



Grendene®

APIMEC meeting

March 2010

Melissa + Jean Paul Gaultier

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 plastic 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

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.



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 synthetic 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

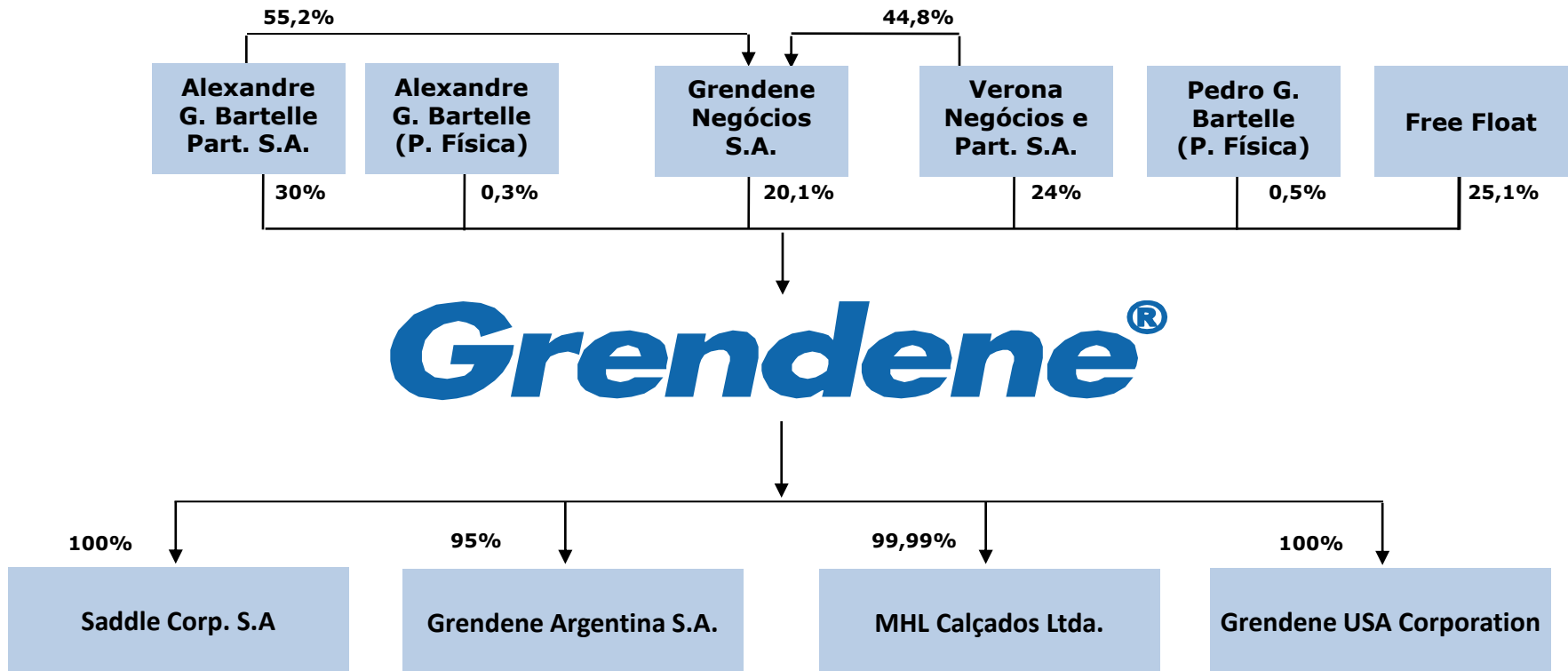
Brands with strong personality

Innovation in product, distribution and media

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

Solid capital structure, strong cash flow

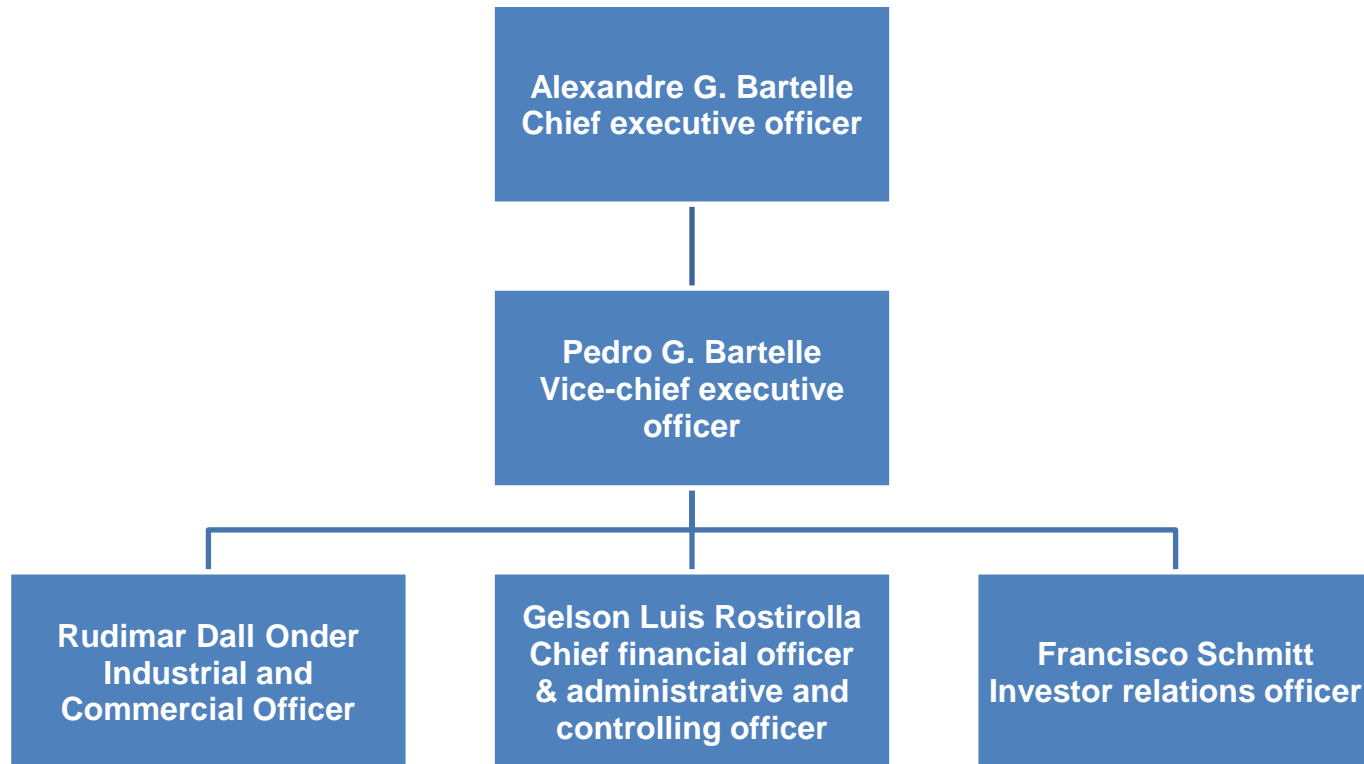
Shareholder structure



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



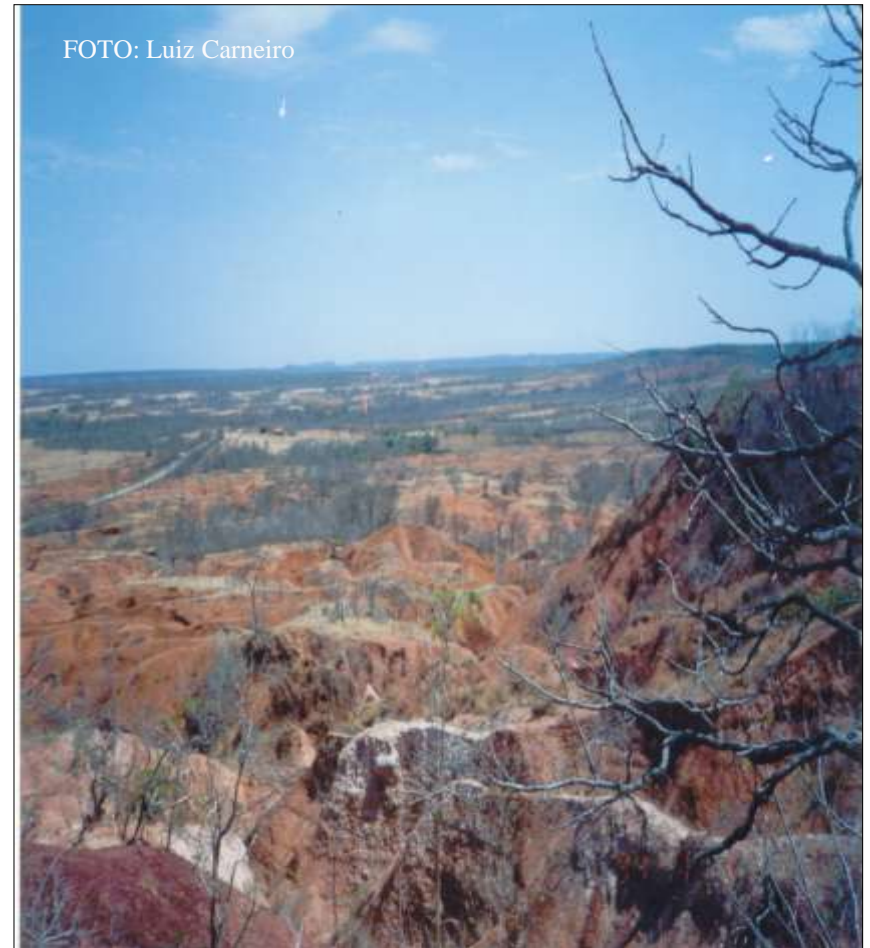
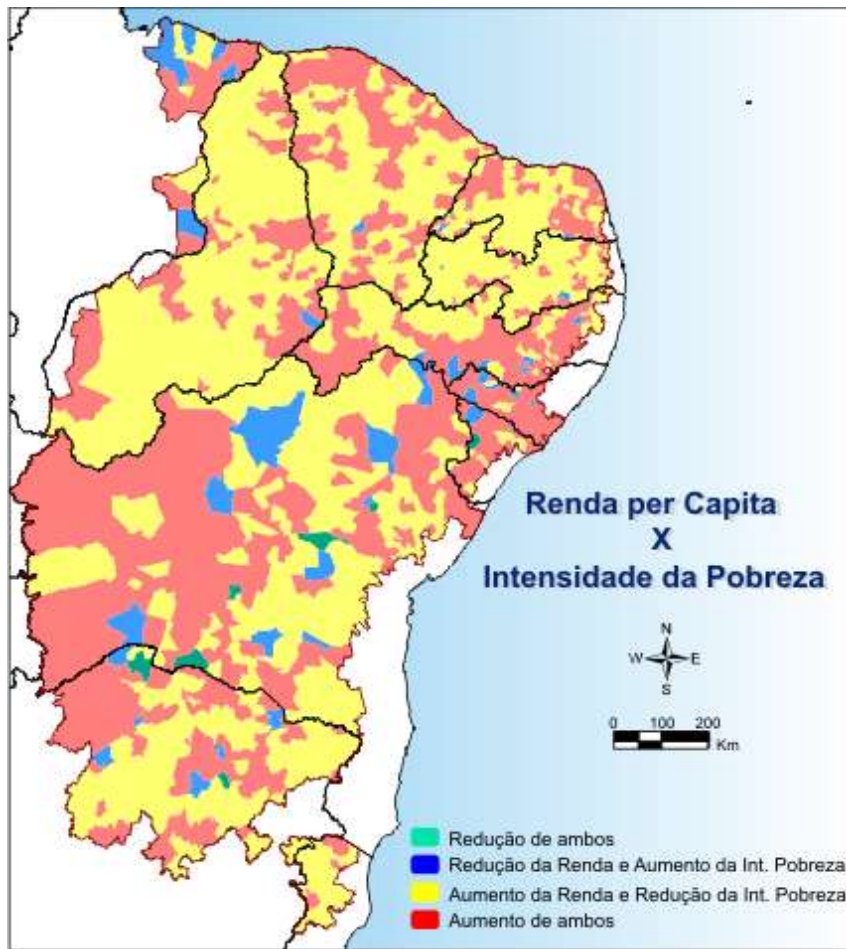
Our challenge



