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Company Information / Composition of Capital

| Number of shares (In thousands) | Current quarter 9/30/2015 |
|--|--------------------------------------|
| Paid-up capital | |
| Common shares | 300,720 |
| Preferred shares | 0 |
| Total | 300,720 |
| Treasury shares | |
| Common shares | 65 |
| Preferred shares | 0 |
| Total | 65 |

Company Information / Dividends

| Event | Date approved | Description | Initial date of payment | Type of share | Class of share | Amount per share (Reais/share) |
|-----------------------------|---------------|-------------|-------------------------|---------------|----------------|-----------------------------------|
| Board of Directors' Meeting | 2/12/2015 | Dividend | 4/23/2015 | Common | | 0.31810 |
| Board of Directors' Meeting | 4/23/2015 | Dividend | 5/13/2015 | Common | | 0.22410 |
| Board of Directors' Meeting | 7/23/2015 | Dividend | 8/12/2015 | Common | | 0.14600 |

Parent Company Financial Statements / Balance Sheet – Assets**(R\$ thousand)**

| Account Code | Account Description | Current quarter 9/30/2015 | Prior year 12/31/2014 |
|---------------------|--|--------------------------------------|----------------------------------|
| 1 | Total assets | 2,845,507 | 2,608,557 |
| 1.01 | Current assets | 1,795,967 | 1,798,987 |
| 1.01.01 | Cash and cash equivalents | 5,327 | 8,525 |
| 1.01.02 | Financial investments | 645,181 | 634,472 |
| 1.01.02.01 | Financial investments measured at fair value | 244,246 | 379,572 |
| 1.01.02.01.03 | Securities at fair value through profit and loss | 244,246 | 379,572 |
| 1.01.02.02 | Financial investments measured at amortized cost | 400,935 | 254,900 |
| 1.01.02.02.01 | Investments held-to-maturity | 400,935 | 254,900 |
| 1.01.03 | Accounts receivable | 797,159 | 886,780 |
| 1.01.03.01 | Trade receivables | 720,795 | 849,528 |
| 1.01.03.02 | Other receivables | 76,364 | 37,252 |
| 1.01.04 | Inventories | 266,051 | 193,083 |
| 1.01.06 | Taxes recoverable | 9,645 | 6,892 |
| 1.01.06.01 | Current taxes recoverable | 9,645 | 6,892 |
| 1.01.06.01.01 | Tax credits | 8,988 | 5,589 |
| 1.01.06.01.02 | Income tax and social contribution tax recoverable | 657 | 1,303 |
| 1.01.07 | Prepaid expenses | 3,505 | 1,617 |
| 1.01.08 | Other current assets | 69,099 | 67,618 |
| 1.01.08.03 | Other | 69,099 | 67,618 |
| 1.02 | Non-current assets | 1,049,540 | 809,570 |
| 1.02.01 | Long-term receivables | 575,199 | 345,765 |
| 1.02.01.02 | Financial investments measured at amortized cost | 542,599 | 335,182 |
| 1.02.01.02.01 | Investments held-to-maturity | 542,599 | 335,182 |
| 1.02.01.03 | Trade receivables | 70 | 70 |
| 1.02.01.03.02 | Other receivables | 70 | 70 |
| 1.02.01.06 | Deferred taxes | 7,441 | 7,852 |
| 1.02.01.06.01 | Deferred income tax and social contribution tax | 7,441 | 7,852 |
| 1.02.01.08 | Receivables from related parties | 23,577 | 13 |
| 1.02.01.08.02 | Receivables from subsidiaries | 23,577 | 13 |
| 1.02.01.09 | Other non-current assets | 1,512 | 2,648 |
| 1.02.01.09.03 | Judicial deposits | 956 | 2,002 |
| 1.02.01.09.04 | Taxes recoverable | 556 | 646 |
| 1.02.02 | Investments | 77,264 | 86,104 |
| 1.02.02.01 | Equity interests | 76,852 | 85,692 |
| 1.02.02.01.02 | Interests in subsidiaries | 76,852 | 85,692 |
| 1.02.02.02 | Investment property | 412 | 412 |
| 1.02.03 | Property, plant and equipment | 368,260 | 345,911 |
| 1.02.03.01 | Property, plant and equipment in service | 352,755 | 331,493 |
| 1.02.03.03 | Construction in progress | 15,505 | 14,418 |
| 1.02.04 | Intangible assets | 28,817 | 31,790 |
| 1.02.04.01 | Intangible assets | 28,817 | 31,790 |

Parent Company Financial Statements / Balance Sheet – Liabilities and Equity**(R\$ thousand)**

| Account Code | Account Description | Current quarter 9/30/2015 | Prior year 12/31/2014 |
|---------------------|--|--------------------------------------|----------------------------------|
| 2 | Total liabilities | 2,845,507 | 2,608,557 |
| 2.01 | Current liabilities | 278,449 | 221,287 |
| 2.01.01 | Social and labor obligations | 77,395 | 56,479 |
| 2.01.01.01 | Social obligations | 13,698 | 10,013 |
| 2.01.01.02 | Labor obligations | 63,697 | 46,466 |
| 2.01.02 | Trade payables | 36,632 | 31,120 |
| 2.01.02.01 | Domestic suppliers | 36,301 | 30,658 |
| 2.01.02.02 | Foreign suppliers | 331 | 462 |
| 2.01.03 | Tax obligations | 23,925 | 18,704 |
| 2.01.03.01 | Federal tax obligations | 19,145 | 15,343 |
| 2.01.03.01.01 | Income tax and social contribution tax payable | 2,788 | 4,136 |
| 2.01.03.01.02 | Taxes and contributions | 16,357 | 11,207 |
| 2.01.03.02 | State tax obligations | 4,732 | 3,291 |
| 2.01.03.03 | Municipal tax obligations | 48 | 70 |
| 2.01.04 | Borrowings | 76,835 | 50,893 |
| 2.01.04.01 | Borrowings | 76,835 | 50,893 |
| 2.01.04.01.01 | In local currency | 12,758 | 3,766 |
| 2.01.04.01.02 | In foreign currency | 64,077 | 47,127 |
| 2.01.05 | Other obligations | 62,347 | 62,247 |
| 2.01.05.02 | Other | 62,347 | 62,247 |
| 2.01.05.02.04 | Contractual obligations – Licensing | 22,138 | 16,083 |
| 2.01.05.02.05 | Commissions payable | 34,369 | 40,699 |
| 2.01.05.02.06 | Other payables | 5,840 | 5,465 |
| 2.01.06 | Provisions | 1,315 | 1,844 |
| 2.01.06.01 | Tax, social security, labor and civil provisions | 1,315 | 1,844 |
| 2.01.06.01.02 | Social security and labor provisions | 1,315 | 1,844 |
| 2.02 | Non-current liabilities | 75,225 | 71,896 |
| 2.02.01 | Borrowings | 75,094 | 71,790 |
| 2.02.01.01 | Borrowings | 75,094 | 71,790 |
| 2.02.01.01.01 | In local currency | 75,094 | 71,790 |
| 2.02.04 | Provisions | 131 | 106 |
| 2.02.04.01 | Tax, social security, labor and civil provisions | 131 | 106 |
| 2.02.04.01.02 | Social security and labor provisions | 131 | 106 |
| 2.03 | Equity | 2,491,833 | 2,315,374 |
| 2.03.01 | Share capital | 1,231,302 | 1,231,302 |
| 2.03.02 | Capital reserves | 3,321 | -5,198 |
| 2.03.02.04 | Stock options | 4,373 | 5,643 |
| 2.03.02.05 | Treasury shares | -1,052 | -10,841 |
| 2.03.04 | Revenue reserves | 1,187,359 | 1,091,616 |
| 2.03.04.01 | Legal reserve | 103,785 | 95,099 |
| 2.03.04.02 | Reserve under the bylaws | 16,118 | 17,000 |
| 2.03.04.07 | Tax incentive reserve | 1,067,456 | 884,059 |
| 2.03.04.08 | Additional dividend proposed | 0 | 95,458 |
| 2.03.05 | Retained earnings | 53,758 | 0 |
| 2.03.07 | Cumulative translation adjustments | 16,093 | -2,346 |

Parent Company Financial Statements / Profit and Loss Account**(R\$ thousand)**

| Account Code | Account Description | Current quarter 7/1/2015 to 9/30/2015 | Accumulated of current year 1/1/2015 to 9/30/2015 | Prior quarter 7/1/2014 to 9/30/2014 | Accumulated of prior year 1/1/2014 to 9/30/2014 |
|---------------------|--|--|--|--|--|
| 3.01 | Revenue from sale of goods and/or services | 599,117 | 1,493,114 | 567,275 | 1,439,679 |
| 3.02 | Cost of goods and/or services sold | -303,487 | -804,454 | -304,016 | -823,547 |
| 3.03 | Gross profit | 295,630 | 688,660 | 263,259 | 616,132 |
| 3.04 | Operating expenses | -174,210 | -420,816 | -160,557 | -400,880 |
| 3.04.01 | Selling expenses | -147,547 | -332,969 | -142,656 | -335,909 |
| 3.04.02 | General and administrative expenses | -20,063 | -59,724 | -22,237 | -58,063 |
| 3.04.04 | Other operating income | 1,703 | 4,929 | 1,461 | 5,604 |
| 3.04.05 | Other operating expenses | -102 | -3,880 | -1,526 | -7,824 |
| 3.04.06 | Equity in the results of investees | -8,201 | -29,172 | 4,401 | -4,688 |
| 3.05 | Profit before finance result and taxes | 121,420 | 267,844 | 102,702 | 215,252 |
| 3.06 | Finance result | 22,861 | 125,669 | 34,211 | 102,808 |
| 3.06.01 | Finance income | 100,432 | 305,713 | 52,380 | 146,923 |
| 3.06.02 | Finance costs | -77,571 | -180,044 | -18,169 | -44,115 |
| 3.07 | Profit before taxes on income | 144,281 | 393,513 | 136,913 | 318,060 |
| 3.08 | Income tax and social contribution on income | -10,828 | -36,399 | -10,908 | -23,109 |
| 3.08.01 | Current | -12,280 | -35,988 | -12,186 | -21,393 |
| 3.08.02 | Deferred | 1,452 | -411 | 1,278 | -1,716 |
| 3.09 | Profit for the period from continuing operations | 133,453 | 357,114 | 126,005 | 294,951 |
| 3.11 | Profit for the period | 133,453 | 357,114 | 126,005 | 294,951 |
| 3.99 | Earnings per share - (reais /share) | | | | |
| 3.99.01 | Basic earnings per share | | | | |
| 3.99.01.01 | Common shares | 0.44390 | 1.18840 | 0.41960 | 0.98240 |
| 3.99.02 | Diluted earnings per share | | | | |
| 3.99.02.01 | Common shares | 0.44300 | 1.18600 | 0.41880 | 0.98040 |

Parent company financial statements / statement of comprehensive income

(R\$ thousand)

| Account Code | Account Description | Current quarter 7/1/2015 to 9/30/2015 | Accumulated of current year 1/1/2015 to 9/30/2015 | Prior quarter 7/1/2014 to 9/30/2014 | Accumulated of prior year 1/1/2014 to 9/30/2014 |
|---------------------|-------------------------------------|--|--|--|--|
| 4.01 | Profit for the period | 133,453 | 357,114 | 126,005 | 294,951 |
| 4.02 | Other comprehensive income | 11,077 | 18,439 | 3,408 | -2,706 |
| 4.02.03 | Cumulative translation adjustments | 11,077 | 18,439 | 3,408 | -2,706 |
| 4.03 | Comprehensive income for the period | 144,530 | 375,553 | 129,413 | 292,245 |

Parent Company Financial Statements / Statement of Cash Flows – Indirect Method**(R\$ thousand)**

| Account Code | Account Description | Accumulated of current year 1/1/2015 to 9/30/2015 | Accumulated of prior year 1/1/2014 to 9/30/2014 |
|---------------------|---|--|--|
| 6.01 | Net cash provided by operating activities | 375,769 | 445,420 |
| 6.01.01 | Cash generated from operations | 329,077 | 257,426 |
| 6.01.01.01 | Profit for the period | 357,114 | 294,951 |
| 6.01.01.03 | Equity in the results of investees | 29,172 | 4,688 |
| 6.01.01.04 | Depreciation and amortization | 37,941 | 33,454 |
| 6.01.01.05 | Deferred income tax and social contribution tax | 411 | 1,716 |
| 6.01.01.06 | Result on sale and write-off of property, plant and equipment | 1,256 | 1,688 |
| 6.01.01.07 | Result on sale and write-off of intangible assets | 9 | 4 |
| 6.01.01.08 | Stock option or subscription plan | 2,655 | 2,492 |
| 6.01.01.09 | Provision for doubtful receivables | 297 | -123 |
| 6.01.01.10 | Provision for punctuality discounts | -3,920 | -14,443 |
| 6.01.01.11 | Provision for obsolete inventory | 360 | 3,658 |
| 6.01.01.12 | Provision for labor risks | -504 | -881 |
| 6.01.01.13 | Interest expenses on borrowings | 2,842 | 1,605 |
| 6.01.01.14 | Interest income on financial investments | -118,928 | -69,222 |
| 6.01.01.15 | Foreign exchange variation, net | 20,372 | -2,161 |
| 6.01.02 | Changes in assets and liabilities | 46,692 | 187,994 |
| 6.01.02.01 | Trade receivables | 132,356 | 149,661 |
| 6.01.02.02 | Inventories | -73,328 | -61,553 |
| 6.01.02.03 | Other receivables | -44,085 | 73,032 |
| 6.01.02.04 | Trade payables | 5,512 | 5,230 |
| 6.01.02.05 | Salaries and social charges payable | 20,916 | 14,682 |
| 6.01.02.06 | Tax obligations | 6,569 | 10,537 |
| 6.01.02.07 | Income tax and social contribution tax | -1,348 | -649 |
| 6.01.02.08 | Other payables | 100 | -2,946 |
| 6.02 | Net cash used in investing activities | -183,250 | -326,114 |
| 6.02.01 | In investments | -1,893 | -15,174 |
| 6.02.02 | In property, plant and equipment | -55,058 | -63,739 |
| 6.02.03 | In intangible assets | -3,524 | -8,100 |
| 6.02.04 | Financial investments | -2,104,112 | -1,786,570 |
| 6.02.05 | Redemption of financial investments | 1,908,733 | 1,504,217 |
| 6.02.06 | Interest received | 96,181 | 56,371 |
| 6.02.07 | Advance against future capital increase in subsidiary | -11,470 | -13,119 |
| 6.02.08 | Loan to subsidiary | -12,107 | 0 |
| 6.03 | Net cash used in financing activities | -195,717 | -138,979 |
| 6.03.01 | New borrowings | 253,119 | 196,112 |
| 6.03.02 | Repayments of borrowings | -245,174 | -145,768 |
| 6.03.03 | Interest paid | -1,913 | -1,756 |
| 6.03.04 | Dividends paid | -206,731 | -182,595 |
| 6.03.05 | Purchase of treasury shares | -3,034 | -9,471 |
| 6.03.06 | Sale of treasury shares through exercise of purchase option | 8,016 | 4,115 |
| 6.03.07 | Income of treasury share sales | 0 | 384 |
| 6.05 | Increase (decrease) in cash and cash equivalents | -3,198 | -19,673 |
| 6.05.01 | Cash and cash equivalents at the beginning of the period | 8,525 | 24,740 |

Parent Company Financial Statements / Statement of Cash Flows – Indirect Method

(R\$ thousand)

| Account Code | Account Description | Accumulated of current year 1/1/2015 to 9/30/2015 | Accumulated of prior year 1/1/2014 to 9/30/2014 |
|--------------|--|--|--|
| 6.05.02 | Cash and cash equivalents at the end of the period | 5,327 | 5,067 |

Parent Company Financial Statements / Statement of Changes in Equity – 1/1/2015 to 9/30/2015**(R\$ thousand)**

| Account Code | Account Description | Paid-up share capital | Capital reserves, stock options and treasury shares | Revenue reserves | Retained earnings (accumulated deficit) | Other comprehensive income (loss) | Equity |
|---------------------|--|------------------------------|--|-------------------------|--|--|---------------|
| 5.01 | Opening balances | 1,231,302 | -5,198 | 1,091,616 | 0 | -2,346 | 2,315,374 |
| 5.03 | Adjusted opening balances | 1,231,302 | -5,198 | 1,091,616 | 0 | -2,346 | 2,315,374 |
| 5.04 | Capital transactions with owners | 0 | 8,519 | -96,340 | -111,273 | 0 | -199,094 |
| 5.04.02 | Share issue expenditures | 0 | 882 | -882 | 0 | 0 | 0 |
| 5.04.03 | Stock options | 0 | 2,655 | 0 | 0 | 0 | 2,655 |
| 5.04.04 | Treasury shares purchased | 0 | -3,034 | 0 | 0 | 0 | -3,034 |
| 5.04.05 | Treasury shares sold | 0 | 8,016 | 0 | 0 | 0 | 8,016 |
| 5.04.06 | Dividends | 0 | 0 | -95,458 | -111,273 | 0 | -206,731 |
| 5.05 | Total comprehensive income | 0 | 0 | 0 | 357,114 | 18,439 | 375,553 |
| 5.05.01 | Profit for the period | 0 | 0 | 0 | 357,114 | 0 | 357,114 |
| 5.05.02 | Other comprehensive income | 0 | 0 | 0 | 0 | 18,439 | 18,439 |
| 5.05.02.04 | Translation adjustments for the period | 0 | 0 | 0 | 0 | 18,439 | 18,439 |
| 5.06 | Internal changes in equity | 0 | 0 | 192,083 | -192,083 | 0 | 0 |
| 5.06.01 | Transfer to reserves | 0 | 0 | 192,083 | -192,083 | 0 | 0 |
| 5.07 | Closing balances | 1,231,302 | 3,321 | 1,187,359 | 53,758 | 16,093 | 2,491,833 |

Parent Company Financial Statements / Statement of Changes in Equity – 1/1/2014 to 9/30/2014**(R\$ thousand)**

| Account Code | Account Description | Paid-up share capital | Capital reserves, stock options and treasury shares | Revenue reserves | Retained earnings (accumulated deficit) | Other comprehensive income (loss) | Equity |
|---------------------|--|------------------------------|--|-------------------------|--|--|---------------|
| 5.01 | Opening balances | 1,231,302 | -5,392 | 839,294 | 0 | -4,470 | 2,060,734 |
| 5.03 | Adjusted opening balances | 1,231,302 | -5,392 | 839,294 | 0 | -4,470 | 2,060,734 |
| 5.04 | Capital transactions with owners | 0 | -580 | -112,565 | -71,930 | 0 | -185,075 |
| 5.04.02 | Share issue expenditures | 0 | 1,758 | -1,758 | 0 | 0 | 0 |
| 5.04.03 | Stock options | 0 | 2,492 | 0 | 0 | 0 | 2,492 |
| 5.04.04 | Treasury shares purchased | 0 | -9,471 | 0 | 0 | 0 | -9,471 |
| 5.04.05 | Treasury shares sold | 0 | 4,115 | 0 | 0 | 0 | 4,115 |
| 5.04.06 | Dividends | 0 | 0 | -110,665 | -71,930 | 0 | -182,595 |
| 5.04.09 | Income of treasury share sales | 0 | 526 | -142 | 0 | 0 | 384 |
| 5.05 | Total comprehensive income | 0 | 0 | 0 | 294,951 | -2,706 | 292,245 |
| 5.05.01 | Profit for the period | 0 | 0 | 0 | 294,951 | 0 | 294,951 |
| 5.05.02 | Other comprehensive income | 0 | 0 | 0 | 0 | -2,706 | -2,706 |
| 5.05.02.04 | Translation adjustments for the period | 0 | 0 | 0 | 0 | -2,706 | -2,706 |
| 5.06 | Internal changes in equity | 0 | 0 | 169,594 | -169,594 | 0 | 0 |
| 5.06.01 | Transfer to reserves | 0 | 0 | 169,594 | -169,594 | 0 | 0 |
| 5.07 | Closing balances | 1,231,302 | -5,972 | 896,323 | 53,427 | -7,176 | 2,167,904 |

Parent Company Financial Statements / Statement of Value Added**(R\$ thousand)**

| Account Code | Account Description | Accumulated of current year 1/1/2015 to 9/30/2015 | Accumulated of prior year 1/1/2014 to 9/30/2014 |
|---------------------|---|--|--|
| 7.01 | Revenue | 1,703,913 | 1,659,859 |
| 7.01.01 | Sale of goods and services | 1,704,493 | 1,658,547 |
| 7.01.02 | Other revenue | -283 | 1,189 |
| 7.01.04 | Change in provision for impairment of trade receivables | -297 | 123 |
| 7.02 | Inputs acquired from third parties | -849,107 | -889,590 |
| 7.02.01 | Cost of sales and services | -458,105 | -479,864 |
| 7.02.02 | Materials, energy, outsourced services and other | -390,642 | -406,068 |
| 7.02.03 | Impairment/recovery of assets | -360 | -3,658 |
| 7.03 | Gross value added | 854,806 | 770,269 |
| 7.04 | Retentions | -36,922 | -32,579 |
| 7.04.01 | Depreciation, amortization and depletion | -36,922 | -32,579 |
| 7.05 | Net value added generated by the Company | 817,884 | 737,690 |
| 7.06 | Value added received by transfer | 276,621 | 142,311 |
| 7.06.01 | Equity in the results of investees | -29,172 | -4,688 |
| 7.06.02 | Finance income | 305,713 | 146,923 |
| 7.06.03 | Other | 80 | 76 |
| 7.07 | Total value added to distribute | 1,094,505 | 880,001 |
| 7.08 | Distribution of value added | 1,094,505 | 880,001 |
| 7.08.01 | Personnel | 386,036 | 378,808 |
| 7.08.01.01 | Salaries and wages | 316,722 | 309,832 |
| 7.08.01.02 | Benefits | 36,464 | 36,737 |
| 7.08.01.03 | Employee time of service guarantee fund (FGTS) | 32,850 | 32,239 |
| 7.08.02 | Taxes and contributions | 171,621 | 159,739 |
| 7.08.02.01 | Federal | 145,268 | 131,553 |
| 7.08.02.02 | State | 25,798 | 27,694 |
| 7.08.02.03 | Municipal | 555 | 492 |
| 7.08.03 | Remuneration of third parties' capital | 179,734 | 46,503 |
| 7.08.03.01 | Interest | 177,609 | 44,115 |
| 7.08.03.02 | Rentals | 2,125 | 2,388 |
| 7.08.04 | Remuneration of own capital | 357,114 | 294,951 |
| 7.08.04.02 | Dividends | 111,273 | 71,930 |
| 7.08.04.03 | Profits reinvested | 245,841 | 223,021 |

Consolidated Financial Statements / Balance Sheet – Assets**(R\$ thousand)**

| Account Code | Account Description | Current year 9/30/2015 | Prior year 12/31/2014 |
|---------------------|--|-----------------------------------|----------------------------------|
| 1 | Total assets | 2,917,254 | 2,682,013 |
| 1.01 | Current assets | 1,901,996 | 1,906,527 |
| 1.01.01 | Cash and cash equivalents | 20,261 | 26,324 |
| 1.01.02 | Financial investments | 645,181 | 634,472 |
| 1.01.02.01 | Financial investments measured at fair value | 244,246 | 379,572 |
| 1.01.02.01.03 | Securities at fair value through profit and loss | 244,246 | 379,572 |
| 1.01.02.02 | Financial investments measured at amortized cost | 400,935 | 254,900 |
| 1.01.02.02.01 | Investment held-to-maturity | 400,935 | 254,900 |
| 1.01.03 | Accounts receivable | 834,097 | 944,767 |
| 1.01.03.01 | Trade receivables | 757,690 | 907,344 |
| 1.01.03.02 | Other receivables | 76,407 | 37,423 |
| 1.01.04 | Inventories | 298,991 | 214,019 |
| 1.01.06 | Taxes recoverable | 24,646 | 15,544 |
| 1.01.06.01 | Current taxes recoverable | 24,646 | 15,544 |
| 1.01.06.01.01 | Tax credits | 19,431 | 11,705 |
| 1.01.06.01.02 | Income tax and social contribution recoverable | 5,215 | 3,839 |
| 1.01.07 | Prepaid expenses | 7,923 | 2,768 |
| 1.01.08 | Other current assets | 70,897 | 68,633 |
| 1.01.08.03 | Other | 70,897 | 68,633 |
| 1.02 | Non-current assets | 1,015,258 | 775,486 |
| 1.02.01 | Long-term receivables | 560,296 | 355,268 |
| 1.02.01.02 | Financial investments measured at amortized cost | 542,599 | 335,182 |
| 1.02.01.02.01 | Investments held-to-maturity | 542,599 | 335,182 |
| 1.02.01.03 | Accounts receivable | 70 | 70 |
| 1.02.01.03.02 | Other receivables | 70 | 70 |
| 1.02.01.06 | Deferred taxes | 10,553 | 13,530 |
| 1.02.01.06.01 | Deferred income tax and social contribution tax | 10,553 | 13,530 |
| 1.02.01.07 | Prepaid expenses | 5,532 | 3,818 |
| 1.02.01.09 | Other non-current assets | 1,542 | 2,668 |
| 1.02.01.09.03 | Judicial deposits | 986 | 2,022 |
| 1.02.01.09.04 | Tax credits | 556 | 646 |
| 1.02.02 | Investments | 412 | 412 |
| 1.02.02.02 | Investment property | 412 | 412 |
| 1.02.03 | Property, plant and equipment | 402,396 | 368,179 |
| 1.02.03.01 | Property, plant and equipment in service | 386,891 | 353,761 |
| 1.02.03.03 | Construction in progress | 15,505 | 14,418 |
| 1.02.04 | Intangible assets | 52,154 | 51,627 |
| 1.02.04.01 | Intangible assets | 52,154 | 51,627 |

Consolidated Financial Statements / Balance Sheet – Liabilities and Equity**(R\$ thousand)**

| Account Code | Account Description | Current year 9/30/2015 | Prior year 12/31/2014 |
|---------------------|--|-----------------------------------|----------------------------------|
| 2 | Total liabilities and equity | 2,917,254 | 2,682,013 |
| 2.01 | Current liabilities | 344,383 | 282,003 |
| 2.01.01 | Social and labor obligations | 80,164 | 57,974 |
| 2.01.01.01 | Social obligations | 14,272 | 10,290 |
| 2.01.01.02 | Labor obligations | 65,892 | 47,684 |
| 2.01.02 | Trade payables | 43,723 | 36,287 |
| 2.01.02.01 | Domestic suppliers | 36,964 | 31,175 |
| 2.01.02.02 | Foreign suppliers | 6,759 | 5,112 |
| 2.01.03 | Tax obligations | 25,251 | 19,414 |
| 2.01.03.01 | Federal tax obligations | 20,322 | 16,014 |
| 2.01.03.01.01 | Income tax and social contribution tax payable | 2,967 | 4,434 |
| 2.01.03.01.02 | Taxes and contributions | 17,355 | 11,580 |
| 2.01.03.02 | State tax obligations | 4,809 | 3,330 |
| 2.01.03.03 | Municipal tax obligations | 120 | 70 |
| 2.01.04 | Borrowings | 127,941 | 99,567 |
| 2.01.04.01 | Borrowings | 127,941 | 99,567 |
| 2.01.04.01.01 | In local currency | 12,758 | 3,767 |
| 2.01.04.01.02 | In foreign currency | 115,183 | 95,800 |
| 2.01.05 | Other obligations | 65,642 | 66,888 |
| 2.01.05.02 | Other | 65,642 | 66,888 |
| 2.01.05.02.04 | Contractual obligations – Licensing | 22,699 | 16,288 |
| 2.01.05.02.05 | Commissions payable | 34,395 | 40,950 |
| 2.01.05.02.06 | Other payables | 8,548 | 9,650 |
| 2.01.06 | Provisions | 1,662 | 1,873 |
| 2.01.06.01 | Tax, social security, labor and civil provisions | 1,662 | 1,873 |
| 2.01.06.01.02 | Social security and labor provisions | 1,662 | 1,873 |
| 2.02 | Non-current liabilities | 78,050 | 72,076 |
| 2.02.01 | Borrowings | 75,094 | 71,790 |
| 2.02.01.01 | Borrowings | 75,094 | 71,790 |
| 2.02.01.01.01 | In local currency | 75,094 | 71,790 |
| 2.02.02 | Other obligations | 2,645 | 0 |
| 2.02.02.02 | Other | 2,645 | 0 |
| 2.02.04 | Provisions | 311 | 286 |
| 2.02.04.01 | Tax, social security, labor and civil provisions | 311 | 286 |
| 2.02.04.01.02 | Social security and labor provisions | 311 | 286 |
| 2.03 | Consolidated equity | 2,494,821 | 2,327,934 |
| 2.03.01 | Share capital | 1,231,302 | 1,231,302 |
| 2.03.02 | Capital reserves | 3,321 | -5,198 |
| 2.03.02.04 | Stock options | 4,373 | 5,643 |
| 2.03.02.05 | Treasury shares | -1,052 | -10,841 |
| 2.03.04 | Revenue reserves | 1,187,359 | 1,091,616 |
| 2.03.04.01 | Legal reserve | 103,785 | 95,099 |
| 2.03.04.02 | Reserve under the bylaws | 16,118 | 17,000 |
| 2.03.04.07 | Tax incentive reserve | 1,067,456 | 884,059 |
| 2.03.04.08 | Additional dividend proposed | 0 | 95,458 |
| 2.03.05 | Retained earnings | 53,758 | 0 |

Consolidated Financial Statements / Balance Sheet – Liabilities and Equity**(R\$ thousand)**

| Account Code | Account Description | Current year 9/30/2015 | Prior year 12/31/2014 |
|---------------------|------------------------------------|-----------------------------------|----------------------------------|
| 2.03.07 | Cumulative translation adjustments | 16,093 | -2,346 |
| 2.03.09 | Non-controlling interests | 2,988 | 12,560 |

Consolidated Financial Statements / Profit and Loss Account**(R\$ thousand)**

| Account Code | Account Description | Current quarter 7/1/2015 to 9/30/2015 | Accumulated of current year 1/1/2015 to 9/30/2015 | Prior quarter 7/1/2014 to 9/30/2014 | Accumulated of prior year 1/1/2014 to 9/30/2014 |
|---------------------|--|--|--|--|--|
| 3.01 | Revenue from sale of goods and/or services | 615,262 | 1,527,502 | 601,223 | 1,492,031 |
| 3.02 | Cost of goods and/or services sold | -305,119 | -810,374 | -314,664 | -836,739 |
| 3.03 | Gross profit | 310,143 | 717,128 | 286,559 | 655,292 |
| 3.04 | Operating expenses | -186,698 | -447,440 | -180,801 | -438,222 |
| 3.04.01 | Selling expenses | -161,135 | -371,426 | -155,506 | -369,076 |
| 3.04.02 | General and administrative expenses | -27,033 | -75,739 | -25,186 | -66,668 |
| 3.04.04 | Other operating income | 1,702 | 4,993 | 1,422 | 5,499 |
| 3.04.05 | Other operating expenses | -232 | -5,268 | -1,531 | -7,977 |
| 3.05 | Profit before finance result and taxes | 123,445 | 269,688 | 105,758 | 217,070 |
| 3.06 | Finance result | 20,447 | 116,976 | 34,206 | 96,068 |
| 3.06.01 | Finance income | 104,004 | 311,967 | 56,544 | 152,684 |
| 3.06.02 | Finance costs | -83,557 | -194,991 | -22,338 | -56,616 |
| 3.07 | Profit before taxes on income | 143,892 | 386,664 | 139,964 | 313,138 |
| 3.08 | Income tax and social contribution on income | -14,577 | -38,522 | -14,500 | -22,297 |
| 3.08.01 | Current | -12,198 | -36,102 | -14,924 | -24,491 |
| 3.08.02 | Deferred | -2,379 | -2,420 | 424 | 2,194 |
| 3.09 | Profit for the period from continuing operations | 129,315 | 348,142 | 125,464 | 290,841 |
| 3.11 | Consolidated profit for the period | 129,315 | 348,142 | 125,464 | 290,841 |
| 3.11.01 | Attributable to owners of the parent company | 133,453 | 357,114 | 126,005 | 294,951 |
| 3.11.02 | Attributable to non-controlling interests | -4,138 | -8,972 | -541 | -4,110 |
| 3.99 | Earnings per share - (reais / share) | | | | |

Consolidated Financial Statements / Statement of Comprehensive Income**(R\$ thousand)**

| Account Code | Account Description | Current quarter 7/1/2015 to 9/30/2015 | Accumulated of current year 1/1/2015 to 9/30/2015 | Prior quarter 7/1/2014 to 9/30/2014 | Accumulated of prior year 1/1/2014 to 9/30/2014 |
|---------------------|--|--|--|--|--|
| 4.01 | Consolidated profit for the period | 129,315 | 348,142 | 125,464 | 290,841 |
| 4.02 | Other comprehensive income | 10,477 | 17,839 | 3,456 | -2,964 |
| 4.02.03 | Cumulative translation adjustments | 10,477 | 17,839 | 3,456 | -2,964 |
| 4.03 | Consolidated comprehensive income for the period | 139,792 | 365,981 | 128,920 | 287,877 |
| 4.03.01 | Attributable to owners of the parent | 144,530 | 375,553 | 129,413 | 292,245 |
| 4.03.02 | Attributable to non-controlling interests | -4,738 | -9,572 | -493 | -4,368 |

Consolidated Financial Statements / Statement of Cash Flows – Indirect Method**(R\$ thousand)**

| Account Code | Account Description | Accumulated of current quarter 1/1/2015 to 9/30/2015 | Accumulated of prior year 1/1/2014 to 9/30/2014 |
|---------------------|---|---|--|
| 6.01 | Net cash provided by operating activities | 367,237 | 474,052 |
| 6.01.01 | Cash generated from operations | 319,737 | 265,082 |
| 6.01.01.01 | Profit for the period | 357,114 | 294,951 |
| 6.01.01.02 | Non-controlling interests | -9,572 | 4,946 |
| 6.01.01.03 | Carrying value adjustments | 18,439 | -2,706 |
| 6.01.01.05 | Depreciation and amortization | 40,830 | 34,588 |
| 6.01.01.06 | Deferred income tax and social contribution tax | 2,977 | 1,558 |
| 6.01.01.07 | Result on sale and write-off of property, plant and equipment | 1,361 | 1,839 |
| 6.01.01.08 | Result on sale and write-off of intangible assets | 26 | 959 |
| 6.01.01.09 | Stock option plan | 2,655 | 2,492 |
| 6.01.01.10 | Provision for doubtful receivables | 1,533 | -1 |
| 6.01.01.11 | Provision for punctuality discounts | -3,979 | -14,806 |
| 6.01.01.12 | Provision for obsolete inventory | 397 | 3,943 |
| 6.01.01.13 | Provision for labor risks | -186 | -881 |
| 6.01.01.14 | Interest expenses on borrowings | 11,108 | 10,206 |
| 6.01.01.15 | Interest income on financial investments | -118,928 | -69,222 |
| 6.01.01.16 | Foreign exchange variation, net | 15,962 | -2,784 |
| 6.01.02 | Changes in assets and liabilities | 47,500 | 208,970 |
| 6.01.02.01 | Trade receivables | 152,100 | 166,083 |
| 6.01.02.02 | Inventories | -85,369 | -57,327 |
| 6.01.02.03 | Other receivables | -56,093 | 65,590 |
| 6.01.02.04 | Trade payables | 7,436 | 7,693 |
| 6.01.02.05 | Salaries and social charges payable | 22,190 | 14,888 |
| 6.01.02.06 | Tax obligations | 7,304 | 11,060 |
| 6.01.02.07 | Income tax and social contribution tax | -1,467 | 2,554 |
| 6.01.02.08 | Other payables | 1,399 | -1,571 |
| 6.02 | Net cash provided by (used in) investing activities | -169,448 | -322,323 |
| 6.02.02 | In property, plant and equipment | -63,679 | -75,923 |
| 6.02.03 | In intangible assets | -6,571 | -20,418 |
| 6.02.04 | Financial investments | -2,104,112 | -1,786,570 |
| 6.02.05 | Redemption of financial investments | 1,908,733 | 1,504,217 |
| 6.02.06 | Interest received | 96,181 | 56,371 |
| 6.03 | Net cash used in financing activities | -203,852 | -169,959 |
| 6.03.01 | New borrowings | 526,855 | 310,076 |
| 6.03.02 | Repayments of borrowings | -518,933 | -277,233 |
| 6.03.03 | Interest paid | -10,025 | -15,235 |
| 6.03.04 | Dividends paid | -206,731 | -182,595 |
| 6.03.05 | Purchase of treasury shares | -3,034 | -9,471 |
| 6.03.06 | Sale of treasury shares through exercise of purchase option | 8,016 | 4,115 |
| 6.03.07 | Income of treasury share sales | 0 | 384 |
| 6.05 | Net cash used in financing activities | -6,063 | -18,230 |
| 6.05.01 | Cash and cash equivalents at start of period | 26,324 | 39,360 |
| 6.05.02 | Cash and cash equivalents at end of period | 20,261 | 21,130 |

