

Grendene[®]



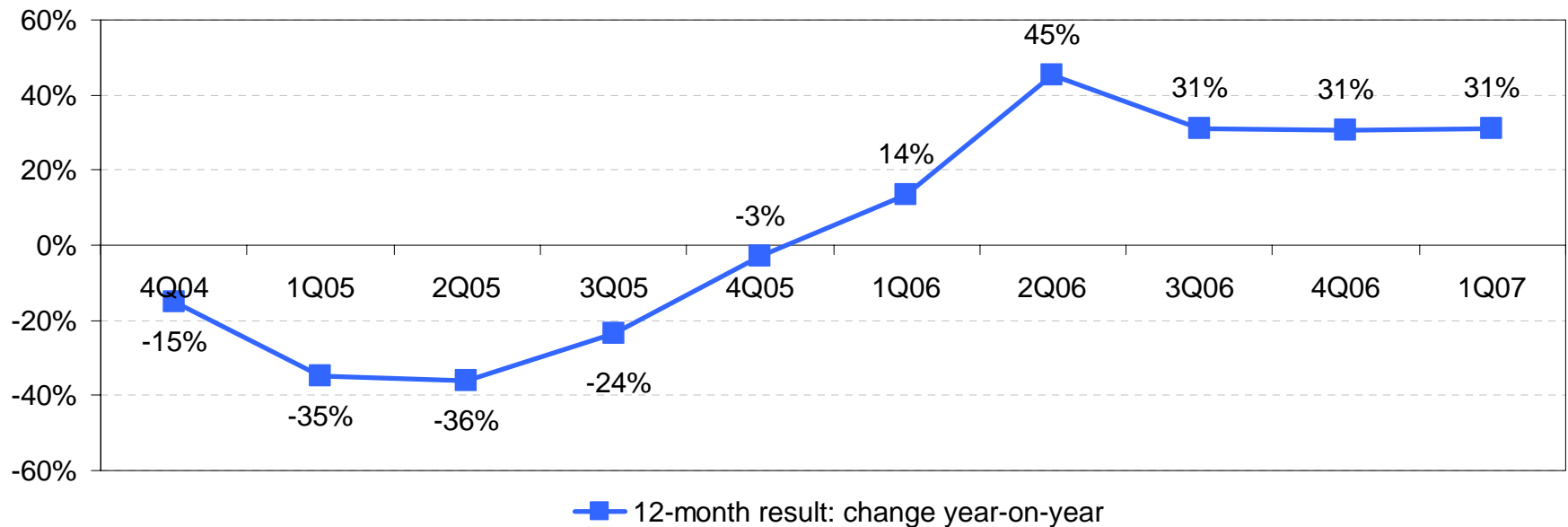
2nd Annual
Brazil
Conference

May 23rd and 24th, 2007

New York Palace Hotel, New York, NY

Adjusted net income

CAGR from 1Q06 to 1Q07: 30% p.a.



Source: Grendene

After the turning point on 1Q06, profit up 30% on accumulated basis

1Q07

YoY highlights

2006

- **Gross revenue** at R\$327mn, 14.4% up
- **Sales volume** 5% lower
- **Average price** 20.3% higher
- **Domestic revenue** 9.7% up and volume 15.3% lower
- **Exports revenue** 40.1% up and average price 21.9% up in US\$, on volume 14.7% higher
- **Gross profit** 11.3% higher, gross margin from 37.6% to 36.9%
- **Adjusted EBITDA** at R\$ 61 mn 19% higher, margin 23.7% (R\$ 51mn, 22.5%)
- **Adjusted net income** at R\$ 47mn 14.4% higher, margin 18.4% (R\$ 41mn, 18.2%)
- **Net cash** as of March 31, 2007 at R\$ 553mn, 46% up