The landscape



Low income



Poverty



Inefficient energy use



No Sanitation



Desertification



Erosion



Climate problems



Our response



With 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

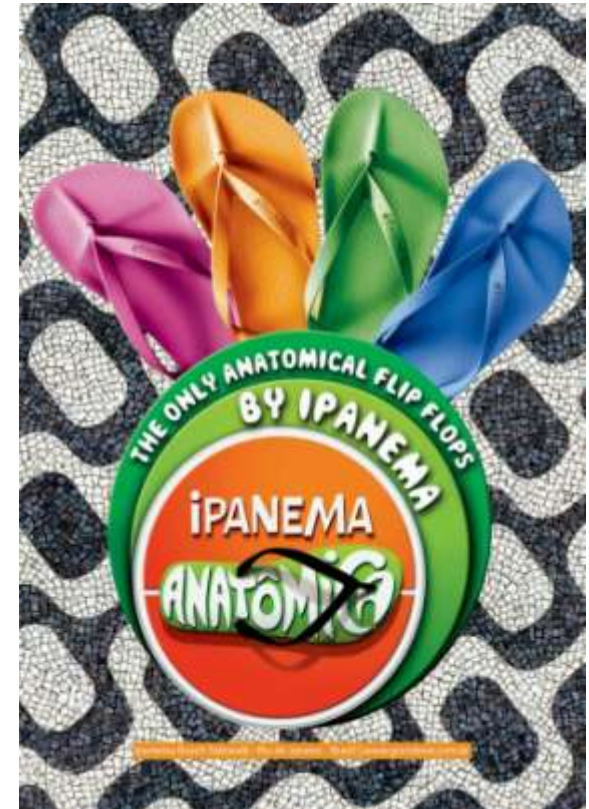


Training

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



Brazil's Footwear Sector

Profile

7,830 producers in 2007

300,000 direct employees

Production: 804 million pairs in 2008* (808 million pairs in 2007)

World's 3rd largest producer

Apparent consumption, Brazilian domestic market: 677 million pairs, and 3.9 pairs per capita, in 2008 (2007: 660 million pairs, 3.59 pairs per capita/year).

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

Sources:

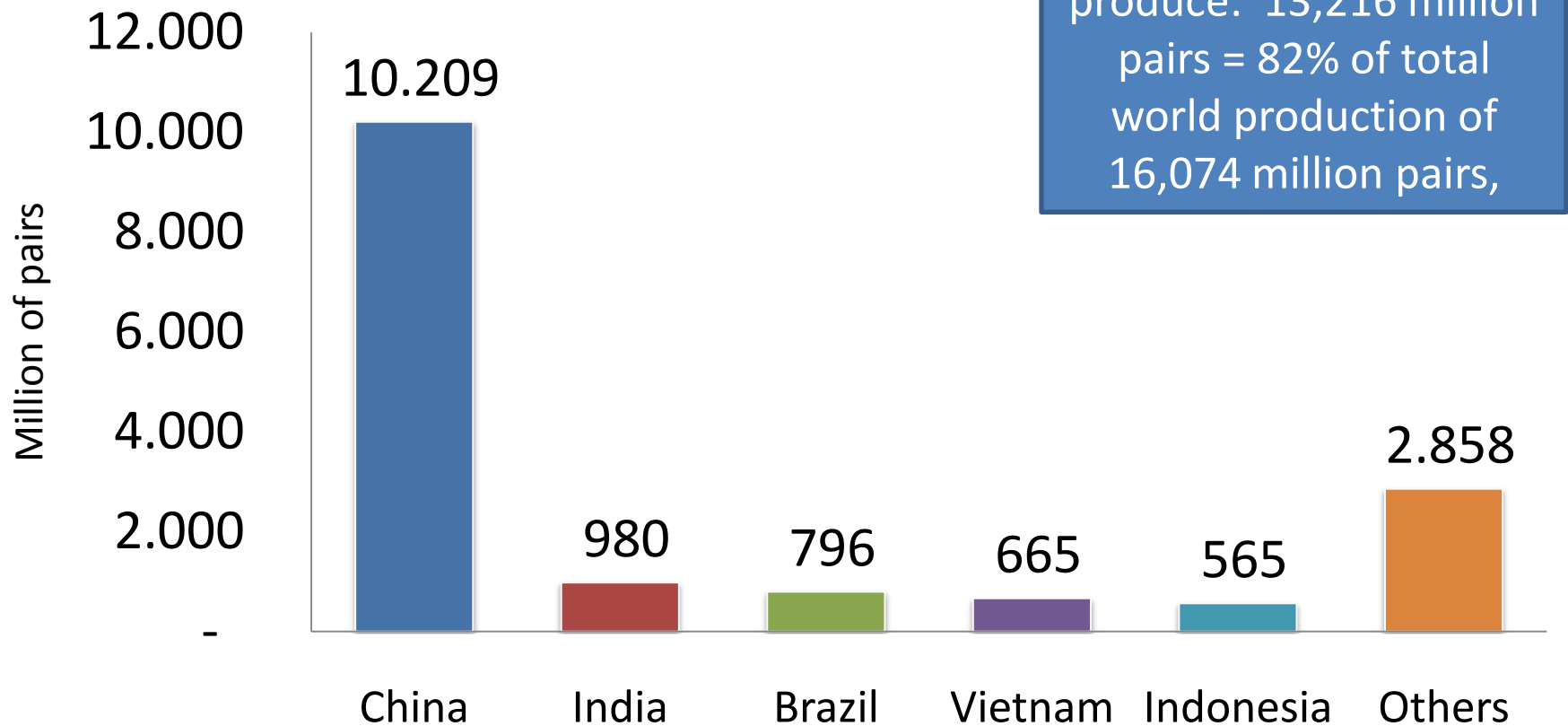
IEMI, Abicalçados, Secex, MDIC, Satra.

(*) 2008: estimate by IEMI (Industrial Studies and Marketing Institute).

The industry itself is not much more than 100 years old – companies are typically small and labor-intensive, with no entry barriers.

Footwear sector

2007



Source: Satra 2008

The footwear sector in Brazil

Million pairs	2005	2006	2007	2008	2009
Production	877	830	808	804*	N, Av,
Imports	17	19	29	39	30
Exports	190	180	177	166	126
Apparent consumption	704	669	660	677	N, Av,
Per capita consumption	3,84	3,61	3,52	3,49	N, Av,

N, Av, – Data not available / * Production estimated by IEMI – November

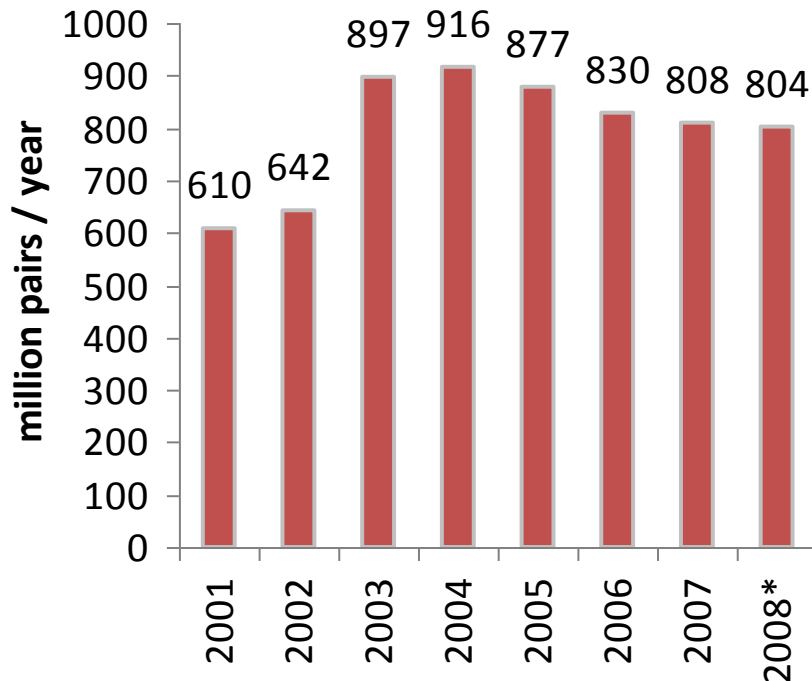
Source: MDIC / DECEX / IBGE / IEMI / Abicalçados

Consumption – 2007	Total	Per capita
USA	2,393	7,94
United Kindgom	451	7,42
Italy	387	6,65
France	417	6,55
Japan	707	5,55

