Vulcabras Azaleia S.A.

Interim financial statements at March 31, 2019

KPDS 483155

Contents

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Report on the review of quarterly financial information - ITR

To the Board Members and Directors of
Vulcabras Azaleia S.A.
Horizonte - CE

Introduction
We have reviewed the interim, individual and consolidated accounting information of Vulcabras Azaleia S.A. ("Company") contained in the Quarterly Information - ITR Form for the quarter ended March 31, 2019, which comprise the statement of financial position on March 31, 2019 and related statements of income, of comprehensive income, of changes in equity and of cash flows for the quarter then ended, including explanatory notes.

Management is responsible for the preparation of the interim financial information in accordance with CPC 21(R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review
We conducted our review in accordance with the Brazilian and international review standards for interim 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 in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures 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 individual interim information
Based on our review, we are not aware of any facts that would lead us to believe that the individual and consolidated interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 issued by IASB and applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission.
Other issues - Statements of added value

The individual and consolidated interim financial information related to statements of added value (DVA) for the three-month period ended March 31, 2019, prepared under responsibility of Company's Management, and presented as supplementary information for IAS 34 purposes, was submitted to review procedures carried out jointly with the audit of Company's quarterly information. To form a conclusion, we evaluated whether these statements are reconciled with interim financial information and accounting records, as applicable, and whether their forms and contents are in accordance with criteria defined in Technical Pronouncement CPC 09 - Statement of Added Value. Based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with individual and consolidated interim financial information taken as a whole.

Fortaleza, May 6, 2019

KPMG Auditores Independentes
CRC SP-014428/O-6 S-CE

Marcelo Pereira Gonçalves
Accountant CRC 1SP220026/O-3

Vulcabras Azaleia S.A.

(Publicly-held company)

Statements of financial position

As of March 31, 2019 and December 31, 2018

(In thousands of Reais)

		Consolidated		Parent company	
Assets	**Note**	**03/31/2019**	**12/31/2018**	**03/31/2019**	**12/31/2018**
Cash and cash equivalents	5	109,584	68,626	752	916
Interest earning bank deposits	6	40	-	-	-
Trade receivables	7	410,132	467,384	-	-
Inventories	8	240,621	229,475	-	-
Recoverable taxes	9	15,375	16,556	542	537
Income tax and social contribution	10a	4,872	4,591	125	121
Prepaid expenses		5,082	4,453	8	11
Other accounts receivable		5,036	9,174	18	19
Total current assets		**790,742**	**800,259**	**1,445**	**1,604**
Interest earning bank deposits	6	2,566	2,510	2	2
Recoverable taxes	9	8,003	8,155	1,776	1,770
Deferred income tax and social contribution	10b	303	301	-	-
Judicial deposits	11	39,042	41,384	655	730
Right to use	3.1	22,707	-	-	-
Other accounts receivable		2,238	2,250	1,585	1,585
Prepaid expenses		278	210	1	1
Assets held for sale		194	194	-	-
Investments	13	60,558	61,754	966,100	939,397
Investment properties	14	2,842	2,946	2,832	2,936
Property, plant and equipment	15	201,426	195,003	164	165
Intangible assets	16	211,273	211,807	111	111
Total non-current assets		**551,430**	**526,514**	**973,226**	**946,697**
Total assets		**1,342,172**	**1,326,773**	**974,671**	**948,301**

		Consolidated		Parent company	
Liabilities	**Note**	**03/31/2019**	**12/31/2018**	**03/31/2019**	**12/31/2018**
Suppliers	18	68,432	58,004	111	420
Loans and financing	19	15,037	22,878	-	-
Taxes payable		12,106	7,342	75	99
Tax Recovery Program - REFIS		128	128	-	-
Salaries and vacations payable		37,733	36,552	17	17
Provisions	20	46,273	50,344	452	449
Lease liability	3.1	9,794	-	-	-
Amounts payable for acquisition of operation		29,970	61,627	-	-
Commissions payable		11,762	13,491	-	-
Other accounts payable		18,527	24,759	234	147
Total current liabilities		**249,762**	**275,125**	**889**	**1,132**
Loans and financing	19	37,133	37,128	-	-
Loans with related parties	12	16,422	16,259	5,504	5,419
Provisions	20	31,889	30,668	491	491
Deferred taxes on revaluation of property, plant and equipment	10b	3,186	3,298	-	-
Lease liability	3.1	12,913	-	-	-
Taxes payable		22,303	22,196		
Provision for loss with investment	13	-	-	99	97
Other accounts payable		569	637	-	-
Total non-current liabilities		**124,415**	**110,186**	**6,094**	**6,007**
Equity					
Share capital	21	1,106,717	1,106,717	1,106,717	1,106,717
Revaluation reserves	21	6,184	6,401	6,184	6,401
Capital reserves	21	667	641	667	641
Equity valuation adjustments	21	2,312	1,990	2,312	1,990
Accumulated losses		(148,192)	(174,587)	(148,192)	(174,587)
Equity attributable to controlling shareholders		**967,688**	**941,162**	**967,688**	**941,162**
Non-controlling interest		**307**	**300**	**-**	**-**
Total equity		**967,995**	**941,462**	**967,688**	**941,162**
Total liabilities		**374,177**	**385,311**	**6,983**	**7,139**
Total liabilities and equity		**1,342,172**	**1,326,773**	**974,671**	**948,301**

See the accompanying notes to the financial statements.

Vulcabras Azaleia S.A.
(Publicly-held company)

Consolidated statements of income

As of March 31, 2019 and March 31, 2018

(In thousands of Reais, except net income per share)

		Consolidated		Parent company	
	Note	03/31/2019	03/31/2018	03/31/2019	03/31/2018
Net sales	22	299,787	291,984	-	-
Cost of sales	23	(197,755)	(191,575)	-	-
Gross income		**102,032**	**100,409**	**-**	**-**
Sales expenses	24	(46,994)	(41,347)	-	-
Administrative expenses	25	(24,849)	(19,505)	(1,245)	(3,417)
Other operating revenues (expenses), net	26	(827)	(3,637)	1,118	(311)
Equity in net income of subsidiaries	13b	(1,196)	204	26,361	37,216
Income (loss) before net financial expenses and revenues and taxes		**28,166**	**36,124**	**26,234**	**33,488**
Finance income		5,522	4,785	32	17
Financial expenses		(7,358)	(6,940)	(88)	(84)
Net financial revenues and expenses	27	**(1,836)**	**(2,155)**	**(56)**	**(67)**
Income (loss) before income taxes		**26,330**	**33,969**	**26,178**	**33,421**
Deferred income tax and social contribution	10b	(147)	(547)	-	-
Net income for the year		**26,183**	**33,422**	**26,178**	**33,421**
Income attributable to:					
Controlling shareholders		26,178	33,421	26,178	33,421
Non-controlling shareholders		5	1	-	-
Net income for the year		**26,183**	**33,422**	**26,178**	**33,421**
Earnings per share					
Earnings per common share - Basic		0.1065	0.1360		
Earnings per common share - diluted		0.1062	0.1355		
Number of shares at the end of the year					
Outstanding common shares		245,756,346	245,756,346		
Outstanding common shares with a dilution effect		246,416,346	246,591,346		

See the accompanying notes to the financial statements.

Vulcabras Azaleia S.A.
(Publicly-held company)

Statements of comprehensive income

As of March 31, 2019 and March 31, 2018

(In thousands of Reais)

	Consolidated		Parent company	
	03/31/2019	**03/31/2018**	**03/31/2019**	**03/31/2018**
Income (loss) for the year	26,183	33,422	26,178	33,421
Other comprehensive income - OCI	322	390	322	390
Items that can be subsequently reclassified to income (loss)				
Exchange differences from translation of foreign operations	285	454	285	454
Financial assets at fair value through other comprehensive income (FVTOCI)	37	(64)	37	(64)
Total comprehensive income	26,505	33,812	26,500	33,811
Comprehensive income attributable to:				
Controlling shareholders	26,500	33,811	26,500	33,811
Non-controlling shareholders	5	1	-	-

See the accompanying notes to the financial statements.

Vulcabras Azaleia S.A.

(Publicly-held company)

Statement of changes in equity - Parent company and Consolidated

As of March 31, 2019 and March 31, 2018

(In thousands of Reais)

	Parent company							
	Share capital	**Reflected revaluation reserve in subsidiaries**	**Capital reserve**	**Other comprehensive income**	**Retained earnings (losses)**	**Cost**	**Non-controlling interest**	**Total equity**
Balances at January 01, 2018	**1,107,661**	**7,273**	**-**	**(3,045)**	**(327,571)**	**784,318**	**255**	**784,573**
Realization of revaluation reserve in subsidiary, net of taxes	-	(218)	-	-	218	-	-	-
Realization of expenditures with issuance of shares	(106)					(106)	-	(106)
Transaction with share-based payments			134			134		134
Other comprehensive income								
Exchange differences from translation of foreign operations	-	-	-	454	-	454	2	456
Financial assets at fair value through other comprehensive income (FVTOCI)				(64)		(64)	-	(64)
Net income for the period	-	-	-	-	33,421	33,421	-	33,421
Balances at March 31, 2018	**1,107,555**	**7,055**	**134**	**(2,655)**	**(293,932)**	**818,157**	**257**	**818,414**
Balances at January 01, 2019	**1,106,717**	**6,401**	**641**	**1,990**	**(174,587)**	**941,162**	**300**	**941,462**
Realization of revaluation reserve in subsidiary, net of taxes	-	(217)	-	-	217	-	-	-
Transaction with share-based payments	-	-	26	-	-	26	-	26
Other comprehensive income								
Exchange differences from translation of foreign operations	-	-	-	285	-	285	7	292
Financial assets at fair value through other comprehensive income (FVTOCI)	-	-		37	-	37	-	37
Net income for the period	-	-	-	-	26,178	26,178	-	26,178
Balances at March 31, 2019	**1,106,717**	**6,184**	**667**	**2,312**	**(148,192)**	**967,688**	**307**	**967,995**

See the accompanying notes to the financial statements.

Vulcabras Azaleia S.A.
(Publicly-held company)

Statements of cash flows – Indirect method

As of March 31, 2019 and March 31, 2018

(In thousands of Reais)

	Consolidated		Parent company	
	03/31/2019	**03/31/2018**	**03/31/2019**	**03/31/2018**
Cash flow from operating activities				
Net Income for the period	26,183	33,422	26,178	33,421
Adjustments for:				
Depreciation and amortization	18,957	13,673	105	105
Change in the provision for impairment losses in inventory	(2,928)	(226)	-	-
Net value of written off tangible and intangible assets	2,781	1,741	-	-
Yields from interest earning bank deposits	(24)	(1,623)	-	-
Change in provision for contingency losses	1,158	4,797	11	1,410
Equity in net income of subsidiaries	1,196	(204)	(26,361)	(37,216)
Transaction with share-based payments	26	134	26	134
Estimated loss from allowance for doubtful accounts	1,906	660	-	-
Financial charges and exchange-rate change recognized in income (loss)	1,181	1,983	-	-
Deferred taxes	(114)	(108)	-	-
Minority interest	(5)	(1)	-	-
	50,317	**54,248**	**(41)**	**(2,146)**
Changes in assets and liabilities				
Interest earning bank deposits	(72)	1,414	-	-
Trade accounts receivable	55,237	(9,391)	-	-
Inventories	(8,218)	2,290	-	-
Prepaid expenses	(697)	76	3	4
Recoverable taxes	1,052	312	(15)	(10)
Other accounts receivable	4,150	12,161	1	10
Judicial deposits	2,342	351	75	(89)
Suppliers	10,444	19,990	(309)	(64)
Loans with related parties	163	-	-	-
Commissions payable	(1,729)	-	-	-
Incentives payable	107	-	-	-
Taxes and social contributions	4,883	6,179	(24)	(136)
Salaries and vacations payable	1,181	1,481	-	24
Other accounts payable	(37,950)	(1,533)	87	(527)
Provision for contingencies used	(4,008)	(3,928)	(8)	(56)
	26,885	**29,402**	**(190)**	**(844)**
Cash generated by (used in) operating activities				
Interest paid	(377)	(276)	-	-
	(377)	**(276)**	**-**	**-**
Net Cash Flow provided by (used in) operating activities	**76,825**	**83,374**	**(231)**	**(2,990)**
Cash flow from investment activities				
Acquisition of property, plant and equipment	(24,327)	(27,015)	-	-
Funds from disposal of property, plant and equipment	65	-	-	-
Acquisitions of intangible assets	(148)	(875)	-	-
Net cash flow used in investment activities	**(24,410)**	**(27,890)**	**-**	**-**
Cash flow from financing activities				
Loans obtained - Principal	-	98	-	-
Payment of loans obtained - Principal	(8,344)	(5,297)	-	-
Receipt (Payment) of loans with related parties	-	-	67	2,799
Payment of financial lease liabilities	(3,079)	-	-	-
Realization of expenditure with issuance of shares	-	(106)	-	(106)
Net cash flow used in financing activities	**(11,423)**	**(5,305)**	**67**	**2,693**
Increase (decrease) in cash and cash equivalents	**40,992**	**50,179**	**(164)**	**(297)**
Cash and cash equivalents at beginning of the period	68,626	100,502	916	369
Effect of the translation of Foreign Investees	(34)	-	-	-
Cash and cash equivalents at end of the period	109,584	150,681	752	72
Increase (decrease) in cash and cash equivalents	**40,992**	**50,179**	**(164)**	**(297)**

See the accompanying notes to the financial statements.

