



Grendene

Ipanema
Gisele
Bündchen
Brisa do mar, do sol, do vento



Ipanema ★ Gisele Bündchen
Grendene



Grendene

3Q05 Earnings

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.

Recent results - 3Q05 adjusted net income 47% up YoY ...

(in million of R\$)	3Q04	3Q05	Var.%	9M04	9M05	Var.%
Gross Revenues	416	379	(8,8%)	1.021	955	(6,5%)
Domestic	375	341	(9,1%)	837	824	(1,5%)
Exports	41	39	(6%)	184	130	(29%)
Net Sales	327	299	(9%)	814	752	(8%)
Gross Profit	149	141	(6%)	337	296	(12%)
Adjusted EBITDA	92	95	3%	207	162	(22%)
Net Financial Result	(26,2)	0,7	n.s.	(28,6)	(2,5)	(91%)
Adjusted Net Income	48	70	47%	135	116	(14%)
EPS (R\$ per share)	0,48	0,70	47%	1,35	1,16	(14%)
Sales Volume (million pairs)	39	36	(9%)	98	92	(6,0%)
Average Price (R\$)	10,57	10,62	0,5%	10,42	10,36	(0,6%)

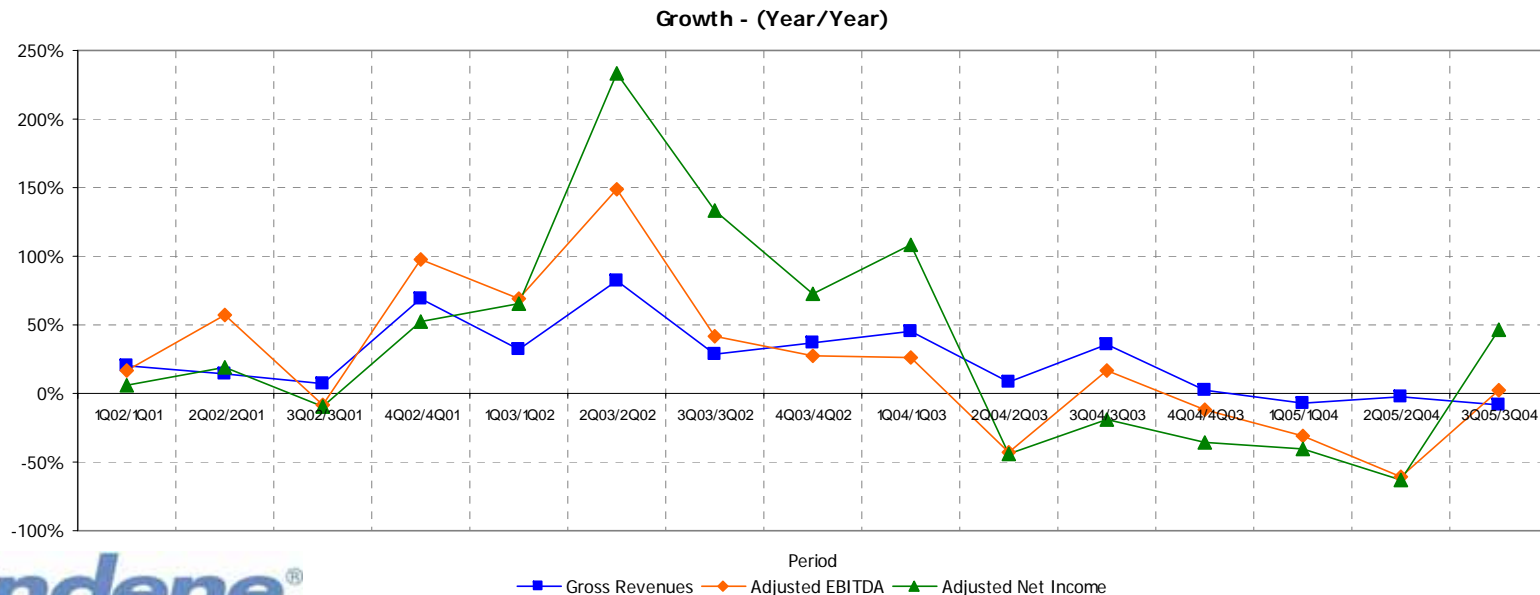
Guidance review an continued evolution in management and governance best practices

- **Dividends:** 2005 interim dividends will be paid from Nov. 17 '05 on, in the amount of R\$ 38 mn (R\$0.38/share), = ~100% of accumulated distributable profit for 9M05. Ex-dividend on Nov. 1, '05.
- **Positive** movement in **budgeting and internal forecasting practices** enables us to widen **guidance:** For the next six months (**4Q05+1Q06, vs. 4Q04+1Q05**), we expect the following, year-on-year:
 - ↓ (i) **Domestic sales** revenue ~5% lower;
 - ↑ (ii) **Exports** ~10% higher in US\$;
 - ↑ (iii) Adjusted **Ebitda** more than 14% higher;
 - ↑ (iv) Adjusted **net income** more than 23% higher.
- **2005e:** We do not intend to provide detailed quarterly guidance. But the good result for 3Q05 makes us confident of adjusted net income in the order of R\$ 84 mn for 4Q05e – i.e. ~R\$200 mn for 2005e (previous guidance indicated net income in the range of R\$183 mn).

