



Grendene®

**UBS 3rd Latin America
Consumer Conference
New York / NY**

May/2014

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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.

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Agenda

Mission, Vision and Values

History

Dividends

Capital markets

Plants

Capital Expenditure (CAPEX)

Production

Footwear Sector

Brands and Marketing

Results

Guidance

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Mission

To create democratic fashion, responding rapidly to the market's needs, generating an attractive return for the company and its partners.

Vision

To be the most profitable company in the world among the leading organizations in the sector.

Grendene Values

Profitability

Competitiveness

Innovation

Agility

Ethics

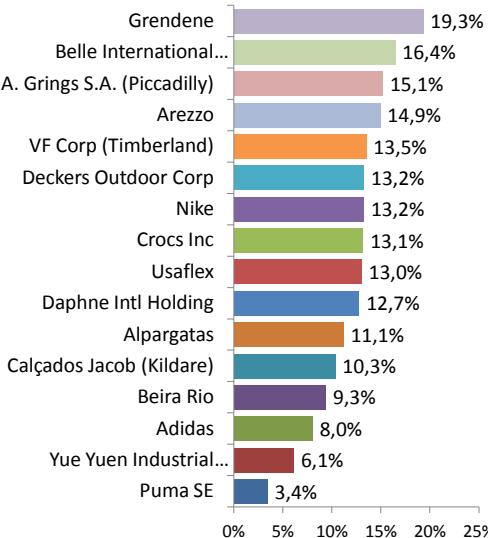
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Profitability

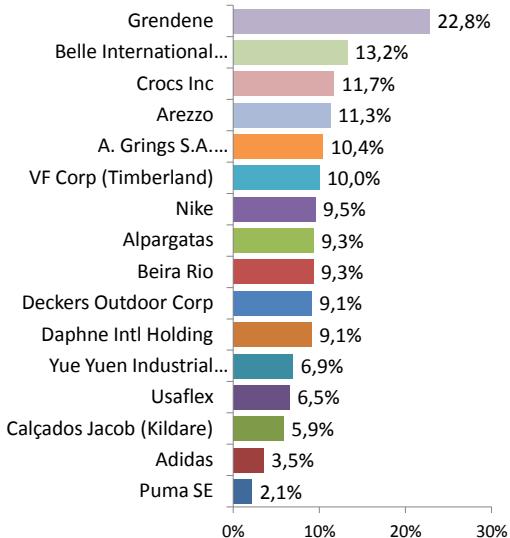
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Source: Grendene / Bloomberg / Companies Financial Statements

EBIT margin 2012



Net margin 2012



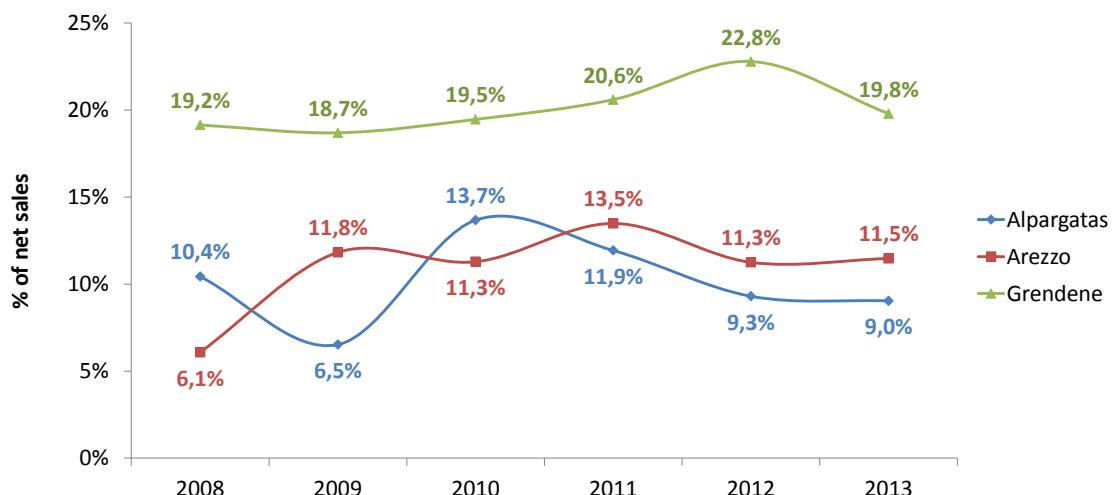
Grendene had lower margins in 2013, but are still better than those presented by the company ranked in second in 2012.

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Profitability – main companies in Brazil

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Net margin %



Source: Grendene / Bloomberg

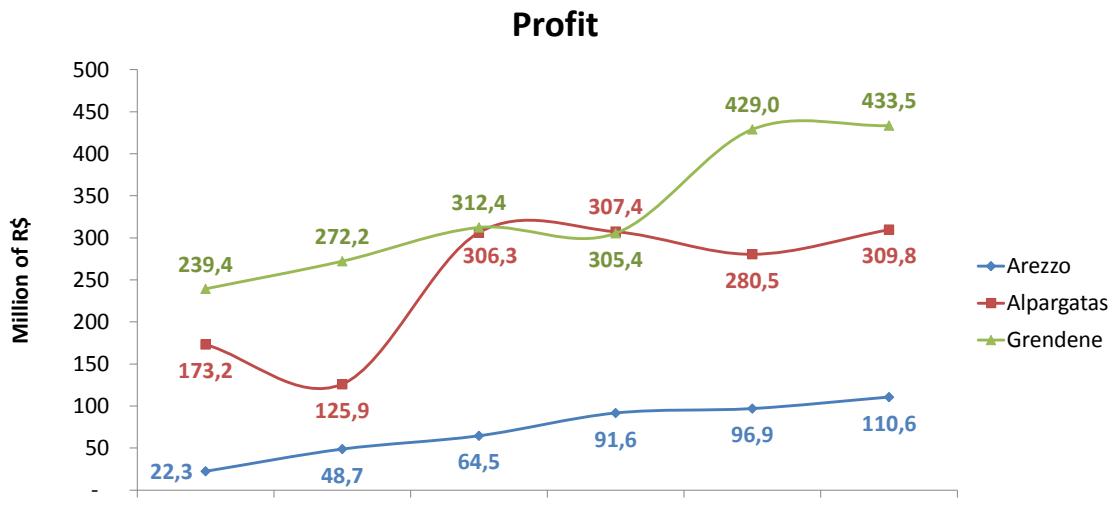
(*) Results of 2013 are not available yet.

(**) Year ended on May 31.

