



Grendene[®]



BTG Pactual XII CEO Conference
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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,

Agenda

Highlights

Footwear sector

Strategy

Results

Guidance

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: 26,000

New products in 2010: 861

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

Footwear sector



Brazil's 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, in 2009 (2008: 689 million pairs, 3.64 pairs per capita/year).

Exports: In 2009: 127 million pairs, to more than 140 countries (23.7% less than in 2008).

Sources:

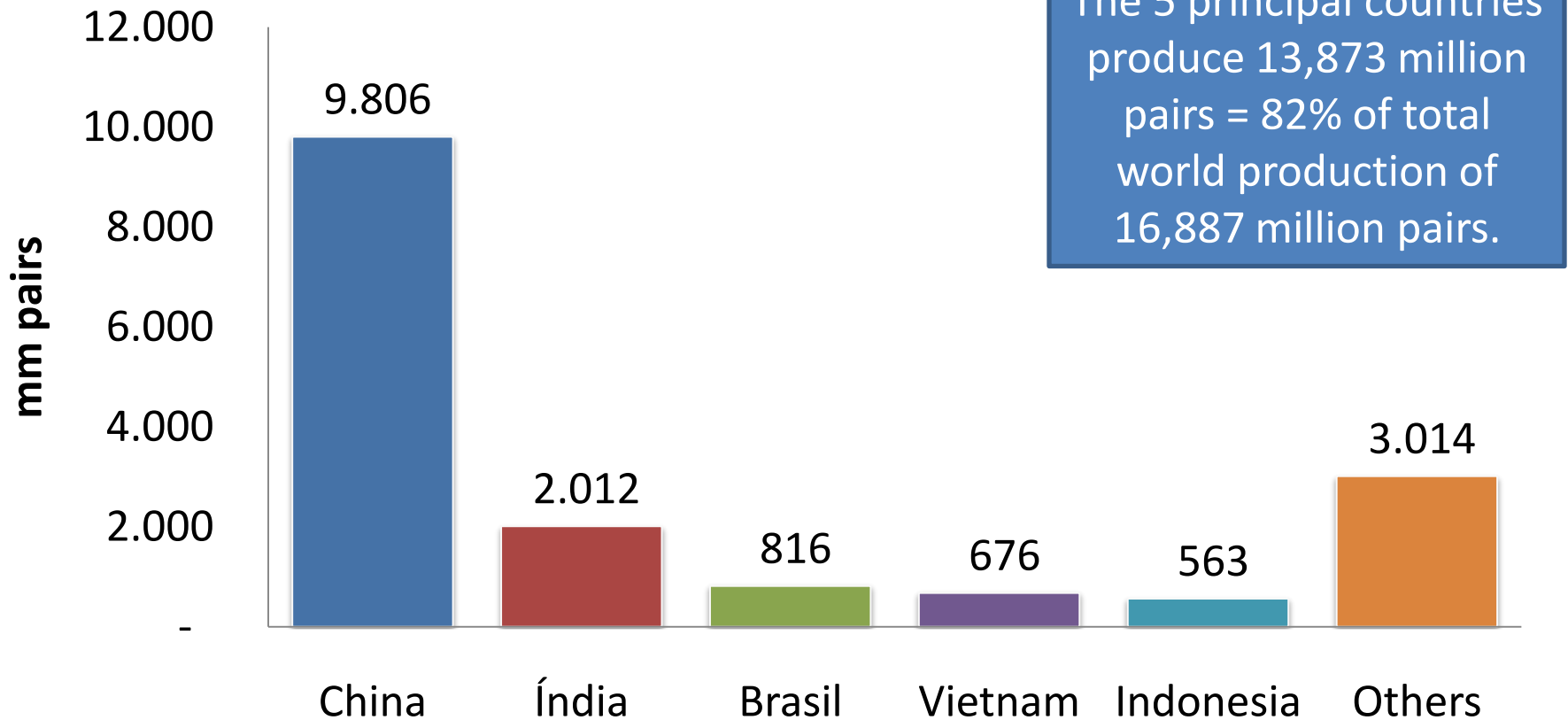
IEMI/RAIS/ABICALÇADOS/SECEX

(*) 2009: estimate by IEMI (Industrial Studies and Marketing Institute) – April, 2010.

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

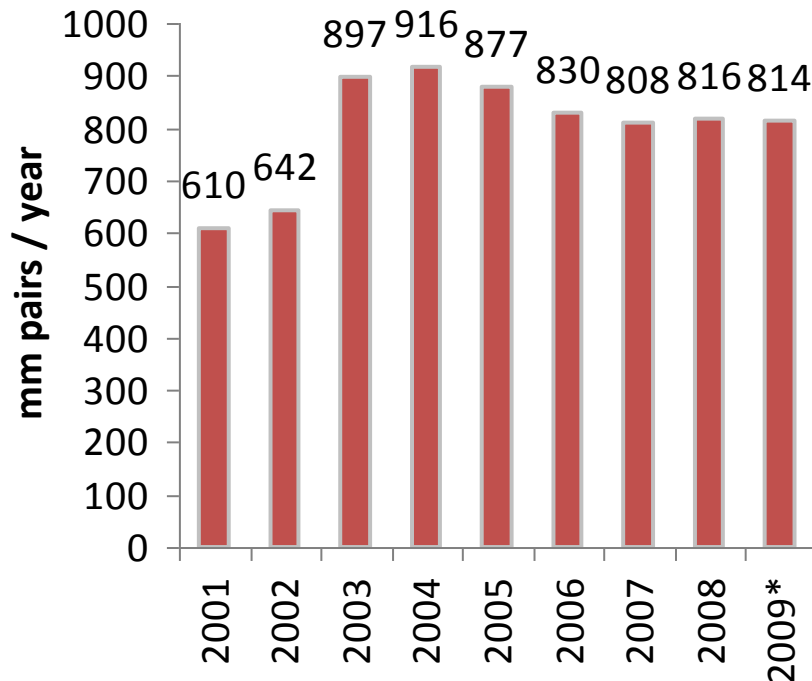
Source: IEMI / SECEX / ABICALÇADOS

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

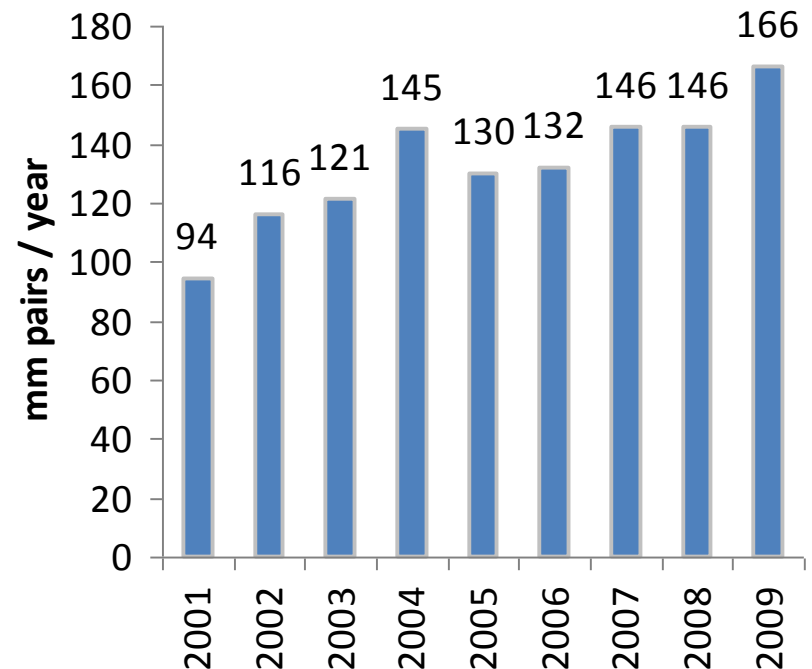
Source: Satra 2008 /
Abicalçados / U.S. Census
Bureau

