



GRENDENE

APIMEC meeting | August 2009

# 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
Human resources
Footwear sector
Strategy
Sales
Marketing
Results
Guidance

# Timeline

1971		1979	
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 the first plastic sandal, under the brand name <i>Nuar</i> . At the same year a collection of plastic sandals under the brand name <b><i>Melissa</i></b> .  Beginning of the Grendene's exports.	The mold-making operation was started in Carlos Barbosa, Rio Grande do Sul, to produce moulds for the manufacture of plastic shoes.
	1976		1980

# Timeline

1983		1986	
<p>The successful collaboration between <b><i>Melissa</i></b> and greatest designers in the world started that year, with the creations by Jean-Paul Gaultier, Thierry Mugler, Jacqueline Jacobson e Elisabeth De Seneville.</p>	<p>Grendene won over girl's feet when <b><i>Melissinha</i></b> was launched. From then onwards, the company's kid's line has never ceased to expand.</p>	<p>Launch of the <b><i>Rider</i></b> sandals line, a new generation of footwear with differentiated design and comfort targeted for the masculine public.</p>	<p>The first factory was established in the State of Ceará, now with production capacity for 5 million pairs/year.</p>
	1984		1990

# Timeline

1993		1996	
Also in Ceará, the plant at Sobral was inaugurated.	Launch of the <b>Grendha</b> product line, targeting the feminine public.	<b>Melissa</b> innovates once again and brings top model <i>Claudia Schiffer</i> to Brazil to promote the brand's new products.	The third unit located in the State of Ceará starts operating in the city of Crato.
	1994		1997

# Timeline

1998		2002	
Grendene creates a division dedicated only to the <b>Melissa</b> brand name.	Launch of the <b>Ipanema</b> line of flip-flops and full sandals..	Partnership with top model Gisele Bündchen for launch of products line.	Grendene started having common shares negotiated at the Novo Mercado of the São Paulo Stock Exchange.  <b>Melissa's</b> 25th anniversary was celebrated with an exhibit at the Museum of Modern Art in Rio de Janeiro named Plasticorama.
	2001		2004

# Timeline

2005		2008
<p>Opening of <b>Galeria Melissa</b> in São Paulo.</p> <p>Launch of <b>Ilhabela</b> brand.</p>	<p><b>Galeria Melissa's</b> celebrated the 2nd anniversary, as a conceptual design, fashion and arts store, in São Paulo.</p> <p><b>MHL Calçados</b>, a Grendene's subsidiary, <b>startup in Teixeira de Freitas, State of Bahia.</b></p>	<p>Launch of the <b>Ipanema G2B</b> collection, in Berlin;</p> <p>Grendene was <b>champion of the textile, leather and apparel sector</b> ranking in the Melhores survey by <i>Dinheiro magazine</i>, in 2008;</p> <p><b>Grendene</b> remained in 1st place in the footwear sector, in the 11th annual "<b>Most admired companies of Brazil</b>" survey, for 2008, by <i>Carta Capital/Interscience</i> magazine.</p> <p>Partnership between <b>Melissa and the architect Zaha Hadid</b> to create a limited edition shoe.</p> <p>Launch of <b>Zaxy</b> and <b>Ipanema RJ</b> brands.</p>
	2007	

# Timeline

## 2009

Launch of *Plastic Dreams* magazine (Melissa Magazine);

Launch of the *Ipanema GB Seeds*, in Madri.

Launch of the **Melissa+Zaha Hadid**, in the '*10 Corso Como*' store.

**Dividend policy** – Grendene will distribute dividends quarterly.

Adoption of IFRS.

Grendene is honored with the “**FGV Business Excellence**” award as best company in the leather and footwear sector.

# Highlights

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

Production capacity: 190 million pairs/year

Average production: 500,000 pairs/day

Active employees: 20,000

New products in 2008: 662

World presence: more than 90 countries

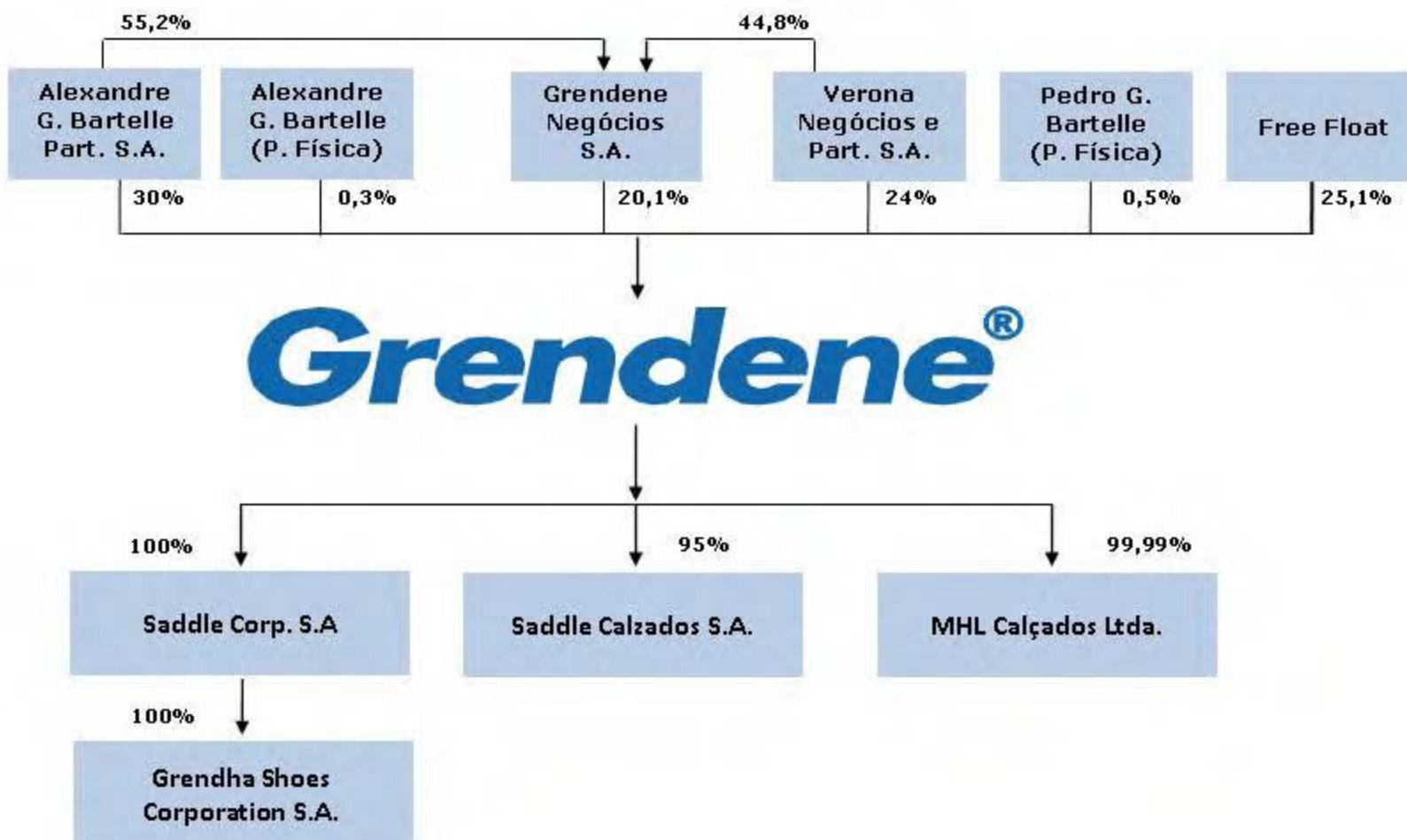
Brands with strong personality

Innovation in product, distribution and media

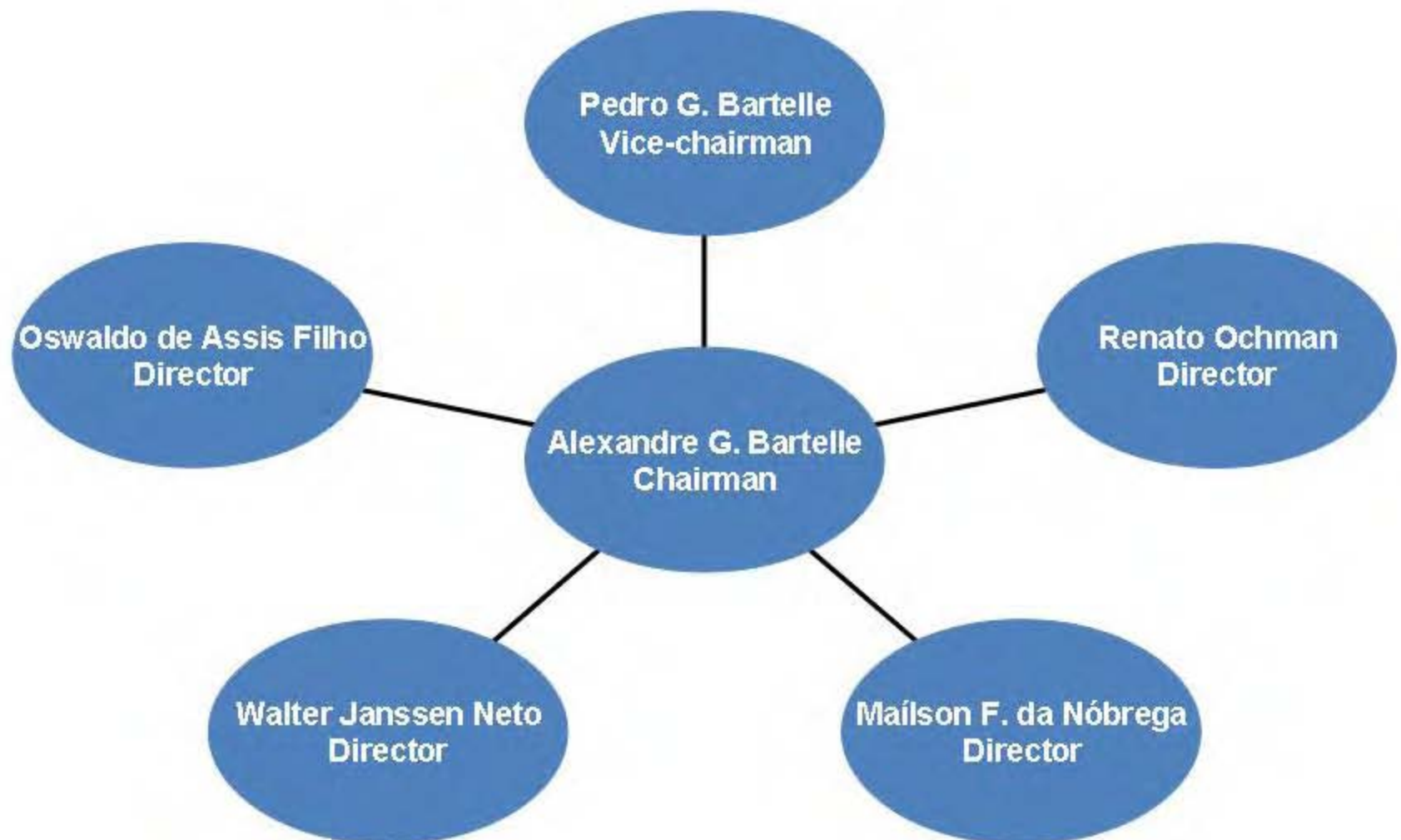
Listed on São Paulo's *Novo Mercado*; free float 25%

Solid capital structure, strong cash flow

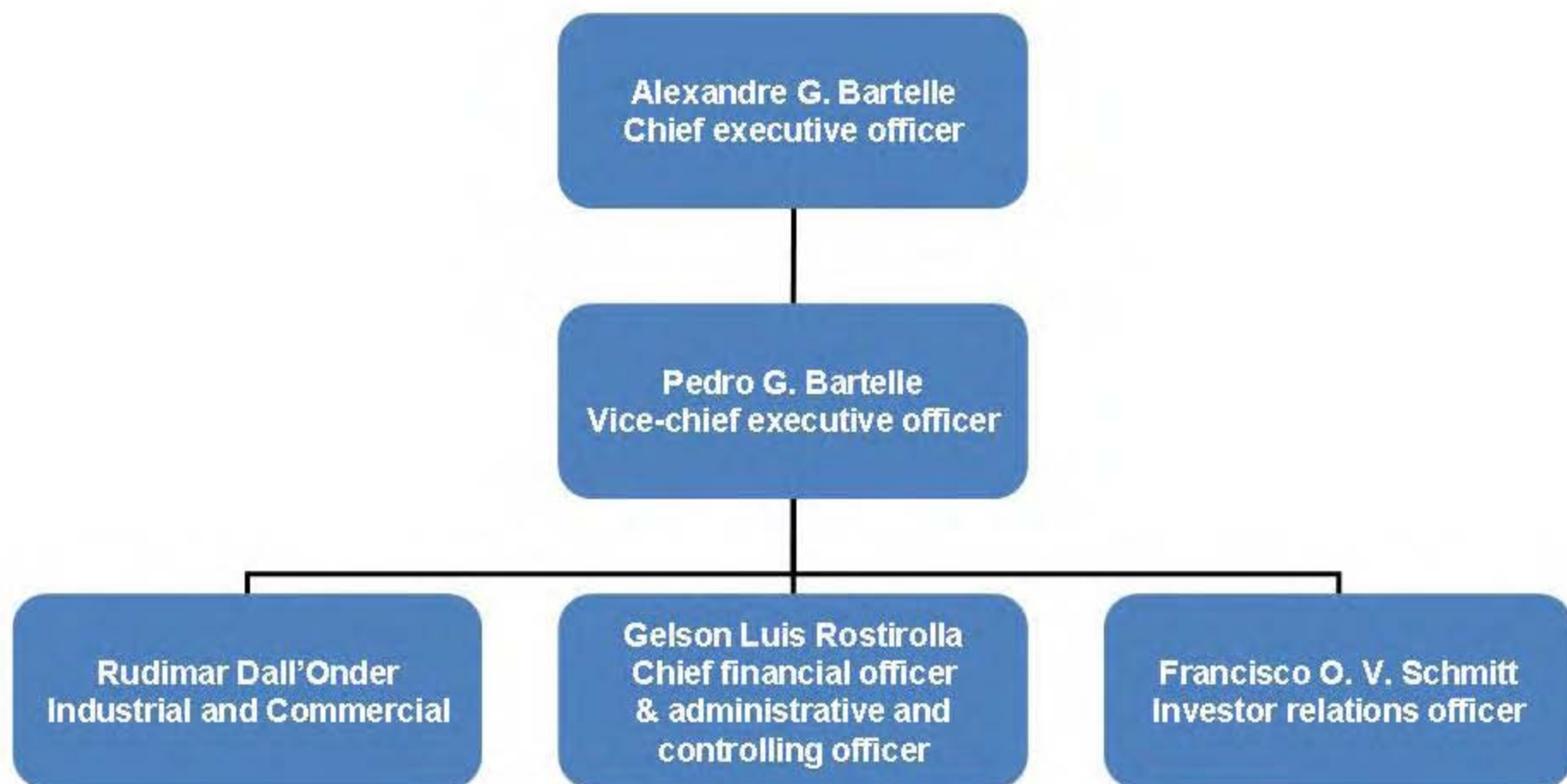
# Shareholder structure



# 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: 190,000,000 pairs / year

# Productive process

## Raw material & suppliers

- Main raw materials:  
PVC resin, plasticizing oils  
and coverline;
- Main suppliers:  
Grendene's production scale  
allows it to survey suppliers  
the world over;
- The raw material is 100% recyclable;
- According to the PVC institute:  
"PVC is not a plastic like other plastics.  
It is the only plastic material that is not 100% derived from oil. PVC resin  
contains, in weight, 57% of chloride (derived from sodium chloride –  
cooking salt) and 43% ethene (derived from oil, coal or natural gas).



