Grendene®

2012 Results

Meeting with investors, analysts and other stakeholders

apimec | SP

ASSOCIAÇÃO DOS ANALISTAS
E PROFISSIONAIS DE INVESTIMENTO
DO MERCADO DE CAPITAIS

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

Grendene
Mission & Values
Highlights
History
Corporate Structure
Plants
Location of industrial plants and production process
Sustainability
Footwear sector
Produtcs
Results
Guidance
Strategy

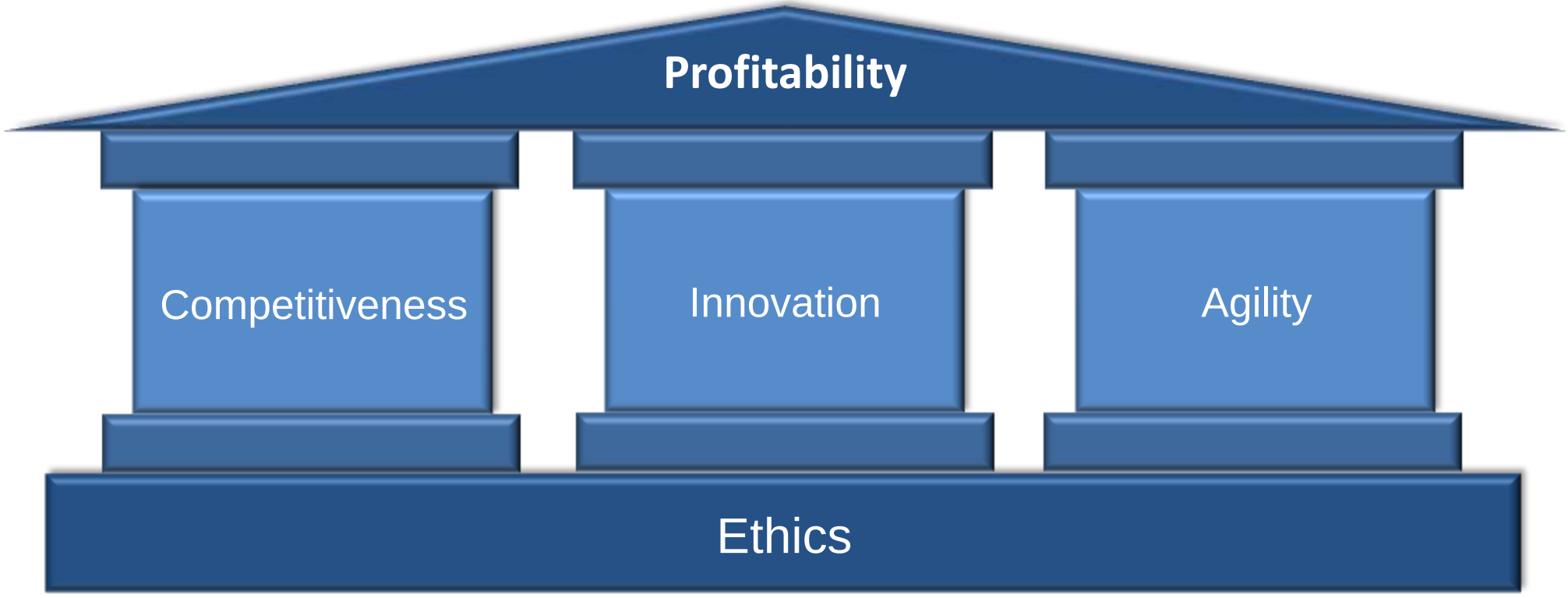
Grendene is one of the world's largest producers of footwear. It has exclusive proprietary technology in the production of footwear, and complete vertical integration, from mold-making to footwear manufacture. It owns successful, widely-known brands such as:

melissa	rider	grendha	Grendene kids
Grendene baby	CARTAGO	Ipanema	zaxy

Mission

- To create democratic fashion, responding rapidly to the market's needs, generating an attractive return for the company and its partners.

Grendene Values



Highlights

Solid capital structure and strong cash flow	Production capacity: 200,000,000 pairs/year	Average production: 500,000 pairs/day
Innovation in product, distribution and media.		Employees: 24,000
Brands with strong personality	World presence: more than 90 countries	New products in 2012: 930

Timeline

1971

Grendene was founded in 1971. With two injection machines, 15 employees and novelty: to produce plastic packaging for wine.

1975

With diversification, was the pioneer to produce shoes with nylon as raw material.

1978

The launch of the *Nuar* sandal, an old dream came true.

Grendene®

Timeline

1979

The sandal collection with the brand Melissa has conquered the world. Melissa innovation, being the first shoe brand to do merchandising on Brazilian television soap opera in "Dancin 'Days".

1983

The succesful collaboration between Melissa and greatest designers like: Jean-Paul Gaultier, Thierry Mugler, Jacqueline Jacobson and Elisabeth De Seneville.

1986

Launch of the Rider sandals line, target for the masculine public.

Timeline

1990/93/1997	1994	2001
In Ceará, the plant at Fortaleza, Sobral and Crato, was inaugurated.	Launch of the Grendha product line, targeting the feminine public.	Launch of the Ipanema line and partnership with top model Gisele Bündchen.

Timeline

2004	2005	2007
Grendene started having common shares ("GRND3") negotiated at the *Novo Mercado* of BM&FBOVESPA.	Openning of Galeria Melissa in São Paulo. Address: 827, Oscar Freire St, São Paulo, SP	In the State of Bahia, the plant at Teixeira de Freitas, was inaugurated.

Image: A. Carreiro – Oct/2004

Timeline

2009	2010	2011
After thirty years making history as a fashion accessory, Melissa makes a surprise move and releases the brand´s perfurme to celebrate the occasion.	Melissa reminded its 30 years of life with an exhibition of 30 pairs of its historical collection at SPFW, besides launching new model sandal designed by Jean-Paul Gaultier.	Grendene celebrated 40 years of existence.

Timeline

2012

Openning of Galeria Melissa in Nova York.

Address: 102 Greene St, Manhattan, New York.

Creation *Clube Melissa*

Recognized as Best Licensee Mattel World.

Timeline

2013

New Plant – it will add an additional installed capacity of approximately 40 million pairs/year. (Current capacity: 200 million pairs/year)

New Business – constitution of a new subsidiary, controlled by Grendene and having the following partners: Mr. Philippe Starck; Mr. Philippe Ouakrat; Mr. Alexandre Allard; ABCDEFGHI Participações Ltda., controlled by Mr. Nizan Guanaes; and FIP Santana, an investment fund controlled by Mr. André Esteves, for industrial-scale implementation and production of products made from plastic – to sell products, furniture and accessory items with sophisticated design, and cost that is accessible to the middle income groups.

Philippe Starck - designer

Partnership with Philippe Starck **to develop products and create an international brand of shoes.**

Timeline

2013

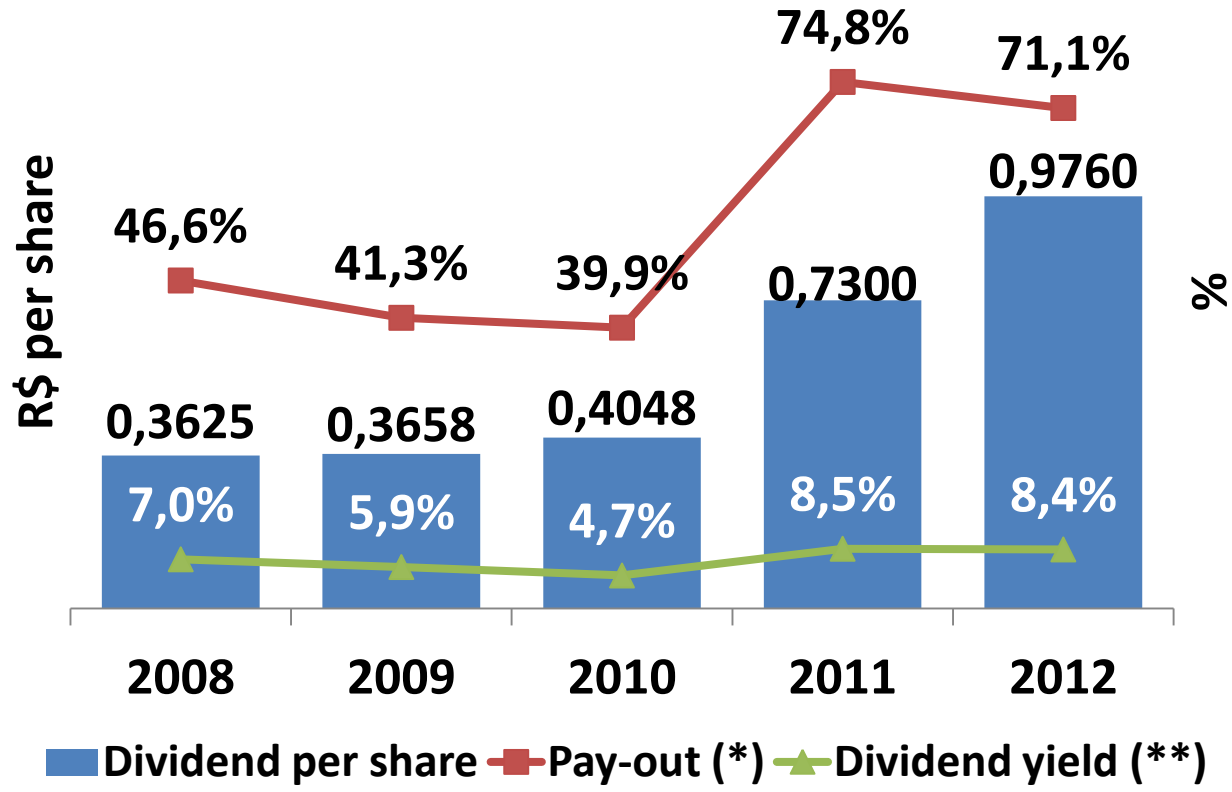
Dividend Policy::

Payout 2013

Grendene's dividend payout ratio (after the allocations to reserves, etc., required by law) will be approximately 65%.

The company will maintain our policy of quarterly distribution of dividends.

Estimates that the total of dividends paid for the business year 2013 will be larger than the amount of dividends distributed for 2012.