Grendene vs. Brazilian footwear sector

Brazilian production
CAGR (2009/2001): 3.7%



Grendene
CAGR (2009/2001): 7.4%



Source: IEMI / Abicalçados

* Production estimated by IEMI April, 2010

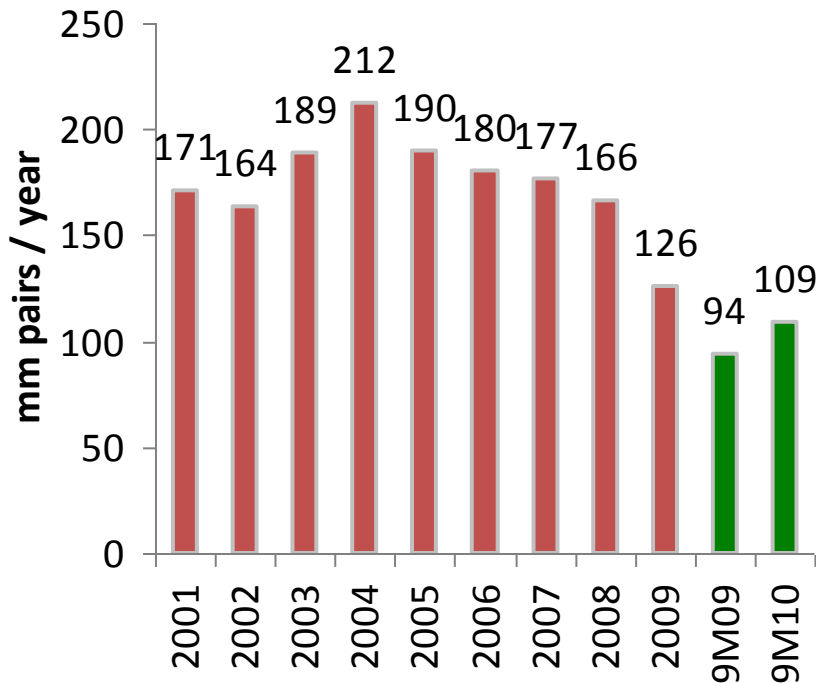
Grendene has grown faster than the Brazilian footwear industry.

Exports: Grendene vs. Brazil

Brazilian exports

CAGR (2001-09): (3.7%)

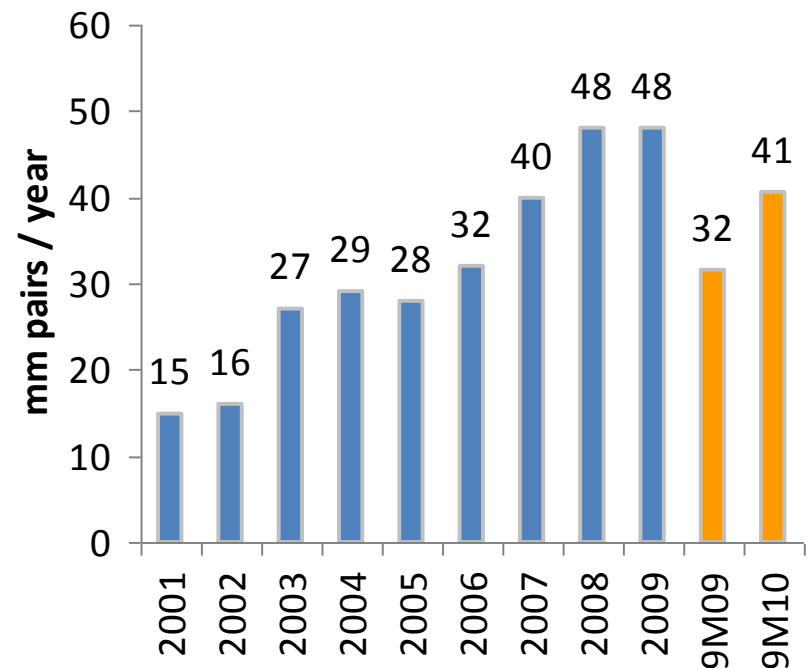
Var. (9M10/9M09): 16.4%



Grendene

CAGR (2001-09): 15.7%

Var. (9M10/9M09): 28.5%



Source: DECEX / MDIC / ABICALÇADOS

Grendene exports were 37.2% of total Brazilian footwear exports in 9M10. (33.7% in 9M09)