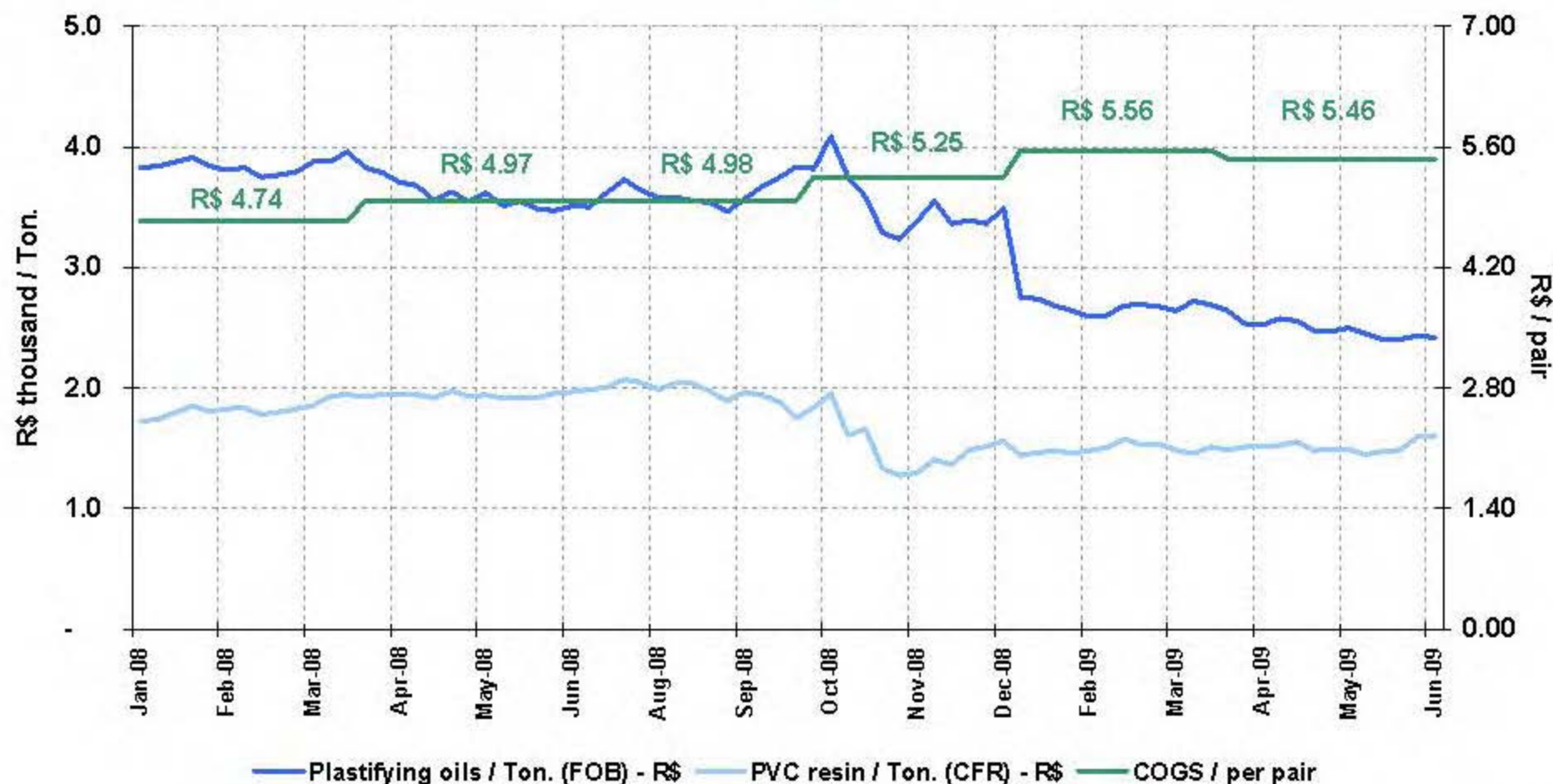
# Productive process



- Research & development of new products and materials;
- In-house technology for plastic injection and production of moulds;
- Grendene's production process is differentiated with automated production of shoes, in which the upper and the other components of the shoe are founded to the outsole during the injection process;
- Grendene uses its own, exclusive technology in integrated, fast and accurate verticalized injected thermoplastic shoe production.

# Costs behavior

Sales volume (1,000 pairs)	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09
	38,083	26,743	39,109	42,471	34,359	33,542



Sources: ICIS-LOR petrochemicals prices (Asian spot) converted into Reais, and Grendene quarterly data.

# Costs depends of the demand too

In the following historical series, we highlight the evolution of the main PVC resin markets (data in percentages)\*:

	1999	2000	2001	2002	2003	2004	2005	2006	2007	
Pipes & fittings	52.2	52.5	51.0	51.2	46.4	44.4	43.3	44.2	44.2	(1)
Packaging (films and vials)	8.4	8.5	9.0	5.0	4.5	5.1	6.6	5.7	4.7	
Sections for civil construction	8.1	8.8	10.5	10.0	11.9	12.3	13.1	14.0	15.7	(1)
Laminates and coatings	10.9	11.8	12.0	13.1	14.7	16.0	16.5	16.2	16.2	
Footwear	6.3	5.8	5.5	7.2	7.9	8.4	7.1	7.8	6.2	
Wires & cables	7.6	7.8	7.5	7.3	6.7	5.5	5.3	4.7	5.9	
Hoses	--	--	--	--	--	--	3.1	2.6	2.1	
Others	6.5	4.8	4.5	6.2	7.9	8.3	5.2	4.8	5.0	
Total	100	100	100	100	100	100	100	100	100	
Application evolution in civil construction**	68.8	70.1	70.1	69.7	66.5	64.1	63.5	64.9	67.6	

The consumption of the footwear sector represents only 6.2% of the total PVC markets.  
The main demand is determined by civil construction<sup>(1)</sup> (67.6%).

\* The PVC market segmentation is based on internal demand information.

\*\* Criteria:

a) Wire & cables, approximately 90% destined to civil construction.

b) Laminates and coatings, approximately 15% destined to civil construction.

Source: Braskem and Solvay Indupa, PVC resin manufactures in Brazil.

# Footwear sector



# Footwear sector

## Brazil's footwear sector

7,830 **producers** in 2007

**300,000 direct employees**

**Production:** 760 million pairs in 2008\* (808 million pairs in 2007)

World's 3<sup>rd</sup> largest producer

**Apparent consumption, Brazilian domestic market:** 634 million pairs and 3.3 pairs per capita/year in 2008 (660 million pairs and 3.5 pairs per capita/year in 2007)

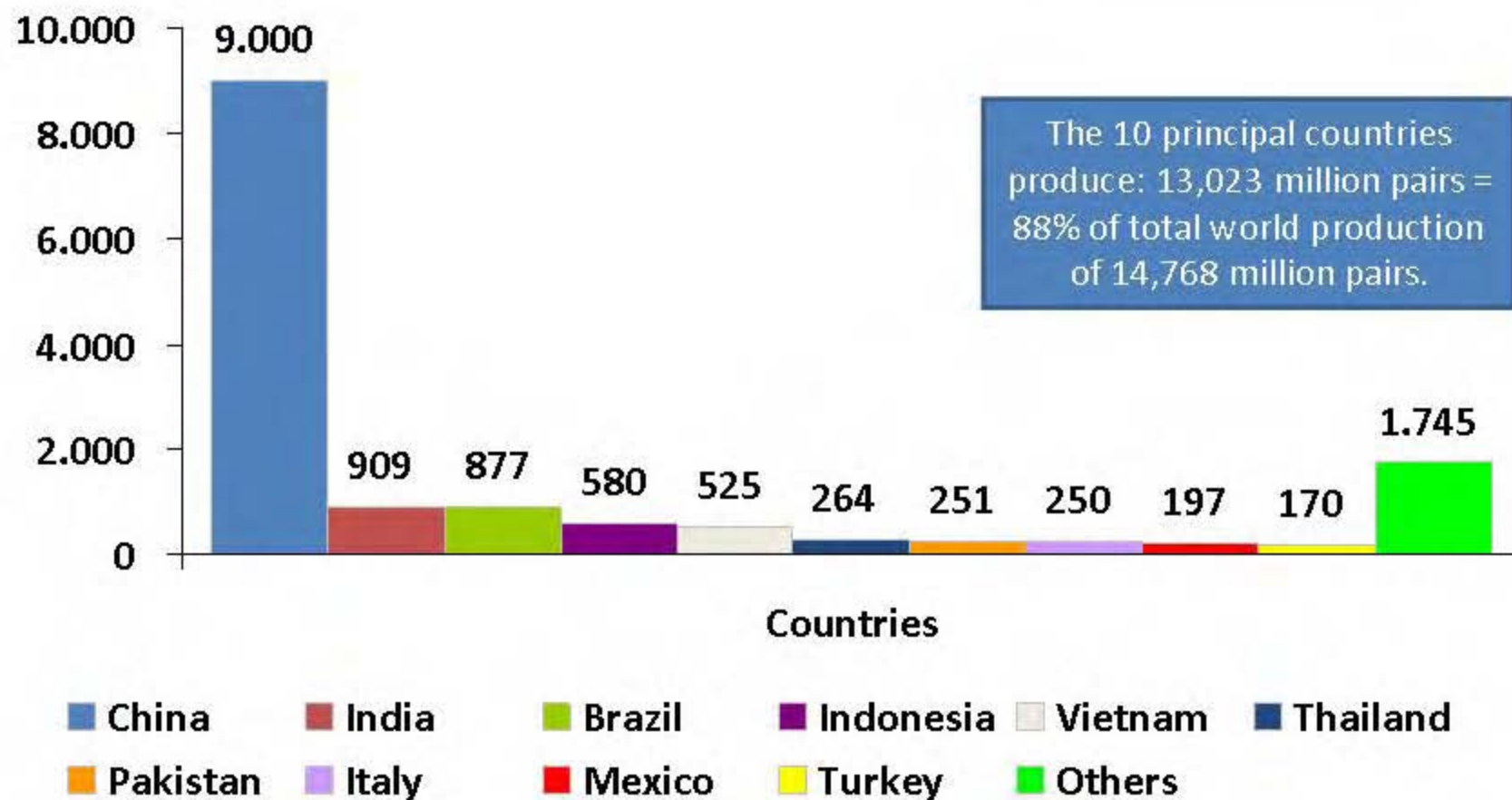
**Exports:** 166 million pairs, to more than 100 countries in 2008 (6.4% less than in 2007)

**Source:**

IEMI/Abicalçados/Secex/MDIC/Satra

(\*) 2008 – Grendene estimates based on various external sources

# Footwear sector



# The footwear sector in Brazil

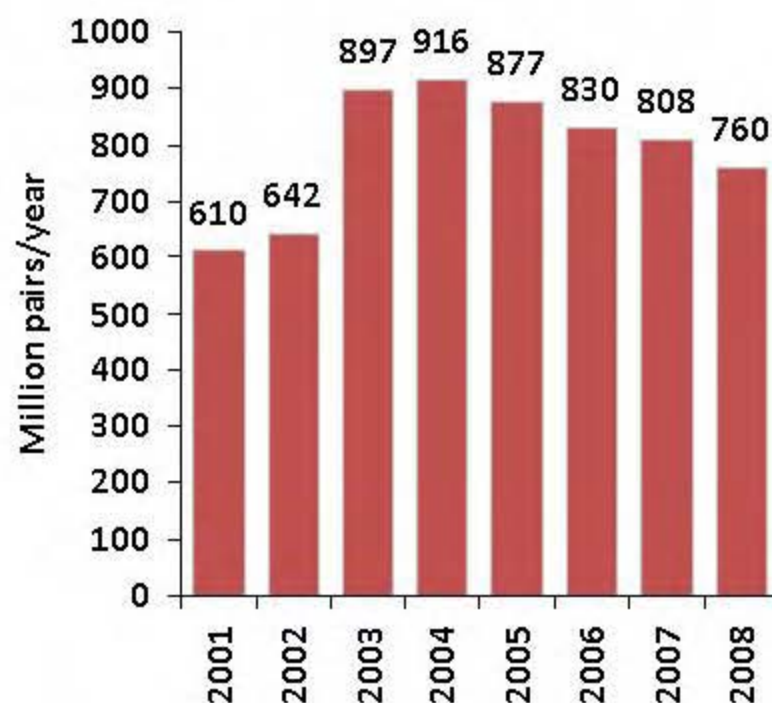
Million pairs	2004	2005	2006	2007	2008
Production	916	877	830	808	760
Imports	9	17	19	29	39
Exports	212	190	180	177	166
Apparent consumption	713	704	669	660	634
Per capita consumption	3.94	3.84	3.61	3.52	3.34

Consumption - 2005	Total	Per capita
USA	2,129	7.3
United Kingdom	376	6.2
France	346	5.7
Japan	620	4.9
Germany	347	4.2