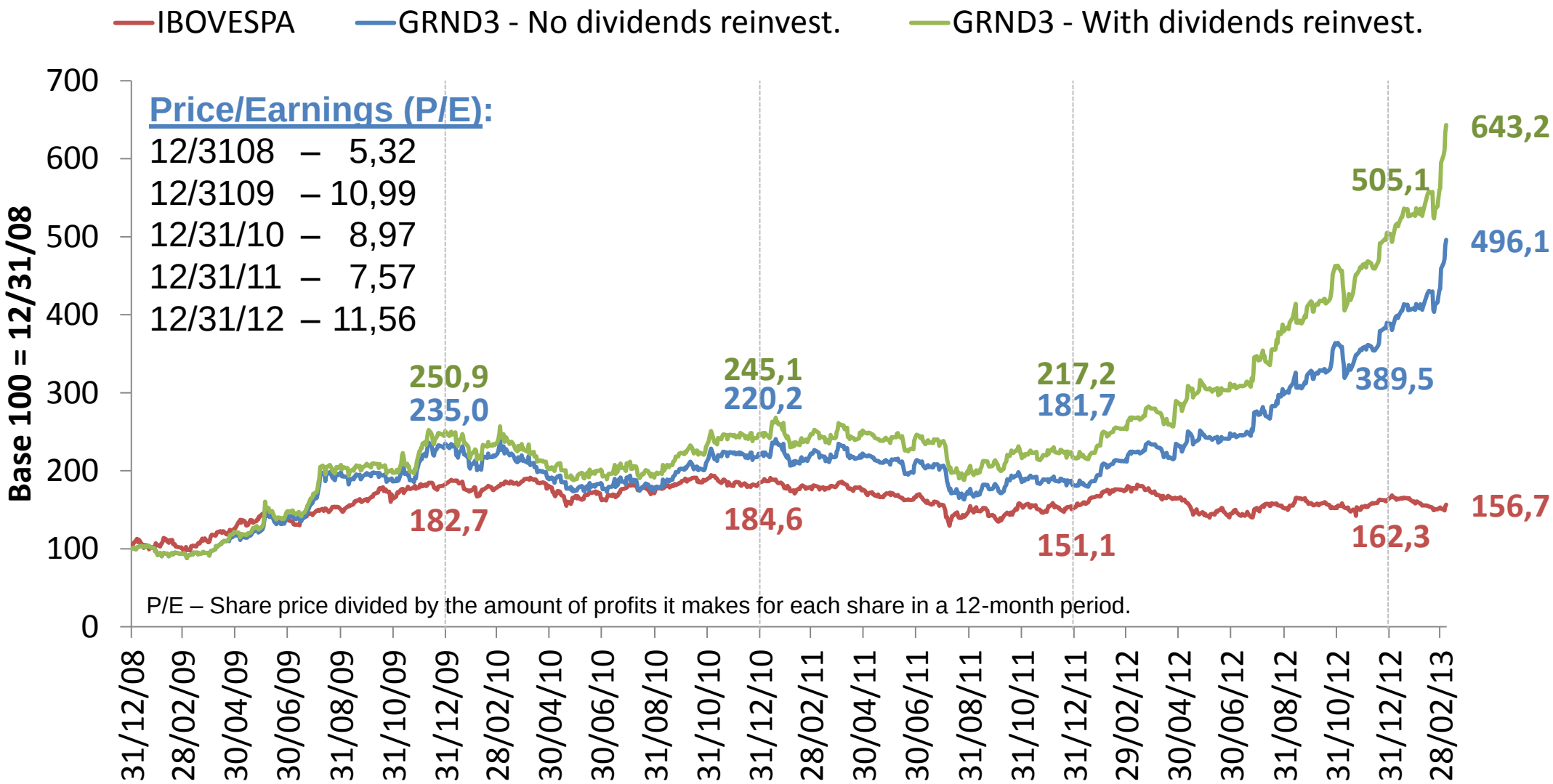


(*) Payout: Dividend divided by profit after the allocations to legal reserves
(**) Dividend yield: Dividend per share in the period divided by the weighted average price of the share, annualized.

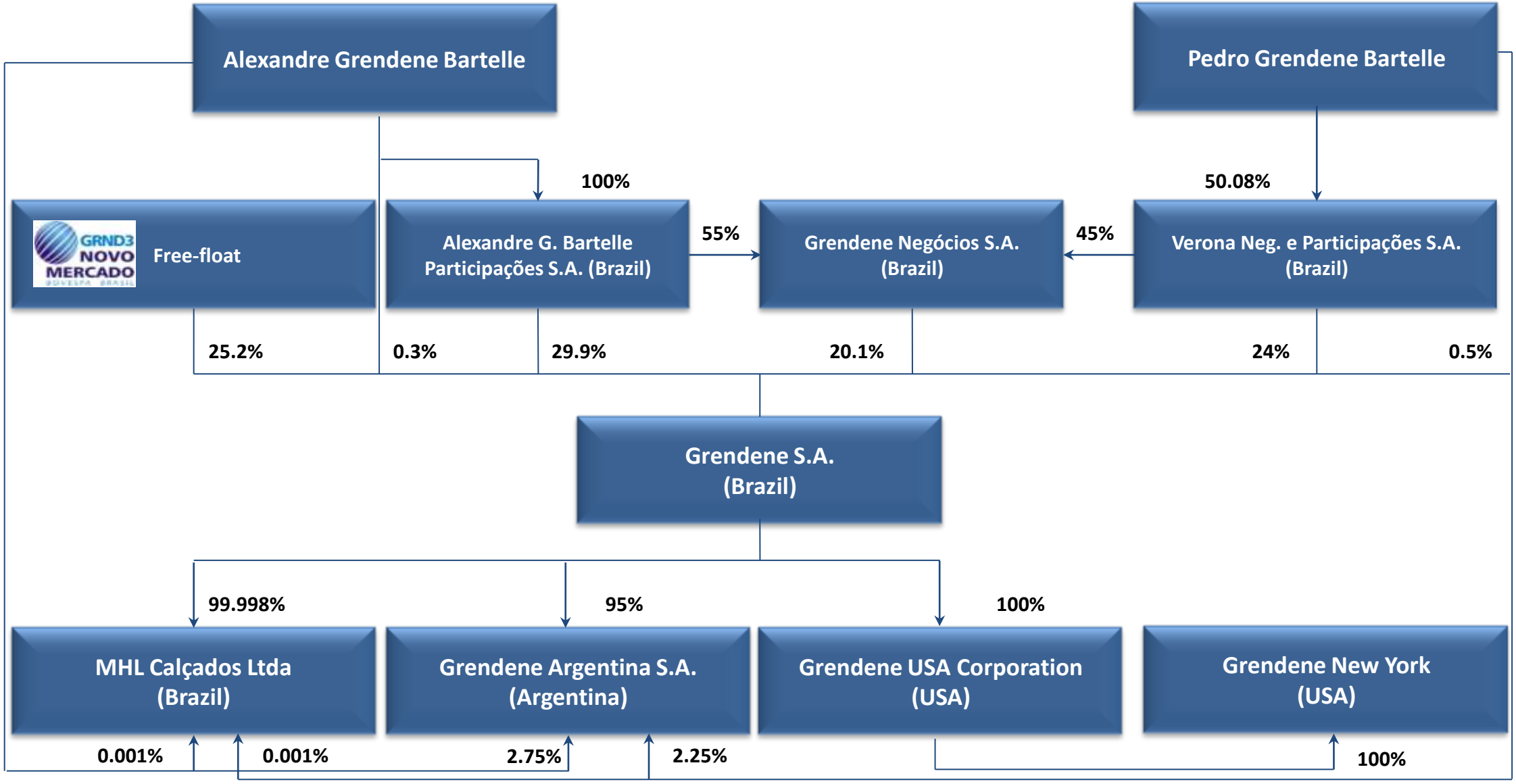
Timeline

2013

Evolution GRND3 x IBOVESPA – 12/31/08 a 03/07/13



Shareholder Structure



Board of Directors

Oswaldo de Assis Filho
Director

Alexandre Grendene Bartelle
Chairman

Renato Ochman
Director

Walter Janssen Neto
Independent Director

Pedro Grendene Bartelle
Vice Chairman

Maílson F. da Nóbrega
Director

Audit Board

- Bolívar Charneski
- Fernando Luis Cardoso Bueno
- Maurício Rocha Alves de Carvalho

Executive Board

Alexandre Grendene Bartelle
CEO

Pedro Grendene Bartelle
Deputy CEO

Rudimar Dall'Onder
Chief Operating Officer

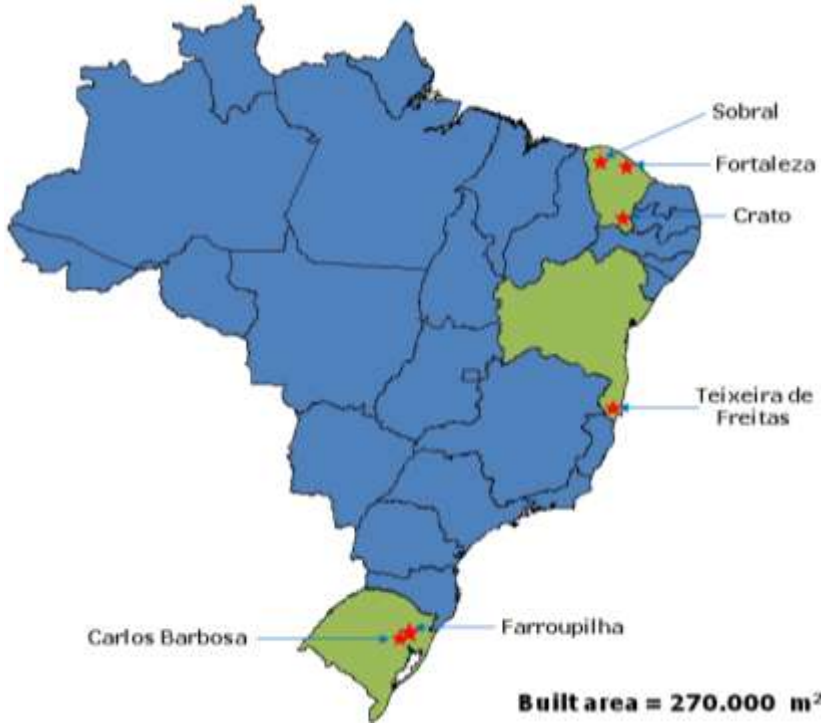
Gelson Luis Rostirolla
Administrative Officer

Francisco Schmitt
Investor Relations Officer

Plants

Location of industrial plants and productive process

Brazil



Verticalization = Agility

- PVC formulation
- Design
- Moulds
- P&D

Industrial Plants

Carlos Barbosa / RS

Sobral / CE

Production capacity: 200,000,000 pairs / year

Fortaleza / CE

Farroupilha / RS

Teixeira de Freitas/BA

Crato / CE

Productive process

Sustainability

Our challenge

- No sanitation
- Erosion
- Desertification
- Inefficient energy use

Grendene®

The landscape

Low income

Grendene®

Poverty

Climate Problems

Our response

Social responsability

- Providing employment and income;
- Healthy food;
- Education / vocational training; and
- Medical and dental care.

Over the years Grendene has helped to put on the shoes of people.

