

Grendene®

**15th Annual Latin America
Conference – Citigroup**

New York - *March 28 – 29, 2007*

4th quarter and 2006 earnings

Grendene®

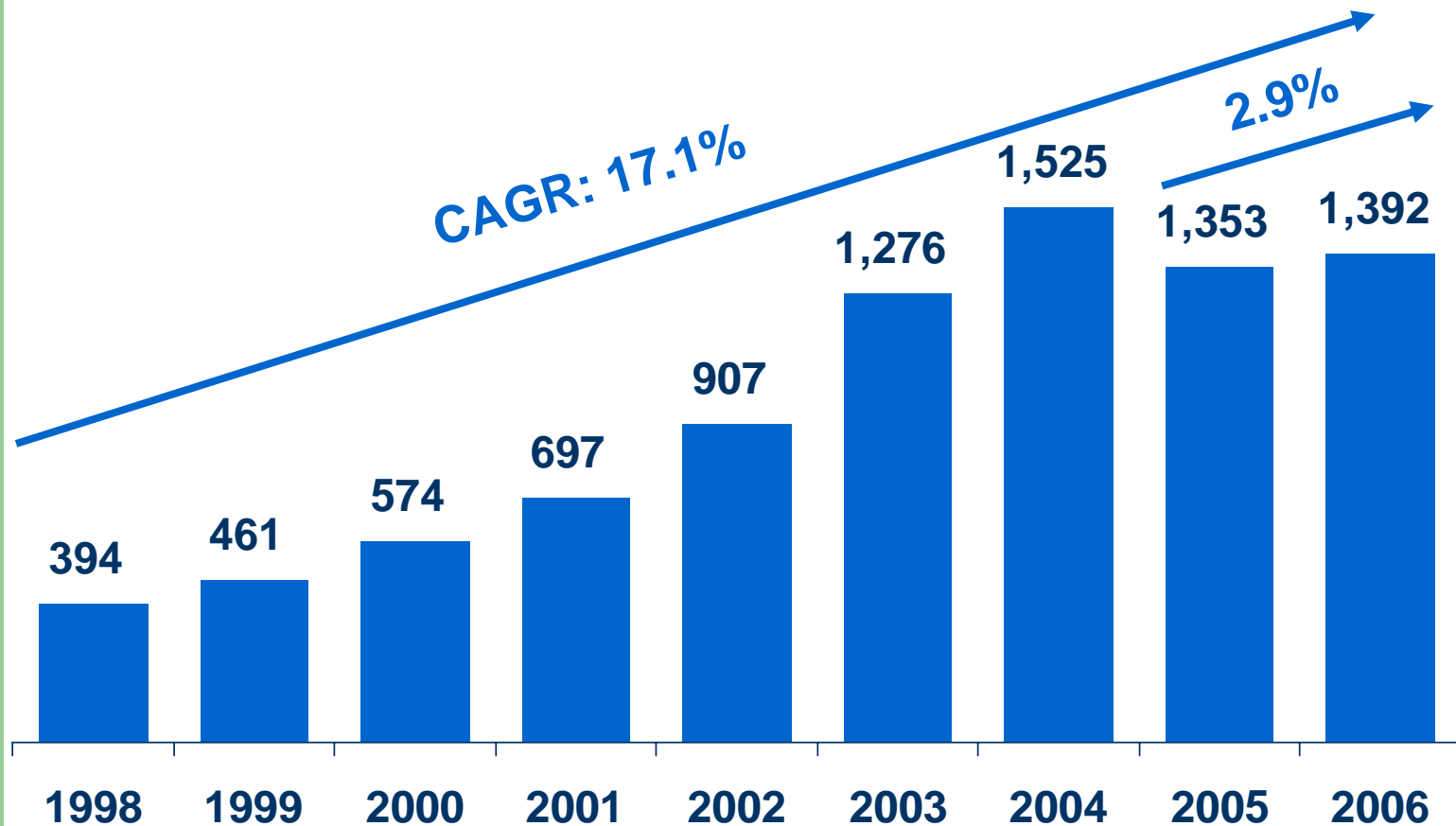
Footwear industry,
domestic market and
exports

Production and consumption

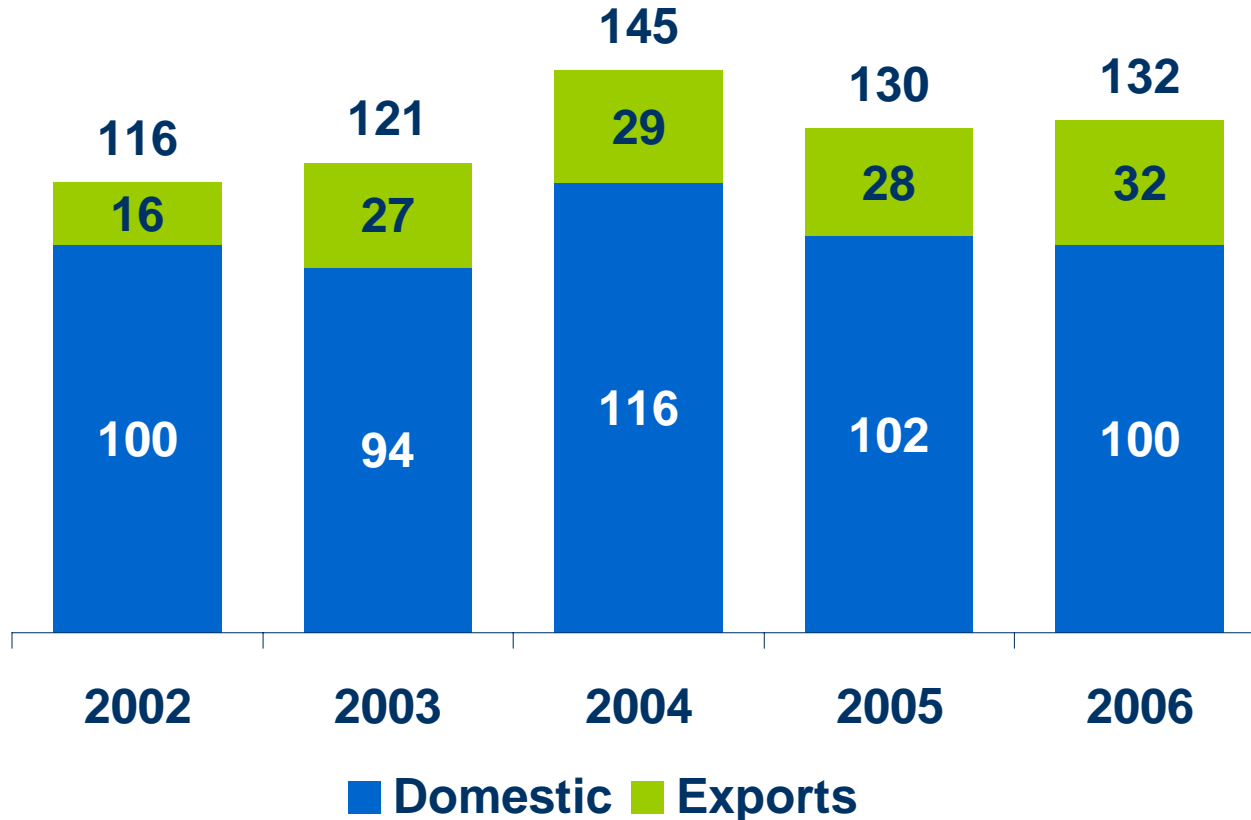
Brazil	In million pairs					Var. %
	2002	2003	2004	2005	2006	
Production	642	665	755	725	686	(5,4%)
Imports	5	5	9	17	19	11.8%
Exports	164	189	212	190	180	(5.3%)
Apparent consumption	483	481	552	552	525	(4.9%)
Consumption per capita	2.79	2.83	3.02	2.98	2.81	(5.7%)
Market share by volume – domestic	20.7%	19.5%	21.2%	18.6%	19.1%	50pb
Market share by volume – exports	9.8%	14.3%	13.7%	14.6%	17.5%	290pb