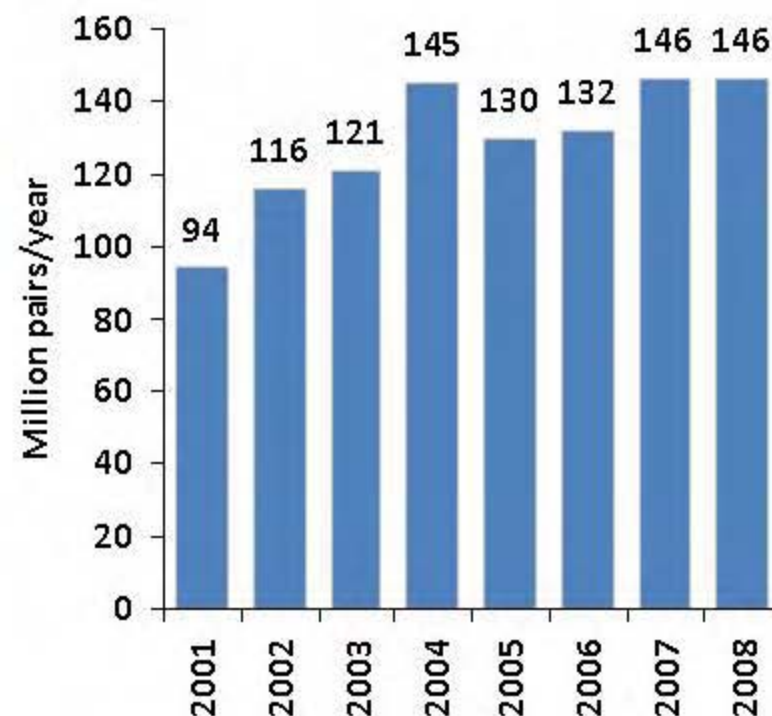
Source: DECEX / MDIC / IEMI / ABICALÇADOS / 2008 Grendene estimates based on various external sources

# Grendene vs. Brazilian footwear sector

**Brazilian production**  
CAGR: 3.2%



**Grendene**  
CAGR: 6.5%

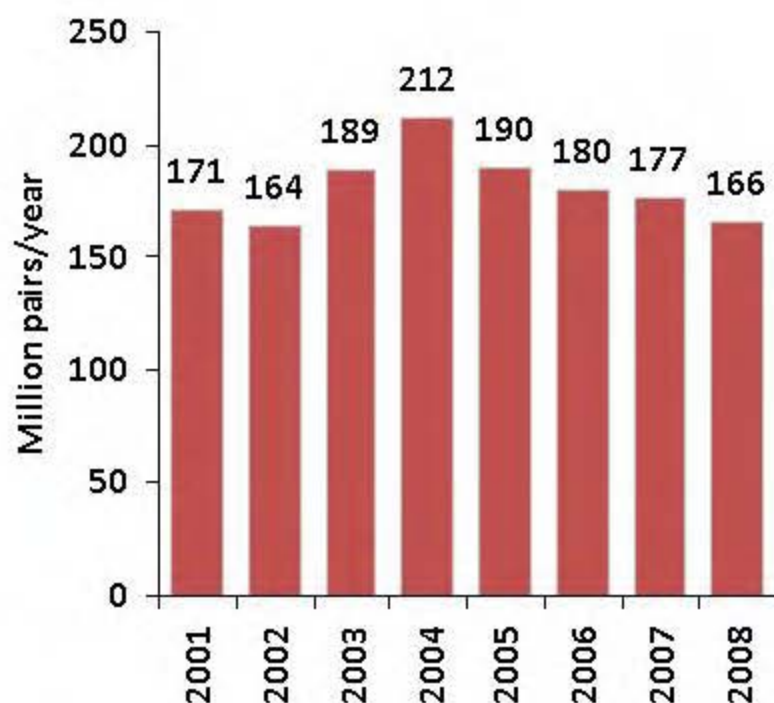


Source: ABICALÇADOS / 2008 Grendene estimates based on various external sources.

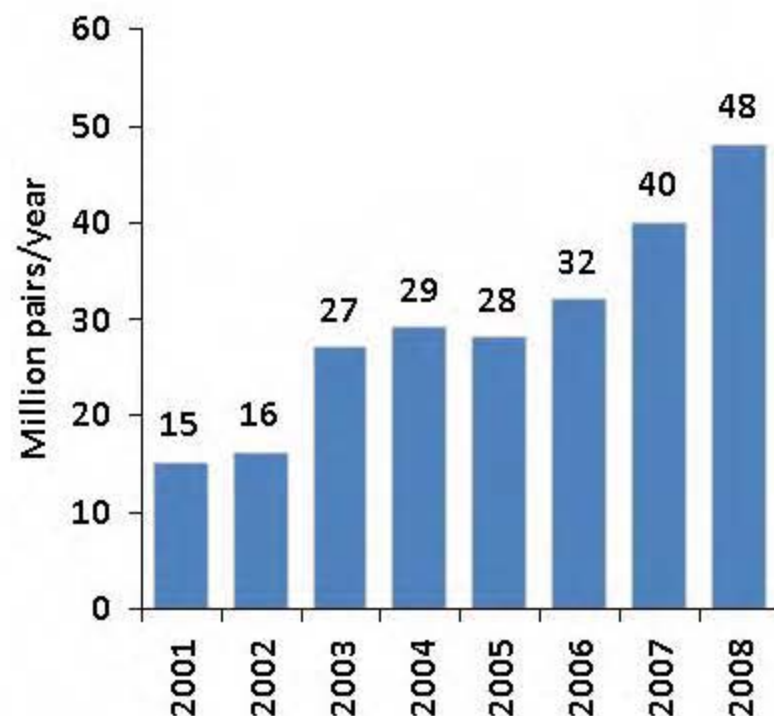
Grendene has grown faster than the Brazilian footwear industry.

# Exports: Grendene vs. Brazil

**Brazilian exports**  
CAGR: (0.4%)



**Grendene**  
CAGR: 18.1%



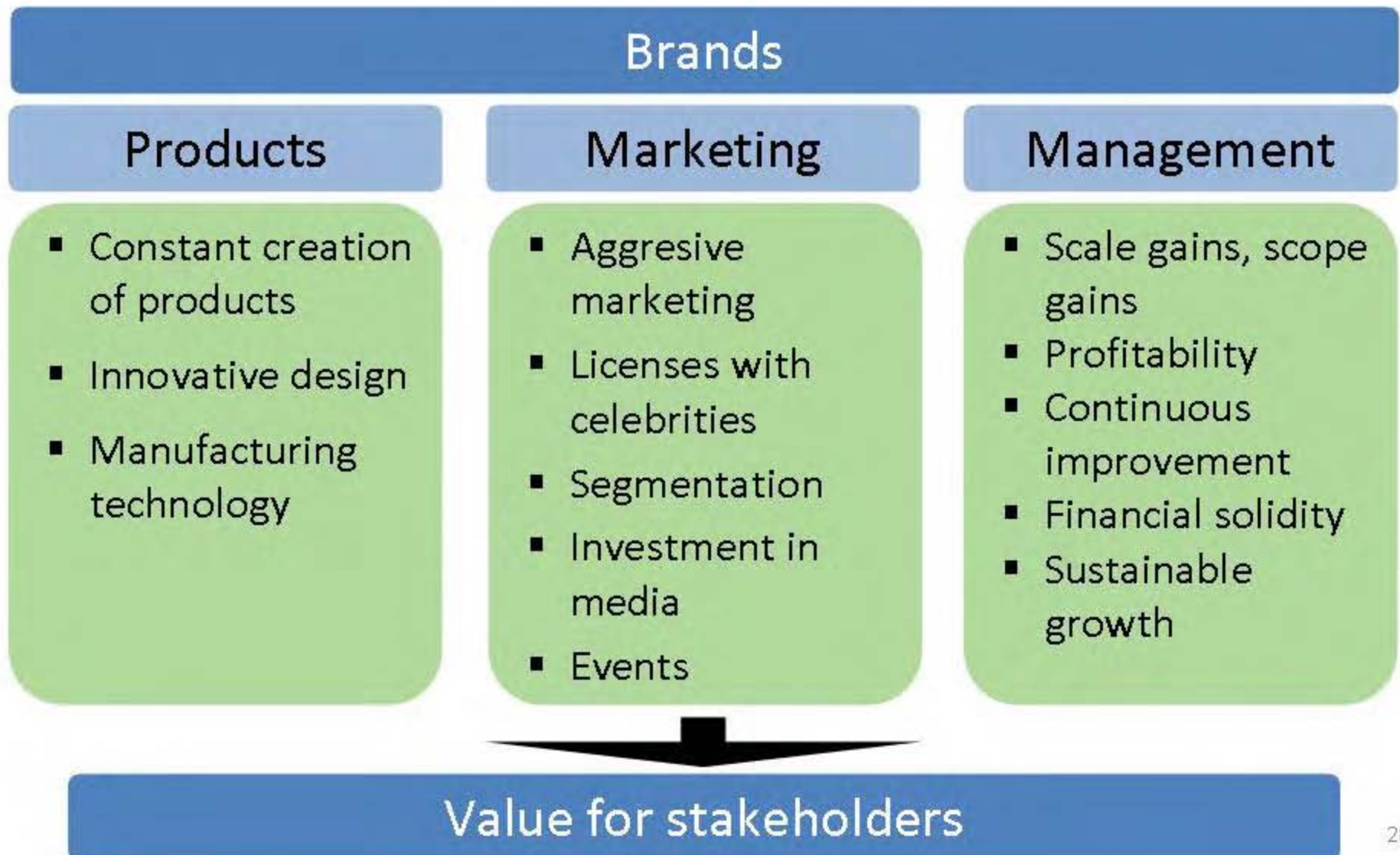
Source: DECEX / MDIC / ABICALÇADOS

Grendene's exports were 28.9% of total Brazilian footwear exports in 2008. (22.6% in 2007)

# Strategy



# Value proposition



# Sales



# 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**

**rider**

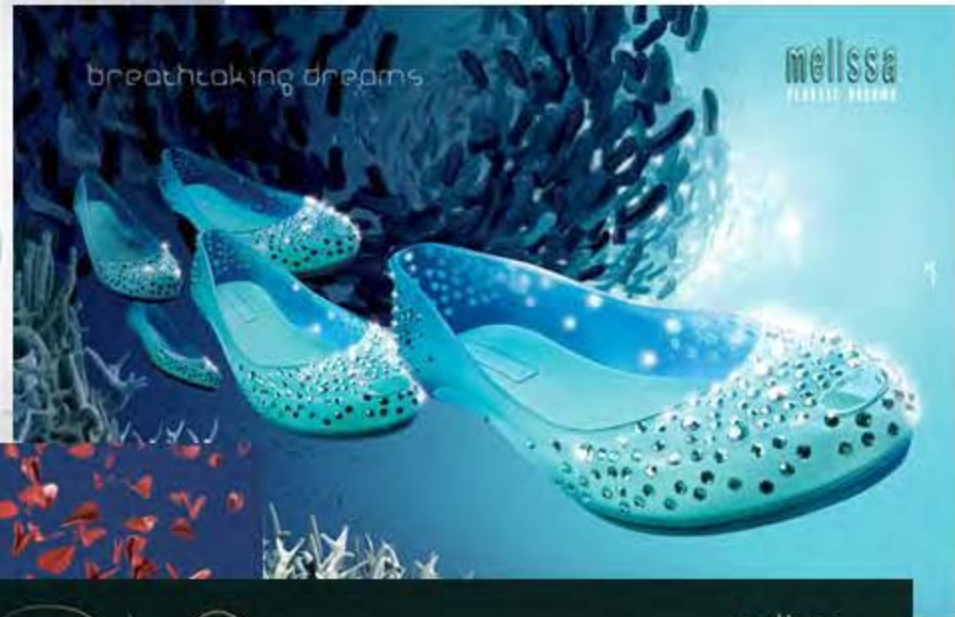
enjoy the ride





**melissa love pirates**





**Grendene®**

**grendha®**  
*tropical*



**grendha®**  
*soft*

**grendha**day.



**grendha**  
outras Coleções



**grendha®**



# Grendene® kids

Grendene®



Grendene®



Grendene®  
baby



Grendene®



ZAXY

A woman with dark hair, smiling and looking down at a purple Grendene shoe. A small crocheted figure in a blue hat and coat holds a red rose next to the shoe. The background is a soft purple with floating hearts.

RECEBA MENOS BJS  
E MAIS DECLARAÇÕES  
DE AMOR.

