



1Q06 results

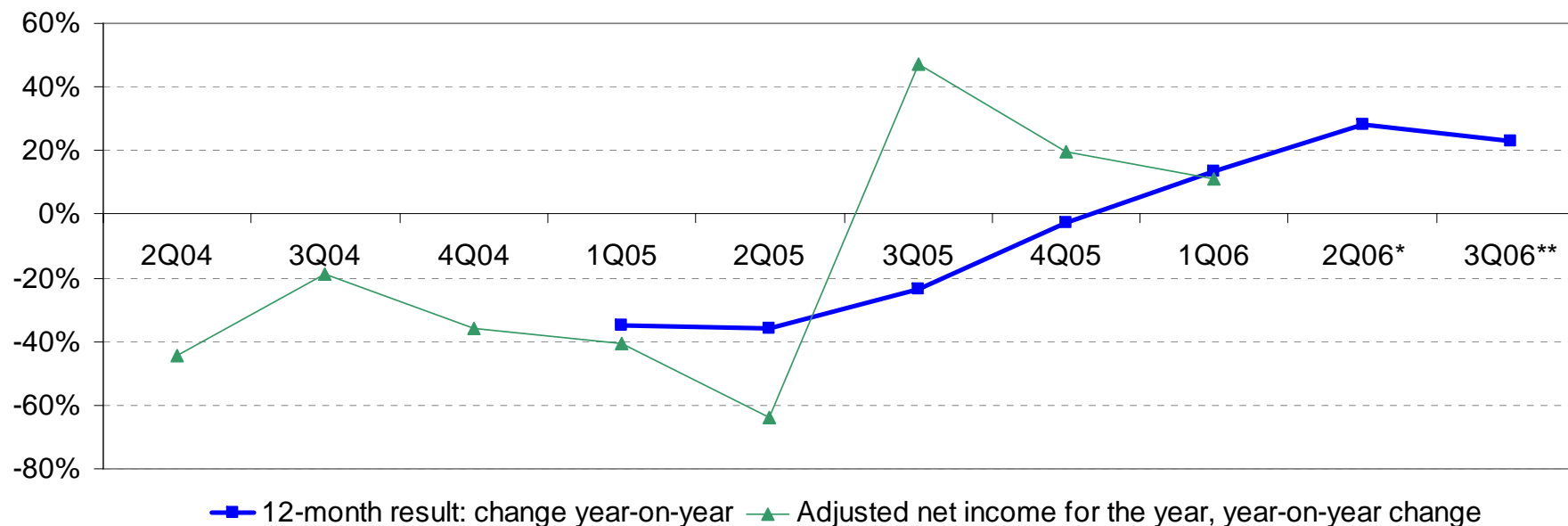
Meetings with US investors

May, 2006

Warning

This presentation contains statements that might represent projections of future events and results. These statements are based upon certain assumptions and analyses performed by the company according to its experience, economic environment, market conditions, and expected future developments that might be out of the company's control. Important facts that may lead to significant differences between expected and actual results, including the company's business strategy, local and international economic condition, technology, financial strategy, developments in the shoes industry, equity market conditions, uncertainties concerning future results, plans, expectations and intentions, and other facts. As a consequence of these facts, the actual results may significantly differ from the ones indicated and/or implied in the statements of projections concerning future events and results.

adjusted quarterly net income, and 12-month net income (last two years): year-on-year changes



Source: Grendene

Notes: (*) 12 months including 2Q06e, based on 1H06 guidance.

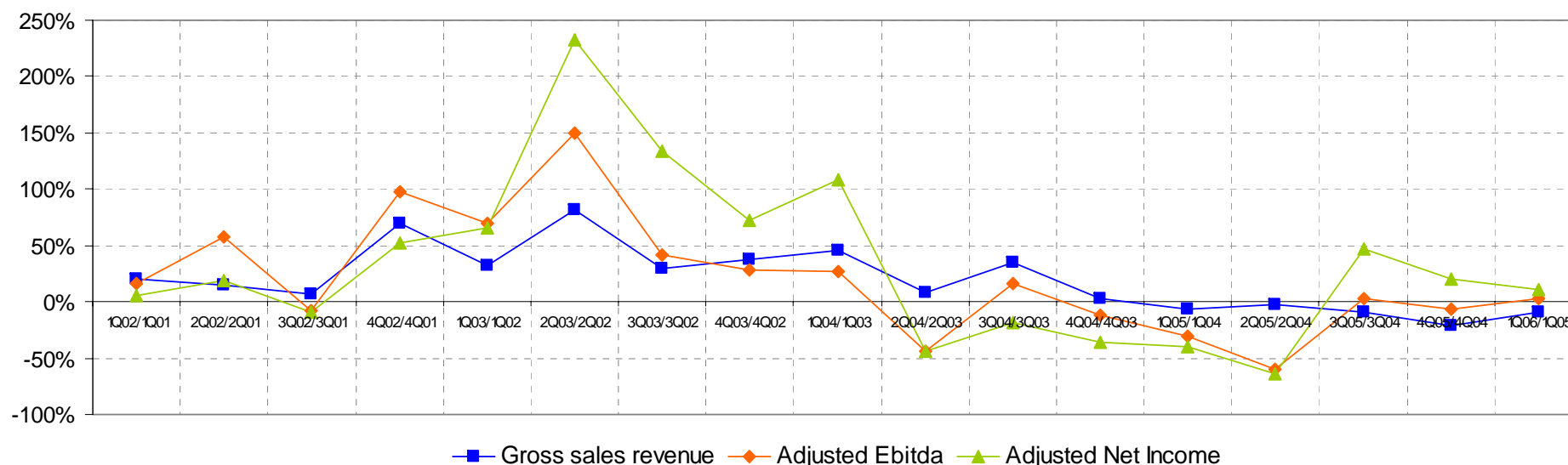
(**) 12 months including 3Q06e, considering guidance for 2Q06e+3Q06e.