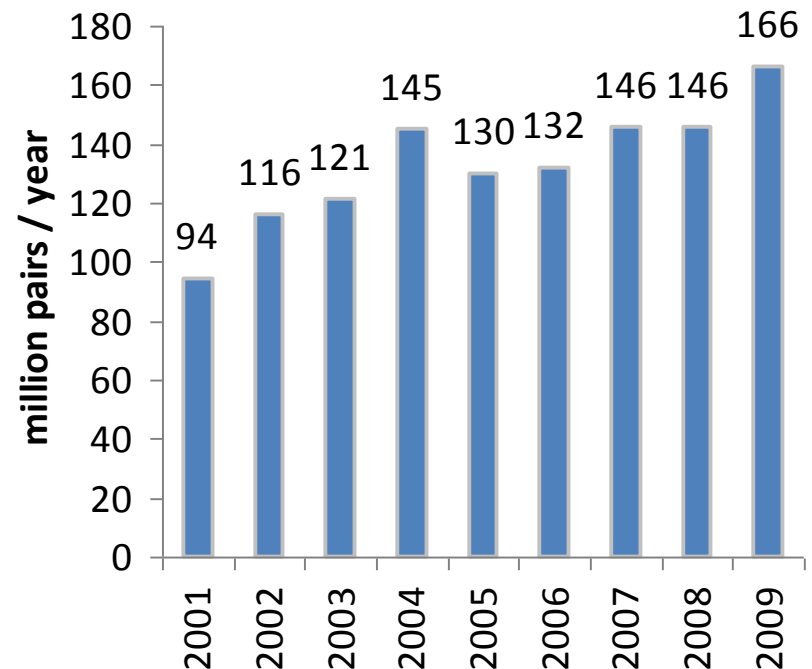
Source: Satra 2008 /
Abicalçados / U,S,
Census Bureau

Grendene vs, Brazilian footwear sector

Brazilian production
CAGR (2008/2001): 4.0%



Grendene
CAGR (2008/2001): 6.5%
CAGR (2009/2001): 7.4%



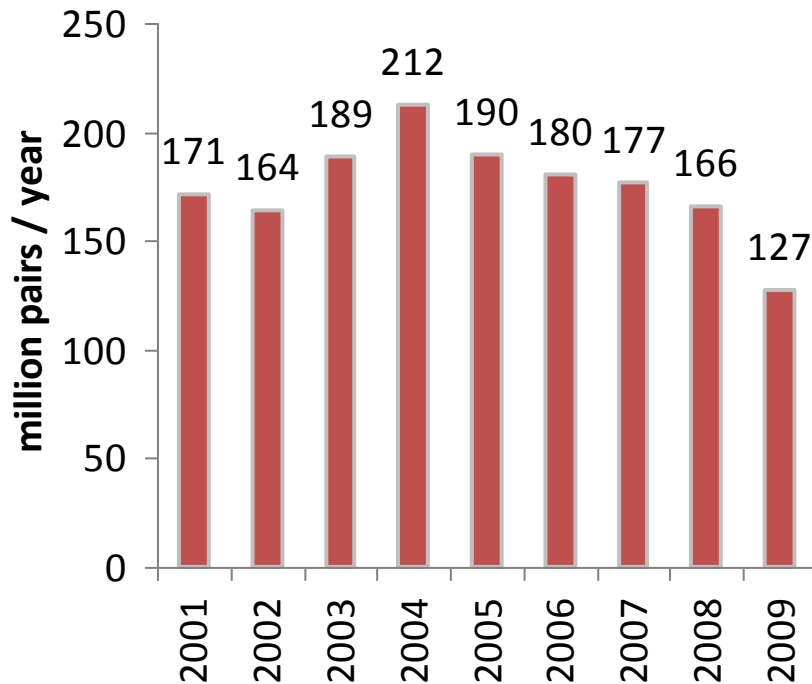
Source: IEMI / Abicalçados

* Production estimated by IEMI - Nov/2008

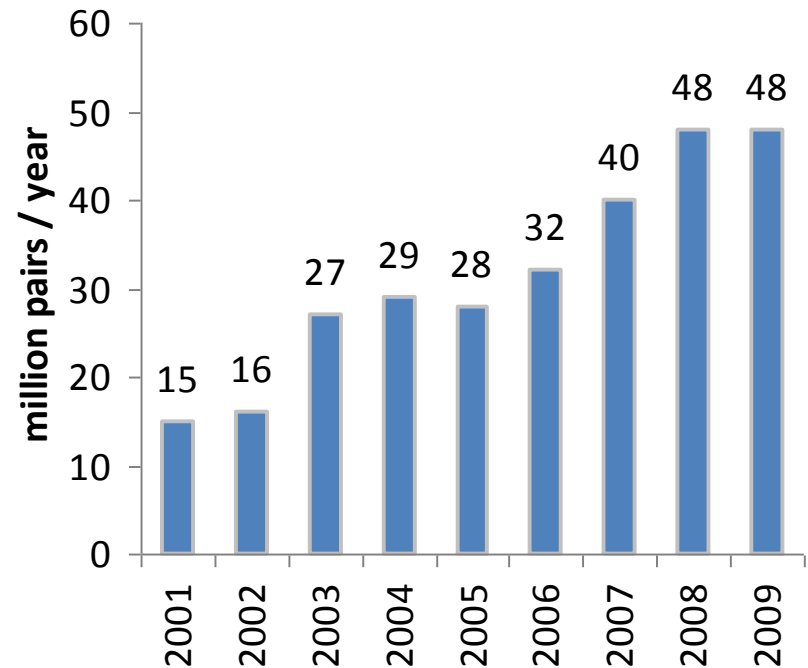
Grendene has grown faster than the Brazilian footwear industry,

Exports: Grendene vs, Brazil

Brazilian exports
CAGR: (3.7%)



Grendene
CAGR: 15.7%



Source: DECEX / MDIC / ABICALÇADOS

Grendene's exports were 38,1% of total Brazilian footwear exports in 2009, (28,9% in 2008)