... and with better prospects for the next 6 months (4Q05 + 1Q06)

MD&A – macro context still hard, but we adapted ...

- **Reversal to positive in downtrend** of year-on-year comparisons – we expected this movement to be maintained in coming quarters.
- **Shares:** accentuated **improvement in liquidity** – aim to be in IBrX50 in medium term.
- **Pioneer** activity in the sector; **high-quality governance** – we enter the GRI Apparel & Footwear Global Project .
- **Continuing focus** on improvement of planning processes now **producing significant results**.
- **Domestic market** suffers from increasing competition from “**export spillover**” and **increased imports**.
- **Exports** begin to improve – in spite of the extremely **challenging exchange rate**!
- **COGs** 11.1% **lower**, cost per pair 2% lower (a gain of R\$19.8 million) – **margin gain** of ~150 bais points.
- **Operational expenses** 6.7% (R\$6.4 million) **lower** – **margin gain** of 350 basis points.
- **Net financial revenues** in 3Q05 contributing to **improved** net income.
- **Strategic decision** to eliminate FX mismatch.
- Investors can “**forecast financial revenue (expenses)**” with greater predictability.
- **Conclusion:** 3Q05 adjusted net income 47% up, at R\$70 mn (vs. R\$ 47.6 mn in 3Q04).



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

4Q05 + 1Q06 in comparison to 4Q04 + 1Q05

- **Nominal domestic gross sales in *Reais* around 5% lower.** This forecast translates a continued (and justified) conservativeness in relation to the present high competition in the domestic market. *Previously, we had expected flat sales, perhaps with a small fall, in 2H05, and the 3Q05 has presented a weak performance, with a YoY fall of 9%.*
- **Exports should go up by around 10% in dollars.** We have been increasingly positive about our capacity to export. *Our initial guidance for 2H05 was flat, which we increased later to growth of 5% in dollars, and for the next six-month period we now project YoY growth of 10% (In 3Q05 we achieved 20% YoY growth in our export revenues in dollars).* This is perhaps the most positive aspect of our guidance – more important, and less expected by the market – because, in spite of a fall in revenue in nominal *Reais*, and in spite of our exports not being a strong proportion of annual consolidated sales (~15%), ***the improved outlook says a lot about Grendene's quality and cost competitiveness.*** The present FX rate around R\$ 2.2 could indicate to many investors that Grendene would not be competitive even to export, much less to grow YoY, and even much less to be increasing its guidance figures with each successive announcement.
- **Adjusted Ebitda up by around 15%.** The substantial effort to control costs and expenses has already resulted in a small increase in Ebitda in 3Q05, of almost 3%, in spite of the challenging domestic market (fall in sales) and the low profitability of exports. In spite of the low magnitude of the increase in adjusted Ebitda, we note that this is taking place in a Company with high operational leverage (high fixed costs and expenses) at a moment of weak performance in volumes sold.
- **Ajusted net income up by more than 23%.** Our previous guidance was already for a significant increase in profit for 2H05 (20%+). For the next six months we are more positive, as a result of the control of costs and expenses and also a growing focus on use of our cash, and the *elimination of FX exposures*, investing the entire cash position in local currency (CD), resulting in *an improvement in net financial revenue, and much less volatility in results.*

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

4Q05 + 1Q06 in comparison to 4Q04 + 1Q05

- **Spending on advertising.** We expect spending in 4Q05 to be well below its level of 4Q04 (R\$42 mn).
- **CAPEX.** The initially programmed for 2005 was R\$ 69 mn, will now be around R\$ 40 mn; and in 2006 we envisage maintenance capex of around R\$ 12 mn.
- **Substantial reversal of trend.** In terms of net earnings, since the last quarterly publication of results (2Q05), with the 3Q result and the new guidance, we move from a situation of substantial year-on-year fall in net income (1H05 47% lower than 1H04), to a previous guidance for 2H05 of 20%+ (when in fact now we expect growth in 2H05 of approximately 35%), and our current guidance for the next six months of 23%+ year-on-year growth.