**Profit up 11% in 1Q06;
new guidance (2T06e+3T06e) implies: 12m profit by 3Q06e, up 23%**

1Q06: still modest results, but in line with market expectations

- **Gains in profitability continue**, but still without a turnaround in sales (chart below).
- **Ebitda and net income margin** kept the improvement trend since the low point in 2Q05.
- **Domestic sales in 1Q06 were weak**, down 11% year-on-year. Part of this fall is non-recurring, resulting from the weak product line of year-end 2005. This is part of our business risk – performance depends on an optimal combination of design and price ('fashion component').
- **Exports reacted positively** increasing y/y in dollar terms for the third quarter running - even with the exchange rate at this level.
- **COGS**: 9% lower y/y in absolute terms, and 14% lower y/y in cost per pair.
- **SG&A**: 14% lower y/y.
- **Financial revenue (expenses)**: R\$ 7 million higher than in 1Q05.
- **Conclusion**: Adjusted net income at R\$ 41 mn in 1Q06 (vs. R\$ 37 mn in 1Q05)

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



Recent results – adjusted net income 18% up YoY ...

Main Financial and Economic Indicators

(R\$ mn)	1Q05		1Q06		Var.%
Gross Revenues	314		285		(9%)
Domestic	258		229		(11%)
Exports	56		56		0%
Net Sales	249		228		(8%)
Gross Profit	93	37.2%	86	37.6%	(7%)
Adjusted EBITDA	50	20.1%	51	22.5%	3%
Net Financial Result	(1)		7		n.s.
Adjusted Net Income	37	15.0%	41	18.2%	11%
EPS (R\$ per share)	0.37		0.41		11%
Sales Volume (million pairs)	31		33		6%
Average Price (R\$)	10.02		8.57		(15%)

Evolution in corporate governance best practices – non-financial results:

- **May 3rd, 2006:** Grendene newsletter, provides one more route for information to all stakeholders.
- **Sustainability and governance: going to the 4thd meeting of the working group of the global apparel and footwear project of the GRI (Global Reporting Initiative), to define the best practices for obtaining sustainability based on the “triple bottom line” (economic results vs. environmental impacts vs. positive social impacts).** Participants include: C&A, Feng Tay Group, Gap, Grendene, H&M, Levi-Strauss, Mas Holdings, Nike and various environmental and social NGO’s. The project should last one year.
- **Dissemination of Grendene values:** profit; competitiveness; innovation and agility; and ethics.
- **Growing focus on forecasts and monitoring:** planning and budgeting on a monthly basis

MD&A: next six months prospects guidance ...

Guidance for the next six months (2Q06 + 3Q06 vs. 2Q05 + 3Q05):

We expect, year-on-year:

- ↑ (i) Domestic sales: ~9% higher;
- ↓ (ii) Exports: ~4% lower in dollars;
- ↑ (iii) Adjusted Ebitda: ~32% higher;
- ↑ (iv) Adjusted net profit: ~ 32% higher;