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Profit – main companies in Brazil

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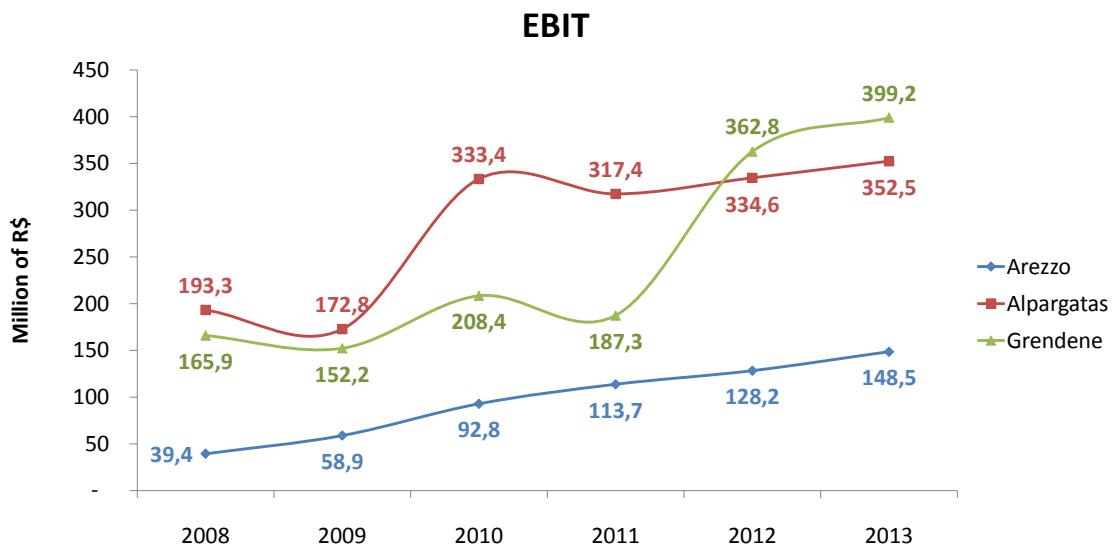


Source: Grendene / Bloomberg

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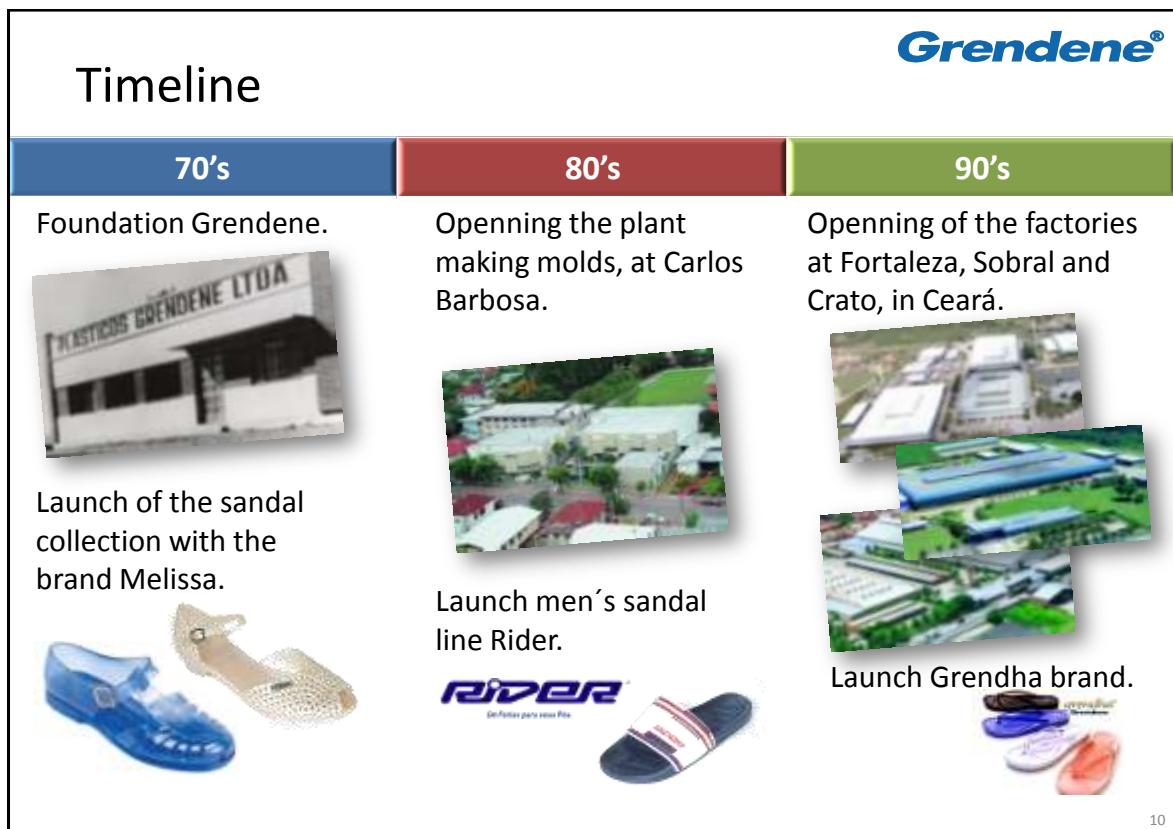
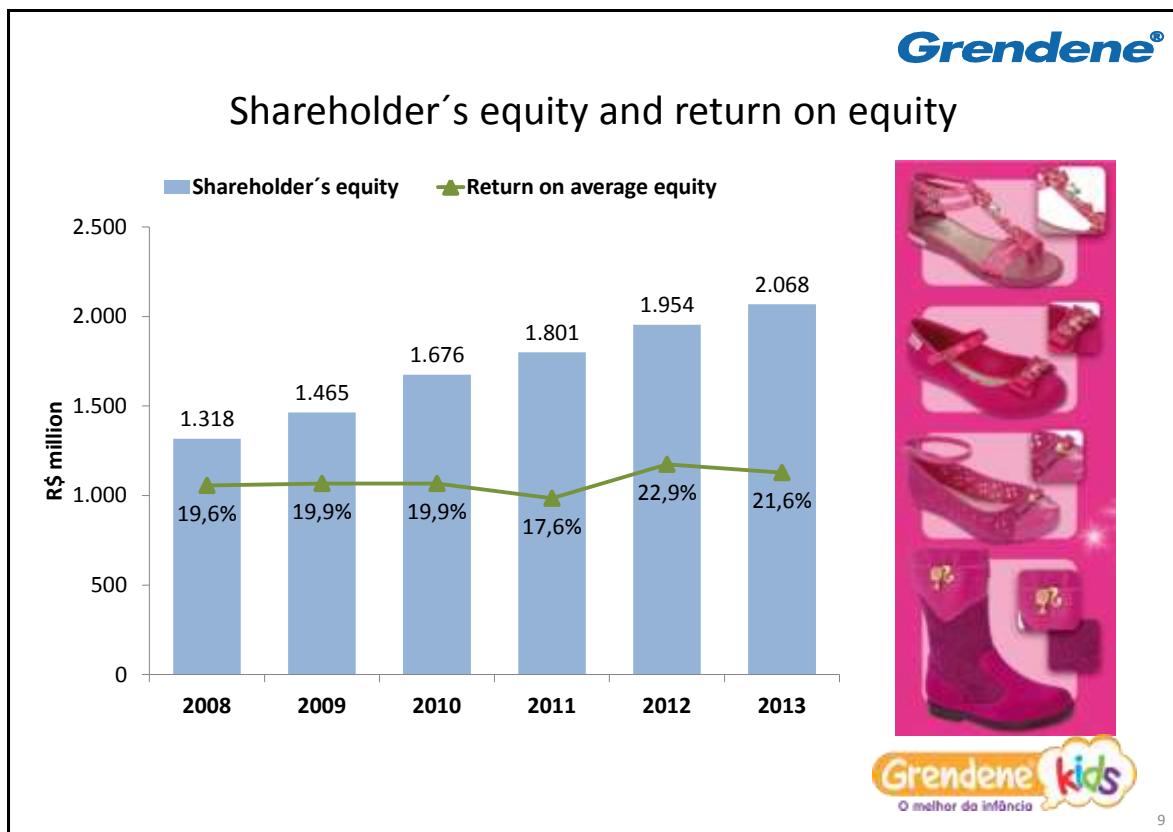
EBIT – main companies in Brazil

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Source: Grendene / Bloomberg

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Timeline

2000's

Grendene started having common shares ("GRND3") negotiated at the *Novo Mercado* of BM&FBOVESPA.

