Grant Thornton

# Nadir Figueiredo Indústria e Comércio S.A.

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Financial statements accompanied by the Independent auditor’s report

**December 31, 2018**

Grant Thornton

# Contents

**(**Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail. See Note 34 to the financial statements.)

# Independent auditors' report on the financial statements

Grant Thornton Auditores Independentes

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To the Administrators and Board Members of
**Nadir Figueiredo Indústria e Comércio S.A.**
São Paulo – SP

## Opinion

We have examined the individual and consolidated financial statements of Nadir Figueiredo Indústria e Comércio S.A. ("Company"), identified as Parent Company and Consolidated, respectively, comprising the balance sheet as of December 31, 2018 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, as well as the corresponding notes, including the summary of significant accounting policies.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the individual and consolidated financial position of Nadir Figueiredo Indústria e Comércio S.A. as of December 31, 2018, the individual and consolidated performance of its operations and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

## Basis for opinion

Our audit was conducted in accordance with Brazilian and international standards on auditing. Our responsibilities, in accordance with such standards, are described in the "Responsibilities of the auditor for the audit of individual and consolidated financial statements" section. We are independent in relation to the Company and its subsidiaries, according to the relevant ethical principles established in the Accountants' Professional Code of Ethics and the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities according to these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

The key audit matters ("KAM") are those who, in our professional judgment, were the most significant in our audit of current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and when we formed our opinion on these individual and consolidated financial statements, and, accordingly, we do not express a separate opinion on these matters.

 

## 1. Measurement of actuarial obligations (parent company and consolidated)

Note 20 – Reason why the matter was considered as a KAM – The Company is a sponsor of the variable contribution benefit plan, which ensures monthly income for disability retirement, death pension, annual bonus, sick pay, lump-sum death and disability benefit, in the defined benefit modality. Furthermore, the Company and its subsidiaries offer its employees the Health Assistance Reimbursement Insurance in the Outpatient, Hospital and Obstetric segments, pursuant to Normative Resolution 279 of the National Supplementary Health Agency (ANS).

Such values are material in the context of the individual and consolidated financial statements and involve the need to use an adequate database and to determine assumptions with a high degree of subjectivity, such as discount rates, inflation and mortality. This matter was, after our analysis of all the significant risks for the current year, considered material again and, therefore, critical to our audit, since the liabilities with employee benefits are subject to changes in the assumptions, among others factors, with a certain degree of subjectivity in measuring said obligations (in addition to the uncertainties inherent in this type of estimate and the respective assumptions used in actuarial calculations).

**How the matter was addressed in the audit of the financial statements**

Our audit procedures included, among others:

- Understanding and analysis of relevant internal controls involving the recording and measurement of liabilities arising from defined contribution benefit plans and health care reimbursement insurance, considering, among others, the controls related to the totality and adequacy of the databases and those for approving the assumptions considered in the actuarial calculations;
- We have tested the database to confirm the completeness of the data that support the actuarial calculations of employees, selecting, on a sample basis, certain employees and confirming that the registered data and the basis for calculating and paying the benefits were adequate;
- We have obtained assistance from our actuarial experts with an understanding of the methodologies and judgments used by Management in determining the assumptions adopted in the calculation of obligations in comparison with market parameters;
- On a sample basis, we have carried out the actuarial calculations again based on the calculation performed by the Company's external actuaries, considering the assumptions adopted in the calculations, in addition to tests of existence and recalculation of the fair value of the plan assets;
- We have also evaluated whether the disclosures made in the financial statements are in accordance with the applicable rules and provide information on the nature, exposure and amounts of provisions of liabilities derived from defined contribution benefit plans and health assistance reimbursement insurance of the Company. As a result of the audit procedures conducted, we understand that the criteria and assumptions adopted by the Company for measuring actuarial obligations were appropriately addressed and disclosed in the context of the individual and consolidated financial statements taken as a whole.

## 2. Recognition of revenue from sales (parent company and consolidated)

Note No 22 – Reason why the matter was considered a KAM – Due to the diversification of the Company's client base and the need for the sales revenue to be recognized at an amount that reflects the consideration that is expected to be received in exchange for the transfer of goods to customers (pursuant to accounting standard IFRS 15 (CPC 47) – Revenue from Contracts with Customers, effective as of January 1, 2018, it is worth highlighting the five-step evaluation model provided for in the aforementioned technical pronouncement, the moment when the Company meets the obligation to deliver goods (due to the relevant logistical control implemented by the Company to monitor the delivery of goods and obtain evidence regarding the respective acceptance by clients).

Thus, matter continued receiving attention from us in the current year, just as it had occurred in the previous year, and is therefore considered a critical and risk matter in our audit, considering that, as part of the audit, there was a need to carry out procedures to evaluate cut-off controls in the recognition of revenues by the Company, recording and disclosing them in the individual and consolidated financial statements, aiming to check whether the performance obligations had been properly met.

 

### How the matter was addressed in the audit of the financial statements

Our audit procedures included, among others:

- We have performed the understanding and analysis of the relevant internal controls that involve the calculation and recording of revenues (and the respective performance obligations);
- We have performed qualitative analyzes of the average delivery time by region;
- On a sample basis, we have performed tests on billings made close to the year-end and obtained evidence on the transfer of risks and rewards to buyers;
- On a sample basis, we have performed tests on the cut-off controls implemented by the Company, as well as the respective amounts recorded in the individual and consolidated financial statements;
- We have selected certain invoices and proceed with confirmation of the outstanding amounts with certain clients, selected on a sample and statistical basis. Based on the approach of our audit and the procedures carried out and evidence obtained, we believe that the criteria and assumptions adopted by the Company for the recognition of sales revenue are adequate in the context of the individual and consolidated financial statements taken as a whole.

## Other matters

### Statements of added value

The individual and consolidated statements of added value (DVA) for the year ended December 31, 2018, prepared under responsibility of Company's Management, and presented as supplementary information for IFRS purposes, were submitted to audit procedures carried out jointly with our audit of Company's financial statements. In order to form our opinion, we evaluated whether the accompanying statements are reconciled with the accounting financial statements and accounting records, as applicable, and whether its form and content are according to the criteria established in the Technical Pronouncement CPC 09 – Statement of Added Value. In our opinion, these statements of added value were prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

## Emphasis – Restatement of amounts corresponding to the previous year

Amounts corresponding to the year ended December 31, 2017, presented for comparison, purposes were previously audited by us and the report dated March 9, 2018, was not qualified. The corresponding amounts are being restated due to the adoption by the Company, retrospectively, of the Pronouncement IFRS 15 (CPC 47) – Revenue from Contracts with Customers, as discussed in Note 3.

## Other information accompanying individual and consolidated financial statements and the Auditor's Report

The Company's management is responsible for other information comprising Management Report. Our opinion on the individual and consolidated financial statements do not include the Management Report and we do not express any audit conclusion on such report. In connection with the audit of individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is, in a material manner, inconsistent with the financial statements or with our knowledge gained in the audit, or otherwise appears to be materially distorted. If, based on the performed work, we conclude that there is material misstatement in the Management Report, we are required to report such fact. We do not have anything to report on this respect.

## Responsibilities of management and governance for the individual and consolidated financial statements

The Management is responsible for the preparation and adequate presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the internal controls it deemed necessary to enable the preparation of these financial statements free of significant distortions, regardless of whether the latter were caused by fraud or error. In the preparation of individual and consolidated financial statements, management is responsible for assessing the ability of the Company to continue as a going concern, disclosing, where applicable, the matters relating to its going concern and the use of this basis of accounting in preparing the financial statements, unless management intends to wind-up the Company and its subsidiaries or cease its operations, or has no realistic alternative to avoid the closure of operations.

Those charged with governance of the Company and its subsidiaries are the people responsible for overseeing the process of preparation of the financial statements.

## Responsibilities of the auditor for auditing individual and consolidated financial statements

Our objectives are to obtain reasonable assurance that the individual and consolidated financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error, and issue an audit report containing our opinion. Reasonable assurance means a high level of assurance, but not a guarantee that an audit conducted in accordance with Brazilian and international auditing standards always detects any existing material misstatement. The misstatements may result from fraud or error and are considered relevant when, individually or in conjunction, they may affect, from a reasonable standpoint, economic decisions of the users based on such financial statements. As part of the audit performed according to the Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of individual and consolidated financial statements, whether due to fraud or error, plan and perform audit procedures in response to such risks and obtained sufficient and appropriate audit evidence for expressing our opinion. The risk of not detecting material misstatement resulting from fraud is higher than that from error, as fraud may involve the act of cheating internal controls, collusion, falsification, omission or intentional misrepresentations;
- Obtain an understanding of the internal controls relevant to the audit to plan the audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls of the Company and its subsidiaries.
- Assess the adequacy of the accounting policies used and the reasonableness of the accounting estimates and the respective disclosures made by the Management;
- Conclude about the adequacy of the use, by management, of the accounting basis of going concern, and, based on the audit evidence obtained, whether there is a material uncertainty in relation to the events or conditions that may give rise to significant doubt in relation to the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that there is a material uncertainty, we draw attention in our audit report to the respective disclosures in the individual and consolidated financial statements or include modification in our opinion, if the disclosures are inappropriate. Our conclusions are based on the audit evidence obtained until the date of our report. However, future events or conditions may lead the Company and its subsidiaries to no longer remain as a going concern;
- Assess the overall presentation, structure and contents of financial statements, including the disclosures and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner consistent with the objective of fair presentation.

 

- Obtain appropriate and sufficient audit evidence related to the financial information of the group's entities or business activities to express an opinion on the consolidated financial statements We are responsible for the management, oversight and performance of audit of the group, and, consequently, the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identified during our audit. We also provide those charged with governance with a statement that we complied with relevant ethical requirements, including the applicable requirements of independence, and communicate all potential relationships or matters that could materially affect our independence, including, where applicable, the related safeguards. Out of matters that were communicated to people responsible for governance, we determined those that were considered as the most significant in the audit of financial statements for current year and that, accordingly, comprise the key audit matters. We describe these issues in our audit report, unless a certain law or regulation has prohibited the public disclosure of the issue, or when, under extremely rare circumstances, we determine that the issue shall not be reported in our report, because the adverse consequences from such report may, from a reasonable perspective, exceed the benefits from the report for public interest.

São Paulo, March 09, 2019

Nelson Fernandes Barreto Filho
Assurance Partner

Grant Thornton Auditores Independentes

 

# Nadir Figueiredo Indústria e Comércio S.A.

## Individual and consolidated balance sheets as of December 31, 2018 and December 31, 2017

( In thousands of reais )

### ASSETS

| | Notes | Parent company 31/12/2018 | Parent company 31/12/2017 | Consolidated 31/12/2018 | Consolidated 31/12/2017 |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash and cash equivalents | 4 | 15.391 | 8.399 | 16.599 | 10.702 |
| Securities | 5 | 38.738 | 9.792 | 45.857 | 16.928 |
| Trade accounts receivable | 6 | 154.333 | 138.796 | 157.355 | 144.868 |
| Inventories | 7 | 118.875 | 94.462 | 131.079 | 106.952 |
| Recoverable taxes | | 4.189 | 2.713 | 9.519 | 6.845 |
| Other receivables | | 4.281 | 4.907 | 4.363 | 4.996 |
| Prepaid expenses | | 532 | 991 | 534 | 991 |
| **Total current assets** | | 336.339 | 260.060 | 365.306 | 292.282 |
| **Non-current assets** | | | | | |
| Trade accounts receivable | 6 | 2.414 | 3.013 | 2.414 | 3.013 |
| Deposits for funds | 18 | 1.495 | 1.099 | 1.495 | 1.099 |
| Other receivables | | 1.936 | 1.895 | 247 | 258 |
| Investments in subsidiaries | 10 | 25.243 | 52.406 | - | - |
| Assets held for sale | 9 | 105.082 | 105.082 | 105.082 | 105.082 |
| Property, plant and equipment | 12 | 241.418 | 224.904 | 241.827 | 225.275 |
| Intangible assets | | 1.256 | 1.198 | 1.256 | 1.198 |
| **Total non-current assets** | | 378.844 | 389.597 | 352.321 | 335.925 |
| **Total assets** | | 715.183 | 649.657 | 717.627 | 628.207 |

**See the accompanying notes to the financial statements.**

# Nadir Figueiredo Indústria e Comércio S.A.

## Individual and consolidated balance sheets as of December 31, 2018 and December 31, 2017

( In thousands of reais )

### LIABILITIES

| | | Parent company | | Consolidated | |
|---|---|---|---|---|---|
| **Liabilities** | **Notes** | **31/12/2018** | **31/12/2017** | **31/12/2018** | **31/12/2017** |
| **Current liabilities** | | | | | |
| Loans and financing | 13 | 87.042 | 100.559 | 87.042 | 100.559 |
| Suppliers | 14 | 51.190 | 41.134 | 52.345 | 43.139 |
| Taxes payable | 15 | 24.506 | 21.378 | 25.865 | 22.330 |
| Labor obligations | 16 | 25.341 | 20.991 | 25.741 | 21.464 |
| Dividends payable | 19e | 12.767 | 7.333 | 14.482 | 8.996 |
| Other liabilities | 17 | 16.262 | 14.622 | 16.273 | 14.927 |
| **Total current liabilities** | | 217.108 | 206.017 | 221.748 | 211.415 |
| **Non-current liabilities** | | | | | |
| Loans and financing | 13 | 45.000 | 25.000 | 45.000 | 25.000 |
| Provision for legal disputes | 18 | 1.194 | 4.605 | 1.194 | 4.605 |
| Related parties | 11 | 14.336 | 39.832 | 9.424 | 8.892 |
| Deferred taxes | 8 | 14.829 | 13.507 | 14.829 | 13.507 |
| Supplementary retirement and health care plan | 20 | 24.859 | 20.551 | 24.859 | 20.551 |
| Other liabilities | | 1.875 | - | 1.875 | - |
| **Total non-current liabilities** | | 102.093 | 103.495 | 97.181 | 72.555 |
| **Shareholders' equity** | | | | | |
| Capital | 19a | 200.000 | 200.000 | 200.000 | 200.000 |
| Revaluation reserve | 19b | 8.429 | 8.429 | 8.429 | 8.429 |
| Profit reserves | 19c | 154.866 | 93.275 | 154.866 | 93.275 |
| Other comprehensive income | 19d | 32.687 | 38.441 | 32.687 | 38.441 |
| **Shareholders' equity attributable to controlling shareholders** | | 395.982 | 340.145 | 395.982 | 340.145 |
| **Non-controlling interest** | | - | - | 2.716 | 4.092 |
| **Total shareholders' equity** | | 395.982 | 340.145 | 398.698 | 344.237 |
| **Total liabilities and shareholders' equity** | | 715.183 | 649.657 | 717.627 | 628.207 |

