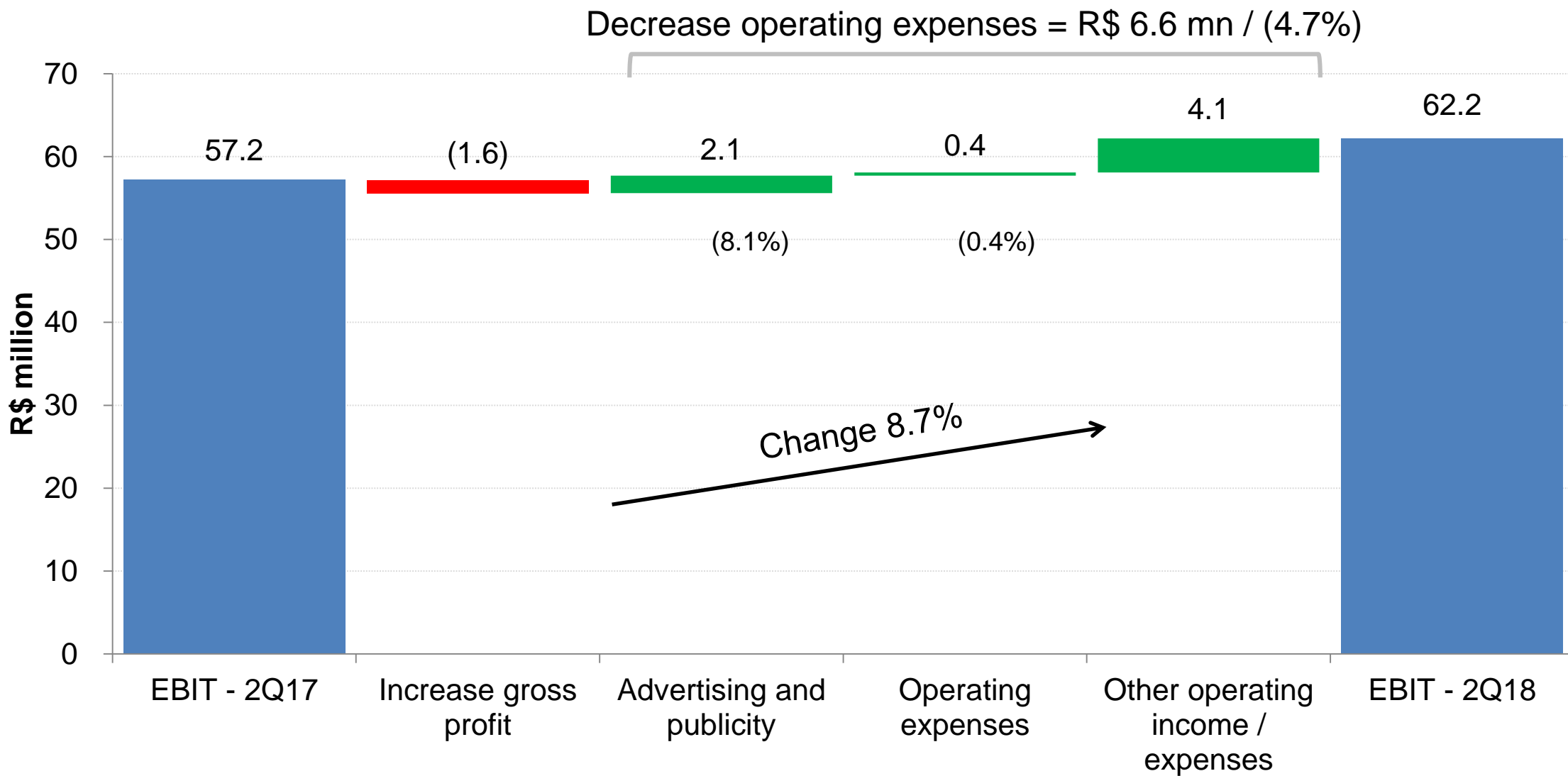
Net sales revenue



Gross profit



