

# GRENDENE S.A.

Listed Company – CNPJ: 89.850.341/0001-60 – NIRE: 23300021118-CE

## MATERIAL ANNOUNCEMENT

### ***(1) Change in dividend policy; (2) new share buyback program***

**Grendene S.A.** (Bovespa: **GRND3**)(‘Grendene’) hereby informs its stockholders – in accordance with CVM Instruction 358 of January 3, 2002 – that at its meeting of February 13, 2014, the Board of Directors decided as follows:

#### **I – Change in the company’s Dividend Policy**

*In view of the following developments –*

- a) Provisional Measure 627 of November 11, 2003 repealed the Transition Taxation Regime (*Regime Tributário de Transição – RTT*); enacted changes to Decree-Law 1598 of December 26, 1977 governing corporate income tax; and altered legislation on the Social Contribution tax on net profit;
- b) Provisional Measure 627/13 made changes to provisions in Decree-Law 1598 that governed operational profit, and introduced a rule which expressly excludes from calculation of operational profit revenues that arise from governmental investment incentive arrangements;
- c) according to studies undertaken by the Company, these changes will affect the taxation applicable to benefits that the Company receives under tax incentive arrangements, at the moment when such benefits become a part of the basis for calculation of dividends; and
- d) the said Provisional Measure has not yet been transformed into a Law, and prior to Congress finally voting on this it has been the subject of numerous proposals for amendments, which could change the matters referred to above.

**– Due to the Provisional Measure 627/13 the Board has decided to alter the Company’s Dividend Policy as follows:**

Grendene will no longer separately allocate the amounts of benefits arising under governmental tax incentives to be part of the calculation base for dividends, as it has been doing in the past.

The Company will now distribute, as dividends – after constitution of the Legal Reserve, and the Reserve under the Bylaws – that part of Profit that does not arise from state tax incentives.

Grendene will review this policy when Provisional Measure 627/13 is regulated.

Additionally, Grendene will maintain its policy of quarterly distribution of dividends.

## II – New share buyback program for Grendene shares (GRND3)

The Meeting of the Board of Directors of Grendene held on February 13, 2014 made the following decisions (in accordance with the provisions of Clause 21, sub-clause “i” of the by-laws; CVM Instructions 10 of February 14, 1980, as amended by CVM Instructions 268 of November 13, 1997 and 390 of July 8, 2003; and CVM Explanatory Note 16/80):

1. Cancellation of the authorization for the program of acquisition of shares (Grendene has only common shares) approved by the Meeting of the Board of Directors of February 28, 2013; and
2. Approval of a new program to acquire the Company’s nominal common shares, without par value, for holding in treasury and subsequent disposal, without reduction of the share capital, to settle future exercise of options exercisable by the Company’s executives in the its 4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> Stock Options Programs, subject to the conditions stated in the Regulations of those Programs.

The Board believes that acquisition of the Company’s common shares in the market is the best means of executing this purpose. Today the Company has 863,782 shares in treasury, authorized by the Meeting of the Board of Directors of February 28, 2013, for subsequent disposal, for settlement of exercise of accumulated options exercisable up to 2014.

The new program will have the following characteristics:

- a. Limit of acquisition – subject to the provisions of Articles 3 and 5 of CVM Instruction 10/80; CVM Instruction 268/97; and the Company’s stockholding composition on February 13, 2014:  
Up to 1,500,000 (one million, five hundred thousand) nominal common shares, without par value, corresponding to 1.95% of the shares in circulation.

The total number of common shares comprising the Company’s share capital is:

- 300,720,000 (three hundred million, seven hundred twenty thousand), comprising:
  - 76,675,080 (seventy six million, six hundred seventy five thousand eighty) shares in circulation;
  - 863,782 (eight hundred sixty three thousand seven hundred eighty two) shares in treasury; and
  - 223,181,138 (two hundred twenty three million one hundred eighty one thousand one hundred thirty eight) common shares owned by the Company’s controlling stockholders and managers.
- b. Period for acquisition: 365 (three hundred sixty five) days.  
Start of period: February 14, 2014.  
End of period: February 13, 2015.
- c. Acquisition price: Market price.
- d. Authorized intermediary institution:  
Bradesco S.A. Corretora de Títulos e Valores Mobiliários, with head office at Av. Paulista 1450, 7<sup>th</sup> floor, São Paulo, SP, registered in the CNPJ/MF under No. 61.855.045/0001-32.

Farroupilha, Rio Grande do Sul, Brazil – February 13, 2014.

**Francisco Olinto Velo Schmitt.**  
Investor Relations Officer