Alpargatas S.A

Quartely Information March, 31 2018

Contents

Company information

Capital composition 1

Dividends in cash 2

Individual financial statements

Balance sheet - Assets 3

Balance sheet - Liabilities 4

Statement of income 6

Statement of comprehensive income 7

Statement of cash flows 8

Statement of changes in shareholders' equity

Statement of changes in shareholders' equity (DMPL) - 01/01/2018-03/31/2018 9

Statement of changes in shareholders' equity (DMPL) - 01/01/2017-03/31/2017 10

Statement of added value 11

Consolidated financial statements

Balance sheet - Assets 12

Balance sheet - Liabilities 13

Statement of income 15

Statement of comprehensive income 16

Statement of cash flows 17

Statement of changes in shareholders' equity

Statement of changes in shareholders' equity (DMPL) - 01/01/2018-03/31/2018 18

Statement of changes in shareholders' equity (DMPL) - 01/01/2017-03/31/2017 19

Statement of added value 20

Notes to the financial statements 21

Opinions and Statements

Special review report - Unqualified 75

Opinion or Summary Report, if any, of the Audit Committee (statutory or otherwise) 77

Statement of the Executive Officers on the Financial Statements 78

Statement of the Executive Officers on Independent Auditor's Report 79

Company information / Capital composition

Quantity of shares (Thousand)	Current quarter 03/31/2018
Paid-in capital	
Common	241,608,551
Preferred	228,841,226
Total	470,449,777
Treasury	
Common	26
Preferred	7,396,377
Total	7,396,403

Company information / Dividends in cash

Event	Approval	Dividend	Start of payment	Nature of share	Type of share	Dividend per share - (Reais / Share)
Board of Directors' Meeting	02/23/2018	Interest on own capital	04/18/2018	Common		0.07770
Board of Directors' Meeting	02/23/2018	Interest on own capital	04/18/2018	Preferred shares		0.08547

Individual financial statements / Balance sheet - Assets

(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2018	Prior year 12/31/2017
1	Assets Total	3,143,712	3,229,678
1.01	Current assets	1,597,622	1,720,234
1.01.01	Cash and cash equivalents	613,874	510,734
1.01.02	Interest earning bank deposits	14,105	77,115
1.01.02.01	Interest earning bank deposits measured at fair value	14,105	77,115
1.01.02.01.01	Trading securities	14,105	77,115
1.01.03	Accounts receivable	506,975	707,751
1.01.03.01	Trade accounts receivable	506,975	707,751
1.01.04	Inventories	399,405	381,966
1.01.06	Recoverable taxes	25,272	24,225
1.01.06.01	Current taxes recoverable	25,272	24,225
1.01.07	Prepaid expenses	23,523	1,186
1.01.07.01	Prepaid expenses	4,228	1,186
1.01.07.02	Prepaid expenses with Advertising	19,295	0
1.01.08	Other Current assets	14,468	17,257
1.01.08.03	Other	14,468	17,257
1.01.08.03.01	Advances to suppliers	2,947	4,703
1.01.08.03.02	Accounts receivable - Employees	6,722	5,977
1.01.08.03.05	Deferred PIS and COFINS	179	153
1.01.08.03.06	Other	4,620	6,424
1.02	Non-current assets	1,546,090	1,509,444
1.02.01	Long term assets	213,686	215,817
1.02.01.06	Deferred taxes	94,528	96,017
1.02.01.06.01	Deferred income tax and social contribution	93,957	95,382
1.02.01.06.02	Deferred PIS and COFINS	571	635
1.02.01.08	Related party credits	43,354	43,565
1.02.01.08.02	Receivables from subsidiaries	43,354	43,565
1.02.01.09	Other non-current assets	75,804	76,235
1.02.01.09.03	Compulsory deposits	73	73
1.02.01.09.04	Judicial deposits	21,020	20,538
1.02.01.09.05	Recoverable taxes	9,964	10,009
1.02.01.09.06	Other accounts receivable	44,747	45,615
1.02.02	Investments	607,840	558,639
1.02.02.01	Equity interest	607,840	558,639
1.02.02.01.02	Interest in subsidiaries	607,695	558,494
1.02.02.01.04	Other equity interest	145	145
1.02.03	Property, plant and equipment	614,858	621,721
1.02.03.01	Fixed assets in operation	570,919	570,010
1.02.03.03	Constructions in progress	43,939	51,711
1.02.04	Intangible assets	109,706	113,267
1.02.04.01	Intangible assets	109,706	113,267