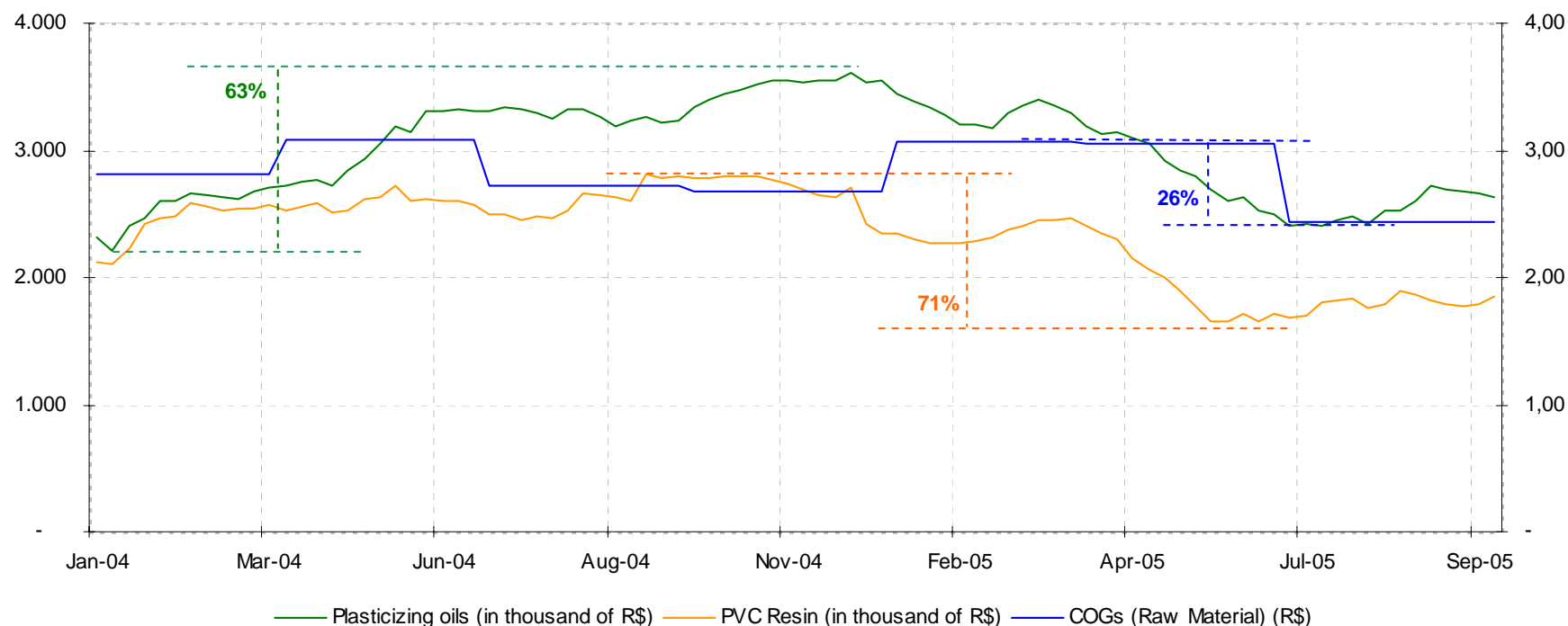
Gross revenues (in million)	1H04	2H04	1H05	3Q04	3Q05	3Q05/3Q04 Var. %	Next 6 months		6M Var. %
							4Q04+1Q05	4Q05+1Q06e	
Domestic (R\$) = 0	462.2	827.6	483.7	374.7	340.7	(9.1%)	710.5	678.8	(4.5%)
Exports * (R\$)	142.8	92.4	91.5	41.1	38.6	(6.1%)	107.5	98.9	(8.0%)
Total	605.0	920.0	575.2	415.8	379.3	(8.8%)	818.0	777.7	(4.9%)
Exports (US\$)	48.1	31.6	33.6	13.8	16.5	19.6%	39.5	43.5	10.0%

Final dollar	3.1075	2.6544	2.3504	2.8586	2.2222	2.6544
Average quarterly dollar	2.9705	2.9259	2.7274	2.9769	2.3428	2.7857

Adjusted Ebitda (in million R\$)	1H04	2H04	1H05	3Q04	3Q05	3Q05/3Q04 Var. %	Next 6 months		6M Var. %
							4Q04+1Q05	4Q05+1Q06e	
Ebitda	115.5	204.9	67.0	92.0	94.5	2.7%	162.8	187.0	14.8%

Adjusted Net Income (in thousand of R\$)	1H04	2H04	1H05	3Q04	3Q05	3Q05/3Q04 Var. %	Next 6 months		6M Var. %
							4Q04+1Q05	4Q05+1Q06e	
Adjusted net income	87,500	114,311	46,278	47,639	70,028	47.0%	103,919	127,505	22.7%