Consolidated Financial Statements / Statement of Changes in Equity – 1/1/2015 to 9/30/2015**(R\$ thousand)**

| Account Code | Account Description | Paid-up share capital | Capital reserves, stock options and treasury share | Revenue reserves | Retained earnings (accumulated deficit) | Other comprehensive income (loss) | Equity | Non-controlling interests | Consolidated equity |
|--------------|--|-----------------------|--|------------------|---|-----------------------------------|-----------|---------------------------|---------------------|
| 5.01 | Opening balances | 1,231,302 | -5,198 | 1,091,616 | 0 | -2,346 | 2,315,374 | 12,560 | 2,327,934 |
| 5.03 | Adjusted opening balances | 1,231,302 | -5,198 | 1,091,616 | 0 | -2,346 | 2,315,374 | 12,560 | 2,327,934 |
| 5.04 | Capital transactions with owners | 0 | 8,519 | -96,340 | -111,273 | 0 | -199,094 | 0 | -199,094 |
| 5.04.02 | Share issue costs | 0 | 882 | -882 | 0 | 0 | 0 | 0 | 0 |
| 5.04.03 | Stock options | 0 | 2,655 | 0 | 0 | 0 | 2,655 | 0 | 2,655 |
| 5.04.04 | Treasury shares purchased | 0 | -3,034 | 0 | 0 | 0 | -3,034 | 0 | -3,034 |
| 5.04.05 | Treasury shares sold | 0 | 8,016 | 0 | 0 | 0 | 8,016 | 0 | 8,016 |
| 5.04.06 | Dividends | 0 | 0 | -95,458 | -111,273 | 0 | -206,731 | 0 | -206,731 |
| 5.05 | Total comprehensive income | 0 | 0 | 0 | 357,114 | 18,439 | 375,553 | -9,572 | 365,981 |
| 5.05.01 | Profit for the period | 0 | 0 | 0 | 357,114 | 0 | 357,114 | -8,972 | 348,142 |
| 5.05.02 | Other comprehensive income | 0 | 0 | 0 | 0 | 18,439 | 18,439 | -600 | 17,839 |
| 5.05.02.04 | Translation adjustments for the period | 0 | 0 | 0 | 0 | 18,439 | 18,439 | -600 | 17,839 |
| 5.06 | Internal changes in equity | 0 | 0 | 192,083 | -192,083 | 0 | 0 | 0 | 0 |
| 5.06.01 | Constitution of reserves | 0 | 0 | 192,083 | -192,083 | 0 | 0 | 0 | 0 |
| 5.07 | Closing balances | 1,231,302 | 3,321 | 1,187,359 | 53,758 | 16,093 | 2,491,833 | 2,988 | 2,494,821 |

Consolidated Financial Statements / Statement of Changes in Equity – 1/1/2014 to 9/30/2014**(R\$ thousand)**

| Account Code | Account Description | Paid-up share capital | Capital reserves, stock options and treasury share | Revenue reserves | Retained earnings (accumulated deficit) | Other comprehensive income (loss) | Equity | Non-controlling interests | Consolidated equity |
|--------------|--|-----------------------|--|------------------|---|-----------------------------------|-----------|---------------------------|---------------------|
| 5.01 | Opening balances | 1,231,302 | -5,392 | 839,294 | 0 | -4,470 | 2,060,734 | 7,226 | 2,067,960 |
| 5.03 | Adjusted opening balances | 1,231,302 | -5,392 | 839,294 | 0 | -4,470 | 2,060,734 | 7,226 | 2,067,960 |
| 5.04 | Capital transactions with owners | 0 | -580 | -112,565 | -71,930 | 0 | -185,075 | 9,314 | -175,761 |
| 5.04.02 | Share issue costs | 0 | 1,758 | -1,758 | 0 | 0 | 0 | 0 | 0 |
| 5.04.03 | Stock options | 0 | 2,492 | 0 | 0 | 0 | 2,492 | 0 | 2,492 |
| 5.04.04 | Treasury shares purchased | 0 | -9,471 | 0 | 0 | 0 | -9,471 | 0 | -9,471 |
| 5.04.05 | Treasury shares sold | 0 | 4,115 | 0 | 0 | 0 | 4,115 | 0 | 4,115 |
| 5.04.06 | Dividends | 0 | 0 | -110,665 | -71,930 | 0 | -182,595 | 0 | -182,595 |
| 5.04.09 | Increase in the share of non-controlling interests | 0 | 0 | 0 | 0 | 0 | 0 | 9,314 | 9,314 |
| 5.04.11 | Income of treasury share sales | 0 | 526 | -142 | 0 | 0 | 384 | 0 | 384 |
| 5.05 | Total comprehensive income | 0 | 0 | 0 | 294,951 | -2,706 | 292,245 | -4,368 | 287,877 |
| 5.05.01 | Profit for the period | 0 | 0 | 0 | 294,951 | 0 | 294,951 | -4,110 | 290,841 |
| 5.05.02 | Other comprehensive income | 0 | 0 | 0 | 0 | -2,706 | -2,706 | -258 | -2,964 |
| 5.05.02.04 | Translation adjustments for the period | 0 | 0 | 0 | 0 | -2,706 | -2,706 | -258 | -2,964 |
| 5.06 | Internal changes in equity | 0 | 0 | 169,594 | -169,594 | 0 | 0 | 0 | 0 |
| 5.06.01 | Constitution of reserves | 0 | 0 | 169,594 | -169,594 | 0 | 0 | 0 | 0 |
| 5.07 | Closing balances | 1,231,302 | -5,972 | 896,323 | 53,427 | -7,176 | 2,167,904 | 12,172 | 2,180,076 |

Consolidated Financial Statements / Statement of Value Added**(R\$ thousand)**

| Account Code | Account Description | Accumulated of current quarter 1/1/2015 to 9/30/2015 | Accumulated of prior year 1/1/2014 to 9/30/2014 |
|---------------------|---|---|--|
| 7.01 | Revenue | 1,736,760 | 1,712,715 |
| 7.01.01 | Sale of goods and services | 1,738,247 | 1,711,596 |
| 7.01.02 | Other revenue | -280 | 1,165 |
| 7.01.04 | Change in provision for impairment of trade receivables | -1,207 | -46 |
| 7.02 | Inputs acquired from third parties | -874,472 | -925,651 |
| 7.02.01 | Cost of sales and services | -453,919 | -486,670 |
| 7.02.02 | Materials, energy, outsourced services and other | -420,204 | -434,949 |
| 7.02.03 | Impairment/recovery of assets | -349 | -4,032 |
| 7.03 | Gross value added | 862,288 | 787,064 |
| 7.04 | Retentions | -39,524 | -33,645 |
| 7.04.01 | Depreciation, amortization and depletion | -39,524 | -33,645 |
| 7.05 | Net value added generated by the Company | 822,764 | 753,419 |
| 7.06 | Value added received through transfer | 312,047 | 152,760 |
| 7.06.02 | Finance income | 311,967 | 152,684 |
| 7.06.03 | Other | 80 | 76 |
| 7.07 | Total value added to distribute | 1,134,811 | 906,179 |
| 7.08 | Distribution of value added | 1,134,811 | 906,179 |
| 7.08.01 | Personnel | 398,622 | 386,862 |
| 7.08.01.01 | Salaries and wages | 328,718 | 317,230 |
| 7.08.01.02 | Benefits | 36,709 | 37,058 |
| 7.08.01.03 | Employee time of service guarantee fund (FGTS) | 33,195 | 32,574 |
| 7.08.02 | Taxes and contributions | 178,111 | 159,500 |
| 7.08.02.01 | Federal | 150,597 | 131,256 |
| 7.08.02.02 | State | 25,987 | 27,752 |
| 7.08.02.03 | Municipal | 1,527 | 492 |
| 7.08.03 | Remuneration of third parties' capital | 200,964 | 64,866 |
| 7.08.03.01 | Interest | 192,543 | 56,616 |
| 7.08.03.02 | Rentals | 8,421 | 8,250 |
| 7.08.04 | Remuneration of own capital | 357,114 | 294,951 |
| 7.08.04.02 | Dividends | 111,273 | 71,930 |
| 7.08.04.03 | Profits reinvested | 236,869 | 218,911 |
| 7.08.04.04 | Non-controlling interests | 8,972 | 4,110 |

Comments on Performance

Results for
3Q15 and 9M15



BM&FBovespa ticker:
GRND3

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

Number of shares:
Common: 300,720,000

Price (Sep. 30, 2015):
R\$ 17.63 per share

Market value:
R\$ 5.3 billion
R\$ 1.3 billion

Brazilian
Conference call:
Oct. 23, 2015 – 10.30 a.m.

Connect:
Brazil
+11-3193-1001 or
+11-2820-4001

International
Conference call:
Oct. 24, 2015 – 10.30 a.m.
(Simultaneous translation)

Connect:
USA and other countries:
+1-786-924-6977

Contacts:
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+55-54-2109-9022

Fax:
+55-54-2109-9991

Net profit up 21.1% YoY in 9M15 Net margin 23.4%

Sobral, October 22, 2015 – In this release **GRENDENE** (BM&FBovespa: Novo Mercado – **GRND3**), reports its results for 3Q15 and 9M15. Figures are consolidated, and stated in accordance with **IFRS** (International Financial Reporting Standards).

Highlights of results: 3Q15 and 9M15

Financial and economic indicators

| R\$ mn | 3Q14 | 3Q15 | Change, % 3Q14–3Q15 | 9M14 | 9M15 | Change, % 9M14–9M15 |
|-------------------------------|----------------|----------------|--------------------------|----------------|----------------|--------------------------|
| Gross revenue | 730.1 | 734.5 | 0.6% | 1,834.2 | 1,835.1 | 0.1% |
| Domestic market | 590.8 | 556.8 | (5.8%) | 1,424.3 | 1,368.9 | (3.9%) |
| Exports | 139.3 | 177.7 | 27.6% | 409.9 | 466.2 | 13.7% |
| Net revenue | 601.2 | 615.3 | 2.3% | 1,492.0 | 1,527.5 | 2.4% |
| COGS | (314.6) | (305.1) | (3.0%) | (836.7) | (810.4) | (3.2%) |
| Gross profit | 286.6 | 310.1 | 8.2% | 655.3 | 717.1 | 9.4% |
| Operational expenses | (180.8) | (186.7) | 3.3% | (438.2) | (447.4) | 2.1% |
| Ebit | 105.8 | 123.4 | 16.7% | 217.1 | 269.7 | 24.2% |
| Ebitda | 118.0 | 137.7 | 16.7% | 251.7 | 310.5 | 23.4% |
| Net Financial Revenue | 34.2 | 20.4 | (40.2%) | 96.1 | 117.0 | 21.8% |
| Net profit | 126.0 | 133.5 | 5.9% | 295.0 | 357.1 | 21.1% |
| Profit per share – R\$ | 0.42 | 0.44 | 5.7% | 0.98 | 1.19 | 20.9% |
| Volume – mn pairs | 54.9 | 46.9 | (14.4%) | 138.4 | 125.5 | (9.3%) |
| Domestic market | 43.5 | 36.8 | (15.2%) | 102.1 | 94.3 | (7.6%) |
| Exports | 11.4 | 10.1 | (11.3%) | 36.3 | 31.2 | (14.2%) |
| Average price – R\$ | 13.31 | 15.63 | 17.4% | 13.25 | 14.61 | 10.3% |
| Domestic market | 13.60 | 15.10 | 11.0% | 13.95 | 14.51 | 4.0% |
| Exports | 12.22 | 17.55 | 43.6% | 11.29 | 14.92 | 32.2% |
| Margins – % | 3Q14 | 3Q15 | Change (p.p.) | 9M14 | 9M15 | Change (p.p.) |
| Gross | 47.7% | 50.4% | 2.7 | 43.9% | 46.9% | 3.0 |
| Ebit | 17.6% | 20.1% | 2.5 | 14.5% | 17.7% | 3.2 |
| Ebitda | 19.6% | 22.4% | 2.8 | 16.9% | 20.3% | 3.4 |
| Net | 21.0% | 21.7% | 0.7 | 19.8% | 23.4% | 3.6 |

Highlights: 9M15 vs. 9M14

- **Net revenue: Up 2.4% YoY.**
- **EBIT: Up 24.2% YoY, at R\$ 269.7 million.**
- **Net profit: Up 21.1%, at R\$ 357.1mn.**
- **Margins: Gross margin, Ebit margin, Ebitda margin and Net margin: all up YoY.**
- **3rd Dividend distribution: R\$ 53.8mn – shares ex-dividend on October 29, 2015.**
- **Leader in exports: Grendene maintains leadership in Brazilian footwear exports – 36.0% of total Brazilian footwear exports in 9M15 (38.6% in 9M14).**

Comments on Performance

Management Discussion and Analysis

Gross revenue, Net revenue and volumes

As we expected, economic conditions in 3Q15 were a continuation of the trend in 1H15: Slowing economic activity, high inflation pressure on costs, and the Brazilian currency weakening, with high volatility.

With the increase in unemployment and fall in income, consumers and retailers are very cautious and selective in their purchasing decisions: we see an increase in default, but the good news is that we are not hearing reports of high retail inventories of footwear, and the sell-in/sell-out flow remains stable.

In the export market the countries connected with commodities, especially in Latin America, the Middle East and Africa, are slowing down, while Europe's recovery is slow – all these are an obstacle to growth in volumes.

In this context we achieved a small YoY growth in net revenue – of 2.3% in 3Q15 and 2.4% in 9M15, with lower volumes – down 14.4% YoY in 3Q15 and 9.3% in 9M15. And the effect of lower volumes was offset with a higher unit price and a higher-added-value mix.

Prices in 3Q15 were 17.4% higher YoY, made up of: an increase of 11.0% in the domestic market, and 43.6% in the export market – demonstrating the effect of the exchange rate on exports. Volumes were lower, YoY, in 3Q15 than 3Q14 – 15.2% lower in the domestic market, and 11.3% lower in the export market. Unit cost per pair sold, on the other hand, was up 13.2%, pressured by the all-round rise in prices of inputs – such as cardboard and packaging, freight, inks and pigments, resins, and electricity – and also by the lower level of volumes, which resulted in a higher level of idle capacity.

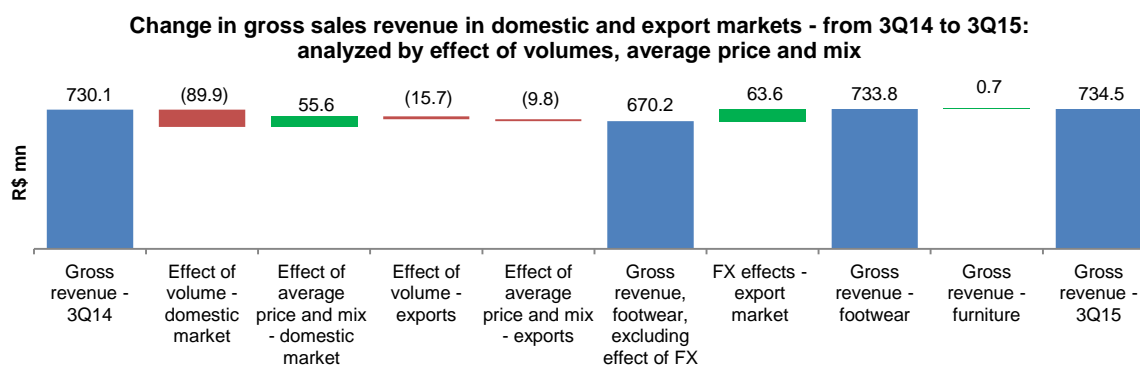
On all these factors, margins improved, YoY, at all levels: Gross margin was up 270bp YoY, Ebit margin was up 250bp YoY, and net margin was up 70bp, in 3Q15. In absolute terms, Ebit was higher in 3Q15, at R\$ 123.4mn, vs. R\$ 105.8mn in 3Q14; and net profit was also higher YoY in 3Q15, at R\$ 133.5mn, compared to R\$ 126.0mn in 3Q14.

In the nine months of 2015 (9M15) our net profit was 21.1% higher than in the same period of 2014.

Net profit in 9M15 was R\$ 357.1mn, compared to R\$ 295.0mn in 9M14, and Ebit also increased – from R\$ 217.1mn in 9M14 to R\$ 269.7mn in 9M15.

With these results, generation of operational cash flow in 9M15 was R\$ 367.2mn, resulting in net cash of R\$ 1.0 billion – up 21.9% from December 31, 2014, and up 15.8% from September 30, 2014.

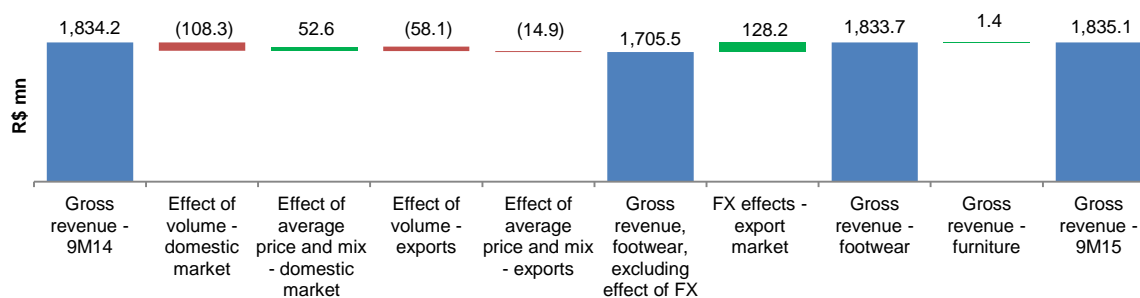
The third quarter produced a foreign exchange gain of R\$ 63.6mn. Without the FX effect, Gross revenue from exports would have been 18.2% lower, YoY: including the exchange rate effect it was 27.6% higher, YoY.



In 9M15, the exchange rate provided a gain of R\$ 128.2mn. Without the foreign exchange effect, Gross revenue would have been 17.6% lower YoY – including the FX effect, it was up 13.7% YoY.

Comments on Performance

Change in gross sales revenue in domestic and export markets - from 9M14 to 9M15:
analyzed by effect of volumes, average price and mix



Clube Melissa inaugurated eight new stores in 3Q15: it now has a total of 195 stores, continuing its track record of growth and good performance.

TOG, the furniture business, which began operating at the end of 2014, opened its flagship store in São Paulo on May 20. We did admit in our report for 2Q that this was not the best moment to start sales in a country undergoing a full-scale economic crisis; and the results since then have been weaker than we expected. Also, manufacturing the products in Italy does not favor sales in Brazil. Sales, still small, have been concentrated in Europe.

In 9M15 the consolidated revenue of A3NP was R\$ 1.4mn, and it posted a loss of R\$ 14.8mn, with a negative effect on the results of Grendene (which has an equity interest of 42.5%).

As we stated at the beginning of the year, we do not expect the furniture business to reach breakeven during 2015 – so these figures are not a surprise. Then, and now, we believe it is very early to talk of the outlook for this business. At this moment, we see that initial sales are lower than expected for this phase of the company's development, and we are talking with the other stockholders about a possible change in its business plan.

Comparison of performance with targets

The information gives quarterly figures. Please note that targets are expressed for periods of a full year.

Performance: CAGR, in the third quarters of the years 2008–2015:

| R\$ mn | 3Q08 | 3Q09 | 3Q10 | 3Q11 | 3Q12 | 3Q13 | 3Q14 | 3Q15 | CAGR |
|---------------|-------|---------|-------|---------|-------|-------|--------|-------|------|
| Gross revenue | 457.9 | 475.5 | 546.4 | 511.3 | 613.0 | 739.0 | 730.1 | 734.5 | 7.0% |
| YoY change | | 3.9% | 14.9% | (6.4%) | 19.9% | 20.6% | (1.2%) | 0.6% | |
| Net profit | 73.3 | 65.6 | 104.8 | 83.5 | 119.4 | 122.1 | 126.0 | 133.5 | 8.9% |
| YoY change | | (10.5%) | 59.7% | (20.3%) | 43.0% | 2.2% | 3.2% | 5.9% | |

| R\$ mn | 3Q08 | 3Q09 | 3Q10 | 3Q11 | 3Q12 | 3Q13 | 3Q14 | 3Q15 | CAGR |
|------------------------------|------|------|-------|-------|------|------|------|------|------|
| Advertising expenses | 32.3 | 33.9 | 44.4 | 46.3 | 42.9 | 45.7 | 53.4 | 54.9 | 7.9% |
| % of Net operational revenue | 9.0% | 9.0% | 10.2% | 11.2% | 8.6% | 7.6% | 8.9% | 8.9% | |

Performance: CAGR, in first nine months of the year, 2008–2015:

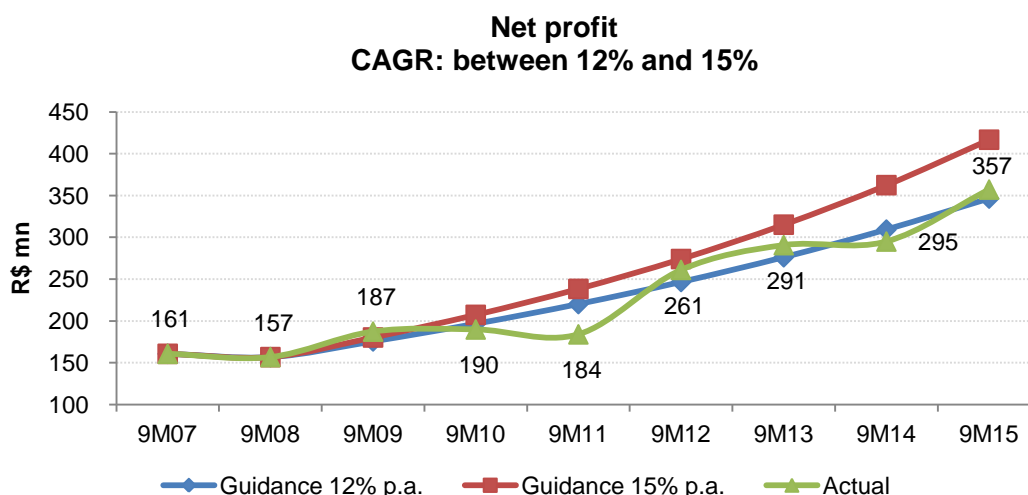
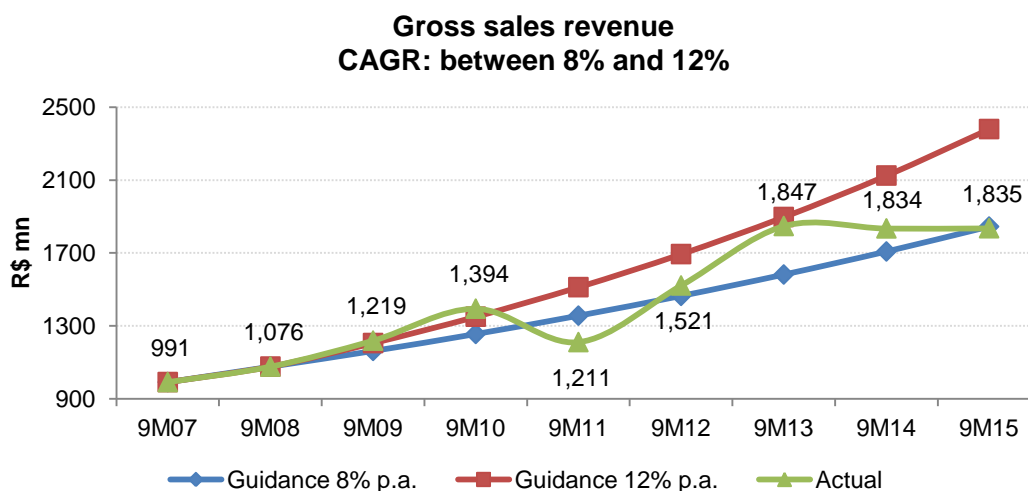
| R\$ mn | 9M08 | 9M09 | 9M10 | 9M11 | 9M12 | 9M13 | 9M14 | 9M15 | CAGR |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|-------|
| Gross revenue | 1,076.1 | 1,218.7 | 1,394.0 | 1,210.6 | 1,521.1 | 1,847.3 | 1,834.2 | 1,835.1 | 7.9% |
| YoY change | | 13.2% | 14.4% | (13.2%) | 25.6% | 21.4% | (0.7%) | 0.1% | |
| Net profit | 156.7 | 187.2 | 189.7 | 183.9 | 261.0 | 290.6 | 295.0 | 357.1 | 12.5% |
| YoY change | | 19.5% | 1.4% | (3.1%) | 41.9% | 11.4% | 1.5% | 21.1% | |

| R\$ mn | 9M08 | 9M09 | 9M10 | 9M11 | 9M12 | 9M13 | 9M14 | 9M15 | CAGR |
|------------------------------|------|------|------|------|-------|-------|-------|-------|------|
| Advertising expenses | 69.5 | 72.3 | 82.6 | 85.0 | 101.3 | 105.2 | 105.9 | 100.1 | 5.3% |
| % of Net operational revenue | 8.2% | 7.4% | 7.4% | 8.7% | 8.3% | 7.1% | 7.1% | 6.6% | |

In spite of the significantly adverse macro situation in the Brazilian economy, the year-on-year increase in net profit in 9M15 was the largest in any nine-month period for the last eight years.

Comments on Performance

These comments can be seen in the following charts:



In the 12 months to September 30, 2015, Grendene presented a return to stockholders (accumulated Net profit in 12 months to September 30, 2015, divided by Stockholders' equity adjusted for dividends distributed) of 27.0% (vs. 23.6% in the 12 months to Sep. 30, 2014). In that period it paid R\$ 260.2mn in dividends (vs. R\$ 266.4mn up to the same point in 2014), generated R\$ 367.2mn in operational cash flow in the 9 months of 2015 (vs. R\$ 474.1mn in the 9 months of 2014), and increased its balance of cash and cash equivalents and financial investments to R\$ 1.208 billion (vs. R\$ 1.011bn in September 30, 2014).

With these results, we are confident that we can maintain the projection of our targets for the long term, which we have published before, for the period 2008-2018, and we now repeat here:

Targets for the period 2008–2018 – unchanged:

- Compound average growth rate (CAGR) of gross revenue: between 8% and 12%.
- CAGR of net profit: between 12 % and 15%.
- Advertising expenses as % of Net revenue, average: between 8% and 10%.

We believe that in this period we will have years with higher growth than these rates and others with lower growth; but we intend, on average, to achieve these targets.

Comments on Performance

Reasons for maintaining the targets previously stated:

Even during an economic crisis that is considered to be one of the largest that Brazil has ever suffered, which comes after one of the largest international crises over the last 80 years (2008), Grendene has regularly delivered the expected results. At the end of 9M15 we once again confirmed this regularity, which encourages us to maintain our targets for up to 2018.

While the domestic market has been showing a fall in consumption in recent years, we have compensated with gains in market share, growth in exports, and internal improvements.

The results for 9M15 are good, principally in 1Q15, although below our expectations – which are always high. In 2Q and 3Q of this year we had the context of the considerable weakening of the economy, and even so we maintained figures higher than those for the previous year. In management's opinion, considering the market context that we faced, the delivery of 21.1% year-on-year growth in net profit in 9M15 once again shows the great resilience of our business model.

At the end of the first half of 2015 we had come to expect that the economy might cease to deteriorate in the second half, but this did not happen, and the consensus of analysts appears to indicate a view that Brazil's recession is likely to continue this year, and get deeper next year. Our challenge will be to serve a consumer who has lower income, who is more selective and cautious in her/his purchases, and to take the best advantage of the possibilities of the export market while the Brazilian currency is more competitive.

As always, we will position ourselves for this economic environment; our continuing expectation of achieving better results in 2015 than in 2014 has already been strengthened by the results of 9M15. To gain market share with little growth in volume (it will be below 200 million pairs in the full year), and to get the mix right, including pricing and improving margins, especially net margin: these will continue to be the challenges of the year. The pressure on revenue caused by lower demand; the pressure on costs from reduction of the export tax rebate from 3% to 1% (from March 2015); PIS and Cofins taxes on financial revenue at 4.65% (from July 1, 2015); and the reversals in the policy of reducing Social Security payments on payroll as from December 2015, are certainly making this challenge greater.

Based on this outlook, Grendene has a firm expectation of being able to achieve the targets announced for the period 2008–2018.

Information in this release may contain statements about future outcomes.

Such statements reflect the present perception and outlook of the Company's Executive Officers on the development of the business, based on macroeconomic trends, industry conditions, performance of the Company and financial results.

Any outcomes that are different from such expectations and factors could cause the Company's results to be materially different from current expectations. Such statements and potential outcomes thus include various risks and uncertainties.

Comments on Performance

Highlights

At the end of September 2015, the franchise network of **Clube Melissa** had more than 195 stores throughout Brazil.



Jeremy Scott is the newest member of the **Melissa designers creative team**. Two models were developed especially for his fashion show at New York fashion week: an *ankle boot* and a *mule*. The mule model is on sale in all the **Melissa** galleries (New York, London, São Paulo) and in three multi-brand stores: *Dieci Corso Como* in Milan, *Colette* in Paris, and *Alchemist* in Miami.



The **Melissa Wanna Be Carioca** collection brings new fashionista models in partnership with designers such as *Jason Wu*, *Vivienne Westwood* and *the Campana Brothers*.

The special collaboration between **Melissa** and **Sebastian Errazuriz** was celebrated on September 2, at **Galeria Melissa** in New York. In partnership with the artist, two of the sculptured models in his *12 Shoes For 12 Lovers* exhibition were transformed into Melissas: *Gold Digger* and *The Boss*.



At the **21 designers** exhibition, held at **Galeria Melissa** in London from September 18 to 27, 21 new fashion artists were invited to express their identity by customizing a **Melissa** model. The exhibition was a partnership between **Melissa** and the fashion, music and culture magazine *Rollacoaster*, during London fashion week.

The three actresses *Giovana Ewbank*, *Sheron Menezes* and *Mariana Rios* presented the three-strap Ipanema Bossa sandal on the Brazilian TV program *Faustão on Sunday*.



Ipanema is part of the *Saks Fifth Avenue Family*, a chain with 39 stores worldwide, offering the most luxurious and iconic brands of the fashion industry – also including: *Christian Louboutin*, *Mil Mil*, *Prada*, *Balenciaga*, *Burberry* and *Valentino*.

Continuing our merchandizing on the Brazilian TV program *Faustão on Sunday*, actress *Guilhermina Guinle* presented the new **Grendha Tropical** collection.



The Ipanema brand launched the book *A Alma da Casa* – published by Rio Etc. – commemorating the first birthday of *Casa Ipanema*. The book brings together opinions and images from 30 important personalities on the Rio scene, including *Lenny Niemeyer*, *Zazá Pioreck*, *Sharon Azulay*, *Pedro Salomão*, *Fred Gelli*, *Demian Jacob*, *José Camarano*, *Renata Abranchs*, *Isabel Jobim* and *Tiago Petrik* – all of them opened their houses and showed a little of their homes, in unprecedented photographs.

Comments on Performance

Launches



Awards



August 11, 2015 – the **British Embassy** in São Paulo paid tribute to Grendene as a 'Brazilian Global Company' in official recognition of its operations and investments in the UK.

August 14, 2015 – Grendene was awarded the 22nd **Expression of Ecology** Prize, in the Environmental Management Category – the **Green Wave Trophy**, for its Project **Water Management – Treatment and Re-use in Operations**. This award, given by **Editora Expressão**, is certified by the **Brazilian Environment Ministry** as the leading environmental award of the South of Brazil. It recognizes and publicizes the actions of companies and institutions to reduce the effects of pollution on the environment, which help to conserve natural resources and develop awareness of sustainable development.



September 24, 2015: **Grendene** was one of the winners of the **19th Anefac-Fipecafi-Serasa Experian Transparency Trophy** for 2015, in recognition of the quality of publication of its financial statements.

September 29, 2015: **Grendene** received the trophy for **Best Brazilian Textile Company** in the first edition of the **Estadão** newspaper's annual publication **Empresas Mais**. This ranking results from an exclusive methodology developed in partnership with the FIA (Management Institute Foundation), which evaluated economic performance and best management practices of companies operating in Brazil.



In October 2015 two of our programs – **Estagiary** and **Faça Parte Grendene** – were recognized as **Highlight Actions in Human Resources**;

- The Brazilian Human Resources Association of Rio Grande do Sul (ABRH-RS) recognized the **Estagiary** program with its **Top Ser Humano** award; and
- **Faça Parte Grendene** was recognized in the **Highlights of the year in HR – 2015** awards, in the **Projects** category, by the Serrana Human Resources Association (ARH Serrana).



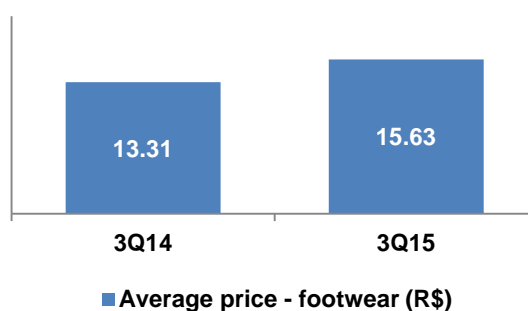
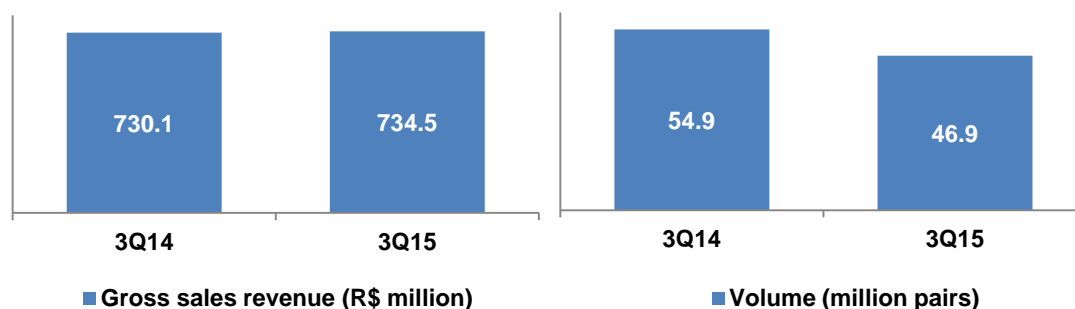
Comments on Performance

Operational results of 3Q15 and 9M15 (consolidated data, IFRS)

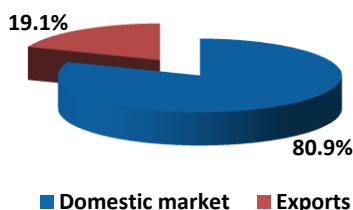
Gross revenue

Total volume 14.4% lower was offset by prices 17.4% higher, as a result of the effect of the exchange rate, change in the mix and adjustments in the table of prices.

