

Grendene S.A.

Listed Company – CNPJ No. 89.850.341/0001-60 – NIRE nº. 23300021118-CE

MARKET ANNOUNCEMENT

Comment on press reports

In relation to a purported news article published on October 29, 2016 in a magazine distributed nationally in Brazil, which was widely disseminated via social networks, under the title 'The Uruguay Connection' (in the original, 'Conexão Uruguai'), Grendene S.A. **reports as follows:**

Grendene S.A. has received a written statement from Mr. Alexandre Grendene Bartelle, Chairman of its Board of Directors, stating that the information published, to the effect that, through an offshore structure, he is the owner of the house in Punta Del Este (Uruguay) referred to in the article, is totally false and, in practice, absurd, offensive and unacceptable. In this note, he reiterates that he has never, directly or indirectly, been the owner of the real estate property referred to.

In addition, Grendene, which is also referred to in the article, hereby informs the public that it has not acquired the company Vulcabrás S.A., nor does it have any stockholding link with that company, nor, indeed, has it received a loan from the BNDES for this non-existent acquisition, which is the product of mere fantasy.

As is known to those who accompany news about Grendene S.A., Vulcabrás was owned by Grendene S.A. in the 1990s, and since 2000 has been an independent company with no stockholding link to Grendene S.A.

The stockholding structure of Grendene, its interests in other companies and information about loans that it has contracted can be seen and consulted on its website "<http://ri.grendene.com.br>", where it can be verified that, over the course of its history, Grendene has contracted some transactions to finance machinery by the Finame system, linked to the BNDES, and export financing under the BNDES's Exim system, all within the BNDES's official policies, and has rigorously complied with its obligations.

Grendene also notes that even if the totals of all the loan transactions that it has contracted over its 46 years of existence were added together, even so their sum total would be substantially less than the amounts stated in the article referred to.

Sobral – Ceará, Brazil, October 31, 2016.

Grendene S.A.

Francisco Olinto Velo Schmitt
Investor Relations Officer