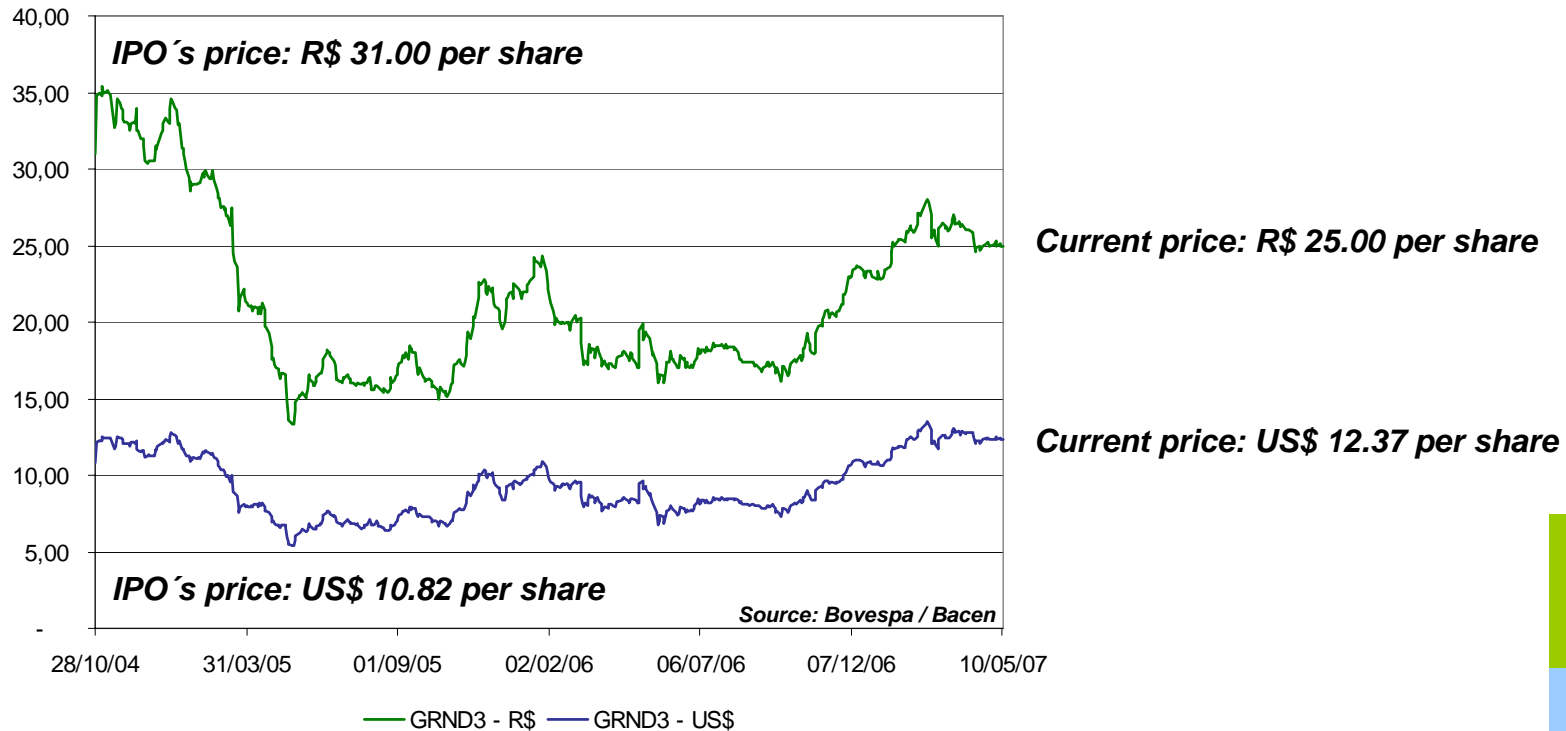
- **Gross revenue** at R\$ 1,392mn, 2.9% up
- **Sales volume** 1.3% higher
- **Average price** 1.5% higher
- **Domestic revenue** 2.8% up and volume 2.1% lower
- **Exports revenue** 15% higher and average price 1.1% up in US\$, on volume 13.9% higher
- **Gross profit** 11.1% higher, gross margin from 41.5% to 44.7%
- **Adjusted EBITDA** at R\$ 317 mn, 19% higher, margin 28.8% (R\$267mn, 25%)
- **Adjusted net income** at R\$ 256mn, 31.3% higher, margin 23.2% (R\$ 195mn, 18.3%)
- **Net cash** as of December 31, 2006 at R\$ 379mn, 14% up
- **Dividends** distributed: R\$ 128mn