Vulcabras|azaleia S.A.
(Publicly-held company)

Statements of added value

As of March 31, 2019 and March 31, 2018

(In thousands of Reais)

	Consolidated		Parent company	
	03/31/2019	**03/31/2018**	**03/31/2019**	**03/31/2018**
Income	**346,255**	**331,817**	**113**	**197**
Sale of goods, products and services	345,724	331,261	-	-
Other revenues and expenses	1,244	1,197	113	197
Allowance for doubtful accounts	(713)	(641)	-	-
Inputs acquired from third parties	**(141,814)**	**(140,130)**	**(699)**	**(3,304)**
Raw materials used	(87,827)	(80,488)	-	-
Cost of products and goods sold and services rendered	(14,725)	(24,454)	-	-
Materials, energy, outsourced services and other	(39,234)	(35,163)	(699)	(3,304)
Loss/recovery of asset values	(28)	(25)	-	-
Gross added value	**204,441**	**191,687**	**(586)**	**(3,107)**
Retentions	**(17,150)**	**(13,673)**	**(105)**	**(105)**
Depreciation, amortization and depletion	(17,150)	(13,673)	(105)	(105)
Net added value generated by the Company	**187,291**	**178,014**	**(691)**	**(3,212)**
Added value received as transfer	**4,440**	**6,259**	**27,524**	**38,087**
Equity in net income of subsidiaries	(1,196)	204	26,361	37,216
Finance income	5,522	4,785	32	18
Other	114	1,270	1,131	853
Total added value payable	**191,731**	**184,273**	**26,833**	**34,875**
Distribution of added value	**191,731**	**184,273**	**26,833**	**34,875**
Personnel	**107,813**	**100,623**	**221**	**1,149**
Direct remuneration	74,517	67,247	-	-
Benefits	13,295	11,872	-	-
FGTS	5,888	4,641	-	-
Commissions on sales and commercial rebate	12,259	12,761	-	-
Directors' fees	1,854	4,102	221	1,149
Taxes, rates and contributions	**50,916**	**43,035**	**347**	**232**
Federal	35,808	34,986	347	232
State	15,005	7,857	-	-
Municipal	103	192	-	-
Third-party capital remuneration	**6,819**	**7,193**	**87**	**73**
Interest	6,035	6,655	88	73
Rentals	784	540	-	-
Other	-	(2)	(1)	-
Remuneration of own capital	**26,183**	**33,422**	**26,178**	**33,421**
Interest on own capital	-	-	-	-
Retained earnings	26,178	33,421	26,178	33,421
Non-controlling interest	5	1	-	-

See the accompanying notes to the financial statements.

Notes to the interim financial statements

(In thousands of reais - R$, unless otherwise stated)

1 General information

Vulcabras Azaleia S.A. ("Company") is a publicly-held company headquartered in Jundiaí - State of São Paulo (SP), Brazil. The manufacturing operations are concentrated in the subsidiaries of the Northeastern units, in the States of Ceará, Bahia and Sergipe. The control over the entity UA Brasil Comércio e Distribuição de Artigos Esportivos Ltda. was acquired in 2018 by means of its subsidiary Vulcabras Azaleia CE, changing the Company's name to Vulcabras Azaleia SP, as the ultimate parent company, the Company has also investments in other companies, and is engaged in trading and production in the domestic and foreign markets of apparel and accessories products, particularly sportswear, male, female and professional footwear, through its direct and indirect subsidiaries:

- Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A. which has the following subsidiaries:

– Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda.;

– Vulcabras Distribuidora de Artigos Esportivos Ltda.;

– Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.;

– Vulcabras Azaleia Administracíon S.A. (located in Argentina);

– Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A. which has the following subsidiaries:

– Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.;

– Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda.;

And also has the following distributors abroad: Calzados Azaléia Colômbia Ltda. and Calzados Azaléia Peru S.A.

The brands managed by the companies include:

- Own brands: Azaléia, Dijean, Olk, Olympikus, Opanka and Vulcabras.

- Third parties' brands: Under Armour

2 Basis of preparation and presentation of interim financial statements

2.1 Statement of compliance (in relation to IFRS standards and CPC standards)

The individual and consolidated quarterly information has been prepared based on CPC 21 (R1) in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil (BR GAAP) as issued by Accounting Pronouncement Committee - CPC and approved by the Brazilian Securities Commission - CVM, and contains all material information specific to the financial statements and that alone, which is consistent with that used by Management.

The Company adopted all the reviewed pronouncements and interpretations issued by CPC and IASB which were effective on March 31, 2019 and December 31, 2018.

The conclusion of these quarterly statements was authorized by the Board of Directors on May 06, 2019.

All relevant information specific to the quarterly statements, and only such information, is being evidenced, and corresponds to the information used by company Management.

2.2 Basis of measurement

The preparation of the individual and consolidated financial information under IFRS and BR GAAP requires the use of certain accounting estimates by the Company's management as commented in Note 2.4. The quarterly information was prepared based on the historical cost, except for the following items recognized in the statements of financial position:

- Non-derivative financial instruments measured at fair value through profit or loss;

- Financial assets at fair value through other comprehensive income (FVTOCI).

2.3 Functional and presentation currency

This individual and consolidated quarterly information are being presented in Brazilian Real, functional currency of the Company. Quarterly information presented in Brazilian reais has been rounded to the nearest value, except otherwise indicated.

2.4 Use of estimates and judgments

The preparation of these interim financial statements, Management used judgments, estimates and assumptions that affect the application of accounting policies of the Company, and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on a continuous basis. Reviews in relation to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

a. Judgments

Information about judgment referring to the adoption of accounting policies which impact significantly the amounts recognized in the interim financial statements are included in the following notes:

- **Note 13 -** consolidation: determine if the Company in fact holds control over an investee;

b. Uncertainties on assumptions and estimates

Information on uncertainties, assumptions and estimates that pose a significant risk of resulting in a material adjustment are included in the following notes:

- **Note 8 -** Inventories: recognition of losses in inventories without movement.

- **Note 10 b -** Deferred taxes: Recognition of deferred tax assets: Availability of future taxable income against which tax losses may be used.

- **Note 17** - Impairment test of intangible assets and goodwill: main assumptions regarding recoverable values.

- **Note 20** - Provisions - recognition and measurement of provisions and contingencies: Main assumptions regarding the likelihood and magnitude of the outflows of funds;

3 Significant accounting policies

Individual and consolidated quarterly information has been prepared in accordance with principles, practices and criteria consistent with those adopted in the preparation of financial statements for the last fiscal year, the financial statements as of December 31, 2018, except for the changes to the significant accounting policies disclosed in item 3.1 of this report.

3.1 Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those adopted in the consolidated financial statements of the Company and its subsidiaries in the year ended December 31, 2018. Changes in accounting policies also will be included in consolidated financial statements of the Company and its subsidiaries for the period ended December 31, 2019.

The Company and its subsidiaries initially adopted CPC 06 (R2)/IFRS 16 as of January 1, 2019. A series of other new standards are effective as of such date, but without material impact on financial statements of the Company and its subsidiaries.

a. CPC 06 (R2)/IFRS 16 - Leases

CPC 06 (R2)/IFRS 16 introduced a single model of accounting of leases in the statement of financial position to lessees. As a result, the Company and its subsidiaries, as lessees, recognized the right-of-use assets that represented their rights to use the underlying assets and the lease liabilities which represent its obligation to make lease payments. The lessor’s accounting remains similar to the previous accounting policies.

The Company and its subsidiaries adopted the CPC 06 (R2)/IFRS 16 based on the modified approach on a retrospective basis, the compared information presented for 2018 was not restated - that is, it is presented as formerly reported according to CPC 06 / IAS 17 and related interpretations. Details of changes in accounting policies are disclosed below.

b. Definition of lease

Previously, the Company and its subsidiaries determined, on the commencement date, if it was or contained a lease according to ICPC 03/IFRIC 4 - Complementary Aspect of Lease Operations. The Company and its subsidiaries now evaluate if a contract is or has a lease based on a new definition of lease. According to CPC 06 (R2)/IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In the transition to CPC 06 (R2)/IFRS 16, the Company and its subsidiaries opted for applying the practical expedient of maintaining the evaluation of which transactions are leases. The Company and its subsidiaries applied CPC 06 (R2)/IFRS 16 only to contracts that have been previously identified as leases.

The contracts that were not identified as leases according to CPC 06 (R1)/IAS 17 and ICPC 03/IFRIC 4 were not re-evaluated. Consequently, the new lease definition according to CPC 06 (R2)/IFRS 16 was only applied to the contracts entered into or changed on January 1, 2019 or after.

c. As lessee

The Company and its subsidiaries only lease real estate.

As lessees, the Company and its subsidiaries previously classified the operating and finance based on their evaluation if the lease transferred substantially all the risks and rewards incidental to ownership. According to CPC 06 (R2)/IFRS 16, the Company and its subsidiaries recognize the right-of-use assets and lease liabilities for most leases - that is, these leases are recorded in the statement of financial position.

However, the Company and its subsidiaries opted for not recognizing the right-of-use assets and the lease liabilities for some leases of low-value assets (for example, IT equipment). The Company and its subsidiaries recognize the payments associated with these leases as expense using the straight-line method over the lease term.

(i) Significant accounting policies

The Company and its subsidiaries recognize a right-of-use asset and a lease liability at the start date of the lease. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment loss, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in the investment property and initially measured at cost and subsequently measured at fair value, according to the accounting policies of the Company and its subsidiaries.

The lease liability is initially measured at the present value of the lease payments that are not paid at the start date, discounted using the interest rate implicit in the lease, or, if such rate cannot be readily determined, the incremental loan rate of the Company and its subsidiaries. The Company and its subsidiaries usually use the incremental loan rate as discount rate.

The Company and its subsidiaries apply judgment to determine the lease term of some contracts that include renewal options. The assessment if the Company and its subsidiaries are reasonably certain to exercise such options has impact on the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

(ii) Transition

In the transition, for leases classified as operating leases according to CPC 06 (R1)/IAS 17, the lease liabilities were measured at the present value of outstanding payments, discounted by the incremental loan rate of the Company and its subsidiaries as at January 1, 2019. Right-of-use assets are measured:

- at its carrying amount as if CPC 06 (R2)/IFRS 16 had been applied since the start date, discounted by the incremental loan rate of the lessee at the date of initial application.

The Company and its subsidiaries use the following practical expedients when applying the CPC 06 (R2)/IFRS 16 to the leases previously classified as operating leases according to CPC 06/IAS 17.

- Applied the exemption for not recognizing right-of-use assets and liabilities of leases with term of 12 months or less.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of first-time adoption.
- Used the late perception when determining the lease term, if the contract had options to extend or terminate the lease contract.

(iii) Impact on the transition

In the transition to CPC 06 (R2)/IFRS 16, the Company and its subsidiaries recognized the right-of-use assets. The impact during the transition is summarized below:

Operating leases (*)

	Consolidated 31/03/2019
Right-of-use assets	22,707
Lease liabilities - Current	9,794
Lease liability - Non-current	12,913

	Consolidated 01/01/2019
Operating Lease Agreement	23,357
Lease liabilities - Current	9,529
Lease liability - Non-current	13,828

(*) The rate of housing loans published by the Central Bank of Brazil in December 2018 was used; i.e., 0.77% per month. We considered the average of all financial institutions.

(iv) Impacts in the period

As a result of the initial application of CPC 06 (R2)/IFRS 16, in relation to the leases, which were previously classified as operating ones, the Company and its subsidiaries recognized R$ 22,707 thousand of right-of-use assets on March 31, 2019.

Also in relation to these leases, according to CPC 06 (R2)/IFRS 16, the Company and its subsidiaries recognized depreciation and interest expenses, instead of operating lease expenses. During the three-month period ended March 31, 2019, the Company and its subsidiaries recognized the amount of R$ 3,079 thousand for depreciation.

