



Grendene®

APIMEC meeting

August 2010

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.

Agenda

History

Highlights

Corporate structure

Plants

Production

Sustainability

Footwear sector

Strategy

Products

Results

Guidance

Timeline

The 70's

- ❖ Grendene was founded in Farroupilha, Rio Grande do Sul. Its first product line was plastic packaging for wine flasks.
- ❖ Start of production of plastic parts for farm machinery and equipment, and subsequently shoes components such as soles and heels.
- ❖ Launch of sandals under the brand name ***Melissa***.
- ❖ Beginning of the Grendene's exports.

The beginning...



Timeline

Melissa Aranha



The 80's

- ❖ The mold-making operation was started in Carlos Barbosa, Rio Grande do Sul.
- ❖ The succesful collaboration between **Melissa** and greatest designers like: Jean-Paul Gaultier, Thierry Mugler, Jacqueline Jacobson and Elisabeth De Seneville.
- ❖ Launch of the **Rider** sandals line, target for the masculine public.

Timeline

Anos 90

The 90's

- ❖ In Ceará, the plant at **Fortaleza, Sobral** and **Crato**, was inaugurated.
 - ❖ Launch of the **Grendha** product line, targeting the feminine public.
 - ❖ Grendene creates a division dedicated only to the **Melissa** brand name.
-



Homem Aranha 3D Infant

Timeline

The 2000's

- ❖ Launch of the ***Ipanema*** line and partnership with top model ***Gisele Bündchen***.
- ❖ ***Grendene*** started having common shares ("GRND3") negotiated at the *Novo Mercado* of *BM&F Bovespa*.
- ❖ Opening of ***Galeria Melissa*** in São Paulo.
- ❖ In the State of Bahia, the plant at ***Teixeira de Freitas***, was inaugurated.
- ❖ ***Dividend policy*** – Grendene will distribute dividends quarterly from 2009 on.
- ❖ After thirty years making history as a fashion accessory, ***Melissa*** makes a surprise move and releases the brand's perfume to celebrate the occasion.
- ❖ Launch of the ***Ilhabela, Zaxy, Ipanema RJ*** and ***Cartago*** brands.
- ❖ Relaunch of the ***Rider*** Brand.

Highlights

Grendene is one of the world's largest producers of footwear

Production capacity: 200 million pairs/year

Average production: 500,000 pairs/day

Employees: 30,000

New products in 2009: 632

World presence: more than 90 countries

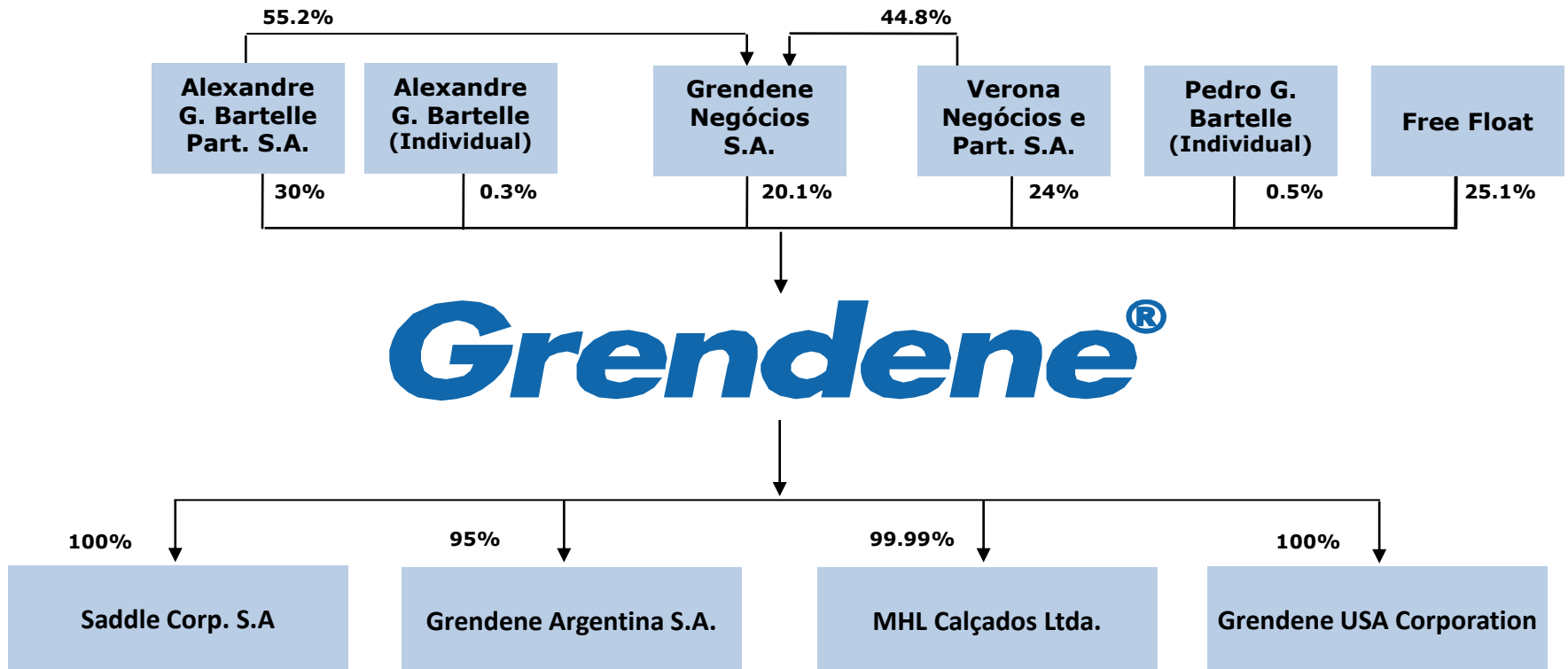
Brands with strong personality

Innovation in product, distribution and media

Listed on São Paulo's *Novo Mercado*; free float 25,1%

Solid capital structure, strong cash flow

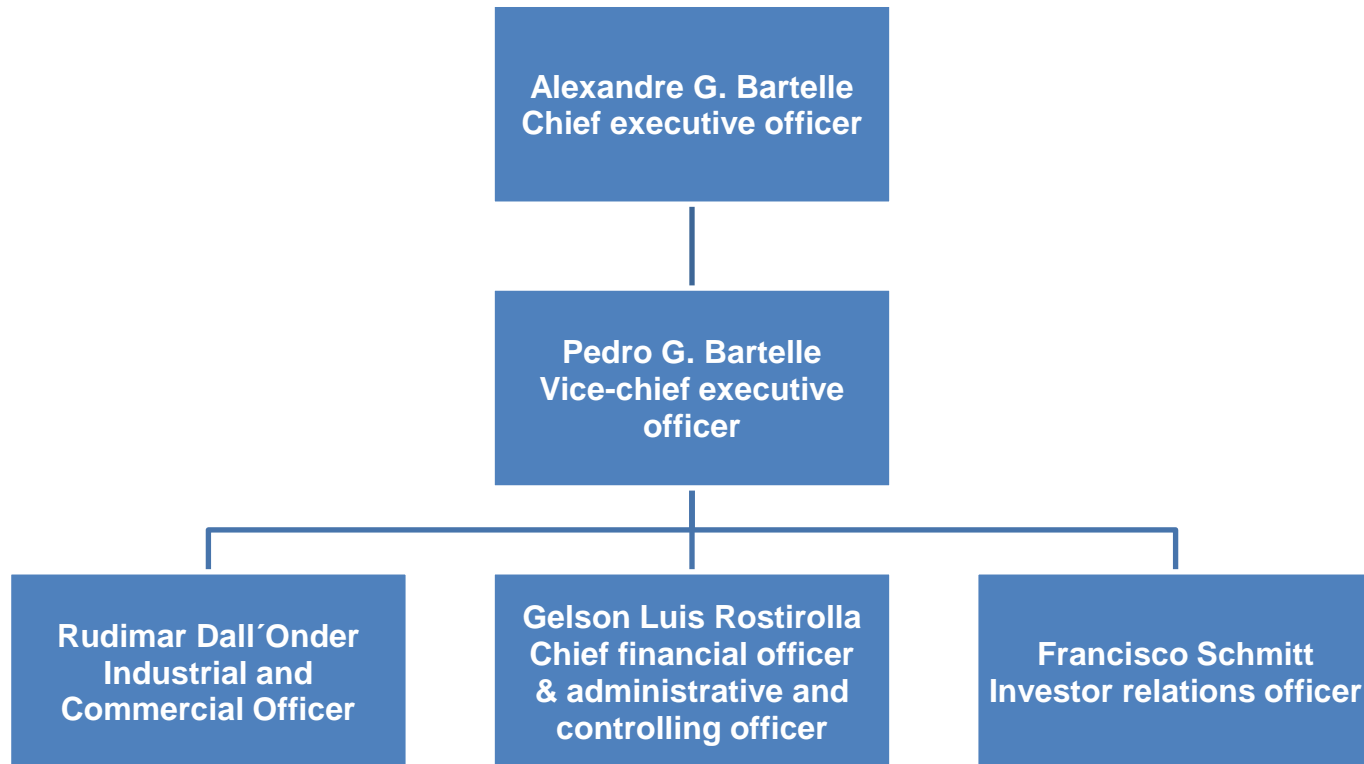
Shareholder structure



Board of Directors



Executive board of directors

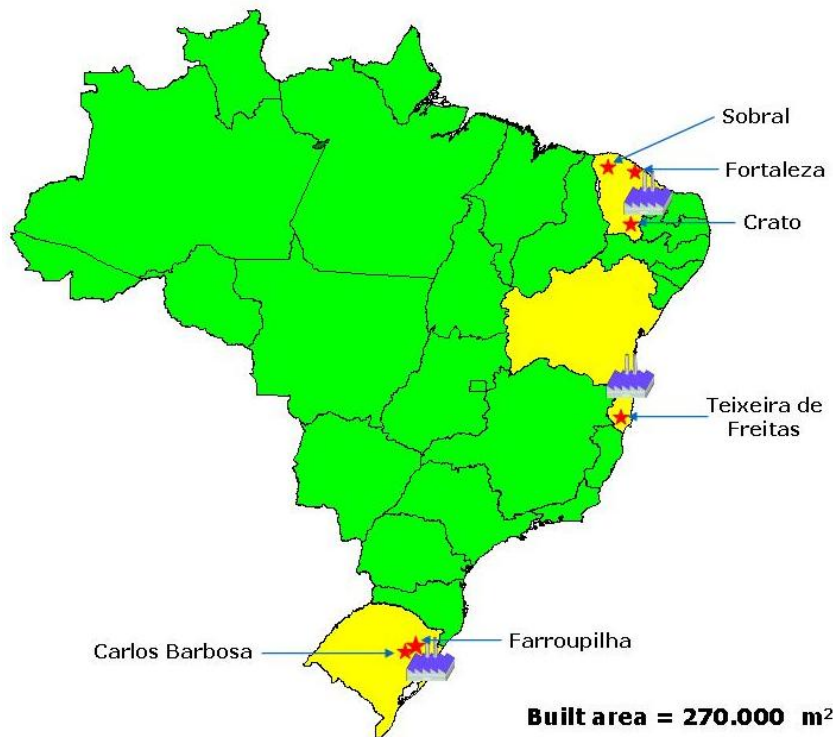


Plants



Location of industrial plants

Brazil



Plants

Farroupilha / RS – 2 units

Fortaleza / CE – 2 units

Sobral / CE – 7 units

Crato / CE – 1 unit

Teixeira de Freitas / BA – 1 unit

Farroupilha

Directors / R&D / MKT / Sales / Exports
/ Finance / Supplies / Plants

Carlos Barbosa
Molds

Industrial plants



Farroupilha / RS



Carlos Barbosa / RS



Fortaleza / CE



Sobral / CE



Crato / CE



Teixeira de Freitas/BA

Installed capacity: 200,000,000 pairs / year

Productive process

VERTICALIZATION = AGILITY



PVC Formulation

Design

Moulds

R&D

Sustainability



Social responsibility



Calçadista
Sindicato dos Trabalhadores nas Indústrias de Calçados de Sobral

Edição Especial, 1º de Maio de 2009

Parabéns pelo trabalho, luta e dedicação

Eles trabalham, a economia se revigora e Sobral cresce e se projeta para o mundo como grande centro exportador de calçados. O talento e a dedicação dessa gente é a chave que abre as portas dos mercados de 70 países, através da Grendene S/A., em Sobral, que oferece cerca de 15 mil empregos diretos, assegurando a ótima performance econômica de nossa região. São mãos e mentes que se integram no mesmo compasso, calçando os pés do mundo.