Strategy



Strategy: Break paradigms



Melissa + Gaetano Pesce

Less labor-intensive

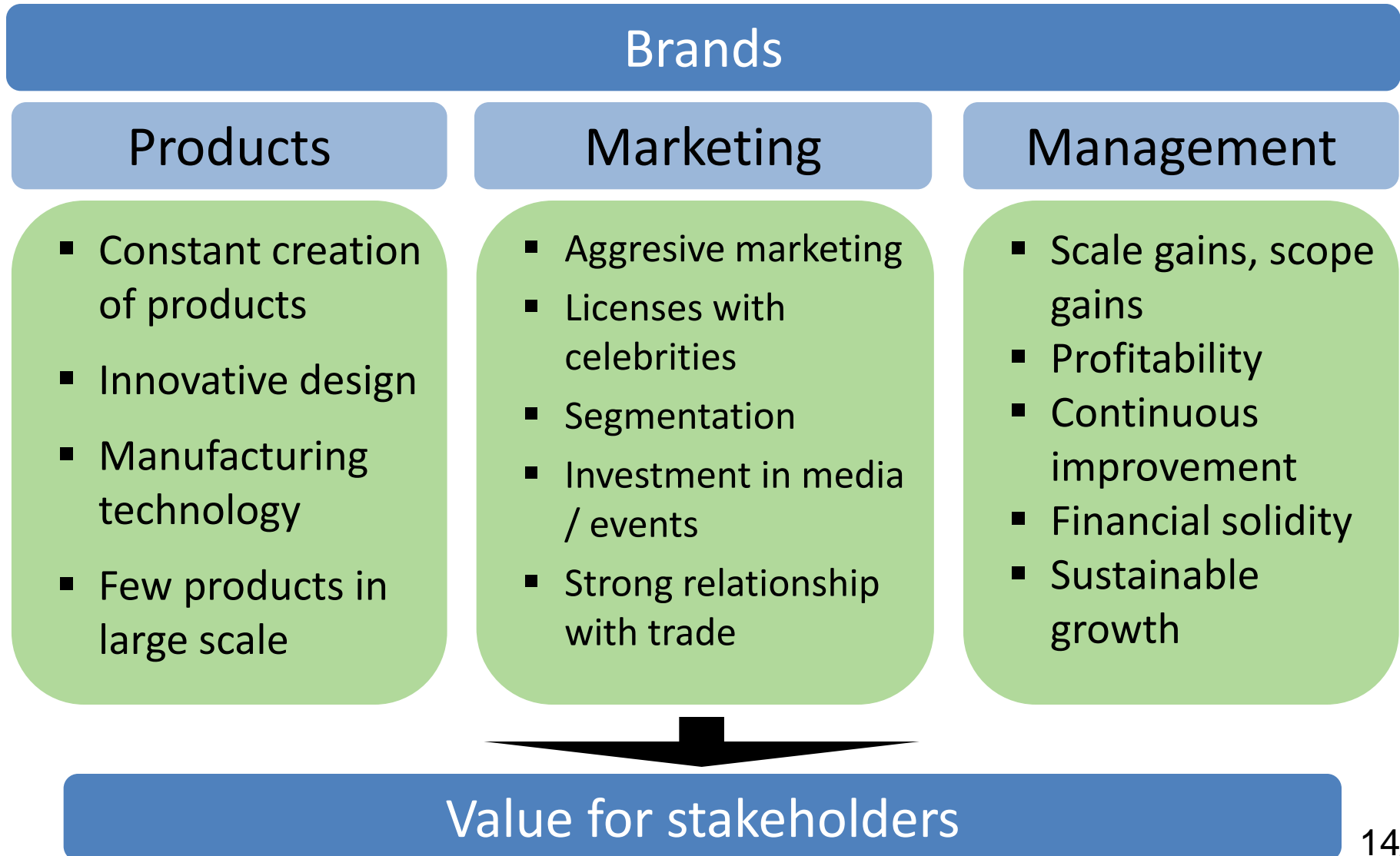
More capital-intensive

Higher entry barriers

Highly marketing-intensive

Our expertise of 40 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



The image features a large, stylized blue 'G' logo that serves as a background for the text. The background of the entire slide is a blurred map of a coastal region, showing green landmasses, blue water bodies, and a network of roads or rivers. The logo is a thick, dark blue outline of the letter 'G'.

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**Results
(in IFRS)**

Main financial and economic indicators

R\$ million	9M09	9M10	Change % 9M10-9M09
Net sales revenue	975.4	1,116.4	14.5%
Net income	187.2	189.7	1.4%

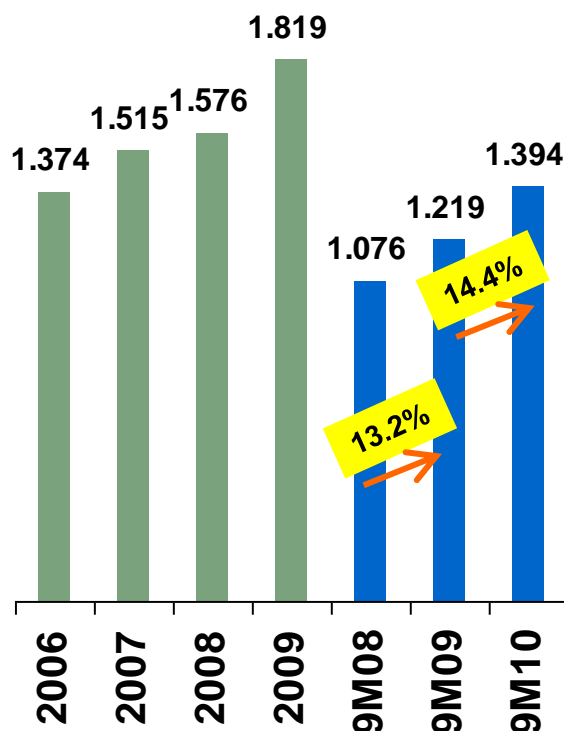
Margins %	9M09	9M10	Change b.p.
Gross	38.5%	37.7%	(0.8 bp)
EBIT	10.0%	10.2%	0.2 bp
EBITDA	12.0%	12.1%	0.1 bp
Net	19.2%	17.0%	(2.2 bp)

Share	9M09	9M10
Profit per share R\$	R\$0.62	R\$0.63
Share price (30/09/10) R\$	R\$8.35	R\$8.59
Book value per share R\$	R\$4.66	R\$5.28
Market cap R\$	R\$2,511,012,000.00	R\$2,583,184,800.00