Source: Decex, Abicalçados from 2002 to 2005; and IBGE for 2006.

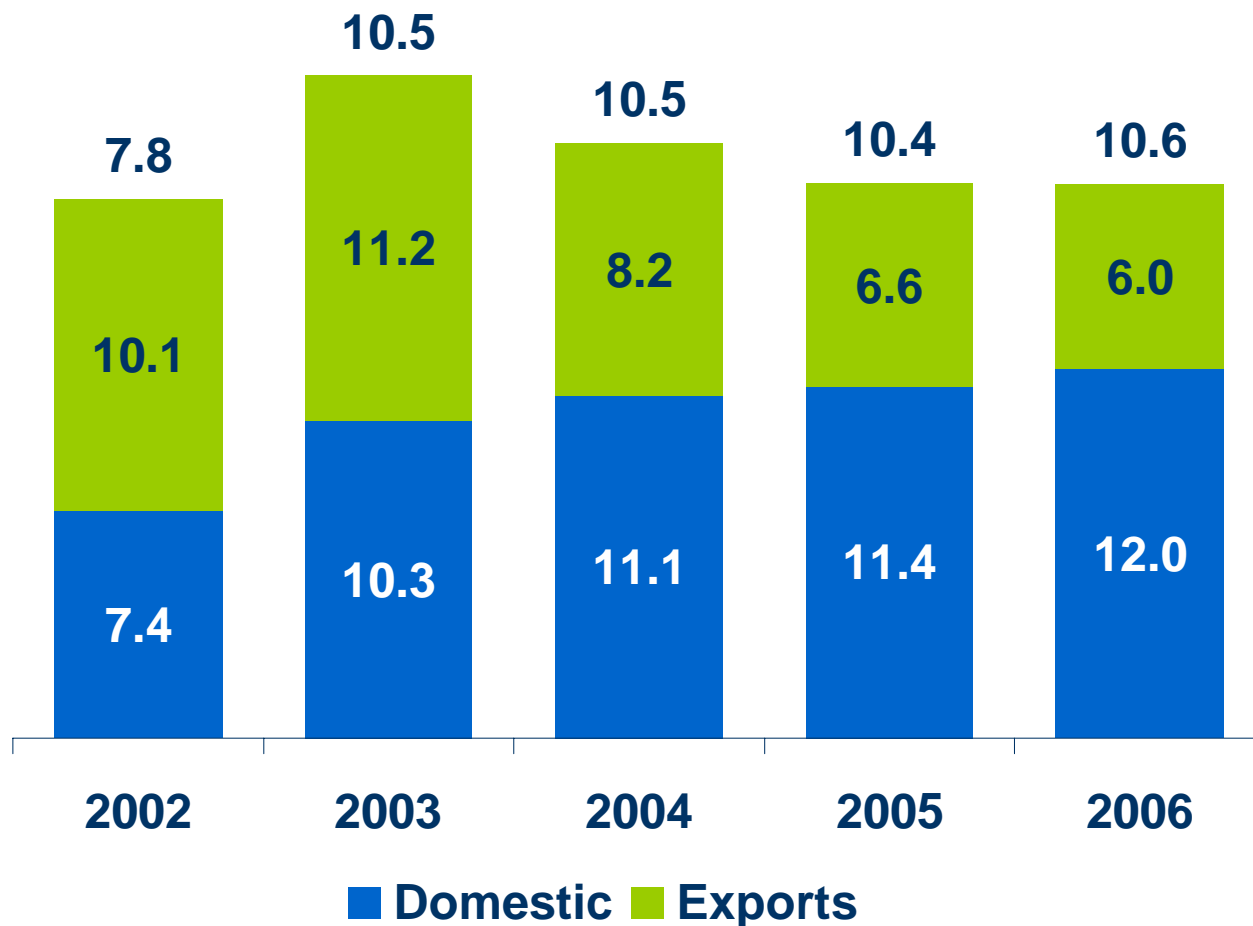
Gross revenue (R\$ million)



Sales volume (in million pairs)



Average price (R\$)



Own brands

Grendene®

melissa



grendha



Main licencings

					
					
	 Ivete Sangalo	 Ipanema ★ Gisele Bündchen			

Grendene®

4T06 and 2006
Earnings

2006 highlights

- ✓ **Gross revenue** 2.9% up
- ✓ **Sales volume** 1.3% higher and **average price** 1.5% higher
- ✓ **Domestic revenue** (86.5% of gross revenue) growth: ~2,9% with volume 2.1% lower
- ✓ **Exports** (13.5% of gross revenue) 15% higher in US dollars, on volume 13.9% higher and average price in Us dollars 1.1% higher
- ✓ **Gross profit** 11% higher, with gross margin increasing from 41.5% to 44.7% of net sales
- ✓ **Adjusted EBITDA** 19% higher, at R\$317 mn, with margin 28.8% (vs, R\$266.7 mn, 25%)
- ✓ **Adjusted net income** 31.3% higher, at R\$ 256.1 mn, margin 23.2% (vs. R\$ 195.1 mn, 18.3%)
- ✓ **Dividends** of R\$ 128 mn, pay-out of 50% and dividend yield of 6%
- ✓ **Net cash** as of December 31, 2006 at R\$379 mn, 14% up