Social responsibility



Providing employment and income

Social responsibility



Healthy food

Social responsibility

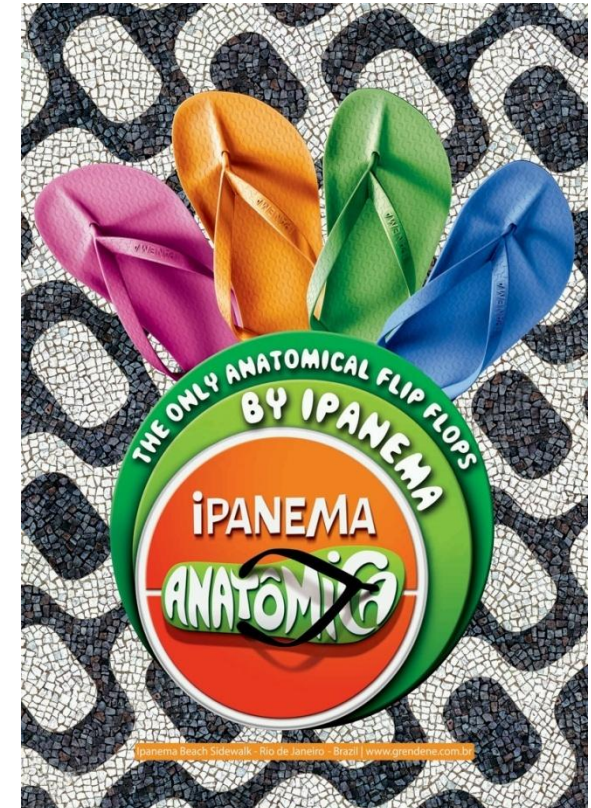


Training

Social responsibility



Over the
years
Grendene has
helped to put
on the shoes
of people.



Social and Environmental Responsibility

PVC that is unused or damaged in the process, plus leftovers and scraps are fully reused.



Unused paints are removed from the water for reuse of the paint and the water.



Social and Environmental Responsibility

The water is treated in a decantation lake and reused for conserving the vegetation.



The water used for watering the plants comes from reusing factory water.



Footwear sector



Footwear Sector

Profile

8,094 **producers** in 2009

325,000 direct employees

Production: 814 million pairs in 2009* (816 million pairs in 2008)

World's 3rd largest producer

Apparent Consumption, Brazilian domestic market: 717 million pairs, and 3.75 pairs per capita/ year in 2009 (689 million pairs and 3.64 pairs per capita/year in 2008).

Exports: 126,6 million pairs, to more than 140 countries in 2009 (23.7% less than in 2008).

Sources:

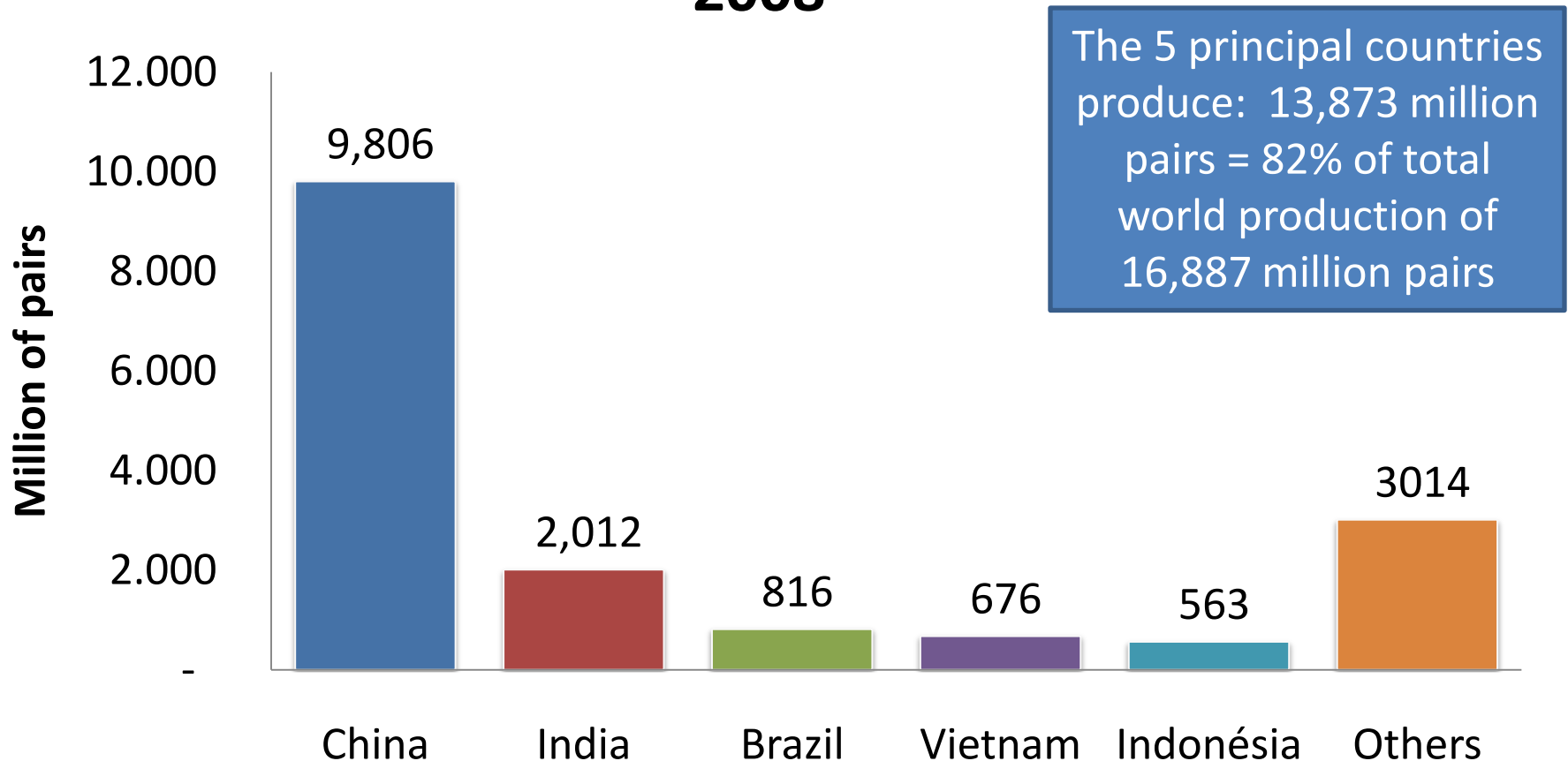
IEMI, RAIS, Abicalçados, Secex,

(*) 2010: Estimated production by IEMI (Industrial Studies and Marketing Institute).

The industry itself is not much more than 150 years old in Brazil – companies are typically small and labor-intensive, with no entry barriers.

Footwear sector

2008



Source: IEMI / World Shoe Review 2009 / ABICALÇADOS

The footwear sector in Brazil

Million pairs	2005	2006	2007	2008	2009
Production	877	830	808	816	814
Imports	17	19	29	39	30
Exports	190	180	177	166	127
Apparent consumption	704	669	660	689	717
Per capita consumption	3.84	3.61	3.52	3.64	3.75

* Production estimated by IEMI – April/2010

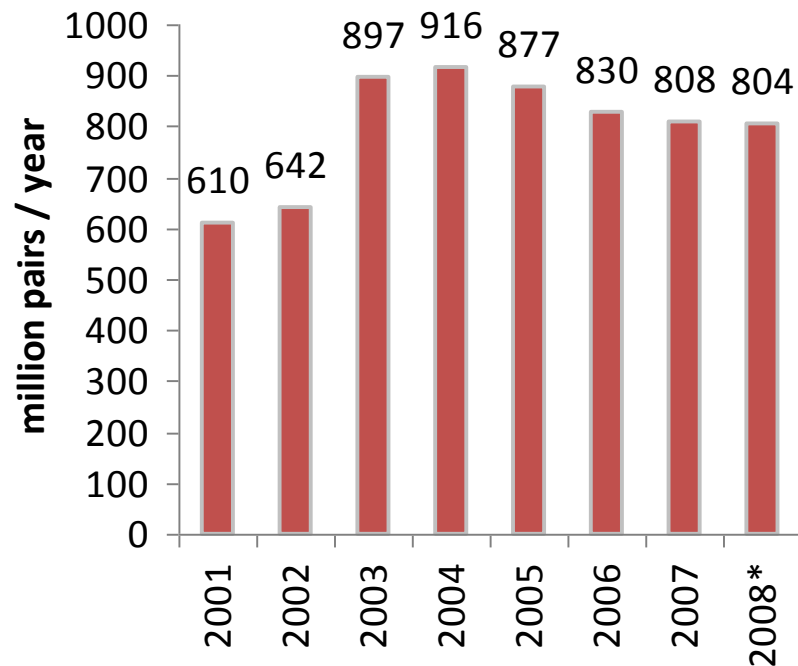
Source: IEMI / SECEX / ABICALÇADOS

Consumption – 2007	Total	Per capita
USA	2,393	7.94
United Kingdom	451	7.42
Italy	387	6.65
France	417	6.55
Japan	707	5.55

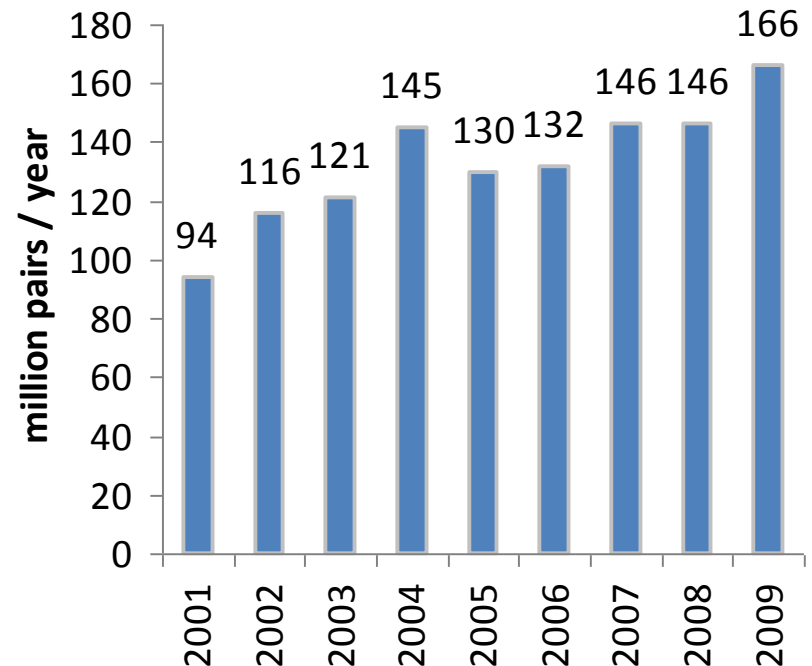
Source: Satra 2008 /
Abicalçados / U,S, Census
Bureau