Social and Environmental Responsability

- 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.
- 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

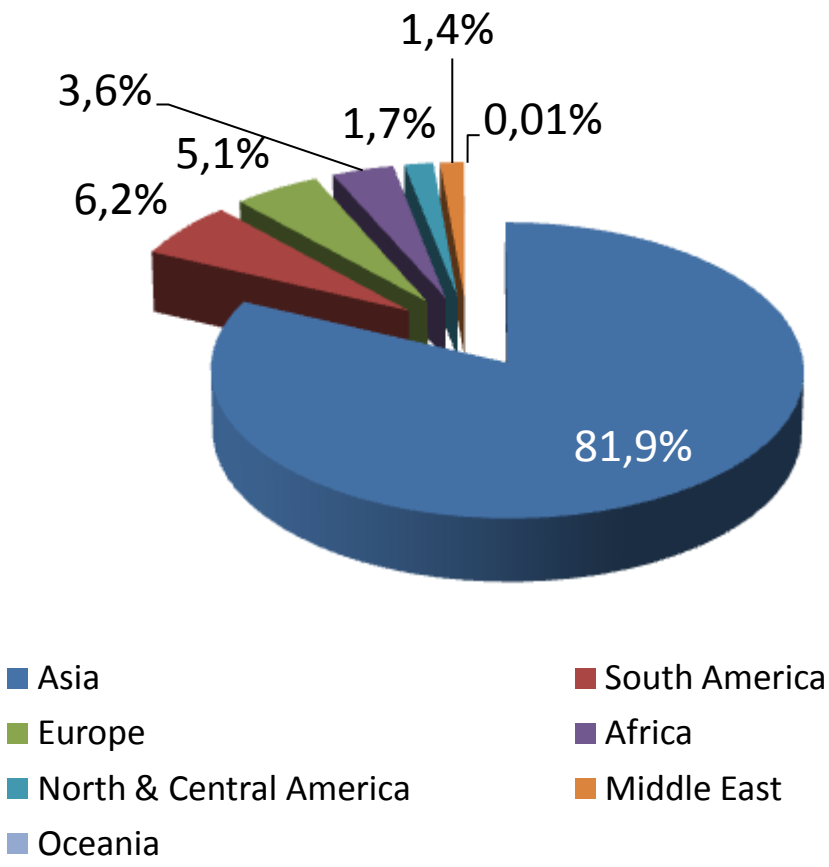
Footwear Sector

Profile
8,200 **producers in** 2010
348,000 direct employees
Production: 804 million pairs* in 2012 (819 million pairs in 2011)
World´s 3rd largest producer
Apparent consumption, Brazilian domestic market: 726 million pairs and 3.8 pairs per capita*/year in 2012 (740 million pairs and 3.9 pairs in 2011)
Exports: 113 million pairs* to more than 140 countries in 2012 (0.3% vs. 2011)
Source: IEMI/RAIS/ABICALÇADOS/SECEX **(*) Estimated by Grendene**

The industry itself is not much more than 180 years old – companies are typically small and labor-intensive, with no entry or exit barriers.

Footwear Sector

Distribution of footwear production by continent in 2011



Country	Production 2011 (million pairs)
China	10,503
India	2,250
Brazil	819
Vietnam	707
Indonesia	640
Others	3,498
Total	**18,417**

The 5 principal countries produce: 14.919 million pairs = 82% of total world production.

Source: World Shoe Review 2010 / ABICALÇADOS

The footwear sector in Brazil

Million pairs	2008	2009	2010	2011	2012
Production	816	814	894	819	804*
Imports	39	30	29	34	35
Exports	166	127	143	113	113
Apparent consumption	689	717	780	740	726*
Per capita consumption (pairs)	3.6	3.7	4.0	3.9	3.8*

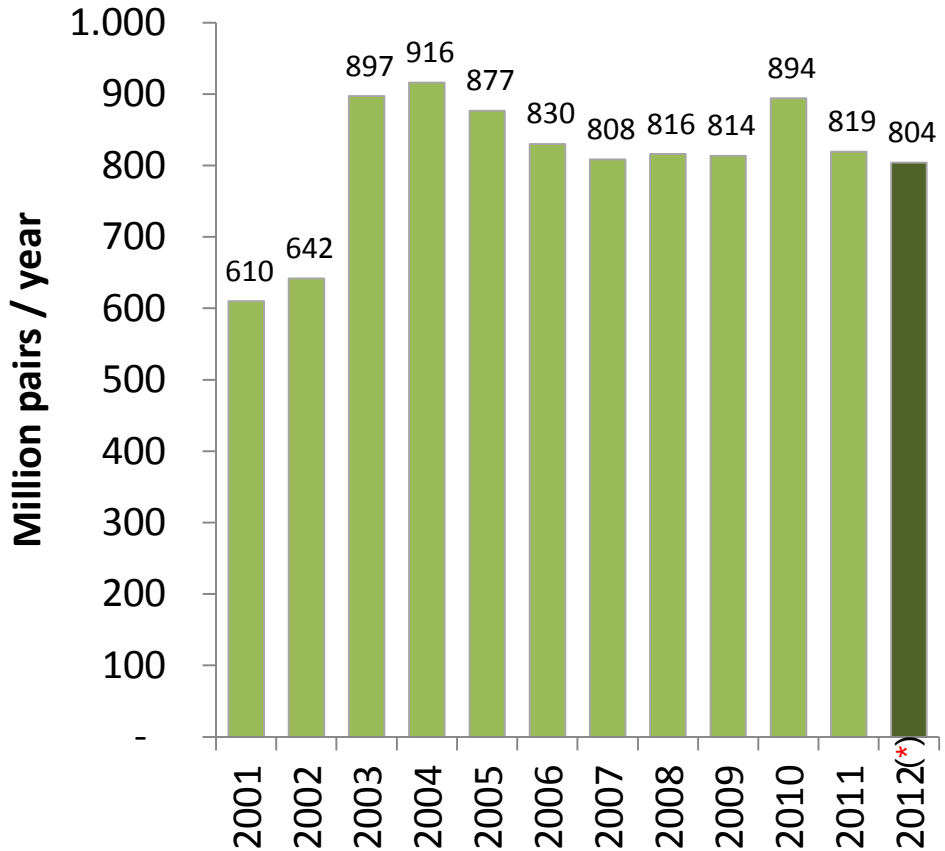
Source: IEMI / SECEX / ABICALÇADOS

Consumption – 2011	Total	Per capita*
United States	2,170	6.9
France	424	6.5
United Kindgom	377	6.0
Italy	337	5.5
Japan	684	5.3

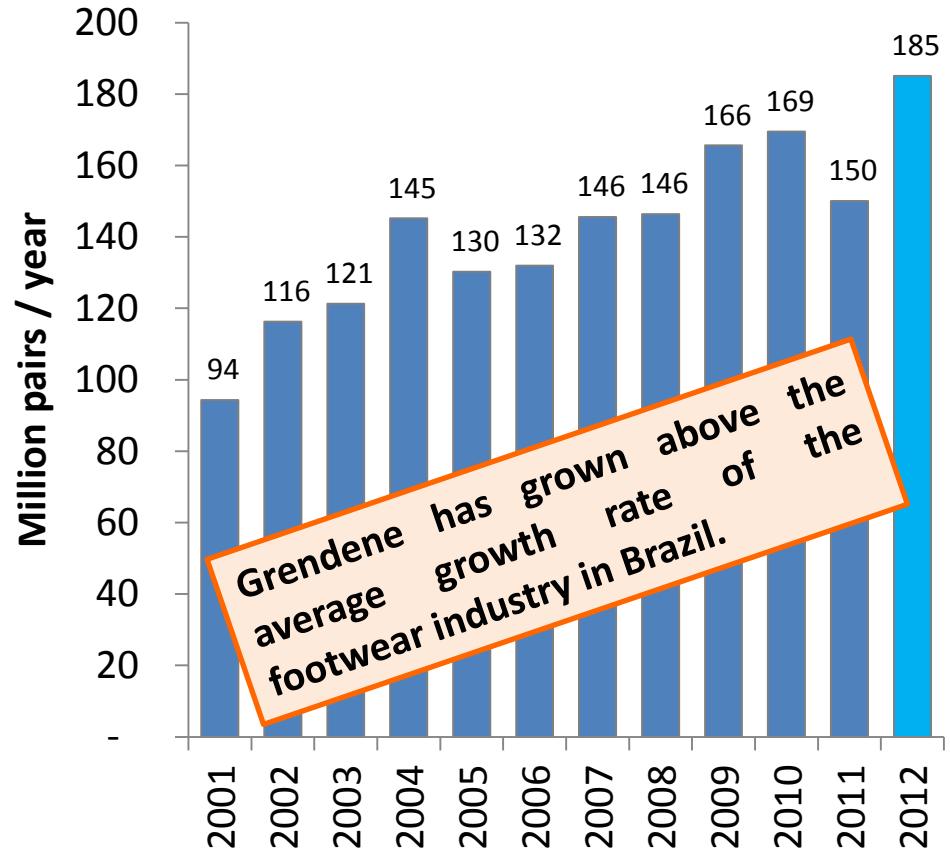
* Estimated by Grendene.
Sources – World Shoe Review / Abicalçados / CIA – Central Intelligence Agency

Grendene x Brazilian footwear sector

Brazilian Production
CAGR (2002/2012): 2.5%
Var. (2011/2012): (1.8%)



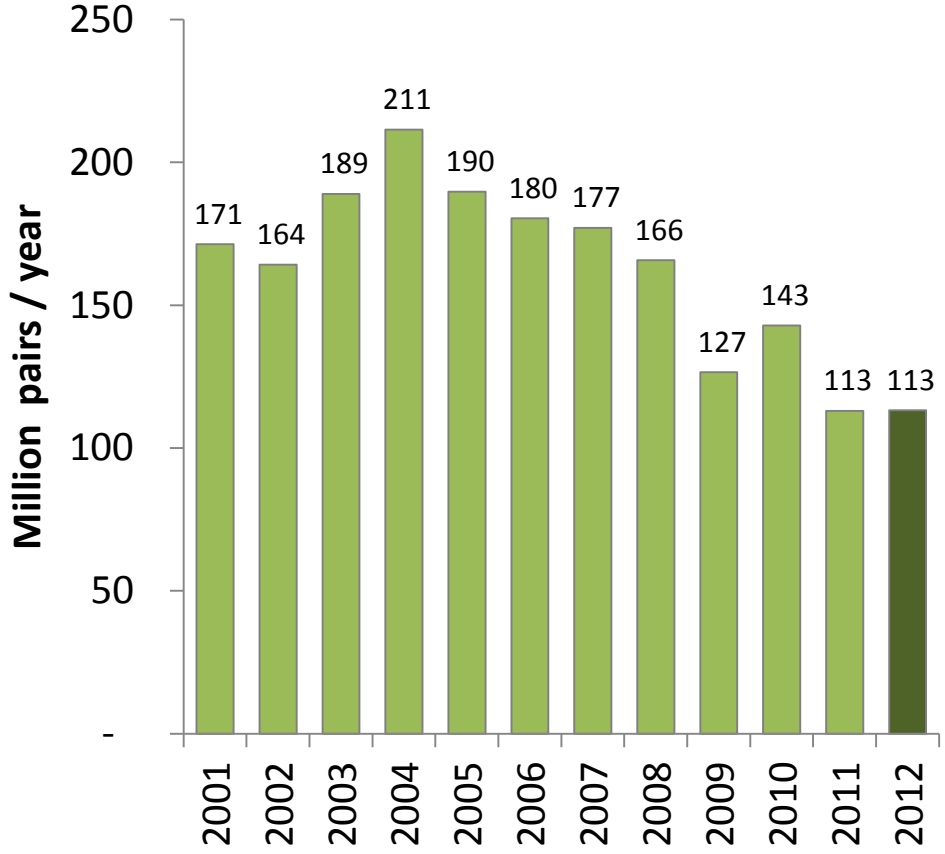
Grendene
CAGR (2002/2012): 6.3%
Var. (2011/2012): 23.3%