Opening of **Galeria Melissa** in São Paulo and New York.

Creation **Clube Melissa**



Foto: A. Carreiro – Out/2004

New Business – Constitution of **A3NP Indústria e Comércio de Móveis S.A.** for industrial-scale production of consumer products made from plastic, with sophisticated design, and cost that is accessible to the middle income groups, in partnership with Philippe Starck and others.

New Plants – Teixeira de Freitas (2007) and Sobral (2013).



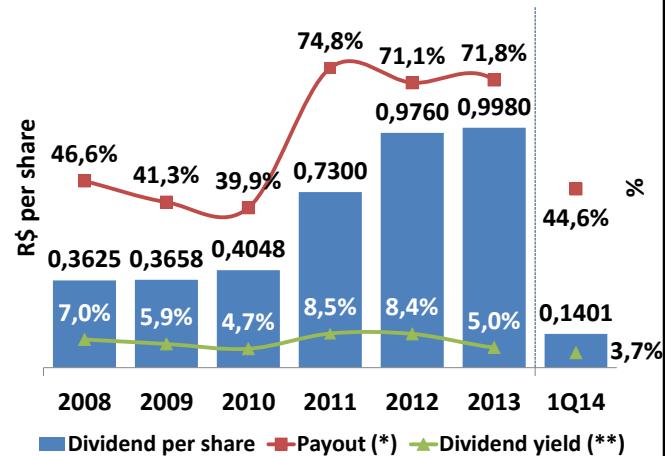
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Dividend Policy

Due to the Provisional Measure n° 627/2013, the Company decided to change its dividend policy by not doing difference destination of state grants to integrate the basis of dividends, as the Company was doing before, and distribute as dividend the total profit that has no origin from government grants, after the constitution of the Legal and Statutory Reserves.



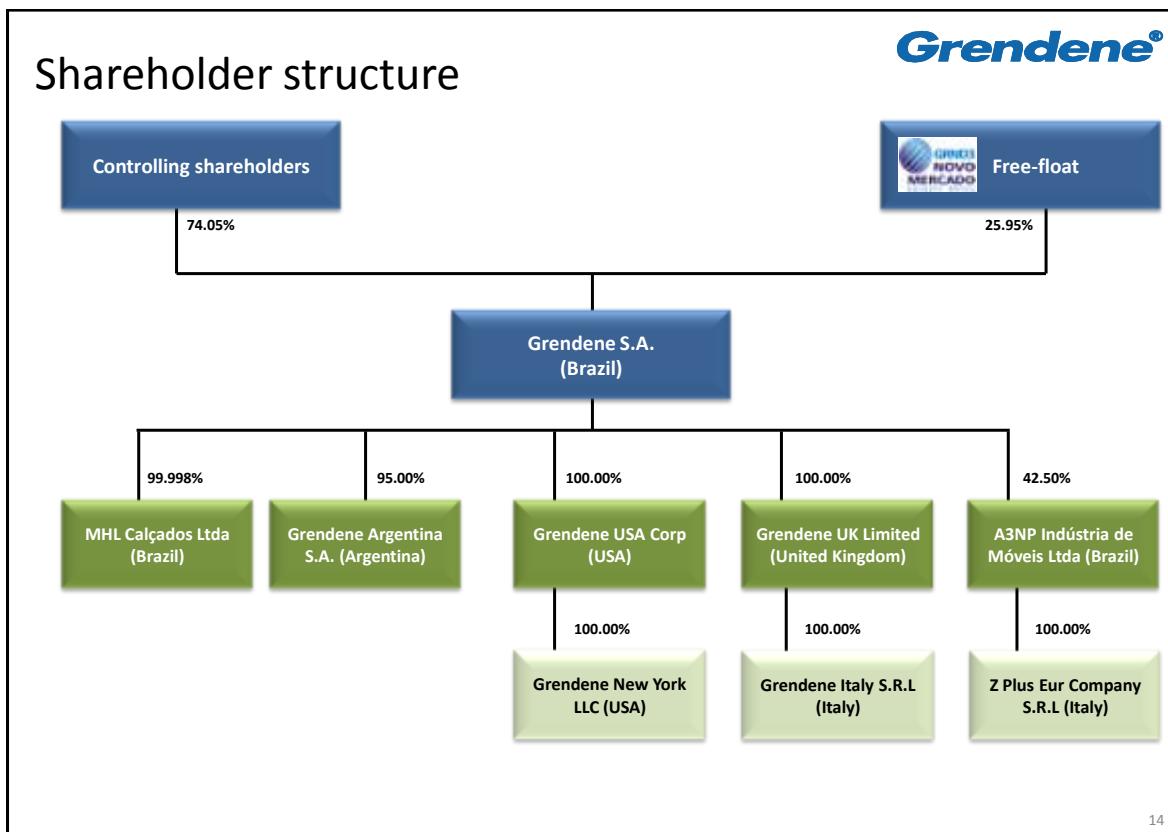
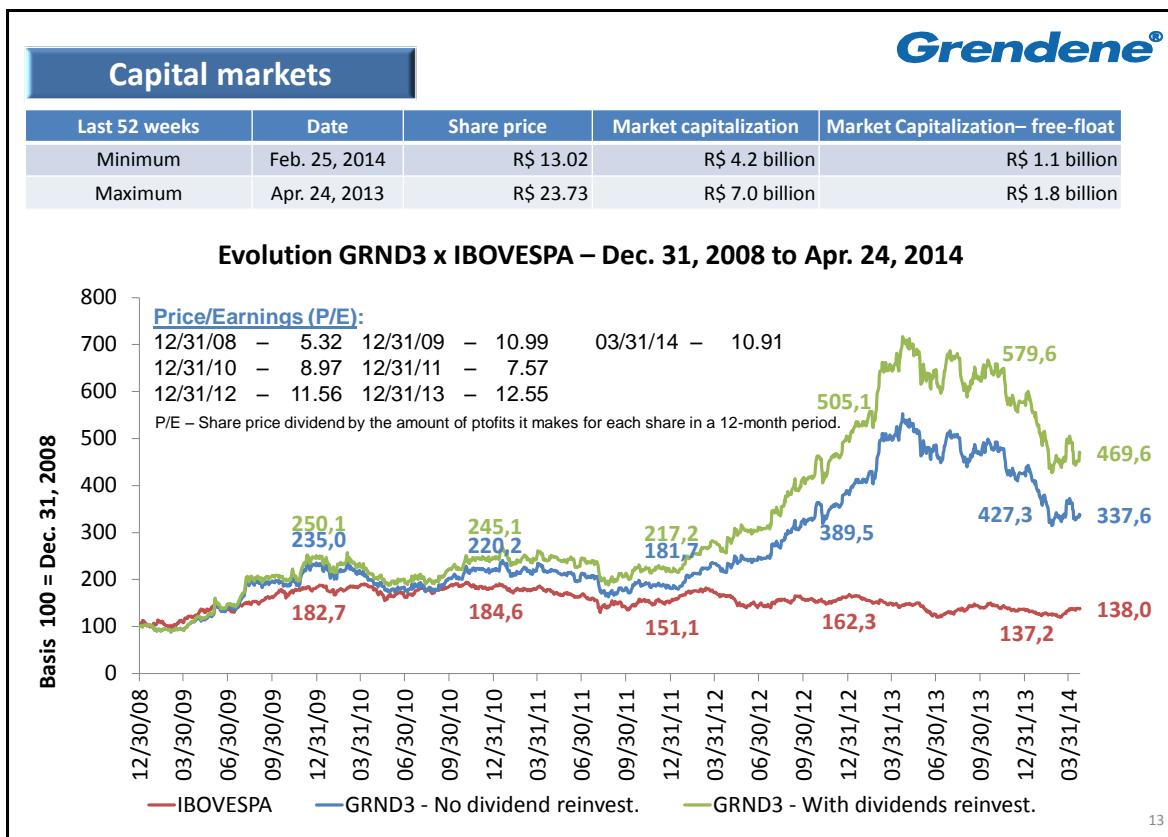
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(*) Payout: Dividend divided by profit after the allocations to legal reserves

(**) Dividend yield: Dividend per share in the period divided by the weighted average price of the share, annualized.