Main financial and economic indicators

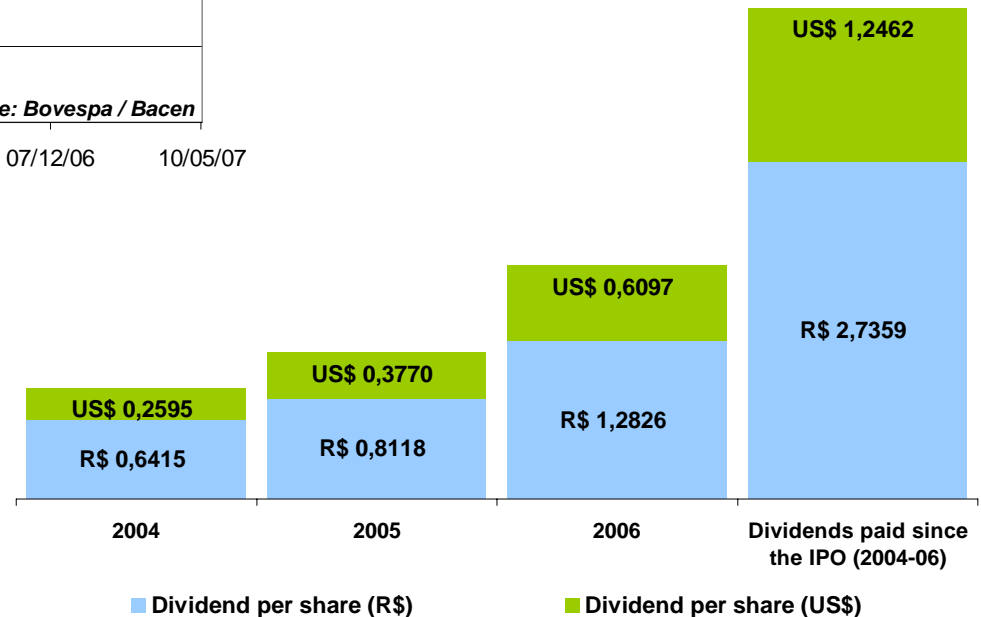
(R\$ mn)	2005	2006	Var.%	1Q06	1Q07	Var.%
Gross Revenues	1,352.9	1,392.4	2.9%	285.5	326.5	14.4%
Domestic	1,169.6	1,204.0	2.9%	229.1	251.4	9.7%
Exports	183.3	188.4	2.8%	56.4	75.1	33.2%
Net Sales	1,068.0	1,102.9	3.3%	228.2	258.4	13.2%
Gross Profit	443.6	493.0	11.1%	85.7	95.4	11.3%
Adjusted EBITDA	266.7	317.3	19.0%	51.4	61.2	19.0%
Net Financial Result	(0.2)	22.5	n.s.	7.0	1.8	-73.9%
Adjusted Net Income	195.1	256.1	31.3%	41.5	47.4	14.4%
EPS (R\$ per share)	1.95	2.56	31.3%	0.42	0.47	14.4%
Sales Volume (million pairs)	130.3	131.9	1.3%	33.3	31.7	-5.0%
Average Price (R\$)	10.39	10.55	1.5%	8.57	10.31	20.3%

Adjusted Margins – as a % of net sales	2005	2006	Var.(bps)	1Q06	1Q07	Var.(bps)
Gross	41.5%	44.7%	320	37.6%	36.9%	-70
EBITDA	25.0%	28.8%	380	22.5%	23.7%	120
Net	18.3%	23.2%	490	18.2%	18.4%	20