3.2 Statements of added value

The Company prepared individual statements of added value in compliance with CPC 09, which are presented as part of the financial statements under BRGAAP applicable to publicly-held companies. The consolidated statement of added value is not required under international accounting standards issued by the IASB and is being presented as supplementary information.

4 Consolidated financial information

The consolidated interim quarterly information includes the information of the Company and its subsidiaries and the following direct and indirect subsidiaries, with the following percentage interest on the statement of financial position date:

	% Direct interest		% Indirect interest		% Total interest	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A.	99.99	99.99	-	-	99.99	99.99
Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda.	-	-	100.00	100.00	100.00	100.00
Vulcabras Distribuidora de Artigos Esportivos Ltda.	0.23	0.27	99.77	99.73	100.00	100.00
Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.	-	-	100.00	100.00	100.00	100.00
Vulcabras Azaleia Administracíon S.A.	3.96	3.96	96.04	96.04	100.00	100.00
Globalcyr S.A.	1.55	1.55	98.45	98.45	100.00	100.00
Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A.	-	-	100.00	100.00	100.00	100.00
Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.	-	-	99.99	99.99	99.99	99.99
Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda.	-	-	100.00	100.00	100.00	100.00
Calzados Azaleia de Colômbia Ltda.	-	-	100.00	100.00	100.00	100.00
Calzados Azaleia Peru S.A.	-	-	99.11	99.11	99.11	99.11

The accounting policies have been consistently applied in all the consolidated companies and are consistent with those used in the previous year.

There is no difference between the equity and consolidated income (loss) to Parent Company’s partners in the consolidated financial statements and equity and income (loss) in its individual financial statements.

a. Main characteristics of subsidiaries included in consolidation

Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A.

Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A. is the company responsible for the manufacture and development of sports shoes. It started its activities with headquarters in the city of Horizonte, State of Ceará, engaged in the production, sale, import and export in general of shoes and sport gear.

Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda.

Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda. is engaged in the trading and distribution of footwear, sports apparel and accessories. The Company started its operations on July 25, 2013, headquartered in the city of Jundiaí, State of São Paulo, under the corporate name of UA BRASIL COMÉRCIO E DISTRIBUIÇÃO DE ARTIGOS ESPORTIVOS LTDA., as an affiliated company of Under Armour, Inc. It was acquired by Vulcabras Azaleia CE on October 1, 2018.

Vulcabras Distribuidora de Artigos Esportivos Ltda.

Vulcabras Distribuidora de Artigos Esportivos Ltda. is responsible for the sale and distribution of sports shoes and apparel. It started its activities on June 14, 2006 headquartered in the city of Horizonte, State of Ceará.

Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.

Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda., was established on September 1, 2010, headquartered in the city of Itapetinga, State of Bahia. It is engaged in sale and distribution of sports shoes and apparel and boots for professional use. It started its activities in the third quarter of 2011.

Vulcabras Azaleia Administracíon S.A.

Vulcabras Azaleia Administracíon S.A. was established in December 2015. It is not operational yet.

Globalcyr S.A.

Globalcyr S.A. started-up its operations headquartered in the city of Montevideo, in Uruguay, and has as corporate purpose the trade and distribution of footwear. Its operations are currently shutdown.

Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A.

Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A. is a Brazilian shoes manufacturer, located in the city of Parobé, State of Rio Grande do Sul, mainly engaged in the manufacture, sale, import and export of shoes, apparel and accessories, items of leather, leather-related, plastic or similar materials, and the manufacture of components for its own use or sale to third parties.

Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.

Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A is a Brazilian shoes manufacturer, mainly engaged in the manufacture, sale, import and export of sports shoes, women’s shoes and boots for professional use. Established on August 3, 1995, headquartered in the city of Itapetinga, State of Bahia.

Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda.

Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda. is a Brazilian shoes manufacturer, mainly engaged in the manufacture, sale, import and export of women’s shoes. Established on October 8, 1992, initially in the city of Novo Hamburgo, State of Rio Grande do Sul, started to operate in the city of Frei Paulo, State of Sergipe, on February 6, 2003.

Calzados Azaleia Peru S.A.

Calzados Azaleia Peru S.A. is responsible for the import and sale of shoes and sport gear and women's shoes in the Peruvian market. Acquired at the end of 1998, start-up date of imports and sales under the Company’s brands was in 1999.

Calzados Azaleia de Colômbia Ltda.

Calzados Azaleia de Colômbia Ltda. is responsible for the import and sale of shoes and sport gear and women's shoes in the Colombian market. Started in that country in 1999 as an office, and begun to import and sell under the Vulcabras Azaleia S.A. brands in 2000.

b. Description of main consolidation procedures

- Elimination of intercompany asset and liability account balances;
- Elimination of interest in capital, reserves and losses for the years ended of subsidiaries;
- Elimination of unrealized balances of revenues and expenses and income in the inventory, arising from intercompany transactions. Losses between the companies that indicate an impairment of assets are not eliminated in the consolidation.

- Elimination of taxes charges on unearned income and presented as deferred tax in the consolidated statement of financial position.

- Identification of non-controlling interest in the interim financial statements.

5 Cash and cash equivalents

	Consolidated		Parent company	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**
Checking account	498	532	19	20
Post-fixed CDB (Invest Fácil)	2,666	19,491	9	96
Post-fixed CDB	103,279	43,861	724	800
Cash and cash equivalents abroad	3,141	4,742	-	-
	109,584	**68,626**	**752**	**916**

Checking account, are represented by bank deposits without interest accrual.

Deposits in banks classified as cash equivalents consist of short-term investments, with daily liquidity, which can be redeemed at any time regardless of maturity, without forfeiting the yield.

Deposits in banks accruing interest on the bank account balance (Invest Fácil) are made automatically according to the availability of bank balance and the redemptions occur according to the immediate cash requirements of the Company and its subsidiaries. Profitability is from 10% to 40% of the CDI - Interbank Deposit Certificate (from 10% to 40% of CDI as of December 31, 2018).

Post-fixed CDBs (Bank Deposit Certificate) are remunerated from 97.0% to 100.0% of the CDI (from 98% to 100% of CDI as of December 31, 2018).

6 Interest earning bank deposits

	Consolidated		Parent company	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**
Deposits in banks - Domestic:				
Investment Funds	2,278	2,218	2	2
Share investment funds	328	292	-	-
	2,606	**2,510**	**2**	**2**
Current	40	-	-	-
Non-current	2,566	2,510	2	2

Investments in fixed income investment funds are remunerated at an average of 85% of CDI (85% of CDI as of December 31, 2018), no liquidity, since they are pegged to guarantees of financing contracts (BNB).

Shares are classified as financial assets at fair value through other comprehensive income and valued at market price. They were valued according to Bovespa’s quotation, on the statement of financial position date.

7 Trade receivables

a. Breakdown of balances

	Consolidated	
	03/31/2019	**12/31/2018**
Accounts receivable		
Domestic:		
Trade accounts receivable	411,581	466,342
Foreign:		
Trade accounts receivable	33,600	34,185
Subtotal trade receivables	445,181	500,527
Estimated losses for allowance for doubtful accounts	(35,049)	(33,143)
Total trade receivables, net	410,132	467,384

b. Per maturity

	Consolidated	
	03/31/2019	**12/31/2018**
Falling due (days)		
1-30	129,392	159,816
31-60	105,137	124,318
61-90	86,892	102,616
>90	72,996	72,935
	394,417	459,685
Overdue (in days)		
1-30	9,207	5,123
31-60	5,981	1,138
61-90	1,682	1,438
>90	33,894	33,143
	50,764	40,842
	445,181	500,527

The exposure of the Company and its subsidiaries to credit risk is influenced, mainly, by the individual characteristics of each client. However, management also considers the factors that may influence the credit risk of its client base, including the risk of non-payment of the industry, sales and of the country in which the client operates.

Details on gross sales in the foreign and domestic market, by geography, are disclosed in note 32. The Management understands that the amount that better represents its maximum exposure to credit risk for the quarter March 31, 2019 is R$ 35,049 (R$ 33,143 as of December 31, 2018), which represents the criteria mentioned in item (c) below.

c. Measurement criteria of losses with clients (impairment)

The analysis of the credit granting to the customer is made when he/she is registered in the Company and its subsidiaries' system, for which there is a requirement to present all necessary documentation, including financial statements and commercial references. The credit limit is revalued at each posting of new orders, due to the seasonality of the financial market.

The Company and its subsidiaries uses a matrix of the provision to calculate the expected loss for accounts receivable. The provision rates applied are based on days of arrears for groupings of customer segments that present similar loss patterns (such as by geographic region, line of product or type of customer, credit risk, among others).

The provision matrix is initially based on the historical loss rates observed by the Company and its subsidiaries . The Company and its subsidiaries reviews the matrix on a forward-looking basis in order to adjust it according to historical credit loss experience. For example, if the economic conditions are expected to deteriorate in the next year, which could give rise to an increase in default, the rates of historical losses, when deemed necessary. On all accounting closing dates, loss rates are restated and the need for changes in prospective estimates is evaluated.

The criteria used to form losses from doubtful accounts is the same for the portfolio of domestic and foreign clients.

d. Changes in estimated losses for allowance for doubtful accounts

Changes in estimated losses for doubtful accounts, in the period ended March 31, 2019 and year ended December 31, 2018 are shown below:

	Consolidated	
	03/31/2019	**12/31/2018**
Opening balance	(33,143)	(30,348)
Supplement of provision	(3,241)	(10,099)
Recovery of provisions	1,335	7,304
Closing balance	(35,049)	(33,143)

e. Portfolio concentration

	Consolidated			
	03/31/2019		**12/31/2018**	
Clients (unrelated parties)				
Major client	27,498	6%	22,087	5%
2-11 major clients	82,059	18%	106,938	21%
12 to 50 largest clients	66,720	15%	75,692	15%
Other clients	268,904	61%	295,810	59%
Total client portfolio	445,181	100%	500,527	100%

In accordance with the CVM Resolution 564, of December 17, 2008, which approved CPC 12, the Company considered that the effects of the present value adjustment of its current and non-current assets are immaterial. The average collection term is 71 days as of March 31, 2019 (69 days as of December 31, 2018).

The Company and its subsidiaries exposure to credit and currency risks and impairment losses related to trade receivables and other accounts are disclosed in Note 29.

8 Inventories

	Consolidated	
	03/31/2019	**12/31/2018**
Finished products	46,913	27,177
Good for resale	87,197	97,194
Work in progress	22,078	19,743
Raw materials	61,200	61,826
Packaging and storeroom materials	21,388	21,174
Goods in transit	93	2,032
Imports in progress	1,752	329
	240,621	229,475

a. Measurement criteria of provision (impairment)

The Company's subsidiaries, based on a historical analysis and estimate of losses, form a provision for losses in the realization of inventories. An allowance was set up for 100% of the raw materials and work in progress inventories without movement for over 180 days. All items of the finished goods inventory were valued and an allowance was set up for potential losses due to the perspectives of sale of each of them, with an allowance for 100% of the items that presented negative contribution margin.

As of March 31, 2019, the provision for losses for finished products is R$ 27,929 (R$ 33,748 as of December 31, 2018), the provision for losses on raw materials is R$ 13,849 (R$ 11,495 at December 31, 2018) and the provision for losses for work in process is R$ 7,433 (R$ 6,896 as of December 31, 2018).

The amount of raw material, labor, and indirect manufacturing costs used in the breakdown of costs of products sold is R$ 157,820 as of March 31, 2019 (R$ 172,844 as of March 31, 2018).

b. Changes in provision (impairment)

Changes in provision for losses in the realization of inventory in the years ended March 31, 2019 and December 31, 2018 are shown below:

	Consolidated	
	03/31/2019	**12/31/2018**
Opening balance	(52,139)	(18,144)
Additions of the year	(3,891)	(47,153)
Reversal of provision	6,819	13,158
Closing balance	(49,211)	(52,139)

9 Recoverable taxes

	Consolidated		Parent company	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**
State VAT - ICMS	7,966	11,349	20	20
Federal excise tax - IPI	700	608	-	-
PIS/COFINS	8,508	6,543	-	-
FINSOCIAL	2,330	2,324	1,776	1,770
Reintegra	544	530	-	-
Other	3,330	3,357	522	517
	23,378	**24,711**	**2,318**	**2,307**
Current	15,375	16,556	542	537
Non-current	8,003	8,155	1,776	1,770

10 Income taxes and social contribution

a. Income tax prepayment

	Consolidated		Parent company	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**
Income tax prepayment	4,872	4,591	125	121
	4,872	**4,591**	**125**	**121**

b. Deferred income tax and social contribution

	Consolidated	
	03/31/2019	**12/31/2018**
Temporary differences in the year		
Revaluation of property, plant and equipment	(3,186)	(3,298)
Deferred income tax - foreign subsidiary	303	301
Deferred income tax and social contribution on temporary differences	**(2,883)**	**(2,997)**
Total deferred income tax and social contribution in assets	303	301
Total deferred income and social contribution tax liabilities	(3,186)	(3,298)

The subsidiaries in Brazil have deferred tax liabilities on revaluation of property, plant and equipment of R$ 3,186 and deferred tax assets of foreign subsidiary of R$ 303.

