

Grendene



UBS Pactual

Brazil, 2008

9th Annual CEO Conference

February 20, 2008

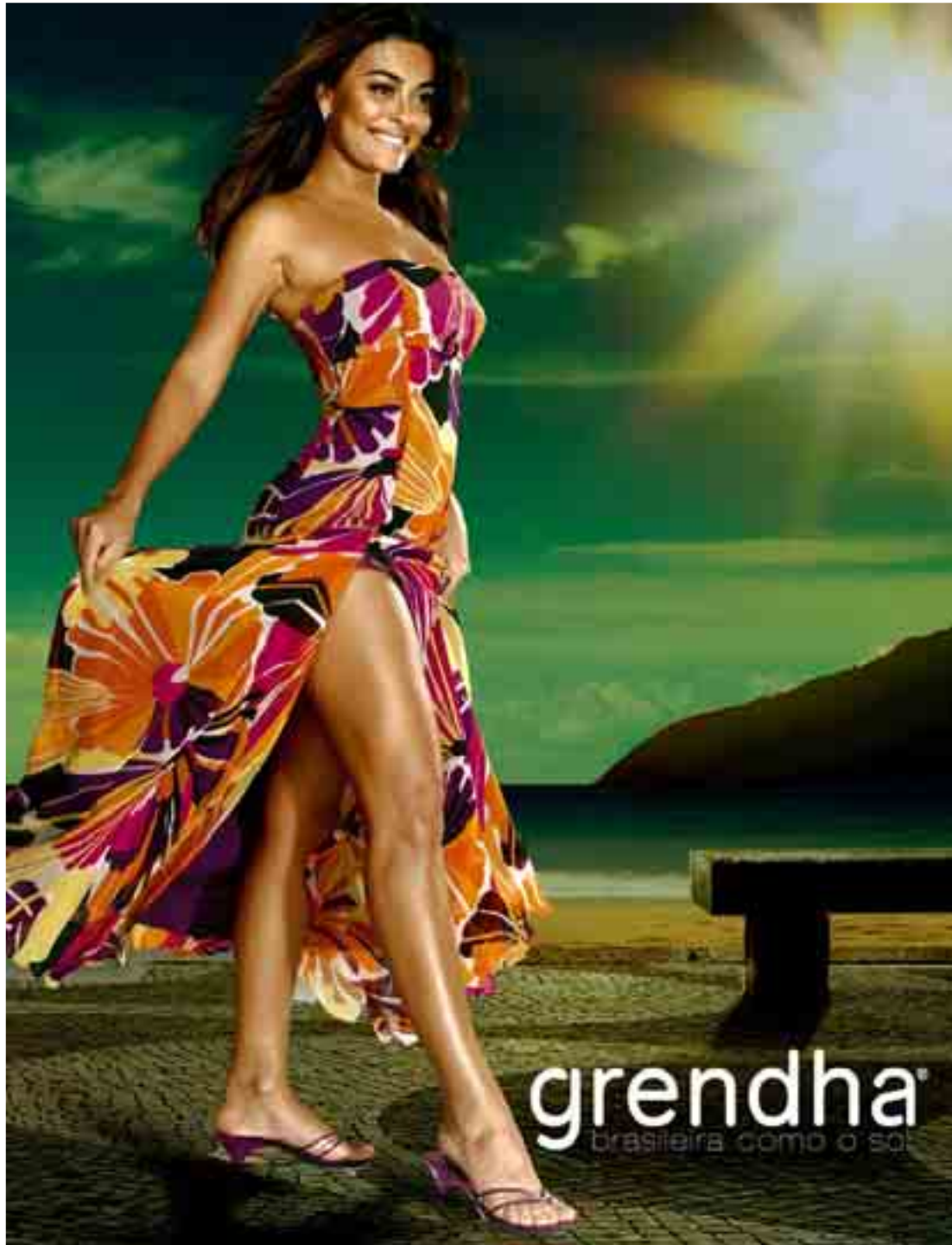
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Highlights

- ✓ Grendene is one of the world's largest producers of synthetic footwear, and the largest in Brazil (by revenue)
- ✓ Production capacity: 176 million pairs/year
- ✓ Average production: 500,000 pairs/day
- ✓ Active employees: 18,000
- ✓ New products/year: 500
- ✓ World presence: 85 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

AGENDA

- Footwear Sector
- Strategy
- Plants
- Products
- Marketing
- Results
- Guidance



grendha
brasileira como o sol

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5 The footwear sector

Brazil's footwear sector

- 8,000 **producers** in 2007
- 299,000 **direct employees** ;
- **Production:** 764 million pairs in 2007 (796 million pairs in 2006)
- World's 3rd largest producer
- **Apparent consumption, Brazilian domestic market:** 616 million pairs; 3.31 pairs per capita/year in 2007 (635 million and 3.41 in 2006).
- **Exports:** 177 million pairs, to more than 100 countries, in 2007 (1.7% less than in 2006).

Sources: IEMI, Abicalçados, Secex, MDIC, Satra.

Brazil is the world's 3rd largest producer of footwear

Main producing countries

Country	Million pairs 2005
China	9,000
India	909
Brazil	806
Indonesia	580
Vietnam	525
Thailand	264
Pakistan	251
Italy	250
Mexico	197
Turkey	170
Others	1,745

The 10 principal countries produce:
12.8 million pairs, 88% of
Total world production of
14.5 million pairs.

The footwear sector in Brazil

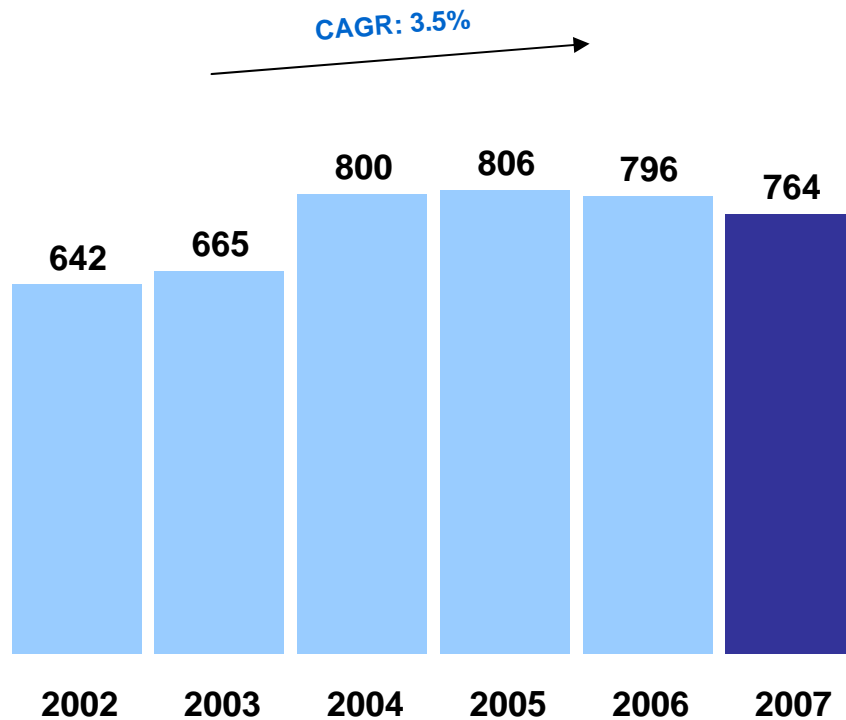
Brazil					
	2003	2004	2005	2006	2007
	(million pairs)				
Production	665	800	806	796	764
Imports	5	9	17	19	29
Exports	189	212	190	180	177
Apparent consumption	481	597	633	635	616
Per capita consumption	2.83	3.26	3.42	3.41	3.31