Shares evolution and dividend distribution

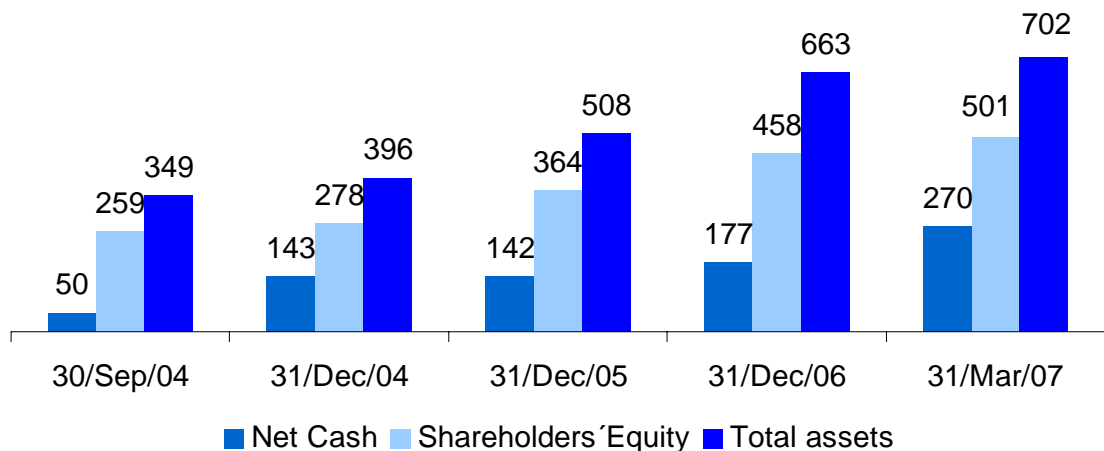


Grendene paid in dividends 11.5% since the IPO (2004 – 2006) taking in account the price in US\$ issued on October 28, 2004.