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Location of industrial plants

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Sobral / CE



Carlos Barbosa / RS



Farroupilha / RS

Production capacity:
250 million pairs / year

Brazil



Employees:
Northeast Region : 24,800
South Region : 2,300



Fortaleza / CE



Crato / CE

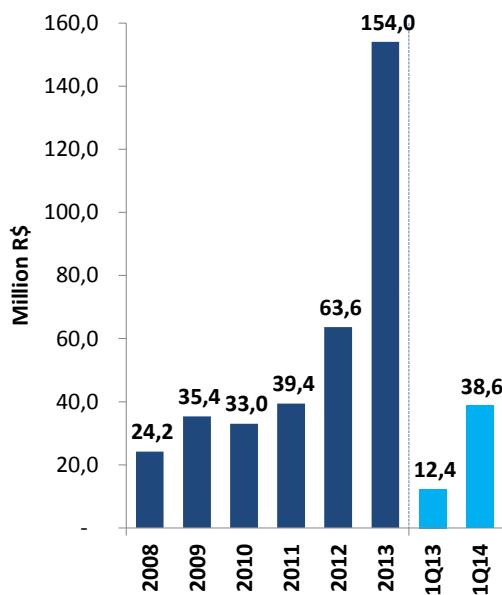


Teixeira de Freitas/BA

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Capex (Property, plant and equipment and intangible assets)

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Casa Ipanema – Rio de Janeiro/RJ - Brazil

Investments in expanding production capacity.

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Sustainability

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Social responsibility

- Providing employment and income;
- Healthy food;
- Education / vocational training; and
- Medical and dental care.



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.
- 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.

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Productive process

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Verticalization = Agility

PVC formulation

Design

Moulds

R&D

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Footwear Sector



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Footwear Sector—Brazil

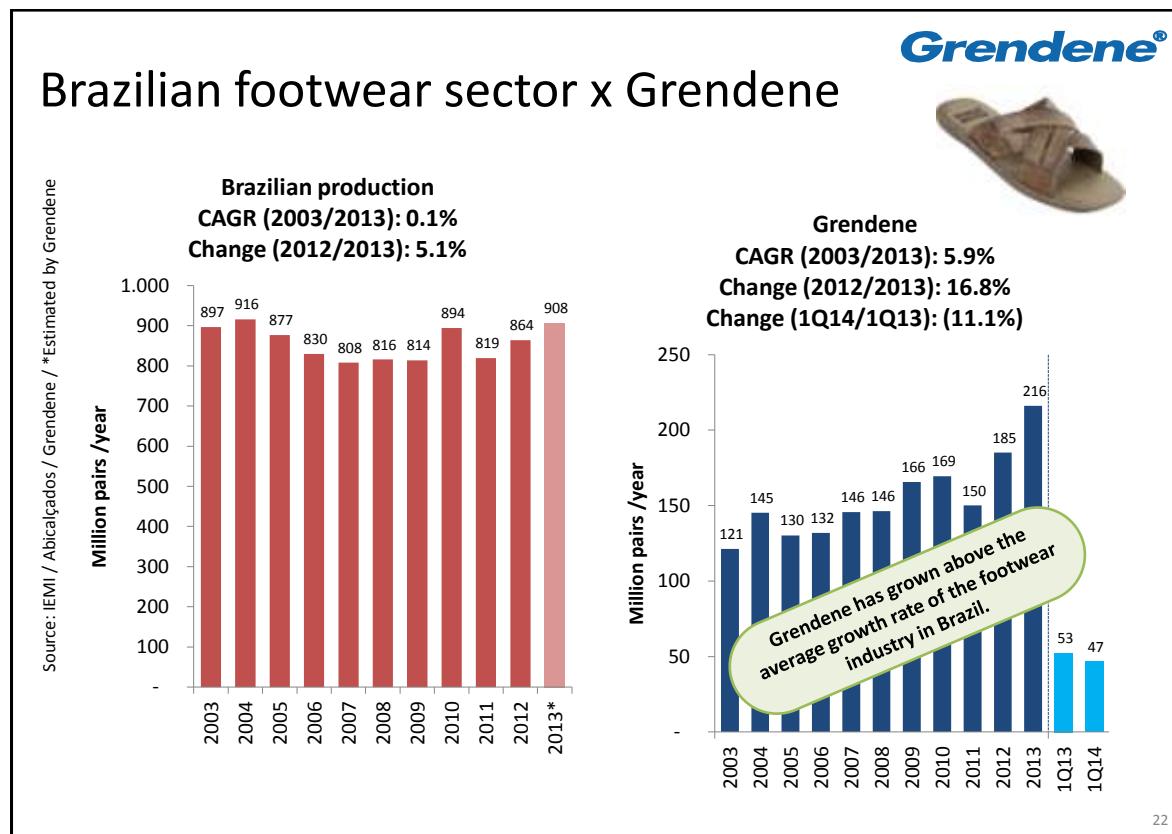
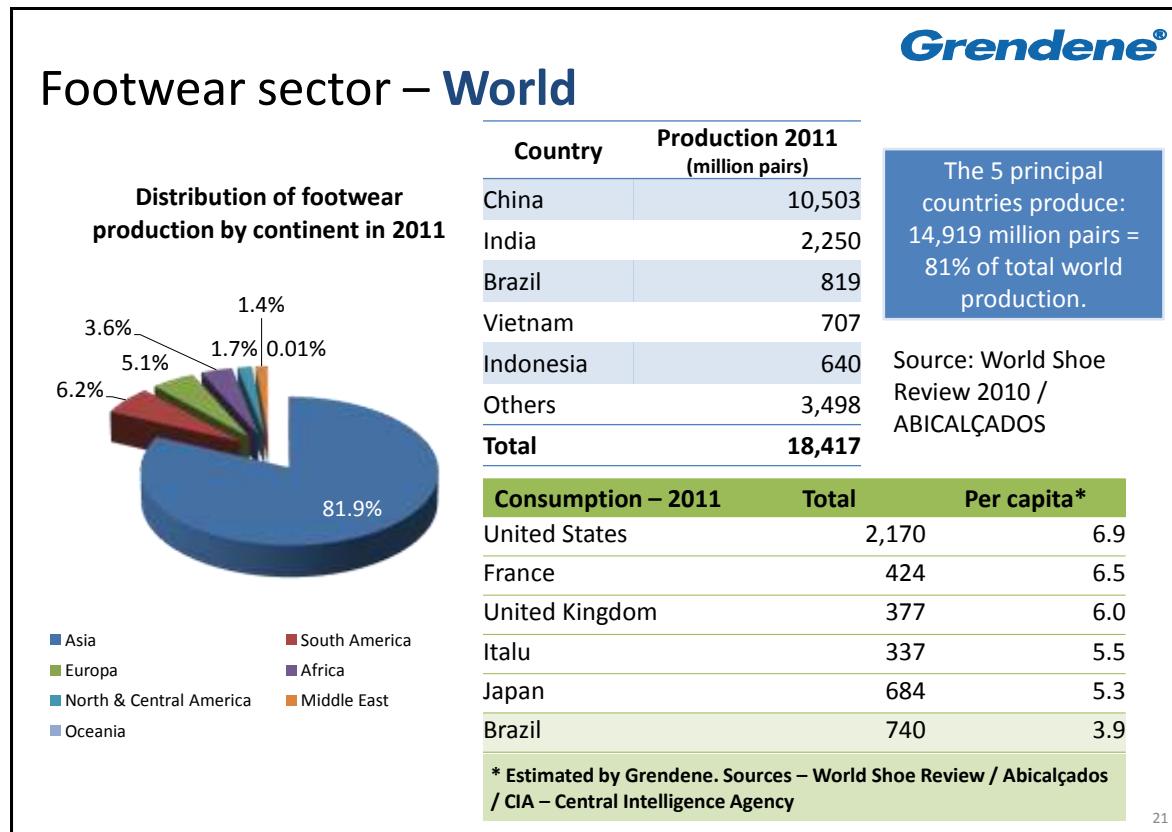
- World's 3rd largest producer;
- About 8,000 producers;
- 348,000 direct employees;
- Production: 908 million pairs* in 2013;
- Exports: 123 million pairs to more than 150 countries in 2013;
- Apparent consumption, Brazilian domestic market: 824 million pairs and 4,2 pairs per capita/year in 2013.