**See the accompanying notes to the financial statements.**

# Nadir Figueiredo Indústria e Comércio S.A.

## Individual and consolidated statements of income for the years ended December 31, 2018 and 2017

(In thousands of reais, unless otherwise indicated)

| | Notes | Parent company | | Consolidated | |
|---|---|---|---|---|---|
| | | 31/12/18 | 31/12/17 | 31/12/18 | 31/12/17 |
| | | | Restated | | **Restated** |
| Net operating revenue | 22 | 737.140 | 603.643 | 768.081 | 638.074 |
| Cost of products sold | 23 | (404.177) | (334.119) | (418.251) | (351.001) |
| **Gross income** | | 332.963 | 269.524 | 349.830 | 287.073 |
| Sales expenses | 24 | (110.408) | (98.647) | (119.326) | (108.278) |
| Administrative expenses | 24 | (91.553) | (79.078) | (93.268) | (80.349) |
| Other revenues (expenses), net | | 3.853 | 3.959 | 3.855 | 3.992 |
| Equity in net income of subsidiaries | 10 | 1.886 | 4.202 | - | - |
| **Operating income (loss) before financial income** | | 136.741 | 99.960 | 141.091 | 102.438 |
| Financial expenses | 25 | (87.446) | (51.419) | (88.841) | (49.063) |
| Financial revenues | 25 | 70.222 | 29.629 | 70.932 | 29.829 |
| **Net financial income (loss)** | 25 | (17.224) | (21.790) | (17.909) | (19.234) |
| **Income before income tax and social contribution** | | 119.517 | 78.170 | 123.182 | 83.204 |
| **Income tax and social contribution** | | (36.868) | (22.437) | (38.957) | (25.694) |
| Current | 8a | (34.081) | (23.331) | (36.170) | (26.588) |
| Deferred | 8a | (2.787) | 894 | (2.787) | 894 |
| **Net income for the year** | | 82.649 | 55.733 | 84.225 | 57.510 |
| **Attributed profit:** | | | | | |
| Non-controlling shareholders | | - | - | 1.576 | 1.777 |
| Controlling shareholders | | 82.649 | 55.733 | 82.649 | 55.733 |
| **Earnings per share attributed to controlling shareholders** | | | | | |
| Earnings per share - basic and diluted (in R$) | 21 | 6,09 | 4,10 | - | - |

**See the accompanying notes to the financial statements.**

# Nadir Figueiredo Indústria e Comércio S.A.

## Individual and consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017

(In thousands of reais)

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **31/12/2018** | **31/12/2017** | **31/12/2018** | **31/12/2017** |
| **Net income for the year** | 82.649 | 55.733 | 84.225 | 57.510 |
| **Other comprehensive income:** | | | | |
| Change in the measurement of actuarial liabilities | (2.844) | (149) | (2.844) | (149) |
| Foreign currency translation adjustments | (2.910) | (119) | (2.910) | (119) |
| **Comprehensive income for the year** | 76.895 | 55.465 | 78.471 | 57.242 |
| **Comprehensive income attributable to:** | | | | |
| Controlling shareholders | 76.895 | 55.465 | 76.895 | 55.465 |
| Non-controlling shareholders | - | - | 1.576 | 1.777 |

**See the accompanying notes to the financial statements.**

# Nadir Figueiredo Indústria e Comércio S.A.

## Statements of changes in shareholders' equity as of December 31, 2018 and December 31, 2017

(In thousands of reais)

| | | Attributable to controlling shareholders | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Capital | Capital reserves | Asset revaluation reserve | Profit reserves | Retained earning | Other comprehensive income | Total | Non-controlling interest | Total shareholders' equity |
| **Balance at December 31, 2016** | | 100.000 | 36.154 | 8.429 | 115.936 | **-** | 38.709 | 299.228 | 3.651 | 302.879 |
| Net income for the year | 21 | - | - | - | - | 55.733 | - | 55.733 | 1.777 | 57.510 |
| Effect of foreign currency translation | 19(d) | - | - | - | - | - | (743) | (743) | (741) | (1.484) |
| Effect of exchange-rate change on dividends | 19(d) | - | - | - | - | - | 622 | 622 | (595) | 27 |
| Capital increase | 19 | 100.000 | (36.154) | - | (63.846) | - | - | - | - | - |
| Formation of legal reserve | 19(c.1) | - | - | - | 2.787 | (2.787) | - | - | - | - |
| Formation of statutory reserve | 19(c.2) | - | - | - | 5.573 | (5.573) | - | - | - | - |
| Interest on own capital | 19(e) | - | - | - | - | (8.740) | - | (8.740) | - | (8.740) |
| Dividends | 19(e) | - | - | - | - | (5.808) | - | (5.808) | - | (5.808) |
| Profit retention | 19(c.3) | - | - | - | 32.825 | (32.825) | - | - | - | - |
| Other comprehensive income | 19(d) | - | - | - | - | - | (147) | (147) | - | (147) |
| **Balance at December 31, 2017** | | 200.000 | **-** | 8.429 | 93.275 | **-** | 38.441 | 340.145 | 4.092 | 344.237 |
| Net income for the year | 21 | - | - | - | - | 82.649 | - | 82.649 | 1.576 | 84.225 |
| Effect of foreign currency translation | 19(d) | - | - | - | - | - | (1.805) | (1.805) | (1.847) | (3.652) |
| Effect of exchange-rate change on dividends | 19(d) | - | - | - | - | - | (1.105) | (1.105) | (1.105) | (2.210) |
| Formation of legal reserve | 19(c.1) | - | - | - | 4.132 | (4.132) | - | - | - | - |
| Formation of statutory reserve | 19(c.2) | - | - | - | 8.265 | (8.265) | - | - | - | - |
| Interest on own capital | 19(e) | - | - | - | | (9.521) | - | (9.521) | - | (9.521) |
| Dividends | 19(e) | - | - | - | - | (11.537) | - | (11.537) | - | (11.537) |
| Profit retention | 19(c.3) | - | - | - | 49.194 | (49.194) | - | - | - | - |
| Other comprehensive income | 19(d) | - | - | - | | | (2.844) | (2.844) | - | (2.844) |
| **Balance at December 31, 2018** | | 200.000 | **-** | 8.429 | 154.866 | **-** | 32.687 | 395.982 | 2.716 | 398.698 |

**See the accompanying notes to the financial statements.**

# Nadir Figueiredo Indústria e Comércio S.A.

## Statements of cash flows for the years ended December 31, 2018 and 2017

(In thousands of reais, unless otherwise indicated)

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| **Cash flow from operating activities** | | | | |
| Income (loss) for the year | 82.649 | 55.733 | 84.225 | 57.510 |
| **Adjustments to reconcile income (loss) to cash and cash equivalents generated by operating activities:** | | | | |
| Depreciation and amortization | 33.752 | 31.879 | 33.771 | 31.898 |
| Deferred income tax and social contribution | 2.787 | (894) | 2.787 | (894) |
| Equity in net income of subsidiaries | (1.886) | (4.202) | - | - |
| Interest expense | 11.124 | 14.639 | 10.361 | 11.352 |
| Provision for lawsuits | (3.411) | 145 | (3.411) | 145 |
| Allowance for doubtful accounts | (717) | (506) | (717) | (506) |
| Estimated loss on obsolete inventories | (3.809) | 7.252 | (3.809) | 7.252 |
| Inflation adjustment and exchange-rate change, net | 1.445 | (4.209) | (4.271) | (2.110) |
| Interest of non-controlling shareholders | - | - | (1.576) | (1.777) |
| Income (loss) of residual value from write-off of assets | 102 | 76 | 102 | 76 |
| | 122.036 | 99.913 | 117.462 | 102.946 |
| **Changes in assets and liabilities** | | | | |
| (Increase) decrease in trade accounts receivable | (14.221) | (18.255) | (11.170) | (16.187) |
| (Increase) decrease in inventories | (20.604) | (3.187) | (20.318) | (2.086) |
| (Increase) decrease in recoverable taxes | (1.475) | (918) | (2.674) | (85) |
| (Increase) Decrease in other assets | 687 | (751) | 693 | (635) |
| Increase (Decrease) in suppliers | 10.056 | 6.199 | 9.206 | 5.730 |
| Increase (decrease) in labor obligations | 4.349 | 2.244 | 4.277 | 1.818 |
| Increase (Decrease) in tax obligations | 3.127 | 3.312 | 3.534 | 1.346 |
| Increase (Decrease) in other liabilities | 1.640 | 1.245 | 1.347 | 1.182 |
| **Net cash generated in operating activities** | 105.595 | 89.802 | 102.357 | 94.029 |
| **Cash flow from investment activities** | | | | |
| Dividends received | 26.099 | 939 | 2.198 | - |
| (Increase) decrease in securities | (28.946) | (516) | (28.929) | (1.006) |
| Additions in property, plant and equipment | (50.021) | (29.464) | (50.021) | (29.482) |
| Additions to intangible assets | (110) | (116) | (110) | (116) |
| Receipt upon disposal of fixed assets | 308 | 125 | 308 | 125 |
| **Net cash used in investment activities** | (52.670) | (29.032) | (76.554) | (30.479) |
| **Cash flow from financing activities** | | | | |
| Loans and financing | 165.015 | 164.813 | 165.015 | 164.813 |
| Payments of loans and financing (principal and interest) | (170.628) | (212.660) | (170.628) | (212.660) |
| Payment of interest on own capital and dividends | (14.825) | (9.223) | (14.825) | (9.223) |
| Receipt (payments) of loans with related parties | (25.495) | (19) | 532 | (976) |
| **Net cash invested in financing activities** | (45.933) | (57.089) | (19.906) | (58.046) |
| **Increase (decrease) in cash and cash equivalents** | 6.992 | 3.681 | 5.897 | 5.504 |
| Cash and cash equivalents at the beginning of the year | 8.399 | 4.718 | 10.702 | 5.198 |
| Cash and cash equivalents at the end of year | 15.391 | 8.399 | 16.599 | 10.702 |
| **Increase (decrease) in cash and cash equivalents** | 6.992 | 3.681 | 5.897 | 5.504 |

**See the accompanying notes to the financial statements.**

# Nadir Figueiredo Indústria e Comércio S.A.

## Individual and consolidated statements of added value for the years ended December 31, 2018 and 2017

(In thousands of reais, unless otherwise indicated)

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| **(+) Revenues** | 1.067.457 | 899.421 | 1.101.016 | 936.844 |
| Sale of merchandise, products and services | 1.063.337 | 895.412 | 1.096.894 | 932.802 |
| Other revenues | 3.853 | 3.959 | 3.855 | 3.992 |
| Allowance for doubtful accounts | 267 | 50 | 267 | 50 |
| **(-) Inputs acquired from third parties** | (382.630) | (326.497) | (401.519) | (348.904) |
| (Includes the tax amounts - ICMS and IPI) | | | | |
| Cost of products sold | (68.698) | (58.237) | (68.698) | (58.237) |
| Materials, energy, outsourced services and other | (313.932) | (268.260) | (332.821) | (290.667) |
| **(=) Gross added value** | 684.827 | 572.924 | 699.497 | 587.940 |
| (-) Depreciation | (33.752) | (31.879) | (33.771) | (31.898) |
| **(=) Net added value produced by the Entity** | 651.075 | 541.045 | 665.726 | 556.042 |
| **(+) Added value received as transfer** | 73.165 | 33.158 | 71.989 | 29.155 |
| Equity in net income of subsidiaries | 1.886 | 4.202 | - | - |
| Financial revenues | 70.222 | 29.629 | 70.932 | 29.829 |
| Other | 1.057 | (673) | 1.057 | (674) |
| **(=) Total added value payable** | 724.240 | 574.203 | 737.715 | 585.197 |
| **(=) Distribution of added value** | 724.240 | 574.203 | 737.715 | 585.197 |
| **Personnel expenses** | | | | |
| - Direct remuneration | 131.627 | 120.564 | 136.290 | 125.073 |
| - Benefits | 37.687 | 31.547 | 37.778 | 31.652 |
| - Severance Pay Fund (FGTS) | 10.122 | 9.248 | 10.138 | 9.037 |
| **Taxes, duties and contributions** | | | | |
| - Federal | 251.207 | 201.929 | 256.422 | 208.393 |
| - State | 117.245 | 97.998 | 117.268 | 98.029 |
| - Municipal | 1.260 | 1.274 | 1.757 | 1.751 |
| **Third-party capital remuneration** | | | | |
| - Interest | 86.891 | 49.312 | 88.005 | 46.509 |
| - Rents | 4.997 | 4.491 | 4.996 | 4.689 |
| - Other | 555 | 2.107 | 836 | 2.554 |
| **Remuneration of own capital** | | | | |
| - Interest on own capital | 9.521 | 8.740 | 9.521 | 8.740 |
| - Retained earnings | 73.128 | 46.993 | 73.128 | 46.993 |
| - Profit sharing of non-controlling shareholders | - | - | 1.576 | 1.777 |

**See the accompanying notes to the financial statements.**

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail. See Note 34 to the financial statements.)

# Notes to the financial statements for the years ended December 31, 2018 and 2017

## 1. Operations

Nadir Figueiredo Indústria e Comércio S.A. (“Nadir” or "Company”), headquartered at Avenida Morvan Dias de Figueiredo, 3535, São Paulo/SP [Brazil], is a publicly-held company with industrial facilities in the city of Suzano, State of São Paulo. The Company is mainly engaged in: industry, trade, export and import of glass, crystal, ceramics and tableware products, intended for housewares and food and beverage packaging, as well as holding interests in other companies.

## 2. Presentation and preparation of financial statements

a) <u>Basis of presentation and preparation of individual and consolidated financial statements</u>

As of March 8, 2019, the Fiscal Council and the Board of Directors approved the individual and consolidated financial statements of the Company and authorized their disclosure.

The individual financial statements of the parent company have been prepared in conformity with accounting practices adopted in Brazil, based in provisions of the Brazilian Corporate Law, pronouncements, interpretations and guidance issued by the Accounting Pronouncement Committee (“CPC”), standards issued by the Brazilian Securities and Exchange Commission (CVM), and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, (IASB) and evidence all relevant information in Financial Statements, and only it, which is consistent with that used by Management in its administration.