Deferred and current income tax and social contribution in the consolidated income (loss). As stated below: the rates used for determining the tax were 34% in the domestic market and 3% of assumption in the foreign market:

	Consolidated	
	03/31/2019	**03/31/2018**
Current income tax and social contribution	(147)	(547)
Deferred income tax and social contribution	-	-
	(147)	(547)

c. Tax losses to be offset

The Company and its subsidiaries Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A., Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A. e Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda. and Vulcabras Distribuidora de Artigos Esportivos Ltda., have significant tax incentives that considerably reduce their capacity to offset any deferred income tax credits. Management is constantly monitoring the renewal of tax incentives. The Company and its subsidiaries do not record the deferred income tax and social contribution on tax losses and temporary differences. As of March 31, 2019 and December 31, 2018, the parent company and its subsidiaries had tax losses to be offset and negative bases of social contribution, related to the following base amounts:

	03/31/2019								
	Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A	**Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.**	**Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda.**	**Vulcabras Distribuidora de Artigos Esportivos Ltda.**	**Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A.**	**Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda.**	**Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.**	**Vulcabras Azaleia S.A.**	**Cost**
Tax losses calculated on March 31, 2019	390,891	631,113	130,942	76,394	245,601	263,233	25,076	145,086	1,908,336
Negative basis of social contribution as of March 31, 2019	1,161,935	642,474	131,039	76,394	278,388	263,233	25,076	147,201	2,725,740

	12/31/2018								
	Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A	**Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.**	**Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda.**	**Vulcabras Distribuidora de Artigos Esportivos Ltda.**	**Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A.**	**Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda.**	**Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda.**	**Vulcabras Azaleia S.A.**	**Cost**
Tax losses calculated on December 31, 2018	391,127	627,105	128,212	74,316	243,762	255,189	23,973	145,005	1,888,689
Negative basis of social contribution as of December 31, 2018	1,158,285	638,466	128,310	74,316	276,549	255,189	23,973	147,120	2,702,208

Compensation of income tax losses and negative basis of social contribution tax may be offset against a maximum of 30% of annual taxable income earned from 1995 onwards, with no statutory limitation period.

d. Reconciliation of effective tax rate

	Consolidated	
	IRPJ / CSLL	
	03/31/2019	**03/31/2018**
Income before income tax and social contribution	26,330	33,969
Income tax and social contribution at a rate of 34%	8,952	11,549
Non-deductible expenses	236	503
Reintegra	(5)	(171)
Tax incentives - State (*)	(8,222)	(8,881)
Incentive to technological innovation	-	(1,984)
Exchange-rate effects	32	170
IRPJ incentive	(128)	(426)
Foreign lines	(71)	(258)
Other	(647)	45
	(8,805)	(11,002)
Expense with income tax and social contribution	147	547
Effective rate	0.56%	1.61%

(*) See description of tax benefits in Note 31

11 Judicial deposits

The Company and its subsidiaries have judicial deposits related to civil, labor and tax lawsuits (Note 20), as shown below:

	Consolidated		Parent company	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**
Judicial deposits				
Civil	586	662	122	205
Labor	31,644	32,755	417	417
Tax	6,812	7,967	116	108
Cost	**39,042**	**41,384**	**655**	**730**

Labor

Labor lawsuits refer mainly to requests related to overtime, vacation, salary equivalence, health hazard premium, hazardous duty premium and occupational illness.

Labor judicial deposits refer mostly to amounts deposited in connection with lawsuits and are related to extraordinary appeals, motions to review, security deposits and online pledges of part of amounts contained in ongoing labor lawsuits.

Civil
Civil lawsuits are mostly related to requests for indemnity in general for property damages and pain and suffering, and also requests related to alleged manufacturing defects. Civil judicial deposits are related to these lawsuits, made to guarantee the discussion of the amounts claimed.

Tax
The tax judicial deposits refer to the lawsuits in which the Company and its subsidiaries are defendants, mainly involving the following taxes: IRPJ, COFINS, PIS, ICMS.

12 Related parties
The main balances of assets and liabilities as of March 31, 2019 and December 31, 2018, as well as the transactions that influenced income (loss) for the period, relating to operations with related parties, result from transactions of the Company with its subsidiaries in Argentina, Colombia, Brazil and Peru.

Loan agreements are restated at the DI-CETIP rate.

a. Parent company and final parent company
The Company's parent company is Gianpega Negócios e Participações S.A. The ultimate parent company is Mr. Pedro Grendene Bartelle.

b. Transactions with parent company
The transactions between the parent company and its subsidiaries, which are eliminated for consolidation purposes, were carried out under conditions and terms agreed between the parties, as follows:

	Vulcabras Azaleia CE	Vulcabras Azaleia Administracion	03/31/2019	12/31/2018
Assets				
Other receivables from subsidiaries	-	7	7	8
Liabilities				
Loans - subsidiaries	5,504	-	5,504	5,419
			03/31/2019	**03/31/2018**
Income (loss)				
Finance income (cost)	(85)	-	(85)	(374)
Cost	**5,419**	**7**	**5,426**	**5,053**

c. Transactions between subsidiaries

Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A. and subsidiaries

The subsidiary Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A. carries out transactions with its subsidiaries involving purchase and sale transactions and loans to cover temporary cash requirements, which are subject to charges related to changes in the CDI rate, and are comprised as follows:

	Vulcabras Azaleia RS	**Vulcabras Azaleia Administración**	**Calzados Azaleia Colombia**	**Calzados Azaleia Peru.**	**Vulcabras Azaleia S.A.**	**Vulcabras Distribuidora**	**Vulcabras Azaleia BA**	**Vulcabras Azaleia SE**	**Distribuidora Cruzeiro do Sul**	**03/31/2019**	**12/31/2018**
Assets											
Accounts receivable	-	-	1,379	-	-	-	43	129	11	1,562	2,066
Advances for future capital increase	-	-	-	-	-	-	-	-	-	-	7,488
Other credits	-	178	-	-	-	783	1,770	553	27	3,311	3,279
Loans receivable	-	405	-	-	5,504	-	-	-	-	5,909	13,088
										03/31/2019	**12/31/2018**
Liabilities											
Accounts payable	-	-	-	-	-	18	4,892	2	-	4,912	5,092
Other debits	4	-	-	-	-	-	10,188(*)	-	-	10,192	17,440
Loans payable	-	-	-	-	-	-	-	-	-	-	5,788
										03/31/2019	**03/31/2018**
Income (loss)											
Finance income (cost)	-	58	8	-	85	-	(30)	-	-	121	90
Intercompany sale	-	-	537	921	-	-	7,553	1,102	390	10,503	12,306
Intercompany purchase	-	-	-	-	-	(267)	(1,356)	(425)	-	(2,048)	(1,994)

The main type of the transactions is the purchase and sale of shoes and apparel and advance for future capital increase.

(*) Refers to the advance to suppliers for the services rendered by Vulcabras Azaleia CE to Vulcabras Azaleia BA.

d. Management remuneration

At the Annual Shareholders' Meeting held April 25, 2019, the Company established the annual overall remuneration of the Directors at up to R$ 10,840. In the quarter ended March 31, 2019, the Company paid Directors' fees totaling R$ 1,854 (R$ 4,102 as of March 31, 2018).

The Company's directors do not maintain any borrowing, advances and other transactions than their normal services with the Company and its subsidiaries.

As of March 31, 2019 and December 31, 2018, the Company and its subsidiaries did not pay to its key management personnel remuneration in the following categories: a) long-term benefits; b) benefits on termination of employment contract; and c) share-based remuneration.

e. Other related party transactions

Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A. through its indirect subsidiary Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A. has loan with Brisa Indústria de Tecidos Tecnológicos S.A. in the amount of R$ 16,422 as of March 31, 2019 (R$ 16,259 as of December 31, 2018).

13 Investments

a. Breakdown of balance

	Consolidated		Parent company	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**
Investments in subsidiaries:				
In subsidiaries	-	-	966,001	939,300
In associates	60,558	61,754	-	-
Total	60,558	61,754	966,001	939,300

The subsidiary Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A. holds an interest of 50% (50% as of December 31, 2018) in the associated company PARS Participações Ltda., which holds 100% (100% as of December 31, 2018) of Brisa Indústria de Tecidos Tecnológicos S.A. Considering that the Company only has significant influence, this investment is not consolidated in the financial statements under the terms of CPC 36 (R3).

b. Changes in investments

	Consolidated		Parent company	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**
Opening balances	61,754	40,080	939,300	780,968
Equity in net income of subsidiaries	(1,196)	1,768	26,361	153,297
Exchange differences from translation of foreign operations	-	-	285	5,346
Financial assets at fair value through other comprehensive income (FVTOCI)	-	-	37	(311)
Gain from bargain purchase	-	13,589	-	-
Increase in investee's interest	-	6,317	18	-
Closing balances	60,558	61,754	966,001	939,300

c. Information on direct interest - Parent company

	Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A.		Vulcabras Distribuidora de Artigos Esportivos Ltda.		Vulcabras Azaleia Administracíon S.A.		Globalcyr S.A.		Cost	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**	**03/31/2019**	**12/31/2018**	**03/31/2019**	**12/31/2018**	**03/31/2019**	**12/31/2018**
Total assets	1,175,049	1,184,036	32,858	23,085	532	581	1	1	-	-
Total liabilities	209,005	244,683	6,835	4,828	724	764	5,888	5,837	-	-
Share capital	1,363,597	1,363,597	82,130	71,635	2,715	2,715	1,056	1,056	-	-
Net revenue	179,900	763,461	12,655	23,476	-	-	-	-	-	-
Income (loss) for the ye	26,370	153,315	(2,729)	500	(38)	(426)	(18)	(89)	-	-
Number of shares/quotas held (per thousand shares/quotas)	247,178	247,178	200	200	1,983	1,983	10	10	-	-
Equity	966,044	939,353	26,023	18,257	(192)	(183)	(5,887)	(5,836)	-	-
Interest in share capital at the end of the year - %	99.99%	99.99%	0.23%	0.27%	3.96%	3.96%	1.54%	1.54%	-	-
Permanent ownership interest in subsidiaries	966,039	939,348	60	49	-	-	-	-	966,100	939,397
Provision for liabilities for loss on investment			-	-	(8)	(7)	(91)	(90)	(99)	(97)
Equity in net income of subsidiaries	26,369	153,314	(7)	1	(2)	(17)	-	(1)	26,360	153,297

d. Information on indirect interest

As of March 31, 2019 and December 31, 2018, the Company has indirect interest in companies listed below by means of its subsidiaries Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A. e Vulcabras Azaleia RS, Calçados and Artigos Esportivos S.A:

Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A.

03/31/2019	**Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A.**	**Vulcabras Distribuidora de Artigos Esportivos Ltda.**	**Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda.**	**Globalcyr S.A.**	**Vulcabras Azaleia Administracíon S.A.**
Total assets	346,500	32,858	116.347	1	532
Total liabilities	46,243	6,835	14,382	5,888	724
Share capital	496,954	82,130	444,984	1,056	2,715
Equity	300,257	26,023	101,965	(5,887)	(192)
Net revenue	4	12,655	22,291	-	-
Income (loss) for the year	(846)	(2,729)	10,789	(18)	(38)
Interest in share capital	100.00%	99.77%	100.00%	98.45%	96.04%

12/31/2018	**Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A.**	**Vulcabras Distribuidora de Artigos Esportivos Ltda.**	**Vulcabras Azaleia SP, Comércio de Artigos Esportivos Ltda.**	**Globalcyr S.A.**	**Vulcabras Azaleia Administracíon S.A.**
Total assets	345,338	23,085	111,160	1	581
Total liabilities	47,577	4,828	19,985	5,837	764
Share capital	486,339	71,635	444,984	1,056	2,715
Equity	297,761	18,257	91,175	(5,836)	(183)
Net revenue	1,425	23,476	35,463	-	-
Income (loss) for the year	33,804	500	(2,952)	(89)	(426)
Interest in share capital	100.00%	99.73%	100.00%	98.45%	96.04%

Vulcabras Azaleia RS, Calçados e Artigos Esportivos S.A.