Source: IEMI/RAIS/ABICALÇADOS/SECEX
* Estimated by Grendene

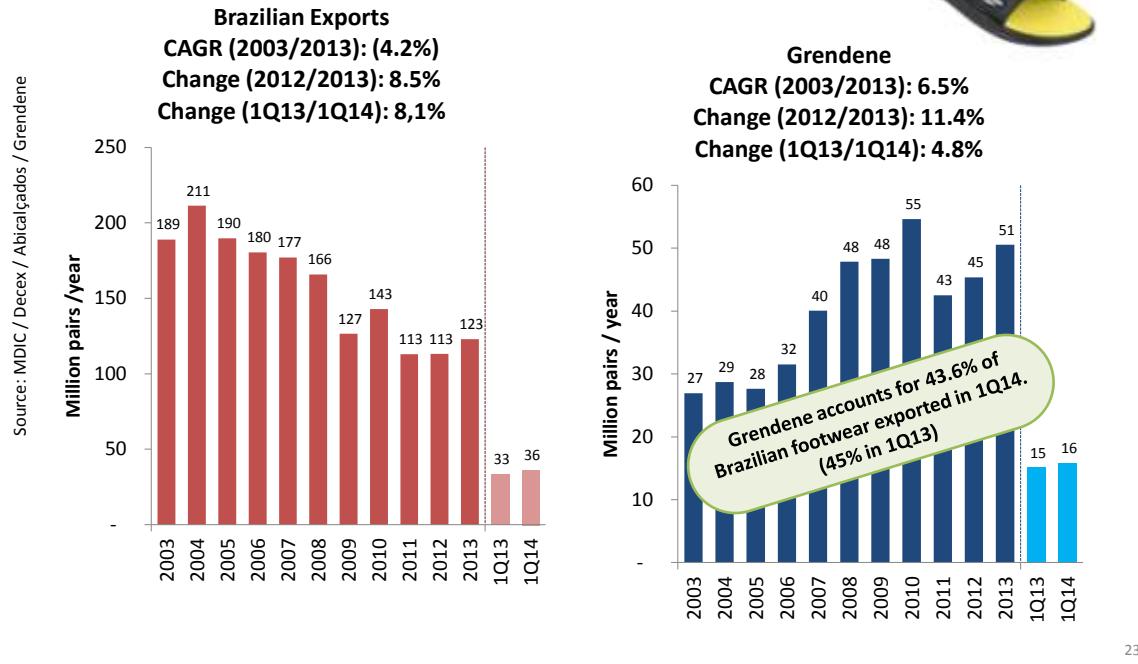


The industry itself is not much more than 180 years old – companies are typically small and labor-intensive, with no entry or exit barriers.

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Exports: Grendene vs. Brazil



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Brands & Marketing

Products that meet essential and basic needs at low cost

↓

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



Ipanema

melissa.



ZIZOU



ZAXY CARTAGO

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Marketing



Fiorella Mattheis



Fernanda Paes Leme

Ipanema

Ipanema Advertising



Giovanna Ewbank



Giovana Lancellotti



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melissa.®

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In October the **Club Melissa** celebrated one year with the opening of the 100th store.

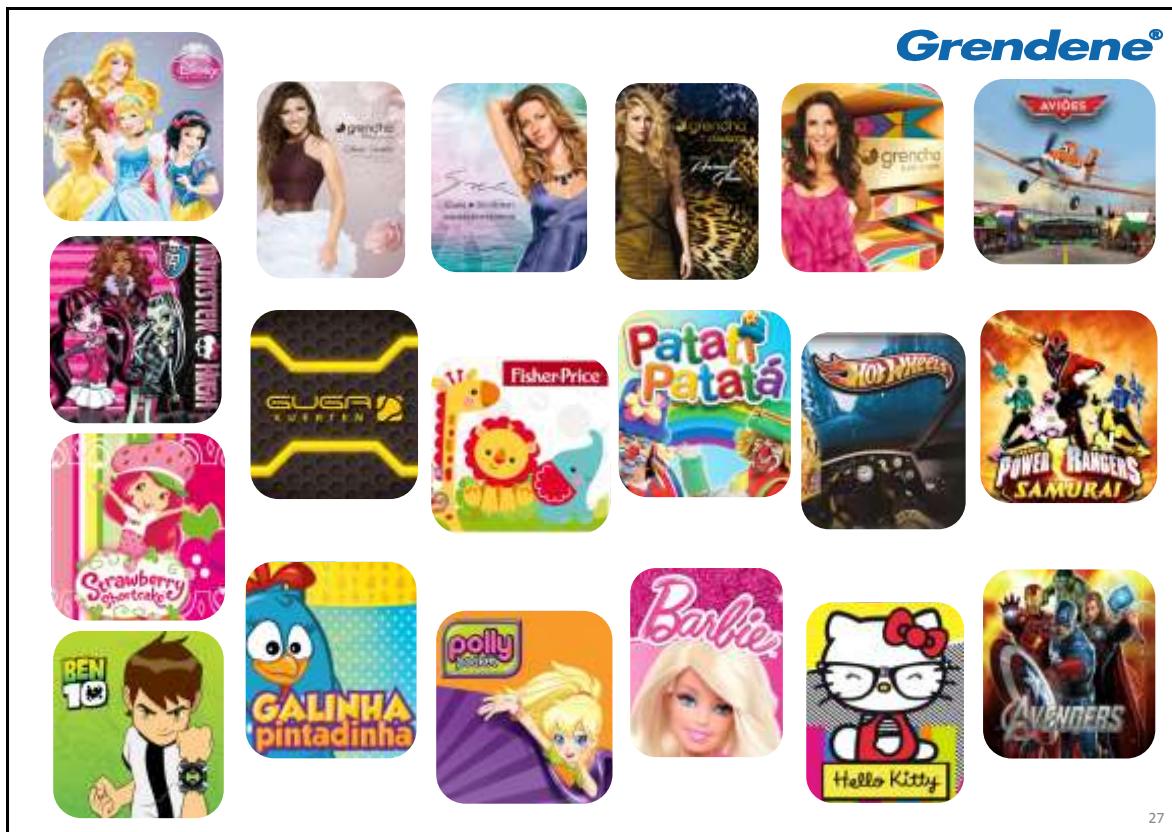


Melissa at **Galeria Lafayette**



Pop Up Store Melissa in Miami

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Sales channels



C&A - Retail



Selective distribution



Selective distribution

Strong relationship with trade

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Results (in IFRS)