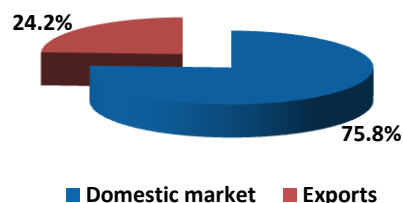
| Total (Domestic market + exports) | 3Q14 | 3Q15 | Change, % 3Q14–3Q15 | 9M14 | 9M15 | Change, % 9M14–9M15 |
|------------------------------------|-------|-------|------------------------|---------|---------|------------------------|
| Total gross revenue (R\$ mn) | 730.1 | 734.5 | 0.6% | 1,834.2 | 1,835.1 | 0.1% |
| Gross revenue – footwear (R\$ mn) | 730.1 | 733.9 | 0.5% | 1,834.2 | 1,833.7 | (0.1%) |
| Gross revenue – furniture (R\$ mn) | - | 0.7 | - | - | 1.4 | - |
| Volume – footwear (million pairs) | 54.9 | 46.9 | (14.4%) | 138.4 | 125.5 | (9.3%) |
| Average price – footwear (R\$) | 13.31 | 15.63 | 17.4% | 13.25 | 14.61 | 10.3% |



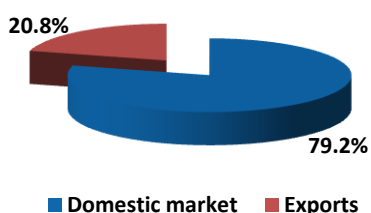
3Q14 gross revenue - domestic market and exports, %



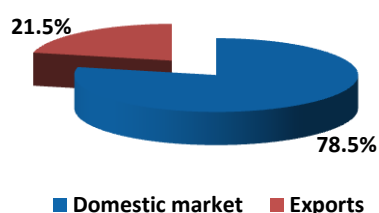
3Q15 gross revenue - domestic market and exports, %



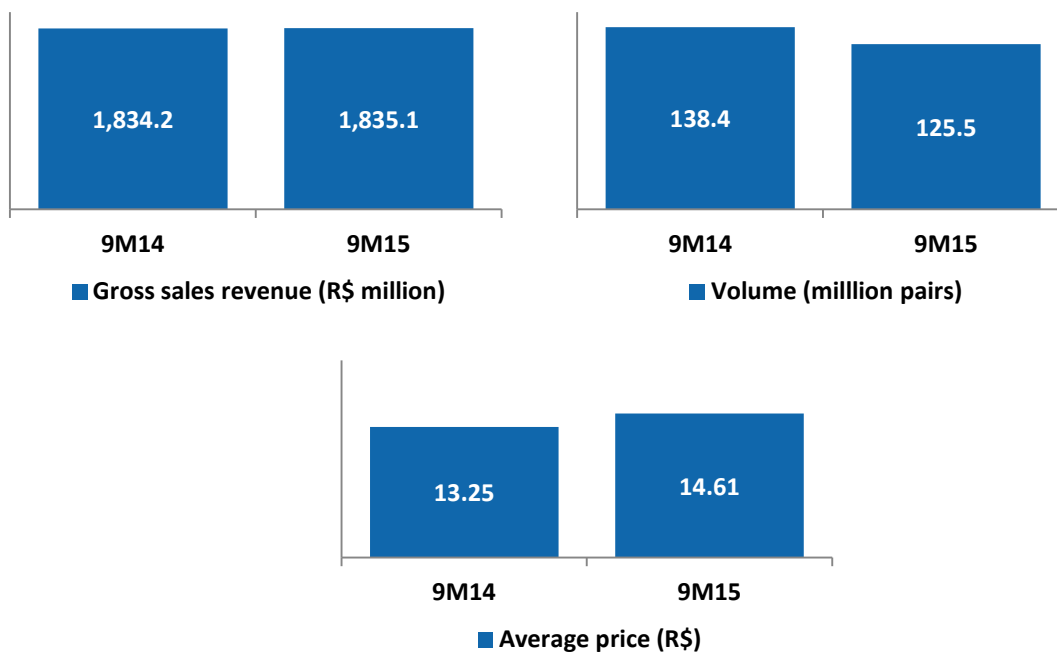
3Q14 sales volume - domestic market and exports, %



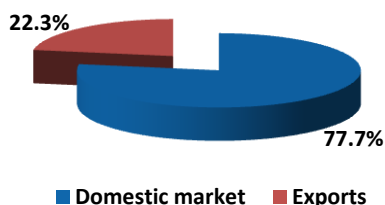
3Q15 sales volume - domestic market and exports, %



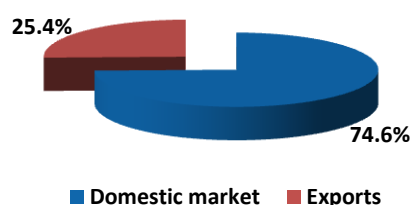
Comments on Performance



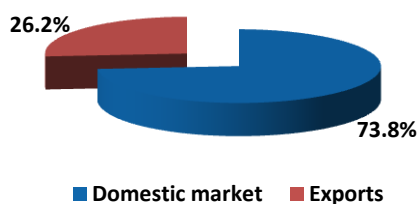
9M14 gross revenue - domestic market and exports, %



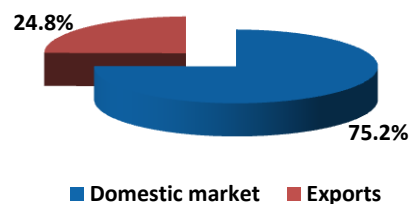
9M15 gross revenue - domestic market and exports, %



9M14 sales volume - domestic market and exports, %



9M15 sales volume - domestic market and exports, %



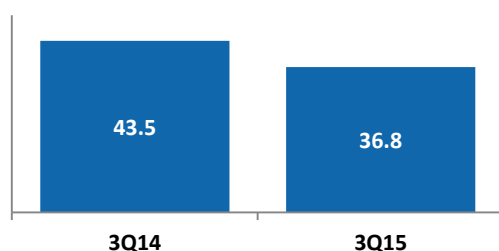
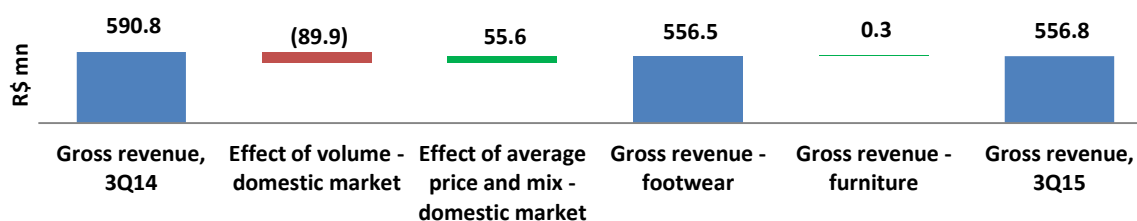
Comments on Performance

Domestic market

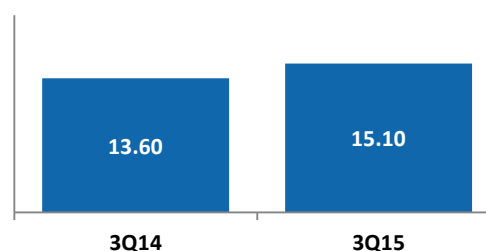
In the domestic market the effect of the fall in volume was only partly offset by the higher price and better mix:

| Domestic market | 3Q14 | 3Q15 | Change, % 3Q14–3Q15 | 9M14 | 9M15 | Change, % 9M14–9M15 |
|------------------------------------|-------|-------|------------------------|---------|---------|------------------------|
| Total gross revenue (R\$ mn) | 590.8 | 556.8 | (5.8%) | 1,424.3 | 1,368.9 | (3.9%) |
| Gross revenue – footwear (R\$ mn) | 590.8 | 556.5 | (5.8%) | 1,424.3 | 1,368.6 | (3.9%) |
| Gross revenue – furniture (R\$ mn) | - | 0.3 | - | - | 0.3 | - |
| Volume – footwear (million pairs) | 43.5 | 36.8 | (15.2%) | 102.1 | 94.3 | (7.6%) |
| Average price – footwear (R\$) | 13.60 | 15.10 | 11.0% | 13.95 | 14.51 | 4.0% |

Change in gross revenue in domestic market - from 3Q14 to 3Q15:
analyzed by effect of volumes, average price and mix

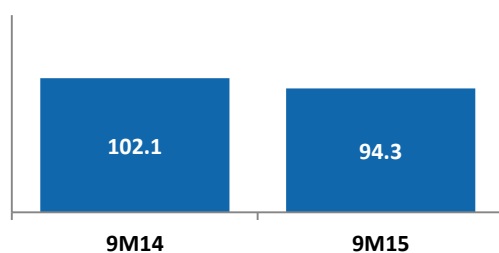
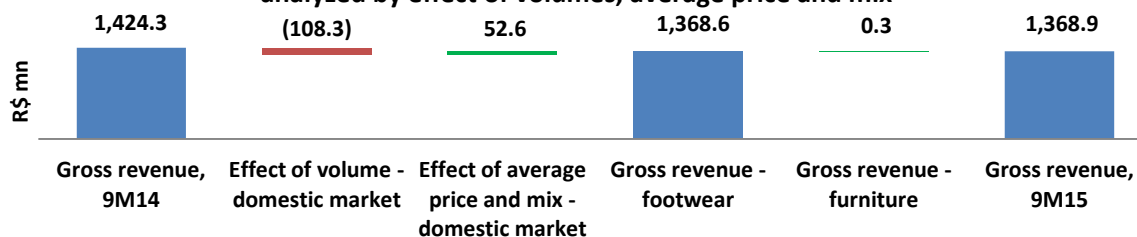


■ Volume - domestic market (million pairs)

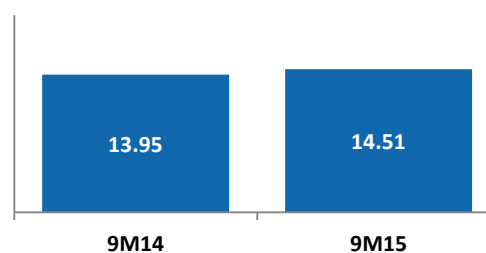


■ Average price - domestic market (R\$)

Change in gross revenue in domestic market - from 9M14 to 9M15:
analyzed by effect of volumes, average price and mix



■ Volume - domestic market (million pairs)



■ Average price - domestic market (R\$)

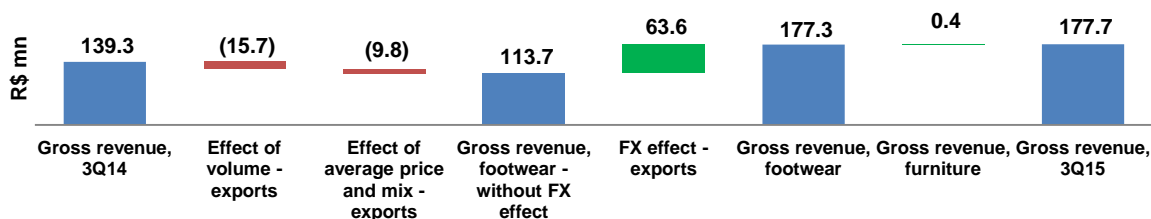
Comments on Performance

Export market

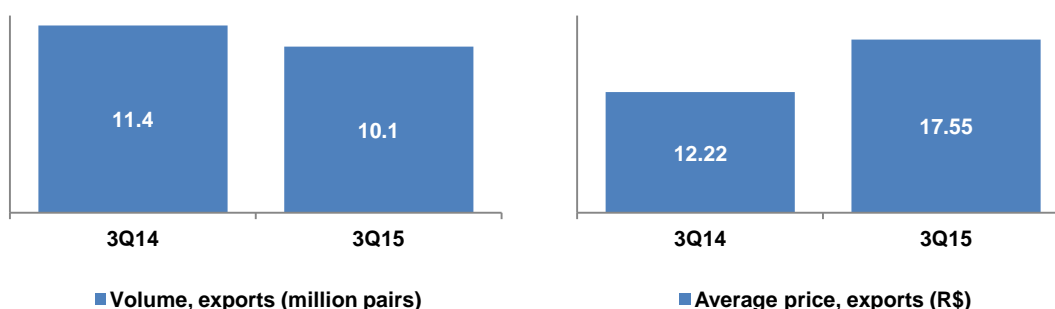
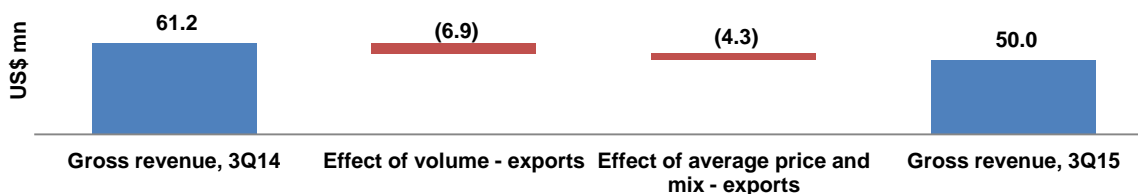
With the major weakening of the exchange rate some fall in prices in dollars could be seen as natural, but even so our prices in Reais were 43.6% higher in 3Q15 than 3Q14. We were reluctant to pass on the potential advantage represented by the exchange rate to our export prices – i.e. we did not use this route to boost volume of pairs sold in the export market: sales volume in numbers of pairs was down 11.3% YoY in the quarter. Combining volume and prices, revenue was 27.6% higher YoY in 3Q15 – and 13.7% higher, YoY in 9M15.

| Exports | 3Q14 | 3Q15 | Change, % 3Q14–3Q15 | 9M14 | 9M15 | Change, % 9M14–9M15 |
|---|-------|-------|------------------------|-------|-------|------------------------|
| Total gross revenue, exports (R\$ mn) | 139.3 | 177.7 | 27.6% | 409.9 | 466.2 | 13.7% |
| Gross revenue, exports – footwear (R\$ mn) | 139.3 | 177.3 | 27.3% | 409.9 | 465.1 | 13.5% |
| Gross revenue, exports – furniture (R\$ mn) | - | 0.4 | - | - | 1.1 | - |
| Volume – million pairs | 11.4 | 10.1 | (11.3%) | 36.3 | 31.2 | (14.2%) |
| Average price – footwear (R\$) | 12.22 | 17.55 | 43.6% | 11.29 | 14.92 | 32.2% |
| Gross revenue – footwear (R\$ mn) | 61.2 | 50.0 | (18.3%) | 179.0 | 147.1 | (17.8%) |
| Average price – footwear (R\$) | 5.37 | 4.95 | (7.8%) | 4.93 | 4.72 | (4.3%) |

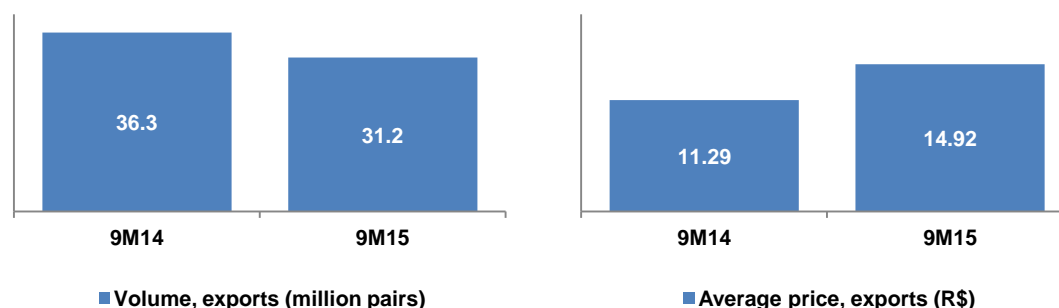
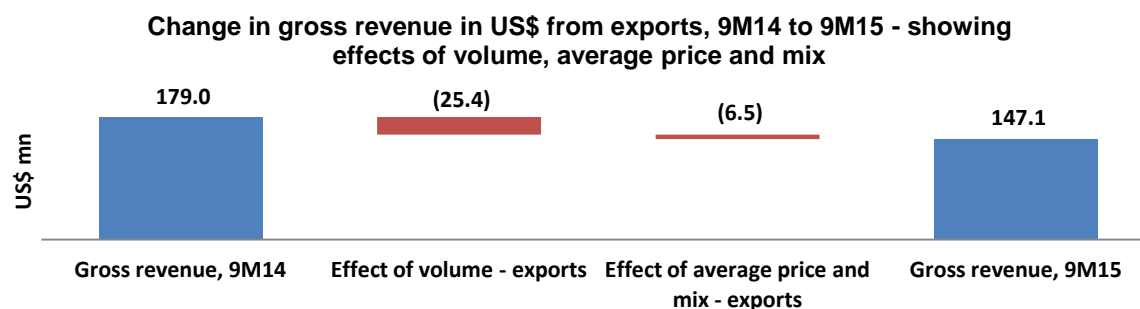
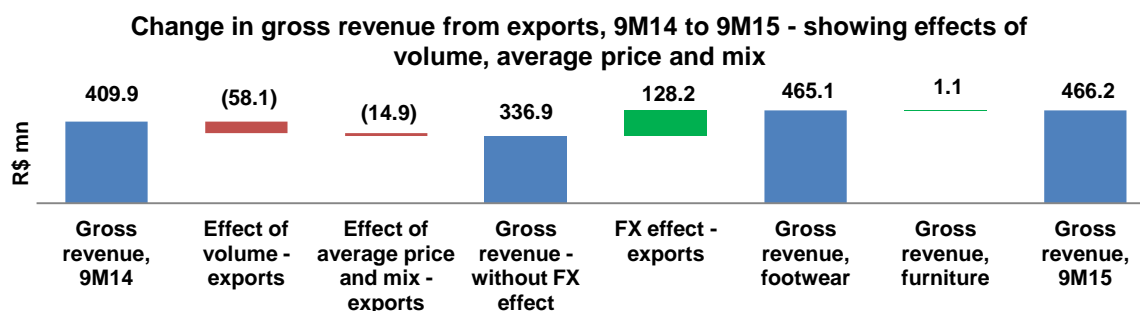
Change in gross revenue from exports, 3Q14 to 3Q15 - showing effects of volume, average price and mix



Change in gross revenue in US\$ from footwear exports, 3Q14 to 3Q15 - showing effects of volume, average price and mix



Comments on Performance



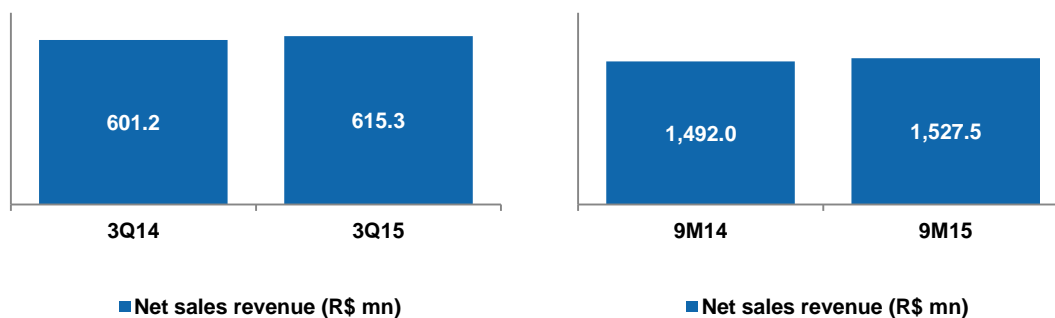
In 9M15, according to figures from the Foreign Trade Service (Secex) of the Foreign Trade Ministry and the Brazilian Footwear Manufacturers' Association (Abicalçados), Brazilian footwear exports in 9M15 were 11.9% lower in dollar terms than in 9M14, 8.1% lower in number of pairs sold, and 4.2% lower in average price per pair exported. Grendene's export revenues in 9M15 were down 17.8% year-on-year in US dollars, and 14.2% lower in volumes sold, with average price down 4.3% in dollars.

In 9M15 Grendene's share in total Brazilian footwear exports was lower, at 36.0% by volume of pairs, than in 9M14 (38.6%), and was 21.2% of total revenue from exports in dollars (vs. 22.7% in 9M14).

Net sales revenue

| R\$ mn | 3Q14 | 3Q15 | Change, % 3Q14-3Q15 | 9M14 | 9M15 | Change, % 9M14-9M15 |
|----------------------------------|--------------|--------------|------------------------|----------------|----------------|------------------------|
| Gross revenue, total | 730.1 | 734.5 | 0.6% | 1,834.2 | 1,835.1 | 0.1% |
| Gross revenue, domestic market | 590.8 | 556.8 | (5.8%) | 1,424.3 | 1,368.9 | (3.9%) |
| Gross revenue, exports | 139.3 | 177.7 | 27.6% | 409.9 | 466.2 | 13.7% |
| Deductions from sales | (128.9) | (119.3) | (7.4%) | (342.2) | (307.6) | (10.1%) |
| Sales returns and taxes on sales | (101.5) | (92.7) | (8.6%) | (269.2) | (241.7) | (10.2%) |
| Discounts granted to clients | (27.4) | (26.6) | (3.0%) | (73.0) | (65.9) | (9.7%) |
| Net sales revenue | 601.2 | 615.3 | 2.3% | 1,492.0 | 1,527.5 | 2.4% |

Comments on Performance

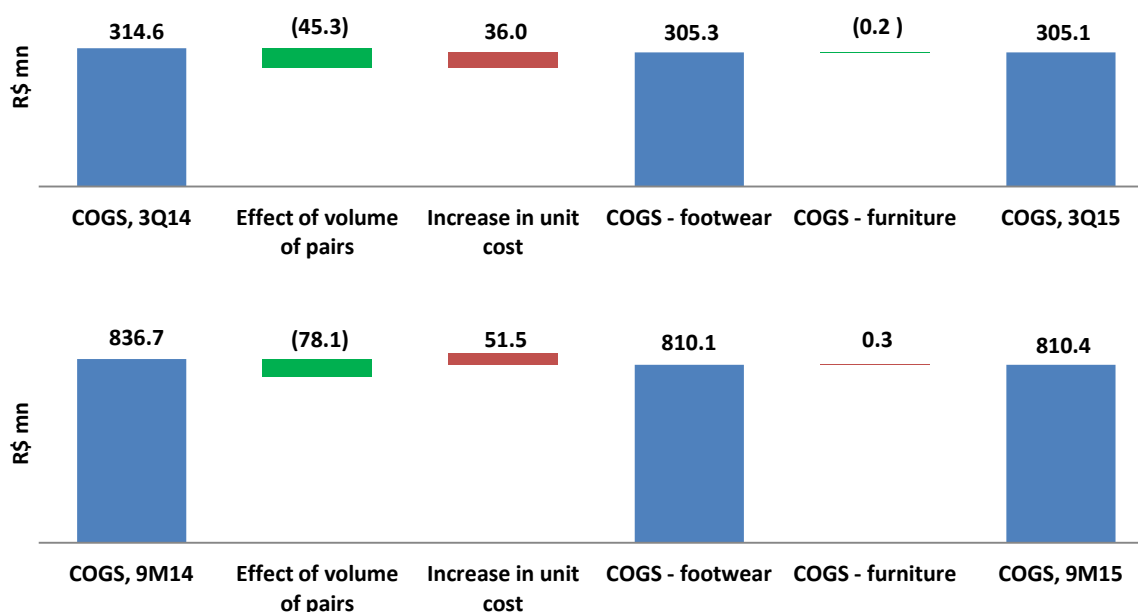
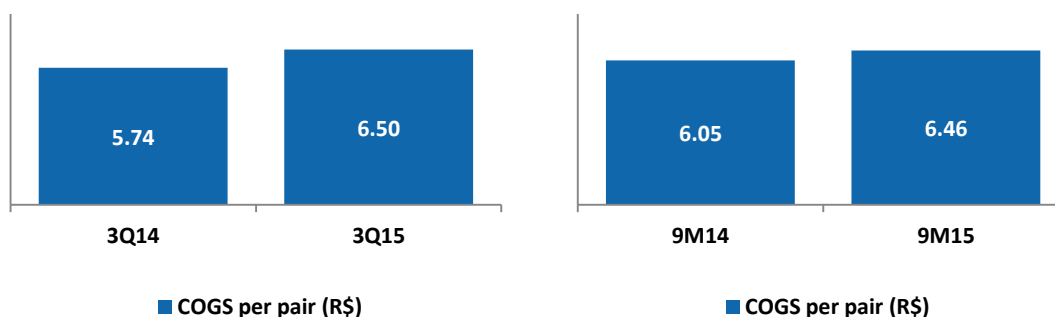


Cost of goods sold

Total COGS was 3.0% lower in 3Q15 than 3Q14 – which was a much smaller reduction than the 14.4% difference in volume of pairs sold – reflecting an increase of 13.2% YoY in cost per pair sold.

The higher cost mainly results from inflation in various items such as freight, packaging, inks and pigments, resins, plastifying oils, and electricity – among many other items.

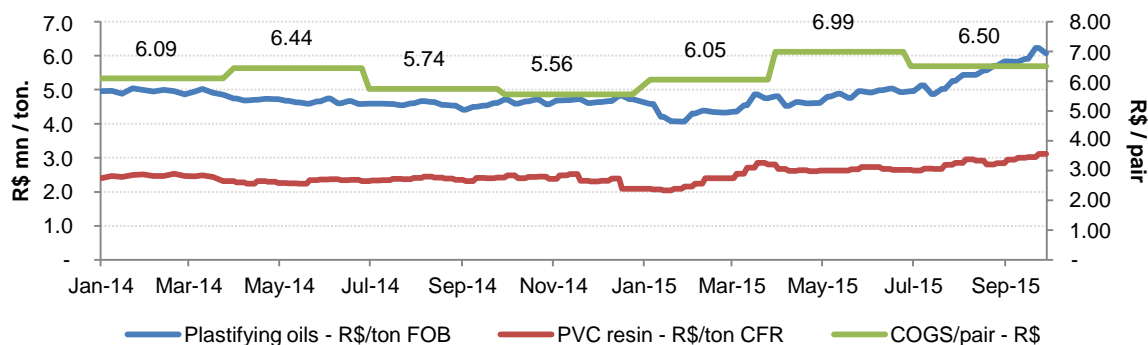
| R\$ mn | 3Q14 | 3Q15 | Change, % 3Q14–3Q15 | 9M14 | 9M15 | Change, % 9M14–9M15 |
|---------------------|-------|-------|------------------------|-------|-------|------------------------|
| COGS | 314.6 | 305.1 | (3.0%) | 836.7 | 810.4 | (3.2%) |
| COGS per pair (R\$) | 5.74 | 6.50 | 13.2% | 6.05 | 6.46 | 6.8% |



Comments on Performance

The chart below shows the movement in international market prices (ICIS-LOR) in dollars, converted to Reais, of Grendene's principal raw materials, and the change in the level of Grendene's average price per pair, for the quarters of 2014 and 2015.

| R\$ '000 | | | | | | |
|----------|--------|--------|--------|--------|--------|--------|
| 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 |
| 46,715 | 36,829 | 54,852 | 66,548 | 46,752 | 31,784 | 46,953 |



Sources: Petrochemicals prices from ICIS-LOR; Grendene quarterly data.

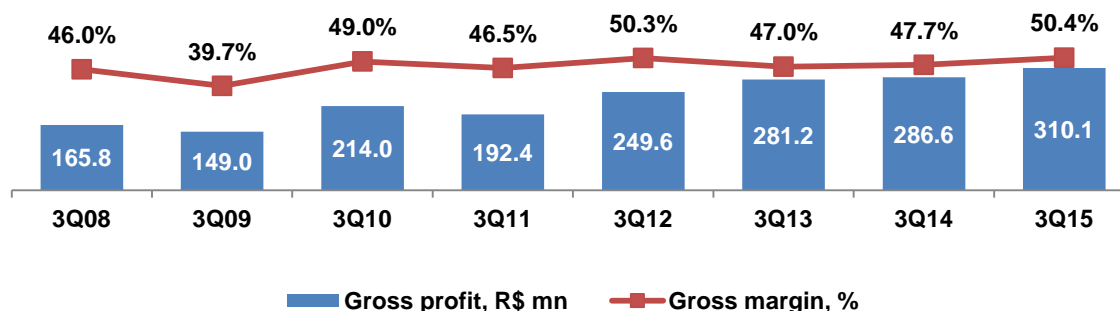
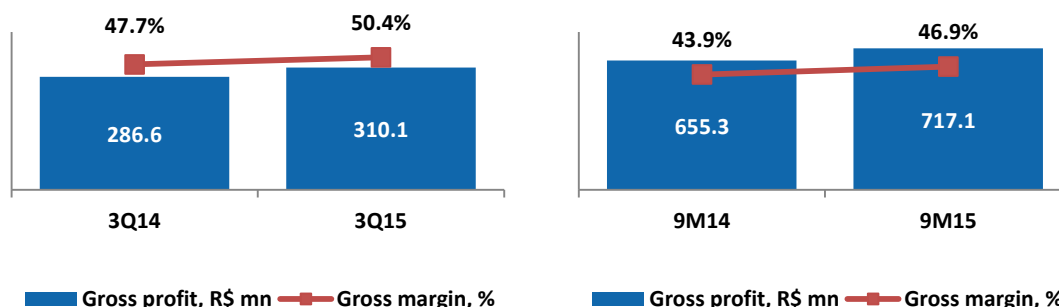
As the figures show, international prices of resins converted into Reais (in red) have grown 9% since March 2015 – and those of plastifying oils (in blue) have grown 35% in that period.

Gross profit

Lower volume and inflation in costs were not enough to topple our margins, which grew, even in this adverse scenario.

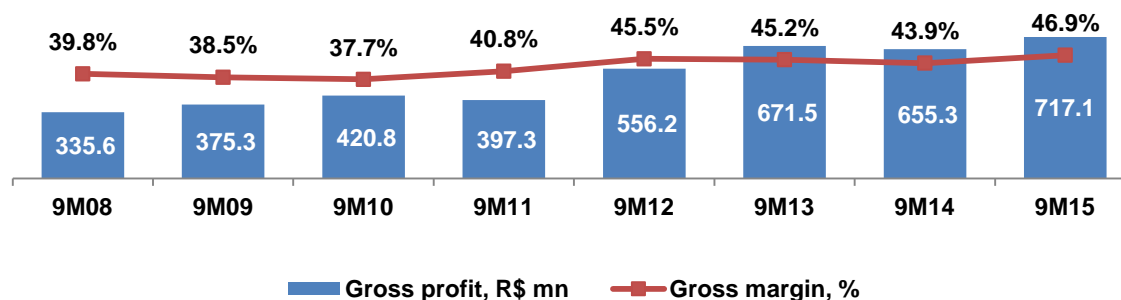
Gross margin in 3Q15 was 270bp higher than in 3Q14; in 9M15 Gross margin was 300bp higher than in 9M14. This result shows once again a point that we have indicated – that a weaker Brazilian Real usually has a positive effect on our results.

| R\$ mn | 3Q14 | 3Q15 | Change, % 3Q14–3Q15 | 9M14 | 9M15 | Change, % 9M14–9M15 |
|--------------|-------|-------|------------------------|-------|-------|------------------------|
| Gross profit | 286.6 | 310.1 | 8.2% | 655.3 | 717.1 | 9.4% |
| Gross margin | 47.7% | 50.4% | 2.7 p.p. | 43.9% | 46.9% | 3.0 p.p. |



Comments on Performance

In spite of the difficulties, looking at gross margin for third quarters since 3Q08, we see that only in 3Q09 was it lower than 45%, and that the gross margin of 3Q15 is the highest of all the third quarters shown.

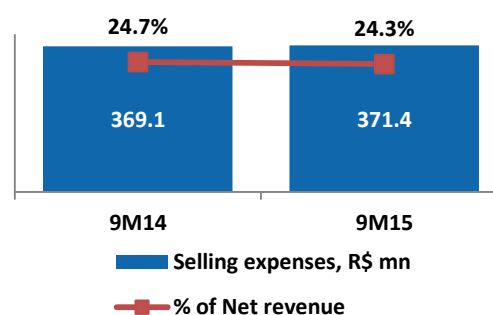
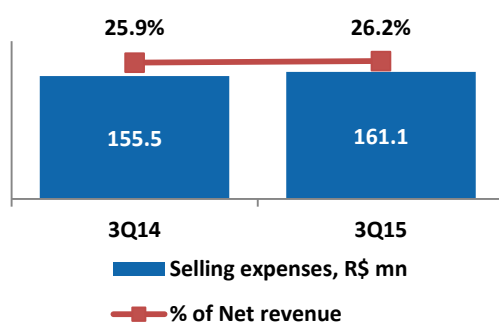


The Gross margin in 9M15 is also a record for this period.

Selling expenses:

Selling expenses continue to be stable as a percentage of sales.

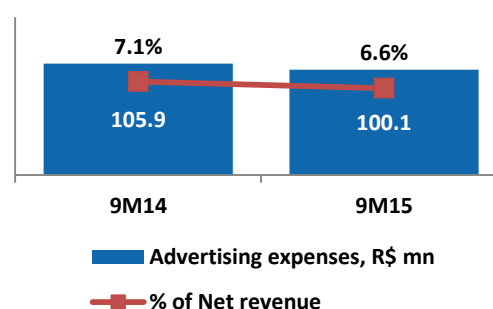
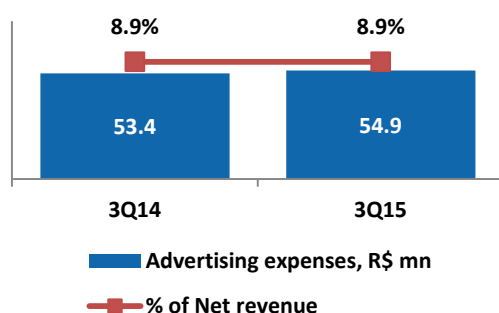
| R\$ mn | 3Q14 | 3Q15 | Change, % 3Q14–3Q15 | 9M14 | 9M15 | Change, % 9M14–9M15 |
|------------------|-------|-------|------------------------|-------|-------|------------------------|
| Selling expenses | 155.5 | 161.1 | 3.6% | 369.1 | 371.4 | 0.6% |
| % of Net revenue | 25.9% | 26.2% | 0.3 p.p. | 24.7% | 24.3% | (0.4 p.p.) |



Advertising expenses:

Grendene's advertising expenses continued to be in line with the Company's strategy:

| R\$ mn | 3Q14 | 3Q15 | Change, % 3Q14–3Q15 | 9M14 | 9M15 | Change, % 9M14–9M15 |
|------------------|------|------|------------------------|-------|-------|------------------------|
| Advertising | 53.4 | 54.9 | 2.8% | 105.9 | 100.1 | (5.5%) |
| % of Net revenue | 8.9% | 8.9% | - | 7.1% | 6.6% | (0.5 p.p.) |

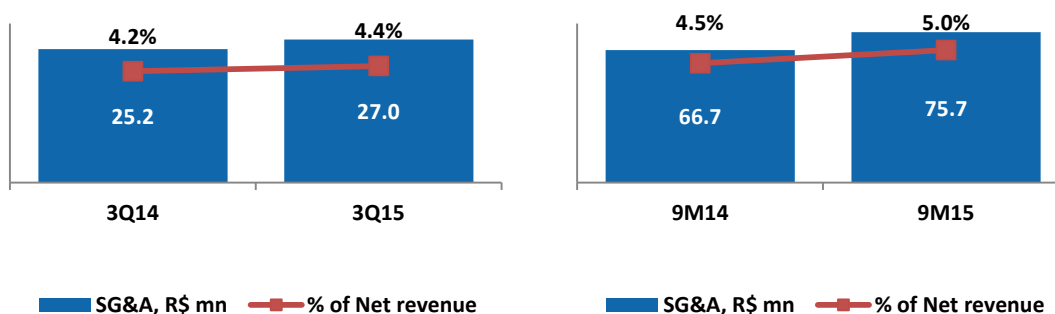


Comments on Performance

General and administrative expenses (SG&A):

SG&A expenses were higher than we expected, partly due to the effect of consolidation of expenses with those of TOG (A3NP), which has reported weaker than expected results.

| R\$ mn | 3Q14 | 3Q15 | Change, % 3Q14-3Q15 | 9M14 | 9M15 | Change, % 9M14-9M15 |
|------------------|------|------|------------------------|------|------|------------------------|
| SG&A | 25.2 | 27.0 | 7.3% | 66.7 | 75.7 | 13.6% |
| % of Net revenue | 4.2% | 4.4% | 0.2 p.p. | 4.5% | 5.0% | 0.5 p.p. |



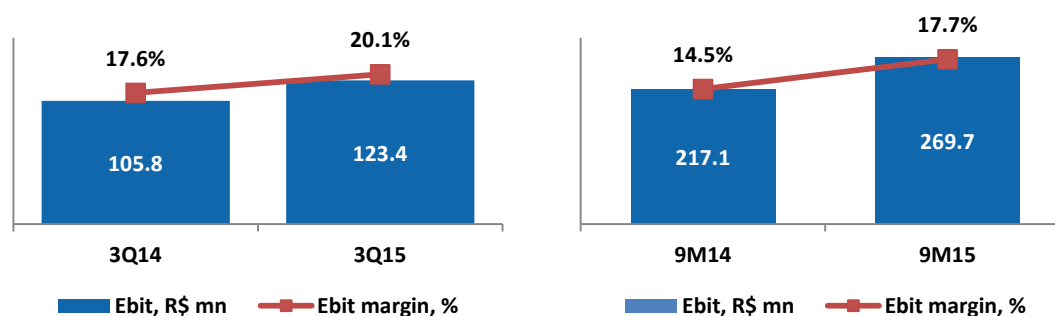
Ebit and Ebitda:

Ebit:

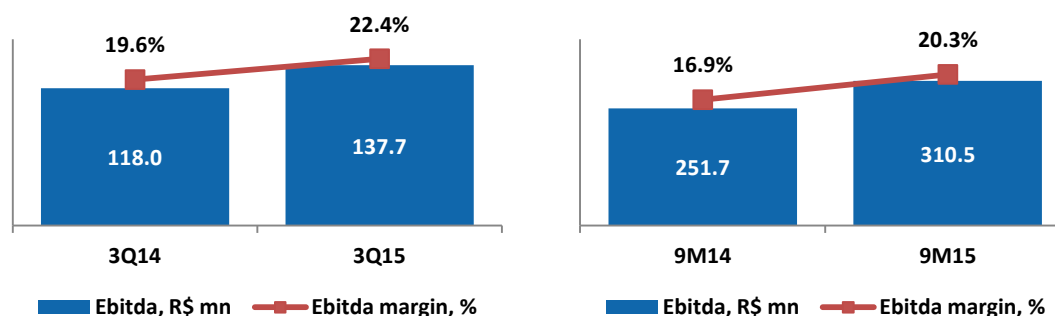
Grendene believes that because it has a high cash position which generates significant financial revenues, the operational profit of its activity is best characterized by Ebit – Earnings before interest and taxes.

| Reconciliation of Ebit and Ebitda * R\$ '000 | 3Q14 | 3Q15 | Change, % 3Q14-3Q15 | 9M14 | 9M15 | Change, % 9M14-9M15 |
|---|----------------|----------------|------------------------|----------------|----------------|------------------------|
| Net profit for the period | 126,005 | 133,453 | 5.9% | 294,951 | 357,114 | 21.1% |
| Minority interests | (541) | (4,138) | 664.9% | (4,110) | (8,972) | 118.3% |
| Taxes on profit | 14,500 | 14,577 | 0.5% | 22,297 | 38,522 | 72.8% |
| Net financial revenue (expenses) | (34,206) | (20,447) | (40.2%) | (96,068) | (116,976) | 21.8% |
| Ebit | 105,758 | 123,445 | 16.7% | 217,070 | 269,688 | 24.2% |
| Depreciation and amortization | 12,284 | 14,254 | 16.0% | 34,588 | 40,830 | 18.0% |
| Ebitda | 118,042 | 137,699 | 16.7% | 251,658 | 310,518 | 23.4% |
| Ebit margin % | 17.6% | 20.1% | 2.5 p.p. | 14.5% | 17.7% | 3.2 p.p. |
| Ebitda margin | 19.6% | 22.4% | 2.8 p.p. | 16.9% | 20.3% | 3.4 p.p. |

* Stated as per CVM Instruction 527 of October 4, 2012.