Country	Consumption - 2005	
	(million pairs)	(per capita)
USA	2,129	7.3
United Kingdom	376	6.2
France	346	5.7
Japan	620	4.9
Germany	347	4.2

Sources: Decex, Brazilian Trade Ministry, IEMI, Abicalçados.

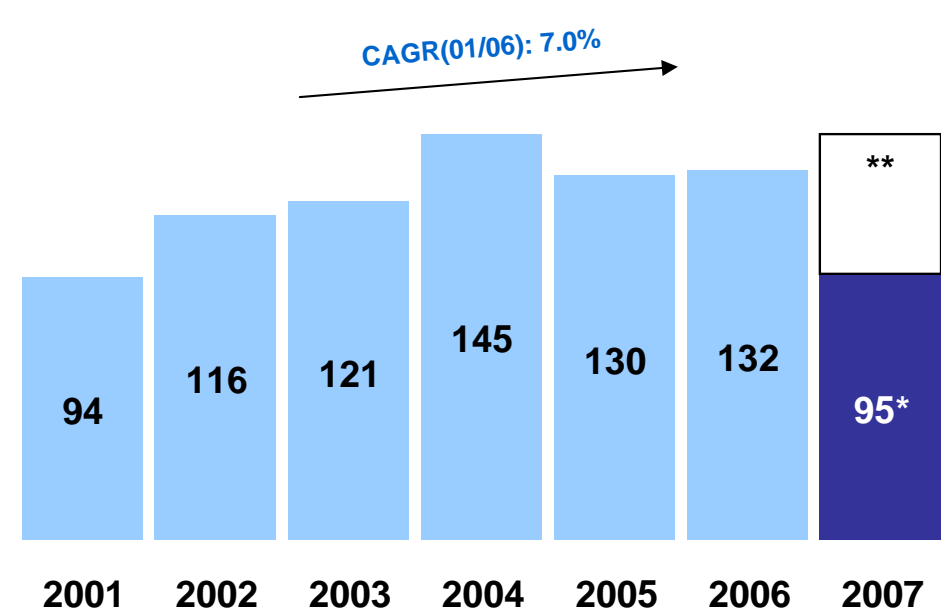
Grendene vs. Brazilian footwear sector

Brazilian production
(million pairs/year)



Sources: Abicalçados, Secex, Trade Ministry,
Satra, US Census.

Grendene: footwear production
(millions of pairs/year)



* 9M07. ** Estimate for 2007

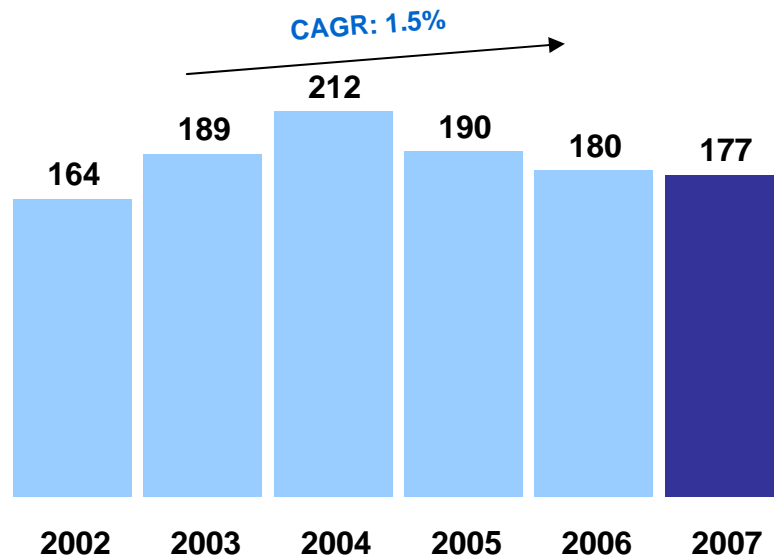
**Grendene has grown faster than
Brazilian GDP, and the
Brazilian footwear industry*.**

*Average growth rates over the period.

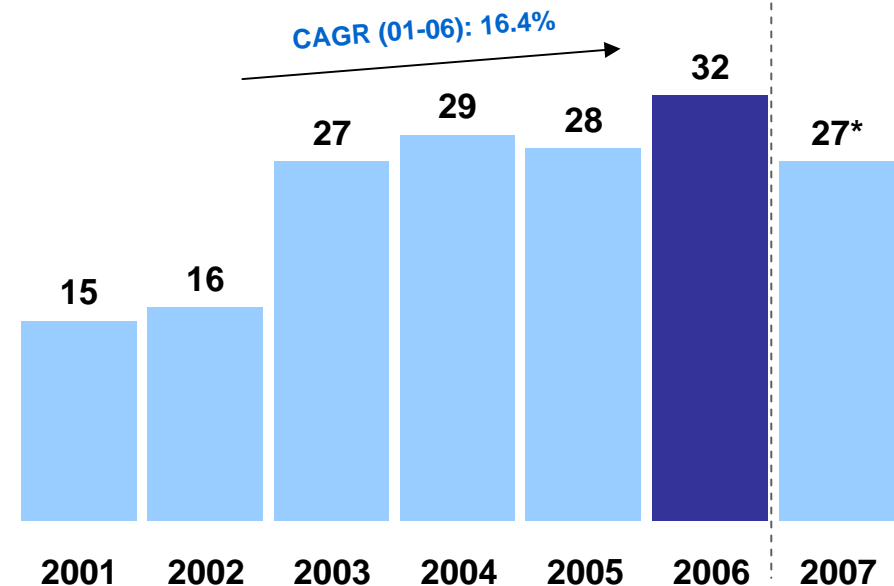
Exports: Grendene vs. Brazil

- ✓ Grendene's exports were 17.5% of total Brazilian footwear exports in 2006.
- ✓ *Melissa* and *Ipanema GB* brands: strategy of globalization

Brazilian exports
(millions of pairs/year)



Grendene's footwear exports
(millions of pairs/year)



* 9M07

Sources: Abicalçados, Secex, Trade Ministry.