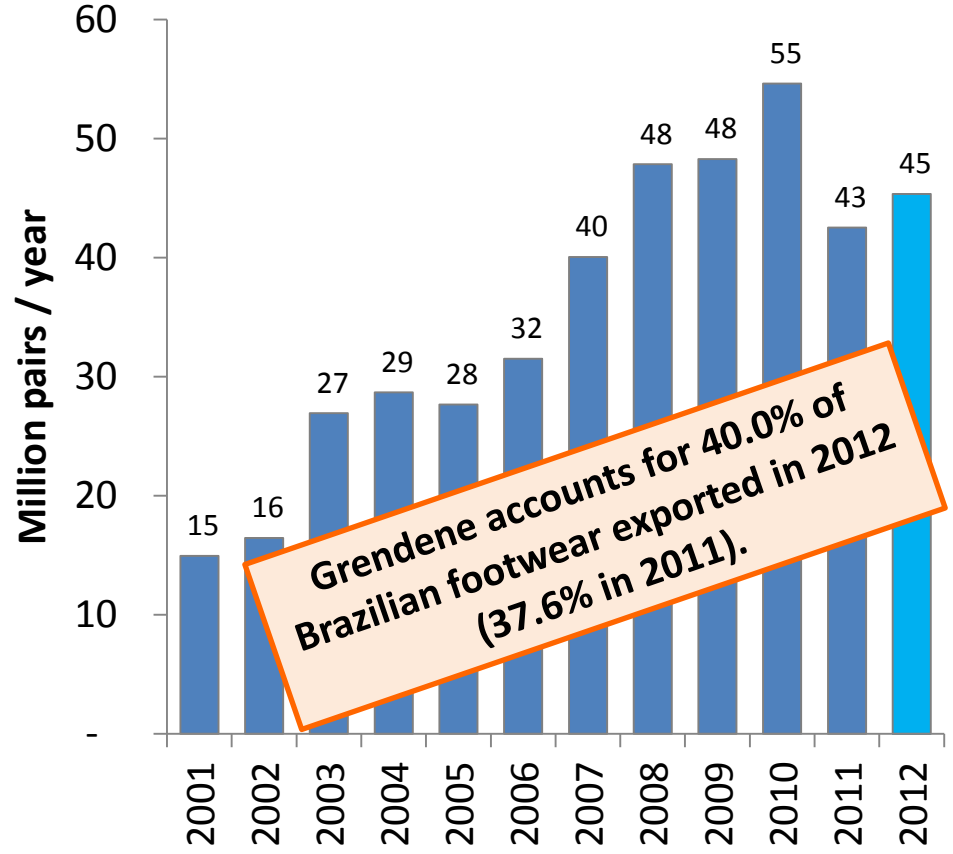
Source: IEMI / Abicalçados / Grendene / (*) Estimated by Grendene

Exports: Grendene vs. Brazil

Brazilian Exports
CAGR (2002/2012): (3.7%)
Var. (2011/2012): 0.3%



Grendene
CAGR (2002/2012): 10.6%
Var. (2011/2012): 6.6%



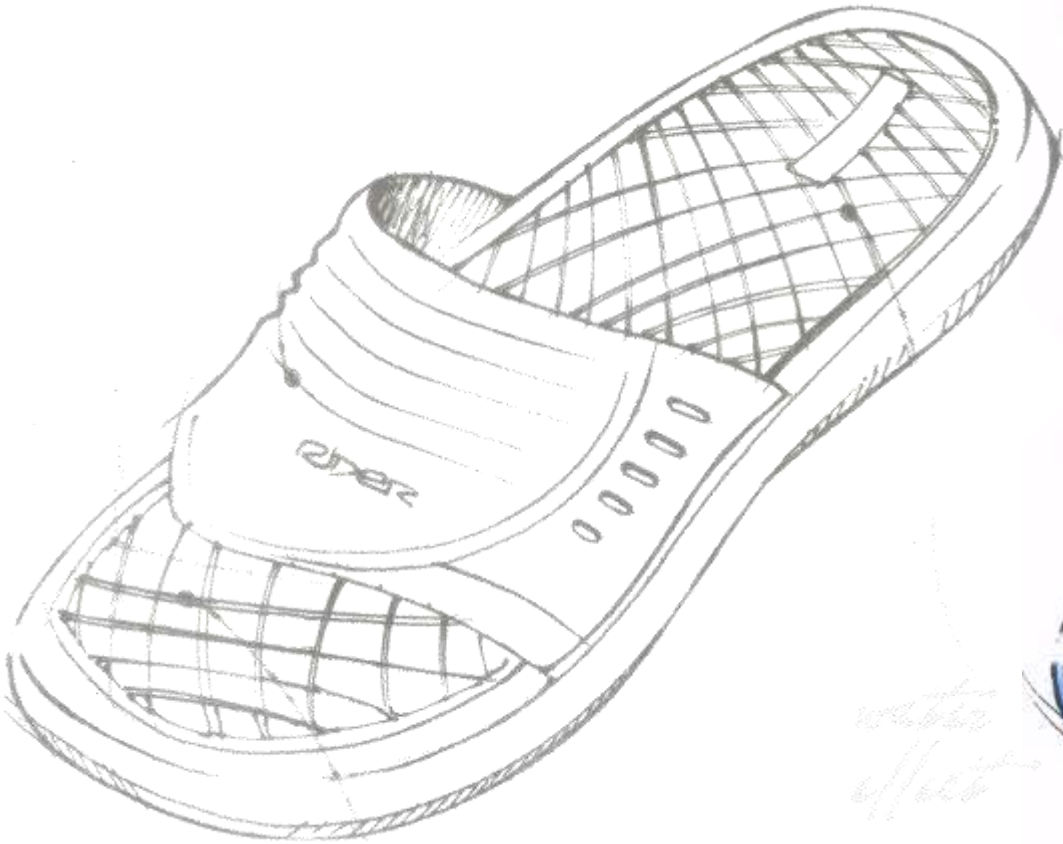
Source: MDIC / Decex / Abicalçados / Grendene

Products

Products that meet essential and basic needs at low cost.

Products for all the income levels: A, B, C, D and E – with very good cost x benefit.

Creative Process



Ipanema

Grendene®

Pop-up Ipanema store in Búzios

Ipanema at the
Camarote Brahma
2013
Rio de Janeiro

Fashion Rio

Management process

CINE MELISSA

Grendene®

Melissa Billy Creepers

Melissa Marilyn

Vivienne Westwood Anglomania + Melissa Three Straps Elevated IV

Melissa Ultragirl High

Melissa Doris Spikes

Melissa Ultragirl Minnie


PROGRESSO
rider
SANDALS
rider

grendha®

Grendha Paula Fernandes Acordes

Grendha Dolce

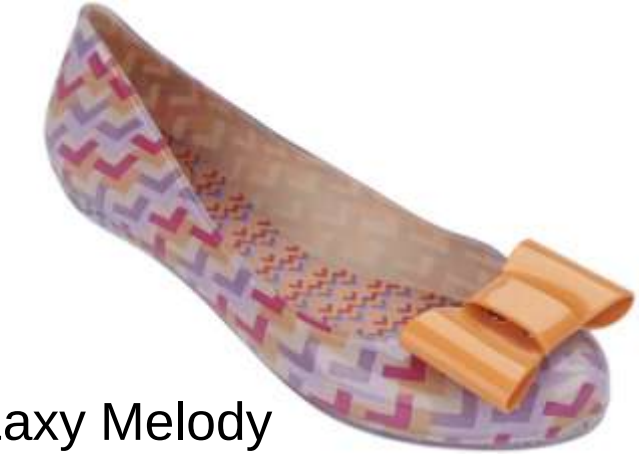
Grendha Ivete Sangalo Magia das Pedra

Grendha Sophia II

Grendene®

ZAXY

Zaxy Popstar



Zaxy Melody

Zaxy Glow Taxas

Zaxy Show Lisa

Grendene kids

Grendene®

Hot Wheels Hot Roller

Barbie Bonjour

Hello Kitty Diva Rock

Moranguinho Candy

Ben 10 Dimension

Grendene®

Hello Kitty Marshmallow

Patati-Patata Amizade Baby

Galinha Pintadinha Soft Baby

Homem Aranha Hero Baby

Grendene baby

Grendene®


MONSTER HIGH


Gisele
Bündchen


grendha


AVENGERS


HOT WHEELS


XUXA


THE AMAZING
SPIDER-MAN


BACKYARDIGANS


mormaii


Strawberry
Shortcake


Disney
PRINCESS


Patati
Patatá


Disney · PIXAR
Carros


SABAN'S
POWER RANGERS
SAMURAI


HELLO KITTY
#FICADICA


GALINHA
pintadinha


Jolie


polly
pocket


Barbie


BEN
10

Celebrities

Gisele Bündchen

Shakira

Sheron Menezes

Fiorella Mattheis

Ivete Sangalo

Sophie Charlotte

Paula Fernandes

Sales channels: Brazil

Casa Pio - Retail

Itapuã Calçados - Retail

Sales channels: Brazil

Pernabucanas - Magazine

Bom Preço – Self service

Sales channels: Brazil

Selective distribution

Selective distribution

International sales channels

CONFETTI - Filipinas

International sales channels

Verly Mode - Kuwait

International sales channels

Novo
Australia

Results (in IFRS)

Grendene®

Main financial and economic indicators

R$ million	2008	2009	2010	2011	2012	Var. % 11-12	CAGR (4 years)
Gross revenue	1,576.0	1,819.4	1,998.6	1,846.7	2,359.6	27.8%	10.6%
Domestic market	1,220.5	1,464.4	1,603.8	1,489.9	1,845.4	23.9%	10.9%
Exports	355.5	355.0	394.8	356.8	514.2	44.1%	9.7%
Net Revenue	1,249.9	1,455.8	1,604.5	1,482.6	1,882.3	27.0%	10.8%
Cost of sales	(731.2)	(889.7)	(953.3)	(840.5)	(1,000.2)	19.0%	8.1%
Gross Profit	518.7	566.0	651.2	642.1	882.1	37.4%	14.2%
EBIT	165.9	152.2	208.4	187.3	362.8	93.7%	21.6%
EBITDA	191.5	178.5	236.6	216.2	394.5	82.5%	19.8%
Net finance result	239.4	272.2	312.4	305.4	429.0	40.5%	15.7%

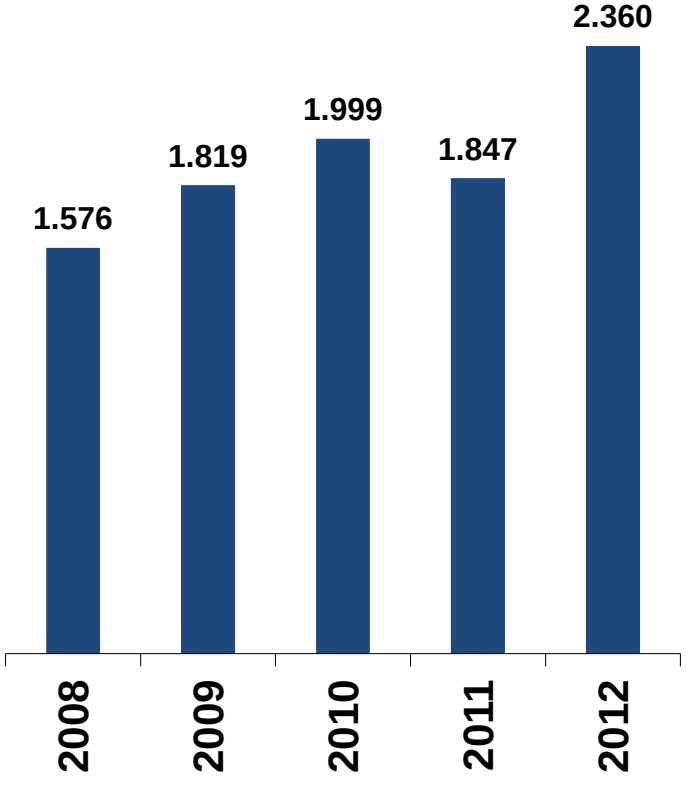
Margins %	2008	2009	2010	2011	2012	Var. 11-12	Var. 08-12
Gross	41.5%	38.9%	40.6%	43.3%	46.9%	3.6 p.p.	5.4 p.p.
EBIT	13.3%	10.5%	13.0%	12.6%	19.3%	6.7 p.p.	6.0 p.p.
EBITDA	15.3%	12.3%	14.7%	14.6%	21.0%	6.4 p.p.	5.7 p.p.
Net	19.2%	18.7%	19.5%	20.6%	22.8%	2.2 p.p.	3.6 p.p.