Comments on Performance



Net financial revenue (expenses):

Net financial revenue for 3Q15 was 40.2% lower than 3Q14, affected by the new taxes on financial revenue, and mainly due to the result of hedge transactions.

It is important to remember that Grendene does not adopt hedge accounting, and thus recognizes immediately all transactions made on the BM&F for the purpose of hedging its receivables, and orders to be shipped in up to 90 days. As a result, positive or negative variations in receivables are offset by variations arising from transactions on an exchange, but the foreign exchange variation on the orders will become effective only at the moment of their shipment.

This table shows the various components of Financial revenue (expenses):

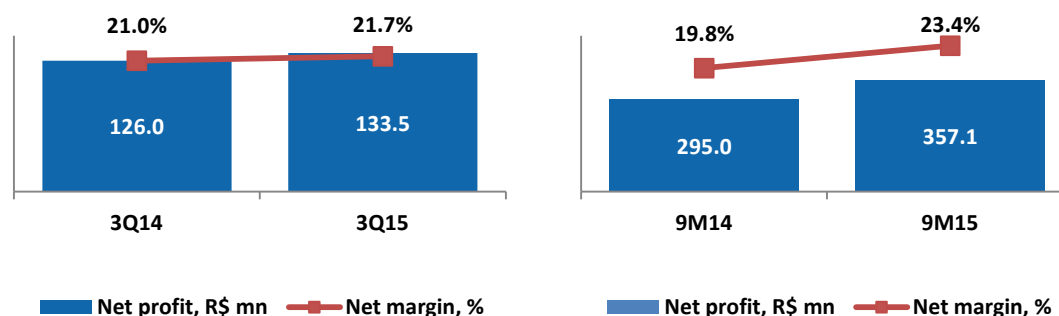
| R\$ '000 | 3Q14 | 3Q15 | Change 3Q14–3Q15 | 9M14 | 9M15 | Change 9M14–9M15 |
|--|-----------------|-----------------|------------------|-----------------|------------------|------------------|
| Interest received from clients | 616 | 536 | (13.0%) | 1,453 | 1,648 | 13.4% |
| Revenue from cash investments | 24,085 | 42,545 | 76.6% | 71,555 | 120,406 | 68.3% |
| Other financial revenues | 512 | 1,197 | 133.8% | 4,325 | 3,137 | (27.5%) |
| Subtotal | 25,213 | 44,278 | 75.6% | 77,333 | 125,191 | 61.9% |
| Costs of financings | (6,581) | (5,509) | (16.3%) | (16,597) | (14,773) | (11.0%) |
| PIS and Cofins taxes on financial revenues | - | (2,448) | - | - | (2,448) | - |
| Other financial expenses | (1,720) | (1,673) | (2.7%) | (4,470) | (6,233) | 39.4% |
| Subtotal | (8,301) | (9,630) | 16.0% | (21,067) | (23,454) | 11.3% |
| Net financial revenues (expenses)(1) | 16,912 | 34,648 | 104.9% | 56,266 | 101,737 | 80.8% |
| Revenue from FX derivatives – BM&FBovespa | 1,790 | 5,621 | 214.0% | 10,188 | 38,843 | 281.3% |
| Foreign exchange gains | 15,950 | 40,746 | 155.5% | 30,137 | 107,799 | 257.7% |
| Subtotal | 17,740 | 46,367 | 161.4% | 40,325 | 146,642 | 263.7% |
| Operational expenses on FX derivatives – BM&FBovespa | (6,666) | (51,054) | 665.9% | (9,189) | (108,157) | 1.077.0% |
| Expenses of FX variation | (7,371) | (22,873) | 210.3% | (26,360) | (63,380) | 140.4% |
| Subtotal | (14,037) | (73,927) | 426.7% | (35,549) | (171,537) | 382.5% |
| Net gain(loss) on FX variations(2) | 3,703 | (27,560) | (844.3%) | 4,776 | (24,895) | (621.3%) |
| Adjustments to present value (APV) | 13,591 | 13,359 | (1.7%) | 35,026 | 40,134 | 14.6% |
| Financial result – APV (3) | 13,591 | 13,359 | (1.7%) | 35,026 | 40,134 | 14.6% |
| Net financial revenue (expenses): (1) + (2) + (3) | 34,206 | 20,447 | (40.2%) | 96,068 | 116,976 | 21.8% |

Net profit

Net profit in 9M15 was 21.1% higher than in 9M14, reflecting Ebit 24.2% higher, and financial revenue 21.8% higher. Profit per share in the period was R\$ 1.1875, with the same year-on-year growth of 21%.

| R\$ mn | 3Q14 | 3Q15 | Change % 3Q14–3Q15 | 9M14 | 9M15 | Change % 9M14–9M15 |
|------------|-------|-------|--------------------|-------|-------|--------------------|
| Net profit | 126.0 | 133.5 | 5.9% | 295.0 | 357.1 | 21.1% |
| Net margin | 21.0% | 21.7% | 0.7 p.p. | 19.8% | 23.4% | 3.6 p.p. |

Comments on Performance



CAPEX (fixed and intangible)

Our investments in 9M15 were in: maintenance of industrial buildings and facilities; replacement of fixed assets; and acquisition of new equipment for modernization of the manufacturing plant and greater efficiency of production.

| R\$ mn | 3Q14 | 3Q15 | Change % 3Q14–3Q15 | 9M14 | 9M15 | Change % 9M14–9M15 |
|------------------------------|------|------|-----------------------|------|------|-----------------------|
| Capex (fixed and intangible) | 30.6 | 26.1 | (14.9%) | 96.3 | 70.2 | (27.1%) |

Cash generation

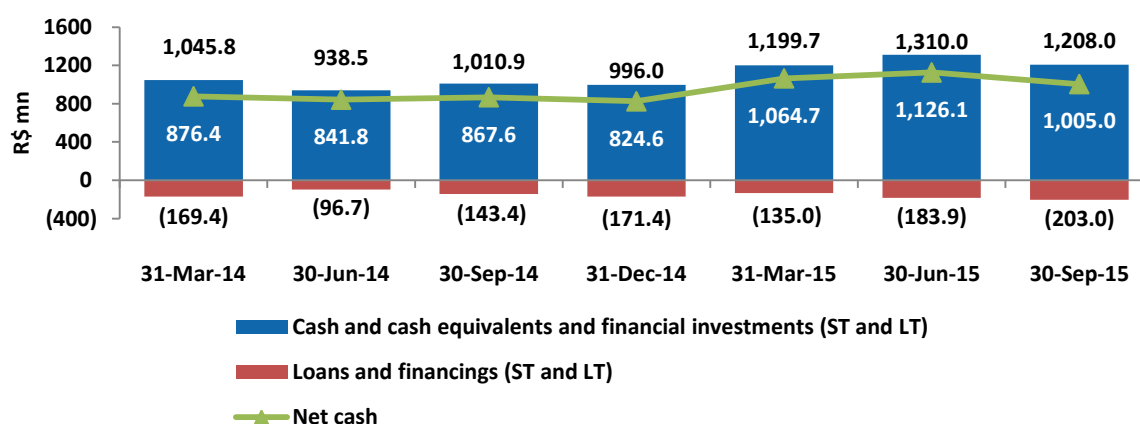
Cash flow and Net cash and cash equivalents

Grendene continues to have a solid financial situation. Net cash (Cash, Cash equivalents and Short and long-term financial investments, less Short and long-term loans and financings) on September 30, 2015 totaled R\$ 1.0 billion, 21.9% more than the net cash of R\$ 824.6 million at December 31, 2014.

The total maintained in Cash and cash equivalents and Financial investments as a proportion of Net revenue over the 12-month period increased from 44.6% on December 31, 2014 to 53.2% on September 30, 2015.

Net cash generated by operational activities, of R\$ 367.2mn, was used for payment of investments in fixed and intangible assets, totaling R\$ 70.2mn; financial investments totaling R\$ 99.2mn; payment of loans in the amount of R\$ 2.1mn; net purchase of shares to be held in treasury, in the amount of R\$ 5.0mn, and payment of dividends totaling R\$ 206.7mn. The reduction of R\$ 6.1mn in the amount held in current account and short-term cash investments completes the total of allocation of cash described above. The complete cash flow is shown in Appendix IV.

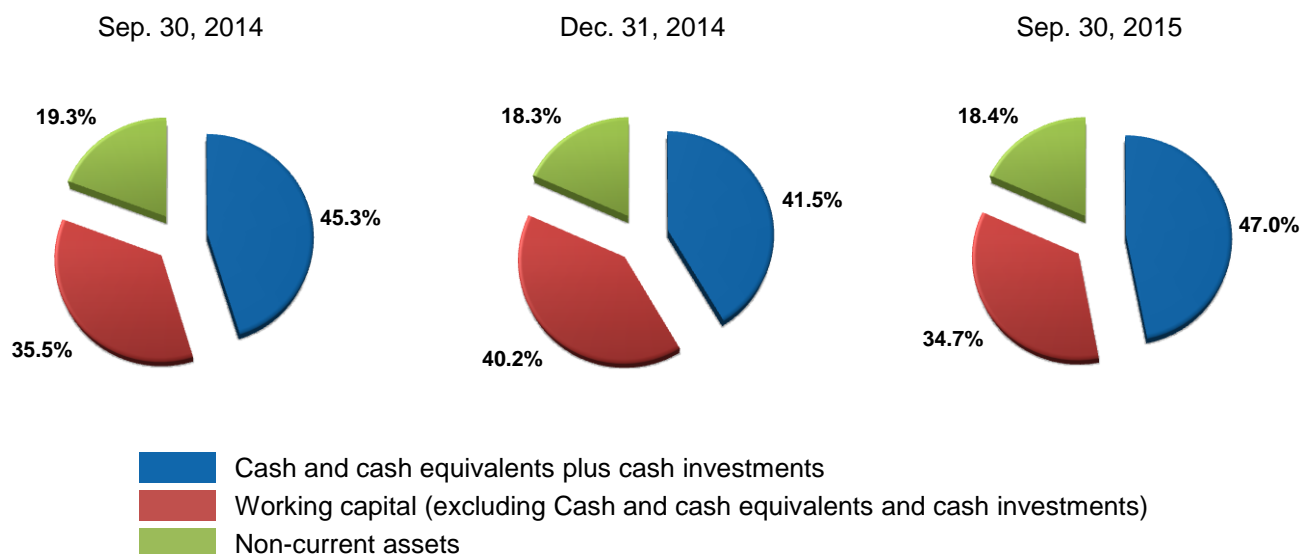
Changes in the cash position (cash, cash equivalents and short and long-term financial investments), loans and financings and net cash are as follows:



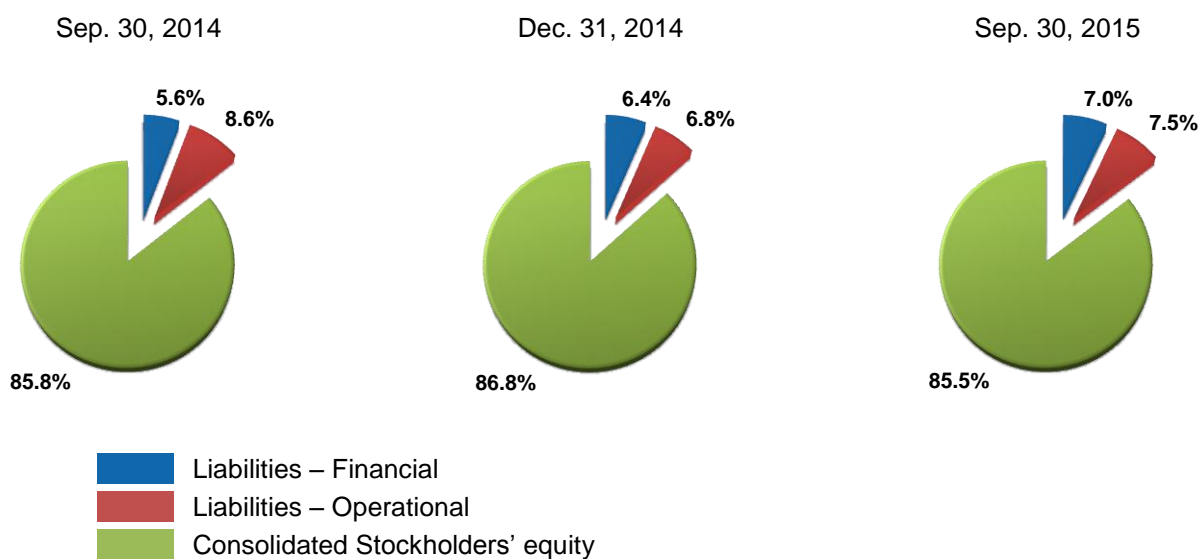
Comments on Performance

Structure of Assets and Liabilities; value indicators

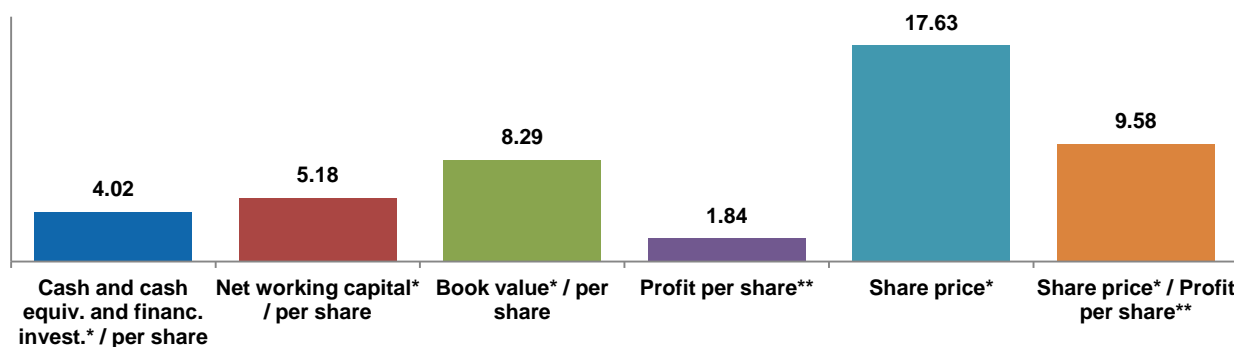
Assets



Liabilities: Current and non-current liabilities



Value indicators



* September 30, 2015 / ** Last 12 months

Comments on Performance

Dividends

In 3Q15 Grendene paid interim dividends totaling R\$ 53.8mn, 0.6% more than the dividends distributed in 3Q14 (R\$ 53.4mn) – bringing the total in 9M15 to R\$ 165.0mn, 31.6% more than in 9M14 (R\$ 125.4mn).

Under Grendene's by-laws, the minimum obligatory dividend is calculated as 25% of the net profit remaining for the year after payments to reserves specified by law. Based on the balance found at September 30, 2015, and in accordance with the policy of quarterly interim dividends published on February 13, 2014, Grendene is making advance payment of the third portion of interim dividends, ad referendum the Annual General Meeting of Stockholders that approves the accounts for the year 2015, in the amount of **R\$ 53.8mn**, equivalent to R\$ 0.17880214099 per share, excluding the shares in treasury, **to be paid from November 11, 2015**.

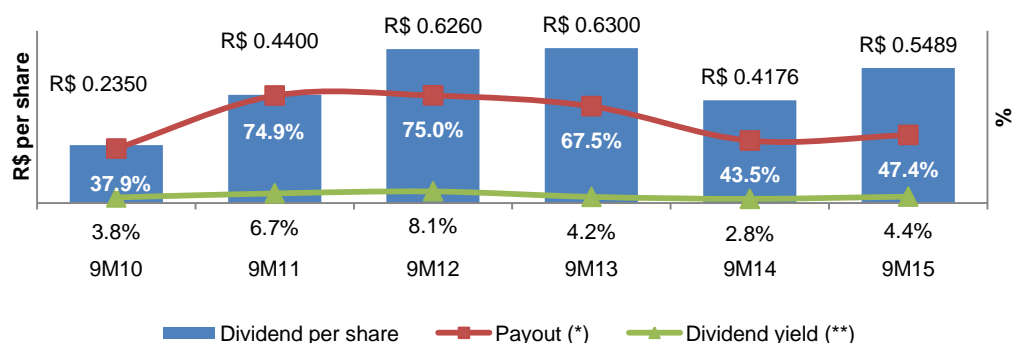
This interim dividend will be payable to holders of record of Grendene's common shares (GRND3) on **October 28, 2015** (the cutoff date). Thus the shares will trade ex-dividend on the BM&FBovespa on October 29, 2015.

Basis for the distribution of dividends in 9M15

| Grendene – Holding company | | R\$ |
|---|---|---------------------------|
| Net profit for the period | | R\$ 357,114,226.36 |
| (–) Tax Incentives reserve | | (R\$ 183,396,851.76) |
| Basis for calculation of the Legal reserve | | R\$ 173,717,374.60 |
| (–) Constitution of Legal reserve | | (R\$ 8,685,868.74) |
| Value of dividends based on profit of 9M15¹ | | R\$ 165,031,505.86 |
| Dividend declared for the result of 1Q15 ¹ | | (R\$ 67,384,476.90) |
| Dividend declared for the result of 2Q15 ¹ | | (R\$ 43,889,275.91) |
| Dividend declared for the result of 3Q15 ¹ | | (R\$ 53,757,753.05) |
| Number of common shares (excluding shares in treasury) | | 300,654,974 |
| Dividend per share in 9M15 | | R\$ 0.54890662098 |
| | <i>Obligatory Dividend, 9M15 – 25%</i> | <i>R\$ 41,257,876.47</i> |
| | <i>Dividend proposed in excess of the minimum obligatory dividend, 9M15</i> | <i>R\$ 123,773,629.39</i> |

¹ Dividends approved "ad referendum" the Annual General Meeting that considers the financial statements for the 2015 business year.

| Decisions | Date approved | Ex-dividend date | Date of start of payment | Dividend per share – R\$ |
|--------------------------------|------------------|------------------|--------------------------|--------------------------|
| First interim dividend – 1Q15 | April 23, 2015 | April 28, 2015 | May 13, 2015 | R\$ 0.22412560152 |
| Second interim dividend – 2Q15 | July 23, 2015 | July 30, 2015 | August 12, 2015 | R\$ 0.14597887847 |
| Third interim dividend – 3Q15 | October 22, 2015 | October 29, 2015 | November 11, 2015 | R\$ 0.17880214099 |



(*) Payout: (Dividend) divided by (net profit after constitution of the reserves required by law).

(**) Dividend yield: Dividend per share in the period, divided by the weighted average price of the share in the period, annualized.

Comments on Performance

Corporate events

July 23, 2015 – Notice to stockholders: On August 12, 2015, Grendene began payment of the **second interim dividend** for the business year 2015, **in the amount of R\$ 43,889,275.91**, equivalent to **R\$ 0.14597887847 per common share**. The shares traded ex-dividend on July 30, 2015.

October 22, 2015 – Meeting of the Board of Directors: This meeting decided approval of the financial information for the third quarter and first nine months of 2015; and **payment of the third portion of interim dividends** based on the profit found up to September 30, 2015, ad referendum the Annual General Meeting that considers the Financial statements for the 2015 business year, **in the amount of R\$ 53,757,753.05**, equivalent to **R\$ 0.17880214099 per common share**, excluding shares held in treasury.

Capital markets

In the first nine months of 2015 investment in Grendene's shares (**GRND3**) provided an increase in value of 19.9%, when reinvestment of dividends is included, while the Ibovespa index declined by 9.9% in the same period. Average daily trading volume was R\$ 5.7mn in 9M15 (and R\$ 6.0mn in 9M14).

On September 30, 2015, profit per share in the last 12 months was R\$ 1.84 per share, and P/E (price on September 30 divided by net profit of the preceding 12 months) was 9.58; earnings yield (net profit per share for last 12 months divided by average price of share in the same period) was 11.1%, and dividend yield was 5.2%.

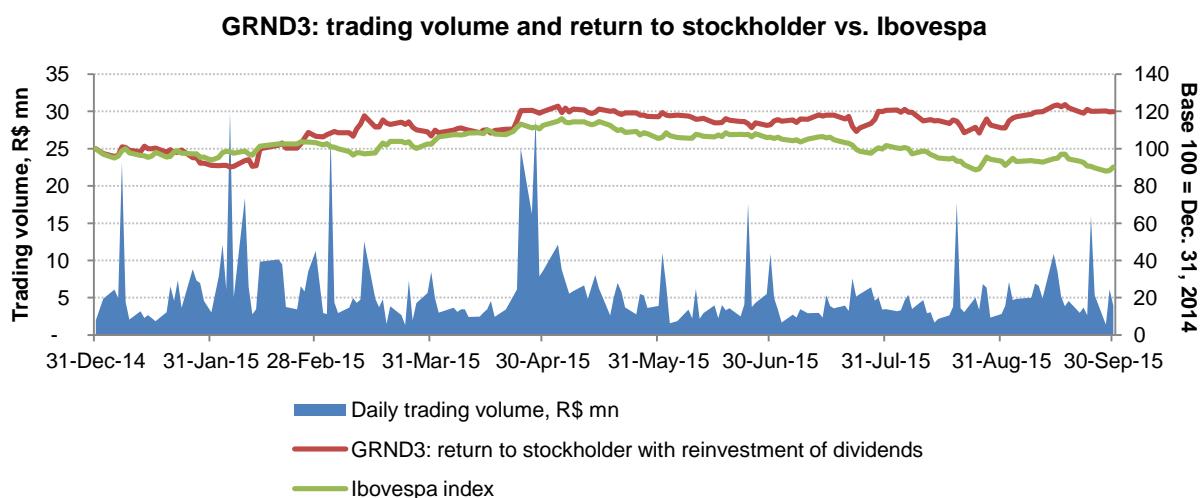
The maximum value of the shares in the last 12 months was R\$ 18.44 and the minimum R\$ 13.80.

Number of trades, number of shares traded, financial volume, and daily average trading:

| Period | No. of trading sessions | No. of trades | No. of shares | Volume R\$ | Price R\$ | | Average no. of shares | | Average volume, R\$ | |
|--------|-------------------------|---------------|---------------|---------------|------------------|-------|-----------------------|---------|---------------------|-----------|
| | | | | | Weighted average | Close | Per trade | Daily | Per trade | Daily |
| 9M14 | 186 | 268,732 | 74,806,700 | 1,111,974,767 | 14.86 | 17.00 | 278 | 402,187 | 4,137 | 5,978,358 |
| 9M15 | 186 | 259,957 | 63,552,000 | 1,052,871,891 | 16.57 | 17.63 | 244 | 341,677 | 4,050 | 5,660,602 |

Daily trading in 9M15 corresponded to 0.41% of the free float (0.51% in 9M14).

This chart shows performance of Grendene ON shares compared to the Ibovespa index (Base: Dec. 31, 2014 = 100), and daily trading volume.



Comments on Performance

Appendix I – Gross revenue, volume, average price and market shares

| Consolidated gross revenue R\$ '000 | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | Change 3Q14–3Q15 | 9M14 | 9M15 | Change 9M14–9M15 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|
| Domestic market | 475,268 | 404,256 | 595,605 | 671,789 | 447,640 | 385,843 | 590,822 | 653,432 | 471,063 | 341,100 | 556,776 | (5.8%) | 1,424,305 | 1,368,939 | (3.9%) |
| - Footwear | 475,268 | 404,256 | 595,605 | 671,789 | 447,640 | 385,843 | 590,822 | 653,424 | 471,063 | 341,070 | 556,513 | (5.8%) | 1,424,305 | 1,368,646 | (3.9%) |
| - Furniture | - | - | - | - | - | - | - | 8 | - | 30 | 263 | - | - | 293 | - |
| Exports | 128,303 | 100,458 | 143,395 | 192,289 | 167,776 | 102,902 | 139,270 | 232,615 | 167,382 | 121,041 | 177,757 | 27.6% | 409,948 | 466,180 | 13.7% |
| - Footwear | 128,303 | 100,458 | 143,395 | 192,289 | 167,776 | 102,888 | 139,270 | 231,772 | 166,842 | 120,904 | 177,360 | 27.3% | 409,934 | 465,106 | 13.5% |
| - Furniture | - | - | - | - | - | 14 | - | 843 | 540 | 137 | 397 | - | 14 | 1,074 | 7,571.4% |
| Footwear exports – US\$ | 64,289 | 48,530 | 62,664 | 84,467 | 70,971 | 46,144 | 61,213 | 91,055 | 58,267 | 39,354 | 49,989 | (18.3%) | 179,039 | 147,130 | (17.8%) |
| Total | 603,571 | 504,714 | 739,000 | 864,078 | 615,416 | 488,745 | 730,092 | 886,047 | 638,445 | 462,141 | 734,533 | 0.6% | 1,834,253 | 1,835,119 | 0.1% |

| Volume (thousands of pairs) | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | Change 3Q14–3Q15 | 9M14 | 9M15 | Change 9M14–9M15 |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------|----------------|----------------|------------------|
| Domestic market | 37,497 | 30,986 | 43,188 | 53,996 | 30,935 | 27,685 | 43,457 | 50,674 | 34,333 | 23,139 | 36,846 | (15.2%) | 102,077 | 94,318 | (7.6%) |
| Exports | 15,063 | 9,662 | 10,930 | 14,873 | 15,780 | 9,144 | 11,395 | 15,874 | 12,419 | 8,645 | 10,107 | (11.3%) | 36,319 | 31,171 | (14.2%) |
| Total | 52,560 | 40,648 | 54,118 | 68,869 | 46,715 | 36,829 | 54,852 | 66,548 | 46,752 | 31,784 | 46,953 | (14.4%) | 138,396 | 125,489 | (9.3%) |

| Average price – R\$ | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | Change 3Q14–3Q15 | 9M14 | 9M15 | Change 9M14–9M15 |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------------|--------------|--------------|------------------|
| Domestic market | 12.67 | 13.05 | 13.79 | 12.44 | 14.47 | 13.94 | 13.60 | 12.89 | 13.72 | 14.74 | 15.10 | 11.0% | 13.95 | 14.51 | 4.0% |
| Exports | 8.52 | 10.40 | 13.12 | 12.93 | 10.63 | 11.25 | 12.22 | 14.60 | 13.43 | 13.99 | 17.55 | 43.6% | 11.29 | 14.92 | 32.2% |
| Exports (US\$) | 4.27 | 5.02 | 5.73 | 5.68 | 4.50 | 5.05 | 5.37 | 5.74 | 4.69 | 4.55 | 4.95 | (7.8%) | 4.93 | 4.72 | (4.3%) |
| Total | 11.48 | 12.42 | 13.66 | 12.55 | 13.17 | 13.27 | 13.31 | 13.30 | 13.64 | 14.53 | 15.63 | 17.4% | 13.25 | 14.61 | 10.3% |

| US Dollar | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | Change 3Q14–3Q15 | 9M14 | 9M15 | Change 9M14–9M15 |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------------------|--------|--------|------------------|
| Dollar at end of period | 2.0138 | 2.2156 | 2.2300 | 2.3426 | 2.2630 | 2.2025 | 2.4510 | 2.6562 | 3.2080 | 3.1026 | 3.9729 | 62.1% | 2.4510 | 3.9729 | 62.1% |
| Average US dollar | 1.9957 | 2.0700 | 2.2883 | 2.2765 | 2.3640 | 2.2297 | 2.2752 | 2.5454 | 2.8634 | 3.0722 | 3.5480 | 55.9% | 2.2896 | 3.1612 | 38.1% |

Market share – footwear

| Gross revenue from sales | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | | 9M14 | 9M15 | |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|---------------|---------------|--|
| Domestic market | 78.7% | 80.1% | 80.6% | 77.7% | 72.7% | 78.9% | 80.9% | 73.8% | 73.8% | 73.8% | 75.8% | | 77.7% | 74.6% | |
| Exports | 21.3% | 19.9% | 19.4% | 22.3% | 27.3% | 21.1% | 19.1% | 26.2% | 26.2% | 26.2% | 24.2% | | 22.3% | 25.4% | |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | | 100.0% | 100.0% | |

Market share – footwear

| By volume | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | | 9M14 | 9M15 | |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|---------------|---------------|--|
| Domestic market | 71.3% | 76.2% | 79.8% | 78.4% | 66.2% | 75.2% | 79.2% | 76.1% | 73.4% | 72.8% | 78.5% | | 73.8% | 75.2% | |
| Exports | 28.7% | 23.8% | 20.2% | 21.6% | 33.8% | 24.8% | 20.8% | 23.9% | 26.6% | 27.2% | 21.5% | | 26.2% | 24.8% | |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | | 100.0% | 100.0% | |

Comments on Performance

Appendix II – Consolidated Statement of financial position, IFRS (R\$ '000)

| Assets | Dec. 31, 2014 | V.A. | Sep. 30, 2015 | V.A. | H.A. |
|--|------------------|---------------|------------------|---------------|---------------|
| Current | 1,906,527 | 71.1% | 1,901,996 | 65.2% | 99.8% |
| Cash and cash equivalents | 26,324 | 1.0% | 20,261 | 0.7% | 77.0% |
| Cash investments | 634,472 | 23.7% | 645,181 | 22.1% | 101.7% |
| Securities at fair value through profit or loss | 379,572 | 14.2% | 244,246 | 8.4% | 64.3% |
| Securities held to maturity | 254,900 | 9.5% | 400,935 | 13.7% | 157.3% |
| Accounts receivable from clients | 907,344 | 33.8% | 757,690 | 26.0% | 83.5% |
| Inventories | 214,019 | 8.0% | 298,991 | 10.2% | 139.7% |
| Tax credits | 11,705 | 0.4% | 19,431 | 0.7% | 166.0% |
| Income tax and Social Contribution tax recoverable | 3,839 | 0.1% | 5,215 | 0.2% | 135.8% |
| Trade bills receivable | 37,423 | 1.4% | 76,407 | 2.6% | 204.2% |
| Prepaid costs and expenses | 2,768 | 0.1% | 7,923 | 0.3% | 286.2% |
| Other credits | 68,633 | 2.6% | 70,897 | 2.4% | 103.3% |
| Non-current | 775,486 | 28.9% | 1,015,258 | 34.8% | 130.9% |
| Long term assets | 355,268 | 13.2% | 560,296 | 19.2% | 157.7% |
| Cash investments | 335,182 | 12.5% | 542,599 | 18.6% | 161.9% |
| Securities held to maturity | 335,182 | 12.5% | 542,599 | 18.6% | 161.9% |
| Judicial deposits | 2,022 | 0.1% | 986 | - | 48.8% |
| Tax credits | 646 | - | 556 | - | 86.1% |
| Other receivables | 70 | - | 70 | - | 100.0% |
| Deferred income tax and Social Contribution tax | 13,530 | 0.5% | 10,553 | 0.4% | 78.0% |
| Prepaid expenses | 3,818 | 0.1% | 5,532 | 0.2% | 144.9% |
| Investments | 412 | - | 412 | - | 100.0% |
| Property, plant and equipment | 368,179 | 13.7% | 402,396 | 13.8% | 109.3% |
| Intangible assets | 51,627 | 1.9% | 52,154 | 1.8% | 101.0% |
| Total assets | 2,682,013 | 100.0% | 2,917,254 | 100.0% | 108.8% |
| | | | | | |
| Liabilities and stockholders' equity | Dec. 31, 2014 | V.A. | Sep. 30, 2015 | V.A. | H.A. |
| Current | 282,003 | 10.5% | 344,383 | 11.8% | 122.1% |
| Loans and financings | 99,567 | 3.7% | 127,941 | 4.4% | 128.5% |
| Suppliers | 36,287 | 1.4% | 43,723 | 1.5% | 120.5% |
| Contractual obligations – Licensing | 16,288 | 0.6% | 22,699 | 0.8% | 139.4% |
| Commissions payable | 40,950 | 1.5% | 34,395 | 1.2% | 84.0% |
| Taxes | 14,980 | 0.6% | 22,284 | 0.8% | 148.8% |
| Income tax and Social Contribution tax payable | 4,434 | 0.2% | 2,967 | 0.1% | 66.9% |
| Social and labor obligations | 57,974 | 2.2% | 80,164 | 2.7% | 138.3% |
| Provision for employment-law litigation risk | 1,873 | 0.1% | 1,662 | 0.1% | 88.7% |
| Other accounts payable | 9,650 | 0.4% | 8,548 | 0.3% | 88.6% |
| Non-current | 72,076 | 2.7% | 78,050 | 2.7% | 108.3% |
| Loans and financings | 71,790 | 2.7% | 75,094 | 2.6% | 104.6% |
| Provision for employment-law litigation risk | 286 | - | 311 | - | 108.7% |
| Other debits | - | - | 2,645 | 0.1% | - |
| Consolidated Stockholders' equity | 2,327,934 | 86.8% | 2,494,821 | 85.5% | 107.2% |
| Interest of the controlling stockholders | 2,315,374 | 86.3% | 2,491,833 | 85.4% | 107.6% |
| Paid-up share capital | 1,231,302 | 45.9% | 1,231,302 | 42.2% | 100.0% |
| Valuation adjustment to Stockholders' equity | (2,346) | (0.1%) | 16,093 | 0.6% | (686.0%) |
| Capital reserves | 5,643 | 0.2% | 4,373 | 0.1% | 77.5% |
| Profit reserves | 1,091,616 | 40.7% | 1,187,359 | 40.7% | 108.8% |
| Shares in Treasury | (10,841) | (0.4%) | (1,052) | - | 9.7% |
| Retained earnings | - | - | 53,758 | 1.8% | - |
| Minority interests | 12,560 | 0.5% | 2,988 | 0.1% | 23.8% |
| Total liabilities and Stockholders' equity | 2,682,013 | 100.0% | 2,917,254 | 100.0% | 108.8% |

