

Full Year 2007 Results



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2007 Presentation

- Overview
- Update on Transition of Manufacturing Capacity
- Focus on Core Business
- Branded Marketing Initiatives
- Consolidated Financial Results
- Outlook
- Update on Long-Term Strategy

Overview

- 4Q07 reflected our continued effort to consolidate our manufacturing footprint with significant reductions in manufacturing conversion costs.
- Despite the progress made in the implementation of the manufacturing consolidation, the results of the fourth quarter were impacted by soft sales in the U.S. and Canadian markets.
- The transition of manufacturing capacity is proceeding according to plan, with the last of the original nine plants in the 2007 plan closed in the first quarter of 2008. In December 2007 we announced the closure of an additional U.S. plant.
- During the fourth quarter, we sold two non-core businesses and began the liquidation of our outlet stores in the United States.
- General and Administrative cost reduction initiatives continue to yield results.

Update on Transition of Manufacturing Capacity

- In 2007, we planned to close nine plants in the U.S.
 - ▶ Final plant from the original 2007 plan closed in 1Q08.
- In December 2007, we announced the closure of the Piedmont 278 plant in Alabama. The plant will be closed during 2Q08 and the equipment will be available for relocation to our Reynosa Mexico bedding plant or other facilities during 2008.
- Non-recurring restructuring charges of R\$69.9 million were booked in 2007:
 - ▶ R\$42.3 million of headcount reduction and plant shutdown costs in the U.S.
 - ▶ R\$8.7 million of environmental remediation costs related to closed plants.
 - ▶ R\$12.2 million of non-cash lease termination costs related to closed plants.
 - ▶ R\$6.7 million of lease termination expenses in conjunction with the liquidation of the outlet stores.

Focus on Core Business

- In 4Q07, we sold two non-core businesses
 - ▶ The Baby Products and Juvenile Products businesses were sold for R\$20.4 million in cash.
 - ▶ We will benefit from lower fixed operating costs.
 - ▶ Allows focus on core Bed, Bath and Utility Bedding businesses.
- In 4Q07 we also began the liquidation of our outlet stores in the U.S.
 - ▶ We will benefit from lower fixed operating costs, including store leases.
 - ▶ Stores no longer provide benefit due to reduction in U.S. manufacturing.

Branded Marketing Initiatives

■ **Springmaid Relaunch**

- ▶ 3rd largest brand in Home Textiles
- ▶ Sept '08 launch – Spring '09 at retail
- ▶ Cross all channels

■ **Cindy Crawford**

- ▶ Licensing agreement with SGUS
- ▶ Brand and Style icon
- ▶ International appeal
- ▶ Building on successful furniture line

■ **Wamsutta**

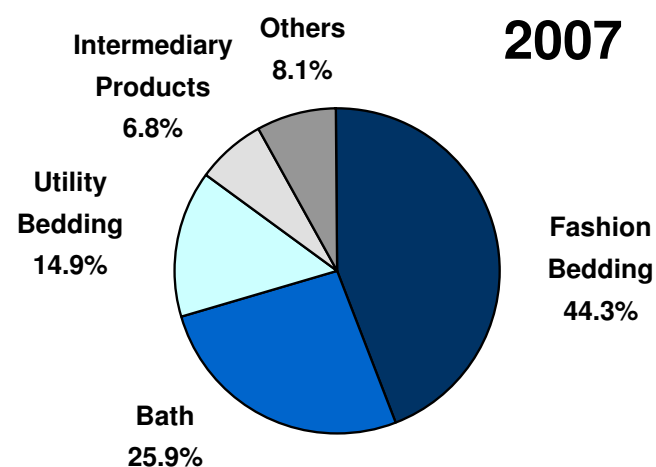
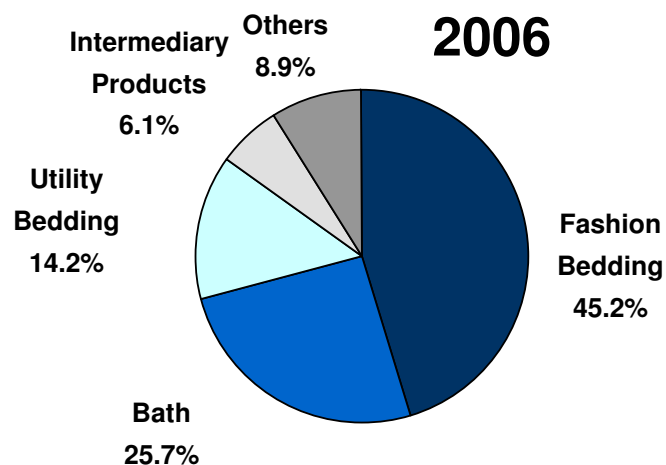
- ▶ Focusing on solid color and attribute products
- ▶ Relaunch in 2010 following '09 brand development activities