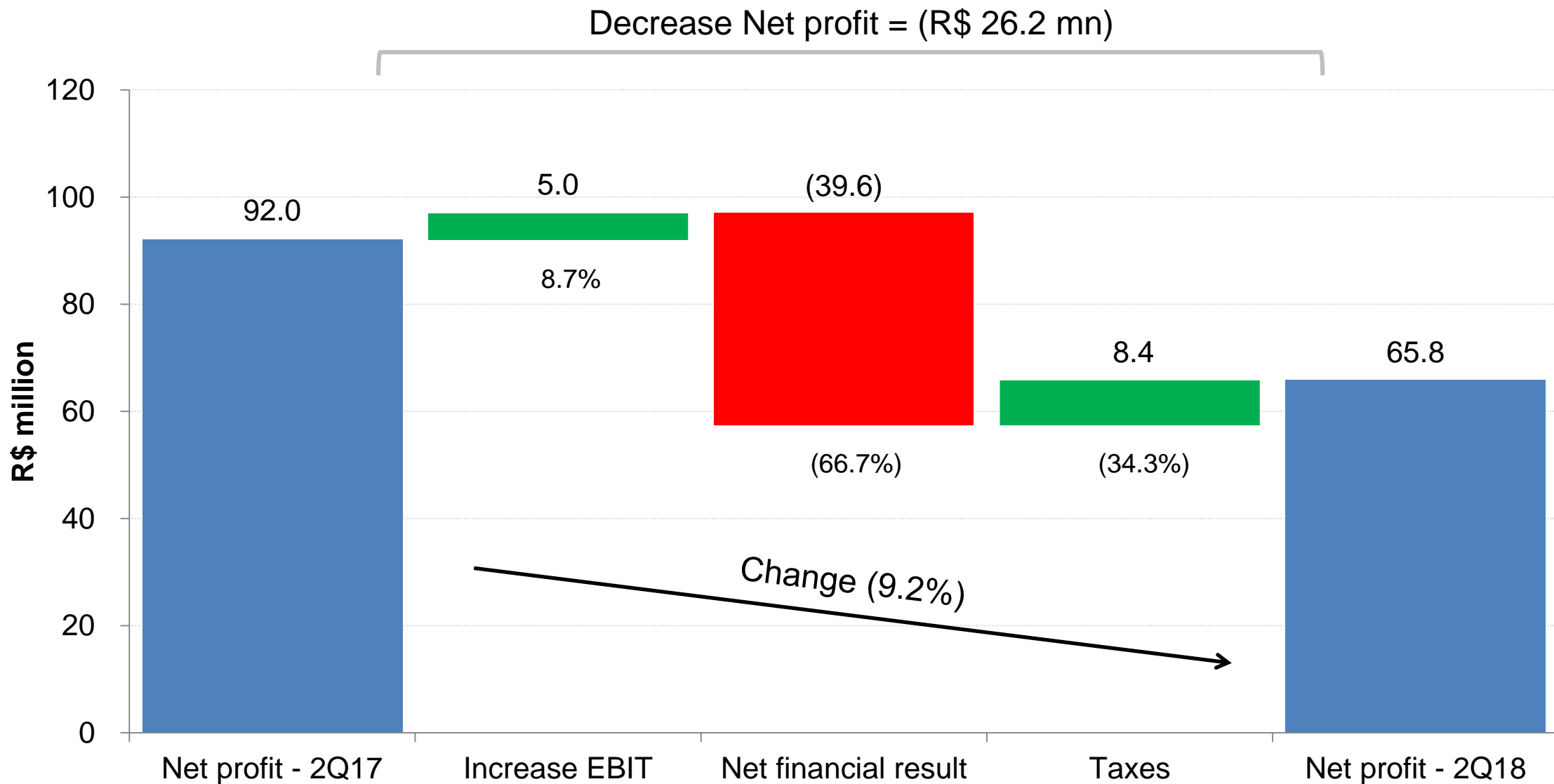
EBIT



Net financial revenue (expenses)