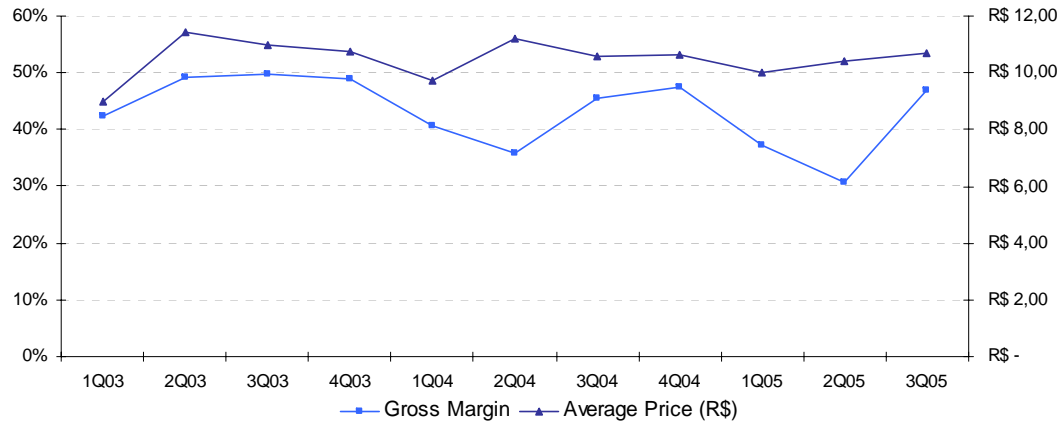
Low correlation of our input cost per pair with petrochemicals price



Source: ICIS-LOR / Grendene

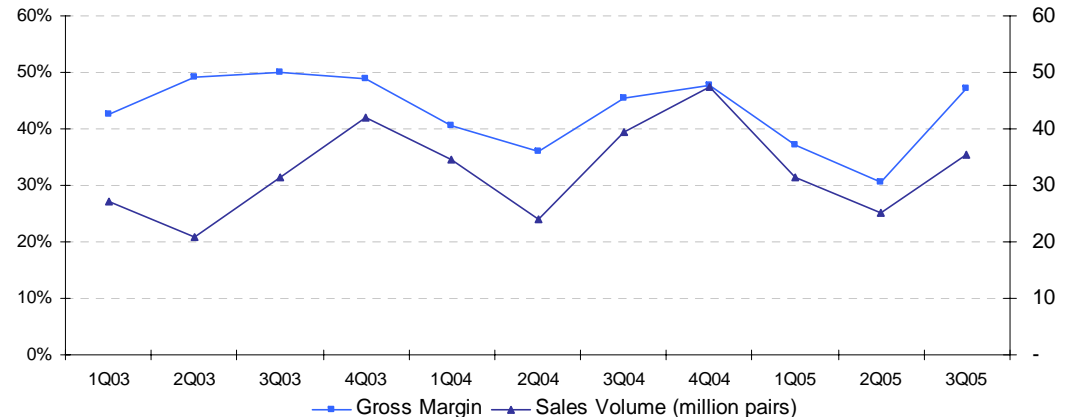
- **Similar contribution** of PVC and plasticizing oils, F-X, design (different models with different 'plastic content')... all contribute to lower effect of **price volatility on raw materials COGS**
- **Indicator of volatility:** the variations between the lowest and the highest price in Reais in the period were 71% for PVC resin; 63% for plasticizing oils and only 26% for our average cost per pair.

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

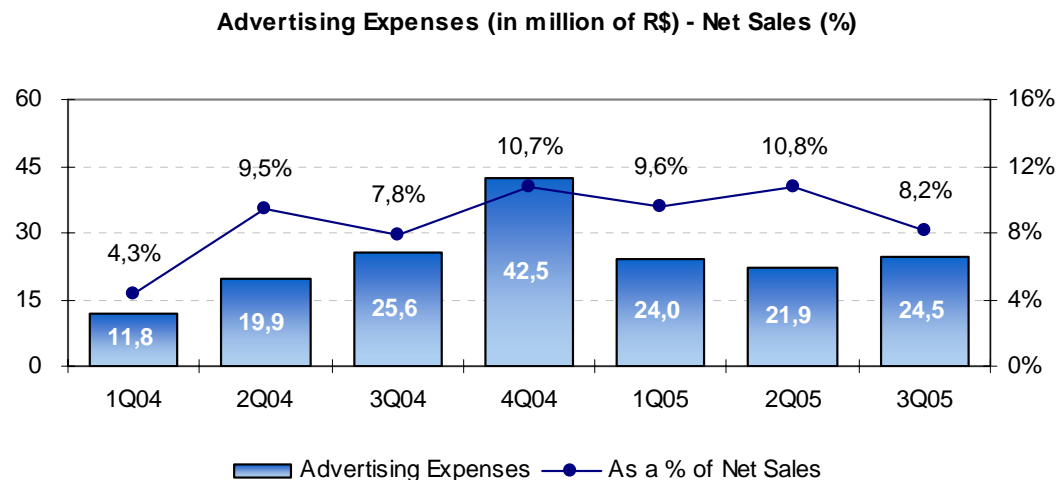


*In recent quarters, **profitability** has had **low correlation** with **average price** ...*