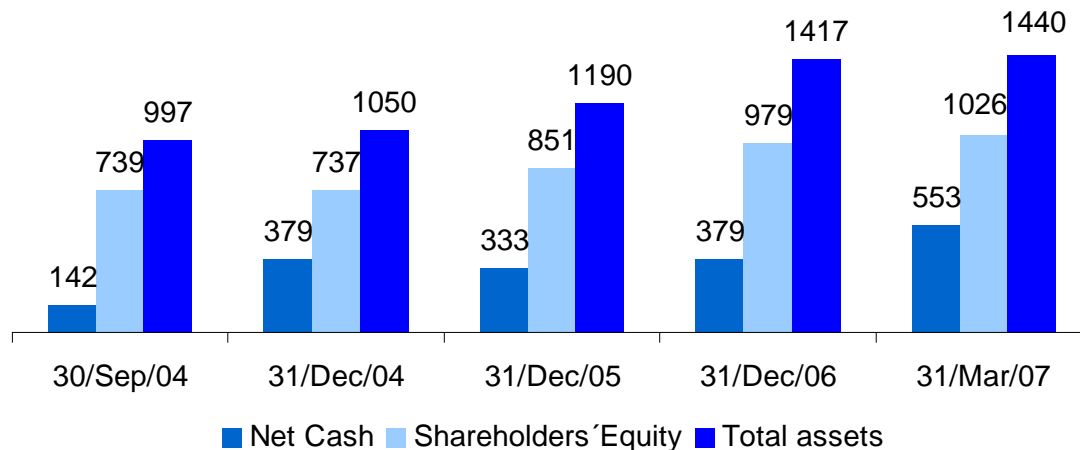


Sound economic and financial situation

In million of US\$



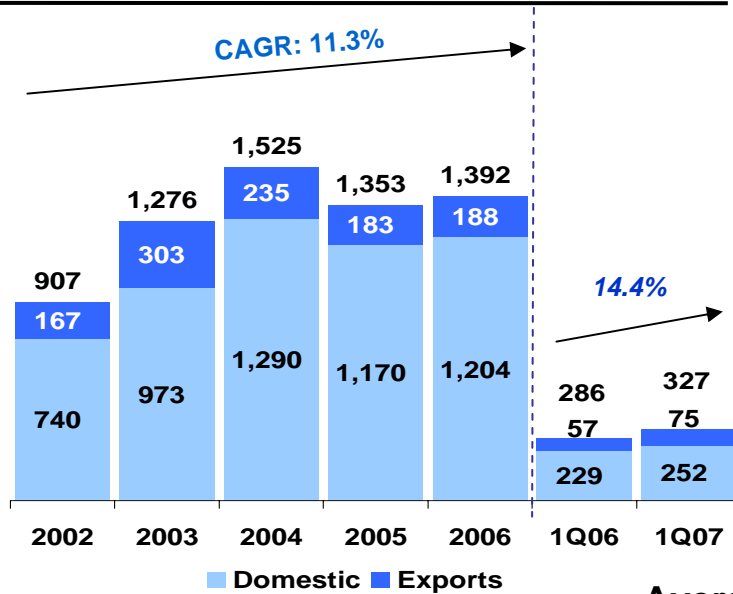
In million of Reais



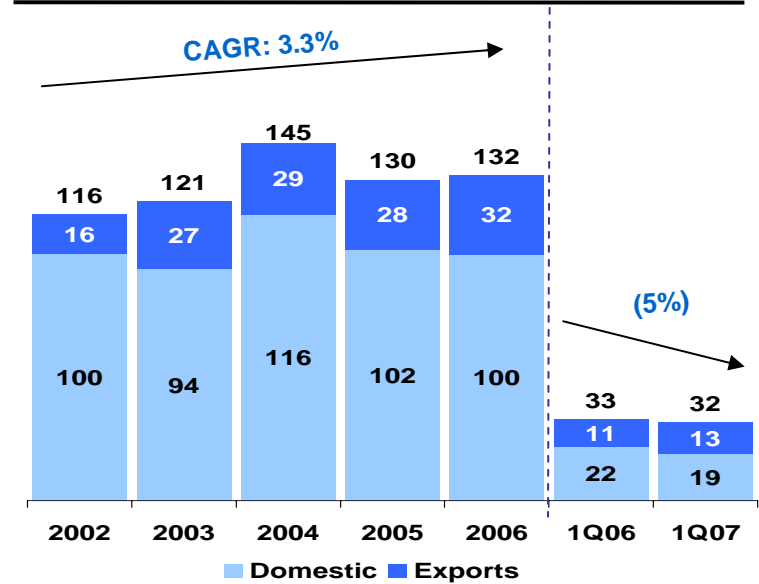
Source: Grendene

Operational performance

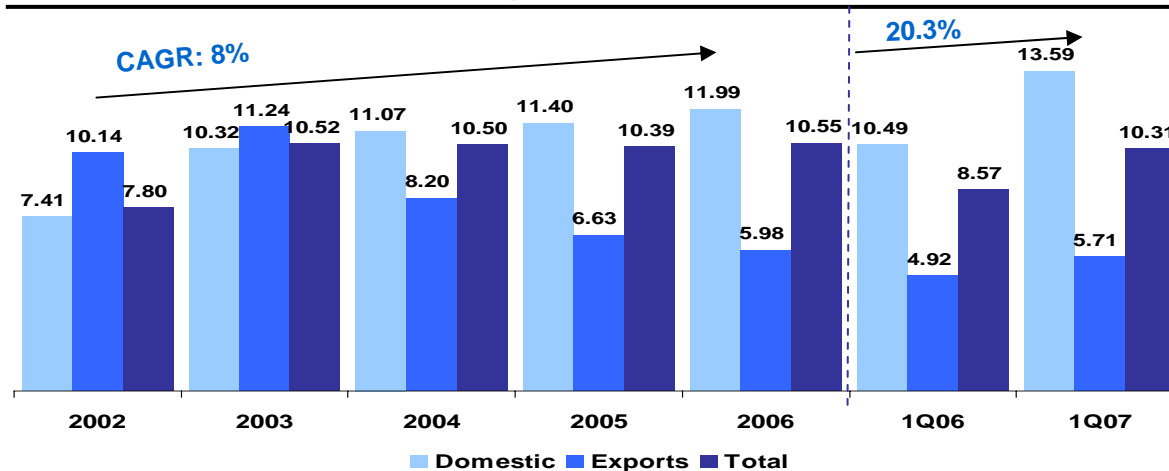
Gross revenues (in mn of Reais)



Sales volume (in mn of pairs)