Strategy: Break paradigms



Less labor-intensive

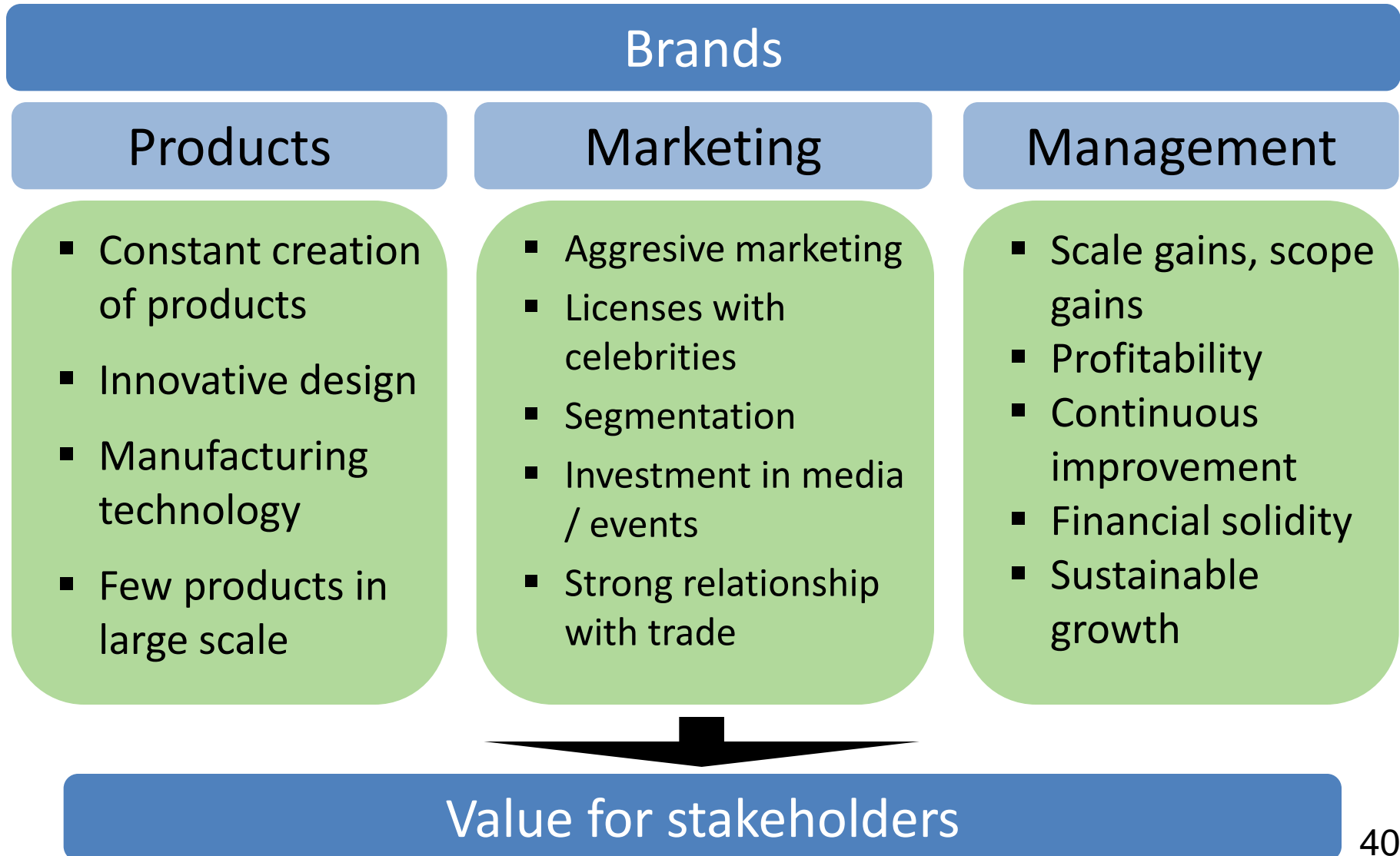
More capital-intensive

Higher entry barriers

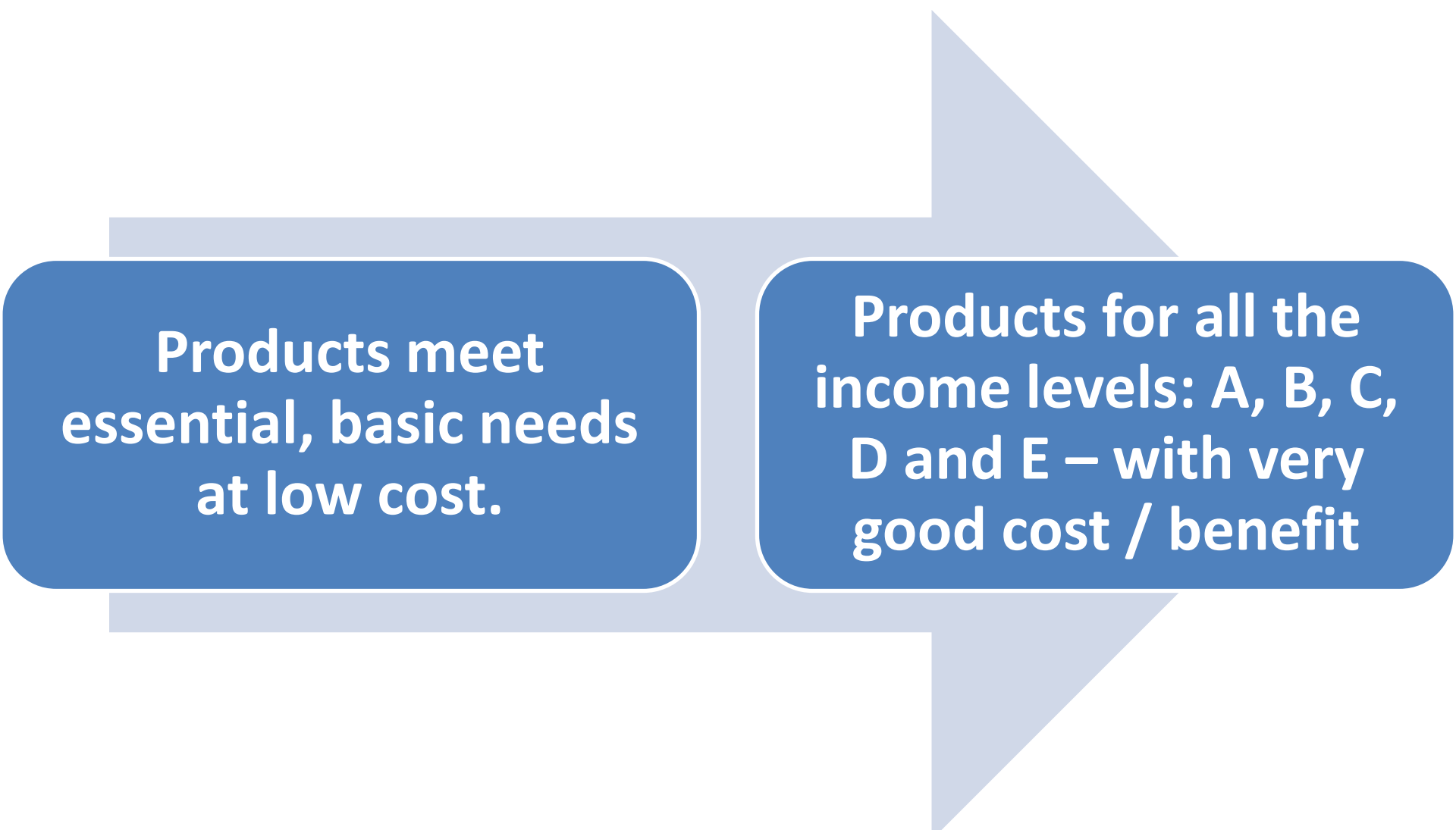
**Highly marketing-
intensive**

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



Produtos



**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 ET CIRCENSES



Melissa Marine



Melissa Royale



Melissa Loop



Melissa Ocean



Melissa Cirque



Melissa Troupe + Herchcovitch

melissa.
PLASTIC DREAMS



melissa.
PLASTIC DREAMS





2009

The **Rider** brand is undergoing transformations and returns to the market with a more contemporary vision.

A vibrant advertisement for the Rider brand. The background is a collage of urban and lifestyle elements: a person skydiving, a modern building, a woman with a shopping bag, a man running, a cable car, and a group of friends. The central focus is a pair of black and white Rider flip-flops. A large, stylized 'X' is on the left, and a large arrow points right on the right. The text 'Um caminho pode ser vivido em metros, minutos ou dias. Ou pela intensidade com que você curte cada uma dessas unidades.' is at the bottom left. The Rider logo and 'enjoy the ride' are at the bottom right.

Um caminho pode ser vivido
em metros, minutos ou dias.
Ou pela intensidade com que
você curte cada uma dessas unidades.

rider
enjoy the ride

The brand invites active and relaxed young males to enjoy life to the full.

rider
enjoy the ride



Rider R3 Ad



Rider RS2 Ad



Rider RS3 Ad

Ipanema®

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



Grendene®



Ipanema. A segunda marca
de maior sucesso na praia.
Só fica atrás da sua
marquinha de biquíni.

IPANEMA

Seus pais nunca iriam entender tanta festa e pegação.
Por isso, existe a palavra "intercâmbio".

Ilhabela Tour Ad

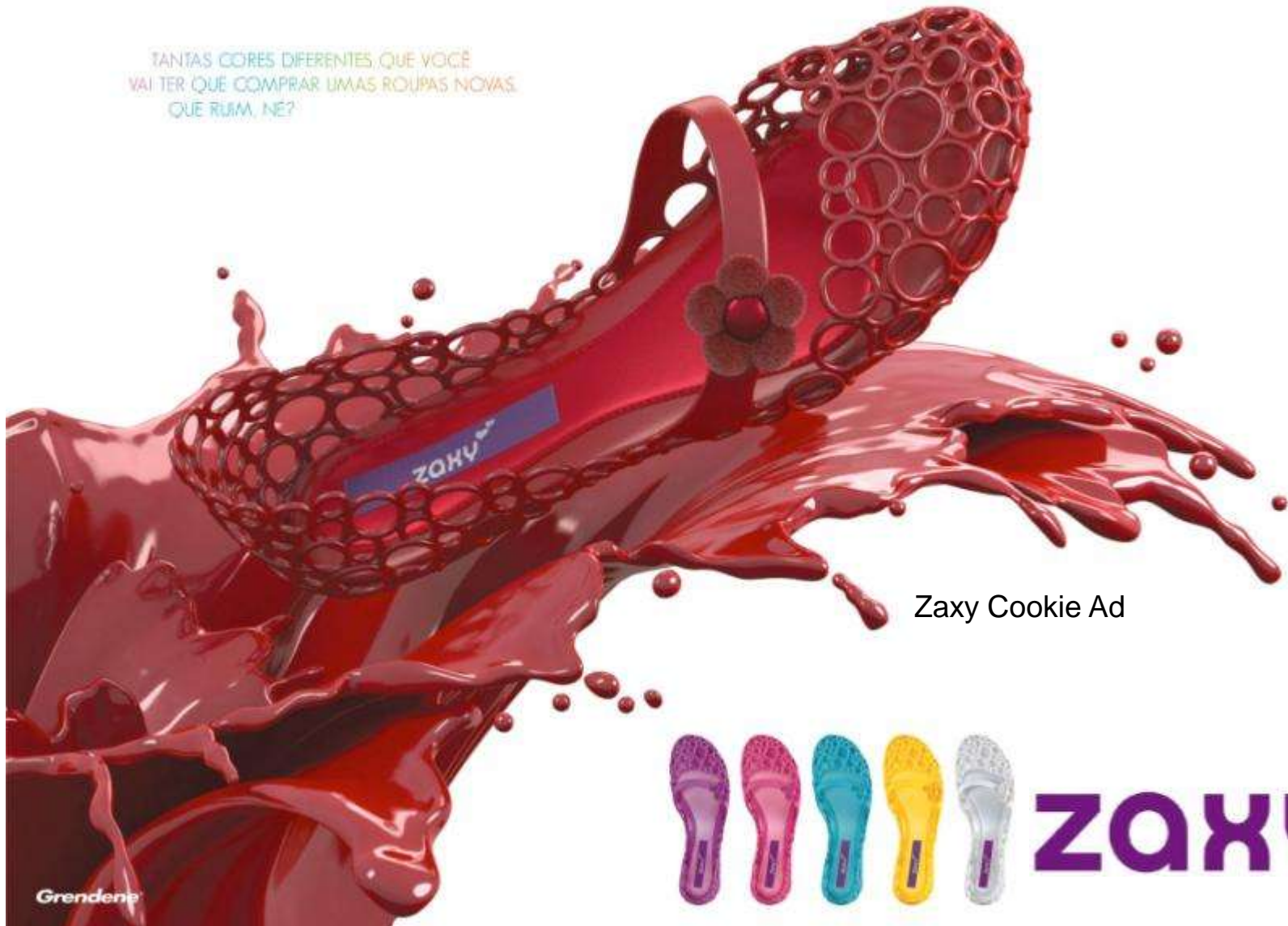
Ilhabela Trip Ad



Grendene®

www.zaxy.com.br

TANTAS CORES DIFERENTES, QUE VOCÊ
VAI TER QUE COMPRAR UMAS ROUPAS NOVAS.
QUE RUA, NÉ?



