



Grendene



Ipanema ★ Gisele Bündchen
Grendene



Grendene

meetings with investors

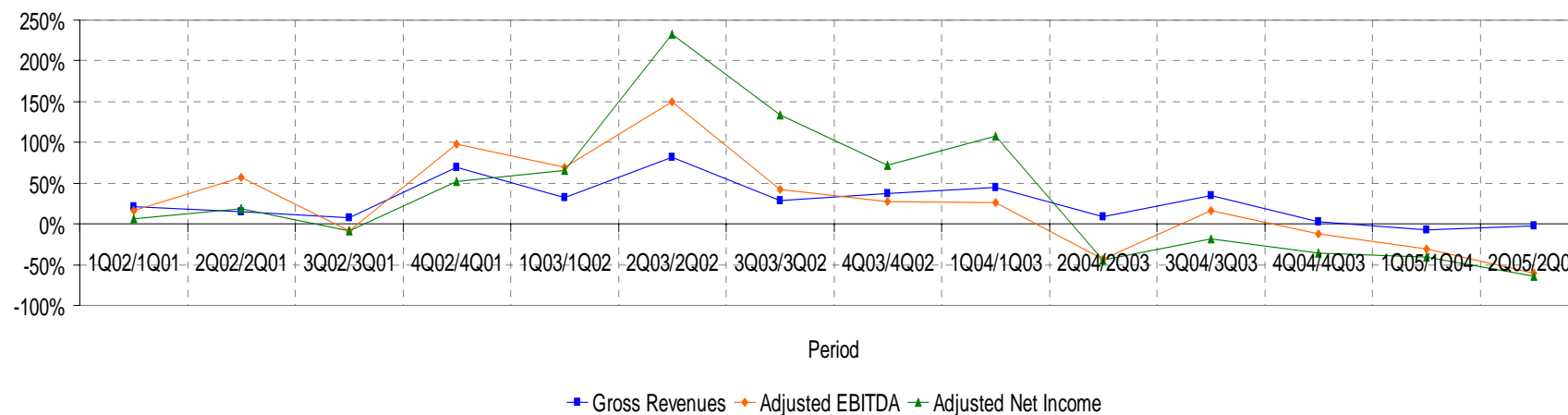
Warning

This presentation contains statements that might represent projections of future events and results. These statements are based upon certain assumptions and analyses performed by the company according to its experience, economic environment, market conditions, and expected future developments that might be out of the company's control. Important facts that may lead to significant differences between expected and actual results, including the company's business strategy, local and international economic condition, technology, financial strategy, developments in the shoes industry, equity market conditions, uncertainties concerning future results, plans, expectations and intentions, and other facts. As a consequence of these facts, the actual results may significantly differ from the ones indicated and/or implied in the statements of projections concerning future events and results.

Recent results - a very weak 2Q05.....

R\$ Million	2Q04	2Q05	Var.%	1H04	1H05	Var.%
Gross Revenues	268	261	(2,5%)	605	575	(4,9%)
Domestic	221	226	2,4%	462	484	4,7%
Exports	47	35	(25%)	143	92	(36%)
Net Sales	210	203	(3%)	487	452	(7%)
Gross Profit	75	62	(17%)	188	155	(17%)
Adjusted EBITDA	32	17	(47%)	116	67	(42%)
Net Financial Result	4,9	(2,7)	n.s.	(2,4)	(3,2)	35%
Adjusted Net Income	25	9	(64%)	88	46	(47%)
EPS (Reais per share)	0,25	0,09	(64%)	0,88	0,46	(47%)
Sales Volume (Million pairs)	24	25	4,7%	59	56	(3,8%)
Average Price (Reais)	11,19	10,42	(6,9%)	10,32	10,20	(1,2%)

Growth - (Year/Year)



2nd half prospects guidance.....