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Main financial and economic indicators

Million of R\$	2008	2009	2010	2011	2012	2013	Change 12-13	CAGR (5 years)	1Q13	1Q14	Change 1Q13- 1Q14
Gross revenue	1,576.0	1,819.4	1,998.6	1,831.6	2,324.5	2,711.4	16.6%	11.5%	603.6	615.4	2.0%
Domestic market	1,220.5	1,464.4	1,603.8	1,489.9	1,845.4	2,146.9	16.3%	12.0%	475.3	447.6	(5.8%)
Exports	355.5	355.0	394.8	341.7	479.1	564.5	17.8%	9.7%	128.3	167.8	30.8%
Net revenue	1,249.9	1,455.8	1,604.5	1,481.1	1,882.3	2,187.3	16.2%	11.8%	485.8	493.8	1.6%
Cost of sales	(731.2)	(889.7)	(953.3)	(840.5)	(1,000.2)	(1,193.6)	19.3%	10.3%	(265.9)	(285.0)	7.2%
Gross profit	518.7	566.0	651.2	640.6	882.1	993.7	12.6%	13.9%	219.9	208.8	(5.0%)
EBIT	165.9	152.2	208.4	187.3	362.8	399.2	10.0%	19.2%	89.7	72.4	(19.3%)
EBITDA	191.5	178.5	236.6	216.2	394.5	435.9	10.5%	17.9%	98.1	83.0	(15.3%)
Net income	239.4	272.2	312.4	305.4	429.0	433.5	1.1%	12.6%	102.3	96.5	(5.7%)
Margins %	2008	2009	2010	2011	2012	2013	Change 12-13	Change 08-13	1Q13	1Q14	Change 1Q13- 1Q14
Gross	41.5%	38.9%	40.6%	43.3%	46.9%	45.4%	(1.5 p.p.)	3.9 p.p.	45.3%	42.3%	(3.0 p.p.)
EBIT	13.3%	10.5%	13.0%	12.6%	19.3%	18.3%	(1.0 p.p.)	5.0 p.p.	18.5%	14.7%	(3.8 p.p.)
EBITDA	15.3%	12.3%	14.7%	14.6%	21.0%	19.9%	(1.1 p.p.)	4.6 p.p.	20.2%	16.8%	(3.4 p.p.)
Net	19.2%	18.7%	19.5%	20.6%	22.8%	19.8%	(3.0 p.p.)	0.6 p.p.	21.1%	19.5%	(1.6 p.p.)

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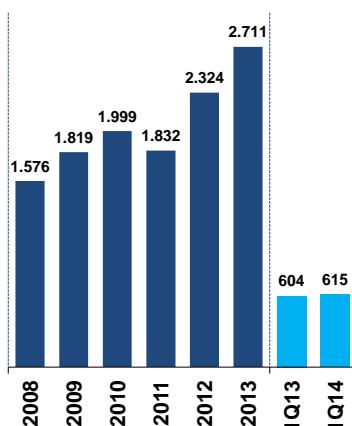
Gross sales revenue (IFRS) – million of R\$

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Note: CAGR 5 years

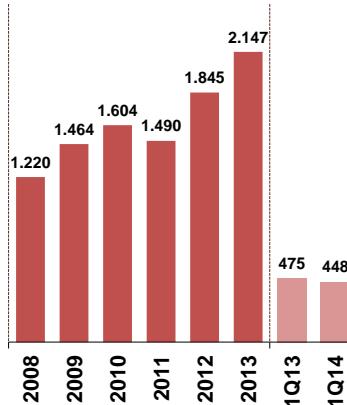
Gross sales revenue

CAGR (2008-2013): 11.5%
Change (1Q13-1Q14): 2,0%



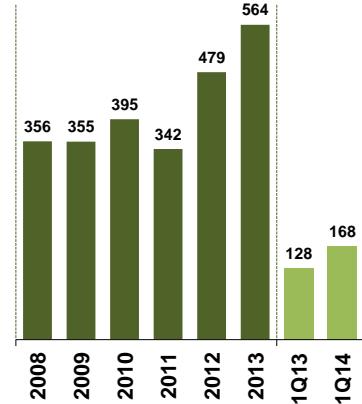
Gross sales revenue Domestic market

CAGR (2008-2013): 12.0%
Change (1Q13-1Q14): (5,8%)



Gross sales revenue Exports

CAGR (2008-2013): 9.7%
Change (1Q13-1Q14): 30,8%

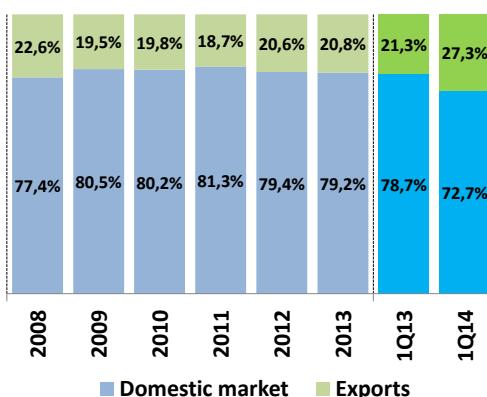


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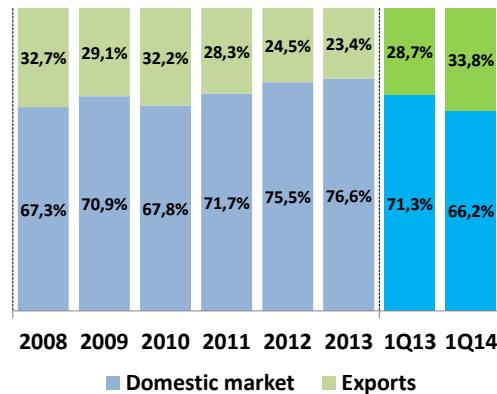
Market %

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Gross sales revenue



Sales volume



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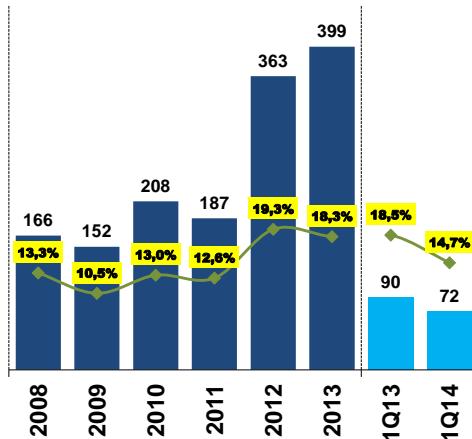
Results (IFRS) – R\$ million

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Note: CAGR 5 years

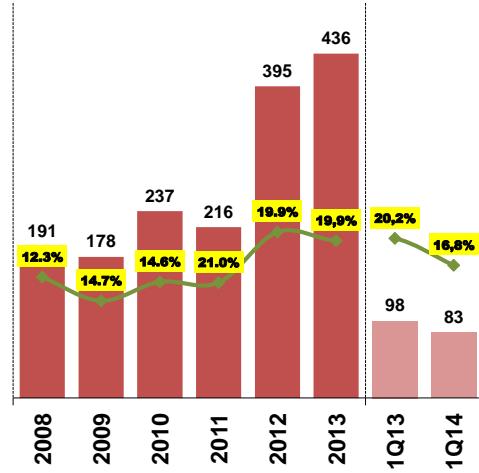
EBIT / EBIT margin

CAGR (2008-2013): 19.2%
Change (1Q13-1Q14): (19.3%)



EBITDA / EBITDA margin

CAGR (2008-2013): 17.9%



Improvement in the internal processes of generate value.