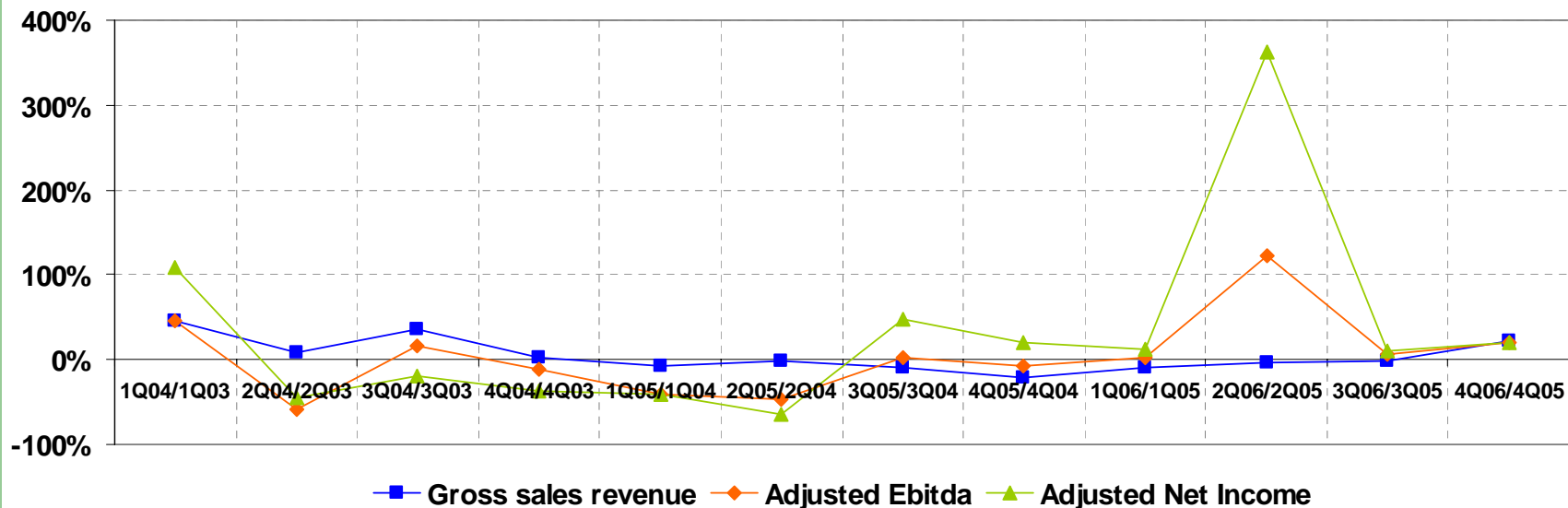
Main financial and economic indicators

Main Financial and Economic Indicators

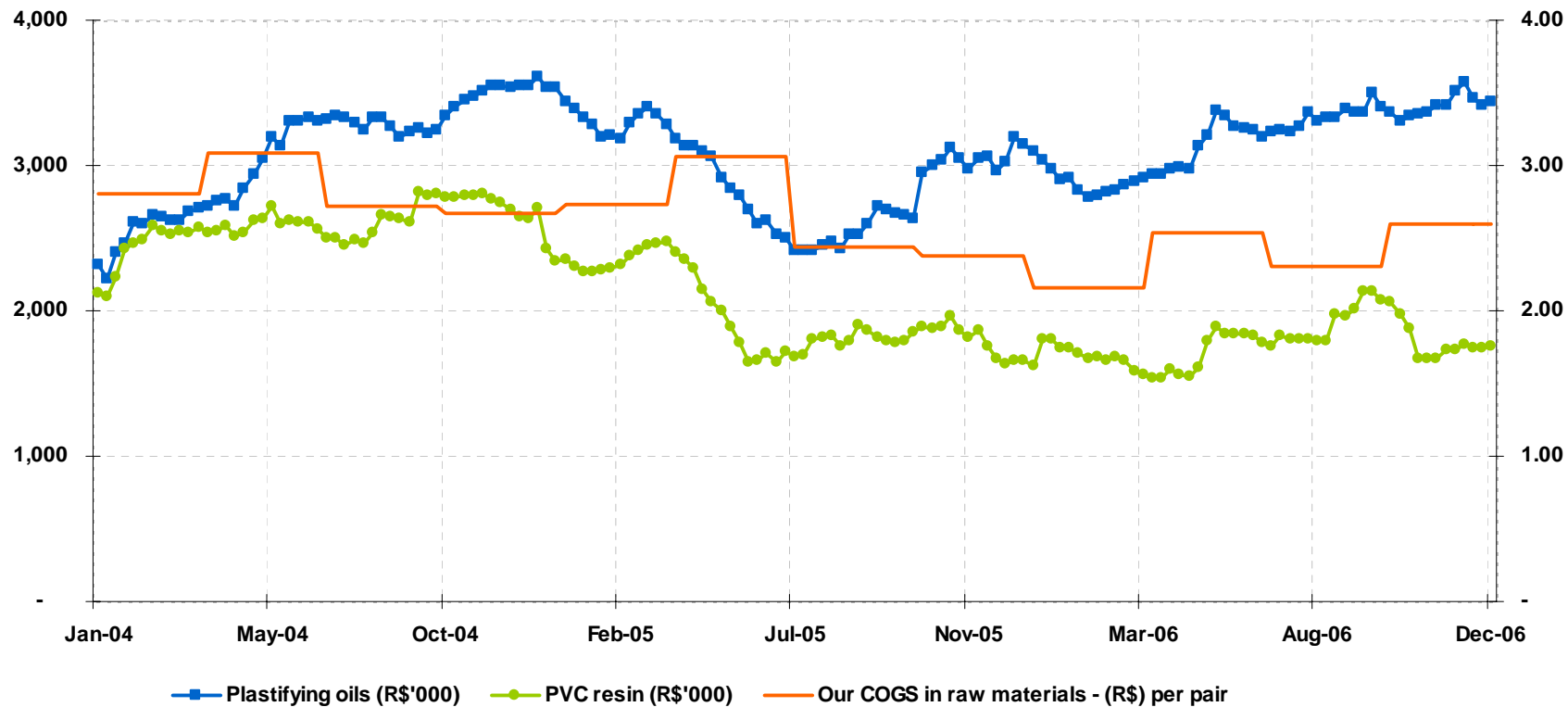
(R\$ mn)	4Q05	4Q06	Var.%	2005	2006	Var.%
Gross Revenues	398.4	483.5	21.4%	1,352.9	1,392.4	2.9%
Domestic	345.2	424.3	22.9%	1,169.6	1,204.0	2.9%
Exports	53.2	59.2	11.3%	183.3	188.4	2.8%
Net Sales	316.3	382.0	20.8%	1,068.0	1,102.9	3.3%
Gross Profit	147.8	190.0	28.5%	443.6	493.0	11.1%
Adjusted EBITDA	105.2	126.5	20.3%	266.7	317.3	19.0%
Net Financial Result	2.3	(4.4)	n.s.	(0.2)	22.5	n.s.
Adjusted Net Income	78.8	96.2	22.1%	195.1	256.1	31.3%
EPS (R\$ per share)	0.79	0.96	22.1%	1.95	2.56	31.3%
Sales Volume (million pairs)	38.1	42.0	10.2%	130.3	131.9	1.3%
Average Price (R\$)	10.45	11.50	10.0%	10.39	10.55	1.5%
Adjusted Margins – as a % of net sales	4Q05	4Q06	Var.(bps)	2005	2006	Var.(bps)
Gross	46.7%	49.7%	300	41.5%	44.7%	320
EBITDA	33.3%	33.1%	(20)	25.0%	28.8%	380
Net	24.9%	25.2%	30	18.3%	23.2%	490