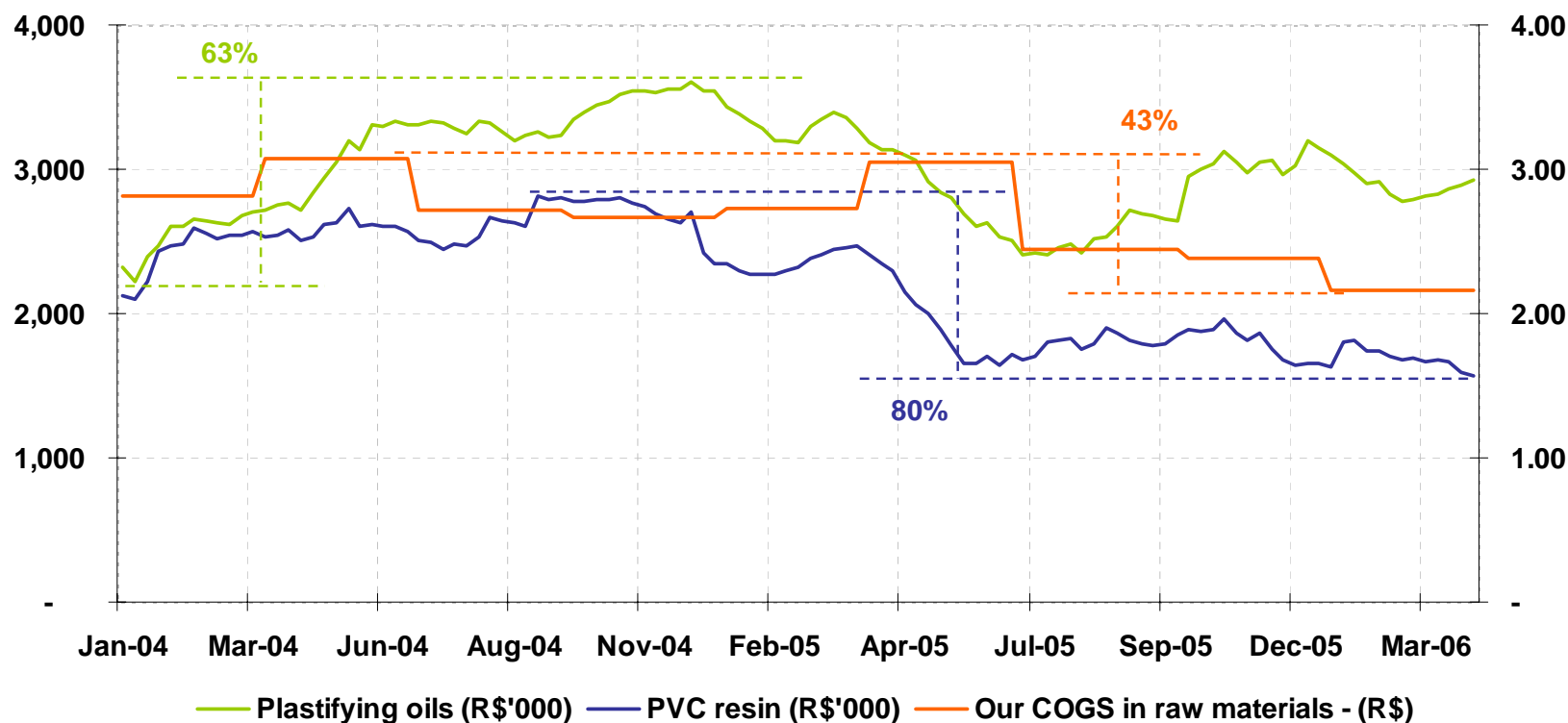
Gross revenue R\$ mn	Next six months					
	Actual 1Q05	Actual 1Q06	1Q06/1Q05 Var.%	Actual 2Q05+3Q05	Estimated 2Q06+3Q06	2Qs +3Qs Var.%
Domestic (R\$ mn) = 0	258	229	(11%)	567	620	9%
Exports* (R\$ mn)	56	56	0%	74	62	(16%)
Total	314	286	(9%)	641	682	6%
Exports* (US\$ mn)	21	26	22%	31	30	(4%)
Ebitda	50	51	3%	112	148	32%
Adjusted net income	37	41	11%	79	104	32%

Conclusion: We are confident on the prospects for solid growth in adjusted Ebitda and net profit in the coming quarters. This is the first time that we give formal guidance of sales **increase**. We expect the scenario to improve gradually, and, while the improvement may be modest (~6%), we expect our internal efforts, allied to the new collections, to produce a turnaround in the sales performance.

The dollar is still a challenge (lower exports year-on-year), and the scenario is one of great austerity and rigid control of costs and expenses – but we can already point out to the **improvement of the 12-month adjusted income**: 14% higher in 1Q06 and **estimated at 23% for the the visible horizon, to the end of 3Q06**.