Zaxy Cookie Ad



zaxy 

Grendene

Grendene®



Ben 10 Ominitrix II Inf



Barbie Fashion Inf



Disney Sininho Gold Inf



Guga K. Power Games Sand Inf

Grendene® kids



Barbie Vintage Baby



Disney Princesas Pérola Baby



Hot Wheels Urban Baby



Homem Aranha Effect Baby

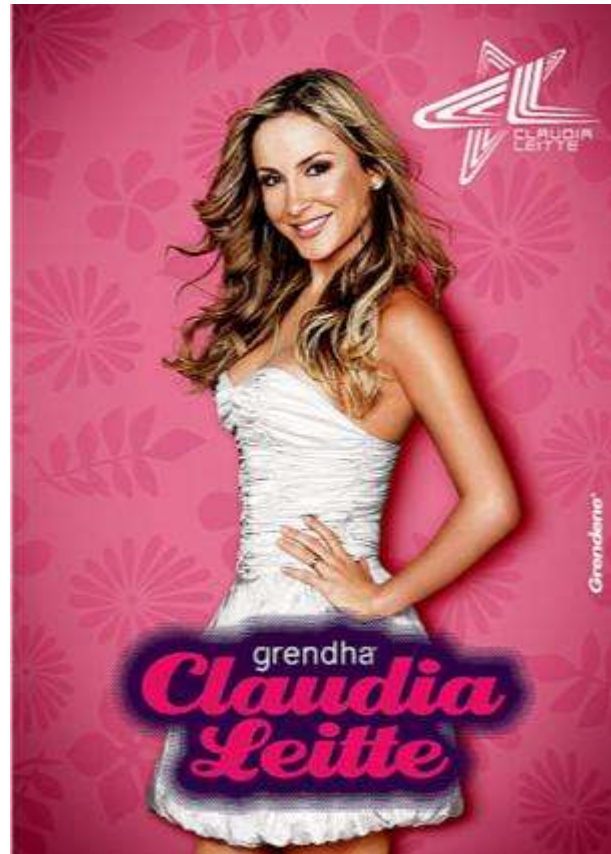
Main Licenses



Celebrities



FLÁVIA ALESSANDRA



CLAUDIA LEITE

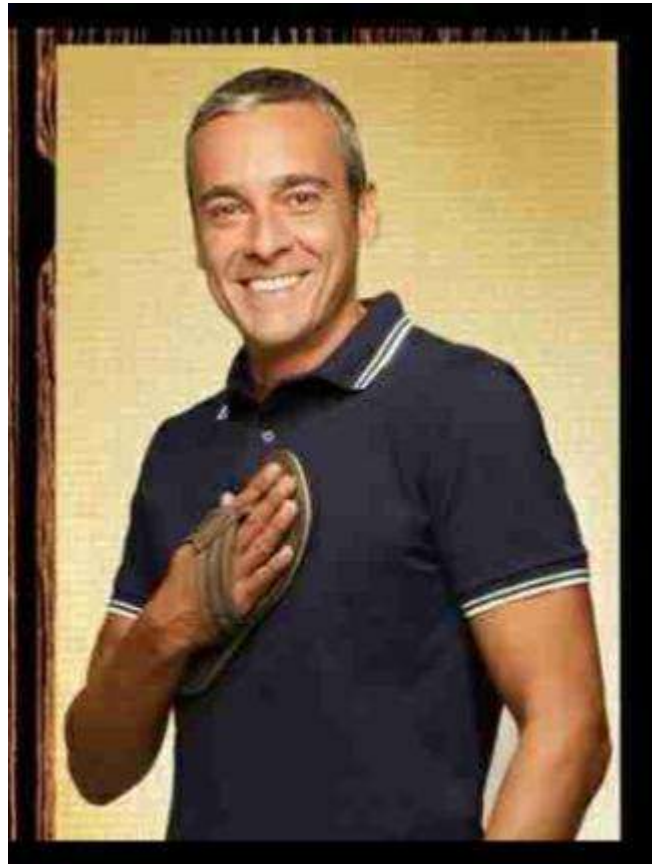


ANA HICKMANN

Celebrities



IVETE SANGALO



ALEXANDRE BORGES



GISELE BÜNDCHEN

International sales channels



Urban Outfitters - Londres



Jean Pierre Buá - Barcelona

International sales channels



Fred Segal - Los Angeles



El Corte Inglés - Espanha

Galeria Melissa – Concept Store



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Rua Oscar Freire, 827, São Paulo, SP

Results (in IFRS)



Main financial and economic indicators

R\$ million	2008	2009	Change , 08-09
Net sales revenue (1)	1,324,6	1,545,2	16,7%
Net income	239,4	272,2	13,7%

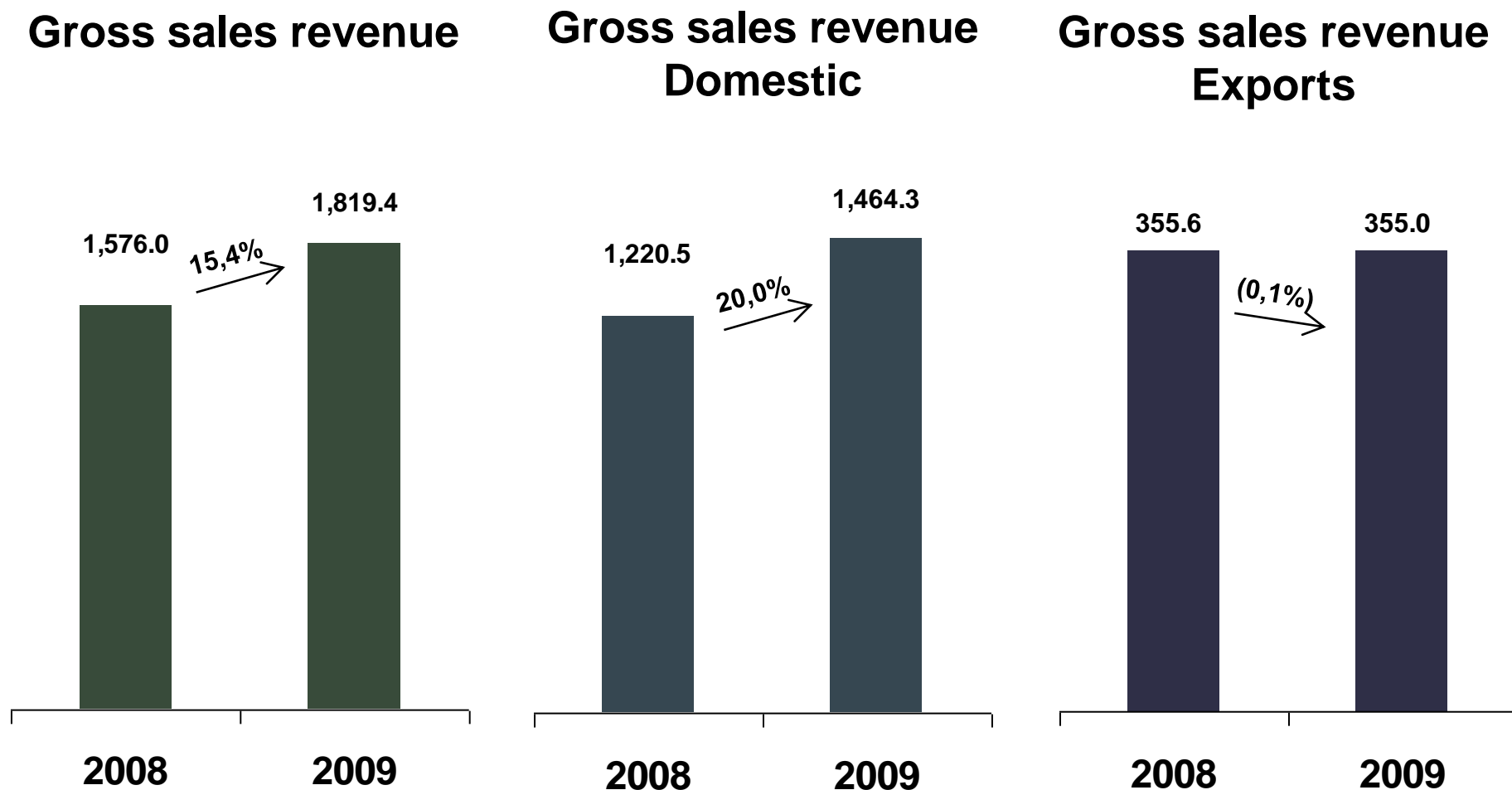
Note (1): The difference between Net revenue presented in this report and that presented in the Financial Statements refers to the reclassification of discounts for punctual payment granted to clients, In Brazilian GAAP these are recognized as a financial expense, while under IFRS they are recognized as a reduction of sales, in accordance with the International Financial Reporting Interpretations Committee, We have maintained the presentation according to BRGAAP for the purposes of comparability,

Margins %	2008	2009	Change 08-09, bp
Gross	44,8%	42,4%	(240 bp)
EBIT	12,2%	9,8%	(240 bp)
EBITDA	14,1%	11,5%	(260 bp)
Net	18,1%	17,6%	(50 bp)

Share	2008	2009
Profit per share R\$	0,80	0,91
Share price (31/12) R\$	4,23	9,95
Book value per share R\$	4,39	4,88
Market cap (R\$ 1,000)	1,270,000	2,985,000

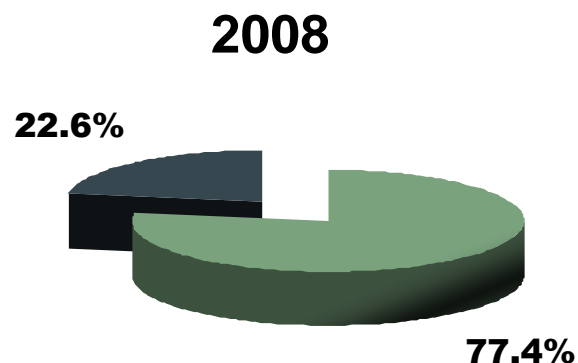


Gross sales revenue (IFRS) (R\$ million)

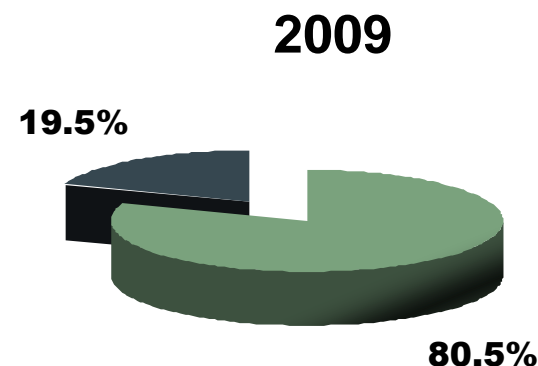


Market (%)