Grendene®

ZAXY  
Apaixone-se

**Grendene®**

Own brands

**Grendene® kids**

**iPANEMA®**

**melissa®**

**rider**

**grendha®**

**Grendene®**

**PEGA FORTÉ**

**CARTAGO**



**ZAXY**



# Main licenses

XUXA

Barbie

polly pocket



Hello Kitty

Strawberry Shortcake

LAZY TOWN

my little Pony

Disney  
+ PRINCESS

Disney  
FADAS

POWERRUFF  
GIRLS

HANNAH  
MONTANA

PUECA  
FUNNY LOVE

Bad Boy

PREMIERES  
SPIDER-MAN

HOT WHEELS

WOLVERINE  
X-MEN

SNOOPY

GUGA  
HUERTEN  
Grendene

mormaii

EVERLAST

POWER RANGERS  
OPERATION  
OVERDRIVE

Carras

BATMAN

speedo



Gisele  
★  
Bündchen



BOB  
ESPONJA

Disney

LOONEY TUNES

LOONEY TUNES

TRANS  
FORMERS

SENNINHA

BEN  
10

BACKYARDIGANS

CLAUDIA  
LEITE

grendha®  
Ivete Sangalo

# Celebrities



**FLÁVIA ALESSANDRA**



**CLAUDIA LEITE**

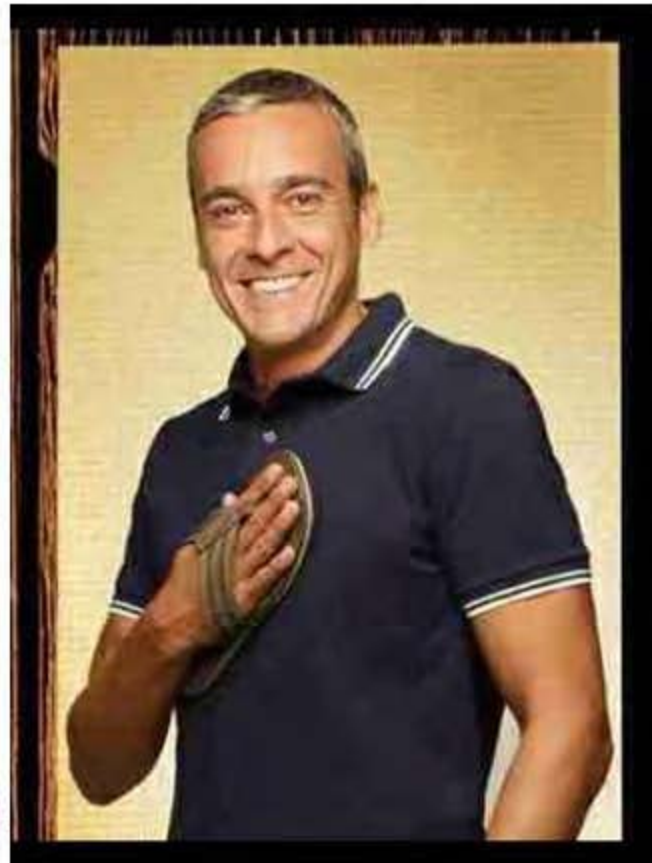


**ANA HICKMANN**

# Celebrities



**IVETE SANGALO**



**ALEXANDRE BORGES**



**GISELE BÜNDCHEN**

# Licensing of children's characters



# Licensing of children's characters



# Licensing



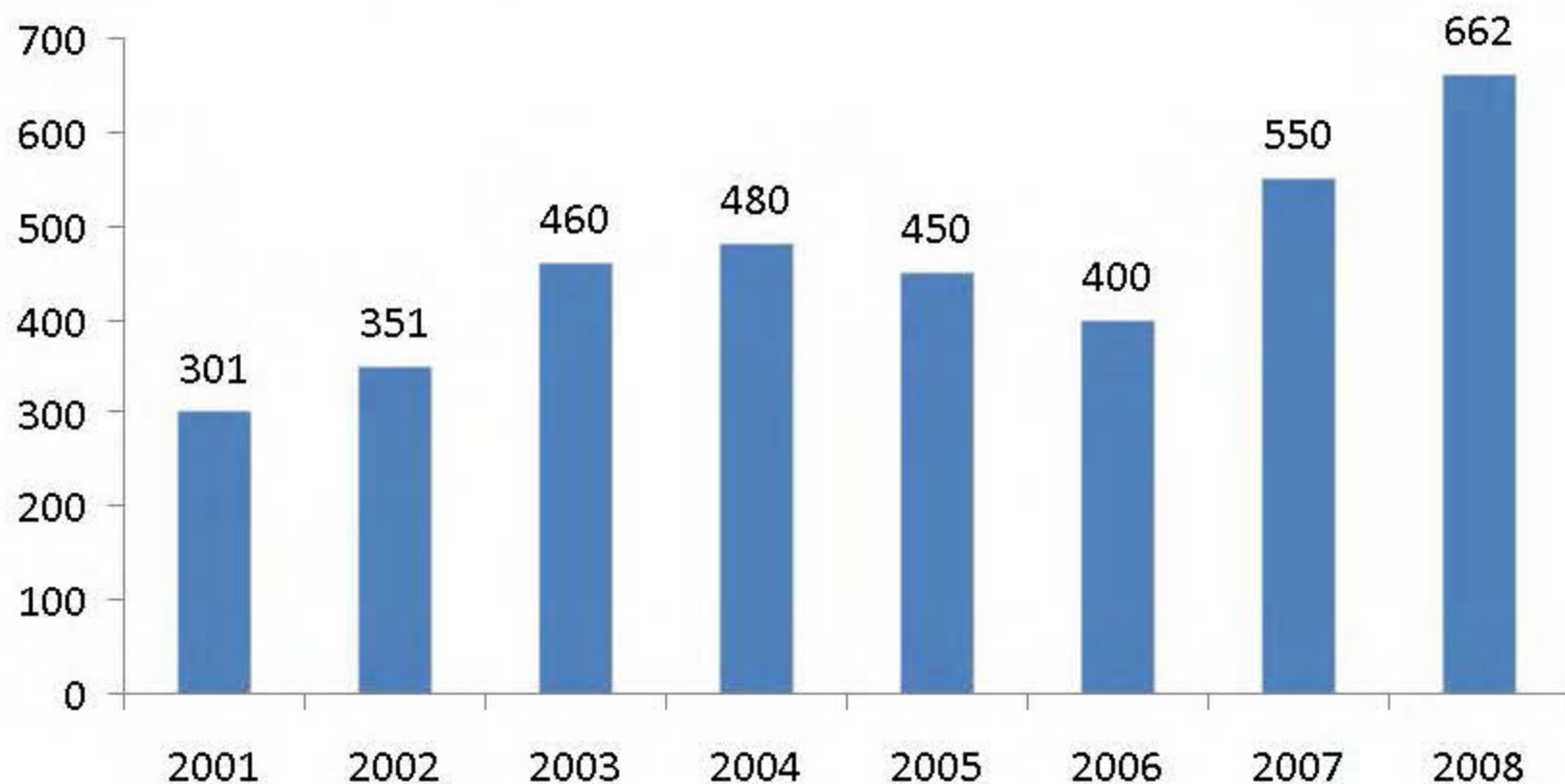
# International sales channels



# New products



# Number of launches each year



# Marketing



## Diferenciação de Mercado

Concentrated media

Alternative media

Focus on traders and point of sales

Quality and competitive prices

Globalization of brands:

Melissa, Rider and Ipanema

Gisele Bündchen

# Galeria Melissa – Concept Store



**Rua Oscar Freire, 827**  
**São Paulo, SP**

# Results



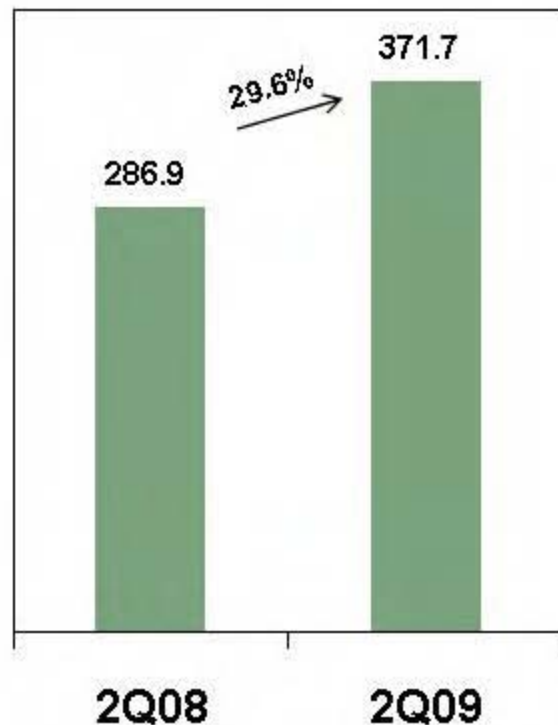
# Main financial and economic indicators

Million of R\$	2Q08	2Q09	Var. %	1H08	1H09	Var. %
Net sales revenue	232.6	313.3	34.7%	511.9	634.3	23.9%
Net Income	42.4	57.3	35.2%	83.4	121.6	45.8%

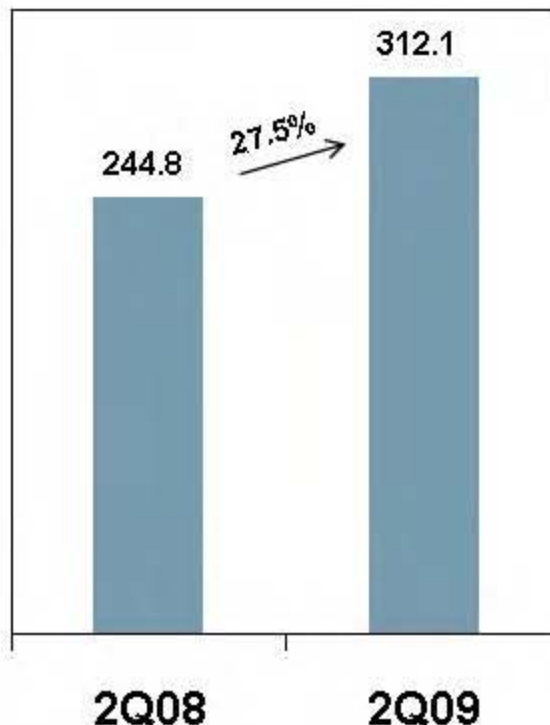
Margins %	2Q08	2Q09	Var. pbs	1H08	1H09	Var. bps
Gross	42.8%	41.5%	(130)	38.8%	41.0%	220
EBIT	6.1%	8.1%	200	6.1%	9.7%	360
EBITDA	8.7%	10.1%	140	8.5%	11.7%	320
Net	18.2%	18.3%	10	16.3%	19.2%	290