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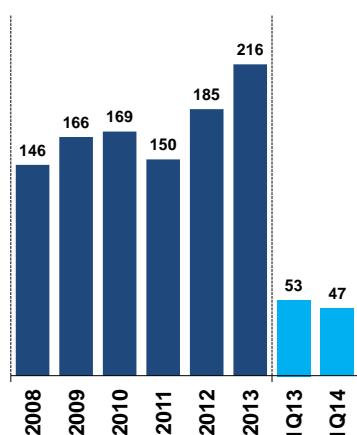
Production (million pairs)

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Note: CAGR 5 years

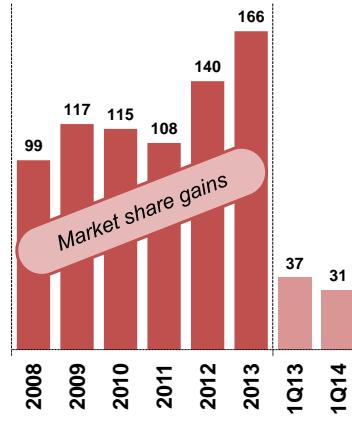
Sales volume - Total

CAGR (2008-2013): 8.1%
Change (1Q13-1Q14): (11.1%)



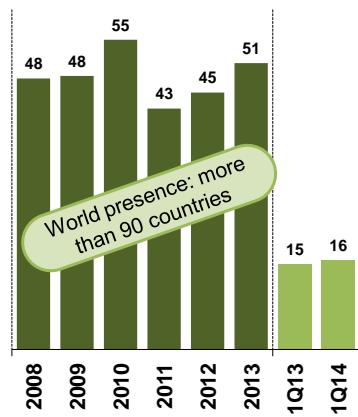
Sales Volume – Domestic market

CAGR (2008-2013): 10.9%
Change (1Q13-1Q14): (17.5%)



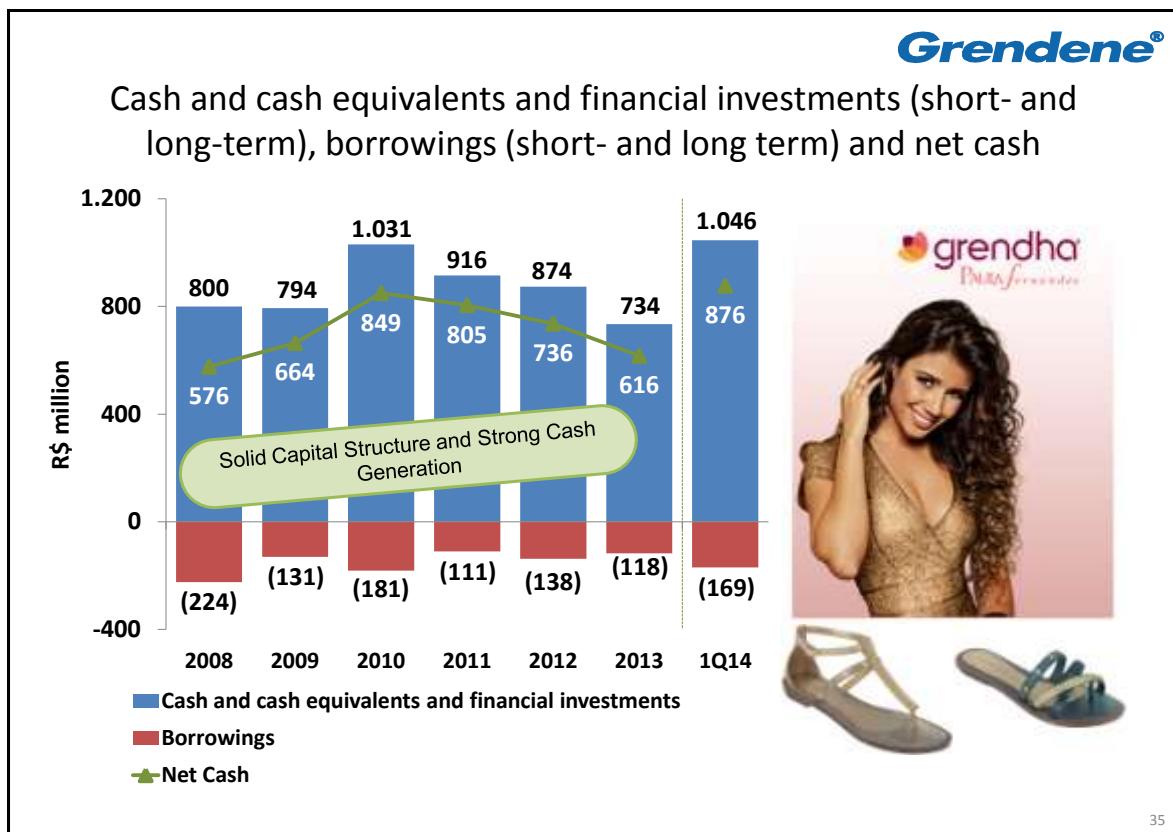
Sales volume – Exports

CAGR (2008-2013): 1.1%
Change (1Q13-1Q14): 4.8%



Market share gains
World presence: more than 90 countries

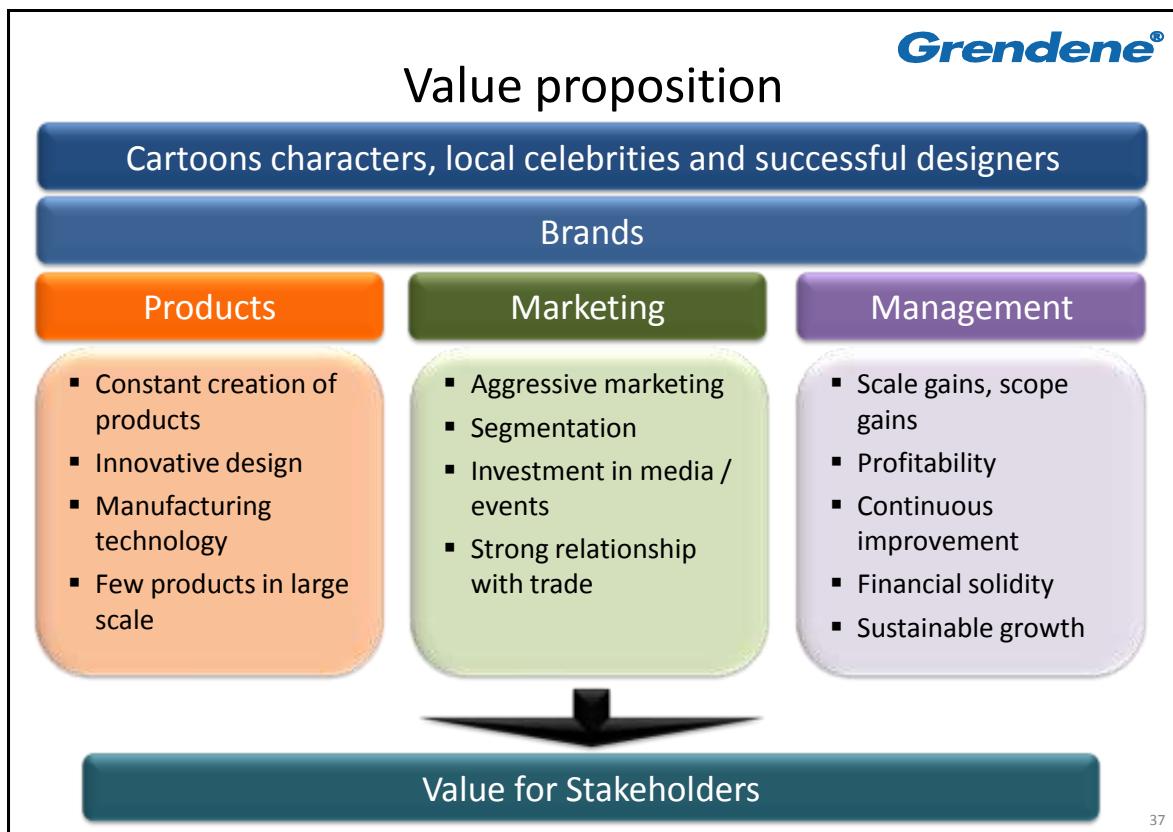
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Market