■ **Disney**

- ▶ New Alliance Partnership with Walt Disney World Resort
- ▶ Exclusive branded bed and bath supplier under the Wamsutta brand to all 24 Deluxe Hotels (26,000 rooms)
- ▶ Disney Resort non-character adult bedding for retail channel

Full Year Net Sales by Segment

Segment	Net Sales (in R\$ million) for the Period Ended <u>December 31,</u>			Volume (Tons) for the Period Ended <u>December 31,</u>			Average Price (in R\$) per kilogram for the Period Ended <u>December 31,</u>		
	2006	2007	Var. %	2006	2007	Var. %	2006	2007	Var. %
Fashion Bedding.....	2,026.7	1,535.3	(24.2%)	102,512	89,331	(12.9%)	19.77	17.19	(13.1%)
Bath.....	1,150.2	899.5	(21.8%)	76,449	70,337	(8.0%)	15.05	12.79	(15.0%)
Utility Bedding.....	634.7	516.8	(18.6%)	66,734	61,360	(8.1%)	9.51	8.42	(11.4%)
Intermediary Products.....	272.1	235.6	(13.4%)	50,115	45,827	(8.6%)	5.43	5.14	(5.3%)
Others.....	400.1	281.1	(29.7%)	-	-		-	-	
Continuing Operations.....	<u>4,483.8</u>	<u>3,468.3</u>	(22.6%)	<u>295,810</u>	<u>266,854</u>	(9.8%)	<u>15.22</u>	<u>12.92</u>	(15.1%)
Discontinued Operations.....	288.8	83.8		-	-		-	-	
Total.....	<u>4,772.6</u>	<u>3,552.1</u>	(25.6%)	<u>295,810</u>	<u>266,854</u>	(9.8%)	<u>15.22</u>	<u>12.92</u>	(15.1%)



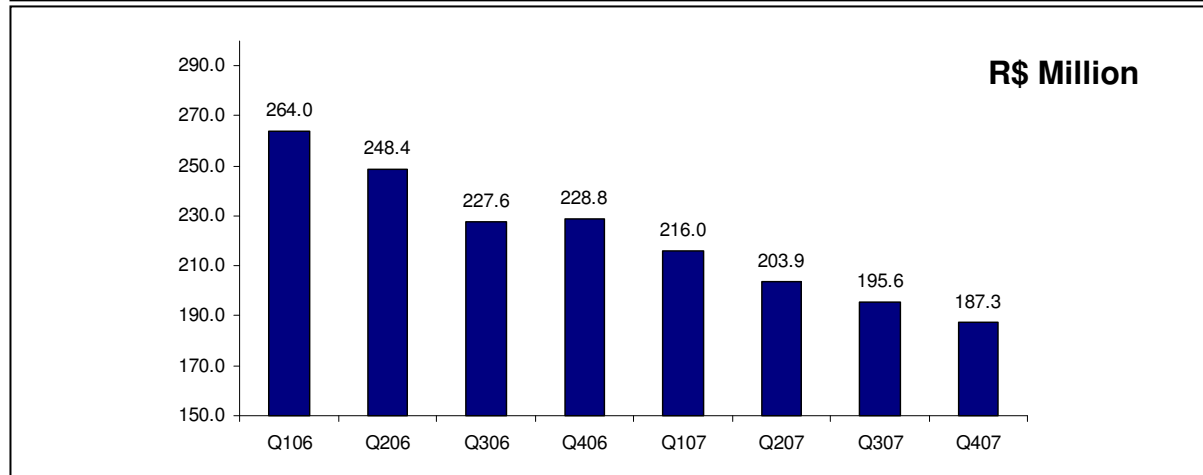
Cost of Sales

(R\$ million)	Period Ended December, 31			
	<u>2006</u>	<u>% Sales</u>	<u>2007</u>	<u>% Sales</u>
Materials.....	2,751.8	61.4%	2,145.9	61.9%
Conversion Costs.....	958.8	21.4%	790.7	22.8%
Warehousing and Distribution Costs.....	142.3	3.2%	125.3	3.6%
Depreciation.....	159.9	3.6%	139.7	4.0%
Continuing Operations	<u>4,012.8</u>	89.5%	<u>3,201.6</u>	92.3%
Discontinued Operations.....	<u>249.8</u>		<u>71.3</u>	
Total.....	<u>4,262.6</u>		<u>3,272.9</u>	

- Material costs have decreased due to lower U.S. sales volumes and lower production volumes during the transition of manufacturing capacity, as well as the impact of the appreciation of the *real* against the U.S. dollar on the conversion of U.S dollar-denominated material costs.
- Conversion costs are lower due to the consolidation of our manufacturing facilities, as well as the impact of the appreciation of the *real* on the conversion of the costs of our U.S. subsidiary.