Gross sales revenue (IFRS) (R$ million)

Note:CAGR 4 years

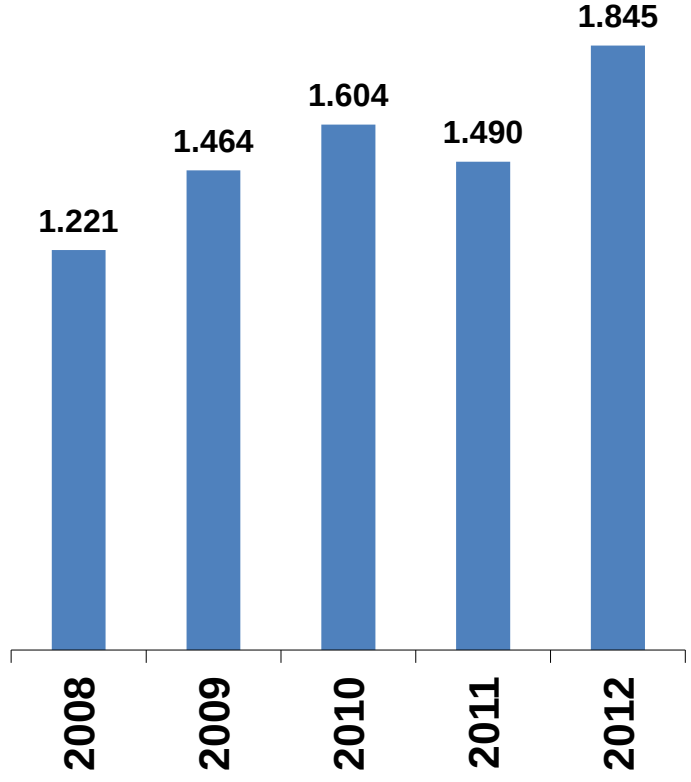
Gross sales revenue

CAGR (2008-2012): 10.6%



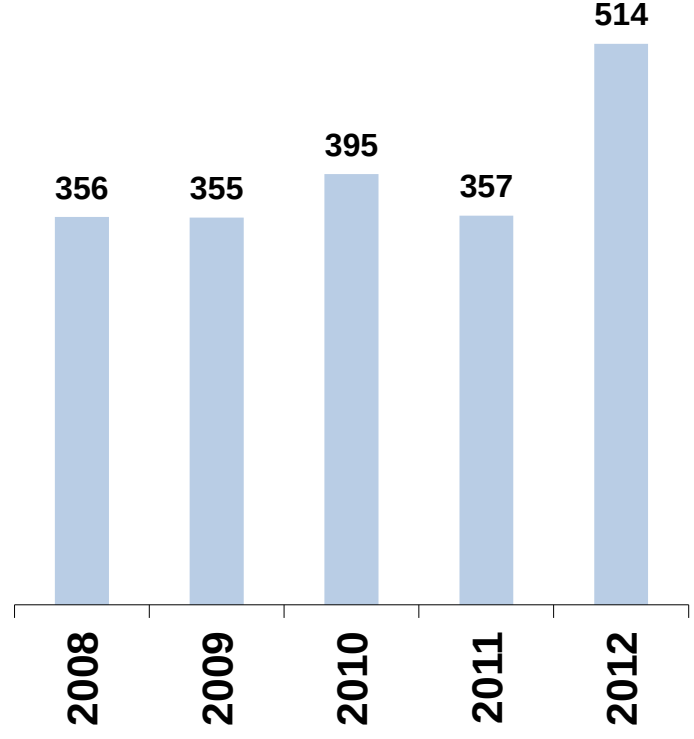
Gross sales revenue Domestic market

CAGR (2008-2012): 10.9%



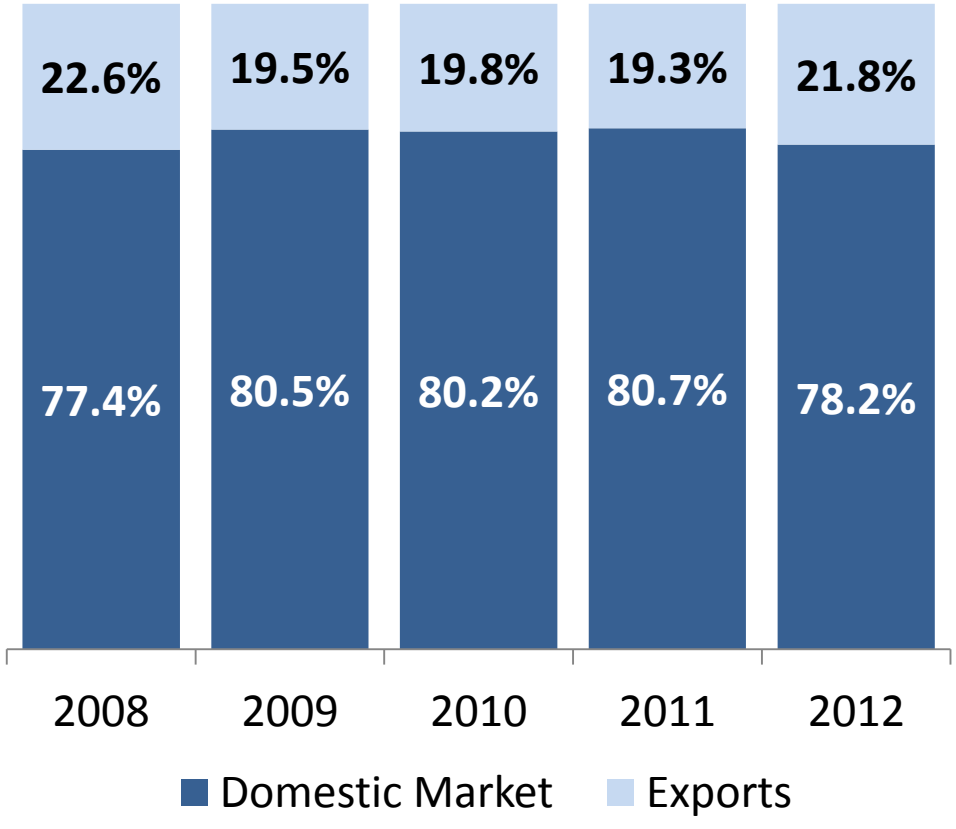
Gross sales revenue Exports

CAGR (2008-2012): 9.7%

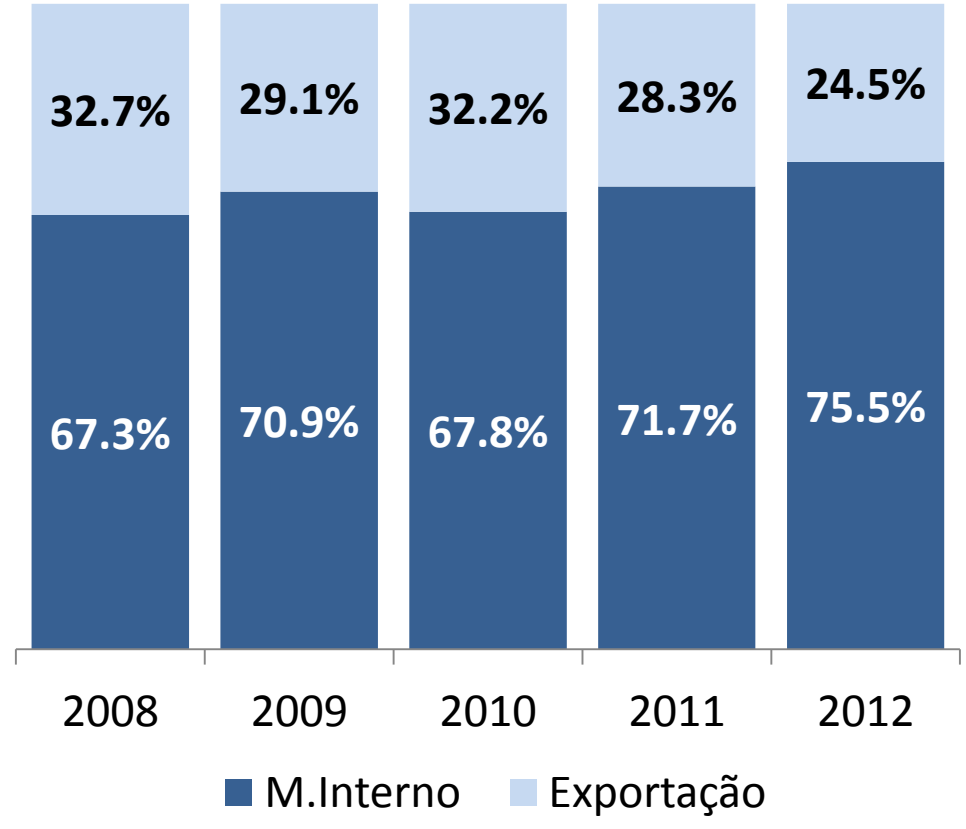


Market %

Gross sales revenue



Sales volume

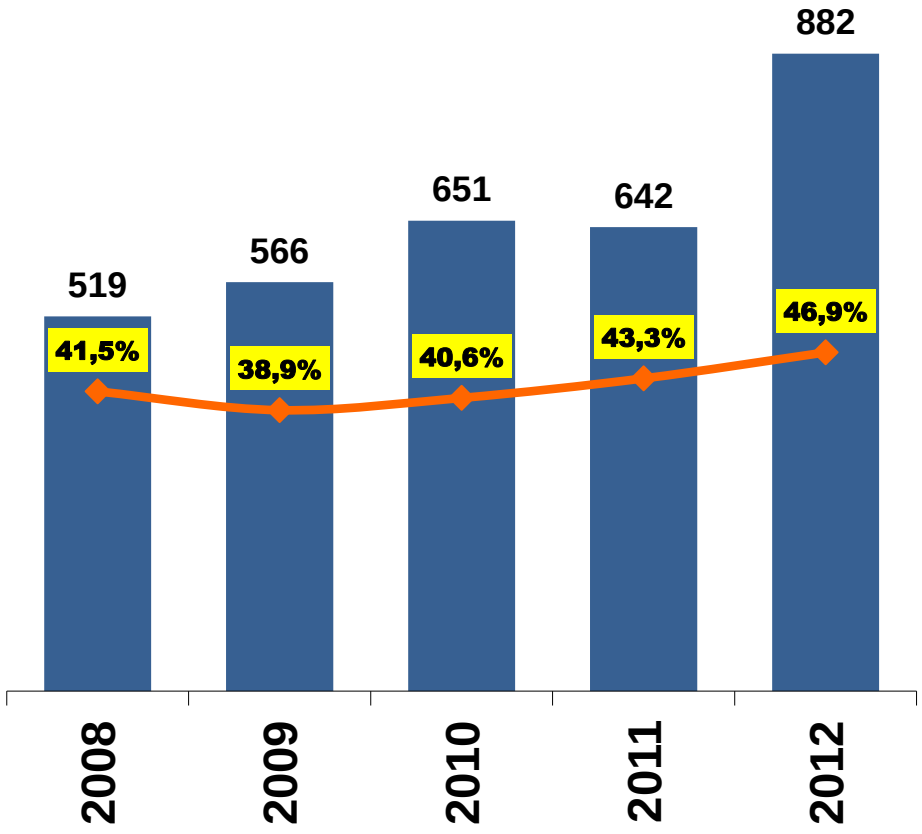


Results (IFRS)
(R$ million)