(R\$ '000)	2Q17	2Q18	Change %	Change R\$
Interest received from clients	670	611	(8.8%)	(59)
Revenue from cash investments	44,736	35,810	(20.0%)	(8,926)
Other financial revenues	753	1,429	89.8%	676
Subtotal	46,159	37,850	(18.0%)	(8,309)
Costs of financings	(2,290)	(2,957)	29.1%	(667)
Cofins and PIS taxes on Financial revenues	(2,290)	(1,849)	(19.3%)	441
Other financial expenses	(963)	(1,045)	8.5%	(82)
Subtotal	(5,543)	(5,851)	5.6%	(308)
Net financial revenues (expenses) (1)	40,616	31,999	(21.2%)	(8,617)
Revenue from FX derivatives – BM&FBovespa	1,472	1,607	9.2%	135
Foreign exchange gains	9,941	31,113	213.0%	21,172
Subtotal	11,413	32,720	186.7%	21,307
Op, expenses on FX derivatives – BM&FBovespa	(3,194)	(30,171)	844.6%	(26,977)
Expenses of FX variation	(5,707)	(26,479)	364.0%	(20,772)
Subtotal	(8,901)	(56,650)	536.4%	(47,749)
Net gain (loss) on FX variations (2)	2,512	(23,930)	(1,052.6%)	(26,442)
Adjustments to present value (APV)	16,186	11,693	(27.8%)	(4,493)
Financial result – APV (3)	16,186	11,693	(27.8%)	(4,493)
Net financial revenues (expenses) (1) + (2) + (3)	59,314	19,762	(66.7%)	(39,552)

Net profit



Highlights 1H18 (YOY 2017)

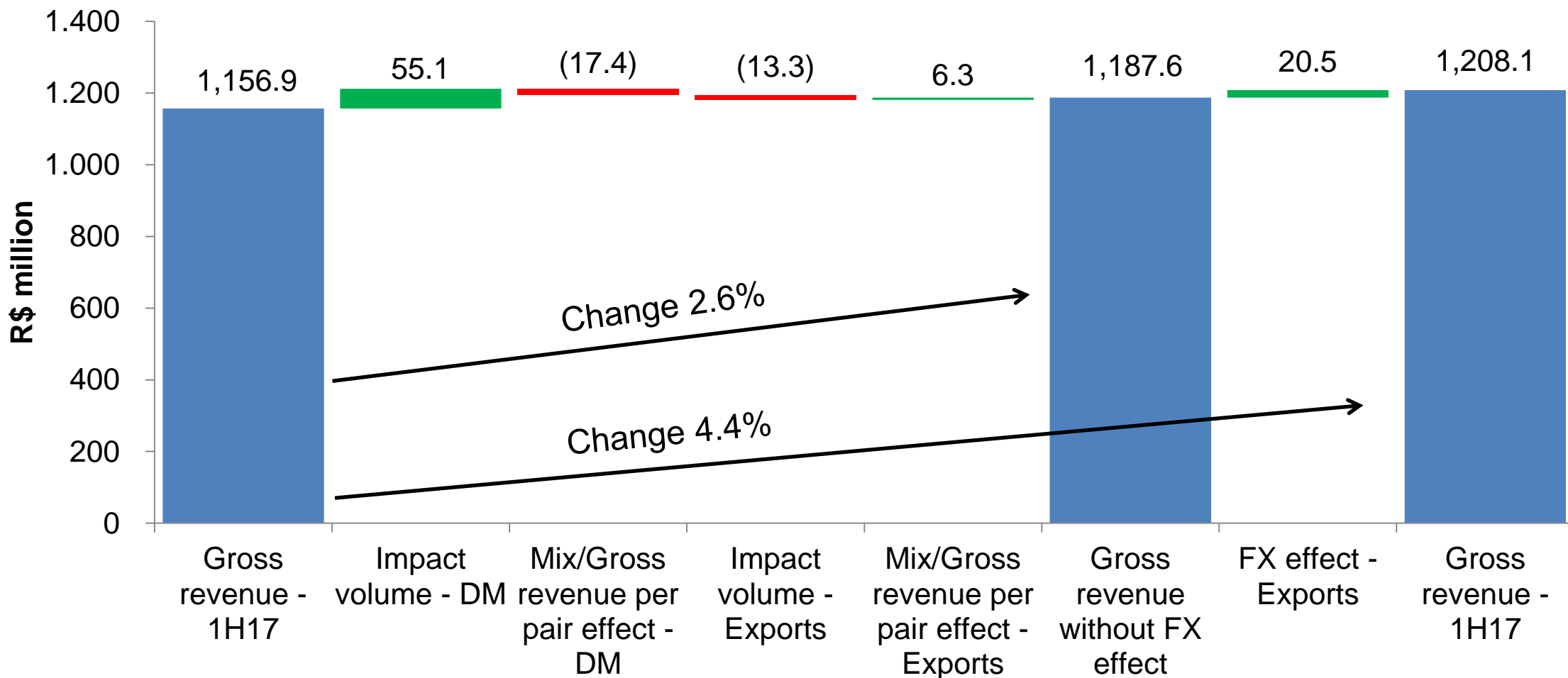
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Gross revenue	Domestic market: R\$ 922.6 million			4.3%
	Exports: R\$ 285.5 million			5.0%
	Exports: US\$ 83.4 million			(2.6%)
Net profit	R\$ 221.9 million			(15.9%)
EBIT	R\$ 182.6 million			9.4%
	Margin 18.4%			0.8 p.p.
Exchange	Positive impact: R\$ 20.5 million			
Volumes	Domestic Market: 54.2 million pairs			6.2%
	Exports: 19.2 million pairs			(4.9%)
Gross revenue per pair	Domestic market	R\$ 17.04		(1.8%)
	Exports	R\$ 14.84		10.4%
		US\$ 4.33		2.4%