03/31/2019	Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.	Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda.	Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. (*)	Calzados Azaleia de Colômbia Ltda.	Calzados Azaleia Peru S.A.	PARS Participações Ltda.
Total assets	333,712	71,668	9,423	12,985	35,205	120,560
Total liabilities	72,297	45,409	10,082	13,823	1,683	1
Share capital	459,929	92,404	26,207	841	1,072	36,116
Equity	261,415	26,259	(659)	(838)	33,522	120,559
Net revenue	74,226	15,049	4,205	3,069	13,949	-
Income (loss) for the year	3,556	(2,335)	(1,115)	(366)	484	(2,392)
Interest in share capital	99.99%	100.00%	100.00%	100.00%	99.11%	50%

12/31/2018	Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.	Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda.	Distribuidora de Calçados e Artigos Esportivos Cruzeiro do Sul Ltda. (*)	Calzados Azaleia de Colômbia Ltda.	Calzados Azaleia Peru S.A.	PARS Participações Ltda.
Total assets	322,177	74,238	9,228	14,561	37,842	122,952
Total liabilities	64,332	45,647	8,772	15,012	5,004	1
Share capital	459,929	92,404	26,207	841	1,072	36,116
Equity	257,845	28,591	456	(451)	32,838	122,951
Net revenue	344,453	79,523	18,951	19,415	62,929	-
Income (loss) for the year	42,729	3,111	(3,790)	(2,191)	68	3,535
Interest in share capital	99.99%	100.00%	100.00%	100.00%	99.11%	50%

(*) Indirect interest.

14 Investment property

a. Breakdown of account

	Consolidated		Parent company	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**
Property	10,624	10,624	10,574	10,574
Depreciation (*)	(7,782)	(7,678)	(7,742)	(7,638)
Grand total	2,842	2,946	2,832	2,936

(*) Depreciation is calculated under the straight-line method at an average annual rate of 4% (4% as of December 31, 2018), charged to administrative expenses.

b. Changes in depreciation

	Consolidated		
	Balance at 12/31/2018	**Additions**	**Balance at 03/31/2019**
Property	(7,678)	(104)	(7,782)
Total	(7,678)	(104)	(7,782)

The Company has a property primarily used for rental in Jundiaí - São Paulo, occupying 40,994.00 m² of built-up and common area, with the respective plot of land occupying 111,547.06 m² classified as investment property. The real estate property is evaluated at the cost method and at fair value as evaluation of specialized companies which is R$ 67,400 (R$ 67,400 as of December 31, 2018).

In the quarter ended March 31, 2019 the real estate earned an revenue from rental in the amount of R$ 1,131 (R$ 1,044 as of March 31, 2018) - Note 26, recorded in other operating revenues, net - Revenue from rental. Clauses four, seven and eight of the rental agreement stipulate obligations to maintain and repair the real estate's structure by the Company, where this amount is prorated proportionally to the rented area. The tenants are responsible for the costs deriving from maintenance and wear and tear. The Company did not change the structure in the real estate in the period ended March 31, 2019.

The assets of the Company and its subsidiaries are recorded at the cost of acquisition, formation or construction, and depreciation is calculated under the straight-line method at the rates described in the tables of Note 15a. Assets of the Company and its subsidiaries have their recoverable value tested, at least on an annual basis, in case there are indicators of impairment.

The fair value measurement of the investment properties was classified as Level 3 based on the adopted inputs.

15 Property, plant and equipment

a. Breakdown of account

March 31, 2019		**Consolidated**			
		03/31/2019			**12/31/2018**
	Average rate of depreciation % p.a.	**Land and**	**Depreciation**	**Net**	**Net**
Buildings	2-4	126,673	(80,891)	45,782	46,632
Machinery and equipment	10	346,366	(276,358)	70,008	68,788
Molds	100	244,587	(224,375)	20,212	18,383
Furniture and other equipment	10-20	29,824	(22,506)	7,318	7,198
Vehicles	20	2,202	(1,844)	358	393
IT equipment	20-25	26,337	(20,965)	5,372	5,447
Land	-	3,490	-	3,490	3,490
Molds in progress	-	186	-	186	318
Works in progress	-	209	-	209	208
Facilities	10	91,434	(48,399)	43,035	39,688
Leasehold improvements	10-20	89	(89)	-	-
Imports in progress	-	3,001	-	3,001	2,076
Leasehold Improvements	20	3,364	(2,239)	1,125	1,031
Other	10-20	2,346	(1,016)	1,330	1,351
		880,108	**(678,682)**	**201,426**	**195,003**

b. Changes in cost

March 31, 2019		Consolidated				
	12/31/2018	03/31/2019				
	Opening balance	Additions	Write-offs	Transfer	Translation adjustment	Closing balance
Buildings	126,647	-	-	-	26	126,673
Machinery and equipment	343,117	3,277	(1,902)	1,874	-	346,366
Molds	234,741	11,252	(1,743)	337	-	244,587
Furniture and other equipment	29,357	475	(21)	-	13	29,824
Vehicles	2,198	-	-	-	4	2,202
IT equipment	26,040	287	(10)	-	20	26,337
Land	3,490	-	-	-	-	3,490
Molds in progress	318	1,038	(834)	(337)	1	186
Works in progress	208	-	-		1	209
Facilities	86,915	4,529	(10)	-	-	91,434
Leasehold improvements	89	-	-	-	-	89
Imports in progress	2,076	3,258	(459)	(1,874)	-	3,001
Leasehold improvements	3,212	152	-	-	-	3,364
Other	2,374	59	(93)	-	6	2,346
	860,782	**24,327**	**(5,072)**	**-**	**71**	**880,108**

December 31, 2018		Consolidated				
	12/31/2017	12/31/2018				
	Opening balance	Additions	Write-offs	Transfer	Translation adjustment	Closing balance
Buildings	125,911	54	-	-	682	126,647
Machinery and equipment	319,134	11,234	(11,764)	24,513	-	343,117
Molds	204,841	35,884	(5,528)	(456)	-	234,741
Furniture and other equipment	25,919	3,268	(223)	58	335	29,357
Vehicles	1,994	214	(58)	-	48	2,198
IT equipment	22,136	3,539	(63)	26	402	26,040
Land	3,490	-	-	-	-	3,490
Molds in progress	378	2,720	(716)	(2,064)	-	318
Works in progress	32	216	(32)		(8)	208
Facilities	65,791	21,129	(5)	-	-	86,915
Leasehold improvements	89	-	-	-	-	89
Imports in progress	2,849	21,304	-	(22,077)	-	2,076
Leasehold improvements	2,092	1,120	-	-	-	3,212
Other	2,066	73	(121)	-	356	2,374
	776,722	**100,755**	**(18,510)**	**-**	**1,815**	**860,782**

c. Changes in depreciation

March 31, 2019		Consolidated				
	12/31/2018	03/31/2019				
	Opening balance	Additions	Write-offs	Transfer	Translation adjustment	Closing balance
Buildings	(80,015)	(869)	-	-	(7)	(80,891)
Machinery and equipment	(274,329)	(3,154)	1,125	-	-	(276,358)
Molds	(216,358)	(9,040)	1,023	-	-	(224,375)
Furniture and other equipment	(22,159)	(348)	7	-	(6)	(22,506)
Vehicles	(1,805)	(37)	-	-	(2)	(1,844)
IT equipment	(20,593)	(367)	8	-	(13)	(20,965)
Facilities	(47,227)	(1,172)	-	-	-	(48,399)
Leasehold improvements	(89)	-	-	-	-	(89)
Leasehold improvements	(2,181)	(58)	-	-	-	(2,239)
Other	(1,023)	(45)	56	-	(4)	(1,016)
	(665,779)	**(15,090)**	**2,219**	**-**	**(32)**	**(678,682)**

December 31, 2018	Consolidated					
	12/31/2017	12/31/2018				
	Opening balance	Additions	Write-offs	Transfer	Translation adjustment	Closing balance
Buildings	(76,336)	(3,544)	-	-	(135)	(80,015)
Machinery and equipment	(268,617)	(15,912)	10,200	-	-	(274,329)
Molds	(191,632)	(29,478)	4,752	-	-	(216,358)
Furniture and other equipment	(20,950)	(1,271)	217	-	(155)	(22,159)
Vehicles	(1,742)	(93)	57	-	(27)	(1,805)
IT equipment	(19,380)	(1,058)	62	-	(217)	(20,593)
Facilities	(42,540)	(4,687)	-	-	-	(47,227)
Leasehold improvements	(89)	-	-	-	-	(89)
Leasehold improvements	(2,043)	(138)	-	-	-	(2,181)
Other	(746)	(186)	43	-	(134)	(1,023)
	(624,075)	**(56,367)**	**15,331**	**-**	**(668)**	**(665,779)**

Interest on borrowings and financing was not capitalized in the cost of construction in progress since the main contracts are related to acquisitions of machinery and equipment immediately placed in service.

Every year, the Company and its subsidiaries review the useful life of fixed asset items. The Company and its subsidiaries have a policy of maintaining the main fixed assets items until the end of their useful lives.

16 Intangible

a. Breakdown of account

		Consolidated		Parent company	
	Useful life	03/31/2019	12/31/2018	03/31/2019	12/31/2018
Defined useful life					
Software	5 years	33,157	33,009	785	-
Assignment of right	Contractual period	322	625		
Goodwill	Contractual period	10,976	10,976	-	-
Accumulated amortization - Software	5 years	(29,307)	(28,638)	(785)	-
Accumulated amortization - Assignment of right	Contractual period	(234)	(519)	-	-
Provision for impairment		(4,047)	(4,047)	-	-
Total		10,867	11,406	-	-
Undefined useful life					
Trademarks and patents	Undefined	2,192	2,187	111	111
Goodwill (d)		198,214	198,214	-	-
Total		200,406	200,401	111	111
Grand total		211,273	211,807	111	111

The monthly amortization of intangible assets is recorded as a counterparty to (loss) in the group of cost of sales (industrial software) and selling expenses (assignment of rights).

b. Changes in cost

March 31, 2019				Consolidated			
	Useful life	Amortization methods	Balance at 12/31/2018	Additions	Write-offs	Translation adjustment	Balance at 03/31/2019
Defined useful life							
Software	5 years	Straight-line	33,009	143	-	5	33,157
Assignment of right	Contractual period	Straight-line	625	-	(287)	(16)	322
Goodwill	Contractual period	Straight-line	10,976	-	-	-	10,976
Undefined useful life							
Trademarks and patents	Undefined		2,187	5	-	-	2,192
Goodwill			198,214	-	-	-	198,214
Total			245,011	148	(287)	(11)	244,861

December 31, 2018				Consolidated			
	Useful life	Amortization methods	Balance at 12/31/2017	Additions	Write-offs	Translation adjustment	Balance at 12/31/2018
Defined useful life							
Software	5 years	Straight-line	29,746	3,143	-	120	33,009
Assignment of right	Contractual period	Straight-line	544	-	(1)	82	625
Goodwill	Contractual period	Straight-line	-	10,976	-	-	10,976
Undefined useful life							
Trademarks and patents	Undefined		2,158	29	-	-	2,187
Goodwill			198,214	-	-	-	198,214
Total			230,662	14,148	(1)	202	245,011

c. Changes in amortization

March 31, 2019				Consolidated			
	Useful life	Amortization methods	Balance at 12/31/2018	Additions	Write-offs	Translation adjustment	Balance at 03/31/2019
Defined useful life							
Software	5 years	Straight-line	(28,638)	(666)	-	(3)	(29,307)
Assignment of right	Contract Term	Straight-line	(519)	(18)	294	9	(234)
Goodwill	Contract Term	Straight-line	(4,047)	-	-	-	(4,047)
Total			(33,204)	(684)	294	6	(33,588)

December 31, 2018				Consolidated			
	Useful life	Amortization methods	Balance at 12/31/2017	Additions	Write-offs	Translation adjustment	Balance at 12/31/2018
Defined useful life							
Software	5 years	Straight-line	(27,256)	(1,344)	-	(38)	(28,638)
Assignment of right	Contract Term	Straight-line	(357)	(106)	2	(58)	(519)
Total			(27,613)	(1,450)	2	(96)	(29,157)

d. Goodwill in business combination

The balances of goodwill on acquisition of ownership interest, recognized in subsidiary Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A., are supported by reports issued by independent experts and are based on expected future profitability of the business acquired; in 2009, goodwill balances ceased to be amortized since these are assets with indefinite useful lives, as established by CVM Resolution No. 553/08 and CPC 01 (R1), and are annually tested for impairment, as described in Note 17.

e. Research and development

In the period ended March 31, 2019, the Company recorded in income (loss), under the “cost of products sold” caption, the amount of R$ 9,175 (R$ 9,331 as of March 31, 2018) related to research and development.