'Deconstructing Myths' I

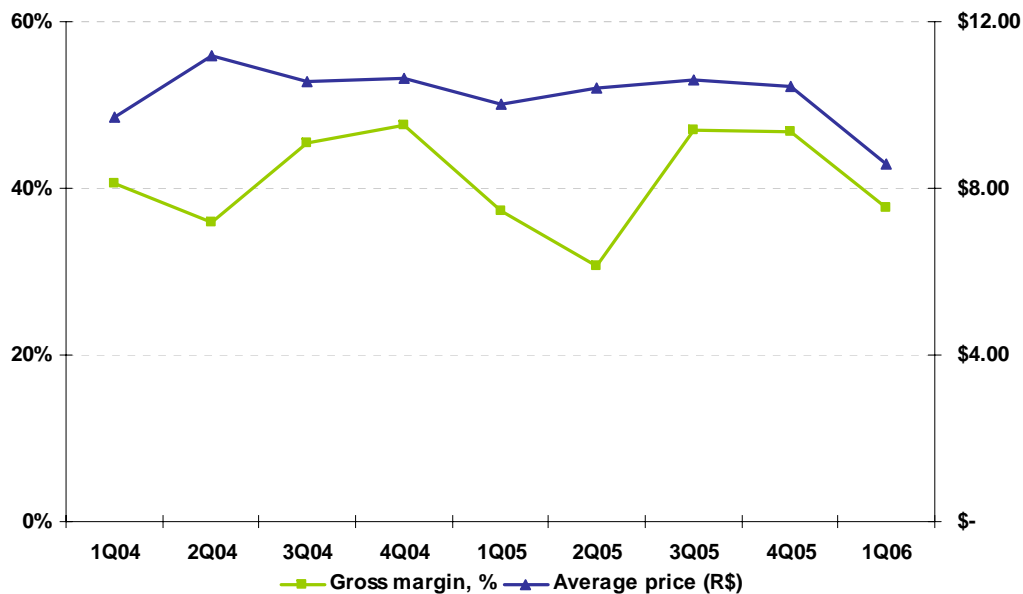
Low correlation of our input cost per pair with petrochemicals price



Source: ICIS-LOR / Grendene

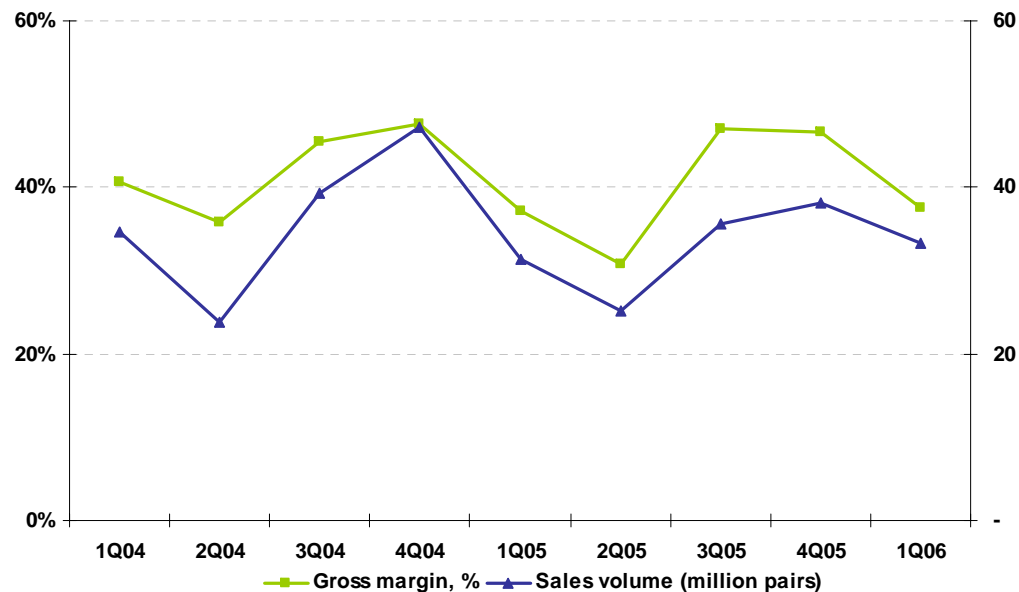
- **Similar contribution** of PVC and plasticizing oils, F-X, design (different models with different 'plastic content')... all contribute to lower effect of **price volatility on raw materials COGS**
- **Indicator of low volatility:** the variations between the lowest and the highest price in Reais in the period were 80% for PVC resin; 63% for plasticizing oils and only 43% for our average cost per pair.