Gross sales revenue

– Domestic Market (DM) and exports

Analysed by effect of volume, mix and gross revenue per pair



Average US dollar: 1H17 = R\$3.1783 / 1H18 = R\$3.4247 - Δ 7.8%

Performance



– Compound average growth rate (CAGR):

R\$ million	1H08	1H09	1H10	1H11	1H12	1H13	1H14	1H15	1H16	1H17	1H18	CAGR
Gross revenue	618.2	743.2	847.6	699.3	908.1	1,108.3	1,104.2	1,100.6	1,065.8	1,156.9	1,208.1	6.9%
Change Y-o-Y		20.2%	14.1%	(17.5%)	29.8%	22.0%	(0.4%)	(0.3%)	(3.2%)	8.5%	4.4%	
Net profit	83.4	121.6	84.9	100.4	141.5	168.5	168.9	223.7	236.6	263.7	221.9	10.3%
Change Y-o-Y		45.8%	(30.1%)	18.2%	41.0%	19.1%	0.2%	32.4%	5.8%	11.5%	(15.9%)	

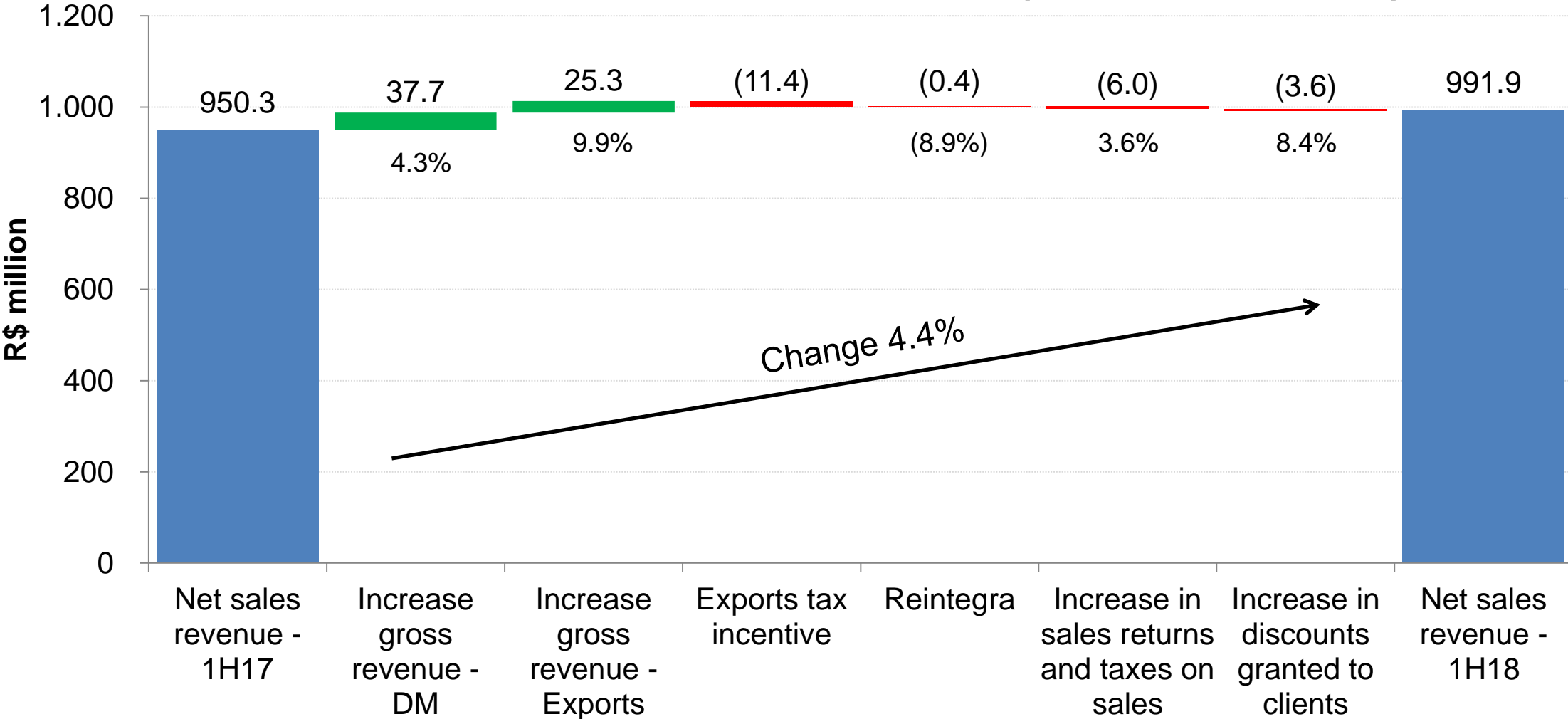
R\$ million	1H08	1H09	1H10	1H11	1H12	1H13	1H14	1H15	1H16	1H17	1H18	CAGR
Advertising expenses	37.2	38.5	38.3	38.7	58.4	59.5	52.5	45.2	47.5	47.0	45.3	2.0%
% of net revenue	7.7%	6.4%	5.6%	6.9%	8.0%	6.7%	5.9%	5.0%	5.4%	4.9%	4.6%	