17 Recoverability analysis of tangible and intangible assets

a. Tangible and intangible assets with defined useful life

Management reviews annually the net carrying amount of tangible and intangible assets with defined useful life to assess events or changes in economic, operating or technological circumstances that might indicate an impairment of assets.

For the year ended 2018, an impairment test of tangible and intangible assets with finite useful lives was carried out by means of calculation of the value in use based on cash projections from financial budgets approved by the Top Management.

b. Goodwill paid on expected future profitability

The assumptions used were not changes on December 31, 2018 to assess the recoverability of goodwill.

The Company annually tests impairment of its intangible assets with indefinite useful life, which are mostly comprised of permits and goodwill for expected future earnings arising from combination of business processes using the “Value in use” concept by means of discounted cash flow models.

There was no impairment of goodwill in the period ended March 31, 2019.

18 Suppliers

a. Breakdown of account

	Consolidated		Parent company	
	03/31/2019	12/31/2018	03/31/2019	12/31/2018
Trade payables				
Domestic				
Sundry	65,417	54,454	111	420
Abroad				
Sundry	3,015	3,550	-	-
	68,432	58,004	111	420

b. Per maturity

	Consolidated	
	03/31/2019	**12/31/2018**
Falling due (days)		
1-30	53,862	47,631
31-60	10,084	8,117
61-90	1,881	1,392
>90	2,574	783
	68,401	57,923
Overdue (in days)		
1-30	2	28
31-60	-	12
61-90	-	-
>90	29	41
	31	81
	68,432	58,004

c. Portfolio concentration

	Consolidated			
	03/31/2019		**12/31/2018**	
Suppliers (not related parties)				
Major supplier	5,876	9%	5,459	9%
2-11 major suppliers	12,862	19%	13,768	24%
Top 12 to 50 suppliers	13,981	20%	10,906	19%
Other suppliers	35,713	52%	27,871	48%
Total suppliers (not related parties)	68,432	100%	58,004	100%

In compliance with CVM Resolution 564 issued December 17, 2008, which approved CPC 12, the Company conducted studies to calculate the adjustment to present value of its current liabilities. Considering the average term of payment of these liabilities of approximately 40 days as of March 31, 2019 (37 days at December 31, 2018), the effects of present value adjustments were considered immaterial and, therefore, were not recognized in income (loss), as occurred with current assets and non-current assets.

19 Loans and financing

a. Breakdown of account

			Consolidated	
	Interest rate - 2019	**Interest rate - 2018**	**03/31/2019**	**12/31/2018**
Domestic currency				
Fixed assets / Tax incentive	Fixed rate of 4.0% p.a./ IPCA + 2.04% p.a./ TJLP	Fixed rate of 4.0% p.a./ IPCA + 2.04% p.a./ TJLP	43,242	44,724
Foreign currency				
Export financing				
ACC - Advance on exchange contract	Fixed rate of 3.89% p.a.	Rate 3.42-3.89% p.a.	8,928	15,282
Total borrowings and financing			**52,170**	**60,006**
Current			15,037	22,878
Non-current			37,133	37,128

As of March 31, 2019 and December 31, 2018, installments related to the principal of borrowings and financing had the following maturities:

	03/31/2019		12/31/2018	
Maturity	**Amount**	**%**	**Amount**	**%**
Current	**15,037**	**29%**	**22,878**	**38%**
2018	-	0%	-	0%
2019	14,897	29%	22,878	38%
2020	2,804	5%	2,791	5%
2021	6,639	13%	6,627	11%
2022	6,057	12%	5,938	10%
2023	5,938	11%	5,938	10%
2024	5,938	11%	5,938	10%
2025	5,938	11%	5,938	10%
2026	3,959	8%	3,958	6%
Non-current	**37,133**	**71%**	**37,128**	**62%**
Cost	**52,170**	**100%**	**60,006**	**100%**

b. Changes in balances of borrowings and financing are as follows

	03/31/2019	12/31/2018
Opening balances	**60,006**	**94,799**
Additions	119	53,935
Charges	601	2,556
Inflation adjustment and exchange rate change	165	(148)
Amortization of principal	(8,344)	(87,642)
Payment of interest	(377)	(3,494)
Closing balances	**52,170**	**60,006**

c. Sureties and guarantees

In guarantee of financing, promissory notes, personal guarantee and surety of parent company, mortgage of Horizonte-CE and Itapetinga-BA plants and disposal of machinery and equipment acquired from financing were offered.

d. Covenants

Some financing contracted have covenants that require the Company and its subsidiaries to demonstrate through document and physical evidences, the purchases of property, plant and equipment and objectives achieved in Research and Development (R&D). These covenants are monitored and have been fully complied with within the deadlines defined in the agreements.

The Company and its subsidiaries are not aware of any facts or circumstances that would indicate a situation of non-compliance or that might cause non-compliance with covenants.

e. Reconciliation of equity changes with cash flows from financing activities

	Liabilities	Equity	
	Borrowings and financing	Share capital	Cost
Balance at January 1, 2019	**60,006**	**1,106,717**	**1,166,723**
Changes in cash flow from financing			
Borrowings obtained - Principal	-	-	-
Realization of expenditure with issuance of shares	-	-	-
Payment of borrowings obtained - Principal	(8,344)	-	(8,344)
Total changes in financing cash flows	**(8,344)**	**-**	**(8,344)**
Other changes related to liabilities			
Interest paid	(377)	-	(377)
Provin additions (without cash effect)	119		119
Financial charges recognized in profit or loss	766	-	766
Total other changes related to liabilities	508	-	508
Balance at March 31, 2019	**52,170**	**1,106,717**	**1,158,887**

20 Provisions

The Company and its subsidiaries are parties (defendants) to judicial and administrative proceedings in various courts and governmental agencies, arising from the normal course of operations, involving tax, labor, civil and other matters.

Based on information from its legal advisors, Management recognizes provisions in accordance with the procedures established by CVM Resolution 489/05 and CPC 25/IAS 37, which establishes that a provision should be recognized when: (i) the entity has a present obligation deriving from a past event; (ii) an outflow of funds will probably be required to settle the obligation; and (iii) the obligation amount can be reliably estimated. If any of these conditions are not met a provision should not be made, and it might be necessary to disclose a contingent liability.

The review of pending legal proceedings, based on previous experience relating to amounts claimed, records a provision in an amount deemed sufficient to cover possible losses from the ongoing lawsuits and classified them as current and non-current, as follows:

a. Breakdown of balances

	Consolidated		Parent company	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**
Provisions for lawsuits and administrative proceedings				
Civil	20,225	20,250	529	529
Labor	50,603	51,282	297	303
Tax expenses	7,334	9,480	117	108
Total	78,162	81,012	943	940
Current	46,273	50,344	452	449
Non-current	31,889	30,668	491	491

b. Labor lawsuits (Consolidated)

Refer mainly to claims for severance payment, overtime, salary differences, health hazard premium, hazardous duty premium, vacation. The effect of the provision for loss on labor lawsuits is recorded as contra-entry to profit or loss in the account of other expenses.

c. Civil lawsuits (Consolidated)

Refer to compensation for property damages and pain and suffering. The effect of the provision for loss on civil lawsuits is recorded as contra-entry to profit or loss in the account of other expenses.

The effects on the provision for indemnities are charged to “selling expenses” in income (loss).

d. Tax lawsuits (Consolidated)

They refer to lawsuits in which the companies of the Companies and its subsidiaries are parties mainly to the following taxes: IRPJ, COFINS, PIS and ICMS. The effect of the provision for loss on tax lawsuits is recorded as contra-entry to profit or loss in the account of other expenses.

e. Movement of the proceedings

March 31, 2019		Consolidated			
	12/31/2018	**03/31/2019**			
Nature	**Opening balance**	**Additions**	**Reversal**	**Payment**	**Closing balance**
Civil	20,250	9	(26)	(8)	20,225
Labor	51,282	6,327	(4,134)	(2,872)	50,603
Tax expenses	9,480	36	(1,054)	(1,128)	7,334
Total	81,012	6,372	(5,214)	(4,008)	78,162

March 31, 2019		Parent company			
	12/31/2018	**03/31/2019**			
Nature	**Opening balance**	**Additions**	**Reversal**	**Payment**	**Closing balance**
Civil	529	8	-	(8)	529
Labor	302	-	(5)	-	297
Tax expenses	109	8	-	-	117
Total	940	16	(5)	(8)	943

December 31, 2018

	Consolidated				
	12/31/2017	**12/31/2018**			
Nature	**Opening balance**	**Additions**	**Reversal**	**Payment**	**Closing balance**
Civil	19,649	1,529	(551)	(377)	20,250
Labor	48,119	31,745	(16,662)	(11,920)	51,282
Tax expenses	9,717	402	(639)	-	9,480
Total	77,485	33,676	(17,852)	(12,297)	81,012

December 31, 2018

	Parent company				
	12/31/2017	**12/31/2018**			
Nature	**Opening balance**	**Additions**	**Reversal**	**Payment**	**Closing balance**
Civil	615	35	(39)	(82)	529
Labor	1,023	1,598	(2,093)	(226)	302
Tax expenses	105	4	-	-	109
Total	1,743	1,637	(2,132)	(308)	940

Contingencies

Based on the opinion of its legal advisers, Management believes that the resolution of the matters listed below will not have a material adverse effect on its financial situation.

As of March 31, 2019 and December 31, 2018, the breakdown of the amounts under litigation at various court levels, estimated with a possible loss was as follows:

	Consolidated	
	03/31/2019	**12/31/2018**
Contingencies		
Civil	2,528	2,451
Labor	38,794	39,499
Tax expenses	42,512	28,486
Total	83,834	70,436

21 Equity (Parent company)

a. Share capital

As of March 31, 2019, share capital totals R$ 1,106,717 (R$ 1,106,717 as of December 31, 2018), is represented by 245,756,346 (245,756,346 as of December 31, 2018) common, nominative shares with no par value, as follows:

During the period ended March 31, 2019, the Company's share capital did not increase in relation to the amount from sale of shares. The share issuance cost on October 25, 2017 was R$ 34,193 reflecting in an effect of net funding of R$ 541,748.

By means of Board of Directors' resolution, the Company is authorized to increase the share capital, regardless of any amendments to the bylaws up to the limit of R$ 2,000,000.

b. Reserves

Revaluation reserve

The reserve was constituted as a result of the revaluations of fixed assets of its subsidiaries, based on an appraisal report prepared by independent appraisers. Corresponding income tax and social contribution are classified in noncurrent liabilities. As of March 31, 2019, the balance of revaluation reserve is R$ 6,184 (R$ 6,401, on December 31, 2018).

The revaluation reserve is realized in proportion to the depreciation or write-off of the revalued goods, against retained earnings, net of taxes. As permitted by Law 11638/07, Management elected to maintain the revaluation reserves until their full realization.

c. Capital reserve

Stock option

Approval of the Plan

On January 16, 2018 the Board of Directors approved the first granting of options under the Stock Option Contract. The total options granted on this date amounted to 835,000 (eight hundred and thirty-five thousand) options, with a unit strike price of R$ 9.50 (nine reais and fifty centavos), distributed amongst the elected beneficiaries. Aiming to fulfill the exercise of options granted, the Company may issue new shares within the authorized capital limit, excluding the preemptive right of the current Company's shareholders, as allowed by article 171, paragraph 3, of Law 6,404, dated December 15, 1976.

Characteristics of the plan

2018 Plan	**1st granting**
Grant date	01/13/2018
Quantity of options granted	835,000
Vesting period	3 years
Maturity for the year	03/31/2021
Maximum period for exercise	03/31/2022
Strike price	R$ 9.50[(1)]
Beneficiaries (employees)	24

(1) The strike price is set at R$ 9.50 (nine reais and fifty cents), restated by the change in the National Amplified Consumer Price Index - IPCA from the award date through the effective exercising of the Option.

(2) Originally, 24 employees were benefitted in the first stock option plan, however, as at 03/31/2019 due to the termination of 04 employees, the total is 20 beneficiaries.

Beneficiaries

Stock options can be awarded to officers (statutory or otherwise), division managers and employees of Vulcabras Azaleia S.A. and the companies under its direct or indirect control (Subsidiaries), including in relation to new employees, all of which are subject to the approval of the Company's Board of Directors.

Pricing Method

The method used for options pricing is the "Black-Scholes" model, which uses the following basic assumptions: grant price, exercise price, grace period, volatility of share price, percentage of distributed dividends, and risk-free rate as basic assumptions.