2H05 in comparison to 2H04

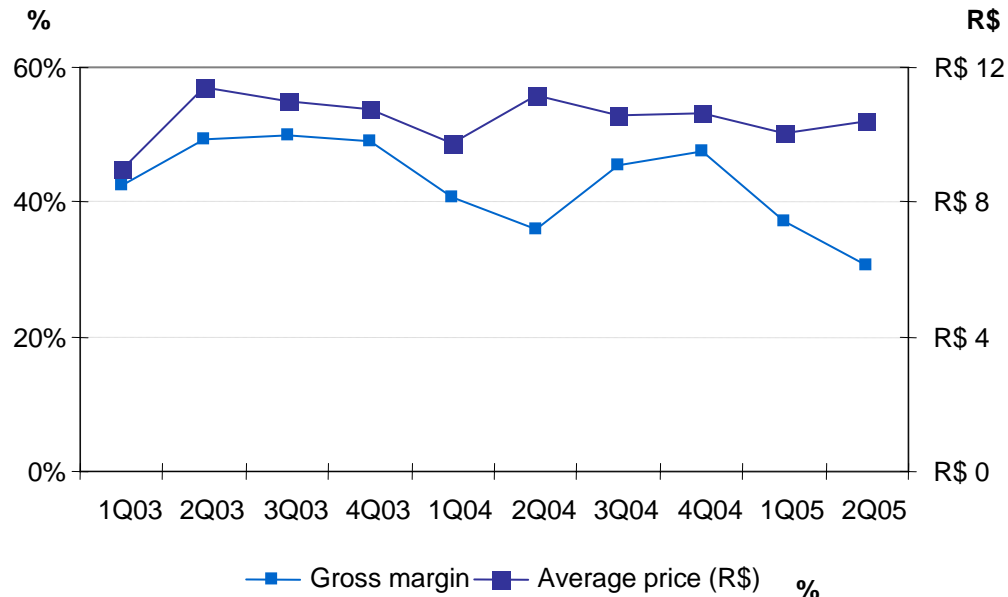
- **Domestic gross sales** around the same amount obtained in 2H04. We are **maintaining** the expectation of slight fall or small non-material increase in sales in 2H05; scenario remains difficult.
- **Exports** should grow more than 5% in dollars in 2H05 in comparison to 2H04. We are **increasing** the previous guidance of stable exports in dollar terms, due to a better scenario for exports, despite the challenging F-x rate.
- **Ebitda** should grow in 2H05, due to costs and expenses control; we are **maintaining** our expectation of some growth, that should not be significant given the current scenario; and
- We are **presenting** guidance for the **net income**. A higher Ebitda coupled with a better financial result implies that adjusted net income should be over 20% higher than 2H04 adjusted net income.

Gross revenues R\$ million	1H04	2H04	1H05	2H05E	2H05/2H04 Var. %	1H05/1H04 Var. %	Estimated 2005	2004	2005/2004 Var. %
Domestic (R\$ million)	462.2	827.5	483.7	827.5	0.0%	4.7%	1,311.2	1,289.7	1.7%
Exports (R\$ million)	142.8	92.3	91.5	77.9	-15.6%	(35.9%)	169.4	235.1	(28.0%)
Exports (US\$ million)	48.1	31.6	33.6	33.2	5.2%	(30.2%)	66.8	79.6	(16.2%)
Total	605.0	919.9	575.3	905.4	(1.6%)	(4.9%)	1,480.6	1,524.9	(2.9%)

Ebitda R\$ MM	1H04	2H04	1H05	2H05E	2H05/2H04 Var. %	1H05/1H04 Var. %	Estimated 2005	2004	2005/2004 Var. %
Ebitda = or slightly higher	115.5	204.9	67.0	205.0	0.0%	(42.0%)	272.0	320.4	(15.1%)
Ebitda > 5%	115.5	204.9	67.0	215.0	4.9%	(42.0%)	282.0	320.4	(12.0%)