Gross sales revenue

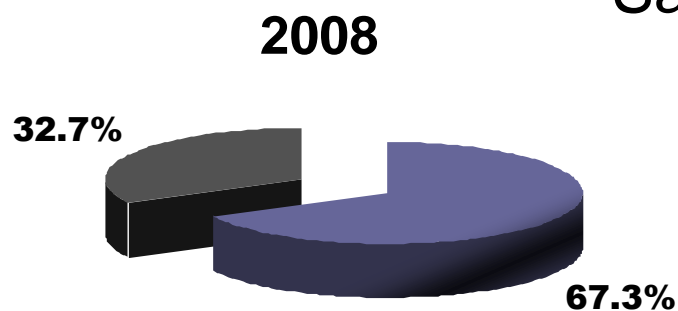


■ Domestic market ■ Exports

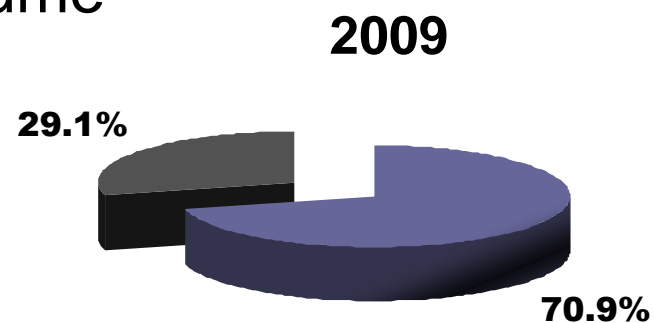


■ Domestic market ■ Exports

Sales volume



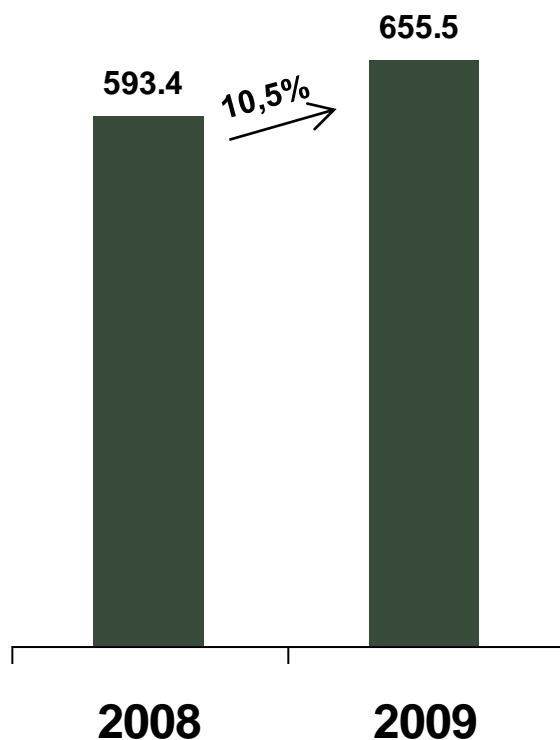
■ Domestic market ■ Exports



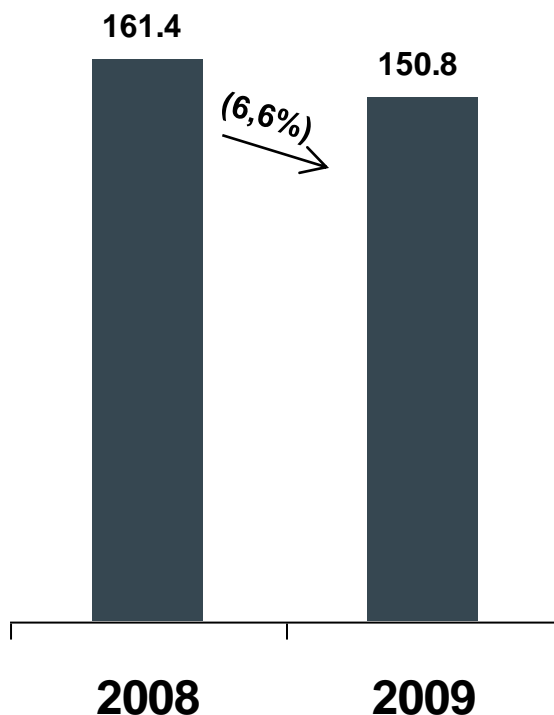
■ Domestic market ■ Exports

Results (IFRS) (R\$ million)

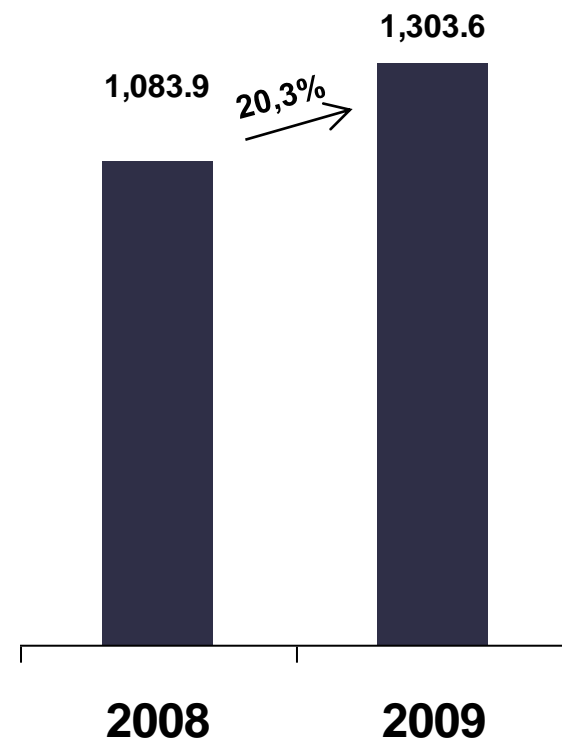
Gross profit



EBIT

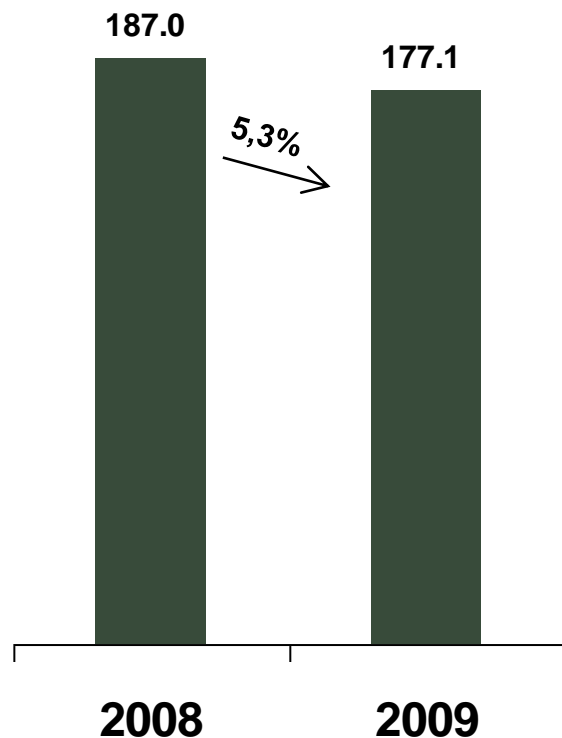


Cost of sales + Operating expenses

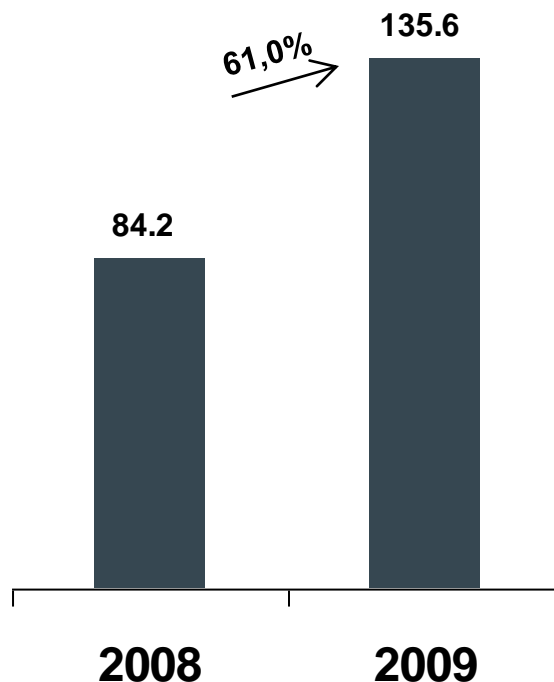


Results (IFRS) (R\$ million)

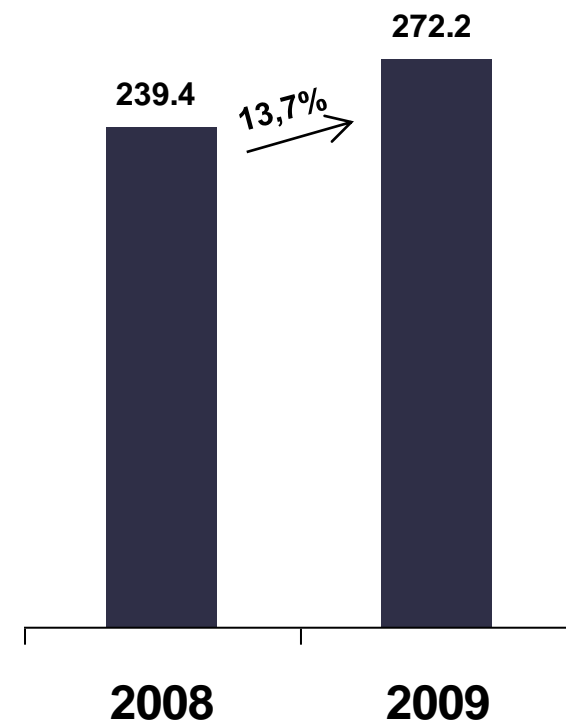
EBITDA



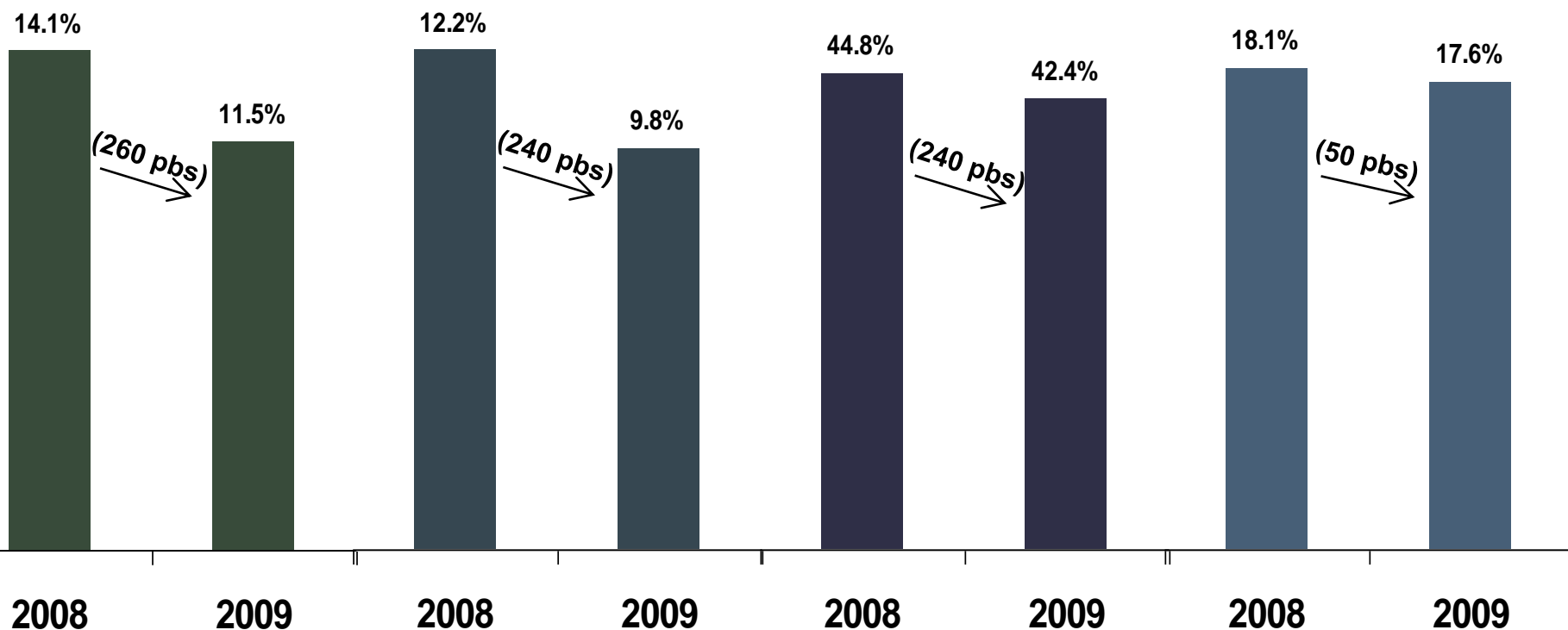
Financial result (without clients discounts)