The Company adopted all the standards, reviews of standards, and interpretations issued by International accounting standards board (IASB) and Accounting Pronouncement Committee (CPC) that were in force on December 31, 2018.

b) <u>Consolidated financial statements</u>

The Company's consolidated financial statements have been prepared based on international accounting standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), implemented in Brazil through the Accounting Pronouncement Committee ("CPC") and technical interpretations ("ICPC") and guidelines ("OCPC"), as approved by the Brazilian Securities and Exchange Commission ("CVM").

The Company's consolidated financial statements include the financial information of the direct and indirect Company and subsidiaries. Control over these companies is obtained when the Company has the power to control their financial and operating policies and has the capacity to obtain benefits and be exposed to the risks of their activities. The subsidiaries were fully consolidated since the acquisition date, defined as the date when the Company obtains control over it, and continue being consolidated until that control is no longer in effect.

As of December 31, 2018 and 2017, the consolidated financial statements include the consolidation of the following companies:

| | 31/12/2018 | | 31/12/2017 | |
|---|---|---|---|---|
| | Interest | | Interest | |
| Subsidiaries | Direct | Indirect | Direct | Indirect |
| Mineração Rosicler Ltda. (i) | 99,97% | - | 99,97% | - |
| Ridan Empreendimentos Imobiliários Ltda. (i) | 92,02% | 7,98% | 92,02% | 7,98% |
| Distribuidora Brasim S.A. (ii) | 50,00% | - | 50,00% | - |
| Colorex Comércio e Desenvolvimento de Produtos Ltda. | 98,99% | 1,00% | 98,99% | 1,00% |

**(i)** The Company controls financial and operating policies, mainly because the subsidiary is an exclusive reseller and only sell products acquired from the Company.

The accounting practices were consistently applied in all the subsidiaries included in consolidated financial statements, and are consistent with those applied in the previous year. Whenever is necessary, adjustments are made to conform accounting practices with those of the Company.

Balance sheet accounts, unrealized revenues, expenses and income (losses) arising from transactions between related parties are fully eliminated, net of tax effects (when applicable). A change in the ownership interest in a subsidiary which does not result in loss of control is accounted for as a transaction between stockholders in shareholders' equity.

### Hyperinflation in Argentina

In July 2018, considering that the inflation accumulated in the past three years in Argentina was higher than 100%, the adoption of the accounting and reporting standard in hyperinflationary economy (IAS 29, equivalent to CPC 42) became mandatory. Pursuant to IAS 29, non-cash assets and liabilities, the shareholders' equity and the statement of income of subsidiaries that operate in hyperinflationary economies are adjusted by the change in the general purchasing power of the currency, applying a Consumer Price Index. As a consequence, the Company adopted the concepts of IAS 29 for its subsidiary in Argentina. Non-monetary assets and liabilities recorded at historical cost and the shareholders' equity of the subsidiary in Argentina were restated at the inflation. The statements of income for year 2017, and the respective balance sheets of the subsidiary in Argentina have not been restated.

The hyperinflation impacts resulting from changes in general purchasing power were reported as equity valuation adjustments, in the net amount of R$ 1,533.

c) Measuring basis

The individual and consolidated financial statements were prepared based on the historical cost, unless otherwise indicated, as described in the description of accounting practices. The historical cost is usually based on the value of the payments made for the assets.

d) Functional currency and presentation currency

Individual and consolidated financial statements are being presented in reais (R$), functional currency of the Parent Company. Each entity of the Group determines its own functional currency, and those whose functional currencies are different from Reais, the financial statements are translated into Reais on the closing date.

Transactions and balances

Transactions in foreign currency are initially recorded at the exchange rate of the functional currency in force on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate of the functional currency in force on the balance sheet date and all differences recorded in the statement of income.

e) Estimates and judgments

Judgments

The preparation of Company's individual and consolidated financial statements requires Management to make judgments and estimates and adopt assumptions that affect the amounts presented for revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities, on the base date of the financial statements. Assets and liabilities subject to estimates and assumptions include useful life of fixed assets, estimated loss with doubtful accounts, provision for inventory loss, provision for impairment of asset, deferred tax assets, provision for lawsuits and financial instruments.

The main assumptions concerning the sources of uncertainty in future estimates and other important sources of uncertainty in estimates on the balance sheet dates, that may result in different amounts upon settlement, are discussed below:

Review of useful life

The Company reviews the estimated useful lives of fixed assets annually, taking into account the use/wear conditions, technological obsolescence, maintenance and replacement policy. The useful life estimates are made internally by the engineering department.

Estimated loss with doubtful accounts

The estimated loss with doubtful accounts is recorded in an amount deemed sufficient to cover estimated losses arising from collection of trade notes receivable. In order to reduce credit risk, the Company adopts the practice of performing an individual analysis of the financial position of its clients, establishing a credit limit and making a permanent follow-up of their debt balance. The estimated loss with doubtful accounts was calculated based on expected losses by using a prospective model, considering the individual analysis of credit risks, which contemplates loss history, individual situation of clients, situation of the corporate group to which they belong, real guarantees for debts and the assessment of the legal advisors, and is considered sufficient to cover possible losses on amounts receivable.

Provision for inventory loss

The Company periodically reviews the net realizable value and the demand for its inventories to ensure that inventories recorded are stated at the acquisition or production cost and the net realizable value, whichever is lower, as well as obsolete inventories.

Impairment loss for non-financial assets

Management reviews the net book value of assets annually in order to assess events or changes in economic, operating, or technological circumstances likely to point out impairment or loss of their recoverable value. This evidence is detected and the net book value exceeds recoverable value. Thus, a provision for impairment is recorded, adjusting net book value to recoverable value. These losses are entered in income (loss) for the year when identified.

The book value of a certain cash-generating unit is defined as greater of its value in use and its net value less selling expenses. In estimating the value in use of an asset, estimated future cash flows are discounted to their present values, using a pretax discount rate that reflects the weighted average cost of capital in the industry where the cash-generating unit operates.

Cash flows result from budget for the next five years and do not include restructuring activities to which the Company has not yet committed or significant future investments that will enhance the asset base of the cash generating unit under test. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The net sales value is determined, whenever possible, with a basis on a binding contract of sale in a transaction on an arm's length basis, between knowledgeable and interested parties, adjusted by expenses attributable to the sale of the asset, or when there is no binding contract of sale, with a basis on the market price of an active market, or on the price of the most recent transaction with similar assets.

Realization of deferred income tax

The initial recognition and later valuations of deferred income tax occur when it is probable that the taxable profit for the following years will be available for offsetting the deferred tax asset, based on projections of result prepared and adopting internal assumptions and future economic scenarios which enable its total or partial use if the full credit is formed.

Provisions for lawsuits

The Company recognizes the provisions for tax, labor and civil risks. Determination of the likelihood of loss includes determination of evidence available, hierarchy of laws, jurisprudence available, more recent court decisions and relevance thereof in legal system, as well as evaluation of internal and external attorneys. Provisions are reviewed and adjusted so as to consider changes in circumstances, such as applicable statute of limitations, conclusions of tax audits or additional exposures identified based on new matters or court rulings. The settlement of transactions involving these estimates may result in significantly different amounts due to the lack of precision inherent to the process of determination. The Company reviews the estimates and assumptions periodically.

## 3. Description of significant accounting policies

The accounting policies below have been consistently applied to all the years presented in these individual and consolidated financial statements.

a) Financial instruments

Financial instruments are recognized as from the date the Company becomes a party to their contractual of financial instruments and mainly include cash and cash equivalents, securities, accounts receivable, loans and financing, as well as accounts payable, suppliers and other debts.

The financial instruments are measured as described below:

**(i)** Rating

CPC 38 determines three main classification categories for financial assets: measured at amortized cost, at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL). The standard eliminated the existing categories before held-to-maturity, loans and receivables, and available for sale. The Company initially interprets the financial asset relating to accounts receivable as measurable at amortized cost, in accordance with CPC 48, as it intends to maintain the asset until maturity to receive the contractual cash flow and this cash flow consists only of payment of principal and interest on the outstanding amount.

**(ii)**Impairment

The new standard replaces the “incurred losses” model with a prospective “expected credit losses” model. Management has not identified any material impacts in the adoption of this standard in the estimate of expected losses from doubtful accounts, as well as in trade accounts receivable.

b) Cash and cash equivalents and securities

Cash and cash equivalents substantially include cash deposits denominated in reais, with high market liquidity ratio and 90-day maturities from the contracting date or for which there is no fine or any other restriction on immediate redemption.

Cash equivalents are classified as financial assets in the loans and receivables category and are recorded at the original amount plus income earned up to the closing dates of the financial statements, calculated under the pro rata temporis basis, which is equivalent to their market values, with no impact to be recorded in the Company's shareholders' equity.

The securities include non-exclusive investment funds whose market values approximate the book values, and for which there is no immediate redemption.

c) Trade accounts receivable and estimated loss with doubtful accounts

Trade accounts receivable are recorded at nominal value and deducted from the estimated loss with doubtful accounts, which is recorded based on the expected loss (using a prospective model), being considered sufficient by Management to cover possible losses.

d) Inventories

Recorded at average acquisition or production cost, adjusted at net realizable value (when it is lower than the cost). The Company considers slow moving and/or obsolete materials in its provision for inventory losses.

e) Investments

The Company has control over a company when it has the power to control its financial and operating policies and has the ability to obtain benefits and be exposed to the risks of its activities. Investments in subsidiaries are recorded at the parent company under the equity method for the purposes of individual financial statements, with investments in subsidiaries eliminated for the purpose of preparing the consolidated financial statements, and the effect of exchange variations on the translation of foreign investments, which are recognized in a specific shareholders' equity account.

The Company determines, at each closing date of financial statements, if there is objective evidence that investments had impairment losses. If so, the Company calculates the impairment loss as the difference between the book value and the share of losses in subsidiaries, and recognizes the residual portion as unsecured liabilities of subsidiaries, since it assumes the obligations of said subsidiaries.

f) Property, plant and equipment

Recorded at acquisition, formation or construction cost plus interest capitalized during construction period (when applicable for qualifying assets), and reduced by accumulated depreciation and impairment losses, when applicable. For a subsidiary in a situation of hyperinflationary economy, fixed assets are monetarily restated, as required by IAS 29 (CPC 42).

Depreciation is calculated using the straight-line method, to distribute its cost value over the estimated useful lives of the assets, as follows:

| Asset description | Years |
|---|---|
| Buildings and constructions | 25 |
| Equipment | 10 |
| Facilities | 10 |
| Furnaces | 02 and 03 |
| Machinery and matrices | 10 |
| Vehicles | 05 |

g) Loans and financing

Recognized at fair value upon receipt of funds, net of transaction costs, in the applicable cases, plus charges, interest, inflation adjustment and exchange-rate change as contractually provided for, incurred up to the balance sheet dates.

h) Suppliers and other accounts payable

They are recognized at nominal value and increased, when applicable, by the corresponding charges and Inflation adjustments and exchange-rate changes incurred up to the balance sheet dates.

i) Income tax and social contribution

Current

Taxes on income comprise income tax and social contribution. Income tax is computed on taxable income at the rate of 15%, plus a 10% surtax for income exceeding R$ 240 in the 12-month period, whereas social contribution is computed at the rate of 9% on taxable income, recognized on the accrual basis.

Income taxes and contributions are recognized in the statement of income, except for cases in which they are directly related to items recorded in shareholders' equity or in the reserve for equity valuation adjustments, which are recognized net of these effects.

Prepayments or amounts that can be offset are presented in current and non-current assets or liabilities, in accordance with their expected realization.

Deferred

Deferred income and social contribution tax assets and liabilities are recognized on tax losses, negative basis of social contribution and temporary differences between the tax base of assets and liabilities and their book values. Deferred income and social contribution tax assets are recognized only to the extent that future taxable income will be available, against which temporary differences can be used.

The deferred income tax on accumulated tax losses has no statute of limitations; however, their offset is limited to up to 30% of taxable income of each year. Subsidiaries that choose deemed income system may not offset tax losses of one year with profit generated in subsequent years and due to this fact, deferred taxes are not calculated.

The Company assesses the book value of deferred income and social contribution tax assets annually in relation to its operating performance and projected future taxable income and, when necessary, reduces its amount to the expected realizable value.

Deferred income and social contribution tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

j) Statement of income and revenue recognition

The revenue from sale is recognized at an amount that reflects the counterparty that the Company expects to be entitled in exchange for the transfer of goods to its clients. In the event that it is probable that discounts will be granted and their amounts can be reliably measured, discounts are recognized as a reduction to sales. See Note 3.

k) Employee benefits

**(i)** Pension plans

The Company sponsors a benefit plan managed by MultiBRA Fundo de Pensão - Bradesco Multipensions, which guarantees disability retirement, death pension, annual bonus, sickness benefit, death benefit and disability benefit to its employees, in the defined benefit modality, and regular retirement in the form of variable contribution and/or defined contribution, depending on the option made by the participant on the date of the benefit granting.

The recognized liability is the present value of the defined benefit obligation on the balance sheet dates less the fair value of plan assets.
The defined benefit obligation is calculated annually by independent actuaries, using the unit credit unit method designed to determine the present value of the obligations and the respective current service cost, considering demographic, economic and financial assumptions appropriate to the mass profile.

The variable contribution plans cover benefits with defined contribution characteristics, which are regular and early retirement, in addition to benefits with defined benefit characteristics, which are disability retirement, proportional benefit, sick pay, annual bonus, minimum benefit and death pension.

The plan assets are held by MultiBRA Fundo de Pensão - Bradesco Multipensions, a closed-ended supplementary pension entity. The plan assets are not available to the Company’s creditors and cannot be paid directly to them.

**(ii)** Health care plans

The Company also grants its employees post-employment healthcare benefits. For this group, a special condition has been developed, where the premium calculation is made by the age group table, but the premium payments are made through bank slips issued by Porto Seguro – Seguro Saúde, directly on behalf of the insured. As of February 20, 2019, the health insurance operator was changed to Sul América Companhia de Seguro Saúde.

Actuarial gains and losses, resulting from adjustments based on experience and on changes in actuarial assumptions, are debited or credited on shareholders' equity in other components of comprehensive income. These obligations are assessed annually by independent and qualified actuaries.

Furthermore, the result of the actuarial valuation may generate an asset to be recognized. This asset, when applicable, is recorded by the Company only when:

a) it controls a resource, which is the ability to use the surplus to generate future benefits;
b) this control is the result of past events (contributions paid by the Company and service provided by the employee); and
d) future economic benefits are available to the Company in the form of a reduction in future contributions or a refund, either directly to the Company or indirectly to offset the insufficiency of another post-employment benefit plan (in compliance with the current legislation).