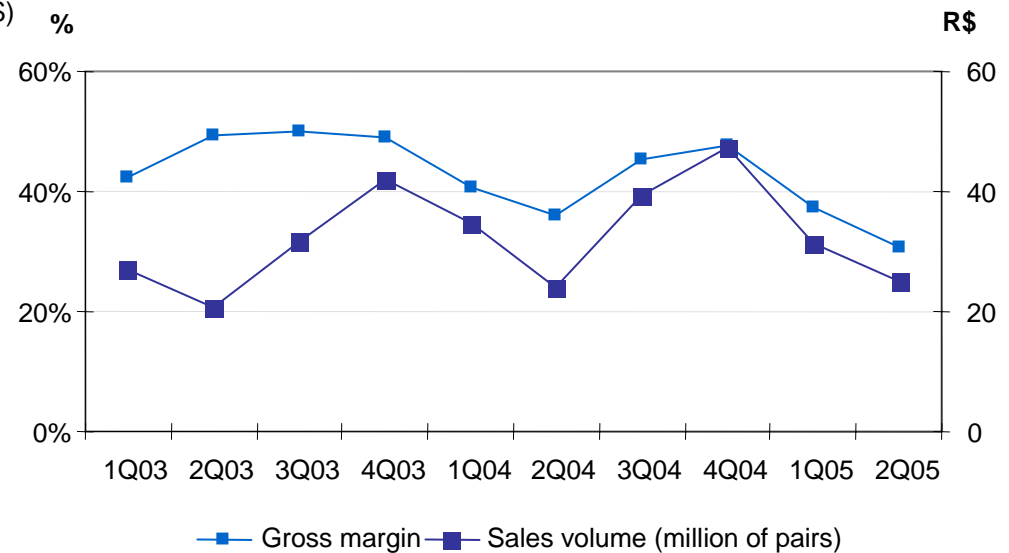
Adjusted Net Income R\$ thousand	1H04	2H04	1H05	2H05E	2H05/2H04 Var. %	1H05/1H04 Var. %	Estimated 2005	2004	2005/2004 Var. %
Adjusted net income > 20%	87,500	114,305	46,278	137,166	20.0%	(47.1%)	183,444	201,805	(9.1%)