Net income

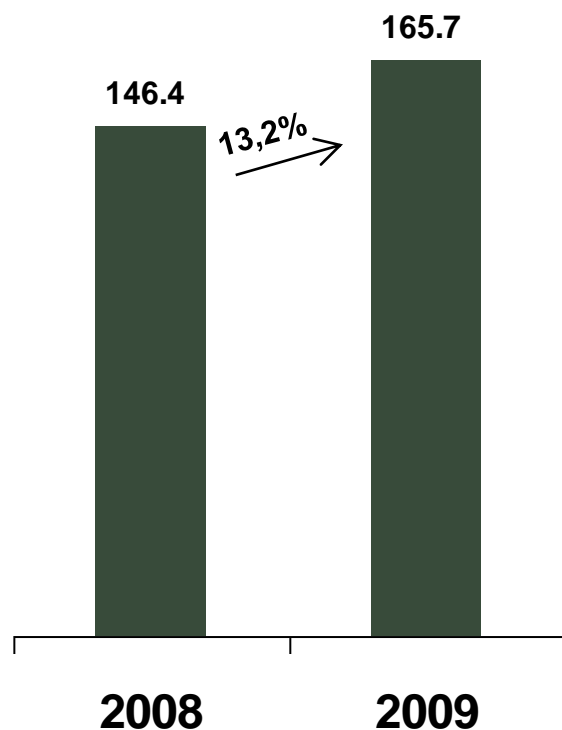


Margins (%)

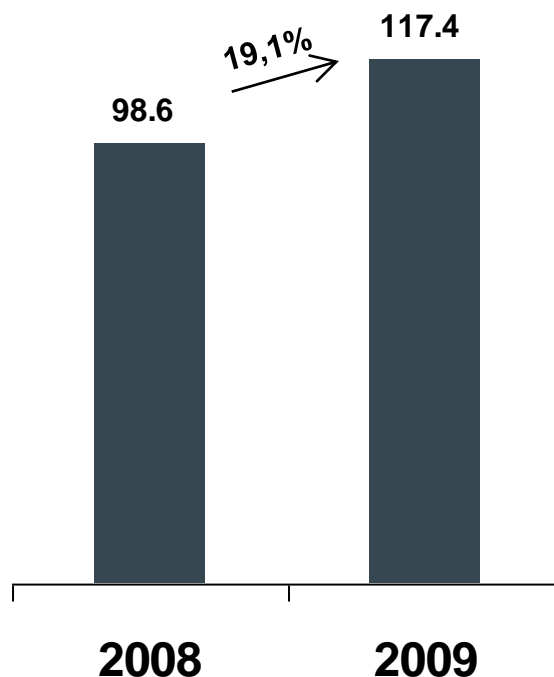
EBITDA margin**EBIT margin****Gross margin****Net margin**

Sales volume (Million pairs)

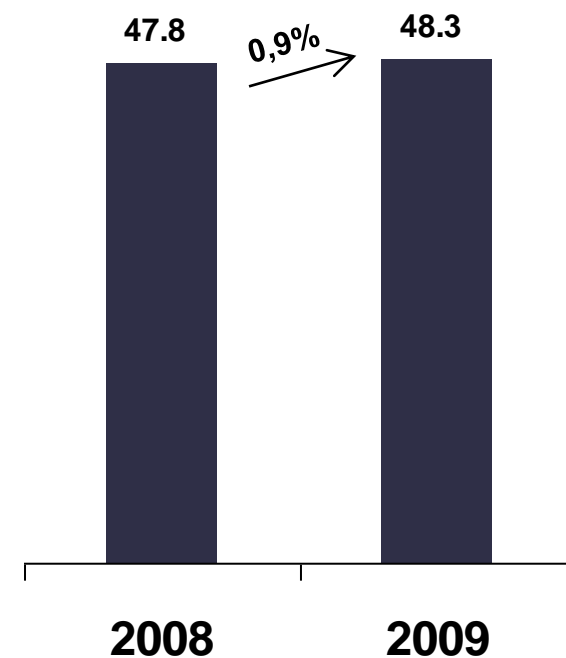
Sales volume



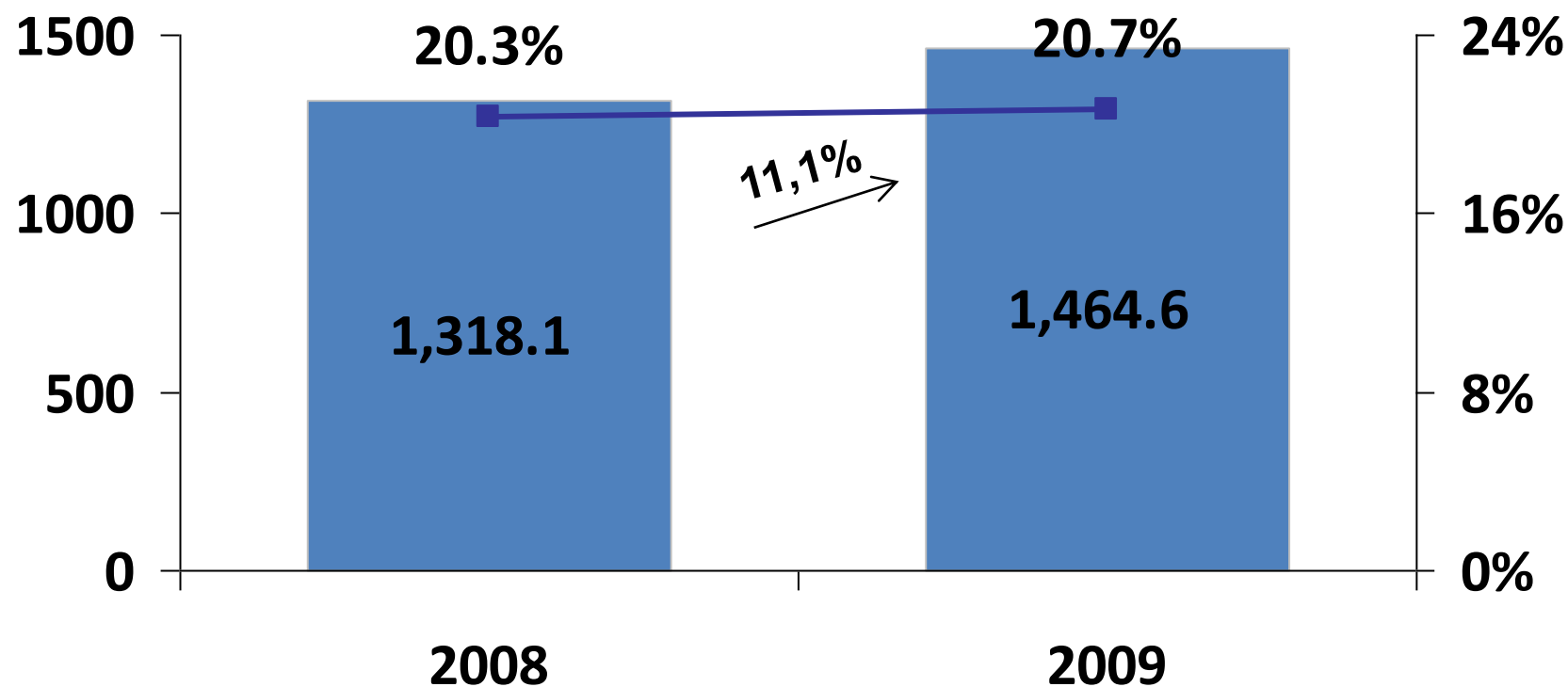
Sales volume Domestic



Sales volume Exports



Shareholder's equity and return on equity



■ Shareholder's equity (R\$ million) ■ Return on equity (%)

Operational result (IFRS)

(R\$ '000)

	2008	% V	2009	%V	%H	Marginal	%V
Domestic market	1,220,482	92.1%	1,464,338	94.8%	20.0%	243,856	110.5%
Exports	355,553	26.8%	355,024	23.0%	(0.1%)	(529)	(0.2%)
Gross sales revenue	1,576,035	119.0%	1,819,362	117.7%	15.4%	243,327	110.3%
Sales deduction	(251,424)	(19.0%)	(274,140)	(17.7%)	9.0%	(22,716)	(10.3%)
Net sales revenue (1)	1,324,611	100.0%	1,545,222	100.0%	16.7%	220,611	100.0%
Cost of sales	(731,193)	(55.2%)	(889,711)	(57.6%)	21.7%	(158,518)	(71.9%)
Gross profit	593,418	44.8%	655,511	42.4%	10.5%	62,093	28.1%
Operating income (expenses)							
Selling expenses	(306,442)	(23.1%)	(356,275)	(23.1%)	16.3%	(49,833)	(22.6%)
General and administrative expenses	(49,667)	(3.7%)	(57,854)	(3.7%)	16.5%	(8,187)	(3.7%)
Equity pick-up	(66)	0.0%	0	0.0%	0.0%	66	0.0%
Management fees	(1,123)	(0.1%)	(1,123)	(0.1%)	0.0%	0	0.0%
Other operating income	11,328	0.9%	3,200	0.2%	(71.8%)	(8,128)	(3.7%)
Other operating expenses	(6,823)	(0.5%)	(1,810)	(0.1%)	(73.5%)	5,013	2.3%
Operating result before financial revenue (expenses)	240,625	18.2%	241,649	15.6%	0.4%	1,024	0.5%
Clients discounts	(74,748)	(5.6%)	(89,465)	(5.8%)	19.7%	(14,717)	(6.7%)
EBIT	161,372	12.2%	150,794	9.8%	(6.6%)	(10,578)	(4.8%)