**(iii)** Benefits

Employee short-term benefits are measured on a non-discounted basis and incurred as expenses as the related service is rendered. The liability is recognized at the amount expected to be paid under the cash bonus plans or short-term profit sharing if the Company has a legal or constructive obligation to pay this amount as a result of prior service rendered by the employee, and the obligation can be reliably estimated.

l) Provision for lawsuits

The Company is a party to several judicial and administrative proceedings. Provisions are formed for all claims referring to lawsuits for which, as a result of a past event, an outflow of funds will probably be required to settle the obligation and a reasonable estimate can be made. Determination of the likelihood of loss includes determination of evidence available, hierarchy of laws, jurisprudence available, more recent court decisions and relevance thereof in legal system, as well as evaluation of legal advisors of the Company.

Provisions are reviewed and adjusted so as to consider changes in circumstances, such as applicable statute of limitations, conclusions of tax audits or additional exposures identified based on new matters or court rulings. Actual results may differ from management's estimates.

The contingent liabilities regarded as possible losses are only disclosed in the accompanying notes, whereas those regarded as remote losses are neither accrued nor disclosed.

Contingent assets are only recognized when there are real guarantees, or favorable, final and unappealable decisions. Contingent assets with chance of success (if any) classified as probable are only disclosed in a note. As of December 31, 2018 and 2017, there are no lawsuits involving contingent assets recorded in the Company's balance sheet.

m) Sales taxes

The Company is subject to the following taxes and contributions, and the following basic rates:

- Social Integration Program (PIS) – 1.65%;
- Contribution for Social Security Funding (COFINS) – 7.6%
- Excise Tax (IPI) – up to 15%;
- Value-Added Tax on Sales and Services (ICMS) – 7–18%; and
- Social security contribution on gross revenue (CPRB) – 2.5% (year 2017)

n) Basic and diluted earnings per share

The basic earnings per share are calculated based on the result for the period attributable to the Company's controlling shareholders and the weighted average of outstanding common and preferred shares in the respective year. The Company does not have any instruments with the potential of diluting the basic earnings per share.

o) Statement of added value

The purpose of this statement is to show the wealth created by the Group and its distribution during a certain period. It is presented, as required by Brazilian Corporate Law, as part of its individual financial statements and as supplemental information to the consolidated financial statements, since it is not a planned or required statement pursuant to the IFRS.

## 4. (New or reviewed) pronouncements and interpretations of standards

**New accounting pronouncements adopted in 2018:**

**IFRS 9 – Financial instruments (CPC 48)**

In 2014, the final version of IFRS 9 – Financial Instruments (CPC 48 - Financial Instruments) was issued by the IASB, which replaces IAS 39 – Financial Instruments: Recognition and Measurement (CPC 38 – Financial Instruments) and all previous versions of IFRS 9. The new standard brings together the three aspects of the project for accounting for financial instruments: classification and measurement, asset impairment and hedge accounting.

IFRS 9 is effective for annual periods starting on or after January 01, 2018. With the exception of hedge accounting, retrospective application is necessary (however, the provision of comparative information is not mandatory). The Company adopted the new standard on January 1, 2018 and did not make the restatement of comparative information.

The main changes to IFRS 9 are the new criteria for classifying financial assets into three categories (measured at fair value through other comprehensive income, measured at amortized cost and measured at fair value through profit or loss), depending on the characteristic of each instrument and purpose for which they were acquired, which can be classified in financial income (loss) or comprehensive income. Additionally, the standard brings a new impairment model for financial assets, being a prospective model of “expected credit losses”, replacing the previous model of incurred losses and flexibility in the requirements for adopting hedge accounting.

The classifications of financial liabilities remain the same as already provided for in IAS 39 (CPC 39) - Financial instruments: Presentation, only the rules related to financial liabilities measured at fair value are included, not applicable to operations maintained by the Company.

The Company and its subsidiaries carried out a detailed impact assessment of the aspects related to the classification and measurement of impairment, pursuant to IFRS 9. This assessment was carried out based on available information and may be subject to changes resulting from future amendments in the business models adopted by the Company for the management of its assets over the following years, as follows:

**i)** Classification and measurement

The assessments were made by verifying the business model adopted by the Company for the management of its financial assets, in detriment to the classifications established by IAS 39/CPC 38. The Company and its subsidiaries have not identified material impacts on individual and consolidated balance sheets or shareholders' equity in the application of the new classification and measurement requirements of IFRS 9.

Thus, the Company continued to valuate all financial assets previously held at fair value at fair value. For assets measured at amortized cost, such as trade accounts receivable, the contractual characteristics of cash flows were assessed, as well as whether these assets are maintained in a business model whose objective is to capture contractual cash flows that are represented exclusively by payment of principal and interest.

In the table below we show the impacts to the Company regarding the classification of its financial assets and liabilities, pursuant to requirements of IFRS 9/CPC 48:

| Financial assets/liabilities | Prior classification | IFRS 9/CPC 48 Classification |
|---|---|---|
| Cash and cash equivalents | Loans and receivables | Fair value through profit or loss |
| Securities | Available for sale | Fair value through profit or loss |
| Trade accounts receivable | Loans and receivables | Amortized cost |
| Judicial deposits | Loans and receivables | Amortized cost |
| Suppliers | Loans and receivables | Amortized cost |
| Accounts payable | Loans and receivables | Amortized cost |
| Loans and financing | Amortized cost | Amortized cost |

**ii)** Impairment

IFRS 9 requires the Company to record the expected credit losses for all its financial assets measured at amortized cost and at fair value through other comprehensive income based on 12 months or throughout the life of the operation (when applicable).

For this assessment, the Company segregated financial assets based on their risk characteristics and operating particularities and implemented models for recognizing expected credit loss, considering the guidelines presented by IFRS 9.

The Company and its subsidiaries applied a simplified approach and record the lifetime expected losses in trade accounts receivable. Furthermore, considering the requirements for calculating the impairment provided for by IAS 39/CPC 48, the Company did not recognize, until the adoption of IFRS 9/CPC 48, expected losses with counterparties with trade accounts receivable. Thus, considering that most of these assets are subject to negotiations with companies predominant in their market, no signs of impairment have been identified and, with the adoption of IFRS 9, there were no significant impacts.

The model adopted considers the credit risk characteristics of operations and counterparties. Based on this, Management established the assessment/ classification of credit risks, grouping them as follows: i) rating A; ii) rating B; iii) rating C. Management did not identify any relevant impacts due to the adoption of the expected loss methodology, since a study was carried out to evaluate the behavior of receivables over time, following the evolution of the aging brackets and reconciling the notes over the period to identify the efficiency of receipt. Furthermore, the Company has a policy for granting credit to establish limits and terms for the sale of goods in all markets in which it operates. Operating limits are established by assessing economic and financial aspects, relationship history and market information. The credit limit granted is a balance between the aspects evaluated and the operational need demanded. After the analysis, clients are classified in ratings A, B and C.

**IFRS 15 - Revenue from contracts with customers (CPC 47)**

IFRS 15 (CPC 47 – Revenue from Contracts with Customers) was issued in May 2014 and amended in April 2016 and establishes a five-step model for accounting for revenues from contracts with clients. According to IFRS 15, the revenue is recognized at an amount that reflects the counterparty that an Entity expects to be entitled in exchange for the transfer of goods or services to a client, based on five steps. (1) identification of contracts with clients; (2) identification of performance obligations provided for in contracts; (3) Determination of transaction price; (4) allocation of performance obligation transaction price provided for in contracts and (5) recognition of revenue when the performance obligation is complied with. The new standard replaces the IAS 11 – Construction Contracts and IAS 18 – Revenues and related interpretations.

Changes establish criteria for measurement and record of sales, in the way they were effectively carried out with proper presentation - as well as for recognition at amounts the Company is entitled to in transaction, considering estimated possible loss in value. The Company and its subsidiaries adopted the new standard on January 1, 2018, with restatement of previous balances, as follows:

**(i)** Rights to return:

For any amounts received (or receivable) to which you do not expect to be entitled, you must not recognize the revenue, but rather recognize the amounts received (or receivable) as a refund obligation. Subsequently, at the end of each reporting period, the assessment must be updated (with an impact on recognized revenue).

According to IFRS 15, due to the fact that there are returns, the consideration received from the client is variable. The Company decided to use the expected value method to estimate the refund requests since this method better foresees the variable consideration amount to which the Company and its subsidiaries will be entitled. They adopted the requirements of IFRS 15 on the restriction of variable consideration estimates to determine the amount of variable consideration that can be included in the transaction price and concluded that there were no significant impacts on their financial statements.

**(ii)** Agreements and commercial amounts:

The Company and its subsidiaries make payments/rebates referring to contractual amounts, performance bonds and marketing actions (previously recorded under Commercial expenses), which are characterized as variable consideration. Although the Company and its subsidiaries have not identified impacts in relation to the timing and value of recognition of sales revenue (since it already considered the variable consideration factor for recognition purposes), there was a need to reclassify contractual payments from Sales expenses for the sales reduction account (since the Company and its subsidiaries would not make the payment without the purchase by retailers for resale - thus, it is not possible to separate the benefit received by the manufacturer from the product sales contract). Therefore, the Company and its subsidiaries have recognized it as a reduction in revenue. As of December 31, 2018, there was a reclassification of Commercial expenses to the net revenue reduction caption in the amount of R$ 27,484 (R$ 24,038 on December 31, 2017).

Estimates of impairment have no significant impact on revenue recognition, since the impairment of allowance for loan losses does not have a material impact as a result of the measurement policies maintained by the Company.

There is a significant financing component in certain contracts entered into with clients (whose procedure for adjusting the time value of money was already adopted by the Company and its subsidiaries, according to the payment terms agreed by the parties), not being subject to adjustments and/or impacts on individual and consolidated financial statements. There is a consideration component payable to the client in the contracts entered into by the Company and its subsidiaries (as previously discussed in the item Agreements and commercial funds). The consideration promised to the client is expressly stated in a contract or agreement entered into, and there is provision for variability, but without major impacts (since the Company and its subsidiaries already considered the variable consideration factor for the purposes of revenue recognition), there being only a need to reclassify amounts referring to agreements and commercial funds from Commercial expenses to the net revenue reduction (as previously discussed, in the amount of R$ 27,484 on December 31, 2018 (R$ 24,038 on December 31 2017).

Main business lines:

Refer to housewares, packaging and real estate/others.

Identification of performance obligation

The Company's performance obligation refers to the delivery of the products sold, with a price stipulated in the contract or commercial practice adopted by the Company (reflecting the amount of the consideration to which the Company expects to be entitled in exchange for the transfer of the products to the client) – individual sale price established in the contract, with provision for variable values to be considered as discussed in the item Agreements and commercial funds. There are no contractual clauses and/or events providing for that clients will receive discounts for the purchase of a group of products (that is, if the sum of the individual sales prices for these services promised in the contract exceeds the consideration promised in the contract), with no allocation of discount to be granted on performance obligations, nor incremental cost to obtain a contract.

Expected remuneration and allocation of remuneration

The Company adopts the procedure of recognizing revenues related to the sale of products by meeting the contractual performance obligations (delivery) for the amount that reflects the value of the consideration to which it expects to be entitled in exchange for the transfer of the promised products to the client.

Significant judgment is used for revenue recognition. However, the Company and its subsidiaries have not identified any impacts regarding the timing and amount of recognition of sales revenue (since they already considered the variable consideration factor for recognition purposes).

Thus, the Company satisfies the performance obligation at a specific time in terms of revenue from product sales.

**Accounting pronouncements to be adopted as of January 01, 2019:**

The new and amended standards and interpretations that are issued, but are not yet in effect, until the date of issue of the Company's financial statements are disclosed below. The Company intends to adopt these standards and interpretations, if applicable, when they become effective.

**IFRS 16 - Lease**

In July 2014, the IASB issued IFRS 16, which replaces IAS 17, and this standard is effective for annual periods beginning on or after 1 January 2019, as decided by the CVM on December 21, 2017.

The new standard provides for the principles for the recognition, measurement, presentation and disclosure of leases, requiring that the lessees recognize assets and liabilities arising from the lease agreements, except for short-term agreements; that is, effective for 12 months or less, or agreements in that the underlying asset is of low value. Moreover, the new standard provides that the lessee must apply this pronouncement to its leases in two ways:

**(i)** On a retrospective basis, on each previous period, presented in accordance with IAS 8/CPC 23 (Accounting Policies, Changes in Accounting Estimates and Errors);
or
**(ii)** Retrospectively, with the cumulative effect of the initial adoption of this pronouncement, recognized on the date of the first-time adoption.

The Company and its subsidiaries decided to adopt the IFRS16 (CPC 06 (R2)) retrospectively, with the cumulative effect from the first-time adoption recognized at the date of first-time adoption, i.e., January 1, 2019. Furthermore, the Company and its subsidiaries decided to apply certain practical expedients allowed in the first-time adoption of the standard, such as: **(i)** non-revaluation of financial lease agreements previously recognized in accordance with CPC 06 (IAS 17) and ICPC 03 (IFRIC 4); **(ii)** exclusion of lease agreements with maturity in the next 12 months, with no probable intention of renewal; and **(iii)** non-application of this new standard to agreements that were not previously identified as containing leases, using CPC 06 (IAS 17) and ICPC 03 (IFRIC 4).

The Company and its subsidiaries have operating lease agreements in which they act as lessees for properties and forklifts, and these agreements are currently recognized as operating leases, with payments being accounted for on a straight-line basis over the term of the agreement. The Company and its subsidiaries completed the study of the impacts of this new standard on the financial statements, which included: **(i)** an estimate of the lease term, considering the non-cancellable period and the periods covered by options to extend the contractual term, when the exercise depends only on the Company or its subsidiaries and this exercise is reasonably certain; **(ii)** detailed review of the nature of the various lease agreements inherent to their operations; **(iii)** using certain assumptions to calculate the discount rate, which was based on the incremental interest rate for the contractual period; among others.

The first-time adoption will result in an increase of approximately R$ 13,513 in the total assets and liabilities, due to the recognition of the right-of-use on the total leased and the lease liabilities, respectively.

The increase in lease liabilities due to the recognition of the right-of-use of assets results in an increase in the Company’s net debt, with depreciation and interest being recognized in the statement of income as a replacement for operating lease expenses (“rent”), in the approximate amount of R$ 3,510, also resulting in a positive impact on EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization (“unaudited”).