Net sales revenue

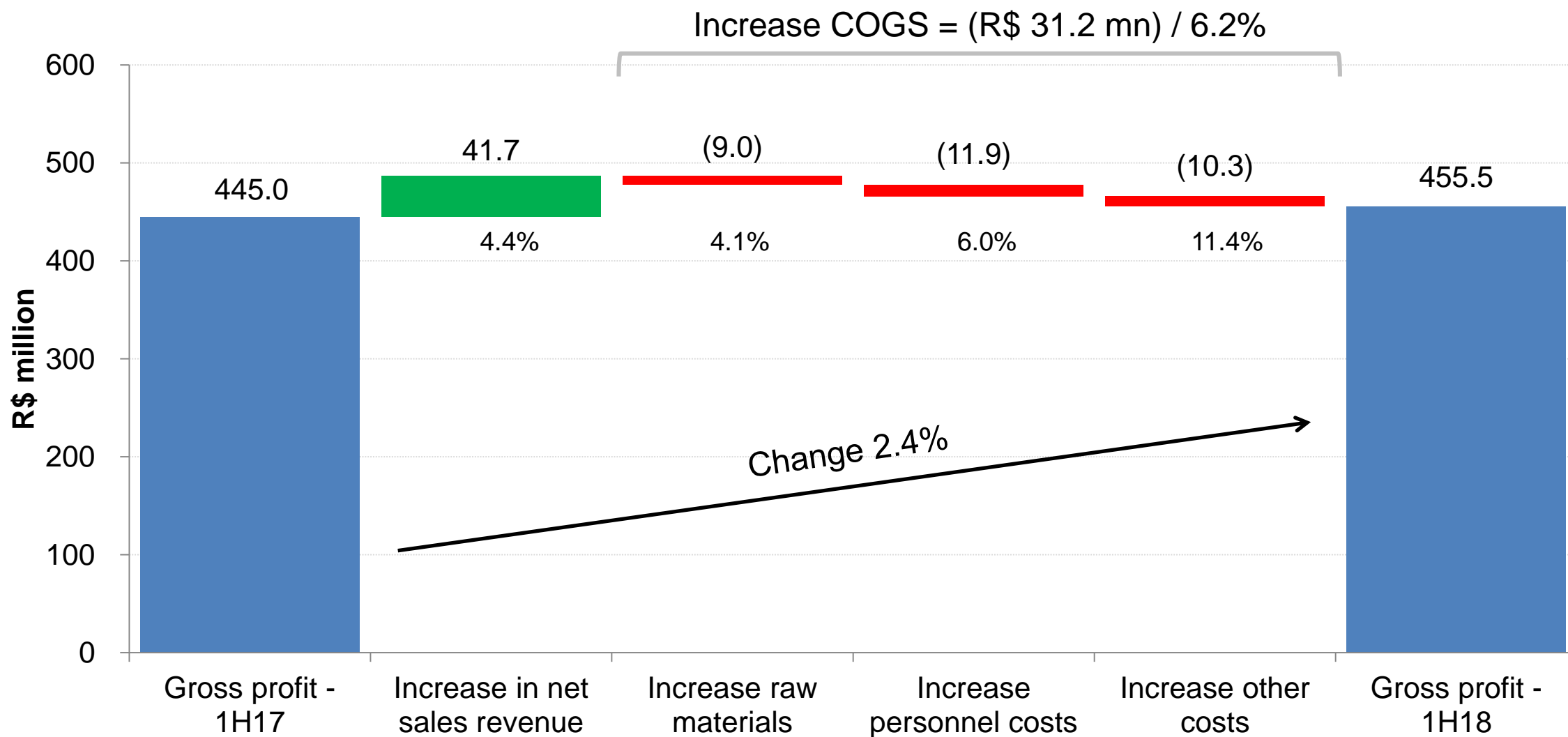


Increase export revenue = R\$ 13.5 mn / 5.0%