'Deconstructing Myths' I – higher average prices not necessarily 'better' mix

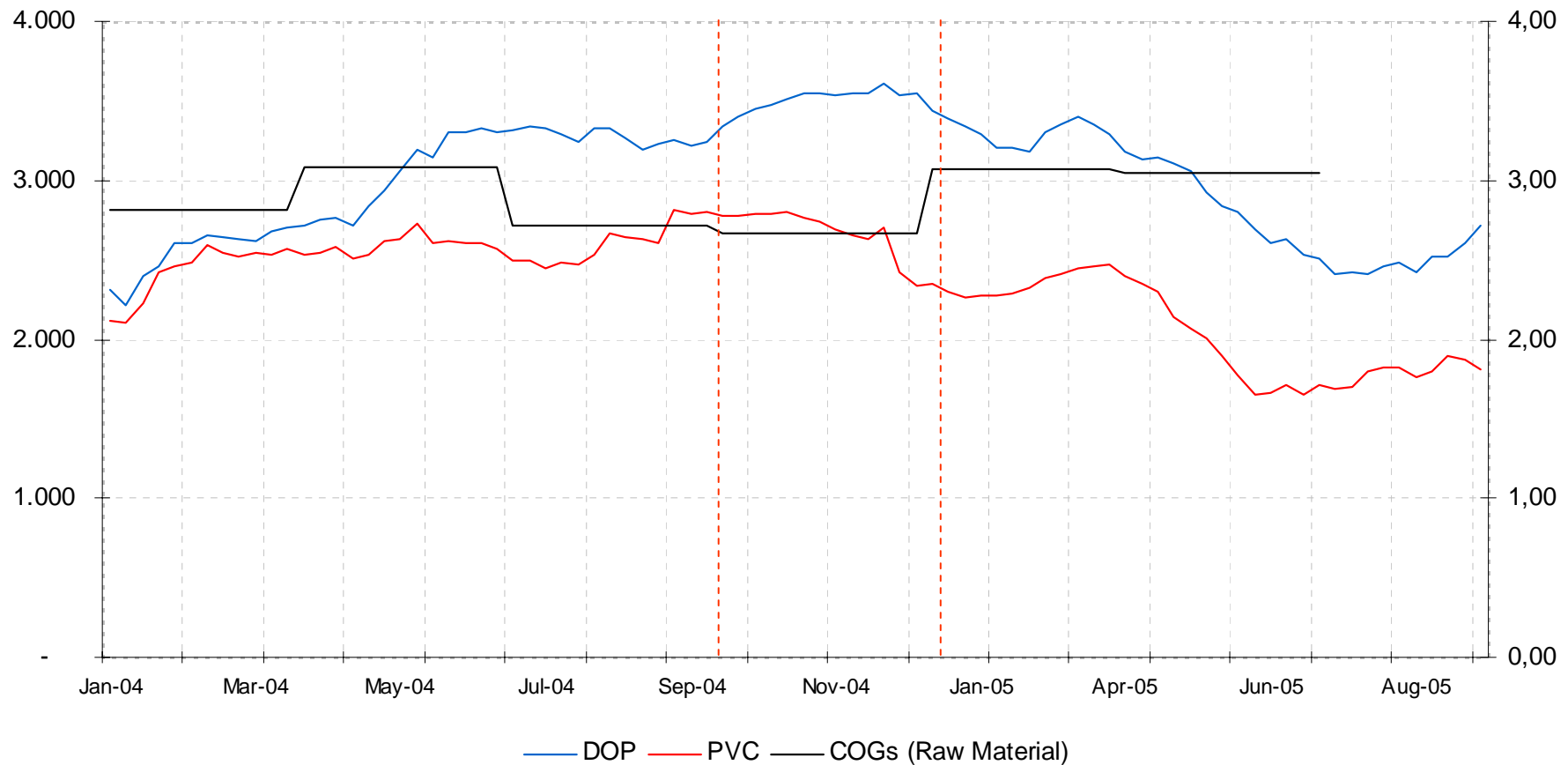


Average prices have had limited correlation with margins in recent quarters ...

*... While **volume** has been a much more 'defining' variable.*



'Deconstructing Myths' II – very little correlation of PVC vs. Margins

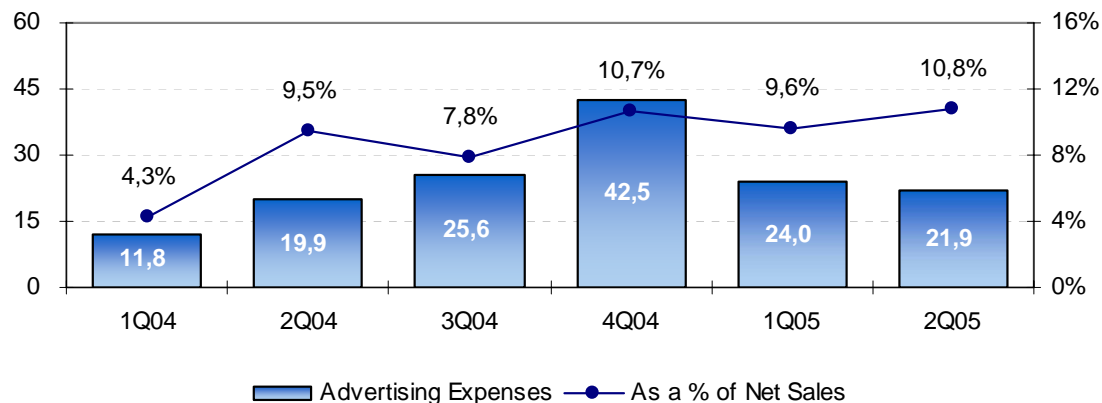


Source: ICIS-LOR / Grendene

Similar contribution of PVC and plasticizing oils, F-X, design (different models with different 'plastic content')... all contribute to lower effect of price volatility on raw materials COGS