A close-up portrait of Gisele Bündchen with long, wavy, light brown hair. She is looking directly at the camera with a slight smile. Her skin is wet, and there are water droplets on her hair and shoulders. The background is a soft, out-of-focus grey.

Ipanema ★ Gisele Bündchen G2B
WWW.IPANEMA-GISELEBUNDCHEN.COM.BR

Strategy

Grendene®

Value proposition

Brands

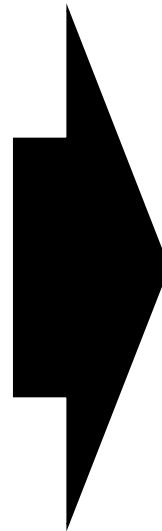
PRODUCTS	MARKETING	MANAGEMENT
<ul style="list-style-type: none"> ▪ Constant creation of products ▪ Innovative design ▪ Manufacturing technology 	<ul style="list-style-type: none"> ▪ Aggressive marketing ▪ Licenses with celebrities ▪ Segmentation ▪ Investment in media ▪ Events 	<ul style="list-style-type: none"> ▪ Scale gains, scope gains ▪ Profitability ▪ Continuous improvement ▪ Financial solidity ▪ Sustainable growth

VALUE FOR STAKEHOLDERS

Medium and long-term strategy

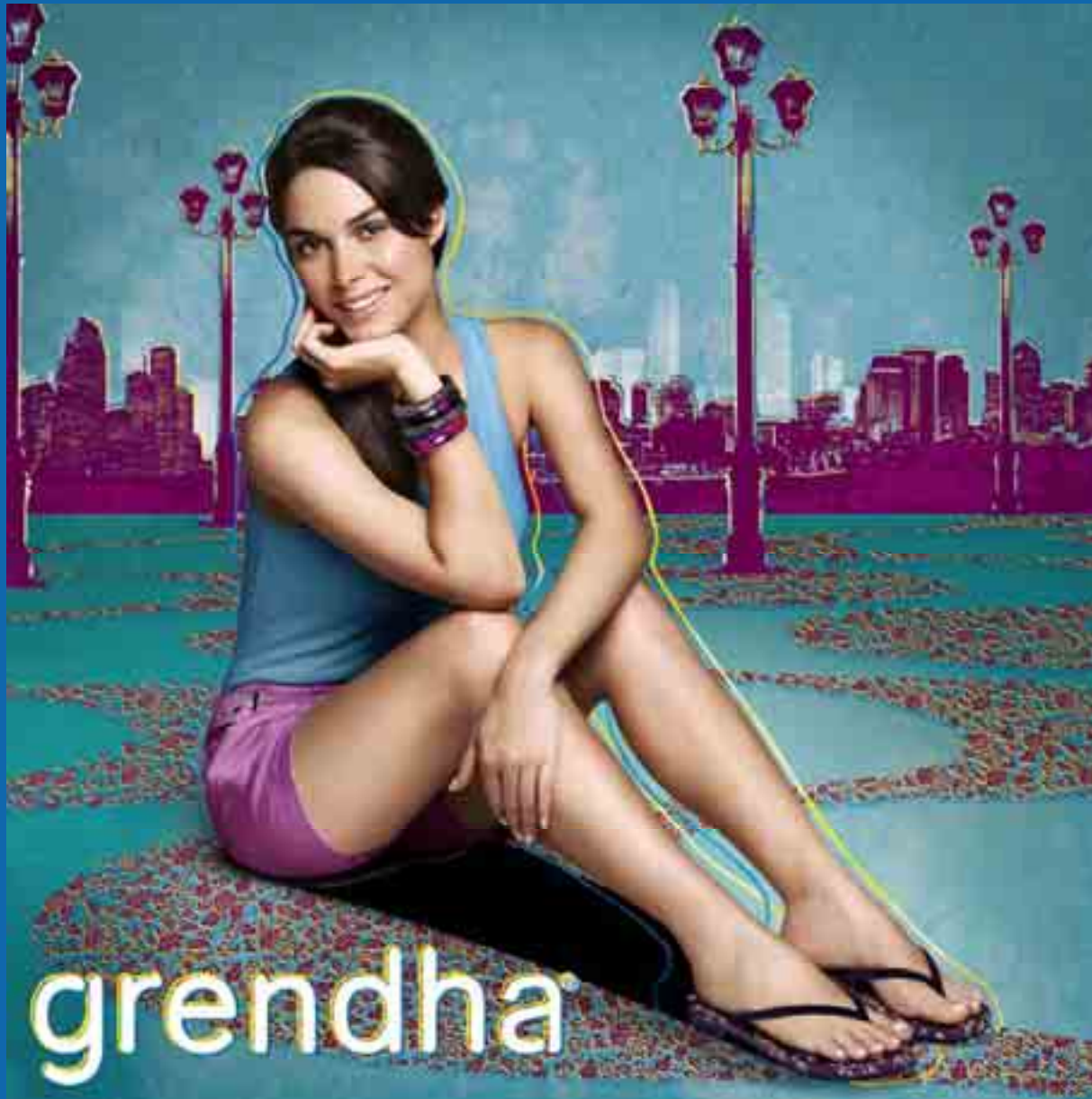
OBJECTIVES

- Focus on organic growth
- Sustainable growth with profitability
- Maintain solid financial situation
- Operational excellence
- Innovation in product design
- Investments in marketing
- Segmentation of markets
- Exports with global brands



EXPECTED RESULTS

- Scale gains
- Scope gains
- Clear view of strong and weak points of each operation
- Long term vision
- Create value for the company (EVA)
- Reduction of aggregate costs



Plants

Location of industrial plants

In 3 Brazilian states:

Rio Grande do Sul

Farroupilha - 2 units

Ceará

Fortaleza - 2 units

Sobral - 7 units

Crato - 1 unit

Bahia

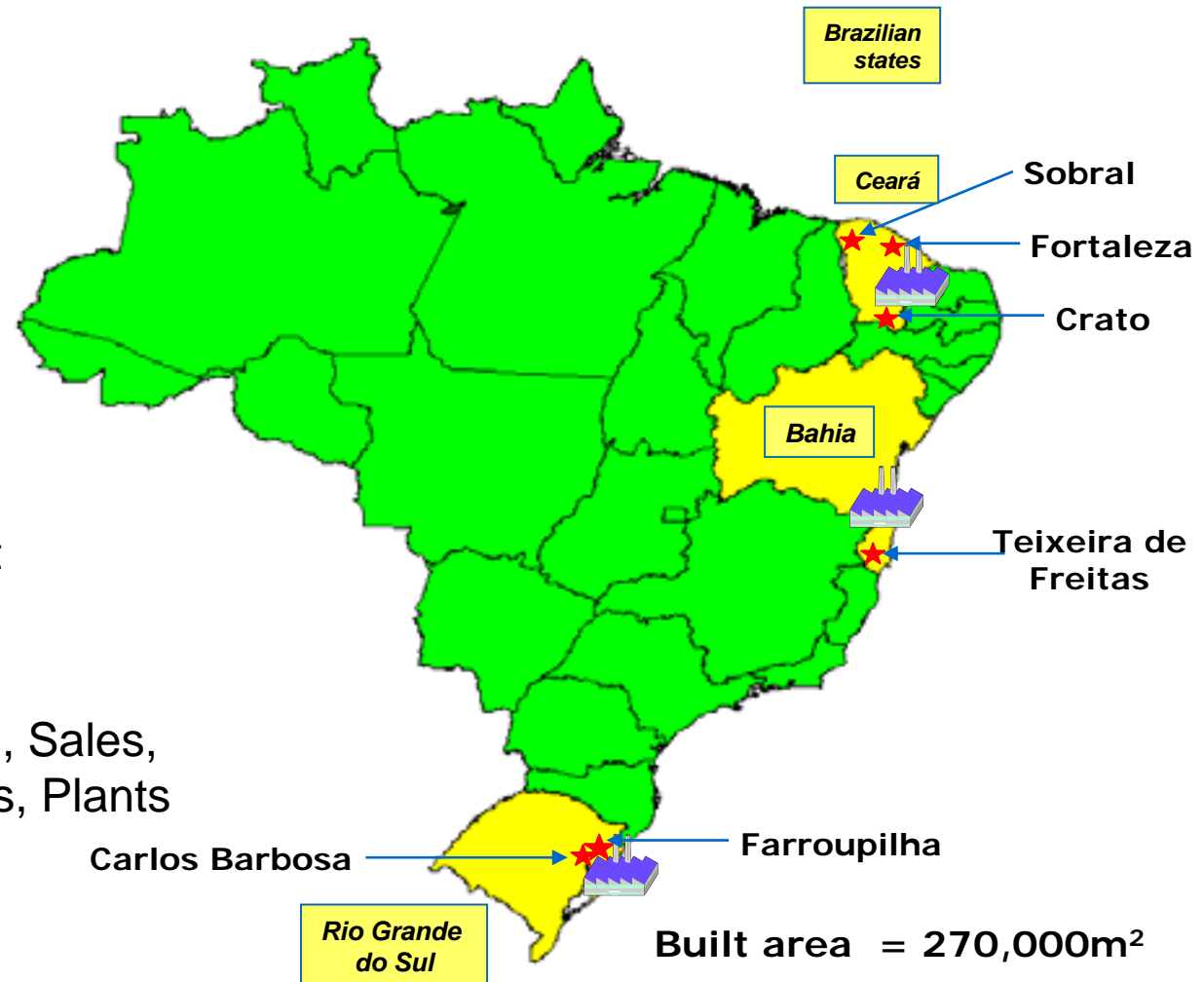
Teixeira de Freitas - 1 unit

At Farroupilha

Directors, DPD, Marketing, Sales,
Exports, Finance, Supplies, Plants

At Carlos Barbosa

Molds



Industrial plants



Farroupilha, Rio
Grande do Sul



Crato, Ceará

Built area
270,000 m²



Sobral, Ceará
Main plant
(87% of production)

Installed capacity:
176,000,000 pairs/year



Fortaleza, Ceará



Carlos Barbosa, Rio
Grande do Sul

Products

ilhabela

COLEÇÃO
HELL BABES

ENCHEU
O SACO DE
SER BIBE?
ENTÃO,
VIRA HELL



The Hell
Babes
Collection:

“TIRED OF
BEING A
BABE? SO
BECOME
HELL !”

MOSTRE QUE VOCÊ TEM ATITUDE. ENTRE NA SANDÁLIA E NO SITE:
WWW.VAIPROCURARSUATURMA.COM.BR/HELLBABES

← “Show that you’ve got attitude: get into sandals get on the site.”

Product portfolio



Rider line

- ✓ Target: masculine public. Launched August 1986. In 3 “archetype” segments – Sports, Beach, Adventure – in line with consumers’ use and preference.



Other brands:

- ✓ We produce our own designs and also third party brands such as *Guga Kuerten*, *Mormaii*, *Speedo*. Recently, we obtained license for the *Everlast* brand.



Product portfolio

Melissa line

- ✓ **Melissa:** Synonym of plastic sandals, worldwide.
- ✓ Top-of-line, totally conceptual design and fashion product. Sold only through selected channels: boutiques, specialized fashion stores, design stores – to add value to the brand, and also to the full-plastic footwear mode.
- ✓ Target/achievement: to be a global brand.



melissa®



Ilhabela line

- ✓ Target: Young public. Also operates as a promotional line.

Product portfolio

grendha®

Grendha line

- ✓ Target: Female public.
Launched July 1994.
4 segmentations:
casual, fashion,
summer, promotional.



iPANEMA

Ipanema line

- ✓ Launched July 2001. Flip-flops, clogs and sandals. Unisex.
Target: mass consumption market, with competitive price and focus on distribution strategy.
- ✓ Types: Basic, Brazil Masculine themes, Feminine themes, Fashion.



Product portfolio



Ipanema Gisele Bündchen line

- ✓ Launched July 2002, with endorsement of top model Gisele Bündchen, dedicated advertising.
- ✓ Ipanema GB international contract signed in 2006.
- ✓ Mission: To be a global brand.

Kid's line, Baby line

- ✓ For pre-teenager, children and babies. We operate with own brands and licenses (fashion brands, TV presenters, singers, cartoon characters, actors), adding emotional appeal to the products.