Melissa

Brand: Melissa

Main Competitors: Arezzo, Schultz, Grudy, Flor de Mel, Cravo e Canela.

Melissa Ginga + Karl Lagerfeld

Vivienne Westwood Anglomania + Melissa Lady Dragon XI

Melissa Jean + Jason Wu

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Market

Women

Main Brands: Grendha, Zaxy, Ilhabela

Main Licenses: Ivete Sangalo, Shakira, Paula Fernandes

Main Competitors: Via Marte, Beira Rio, Ramarim, Dakota, Picadilly, Via Uno, Anacapri, Usaflex.

 **grendha**



 **grendha**
Paula Fernandes



 **grendha**
by shakira

 **grendha**
Ivete Sangalo

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Market

Men

Main Brands: Rider, Cartago

Main Licenses: Guga Küerten, Bad Boy, Mormaii

Main Competitors: Kenner, Beira Rio, Alpargatas, Itapuã, Free-Way.

 **rider**



 **CARTAGO**



 **BAD BOY**

 **GUGA
KUERTEN**

 **mormaii**

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Market

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Kids



Main brands: Grendene Kids, Grendene Baby, Zizou

Main licenses: Ben 10, Hello Kitty, Disney, Hot Wheels, Smurfs, Barbie, Moranguinho, Fisher-Price, Max Steel, Angry Birds entre outras.

Main Competitors: Klim, Bibi, Pampily, Bical, Pé com Pé, Marisol



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Market

Mass Market

Main brand: Ipanema

Main Competitors: Alpargatas, Dupé, Balina, Beira-Rio.

Ipanema

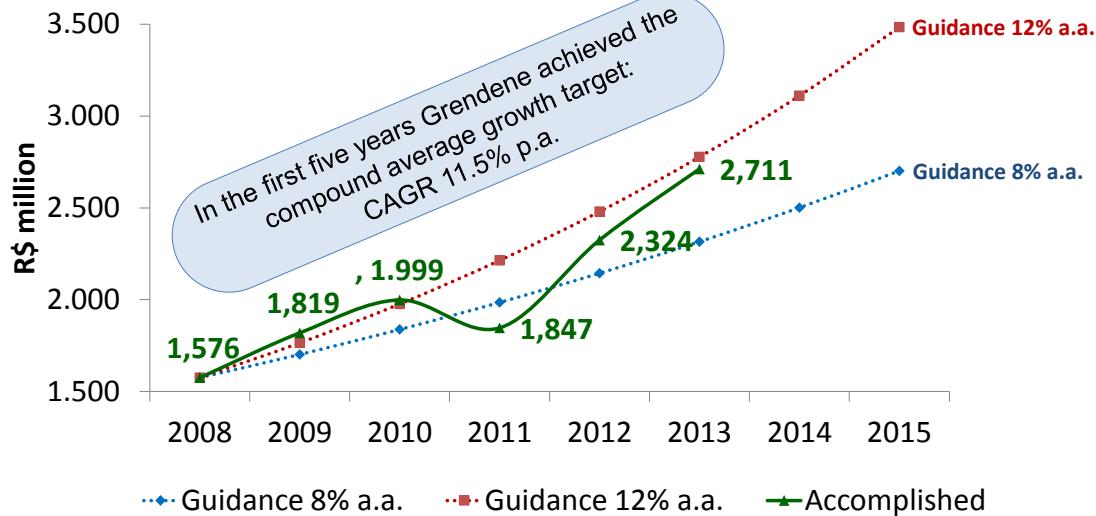


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Guidance

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Gross sales revenue

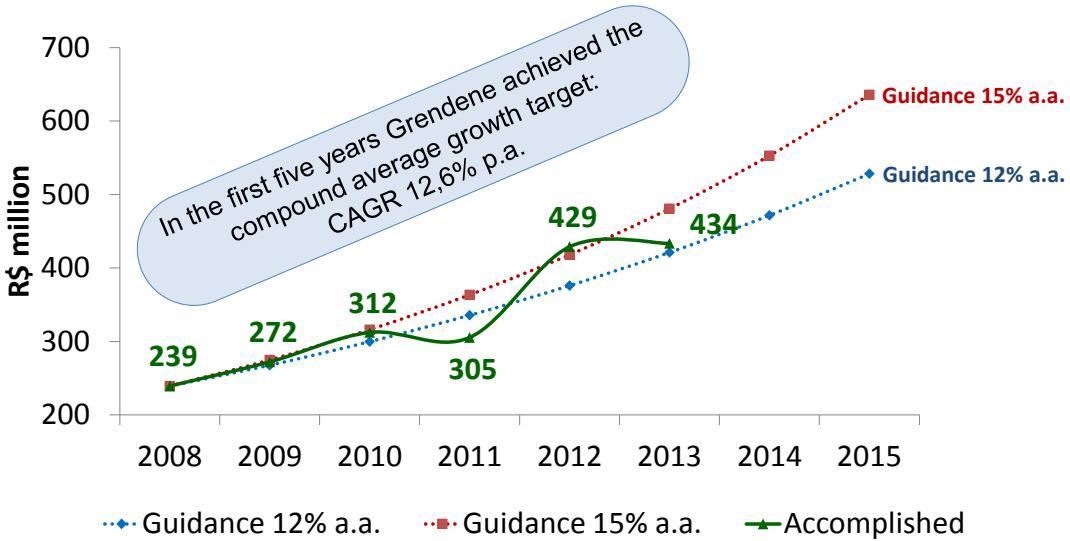


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Guidance

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Net Profit



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Guidance



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Targets for: 2008-2015

Growth of gross revenue at a CAGR between 8% and 12% in the five years.

Growth of net profit at a CAGR between 12% and 15% in the five years.

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

Ipanema

We expect in this period to have some years with higher growth than these rate, as happened in 2009 and other years with lower growth, but on average we intend to achieve these targets.

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Guidance 2014

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Approximately R\$120 million in CAPEX - modernization and productivity gains of the plant.

Beginning revenues from the furniture company in partnership with Philippe Starck.



Philippe Starck
@LeaCrespi



Opening of Galeria Melissa, **London** – at 43 King Street, in the heart of Covent Garden.

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Grendene's IR Team

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Thank You!

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