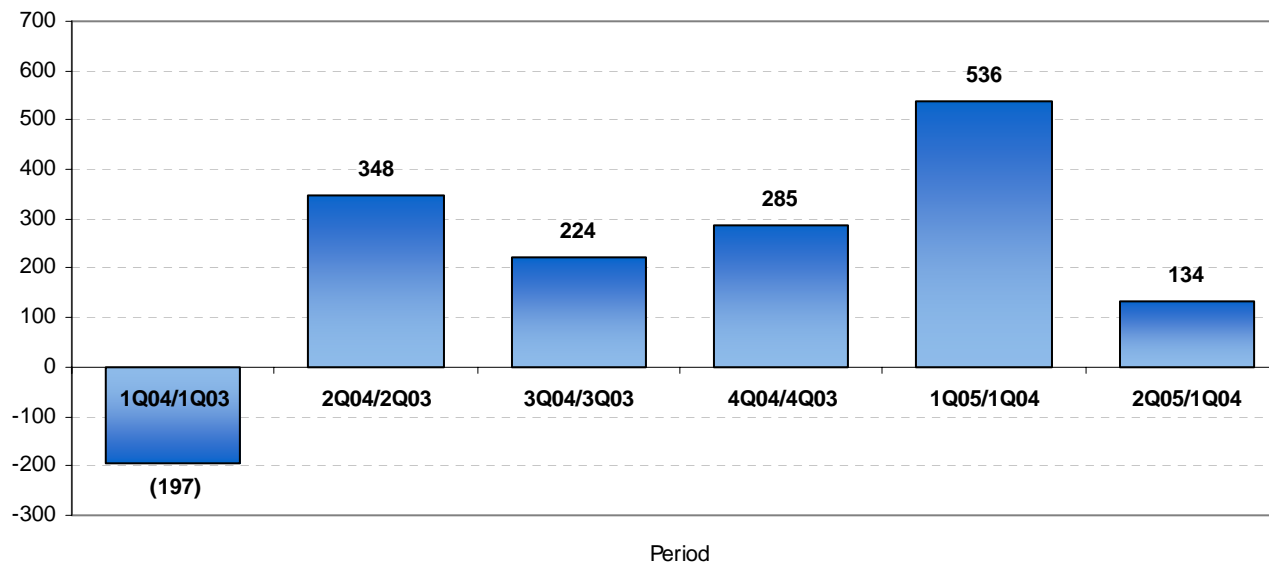
Advertising expenses have negatively impacted recent results...

In a Quartely Basis



Publicity & Advertising Expenses in basis point (QoQ)

An immediate effect of Grendene's growing management discipline should be felt in these expenses in coming quarters.



Recent Developments

– Continuous improvement in best management and corporate governance practices:

- ✓ Budgeting practices and internal projections improvement...
- ✓ to provide guidance again
- ✓ Public proposal to replace a member of the family on the board of Directors by an independent member with 15 days in advance
- ✓ Election by unanimously of the independent member of the Board of Directors to replace a member of the controlling shareholders family
- ✓ Cancellation of the leasing contract of the Falcon 2000 aircraft, eliminating a cost of US\$1.35 million per year
- ✓ Starting-up the financial BI - Business Intelligence in July 2005 to improve the management discipline providing a detailed monthly basis analysis
- ✓ Hired Bradesco as a “Market Maker” (Sept. 26th 2005)

– Next Steps:

- ✓ Monthly meetings with middle and high management for MD&A
- ✓ Implementation of strategic committees: exports; Human Resources, GRI

Company Overview

Grendene is one of the world's largest producer of synthetic footwear, with approximately 23 thousand employees, Gross Revenues of R\$ 1,5 billion in 2004 and 145 million pairs sold.

Market and Brands

- Operates in 4 segments: men, women, kids and mass market.
- 80% of sales volume in Brazil and 20% abroad (2004)
- Exports accounts of 15% of gross revenues
- Leadership in kids
- Strong brands

Products

- Synthetic and injected footwear based on PVC/EVA, totaling more than 480 new products launched every year.
- Strong marketing culture and product differentiation.

Market Share

- 145 million pairs sold in 2004, representing 21% of Brazil's production (121 million pairs in 2003 and 18% market share).
- 14% of the Brazilian footwear exports.

Production Capacity

- Installed capacity: 160 million pairs/year in 2004, 176 in 2005
- In-house technology for plastic injection and production of moulds.
- Strategic location of plants in Brazil's Northeast creates important tax and labor cost advantages.

Sales Channels

- Domestic market via sales representatives.
- External markets via direct exports and also through international subsidiaries and special sales division (Melissa line).
- Around 17,300 sales points in Brazil and 19,500 overseas.

Grendene's strategy is focused on five main aspects.

Focus on Synthetic Footwear

- To maintain its focus in the creation of synthetic footwear, with an automated production process, allowing for significant scale gains.
- To consolidate, create value and spread out the use of synthetic footwear.

To expand in the local market

- High potential of market share expansion in the women and mass market segments.
- Strengthen relationship with clients in order to establish sales strategies for them.

To continue diversifying the products portfolio

- Constant product and concept innovation that express the brand value
- Products associated with celebrities and cartoon figures with emotional appeal.