The "average price", alone, does not define a "better" or "worse" mix



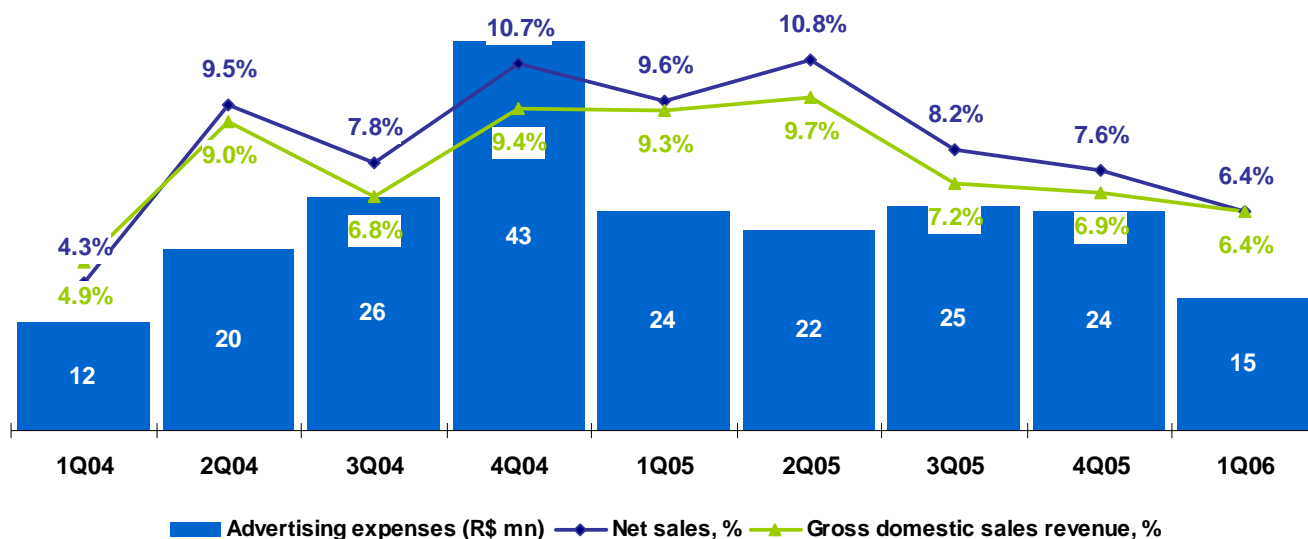
Gross margin is not as strongly affected by the average price...

... as it is by **volumes** as seen in these charts



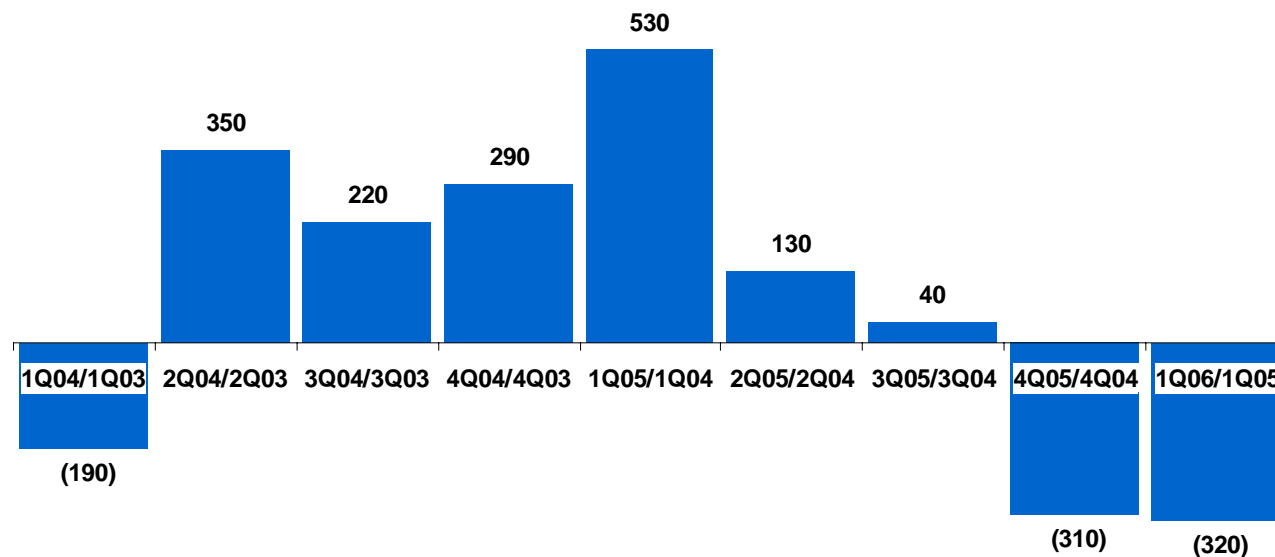
Selling expenses 12% lower explained by advertising expenses reduction...