Comments on Performance

Appendix III – Consolidated Profit and loss account (R\$ '000)

| R\$ '000 | 3Q14 | % of net sales rev. | 3Q15 | % of net sales rev. | Change % 3Q14–3Q15 |
|---|----------------|---------------------|----------------|---------------------|--------------------|
| Domestic market | 590,822 | 98.3% | 556,776 | 90.5% | (5.8%) |
| Exports | 139,270 | 23.2% | 177,757 | 28.9% | 27.6% |
| Gross revenue from sales and services | 730,092 | 121.4% | 734,533 | 119.4% | 0.6% |
| <i>Sales returns and sales taxes</i> | (101,448) | (16.9%) | (92,679) | (15.1%) | (8.6%) |
| <i>Discounts given to clients</i> | (27,421) | (4.6%) | (26,592) | (4.3%) | (3.0%) |
| Deductions from sales | (128,869) | (21.4%) | (119,271) | (19.4%) | (7.4%) |
| Net sales revenue | 601,223 | 100.0% | 615,262 | 100.0% | 2.3% |
| Cost of goods sold | (314,664) | (52.3%) | (305,119) | (49.6%) | (3.0%) |
| Gross profit | 286,559 | 47.7% | 310,143 | 50.4% | 8.2% |
| Operational revenues (expenses) | (180,801) | (30.1%) | (186,698) | (30.3%) | 3.3% |
| Selling expenses | (155,506) | (25.9%) | (161,135) | (26.2%) | 3.6% |
| General and administrative expenses | (25,186) | (4.2%) | (27,033) | (4.4%) | 7.3% |
| Other operational revenues | 1,422 | 0.2% | 1,702 | 0.3% | 19.7% |
| Other operational expenses | (1,531) | (0.3%) | (232) | 0.0% | (84.8%) |
| EBIT (Operational profit before Fin. rev (exp.) and taxes) | 105,758 | 17.6% | 123,445 | 20.1% | 16.7% |
| Financial revenues | 56,544 | 9.4% | 104,004 | 16.9% | 83.9% |
| Financial expenses | (22,338) | (3.7%) | (83,557) | (13.6%) | 274.1% |
| Net financial revenues (expenses) | 34,206 | 5.7% | 20,447 | 3.3% | (40.2%) |
| Pretax profit | 139,964 | 23.3% | 143,892 | 23.4% | 2.8% |
| Income tax and Social Contribution tax: | | | | | |
| Current | (14,924) | (2.5%) | (12,198) | (2.0%) | (18.3%) |
| Deferred | 424 | 0.1% | (2,379) | (0.4%) | (661.1%) |
| Minority interests | 541 | 0.1% | 4,138 | 0.7% | 664.9% |
| Net profit, third quarter | 126,005 | 21.0% | 133,453 | 21.7% | 5.9% |
| Depreciation and amortization | 12,284 | 2.0% | 14,254 | 2.3% | 16.0% |
| EBITDA | 118,042 | 19.6% | 137,699 | 22.4% | 16.7% |

| R\$ '000 | 9M14 | % of net sales rev. | 9M15 | % of net sales rev. | Change % 9M14–9M15 |
|---|------------------|---------------------|------------------|---------------------|--------------------|
| Domestic market | 1,424,305 | 95.5% | 1,368,939 | 89.6% | (3.9%) |
| Exports | 409,948 | 27.5% | 466,180 | 30.5% | 13.7% |
| Gross revenue from sales and services | 1,834,253 | 122.9% | 1,835,119 | 120.1% | 0.1% |
| <i>Sales returns and sales taxes</i> | (269,166) | (18.0%) | (241,665) | (15.8%) | (10.2%) |
| <i>Discounts given to clients</i> | (73,056) | (4.9%) | (65,952) | (4.3%) | (9.7%) |
| Deductions from sales | (342,222) | (22.9%) | (307,617) | (20.1%) | (10.1%) |
| Net sales revenue | 1,492,031 | 100.0% | 1,527,502 | 100.0% | 2.4% |
| Cost of goods sold | (836,739) | (56.1%) | (810,374) | (53.1%) | (3.2%) |
| Gross profit | 655,292 | 43.9% | 717,128 | 46.9% | 9.4% |
| Operational revenues (expenses) | (438,222) | (29.4%) | (447,440) | (29.3%) | 2.1% |
| Selling expenses | (369,076) | (24.7%) | (371,426) | (24.3%) | 0.6% |
| General and administrative expenses | (66,668) | (4.5%) | (75,739) | (5.0%) | 13.6% |
| Other operational revenues | 5,499 | 0.4% | 4,993 | 0.3% | (9.2%) |
| Other operational expenses | (7,977) | (0.5%) | (5,268) | (0.3%) | (34.0%) |
| EBIT (Operational profit before Fin. rev (exp.) and taxes) | 217,070 | 14.5% | 269,688 | 17.7% | 24.2% |
| Financial revenues | 152,684 | 10.2% | 311,967 | 20.4% | 104.3% |
| Financial expenses | (56,616) | (3.8%) | (194,991) | (12.8%) | 244.4% |
| Net financial revenues (expenses) | 96,068 | 6.4% | 116,976 | 7.7% | 21.8% |
| Pretax profit | 313,138 | 21.0% | 386,664 | 25.3% | 23.5% |
| Income tax and Social Contribution tax: | | | | | |
| Current | (24,491) | (1.6%) | (36,102) | (2.4%) | 47.4% |
| Deferred | 2,194 | 0.1% | (2,420) | (0.2%) | (210.3%) |
| Minority interests | 4,110 | 0.3% | 8,972 | 0.6% | 118.3% |
| Net profit, nine months | 294,951 | 19.8% | 357,114 | 23.4% | 21.1% |
| Depreciation and amortization | 34,588 | 2.3% | 40,830 | 2.7% | 18.0% |
| EBITDA | 251,658 | 16.9% | 310,518 | 20.3% | 23.4% |

Comments on Performance**Appendix IV – Consolidated Statement of cash flow (R\$ '000)**

| Statements of cash flow | Sep. 30, 2014 | Sep. 30, 2015 |
|--|---------------|---------------|
| Cash flow from operations | | |
| Net profit for the period | 294,951 | 357,114 |
| Minority interests | 4,946 | (9,572) |
| Adjustments to reconcile profit to cash generated by operations: | | |
| Adjustments to Stockholders' equity | (2,706) | 18,439 |
| Depreciation and amortization | 34,588 | 40,830 |
| Deferred income tax and Social Contribution tax | 1,558 | 2,977 |
| Gain on sale and write-off of PP&E | 1,839 | 1,361 |
| Gain on sale and write-off of intangible assets | 959 | 26 |
| Stock purchase plan | 2,492 | 2,655 |
| Provision for doubtful receivables | (1) | 1,533 |
| Provision for punctuality discounts | (14,806) | (3,979) |
| Provision for obsolete inventory | 3,943 | 397 |
| Provision for employment-law litigation risk | (881) | (186) |
| Interest expenses on financing | 10,206 | 11,108 |
| Interest revenue on cash investments | (69,222) | (118,928) |
| FX variations, net | (2,784) | 15,962 |
| | 265,082 | 319,737 |
| Variations in assets and liabilities: | | |
| Accounts receivable from clients | 166,083 | 152,100 |
| Inventories | (57,327) | (85,369) |
| Other accounts payable | 65,590 | (56,093) |
| Suppliers | 7,693 | 7,436 |
| Social and labor obligations | 14,888 | 22,190 |
| Taxes | 11,060 | 7,304 |
| Income tax and Social Contribution tax payable | 2,554 | (1,467) |
| Other accounts payable | (1,571) | 1,399 |
| Net cash from operational activities | 474,052 | 367,237 |
| Cash flow from investment: | | |
| In PP&E | (75,923) | (63,679) |
| In Intangible assets | (20,418) | (6,571) |
| Cash investments | (1,786,570) | (2,104,112) |
| Redemption of cash investments | 1,504,217 | 1,908,733 |
| Interest received | 56,371 | 96,181 |
| Net cash flow used in investment activities | (322,323) | (169,448) |
| Cash flow in financing activities: | | |
| Loans contracted | 310,076 | 526,855 |
| Payment of loans | (277,233) | (518,933) |
| Interest paid | (15,235) | (10,025) |
| Dividends paid | (182,595) | (206,731) |
| Acquisition of treasury shares | (9,471) | (3,034) |
| Sale of shares in treasury for exercise of purchase options | 4,115 | 8,016 |
| Proceeds of sale of treasury shares | 384 | - |
| Net cash used in financing activities | (169,959) | (203,852) |
| Reduction in cash and cash equivalents | (18,230) | (6,063) |
| Statement of variation in cash and cash equivalents: | | |
| At start of period | 39,360 | 26,324 |
| At end of period | 21,130 | 20,261 |
| Reduction in cash and cash equivalents | (18,230) | (6,063) |

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

1. General information

Grendene S.A. (the "Company") is a publicly-held corporation headquartered in Sobral, State of Ceará, Brazil. The manufacturing operations are concentrated mainly in its headquarters located in the municipality of Sobral, State of Ceará. It also has industrial plants in the cities of Fortaleza and Crato in the State of Ceará, Teixeira de Freitas in the State of Bahia and in Farroupilha and Carlos Barbosa in the State of Rio Grande do Sul.

Grendene develops, manufactures, distributes and sells footwear for various uses and for all social classes, in the male, female, child and mass market segments.

Due to the characteristics of the footwear sector, the sales volume can fluctuate during the year and a higher sales volume is expected in the second half of the year. In management's opinion, the Company's operations are not impacted by these effects to the extent that would require additional disclosures or information in the notes to the quarterly information.

2. Basis of preparation and presentation of the quarterly information

Accounting policies and measurement methods adopted in the preparation of the parent company and consolidated quarterly information have not changed in relation to the financial statements at December 31, 2014.

a) Parent company and consolidated quarterly information

At the meeting of the executive board held on October 21, 2015, the quarterly information of Grendene S.A. were reviewed and revised, and their issuance was authorized.

The parent company quarterly information of the Company has been prepared in accordance with accounting policies adopted in Brazil and rules of the Brazilian Securities Commission (*Comissão de Valores Mobiliários – CVM*), obeying the accounting rules stated in the Brazilian Corporate Law legislation (Law 6406 of 1976) and also International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The Company has adopted all standards, revisions of standards and interpretations issued by IASB and that are effective for the quarterly information at September 30, 2015.

There are no non-current assets held for sale or discontinued operations at September 30, 2015 and December 31, 2014.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

2. Basis of preparation and presentation of the quarterly information--Continued

b) Standards and interpretations of standards not yet in effect

The standards that will be in effect for the year beginning January 1, 2016 are the following:

- **IFRS 11 – Joint Arrangements** – Guidelines concerning the criteria related to the accounting treatment for the acquisition of interest in joint arrangements in accordance with the concepts comprised in IFRS 3 (Business Combinations). The Company will evaluate this new rule, but it does not expect any impact from this rule on its quarterly information.
- **IAS 16 and IAS 38 – Clarification of depreciation and amortization methods** – The amendments provide additional guidelines on how depreciation or amortization of property, plant and equipment and intangible assets must be recorded. The amendments also clarify that the use of methods based on formulas to calculate depreciation of assets is not appropriate and limits their utilization to the amortization calculation. The Company will evaluate this new rule, but it does not expect any impact from this rule on its quarterly information.

The standard that will be in effect for the year beginning January 1, 2018 is the following:

- **IFRS 9 – Financial Instruments** – IFRS 9 Financial Instruments completes the first part of the project to replace "IAS 39 Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new approach is based on the manner in which an entity manages its financial instruments (its business model) and the contractual cash flow characteristic of financial assets. The standard also requires the adoption of only one method for determining losses on impairment of assets. The Company is evaluating this new rule, but it does not expect any impact from this rule on its quarterly information.

There are no other standards and interpretations issued but not yet adopted that may, in the opinion of management, have a significant impact on the Company's disclosed net income or equity.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

3. Consolidated quarterly information

The consolidated quarterly information includes the operations of the Company and its subsidiaries, as follows:

| Corporate name | Country | Percentage of interest | |
|--|----------------|------------------------|----------|
| | | 09/30/15 | 12/31/14 |
| Direct investment | | | |
| Grendene Argentina S.A. | Argentina | 95.00% | 95.00% |
| MHL Calçados Ltda. | Brazil | 99.998% | 99.998% |
| Grendene USA, Inc. | USA | 100.00% | 100.00% |
| Grendene UK Limited | United Kingdom | 100.00% | 100.00% |
| A3NP Indústria e Comércio de Móveis S.A. | Brazil | 42.50% | 42.50% |
| Indirect investment | | | |
| Grendene New York, L.L.C. (through Grendene USA, Inc.) | USA | 100.00% | 100.00% |
| Grendene Italy, S.R.L. (through Grendene UK Limited) | Italy | 100.00% | 100.00% |
| Z Plus EUR Company S.R.L. (through A3NP Indústria e Comércio de Móveis S.A.) | Italy | 42.50% | 42.50% |

The main characteristics of the subsidiaries included in the consolidation are as follows:

- **Grendene Argentina S.A.:** this company is headquartered in Argentina, and its main objectives are trading in and supplying the local market.
- **MHL Calçados Ltda.:** this company is headquartered in the State of Bahia, Brazil, and its main objectives are the manufacture and trading of footwear.
- **Grendene USA, Inc.:** this company is headquartered in the United States of America, and its main objective is to act as a sales representative by trading and distributing the Company's products in the American market. It is the parent company of Grendene New York, L.L.C., a company headquartered in the USA, which operates in the same segment.
- **Grendene UK Limited:** this company is headquartered in the United Kingdom, and its main objective is to act as a sales representative by trading and distributing the Company's products. It is the parent company of Grendene Italy S.R.L., a company headquartered in Italy, which operates in the same segment.
- **A3NP Indústria e Comércio de Móveis S.A.:** this company is headquartered in Brazil, and its purposes are to manufacture, sell, import and export furniture and supplements made from plastic. It is the parent company of Z Plus EUR Company S.R.L., a company headquartered in Italy, which operates in the same segment.

There were no investments in associates or joint ventures at September 30, 2015 and December 31, 2014.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

3. Consolidated quarterly information--Continued

The financial periods of the subsidiaries included in the consolidation coincide with those of the parent company and the accounting policies were uniformly applied in the subsidiaries and were consistent with the international financial reporting standards.

The main consolidation procedures are:

- Elimination of intercompany asset and liability accounts;
- Elimination of the equity interests, reserves and retained earnings of consolidated companies; and
- Elimination of intercompany revenues and expenses, as well as of unrealized profits from intercompany transactions.

4. Accounting policies

a) Revenue recognition

Revenue is recognized when the amount can be reliably measured and it is probable that future economic benefits will flow to the Company and its subsidiaries. Revenue is measured based on the fair value of the consideration received, net of discounts, rebates and taxes or charges on sales. The Company evaluates revenue transactions in accordance with specific criteria in order to determine if it is acting as agent or principal and ultimately concluded that it has been acting as principal in all its revenue contracts. Revenue is not recognized when there is significant uncertainty about its realization. Revenues and expenses are recognized on the accrual basis.

a.1) *Sales revenue*

The revenue from the sale of products is recognized when all the risks and rewards inherent to the product have been transferred to the buyer and the Company and its subsidiaries no longer have control over, or responsibility for, the product sold.

a.2) *Finance income*

Interest income is recognized as finance income utilizing the effective interest rate method.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

4. Accounting policies--Continued

b) Translation of balances denominated in foreign currency

b.1) *Functional and presentation currency of the quarterly information*

The Company's functional currency is the Brazilian Real, which is the currency also utilized for the preparation and presentation of the parent company and consolidated quarterly information. The quarterly information of each subsidiary included in the consolidation, as well as those utilized as a basis to account for investments under the equity method, are prepared based on the functional currency of each entity. For subsidiaries located abroad which management has concluded have administrative, financial and operational independence, assets and liabilities are translated into Reais at the period-end exchange rate and the results are calculated at the average monthly exchange rates for the year.

b.2) *Transactions denominated in foreign currency*

In the parent company quarterly information, subsidiaries are accounted for using the equity method, and their results are recognized in proportion to the Company's investment, as "equity in the results of investees". Adjustments to the investment account arising from foreign exchange variation are recognized in the Company's equity, as carrying value adjustments. For consolidation purposes, the quarterly information of these subsidiaries are included in the consolidated quarterly information and adjustments arising from foreign exchange variation on assets and liabilities denominated in U.S. dollars, Argentinean Pesos, Pound Sterling and Euro are recognized in consolidated equity, as carrying value adjustments.

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency (Real) at the exchange rate in effect at the end of the reporting period. Gains and losses resulting from the remeasurement of these assets and liabilities, at the exchange rate in effect at the transaction date and at the end of the years, are recognized as finance income or costs in the profit and loss account.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

4. Accounting policies--Continued

c) Financial instruments

Financial instruments are only recognized when the Company or its subsidiaries become parties to the contractual provisions of the instruments. Financial instruments are initially recognized at fair value, plus transaction costs directly attributable to their acquisition or issue, except for financial assets and liabilities classified as "at fair value through profit or loss", when these costs are recognized directly in the results.

Subsequent measurement

Financial instruments are subsequently measured, at each reporting date, in accordance with the rules established for each category of financial assets and liabilities.

c.1) *Financial assets*

Financial assets are classified in the categories below in accordance with the purpose for which they are acquired or issued:

- a) Financial assets at fair value through profit or loss: an instrument is classified as at fair value through profit or loss when it is held for trading, that is, designated as such at initial recognition. Financial assets are classified as held for trading if acquired for sale or repurchase in the short-term. Derivatives are also categorized as held for trading. At the end of each reporting period, the assets are measured at fair value. Interest, monetary restatements, foreign exchange variations and variations arising from fair value measurements are recognized in the results when incurred.
- b) Investments held-to-maturity: non-derivative financial assets with fixed or determinable payments and defined maturities for which the Company has the positive intent and ability to hold to maturity. After initial recognition they are measured at amortized cost using the effective interest rate method, less any impairment. Interest, monetary restatement and foreign exchange variation are recognized in profit or loss when incurred.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

4. Accounting policies--Continued

c) Financial instruments--Continued

c.1) *Financial assets*--Continued

- c) Loans and receivables: non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortized cost, using the effective interest rate method. Interests, monetary restatement, foreign exchange variation, less impairment, where applicable, are recognized immediately in profit or loss, as finance income or costs.
- d) Available-for-sale financial assets: where applicable, are included in this classification the financial assets that do not qualify for categories c.1a, c.1b. and c.1c above. Subsequent to initial recognition, they are measured at fair value and their fluctuations, except any impairment, as well as foreign currency differences of these instruments are recognized directly in equity, net of tax effects. These tax effects are recognized against a deferred income tax and social contribution asset/liability. When an investment is derecognized, the gain or loss accumulated in equity is transferred to the results.

The main financial assets recognized by the Company and its subsidiaries are: cash and cash equivalents, financial investments, trade receivables and derivatives.

c.2) *Financial liabilities*

Financial liabilities are classified in the categories below in accordance with the purpose for which they are contracted or issued:

- a) Financial liabilities at fair value through profit or loss: these include financial liabilities usually traded before maturity, liabilities designated at initial recognition at fair value through profit or loss and derivatives. At the end of each reporting period, they are measured at fair value. Interest, monetary restatement, foreign exchange variation and variations arising from fair value measurement, when applicable, are recognized immediately in profit or loss.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

4. Accounting policies--Continued

c) Financial instruments--Continued

c.2) *Financial liabilities*--Continued

b) Financial liabilities measured at amortized cost: non-derivative financial liabilities that are not usually traded before maturity. After initial recognition they are measured at amortized cost, using the effective interest rate method. Interest, monetary restatement and foreign exchange variation, when applicable, are recognized immediately in profit or loss.

The main financial liabilities recognized by the Company and its subsidiaries are: borrowings e trade payables.

c.3) *Offsetting of financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legal right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

c.4) *Market value*

The fair values of financial instruments actively traded in organized markets are determined based on quoted market prices at the end of the reporting period. In the absence of an active market, the fair value is determined by using valuation techniques. These techniques include the use of recent market transactions between independent parties, discounted cash flow analysis or other valuation methods. The financial instruments and their respective fair values are disclosed in Note 18.a.

c.5) *Impairment of financial instruments*

Financial assets that are not classified at fair value through profit or loss are tested annually for impairment. Financial assets are considered impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

4. Accounting policies--Continued

c) Financial instruments--Continued

c.6) *Derivative financial instruments and hedging activities*

The Company operates with derivative financial instruments, mainly hedging transactions. Derivative instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Although the Company uses derivatives for hedging purposes protection, it does not adopt the hedge accounting practice.

The fair values of derivative instruments used for hedging purposes are disclosed in Note 18.b. The Company does not have speculative derivatives.

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks and financial investments redeemable within 90 days from the investment date, and with immaterial risk of change in value. Financial investments included in cash equivalents are mostly classified as "financial assets at fair value through profit or loss" (Note 6).

e) Financial investments

The classification of financial investments depends on the purpose for which the investment was acquired and it is measured, according to the category, as described in Note 4.c.1. Where applicable, costs directly attributable to the acquisition of a financial asset are added to the amount originally recognized.

f) Trade receivables

Trade receivables are stated at realizable values, and trade receivables in the foreign market are remeasured at the exchange rates in effect at the reporting date.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

4. Accounting policies--Continued

f) Trade receivables--Continued

Provisions have been made, in amounts considered sufficient by management, for estimated losses due to impairment of trade receivables and for the estimated total of prompt payment discounts. The criterion for constitution of the provision for impairment of trade receivables takes into consideration the analysis of credit risks of the customers who have receivables overdue for more than 180 days, not considering those that have court or out-of-court settlements or guarantees.

The provision made for the prompt payment discount is the estimated amount of discounts to be granted on trade receivables for payment of trade notes on due dates, and is recorded in Sales deductions.

Information related to the breakdown of trade receivables into amounts not yet due and past due is included in Note 7.

g) Inventories

Inventories are stated at average acquisition or production cost, which does not exceed their net realizable values. Net realizable value is calculated as the sales price in the normal course of business, less costs to be incurred to realize the sale.

Provisions for slow-moving or obsolete inventories (in good condition, but no longer of use for the Company's business) are recorded taking into consideration the history of resale of these inventories, in which the Company recovers part of the cost, resulting in an average percentage of non-recovery which is applied to the balance of inventories classified as slow-moving or obsolete. The Company's management considers that the provision recorded is sufficient to cover losses arising from slow-moving or obsolete inventories.

h) Investments

In the parent company financial statements, investments in subsidiaries are accounted for using the equity method. Other investments are stated at cost and adjusted to market value, where applicable.

Upon the acquisition of the investment, any differences between the investment cost and the portion of the investor in the net fair value of the identifiable assets and liabilities of the investee must be recorded as goodwill.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

4. Accounting policies--Continued

i) Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition or construction. Cost includes expenditure that is directly attributable to the acquisition of the items. The depreciation of assets is calculated using the straight-line method at the rates mentioned in Note 11 and takes into consideration the estimated useful lives of assets. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Property, plant and equipment are recognized net of the Social Integration Program (PIS), Social Contribution on Revenues (COFINS) and Value-added Tax on Sales and Services (ICMS) credits, which are recorded in taxes recoverable.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these costs will flow to the Group and they can be measured reliably. The carrying amount of the replaced items or parts is derecognized. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

The carrying amount of property, plant and equipment items is reviewed whenever events or changes in circumstances indicate that the amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped in CGUs.

The Company did not identify indications of impairment of its property, plant and equipment items at September 30, 2015 and December 31, 2014, in accordance with technical pronouncement CPC 01 – R1 (IAS 36) – Impairment of Assets.

j) Intangible assets

Intangible assets refer to separately acquired intangible assets, which are initially recognized at acquisition cost and, subsequently, less accumulated amortization. The Company's intangible assets have finite useful lives. Amortization is calculated using the straight-line method at the rates mentioned in Note 12.

Goodwill represents the excess of the cost of an acquisition over the net fair value of assets and liabilities of the acquired entity. Goodwill on acquisitions of subsidiaries is recorded as "Intangible assets" in the consolidated quarterly information.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

4. Accounting policies--Continued

j) Intangible assets--Continued

The carrying amount of an intangible asset is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped in CGUs. The Company did not identify any item requiring a provision for impairment at September 30, 2015 and December 31, 2014.

k) Other assets and liabilities

Assets and liabilities are classified as current when it is probable that their realization or settlement will occur within the next twelve months. Otherwise, they are presented as non-current.

l) Taxation

l.1) *Current income tax and social contribution tax*

Current tax assets and liabilities for the year and prior years are measured at the expected amount recoverable from or payable to the tax authorities. The tax rates and tax laws used to calculate the amount are those enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income.

l.2) *Deferred income tax and social contribution tax*

The book profit is adjusted for temporarily non-deductible expenses or temporarily non-taxable income in order to calculate current taxable income, thereby generating deferred tax assets or liabilities. Amounts relating to the impacts of deferred tax assets and liabilities are recognized and classified in non-current assets and/or liabilities.

Deferred tax assets relating to temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxes are reviewed at the end of each reporting period and, if necessary, a provision for loss is recognized when it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

4. Accounting policies--Continued

l) Taxation--Continued

l.2) *Deferred income tax and social contribution tax*--Continued

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset the current tax asset against the current tax liability, and if they are related to taxes administered by the same tax authority with respect to the same taxable entity.

m) Government grants for investments

Tax incentives correspond to: (i) reduction of 75% in income tax levied on profits of the business in the states of Ceará and Bahia, calculated based on operating profit; and (ii) ICMS tax incentives related to operating activities located in such states (Note 16).

Government grants are recognized when there is reasonable assurance that the conditions established in the agreements were fulfilled. They are recognized as revenue in the profit and loss account over the year necessary to match the expense that the government grant intends to compensate and, subsequently, they are transferred to the revenue reserve, within "Tax incentives" in equity. The amounts from state incentives may have different applications, as provided for by Law 11,941 of May 27, 2009.

n) Share-based payments

The Company's directors and managers receive compensation in the form of a share-based payment (grant of share purchase options), in which employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees, and of options granted, is measured based on the fair value at the grant date. The Company uses pricing and valuation techniques to determine fair value.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

4. Accounting policies--Continued

n) Share-based payments--Continued

The cost of equity-settled transactions is recognized, together with a corresponding credit in equity, over the year in which the performance and/or service condition are fulfilled, ending on the date in which the employee is fully entitled to exercise the option (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity securities to be acquired. The expense in the profit and loss account for the year is recognized in "personnel expenses" and represents the change in the cumulative expenses recognized at the beginning and end of that year, as presented in Note 20.

The effect of outstanding options on diluted earnings per share is disclosed in Note 15.g.

o) Segment information

The segments of the Company and its subsidiaries are as follows: (i) production and sale of synthetic footwear for domestic and foreign markets and (ii) sale, import and export of furniture and supplements made from plastic. Segment information is presented in Note 22.

p) Adjustment of assets and liabilities to present value

Current monetary assets and liabilities are adjusted to present value when the effect is considered material in relation to the quarterly information taken as a whole. At September 30, 2015 and December 31, 2014, only trade receivables transactions were considered material and adjusted to their present values. There were no other current or non-current components that required adjustment to present value. The adjustment to present value is calculated considering the cash flows of the transactions and the implicit interest rates of the related assets. Therefore, interest embedded in revenues is discounted in order to recognize it in conformity with the accrual basis of accounting. This interest is subsequently reallocated to finance income, in the profit and loss account, using the effective interest rate method in relation to the contractual cash flows. The implicit interest rates applied were determined based on assumptions and are considered as accounting estimates.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

4. Accounting policies--Continued

q) Accounting judgments, estimates and assumptions

The preparation of the quarterly information of the Company and its subsidiaries requires management to make judgments and estimates and adopt assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities at the reporting date. However, the uncertainty related to these assumptions and estimates could lead to results that would require a significant adjustment to the carrying amount of the respective asset or liability in future years. The areas involving a higher degree of judgment, or areas where assumptions and estimates are significant to the quarterly information, are disclosed in Note 5.

r) Borrowings

Borrowings are stated at contractual amounts, plus agreed-upon charges including interest and monetary restatement or foreign exchange variations. After initial recognition they are measured at amortized cost, using the effective interest rate method.

s) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. When a provision is expected to be fully or partially reimbursed, for example, in connection with an insurance contract, the reimbursement is recognized as a separate asset, but only when the receipt is virtually certain. The expense related to any provision is presented in the profit and loss account, net of any reimbursement.

t) Presentation of the statements of cash flows and value added

The statements of cash flows were prepared in accordance with the indirect method and are presented in accordance with technical pronouncement CPC 03 – R2 (IAS 7) – Statement of Cash Flows. Changes in financial investments are shown in investing activities. The statement of value added was prepared in accordance with technical pronouncement CPC 09 – Statement of Value Added.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

4. Accounting policies--Continued

u) Treasury shares

The Company's own equity instruments that are repurchased (treasury shares) are recorded at cost, as a reduction of equity. No gain or loss is recognized in the profit and loss account on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration received on sale is recognized in capital or revenue reserves.

5. Accounting estimates and assumptions

The main assumptions related to sources of uncertainty in future estimates and other important sources of uncertainty in estimates at the end of the reporting period, involving a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year, are presented below.

Impairment of non-financial assets: An impairment loss is recognized when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The calculation of fair value less costs to sell is based on available information on sales of similar assets or market prices, reduced of costs incurred to carry out the sale. The value-in-use calculation is based on the discounted cash flow model. Cash flows derive from estimates of results for the following five years and do not include restructuring activities to which the Company is not yet committed or significant future investments that will improve the asset base of the cash generating unit subject to test. The recoverable amount is influenced by the discount rate used under the discounted cash flow method, as well as by the expected future cash receipts and the growth rate used for extrapolation purposes.

Taxes: Tax regulations in Brazil are complex, which raises uncertainties as to their interpretation and to the amount and timing of future taxable profits. Accordingly, any differences between actual results and assumptions adopted, or future changes in these assumptions, could require future adjustments to the tax credits and expenses already recognized. The Company did not recognize a provision in this respect based on several factors, such as experience of past tax audits, diverging interpretations of tax regulations, and systematic assessments carried out jointly by the Company's management and its tax advisors.

Explanatory Notes**GRENDENE S.A.**

Notes to the quarterly information--Continued

September 30, 2015 and December 31, 2014

(All amounts in thousands of reais)

5. Accounting estimates and assumptions--Continued

Fair value of financial instruments: When the fair value of financial assets and liabilities stated in the balance sheet cannot be obtained from active markets, it is determined using valuation techniques, including the discounted cash flow method. The data for these methods is based on those practiced in the market, whenever possible. However, when this is not possible, a certain level of judgment is required to establish the fair value. Judgment includes considerations on data utilized, such as liquidity risk, credit risk and volatility. Changes in assumptions concerning these factors could affect the reported fair value of the financial instruments.

Provisions for labor, tax and civil risks: The assessment of the likelihood of loss includes the evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their importance in the legal system, as well as the opinion of outside legal advisors. Provisions are reviewed and adjusted to take into consideration changes in circumstances, such as applicable statute of limitation periods, conclusions arising from tax audits or additional exposures identified based on new issues or court decisions.

Other significant items subject to estimates include: the selection of useful lives of property, plant and equipment and intangible assets; provision for impairment of trade receivables; provision for prompt payment discount; provision for inventory losses; deferred income tax and social contribution tax; rates and periods used to determine the present value adjustment of certain assets and liabilities; fair value of share-based payment; and financial instrument sensitivity analyses.

6. Cash and cash equivalents and financial investments

| | Parent company | | Consolidated | |
|---|----------------|-----------|--------------|-----------|
| | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 |
| Cash and cash equivalents | | | | |
| Cash and banks | 1,309 | 4,289 | 6,228 | 13,778 |
| Financial investments | 4,018 | 4,236 | 14,033 | 12,546 |
| Total cash and cash equivalents | 5,327 | 8,525 | 20,261 | 26,324 |
| Financial investments | | | | |
| Securities at fair value through profit or loss | 244,246 | 379,572 | 244,246 | 379,572 |
| Investments held-to-maturity | 943,534 | 590,082 | 943,534 | 590,082 |
| | 1,187,780 | 969,654 | 1,187,780 | 969,654 |
| (-) Total current assets | (645,181) | (634,472) | (645,181) | (634,472) |
| Total non-current assets | 542,599 | 335,182 | 542,599 | 335,182 |
| Total | 1,193,107 | 978,179 | 1,208,041 | 995,978 |

Explanatory Notes**GRENDENE S.A.**

Notes to the quarterly information--Continued

September 30, 2015 and December 31, 2014

(All amounts in thousands of reais)

6. Cash and cash equivalents and financial investments--Continued

Cash and banks are substantially represented by non-interest-bearing bank deposits. Financial investments classified as cash equivalents refer to short-term investments redeemable no later than three months from the acquisition date.

Financial investments are classified as "Securities at fair value through profit or loss", and "Securities held-to-maturity ", according to the Company's investment strategy.

7. Trade receivables

| | Parent company | | Consolidated | |
|-------------------------------------|-----------------|----------|-----------------|----------|
| | 9/30/15 | 12/31/14 | 09/30/15 | 12/31/14 |
| Not yet due | 695,295 | 828,320 | 736,099 | 884,595 |
| Overdue for up to 30 days | 36,092 | 46,926 | 37,090 | 50,896 |
| Overdue from 31 to 60 days | 6,540 | 3,843 | 7,066 | 5,643 |
| Overdue from 61 to 90 days | 2,381 | 3,798 | 2,896 | 4,454 |
| Past due for more than 91 days | 19,984 | 9,514 | 21,210 | 10,646 |
| | 760,292 | 892,401 | 804,361 | 956,234 |
| Provision for doubtful receivables | (5,215) | (4,918) | (7,298) | (5,765) |
| Provision for punctuality discounts | (23,038) | (26,958) | (23,075) | (27,054) |
| Adjustment to Present Value (AVP) | (11,244) | (10,997) | (16,298) | (16,071) |
| | 720,795 | 849,528 | 757,690 | 907,344 |

At September 30, 2015 and December 31, 2014, the average collection periods for the domestic market are 92 and 97 days, respectively, and for the foreign market 80 and 85 days, respectively.

There are no liens, pledges and/or restrictions to the trade receivables amounts.