To expand overseas

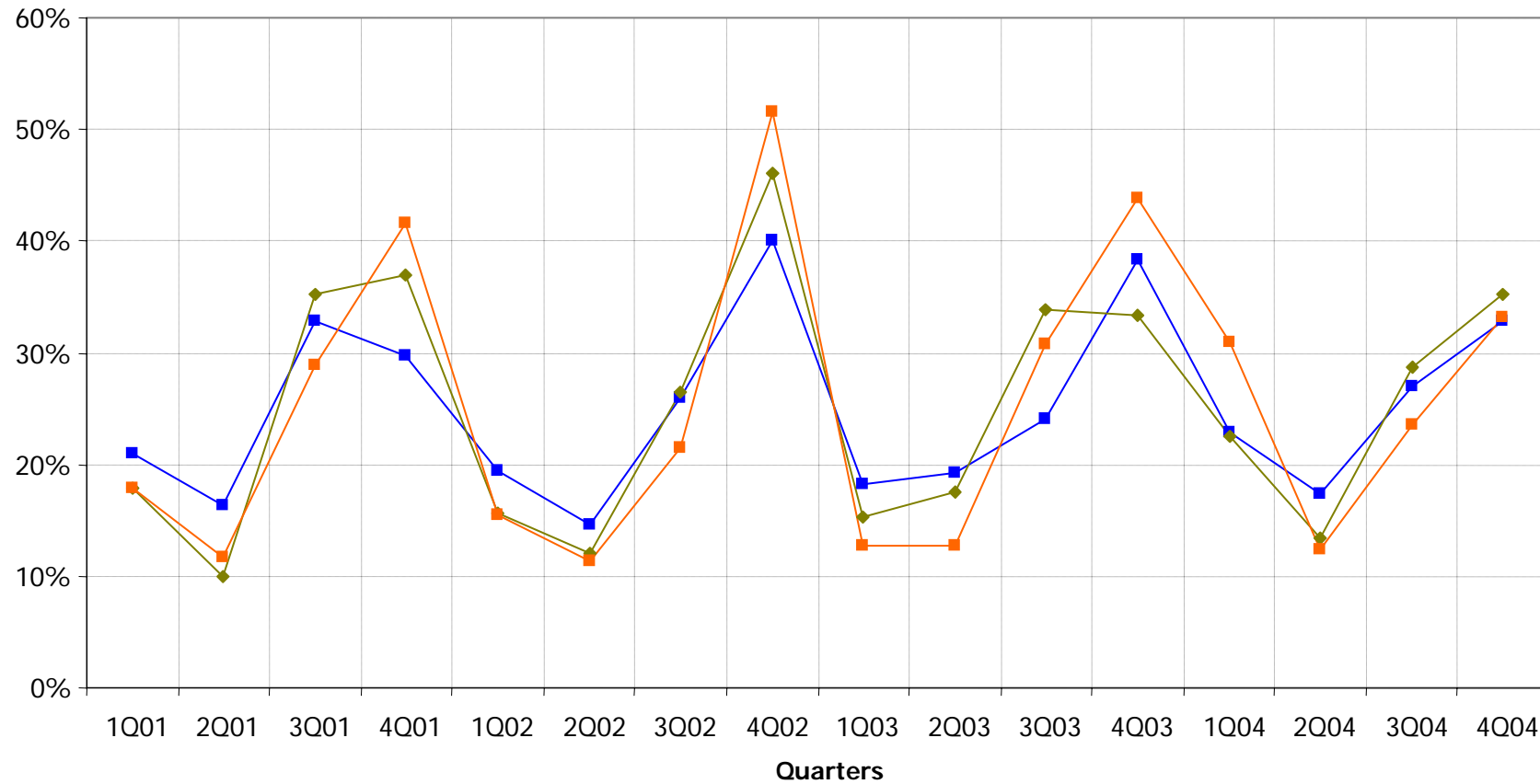
- Expand our presence in market where we already operate.
- Identify new markets that present profiles appropriate to our products.
- Competitive prices with a distinct design and always looking at new fashion trends.

To expand production capacity

- Ability to rapidly increase its installed capacity at low-cost.
- Production focused on regions that allow the company to maintain their scale and cost advantages.