*... while **volume** has been the primary **determinant variable**.*

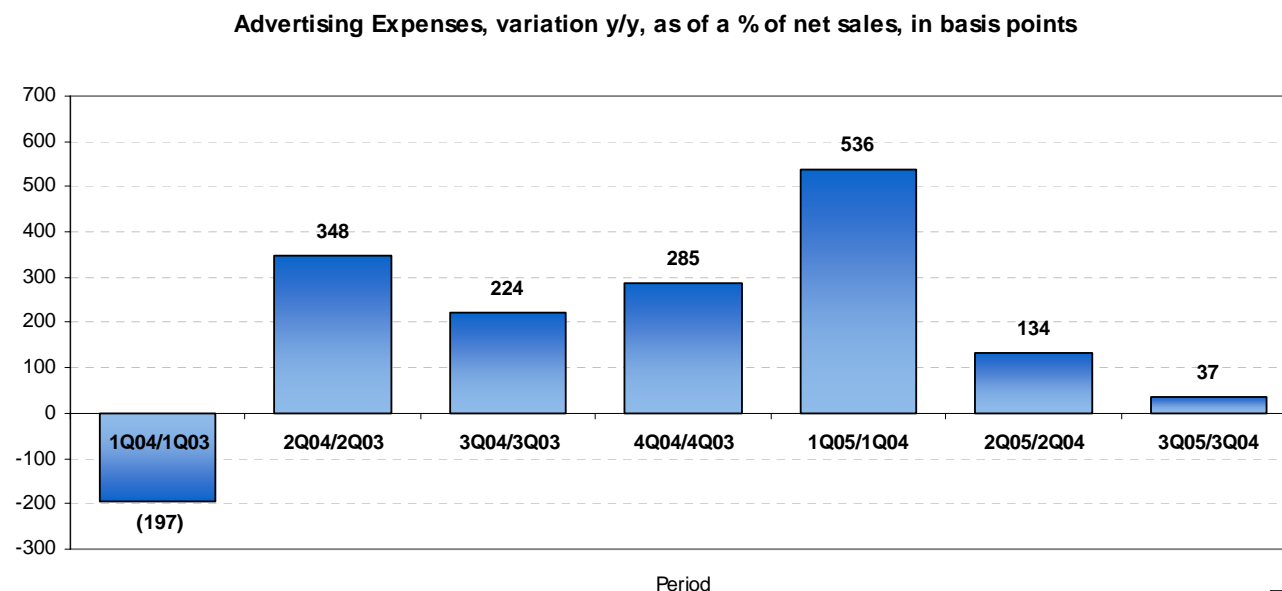


Advertising expenses 4.2% lower in absolute terms...



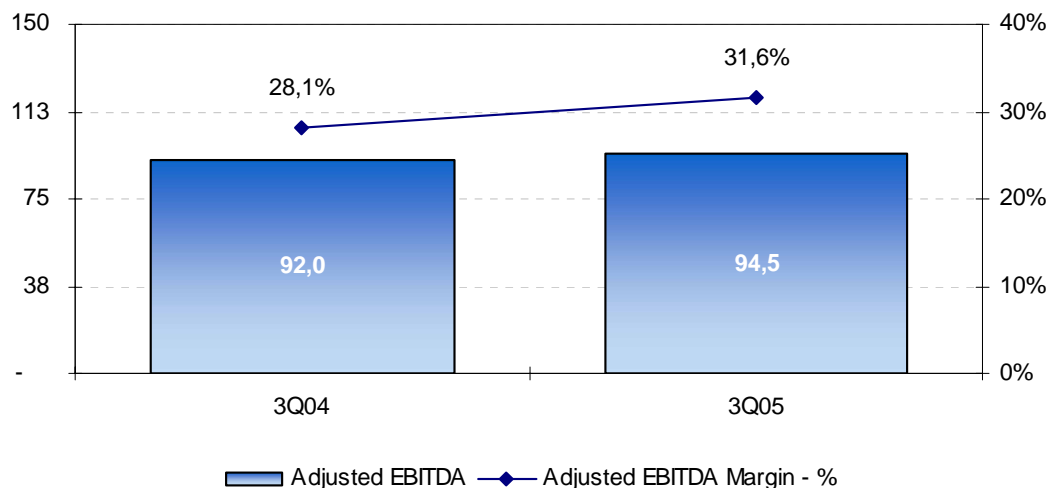
... but slightly higher in relative terms.

Spending on advertising as a % of net sales in 3Q05 was not significantly different from 3Q04, and we expect it to be substantially lower in 4Q05 than in 4Q04.



Adjusted EBITDA: margin increased from 28% to 32% ...