Advertising expenses (R\$ mn) - net sales, year-on-year change, %; and domestic net sales, year-on-year change, %



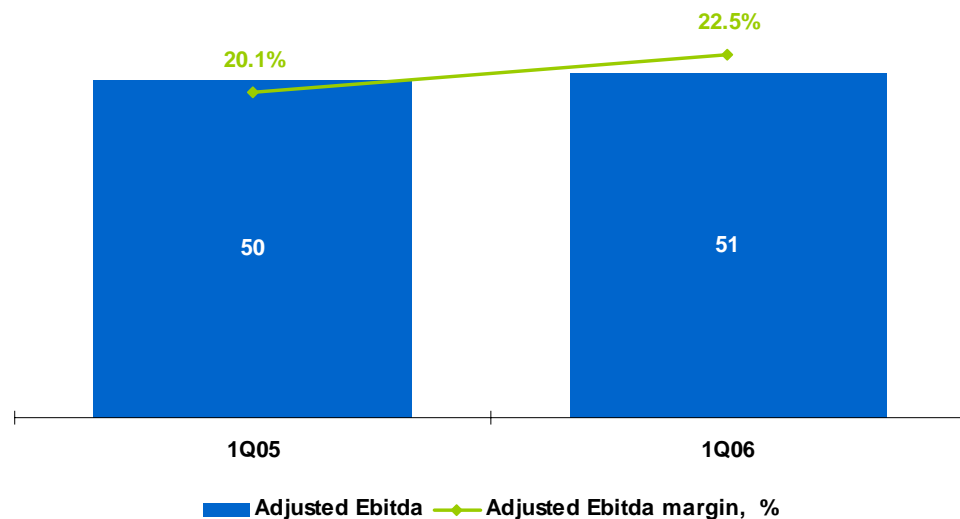
We have been increasingly disciplined in our advertising efforts.

Advertising expenses as % of net sales: year-on-year change, basis points



Adjusted EBITDA: margin increased from 20% to 22% ...

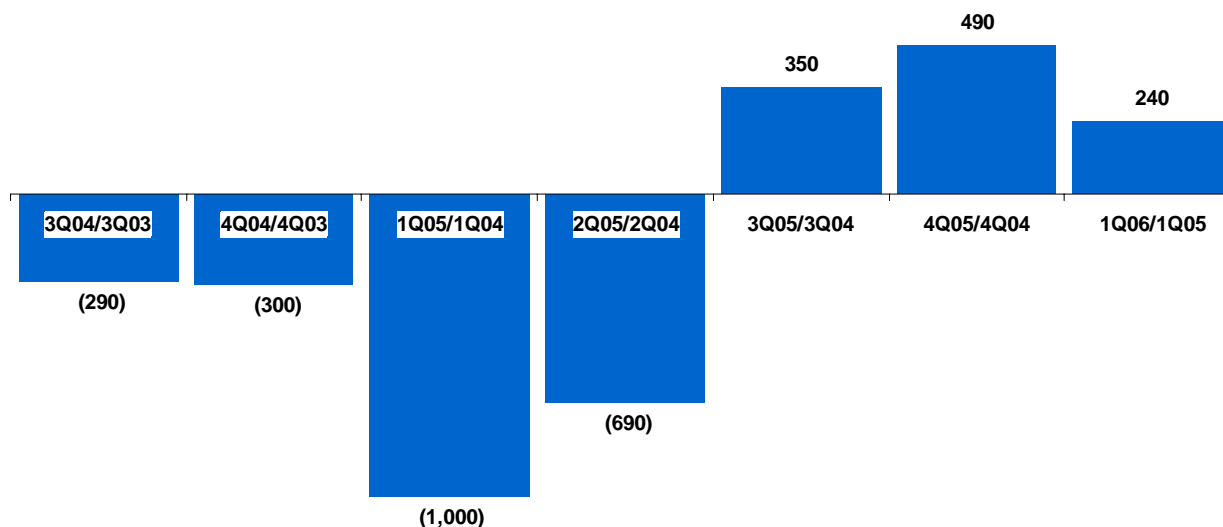
Adjusted Ebitda (R\$ mn) and adjusted Ebitda margin, %



Quarter after quarter we have been able to steadily improve our profitability...

... and margins expanded even with the recent weak sales performance.

Change in Ebitda margin, y/y, as a % of net sales, in basis points



Company Overview

Grendene is one of the world's largest producer of synthetic footwear, with approximately 17,8 thousand employees, Gross Revenues of R\$ 285 mn in 1Q06 and 33.3 million pairs sold.

Market and Brands

- Operates in 4 segments: men, women, kids and mass market
- ~66% of sales volume in Brazil and ~34% abroad (1Q06)
- Exports accounts ~20% of gross revenues (1Q06)
- Leadership in kids
- Strong brands

Products

- Synthetic and injected footwear based on PVC/EVA, totaling more than 480 new products launched every year
- Strong marketing culture and product differentiation

Market Share

- 33.3 million pairs sold in 1Q06 (31.3 million pairs in 1Q05)
- 19% of Brazil's production
- 15% of the Brazilian footwear exports

Production Capacity

- Installed capacity: 176 million pairs/year in 2005, being 86% in the Sobral's plant (CE)
- In-house technology for plastic injection and production of moulds
- Strategic location of plants in State of Ceará (CE) creates important tax and labor cost advantages

Sales Channels

- Domestic market via sales representatives
- External markets via direct exports and also through international subsidiaries and special sales division (Melissa line with selective distribution)
- Around 17,300 sales points in Brazil and 19,500 overseas.

