GRENDENE S.A.

Listed company – *CNPJ n. 89.850.341/0001-60 – NIRE n. 23300021118-CE*

MATERIAL ANNOUNCEMENT

Grendene S.A. (Bovespa: GRND3; 'Grendene' or 'the Company'), hereby advises its stockholders, in accordance with CVM Instruction 358 of January 3, 2002, of the following decisions taken by the meeting of its Board of Directors on February 25, 2016:

I – PROPOSED DIVIDENDS AND INTEREST ON EQUITY

On today's date the Board of Directors approved, *ad referendum* confirmation by the Annual General Meeting to be held on April 11, 2016, **distribution of complementary dividends in the total amount of R$ 110,894,142.10** (one hundred ten million eight hundred ninety four thousand one hundred forty two Reais and ten centavos) (net: R$ 95,894,142.10). This comprises: R$ 100,577,416.63 for the business year ended December 31, 2015, and R$ 10,316,725.47 as dividends arising from reversal of reserves.
This distribution will be **paid to stockholders as from April 27, 2016, as follows:**

a) **In the form of Interest on Equity –** calculated as part of the total value of dividends, subject to the limits in Article 9, §7, of Law 9249/95: The gross amount of **R$ 100,000,000.00**, corresponding to **gross value per share of R$ 0.3325** (excluding treasury shares); resulting in net payment, after deduction of 15% withholding income tax at source, of R$ 85,000,000.00, this net amount represents net value per share of R$ 0.2827.

The Company requests that shareholders, companies and/or entities not subject to withholding income tax submit the documentation to the Company located at Av. Pedro Grendene, 131 – Bairro Volta Grande – Farroupilha – RS -, CEP 95180-000, care the Investor Relations Department, by April 20, 2016

. **b) In the form of dividends: Complementary dividend of R$ 10,894,142.10,** or **R$ 0.0362 per share.**

Under current legislation the calculation excludes shares in treasury: hence this amount may change depending on the number of shares in treasury on the cut-off date.

This amount will not be subject to any remuneration or monetary updating, nor any withholding tax.

The Interest on Equity and complementary dividends will be payable to stockholders in the Company's books of record on **April 14, 2016 (the cut-off date).** Thus Grendene's shares will trade **ex-dividend and ex-Interest on Equity on April 15, 2016,** on the BM&FBovespa.

II – New buyback program for Grendene's common shares (GRND3)

Grendene's shares are all common shares (nominal, without par value). In keeping with CVM Instruction 358, of January 3, 2002, and Article 21, sub-clause 'I' of its by-laws and CVM Instruction 567, of September 17, 2015, the Board of Directors approved a new program to buy back the Company's shares, to be held in treasury for subsequent sale, without reduction in the share capital, and to comply with future exercises of options granted and exercisable by its executives under its 4th, 5th, 6th, 7th, 8th and 9th Stock Options programs, subject to the conditions in the Regulations of the Stock Options Plan. The Board believes that acquisition of the Company's shares in the market is the best method for satisfying this requirement. On today's date the Company has 65,026 (sixty five thousand twenty six) nominal common shares in treasury, approved by the meeting of the Board of Directors held on February 12, 2015, for subsequent disposal, in compliance with the accumulated options subject to exercise. The new program has the following characteristics:

a. Limit of acquisition, under Article 8 of CVM Instruction 567/2015, and based on the stockholding structure at February 25, 2016: Up to 1,500,000 (one million five hundred thousand) shares, corresponding to 1.82% of the shares in circulation.

b. Maximum period for acquisition: 545 (five hundred forty five) days.

Start: February 26, 2016.
End: August 24, 2017.

c. The total number of Grendene' shares is 300,720,000 (three hundred million seven hundred twenty thousand), of which 82,515,922 (eighty two million, five hundred fifteen nine hundred twenty two) are shares in circulation, 65,026 (sixty five thousand twenty six) are shares held in treasury, and 218,139,052 (two hundred eighteen million one hundred thirty nine thousand fifty two) are shares held by the controlling stockholders and the Company's managers.

d. The acquisitions will be made at market price exclusively in the stock market in which the Company's shares are traded, with intermediation by the following financial institution: Bradesco S.A. Corretora de Títulos e Valores Mobiliários, with head office at Av. Paulista 1,450, 7 andar, São Paulo, São Paulo State, registered in the CNPJ/MF under No. 61.855.045/0001-32.

The information on the new share acquisition program that has been approved, including the information required by CVM Instructions 567/15 and 480/09, as amended, is available to stockholders at the Company's head office, and on the websites of: the Company (http://ri.grendene.com.br), the CVM (Brazilian Securities Commission) – http://www.cvm.gov.br, and BM&FBovespa (http://www.bmfbovespa.com.br)

III – A3NP Indústria e Comércio de Móveis S.A.

A3NP where applicable formed in 2013 by Grendene with Phillippe Stark, Phillippe Ouakart, Alexandre Allard, ABCDEFGHI Participações Ltda., a company held by Mr. Nizan Guanaes, and FIP Santana, an investment fund held by Mr. André Esteves, to develop the sale of furniture and accessories with sophisticated design at acceptable cost for the middle income groups, as reported to the market in Material Announcements of February 7, 2013 and February 28, 2013. Grendene owns 42.5% of the share capital, and 50.1% of the voting stock of A3NP.

A3NP, Grendene's investment in the furniture sector, had been presenting unsatisfactory results since the third quarter of 2015, due to the substantial changes in the economic scenario between the initial plan, in 2012, and 2015. These changes included: the major depreciation of the Brazilian currency, which made production and development of products in Europe to serve the Brazilian market more expensive; and the major recession in Brazil which affected the purchasing power of the middle income groups – the target consumer for the products of A3NP.

Due to these changes in the economic scenario, the rate of growth of this business would now be much lower, demanding additional injections of capital to make it viable. The partners of A3NP had already paid in the whole of the amount of the share capital subscribed, as per the original business plan made at the time of its formation, but the business did not reach its breakeven point and, to make a new business plan feasible with the change in the economic scenario, and also to develop the company to levels of activity compatible with Grendene's interests, new investments and new injections of capital by the partners of A3NP would have been necessary. However, a consensus was not reached between the partners of A3NP about such a capitalization.

Based on the studies and analyzes made by the Executive Board, and since there was no consensus between the parties on further capitalization, Grendene's Board of Directors approved the proposal of the Executive Board to make no further investments in the furniture sector operated by the subsidiary A3NP, investing only such amounts as were necessary to make it feasible for the Company's equity interests in A3NP to be sold, or for another course of action to be taken for termination of its activities in such a way as to avoid risks, and preserve the Company's commercial reputation.

This being so, the Company has provisioned the total of its investment in A3NP as a loss, in its financial statements for the fourth quarter of 2015, as detailed in Item 1 of the Company's Management Report and in its Media Release – published today on the Company's website (http://ri.grendene.com.br), and on the websites of the CVM – Brazilian Securities Commission (http://www.cvm.gov.br) and BM&FBovespa (http://www.bmfbovespa.com.br). The provisioning of the loss on this investment has no cash effect and, although it reduces Grendene's profit for the 2015 business year, it does not significantly alter the return on equity, which remains above 20%.

Farroupilha, Rio Grande do Sul, Brazil, February 25, 2016.

Francisco Olinto Velo Schmitt.
Investor Relations Officer