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

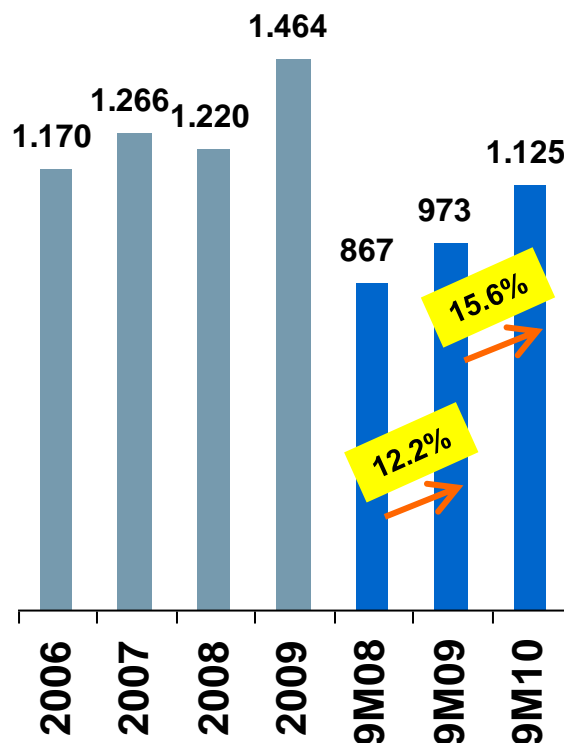
Gross sales revenue

CAGR (2006-09): 9.8%



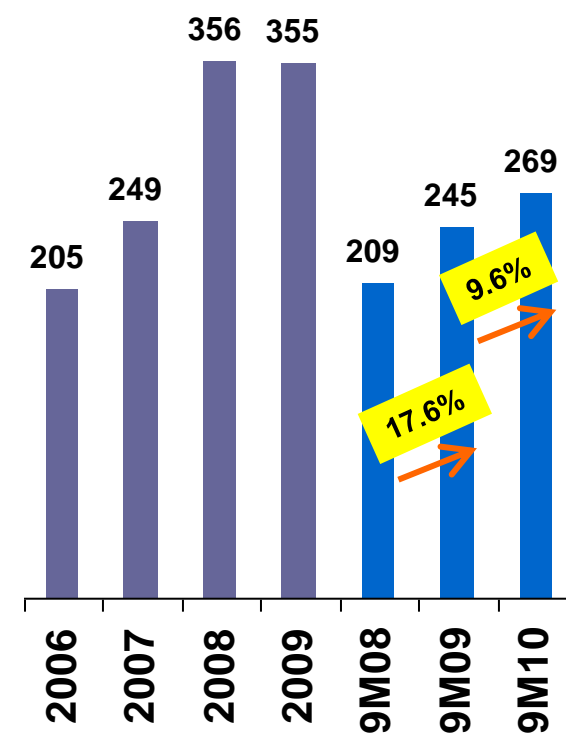
Gross sales revenue – domestic

CAGR (2006-09): 7.8%



Gross sales revenue – exports

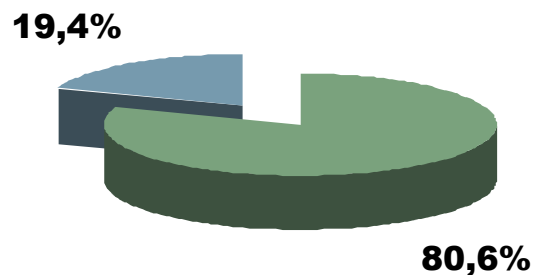
CAGR (2006-09): 20.2%



Market (%)

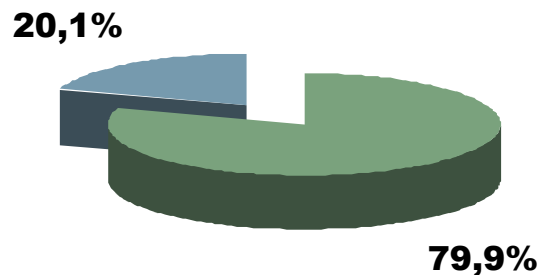
Gross sales revenue

9M08



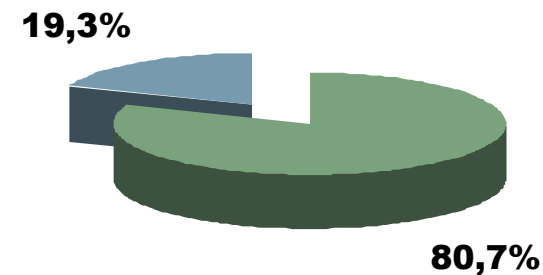
■ Domestic market ■ Exports

9M09



■ Domestic market ■ Exports

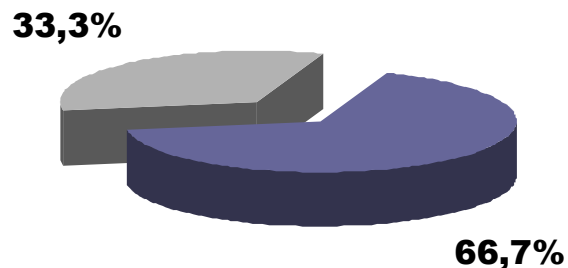
9M10



■ Domestic market ■ Exports

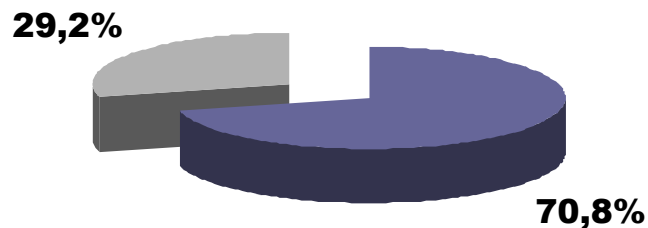
Sales volume

9M08



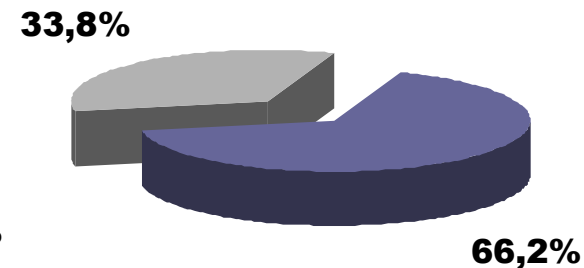
■ Domestic market ■ Exports

9M09



■ Domestic market ■ Exports

9M10

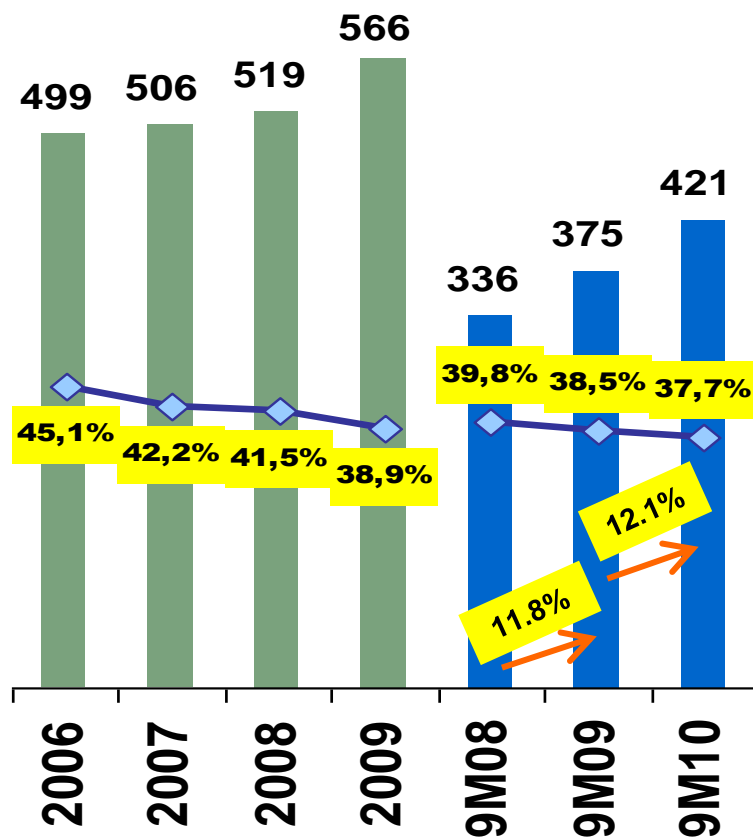


■ Domestic market ■ Exports

Results (IFRS) (R\$ million)