Grendene vs, Brazilian footwear sector

Brazilian production
CAGR (2009/2001): 3.7%



Grendene
CAGR (2009/2001): 7.4%



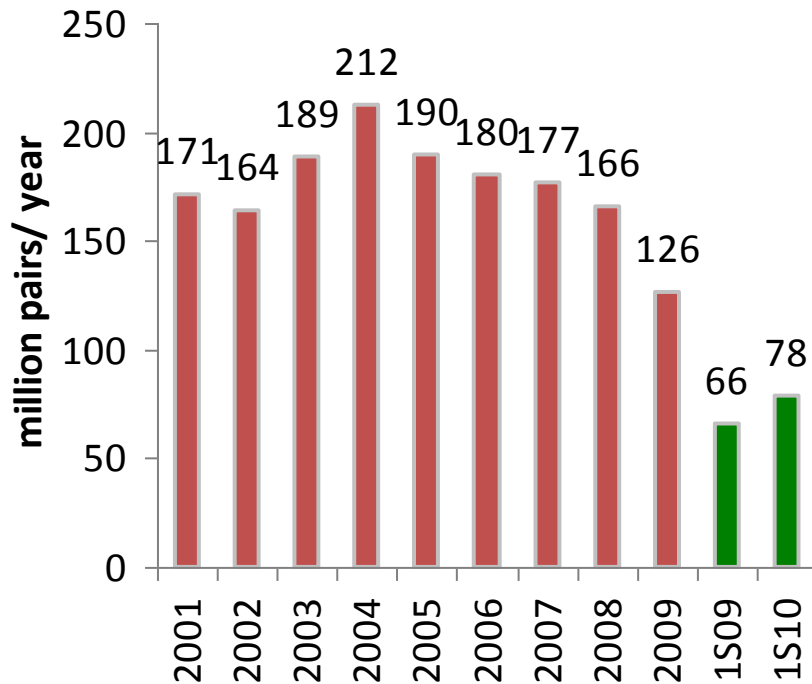
Source: IEMI / Abicalçados

*Production estimated by IEMI – April/2010

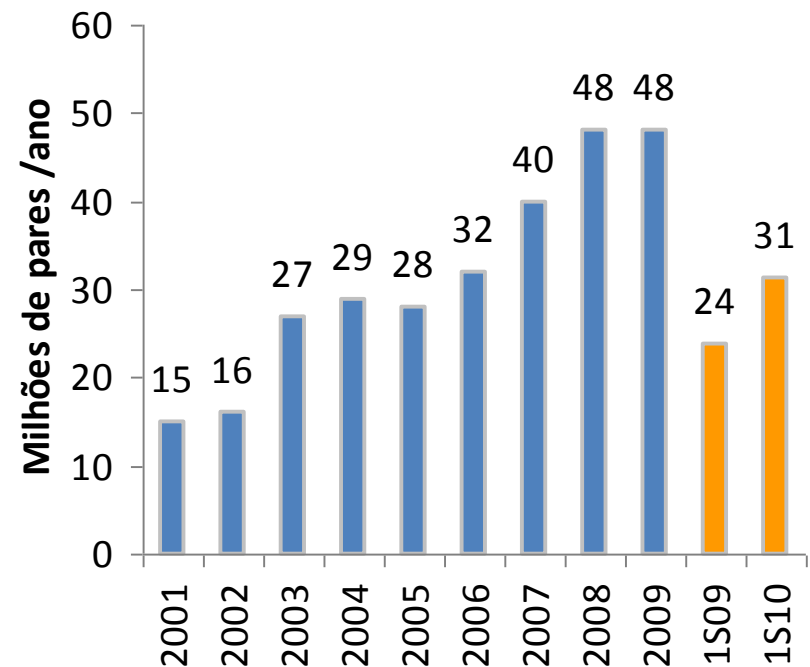
Grendene has grown faster than the Brazilian footwear industry.

Exports: Grendene vs, Brazil

Brazilian export
CAGR (2001-09): (3.7%)
Var. (1S10/1S09): 19.3%



Grendene
CAGR (2001-09): 15.7%
VAR. (1S10/1S09): 31.5%



Source: DECEX / MDIC / ABICALÇADOS

Grendene's exports were 40.0% of total Brazilian footwear exports in the 1S10 (36.3% in the 1S09)

Strategy: Break paradigms



Less labor-intensive

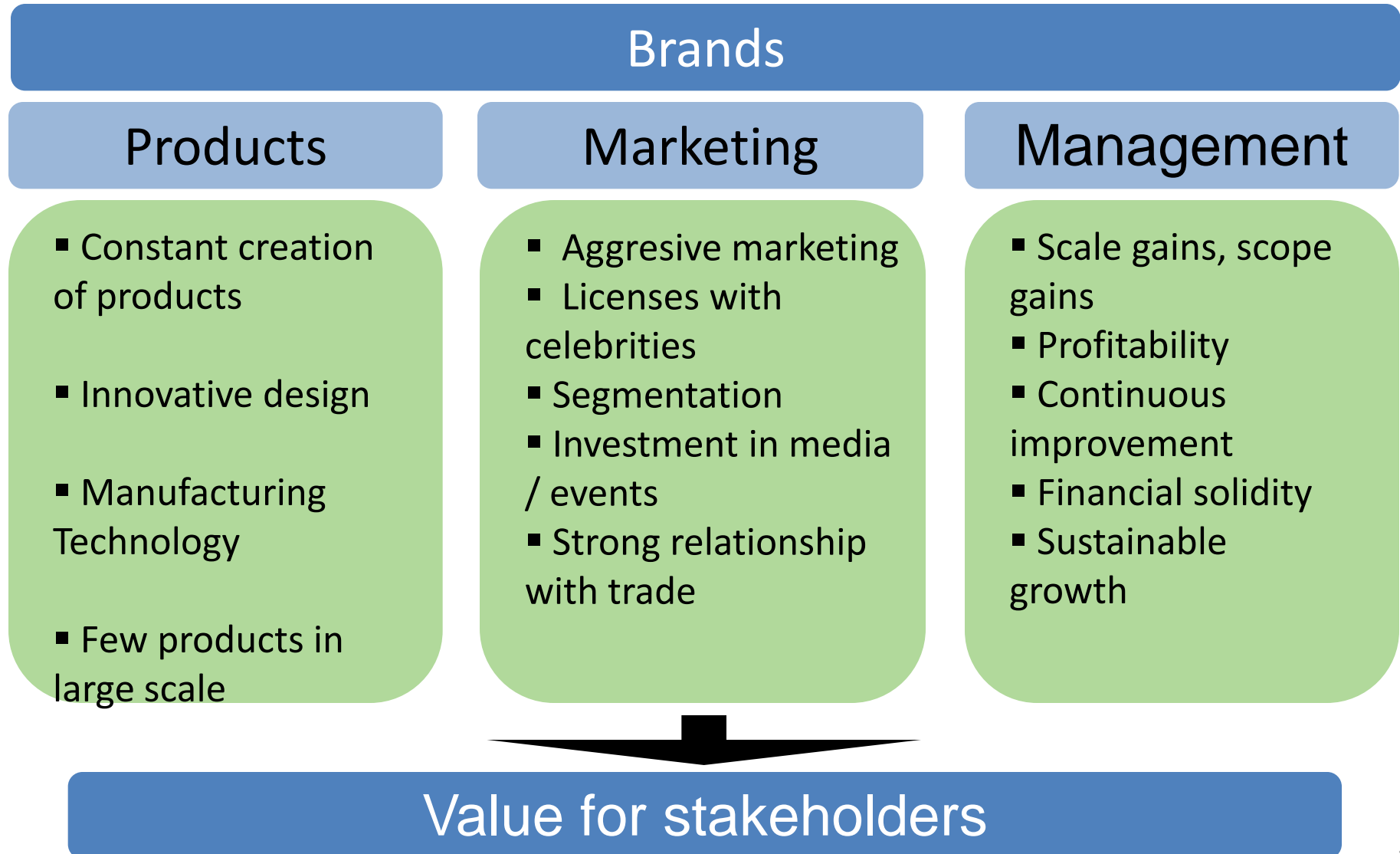
More capital-intensive

Higher entry barriers

**Highly marketing-
intensive**

Our expertise of more than 30 years, producing innovative footwear and generating desired brands, shows the success of our vision of the market, our strategy and our business model – and our capacity to create value for stockholders.