Option Plan Expense

Amounts of amortizations recorded as expense in financial statements, as a contra-entry to the Company's equity from grant date to March 31, 2019, are described below (presented in Reais):

Plan	**Strike price**	**Grant date**	**Accumulated expense 03/31/2019**
2018	R$ 9.50	01/13/2018	R$ 666,905
		Cost	**R$ 666,905**

d. Equity valuation adjustments

"Equity valuation adjustments" caption includes: (i) accumulated net changes in financial assets at fair value through other comprehensive income until the investments are derecognized or suffer impairment loss; and (ii) accumulated translation adjustments include all foreign currency differences from the translation of financial statements of foreign operations. As of March 31, 2019, the balance of equity valuation adjustment is R$ 2,312 (R$ 1,990, on December 31, 2018).

22 Operating revenue

We present below the reconciliation between gross income for tax purposes and the income presented in the statement of income for the year:

	Consolidated	
	03/31/2019	**03/31/2018**
Gross operating revenue		
Sale and resale of goods		
Domestic market	333,578	304,436
Foreign market	25,247	37,217
Services rendered	6	400
	358,831	342,053
Deductions		
Taxes on sales and services rendered	(44,523)	(38,916)
Returns, rebates and prompt-payment discount	(14,521)	(11,153)
	(59,044)	(50,069)
Net operating revenue	**299,787**	**291,984**

23 Cost of sales and resales

	Consolidated	
	03/31/2019	**03/31/2018**
Raw material	(61,272)	(69,357)
Labor	(48,965)	(52,043)
Indirect costs	(47,583)	(51,444)
Total sales cost	(157,820)	(172,844)
Resale	(39,935)	(18,731)
Total cost of sales and resales	**(197,755)**	**(191,575)**

24 Sales expenses

	Consolidated	
	03/31/2019	**03/31/2018**
Commissions	(10,859)	(12,000)
Freight	(12,441)	(11,102)
Estimated credit loss for allowance for doubtful accounts (PECLD)	(713)	(639)
Advertising	(11,961)	(10,742)
Royalties	(181)	-
Personnel expenditures	(7,248)	(3,366)
Fixed expenditures (*)	(1,730)	(2,853)
Other expenditures	(1,861)	(645)
	(46,994)	(41,347)

(*) In the adoption of IFRS 16 the amount of R$ 1,348 in fixed expenditures was reclassified into other expenditures on March 31, 2019.

25 Administrative expenses

	Consolidated		Parent company	
	03/31/2019	**03/31/2018**	**03/31/2019**	**03/31/2018**
Personnel expenditures	(9,449)	(11,014)	(292)	(1,286)
Outsourced services	(5,745)	(3,335)	(447)	(1,292)
Rents (**)	(1,247)	(729)	-	(191)
Travel and accommodation	(249)	(270)	-	-
Security guard	(386)	(367)	(48)	(29)
Legal disputes and taxes	(725)	(471)	(197)	(141)
IT and telecommunications	(2,360)	(765)	(16)	-
Energy, water and sewage	(353)	(238)	(4)	(51)
Maintenance, cleaning and environment.	(758)	(595)	(4)	(16)
Other (*) (**)	(3,577)	(1,721)	(237)	(411)
	(24,849)	(19,505)	(1,245)	(3,417)

(*) The most significant amounts are comprised of depreciation in the amount of R$ 1,092 and amortization in the amount of R$ 1,925 (depreciation of R$ 588 and no amortization as of March 31, 2018).

(**) In the adoption of IRFS 16 the amount of R$ 1,731 of rent was reclassified into others on March 31, 2019.

26 Other operating revenues (expenses), net

	Consolidated		Parent company	
	03/31/2019	**03/31/2018**	**03/31/2019**	**03/31/2018**
Rental revenue	1,136	1,116	1,131	1,044
Revenues from sales of energy	163	-	-	-
Provision for contingencies	(1,156)	(4,773)	(11)	(1,410)
Sale of scrap	372	426	-	-
Net income from sale of fixed assets	437	98	-	-
Other (*)	(1,779)	(504)	(2)	55
	(827)	(3,637)	1,118	(311)

(*) The principal amount as at March 31, 2019 comprises R$ 1,230 related to expenses of ICMS on other products.

27 Finance income (cost)

	Consolidated		Parent company	
	03/31/2019	**03/31/2018**	**03/31/2019**	**03/31/2018**
Financial expenses				
Capital structure				
Interest	(684)	(1,538)	(85)	(71)
Tax of financing operation (IOF)	(161)	(63)	-	(9)
Other (**)	(698)	(612)	-	(2)
	(1,543)	(2,213)	(85)	(82)
Operating				
Bank fees	(1,348)	(1,699)	(2)	(1)
Punctuality discount (*)	-	(672)	-	-
Discounts granted	(667)	(20)	-	-
Other tariffs	(416)	-	-	-
	(2,431)	(2,391)	(2)	(1)
Foreign exchange	(3,384)	(2,336)	(1)	(1)
	(7,358)	(6,940)	(88)	(84)
Finance income				
Capital structure				
Revenue from deposits in banks	1,188	1,623	12	-
Inflation adjustments	35	397	-	6
Other	229	-	-	-
	1,452	2,020	12	6
Operating				
Interest	539	271	20	11
Obtained discounts	189	23	-	-
	728	294	20	11
Foreign exchange	3,342	2,471	-	-
	5,522	4,785	32	17
Finance income (cost)	**(1,836)**	**(2,155)**	**(56)**	**(67)**

(*) Under the adoption of IFRS 15 as of 01/01/2018, the balance of punctuality discount was reclassified to revenue reductions.

(**) The principal value is related to credit card sale rate/commission of R$ 507 (R$ 35 as of March 31, 2018).

28 Earnings per share

The calculation of basic earnings per share is made by dividing the income (loss) for the year, attributed to the holders of common shares of the Company, by the weighted average number of common shares free float during the year.

Diluted earnings per share are calculated by dividing the profit for the period attributable to holders of the Company's common shares by the weighted average number of common shares that would be issued on the conversion of all potentially dilutive shares into their respective shares.

As of March 31, 2019, the Company had potential shares outstanding that could affect the dilution of the earnings per share in accordance with CPC 41/IAS 33. On January 16, 2018, the first Stock Option Plan was approved, which enabled the Company to issue 835,000 new shares with the purpose of fulfilling the options granted. As of March 31, 2018, the Company did not have preferred shares issued and potential outstanding shares that could affect the dilution of the earnings per share in accordance with CPC 41/IAS 33.

The table below presents the calculations of basic and diluted earnings per share.

	Consolidated Number of common shares	
	03/31/2019	**03/31/2018**
Income attributable to shareholders	26,178	33,421
Weighted basic average of outstanding shares in the year	245,756,346	245,756,346
Weighted basic average of outstanding shares in the year	246,416,346	246,591,346
Basic earnings per share (per thousand) - R$	0.1065	0.1360
Diluted earnings per share (per thousand) - R$	0.1062	0.1355

29 Financial instruments and risk management

The main financial assets and liabilities of the Company and its subsidiaries refer to cash and cash equivalents, trade receivables, trade accounts payable and borrowings and financing.

Financial risk framework and management

The Company and its subsidiaries manage financial risks by monitoring the financial positions of assets and liabilities, controlling exposure limits. Said controls were not changed during the year disclosed.

The Company and its subsidiaries are exposed to the following risks arising from financial instruments:

- Credit risk
- Market risk
- Interest rate risk
- Liquidity risk

The management of these instruments is done through operating strategies and internal controls, aimed at assuring liquidity, profitability and security. The control policy consists of permanent follow-up of the conditions engaged versus those in force in the market.

The risk management policies of the Company and its subsidiaries were established to identify and analyze the exposure, to set adequate limits and controls by monitoring risks and compliance with limits. Risk policies and systems are reviewed regularly to reflect changes in the market conditions and in the activities of the Company and its subsidiaries.

The assessments of financial instruments and risk management are explained below:

Credit risk

The Company and its subsidiaries are exposed to the credit risk due to the possibility of not receiving trade receivables or credits from financial institutions.

The Company and its subsidiaries’ risk management adopts the following practices: (i) analyzing credits granted to clients and establishing sales limits. There are no clients which individually represent more than 6.2% of the total of Company’s trade receivables as of March 31, 2019 (4.4% as of December 31, 2018); and (ii) careful selection of financial institutions, which are considered as prime line by the market (largest asset management banks in Brazil), State banks or government development agencies, meaning that the credit risk posed by the financial institutions is extremely low and diversifying financial instruments used to invest the company’s funds, which are invested in a basket of indexes consisting of the CDI rate, fixed rates or rates restated for inflation.

Foreign exchange risk

Price risk

Considering the price risk on exports, which correspond to 3.71% of revenue from its subsidiaries as of March 31, 2019 (5.13% as of December 31, 2018), any volatility of the exchange rate represents, in fact, a price risk that can impair the results planned by Management. The Company and its subsidiaries do not use specific financial instruments to mitigate the price risks. However, the Company tries to make a natural hedge by maintaining restricted assets with foreign exchange risk.

Sensitivity analysis

The results of the Company and its subsidiaries are susceptible to significant changes, due to the effects of the volatility of the foreign exchange rate on the liabilities indexed to foreign currencies, especially the USD, which ended the period as of March 31, 2019 with the positive change in 0.57% in relation to the last quotation as of December 31, 2018.

As a strategy to avoid and reduce the effects of foreign exchange fluctuations, Management tried to maintain a natural hedge in restricted assets, also pegged to exchange fluctuations. Management does not enter into financial instruments to eliminate its exposure to foreign exchange risks, which are as follows:

	Consolidated	
US dollar (US$ thousand)	**03/31/2019**	**12/31/2018**
Assets in foreign currency (a)	10,433	11,251
Liabilities in foreign currency (b)	(3,065)	(4,860)
Surplus determined (a-b)	7,368	6,391

In order to comply with CVM Resolution 550 dated October 17, 2008, in the light of the fluctuation risk exposure, the Company shows below three scenarios for foreign exchange fluctuations and the respective future outcome created. Namely:

1. Probable scenario adopted by the Company and its subsidiaries: dollar at R$ 3.8967 at March 31, 2019;

2. Possible scenario: as provided in the CVM Resolution, the scenario is built considering a 25% decrease in the US dollar rate amounting to R$ 2.9225; and

3. Remote scenario: also in accordance with CVM standard, in this scenario the US dollar rate is decreased by 50%, amounting to R$ 1.9484.

Foreign exchange sensitivity analysis - effect in income (loss) as of March 31, 2019

Transaction	**Risk**	**Probable scenario**	**Possible scenario**	**Remote scenario**
	US$ 7.368 thou.	FX 3.8967	FX 2.9225	FX 1.9484
Finance income (cost)	Decrease in US$	-	(7,178)	(14,355)

Interest rate risk

Sensitivity analysis

The Company's and its subsidiaries' results are exposed to fluctuations, not significant, due to the effects of the volatility of the DI-CETIP rate on deposits in banks and the TJPL and IPCA on part of borrowings and financing linked to this rate.

	Consolidated		Consolidated	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	03/31/2019	**03/31/2019**	**12/31/2018**	**12/31/2018**
Assets in CDI	108,181	108,181	48,963	48,963
Liabilities in TJPL	2,354	2,371	2,320	3,364
Liabilities at IPCA	35,920	36,218	35,779	45,786

In order to comply with the CVM Resolution No. 550 of October 17, 2008, given the exposure to the risk of changes in the indexes used in deposits in banks and borrowings, the Company presents below scenarios for the changes in rates and the respective future results that would be generated. Namely: (i) probable scenario adopted by the Company and its subsidiaries, with a DI-CETIP rate of 6.40% p.a. and TJLP of 7.03% p.a. and IPCA of 4.58% p.a.; (ii) possible scenario, including an increase or decrease of 25% on rates; (iii) remote scenario, including an increase or decrease of 50% on rates.

Statement of changes in rates as of March 31, 2019 is as follows:

Operation	**Risk**	**Probable scenario**	**Possible scenario - 25%**	**Scenario Remote - 50%**
		TJLP 7.03%	TJLP 8.79%	TJLP 10.55%
Borrowings - TJLP	TJLP incr.	R$ 0	R$ 41	R$ 83
		IPCA 4.58%	IPCA 5.72%	IPCA 6.86%
Borrowings at IPCA	IPCA incr.	R$ 0	R$ 413	R$ 823
		CDI 6.40%	CDI 4.80%	DI 3.20%
Deposits in banks in CDI	Decrease in CDI	R$ 0	R$ (1,731)	R$ (3,462)

Liquidity risk

The Company and its subsidiaries monitor its funds liquidity risk through cash monetary policies to avoid a mismatch between accounts receivable and accounts payable.