# 2Q09 Results (R\$ million)

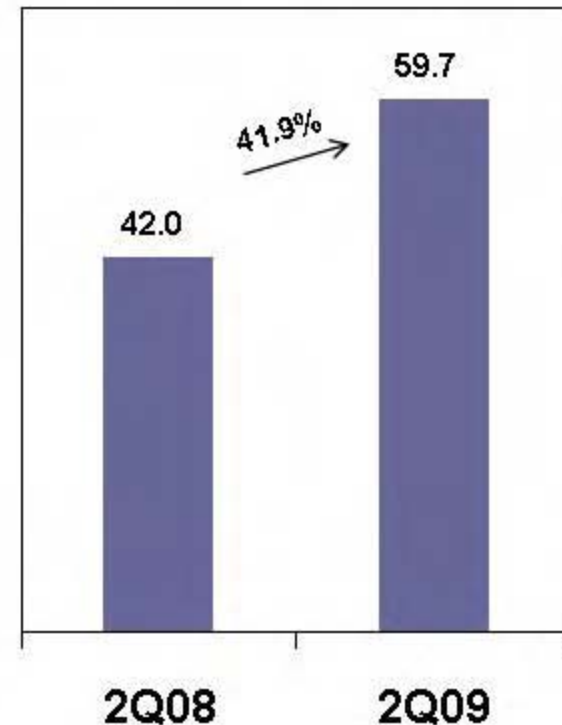
## Gross sales revenue



## Gross sales revenue domestic market

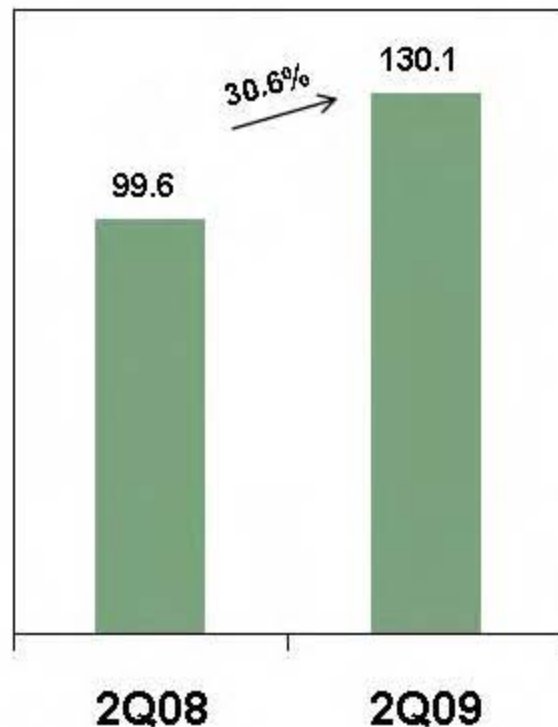


## Gross sales revenue exports

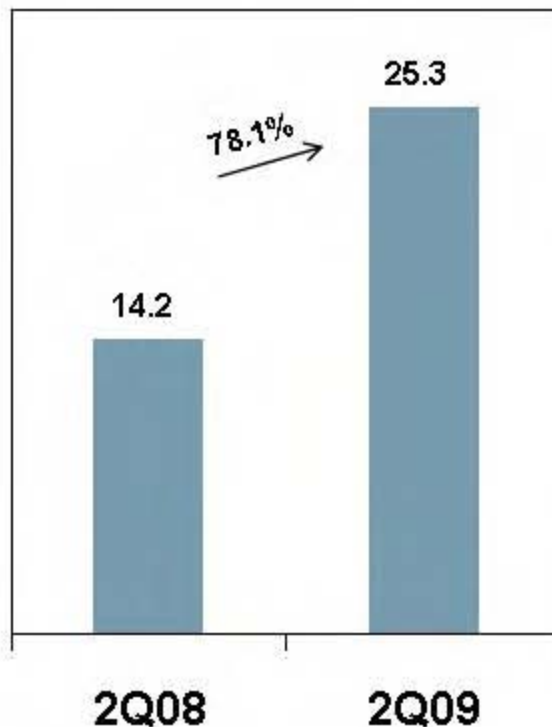


# 2Q09 Results (R\$ million)

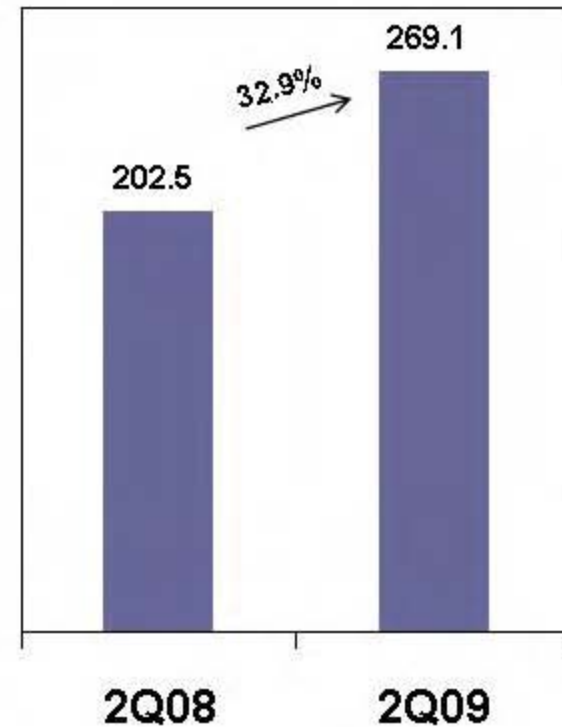
## Gross profit



## EBIT

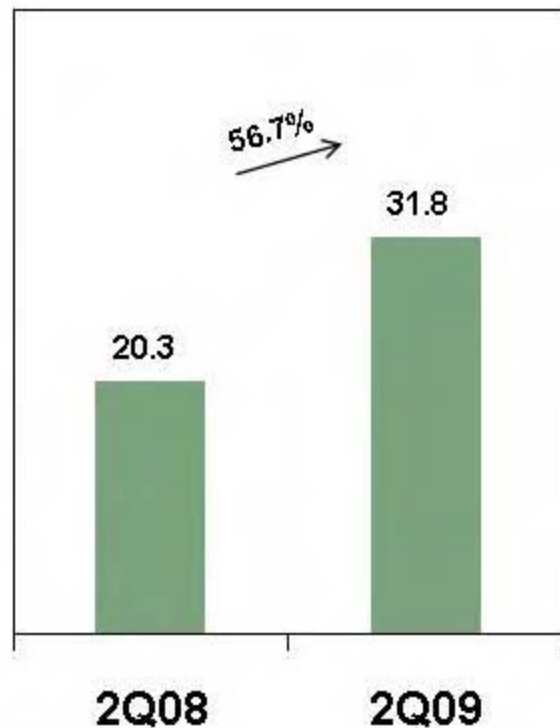


## Cost of sales + Operating expenses

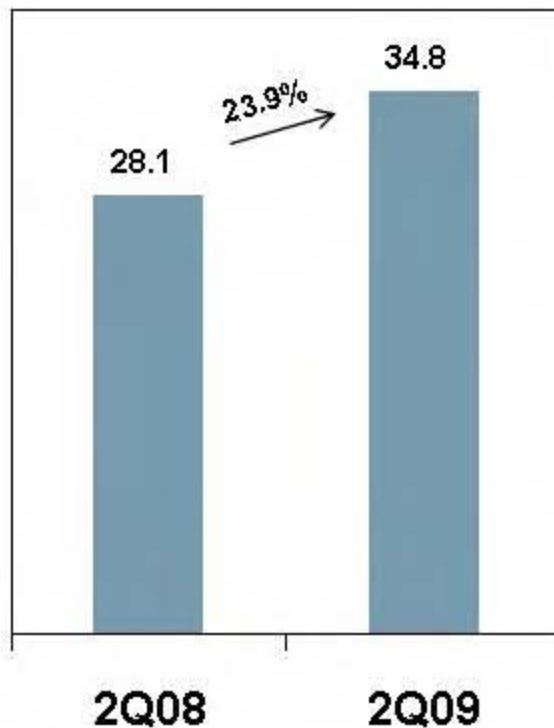


# 2Q09 Results (R\$ million)

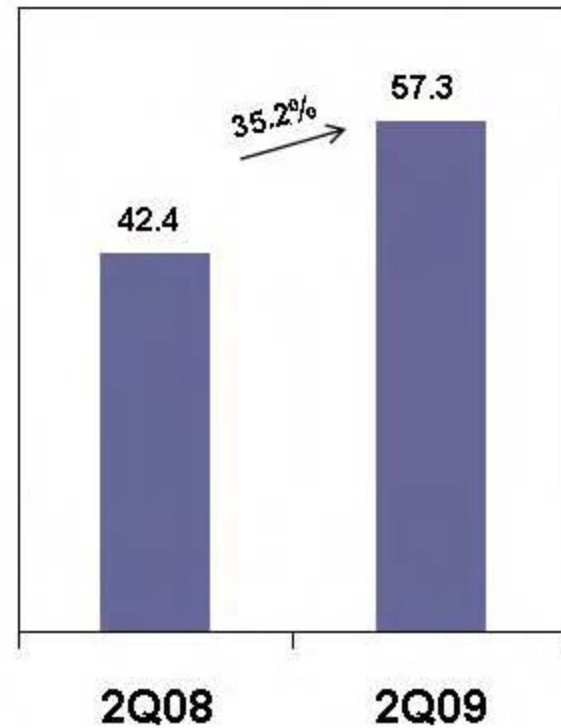
## EBITDA



## Financial result (without clients discounts)

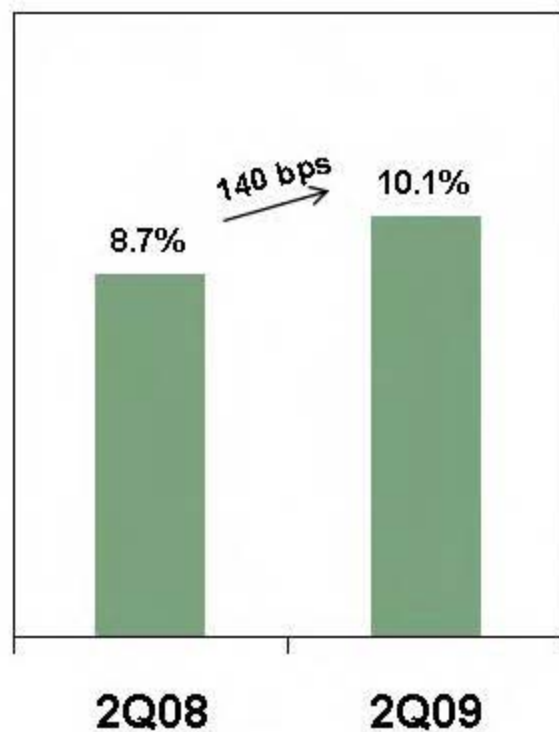


## Net income

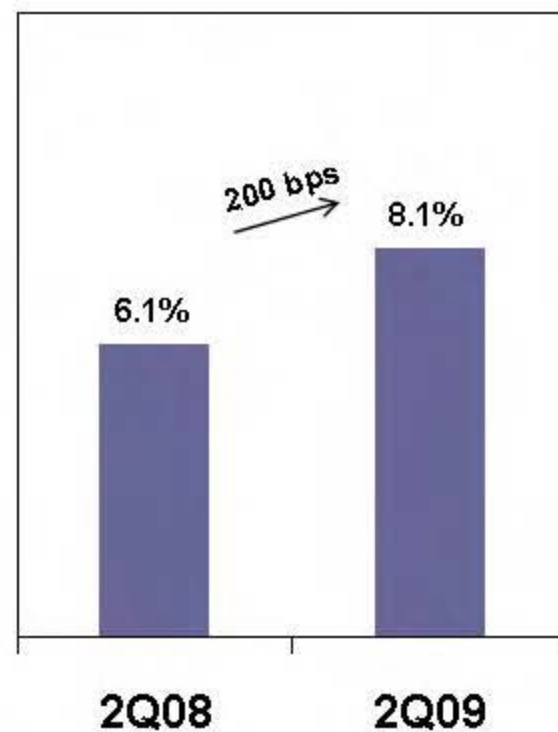


# 2Q09 Results (%)

## EBITDA margin



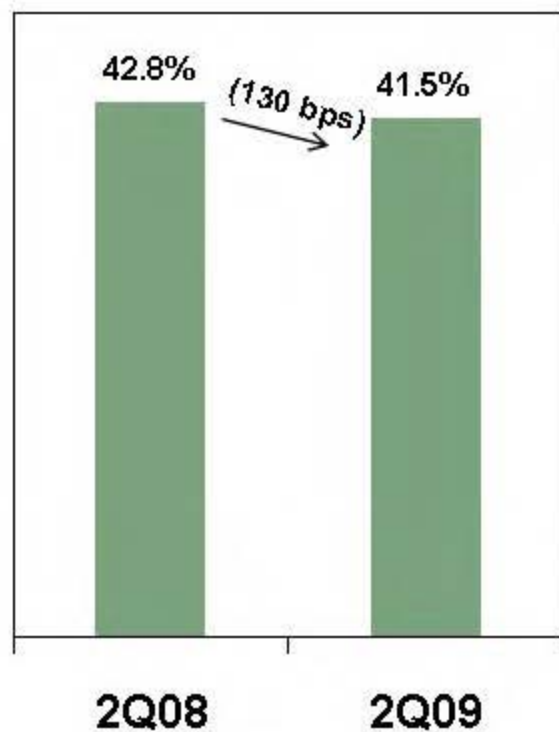
## EBIT margin



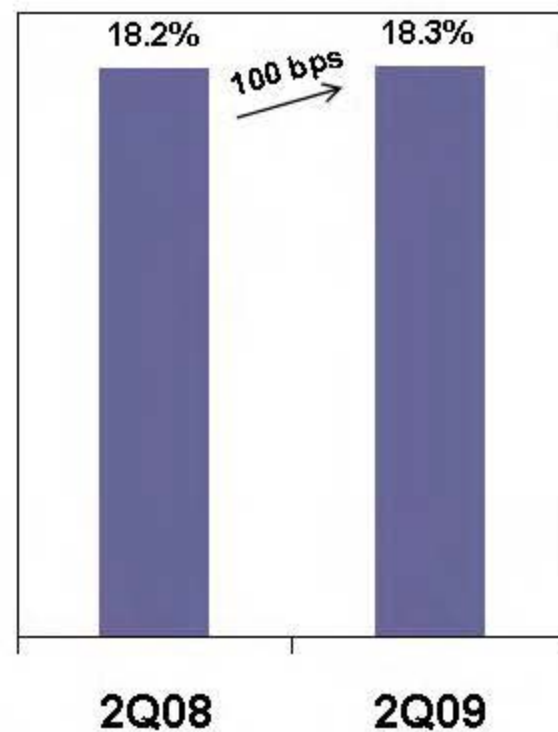
# 2Q09 Results

(%)

## Gross margin



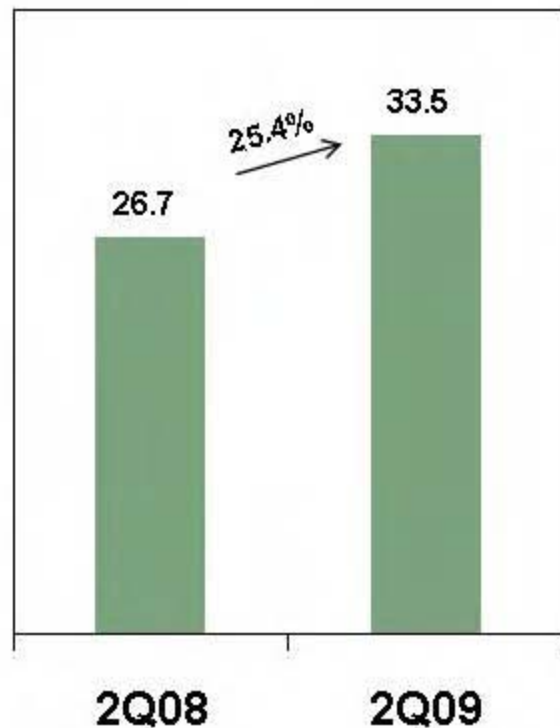
## Net margin



## 2Q09 Results (Million of pairs)

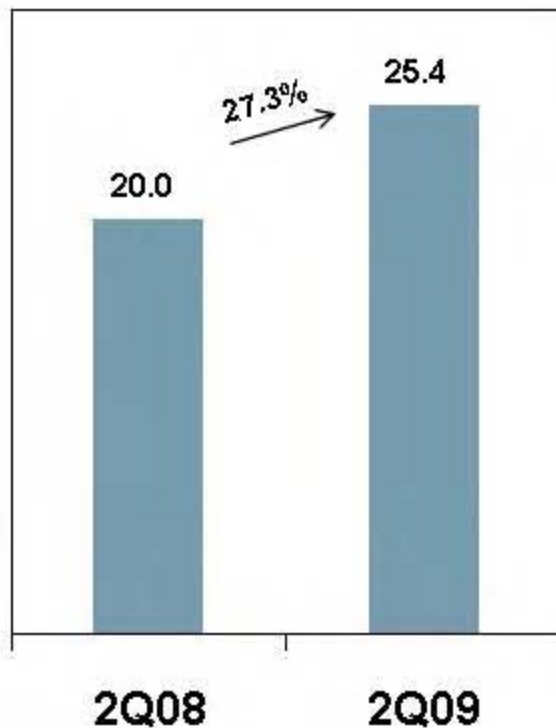
Sales volume

Total



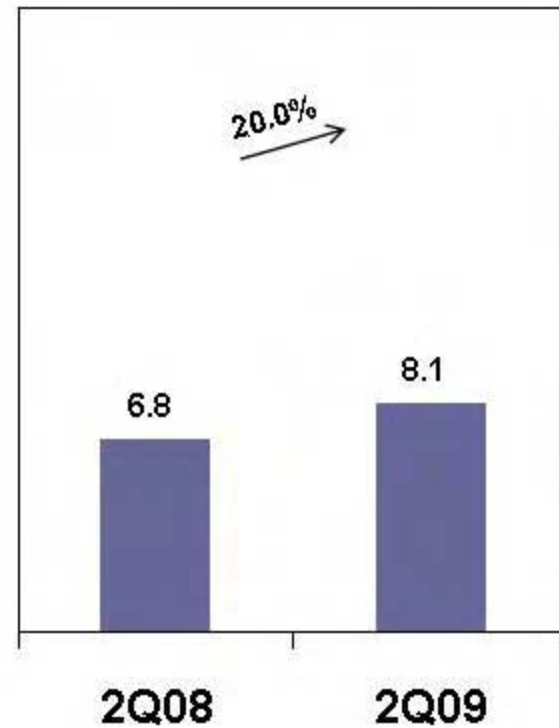
Sales volume

Domestic market



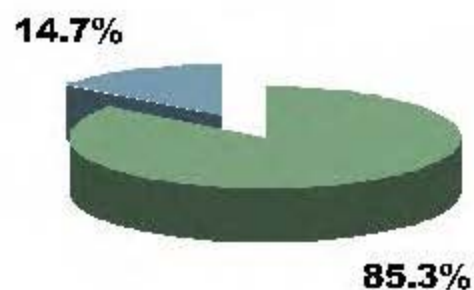
Sales volume

Exports



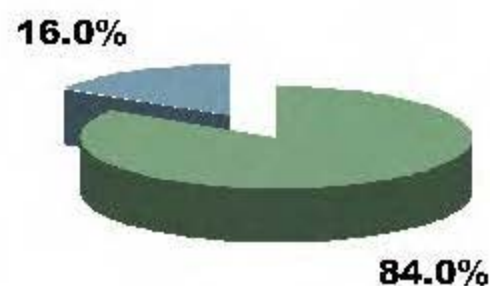
# Gross sales revenue (IFRS) Market (%)