Some indicators with variation YoY

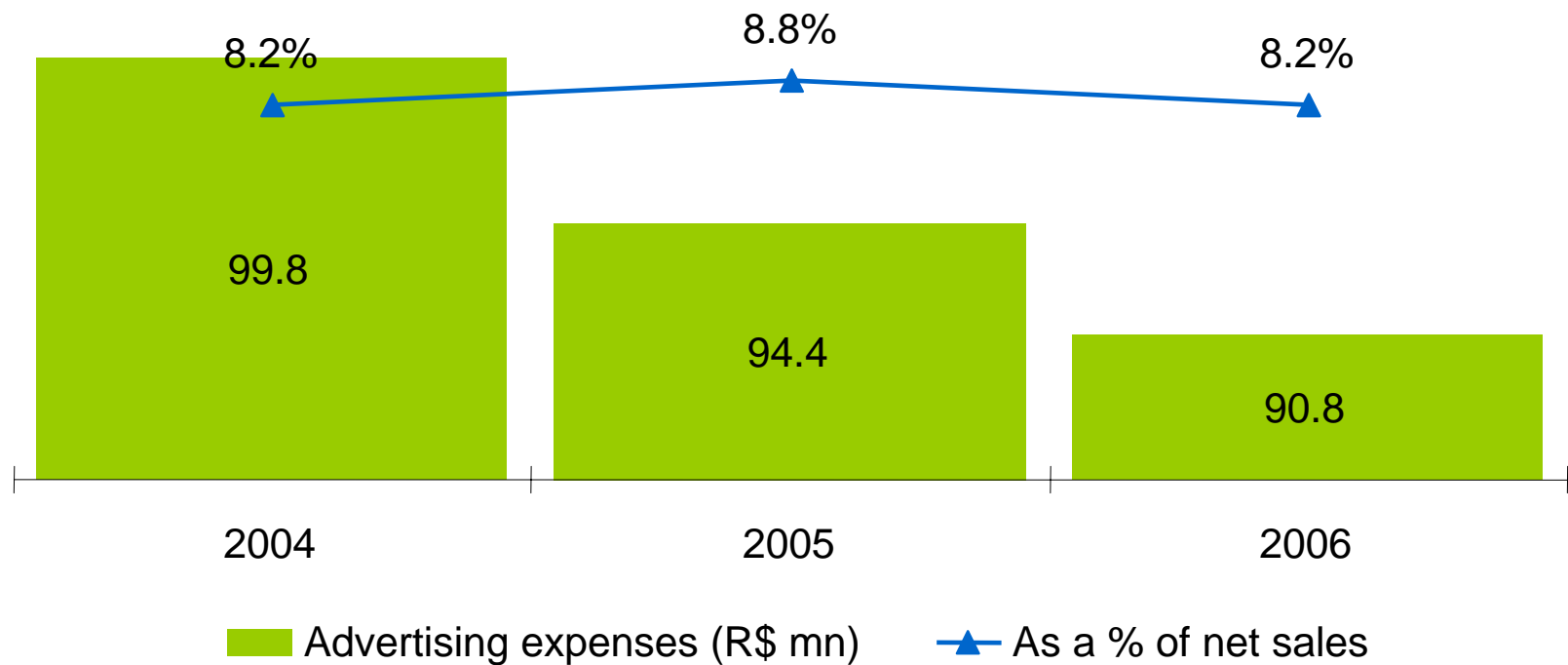
Gross revenue, adjusted Ebitda and adjusted net income - year-on-year changes, %