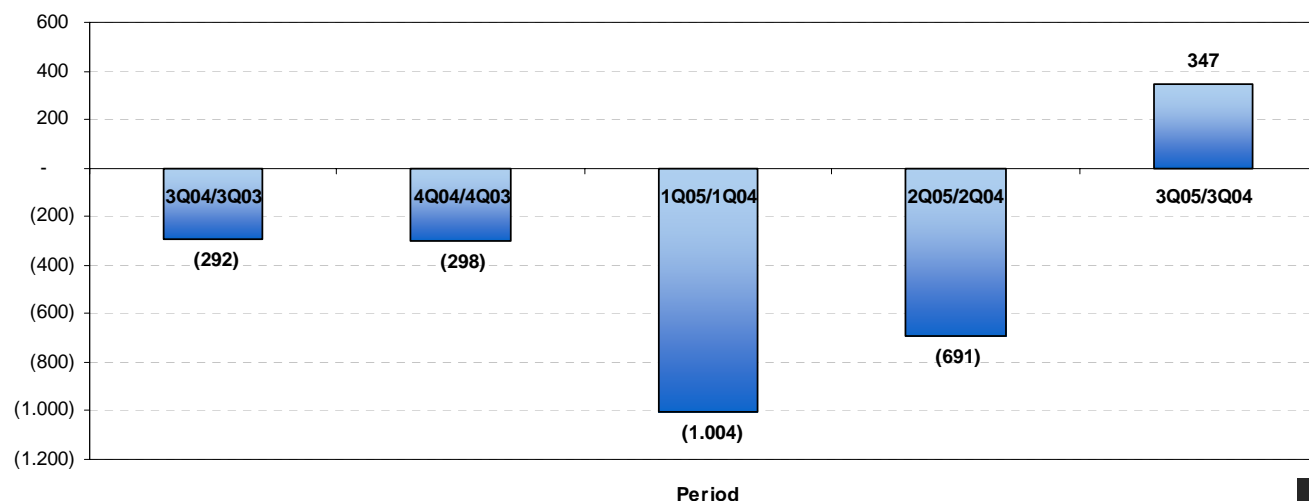
Adjusted EBITDA (in million of R\$) - EBITDA Margin (%)



*... showing reversal
of the reduction
downtrend in 3Q05
over 3Q04 ...*

*... with
positive
profitability
changes in
comparison
year-on-year.*

EBITDA variation, y/y, as of a % of net sales, in basis points



Recent Developments

Continuous improvement in best management and corporate governance practices:

- **Company's structure change**, with a one more director for a full time dedication to the capital market from May on;
- **Temporary guidance interruption** to discuss the scenario and to improve management discipline, in budgeting and internal forecasting practices;
- **Guidance retaking** from 2Q05, and concern in give it always for the next six months;
- **International and local non-deal road show** in May/Sep/Oct/05 (it'll be twice a year);
- **Increase** in the number of **independent member** in the Board of Directors (4/6) with *Ana Novaes*;
- **Elimination of non direct** Grendene's business related expenses (aircraft Falcon 2000 leasing contract cancellation in July/05);
- **Strategic decision** on 09/23/05, to keep exchange exposure only direct operational related (raw material acquisition and imports) and revenues (exports) should be settled according to the shipments;
- **Guidance monitoring** given in 2Q05 (mid-quarter conference call on 09/27/05);

Recent Developments

Continuous improvement in best management and corporate governance practices:

- *Bradesco Corretora* was selected as **Market Maker** from 09/26/05 to improve liquidity and to be part of IBRx50 in the medium term;
- On 29 and 09/30/05 was the initial session (Amsterdam) with GRI on project to develop specific guidelines for the Sector **Supplement on Apparel & Footwear** (“triple bottom line”);
- **Guidance historical information** in the 3Q05 press release inside the MD&A;
- Improvement of **budgeting and internal forecasting practices** in a monthly basis has already showed results, in costs and expenses savings;
- **Earnings** have already showed a turning point with the retake of **profitability and margins** recovery.

Next Steps:

- ✓ Implementation of **strategic committees**: exports; Human Resources, GRI, planning area.

Company Overview

Grendene is one of the world's largest producer of synthetic footwear, with approximately 21 thousand employees, Gross Revenues of R\$ 955 mn in 9M05 and 92 million pairs sold.

Market and Brands

- Operates in 4 segments: men, women, kids and mass market
- ~80% of sales volume in Brazil and ~20% abroad (2004 and 9M05)
- Exports accounts ~15% of gross revenues (2004 and 9M05)
- 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

- 145 million pairs sold in 2004 (92 million pairs in 9M05)
- 21% of Brazil's production (121 million pairs in 2003 and 18% market share)
- 14% of the Brazilian footwear exports

Production Capacity

- Installed capacity: 176 million pairs/year in 2005 (160 million /pairs in 2004), 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