Value proposition



Products

**Products meet
essential, basic needs
at low cost.**

**Products for all the
income levels: A, B, C,
D and E – with very
good cost / benefit**



Melissa Lua



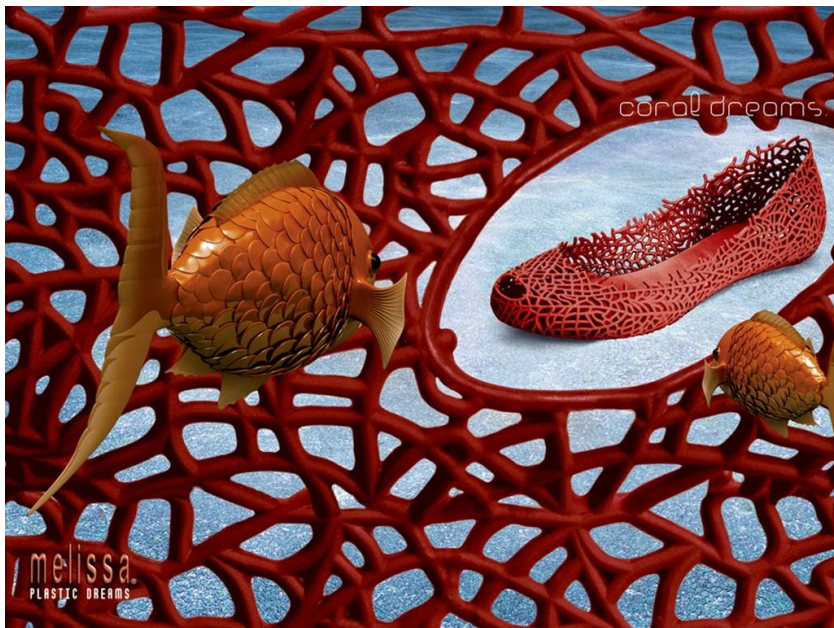
Melissa Arara



Melissa Amazonas



**Vivienne Westwood Anglomania
+ Melissa Ultragirl.**





Rider RS2 AD



Rider R2 AD



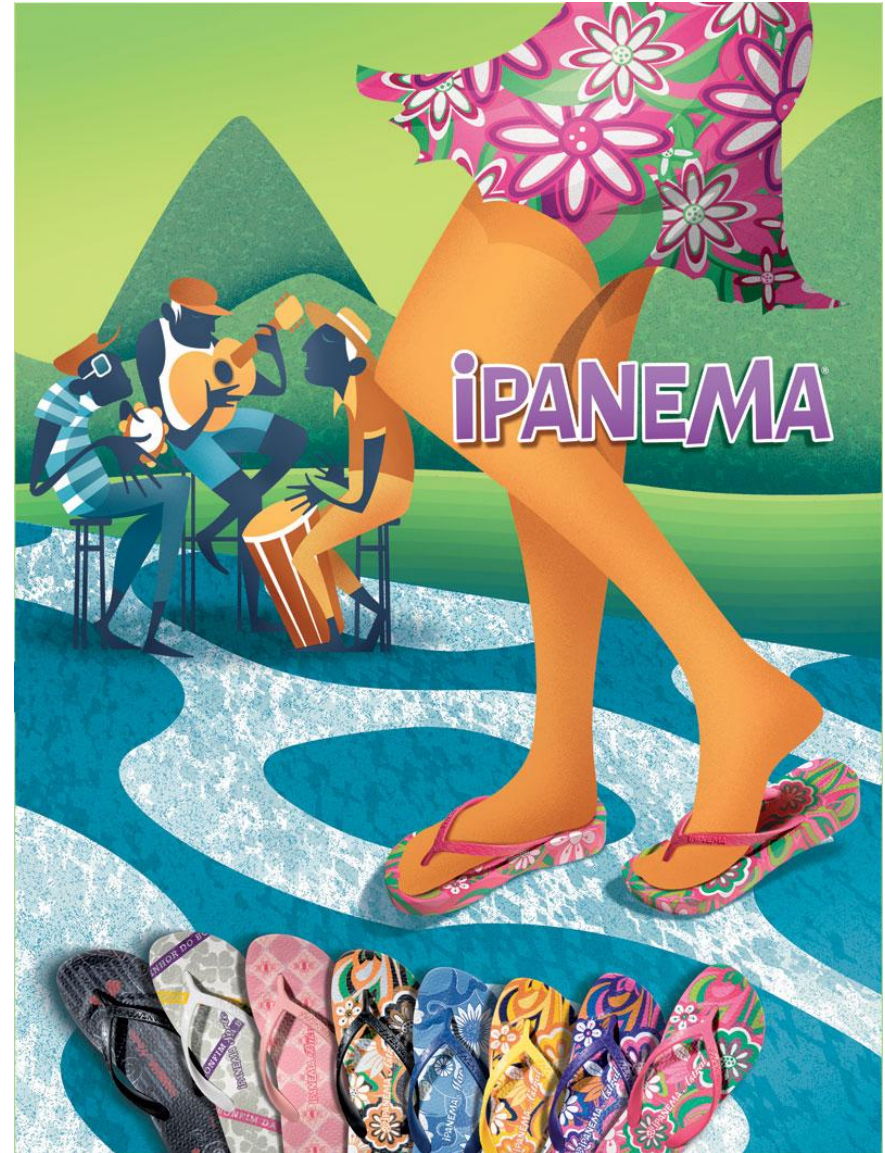
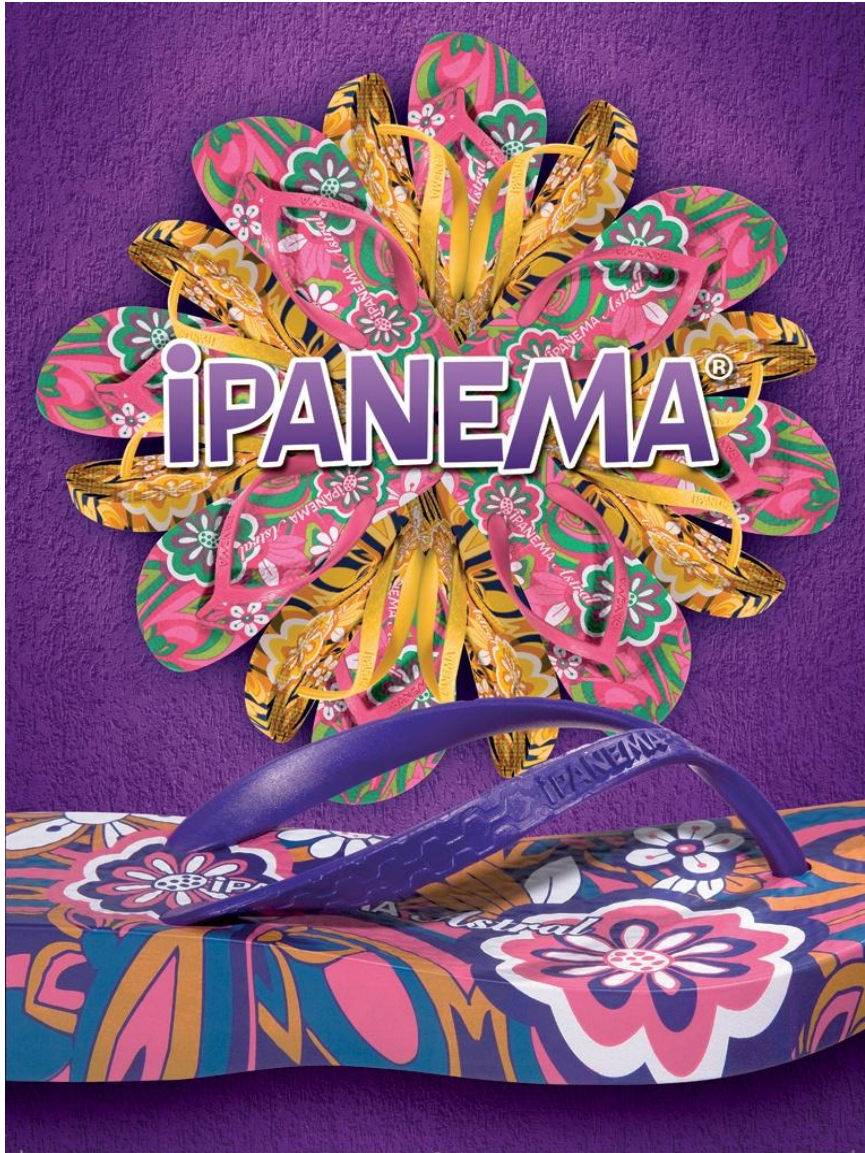
Rider R1 Ink AD



Rider R1 Colors AD



*Conceived by
Oscar Metsavaht,
and with a strong
aesthetic appeal
is a premium
product.*



ZAXY

a saga crepúsculo

eclipse



Zaxy Doll Eclipse Saga Crepusculo Ad



Homem Aranha 3D



Xuxa Borbolê



Moranguinho Pula-Bolha



Bakugan Dragonoid

Disney Royal Baby



Disney Carros Soft Baby



Main Licenses

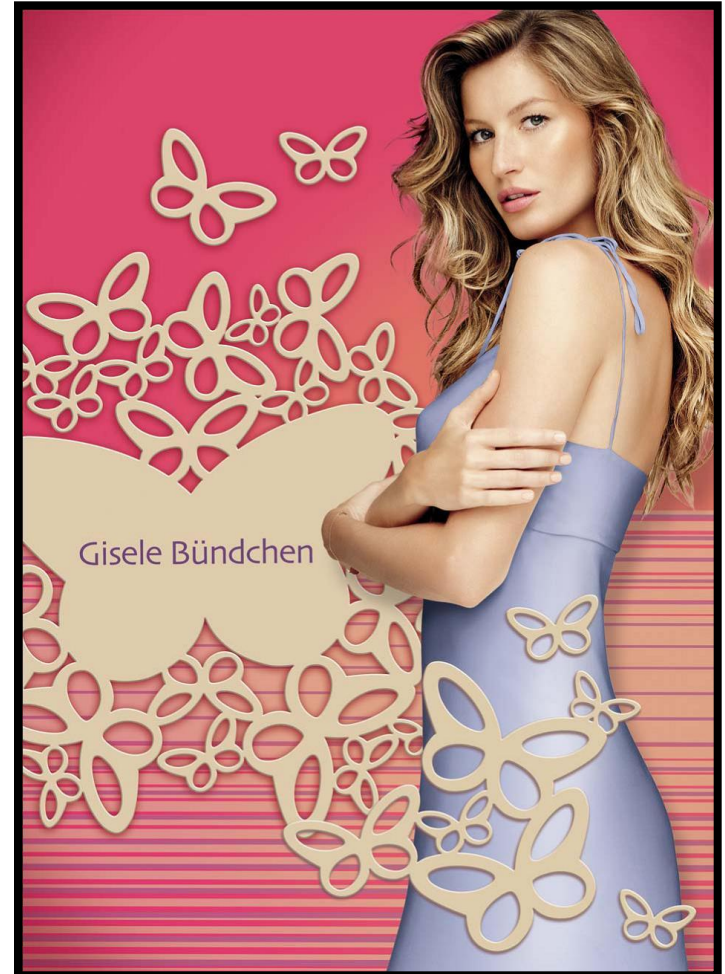


Celebrities



Celebrities

*Gisele
Bündchen
Borboletas*



International sales channels



Urban Outfitters - Londres



Jean Pierre Buá - Barcelona

International sales channels



Fred Segal - Los Angeles



El Corte Inglés - Espanha

Brazilian sales channels



Varejo

Di Santini – Rio Janeiro/RJ



Varejo

Centauro – Belo Horizonte/MG

Brazilian sales channels



Magazine

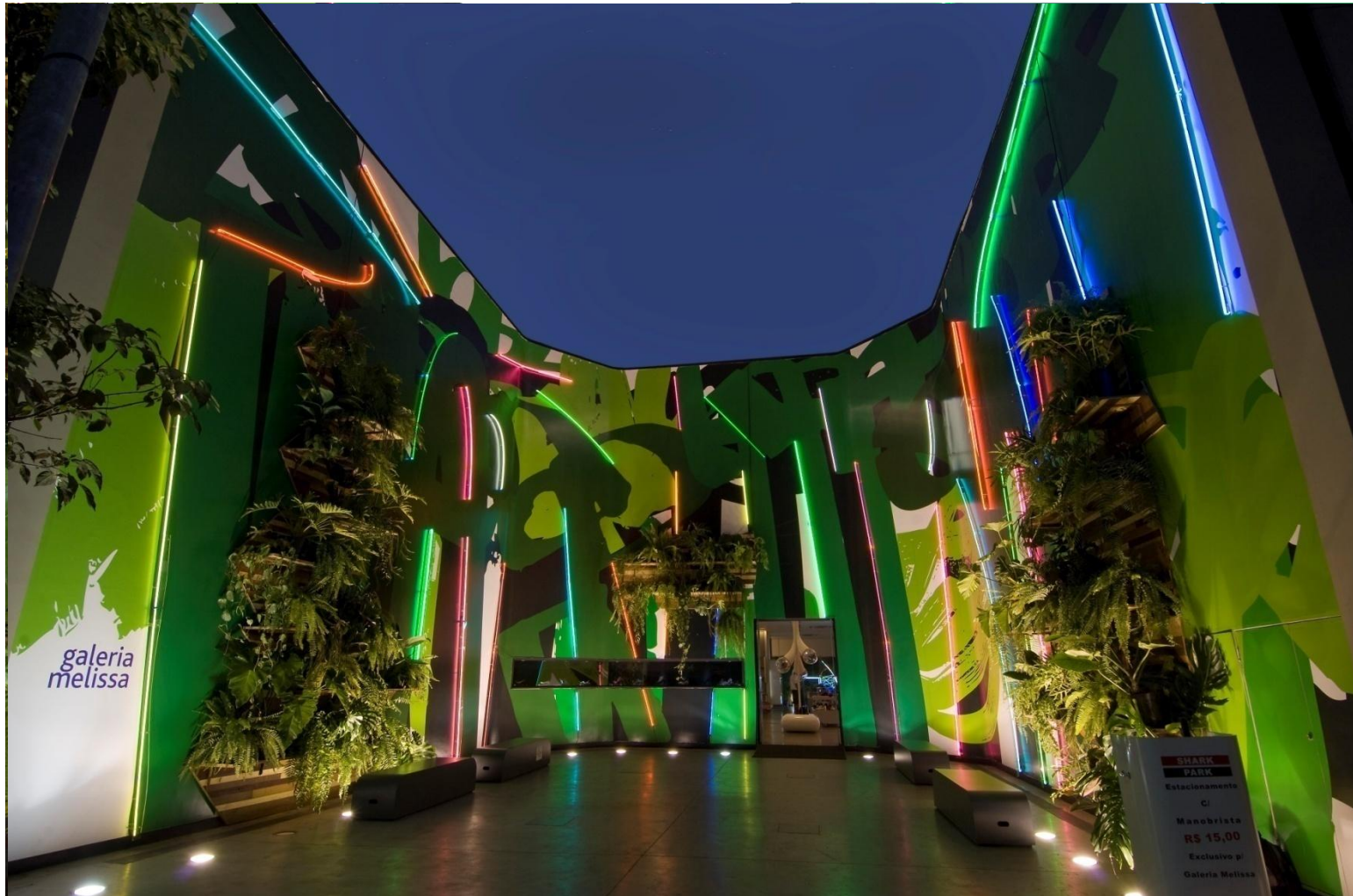
**Lojas Renner –
Florianópolis/SC**



Autosserviço

**Carrefour – São Bernardo do
Campo/SP**

Galeria Melissa – Concept Store



Rua Oscar Freire, 827, São Paulo, SP



Results (in IFRS)

Grendene®

CARTAGO

rider®

Grendene® kids

iPANEMA

melissa®

grendha®

zaxy 

Main financial and economic indicators

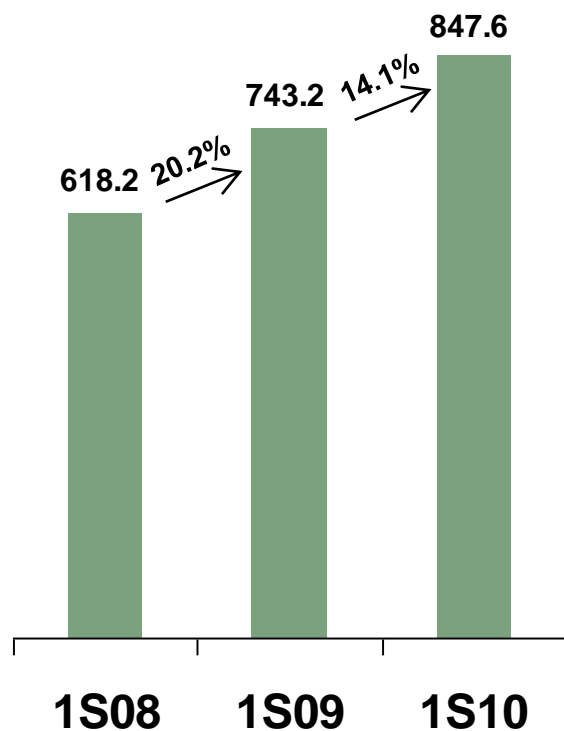
R\$ million	1S09	1S10	Var. % 1S10-1S09
Net sales revenue	600.3	680.0	13.3%
Net income	121.6	84.9	(30.1%)