2Q08



■ Domestic market ■ Exports

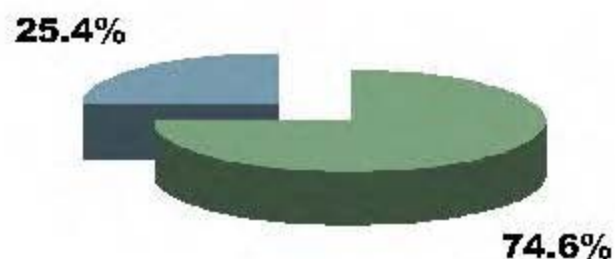
2Q09



■ Domestic market ■ Exports

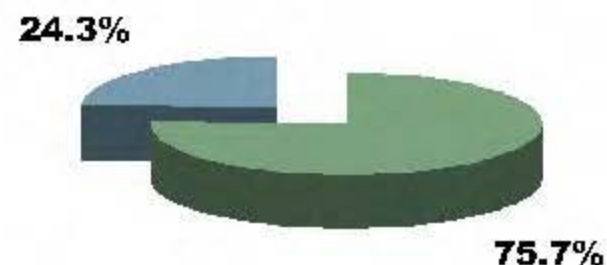
# Sales volume Market (%)

2Q08



■ Domestic market ■ Exports

2Q09



■ Domestic market ■ Exports

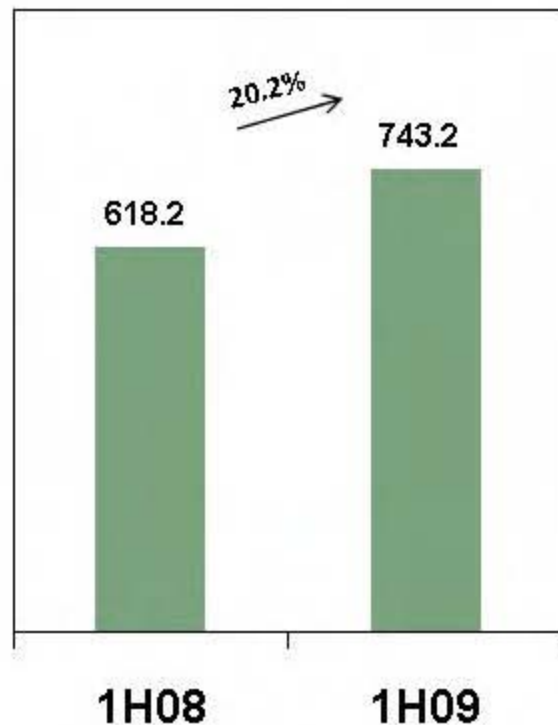
# 2Q09 Operational results (IFRS)

## (R\$ '000)

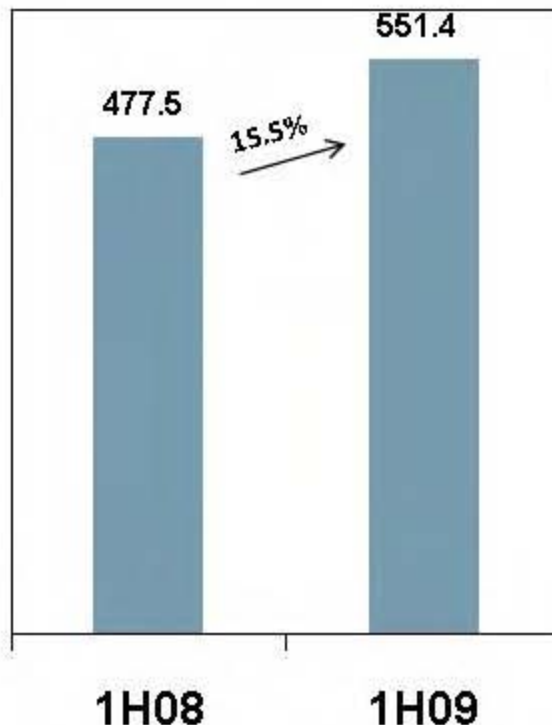
	2Q08	%	2Q09	%	Change %	Difference	%
Domestic market	244,831	105.3%	312,059	99.6%	27.5%	67,228	83.3%
Exports	42,048	18.1%	59,658	19.0%	41.9%	17,610	21.8%
<b>Gross sales revenue</b>	<b>286,879</b>	<b>123.3%</b>	<b>371,717</b>	<b>118.7%</b>	<b>29.6%</b>	<b>84,838</b>	<b>105.1%</b>
Sales deduction	(54,290)	(23.3%)	(58,443)	(18.7%)	7.6%	(4,153)	(5.1%)
<b>Net sales revenues</b>	<b>232,589</b>	<b>100.0%</b>	<b>313,274</b>	<b>100.0%</b>	<b>34.7%</b>	<b>80,685</b>	<b>100.0%</b>
Cost of sales	(132,941)	(57.2%)	(183,142)	(58.5%)	37.8%	(50,201)	(62.2%)
<b>Gross profit</b>	<b>99,648</b>	<b>42.8%</b>	<b>130,132</b>	<b>41.5%</b>	<b>30.6%</b>	<b>30,484</b>	<b>37.8%</b>
<b>Operating income (expenses)</b>							
Selling expenses	(59,587)	(25.6%)	(72,526)	(23.2%)	21.7%	(12,939)	(16.0%)
General and administrative expenses	(10,845)	(4.7%)	(13,293)	(4.2%)	22.6%	(2,448)	(3.0%)
Equity pick-up	0	0.0%	0	0.0%	0.0%	0	0.0%
Management fees	(281)	(0.1%)	(281)	(0.1%)	0.0%	0	0.0%
Other operating income	5,101	2.2%	1,049	0.3%	(79.4%)	(4,052)	(5.0%)
Other operating expenses	(3,974)	(1.7%)	(914)	(0.3%)	(77.0%)	3,060	3.8%
<b>Operating result before financial revenue (expenses)</b>	<b>30,062</b>	<b>12.9%</b>	<b>44,167</b>	<b>14.1%</b>	<b>46.9%</b>	<b>14,105</b>	<b>17.5%</b>
Clients discounts	(14,759)	(6.3%)	(18,779)	(6.0%)	27.2%	(4,020)	(5.0%)
<b>EBIT</b>	<b>14,176</b>	<b>6.1%</b>	<b>25,253</b>	<b>8.1%</b>	<b>78.1%</b>	<b>11,077</b>	<b>13.7%</b>