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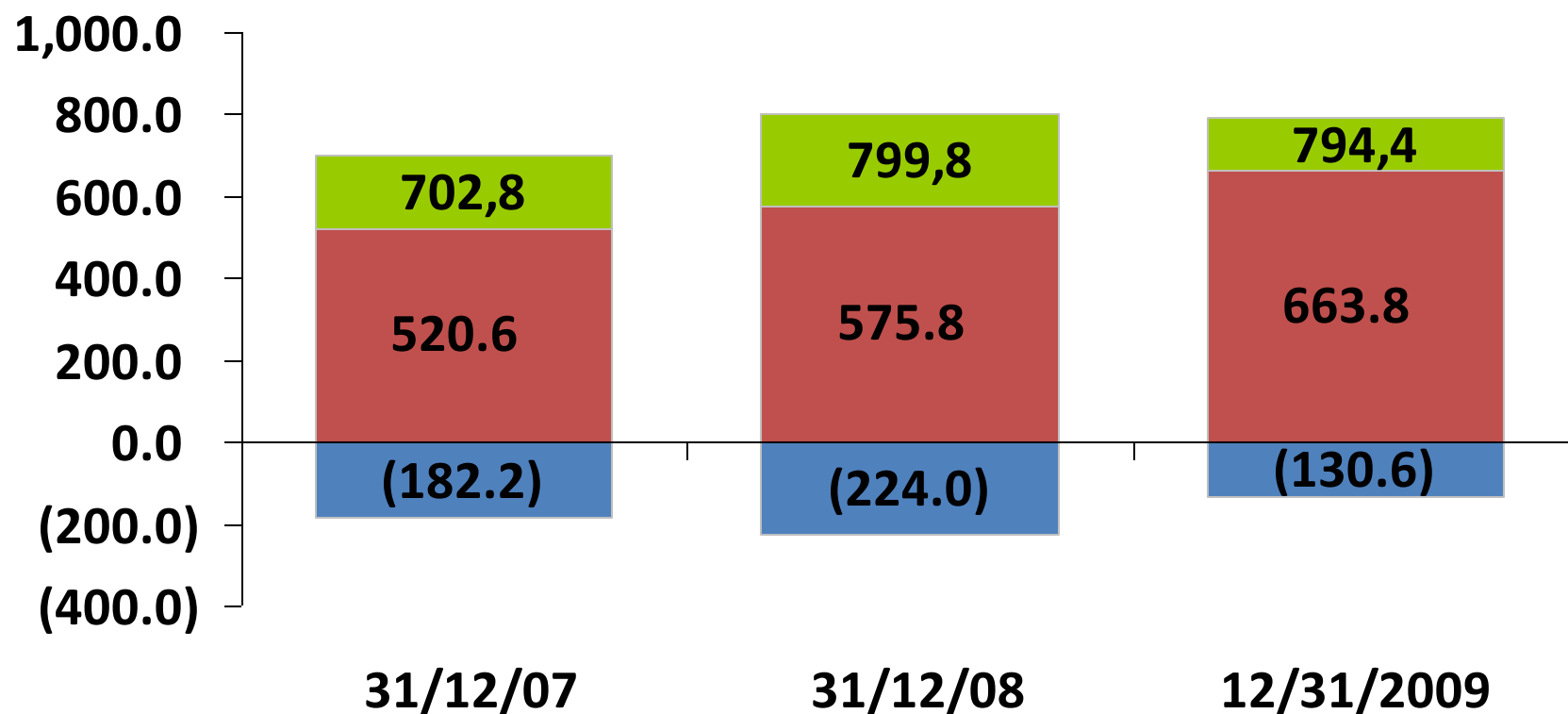
Net cash, dividends & Capex



Ana Hickmann
grendha

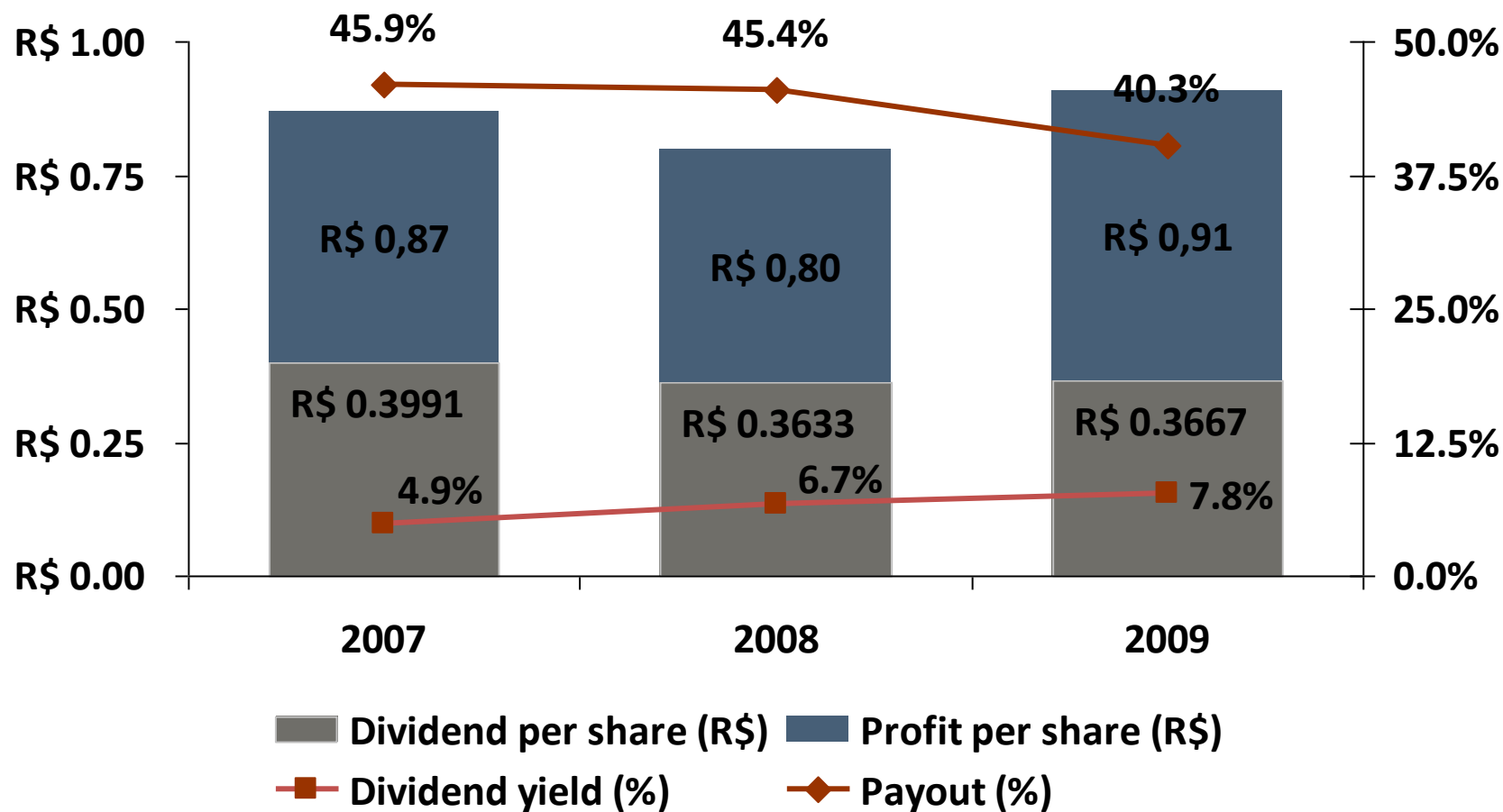
Net cash, debt and cash and cash equivalents

■ Debt ■ Net Cash ■ Cash and cash equivalents

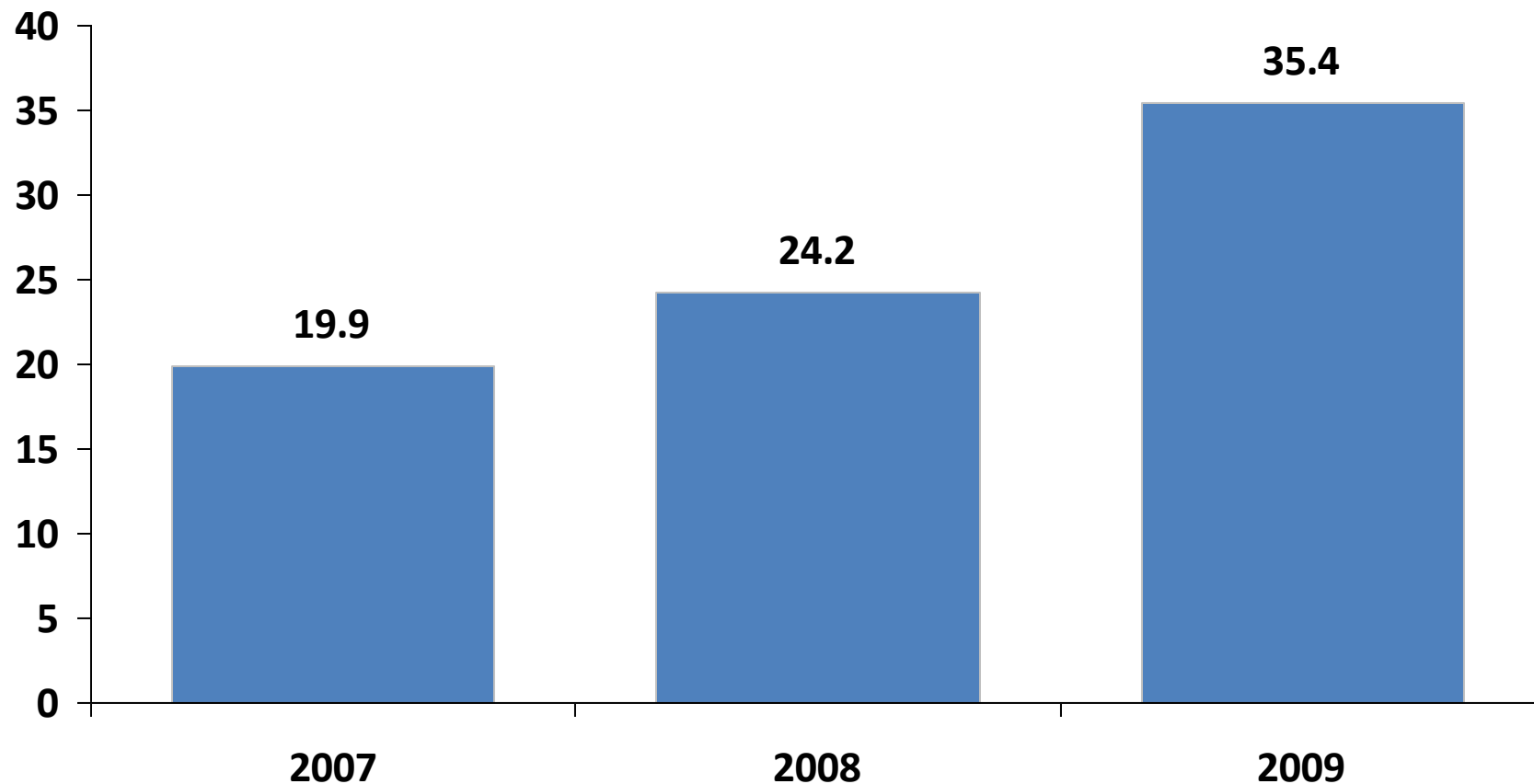


Strong cash flow

Dividends



Low need for CAPEX (R\$ million)



Outlook

- **Galeria Melissa** (the brand's concept store): In the **next two years** Grendene **will open** *Galeria Melissa* in **New York, Paris** and **Tokyo**;
- **Expansion** of the production capacity of **our plants**.



Guidance

Targets for 2009 - 2013

Gross revenue – CAGR: 8% - 12% over the next 5 years.

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

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



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!

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