Own brands and main licenses





New licenses in
2007



CRAZY FROG



WALT DISNEY PICTURES
SHREK
THE THIRD









Estampa em volta, só a Ipanema tem.
(“Only Ipanema has print all round”)

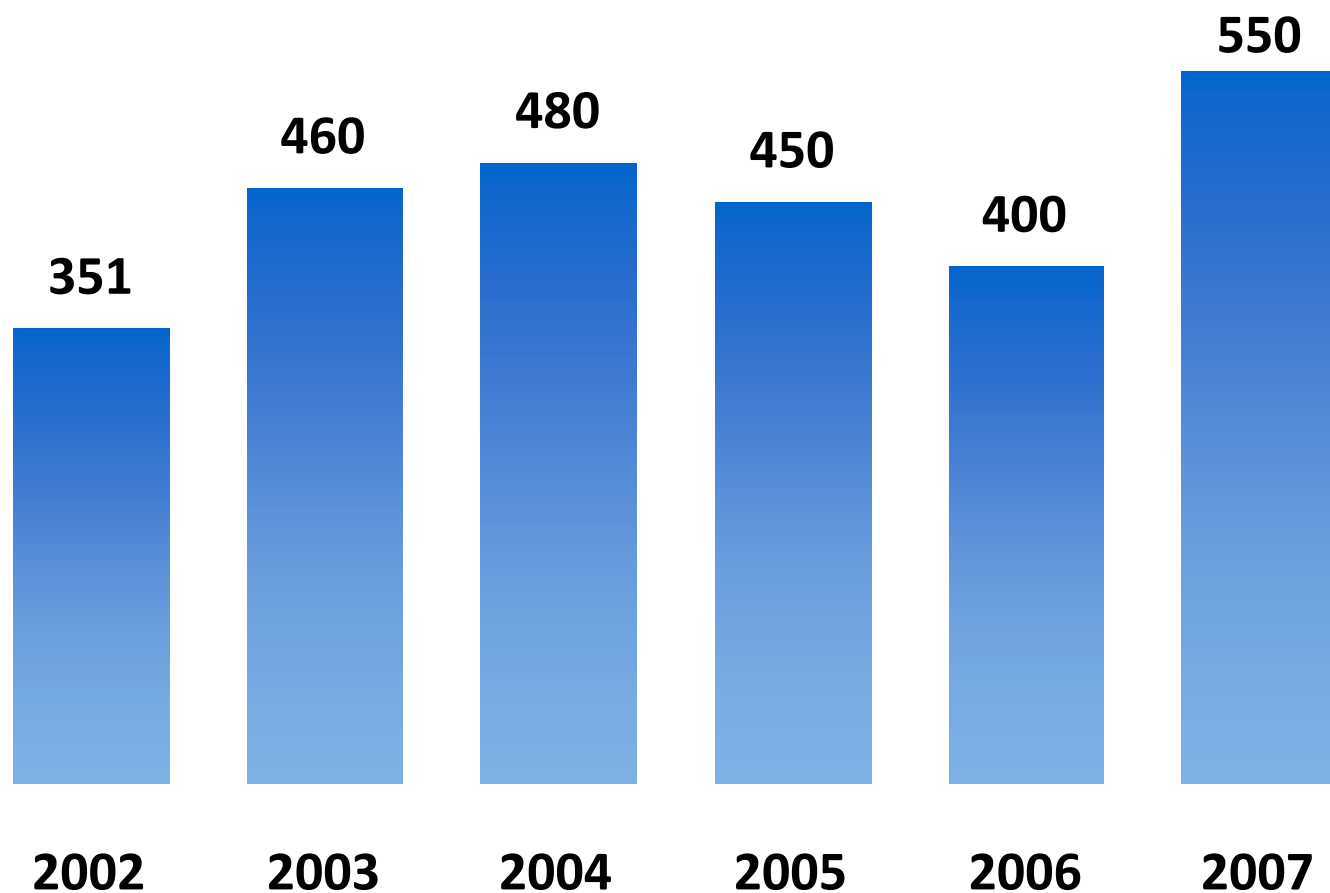
iPANEMA
Tropical

New products

Grendene®



Number of launches each year





Grendene®



tag
Indice de Preço com Tag-Along Diferenciado

Respect for water = Respect for life



Grendene®

**GRUPO
NOVO
MERCADO**

tag
Indice de Preço com Tag-Along Diferenciado

Respect for water = Respect for life

Marketing

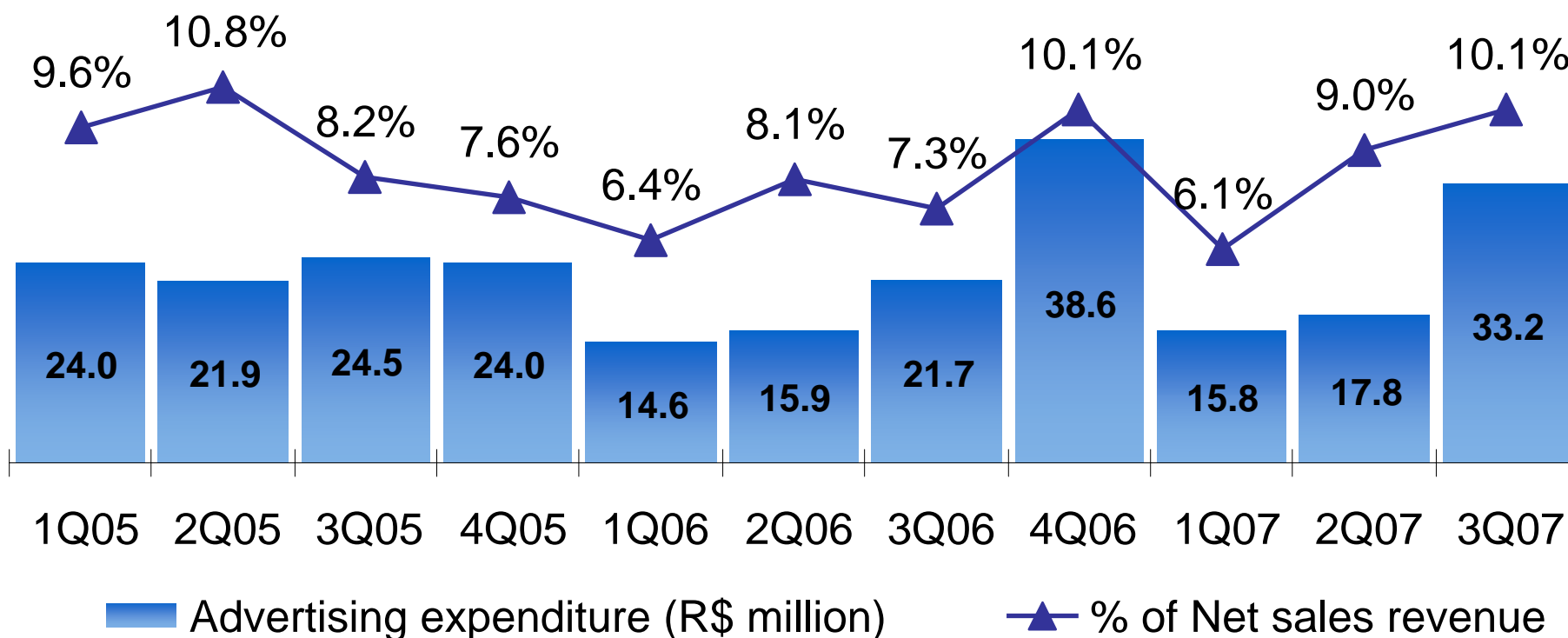
BREATHABLE.