# 1H09 Results (R\$ million)

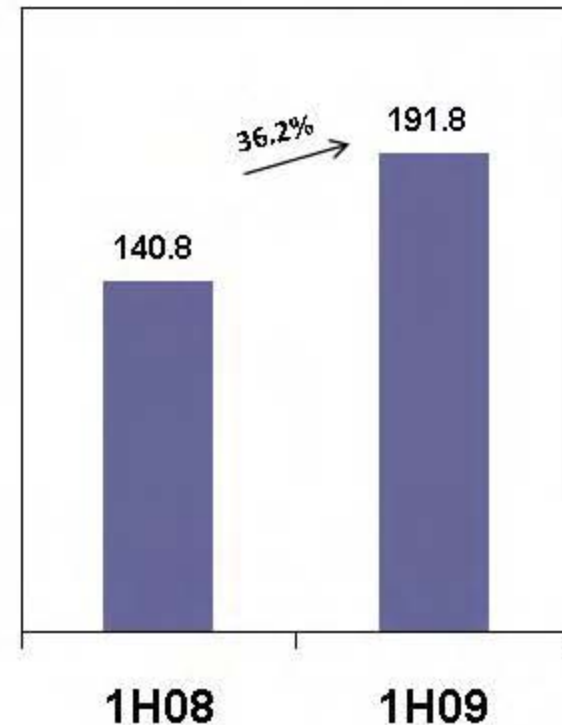
## Gross sales revenue



## Gross sales revenue domestic market

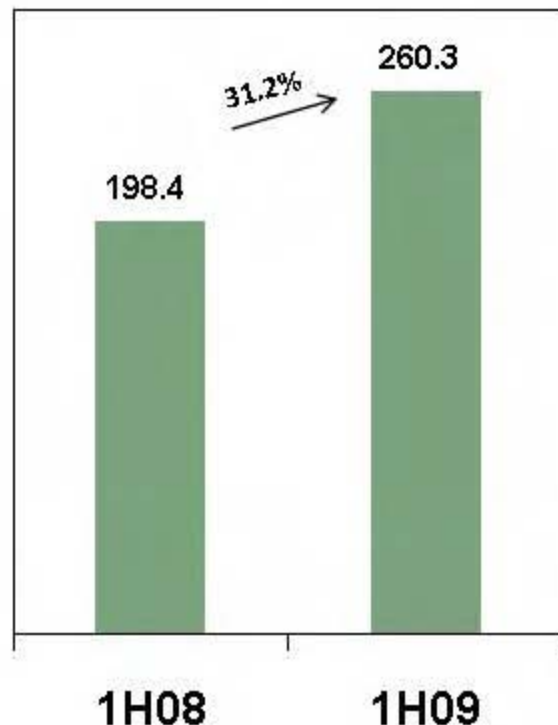


## Gross sales revenue exports

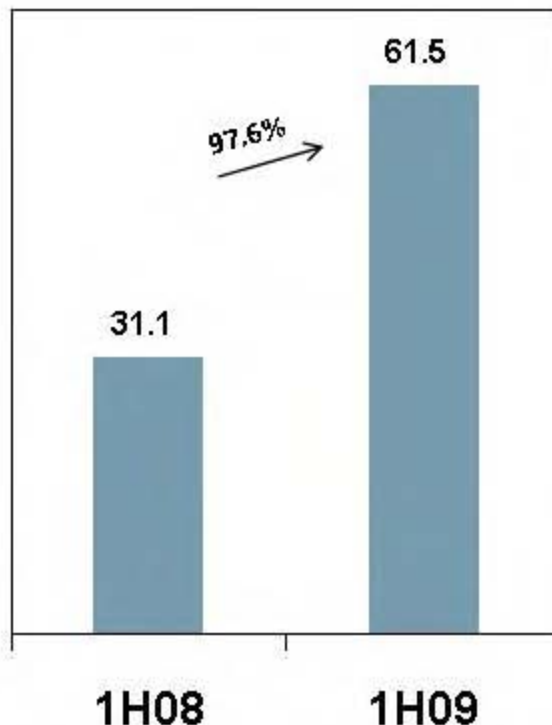


# 1H09 Results (R\$ million)

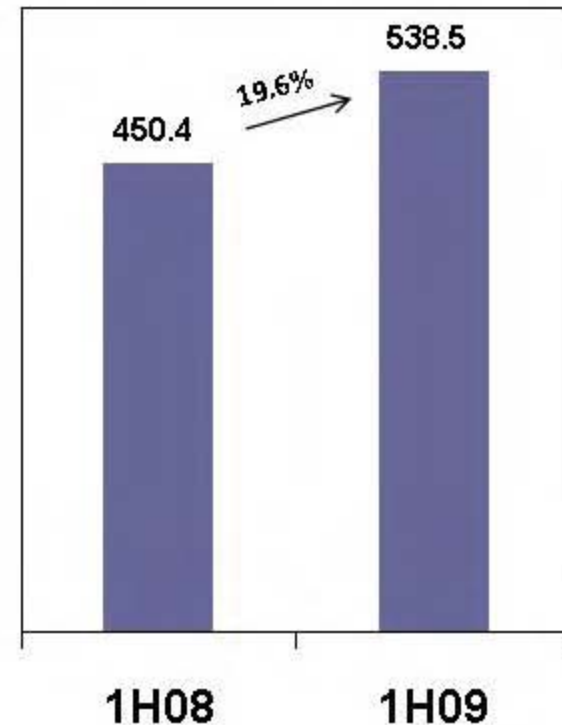
## Gross profit



## EBIT

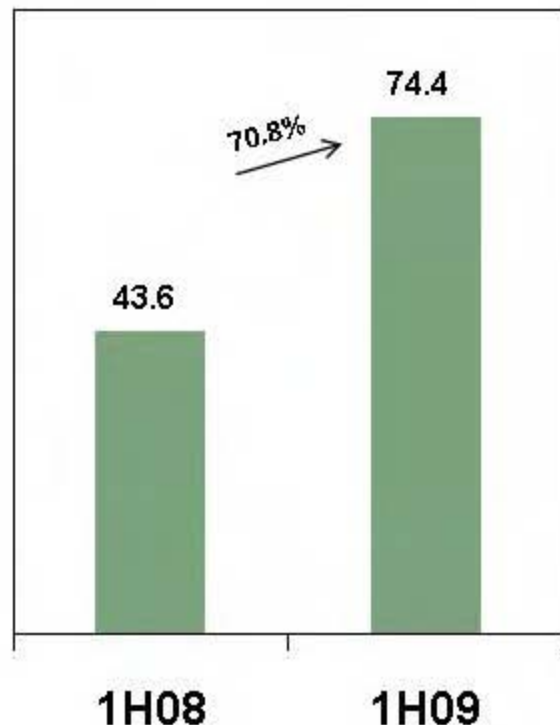


## Cost of sales + Operating expenses

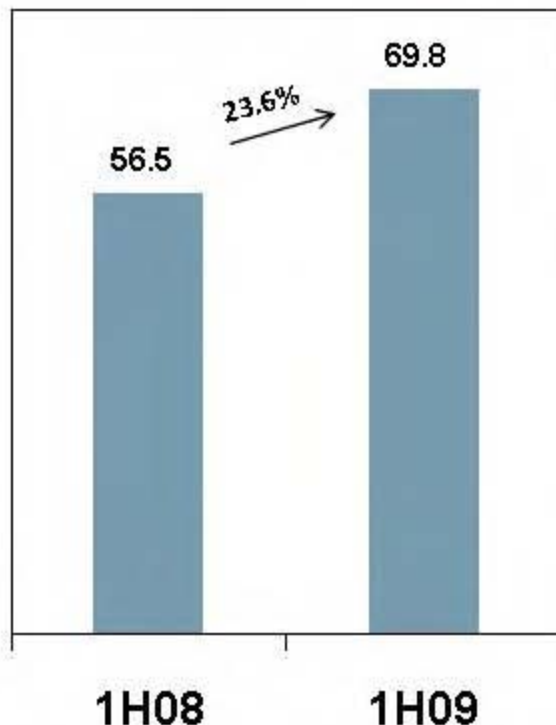


# 1H09 Results (R\$ million)

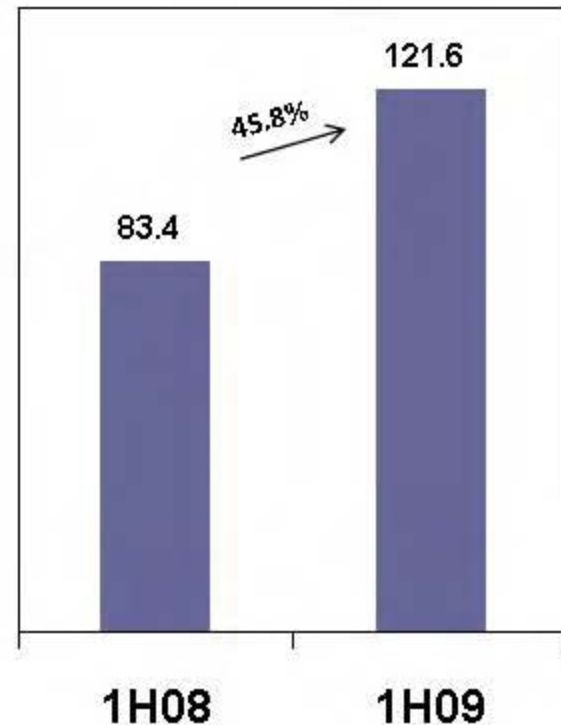
## EBITDA



## Financial result (without clients discounts)

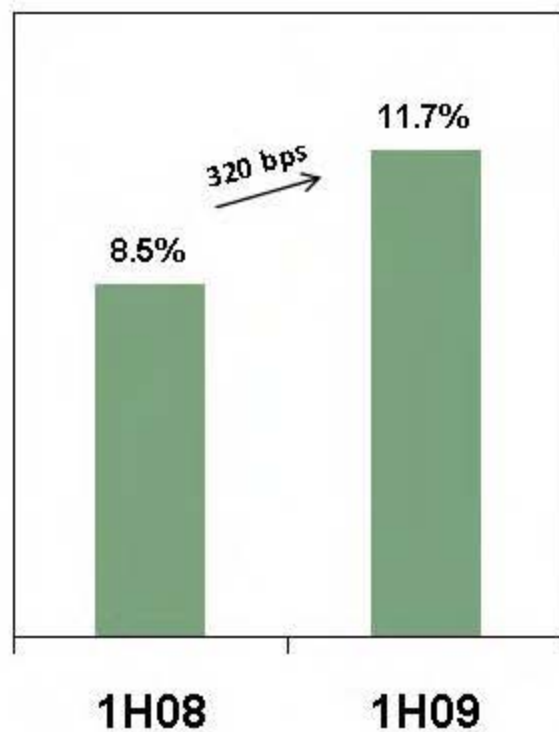


## Net income

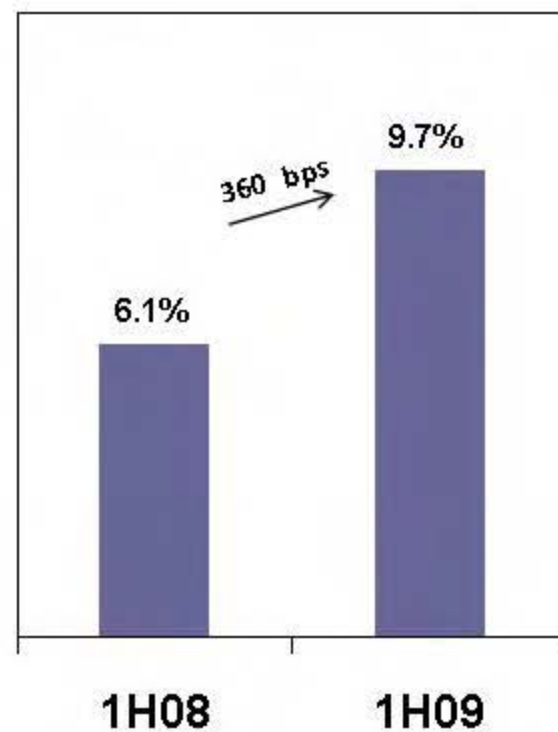


# 1H09 Results (%)

## EBITDA margin

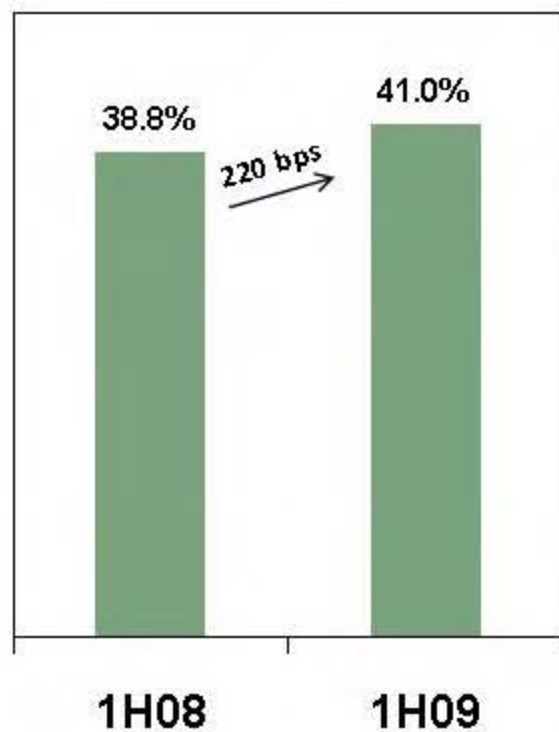


## EBIT margin

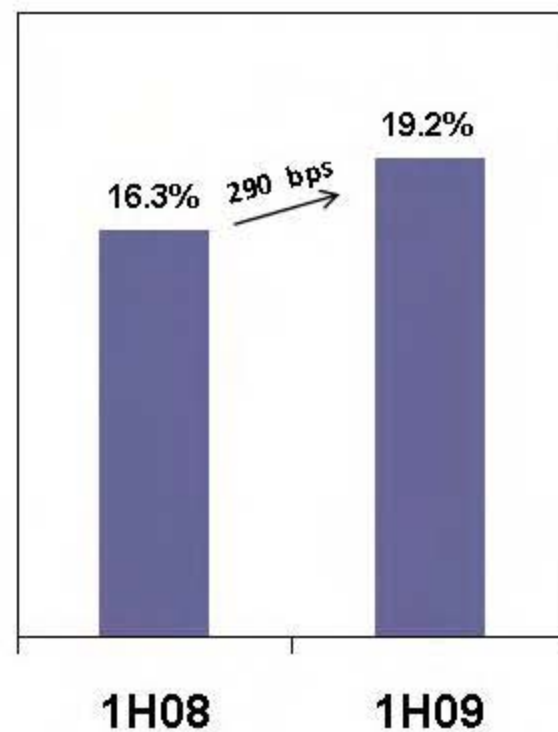


# 1H09 Results (%)

## Gross margin



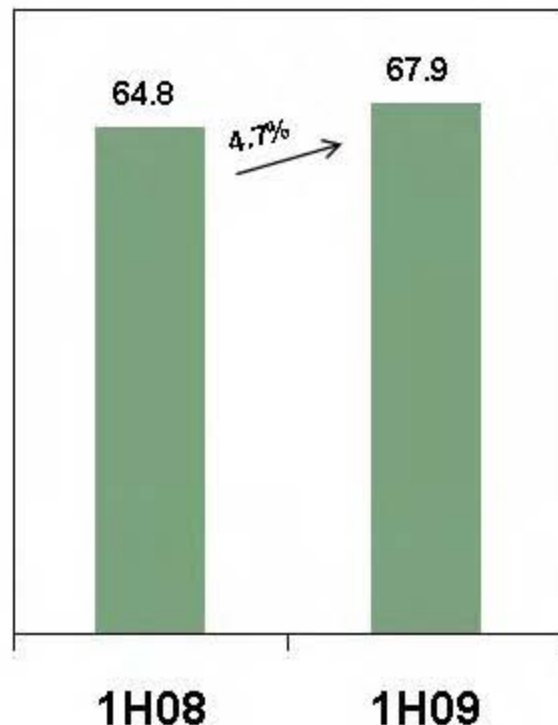
## Net margin



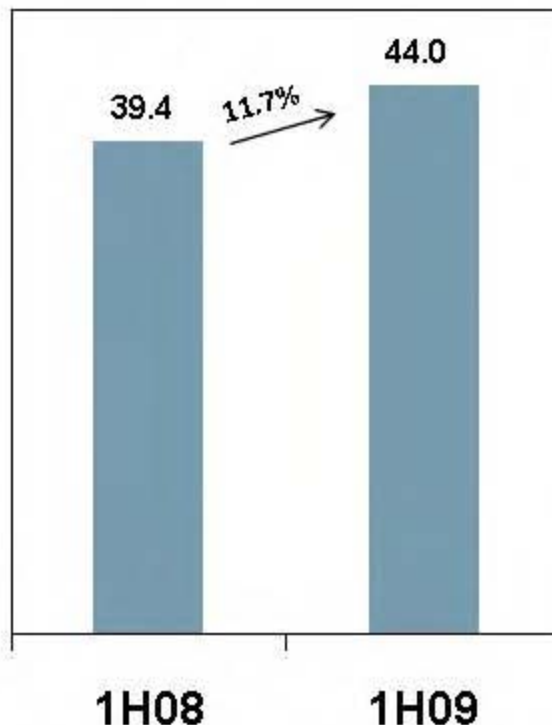
# 1H09 Results

(Million of pairs)

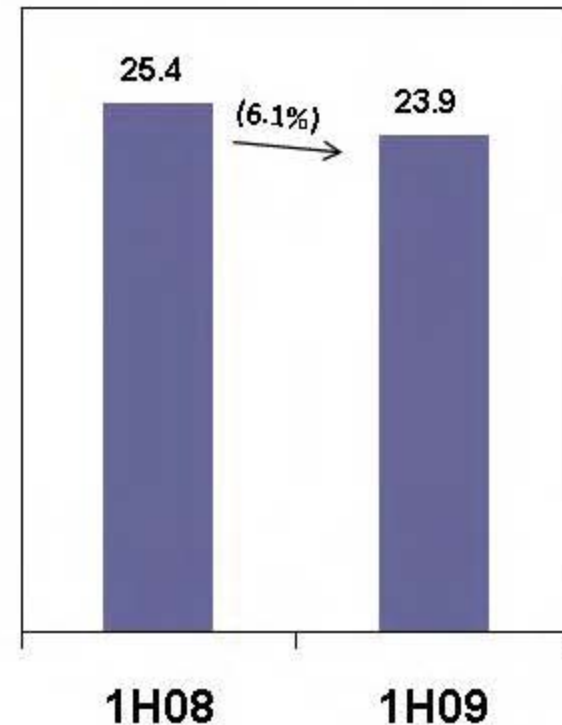
Sales volume



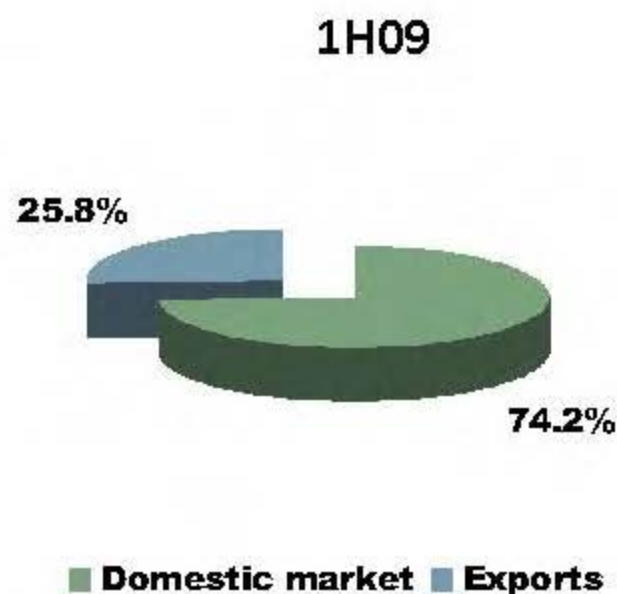
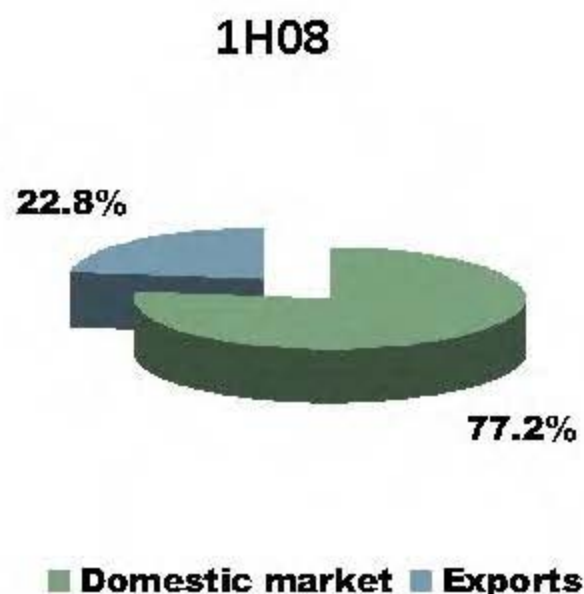
Sales volume  
domestic market



Sales volume  
exports



# Gross sales revenue (IFRS) Market (%)



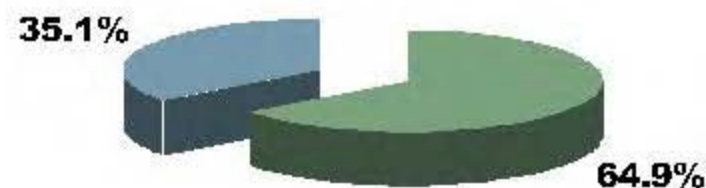
# Sales volume Market (%)