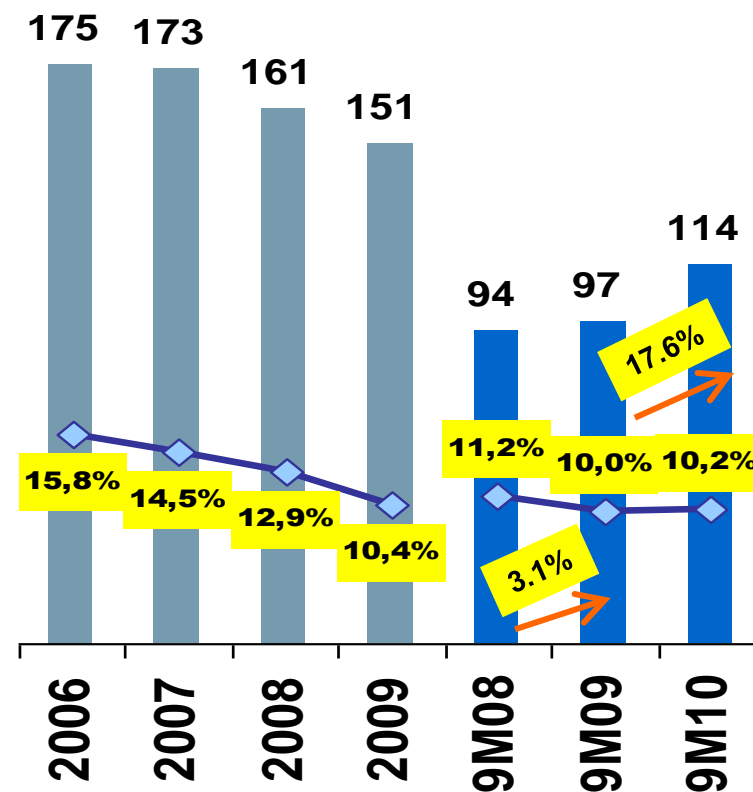
Gross profit / Gross margin

CAGR (2006-09): 4.3%



EBIT / EBIT margin

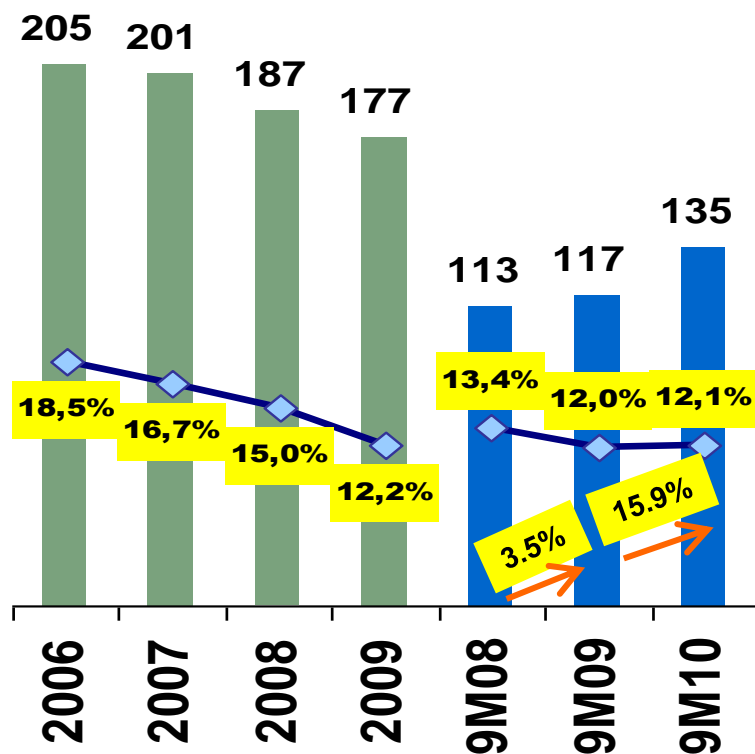
CAGR (2006-09): (4.8%)



Results (IFRS) (R\$ million)

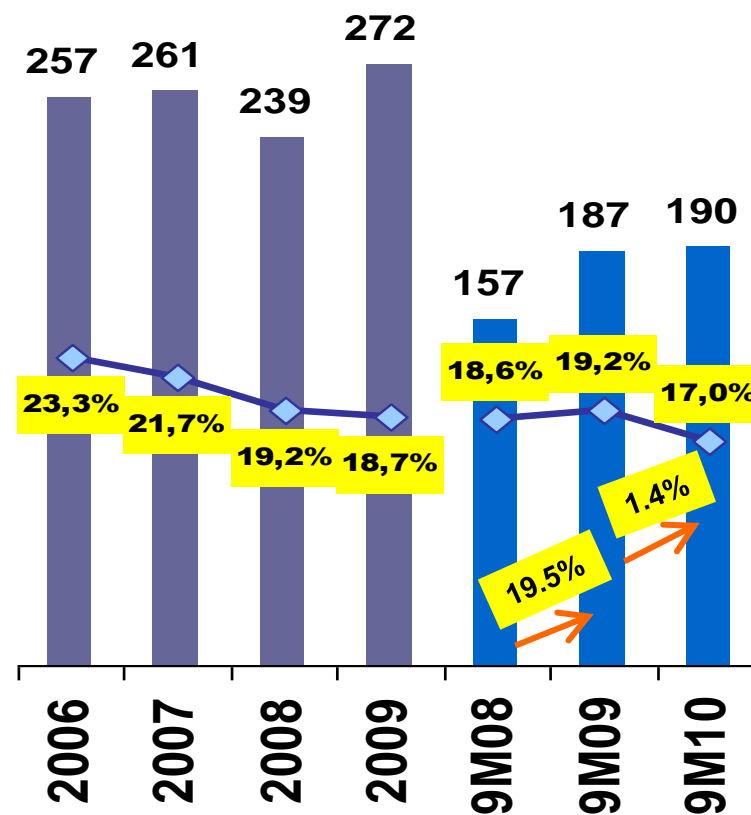
EBITDA / EBITDA margin

CAGR (2006-09): (4.7%)



Net income / Net margin

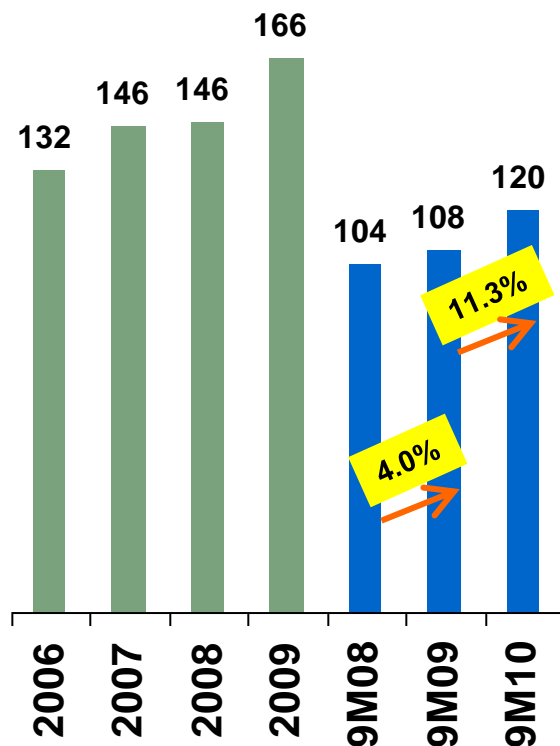
CAGR (2006-09): 1.9%



Production (Million pairs)