Note: CAGR 4 years

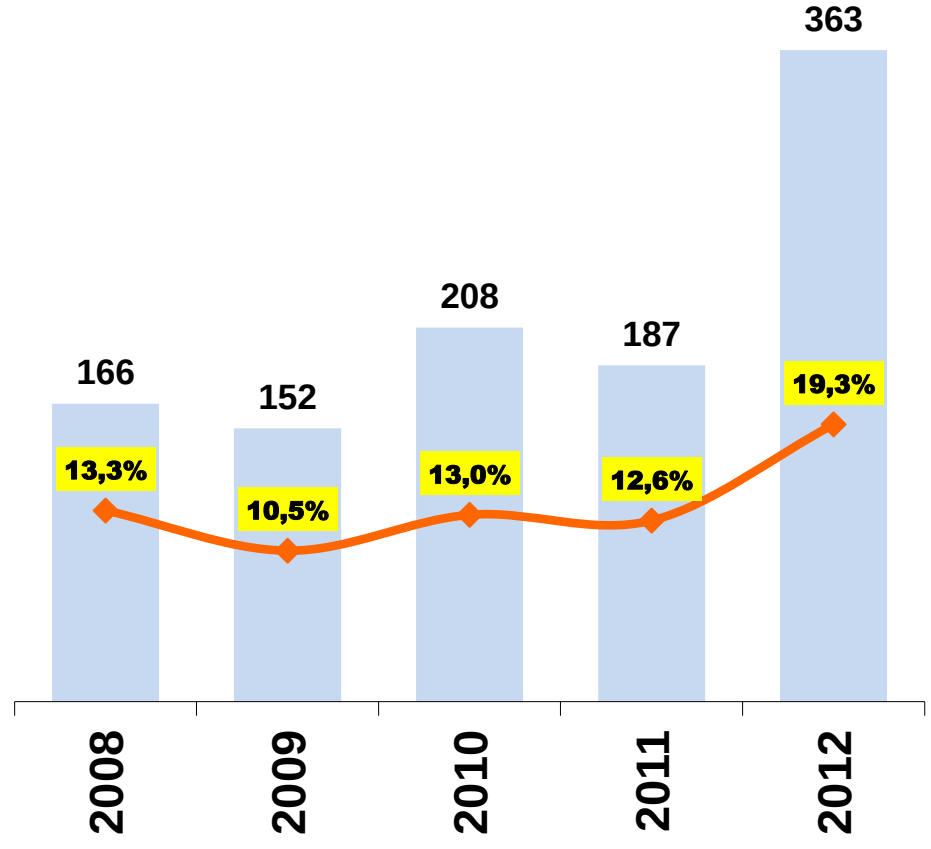
Gross profit / Gross margin

CAGR (2008-2012): 14.2%



EBIT / EBIT margin

CAGR (2008-2012): 21.6%

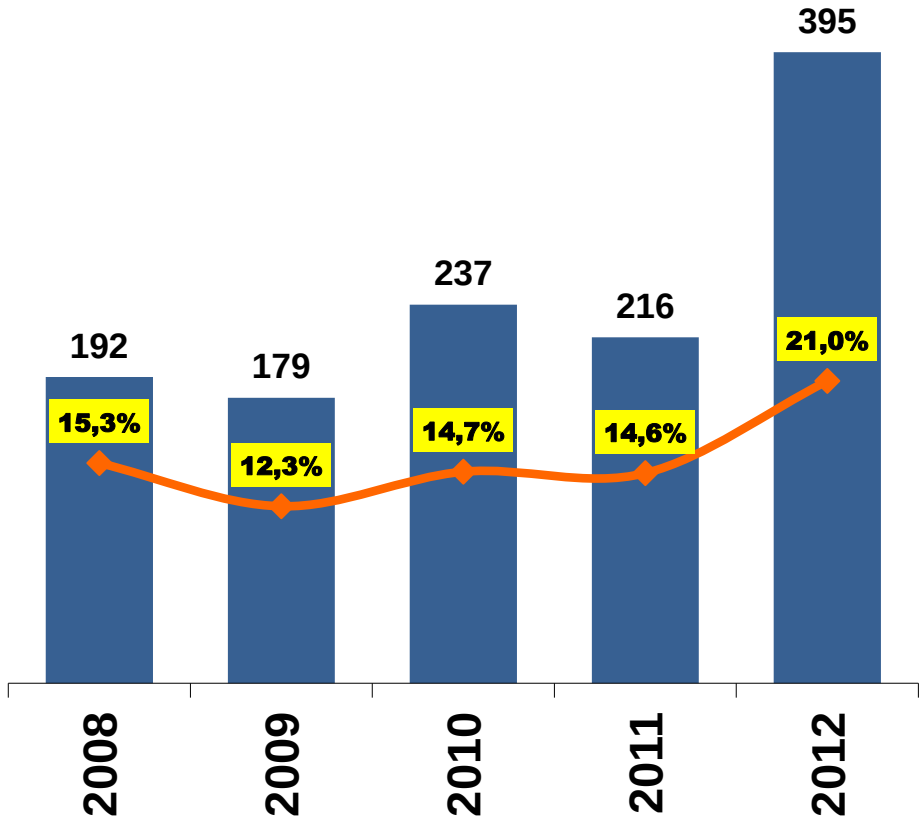


Results (IFRS)
(R$ million)

Note: CAGR 4 years

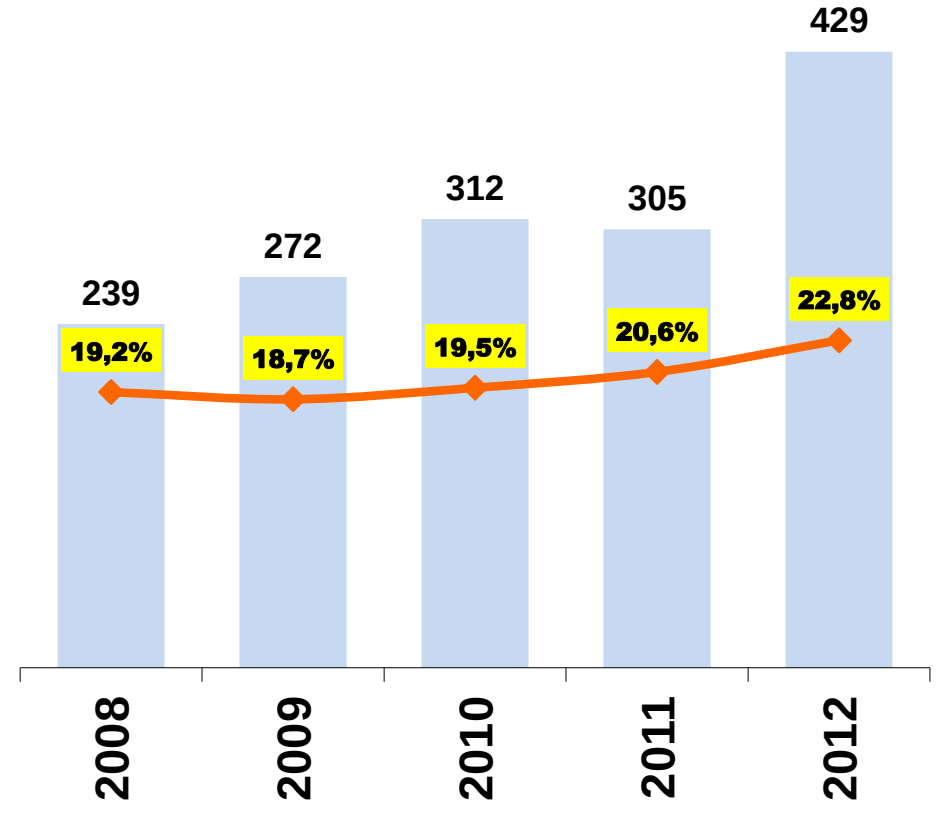
EBITDA / EBITDA margin

CAGR (2008-2012): 19.8%



Net income / Net margin

CAGR (2008-2012): 15.7%

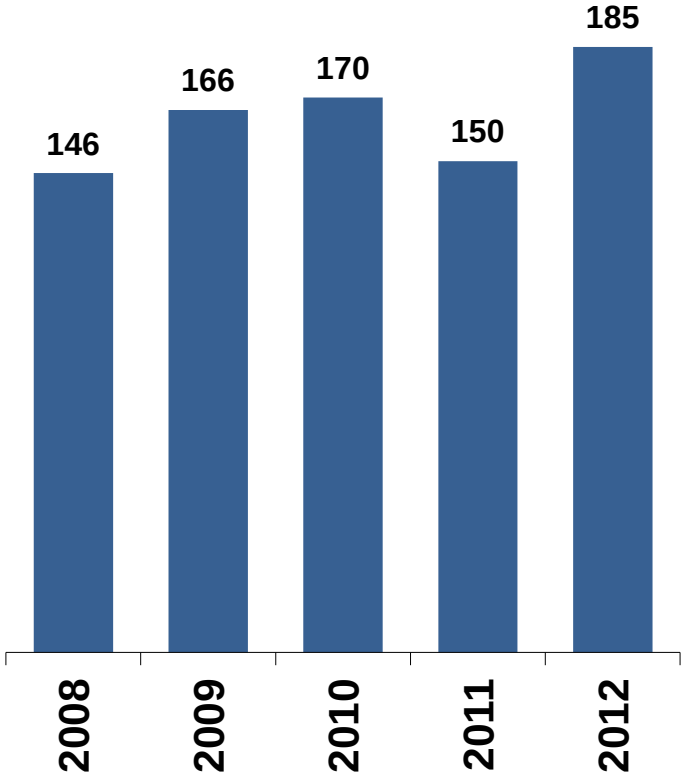


Sales Volume (million pairs)