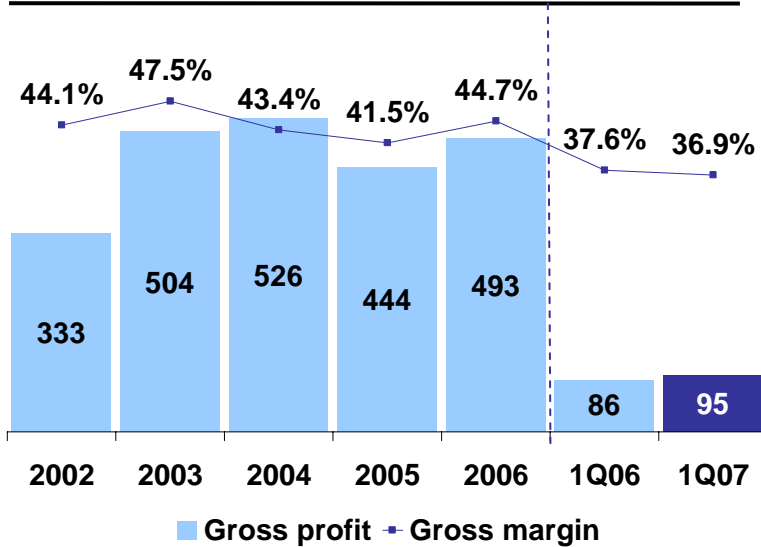


Average price (in Reais)

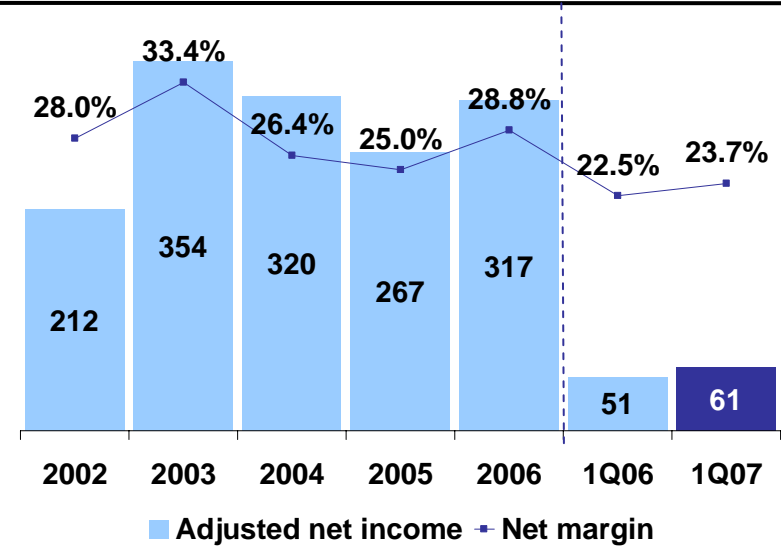


Operational performance

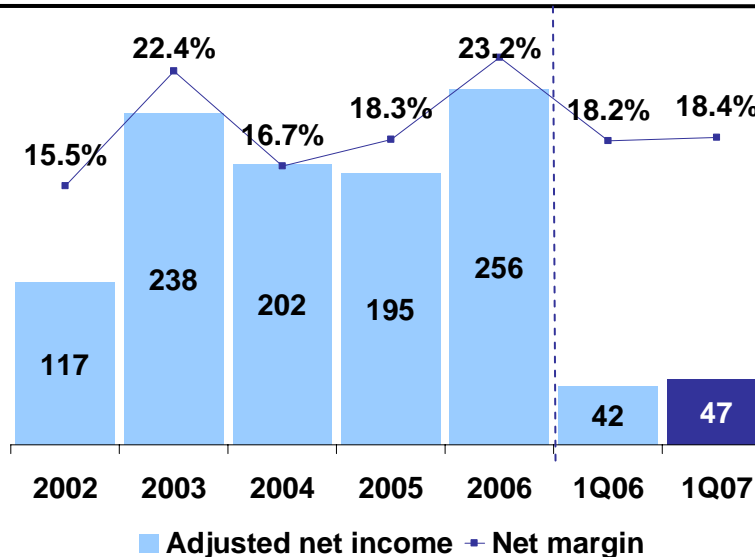
Gross profit (R\$ mn) and gross margin, %



Adjusted EBITDA (R\$ mn) and EBITDA margin, %



Adjusted net income (R\$ mn) and net margin, %



Increase in profitability due to costs reduction

Domestic market highlights

- **Good performance** in the mix of more expensive products: good sales and higher value perception (differentiation and personality), with **top priority** and dedication to this strategy
- **Weak performance** in the **mass consumption** products: working for recovering sales volume (new plant at Bahia, repositioning, new products, marketing strategies, promotional and licensing initiatives), starting this lower end products strategy from 2007 on
- **Sustainability** and sustainable design oriented
- **Sales restructuring** for domestic market and the project
Improving sales management
- **Marketing new actions:** alternative media, market niches, market segmentation, focus on traders and points of sales