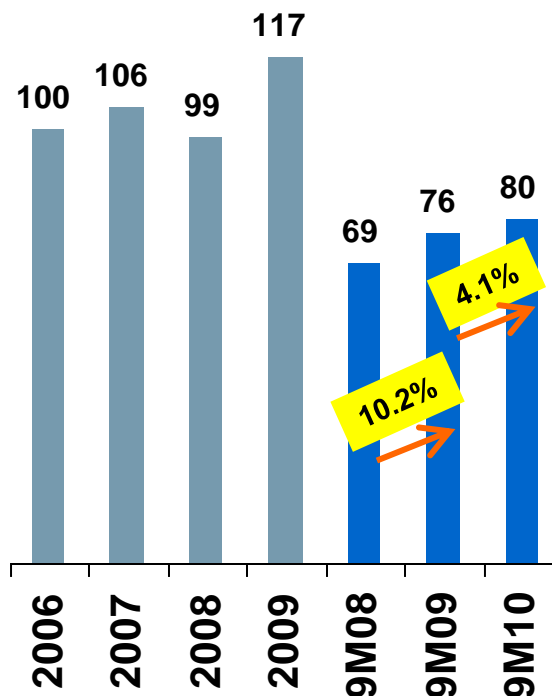
Sales volume

CAGR (2006-09): 7.9%



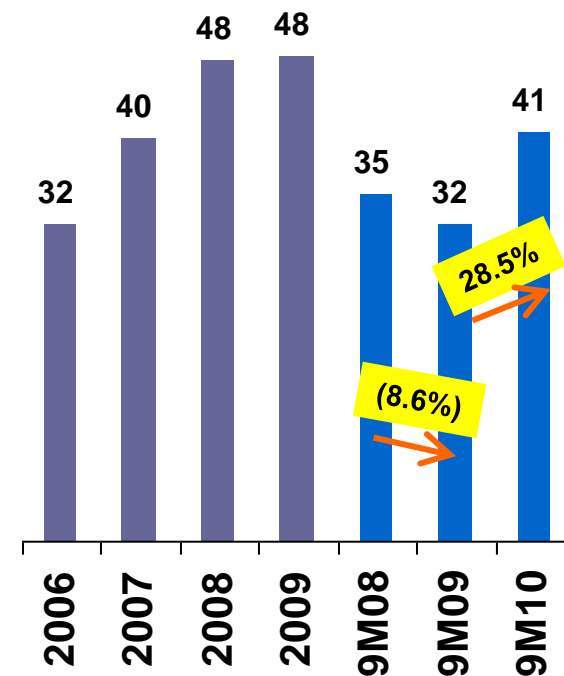
Sales volume – domestic

CAGR (2006-09): 5.3%

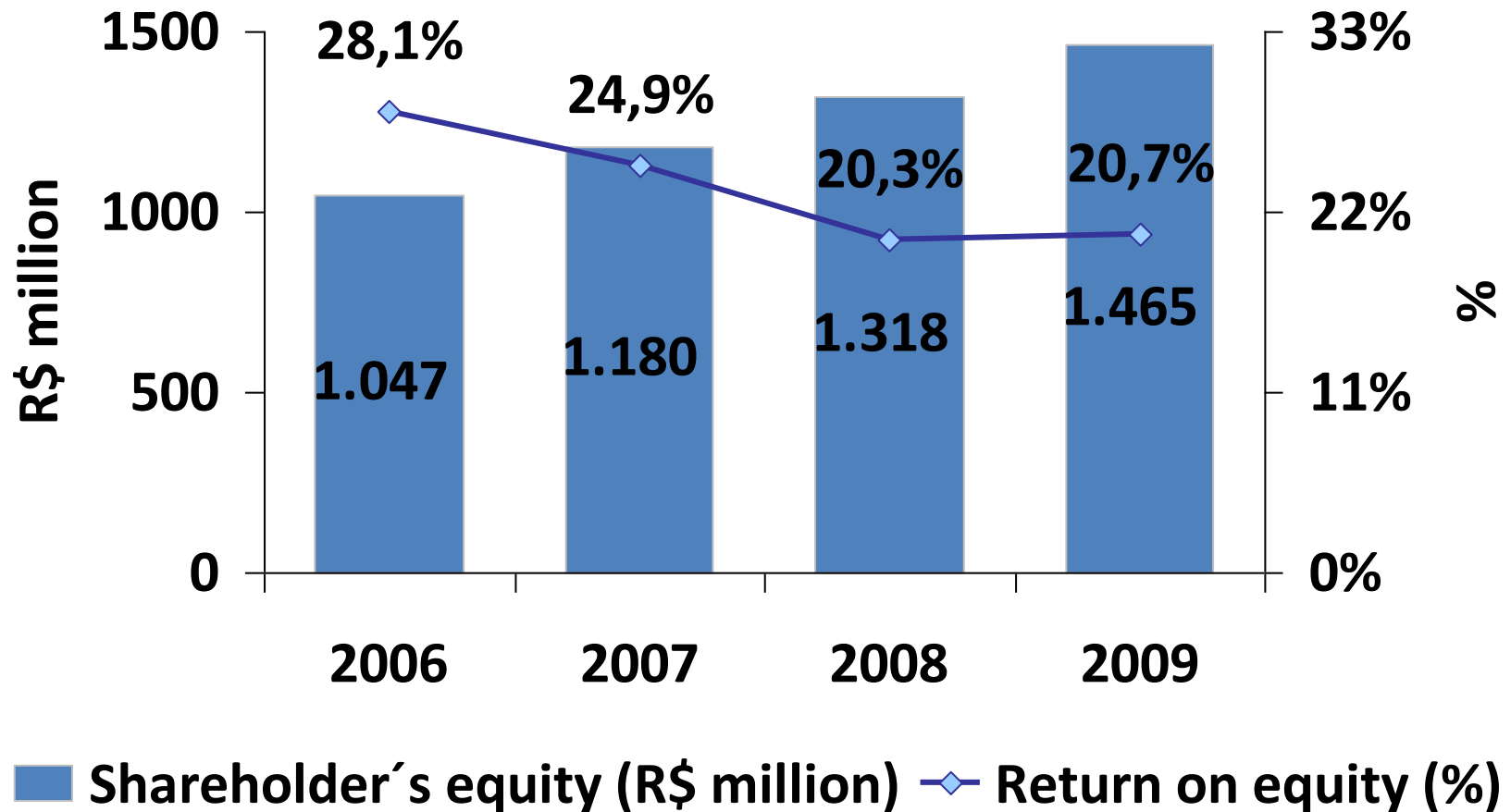


Sales volume – exports

CAGR (2006-09): 15.3%



Shareholder's equity and return on equity

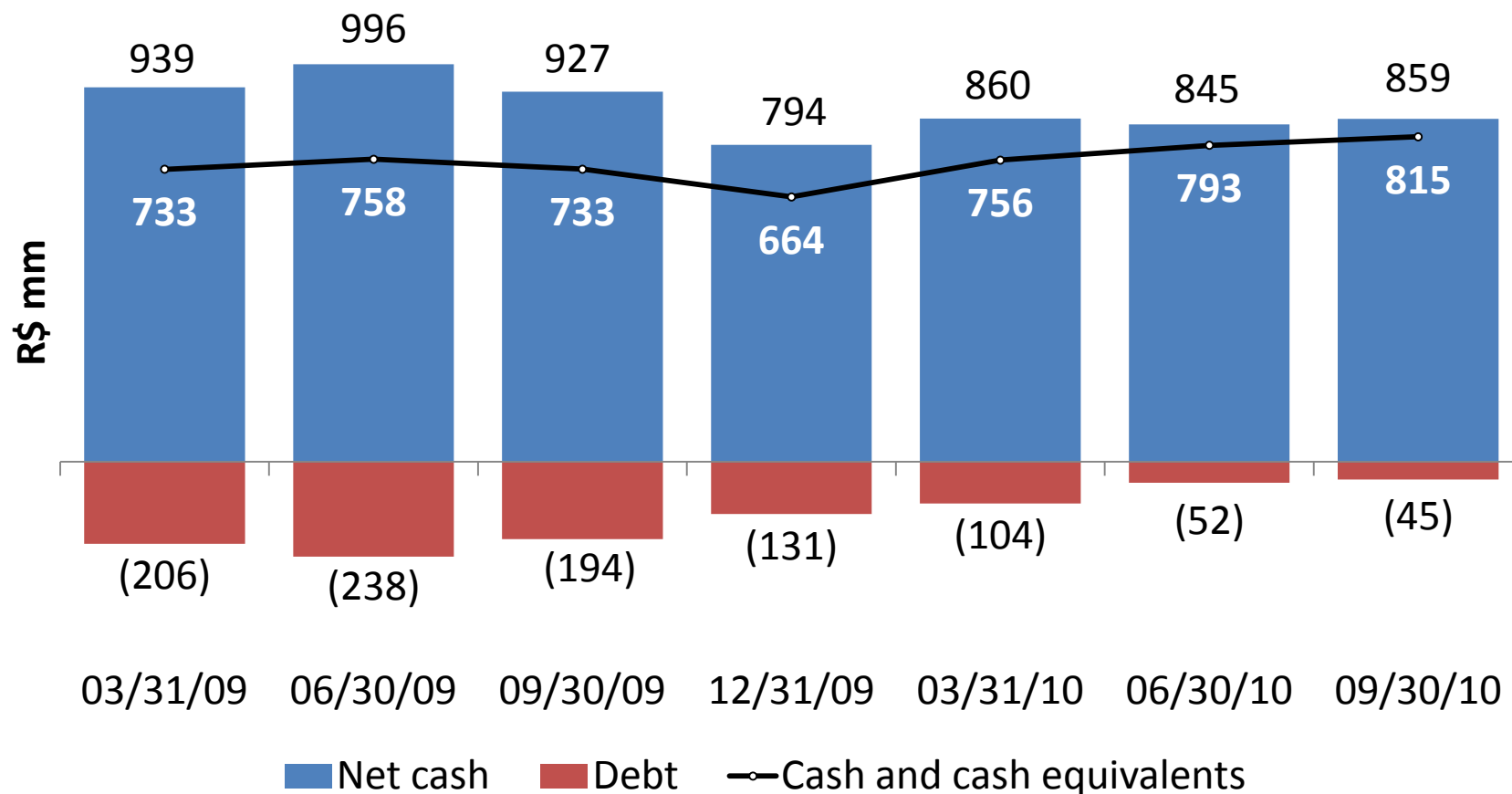


Operational result (IFRS)

(R\$ '000)

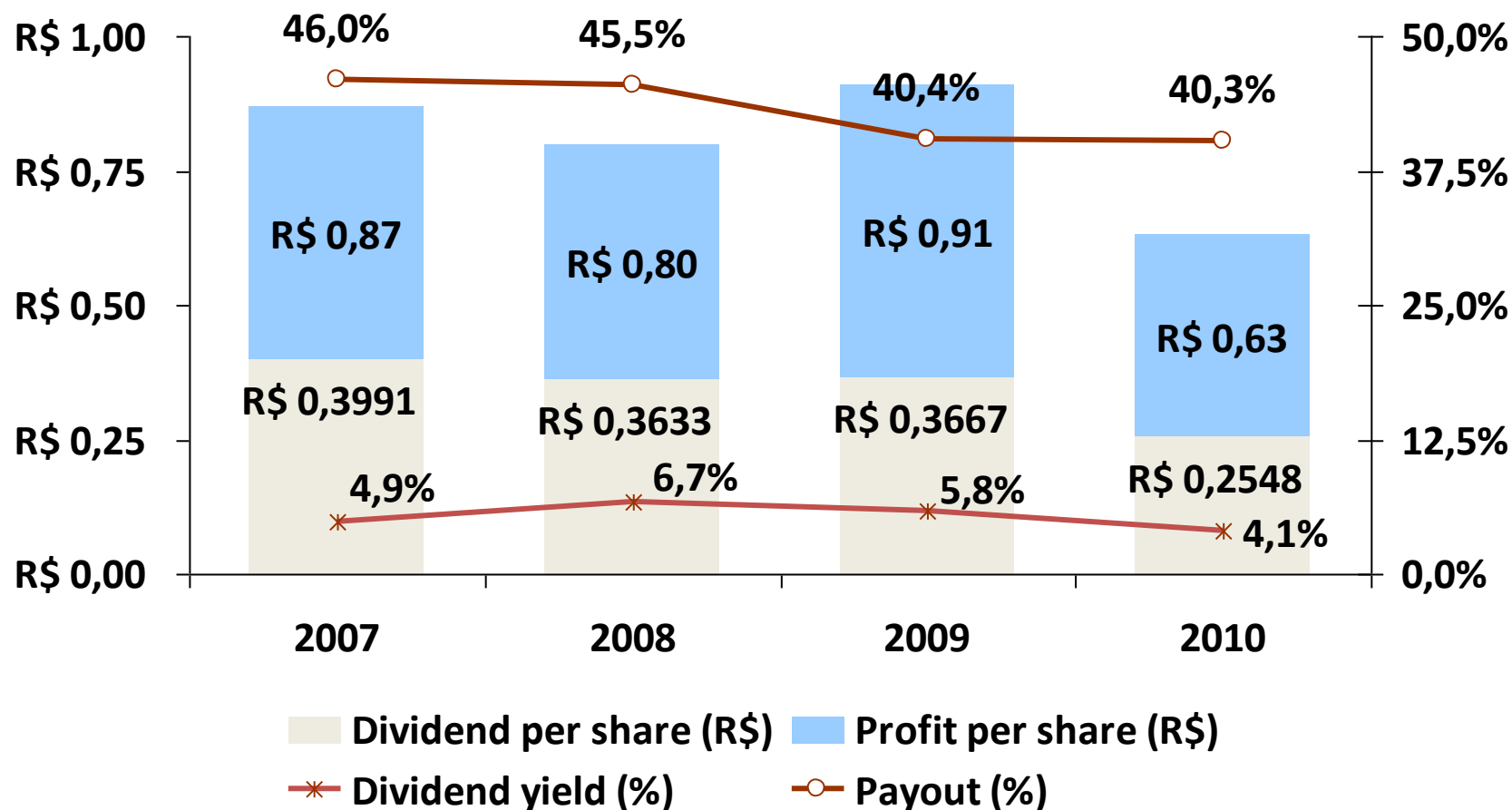
	9M09	% V	9M10	%V	%H	Marginal	%V
Domestic market	973,327	99.8%	1,125,162	100.8%	15.6%	151,835	107.7%
Exports	245,400	25.2%	268,840	24.1%	9.6%	23,440	16.6%
Gross sales revenue	1,218,727	124.9%	1,394,002	124.9%	14.4%	175,275	124.3%
Sales deduction	(243,304)	(24.9%)	(277,623)	(24.9%)	14.1%	(34,319)	(24.3%)
Net sales revenue	975,423	100.0%	1,116,379	100.0%	14.5%	140,956	100.0%
Cost of sales	(600,161)	(61.5%)	(695,609)	(62.3%)	15.9%	(95,448)	(67.7%)
Gross profit	375,262	38.5%	420,770	37.7%	12.1%	45,508	32.3%
Operating income (expenses)							
Selling expenses	(238,482)	(24.4%)	(262,355)	(23.5%)	10.0%	(23,873)	(16.9%)
General and administrative expenses	(38,778)	(4.0%)	(42,216)	(3.8%)	8.9%	(3,438)	(2.4%)
Management fees	(842)	(0.1%)	(1,978)	(0.2%)	134.9%	(1,136)	(0.8%)
EBIT	97,160	10.0%	114,221	10.2%	17.6%	17,061	12.1%
Other operating income	2,222	0.2%	2,639	0.2%	18.8%	417	0.3%
Other operating expenses	(2,278)	(0.2%)	(5,311)	(0.5%)	133.1%	(3,033)	(2.2%)
Operating result before financial revenue (expenses)	97,104	10.0%	111,549	10.0%	14.9%	14,445	10.2%