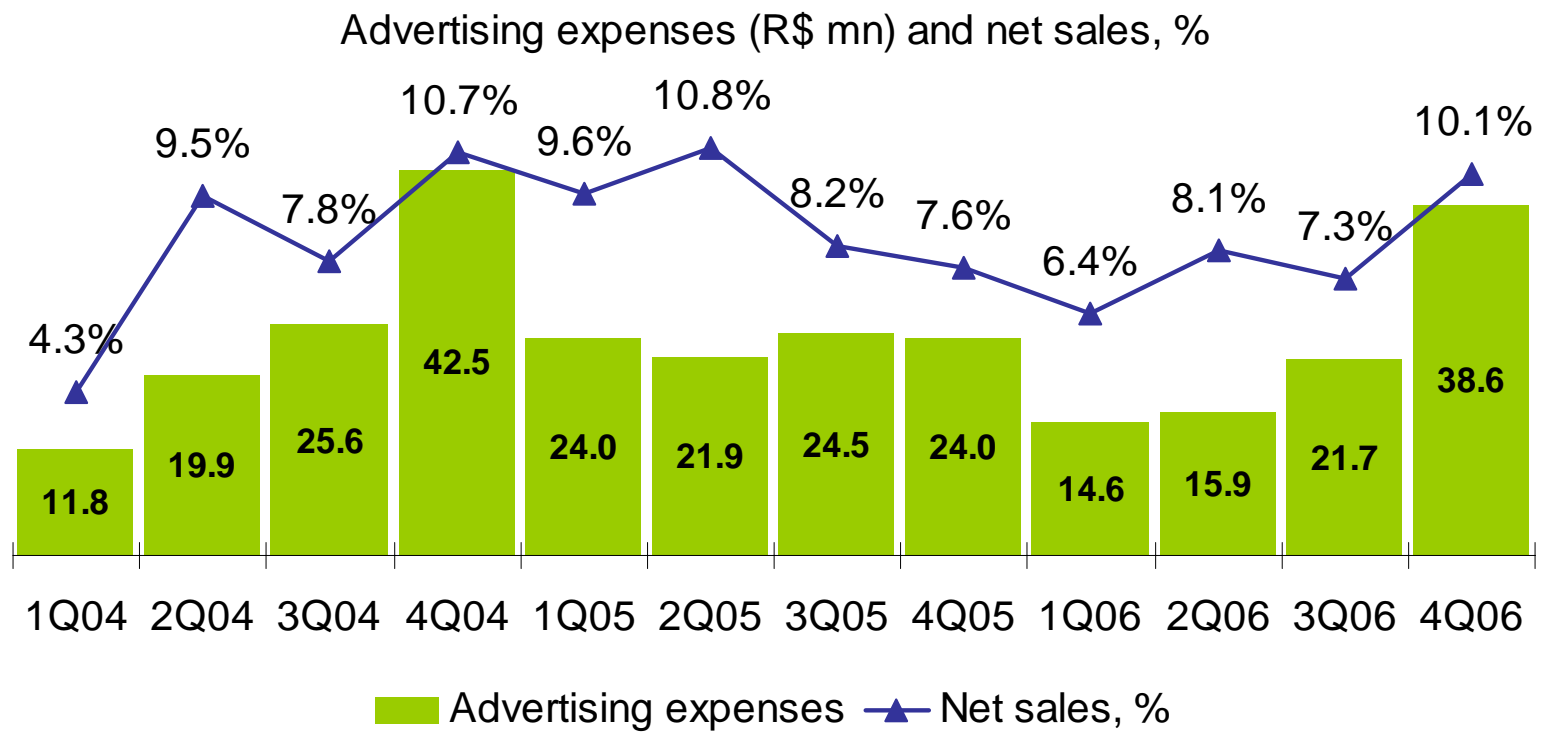
Raw material cost



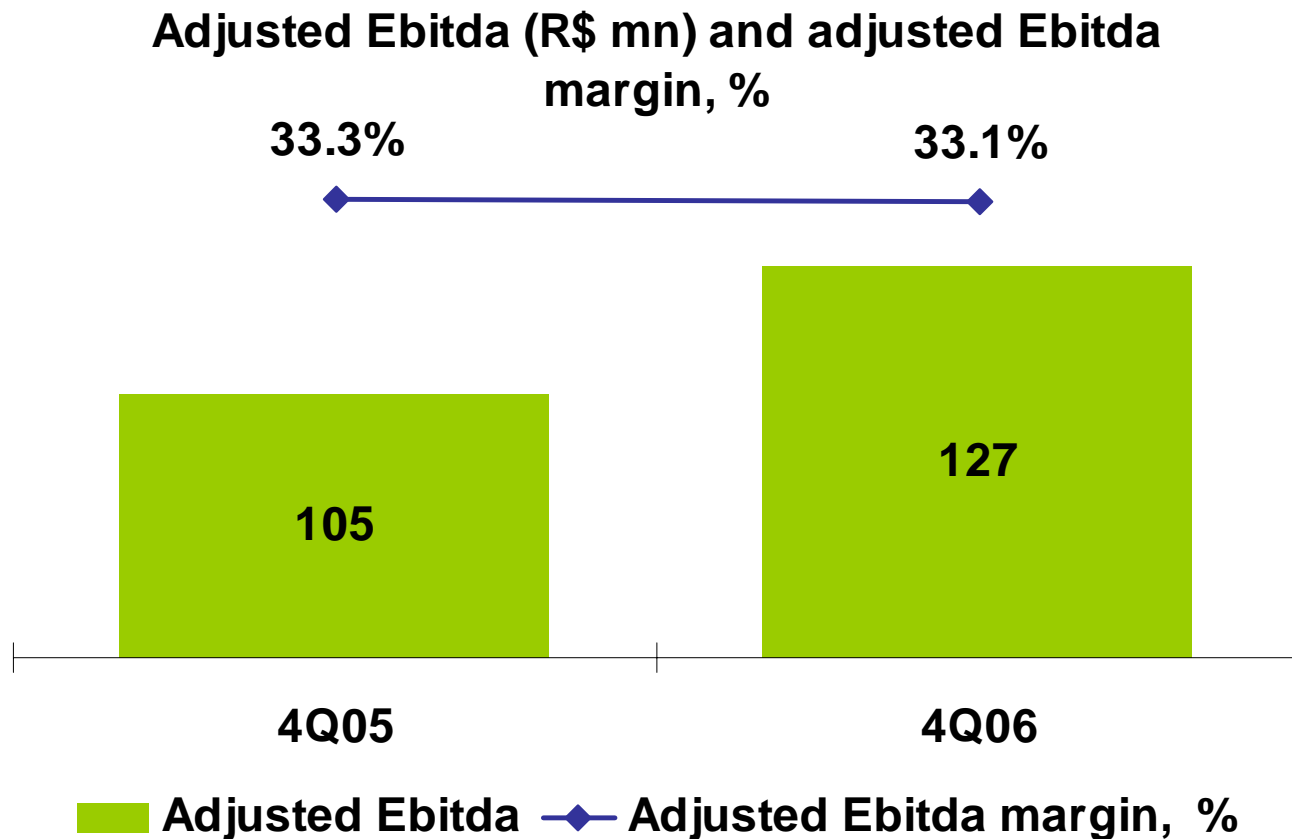
Sales expenses – advertisings



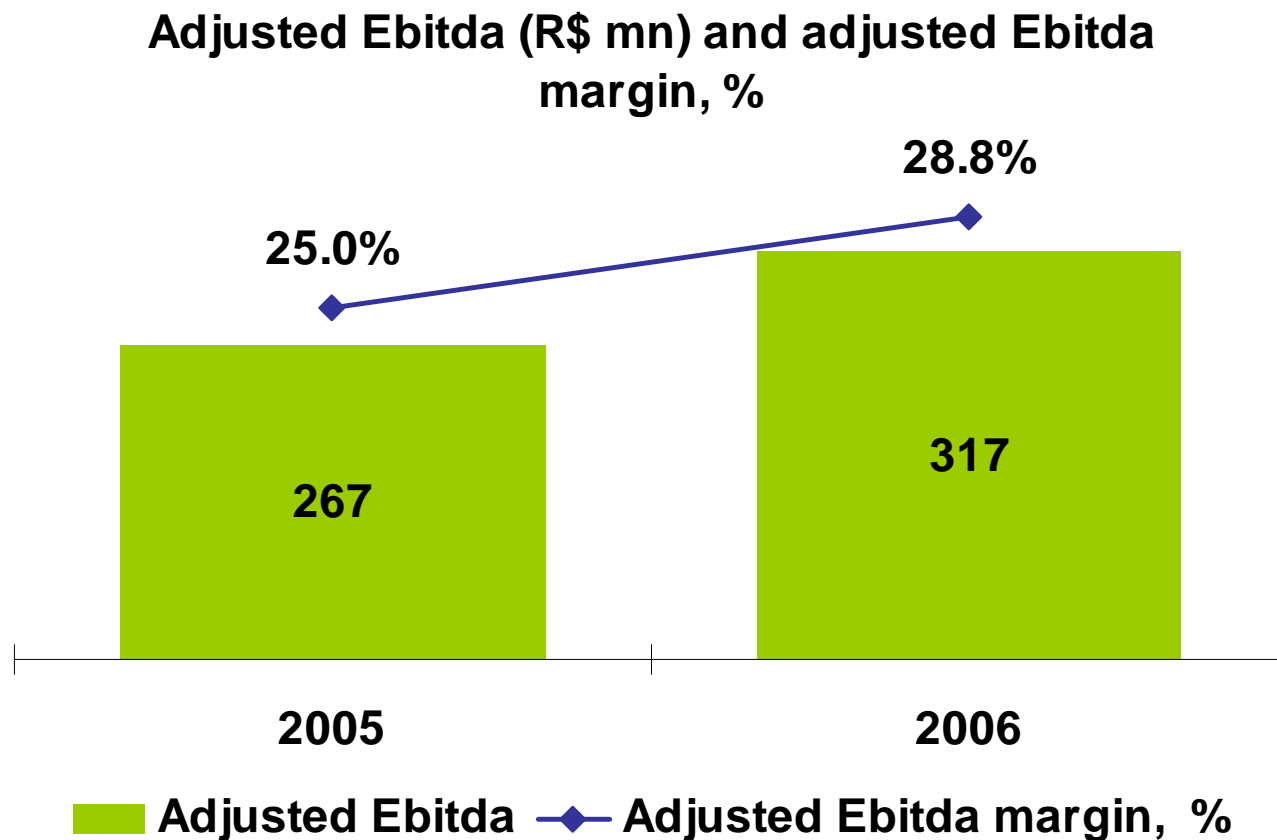
Sales expenses



Adjusted Ebitda



Adjusted Ebitda

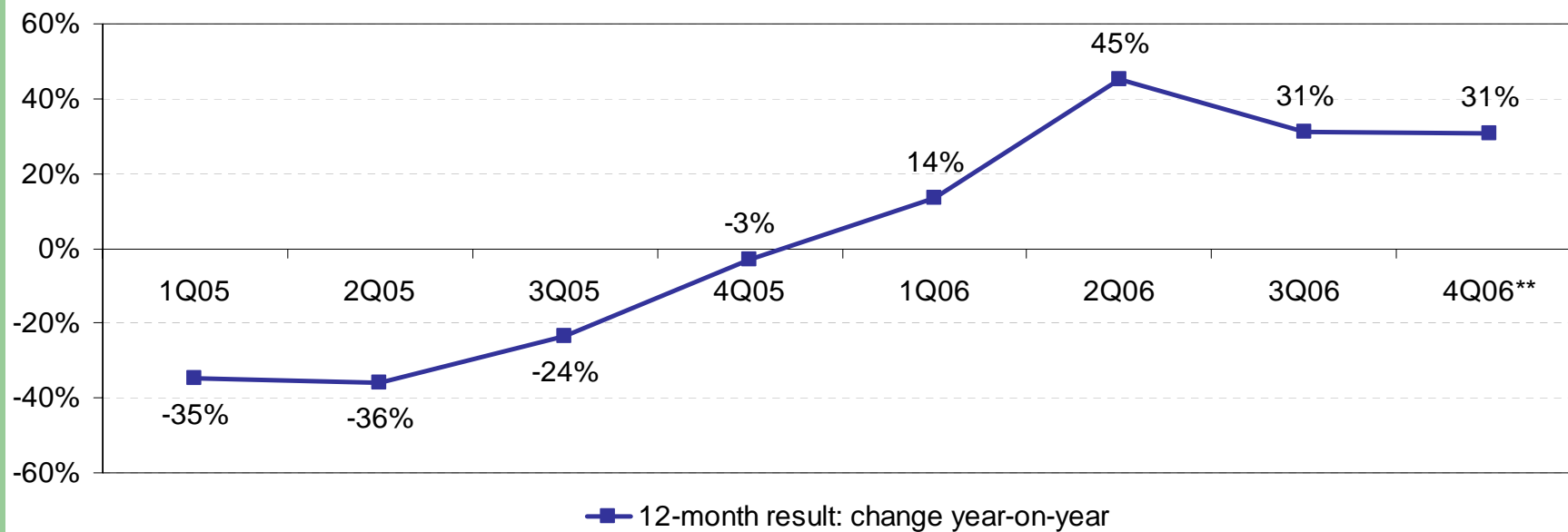


Extraordinary events in the financial statements in 2006

- **Non-recurring income:** other operational income
 - ✓ Recovery in the courts PIS/COFINS levies (June 2006) - R\$11,9 mn
 - ✓ Recovery in the courts payments to the social security system INSS (December 2006) - R\$5,6 mn
- **Non-recurring expenses:** selling expenses
 - ✓ Rescissions of contracts with sales representatives – R\$12 mn
- **New depreciation criteria:** it was revised the useful life of machinery and equipments to ten years, to equalize with IFRS, from January 2007 on. For the purposes of the IFRS accounts it was backdated and recalculated based on useful life since acquisition, for each asset.
- **Conciliation with International Accounting Practices (IFRS):** main differences in 2006:

	BR GAAP	IFRS
Adjusted EBITDA:	R\$ 317.3 mn	R\$ 319.5 mn
Adjusted net income:	R\$ 256.1 mn	R\$ 257.6 mn
Shareholders' equity:	R\$ 979.0 mn	R\$ 1.050.3 mn