Margins %	1S09	1S10	Var. pbs
Gross	37.7%	30.4%	(730 bp)
EBIT	10.2%	4.9%	(530 bp)
EBITDA	12.4%	7.0%	(540 bp)
Net	20.3%	12.5%	(780 bp)

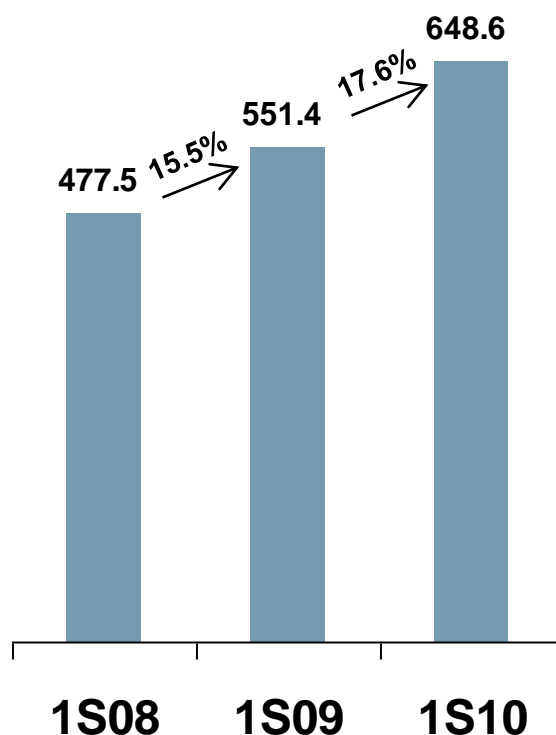
Share	1S09	1S10
Profit per share R\$	R\$0.40	R\$0.28
Share price R\$	R\$6.00	R\$7.75
Book value per shareR\$	R\$4.55	R\$4.97
Market cap (R\$ 1,000)	R\$1,800,000,000.00	R\$2,330,580,000.00

Gross sales revenue (IFRS) (R\$ million)

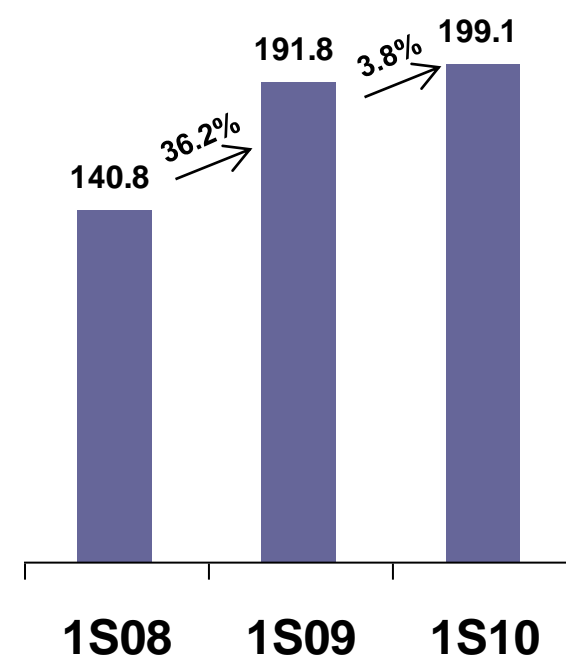
Gross sales revenue



**Gross sales revenue
Domestic**

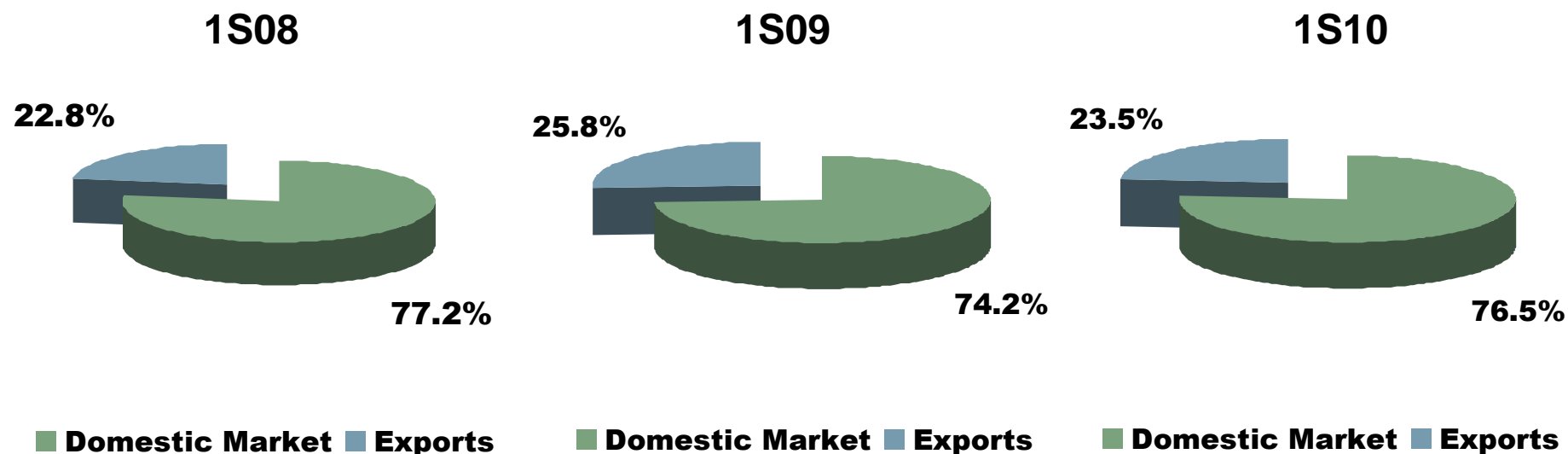


**Gross sales revenue
Exports**

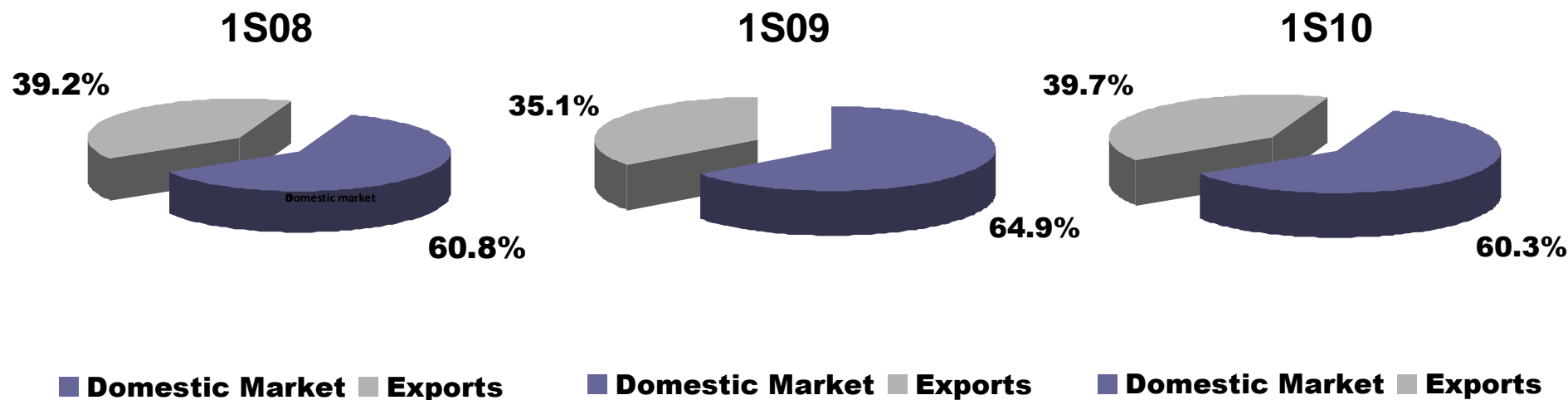


Market (%)

Gross sales revenue

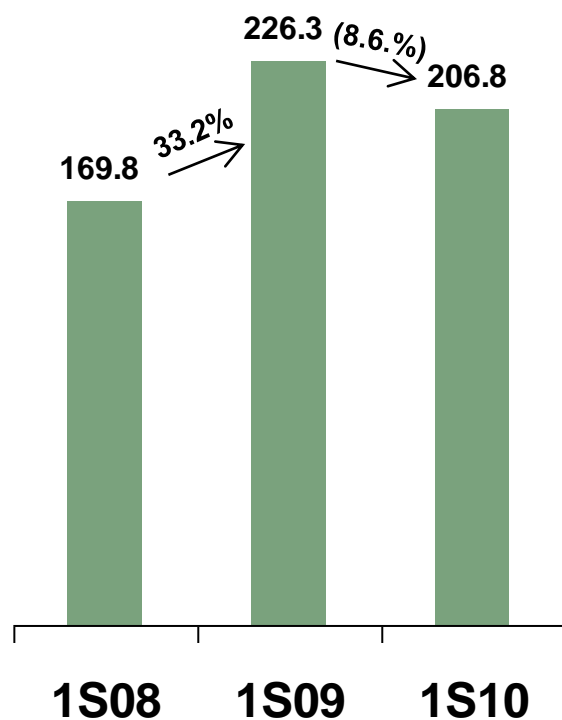


Sales volume

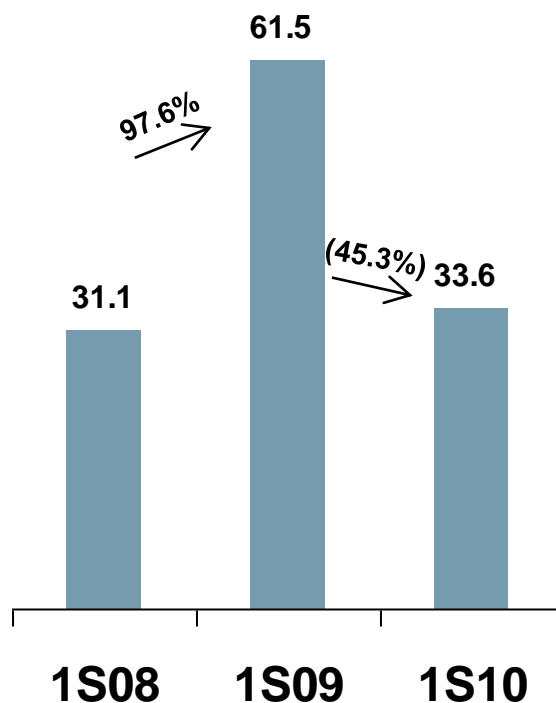


Results (IFRS) (R\$ millions)