Therefore, this results in a material impact on certain financial indicators of the Company, as well as a corresponding increase in net cash generated by operating activities reported in cash flows.

**Other amendments**

The following amended standards and interpretations must not have a significant impact on the financial statements of the Company and its subsidiaries:

- **Cycle of annual improvements for IFRS 2014-2016** – Amendments to IFRS 1 and IAS 28.
- **Amendments to CPC 36** – Consolidated Statements (IFRS 10) and CPC 18 – Investment
  in Associated Company (IAS 28) concerning sales or contributions of assets between an investor and its associated company or its joint venture;
- **Amendments to CPC 33 (R1)** – Amendments, reductions or settlement of plans – address accounting when a plan is amended, reduced or settled during the base period. The amendments specify when the plan is amended, reduced or settled during the annual base period;
- **Interpretation of IFRIC 23** – Uncertainty over Income Tax Treatments - The Interpretation (still has no equivalent correspondence issued by CPC in Brazil, but it will be issued as ICPC 22) addresses accounting for income taxes in cases where tax treatments involve uncertainty that affects the adoption of IAS 12 (CPC 32) and does not apply to taxes outside the scope of IAS 12 nor does it specifically include the requirements regarding interest and fines associated with uncertain tax treatments. The Interpretation specifically addresses the following:
  - § Whether the entity considers uncertain tax treatments separately;
  - § The assumptions that the entity makes regarding the examination of tax treatments by the Tax Authorities.
  - § How the entity determines the taxable income (tax loss), calculation bases, unused tax losses, extemporaneous tax credits and tax rates;
  - § How the entity considers changes in facts and circumstances.

The entity shall determine whether it considers each tax treatment to be uncertain separately or together with one or more uncertain tax treatments. The approach that best addresses the resolution of said uncertainty must be followed. The interpretation is effective for annual periods beginning as of January 1, 2019, but certain transition exemptions are provided. The Company and its subsidiaries will adopt the interpretation from the date it comes into force.
There are no other IFRSs that have not yet entered into effect that could have significant impact on the Company and its subsidiaries.

## 5. Cash and cash equivalents

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| Cash and banks | **15.391** | 8.399 | **16.599** | 10.702 |
| | **15.391** | **8.399** | **16.599** | **10.702** |

Represented by cash in local and foreign currencies in top tier financial institutions, with immediate availability for use.

## 6. Securities

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| Foreign exchange investment (i) | **6.817** | 5.723 | **6.817** | 5.723 |
| Variable income investment (ii) | **6.605** | 1.342 | **13.086** | 7.692 |
| Fixed income investment (iii) | **25.316** | 2.727 | **25.954** | 3.513 |
| | **38.738** | **9.792** | **45.857** | **16.928** |

**(i)** Investment with remuneration linked to the variation of the US dollar.

**(ii)** Variable income investment remunerated at the average CDI rate of up to 114.0% p.a. as of December 31, 2018 (up to 115.0% p.a. on December 31, 2017).

**(iii)** Fixed income investment is remunerated based on the CDI change.

The calculation of the fair value of interest earning bank deposits, when applicable, is performed taking into consideration the market quotations of the instrument, or market information that makes said calculation possible, taking into consideration the future rates of similar instruments.

## 7. Trade accounts receivable

The estimated loss with doubtful accounts is formed based on the expected loss, considering the individual quantitative and qualitative analysis of accounts receivable, and when needed, in amounts sufficient to cover possible losses due to non-performance.

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| Domestic market | **147.402** | 133.798 | **147.412** | 133.714 |
| Foreign market | **14.106** | 13.489 | **17.118** | 19.645 |
| Estimated loss from allowance for doubtful accounts | **(4.761)** | (5.478) | **(4.761)** | (5.478) |
| | **156.747** | **141.809** | **159.769** | **147.881** |
| | | | | |
| Current | **154.333** | 138.796 | **157.355** | 144.868 |
| Non-current | **2.414** | 3.013 | **2.414** | 3.013 |
| | **156.747** | **141.809** | **159.769** | **147.881** |

The analysis of the maturity of trade notes from clients is as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **31/12/2018** | **31/12/2017** | **31/12/2018** | **31/12/2017** |
| Trade notes falling due | **149.793** | 135.115 | **152.815** | 141.187 |
| Trade notes overdue (days): | | | | |
| 01–30 | **4.012** | 6.567 | **4.012** | 6.567 |
| 31–60 | **3.046** | 164 | **3.046** | 164 |
| 61–90 | **163** | 248 | **163** | 248 |
| >90 | **4.494** | 5.193 | **4.494** | 5.193 |
| Estimated loss from allowance for doubtful accounts | **(4.761)** | (5.478) | **(4.761)** | (5.478) |
| | **156.747** | **141.809** | **159.769** | **147.881** |

Changes in estimated loss with doubtful accounts:

| Balance at 31/12/2016 | Write-offs in the period (-) | **Balance at 31/12/2017** | Write-offs in the period (-) | **Balance at 31/12/2018** |
|---|---|---|---|---|
| (5.984) | 506 | **(5.478)** | 717 | **(4.761)** |

## 8. Inventories

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **31/12/2018** | **31/12/2017** | **31/12/2018** | **31/12/2017** |
| Finished goods | **87.985** | 72.964 | **100.143** | 85.408 |
| Work in process | **640** | 190 | **640** | 190 |
| Raw material | **8.355** | 6.528 | **8.355** | 6.528 |
| Packaging materials | **2.761** | 2.223 | **2.773** | 2.235 |
| Storeroom | **19.134** | 12.557 | **19.168** | 12.591 |
| | **118.875** | **94.462** | **131.079** | **106.952** |

The balance of finished products, packaging materials and warehouses are presented at net values, net of provisions for obsolescence and/or slow moving inventories.

Changes in provision are as follows:

| | Balance at 31/12/2016 | Changes in the period | Balance at 31/12/2017 | Changes in the period | Balance at 31/12/2018 |
|---|---|---|---|---|---|
| Finished goods | - | 4.183 | 4.183 | (3.009) | 1.174 |
| Packaging materials | - | 252 | 252 | (219) | 33 |
| Storeroom | 3.427 | 2.817 | 6.244 | (581) | 5.663 |
| | 3.427 | 7.252 | 10.679 | (3.809) | 6.870 |

The provisions were recorded in accordance with the policies established by the Company, where the technical areas responsible for the management of inventories make individual assessments and/or assessment of a group of inventories, and when obsolete and/or slow-moving items are identified, with remote probability of use, the provision is recorded.

## 9. Income tax and social contribution

a) Reconciliation of income tax and social contribution expense is as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| Income before income tax and social contribution | 119.517 | 78.170 | 123.182 | 83.204 |
| Income tax calculated at nominal rate - 34% | (40.636) | (26.578) | (41.882) | (28.289) |
| Net effect of subsidiaries taxed by the presumed profit | - | - | 385 | 1.180 |
| Interest on own capital * | 3.237 | 1.856 | 3.237 | 1.856 |
| Permanent (additions)/exclusions, net | (110) | 856 | (697) | (441) |
| Equity in net income of subsidiaries | 641 | 1.429 | - | - |
| | **(36.868)** | **(22.437)** | **(38.957)** | **(25.694)** |
| Current | (34.081) | (23.331) | (36.170) | (26.588) |
| Deferred | (2.787) | 894 | (2.787) | 894 |

* Law 9249/95 provides for that the Company may pay interest on own capital to shareholders additionally or as an alternative to the proposed dividends, subject to specific limitations, which result in tax deductions in calculating income tax and social contribution. The limitation considers the following (whichever is higher): **(i)** TJLP (Long-term Interest Rate) applied over the shareholders' equity of the Company; or **(ii)** 50% of net income for the year. This expense is not recognized for the purpose of preparing the financial statements and, therefore, does not impact net income.

b) Breakdown of deferred income tax and social contribution:

| | Parent company and Consolidated | |
|---|---|---|
| **Assets:** | 31/12/2018 | 31/12/2017 |
| Estimated losses for allowance for doubtful accounts | **1.619** | 1.862 |
| Provision for obsolete inventories | **2.336** | 3.631 |
| Provision for tax contingencies | **-** | 1.079 |
| Provision for labor contingencies | **429** | 510 |
| Provision for environmental expenditures | **136** | 680 |
| Provision for freight, commissions and funds | **1.843** | 1.388 |
| Actuarial obligations | **8.452** | 6.987 |
| | **14.815** | 16.137 |
| **Liabilities:** | | |
| Deemed cost of fixed assets (Land) | **29.644** | 29.644 |
| | **29.644** | 29.644 |
| **Total liabilities (-) assets** | **14.829** | **13.507** |

Deferred tax assets for income tax and social contribution on profit are recognized to the extent to which it is probable that future taxable income will be available for use upon the actual payment and/or realization of said additions to temporary differences, at a time when that these will become deductible in the calculation of said taxes, based on the assumptions and conditions provided for in the Company's business model.

The book value of the deferred tax asset is reviewed on a regular basis and the projections are reviewed on an annual basis and approved by the Board of Directors of the Company.

The Company expects to realize deferred tax assets in a minimum period of 5 years and a maximum period of 10 years.

## 10. Assets held for sale

The balance refers to the cost of the land located in Vila Maria, whose sale was authorized at the Extraordinary General Meeting held on September 5, 2012. The asset is available for immediate sale, but there is no defined term for the sale. Accordingly, the balance was recorded in non-current assets. The estimated sale value, net of costs for sale, is higher than the cost recorded in the accounting books.

## 11. Investments in subsidiaries

a. Information on subsidiaries on December 31, 2018:

| Subsidiaries | Interest | Assets | Shareholders' equity 31/12/2018 | Income (loss) 31/12/2018 | Equity in net income of subsidiaries 31/12/2018 | Balance of the investment 31/12/2018 |
|---|---|---|---|---|---|---|
| Mineração Rosicler Ltda. | 99,97% | 3.755 | 3.755 | (36) | (37) | 3.754 |
| Ridan Empreendimentos Imobiliários Ltda. | 92,02% | 20.186 | 19.913 | 353 | 326 | 18.324 |
| Distribuidora Brasim S.A. | 50,00% | 13.176 | 5.461 | 3.156 | 1.578 | 2.731 |
| Colorex Comércio e Desenvolvimento de Produtos Ltda. | 98,99% | 516 | 439 | 18 | 19 | 434 |
| | | | | | **1.886** | **25.243** |

b. Information on subsidiaries on December 31, 2017:

| Subsidiaries | Interest | Assets | Shareholders' equity 31/12/2017 | Income (loss) 31/12/2017 | Equity in net income of subsidiaries 31/12/2017 | Balance of the investment 31/12/2017 |
|---|---|---|---|---|---|---|
| Mineração Rosicler Ltda. | 99,97% | 4.535 | 4.531 | 195 | 195 | 4.531 |
| Ridan Empreendimentos Imobiliários Ltda. | 92,02% | 47.546 | 47.115 | 2.034 | 1.872 | 43.356 |
| Distribuidora Brasim S.A. | 50,00% | 19.048 | 8.208 | 3.551 | 1.776 | 4.104 |
| Colorex Comércio e Desenvolvimento de Produtos Ltda. | 98,99% | 503 | 421 | 364 | 359 | 415 |
| | | | | | **4.202** | **52.406** |

c. Changes in investments in the period from December 31, 2017 to December 31, 2018 are as follows:

| | Balance at 31/12/2017 | Equity in net income of subsidiaries | Exchange-rate change | Dividends/other | Balance at 31/12/2018 |
|---|---|---|---|---|---|
| Mineração Rosicler Ltda. | 4.531 | (37) | - | (740) | 3.754 |
| Ridan Empreendimentos Imobiliários Ltda. | 43.356 | 326 | - | (25.358) | 18.324 |
| Distribuidora Brasim S.A. | 4.104 | 1.578 | (1.805) | (1.146) | 2.731 |
| Colorex Comércio e Desenvolvimento de Produtos Ltda. | 415 | 19 | - | - | 434 |
| | **52.406** | **1.886** | **(1.805)** | **(27.244)** | **25.243** |

d. Changes in investments in the period from December 31, 2016 to December 31, 2017 are as follows:

| | Balance at 31/12/2016 | Equity in net income of subsidiaries | Exchange-rate change | Dividends/other | Balance at 31/12/2017 |
|---|---|---|---|---|---|
| Mineração Rosicler Ltda. | 5.532 | 195 | (1.196) | - | 4.531 |
| Ridan Empreendimentos Imobiliários Ltda. | 40.287 | 1.872 | 1.197 | - | 43.356 |
| Distribuidora Brasim S.A. | 3.664 | 1.776 | (743) | (593) | 4.104 |
| Colorex Comércio e Desenvolvimento de Produtos Ltda. | 56 | 359 | - | - | 415 |
| | **49.539** | **4.202** | **(742)** | **(593)** | **52.406** |

## 12. Related parties

a) <u>Transactions with related parties are as follows:</u>

| | **Parent company** | | **Consolidated** | |
|---|---|---|---|---|
| **Current assets** | **31/12/2018** | **31/12/2017** | **31/12/2018** | **31/12/2017** |
| Accounts receivable | | | | |
| Distribuidora Brasim. S.A. | 1.854 | 4.730 | - | - |
| **Non-current assets** | | | | |
| Dividends receivable | | | | |
| Distribuidora Brasim. S.A. | 1.758 | 1.785 | - | - |
| **Current liabilities** | | | | |
| Accounts payable | | | | |
| Colorex Comércio e Desenvolvimento de Produtos Ltda. | 50 | 86 | - | - |
| **Loans** | | | | |
| Ridan Empreendimentos Imobiliários Ltda. | 4.912 | 30.940 | - | - |
| Indirect shareholders | 9.424 | 8.892 | 9.424 | 8.892 |
| | **14.336** | **39.832** | **9.424** | **8.892** |

| | Parent company | |
|---|---|---|
| | 31/12/2018 | 31/12/2017 |
| **Operating revenue** | | |
| Distribuidora Brasim. S.A. | 14.172 | 18.655 |
| **Cost of products sold** | | |
| Distribuidora Brasim. S.A. | (8.443) | (11.418) |
| **Administrative and commercial expenses** | | |
| Colorex Comércio e Desenvolvimento de Produtos Ltda. | (447) | (1.195) |
| **Financial expenses** | | |
| Ridan Empreendimentos Imobiliários Ltda. | (762) | (3.014) |
| Indirect shareholders | (651) | (943) |

Related party transactions refer to the sale of products to the subsidiary Distribuidora Brasim S.A. and the provision of administrative, marketing and product development services by the subsidiary Colorex Comércio e Desenvolvimento de Produtos. Said transactions are carried out based on prices and terms defined by the parties involved, considered by Management as strictly commutative and appropriate to preserve the interests of both parties involved in the business.