Net cash, debt and cash and cash equivalents



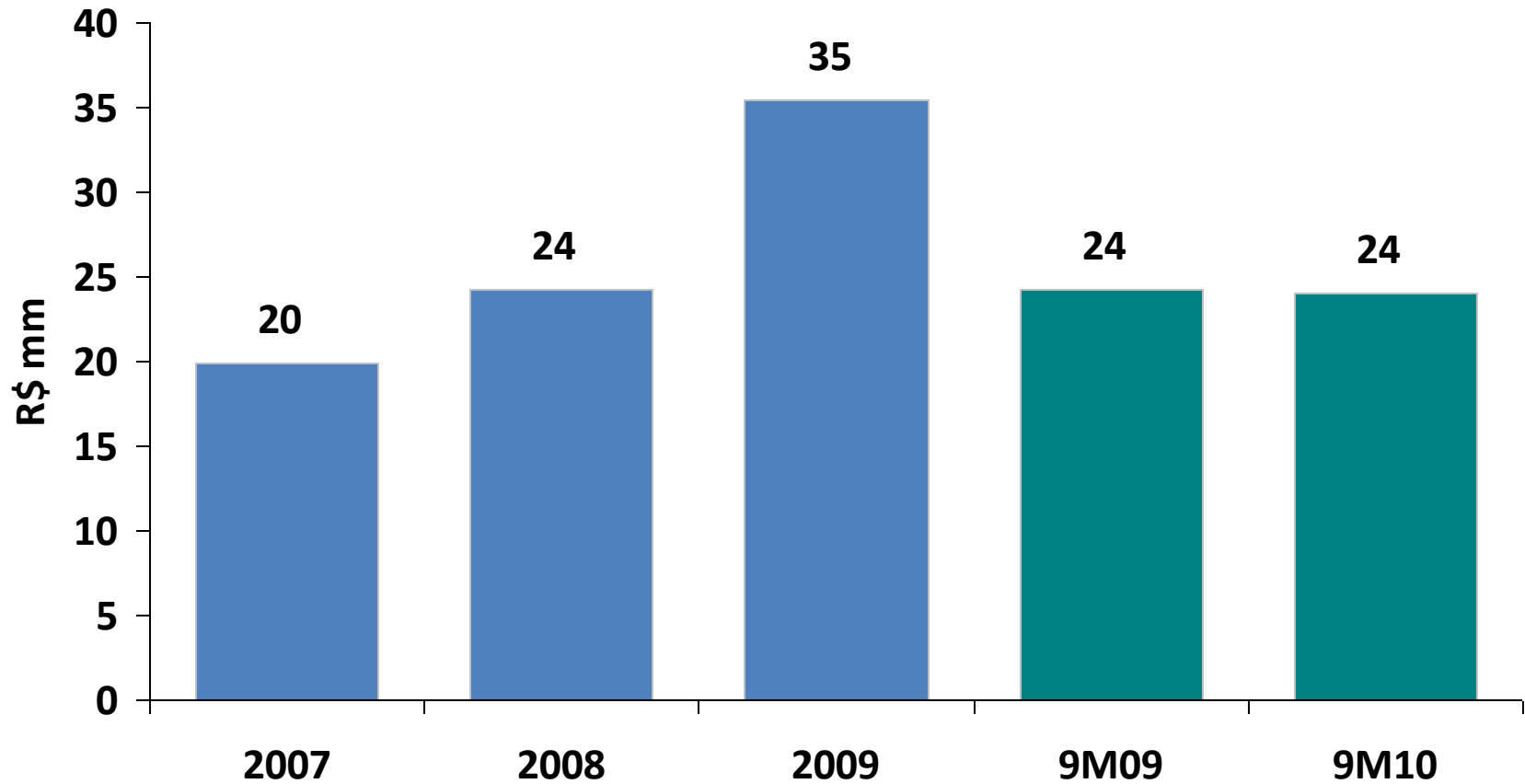
Strong cash flow

Dividends



Dividend yield: profit per share divided by the average share price during the year.

Low need for Capex



Outlook

- **Galeria Melissa** (the brand's concept store): In the **next 2 years** Grendene **will open** Galeria Melissa in **New York, Paris e Tokyo.**



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.

We believe that in this period we may have some years with greater growth than these rates, as was the case in 2009, and others with lower growth, but we intend, on average, to achieve this target.

To do so we will seek to grow more intensely in the external market, expecting that the exchange rate between the Real and the US dollar will vary in accordance with the difference between inflation in Brazil and USA – having as a reference basis the average R\$/US\$ exchange rate in the first quarter of 2009, which was R\$ 2.31. We emphasize that this expectation for the variation in the exchange rate is for the long term (a period between 5 and 10 years), and not for the next quarter.”

Thank you!

Francisco Schmitt

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