Introducing AIDA 150

AIDA

Advertising expenses

R\$ million, % of net sales revenue



Concept store

Galeria Melissa
Rua Oscar Freire, 827
São Paulo, SP



Barbie
HITS

MEDIA SCHEDULE

Mattel fashion
show



Movies



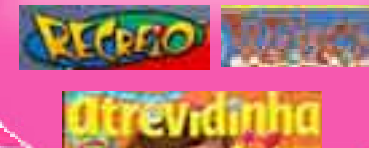
Internet
Hot Site



Radio



Magazines





Results

Grendene®



tag
Sistema de Gestão com Tag Along Differentiated

Respect for water = Respect for life

Financial and operational

Selected indicators

(R\$ million)	3Q06	3Q07	Change, %	9M06	9M07	Change, %
Net revenue	295.5	329.3	11.4%	720.8	786.5	9.1%
Profit per share (R\$)	0.77	0.82	6.5%	1.60	1.60	0.2%
Adjusted margins, %	3Q06	3Q07	Change, bp	9M06	9M07	Change, bp
Gross	48.9%	47.2%	(170)	42.0%	41.1%	(90)
Ebitda	34.3%	31.0%	(330)	26.5%	25.2%	(130)
Net	25.9%	24.8%	(110)	22.2%	20.4%	(180)

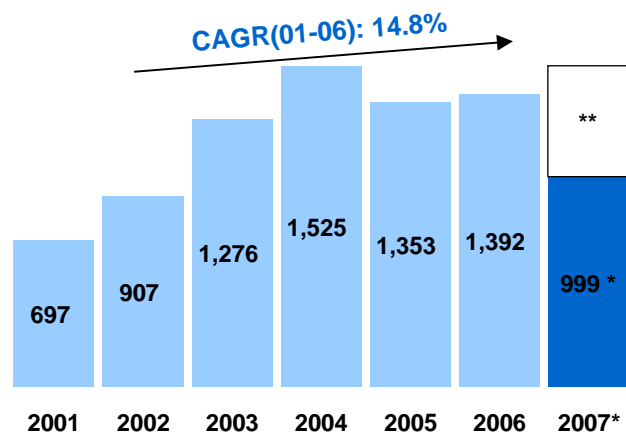


REVENUES

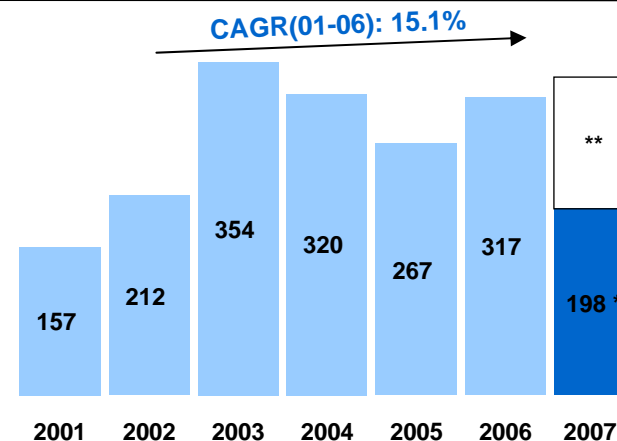
Domestic
market and
exports

Growth with profitability (R\$ million)