Financial transactions agreed through a loan agreement between group companies and shareholders are remunerated at the CDI rate (100%), based on the conditions defined between the parties, with an indefinite maturity of these transactions.

Management remuneration

Management's remuneration (Statutory officers and Board of Directors), which were recorded in the income (loss) for each year, is as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| Annual remuneration | **5.557** | 4.108 | **5.648** | 4.200 |
| Private pension plan - defined contribution | **165** | 143 | **168** | 147 |
| | **5.721** | **4.251** | **5.816** | **4.347** |

Management remuneration (short-term benefits) includes the remuneration of officers and board members. These amounts are recorded under general and administrative expenses. The overall remuneration of the Company's Management and Board of Directors for the year ended December 31, 2018 was established up to the limit of R$ 7,000 (R$ 5,000 in 2017), as approved by the Ordinary General Meeting. The Company does not have a remuneration as share-based payment.

# 13. Property, plant and equipment

Changes in fixed assets are as follows:

**Parent company**

| Cost | Land, buildings, constructions | Equipment and facilities | Furnaces | Machinery and matrices | Vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 12/31/2017** | **87.943** | **78.308** | **8.361** | **22.018** | **943** | **27.331** | **224.904** |
| Additions | 370 | 1.260 | 105 | 194 | 909 | 47.183 | 50.021 |
| Write-offs | - | (4) | - | - | (599) | - | (603) |
| Transfers | 363 | 16.478 | 11.808 | 8.081 | - | (36.730) | - |
| | **88.676** | **96.042** | **20.274** | **30.293** | **1.253** | **37.784** | **274.322** |
| **Depreciation** | | | | | | | |
| Additions | (4.323) | (15.174) | (8.079) | (5.500) | (328) | - | (33.404) |
| Write-offs | - | 2 | - | - | 498 | - | 500 |
| | **(4.323)** | **(15.172)** | **(8.079)** | **(5.500)** | **170** | **-** | **(32.904)** |
| **Balance at 12/31/2018** | **84.353** | **80.870** | **12.195** | **24.793** | **1.423** | **37.784** | **241.418** |

**Parent company**

| Cost | Land, buildings, constructions | Equipment and facilities | Furnaces | Machinery and matrices | Vehicles | Constructions in progress | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 12/31/2016** | **91.455** | **80.704** | **15.050** | **21.978** | **891** | **17.097** | **227.175** |
| Additions | 337 | 767 | - | - | 418 | 27.942 | 29.464 |
| Write-offs | - | - | - | - | (231) | (140) | (371) |
| Reclassifications | - | - | - | - | - | - | - |
| Transfers | 449 | 10.470 | 1.212 | 5.437 | - | (17.568) | - |
| | **92.241** | **91.941** | **16.262** | **27.415** | **1.078** | **27.331** | **256.268** |
| **Depreciation** | | | | | | | |
| Additions | (4.298) | (13.633) | (7.901) | (5.397) | (287) | - | (31.516) |
| Write-offs | - | - | - | - | 152 | - | 152 |
| | **(4.298)** | **(13.633)** | **(7.901)** | **(5.397)** | **(135)** | **-** | **(31.364)** |
| **Balance at 12/31/2017** | **87.943** | **78.308** | **8.361** | **22.018** | **943** | **27.331** | **224.904** |

**Consolidated**

| Cost | Land, buildings, constructions | Equipment and facilities | Furnaces | Machinery and matrices | Vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 12/31/2017** | **87.943** | **78.596** | **8.361** | **22.018** | **1.024** | **27.333** | **225.275** |
| Additions | 370 | 1.260 | 105 | 194 | 909 | 47.183 | 50.021 |
| Write-offs | - | (4) | - | - | (599) | - | (603) |
| Transfers | 363 | 16.478 | 11.808 | 8.081 | - | (36.730) | - |
| IAS - 29 | | 411 | | | 95 | | 506 |
| | **88.676** | **96.741** | **20.274** | **30.293** | **1.429** | **37.786** | **275.199** |
| **Depreciation** | | | | | | | |
| Additions | (4.323) | (15.310) | (8.079) | (5.500) | (355) | - | (33.567) |
| Write-offs | - | 2 | - | - | 498 | - | 500 |
| IAS - 29 | - | (270) | - | - | (35) | - | (305) |
| | **(4.323)** | **(15.578)** | **(8.079)** | **(5.500)** | **108** | **-** | **(33.372)** |
| **Balance at 12/31/2018** | **84.353** | **81.163** | **12.195** | **24.793** | **1.537** | **37.786** | **241.827** |

**Consolidated**

| Cost | Land, buildings, constructions | Equipment and facilities | Furnaces | Machinery and matrices | Vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 12/31/2016** | **91.455** | **80.974** | **15.050** | **21.978** | **972** | **17.099** | **227.528** |
| Additions | 337 | 785 | - | - | 418 | 27.942 | 29.482 |
| Write-offs | - | - | - | - | (231) | (140) | (371) |
| Reclassifications | - | - | - | - | - | - | - |
| Transfers | 449 | 10.470 | 1.212 | 5.437 | - | (17.568) | - |
| | **92.241** | **92.229** | **16.262** | **27.415** | **1.159** | **27.333** | **256.639** |
| **Depreciation** | | | | | | | |
| Additions | (4.298) | (13.633) | (7.901) | (5.397) | (287) | - | (31.516) |
| Write-offs | - | - | - | - | 152 | - | 152 |
| | **(4.298)** | **(13.633)** | **(7.901)** | **(5.397)** | **(135)** | **-** | **(31.364)** |
| **Balance at 12/31/2017** | **87.943** | **78.596** | **8.361** | **22.018** | **1.024** | **27.333** | **225.275** |

Construction in progress: represented mainly by investments in projects for the expansion, construction and modernization of the glass production unit and the plant’s storage area in the municipality of Suzano, State of São Paulo.

On January 1, 2010, the Company adopted the deemed cost to fixed assets for the land class. The fair values used in the adoption of deemed cost were estimated by an experienced, professionally competent outside specialized company with objectivity and technical knowledge on the appraised assets. The remaining balance of fair value as of December 31, 2018 is R$ 86,871 (R$ 86,871 in 2017). The contra entry of the balance was recorded in shareholders’ equity, in other comprehensive income, net of deferred income tax and social contribution (liabilities).

The depreciation rates of property, plant and equipment items were determined based on the estimate of the revised useful life of the assets, according to the technical appraisal report prepared internally. There were no changes in the useful life during 2018 and 2017.

To conduct this review, e work, the in-house specialists (engineers) took into account the information regarding the use of the appraised assets, past or ongoing technological changes and the economic environment where they operate, as well as the planning and other peculiarities of the Company’s businesses. The appraisal report generated by specialists was approved by the Company's Executive Board.

The property, plant and equipment items provided as collateral are described in Note 13.

# 14. Loans and financing

## a) Breakdown of loans and financing is as follows:

| Current | | | Parent company and Consolidated | |
|---|---|---|---|---|
| **Description** | **Maturities** | **Rates (%)** | **31/12/2018** | **31/12/2017** |
| **National Bank for Economic and Social Development (BNDES)** | | | | |
| Banco Nacional de Desenvolvimento Econômico e Social | Apr 2018 | Basket of currencies + 2.7% to 3.6% p.a. + Income tax | **-** | 3.767 |
| Banco Nacional de Desenvolvimento Econômico e Social | Mar 2018 | TJLP + 2.12–4.8% p.a. | **-** | 2.438 |
| **Export credit note** | | | | |
| Banco Bradesco S.A. | Apr 2018 | 113% CDI p.a. | **-** | 3.040 |
| Banco Bradesco S.A. | Nov 2020 | 126% CDI p.a. | **5.090** | 90 |
| Banco Bradesco S.A. | Mar 2021 | 120% CDI p.a. | **7.565** | - |
| Banco do Brasil S.A. | Jan 2018 | 111% CDI p.a. | **-** | 8.502 |
| Banco do Brasil S.A. | Mar 2018 | 128% CDI p.a. | **-** | 15.036 |
| Banco do Brasil S.A. | Jan 2021 | 121% CDI p.a. | **5.123** | - |
| Banco do Brasil S.A. | May 2021 | 119% CDI p.a. | **15.177** | - |
| Banco Itaú Unibanco S.A. | Jan 2019 | 131% CDI p.a. | **12.675** | 12.893 |
| Banco Itaú Unibanco S.A. | Mar 2019 | 136% CDI p.a. | **2.502** | 2.505 |
| Banco Itaú Unibanco S.A. | Jun 2021 | 122% CDI p.a. | **7.568** | - |
| **Vendor** | | | | |
| Banco do Brasil S.A. | Jul 2019 | 7.46% p.a. | **8.686** | 5.462 |
| Banco Itaú Unibanco S.A. | Jul 2019 | 7.57% p.a. | **3.282** | 2.168 |
| **Advance against exchange contract** | | | | |
| Banco Bradesco S.A. | Jul 2018 | FX + 4.8% p.a. | **-** | 5.624 |
| Banco do Brasil S.A. | Apr 2019 | FX + 3.96% p.a. | **7.750** | 9.924 |
| Banco Itaú Unibanco S.A. | Feb 2019 | FX + 4.75% p.a. | **5.812** | 6.616 |
| Banco Safra S.A. | Feb 2019 | FX + 4.70% p.a. | **5.812** | 6.616 |
| Banco Santander Brasil S.A | Nov 2018 | FX + 4.90% p.a. | **-** | 15.878 |
| | | | **87.042** | **100.559** |

| Non-current | | | Parent company and Consolidated | |
|---|---|---|---|---|
| **Description** | **Maturities** | **Rates (%)** | **31/12/2018** | **31/12/2017** |
| **Export credit note** | | | | |
| Banco Bradesco S.A. | Nov 2020 | 126% of CDI p.a. | **5.000** | **10.000** |
| Banco Bradesco S.A. | Mar 2021 | 120% of CDI p.a. | **12.500** | **-** |
| Banco do Brasil S.A. | Jan 2021 | 120% CDI p.a. | **5.000** | **-** |
| Banco do Brasil S.A. | May 2021 | 119.50% CDI p.a. | **15.000** | **-** |
| Banco Itaú Unibanco S.A. | Jan 2019 | 131% of CDI p.a. | **-** | **12.500** |
| Banco Itaú Unibanco S.A. | Mar 2019 | 136% of CDI p.a. | **-** | **2.500** |
| Banco Itaú Unibanco S.A. | Jun 2021 | 122% of CDI p.a. | **7.500** | **-** |
| | | | **45.000** | **25.000** |
| | | | **132.042** | **125.559** |

b) The table below allows to identify the changes presented in the cash flow financing activities.

| | Parent company and Consolidated |
|---|---|
| **Balance at December 31, 2016** | **164.288** |
| Funding | 164.813 |
| Amortizations | (211.048) |
| Payment of interest | (1.612) |
| **Changes not involving cash** | |
| Interest accrual | 9.378 |
| Exchange-rate change | (260) |
| **Balance at December 31, 2017** | **125.559** |
| | |
| **Balance at December 31, 2017** | **125.559** |
| Funding | 165.015 |
| Amortizations | (170.541) |
| Payment of interest | (87) |
| **Changes not involving cash** | |
| Interest accrual | 6.403 |
| Exchange-rate change | 5.693 |
| **Balance at December 31, 2018** | **132.042** |

c) The amounts falling due in the long term are as follows:

| | Parent company and Consolidated | |
|---|---|---|
| **Year** | **31/12/2018** | **31/12/2017** |
| 2019 | **-** | 15.000 |
| 2020 | **15.000** | 10.000 |
| 2021 | **30.000** | - |
| | **45.000** | **25.000** |

## 15. Suppliers

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **31/12/2018** | **31/12/2017** | **31/12/2018** | **31/12/2017** |
| Domestic suppliers | **46.062** | 39.580 | **47.218** | 41.585 |
| Foreign suppliers | **5.128** | 1.554 | **5.127** | 1.554 |
| | **51.190** | **41.134** | **52.345** | **43.139** |

As of 2018, the Company intermediates the prepayment of supplier invoices related to the sale of inputs between suppliers and financial institutions. The balance payable to the supplier is recorded in the same balance sheet item since there is no difference in nature and payment terms before and after the advance. The balance of notes sold by suppliers amounted to R$ 6,958 on December 31, 2018.

## 16. Tax liabilities

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **31/12/2018** | **31/12/2017** | **31/12/2018** | **31/12/2017** |
| ICMS payable | **11.714** | 9.898 | **11.715** | 9.899 |
| IPI payable | **7.323** | 5.251 | **7.323** | 5.251 |
| IRRF payable | **2.004** | 3.460 | **2.004** | 3.460 |
| IRPJ payable | **-** | - | **1.143** | 703 |
| CSLL payable | **-** | - | **23** | 57 |
| PIS payable | **528** | 447 | **563** | 480 |
| COFINS payable | **2.441** | 2.060 | **2.594** | 2.213 |
| INSS payable | **240** | 147 | **240** | 147 |
| Service tax payable | **111** | 40 | **115** | 45 |
| Other payable | **145** | 75 | **145** | 75 |
| | **24.506** | **21.378** | **25.865** | **22.330** |

## 17. Labor obligations

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **31/12/2018** | **31/12/2017** | **31/12/2018** | **31/12/2017** |
| Salaries and social security charges | **8.855** | 8.261 | **9.239** | 8.712 |
| Provision for vacation and social security charges payable | **16.486** | 12.730 | **16.502** | 12.752 |
| | **25.341** | **20.991** | **25.741** | **21.464** |

## 18. Other liabilities

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| Provision for freight and contractual sums | **5.235** | 4.023 | **5.235** | 4.023 |
| Sundry provisions | **11.027** | 10.599 | **11.038** | 10.904 |
| | **16.262** | **14.622** | **16.273** | **14.927** |

## 19. Provision for lawsuits

The Company is a party to labor, tax, civil and commercial lawsuits that have been discussed both in the administrative and judicial scopes and, when applicable, said lawsuits are guaranteed by judicial deposits. Provisions for potential losses arising from these lawsuits are estimated and updated by Management, backed by the opinion of the internal and external legal advisors.