Note: CAGR 4 years

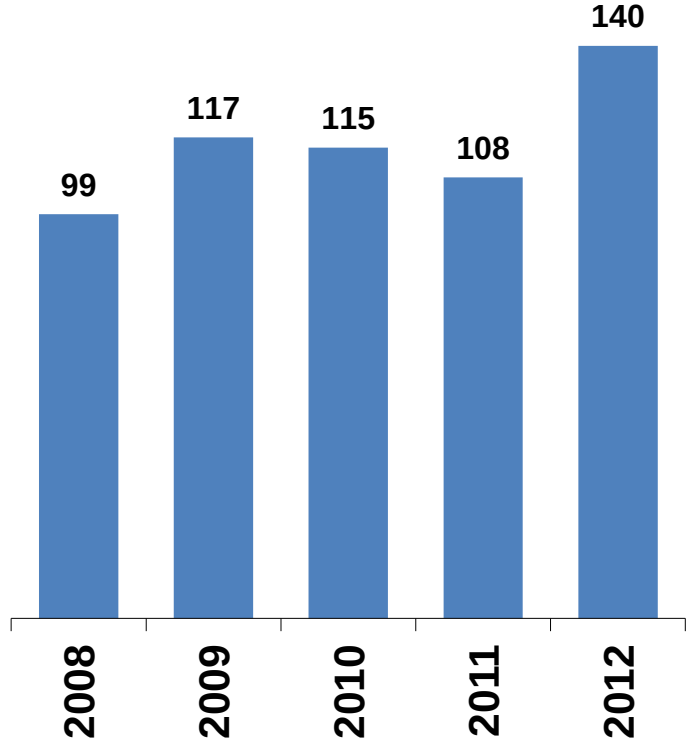
Sales volume

CAGR (2008-2012): 6.0%



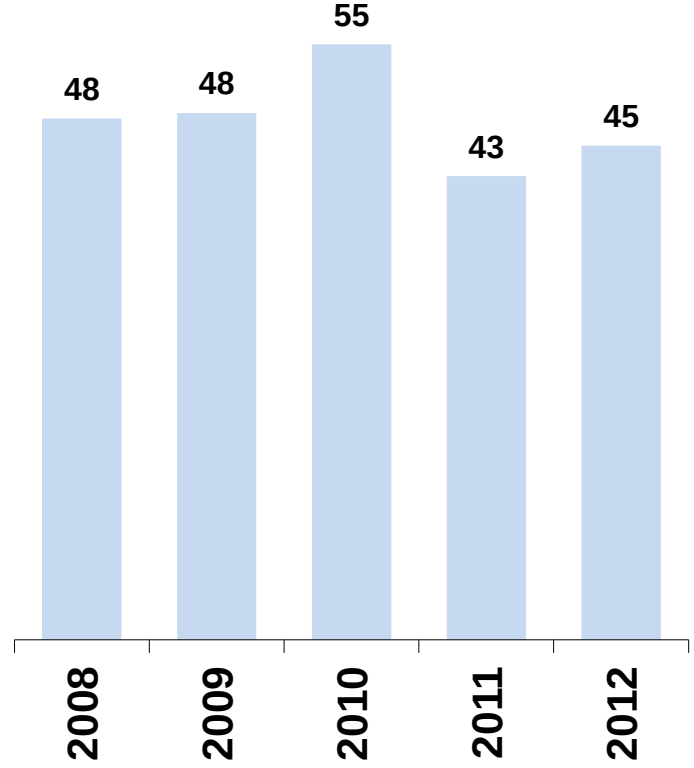
Sales volume – Domestic market

CAGR (2008-2012): 9.1%

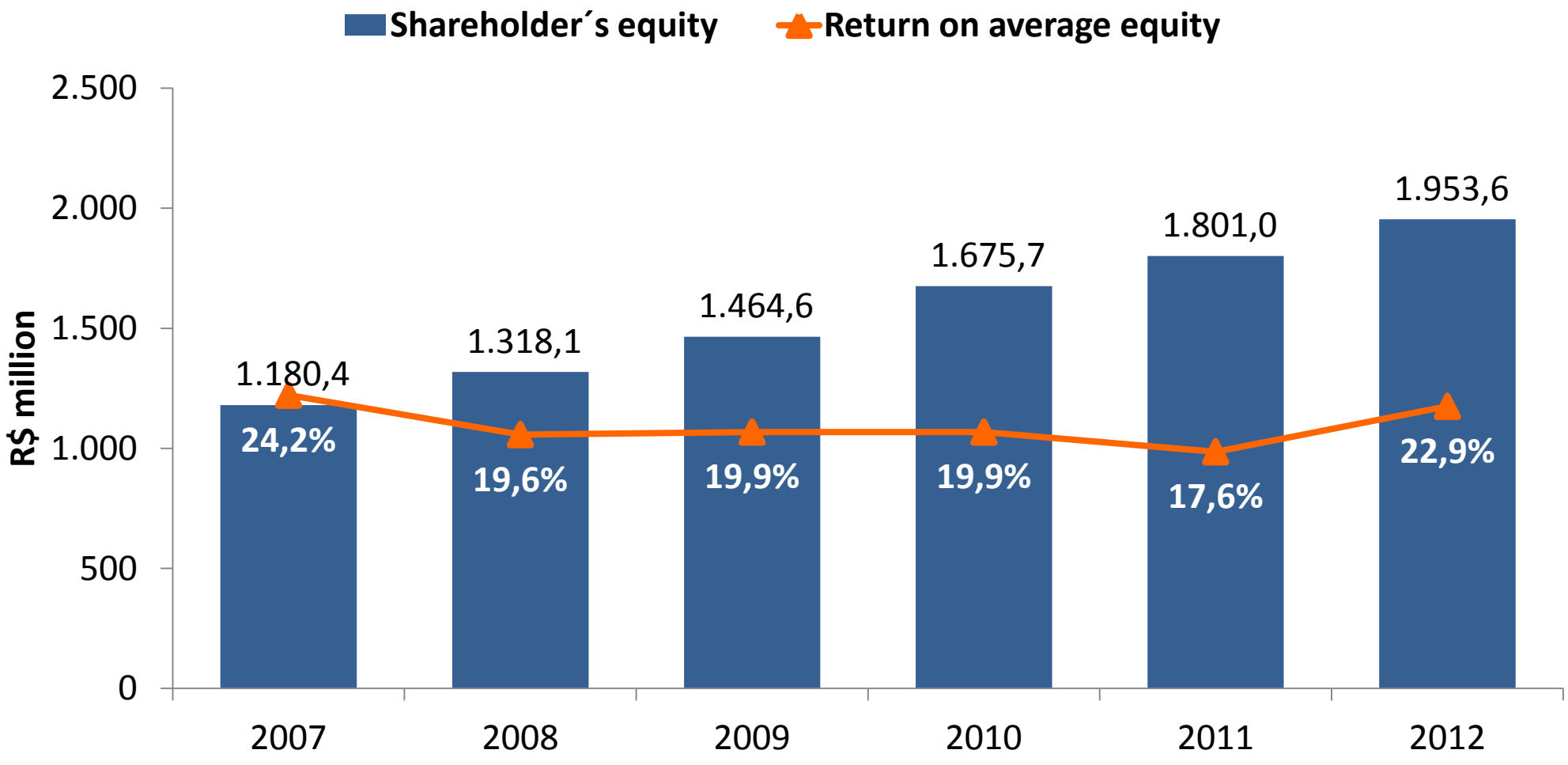


Sales volume – Exports

CAGR (2008-2012): (1.3%)



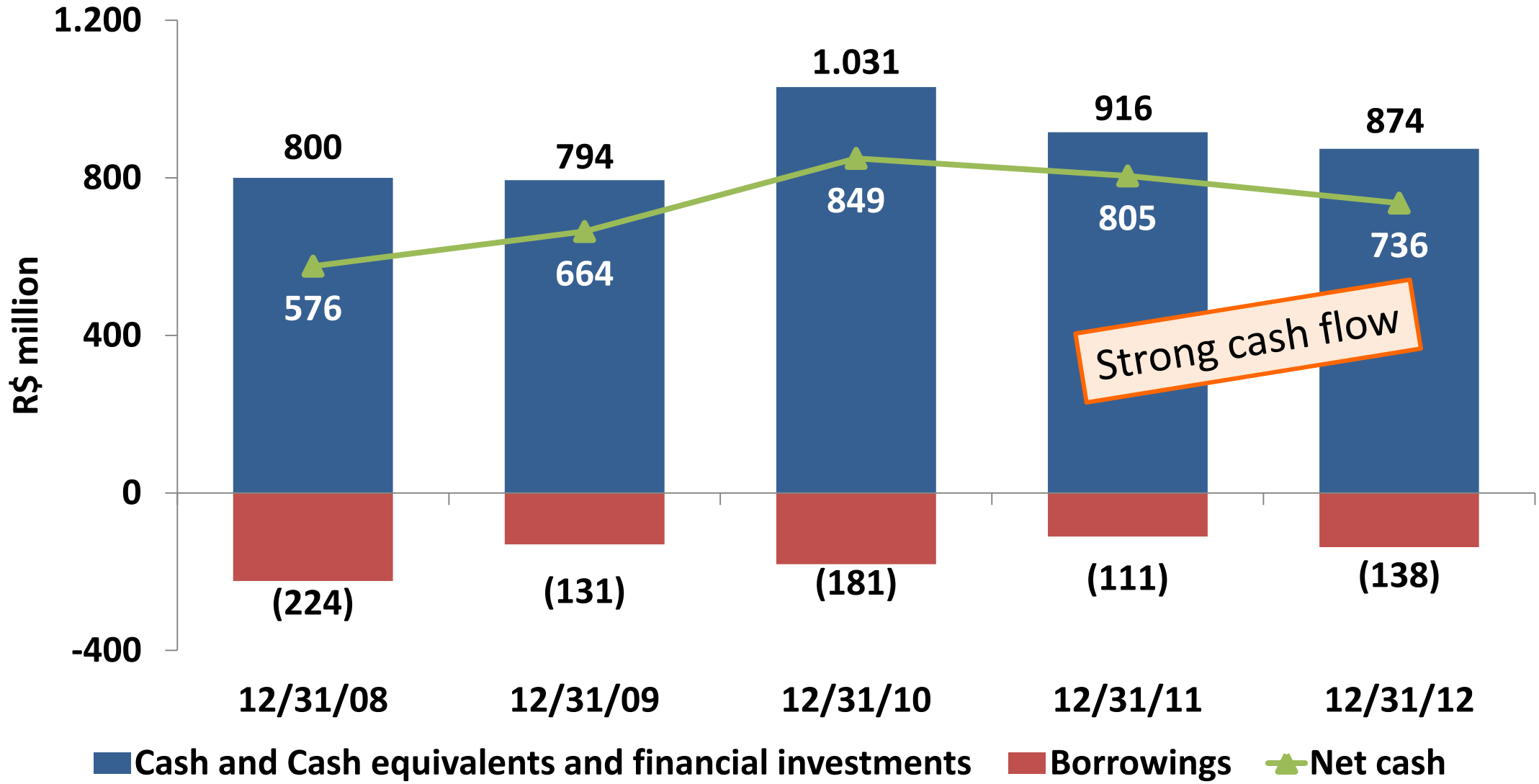
Shareholder´s equity and return on equity