1H08



■ Domestic market ■ Exports

1H09



■ Domestic market ■ Exports

# 1H09 Operational results (IFRS)

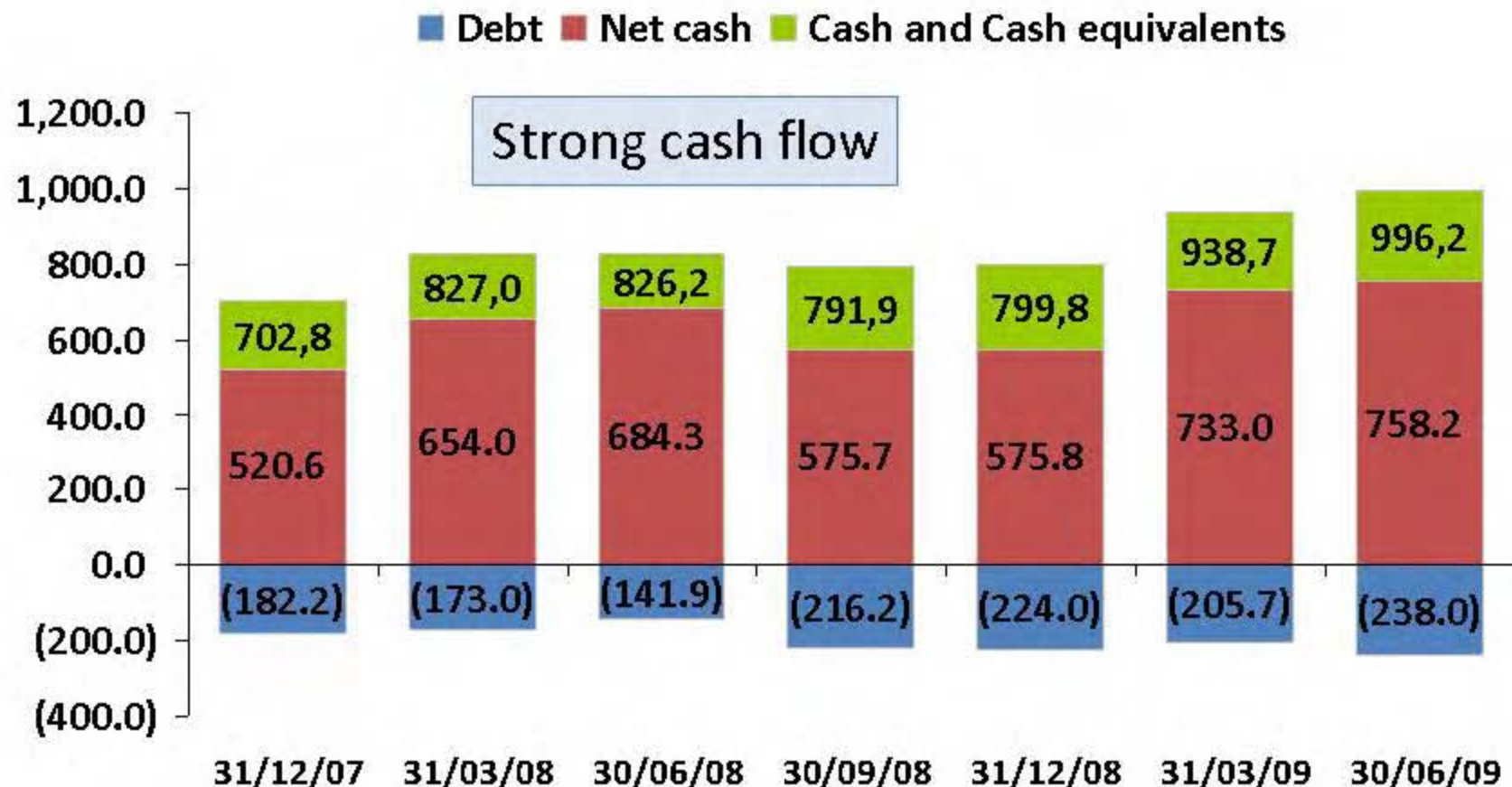
## (R\$ '000)

	1H08	%	1H09	%	Change %	Difference	%
Domestic market	477,480	93.3%	551,388	86.9%	15.5%	73,908	60.4%
Exports	140,767	27.5%	191,791	30.2%	36.2%	51,024	41.7%
<b>Gross sales revenue</b>	<b>618,247</b>	<b>120.8%</b>	<b>743,179</b>	<b>117.2%</b>	<b>20.2%</b>	<b>124,932</b>	<b>102.1%</b>
Sales deduction	(106,339)	(20.8%)	(108,857)	(17.2%)	2.4%	(2,518)	(2.1%)
<b>Net sales revenue</b>	<b>511,908</b>	<b>100.0%</b>	<b>634,322</b>	<b>100.0%</b>	<b>23.9%</b>	<b>122,414</b>	<b>100.0%</b>
Cost of sales	(313,506)	(61.2%)	(374,040)	(59.0%)	19.3%	(60,534)	(49.5%)
<b>Gross profit</b>	<b>198,402</b>	<b>38.8%</b>	<b>260,282</b>	<b>41.0%</b>	<b>31.2%</b>	<b>61,880</b>	<b>50.5%</b>
<b>Operating income (expenses)</b>							
Selling expenses	(117,109)	(22.9%)	(138,605)	(21.9%)	18.4%	(21,496)	(17.6%)
General and administrative expenses	(21,029)	(4.1%)	(25,601)	(4.0%)	21.7%	(4,572)	(3.7%)
Equity pick-up	0	0.0%	0	0.0%	0.0%	0	0.0%
Management fees	(562)	(0.1%)	(562)	(0.1%)	0%	0	0.0%
Other operating income	5,972	1.2%	1,643	0.3%	(72.5%)	(4,329)	(3.5%)
Other operating expenses	(4,161)	(0.8%)	(1,301)	(0.2%)	(68.7%)	2,860	2.3%
<b>Operating result before financial revenue (expenses)</b>	<b>61,513</b>	<b>12.0%</b>	<b>95,856</b>	<b>15.1%</b>	<b>55.8%</b>	<b>34,343</b>	<b>28.1%</b>
Clients discounts	(28,577)	(5.6%)	(34,025)	(5.4%)	19.1%	(5,448)	(4.5%)
<b>EBIT</b>	<b>31,125</b>	<b>6.1%</b>	<b>61,489</b>	<b>9.7%</b>	<b>97.6%</b>	<b>30,364</b>	<b>24.8%</b>

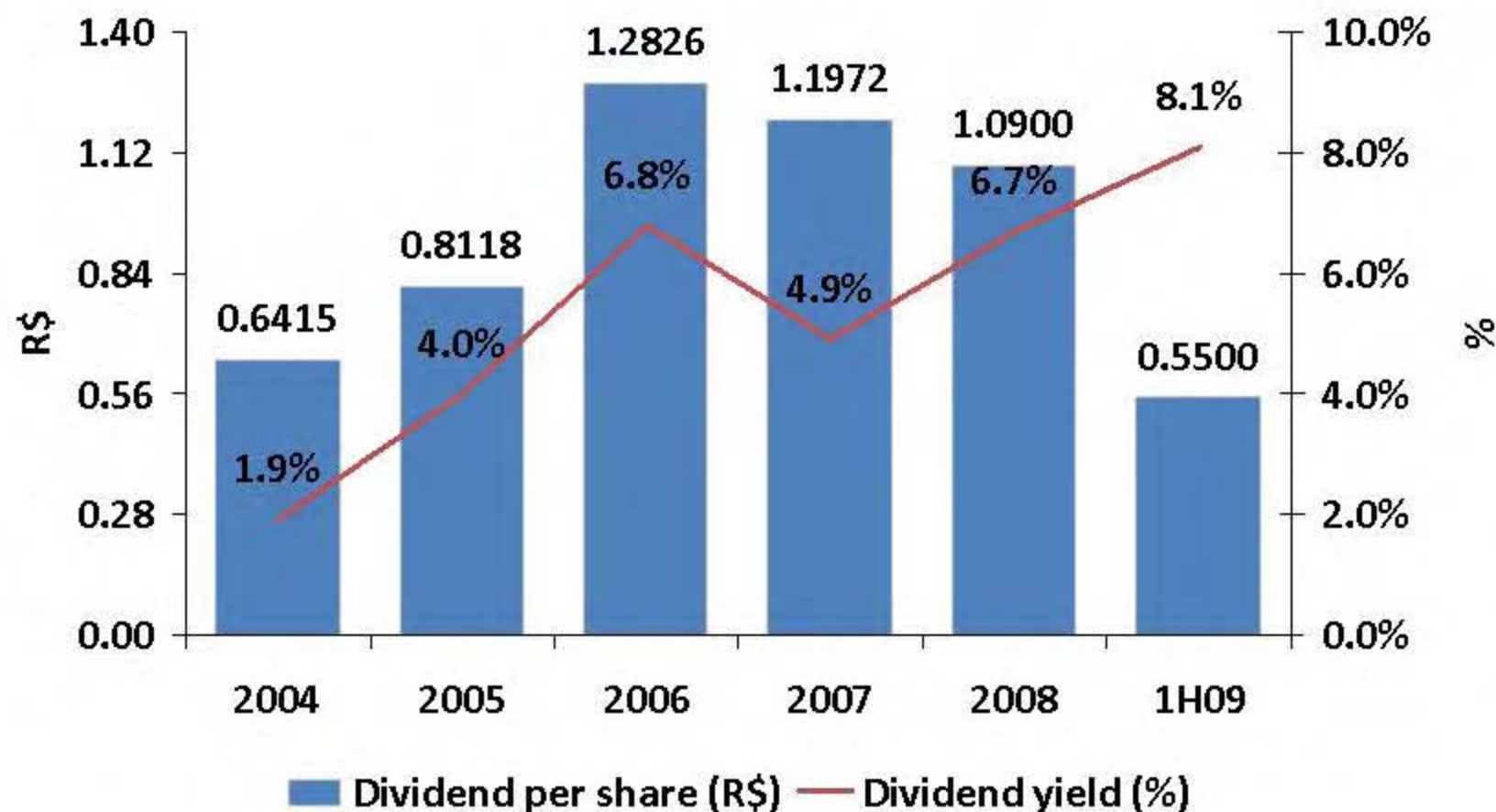
# Net cash, dividends & Capex



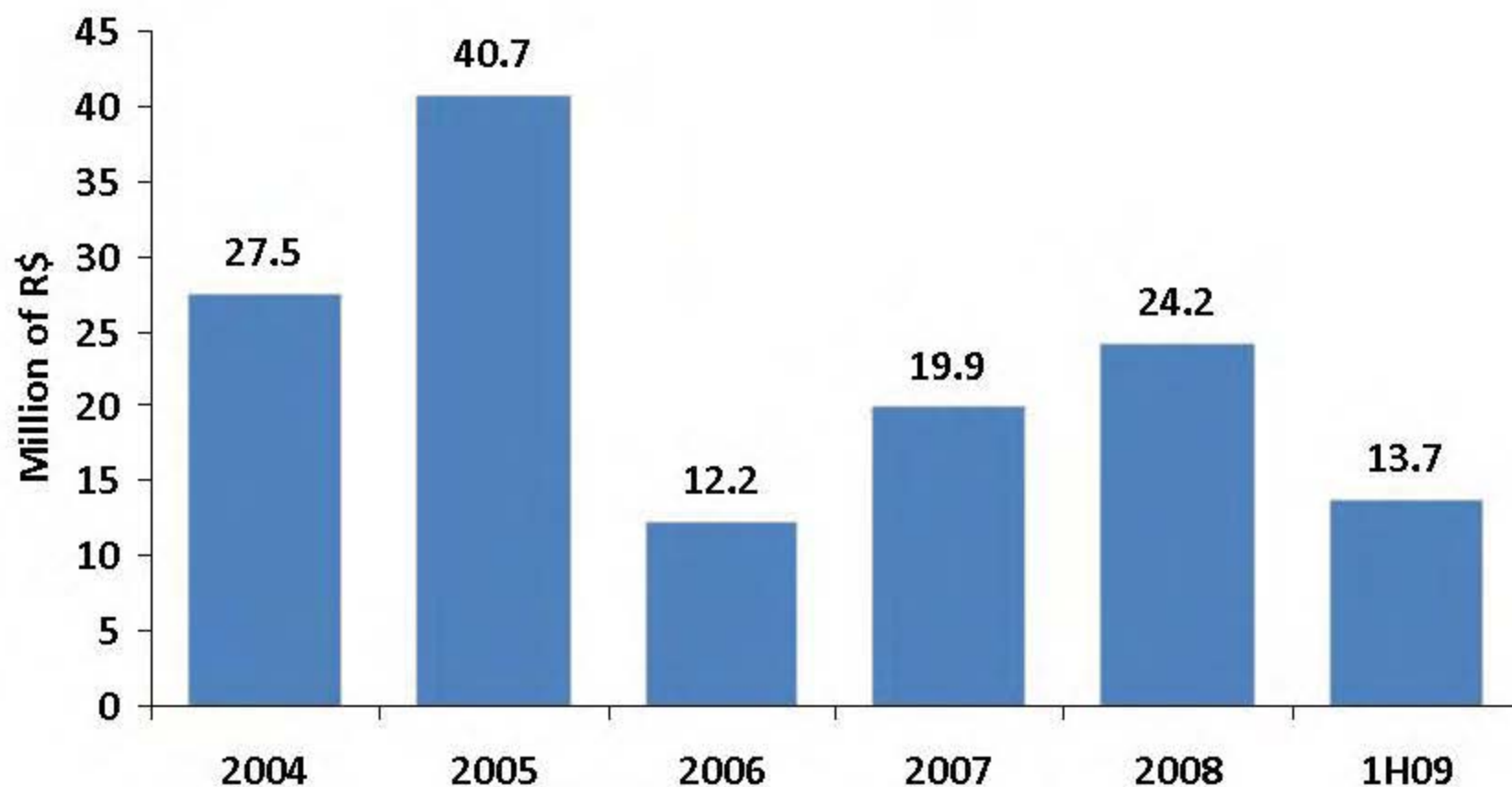
# Net cash, debt and cash and cash equivalents



# Dividends



## Low need for CAPEX



# 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 two months of 2009. We also expect that better export unit prices, converted into Reais, will provide significant contribution to the growth in our profit.

# Thank You!

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