Individual financial statements - Balance sheet - Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2018	Prior year 12/31/2017
2	Total liabilities	3,143,712	3,229,678
2.01	Current liabilities	595,240	674,198
2.01.01	Social and labor obligations	109,714	89,972
2.01.01.01	Social charges	8,736	7,063
2.01.01.02	Labor obligations	100,978	82,909
2.01.01.02.01	Salaries and social security charges	100,978	82,909
2.01.02	Suppliers	218,929	270,088
2.01.02.01	Domestic suppliers	165,759	219,332
2.01.02.02	Foreign suppliers	53,170	50,756
2.01.03	Tax liabilities	6,318	15,618
2.01.03.01	Federal tax liabilities	5,690	11,401
2.01.03.01.01	Income and social contribution tax payable	0	2,120
2.01.03.01.02	Other tax obligations	5,690	9,281
2.01.03.02	State tax liabilities	628	4,217
2.01.04	Loans and financing	70,703	237,050
2.01.04.01	Loans and financing	70,703	237,050
2.01.04.01.01	In domestic currency	70,703	237,050
2.01.05	Other liabilities	176,051	49,453
2.01.05.02	Other	176,051	49,453
2.01.05.02.01	Dividends and interest on own capital	135,179	5,044
2.01.05.02.04	Unrealized losses on derivative operations	90	587
2.01.05.02.05	Provisions and other obligations	40,782	43,822
2.01.06	Provisions	13,525	12,017
2.01.06.01	Tax, social security, labor and civil provisions	13,525	12,017
2.01.06.01.02	Social security and labor provisions	13,525	12,017
2.02	Non-current liabilities	388,405	369,090
2.02.01	Loans and financing	341,378	324,702
2.02.01.01	Loans and financing	341,378	324,702
2.02.01.01.01	In domestic currency	341,378	324,702
2.02.02	Other liabilities	17,388	13,571
2.02.02.02	Other	17,388	13,571
2.02.02.02.03	Other liabilities	2,989	2,922
2.02.02.02.05	Provisions to employee benefits	172	172
2.02.02.02.06	Long-term incentive plan	14,227	10,477
2.02.04	Provisions	29,639	30,817
2.02.04.01	Tax, social security, labor and civil provisions	29,639	30,817
2.02.04.01.01	Tax provisions	5,575	5,556
2.02.04.01.02	Social security and labor provisions	5,962	5,962
2.02.04.01.04	Civil provisions	18,102	19,299
2.03	Shareholders' equity	2,160,067	2,186,390
2.03.01	Realized capital	648,497	648,497
2.03.02	Capital reserves	108,551	108,551
2.03.02.05	Treasury shares	-64,248	-64,248
2.03.02.07	Other reserves	169,241	169,241
2.03.02.08	Goodwill in the sale of treasury shares	3,558	3,558
2.03.04	Profit reserves	1,554,717	1,578,434

Individual financial statements - Balance sheet - Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2018	Prior year 12/31/2017
2.03.04.01	Legal reserve	67,754	67,754
2.03.04.05	Profit retention reserve	38,860	0
2.03.04.07	Tax incentive reserve	1,448,103	1,413,241
2.03.04.08	Additional dividend proposed	0	97,439
2.03.06	Equity valuation adjustments	12,973	13,225
2.03.07	Accumulated translation adjustments	-164,671	-162,317

Individual financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2018-03/31/2018	Accumulated of the prior year 01/01/2017-03/31/2017
3.01	Revenue from sales of goods and/or services	594,715	492,149
3.02	Cost of goods and/or services sold	-349,206	-316,600
3.03	Gross income	245,509	175,549
3.04	Operating expenses/revenue	-130,546	52,377
3.04.01	Sales expenses	-120,972	-112,996
3.04.02	General and administrative expenses	-40,461	-41,536
3.04.04	Other operating income	2,294	213,663
3.04.05	Other operating expenses	-12,454	-37,096
3.04.05.01	Amortization of intangible assets	-3,855	-4,745
3.04.05.02	Other operating expenses	-8,599	-32,351
3.04.06	Equity in net income of subsidiaries	41,047	30,342
3.05	Income (loss) before financial income and taxes	114,963	227,926
3.06	Financial income (loss)	1,700	-4,090
3.06.01	Financial income	15,322	17,954
3.06.01.01	Foreign exchange variation	3,236	2,695
3.06.01.02	Gains on derivative operations	960	965
3.06.01.03	Other financial income	11,126	14,294
3.06.02	Financial expenses	-13,622	-22,044
3.06.02.01	Foreign exchange variation	-1,785	-5,124
3.06.02.02	Losses on derivative operations	-728	-1,024
3.06.02.03	Other financial expenses	-11,109	-15,896
3.07	Income (loss) before income tax	116,663	223,836
3.08	Income tax and social contribution	-2,591	-36,316
3.08.01	Current	0	-10,333
3.08.02	Deferred assets	-2,591	-25,983
3.09	Net income (loss) from continued operations	114,072	187,520
3.10	Net income (loss) from discontinued operations	0	-1,674
3.10.01	Net income (loss) of discontinued operations	0	-1,674
3.11	Income/loss for the period	114,072	185,846
3.99	Earnings per share - (Reais / Share)		

Individual financial statements / Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2018-03/31/2018	Accumulated of the prior year 01/01/2017-03/31/2017
4.01	Net income for the period	114,072	185,846
4.02	Other comprehensive income	-2,354	1,824
4.02.01	Gain/losses in translation of financial statements of foreign subsidiaries	-2,354	1,117
4.02.02	Unrealized income (loss) in hedge operations	0	1,005
4.02.03	Deferred tax on unrealized income (loss) in hedge operations	0	-342
4.02.04	Unrealized income (loss) in hedge operations - Subsidiaries	0	44
4.03	Comprehensive income for the period	111,718	187,670