Adjusted net income

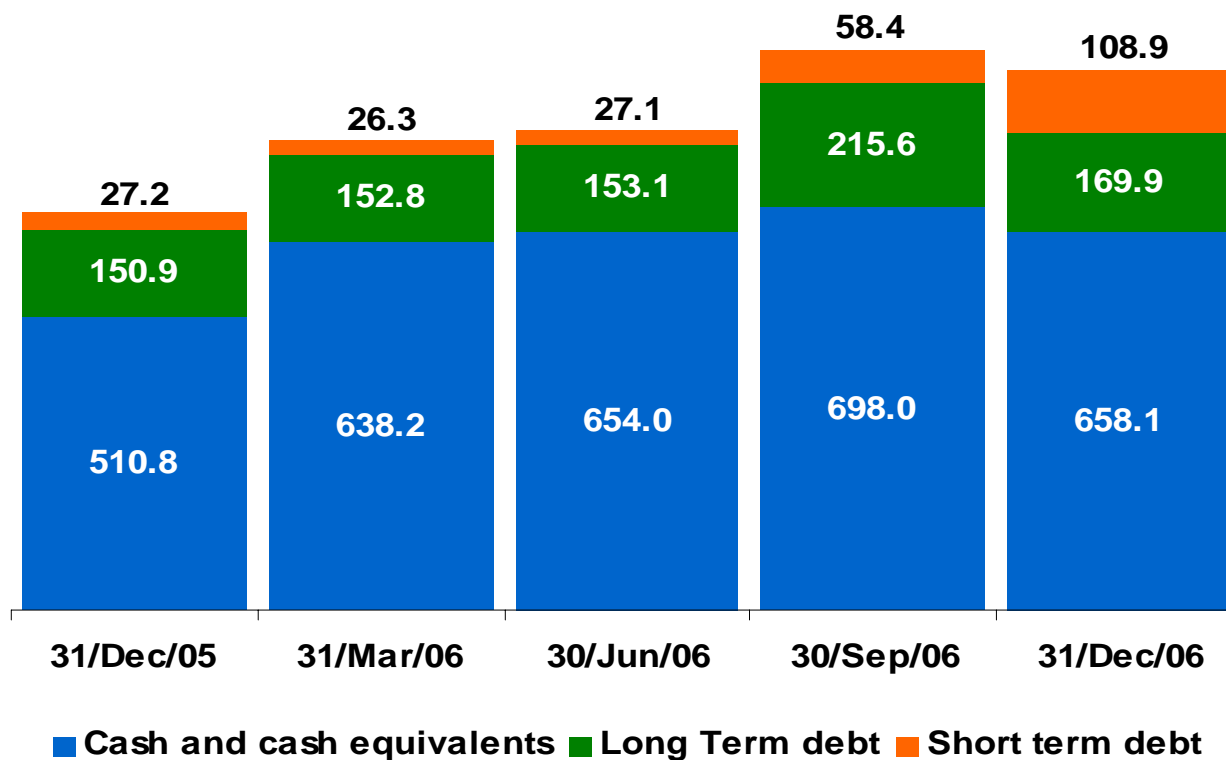


Grendene®

Debt, Tax benefits,
Dividends and Capex

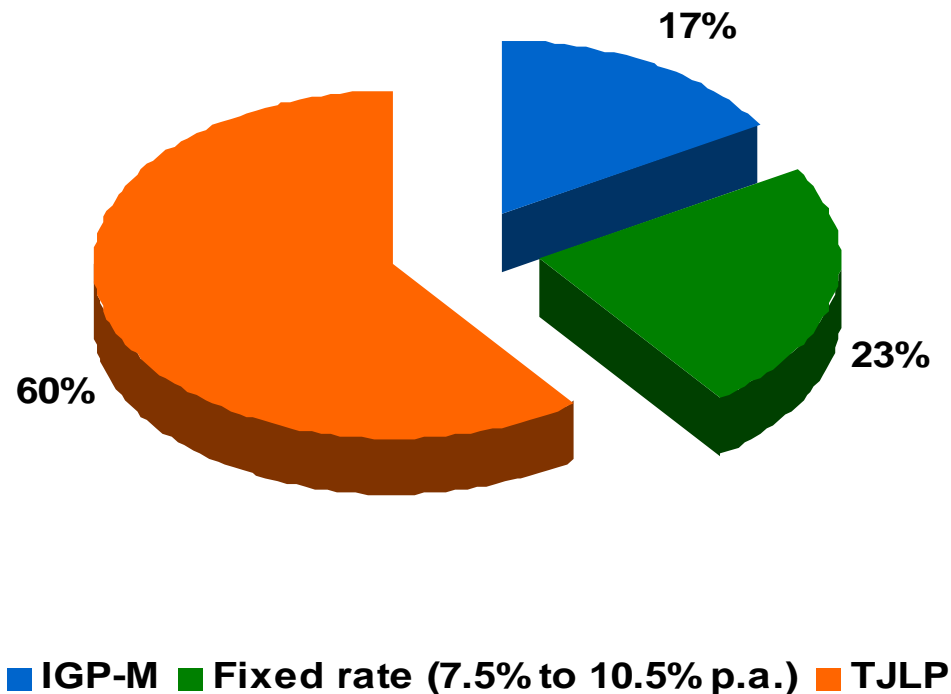
Debt

Net cash of R\$ 379.3 million in 31/Dec/06

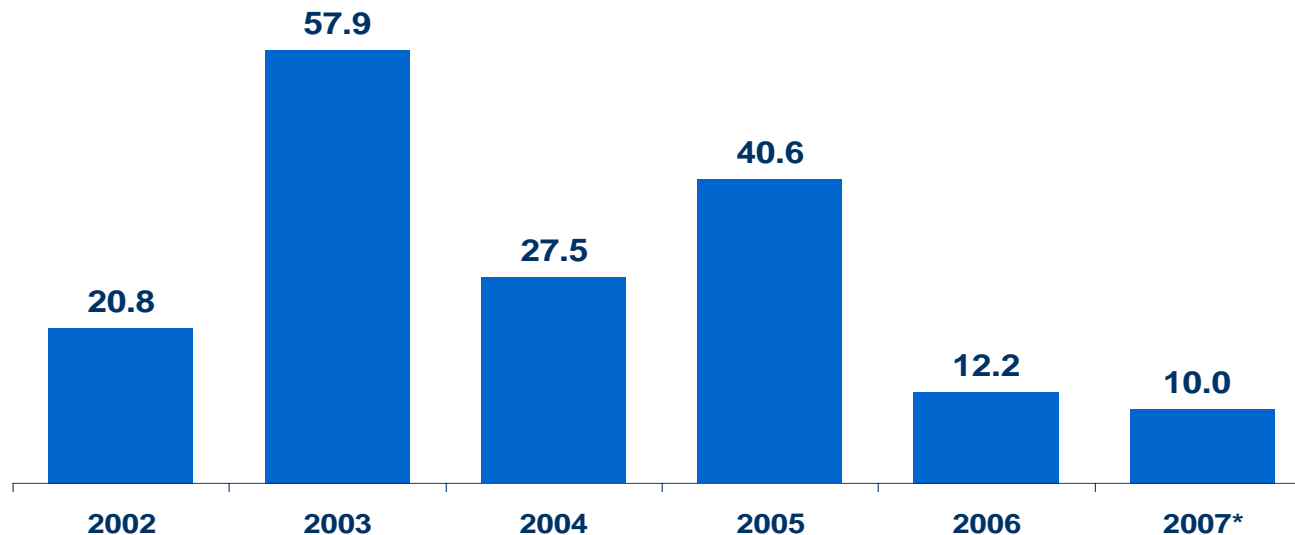


Cost of debt

Cost of debt in 31/Dec/06



CAPEX – Capital Expenditure



* Forecast

Capital expenditure

(R\$ mn)	4T05	4T06	2005	2006
Industrial buildings and plant	1.3	0.9	16.6	2.2
Machinery and equipment	2.2	1.5	20.2	6.3
IT equipment & software	0.1	0.5	2.2	1.3
Other capital expenditure ⁽¹⁾	0.5	1.0	1.6	2.4
Total capital expenditure	4.1	3.9	40.6	12.2

(1) includes investments in vehicles, aircraft, real state, utensils, brands and patents

Tax benefits

State Tax Benefits

Type of benefit	Expiration date
Sobral - CE	
ICMS - PROVIN	FEB / 2019
PROAPI - EXPORTS	SEP / 2011
Crato - CE	
ICMS - PROVIN	SEP / 2022
PROAPI - EXPORTS	JAN / 2014
Fortaleza - CE	
ICMS - PROVIN	APR / 2025
Bahia Project	
Teixeira de Freitas - BA	
ICMS	SEP / 2022
EXPORTS	MAY / 2021

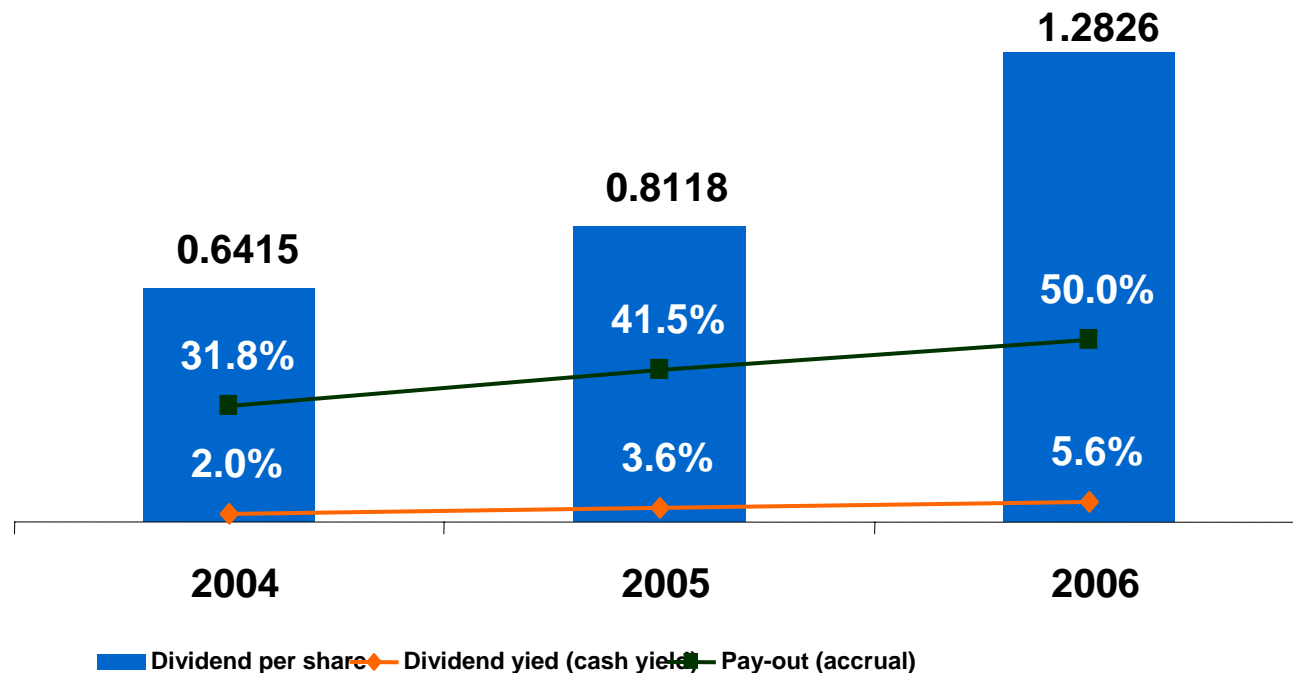
Federal Tax Benefits

Type of benefit	Expiration date
Sobral - CE	
Reduction 75%	2012
Fortaleza - CE	
Reduction 75%	2010
Crato - CE	
Reduction 75%	2016
Teixeira de Freitas - BA*	
Reduction 75%	2016

* Pre-operational project

Dividends paid

	2004	2005	2006
Total dividends	R\$ 64.1 mn	R\$ 81.2 mn	R\$ 128.3 mn