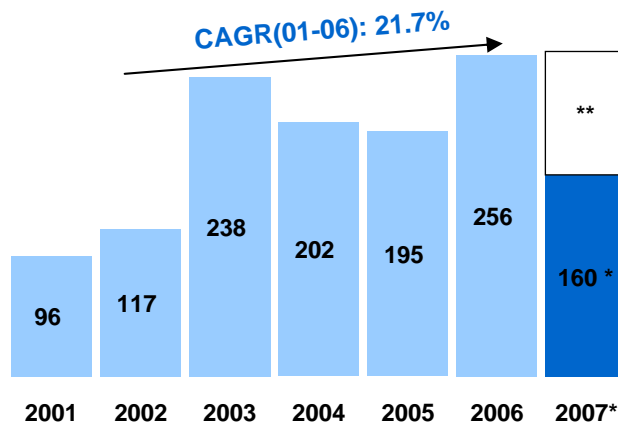
Gross sales revenue



Adjusted Ebitda



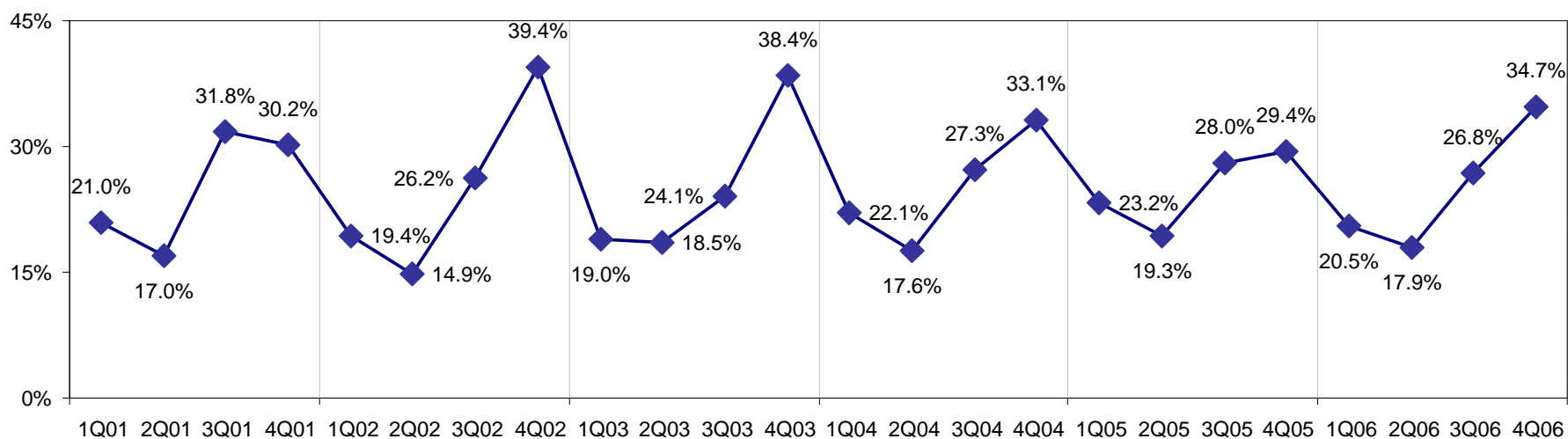
Adjusted net income



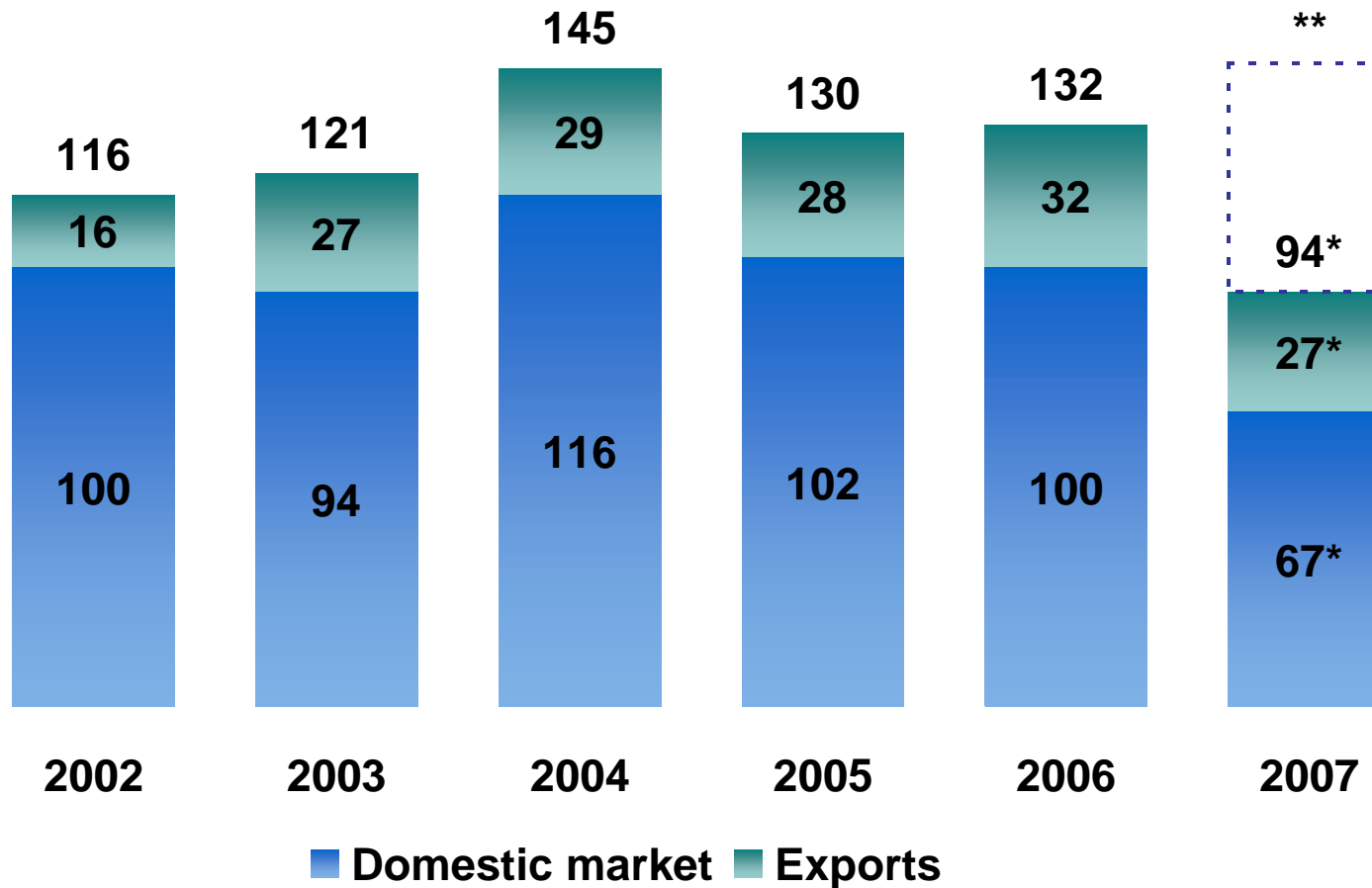
* In 9M07
 ** 2007 expected.

Seasonality is part of the business

Seasonality: gross sales revenue



Sales volume (millions of pairs)



* Sales volume in 9M07

** Sales volume expected in 2007 – volume increase of approximately 10%



**Net cash, dividends,
capex**

Grendene®

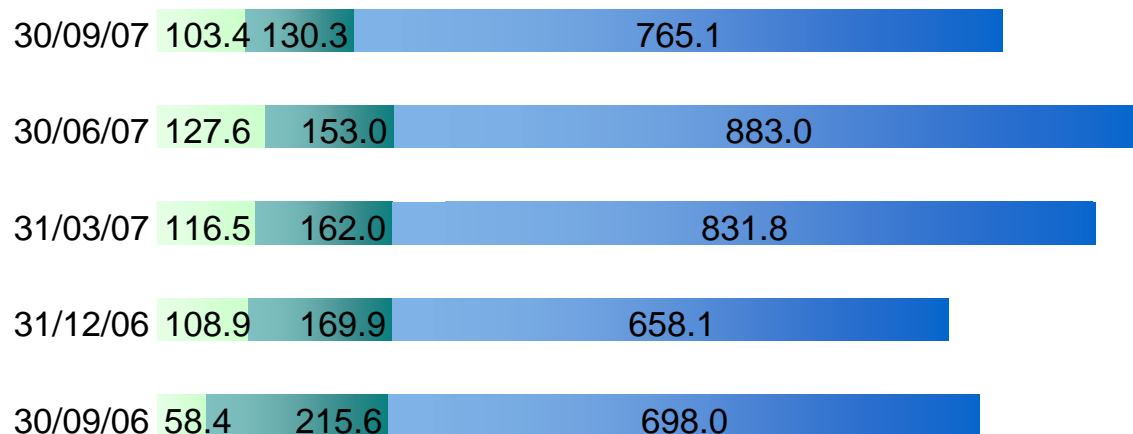
**LOJAS
NOVO
MERCADO**

tag
Linha de Água com Dg Along Diferenciada

Respect for water = Respect for life

Strong cash flow

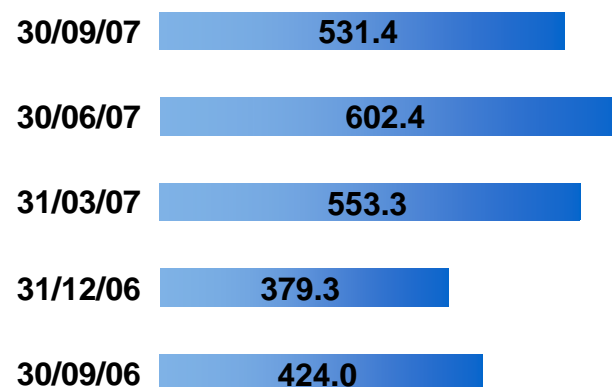
Cash and cash equivalents, and short and long-term debt (R\$ mn)