Seasonality.....each quarter over total year

Grendene S.A.



■ Net sales
 ◆ Adjusted EBITDA
 ■ Adjusted net income

Segments, Brands and Market Share

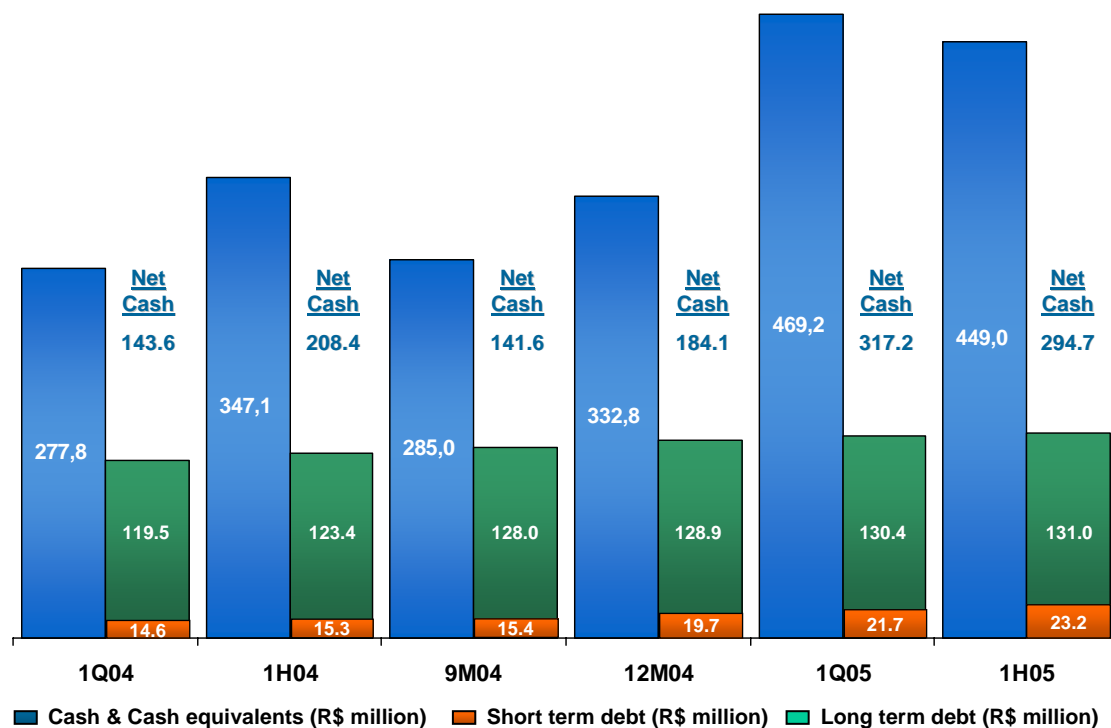
Grendene is well positioned in different market segments with similar margins and a diversified product portfolio.

Segments	Brands	Revenues in 2003 (R\$ million) – Domestic Market	Revenues Share participation (12M03)	Annual Production in 2004 (Million of pairs) – Domestic Market	Revenues in 12M04 (R\$ million) – Domestic Market	Revenues Share participation (12M04)
Women	Grendha, Meliissa e licencings	295,1	30%	28,7	426,0	33%
Men	Rider	218,8	23%	21,8	281,8	22%
Kids	Licensings	334,2	34%	27,1	390,6	30%
Mass Market	Ipanema, Ginga	125,6	13%	34,5	191,4	15%
Total Brazil		973,7	100%	116,6	1,289.8	85%
Total Exports		302,7		28,7	235,2	15%
Total		1,276.4		145,3	1,525.0	100%