Grendene's strategy is focused on five main aspects.

Focus on Synthetic Footwear

- To maintain its focus in the creation of synthetic footwear, with an automated production process, allowing for significant scale gains.
- To consolidate, create value and spread out the use of synthetic footwear.

To expand in the local market

- High potential of market share expansion in the women and mass market segments.
- Strengthen relationship with clients in order to establish sales strategies for them.

To continue diversifying the products portfolio

- Constant product and concept innovation that express the brand value
- Products associated with celebrities and cartoon figures with emotional appeal.

To expand overseas

- Expand our presence in market where we already operate.
- Identify new markets that present profiles appropriate to our products.
- Competitive prices with a distinct design and always looking at new fashion trends.

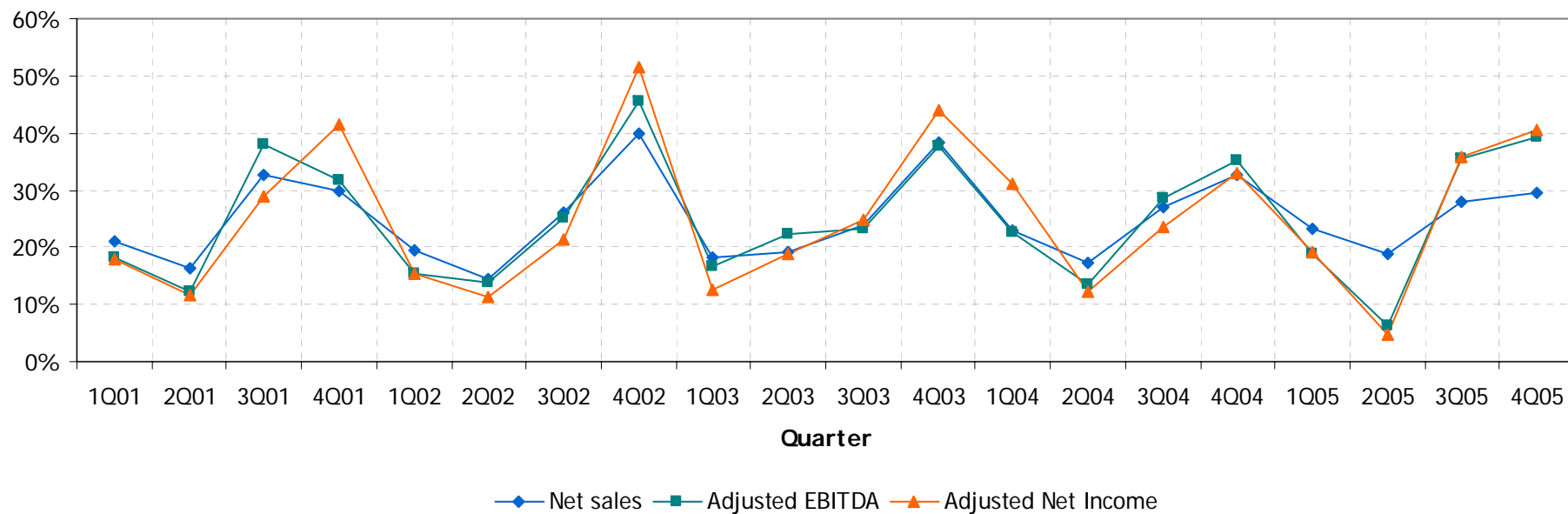
To expand production capacity

- Ability to rapidly increase its installed capacity at low-cost.
- Production focused on regions that allow the company to maintain their scale and cost advantages.