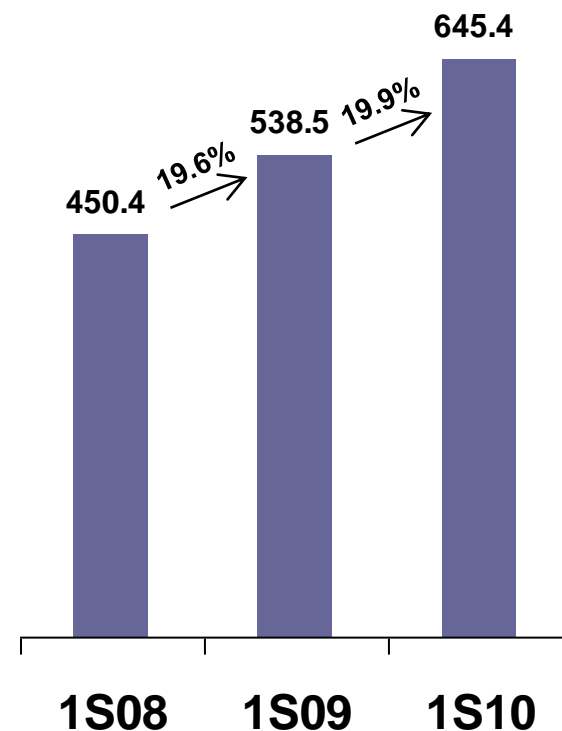
Gross Profit



EBIT

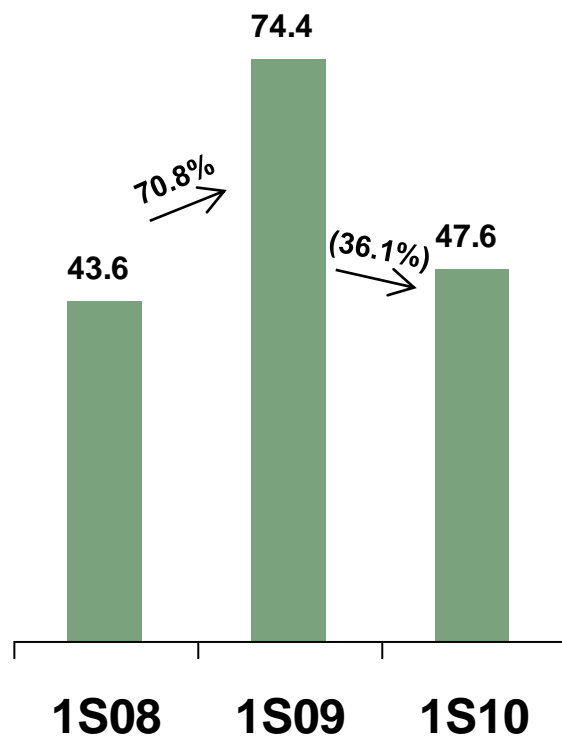


Costs of sales + Operating Expenses

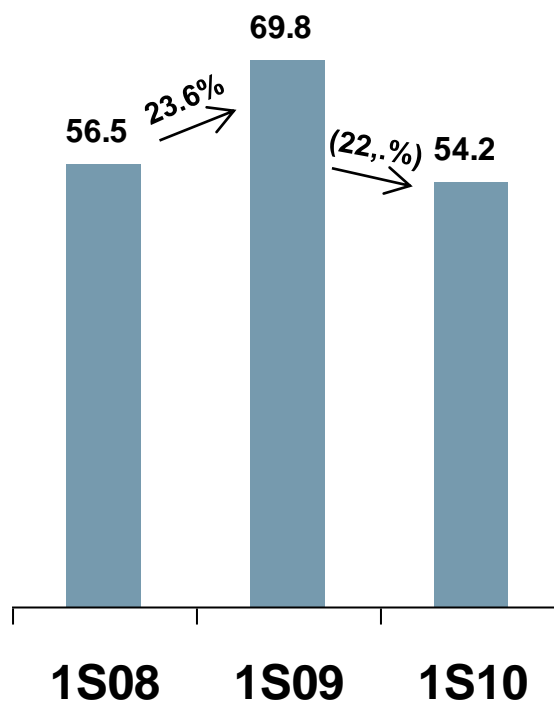


Results (IFRS) (R\$ millions)

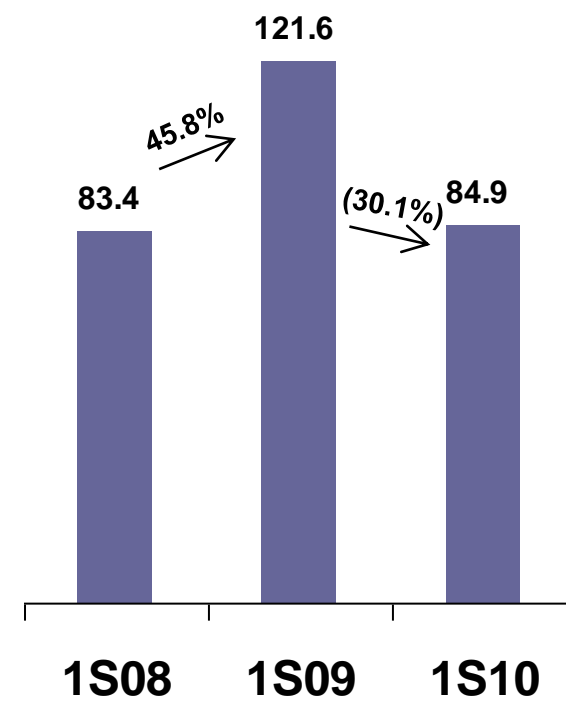
EBITDA



Financial result

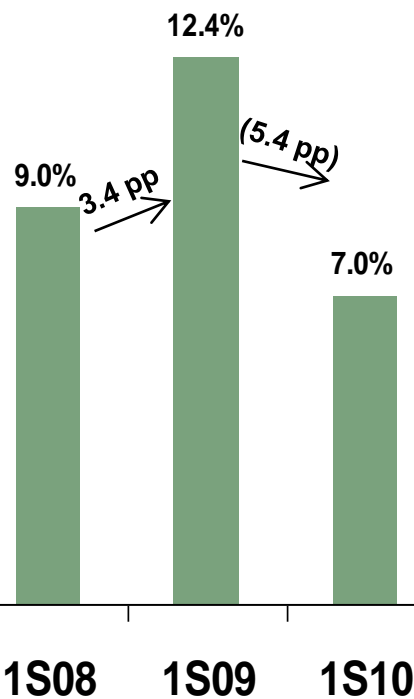


Net income

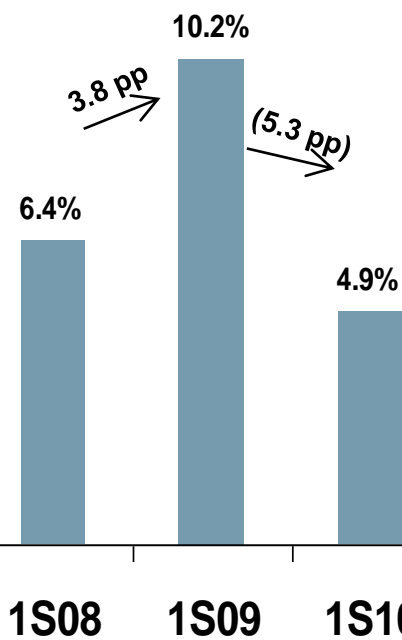


Margins (%)

EBITDA margin



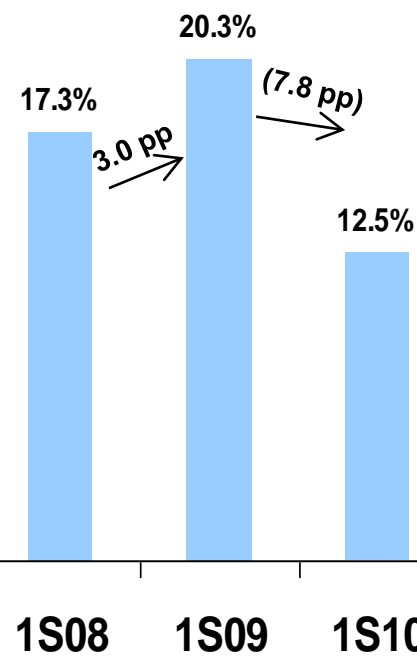
EBIT margin



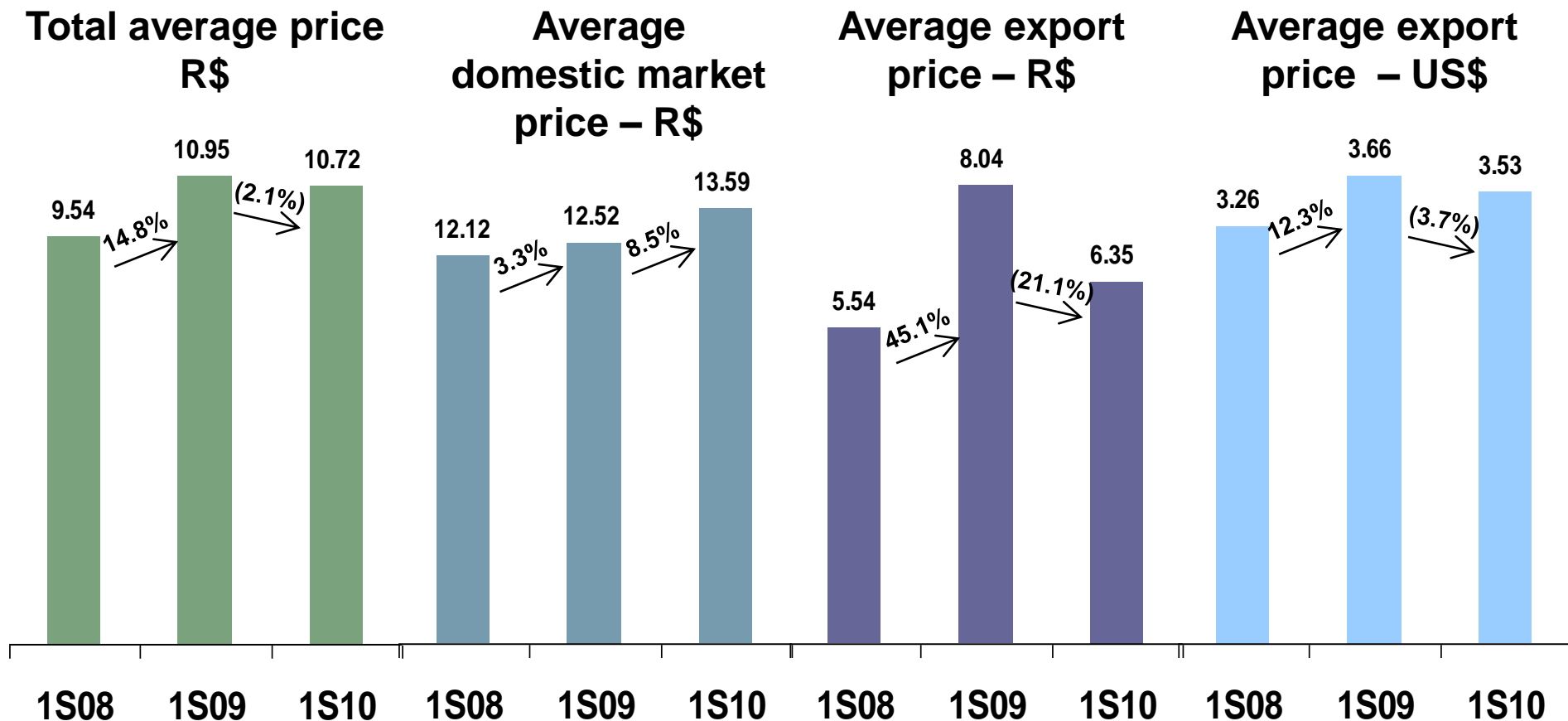
Gross margin



Net margin

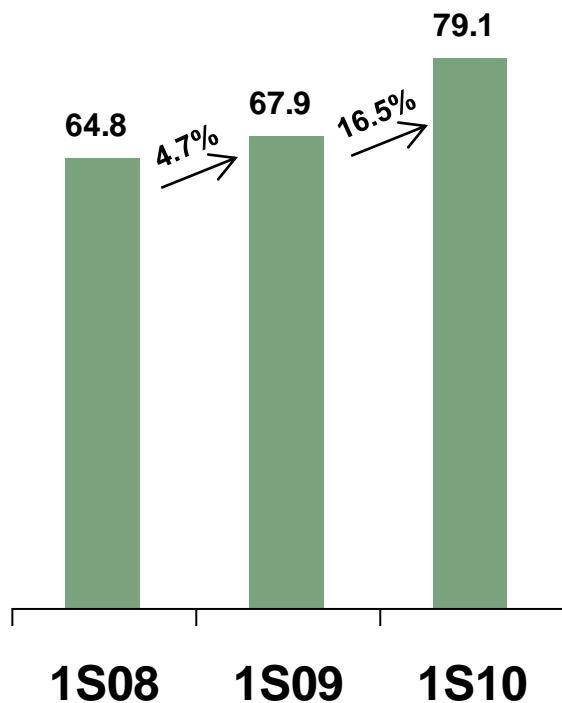


Average Price

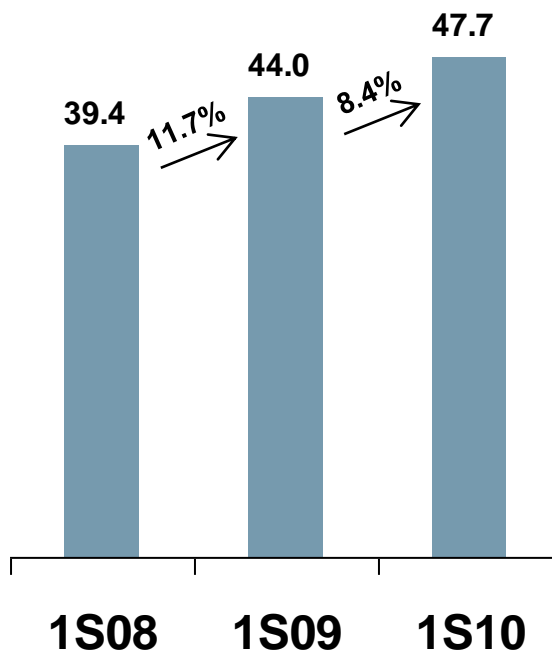


Sales Volume (Million pairs)