Exports highlights

- For the **4th year running**, Grendene is Brazil's **largest exporter** of footwear
- In the 1Q07 increased the **market share to 26%** vis-a-vis 20% in 1Q06 (*Source: DECEX*)
- **Brands globalization:** Melissa e Ipanema Gisele Bündchen
- **Exports breakdown** by volume and region:

	Pairs (in '000)				2006/05
	2006	%	2005	%	Var. %
North America	13.457	42,7%	12.169	44,0%	10,6%
South America	12.211	38,8%	9.786	35,4%	24,8%
Europe	3.408	10,8%	3.607	13,0%	(5,5%)
Others	2.427	7,7%	2.094	7,6%	15,9%
Total	31.503	100,0%	27.656	100,0%	13,9%

	Pairs (in '000)				YoY
	1Q07	%	1Q06	%	Var. %
North America	4,911	37.4%	6,199	54.0%	(20.8)%
South America	3,384	25.7%	2,316	20.2%	46.1%
Europe	3,897	29.6%	2,316	20.2%	68.3%
Others	960	7.3%	637	5.6%	50.7%
Total	13,152	100.0%	11,468	100,0%	14,7%

Outlook and guidance

1H07

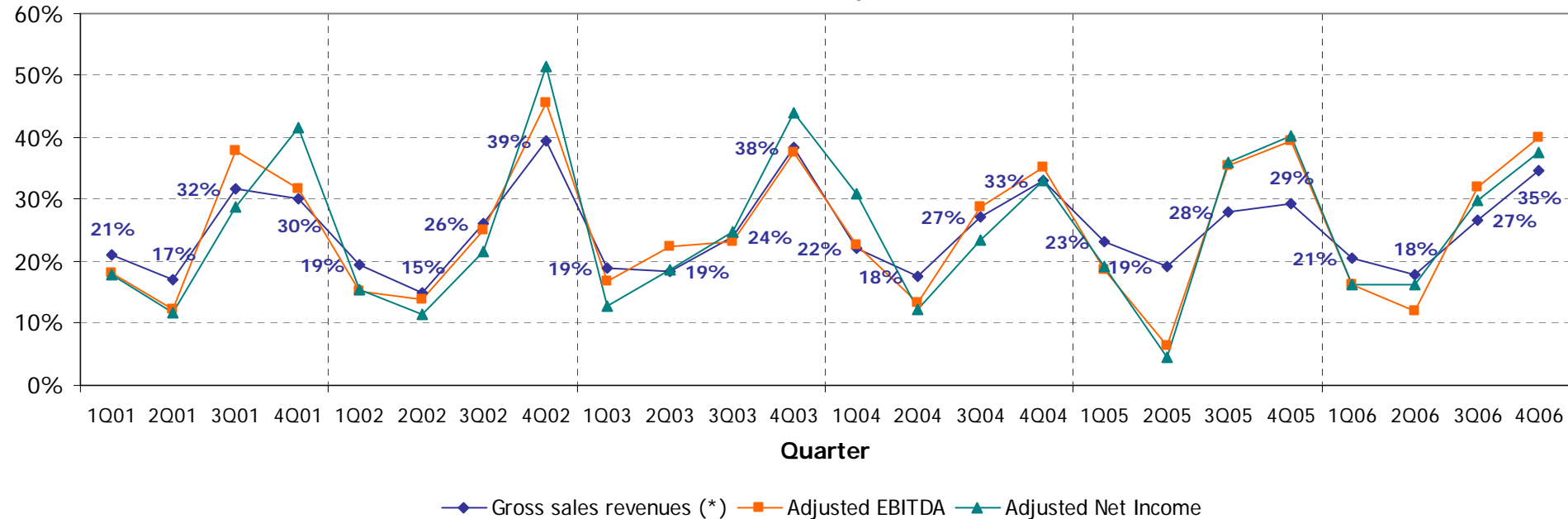
- **Gross revenue** in 1H07 higher than in 1H06
- **Sales volume** in 1H07 slightly higher than in 1H06
- **Average price** in 1H07 higher than 1H06 due to higher added value product mix
- **2Q07 = 2Q06** except net income due to non-recurring income
- We do not expect to grow in **2Q07 earnings** due to the historical seasonality (winter time in the center / south region in Brazil and north hemisphere summertime supplying concluded yet)