Seasonality.....each quarter over total year

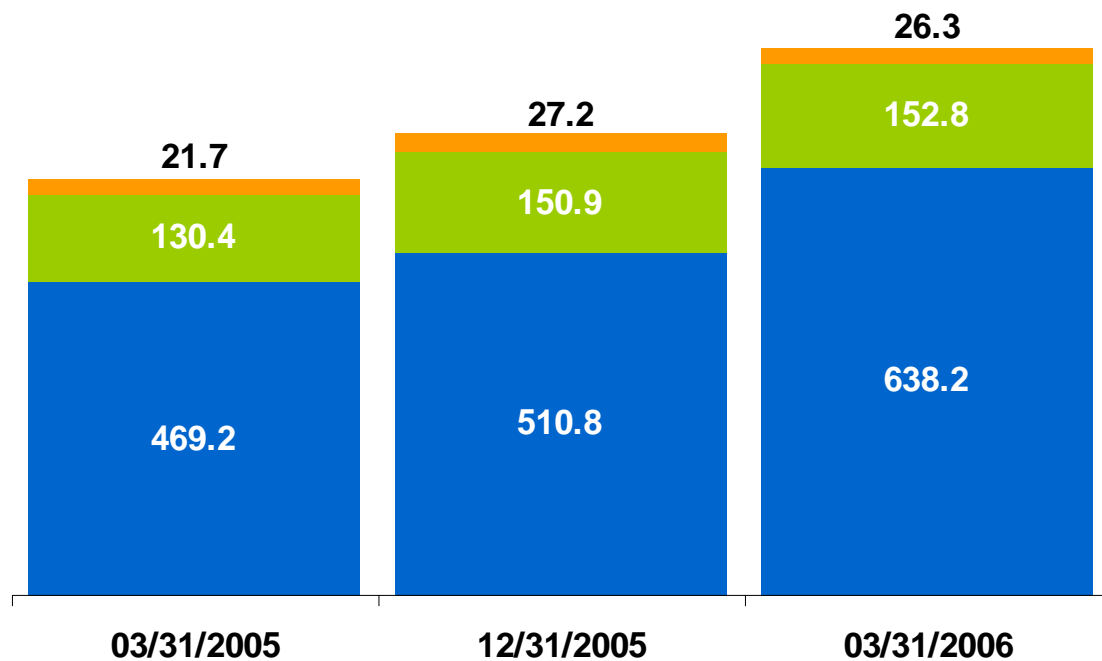
Grendene S.A.

Seasonality



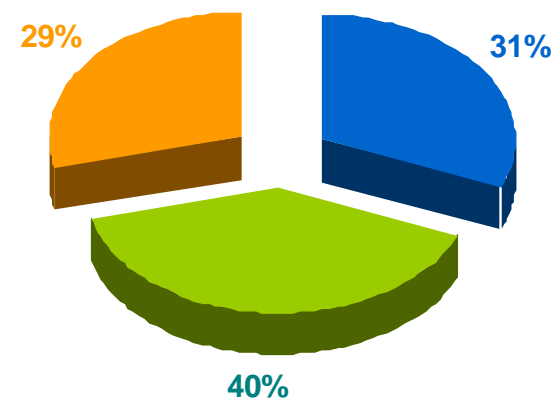
Indebtness

Net cash: R\$ 459.1 million on Mar. 31, 06



■ Cash and cash equivalents ■ Long Term debt ■ Short term debt

Cost of debt at Mar. 31, 06



■ IGP-M ■ Fixed rate (7.5% to 10.5%p.a.) ■ TJLP

Investment Highlights

Strong brands

- Strong and recognized brands, benchmark in synthetic footwear industry.
- Capacity of creating and launching fashion trends at global level in the segments it operates.

Marketing and innovation capacity

- Constantly launching new models. Active portfolio of 180 products in 2005.
- Successful strategy of creating “emotional appeal” on its products through the licensing of celebrities and cartoon characters.

Distinct production process with scale

- Verticalized production and development of proprietary injection technology allow efficient, versatile and fast production on large scale, generating superior quality products at competitive prices, even when considering less value-added products.

High corporate governance level

- Highest corporate governance standards: listed at *Novo Mercado*.
- Dividend policy: up to 100% of the distributable net income.
- 100% tag along rights and only voting shares.
- Independent members on the Board of Directors.

Free cash flow generation and solid financial structure

- Gross Revenues of R\$ 285.5 mn in 1Q06 (R\$ 314 mn in 1Q05).
- Adjusted EBITDA of R\$ 51 mn in 1Q06 (R\$ 50 mn) in 1Q05
- Net Income of R\$ 41 mn in 1Q06 (R\$ 37 mn in 1Q05)
- Net cash of R\$ 459 mn in March 31, 2006
- R\$ 128 mn cash provided by operating activities in 1Q06

SMAV sales program - a competitive edge

Sales program 'SMAV' – a true competitive advantage

Grendene CATÁLOGO Versão: 2.101.74 - 26/08/2005

Grendene NEGÓCIOS Versão: 2.101.74 - 26/08/2005

Grendene Versão: 2.101.74 - 26/08/2005

NOVIDADES

Selecione o filme: VIDEO - ALINE

AGENDA

Datas Importantes

Data	Cliente

Contato:

Descrição:

Compromissos 22/09/2005

Hora	Cliente
00:00:00	2030322 - COLISEU CALC LTDA
09:00:00	501573 - A A S SOBROSA LTDA

Obs:

Pendências

Mensagens não lidas : 5
Pedidos não enviados : 1
Pedidos Pendentes : 0

INSTITUCIONAL **CATÁLOGO** **PEDIDO** **NEGÓCIOS** **ADMINISTRAÇÃO**

Grendene's IR Team

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