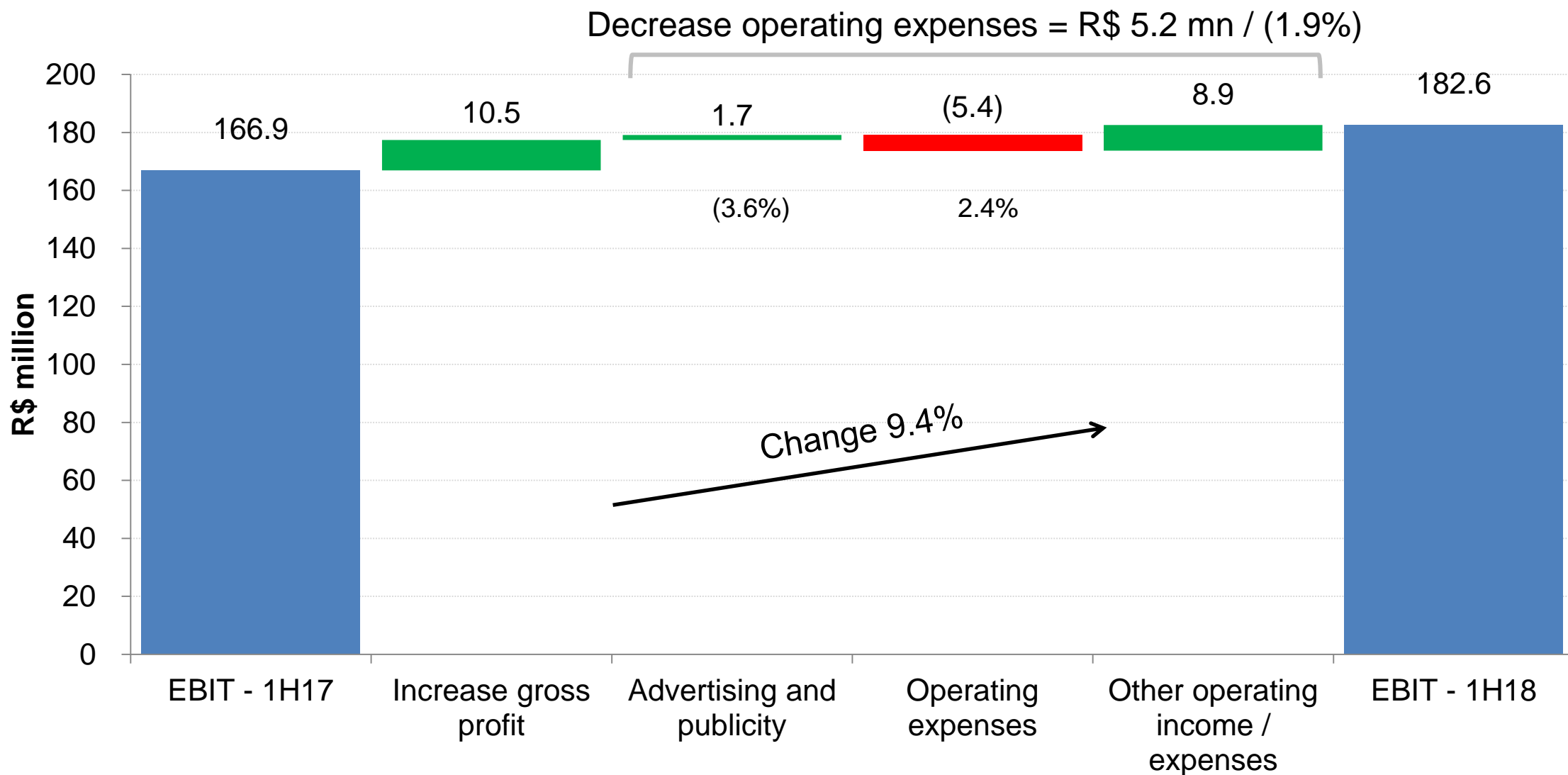
Increase deduction from sales = (R\$ 9.6 mn) / 4.6%