The provisions for past due receivables are as follows:

Explanatory Notes**GRENDENE S.A.**

Notes to the quarterly information--Continued

September 30, 2015 and December 31, 2014

(All amounts in thousands of reais)

7. Trade receivables--Continued

| | Parent company | | | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 9/30/15 | | 12/31/14 | |
| | Balance | Provision | Balance | Provision |
| Not yet due | 695,295 | - | 828,320 | - |
| Overdue for up to 30 days | 36,092 | - | 46,926 | - |
| Overdue from 31 to 60 days | 6,540 | (7) | 3,843 | - |
| Overdue from 61 to 90 days | 2,381 | (46) | 3,798 | (8) |
| Past due for more than 91 days | 19,984 | (5,162) | 9,514 | (4,910) |
| | 760,292 | (5,215) | 892,401 | (4,918) |

| | Consolidated | | | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 9/30/15 | | 12/31/14 | |
| | Balance | Provision | Balance | Provision |
| Not yet due | 736,099 | - | 884,595 | - |
| Overdue for up to 30 days | 37,090 | - | 50,896 | - |
| Overdue from 31 to 60 days | 7,066 | (7) | 5,643 | - |
| Overdue from 61 to 90 days | 2,896 | (46) | 4,454 | (8) |
| Past due for more than 91 days | 21,210 | (7,245) | 10,646 | (5,757) |
| | 804,361 | (7,298) | 956,234 | (5,765) |

The changes in the provisions for doubtful receivables were as follows:

| | Parent company | | Consolidated | |
|-----------------------------------|----------------|----------|----------------|----------|
| | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 |
| Balance at start of period | (4,918) | (3,219) | (5,765) | (3,489) |
| Additions | (6,104) | (6,163) | (8,305) | (7,248) |
| Realizations | 4,510 | 3,527 | 4,530 | 3,592 |
| Reversals | 1,297 | 937 | 2,568 | 1,386 |
| Exchange variation | - | - | (326) | (6) |
| Balance at end of period | (5,215) | (4,918) | (7,298) | (5,765) |

The changes in the provision for prompt payment discount were as follows:

| | Parent company | | Consolidated | |
|-----------------------------------|-----------------|-----------|-----------------|-----------|
| | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 |
| Balance at start of period | (26,958) | (38,551) | (27,054) | (39,013) |
| Additions | (62,076) | (100,155) | (62,212) | (100,510) |
| Realizations | 54,476 | 96,383 | 54,623 | 97,051 |
| Reversals | 11,520 | 15,365 | 11,568 | 15,418 |
| Balance at end of period | (23,038) | (26,958) | (23,075) | (27,054) |

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

8. Inventories

| | Parent company | | Consolidated | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 |
| Footwear | 83,490 | 33,902 | 113,115 | 54,092 |
| Furniture | - | - | 2,917 | 258 |
| Components | 31,125 | 34,431 | 31,399 | 34,700 |
| Raw materials | 76,531 | 58,629 | 76,626 | 58,730 |
| Packaging materials | 11,703 | 12,562 | 11,729 | 12,613 |
| Intermediate and other materials | 30,962 | 28,183 | 31,079 | 28,328 |
| Goods for resale | 729 | 434 | 729 | 434 |
| Advances to suppliers | 11,262 | 8,244 | 11,262 | 8,244 |
| Imports in transit | 15,809 | 10,678 | 15,809 | 10,678 |
| Inventories held by third parties | 11,519 | 12,739 | 11,520 | 12,739 |
| Provision for obsolete inventory | (7,079) | (6,719) | (7,194) | (6,797) |
| | 266,051 | 193,083 | 298,991 | 214,019 |

The changes in the provision for adjustment of obsolete inventories were as follows:

| | Parent company | | Consolidated | |
|-----------------------------------|----------------|----------|----------------|----------|
| | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 |
| Balance at start of period | (6,719) | (4,046) | (6,797) | (4,794) |
| Additions | (6,873) | (13,080) | (7,451) | (15,521) |
| Realizations | 2,678 | 3,402 | 2,678 | 3,402 |
| Reversals | 3,835 | 7,005 | 4,424 | 10,099 |
| Exchange variation | - | - | (48) | 17 |
| Balance at end of period | (7,079) | (6,719) | (7,194) | (6,797) |

There are no liens, pledges and/or restrictions to the full utilization of the inventories.

9. Tax credits

| | Parent company | | Consolidated | |
|--|----------------|----------|-----------------|----------|
| | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 |
| Withholding Income Tax (IRRF) | 5,098 | 41 | 5,335 | 434 |
| Excise tax (IPI) recoverable | 65 | 42 | 373 | 258 |
| Value-added Tax on Sales and Services (ICMS) recoverable | 2,772 | 3,416 | 4,913 | 5,561 |
| Social Integration Program (PIS) recoverable | 55 | 55 | 106 | 55 |
| Social Contribution on Revenues (COFINS) recoverable | 254 | 252 | 489 | 252 |
| INSS recoverable | 19 | 1,908 | 33 | 1,922 |
| Other | 1,281 | 521 | 1,281 | 521 |
| Taxes recoverable – Subsidiaries abroad | - | - | 7,457 | 3,348 |
| | 9,544 | 6,235 | 19,987 | 12,351 |
| (-) Total current assets | (8,988) | (5,589) | (19,431) | (11,705) |
| Total non-current assets | 556 | 646 | 556 | 646 |

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

9. Tax credits--Continued

a) IRRF

IRRF refers to withholding income tax on the redemption of financial investments. These credits are realizable through the offset against federal taxes and contributions.

b) ICMS and IPI recoverable

The balances were generated from sales transactions and can be offset against taxes of the same nature.

c) PIS and COFINS recoverable

Refer to PIS and COFINS balances to be offset against federal taxes and contributions.

d) National Institute of Social Security (INSS) recoverable

Corresponds to the INSS balance, to be offset with the tax.

10. Investments

a) Breakdown of investments

The Company's investments are as follows:

| | Parent company | | Consolidated | |
|------------------------------------|----------------|---------------|--------------|------------|
| | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 |
| Subsidiaries | 72,381 | 79,693 | - | - |
| Goodwill of subsidiary | 8,862 | 8,862 | - | - |
| Unrealized profits in subsidiaries | (4,391) | (2,863) | - | - |
| Other investments | 412 | 412 | 412 | 412 |
| | <u>77,264</u> | <u>86,104</u> | <u>412</u> | <u>412</u> |

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

10. Investments--Continued

b) Changes in investments

The changes in investments are as follows:

| | Parent company | | Consolidated | |
|---|-----------------|----------|--------------|----------|
| | 9/30/15 | 9/30/14 | 9/30/15 | 12/31/14 |
| Balance at start of period | 86,104 | 63,373 | 412 | 877 |
| Acquisition of subsidiaries | - | 7,738 | - | - |
| Goodwill of subsidiary | - | 5,721 | - | - |
| Capital increase in subsidiary | 1,893 | 18,006 | - | - |
| Disposals | - | (465) | - | (465) |
| Equity in the results of investees | (29,172) | (10,393) | - | - |
| Exchange differences on subsidiaries abroad | 18,439 | 2,124 | - | - |
| Balance at end of period | 77,264 | 86,104 | 412 | 412 |

c) A3NP Indústria e Comércio de Móveis S.A.

The parent company recognized goodwill of R\$8,862, arising from the acquisition of this subsidiary, based on the expected future profitability associated with development of new technologies and new markets, with the assumption of the opportunity of operating in the segment of furniture and supplements manufactured from plastic, in industrial scale, with sophisticated design and affordable for the middle class.

The approved investment is R\$52 million for the initial activities, and Grendene S.A. is responsible for R\$22.1 million, which corresponds to 42.5% relating to its interest in the total capital of this subsidiary which was still not fully paid.

d) Summarized financial information of direct and indirect subsidiaries (consolidated)

| | Grendene Argentina S.A. (*) | | MHL Calçados Ltda. | | Grendene USA, Inc. (*) (**) | | Grendene UK Limited (*) (**) | | A3NP Indústria e Comércio de Móveis S.A. (*) (**) | |
|---------------------------------|-----------------------------|----------|--------------------|----------|-----------------------------|----------|------------------------------|----------|---|----------|
| | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 |
| Current assets | 79,893 | 91,112 | 13,067 | 13,348 | 27,086 | 28,070 | 11,792 | 5,722 | 5,992 | 5,817 |
| Non-current assets | 1,638 | 2,788 | 1,124 | 1,248 | 10,118 | 7,385 | 16,310 | 11,835 | 28,766 | 19,941 |
| Total assets | 81,531 | 93,900 | 14,191 | 14,596 | 37,204 | 35,455 | 28,102 | 17,557 | 34,758 | 25,758 |
| Current liabilities | 65,384 | 72,637 | 657 | 1,004 | 5,807 | 11,591 | 5,954 | 3,823 | 16,214 | 5,764 |
| Non-current liabilities | - | - | 180 | 194 | - | - | 11,470 | - | 14,752 | - |
| Total liabilities | 65,384 | 72,637 | 837 | 1,198 | 5,807 | 11,591 | 17,424 | 3,823 | 30,966 | 5,764 |
| Equity of subsidiaries | 16,147 | 21,263 | 13,354 | 13,398 | 31,397 | 23,864 | 10,678 | 13,734 | 3,792 | 19,994 |
| Percentage of interest | 95.00% | 95.00% | 99.998% | 99.998% | 100.00% | 100.00% | 100.00% | 100.00% | 42.50% | 42.50% |
| Interest in equity (investment) | 15,340 | 20,200 | 13,354 | 13,398 | 31,397 | 23,864 | 10,678 | 13,734 | 1,612 | 8,497 |

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

10. Investments--Continued

d) Summarized financial information of direct and indirect subsidiaries (consolidated) --Continued

| | Grendene Argentina S.A. (*) | | MHL Calçados Ltda. | | Grendene USA, Inc. (*) (**) | | Grendene UK Limited (*) (**) | | A3NP Indústria e Comércio de Móveis S.A. (*) (**) | |
|---|-----------------------------|----------|--------------------|----------|-----------------------------|----------|------------------------------|----------|---|----------|
| | 9/30/15 | 9/30/14 | 9/30/15 | 09/30/14 | 9/30/15 | 09/30/14 | 9/30/15 | 09/30/14 | 9/30/15 | 09/30/14 |
| Revenue | 37,499 | 71,005 | 4,441 | 7,421 | 27,855 | 24,291 | 7,498 | 5,191 | 1,564 | 1,673 |
| Costs and expenses | (46,415) | (70,431) | (4,485) | (8,055) | (33,148) | (25,103) | (15,033) | (7,072) | (16,392) | (8,872) |
| Profit (loss) of the subsidiaries for the period | (8,916) | 574 | (44) | (634) | (5,293) | (812) | (7,535) | (1,881) | (14,828) | (7,199) |
| Percentage of interest | 95.00% | 95.00% | 99.998% | 99.998% | 100.00% | 100.00% | 100.00% | 100.00% | 42.50% | 42.50% |
| Equity in the results of investees | (8,470) | 545 | (44) | (634) | (5,293) | (812) | (7,535) | (1,881) | (6,302) | (3,060) |
| Unrealized profits | (742) | (152) | - | - | (906) | 1,471 | 120 | (165) | - | - |
| Total equity in results of subsidiaries | (9,212) | 393 | (44) | (634) | (6,199) | 659 | (7,415) | (2,046) | (6,302) | (3,060) |
| Net cash provided by (used in) operating activities | 12,550 | 29,657 | 1,059 | 1,634 | (5,051) | (3,143) | (10,364) | 8,661 | (10,163) | (5,242) |
| Net cash provided by (used in) investing activities | - | - | (20) | (30) | (35) | (172) | 11,240 | (6,675) | (11,392) | (11,678) |
| Net cash provided by (used in) financing activities | (11,476) | (30,980) | - | - | 1,893 | 3,344 | - | - | 18,094 | 16,199 |
| Foreign exchange variation on cash and cash equivalents | - | - | - | - | - | - | - | - | - | (103) |
| Increase (decrease) in cash and cash equivalents | 1,074 | (1,323) | 1,039 | 1,604 | (3,193) | 29 | 876 | 1,986 | (3,461) | (824) |

(*) Audited by other independent auditors.

(**) Amount consolidated in the subsidiary Grendene USA Inc. and indirect subsidiary Grendene New York L.L.C.; Amount consolidated in the subsidiary Grendene UK Limited and indirect subsidiary Grendene Italy, S.R.L.; and Amount consolidated in the subsidiary A3NP Indústria e Comércio de Móveis S.A. and indirect subsidiary Z Plus EUR Company S.R.L.

11. Property, plant and equipment

| | Parent Company | | | | | | | Total | Total |
|------------------------------------|--|--|------------------------|---------------------------|-----------------|------------|-----------|-----------|-------|
| | 9/30/15 | | | | | | | | |
| | Land, buildings, facilities and leasehold improvements | Machinery, equipment, tools and parts and replacement sets | Furniture and fittings | Data processing equipment | PPE in progress | Other | Total | Total | |
| Cost of PPE | | | | | | | | | |
| Balance at start of period | 302,737 | 297,542 | 19,857 | 25,221 | 14,418 | 4,620 | 664,395 | 595,077 | |
| Purchases | 630 | 29,498 | 1,220 | 2,499 | 21,201 | 10 | 55,058 | 80,408 | |
| Disposals | (32) | (5,356) | (91) | (475) | (699) | (105) | (6,758) | (11,090) | |
| Transfers | 16,192 | 1,748 | 1,102 | 139 | (19,415) | 234 | - | - | |
| Balance at end of period | 319,527 | 323,432 | 22,088 | 27,384 | 15,505 | 4,759 | 712,695 | 664,395 | |
| Accumulated depreciation(*) | 4%, 10% and 20% | 10% and 20% | 10% | 20% | - | 5% and 10% | - | - | |
| Balance at start of period | (137,834) | (154,300) | (9,088) | (15,585) | - | (1,677) | (318,484) | (288,847) | |
| Depreciation | (11,626) | (15,789) | (1,244) | (2,331) | - | (463) | (31,453) | (37,974) | |
| Disposals | 5 | 4,941 | 60 | 435 | - | 61 | 5,502 | 8,337 | |
| Transfers | 57 | 1 | - | (58) | - | - | - | - | |
| Balance at end of period | (149,398) | (165,147) | (10,272) | (17,539) | - | (2,079) | (344,435) | (318,484) | |
| Net book value | | | | | | | | | |
| At 12/31/2014 | 164,903 | 143,242 | 10,769 | 9,636 | 14,418 | 2,943 | 345,911 | 345,911 | |
| At 9/30/2015 | 170,129 | 158,285 | 11,816 | 9,845 | 15,505 | 2,680 | 368,260 | | |

Explanatory Notes**GRENDENE S.A.**

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

11. Property, plant and equipment--Continued

| | Consolidated | | | | | | | 12/31/14 |
|------------------------------------|--|--|------------------------|---------------------------|-----------------|----------------|------------------|-----------|
| | 9/30/15 | | | | | | | |
| | Land, buildings, facilities and leasehold improvements | Machinery, equipment, tools and parts and replacement sets | Furniture and fittings | Data processing equipment | PPE in progress | Other | Total | Total |
| Cost of PPE | | | | | | | | |
| Balance at start of period | 317,899 | 299,783 | 21,568 | 26,334 | 14,418 | 12,604 | 692,606 | 607,899 |
| Purchases | 5,031 | 29,507 | 2,143 | 2,627 | 21,201 | 3,170 | 63,679 | 94,304 |
| Disposals | (77) | (5,356) | (97) | (482) | (699) | (152) | (6,863) | (11,298) |
| Transfers | 16,192 | 1,748 | 1,102 | 139 | (19,415) | 234 | - | - |
| Foreign exchange variation | 6,983 | - | 877 | 434 | - | 25 | 8,319 | 1,701 |
| Balance at end of period | 346,028 | 325,682 | 25,593 | 29,052 | 15,505 | 15,881 | 757,741 | 692,606 |
| Accumulated depreciation(*) | 4%, 10% and 20% | 10% and 20% | 10% | 20% | - | 5% and 10% | - | - |
| Balance at start of period | (140,464) | (155,757) | (10,042) | (16,437) | - | (1,727) | (324,427) | (292,812) |
| Depreciation | (13,286) | (15,957) | (1,539) | (2,430) | - | (916) | (34,128) | (39,667) |
| Disposals | 5 | 4,941 | 60 | 435 | - | 61 | 5,502 | 8,382 |
| Transfers | 57 | 1 | - | (58) | - | - | - | - |
| Foreign exchange variation | (1,460) | - | (478) | (330) | - | (24) | (2,292) | (330) |
| Balance at end of period | (155,148) | (166,772) | (11,999) | (18,820) | - | (2,606) | (355,345) | (324,427) |
| Net book value | | | | | | | | |
| At 12/31/2014 | 177,435 | 144,026 | 11,526 | 9,897 | 14,418 | 10,877 | 368,179 | 368,179 |
| At 9/30/2015 | 190,880 | 158,910 | 13,594 | 10,232 | 15,505 | 13,275 | 402,396 | |

(*) The Company depreciates property, plant and equipment on the straight-line method, based on the estimated useful lives of the assets.

Depreciation costs and expenses are recorded in the profit and loss account, net of PIS/COFINS credits, as follows:

| | Parent company | | Consolidated | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 9/30/15 | 9/30/14 | 9/30/15 | 9/30/14 |
| Cost of goods sold | (27,253) | (24,008) | (27,417) | (24,172) |
| Selling expenses | (1,142) | (994) | (2,760) | (1,803) |
| General and administrative expenses | (2,259) | (2,135) | (2,905) | (2,204) |
| | (30,654) | (27,137) | (33,082) | (28,179) |

Certain property, plant and equipment items are pledged in guarantee of borrowings, as disclosed in Note 13.c.

Explanatory Notes**GRENDENE S.A.**

Notes to the quarterly information--Continued

September 30, 2015 and December 31, 2014

(All amounts in thousands of reais)

12. Intangible assets

| | Parent company | | | | | | |
|-------------------------------------|-----------------|------------------------|----------------|----------------|-------------------------|-----------------|-----------------|
| | 9/30/15 | | | | | | 12/31/14 |
| | Software | Trademarks and patents | Goodwill | Technology | Development of software | Total | Total |
| Cost of intangible assets | | | | | | | |
| Balance at start of period | 47,488 | 15,348 | 4,374 | 4,660 | 462 | 72,332 | 61,201 |
| Purchases | 835 | 1,440 | - | - | 1,249 | 3,524 | 11,143 |
| Disposals | (14) | (3) | - | - | - | (17) | (12) |
| Transfers | 244 | - | - | - | (244) | - | - |
| Balance at end of period | 48,553 | 16,785 | 4,374 | 4,660 | 1,467 | 75,839 | 72,332 |
| Accumulated amortization (*) | 20% | 10% | 20% | 20% | - | - | - |
| Balance at start of period | (25,774) | (9,843) | (3,102) | (1,823) | - | (40,542) | (32,787) |
| Amortization | (4,641) | (729) | (536) | (582) | - | (6,488) | (7,755) |
| Disposals | 8 | - | - | - | - | 8 | - |
| Balance at end of period | (30,407) | (10,572) | (3,638) | (2,405) | - | (47,022) | (40,542) |
| Net book value | | | | | | | |
| At 12/31/2014 | 21,714 | 5,505 | 1,272 | 2,837 | 462 | 31,790 | 31,790 |
| At 9/30/2015 | 18,146 | 6,213 | 736 | 2,255 | 1,467 | 28,817 | |

| | Consolidated | | | | | | | | |
|-------------------------------------|-----------------|------------------------|----------------|----------------|-------------------------|---------------|--------------|-----------------|-----------------|
| | 9/30/15 | | | | | | | 12/31/14 | |
| | Software | Trademarks and patents | Goodwill | Technology | Development of software | Goodwill | Other | Total | Total |
| Cost of intangible assets | | | | | | | | | |
| Balance at start of period | 48,077 | 18,444 | 4,374 | 4,660 | 462 | 10,931 | 5,719 | 92,667 | 68,041 |
| Purchases | 892 | 1,884 | - | - | 1,249 | - | 2,546 | 6,571 | 24,786 |
| Disposals | (20) | (3) | - | - | - | - | (11) | (34) | (377) |
| Transfers | 244 | - | - | - | (244) | - | - | - | - |
| Foreign exchange variation | 271 | 658 | - | - | - | - | - | 929 | 217 |
| Balance at end of period | 49,464 | 20,983 | 4,374 | 4,660 | 1,467 | 10,931 | 8,254 | 100,133 | 92,667 |
| Accumulated amortization (*) | 20% | 10% | 20% | 20% | - | - | - | - | - |
| Balance at start of period | (26,261) | (9,854) | (3,102) | (1,823) | - | - | - | (41,040) | (33,194) |
| Amortization | (4,679) | (730) | (536) | (582) | - | - | (175) | (6,702) | (7,794) |
| Disposals | 8 | - | - | - | - | - | - | 8 | 4 |
| Foreign exchange variation | (245) | - | - | - | - | - | - | (245) | (56) |
| Balance at end of period | (31,177) | (10,584) | (3,638) | (2,405) | - | - | (175) | (47,979) | (41,040) |
| Net book value | | | | | | | | | |
| At 12/31/2014 | 21,816 | 8,590 | 1,272 | 2,837 | 462 | 10,931 | 5,719 | 51,627 | 51,627 |
| At 9/30/2015 | 18,287 | 10,399 | 736 | 2,255 | 1,467 | 10,931 | 8,079 | 52,154 | |

(*) The Company amortizes its intangible assets based on the acquisition cost.

Amortization costs and expenses are recorded in the profit and loss account, net of PIS/COFINS credits, as follows:

| | Parent company | | Consolidated | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 9/30/15 | 9/30/14 | 9/30/15 | 9/30/14 |
| Cost of goods sold | (2,310) | (2,253) | (2,311) | (2,254) |
| Selling expenses | (1,227) | (1,227) | (1,243) | (1,246) |
| General and administrative expenses | (2,731) | (1,962) | (2,888) | (1,966) |
| | (6,268) | (5,442) | (6,442) | (5,466) |

At September 30, 2015 and December 31, 2014, the Company does not have internally generated intangible assets.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

13. Borrowings

| | Index | Interest rate (p.a.) | Parent company | | Consolidated | |
|-------------------------------|--------------------------------|----------------------|-----------------|----------|------------------|----------|
| | | | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 |
| In local currency | | | | | | |
| Property, plant and equipment | Fixed | | | | | |
| Proapi - Provin | Long-term Interest Rate (TJLP) | 4.31% | 61,761 | 50,481 | 61,761 | 50,481 |
| | | - | 26,091 | 25,076 | 26,091 | 25,076 |
| | | | 87,852 | 75,557 | 87,852 | 75,557 |
| In foreign currency | | | | | | |
| Working capital | Argentinean pesos | 26.88% | - | - | 42,236 | 45,447 |
| Working capital | Euro + | 2.20% | - | - | 8,870 | 3,227 |
| Working capital – ACE | US Dollar + | 1.38% | 64,077 | 47,126 | 64,077 | 47,126 |
| | | | 64,077 | 47,126 | 115,183 | 95,800 |
| Total borrowings | | | 151,929 | 122,683 | 203,035 | 171,357 |
| (-) Total current liabilities | | | (76,835) | (50,893) | (127,941) | (99,567) |
| Total non-current liabilities | | | 75,094 | 71,790 | 75,094 | 71,790 |

a) Financing – Proapi and Provin

The Company enjoys tax incentives with respect to its activities in the State of Ceará, by means of financing obtained from the Industrial Development Fund of Ceará (FDI) through the financial agent accredited by the fund. Such financing is based on ICMS due (Provin) and on exported products (Proapi), computed on a monthly basis. The financing is settled within a period ranging from 36 to 60 months after the release of the funds.

Management believes that the benefit of the reduction should be recorded at the time the financing is obtained, so as to reflect the accrual method of accounting more accurately, since the cost of ICMS and exports related to operations entitled to the incentive are recorded concomitantly with the benefits.

At September 30, 2015, portions of this financing that are not subject to tax incentives amounting to R\$4,779 and R\$21,312 (R\$3,267 and R\$21,809 at December 31, 2014) are recorded as current and non-current liabilities, respectively.

Under the Proapi Program, the financing is granted based on 11% of the Free on Board (FOB) export value, is payable within 60 months and is subject to the long-term interest rate (TJLP). At maturity, the Company pays 10% of the financing debt balance and the remaining 90% is waived, representing a net incentive of 9.9% of the FOB value.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

13. Borrowings--Continued

b) Payment schedule

The long-term portions of borrowings are due as follows:

| Maturity | Long-term portions | | | | | | Total |
|----------------|--------------------|---------------|---------------|---------------|---------------|--------------|---------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | |
| Bank financing | 2,611 | 10,442 | 10,442 | 10,341 | 9,973 | 9,973 | 53,782 |
| Proapi | 2,438 | 512 | 3,574 | 9,549 | - | - | 16,073 |
| Provin | 285 | 1,652 | 1,567 | 1,105 | 630 | - | 5,239 |
| Total | 5,334 | 12,606 | 15,583 | 20,995 | 10,603 | 9,973 | 75,094 |

c) Guarantees

Guarantees for borrowings are as follows: a) statutory lien on financed machinery and equipment; b) land and buildings; and c) personal sureties provided by the Company's stockholders. The existing guarantees are for the financed amounts.

14. Provisions for labor, tax, civil and environmental risks

a) Probable loss risk – Provided for

The Company is the defendant in certain labor claims. The estimated loss was provisioned based on the opinion of the legal advisors, in an amount considered sufficient to cover probable losses that could arise in the event of unfavorable court decisions.

The changes in the provision for labor risks were as follows:

| | Parent Company | | Consolidated | |
|-----------------------------------|----------------|----------|----------------|----------|
| | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 |
| Balance at start of period | 1,950 | 2,324 | 2,159 | 2,327 |
| Additions | 514 | 1,077 | 793 | 1,283 |
| Realizations | (618) | (1,322) | (618) | (1,322) |
| Reversals | (400) | (129) | (400) | (129) |
| Exchange variation | - | - | 39 | - |
| Balance at end of period | 1,446 | 1,950 | 1,973 | 2,159 |
| (-) Total current liabilities | (1,315) | (1,844) | (1,662) | (1,873) |
| Total non-current liabilities | 131 | 106 | 311 | 286 |

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

14. Provisions for labor, tax, civil and environmental risks -- Continued

b) Possible loss risk – Not provided for

The Company has labor, tax, civil and environmental contingencies involving risks classified by management as possible losses, based on the evaluation of the legal advisors, for which no provision was recognized. The analysis and the estimates are as follows:

| | Parent company | | Consolidated | |
|----------------|----------------|---------------|---------------|---------------|
| | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 |
| Labor | 6,699 | 3,123 | 6,751 | 3,176 |
| Tax | | | | |
| PIS and COFINS | 672 | 672 | 672 | 672 |
| INSS | 383 | 383 | 383 | 383 |
| ICMS | - | 10,765 | - | 10,765 |
| Civil | 11,362 | 3,634 | 11,362 | 3,634 |
| Environmental | 500 | - | 500 | - |
| | 19,616 | 18,577 | 19,668 | 18,630 |

15. Equity

a) Capital

At September 30, 2015 and December 31, 2014, fully subscribed and paid-up capital comprises 300,720,000 common shares of R\$4.09 each, which comprise voting shares of a sole class in relation to stockholder rights, observing the applicable legal conditions.

b) Carrying value adjustments

These adjustments refer to the effects of the conversion from the functional currency to the reporting currency of foreign investments accounted for under the equity method.

c) Capital reserves

This refers to the amount of the stock option or share subscription plan granted by the Company to its officers, as described in Note 20.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

15. Equity--Continued

d) Revenue reserves

- *Legal reserve*

This reserve is credited with 5% of the profit for the year, less the amount of tax incentives, and is limited to 20% of the company's share capital. The balance is R\$103,785 at September 30, 2015 (R\$95,099 in December 31, 2014).

- *Reserve for acquisition of shares*

The balance of R\$16,118 on September 30, 2015 (R\$17,000 on December 31, 2014), refers to the amount retained for redemption, repurchase or acquisition of shares in the company, which may include compliance with its obligations to deliver shares to participants in the company's stock options plan.

The reserve for acquisition of shares may be formed from up to 100% of the profit remaining after the legal and statutory deductions, and is limited to a maximum of 20% of the company's share capital.

- *Tax incentives*

This reserve is constituted for the tax benefits received by the company under governmental subsidies to encourage investment, as shown in Note 16.

| | Parent company / Consolidated | | |
|---------------------------------------|-------------------------------|----------------|------------------|
| | 9/30/15 | | |
| | ICMS and Exports | Income tax | Tax incentives |
| Balance at start of period | 532,537 | 351,522 | 884,059 |
| Incentives generated by the operation | 133,152 | 50,245 | 183,397 |
| Balance at end of period | 665,689 | 401,767 | 1,067,456 |

| | Parent company / Consolidated | | |
|---------------------------------------|-------------------------------|----------------|----------------|
| | 12/31/14 | | |
| | ICMS and Exports | Income tax | Tax incentives |
| Balance at start of period | 337,826 | 288,244 | 626,070 |
| Incentives generated by the operation | 194,711 | 63,278 | 257,989 |
| Balance at end of period | 532,537 | 351,522 | 884,059 |

Explanatory Notes**GRENDENE S.A.**

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

15. Equity--Continuede) Treasury shares

In order to comply with the stock option or subscription plan (Note 20), the program for acquisition of 1,500,000 registered common shares was approved at the 59th Board of Directors Meeting held on February 12, 2015, without capital reduction. This amount of registered common shares corresponds to 1.91% of the outstanding shares.

Pursuant to CVM Instruction 10/80, the maximum term for the program is less than 365 days after the acquisition date.

The changes in treasury shares were as follows:

| | Parent company | |
|--|----------------|---------------|
| | Common shares | R\$ |
| Balance at start of period | 660,000 | 10,841 |
| Repurchases | 198,096 | 3,034 |
| Exercise of share purchase options (Note 20) | (793,070) | (12,823) |
| Balance at end of period | 65,026 | 1,052 |

In the period ended September 30, 2015, the average purchase cost of these shares was R\$15.31 (R\$15.63 in December 31, 2014), the lowest cost being R\$14.92 (R\$13.14 in December 31, 2014) and the highest cost R\$15.40 (R\$18.00 in December 31, 2014).

f) Dividends

In accordance with the Company's bylaws, the minimum mandatory dividend is calculated as 25% of the profit for the year, after deduction of the transfers to reserves required by law.

The 59th meeting of the Board of Directors, held on February 12, 2015, approved payment, as from April 23, 2015, of the additional dividend proposed by Management on December 31, 2014, in the amount of R\$95,458.

Maintaining the policy of quarterly advance payment of dividends, in 2015, the Company's Board of Directors approved the payment of interim dividends amounting to R\$111,273, distributed as follows: R\$67,384 (representing R\$0.2241 per share), on May 13, 2015 and R\$43,889 (representing R\$0.1460 per share), on August 12, 2015.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

15. Equity--Continued

f) Dividends--Continued

Based on the balance at September 30, 2015, the Company will pay interim dividends in the amount of R\$53,758 (equivalent to R\$0.1788 per share), as from November 11, 2015.

g) Earnings per share

As required by technical pronouncement CPC 41 (IAS 33) – Earnings per share, the reconciliation of profit to the amounts used to calculate basic and diluted earnings per share (in thousands of Brazilian reais, except per share amounts) is presented below:

| | Parent company | |
|--|--------------------|--------------------|
| | 9/30/15 | 9/30/14 |
| Numerator | | |
| Profit for the period | 357,114 | 294,951 |
| Denominator | | |
| Weighted average number of common shares | 300,720,000 | 300,720,000 |
| Weighted average number of common treasury shares | (228,726) | (494,673) |
| | <u>300,491,274</u> | <u>300,225,327</u> |
| Basic earnings per common share | <u>1.1884</u> | <u>0.9824</u> |
| Weighted average number of outstanding common shares | 300,491,274 | 300,225,327 |
| Potential increase in common shares due to the stock option or subscription plan | 608,220 | 631,805 |
| | <u>301,099,494</u> | <u>300,857,132</u> |
| Diluted earnings per common share | <u>1.1860</u> | <u>0.9804</u> |

16. Government grants for investments

a) Incentives – Provin and Proapi

Provin – Program of Incentive to the Industrial Development Fund of Ceará (FDI), which consists of the deferral equivalent to 81% of the effectively paid ICMS, levied on the Company's production. Of the amount of each portion of the benefit, the equivalent to 1% will be paid at once, on the last day of the maturity month, after 60 months and will be fully restated, from the date of the disbursement up to the maturity date, by applying the Long-Term Interest Rate (TJLP).

Explanatory Notes**GRENDENE S.A.**

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

16. Government grants for investments--Continueda) Incentives – Provin and Proapi--Continued

| Prazos de vencimento deste benefício | | | | | |
|--------------------------------------|---------------|-----|-------------------|-----|----------------------|
| Industrial units | Incentive | % | Expiration period | % | Expiration period |
| Sobral – CE | PROVIN - ICMS | 81% | Up to Feb/2019 | 75% | Mar/2019 to Apr/2025 |
| Crato – CE | PROVIN - ICMS | 81% | Up to Sep/2022 | 75% | Oct/2022 to Apr/2025 |
| Fortaleza – CE | PROVIN - ICMS | 81% | Up to Apr/2025 | | |

Proapi – Program of Incentives for the Port and Industrial Activities of Ceará, consists of the financing for the manufacturing companies, mainly exporting companies of footwear and artifacts of fur and leather, except for "wet blue", headquartered in the state, through the use of funds arising from the returns from the FDI operations while not credited to the State treasury account (Note 13).

| Prazo de vencimento deste benefício | | |
|-------------------------------------|-----------------|-------------------|
| Industrial units | Incentive | Expiration period |
| Sobral – CE | PROAPI - EXPORT | Até Mar/2017 |

For the period ended September 30, 2015 the Company recognized R\$133,152 (R\$127,938 at September 30, 2014), related to the tax incentive portions of such incentives, in net sales revenue, as disclosed in Note 21. These amounts were allocated to the Tax Incentives Reserve account in Profit reserves.

b) Incentives – Procomex and Probahia

Procomex – Program of Incentive of Foreign Trade, with the purpose of stimulating exports of products manufactured in the State of Bahia and the financing of the tax on import of products for sale and manufacture promoted by industrial units headquartered in the state. Subsidiary MHL Calçados Ltda. has ICMS tax credit equivalent to 11% of the FOB value of the transactions of exports of footwear and its components. The incentive is valid up to December 2021.

Probahia – Program for the Development of Bahia, with the purpose of promoting diversification, and stimulating transformation and industrial processes of the state.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

16. Government grants for investments--Continued

b) Incentives – Procomex and Probahia--Continued

Subsidiary MHL Calçados Ltda. has ICMS tax credit of 90% of the incurring tax on transactions of output and footwear and its components and deferral of the ICMS paid in relation to the differential of rate by the acquisition of property, plant and equipment and in the imports and internal operations with inputs, packages and components, for the moment in which the output of their products occurs. The incentive is valid up to November 2021.

For the period ended September 30, 2015 the parent company recognized R\$140 (R\$247 at September 30, 2014), related to the tax incentive portions of such incentives, in net sales revenue, as disclosed in Note 21. These amounts were allocated to the Tax Incentives Reserve account in Profit reserves.

c) Income tax incentive

The Company and its subsidiary MHL Calçados Ltda. benefit from the incentive of decrease of 75% of the income tax calculated based on the operation profit, in the industrial units headquartered in the operation area of the Superintendence for the Development of the Northeast (SUDENE).

In the quarter ended September 30, 2015, the company recorded the amount of R\$50,245, in Income tax, in the Profit and loss account (R\$35,058 on September 30, 2014) for the amount of this incentive, as shown in Note 17. These amounts were allocated to the Tax Incentives Reserve account in Profit reserves.