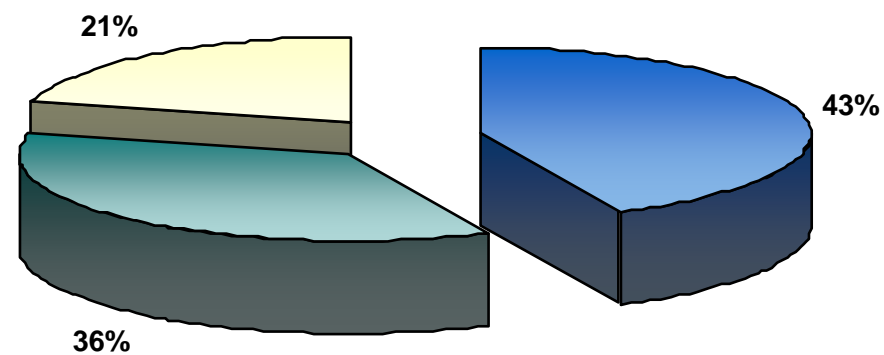
Source: Grendene

Sales not dependent upon a specific product or segment / focused in growth potential in the women and mass market segments.

Indebtness



Cost of Debt in 1H05



■ IGP-M ■ Taxa Fixa (10,5%aa) □ TJLP

Investment Highlights

Strong brands

- Strong and recognized brands, benchmark in synthetic footwear industry.
- Capacity of creating and launching fashion trends at global level in the segments it operates.

Marketing and innovation capacity

- Constantly launching new models. Active portfolio of 180 products in 2004
- Successful strategy of creating “emotional appeal” on its products through the licensing of celebrities and cartoon characters.

Distinct production process with scale

- Verticalized production and development of proprietary injection technology allow efficient, versatile and fast production on large scale, generating superior quality products at competitive prices, even when considering less value-added products.

High corporate governance level

- Highest corporate governance standards: listed at *Novo Mercado*.
- Dividend policy: up to 100% of the distributable net income.
- 100% tag along rights and only voting shares
- 4 / 6 independent members on the Board of Directors

Free cash flow generation and solid financial structure

- Gross Revenues of R\$1,5 billion in 2004 and R\$575 million in 1H05
- Adjusted EBITDA of R\$320 million in 2004 and R\$67 million in 1H05
- Net Income of R\$202 million in 2004 and R\$46 million in 1H05.
- Net cash of R\$295 million in June 30, 2005
- R\$200 million cash available from operational activities in 1H05

SMAV sales program - a competitive edge

Sales program 'SMAV' – a true competitive advantage

Grendene CATÁLOGO Versão: 2.101.74 - 26/08/2005

Grendene NEGÓCIOS Versão: 2.101.74 - 26/08/2005

Grendene Versão: 2.101.74 - 26/08/2005

CLIENTES

Pedido	Ordem Compra	Situação
257234501	281 RIS 215279	Faturado
257814301	281 RIS 188901	Programado
257814201	281 RIS 188911	Programado
257814101	281 RIS 188909	Programado
257814001	281 RIS 188908	Programado
257813901	281 RIS 188907	Programado
257813801	281 RIS 187322	Faturado
257813701	281 RIS 187853	Faturado
257813601	281 RIS 187672	Faturado

NOVIDADES

Selecione o filme: VIDEO - ALINE

AGENDA

Datas Importantes

Data	Cliente
08:00:00	1000322 - COLISEE CALC LTDA
09:00:00	501573 - A A S SOBROSA LTDA

Compromissos 22/09/2005

Pendências

Mensagens não lidas : 5
Pedidos não enviados : 1
Pedidos Pendentes : 0

INSTITUCIONAL CATÁLOGO PEDIDO NEGÓCIOS ADMINISTRAÇÃO

Global Reporting Initiative (GRI)

Sustainability & the “triple bottom-line”

Global Reporting Initiative - GRI

- September 29, 2005: **The Apparel & Footwear Supplement Project** - a supplement to the GRI Guidelines - starts and Grendene will be among the 20 people being part of a year-long task force lead by GRI
- Project's objective: to customize the 'Guidelines' framework of the best practices of sustainability for the Apparel & Footwear industry
- GRI is an European non-profit organisation helping companies around the globe **to standardize their non- financial reporting**
- The concept is the **triple bottom line** of sustainability: economic results minimizing environmental impact and maximizing a positive social impact
- Currently there already are 3 Brazilian listed companies that reporting under GRI Guidelines: **CPFL**; **Natura**; and **Petrobras** - besides few non-listed international companies
- We should start the reporting process under GRI guidelines soon. Meanwhile, **Grendene should be the first Brazilian company to attend a task-force** to define the supplement to the Guidelines for a specific industry

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