Individual financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2018-03/31/2018	Accumulated of the prior year 01/01/2017-03/31/2017
6.01	Net cash from operational activities	212,572	104,197
6.01.01	Cash generated in operations	100,167	68,089
6.01.01.01	Net income for the period	114,072	187,520
6.01.01.02	Depreciation and amortization	16,247	17,046
6.01.01.03	Income (loss) from sale/write-off of property, plant and equipment	566	1,475
6.01.01.04	Equity in income of subsidiaries and associated companies	-41,047	-30,342
6.01.01.05	Interest, inflation adjustments, and foreign exchange variation	4,274	6,295
6.01.01.06	Provisions for tax, civil and labor risks	4,427	3,646
6.01.01.07	Deferred income tax and social contribution	2,591	25,983
6.01.01.08	Taxes with enforceability suspended	0	-198,624
6.01.01.09	Prov. (Reversal) for doubtful accounts	676	5,049
6.01.01.10	Amortization of charges on loans and financing	-3,816	-8,622
6.01.01.11	Unrealized gains/losses on derivative operations	-497	778
6.01.01.12	Provision (Reversal) for inventory losses	2,674	6,921
6.01.01.13	Provision for property, plant and equipment/intangible asset loss	0	14,337
6.01.01.14	Net cash generated in discontinued operations	0	36,627
6.01.02	Changes in assets and liabilities	112,405	36,108
6.01.02.01	Trade accounts receivable	196,672	207,624
6.01.02.02	Inventories	-20,113	-89,228
6.01.02.03	Prepaid expenses	-22,337	-24,970
6.01.02.04	Recoverable taxes	-1,002	623
6.01.02.05	Suppliers	-51,159	-78,634
6.01.02.06	Taxes payable	-6,477	-4,019
6.01.02.07	Salaries payable	19,742	10,742
6.01.02.08	IR/CSLL payment	-2,822	0
6.01.02.09	Other	-99	13,970
6.02	Net cash used in investment activities	49,189	32,991
6.02.01	Investment acquisition	-11,237	0
6.02.02	Acquisition of property, plant and equipment, intangible assets	-6,159	-21,002
6.02.03	Interest earning bank deposits	-47,401	-46,610
6.02.04	Redemption of interest earning bank deposits	113,986	100,603
6.03	Net cash from financing activities	-158,621	-15,319
6.03.01	Amortization of loans and financing - Principal	-153,704	-9,765
6.03.02	Payment of dividends and interest on own capital	-4,917	-5,554
6.05	Increase (decrease) in cash and cash equivalents	103,140	121,869
6.05.01	Opening balance of cash and cash equivalents	510,734	266,327
6.05.02	Closing balance of cash and cash equivalents	613,874	388,196

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2018-03/31/2018

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	648,497	108,551	1,578,434	0	-149,092	2,186,390
5.02	Prior-year adjustments	0	0	-2,990	0	0	-2,990
5.02.01	Expected Customer loss adjustment (IFRS 9)	0	0	-2,990	0	0	-2,990
5.03	Adjusted opening balances	648,497	108,551	1,575,444	0	-149,092	2,183,400
5.04	Capital transactions with partners	0	0	-97,351	-37,700	0	-135,051
5.04.06	Dividends	0	0	-97,439	0	0	-97,439
5.04.07	Interest on own capital	0	0	88	-37,700	0	-37,612
5.05	Total comprehensive income	0	0	0	114,072	-2,354	111,718
5.05.01	Net income for the period	0	0	0	114,072	0	114,072
5.05.02	Other comprehensive income	0	0	0	0	-2,354	-2,354
5.05.02.04	Translation adjustments in the period	0	0	0	0	-2,354	-2,354
5.06	Internal changes in shareholders' equity	0	0	76,624	-76,372	-252	0
5.06.01	Formation of reserves	0	0	76,624	-76,624	0	0
5.06.04	Realization of Other comprehensive income	0	0	0	252	-252	0
5.07	Closing balances	648,497	108,551	1,554,717	0	-151,698	2,160,067

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2017-03/31/2017

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves, Options granted and Treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity
5.01	Opening balances	648,497	108,551	1,365,194	0	-146,219	1,976,023
5.03	Adjusted opening balances	648,497	108,551	1,365,194	0	-146,219	1,976,023
5.04	Capital transactions with partners	0	0	135	-38,200	0	-38,065
5.04.07	Interest on own capital	0	0	135	-38,200	0	-38,065
5.05	Total comprehensive income	0	0	0	185,846	1,824	187,670
5.05.01	Net income for the period	0	0	0	185,846	0	185,846
5.05.02	Other comprehensive income	0	0	0	0	1,824	1,824
5.05.02.01	Adjustments of financial instruments	0	0	0	0	1,049	1,049
5.05.02.02	Taxes on financial instruments' adjustments	0	0	0	0	-342	-342
5.05.02.04	Translation adjustments in the period	0	0	0	0	1,117	1,117
5.06	Internal changes in shareholders' equity	0	0	147,741	-147,646	-95	0
5.06.01	Formation of reserves	0	0	147,741	-147,741	0	0
5.06.04	Realization of Other comprehensive income	0	0	0	95	-95	0
5.07	Closing balances	648,497	108,551	1,513,070	0	-144,490	2,125,628