The table below presents the benefit expiration period:

| Prazos de vencimento deste benefício | | |
|--------------------------------------|----------------------|-------------------|
| Industrial units | % of decrease in tax | Expiration period |
| Sobral – CE | 75% | Up to Dec/2022 |
| | 75% | Up to Dec/2023 |
| Fortaleza – CE | 75% | Up to Dec/2020 |
| Crato – CE | 75% | Up to Dec/2016 |
| Teixeira de Freitas – BA | 75% | Up to Dec/2017 |

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

17. Income tax and social contribution tax

a) Current income tax and social contribution tax

Current income tax and social contribution tax amounts recorded in the expense for the period, net of tax incentives, are as follows:

| | Parent company | | | | | |
|----------------|-----------------|---------------------|-----------------|----------------|---------------------|-----------------|
| | 9/30/15 | | | 9/30/14 | | |
| | Income tax | Social contribution | Total | Income tax | Social contribution | Total |
| Amount due | (62,778) | (23,455) | (86,233) | (41,157) | (15,294) | (56,451) |
| Tax incentives | 50,245 | - | 50,245 | 35,058 | - | 35,058 |
| | (12,533) | (23,455) | (35,988) | (6,099) | (15,294) | (21,393) |

| | Consolidated | | | | | |
|----------------|-----------------|---------------------|-----------------|----------------|---------------------|-----------------|
| | 9/30/15 | | | 9/30/14 | | |
| | Income tax | Social contribution | Total | Income tax | Social contribution | Total |
| Amount due | (62,892) | (23,455) | (86,347) | (44,255) | (15,294) | (59,549) |
| Tax incentives | 50,245 | - | 50,245 | 35,058 | - | 35,058 |
| | (12,647) | (23,455) | (36,102) | (9,197) | (15,294) | (24,491) |

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

17. Income tax and social contribution tax--Continued

b) Deferred income tax and social contribution tax

Deferred income tax and social contribution tax are comprised as follows:

| | Parent company | | Consolidated | |
|--|----------------|--------------|---------------|---------------|
| | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 |
| Income tax | | | | |
| Provision for doubtful receivables | 380 | 361 | 818 | 621 |
| Provision for punctuality discounts | 1,440 | 1,685 | 1,442 | 1,691 |
| Adjustment to Present Value (AVP) | 703 | 687 | 1,620 | 1,495 |
| Provision for obsolete inventory | 442 | 420 | 470 | 484 |
| Provision for labor risks | 90 | 122 | 179 | 125 |
| Depreciation | (5) | (44) | (5) | (44) |
| Tax losses in subsidiaries | - | - | 138 | 1,443 |
| Hedging transactions | (275) | (192) | (275) | (28) |
| Provision for bonuses to customers – subsidiary abroad | - | - | - | 1,321 |
| Other | 275 | 179 | 1,946 | 1,364 |
| | 3,050 | 3,218 | 6,333 | 8,472 |
| Social contribution tax | | | | |
| Provision for doubtful receivables | 547 | 520 | 548 | 522 |
| Provision for punctuality discounts | 2,073 | 2,426 | 2,077 | 2,435 |
| Adjustment to Present Value (AVP) | 1,012 | 990 | 1,012 | 990 |
| Provision for obsolete inventory | 637 | 605 | 637 | 605 |
| Provision for labor risks | 130 | 175 | 149 | 194 |
| Depreciation | (7) | (64) | (7) | (64) |
| Tax losses in subsidiaries | - | - | 198 | 650 |
| Hedging transactions | (396) | (276) | (396) | (276) |
| Other | 395 | 258 | 2 | 2 |
| | 4,391 | 4,634 | 4,220 | 5,058 |
| Non-current assets | 7,441 | 7,852 | 10,553 | 13,530 |

c) Changes in deferred income tax and social contribution tax

| | Parent company | | Consolidated | |
|---|----------------|--------------|---------------|---------------|
| | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 |
| Balance at start of period | 7,852 | 9,060 | 13,530 | 15,656 |
| Taxes recorded in the result for the period | (411) | (1,208) | (2,420) | 1,196 |
| Taxes recorded in equity | - | - | (557) | (3,322) |
| Balance at end of period | (7,441) | 7,852 | 10,553 | 13,530 |

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

17. Income tax and social contribution tax--Continued

d) Reconciliation of tax expense to statutory rates

The income tax and social contribution calculated based on statutory rates can be reconciled to the amounts recorded as expenses as follows:

| | Party company | | | |
|--|-----------------|---------------------|------------|---------------------|
| | 9/30/15 | | 9/30/14 | |
| | Income tax | Social contribution | Income tax | Social contribution |
| Pretax profit | 393,513 | 393,513 | 318,060 | 318,060 |
| Income tax and social contribution tax (at nominal rates of 25% and 9% respectively) | (98,378) | (35,416) | (79,515) | (28,625) |
| Adjustments to show effective rate | | | | |
| Equity in the results of investees | (2,301) | (829) | (2,137) | (769) |
| Non-deductible costs and expenses | (284) | (102) | (910) | (328) |
| Adjustments to present value – AVP | (46) | - | (292) | - |
| Stock options plan | (664) | (239) | (623) | (224) |
| Depreciation: effect of recalculation | (119) | - | (251) | - |
| Foreign exchange differences on foreign subsidiaries | (4,610) | (1,660) | 677 | 244 |
| Hedge transactions | 251 | - | 226 | - |
| Unrealized profit on inventories | (286) | - | 216 | - |
| Special System for Refund of Tax Amounts to Exporting Companies (Reintegra) | 1,365 | 491 | - | - |
| State tax incentives | 33,288 | 11,984 | 31,985 | 11,514 |
| Technological innovation incentive | 5,758 | 2,073 | 5,226 | 1,881 |
| PAT corporate tax incentive deductions | 1,564 | - | 1,020 | - |
| Corporate tax incentive deductions (Rouanet Law, Funcrincia, Audiovisual) | 792 | - | 290 | - |
| Other | 724 | - | 2,228 | - |
| Amount before deduction of corporate tax incentives | (62,946) | (23,698) | (41,860) | (16,307) |
| Tax incentive reductions of corporate income tax (calculated on operational profit) | 50,245 | - | 35,058 | - |
| Amount posted in profit and loss account | (12,701) | (23,698) | (6,802) | (16,307) |
| Total taxes posted in profit and loss account | (36,399) | | (23,109) | |
| Current taxes | (35,988) | | (21,393) | |
| Deferred taxes | (411) | | (1,716) | |
| Effective rate | 9.2% | | 7.3% | |

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

17. Income tax and social contribution--Continued

d) Reconciliation of tax expense to statutory rates--Continued

| | Consolidated | | | |
|--|-----------------|---------------------|------------|---------------------|
| | 9/30/15 | | 9/30/14 | |
| | Income tax | Social contribution | Income tax | Social contribution |
| Pretax profit | 386,664 | 386,664 | 313,138 | 313,138 |
| Income tax and social contribution tax (at nominal rates of 25% and 9% respectively) | (96,666) | (34,800) | (78,285) | (28,182) |
| Adjustments to show effective rate | | | | |
| Non-deductible costs and expenses | (284) | (102) | (910) | (328) |
| Adjustments to present value – AVP | (46) | - | (292) | - |
| Stock options plan | (664) | (239) | (623) | (224) |
| Depreciation: effect of recalculation | (119) | - | (251) | - |
| Foreign exchange differences on foreign subsidiaries | (4,610) | (1,660) | 677 | 244 |
| Hedge transactions | 251 | - | 226 | - |
| Unrealized profit on inventories | (286) | - | 216 | - |
| Special System for Refund of Tax Amounts to Exporting Companies (Reintegra) | 1,365 | 491 | - | - |
| State tax incentives | 33,323 | 11,996 | 32,046 | 11,536 |
| Technological innovation incentive | 5,758 | 2,073 | 5,226 | 1,881 |
| PAT corporate tax incentive deductions | 1,564 | - | 1,020 | - |
| Corporate tax incentive deductions (Rouanet Law, Funcrância, Audiovisual) | 792 | - | 290 | - |
| Other | (5,328) | (1,576) | (897) | (725) |
| Amount before deduction of corporate tax incentives | (64,950) | (23,817) | (41,557) | (15,798) |
| Tax incentive reductions of corporate income tax (calculated on operational profit) | 50,245 | - | 35,058 | - |
| Amount posted in profit and loss account | (14,705) | (23,817) | (6,499) | (15,798) |
| Total taxes posted in profit and loss account | (38,522) | | (22,297) | |
| Current taxes | (36,102) | | (24,491) | |
| Deferred taxes | (2,420) | | 2,194 | |
| Effective rate | 10.0% | | 7.1% | |

18. Financial instruments and risk management

The Company has transactions with financial instruments, the risks of which are managed through financial position strategies and exposure limit systems. All transactions are fully recognized in the accounting records. The valuation of financial instruments, including derivatives, as well as the risk management, is presented below:

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

18. Financial instruments and risk management--Continued

a) Financial instruments

The main financial instruments at September 30, 2015 and December 31, 2014 were as follows:

- Cash and cash equivalents – classified as loans and receivables and measured at fair value, which approximates the carrying amount.
- Financial investments – financial investments classified as "held-to-maturity" are measured at amortized cost using the effective interest rate method, and those classified as "financial assets at fair value through profit or loss" are measured at fair value.
- Trade receivables – classified as loans and receivables and arise directly from the Company's sales operations. They are carried at their original amounts, adjusted by foreign exchange and monetary variations, and the estimated losses on impaired receivables, and discounts for prompt payments and the adjustment to present value.
- Trade payables – these are classified as liabilities measured at amortized cost and arise directly from the Company's commercial operations. They are carried at their original amounts, adjusted by foreign exchange and monetary variations, when applicable.
- Borrowings – classified as financial liabilities measured at amortized cost using the effective interest rate method, and are carried at their contractual amounts. The fair values of borrowings approximate their carrying amounts at the balance sheet date.

The main financial instruments of the Company and its subsidiaries at September 30, 2015 and December 31, 2014 were as follows:

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

18. Financial instruments and risk management--Continued

a) Financial instruments--Continued

| | Parent company | | Consolidated | |
|------------------------------|----------------|----------|--------------|----------|
| | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 |
| Financial assets | | | | |
| Cash and cash equivalents | 5,327 | 8,525 | 20,261 | 26,324 |
| Financial investments (*) | 1,187,780 | 969,654 | 1,187,780 | 969,654 |
| Trade receivables | 720,795 | 849,528 | 757,690 | 907,344 |
| Derivatives | 4,406 | 3,067 | 4,406 | 3,067 |
| Financial liabilities | | | | |
| Borrowings | 151,929 | 122,683 | 203,035 | 171,357 |
| Trade payables | 36,632 | 31,120 | 43,723 | 36,287 |

(*) The Company measures its financial instruments at fair value through profit or loss, as required by technical pronouncement CPC 40 – R1 (IFRS 7), “Financial Instruments: Disclosures”, and in accordance with the level 1 of the hierarchy.

Level 1 – negotiated prices (with no adjustments) in active markets for identical assets or liabilities.

The fair value of financial instruments is calculated as described in Note 4.c.4.

b) Derivative financial instruments

The Company and its subsidiaries have transactions involving the following derivative financial instruments:

b.1) *Foreign exchange rate hedging transactions*

The strategy when contracting these transactions is to hedge the sales revenue and financial assets of the Company and its subsidiaries that is subject to foreign exchange exposure. These instruments are used for the specific purpose of hedging, and the portfolio includes sale of U.S. dollar futures through financial instruments used for this purpose such as: sales at the São Paulo Futures, Commodities and Securities Exchange – BM&F, advances on foreign exchange contracts (ACC) and advances on future exports (ACE).

In transactions involving BM&F sales, the impact on the cash flow of the Company and its subsidiaries is assessed through the calculation of daily adjustments to the U.S. dollar exchange rate until the settlement of the contracts.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

18. Financial instruments and risk management--Continued

b) Derivative financial instruments--Continued

b.1) *Foreign exchange rate hedging transactions*--Continued

The maximum limits of net foreign exchange exposure comprise: (i) bank account balances in foreign currency abroad; (ii) financial investments abroad; (iii) balance receivable from foreign exchange contracts to be closed; (iv) projections of exports of up to 90 days, less (i) trade payable balances in foreign currency, (ii) imports in transit and (iii) Advances on Foreign Exchange Contracts (ACC). These risks are monitored daily and managed through internal controls, which are designed to monitor the exposure limits and, if necessary, bring them into line with the Company's risk management policy.

Other forms of foreign exchange hedges without the express authorization of the Company's officers are not permitted. Up to date, the Company has not authorized the use of foreign exchange hedges other than those disclosed in the previous paragraph.

Foreign exchange hedging transactions are usually made with the BM&F through specialized brokers, without the need to deposit margin. The guarantee amounted to R\$52,714 at September 30, 2015 (R\$35,010 at December 31, 2014) and usually comprises the Company's investments in government securities, considering the limits and exposures to foreign exchange risk, as defined in the policy for management of counterparty risk.

The table below shows the positions at September 30, 2015 and December 31, 2014, with the notional and fair values, which was calculated as described in Notes 4.c.1 and 4.c.2.

| | Notional value – US\$ | | Notional value – R\$ | | Amount receivable (payable) | |
|--------------------------|-----------------------|----------|----------------------|----------|-----------------------------|----------|
| | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 |
| Futures contracts | | | | | | |
| Sell commitment | 93,750 | 55,000 | 377,857 | 146,739 | 4,406 | 3,067 |

It should be noted that these transactions are linked to sales and financial assets in foreign currency, which are also subject to foreign exchange rate changes, offsetting any gains or losses. The balance receivable on September 30, 2015, of R\$4,406 (R\$3,067 on December 31, 2014), is posted in Securities receivable.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

18. Financial instruments and risk management--Continued

c) Risk management

c.1) *Risk factors that may affect the business of the Company and its subsidiaries*

The Company's main financial liabilities, except derivative financial instruments, comprise borrowings and other payables. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company has other credits, accounts receivable, cash and cash equivalents and short-term investments that are obtained directly from its operations.

The Company is exposed to market risk (including interest rate risk, foreign exchange risk and commodity price risk), credit risk and liquidity risk. The financial instruments which involve risks include borrowings, deposits, available-for-sale investments and derivative financial instruments.

The risk management activities follow the Company's risk management policy, which is administered by its officers. The management of these risks is effected based on a control policy, which establishes monitoring techniques, measurement and ongoing accompanying of exposure. The Company does not have transactions with speculative derivative financial instruments or any other type of speculative transactions.

a) Credit risk:

The company and its subsidiaries are exposed to credit risk from the possibility of not receiving amounts receivable from clients or credit amounts with financial institutions.

The Company and its subsidiaries adopt the following risk management practices: (i) Analysis of credits granted to clients, and setting of sales limits. No single client represented more than 5% of the total of the Company's accounts receivable on September 30, 2015, nor December 31, 2014; and (ii) selectiveness in choice of financial institutions that are considered by the market to be first-tier (the country's 10 largest banks by total assets), and diversification of financial instruments in investment of the company's funds. Cash investments are made in a basket of indicators comprising the CDI rate, fixed rates and inflation-indexed investments.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

18. Financial instruments and risk management--Continued

c) Risk management--Continued

c.1) *Risk factors that may affect the business of the Company and its subsidiaries*--Continued

b) Liquidity risk:

Liquidity risk represents the potential decrease in funds available for debt service (substantially borrowings). The Company has cash monitoring policies to avoid any mismatch between accounts receivable and payable. In addition, the Company maintains financial investments that are immediately redeemable to cover any mismatch between the maturity date of its contractual obligations and its cash flow management. The table below shows the contractual payments required by the Company's financial liabilities:

| | Parent company | | | | | |
|-------------------------------|----------------|-------------------|----------------|---------------|-------------------|----------------|
| | 9/30/15 | | | 12/31/14 | | |
| | Up to 1 year | From 1 to 9 years | Total | Up to 1 year | From 1 to 9 years | Total |
| PP&E financing | 7,979 | 53,782 | 61,761 | 500 | 49,981 | 50,481 |
| Working capital and ACE | 64,077 | - | 64,077 | 47,126 | - | 47,126 |
| Financing – Proapi and Provin | 4,779 | 21,312 | 26,091 | 3,267 | 21,809 | 25,076 |
| | 76,835 | 75,094 | 151,929 | 50,893 | 71,790 | 122,683 |

| | Consolidated | | | | | |
|-------------------------------|----------------|-------------------|----------------|---------------|-------------------|----------------|
| | 9/30/15 | | | 12/31/14 | | |
| | Up to 1 year | From 1 to 9 years | Total | Up to 1 year | From 1 to 9 years | Total |
| PP&E financing | 7,979 | 53,782 | 61,761 | 500 | 49,981 | 50,481 |
| Working capital and ACE | 115,183 | - | 115,183 | 95,800 | - | 95,800 |
| Financing – Proapi and Provin | 4,779 | 21,312 | 26,091 | 3,267 | 21,809 | 25,076 |
| | 127,941 | 75,094 | 203,035 | 99,567 | 71,790 | 171,357 |

| | Parent company | | | | | |
|-------------------------------|--------------------------------------|-------------------|----------------|--------------------------------------|-------------------|----------------|
| | 9/30/15 | | | 12/31/14 | | |
| | Projection including future interest | | | Projection including future interest | | |
| | Up to 1 year | From 1 to 9 years | Total | Up to 1 year | From 1 to 9 years | Total |
| PP&E financing | 10,425 | 59,950 | 70,375 | 2,547 | 56,666 | 59,213 |
| Working capital and ACE | 64,187 | - | 64,187 | 47,315 | - | 47,315 |
| Financing – Proapi and Provin | 4,981 | 25,303 | 30,284 | 3,414 | 26,160 | 29,574 |
| | 79,593 | 85,253 | 164,846 | 53,276 | 82,826 | 136,102 |

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

18. Financial instruments and risk management--Continued

c) Risk management--Continued

c.1) *Risk factors that may affect the business of the Company and its subsidiaries*--Continued

b) Liquidity risk--Continued

| | Parent company | | | | | |
|-------------------------------|--------------------------------------|-------------------|----------------|--------------------------------------|-------------------|----------------|
| | 9/30/15 | | | 12/31/14 | | |
| | Projection including future interest | | | Projection including future interest | | |
| | Up to 1 year | From 1 to 9 years | Total | Up to 1 year | From 1 to 9 years | Total |
| PP&E financing | 10,425 | 59,950 | 70,375 | 2,547 | 56,666 | 59,213 |
| Working capital and ACE | 115,848 | - | 115,848 | 96,881 | - | 96,881 |
| Financing – Proapi and Provin | 4,981 | 25,303 | 30,284 | 3,414 | 26,160 | 29,574 |
| | 131,254 | 85,253 | 216,507 | 102,842 | 82,826 | 185,668 |

c) Market risk:

Interest rate risk: This risk arises from the possibility that the Company may incur losses due to fluctuations in interest rates that lead to an increase in its finance costs related to borrowings, or a decrease in its earnings on financial investments. The Company continuously monitors the volatility of market interest rates.

In order to mitigate possible impacts from fluctuations in interest rates the Company and its subsidiaries adopt the policy of maintaining their funds invested in instruments linked to a basket of indicators such as CDI, fixed rates, or adjusted for inflation.

Foreign exchange rate risk: This risk arises from the possibility of fluctuations in foreign exchange rates, which may affect the finance cost (or income) and the liability (or asset) balance of contracts denominated in foreign currency. In addition to trade receivables originating from exports from Brazil, financial investments and foreign investments are utilized as a natural hedge against fluctuations in foreign exchange rates. For the balances of assets and liabilities subject to foreign exchange rate risk, the Company and its subsidiaries assess foreign exchange exposure and contract additional derivative financial instruments as a hedge, if necessary.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

18. Financial instruments and risk management--Continued

c) Risk management--Continued

c.1) *Risk factors that may affect the business of the Company and its subsidiaries*--Continued

c) Market risk:--Continued

At September 30, 2015, the Company has advances on export contracts in the amount of US\$16,084 thousand (US\$17,725 thousand at December 31, 2014), which is consistent with the sales scheduled for the foreign market up to the maturity of the contracts. There were no other borrowings denominated in, or indexed to, foreign currencies.

Commodity price risk: This risk refers to the possibility of fluctuations in the price of raw materials and other inputs used in the production process. As the Company uses commodities as raw materials, its cost of sales can be affected by fluctuations in the international prices of these materials. In order to minimize this risk, the Company maintains ongoing monitoring of price fluctuations in the domestic and foreign markets and, if necessary, maintains strategic inventories to support its commercial activities.

c.2) *Interest rate fluctuation sensitivity analysis*

In order to verify the sensitivity of indices of financial investments and loans to which the Company was exposed at September 30, 2015, three different scenarios were defined and a sensitivity analysis of the fluctuation of the indices of these instruments was prepared. Based on the projection of the index of each contract for 2015 (probable scenario), decreases of 25% and 50% for financial investments and increases of 25% and 50% for loans were calculated. The scenarios do not consider the probable cash flow related to loan repayments and investment redemptions.

Earnings from financial investments as well as finance costs related to the Company's borrowings are affected by fluctuations in interest rates, such as TJLP, Amplified Consumer Price Index (IPCA), IGPM and CDI.

The table below shows the outstanding positions at September 30, 2015, with the notional values and interest of each contracted instrument:

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

18. Financial instruments and risk management--Continued

c) Risk management--Continued

c.2) *Interest rate fluctuation sensitivity analysis*--Continued

| | Reduction of finance income | | Increase in finance costs | | |
|--------------------------------|------------------------------|-------------------|------------------------------|---------------------------------|--------------------------------------|
| | Reference for finance income | | Interest on cash investments | Reference financial liabilities | Cost of Proapi and Provin financings |
| | <i>CDI rate</i> | <i>IPCA index</i> | | <i>TJLP rate</i> | |
| Probable scenario – Book value | 14.13% | 9.53% | 121,463 | 6.50% | 1,579 |
| Possible scenario – 25% | 10.60% | 7.14% | 98,533 | 8.13% | 1,973 |
| Remote scenario – 50% | 7.07% | 7.76% | 75,541 | 9.75% | 2,367 |

c.3) *Sensitivity analysis of contracted derivative financial instruments*

c.3.1) Foreign exchange rate hedge

The Company has projected the effect of the transactions designed for Exchange rate protection in three scenarios, considering the transactions would be settled, on the basis of the position becoming due on October 31, 2015, as follows:

| | Notional value | | | |
|--------------------------------|------------------------|---------------|--------------|--------------|
| | Short position in US\$ | FX rate – R\$ | Amount – R\$ | Impact – R\$ |
| Probable scenario – Book value | 93,750 | 4.0305 | 377,857 | 4,406 |
| Possible scenario – 25% | 93,750 | 5.0381 | 472,322 | (94,465) |
| Remote scenario – 50% | 93,750 | 6.0457 | 566,784 | (188,927) |

c.4) *Capital management*

Capital management mainly aims to ensure the Company's ability to continue as a going concern, maintaining a policy of low gearing ratio and thereby hedging its capital against changes in government economic policy, and maximizing stockholder value.

The Company manages the capital structure and adjusts it considering changes in the economic conditions of the country. In order to maintain or adjust the capital structure, the Company can adjust the policy for dividend payments to stockholders.

The Company's dividend policy may include tax incentives related to the Provin and Proapi programs in the dividend calculation basis, provided there is no impact on the Company's capital management objectives, policies or processes adopted. There is no impact during the periods ended September 30, 2015 and December 31, 2014.

Explanatory Notes**GRENDENE S.A.**

Notes to the quarterly information--Continued

September 30, 2015 and December 31, 2014

(All amounts in thousands of reais)

18. Financial instruments and risk management--Continuedc) Risk management--Continuedc.4) *Capital management*--Continued

| | Parent company | | Consolidated | |
|------------------------------------|------------------|-----------|------------------|-----------|
| | 9/30/15 | 12/31/14 | 9/30/15 | 12/31/14 |
| Current and non-current borrowings | 151,929 | 122,683 | 203,035 | 171,357 |
| (-) Cash and cash equivalents | (5,327) | (8,525) | (20,261) | (26,324) |
| Net debt | 146,602 | 114,158 | 182,774 | 145,033 |
| Equity | 2,491,833 | 2,315,374 | 2,494,821 | 2,327,934 |
| Gearing ratio | 5.9% | 4.9% | 7.3% | 6.2% |

19. Balances and transactions with related parties

During the periods, the Company carried out the following transactions with related parties:

a) Amounts and transactions receivable and payable – Related parties

| | Parent company | | | | | | | | Consolidated | | | |
|--|-------------------|----------------|--------------------------------|----------------|-------------------|----------------|--------------------------------|----------------|--------------------------------|----------------|--------------------------------|----------------|
| | 9/30/15 | | | | 12/31/14 | | | | 9/30/15 | | 12/31/14 | |
| | Other receivables | Other payables | Accounts receivable from sales | Trade payables | Other receivables | Other payables | Accounts receivable from sales | Trade payables | Accounts receivable from sales | Trade payables | Accounts receivable from sales | Trade payables |
| Direct subsidiaries | | | | | | | | | | | | |
| Grendene Argentina S.A. | - | - | 21,064 | - | - | - | 21,669 | - | - | - | - | - |
| MHL Calçados Ltda. | - | 74 | 185 | 6 | 21 | 14 | 428 | 73 | - | - | - | - |
| Grendene USA, Inc. | - | - | 4,760 | 128 | - | - | 10,350 | 121 | - | - | - | - |
| Grendene Uk Limited | 11,470 | - | 110 | - | - | - | - | - | - | - | - | - |
| A3NP Indústria e Comércio de Móveis S.A. | 12,238 | - | 6 | - | - | - | - | - | - | - | - | - |
| Indirect subsidiary | | | | | | | | | | | | |
| Grendene Italy SRL. | - | - | 2,456 | - | - | - | 2,350 | - | - | - | - | - |
| Companies controlled by stockholders of Grendene S.A. | | | | | | | | | | | | |
| Vulcabrás azaléia – CE, Calçados e Artigos Esportivos S.A. | - | - | - | 83 | - | - | - | 709 | - | 83 | - | 709 |
| Vulcabrás azaléia – BA, Calçados e Artigos Esportivos S.A. | - | - | - | - | - | - | 7 | - | - | - | 7 | - |
| Vulcabrás azaléia – RS, Calçados e Artigos Esportivos S.A. | - | - | - | - | - | - | 12 | - | - | - | 12 | - |
| Vulcabrás azaléia Argentina S.A. | - | - | 306 | - | - | - | 381 | - | 306 | - | 381 | - |
| Vulcabrás Distribuidora de Artigos Esportivos Ltda. Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. | - | - | - | - | - | - | 5 | - | - | - | 5 | - |
| Calzados Azaléia Colômbia Ltda. | - | - | - | - | - | - | 12 | - | - | - | 12 | - |
| Calzados Azaléia Peru S.A. | - | - | - | - | - | - | 457 | - | - | - | 457 | - |
| Lagoa Clara Agrícola S.A. | - | - | 29 | - | - | - | 430 | - | 29 | - | 430 | - |
| | - | - | - | - | - | - | 23 | - | - | - | 23 | - |

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

19. Balances and transactions with related parties--Continued

a) Amounts and transactions receivable and payable – Related parties--Continued

| | Parent company/Consolidated | | | | | Parent company/Consolidated | | | | |
|--|-----------------------------|---------------------------------|----------------------|----------------|---------------|-----------------------------|---------------------------------|----------------------|----------------|---------------|
| | 9/30/15 | | | | | 9/30/14 | | | | |
| | Sales of goods | Purchases of goods and services | Recovery of expenses | Finance income | Finance costs | Sales of goods | Purchases of goods and services | Recovery of expenses | Finance income | Finance costs |
| Direct subsidiaries | | | | | | | | | | |
| Grendene Argentina S.A. | 21,064 | - | - | - | - | 20,257 | - | - | - | - |
| MHL Calçados Ltda. | 1,501 | 7 | - | - | - | 2,461 | 61 | - | - | - |
| Grendene USA, Inc. | 7,926 | 876 | - | 4,781 | 1,398 | 6,514 | 661 | - | 924 | 1,305 |
| Grendene Uk Limited | 99 | - | - | 1,599 | 218 | - | - | - | 943 | 435 |
| A3NP Indústria e Comércio de Móveis S.A. | - | - | 54 | 623 | - | - | - | 195 | - | - |
| Indirect subsidiary | | | | | | | | | | |
| Grendene Italy SRL. | 929 | - | - | 1,111 | 236 | 948 | - | - | 215 | 197 |
| Companies controlled by stockholders of Grendene S.A. | | | | | | | | | | |
| Vulcabrás azaléia – CE, Calçados e Artigos Esportivos S.A. | 1 | 445 | - | - | - | 245 | 15 | - | - | - |
| Vulcabrás azaléia – BA, Calçados e Artigos Esportivos S.A. | 10 | - | - | - | - | 12 | - | - | - | - |
| Vulcabrás azaléia – RS, Calçados e Artigos Esportivos S.A. | 22 | - | - | - | - | 50 | - | - | - | - |
| Vulcabrás azaléia Argentina S.A. | 306 | 6,524 | - | - | - | 1,000 | 5,624 | - | - | - |
| Vulcabrás Distribuidora de Artigos Esportivos Ltda. | - | - | - | - | - | 6 | - | - | - | - |
| Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. | 5 | - | - | - | - | 72 | - | - | - | - |
| Calzados Azaléia Colômbia Ltda. | 187 | - | - | 9 | 12 | 133 | - | - | 7 | - |
| Calzados Azaléia Peru S.A. | 622 | - | - | 21 | 16 | 207 | - | - | 4 | - |
| Lagoa Clara Agrícola S.A. | - | - | 264 | - | - | - | - | 203 | - | - |

b) Nature, terms and conditions of transactions

| Related parties | Nature of transactions | Average terms |
|--|--|---|
| Direct subsidiaries | | |
| Grendene Argentina S.A. | Sale of shoes | 94 days |
| MHL Calçados Ltda. | Sale of inputs for the production of shoes Purchase of inputs for the production of shoes | 35 days 226 days |
| Grendene USA, Inc. | Sale of shoes Purchases of services and referred to commissions | 154 days 15 days |
| A3NP Indústria e Comércio de Móveis S.A. | Recovered expenses | 14 days |
| Indirect subsidiary | | |
| Grendene Italy S.R.L. | Sale of shoes | 130 days |
| Companies controlled by stockholders of Grendene S.A. | | |
| Vulcabrás azaléia – CE, Calçados e Artigos Esportivos S.A. | Sale of inputs for the production of shoes Purchase of inputs for the production of shoes Purchases of services and referred to commissions Trademark use license | 116 days 31 days 15 days 75 days |
| Vulcabrás azaleia – BA, Calçados e Artigos Esportivos S.A. | Sale of inputs for the production of shoes | 63 days |
| Vulcabrás azaleia – RS, Calçados e Artigos Esportivos S.A. | Sale of inputs for the production of shoes | 81 days |
| Vulcabrás Azaleia Argentina S.A. | Sale of inputs for the production of shoes Purchase of products and services with subsidiary Grendene Argentina | 100 days 1 day |
| Vulcabrás Distribuidora de Artigos Esportivos Ltda. | Sale of shoes | 70 days |
| Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. | Sale of shoes | 66 days |
| Calzados Azaleia Colômbia Ltda. | Sale of shoes | 19 days |
| Calzados Azaleia Peru S.A. | Sale of shoes | 18 days |
| Lagoa Clara Agrícola S.A. | Recovered expenses | 31 days |

Explanatory Notes**GRENDENE S.A.**

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

19. Balances and transactions with related parties--Continued**b) Nature, terms and conditions of transactions--Continued**

Alexandre G. Bartelle Participações S.A., Grendene Negócios S.A. and Verona Negócios e Participações S.A. are the controlling stockholders of Grendene S.A. There are no other transactions, except dividends paid, between the Company and its subsidiaries, for the periods ended September 30, 2015 and December 31, 2014.

c) Key management compensation

Salaries and social charges for key management personnel are as follows:

| | Parent company | |
|-----------------------|----------------|--------------|
| | 9/30/15 | 9/30/14 |
| Board of Directors | 732 | 678 |
| Statutory Audit Board | 266 | 246 |
| Statutory Directors | 2,658 | 2,450 |
| | <u>3,656</u> | <u>3,374</u> |

The Company offers a stock option plan as variable compensation, as described in Note 20, having recognized as an expense the amount corresponding to the option premium at September 30, 2015 of R\$2,655 (R\$2,492 at September 30, 2014).

The Company did not pay its key management personnel compensation in the categories of: a) long-term benefits; b) employment contract termination benefits; and c) post-employment benefits.

d) Other related parties

The Company utilizes air travel advisory and agency services of companies owned by a related party. At September 30, 2015, the expenses incurred in connection with these services totaled R\$330 (R\$410 at September 30, 2014), representing approximately 0.02% of the Company's general expenses. There were no outstanding balances at September 30, 2015.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

20. Stock option or subscription plan

At the Extraordinary General Meeting held on April 14, 2008, the Company's stockholders approved the "Stock Option or Share Subscription Plan", to be effective as from April 14, 2008, for the Company's directors and managers, except for directors nominated by the controlling stockholders. The plan is administered by the Company's Board of Directors, which may delegate this function, within the restrictions established by law to the committee created on February 12, 2015, by the 59th meeting of the Board of Directors.

On February 12, 2015 the 59th meeting of the Board of Directors approved changes in the Regulations of the Company's stock Options Plan in the following items: *(i)* 1.1 and 1.3: The party responsible for appointment of employees eligible for the Plan – formerly the Chief Executive Officer – is now the Committee referred to in Item 2.2 of the Regulations; *(ii)* 4.1 and 4.2: The frequency with which beneficiaries may exercise their options, formerly annually, may, if so decided by the Board of Directors, be quarterly.

The share purchase options granted under the Stock Option Plan are limited to 5% of the Company's capital. The shares to be delivered as a result from the exercise of options will be issued through a resolution to increase capital, by the Board of Directors, within the Company's authorized capital, or using treasury shares, within legal limits.

The Stock Option or Share Subscription Plan beneficiaries may exercise their options within 6 years from the grant date. The vesting period will be of up to 3 years, with releases of 33% after one year, 66% after two years and 100% after three years.

On September 30, 2015 the company recognized an expense of R\$2,655 (R\$2,492 on September 30, 2014) in Personnel expenses, for stock options, based on the fair value of the transactions on the date of their being granted.