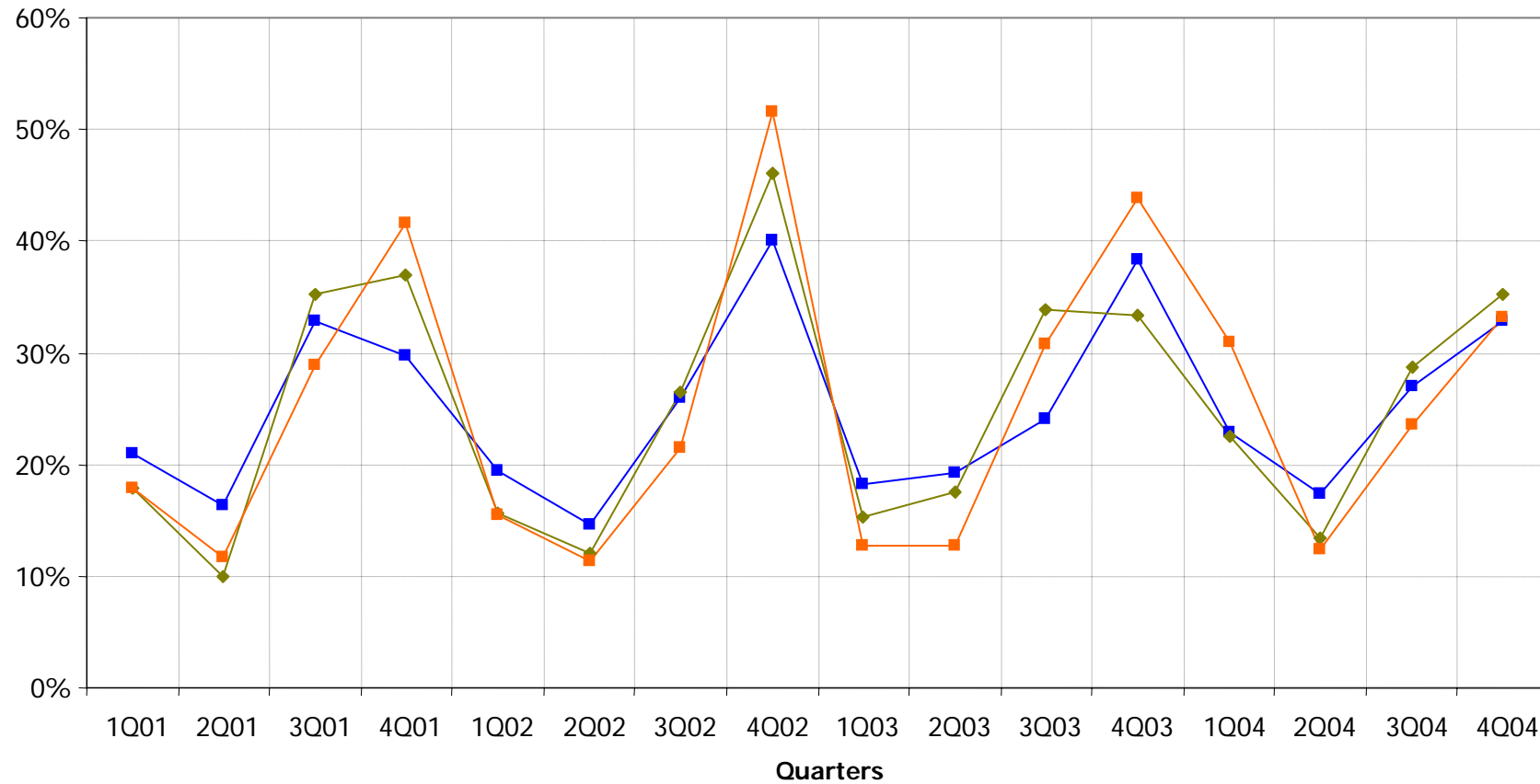
- Expand our presence in market where we already operate.
- Identify new markets that present profiles appropriate to our products.
- Competitive prices with a distinct design and always looking at new fashion trends.

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

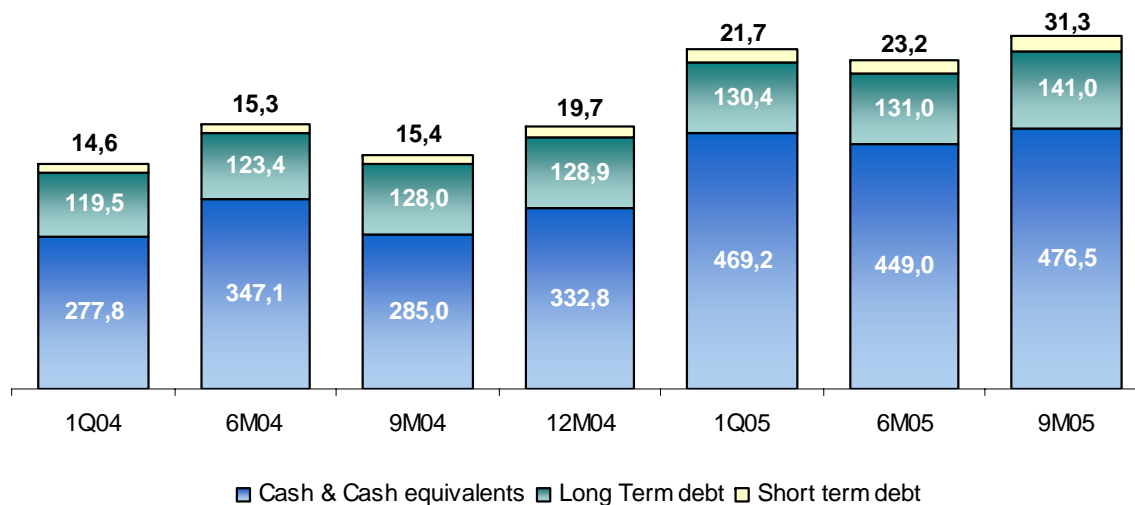
Grendene S.A.