Short-term debt

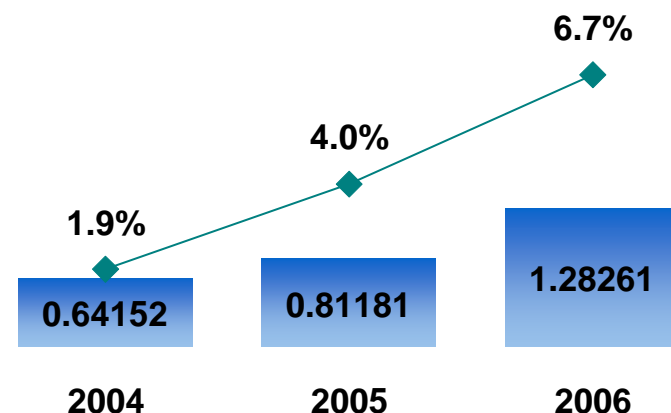
Long-term debt

Cash and cash equivalents



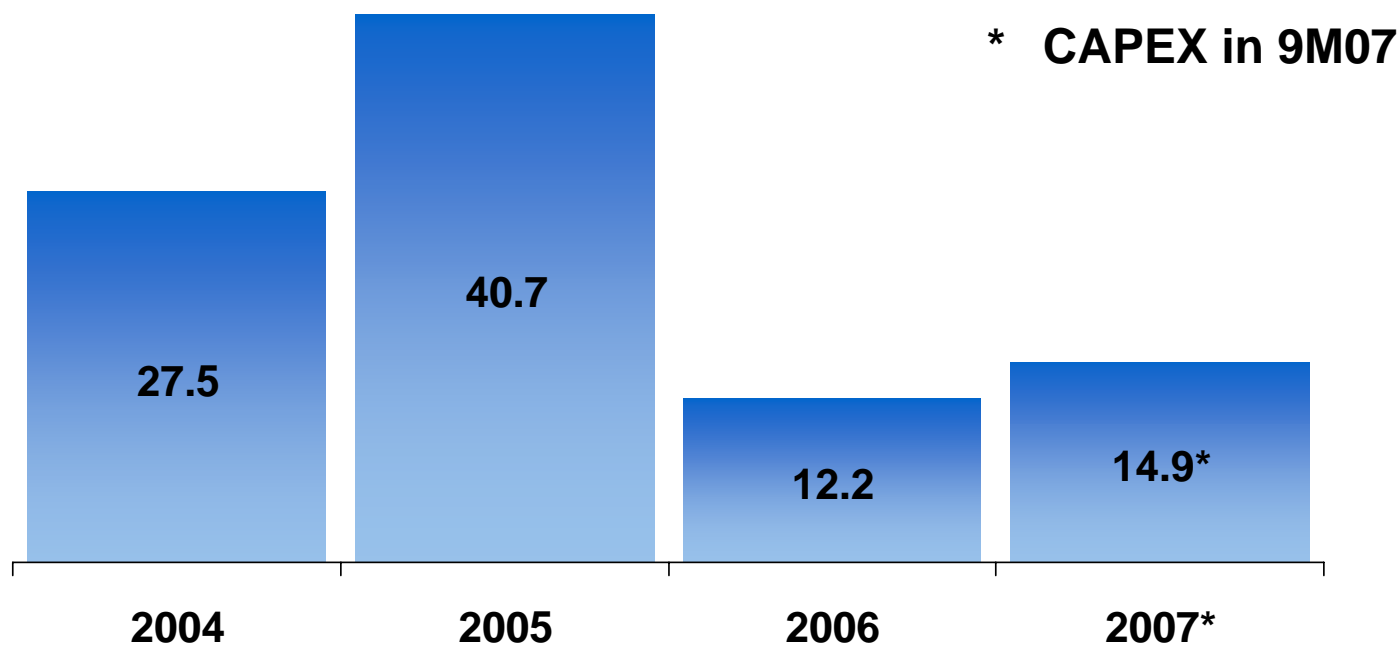
Net cash
(R\$ million)

Dividend yield (%),
Profit per share (R\$)



Strong distribution
of dividends

Low need for capex



Investments (R\$ mn)	2004	2005	2006	2007*
Industrial buildings and facilities	11.3	16.6	2.2	8.3
Machinery and equipment	10.7	20.2	6.3	4.0
IT equipment and software	2.4	2.3	1.3	1.8
Other investments (1)	3.1	1.6	2.4	0.8
TOTAL	27.5	40.7	12.2	14.9

(1) Includes investments in vehicles, aircraft, furniture and utensils, brands and patents.



iPANEMA®

Guidance

Grendene®

**ipANEMA
NOVO
MERCADO**

itag
Instituto de Apoio ao Trabalho e ao Empreendedorismo

Respect for water = Respect for life

Guidance for 2007

Item	Guidance given for 2007 vs. 2006	Change, 9M07 vs. 9M06	2007 vs. 2006, expected
Gross revenue	Higher	9.9%	Approximately 10% higher
Volume	Higher	5.4%	Approximately 10% higher
Average price	In line	4.4%	In line
Advertising expenses	8% to 9% of NR	8.5% of NR, 9M07	8% to 9% of NR

NR = Net revenue

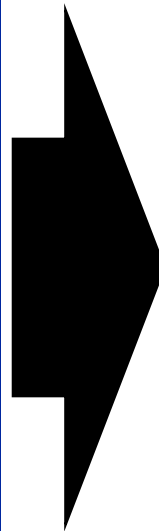
In a market announcement of January 31, 2008, we stated that based on the unaudited 2007 consolidated financial statements, our expectations for growth of gross revenue, volume and average prices were likely to be confirmed; however, margins were not expected to be in line with our previous forecast: the expectation for net margin was now approximately 150 basis points lower, and for Ebitda margin approximately 50 basis points lower.

The complete financial statements will be published on March 13, 2008, after the close of the local (São Paulo) market. A conference call on the results will be held on March 14, at 10:30 am (Brazil time), with simultaneous translation to English.

Vision for 2008

Macroeconomic influences

- Increase in income
- Level of employment
- GDP growth
- Expansion of credit
- Inflation stable
- Interest rates falling
- Exchange rate stable



Impacts on the business

- 50% of the increase in the population's revenue goes to consumption.
- Private consumption is 60% of GDP growth, and is expected to grow 6.2% in 2008.
- Apparel and footwear are 5.7% of private consumption in Brazil.
- Grendene expects to grow 10% in the first half of 2008.

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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Thank you!

Further information:

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

(Press Releases, Annual Report, fact sheet,
financial statements)

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Indice de Ação com Tag Along diferenciado

Respect for water = Respect for life