Explanatory Notes**GRENDENE S.A.**

Notes to the quarterly information--Continued

September 30, 2015 and December 31, 2014

(All amounts in thousands of reais)

20. Stock option or subscription plan--Continued**a) Summary of grants of share purchase options or subscriptions**

The options granted and the related changes were as follows:

| 9/30/15 | | | | | | | | |
|------------|-----------------------|-----------------------------------|--------------------------|------------------|----------------|------------------|-----------------|------------------|
| Grant date | Option exercise price | Vesting period as from grant date | Maximum number of shares | Opening balance | Granted | Exercised | Canceled | Closing balance |
| 2/24/2011 | 10.80 | 2/24/2012 | 580,544 | 5,956 | - | - | - | 5,956 |
| 2/24/2011 | 10.80 | 2/24/2013 | 1,161,088 | 5,956 | - | - | - | 5,956 |
| 2/22/2011 | 10.80 | 2/24/2014 | 1,741,632 | 357,020 | - | (303,906) | - | 53,114 |
| 3/01/2012 | 4.33 | 3/1/2013 | 108,949 | - | - | - | - | - |
| 3/01/2012 | 4.33 | 3/1/2014 | 217,898 | 4,654 | - | (4,654) | - | - |
| 3/01/2012 | 4.33 | 3/1/2015 | 326,847 | 96,452 | - | (96,452) | - | - |
| 2/28/2013 | 9.55 | 2/28/2014 | 265,183 | 26,414 | - | (26,414) | - | - |
| 2/28/2013 | 9.55 | 2/28/2015 | 530,366 | 243,074 | - | (243,074) | - | - |
| 2/28/2013 | 9.55 | 2/28/2016 | 795,549 | 243,074 | - | - | (2,513) | 240,561 |
| 2/13/2014 | 9.84 | 2/13/2015 | 123,386 | 118,570 | - | (118,570) | - | - |
| 2/13/2014 | 9.84 | 2/13/2016 | 246,772 | 118,570 | - | - | (1,199) | 117,371 |
| 2/13/2014 | 9.84 | 2/13/2017 | 370,158 | 118,570 | - | - | (1,199) | 117,371 |
| 2/12/2015 | 8.42 | 2/12/2016 | 215,518 | - | 215,518 | - | (5,220) | 210,298 |
| 2/12/2015 | 8.42 | 2/12/2017 | 431,036 | - | 215,518 | - | (5,220) | 210,298 |
| 2/12/2015 | 8.42 | 2/12/2018 | 646,554 | - | 215,518 | - | (5,220) | 210,298 |
| | | | | 1,338,310 | 646,554 | (793,070) | (20,571) | 1,171,223 |

| 12/31/14 | | | | | | | | |
|------------|-----------------------|-----------------------------------|--------------------------|------------------|----------------|------------------|-----------------|------------------|
| Grant date | Option exercise price | Vesting period as from grant date | Maximum number of shares | Opening balance | Granted | Exercised | Canceled | Closing balance |
| 2/24/2011 | 10.80 | 2/24/2012 | 580,544 | 5,956 | - | - | - | 5,956 |
| 2/24/2011 | 10.80 | 2/24/2013 | 1,161,088 | 5,956 | - | - | - | 5,956 |
| 2/24/2011 | 10.80 | 2/24/2014 | 1,741,632 | 498,983 | - | (141,963) | - | 357,020 |
| 3/01/2012 | 4.33 | 3/01/2013 | 108,949 | - | - | - | - | - |
| 3/01/2012 | 4.33 | 3/01/2014 | 217,898 | 99,620 | - | (94,966) | - | 4,654 |
| 3/01/2012 | 4.33 | 3/01/2015 | 326,847 | 99,620 | - | - | (3,168) | 96,452 |
| 2/28/2013 | 9.55 | 2/28/2014 | 265,183 | 253,267 | - | (226,853) | - | 26,414 |
| 2/28/2013 | 9.55 | 2/28/2015 | 530,366 | 253,267 | - | - | (10,193) | 243,074 |
| 2/28/2013 | 9.55 | 2/28/2016 | 795,549 | 253,267 | - | - | (10,193) | 243,074 |
| 2/13/2014 | 9.84 | 2/13/2015 | 123,386 | - | 123,386 | - | (4,816) | 118,570 |
| 2/13/2014 | 9.84 | 2/13/2016 | 246,772 | - | 123,386 | - | (4,816) | 118,570 |
| 2/13/2014 | 9.84 | 2/13/2017 | 370,158 | - | 123,386 | - | (4,816) | 118,570 |
| | | | | 1,469,936 | 370,158 | (463,782) | (38,002) | 1,338,310 |

The fair value of options is calculated at the grant date of the plans, and is not subsequently remeasured since the settlement of the plan is made through equity instruments, as described in technical pronouncement CPC10 – R1 (IFRS 2) – Share-based Payment, Therefore, the Company is subject to variation of the share price in the market when the option is exercised by the beneficiaries of the plans,

In 2015, the Company acquired, for the fulfillment of the plans for exercise of options of share purchase, 198,096 shares, at an average cost of R\$15.31, totaling R\$3,034, In the first quarter, 793,070 shares were exercised at an average cost of R\$16.17, totaling R\$12,823.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
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20. Stock option or subscription plan--Continued

a) Summary of grants of share purchase options or subscriptions--Continued

The Company recognized the difference between the average exercise price of the options and the average cost the shares acquired for the fulfillment of these exercises, in the amount of R\$882, directly in equity, since the settlement of options plans occurs through equity instruments, as described in technical pronouncement CPC 10 – R1 (IFRS 2) – Share-based payment,

b) Changes of the operations with stock option

Changes involving issuance, exercise and cancellation of share purchase options in the period were as follows:

| Plan | Changes | Exercise period – from grant | Number of shares | Movement in shares | Premium | Expense of exercise or cancellation |
|----------------|---|------------------------------|------------------|--------------------|---------|-------------------------------------|
| Fourth | Balance at start of period | - | 368,932 | - | - | - |
| | (-) Exercise of share purchase option | 24/02/2014 | - | (303,906) | 1.74 | (529) |
| | Balance at end of period | - | 65,026 | - | - | - |
| Fifth | Balance at start of period | - | 101,106 | - | - | - |
| | (-) Exercise of share purchase option | 01/03/2014 | - | (4,654) | 4.21 | (19) |
| | (-) Exercise of share purchase option | 01/03/2015 | - | (96,452) | 4.00 | (386) |
| | Balance at end of period | - | - | - | - | - |
| Sixth | Balance at start of period | - | 512,562 | - | - | - |
| | (-) Exercise of share purchase option | 28/02/2014 | - | (26,414) | 8.57 | (226) |
| | (-) Exercise of share purchase option | 28/02/2015 | - | (243,074) | 8.37 | (2,035) |
| | (-) Canceled | 28/02/2016 | - | (2,513) | 8.19 | (15) |
| | Balance at end of period | - | 240,561 | - | - | - |
| Seventh | Balance at start of period | - | 355,710 | - | - | - |
| | (-) Exercise of share purchase option | 13/02/2015 | - | (118,570) | 5.83 | (691) |
| | (-) Canceled | 13/02/2016 | - | (1,199) | 5.98 | (4) |
| | (-) Canceled | 13/02/2017 | - | (1,199) | 6.07 | (3) |
| | Balance at end of period | - | 234,742 | - | - | - |
| Eighth | Balance at start of period | - | - | - | - | - |
| | (-) Exercise of share purchase option | - | 646,554 | - | - | - |
| | (-) Canceled | 12/02/2016 | - | (1,996) | 5.82 | (2) |
| | (-) Canceled | 12/02/2017 | - | (1,996) | 6.10 | (1) |
| | (-) Canceled | 12/02/2018 | - | (1,996) | 6.29 | (1) |
| | (-) Canceled | 12/02/2016 | - | (1,788) | 5.82 | (3) |
| | (-) Canceled | 12/02/2017 | - | (1,788) | 6.10 | (1) |
| | (-) Canceled | 12/02/2018 | - | (1,788) | 6.29 | (1) |
| | (-) Canceled | 12/02/2016 | - | (1,436) | 5.82 | (4) |
| | (-) Canceled | 12/02/2017 | - | (1,436) | 6.10 | (2) |
| | (-) Canceled | 12/02/2018 | - | (1,436) | 6.29 | (2) |
| | Balance at end of period | - | 630,894 | - | - | - |
| | Movement in Stockholders' equity | | | | | (3,925) |

Explanatory Notes**GRENDENE S.A.**

Notes to the quarterly information--Continued
September 30, 2015 and December 31, 2014
(All amounts in thousands of reais)

20. Stock option or subscription plan--Continued

c) Economic assumptions adopted for recognition of employee remuneration expenses

The Company recognizes expenses for the variable remuneration of employees based on the fair value of the options granted, which was estimated using the Black-Scholes option pricing model. The Company utilized the following economic assumptions to determine this weighted average fair value:

| | 4 th Plan | 5 th Plan | 6 th Plan | 7 th Plan | 8 th Plan |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Grant date | 2/24/2011 | 3/1/2012 | 2/28/2013 | 2/13/2014 | 2/12/2015 |
| Total purchase options granted | 1,741,632 | 326,847 | 795,549 | 370,158 | 646,554 |
| Exercise price | 10.80 | 4.33 | 9.55 | 9.84 | 8.42 |
| Estimated volatility | 27.60% | 14.07% | 25.51% | 26.35% | 26.51% |
| Expected dividends | 4% | 7% | 5% | 6% | 5% |
| Weighted average risk-free interest rate | 12.50% | 9.50% | 7.25% | 11.25% | 12.75% |
| Maximum maturity | 6 years | 6 years | 6 years | 6 years | 6 years |
| Average maturity | 2.5 years | 2.5 years | 2.5 years | 2.5 years | 2.5 years |
| Option premium | 1.20 | 4.21 | 8.38 | 5.96 | 6.07 |
| Fair value at grant date | 12.00 | 8.54 | 17.93 | 15.80 | 14.49 |

Volatility was determined based on the average historical fluctuation of the share price over the 18 months prior to the grant date.

The expected dividends were based on the average dividend payment per share in relation to the market value of the share over the last 12 months.

The Company utilizes as the risk-free interest rate the average projected Special System for Settlement and Custody (SELIC) rate published by the Central Bank of Brazil (BACEN).

The fair value of options is calculated at the grant date and recorded as an expense, on a straight-line basis, during the vesting period.

The Company is not committed to repurchase shares that were purchased by the beneficiaries.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

21. Net sales and services revenue

Net sales and services revenue is comprised as follows:

| | Parent company | | Consolidated | |
|--|------------------|-----------|------------------|-----------|
| | 9/30/15 | 9/30/14 | 9/30/15 | 9/30/14 |
| Gross sales and services revenue | 1,795,982 | 1,768,248 | 1,835,119 | 1,834,253 |
| <i>Domestic market</i> | 1,406,262 | 1,456,051 | 1,408,340 | 1,458,833 |
| <i>Adjustment to Present Value (AVP)</i> | (39,401) | (34,528) | (39,401) | (34,528) |
| <i>Foreign market</i> | 386,001 | 315,916 | 422,798 | 381,732 |
| <i>Adjustment to Present Value (AVP)</i> | (639) | (427) | (377) | (3,028) |
| <i>Tax incentives – Proapi/Procomex</i> | 38,300 | 31,236 | 38,300 | 31,244 |
| <i>Special System for Refund of Tax Amounts to Exporting Companies (Reintegra)</i> | 5,459 | - | 5,459 | - |
| Sales returns | (29,413) | (39,095) | (30,585) | (48,814) |
| Financial discounts | (64,417) | (72,362) | (65,952) | (73,056) |
| Taxes on sales and services | (290,101) | (299,615) | (292,249) | (303,041) |
| ICMS tax incentives – Provin/ Development Promotion Program of the State of Bahia (Probahia) | 94,852 | 96,702 | 94,992 | 96,941 |
| INSS | (13,789) | (14,199) | (13,823) | (14,252) |
| | 1,493,114 | 1,439,679 | 1,527,502 | 1,492,031 |

Taxes on sales

Sales revenues are subject to certain taxes and contributions, at the following basic rates:

| | Rates |
|--|----------------|
| Value-added tax on sales and services (ICMS) | 7.00% a 19.00% |
| Social Contribution on Revenues (COFINS) | 7.60% |
| Social Integration Program (PIS) | 1.65% |
| National Institute of Social Security (INSS) | 1.00% |

22. Segment reporting

The Company and its subsidiaries operate in the footwear and furniture segments, as described in Note 4.o. In the footwear segment, although the Company's products are intended for different consumers and social classes, they are not controlled by management as independent segments, and the Company's results are accompanied, monitored and evaluated on an integrated basis.

Sales in the domestic and foreign markets and non-current assets were as follows:

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

22. Segment reporting--Continued

| | Parent company | | | Consolidated | |
|------------------|------------------|--------------------|------------------|--------------------|------------------|
| | 9/30/15 | 9/30/14 | 12/31/14 | 9/30/15 | 9/30/14 |
| | Gross sales | Non-current assets | Gross sales | Non-current assets | Gross sales |
| Footwear | | | | | |
| Domestic market | 1,366,861 | 13,354 | 1,421,523 | 13,398 | 1,368,646 |
| Foreign market | 429,121 | 53,024 | 346,725 | 54,935 | 465,106 |
| Furniture | | | | | |
| Domestic market | - | 10,474 | - | 17,359 | 293 |
| Foreign market | - | - | - | - | 1,074 |
| | 1,795,982 | 76,852 | 1,768,248 | 85,692 | 1,835,119 |
| | | | | | 1,834,253 |

The Company's non-current assets refer to investments in its subsidiaries: MHL Calçados Ltda. (headquartered in Brazil), Grendene Argentina S.A. (headquartered in Argentina), Grendene USA, Inc. (headquartered in the United States), Grendene UK, Limited. (headquartered in the United Kingdom) and A3NP Indústria e Comércio de Móveis S.A. (headquartered in Brazil).

The summary of the financial information of these subsidiaries is disclosed in Note 10.

The information on gross foreign sales revenue by geographic area was prepared considering the country where the revenue originated, that is, on the basis of sales realized by the parent company in Brazil and through direct and indirect subsidiaries abroad (Grendene USA, Inc., Grendene Argentina S.A., Grendene Italy S.R.L., Grendene UK, Limited. and Z Plus EUR Company S.R.L., in the United States, Argentina, United Kingdom and Italy, respectively), as follows:

| | Consolidated | |
|--|----------------|----------------|
| | 9/30/15 | 9/30/14 |
| Gross sales to foreign market from: | | |
| Brazil | 398,238 | 319,025 |
| USA | 27,855 | 24,291 |
| Argentina | 31,528 | 61,429 |
| Italy | 1,594 | 5,203 |
| United Kingdom | 6,965 | - |
| | 466,180 | 409,948 |

No customer individually represented more than 5% of sales in the domestic or foreign market.

Non-current assets abroad represent approximately 5% of the Company's non-current assets.

Explanatory Notes

GRENDENE S.A.

Notes to the quarterly information--Continued
 September 30, 2015 and December 31, 2014
 (All amounts in thousands of reais)

23. Costs and expenses by function and nature

The Company presents the profit and loss account by function. As required by technical pronouncement CPC 26 – R1 (IAS 1) – Presentation of Financial Statements. The classification by function and the breakdown of operating costs and expenses by nature are as follows:

a) Costs and expenses by function

| | Parent company | | Consolidated | |
|-------------------------------------|---------------------------|--------------------|---------------------------|--------------------|
| | 9/30/15 | 9/30/14 | 9/30/15 | 9/30/14 |
| Cost of goods sold | (804,454) | (823,547) | (810,374) | (836,739) |
| Selling expenses | (332,969) | (335,909) | (371,426) | (369,076) |
| General and administrative expenses | (59,724) | (58,063) | (75,739) | (66,668) |
| | <u>(1,197,147)</u> | <u>(1,217,519)</u> | <u>(1,257,539)</u> | <u>(1,272,483)</u> |

b) Costs and expenses by nature

| | Parent company | | Consolidated | |
|--|---------------------------|--------------------|---------------------------|--------------------|
| | 9/30/15 | 9/30/14 | 9/30/15 | 9/30/14 |
| Cost of goods sold | | | | |
| Raw materials | (361,331) | (376,069) | (366,680) | (380,355) |
| Personnel expenses | (326,877) | (326,489) | (324,867) | (332,529) |
| Depreciation and amortization | (29,563) | (26,261) | (29,728) | (26,426) |
| Other costs | (86,683) | (94,728) | (89,099) | (97,429) |
| | <u>(804,454)</u> | <u>(823,547)</u> | <u>(810,374)</u> | <u>(836,739)</u> |
| Selling expenses | | | | |
| Commissions | (72,285) | (70,608) | (73,479) | (72,507) |
| Freight | (68,805) | (77,126) | (70,710) | (79,990) |
| Copyrights | (36,649) | (35,795) | (36,649) | (35,795) |
| Management for development of trademarks | (353) | - | (353) | - |
| Advertising and publicity | (91,442) | (94,479) | (100,146) | (105,950) |
| Personnel expenses | (22,052) | (20,709) | (28,884) | (24,898) |
| Depreciation and amortization | (2,369) | (2,221) | (4,003) | (3,049) |
| Other expenses | (39,014) | (32,971) | (57,202) | (46,887) |
| | <u>(332,969)</u> | <u>(333,909)</u> | <u>(371,426)</u> | <u>(369,076)</u> |
| General and administrative expenses | | | | |
| Personnel expenses | (40,771) | (37,315) | (46,430) | (40,079) |
| Depreciation and amortization | (4,990) | (4,097) | (5,793) | (4,170) |
| Other expenses | (13,963) | (16,651) | (23,516) | (22,419) |
| | <u>(59,724)</u> | <u>(58,063)</u> | <u>(75,739)</u> | <u>(66,668)</u> |
| | <u>(1,197,147)</u> | <u>(1,215,519)</u> | <u>(1,257,539)</u> | <u>(1,272,483)</u> |

Explanatory Notes**GRENDENE S.A.**

Notes to the quarterly information--Continued

September 30, 2015 and December 31, 2014

(All amounts in thousands of reais)

24. Finance result

| | Parent company | | Consolidated | |
|--|------------------|-----------------|------------------|-----------------|
| | 9/30/15 | 9/30/14 | 9/30/15 | 9/30/14 |
| Finance income | | | | |
| Interest received from customers | 1,640 | 1,447 | 1,648 | 1,453 |
| Gains on foreign exchange hedge – BM&F | 38,843 | 10,188 | 38,843 | 10,188 |
| Income from financial investments | 119,488 | 70,417 | 120,406 | 71,555 |
| Foreign exchange gains | 102,220 | 27,713 | 107,799 | 30,137 |
| Adjustment to Present Value (AVP) | 39,793 | 33,398 | 40,134 | 35,026 |
| Other finance income | 3,729 | 3,760 | 3,137 | 4,325 |
| | 305,713 | 146,923 | 311,967 | 152,684 |
| Finance costs | | | | |
| Losses on foreign exchange hedge – BM&F | (108,158) | (9,189) | (108,157) | (9,189) |
| Financing expenses | (6,629) | (7,820) | (14,773) | (16,597) |
| Foreign exchange losses | (60,202) | (24,726) | (63,380) | (26,360) |
| Cofins and PIS tax on financial revenues | (2,435) | - | (2,448) | - |
| Other finance costs | (2,620) | (2,380) | (6,233) | (4,470) |
| | (180,044) | (44,115) | (194,991) | (56,616) |
| | 125,669 | 102,808 | 116,976 | 96,068 |

25. Insurance

The Company's management, based on the advice of its insurance consultants, contracts insurance policies from the main insurance companies in Brazil in amounts considered sufficient to cover possible losses. Taking into account the nature of the activities and the risks involved in the operations. The main types of insurance are as follows:

| Type | Coverage | Coverage amount |
|-----------------|--|---|
| Balance sheet | Property, plant and equipment and inventories are insured against fire, windstorm, flood and electrical damages. | R\$542,605 |
| Loss of profits | Profit plus fixed expenses. | R\$56,530 |
| Civil liability | Industrial operations, employer, products and moral damages. | R\$1,990 |
| Aviation | Hull, civil liability. | US\$3,500 |
| Vehicles | Material damages and third-party civil liability (CL). | 100% of Fipe valuation plus R\$200 third party property damages and R\$1,000 third party persona injury |
| Transportation | Export and import. | US\$2,500 per shipment and/or consolidation |

Comment on the behavior of business projections

Comparison of performance with targets

The information gives quarterly figures. Please note that targets are expressed for periods of a full year.

Performance: CAGR, in the third quarters of the years 2008–2015:

| R\$ mn | 3Q08 | 3Q09 | 3Q10 | 3Q11 | 3Q12 | 3Q13 | 3Q14 | 3Q15 | CAGR |
|---------------|-------|---------|-------|---------|-------|-------|--------|-------|------|
| Gross revenue | 457.9 | 475.5 | 546.4 | 511.3 | 613.0 | 739.0 | 730.1 | 734.5 | 7.0% |
| YoY change | | 3.9% | 14.9% | (6.4%) | 19.9% | 20.6% | (1.2%) | 0.6% | |
| Net profit | 73.3 | 65.6 | 104.8 | 83.5 | 119.4 | 122.1 | 126.0 | 133.5 | 8.9% |
| YoY change | | (10.5%) | 59.7% | (20.3%) | 43.0% | 2.2% | 3.2% | 5.9% | |

| R\$ mn | 3Q08 | 3Q09 | 3Q10 | 3Q11 | 3Q12 | 3Q13 | 3Q14 | 3Q15 | CAGR |
|------------------------------|------|------|-------|-------|------|------|------|------|------|
| Advertising expenses | 32.3 | 33.9 | 44.4 | 46.3 | 42.9 | 45.7 | 53.4 | 54.9 | 7.9% |
| % of Net operational revenue | 9.0% | 9.0% | 10.2% | 11.2% | 8.6% | 7.6% | 8.9% | 8.9% | |

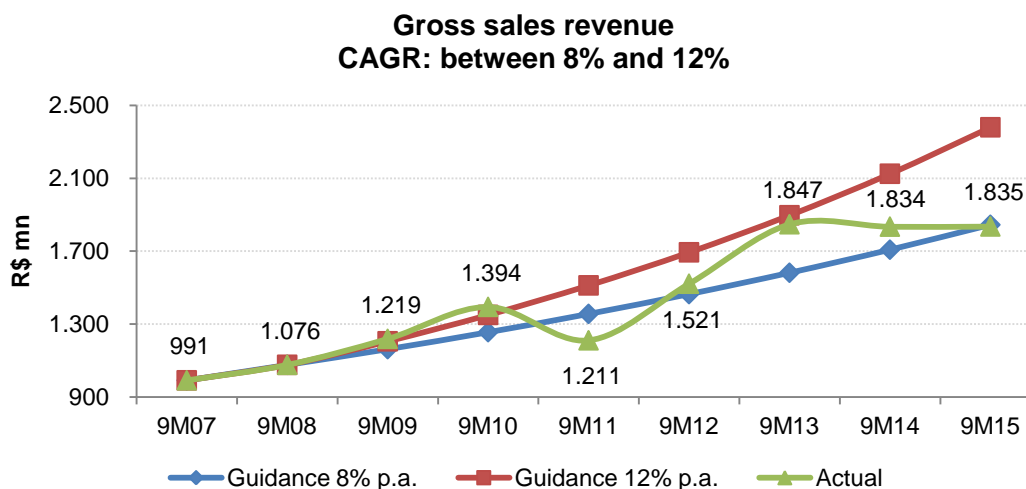
Performance: CAGR, in first nine months of the year, 2008–2015:

| R\$ mn | 9M08 | 9M09 | 9M10 | 9M11 | 9M12 | 9M13 | 9M14 | 9M15 | CAGR |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|-------|
| Gross revenue | 1,076.1 | 1,218.7 | 1,394.0 | 1,210.6 | 1,521.1 | 1,847.3 | 1,834.2 | 1,835.1 | 7.9% |
| YoY change | | 13.2% | 14.4% | (13.2%) | 25.6% | 21.4% | (0.7%) | 0.1% | |
| Net profit | 156.7 | 187.2 | 189.7 | 183.9 | 261.0 | 290.6 | 295.0 | 357.1 | 12.5% |
| YoY change | | 19.5% | 1.4% | (3.1%) | 41.9% | 11.4% | 1.5% | 21.1% | |

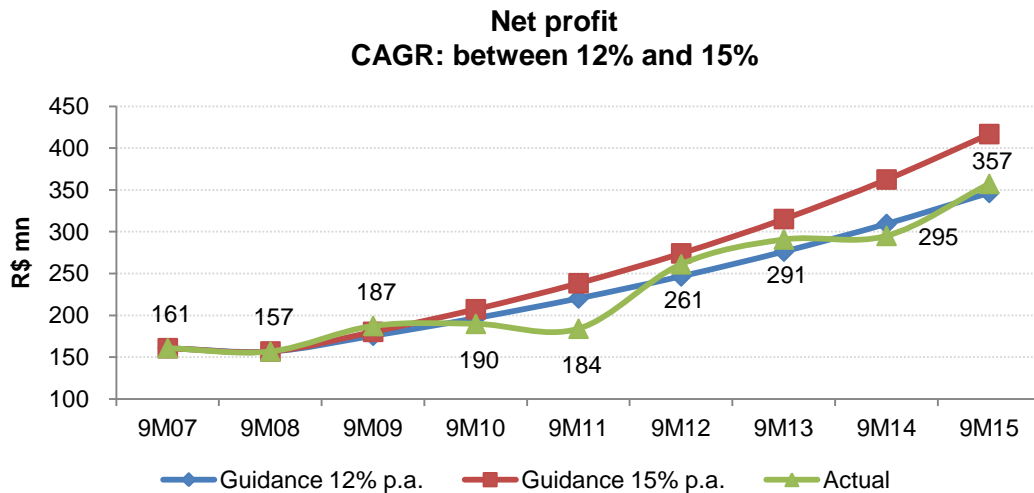
| R\$ mn | 9M08 | 9M09 | 9M10 | 9M11 | 9M12 | 9M13 | 9M14 | 9M15 | CAGR |
|------------------------------|------|------|------|------|-------|-------|-------|-------|------|
| Advertising expenses | 69.5 | 72.3 | 82.6 | 85.0 | 101.3 | 105.2 | 105.9 | 100.1 | 5.3% |
| % of Net operational revenue | 8.2% | 7.4% | 7.4% | 8.7% | 8.3% | 7.1% | 7.1% | 6.6% | |

In spite of the significantly adverse macro situation in the Brazilian economy, the year-on-year increase in net profit in 9M15 was the largest in any nine-month period for the last eight years.

These comments can be seen in the following charts:



Comment on the behavior of business projections



In the 12 months to September 30, 2015, Grendene presented a return to stockholders (accumulated Net profit in 12 months to September 30, 2015, divided by Stockholders' equity adjusted for dividends distributed) of 27.0% (vs. 23.6% in the 12 months to Sep. 30, 2014). In that period it paid R\$ 260.2mn in dividends (vs. R\$ 266.4mn up to the same point in 2014), generated R\$ 367.2mn in operational cash flow in the 9 months of 2015 (vs. R\$ 474.1mn in the 9 months of 2014), and increased its balance of cash and cash equivalents and financial investments to R\$ 1.208 billion (vs. R\$ 1.011bn in September 30, 2014).

With these results, we are confident that we can maintain the projection of our targets for the long term, which we have published before, for the period 2008-2018, and we now repeat here:

Targets for the period 2008–2018 – unchanged:

- Compound average growth rate (CAGR) of gross revenue: between 8% and 12%.
- CAGR of net profit: between 12 % and 15%.
- Advertising expenses as % of Net revenue, average: between 8% and 10%.

We believe that in this period we will have years with higher growth than these rates and others with lower growth; but we intend, on average, to achieve these targets.

Reasons for maintaining the targets previously stated:

Even during an economic crisis that is considered to be one of the largest that Brazil has ever suffered, which comes after one of the largest international crises over the last 80 years (2008), Grendene has regularly delivered the expected results. At the end of 9M15 we once again confirmed this regularity, which encourages us to maintain our targets for up to 2018.

While the domestic market has been showing a fall in consumption in recent years, we have compensated with gains in market share, growth in exports, and internal improvements.

The results for 9M15 are good, principally in 1Q15, although below our expectations – which are always high. In 2Q and 3Q of this year we had the context of the considerable weakening of the economy, and even so we maintained figures higher than those for the previous year. In management's opinion, considering the market context that we faced, the delivery of 21.1% year-on-year growth in net profit in 9M15 once again shows the great resilience of our business model.

Comment on the behavior of business projections

At the end of the first half of 2015 we had come to expect that the economy might cease to deteriorate in the second half, but this did not happen, and the consensus of analysts appears to indicate a view that Brazil's recession is likely to continue this year, and get deeper next year. Our challenge will be to serve a consumer who has lower income, who is more selective and cautious in her/his purchases, and to take the best advantage of the possibilities of the export market while the Brazilian currency is more competitive.

As always, we will position ourselves for this economic environment; our continuing expectation of achieving better results in 2015 than in 2014 has already been strengthened by the results of 9M15. To gain market share with little growth in volume (it will be below 200 million pairs in the full year), and to get the mix right, including pricing and improving margins, especially net margin: these will continue to be the challenges of the year. The pressure on revenue caused by lower demand; the pressure on costs from reduction of the export tax rebate from 3% to 1% (from March 2015); PIS and Cofins taxes on financial revenue at 4.65% (from July 1, 2015); and the reversals in the policy of reducing Social Security payments on payroll as from December 2015, are certainly making this challenge greater.

Based on this outlook, Grendene has a firm expectation of being able to achieve the targets announced for the period 2008–2018.

Other information considered relevant by the company

We state below the stockholding structure of the group on September 30, 2015 and September 30, 2014, down to the level of beneficial ownership by individuals:

1. Stock Ownership of Grendene S.A.

| Shareholders | September 30, 2015 | | September 30, 2014 | |
|--|--------------------|--------------------|-----------------------|--------------------|
| | Quantity ON Shares | Participation % | Quantity of ON Shares | Participation % |
| Grendene Negócios S.A. | 60,300,000 | 20.051875% | 60,300,000 | 20.051875% |
| Alexandre G. Bartelle Participações S.A. | 60,000,000 | 19.952115% | 60,000,000 | 19.952115% |
| Verona Negócios e Participações S.A. | 50,200,000 | 16.693269% | 50,200,000 | 16.693269% |
| Alexandre G. Bartelle ⁽¹⁾ | 30,149,457 | 10.025757% | 30,149,457 | 10.025757% |
| Pedro Grendene Bartelle ⁽¹⁾ | 5,507,340 | 1.831385% | 9,431,740 | 3.136386% |
| Maria Cristina Nunes de Camargo | 5,856,280 | 1.947420% | 5,441,280 | 1.809417% |
| Giovana Bartelle Veloso | 2,743,040 | 0.912157% | 2,743,040 | 0.912157% |
| Pedro Bartelle | 2,720,640 | 0.904709% | 2,720,640 | 0.904709% |
| Maílson Ferreira da Nóbrega ⁽¹⁾ | 9 | 0.000003% | 9 | 0.000003% |
| Oswaldo de Assis Filho ⁽¹⁾ | 9 | 0.000003% | 9 | 0.000003% |
| Renato Ochman ⁽¹⁾ | 9 | 0.000003% | 9 | 0.000003% |
| Walter Jansen Neto ⁽¹⁾ | 3,000 | 0.000998% | 3,000 | 0.000998% |
| Executive Board ⁽²⁾ | 660,268 | 0.219562% | 579,650 | 0.192754% |
| Free float ⁽³⁾ | 82,514,922 | 27.439121% | 78,491,166 | 26.101081% |
| Treasury stocks | 65,026 | 0.021623% | 660,000 | 0.219473% |
| Total | 300,720,000 | 100.000000% | 300,720,000 | 100.000000% |

(1) Member of the Board of Directors;

(2) Executive Board, excluding members who are part of the Board of Directors;

(3) Shareholders holding less than 5% of the company's voting capital;

1.1. Stock Ownership of Alexandre G. Bartelle Participações S.A.

| Shareholders | September 30, 2015 | | September 30, 2014 | |
|-----------------------------|--------------------|-------------------|--------------------|-------------------|
| | Quantity ON Shares | Participation % | Quantity ON Shares | Participation % |
| Alexandre G. Bartelle | 3,285,059 | 99.99991% | 3,285,059 | 99.99991% |
| Pedro Grendene Bartelle | 1 | 0.00003% | 1 | 0.00003% |
| Elizabeth Bartelle Laybauer | 1 | 0.00003% | 1 | 0.00003% |
| Maria de Lourdes Bartelle | 1 | 0.00003% | 1 | 0.00003% |
| Total | 3,285,062 | 100.00000% | 3,285,062 | 100.00000% |

1.2. Stock Ownership of Verona Negócios e Participações S.A.

| Shareholders | September 30, 2015 | | September 30, 2014 | |
|---------------------------------|--------------------|-------------------|--------------------|-------------------|
| | Quantity ON Shares | Participation % | Quantity ON Shares | Participation % |
| Pedro Grendene Bartelle | 2,705,100 | 50.08001% | 2,705,100 | 50.08001% |
| Pedro Bartelle | 1,348,228 | 24.95999% | 1,348,228 | 24.95999% |
| Giovana Bartelle Velloso | 674,114 | 12.48000% | 674,114 | 12.48000% |
| Maria Cristina Nunes de Camargo | 674,114 | 12.48000% | 674,114 | 12.48000% |
| Total | 5,401,556 | 100.00000% | 5,401,556 | 100.00000% |

Other information considered relevant by the company

1.3. Stock Ownership of Grendene Negócios S.A.

| Shareholders | September 30, 2015 | | September 30, 2014 | |
|--|--------------------|--------------------|--------------------|--------------------|
| | Quantity ON Shares | Participation % | Quantity ON Shares | Participation % |
| Alexandre G. Bartelle Participações S.A. | 5,522,390 | 55.223900% | 5,522,390 | 55.223900% |
| Verona Negócios e Participações S.A. | 4,477,610 | 44.776100% | 4,477,610 | 44.776100% |
| Total | 10,000,000 | 100.000000% | 10,000,000 | 100.000000% |

2. Controlling shareholders, management and free float

| Shareholders | September 30, 2015 | | September 30, 2014 | |
|-----------------------------------|--------------------|-----------------|--------------------|-----------------|
| | Quantity ON Shares | Participation % | Quantity ON Shares | Participation % |
| Controlling shareholders | 217,476,757 | 72.318687% | 220,986,157 | 73.485685% |
| Members of the Board of Directors | 3,027 | 0.001007% | 3,027 | 0.001007% |
| Members of the Audit Committee | 0 | 0.000000% | 0 | 0.000000% |
| Executive Officers | 660,268 | 0.219562% | 579,650 | 0.192754% |
| Free float | 82,514,922 | 27.439121% | 78,491,166 | 26.101081% |
| Treasury stocks | 65,026 | 0.021623% | 660,000 | 2.219473% |

3. Free-Float

| Shareholders profile | September 30, 2015 | | | September 30, 2014 | | |
|--|--------------------|-------------------------|-----------------|--------------------|-------------------------|-----------------|
| | Quantity | # Nominal common Shares | Participation % | Quantity | # Nominal common Shares | Participation % |
| Individuals | | | | | | |
| Individual investors | 7,407 | 6,399,371 | 7.75% | 6,309 | 6,841,835 | 8.72% |
| Investment clubs | 75 | 2,995,747 | 3.63% | 88 | 3,506,988 | 4.47% |
| Total | 7,482 | 9,395,118 | 11.38% | 6,397 | 10,348,823 | 13.19% |
| Institutional investors | | | | | | |
| Insurance companies | 0 | 0 | 0.00% | 0 | 0 | 0.00% |
| Pensions funds and security | 7 | 924,950 | 1.12% | 6 | 733,984 | 0.93% |
| Mutual funds | 127 | 25,419,936 | 30.81% | 118 | 23,926,849 | 30.48% |
| Total | 134 | 26,344,886 | 31.93% | 124 | 24,660,833 | 31.41% |
| Foreign investors | 239 | 46,675,067 | 56.57% | 211 | 43,349,645 | 55.23% |
| Public and private companies | 51 | 99,851 | 0.11% | 51 | 126,865 | 0.16% |
| Financial institutions | | | | | | |
| Commercial and multiple banks, financial companies | 0 | 0 | 0.00% | 0 | 0 | 0.00% |
| Investment Banks, securities dealers and brokers | 0 | 0 | 0.00% | 2 | 5,000 | 0.01% |
| Total | 0 | 0 | 0.00% | 2 | 5,000 | 0.01% |
| Total | 7,906 | 82,514,922 | 100.00% | 6,785 | 78,491,166 | 100.00% |

- The definition of shares outstanding is in accordance with the provision of section 4, § 2 of Law 6,404/76,
- The amount of outstanding shares was computed according to the provision of BM&FBOVESPA's Listing Regulation, which has been in force since May 10th 2011 and means all issued shares of the Company, other than the shares held by the Controlling Shareholders and any persons connected therewith, in addition to shares held by Senior Managers of the Company, treasury stock and, as the case may be, non-transferrable preferred shares carrying differentiated policy rights and owned solely by a privatizing entity,

Reports and Declarations/ Report of the special review – Unqualified

Report on review of quarterly information

To the Board of Directors and Stockholders
Grendene S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Grendene S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2015, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and nine-month periods then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company and consolidated interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC) and International Accounting Standard (IAS) 34, Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the nine-month period ended September 30, 2015. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Porto Alegre, October 22, 2015.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "S" CE

Fábio Abreu de Paula
Contador CRC 1MG075204/O-0 "S" CE

Reports and Declarations/ Officers' Declaration on the Financial Statements

Officers' representation on the quarterly information

In conformity with CVM Instruction 480, of December 7, 2009, Subsection III – Financial Statements, item VI of Article 25, the Executive Officers of Grendene S.A. have reviewed, discussed and agreed with the Quarterly Information of the Company and its subsidiaries (Consolidated) and they state that such Information fairly presents the financial position for the reported periods.

Sobral – CE, October 21, 2015.

Rudimar Dall Onder
Chief Executive Officer

Gelson Luis Rostirolla
Deputy Chief Executive Officer

Francisco Olinto Velo Schmitt
Chief Officer Investor Relations, Finance and Administration

Reports and Declarations/ Officers' statement on the independent auditor's report

Officers' statement on the independent auditor's report

In conformity with CVM Instruction 480, of December 7, 2009, Subsection III – Financial Statements, item V of Article 25, the Executive Officers of Grendene S.A., based on the information in the audit results provided by the auditors and clarifications received during the period, state that they have reviewed, discussed and agreed with the contents and conclusion expressed in the Special Review Report on the Quarterly Information of the Company and its subsidiaries (Consolidated), without qualifications, issued by PricewaterhouseCoopers Auditores Independentes.

Sobral – CE, October 22, 2015.

Rudimar Dall Onder
Chief Executive Officer

Gelson Luis Rostirolla
Deputy Chief Executive Officer

Francisco Olinto Velo Schmitt
Chief Officer for Investor Relations, Finance and Administration