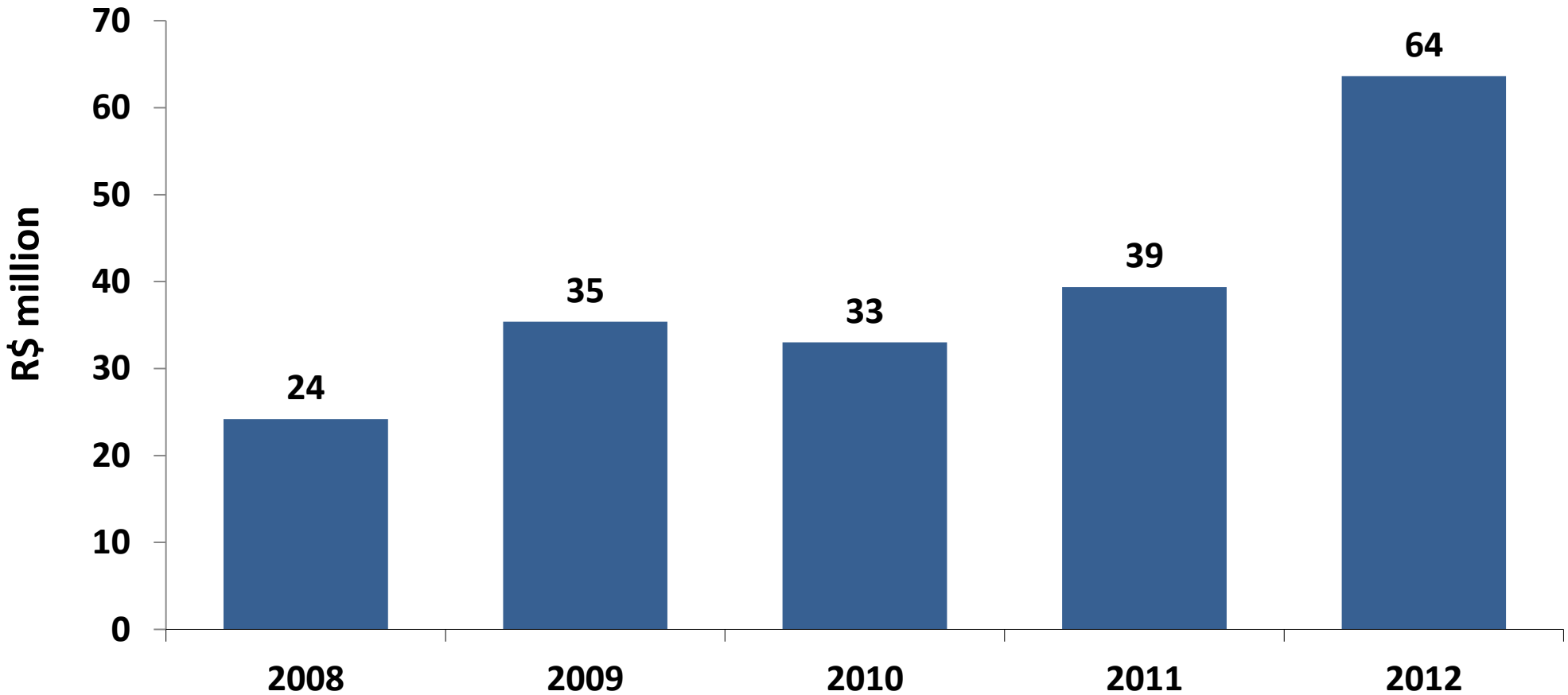
Consolidated statement of income (IFRS)

R$ million	2011	% V	2012	%V	Var. % 2011/2012
Gross sales revenue	**1,846,706**	**124.6%**	**2,359,575**	**125.4%**	**27.8%**
Domestic market	*1,489,883*	*100.5%*	*1,845,402*	*98,0%*	*23.9%*
Exports	*356,823*	*24.1%*	*514,173*	*27.3%*	*44.1%*
Sales deduction	(364,070)	(24.6%)	(477,249)	(25.4%)	31.1%
Net sales revenue	**1,482,636**	**100.0%**	**1,882,326**	**100.0%**	**27.0%**
Cost of sales	(840,497)	(56.7%)	(1,000,168)	(53.1%)	19.0%
Gross profit	**642,139**	**43.3%**	**882,158**	**46.9%**	**37.4%**
Operating income (expenses)	**(454,846)**	**(30.7%)**	**(519,345)**	**(27.6%)**	**14.2%**
Selling expenses	(396,096)	(26.7%)	(450,965)	(24.0%)	13.9%
General & administrative expenses	(61,177)	(4.1%)	(70,413)	(3.7%)	15.1%
Other operating income	6,678	0.5%	5,752	0.3%	(13.9%)
Other operating expenses	(4,251)	(0.3%)	(3,719)	(0.2%)	(12.5%)
Operating result before financial revenue (expenses)	**187,293**	**12.6%**	**362,813**	**19.3%**	**93.7%**
Finance costs	(62,793)	(4.2%)	(72,460)	(3.8%)	15.4%
Finance income	215,796	14.6%	204,937	10.9%	(5.0%)
Finance Result	**153,003**	**10.3%**	**132,477**	**7.0%**	**(13.4%)**
Profit before taxation	**340,296**	**23.0%**	**495,290**	**26.3%**	**45.5%**
Income tax and social contribution:					
Current	(44,863)	(3.0%)	(67,778)	(3.6%)	51.1%
Deferred	10,018	0.7%	2,379	0.1%	(76.3%)
Non-controlling interest	(5)	-	(888)	-	17,660.0%
Profit for the period	**305,446**	**20.6%**	**429,003**	**22.8%**	**40.5%**

Cash and cash equivalents and financial investments (short- and long-term), borrowings (short- and long term) and net cash



Low need for CAPEX
(on fixed and intangible assets)



Grendene®

Less labor - intensive

More capital- intensive

Strategy: Break Paradigms

Higher entry barries

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

Brands

Products

- Constant creation of products
- Innovative design
- Manufacturing technology
- Few products in large scale

Marketing

- Aggresive marketing
- Licenses with celebrities
- Segmentation
- Investment in media / events
- Strong relationship with trade

Management

- Scale gains, scope gains
- Profitability
- Continuous improvement
- Financial solidity
- Sustainable growth

Value for Stakeholders

Grendene®

Guidance

Targets for: 2008-2015
Growth of gross revenue at a CAGR between 8% and 12% in the five years.
Growth of net profit at a CAGR between 12% and 15% in the five years.
Advertising expenses: average: 8% - 10% of net revenue in this period.

We expect in this period to have some years with higher growth than these rate, as happened in 2009 and other years with lower growth, but on average we intend to achieve these targets.

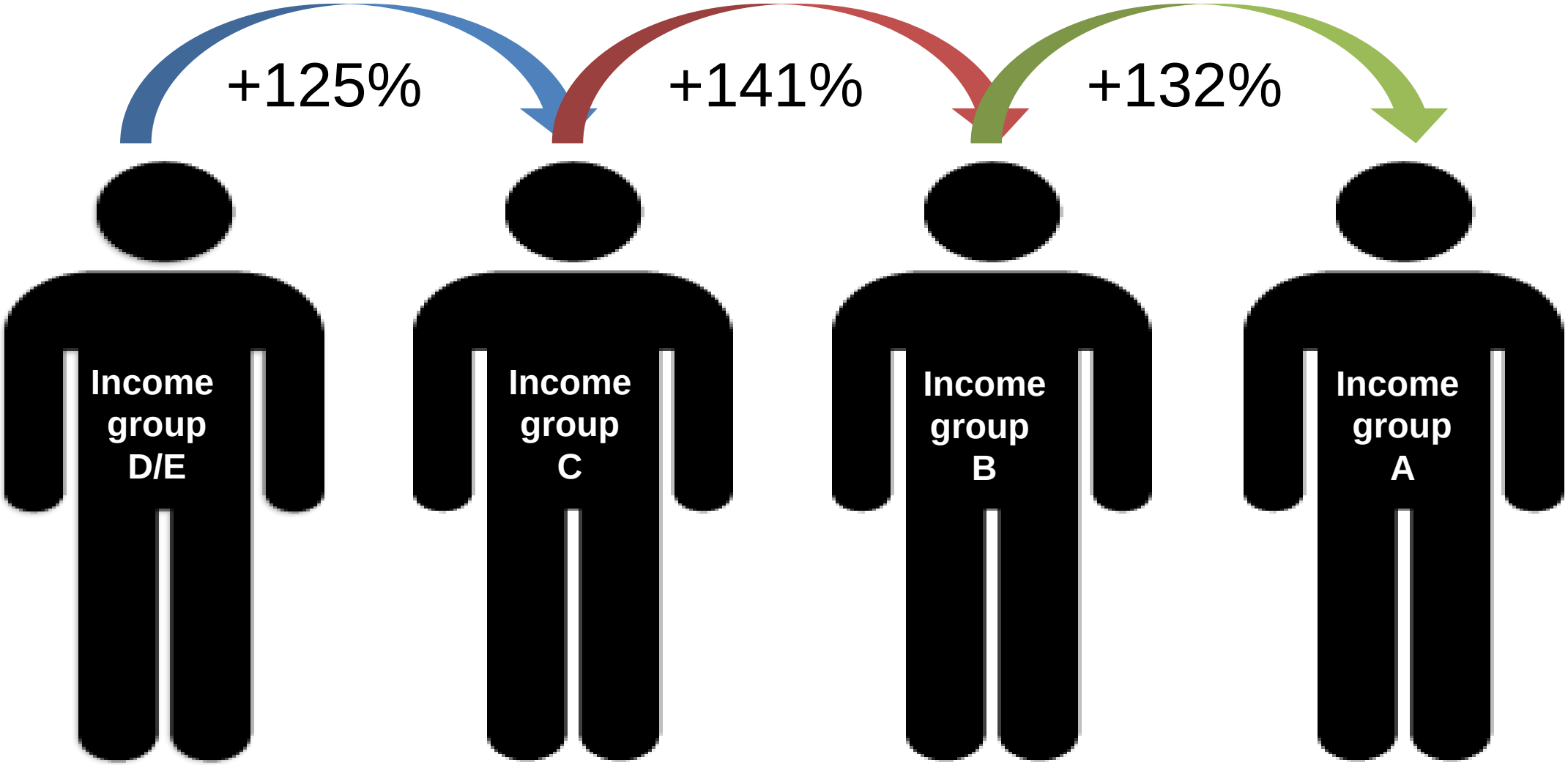
Distribution of population by income group

	Percentage of housing	% share of total payroll	% share of total consumption
Income group A	2.6%	23.7%	16.2%
Income group B	**24.4%**	**46.6%**	**38.1%**
Income group C	**52.4%**	**26.9%**	**38.7%**
Income group D	20.6%	2.7%	7.0%

Source: Ibope Inteligência / IstoÉ Magazine

Income group B and C are responsible for almost 80% of Brazilian household consumption.

Brazil – increments in spending with changes in income group (clothing and footwear)



Source: Exame magazine / Lojas Renner investor relations website

THANK YOU!

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