As of December 31, 2018 and 2017, the Company maintained a provision corresponding to lawsuits whose risk of loss was considered probable by the Company's legal advisors, as follows:

| | Parent company and Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | 31/12/2018 | | | 31/12/2017 | | |
| | Provision | Judicial deposit | Net | Provision | Judicial deposit | Net |
| Tax and civil | - | - | - | 3.107 | (75) | 3.032 |
| Labor and social security | 1.194 | (1.495) | (301) | 1.498 | (1.024) | 474 |
| | **1.194** | **(1.495)** | **(301)** | **4.605** | **(1.099)** | **3.506** |

Changes are as follows:

| | Balance at 31/12/2016 | (+) Additiions | (-) Reversals | Balance at 31/12/2017 | (-) Reversals | Balance at 31/12/2018 |
|---|---|---|---|---|---|---|
| **Tax and civil** | 2.925 | 182 | - | 3.107 | (3.107) | - |
| **Labor and social security** | 1.535 | - | (37) | 1.498 | (304) | 1.194 |
| | **4.460** | **182** | **(37)** | **4.605** | **(3.411)** | **1.194** |

Labor

The Company and its subsidiaries are subject to labor lawsuits, with the most varied characteristics and in several stages of the proceedings awaiting judgment, filed by former employees who claim, among others, the payment of overtime, commuting hours, night work pay and unhealthy work allowance, profit sharing payment, among others. Based on the opinions issued by the Company’s legal advisors and the expected favorable outcome of some decisions and negotiations that must be carried out, the amount provisioned is considered sufficient by Management to cover expected losses.

Tax

The Company filed a lawsuit against the Brazilian Federal Revenue Service questioning the constitutionality of the PIS/COFINS collection on purchases of natural gas made between the periods of May 2007 to April 2012. Of the balance discussed, R$ 1,800 was offset and recorded as a provision for tax claims, including interest and fines, while the proceeding questioning the constitutionality validity of collection is under way. According to the position of the Company's legal advisors, as there was no manifestation by the Brazilian Federal Revenue Service within the legal term, there was a tacit approval in the proceeding. Therefore, the total balance of the provision was reverted to income (loss) under other operating revenues.

Lawsuits with possible losses

The Company and its subsidiaries are parties to other tax, labor, civil and civil lawsuits arising from the normal course of its business, which, in the opinion of Management and its legal advisors have an expectation of losses classified as possible. Therefore, the Management understands that the formation of provision for possible losses is not necessary in these lawsuits. In the Management's opinion, none of these proceedings is expected to have a material effect on the Company's financial position or results of its operations. As of December 31, 2018, amounts related to maximum risks of these lawsuits are R$ 9,847 (R$ 13,421 in 2017).

In accordance with prevailing law, the Companies' operations are subject to Tax Authorities' reviews on federal, state and municipal taxes over a period of five years. There is no limitation period for examination of labor and social security charges. As a result of these reviews, transactions and payments might be challenged, and the amounts identified subject to fines, interest and inflation adjustment.

## 20. Shareholders' equity

a) Capital

As of December 31, 2018, the capital amounted to R$ 200,000 (R$ 200,000 as of December 31, 2017), fully subscribed and paid-up, represented by 13,579,031 shares with no par value (13,579,031 shares with no par value as of December 31, 2017), of which 5,513,608 are common shares and 8,065,423 are preferred shares (same proportion as of December 31, 2017). Preferred shares have no voting rights, but have priority in the distribution of dividend and have other advantages on equal terms with common shares.

According to the Extraordinary General Meeting held on April 27, 2017, a capital increase in the amount of R$ 100,000 was approved, without the issuance of new shares, from the Capital reserve and Profit reserve accounts.

b) Revaluation reserve

Recorded in accordance with corporate law, the balance of R$ 8,429 is related to the revaluation of land, which will be realized upon the sale of this asset.

c) Profit reserve

Composed of the profit reserve, statutory reserve and profit retention reserve, as follows:

c.1) Legal reserve

Established under the terms of the Brazilian Corporate Law Legal, under the basis of 5% of net income, complying with the limit of 20% of realized capital or 30% of capital, plus capital reserves. After these limits, appropriations to this reserve are not mandatory. The legal reserve may be used only to increase capital or to absorb losses. The balance of legal reserve of R$ 18,734 (R$ 14,602 in 2017).

c.2) Statutory reserve

Refers to the formation of a reserve for development, in the amount of R$ 33,838 (R$ 25,573 in 2017), to be used in the acquisition of permanent assets or in new investments, on the basis of 10% of net income, pursuant to the limit of 20% of paid-up capital.

c.3) Profit retention reserve

The reserve is related to the retention of remaining balance of retained earnings in the amount of R$ 102,294 (R$ 53,100 in 2017), to aid business growth project established in the Company's investment plan, according to capital budget proposed by management and to be decided in the Annual Shareholders' Meeting, in compliance with Article 196 of the Brazilian Corporate Law. Income for the year of 2017 not allocated as dividends were allocated to this reserve.

According to the Extraordinary General Meeting held on April 27, 2017, a capital increase was approved, partially with profit reserve, in the amount of R$ 63,846, and partially with capital reserves, in the amount of R$ 36,154.

d) Other comprehensive income

d.1). Foreign currency translation

The debt amount of R$ 8,451 as of December 31, 2018 (R$ 5,541 in 2017) refers to the accumulated effect of the currency translation of the financial statements of the subsidiary that maintain accounting records in a functional currency other than the parent company's functional currency. This accumulated effect will be reverted to income for the year as gain or loss only in the case of disposal or write-off of investment.

d.2) Deemed cost

The amount of R$ 57,545 (R$ 57,545 in 2017), net of taxes, refers to the assigned cost of property, plant and equipment, recorded under land, as a contra entry to other comprehensive income. The balance will be realized when the asset is sold.

d.3) Actuarial gains and losses

The debt amount of R$ 16,407 (net of taxes) as of December 31, 2018 (R$ 13,563 in 2017) refers to changes in the actuarial calculations of supplementary pension plans and health insurance.

e) Dividends

The Company's bylaws determine the distribution of a compulsory minimum dividend of 25% of net income for the year, adjusted lawfully. Dividends and interest on own capital payable were separated from shareholders' equity upon yearly closing and recorded as an obligation in liabilities. Preferred shares enjoy the payment of a minimum non-cumulative dividend of 6% p.a. on the amount of their interest in paid-up capital.

During the year 2018, the Board of Directors approved the payment of interest on own capital referring to the result of 2018, in the amount of R$ 9,521, of which R$ 8,092 net of withholding income tax (R$ 8,740 in 2017, of which R$ 7,429 net of withholding income tax). Moreover, dividends were proposed in the amount of R$ 11,537 (R$ 5,808 in 2017).

As of December 31, 2018, the outstanding balance of dividends payable amounts to R$ 12,767 (R$ 7,333 in 2017) for the individual financial statements and R$ 14,482 (R$ 8,996 in 2017) for the consolidated financial statements.

Dividends of the year were calculated as follows:

| | 31/12/2018 | 31/12/2017 |
|---|---|---|
| **Net income for the year** | **82.649** | **55.733** |
| Legal reserve 5% | (4.132) | (2.787) |
| Minimum dividend calculation basis | 78.517 | 52.946 |
| Minimum compulsory dividends | 25% | 25% |
| **Minimum annual dividend** | **19.629** | **13.237** |
| Proposed dividends | 11.537 | 5.808 |
| Interest on own capital | 9.521 | 8.740 |
| IRRF on interest on own capital | (1.429) | (1.311) |
| **Total dividends and interest on own capital for the year** | **19.629** | **13.237** |
| **Minimum mandatory dividend in excess** | **-** | **-** |

## 21. Supplementary retirement and health care plan

The Company and its subsidiaries offer its employees the Health Assistance Reimbursement Insurance in the Outpatient, Hospital and Obstetric segments, pursuant to ANS Normative Resolution 279, which regulates the continuity of the plan by the age group table and, if it occurs, the bank slips for payment will be issued by Porto Seguro – Seguro Saúde. As of February 20, 2019, the health insurance operator was changed to Sul América Companhia de Seguro Saúde. For a group of former officers, there is a special condition where premium payments are made through bank slips issued by the Company, directly on behalf of the insured. The recognition of actuarial gains and losses is made in "Other comprehensive income".

The Company sponsors a variable contribution benefit plan managed by MultiBRA Fundo de Pensão - Bradesco Multipensions, which ensures monthly income for disability retirement, death pension, annual bonus, sick pay, lump-sum death and disability benefit, in the defined benefit modality.

As of December 31, 2018, the Company and its subsidiaries maintained a provision for actuarial liabilities related to these plans, in the amount of R$ 24,859 (R$ 20,551 in 2017).

As of December 31, 2018, the contributions of the Company and its subsidiaries were in the amount of R$ 3,753 (R$ 3,568 in 2017), recorded under "Administrative expenses" caption.

The actuarial liability of the Health Care Assistance Reimbursement Insurance in the Outpatient, Hospital and Obstetric segments was calculated by an independent actuary considering the following main assumptions:

| **Assumptions** | **31/12/2018** | **31/12/2017** |
|---|---|---|
| General mortality table | AT 2000 decreased by 10% segregated by gender | AT 2000 decreased by 10% segregated by gender |
| Turnover table | Prudential 4 | Prudential 4 |
| Actual discount rate of obligations | 4.62% p.a. | 5.04% p.a. |
| Expected return rate of assets | 0.00% p.a. | 0.00% p.a. |
| Inflation rate | 5.5% p.a. | 5.5% p.a. |
| Duration of the liability | 8.40 years | 7.25 years |
| Permanence factor in the Health Insurance Plan upon retirement | 0% for salaries up to R$ 5,000.00<br>1% for salaries from R$ 5,001.00 to R$ 10,000.00<br>3% for salaries from R$ 10,001.00 to R$ 15,000.00<br>50% to salaries above R$ 15,000.00 | 0% for salaries up to R$ 5,000.00<br>1% for salaries from R$ 5,001.00 to R$ 10,000.00<br>3% for salaries from R$ 10,001.00 to R$ 15,000.00<br>50% to salaries above R$ 15,000.00 |
| Retirement age | 60 years | 60 years |
| Monthly amount of grant | R$ 900.97, according to statistical observation | R$ 656.82, according to statistical observation |
| Actual annual subsidy growth | | |
| HCTR (health care service cost growth) | 1,00% | 1,00% |
| Aging Factor (rising cost due to aging) | 1,00% | 1,00% |
| Family Composition | All married/Age of spouse +/- 4 years | All married/Age of spouse +/- 4 years |

Amounts expressed in Reais.

The actuarial liabilities of the pension plan and pension fund were calculated by an independent actuary considering the following main assumptions:

| Assumptions | 31/12/2018 | 31/12/2017 |
|---|---|---|
| Mortality Table | AT-2000 decreased by 10% | AT-2000 decreased by 10% |
| Disability Mortality Table | AT-2000 decreased by 10% | AT-2000 decreased by 10% |
| Table of New Disability Benefit Vested | Álvaro Vindas | Álvaro Vindas |
| Real salary growth | 1% p.a. | 1% p.a. |
| Discount rate to calculate the present value of obligations | 4.62% p.a. | 5.04% p.a. |
| Expected rate of return of Plans' Assets | 4.62% p.a. | 5.04% p.a. |
| Inflation rate | 5.50% p.a. | 5.50% p.a. |

Net changes in actuarial liability for the years ended December 31, 2018 and 2017 are as follows:

| | Parent company and Consolidated |
|---|---|
| **Balance at December 31, 2016** | **20.459** |
| (+) Provision in the year | 92 |
| **Balance at December 31, 2017** | **20.551** |
| (+) Provision in the year | 4.308 |
| **Balance at December 31, 2018** | **24.859** |

The breakdown of present value of contractual obligations and fair value of assets as of December 31, 2018 and 2017 is as follows:

| | 31/12/2018 | 31/12/2017 |
|---|---|---|
| Present value of contractual obligations | **(84.751)** | (80.413) |
| Fair value of assets | **59.892** | 59.862 |
| Net actuarial liabilities | **(24.859)** | (20.551) |

## 22. Earnings per share

a) Basic

Basic earnings per share are calculated by dividing income attributable to Company's shareholders by the weighted average number of shares of the year. Any dividends on preferred shares and any premiums paid on the issuance of preferred shares during the period are reduced from the income attributed to the parent company's shareholders.

| | December 31, 2018 | | |
|---|---|---|---|
| | **Common** | **Preferred** | **Total** |
| **Basic numerator:** | | | |
| Income for the period | 33.561 | 49.088 | 82.649 |
| **Basic denominator (in thousands of shares):** | | | |
| Weighted average of shares | 5.514 | 8.065 | 13.579 |
| **Net earnings per share - basic** | **6,09** | **6,09** | **6,09** |

| | December 31, 2017 | | |
|---|---|---|---|
| | **Common** | **Preferred** | **Total** |
| **Basic numerator:** | | | |
| Income for the period | 22.631 | 33.102 | 55.733 |
| **Basic denominator (in thousands of shares):** | | | |
| Weighted average of shares | 5.514 | 8.065 | 13.579 |
| **Net earnings per share - basic** | **4,10** | **4,10** | **4,10** |

b) Diluted

The Company does not have an instrument convertible into shares and an option to purchase shares. Thus, it does not have potential common and preferred shares for dilution purposes.

## 23. Net operating revenue

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **31/12/2018** | **31/12/2017** | **31/12/2018** | **31/12/2017** |
| | | Restated | | Restated |
| Domestic market | **974.419** | 817.984 | **1.007.976** | 855.374 |
| Foreign market | **88.918** | 77.428 | **88.918** | 77.428 |
| Sales tax | **(298.713)** | (267.731) | **(301.329)** | (270.690) |
| Refunds and rebates (a) | **(27.484)** | (24.038) | **(27.484)** | (24.038) |
| | **737.140** | **603.643** | **768.081** | **638.074** |

(a) The balances as of December 31, 2017 are being restated considering the effects of the adoption of the new technical pronouncement CPC 47/IFRS 15, according to Note 3 "Agreements and commercial amounts".