Individual financial statements/ Statement of added value

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2018-03/31/2018	Accumulated of the prior year 01/01/2017-03/31/2017
7.01	Income	690,193	563,971
7.01.01	Sale of merchandise, products and services	688,933	568,298
7.01.02	Other income	1,936	722
7.01.04	Formation/reversal of allowance for doubtful accounts	-676	-5,049
7.02	Inputs acquired from third parties	-279,344	-259,404
7.02.01	Cost of products, merchandise and services sold	-220,554	-187,077
7.02.02	Materials, Energy, Third-party services and other	-55,730	-55,566
7.02.03	Loss/recovery of asset values	-2,659	-16,100
7.02.04	Other	-401	-661
7.03	Gross added value	410,849	304,567
7.04	Retentions	-16,247	-17,046
7.04.01	Depreciation, amortization and depletion	-16,247	-17,046
7.05	Net added value produced	394,602	287,521
7.06	Added value received in transfer	57,209	46,946
7.06.01	Equity in net income of subsidiaries	41,047	30,342
7.06.02	Financial income	15,322	17,954
7.06.03	Other	840	-1,350
7.06.03.01	Other	840	324
7.06.03.02	Income from discontinued operations	0	-1,674
7.07	Total added value payable	451,811	334,467
7.08	Distribution of added value	451,811	334,467
7.08.01	Personnel	155,539	154,382
7.08.01.01	Direct remuneration	118,153	120,322
7.08.01.02	Benefits	29,024	26,936
7.08.01.03	Severance Pay Fund (FGTS)	8,362	7,124
7.08.02	Taxes, duties and contributions	153,428	-42,305
7.08.02.01	Federal	92,461	-100,657
7.08.02.02	State	60,316	57,775
7.08.02.03	Municipal	651	577
7.08.03	Third-party capital remuneration	28,772	36,544
7.08.03.01	Interest	13,903	22,494
7.08.03.02	Rentals	7,046	7,723
7.08.03.03	Other	7,823	6,327
7.08.04	Remuneration of own capital	114,072	185,846
7.08.04.01	Interest on own capital	37,700	38,200
7.08.04.03	Retained earnings / Loss for the period	76,372	147,646

Consolidated financial statements or Balance sheet - Assets

(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2018	Prior year 12/31/2017
1	Assets Total	3,773,309	3,853,454
1.01	Current assets	2,351,174	2,439,913
1.01.01	Cash and cash equivalents	695,840	629,238
1.01.02	Interest earning bank deposits	14,105	77,115
1.01.02.01	Interest earning bank deposits measured at fair value	14,105	77,115
1.01.02.01.01	Trading securities	14,105	77,115
1.01.03	Accounts receivable	758,936	911,541
1.01.03.01	Trade accounts receivable	758,936	911,541
1.01.04	Inventories	749,371	698,761
1.01.06	Recoverable taxes	65,587	85,158
1.01.06.01	Current taxes recoverable	65,587	85,158
1.01.07	Prepaid expenses	39,018	11,262
1.01.07.01	Prepaid expenses	19,723	11,262
1.01.07.02	Prepaid expenses with Advertising	19,295	0
1.01.08	Other Current assets	28,317	26,838
1.01.08.03	Other	28,317	26,838
1.01.08.03.01	Advance to suppliers	10,975	9,473
1.01.08.03.02	Accounts receivable - Employees	6,741	6,022
1.01.08.03.04	Deferred PIS and COFINS	179	153
1.01.08.03.05	Other Assets	10,422	11,190
1.02	Non-current assets	1,422,135	1,413,541
1.02.01	Long term assets	221,873	196,742
1.02.01.06	Deferred taxes	116,462	107,041
1.02.01.06.01	Deferred income tax and social contribution	115,891	106,406
1.02.01.06.02	Deferred PIS and COFINS	571	635
1.02.01.09	Other non-current assets	105,411	89,701
1.02.01.09.03	Compulsory deposits	73	73
1.02.01.09.04	Judicial deposits	23,864	23,255
1.02.01.09.05	Recoverable taxes	30,776	16,564
1.02.01.09.06	Other accounts receivable	50,698	49,809
1.02.02	Investments	2,245	1,320
1.02.02.01	Equity interest	2,245	1,320
1.02.02.01.04	Other equity interest	2,245	1,320
1.02.03	Property, plant and equipment	709,389	721,645
1.02.03.01	Fixed assets in operation	662,314	666,613
1.02.03.03	Constructions in progress	47,075	55,032
1.02.04	Intangible assets	488,628	493,834
1.02.04.01	Intangible assets	488,628	493,834
1.02.04.01.02	Intangible assets	488,628	493,834