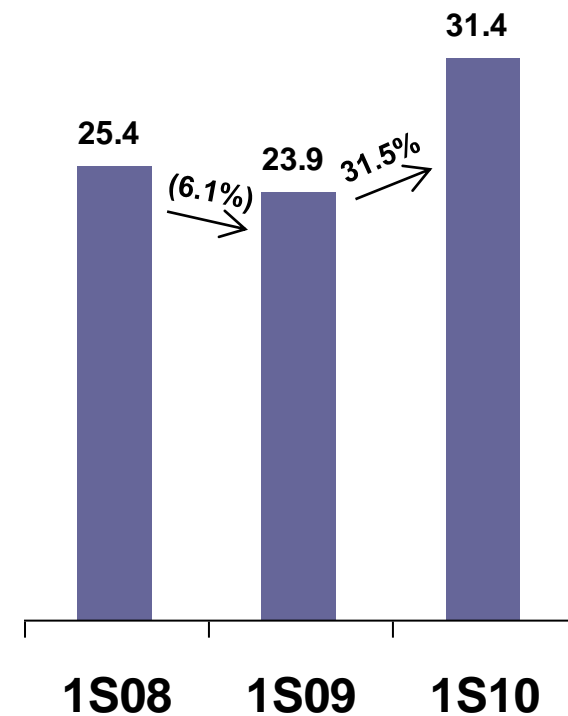
Sales Volume



**Sales Volume
Domestic**



**Sales Volume
Exports**



Operational result (IFRS)

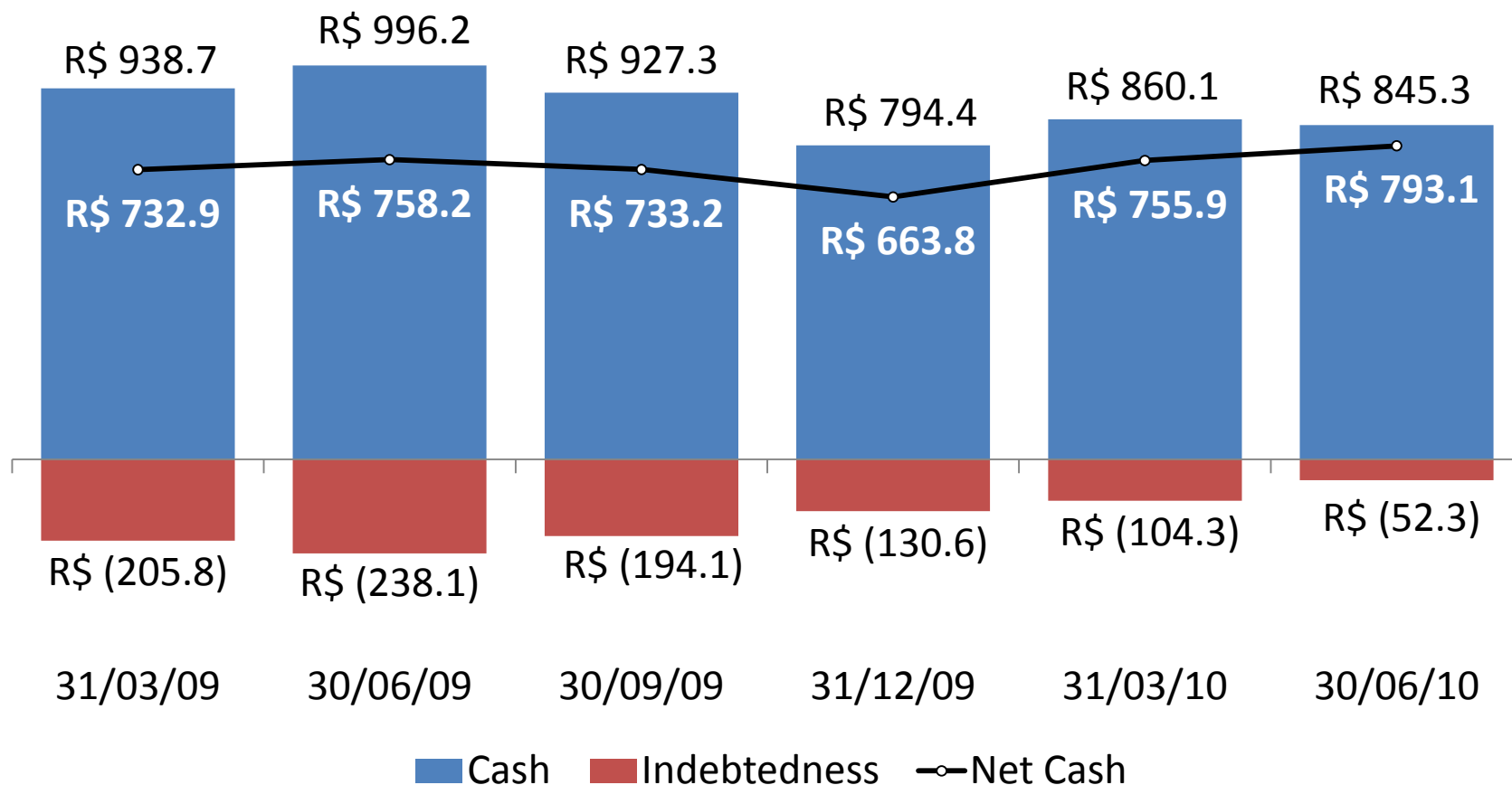
(R\$ '000)

	1S09	% V	1S10	%V	%H	Marginal	%V
Domestic Market	551,388	91.9%	648,562	95.4%	17.6%	97,174	121.9%
Exports	191,791	31.9%	199,070	29.3%	3.8%	7,279	9.1%
Gross sales revenue	743,179	123.8%	847,632	124.6%	14.1%	104,453	131.0%
Sales deduction	(142,882)	(23.8%)	(167,617)	(24.6%)	17.3%	(24,735)	(31.0%)
Net Sales revenue	600,297	100.0%	680,015	100.0%	13.3%	79,718	100.0%
Cost of sales	(374,040)	(62.3%)	(473,216)	(69.6%)	26.5%	(99,176)	(124.4%)
Gross profit	226,257	37.7%	206,799	30.4%	(8.6%)	(19,458)	(24.4%)
Operating income (expenses)							
Selling expenses	(138,605)	(23.1%)	(145,943)	(21.5%)	5.3%	(7,338)	(9.2%)
General and administrative expenses	(25,601)	(4.3%)	(26,214)	(3.9%)	2.4%	(613)	(0.8%)
Directors' remuneration	(562)	(0.1%)	(1,017)	(0.1%)	81.0%	(455)	(0.6%)
EBIT	61,489	10.2%	33,625	4.9%	(45.3%)	(27,864)	(35.0%)
Other operating income	1,643	0,3%	2,001	0.3%	21.8%	358	0.4%
Other operating expenses	(1,301)	(0.2%)	(1,014)	(0.1%)	(22.1%)	287	0.4%
Operating result before financial revenue (expenses)	61,831	10.3%	34,612	5.1%	(44.0%)	(27,219)	(34.1%)