2007

- **Gross revenue** in 2007 higher than 2006
- **Sales volume** in 2007 slightly higher than 2006
- **Average price** in 2007 higher than 2006 due to higher added value product
- **Continuity of recent performance** in the main indicators: small margin improvements in gross profit, Ebitda and net income and moderate growth in revenues
- **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
- Maintenance of the **dividends policy** of up 100% of distributable net income

Seasonality is part of the business

Seasonality



Reasons for the guidance

- **Domestic market** was based e estimates on the following factors:
 - (i) new **spring-summer collection** (Franca in July 2007), with new technologies and novelties in design and materials
 - (ii) new **marketing campaigns** with “content initiatives”
 - (iii) widening of **licensing, accessories and campaigns** in the kid’s segment
 - (iv) continuity of the process of **improvement of sales management**; and
 - (v) expected **growth** in Brazilian **GDP** (consumption growth in the domestic market that was very restrained in the recent past)
- **Exports** good outlook maintained:
 - (i) strategy of **globalization** of brands
 - (ii) successful **consolidation** of the **Melissa** brand as a selective-distribution fashion accessory
 - (iii) consolidation of the **international launch** of the **Ipanema GB** brand, with a new campaign in 2H07; and
 - (iv) **sustained growth** in all the markets

Medium and long term strategy

- **Top line recovery emphasis:** concern in presenting growth in both revenue and sales volume, working hard to get it
- Objective to **grow structurally**, developing our business model
- **Future growth coming from three components:**
 - ✓ Mass market-oriented products (low end) repositioning to improve volume
 - ✓ Higher added value oriented products (high end) to keep improving sales
 - ✓ Product-price-marketing policy
- Explore more **products value recognition** with more sophisticated products to be able to add more value than cost
- **Globalization** in some **brands** to improve revenues and volume
- **Exports** improving with sustained growth
- **Products launching validation:** retailers, traders and consumers (research)
- **Investment** in differentiated evolution in the plastic technology = **Grendene's DNA** = competitiveness

Focus: growing with profitability

Company's Overview

Grendene is one of the world's largest producer of synthetic footwear, in house technology, approximately 180 mn pairs / year of installed capacity and 18 thousand actives employees.

Diversification / Products

- Presence in both markets: domestic ~86% in revenues (R\$) and 76% in volume; exports ~14% in revenues (R\$) and 24% in volume (2006)
- Segmentation: feminine, masculine, kids and mass consumption
- Constant innovation, product differentiation and value recognition, launching more than 400 products per year

Brands / marketing

- Strong marketing culture, strong national and global brands and the most important licenses
- Marketing campaigns associated to a sustainability projects and celebrities
- Alternative media, marketing segmentation, market niches, actions with traders and points of sales

Management improvements

- Rigid management discipline in costs and expenses reduction
- Raw material management and use of alternative materials
- National and international coverage in terms of logistic and distribution
- Human resources: Grendene Academy, IDP, management earning-oriented

Corporate governance

- 100% common shares and tag long
- Dividends policy to distribute up 100% of net income distributable
- Independent members in the board of directors
- Sustainability approach: triple bottom line (economic result, maximizing social impact and minimizing environmental impact)

Own brands

Grendene®

melissa



grendha



Main licenses

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.

Grendene's IR Team

■ Grendene IR team

- **Alexandre Grendene Bartelle**
Chairman and IRD
- **Pedro Grendene Bartelle**
Vice Chairman
dri@grendene.com.br
(5554) 2109.9022 & 9166.0407
- **Doris Wilhelm**
IRO
doris@grendene.com.br
(5554) 2109.9036

Analysts

- **Alexandre Vizzotto**
avizzotto@grendene.com.br
(5554) 2109.9011
- **Lenir Baretta**
lbaretta@grendene.com.br
(5554) 2109.9026