Consolidated financial statements or Balance sheet - Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2018	Prior year 12/31/2017
2	Total liabilities	3,773,309	3,853,454
2.01	Current liabilities	1,063,643	1,121,505
2.01.01	Social and labor obligations	152,480	131,336
2.01.01.01	Social charges	18,282	21,836
2.01.01.02	Labor obligations	134,198	109,500
2.01.02	Suppliers	369,146	388,112
2.01.02.01	Domestic suppliers	175,039	228,676
2.01.02.02	Foreign suppliers	194,107	159,436
2.01.03	Tax liabilities	28,357	32,785
2.01.03.01	Federal tax liabilities	25,739	21,592
2.01.03.01.01	Income and social contribution tax payable	15,273	4,636
2.01.03.01.02	Other tax obligations	10,466	16,956
2.01.03.02	State tax liabilities	2,618	11,193
2.01.04	Loans and financing	257,292	408,941
2.01.04.01	Loans and financing	257,222	408,849
2.01.04.01.01	In domestic currency	85,338	258,705
2.01.04.01.02	In foreign currency	171,884	150,144
2.01.04.03	Financial leases	70	92
2.01.05	Other liabilities	240,154	145,339
2.01.05.02	Other	240,154	145,339
2.01.05.02.01	Dividends and interest on own capital	135,179	5,044
2.01.05.02.04	Liabilities traded from subsidiaries	3,051	4,855
2.01.05.02.05	Unrealized losses on derivative operations	90	587
2.01.05.02.06	Provisions and other obligations	101,834	134,853
2.01.06	Provisions	16,214	14,992
2.01.06.01	Tax, social security, labor and civil provisions	16,214	14,992
2.01.06.01.01	Tax provisions	2,293	2,252
2.01.06.01.02	Social security and labor provisions	13,921	12,740
2.02	Non-current liabilities	473,349	467,560
2.02.01	Loans and financing	341,378	324,702
2.02.01.01	Loans and financing	341,378	324,702
2.02.01.01.01	In domestic currency	341,378	324,702
2.02.02	Other liabilities	40,605	44,974
2.02.02.02	Other	40,605	44,974
2.02.02.02.03	Liabilities traded from subsidiaries	12,938	18,834
2.02.02.02.05	Provisions to employee benefits	172	172
2.02.02.02.06	Other liabilities	11,338	13,470
2.02.02.02.07	Long-term incentive plan	16,157	12,498
2.02.03	Deferred taxes	51,328	55,917
2.02.03.01	Deferred income tax and social contribution	51,328	55,917
2.02.04	Provisions	40,038	41,967
2.02.04.01	Tax, social security, labor and civil provisions	40,038	41,967
2.02.04.01.01	Tax provisions	5,575	5,556
2.02.04.01.02	Social security and labor provisions	16,324	17,075
2.02.04.01.04	Civil provisions	18,139	19,336
2.03	Consolidated shareholders' equity	2,236,317	2,264,389

Consolidated financial statements or Balance sheet - Liabilities

(In thousand of reais)

Code of account	Account description	Current quarter 03/31/2018	Prior year 12/31/2017
2.03.01	Realized capital	648,497	648,497
2.03.02	Capital reserves	108,551	108,551
2.03.02.05	Treasury shares	-64,248	-64,248
2.03.02.07	Other capital reserves	169,241	169,241
2.03.02.08	Goodwill in the sale of treasury shares	3,558	3,558
2.03.04	Profit reserves	1,554,717	1,578,434
2.03.04.01	Legal reserve	67,754	67,754
2.03.04.05	Profit retention reserve	38,860	0
2.03.04.07	Tax incentive reserve	1,448,103	1,413,241
2.03.04.08	Additional dividend proposed	0	97,439
2.03.06	Equity valuation adjustments	12,973	13,225
2.03.07	Accumulated translation adjustments	-164,671	-162,317
2.03.09	Interest of non-controlling shareholders	76,250	77,999

Consolidated financial statements / Statement of income

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2018-03/31/2018	Accumulated of the prior year 01/01/2017-03/31/2017
3.01	Revenue from sales of goods and/or services	902,084	807,460
3.02	Cost of goods and/or services sold	-493,249	-457,233
3.03	Gross income	408,835	350,227
3.04	Operating expenses/revenue	-264,829	-126,351
3.04.01	Sales expenses	-244,397	-220,244
3.04.02	General and administrative expenses	-54,817	-56,681
3.04.04	Other operating income	56,843	247,588
3.04.05	Other operating expenses	-22,458	-97,014
3.04.05.01	Amortization of intangible assets	-8,011	-7,394
3.04.05.02	Other operating expenses	-14,447	-89,620
3.05	Income (loss) before financial income and taxes	144,006	223,876
3.06	Financial income (loss)	-14,150	-12,423
3.06.01	Financial income	20,336	19,538
3.06.01.01	Foreign exchange variation	8,368	2,946
3.06.01.02	Gains on derivative operations	960	965
3.06.01.03	Other financial income	11,008	15,627
3.06.02	Financial expenses	-34,486	-31,961
3.06.02.01	Foreign exchange variation	-13,818	-5,839
3.06.02.02	Losses on derivative operations	-728	-1,024
3.06.02.03	Other financial expenses	-19,940	-25,098
3.07	Income (loss) before income tax	129,856	211,453
3.08	Income tax and social contribution	-16,976	-30,016
3.08.01	Current	-23,160	-15,558
3.08.02	Deferred assets	6,184	-14,458
3.09	Net income (loss) from continued operations	112,880	181,437
3.10	Net income (loss) from discontinued operations	0	-1,674
3.10.01	Net income (loss) of discontinued operations	0	-1,674
3.11	Income/loss for the period	112,880	179,763
3.11.01	Attributed to the Parent company's partners	114,072	185,846
3.11.02	Attributed to non-controlling partners	-1,192	-6,083
3.99	Earnings per share - (Reais / Share)		