# of shares outstanding	100,000,000	100,000,000	100,000,000



Grendene®

Guidance

Guidance

- **Gross revenue** in 1H07 superior than in 1H06 and higher than 2006 over 2005 (>2.9%)
- **Sales volume** in 1H07 slightly higher than in 1H06
- **Average price** in 1H07 higher than 1H06 due to higher added value product mix
- **Capex** R\$ 10 mn in 2007, including the new plant in Bahia (5% of current installed capacity of 176 mn pairs per year)
- **Advertising expenditure** between 8% to 9% of net sales in 2007

Investment highlights

- **Rigid management discipline** (costs and expenses reduction)
- **Strategy for higher added value** products mix with lower cost
- **Strategy for lower added value** products (State of Bahia new plant)
- **Differentiation** and more personality in the products
- **Sustainability** and sustainable design oriented
- **Sales restructuring** for domestic market and the project Improving sales management
- **International strategy**
- **Globalization of brands:** Melissa and Ipanema GB
- **Marketing new actions:** alternative media, market niches, market segmentation, focus on traders and points of sales
- **Constant development of new technologies:** GrendeneTech
- **Raw material management** and use of alternative materials
- **Human resources new actions:** Grendene Academy, IDP, management model earning-oriented

Growth focus with profitability to maximize shareholders return