Net cash, dividends & Capex

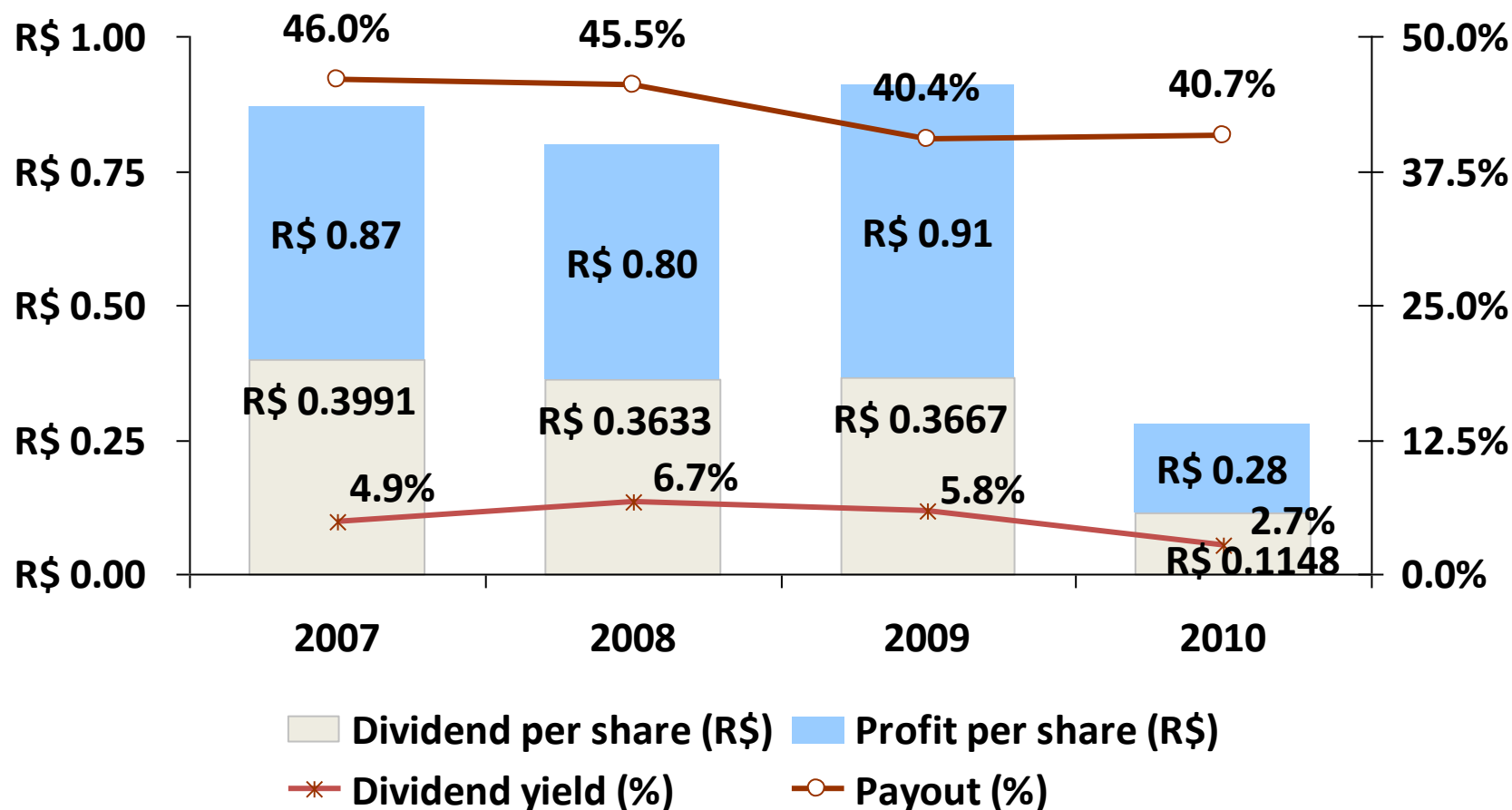


Cash, Net cash and Total debit



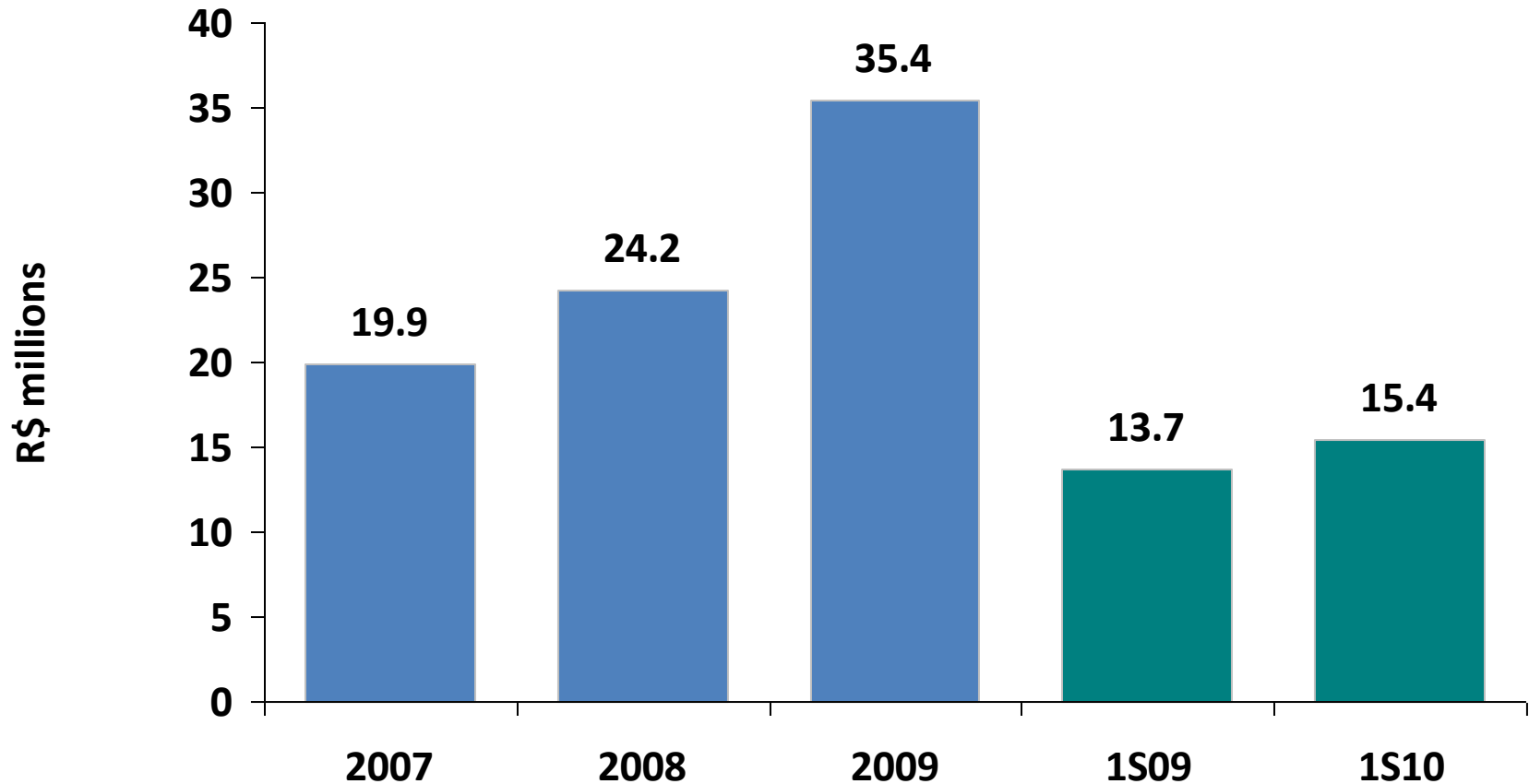
Strong cash flow

Dividends



Dividend yield: Profit per share divided by average value of the share in the year.

Low need for CAPEX



Outlook

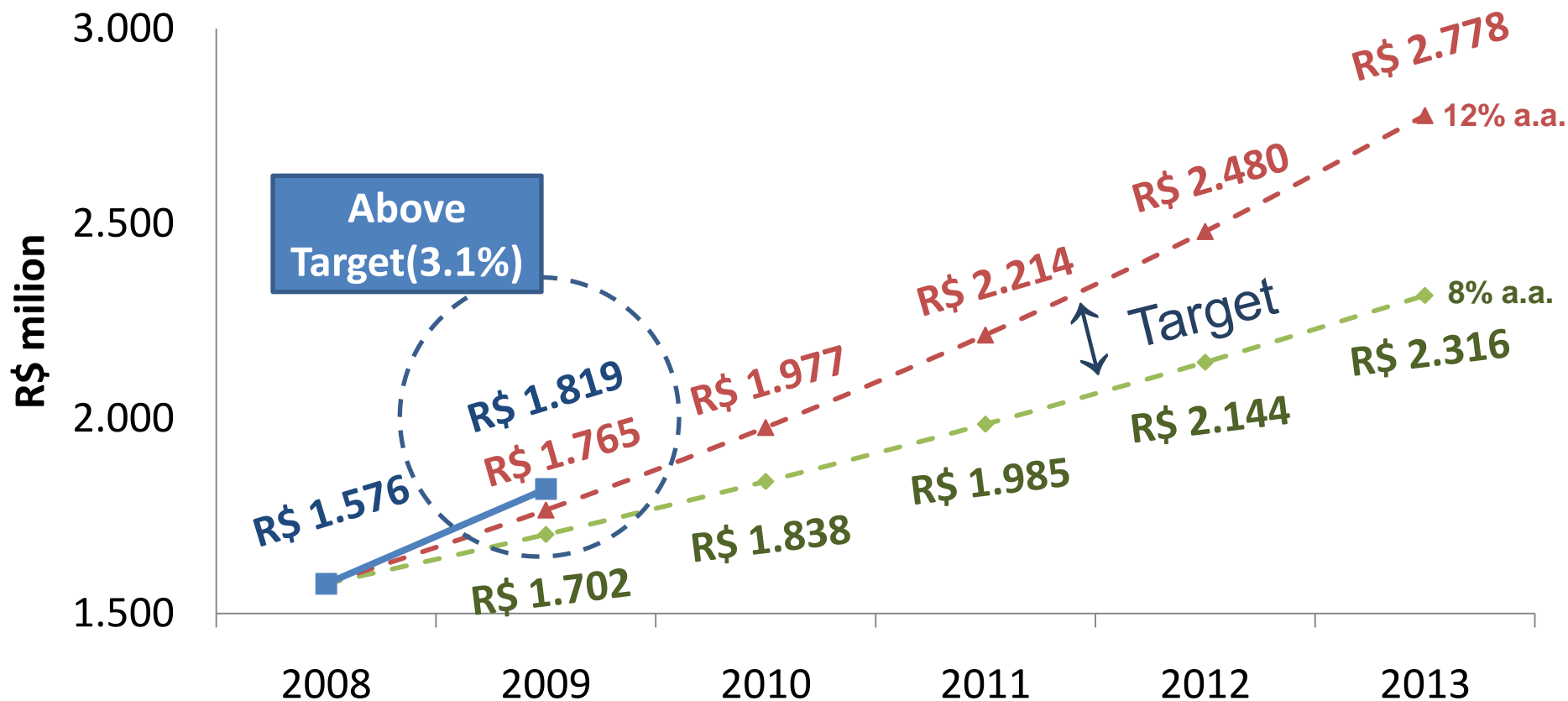
- **Galeria Melissa:** In the next two years Grendene will open *Galerias Melissa* in **New York, Paris and Tokyo.**



Target – Gross Revenue

Target for 2009 - 2013

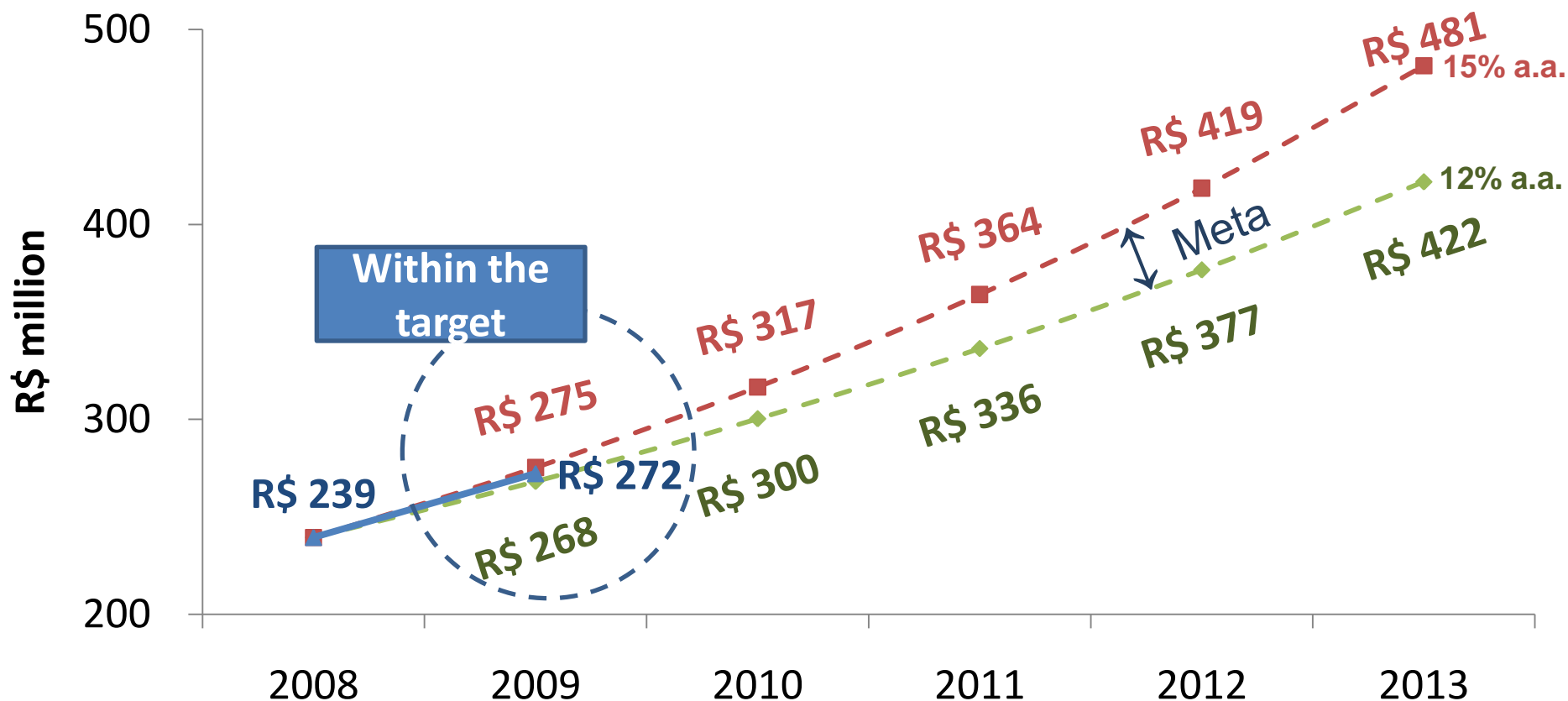
Gross Revenue growth to an average compound rate (CAGR) between 8% and 12%.



Target – Net Profit

Target for 2009 - 2013

Net income growth to an average compound rate (CAGR) between 12% and 15%.



Guidance

Targets for 2009 - 2013

Gross revenue – CAGR: 8% and 12%.

Net profit – CAGR: 12% and 15% over the next 5 years.

Advertising expenses: average: 8% - 10% of net revenue .



To reach these targets, we will seek to grow more intensely in the external market, Expecting that the Real/US\$ exchange rate will vary approximately in line with the difference of inflation between the two countries (Brazil and the US), taking as a Reference point the average R\$/US\$ exchange rate in the first quarter of 2009. We emphasize that this expectation for the change in the exchange rate is for the long term (a period between five and 10 years), and not for the coming quarter.

Thank You!

Grendene's IR Team

Francisco Schmitt

Investor Relations Officer
schmitt@grendene.com.br

(5554) 2109.9022

Secretary

Catia Gastmann
(5554) 2109.9011

Analysts

Alexandre Vizzotto
(5554) 2109.9036

Lenir Baretta
(5554) 2109.9026

Further Information

Internet: <http://ri.grendene.com.br>

Email: dri@grendene.com.br

(Press Release, Annual Report, Fact-Sheet, Financial Statements)