Consolidated financial statements / Statement of comprehensive income

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2018-03/31/2018	Accumulated of the prior year 01/01/2017-03/31/2017
4.01	Consolidated net income for the period	112,880	179,763
4.02	Other comprehensive income	-2,911	1,824
4.02.01	Gain/losses in translation of financial statements of foreign subsidiaries	-2,911	1,117
4.02.02	Unrealized income (loss) in hedge operations	0	1,005
4.02.03	Deferred tax on unrealized income (loss) in hedge operations	0	-342
4.02.04	Unrealized income (loss) in hedge operations - Subsidiaries	0	44
4.03	Consolidated comprehensive income for the period	109,969	181,587
4.03.01	Attributed to the Parent company's partners	111,718	187,670
4.03.02	Attributed to non-controlling partners	-1,749	-6,083

Consolidated financial statements / Statement of cash flows - Indirect method

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2018-03/31/2018	Accumulated of the prior year 01/01/2017-03/31/2017
6.01	Net cash from operational activities	157,574	42,461
6.01.01	Cash generated in operations	148,596	98,183
6.01.01.01	Net income for the period	112,880	181,437
6.01.01.02	Depreciation and amortization	24,820	24,074
6.01.01.03	Income (loss) from sale/written-off of property, plant and equipment	2,350	7,027
6.01.01.04	Interest. Inflation adjustments and foreign exchange variation	9,399	11,572
6.01.01.05	Provisions for tax, civil and labor risks	5,212	3,795
6.01.01.06	Deferred income tax and social contribution	-6,184	14,458
6.01.01.07	Taxes with enforceability suspended	0	-198,624
6.01.01.08	Prov. (Reversal) for doubtful accounts	6,274	5,558
6.01.01.09	Provision (Reversal) for inventory losses	3,713	8,498
6.01.01.10	Amortization of charges on loans and financing	-9,371	-11,340
6.01.01.11	Unrealized gains/losses on derivative operations	-497	720
6.01.01.12	Provision for property, plant and equipment/intangible asset loss	0	14,337
6.01.01.13	Unrealized gains/losses in derivative operations - Subsidiaries	0	44
6.01.01.14	Net cash generated in discontinued operations	0	36,627
6.01.02	Changes in assets and liabilities	8,978	-55,722
6.01.02.01	Trade accounts receivable	135,243	111,206
6.01.02.02	Inventories	-63,064	-118,604
6.01.02.03	Prepaid expenses	-27,783	-30,269
6.01.02.04	Recoverable taxes	2,394	-29,535
6.01.02.05	Suppliers	-12,866	-53,519
6.01.02.06	Taxes payable	-14,073	-8,180
6.01.02.07	Salaries and social security charges	22,345	10,486
6.01.02.08	IR/CSLL payment	-91	-613
6.01.02.09	Other	-33,127	63,306
6.02	Net cash used in investment activities	56,781	26,878
6.02.01	Acquisition of property, plant and equipment, intangible assets	-9,804	-27,115
6.02.02	Interest earning bank deposits	-47,401	-46,610
6.02.03	Redemption of interest earning bank deposits	113,986	100,603
6.03	Net cash from financing activities	-148,307	-9,196
6.03.01	Funding loans and financing	52,662	45,115
6.03.02	Amortization of loans and financing - Principal	-191,471	-47,081
6.03.03	Payment of dividends and interest on own capital	-4,917	-5,554
6.03.04	Amortization for debt restructuring of subsidiary	-4,581	-1,676
6.04	Foreign exchange variation on cash and cash equivalents	554	-1,624
6.05	Increase (decrease) in cash and cash equivalents	66,602	58,519
6.05.01	Opening balance of cash and cash equivalents	629,238	391,347
6.05.02	Closing balance of cash and cash equivalents	695,840	449,866