Gross profit



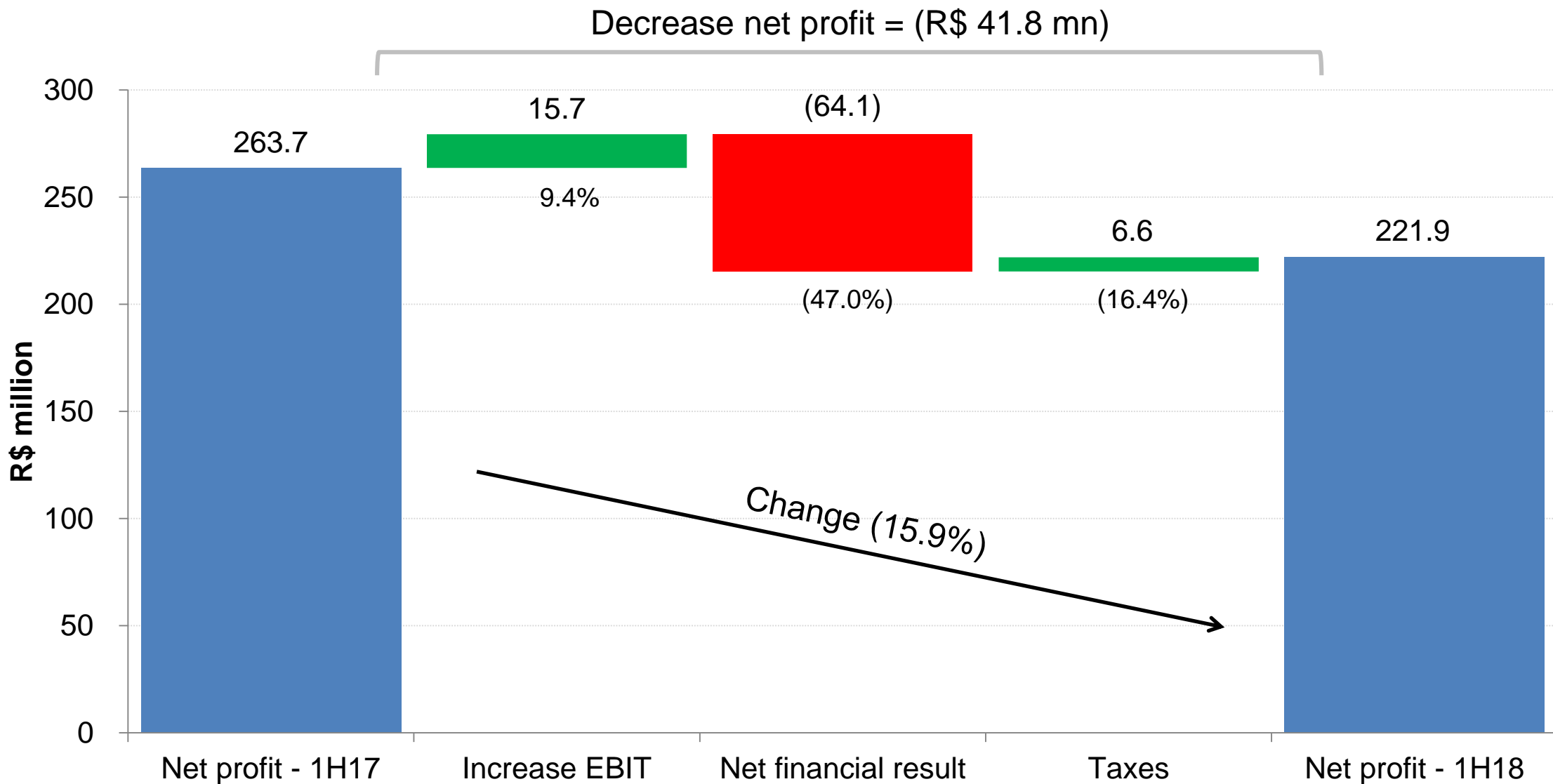
EBIT



Net financial revenue (expenses)

(R\$ '000)	1H17	1H18	Change %	Change R\$
Interest received from clients	1,113	1,120	0.6%	7
Revenue from cash investments	96,800	69,667	(28.0%)	(27,133)
Other financial revenues	1,779	3,301	85.6%	1,522
Subtotal	99,692	74,088	(25.7%)	(25,604)
Costs of financings	(5,143)	(5,342)	3.9%	(199)
Cofins and PIS taxes on Financial revenues	(4,814)	(3,582)	(25.6%)	1,232
Other financial expenses	(1,928)	(2,076)	7.7%	(148)
Subtotal	(11,885)	(11,000)	(7.4%)	885
Net financial revenues (expenses) (1)	87,807	63,088	(28.2%)	(24,719)
Revenue from FX derivatives – BM&FBovespa	16,782	10,740	(36.0%)	(6,042)
Foreign exchange gains	18,769	48,285	157.3%	29,516
Subtotal	35,551	59,025	66.0%	23,474
Op, expenses on FX derivatives – BM&FBovespa	(6,848)	(34,036)	397.0%	(27,188)
Expenses of FX variation	(16,443)	(44,064)	168.0%	(27,621)
Subtotal	(23,291)	(78,100)	235.3%	(54,809)
Net gain (loss) on FX variations (2)	12,260	(19,075)	(255.6%)	(31,335)
Adjustments to present value (APV)	36,427	28,353	(22.2%)	(8,074)
Financial result – APV (3)	36,427	28,353	(22.2%)	(8,074)
Net financial revenues (expenses) (1) + (2) + (3)	136,494	72,366	(47.0%)	(64,128)

Net profit





Thank You!