## 24. Cost of goods sold

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **31/12/2018** | **31/12/2017** | **31/12/2018** | **31/12/2017** |
| Labor and energy | **(189.148)** | (151.615) | **(189.148)** | (151.615) |
| Raw material and packaging material | **(121.693)** | (107.365) | **(121.693)** | (107.365) |
| Depreciation and other | **(93.336)** | (75.139) | **(107.410)** | (92.021) |
| | **(404.177)** | **(334.119)** | **(418.251)** | **(351.001)** |

## 25. Selling and administrative expenses

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| **Sales** | **31/12/2018** | **31/12/2017** | **31/12/2018** | **31/12/2017** |
| | | Restated | | Restated |
| Personnel | **(43.237)** | (36.518) | **(44.970)** | (37.932) |
| Freight | **(29.221)** | (24.001) | **(32.320)** | (27.228) |
| Promotion and advertising (a) | **(6.551)** | (5.874) | **(7.399)** | (6.774) |
| Non-collectible credits | **267** | 50 | **267** | 50 |
| Utilities and services | **(31.666)** | (32.304) | **(34.904)** | (36.394) |
| | **(110.408)** | **(98.647)** | **(119.326)** | **(108.278)** |
| **General and administrative** | | | | |
| Personnel | **(66.519)** | (53.773) | **(67.410)** | (54.613) |
| Utilities and services | **(25.034)** | (25.305) | **(25.858)** | (25.736) |
| | **(91.553)** | **(79.078)** | **(93.268)** | **(80.349)** |

(a) The balances as of December 31, 2017 are being restated considering the effects of the adoption of the new technical pronouncement CPC 47/IFRS 15, according to Note 3 “Agreements and commercial amounts”.

## 26. Net financial income (loss)

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **31/12/2018** | **31/12/2017** | **31/12/2018** | **31/12/2017** |
| **Financial expenses** | | | | |
| Liability interest | **(11.124)** | (14.639) | **(10.361)** | (11.352) |
| Exchange rate change and inflation adjustment costs | **(68.374)** | (27.324) | **(70.251)** | (27.800) |
| Bank expenses | **(555)** | (2.107) | **(836)** | (2.554) |
| Other | **(7.393)** | (7.349) | **(7.393)** | (7.357) |
| | **(87.446)** | **(51.419)** | **(88.841)** | **(49.063)** |
| **Financial revenues** | | | | |
| Asset interest | **681** | 731 | **681** | 335 |
| Yields from interest earning bank deposits | **3.411** | 1.237 | **3.845** | 1.817 |
| Exchange rate change and inflation adjustments in assets | **63.972** | 26.055 | **63.983** | 26.071 |
| Other | **2.158** | 1.606 | **2.423** | 1.606 |
| | **70.222** | **29.629** | **70.932** | **29.829** |
| **Net financial income (loss)** | **(17.224)** | **(21.790)** | **(17.909)** | **(19.234)** |

# 27. Operating segments

| | Household appliances | Packaging | Real estate and others | Total |
|---|---|---|---|---|
| | | | | **Consolidated** |
| | | | | **01/01/2018–12/31/2018** |
| **Gross operating revenue** | **954.515** | **103.959** | **38.420** | **1.096.894** |
| Deductions: Taxes, returns and rebates | (301.644) | (24.709) | (2.460) | (328.813) |
| **Net operating revenue** | **652.871** | **79.250** | **35.960** | **768.081** |
| Cost of products sold | (349.271) | (53.235) | (15.745) | (418.251) |
| **Gross income** | **303.600** | **26.015** | **20.215** | **349.830** |
| Sales expenses | (99.564) | (9.657) | (10.105) | (119.326) |
| Administrative expenses | (82.561) | (8.992) | (1.715) | (93.268) |
| Other operating and financial revenues (expenses), net | (10.357) | (1.128) | (2.569) | (14.054) |
| Income tax and social contribution on net income - current and deferred, net | (33.247) | (3.621) | (2.089) | (38.957) |
| **Net income for the year** | **77.871** | **2.617** | **3.737** | **84.225** |
| **Income for the period attributable to controlling shareholders** | | | | **82.649** |
| **Net income for the period attributable to non-controlling shareholders** | | | | **1.576** |

| | Household appliances | Packaging | Real estate and others | Total |
|---|---|---|---|---|
| | | | | **Consolidated** |
| | | | | **01/01/2017–12/31/2017** |
| **Gross operating revenue** | **796.920** | **97.015** | **38.867** | **932.802** |
| Deductions: Taxes, returns and rebates | (266.646) | (25.133) | (2.949) | (294.728) |
| **Net operating revenue** | **530.274** | **71.882** | **35.918** | **638.074** |
| Cost of products sold | (285.378) | (48.500) | (17.123) | (351.001) |
| **Gross income** | **244.896** | **23.382** | **18.795** | **287.073** |
| Sales expenses | (87.943) | (10.704) | (9.631) | (108.278) |
| Administrative expenses | (70.496) | (8.582) | (1.271) | (80.349) |
| Other operating and financial revenues (expenses), net | (12.151) | (1.479) | (1.612) | (15.242) |
| Income tax and social contribution on net income - current and deferred, net | (20.002) | (2.435) | (3.257) | (25.694) |
| **Income (loss) for the year** | **54.304** | **182** | **3.024** | **57.510** |
| **Earnings for the period attributable to shareholders** | | | | **55.733** |
| **Net income for the period attributable to non-controlling shareholders** | | | | **1.777** |

## 28. Management of risks and financial instruments

The Company and its subsidiaries carry out operations with financial instruments. The management of these instruments is done through operating strategies and internal controls, aimed at liquidity, profitability and security. The contracting of financial instruments with the objective of offering protection is performed by means of a periodic analysis of the risk exposure that Management intends to cover (exchange rate, interest rate, etc.), which is examined by the Board of Directors, if approved for operation of the strategy presented. The control policy consists of permanent follow-up of the conditions 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. The results obtained from such operations are consistent with the policies and strategies defined by Company's management. The operations of the Company and of its subsidiaries are subject to the risk factors described below:

a) Risk management policy

The Company and its subsidiaries are exposed to market risks, and main ones are: **(i)** volatility of exchange rate; and **(ii)** interest rate volatility. The contracting of financial instruments with the objective of offering protection is performed by means of an analysis of risk exposure that Management intends to cover.

b) Interest rate risk

Results from the possibility of the Company and its subsidiaries suffering gains or losses arising from oscillations of interest rates levied on their financial assets and liabilities. Aiming to mitigate this kind of risk, the Company and its subsidiaries seek to diversify funding in terms of prefixed or post-fixed rates.

As of December 31, 2018 and 2017, the Company did not have derivative financial instruments to cover interest rate risks.

c) Currency risk

The related risk derives from the possibility of incurring losses due to fluctuations in foreign exchange rates that reduce or increase amounts raised in the market. Below we present the exposure by currency as at December 31, 2018 and 2017, which considers the equity values of loans and financing and cash and cash equivalents:

Amounts denominated in thousands of US dollars.

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| **Accounts receivable (i)** | | | | |
| US dollar | 3.640 | 4.078 | 4.418 | 5.939 |
| **Loans and financing (ii)** | | | | |
| US dollar | (5.000) | (13.500) | (5.000) | (13.500) |
| **Net exposure (i-ii):** | (1.360) | (9.422) | (582) | (7.561) |

As of December 31, 2018 and 2017, the Company did not have derivative financial instruments to cover exchange rate risks.

d) <u>Credit risk</u>

The Company and its subsidiaries restrict their exposure to credit risks associated with cash and cash equivalents and securities, investing assets in top-tier financial institutions and remunerated with short-term securities.

As to accounts receivable, the Company restricts its exposure to credit risks by means of sales to a broad range of clients and the ongoing performance of credit analyses. In order to cover losses on impaired receivables, provisions were recorded at amounts deemed sufficient by Management to cover possible losses on the collection of trade receivables.

Book value of financial assets that represent the maximum exposure to credit risk is as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| Cash and cash equivalents | 15.391 | 8.399 | 16.599 | 10.702 |
| Securities | 38.738 | 9.792 | 45.857 | 16.928 |
| Trade accounts receivable | 156.747 | 141.809 | 159.769 | 147.881 |
| Other receivables | 6.217 | 6.802 | 4.610 | 5.254 |
| | **217.093** | **166.802** | **226.835** | **180.765** |

Management understands that there is no significant credit risk to which the Company and its subsidiaries are exposed, taking into consideration the characteristics of the counterparties, concentration levels and the relevance of the amounts in relation to total revenue.

e) <u>Liquidity risk</u>

Liquidity risk is the risk of the Company and its subsidiaries encountering difficulties in performing the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset.

To mitigate liquidity risks and optimize capital weighted average cost, the Company and its subsidiaries permanently monitor indebtedness level in accordance with market standards and index compliance (“covenants”) provided for in loan and financing contracts so as to ensure that cash operating generation and previous fund raising, as necessary, are sufficient to maintain payment schedule, thus not generating liquidity risk for the Company and its subsidiaries.

The contractual maturities of financial liabilities including payment of estimated interest are as follows:

| | Consolidated | | 31/12/2018 |
|---|---|---|---|
| | Book value | Up to 01 year | 02–03 years |
| Loans and financing | 132.042 | 87.042 | 45.000 |
| Suppliers | 52.345 | 52.345 | - |
| Related parties | 9.424 | - | 9.424 |
| | 193.811 | 139.387 | 54.424 |

| | Consolidated | | 31/12/2017 |
|---|---|---|---|
| | Book value | Up to 01 year | 02–03 years |
| Loans and financing | 125.559 | 100.559 | 25.000 |
| Suppliers | 43.139 | 43.139 | - |
| Related parties | 8.892 | - | 8.892 |
| | 177.590 | 143.698 | 33.892 |

The cash flows presented above are not expected to be advanced.

f) Fair value of financial instruments

**(i)** Calculation of fair value

The following estimated fair values were determined using available market information and appropriate valuation methodologies. Nevertheless, a considerable judgment is required to interpret market information and estimate fair value. Thus, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in the current market. The use of different market assumptions and/or estimating methodologies may have a significant effect on the estimated fair values.

The fair value was estimated based on discounted future cash flows, using rates available annually and/or similar and remaining terms.

The classification and the main book and fair values of consolidated financial assets and liabilities as of December 31, 2018 and 2017 is presented below:

| | Consolidated | | 31/12/2018 |
|---|---|---|---|
| | Fair value through profit or loss | Amortized cost | Total |
| **Assets** | | | |
| Cash and cash equivalents | - | 16.599 | 16.599 |
| Securities | 45.857 | - | 45.857 |
| Accounts receivable | - | 159.769 | 159.769 |
| **Liabilities** | | | |
| Suppliers | - | 52.345 | 52.345 |
| Loans and financing | - | 132.042 | 132.042 |
| Related parties | - | 9.424 | 9.424 |

| | | | Consolidated | | 31/12/2017 |
|---|---|---|---|---|---|
| | Loans and receivables | Financial assets available for sale | Amortized cost | Book value | Fair value |
| **Assets** | | | | | |
| Cash and cash equivalents | 10.702 | - | - | 10.702 | 10.702 |
| Securities | | 16.928 | - | 16.928 | 16.928 |
| Accounts receivable | 147.881 | - | - | 147.881 | 147.881 |
| **Liabilities** | | | | | |
| Suppliers | 43.139 | - | - | 43.139 | 43.139 |
| Loans and financing | - | - | 125.559 | 125.559 | 125.559 |
| Related parties | 8.892 | - | - | 8.892 | 8.892 |

**(ii)** Fair value hierarchy:

The following table presents an analysis of the financial instruments recognized at fair value after their initial recognition. These financial instruments are grouped in levels from 1 to 3, based on the grade that their fair value is quoted:

**Measurements of Level 1 fair value:**
They are obtained from quoted prices (not adjusted) in active markets for identical assets and liabilities;

**Measurements of Level 2 fair value:**
Are obtained through other variables in addition to quoted prices included in Level 1, which are observable for the assets or liabilities directly (that is, as prices) or indirectly (that is, based on prices);

**Measurements of Level 3 fair value:**
They are obtained through assessment techniques which include variables for the assets or liabilities, which however are not based on observable market data (non-observable data).

Financial instruments measured at fair value are as follows:

| | Level 2 | | | |
|---|---|---|---|---|
| | Parent company | | Consolidated | |
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| Assets: Securities | 38.738 | 9.792 | 45.857 | 16.928 |
| | 38.738 | 9.792 | 45.857 | 16.928 |

g) Market risk

The Company is engaged in the production and sale of household products and glass packaging. In addition to the risks affecting the industry in general, such as supply disruptions and volatility in material prices, changes in demand, strikes and environmental regulations, the Company's activities are specifically affected by the following risks:

**(i)** The economic situation in Brazil, which may hinder the growth of the consumer sector as a whole, by slowing the economy, increasing interest rates, through currency fluctuation and political instability, among other factors.

**(ii)** In the event of bankruptcy or significant financial difficulties of a large client, the sector as a whole may suffer, which could cause a reduction in demand.

**(iii)** The Company's profit margins may be affected due to increased operating costs.

h) Sensitivity analysis

Management identified, for each type of financial instrument, changes in exchange rates and interest rates that may generate losses on the asset and/or liability that is being hedged.

For each exposure, Management defined a probable scenario based on the information available on the balance sheet dates, and defined the change in interest rates that considers the effects of a 25% and 50% increase in the interest rates of the economy and other indexes sensitive to changes in financial assets and liabilities directly subject to fluctuations in interest rates practiced by the market, for outstanding positions as of December 31, 2018.

| **Sensitivity analysis** | | | **Consolidated** |
|---|---|---|---|
| | **Probable scenario** | **Increase scenario** | **Increase scenario** |
| **Financial instruments** | **31/12/2018** | **25%** | **50%** |
| Securities | 4.940 | 6.175 | 7.411 |
| Loans and financing | (7.746) | (9.683) | (11.619) |
| | **(2.806)** | **(3.508)** | **(4.208)** |

## 29. Non-cash transactions

During the year ended December 31, 2018, the Company proceeded with the following transactions not involving cash:

- Foreign currency translation adjustments (R$ 2,910 in 2018 and R$ 119 in 2017), in the parent company and consolidated;
- Formation of legal reserve (R$ 4,132 in 2018 and R$ 2,787 in 2017);
- Formation of statutory reserve (R$ 8,265 in 2018 and R$ 5,573 in 2017);
- Declaration of dividends and interest on own capital payable in the amount of R$ 21,058 in 2018, of which R$ 12,767 remains outstanding (parent company) and R$ 14,482 (consolidated) in the aforementioned year;
- In the years ended December 31, 2018 and 2017, the provision for lawsuits did not affect the cash.

## 30. Insurance

The insured amounts are calculated and contracted by Management on technical bases that include the maximum claim amount to cover possible losses arising from property, plant and equipment items, inventories and civil liability. The contracted insurance coverages considered sufficient by the Management to cover possible risks on its assets and/or responsibilities. As of December 31, 2018, the amount of coverage for possible claims, per insured location, amounted to R$ 390,000 (R$ 370,000 as of December 31, 2017). The scope of work of our independent auditor does not include an assessment of the adequacy of our insurance coverage.

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