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2018-03/31/2018

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves. Options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	648,497	108,551	1,578,424	0	-149,092	2,186,290	77,999	2,264,289
5.02	Prior-year adjustments	0	0	-2,990	0	0	-2,990	0	-2,990
5.02.0'	Adjustment Expected Loss IFRS Clients (IFRS 9)	0	0	-2,990	0	0	-2,990	0	-2,990
5.02	Adjusted opening balances	348,497	108.55'	1,575,444	0	-149,092	2,182,400	77,999	2,261,299
5.04	Capital transactions with partners	0	0	-97.25'	-27,700	0	-125.05'	0	-125.05'
5.04.00	Dividends	0	0	-97,429	0	0	-97,429	0	-97,429
5.04.07	Interest on own capital	0	0	88	-27,700	0	-27,612	0	-27,612
5.05	Total comprehensive income	0	0	0	114,072	-2,254	111,718	-1,749	109,969
5.05.0'	Net income for the period	0	0	0	114,072	0	114,072	-1,192	112,880
5.05.02	Other comprehensive income	0	0	0	0	-2,254	-2,254	-557	-2.91'
5.05.02.04	Translation adjustments in the period	0	0	0	0	-2,254	-2,254	-557	-2.91'
5.00	Internal changes in Shareholders' equity	0	0	76,624	-76,272	-252	0	0	0
5.06.0'	Formation of reserves	0	0	76,624	-76,624	0	0	0	0
5.06.04	Realization of Other comprehensive income	0	0	0	252	-252	0	0	0
5.07	Closing balances	348,497	108.55'	1,554,717	0	-151,698	2,160,067	76,250	2,226,217

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2017-03/31/2017

(In thousand of reais)

Code of account	Account description	Paid-up capital	Capital reserves. Options granted and treasury shares	Profit reserves	Retained earnings (loss)	Other comprehensive income	Shareholders' equity	Non-controlling interest	Consolidated shareholders' equity
5.01	Opening balances	648,497	108,551	1,265,194	0	-146,219	1,976,022	89,726	2,065,749
5.02	Adjusted opening balances	348,497	108.55'	1,265,194	0	-146,219	1,976,022	39,726	2,065,749
5.04	Capital transactions with partners	0	0	125	-28,200	0	-28,065	0	-28,065
5.04.07	Interest on own capital	0	0	125	-28,200	0	-28,065	0	-28,065
5.05	Total comprehensive income	0	0	0	185,846	1,824	187,670	-6,082	181,587
5.05.0'	Net income for the period	0	0	0	185,846	0	185,846	-6,082	179,762
5.05.02	Other comprehensive income	0	0	0	0	1,824	1,824	0	1,824
5.05.02.0'	Adjustments of financial instruments	0	0	0	0	1,049	1,049	0	1,049
5.05.02.02	Taxes on financial instruments' adjustments	0	0	0	0	-242	-242	0	-242
5.05.02.04	Translation adjustments in the period	0	0	0	0	1,117	1,117	0	1,117
5.00	Internal changes in Shareholders' equity	0	0	147.74'	-147,646	-95	0	0	0
5.06.0'	Formation of reserves	0	0	147.74'	-147.74'	0	0	0	0
5.06.04	Realization of Other comprehensive income	0	0	0	95	-95	0	0	0
5.07	Closing balances	348,497	108.55'	1,512,070	0	-144,490	2,125,628	32,642	2,209.27'

Consolidated financial statements/ Statement of added value

(In thousand of reais)

Code of account	Account description	Accumulated of the current year 01/01/2018-03/31/2018	Accumulated of the prior year 01/01/2017-03/31/2017
7.01	Income	1,044,888	931,479
7.01.01	Sale of merchandise, products and services	1,048,083	935,044
7.01.02	Other income	3,079	1,993
7.01.04	Formation/reversal of allowance for doubtful accounts	-6,274	-5,558
7.02	Inputs acquired from third parties	-394,915	-445,545
7.02.01	Cost of products, merchandise and services sold	-318,795	-276,550
7.02.02	Materials, Energy, Third-party services and other	-79,518	-150,641
7.02.03	Loss/recovery of asset values	3,843	-17,693
7.02.04	Other	-445	-661
7.03	Gross added value	649,973	485,934
7.04	Retentions	-24,820	-24,074
7.04.01	Depreciation, amortization and depletion	-24,820	-24,074
7.05	Net added value produced	625,153	461,860
7.06	Added value received in transfer	21,327	18,289
7.06.02	Financial income	20,336	19,488
7.06.03	Other	991	-1,199
7.06.03.01	Other	991	475
7.06.03.02	Income from discontinued operations	0	-1,674
7.07	Total added value payable	646,480	480,149
7.08	Distribution of added value	646,480	480,149
7.08.01	Personnel	229,769	230,527
7.08.01.01	Direct remuneration	188,354	192,244
7.08.01.02	Benefits	33,053	31,159
7.08.01.03	Severance Pay Fund (FGTS)	8,362	7,124
7.08.02	Taxes, duties and contributions	236,591	7,295
7.08.02.01	Federal	165,094	-51,207
7.08.02.02	State	70,726	57,775
7.08.02.03	Municipal	771	727
7.08.03	Third-party capital remuneration	67,240	62,564
7.08.03.01	Interest	33,104	31,709
7.08.03.02	Rentals	26,170	24,425
7.08.03.03	Other	7,966	6,430
7.08.04	Remuneration of own capital	112,880	179,763
7.08.04.01	Interest on own capital	37,700	38,200
7.08.04.03	Retained earnings / Loss for the period	76,372	147,646
7.08.04.04	Interest of non-controlling shareholders in retained earnings	-1,192	-6,083

ALPARGATAS S.A.