Conversion Costs and SG&A Improvements

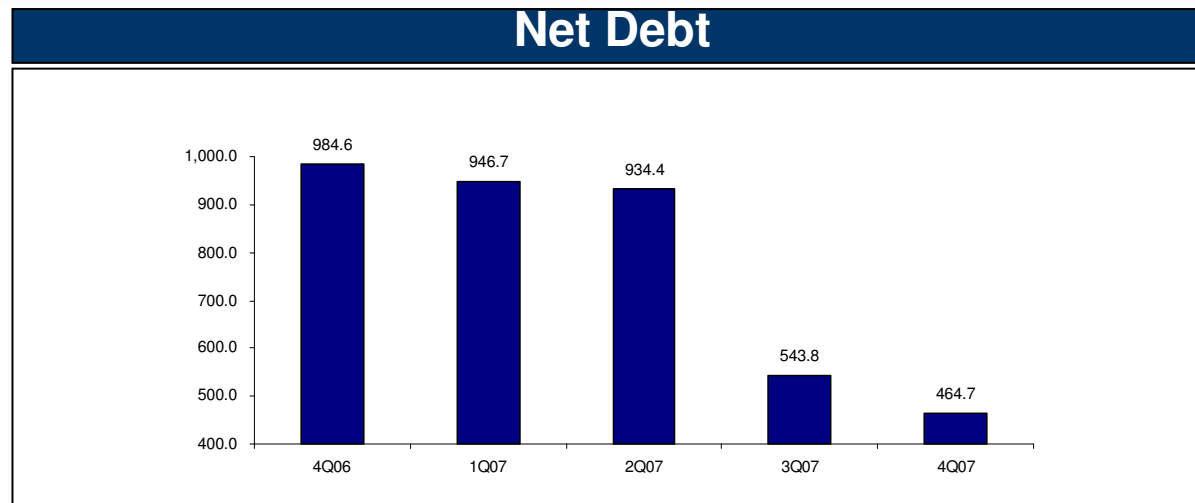
Cash Conversion Costs



SG&A

- R\$410.1 million 2007, 18.5% lower than R\$503.4 million YTD 06

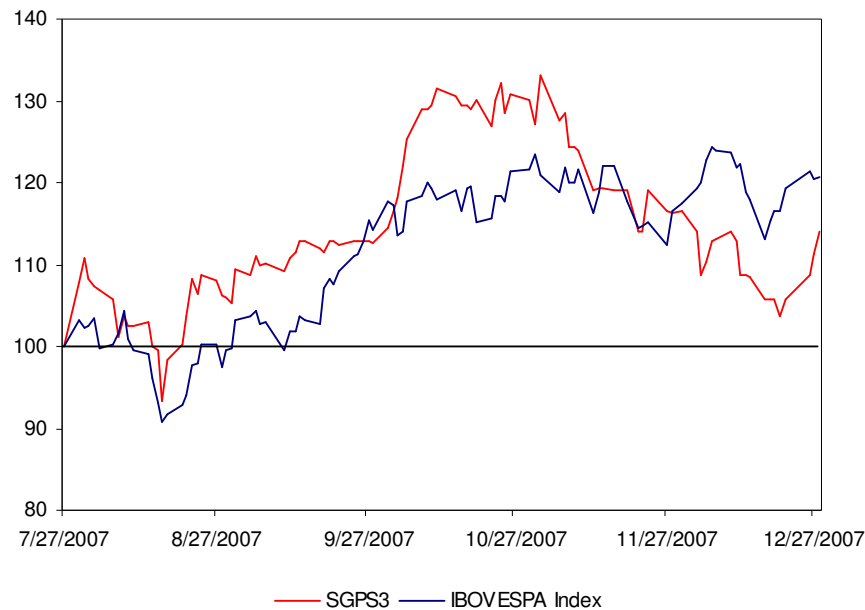
Liquidity and Financing



- Cash and cash equivalents increased 139%, from R\$102.2 million at the end of 2006, to R\$244.4 million at the end of 2007.
- Net debt was reduced by 52.8%, from R\$984.6 million at the end of 2006 to R\$464.7 million at the end of 2007.
- We reduced our working capital needs through better inventory management.
- A portion of the IPO proceeds were used to prepay our most expensive financing arrangements.

Share Performance

Share Performance Since IPO



- The average daily volume of our shares was R\$2.2 million
- The average daily shares traded was 103,207
- Our shares have traded at a low of R\$18.0 per share and a high of R\$25.7 per share between the IPO and December 31, 2007.

Outlook

■ Outlook for 2008

- ▶ We enter 2008 with a low-cost, efficient manufacturing footprint and the capability to operate at normalized capacity levels, consistent with those experienced in 2006.
- ▶ U.S. consumer spending in our category may remain sluggish until the housing and credit markets stabilize.
- ▶ The impact of the slowdown in the United States, our largest marketplace, is uncertain and may impact our 2008 results.

Update on Long-Term Strategy

- ▶ Continued focus on core markets, and the branding, innovation and design aspects of our business
- ▶ Enter Europe through strategic alliances/acquisitions
- ▶ Consolidation of warehousing and distribution activities in the U.S.
- ▶ Realization of SG&A efficiencies

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