In addition, the Company and its subsidiaries maintain balances of deposits in banks with daily liquidity, which may be redeemed at any time to cover possible mismatches between maturity dates of its contract obligations and its cash generation.

The scheduled payments of long-term installments of borrowings and financing are presented in Note 19.

Breakdown of balances

The estimated realization values of the financial assets and liabilities of the Company and its subsidiaries were determined through information available in the market and appropriate valuation methodologies. However, considerable judgment was required in the interpretation of the market data to estimate the most adequate realization value. Consequently, the estimates below do not necessarily indicate the values that could be realized in the current exchange market. The use of different market methodologies may have a material effect on the estimated realizable value.

The Management of these instruments is done through operating strategies, aimed at liquidity, profitability and security. The control policy consists of permanent follow-up of the rates engaged versus those in force in the market. The Company and its subsidiaries do not invest in derivatives or any other risk assets on a speculative basis.

In compliance with CVM Instruction 475/08, the book balances and the fair value of financial instruments included in statements of financial position as of March 31, 2019 and December 31, 2018 are shown below:

		Consolidated			
		03/31/2019		**12/31/2018**	
Description	**Classification**	**Book balance**	**Fair value**	**Book balance**	**Fair value**
Cash and cash equivalents	Financial assets at amortized cost	109,584	109,584	68,626	68,626
Deposits in banks					
Investment funds	Financial assets at fair value through profit or loss	2,278	2,278	2,218	2,218
Share investment funds	Financial assets at fair value through other comprehensive income (FVTOCI)	328	328	292	292
Accounts receivable	Financial assets at amortized cost	410,132	410,132	467,384	467,384
Other accounts receivable	Financial assets at amortized cost	7,274	7,274	11,424	11,424
Borrowings and financing:					
In domestic currency	Financial liabilities at amortized cost	43,242	43,508	44,724	43,708
In foreign currency	Financial liabilities at amortized cost	8,928	8,882	15,282	15,147
Trade payables	Financial liabilities at amortized cost	68,432	68,432	58,004	58,004

Fair value hierarchy

	03/31/2019		12/31/2018	
Description	**Level 1**	**Level 2**	**Level 1**	**Level 2**
Deposits in banks				
CDB/Investment Fund	-	2,278	-	2,218
Share investment funds	328	-	292	-
Borrowings and financing	-	52,390	-	58,855

- **Level 1** - Prices charged (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** - different inputs of the prices negotiated in active markets included at Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- **Level 3** - inputs for the asset or liability that are not based on observable market variables (unobservable inputs).

Criteria, assumptions and limitations used in the calculation of fair value

Deposits in banks
For deposits in banks, the fair value against the income (loss) was calculated based on the market quotations of these securities and are stable considering investment rates and terms. The deposits in banks are remunerated at a percentage of DI-CETIP and are restated at March 31, 2019.

Accounts receivable
Trade receivables are recorded at the amount billed, and include the respective direct taxes for which the Company and its subsidiaries are responsible, less the taxes withheld, which are considered tax credits. The estimated losses with doubtful accounts were formed at an amount considered adequate by the management to cover any losses arising on collection of credits.

Borrowings and financing
The amount of borrowings and financing calculated at March 31, 2019 are measured at amortized cost using the effective interest method, and are recorded at their contractual values. We currently found interest rates applicable to these instruments identical to the contracts that were signed, given the objective of the financing, time frames and guarantees submitted.

Therefore, Management considers that there are no significant differences between the book and fair value of these borrowings and financing.

Suppliers
Trade payables derive directly from the commercial operations of the Company and its subsidiaries, are stated at their original values, subject to exchange and monetary restatement, when applicable, up to the statement of financial position date.

Limitations
The fair value of instruments was estimated on the statement of financial position date, based on “Relevant market information”. Changes in the assumptions may significantly affect the presented estimates.

Capital management

Capital management of the Company and its subsidiaries aims to ensure that a strong credit rating is maintained before institutions, as well as a strong capital relationship, so as to support business of the Company and its subsidiaries and leverage shareholders' value.

The Company and its subsidiaries include within its net debt structure: borrowings and financing, less cash, cash equivalents and deposits in banks.

	Consolidated	
	03/31/2019	**12/31/2018**
Financing, borrowings and financing incentivized	52,170	94,799
Cash and cash equivalents	(109,584)	(100,502)
Deposits in banks	(2,566)	(5,661)
Net debt	**(59,980)**	**(11,364)**
Equity	**967,995**	**784,573**

30 Insurance

The Company and its subsidiaries adopt the policy of contracting insurance coverage for properties subject to risks in amounts considered sufficient to cover any casualties, considering the nature of their activity.

The risk assumptions adopted are out of the scope of the auditing of financial statements, and therefore were not examined by our independent auditors.

Coverage amounts as of March 31, 2019 are summarized as follows:

	Corporate insurance in reais (R$)	
Object	**Risk covered**	**Amount of coverage**
Equity	Fire, Windstorms, Electrical Damages, Machine Breakdown, Theft, Flooding, Electronic Equipment.	195,000
Lost profits	Fixed expenses (P.I 3 months)	60,000
D&O	Management civil general liability	20,000
General civil responsibility	General civil liability	2,000
Light vehicles	Property, body damages, pain and suffering to third parties	23,800
Heavy vehicles	Property, body damages, pain and suffering to third parties	5,400
International transport - Imports	Limit per shipment - Goods / Raw materials	5,845
	Total corporate insurance	**312,045**

31 Government subsidies and assistance

Federal incentives

- **IRPJ REDUCTION** -Refer to the right to 75% reduction of the Income Tax and Surtax, calculated based on the operating profit in accordance with article 1 of the Provisional Act 2199-14 of August 24, 2001, as per the criteria established and also in compliance with the tax incentive regulation. Are considered as onerous conditions met the projects for total modernization currently in areas of the Northeast Development Agency - SUDENE. The beneficiaries of the incentive of 75% reduction of the income tax are the projects located in the states of Ceará, Bahia and Sergipe.

State incentives

For footwear

- **PROVIN** - This is an incentive program for the industrial development fund of the State of Ceará (FDI), which consists in the deferral of 99% of the ICMS levied on company manufacturing of footwear. On the amount of each installment of the benefit, 1% will be paid in a single installment, with maturity on the last day of the month, and the amount will be adjusted after 36 months, from the disbursement date to the maturity date, restated at TJLP.

For apparel

- **PROVIN** - This is an incentive program for the industrial development fund of the State of Ceará (FDI), which consists in the deferral of 75% of the ICMS levied on company manufacturing of apparel. On the amount of each installment of the benefit, 25% will be paid in a single installment, with maturity on the last day of the month, and the amount will be adjusted after 36 months, from the disbursement date to the maturity date, restated at TJLP.

Additional incentives

In addition to PROVIN shoes and apparel, there is also the deferral of ICMS on imports of raw materials, machinery, equipment, parts and pieces that do not have similar item in the State of Ceará, as well as the difference of rates on purchases of capital goods.

- **PROBAHIA** - Refers to the development program for the State of Bahia, aiming at diversifying and stimulating the transformation of the industrial processes in the state. The incentive is the deferral of ICMS on the total debits calculated on the shipment of goods, where a presumed credit of 99% of the amount due is calculated. Its payment consists in 1% of the debit balance that should be paid in the month subsequent to the ICMS calculation.

Additional incentives

In addition to PROBAHIA, there is also the deferral of ICMS on imports of raw materials, machinery, equipment, parts, as well as the difference of rates on purchases of capital goods.

- **PSDI** - This is an incentive program for the industrial development fund of the State of Ceará (FDI), which consists in the deferral of 75% of the ICMS levied on the company manufacturing and a 15-year grace period for the payment of the remaining 25%, without inflation adjustment.

Additional incentives

In addition to PSDI, there is also the deferral of ICMS on imports of raw materials, machinery, equipment, parts, as well as the difference of rates on purchases of capital goods.

- **PCDM** - It is an incentive program to distribution business centers (PCDM), which consists of the reduction by 75% of the debt balance of the ICMS monthly calculated on interstate shipping activities. The subject of this instrument does not include the ICMS withheld of third parties by the company, in view of the tax replacement regime.

Additional Incentives

It has as additional to PCDM the deferral of the ICMS levied: In import of foreign goods for subsequent shipment, import from abroad and other states, of goods to comprise fixed assets.

	Statement of Government grants		
Subsidiary	**State incentive**	**%**	**Maturity date**
Vulcabras Azaleia CE, Calç. e Art. Esp. S.A.	Provin Calçados	99%	Aug 2021
Vulcabras Azaleia CE Calç. e Art. Esp. S.A.	Provin Confecções	75%	Jun 2022
Vulcabras Azaleia BA Calç. e Art. Esp. S.A.	Probahia	99%	Jul 2027
Vulcabras Azaleia SE Calç. e Art. Esp. Ltda.	PSDI	75%	Jun 2029
Vulcabras Distr. Art. Esp. Ltda.	PCDM	75%	Dec 2022

	Statement of Government grants		
Subsidiary	**Federal incentive**	**%**	**Maturity date**
Vulcabras Azaleia CE, Calç. e Art. Esp. S.A.	IRPJ decr.	75%	Dec 2025
Vulcabras Azaleia BA Calç. e Art. Esp. S.A.	IRPJ decr.	75%	Dec 2026
Vulcabras Azaleia SE Calç. e Art. Esp. Ltda.	IRPJ decr.	75%	Dec 2027

a. *Consolidated*

Considering that these incentives were recognized directly in profit (loss) of subsidiaries, as a consequence, they were recognized in the Company's profit (loss) through the calculation of equity in net income of subsidiaries, whose effects are shown below:

ICMS			**Equity in net income of subsidiaries in parent company**	
Tax incentive recorded in income (loss) of subsidiaries	**Consolidated tax incentive**	**% Interest**	**03/31/2019**	**03/31/2018**
Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A.	14,779	99.99	14,778	14,141
Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.	9,113	100.00	9,113	11,370
Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda.	291	100.00	291	607
	24,183		24,182	26,118

Reintegra			Equity in net income of subsidiaries in parent company	
Tax incentive recorded in income (loss) of subsidiaries	**Consolidated tax incentive**	**% Interest**	**03/31/2019**	**03/31/2018**
Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A.	5	99.99	5	193
Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.	5	100.00	5	196
Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda.	4	100.00	4	114
	14		14	503

IRPJ			Equity in net income of subsidiaries in parent company	
Tax incentive recorded in income (loss) of subsidiaries	**Consolidated tax incentive**	**% Interest**	**03/31/2019**	**03/31/2018**
Vulcabras Azaleia CE, Calçados e Artigos Esportivos S.A.	-	99.99	-	331
Vulcabras Azaleia BA, Calçados e Artigos Esportivos S.A.	-	100.00	-	-
Vulcabras Azaleia SE, Calçados e Artigos Esportivos Ltda.	-	100.00	-	-
	-		-	331

32 Product and geographic area information

The information of gross sales in the domestic and foreign markets, by region, was prepared based on the country of origin of the revenue, that is, based on the sales made by its subsidiaries in Brazil and through foreign subsidiaries, and are as follows:

	03/31/2019	**03/31/2018**
Net sales		
Athletic shoes	223,874	227,518
Women's shoes	38,065	41,173
Other footwear and others	15,377	15,318
Apparel	22,471	7,975
	299,787	291,984
Domestic market	275,057	254,727
Foreign market	24,730	37,257
	299,787	291,984

The non-current assets of each geographic region are shown below:

	Consolidated	
	03/31/2019	**12/31/2018**
Noncurrent assets in the domestic and foreign markets as of:		
Brazil	530,701	517,319
Other countries	20,729	9,195
Total	551,430	526,514

Members of the Board of Directors

Pedro Grendene Bartelle - Presidente

André de Camargo Bartelle -1st Vice-President

Pedro Bartelle - 2^{nd} Vice-President

Hector Nunez - Board Member

Roberto Faldini - Independent Board Member

Composition of Tax Council

Benedito Alfredo Baddini Blanc - Board Member

Carlos Gardel José de Souza - Board Member

Marcello Joaquim Pacheco - Chairman of the Board

Members of the Executive Board

Pedro Bartelle - President

Wagner Dantas da Silva - Administrative and Financial Director

Flávio de Carvalho Bento - Industrial Director

Rafael Carqueijo Gouveia - Superintendent Director

Rodrigo Miceli Piazer - Purchasing Director

Evandro Saluar Kollet - Corporate Director of Product Development and Technology

Márcio Kremer Callage - Marketing Director

Investor Relations Director

Pedro Bartelle

Technical Responsible

Manoel Damião da Silveira Neto
Accountant CRC 1RJ052266/O-2 “S”-SP