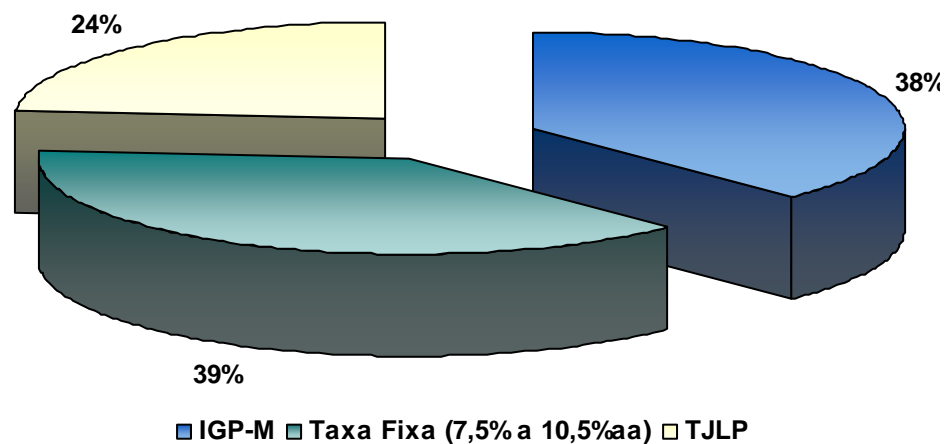
■ Net sales
 ◆ Adjusted EBITDA
 ■ Adjusted net income

Indebtness

Net Cash of R\$ 304.3 million in 09/30/05



Cost of Debt in 09/30/05



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 2004
- 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
- 4 / 6 independent members on the Board of Directors

Free cash flow generation and solid financial structure

- Gross Revenues of R\$1,5 billion in 2004 and R\$955 million in 9M05
- Adjusted EBITDA of R\$320 million in 2004 and R\$162 million in 9M05
- Net Income of R\$202 million in 2004 and R\$116 million in 9M05
- Net cash of R\$304 million in September 30, 2005
- R\$221 million cash provided by operating activities in 9M05

SMA V sales program - a competitive edge

Sales program 'SMAV' – a true competitive advantage

Grendene CATÁLOGO Versão: 2.101.74 - 26/08/2005

MARCAS: RIDER BEACH, RIDER SPORTS, RIDER ADVENTURE

MODELOS: grendha, grendha

Grendene NEGÓCIOS Versão: 2.101.74 - 26/08/2005

Divisão: 1 Cliente: 328600 C & A MODAS LTDA - R HERCULANO PINHEIRO 1001

CADASTRO VISITAS PEDIDOS MIX IDEAL NOTAS FISCAIS TÍTULOS INCLUSÃO CLIENTES NOVOS NEGOCIAÇÃO DE TÍTULOS EXCLUSÃO NEGOCIAÇÃO

Sit: Prev. Embarque: Pré-Data: Pedido:

Faturamento: a

Pedido	Ordem Compra	Situação
257234501	281 RIS 215279	Faturado
257814301	281 RIS 188901	Programado
257814201	281 RIS 188911	Programado
257814101	281 RIS 188909	Programado
257814001	281 RIS 188908	Programado
257813901	281 RIS 188907	Programado
257813801	281 RIS 187322	Faturado
257813701	281 RIS 187853	Faturado
257813601	281 RIS 187672	Faturado

SALVAR FOTOS COPIAR

MAIS DADOS ITENS

Cód. Produto	Descrição Modelo
057750903405510	RIDER BLOCKER II INF

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
08:00:00	1000322 - COLISEE CALC LTDA
09:00:00	501573 - A A S SOBROSA LTDA

Obs:

Pendências

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

Grendene

INSTITUCIONAL CATÁLOGO PEDIDO NEGÓCIOS ADMINISTRAÇÃO

Global Reporting Initiative (GRI)

Sustainability & the “triple bottom-line”

Global Reporting Initiative - GRI

- **Meeting in Amsterdam on September 29 and 30, 2005: The Apparel & Footwear Supplement Project** - a supplement to the GRI Guidelines - Grendene (a year-long task force lead by GRI)
- **Project's objective:** to customize the 'Guidelines' framework of the best practices of sustainability for the Apparel & Footwear industry
- **GRI** is an European non-profit organisation helping companies around the globe **to standardize their non- financial reporting**
- **Definition of the best practice to get the sustainability:** based on the concept of **triple bottom line** of economic results minimizing environmental impact and maximizing a positive social impact
- **Pioneer activity in the sector;** high-quality governance - we enter the GRI Apparel and Footwear Global Project.
- **Grendene is the first Brazilian company** to take part in the preparation of the framework of the Global Reporting Initiative's guidelines supplement for one specific sector.
- **Task-force:** Grendene; C&A; Feng Tay Group; Gap; H&M; Levi-Strauss; Mas Holdings; Nike and various representatives of environmental and social organizations.

Grendene's IR Team

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