NOTES TO FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2018
(Amounts expressed in thousands of reais - R$, unless otherwise indicated)

1. Operations

1.1. General considerations

Alpargatas S.A. ("Company") is a publicly-held corporation headquartered in the capital city of São Paulo, at Avenida Doutor Cardoso de Melo, 1.336 and listed in B3 S.A. - Brasil, Bolsa, Balcão under ticker ALPA4" and "ALPA3".

The Company and its subsidiaries (hereinafter collectively referred to as “Alpargatas Group” or the “Group”) are primarily engaged in the manufacturing and sale of footwear and footwear components, apparel items, textiles and textile components, leather, resin and natural or synthetic rubber goods, and sports items.

The direct and indirect subsidiaries through which the Company conducts activities in Brazil and abroad are described in Note 4.

The Board of Directors authorized the issue of these financial statements on May 11, 2018.

1.2. Acquisition of the controlling interest by Itaúsa - Investimentos Itaú S.A., Cambuhy Investimentos Ltda. and Brasil Warrant Administração de Bens e Empresas S.A.

On July 12, 2017, the Company was informed that J&F Investimentos and ITAÚSA, Cambuhy and Brasil Warrant signed a purchase and sale agreement for the acquisition of the controlling interest of Alpargatas. The transaction involved the acquisition of the total of 207,246,069 shares issued by Alpargatas and held by J&F for the price of R$ 3,500,000,000.

On August 4, 2017, the decision of CADE’s General Superintendent was published in the Federal Official Gazette, approving, without restrictions, the acquisition of Alpargatas S.A. controlling interest, carried out between J&F Investimentos S.A., as the seller, and the companies Itaúsa - Investimentos Itaú S.A., Cambuhy Investimentos Ltda. and Brazil Warrant Gestão de Bens e Empresas S.A., as purchasers.

The purchase and sale of the Company's shares was completed on September 20, 2017, where Itaúsa, Cambuhy Investimentos Ltda. and Brasil Warrant Administração de Bens e Empresa S.A. (“Buyers”) acquired all the shares issued by Alpargatas held by J&F Investimentos S.A., representing 255,183,112 shares, of which 207,246,069 are common shares and 47,937,043 are preferred shares, equivalent to 54.24% of Alpargatas total capital, 85.78% of the voting capital and 20.95% of the total preferred shares (“Disposed Shares”).

The price of the Disposed Shares, after adjustments due to the payment of interest on own capital to J&F (pursuant to the Board of Directors Meeting held on August 4, 2017) was R$ 3,479,907,000 (three billion, four hundred and seventy-nine million, nine hundred and seven thousand reais), the price per share being equivalent to R$ 14.17 per common share and R$ 11.32 per preferred share.

In accordance with article 254-A of the Brazilian Corporate Law and due to the acquisition of shareholder control by the Buyers through the purchase of the J&F Disposed Shares, the Buyers carried out the public offering of the Alpargatas S.A. (OPA), pursuant to the public notice published on February 16, 2018. There was no interest of any shareholder in joining the OPA; thus, the shareholding interest remained unchanged.

1.3. Disposal of Topper and Rainha operations

On November 3, 2015, for the purpose of increasing its focus on its most strategic businesses, the Company entered into with a group of investors led by Mr. Carlos Roberto Wizard Martins: (a) Purchase and Sale Agreement referring to disposal of 100% of the business unit that will comprise all operations related to the Topper brand in Brazil, and to Rainha brand in Brazil and worldwide; (b) Purchase and Sale Agreement referring to disposal of 20% of the business unit that will comprise all operations related to the Topper brand in Argentina and worldwide (except in the United States and China), currently conducted by the subsidiary Alpargatas S.A.I.C.; and (c) License Agreement referring to the Topper brand, for the period of 15 years, in the United States and China.

Such operations will be closed on different dates, and such closing is subject to compliance with certain precedent conditions.

As anticipated in the structuring of the transaction, in February 2016, Alpargatas segregated the business unit responsible for the Topper and Rainha brands activities in Brazil into a new company, BRS Comércio e Indústria de Material Esportivo S.A.(BRS), which was acquired by the buyers on May 2, 2016.

The operation in Argentina, estimated to occur in the third quarter of 2018, will also take place by segregating the operation into a new company ("NewCo Argentina") to be organized by Alpargatas S.A.I.C. - Argentina, and buyers will acquire shares representing 20% of the capital of NewCo Argentina.

The Brazil operation purchase price was R$49,836. The Argentina operation purchase price will be equivalent to the disposed interest of 20% multiplied by 6.5 times the effective EBITDA of the Argentina Topper business for the year ended December 31, 2015, adjusted by the net indebtedness on the respective closing date.

On May 2, 2016, the Company received the first installment of the purchase price of the Brazil transaction in the amount of R$ 24,345. The remaining receipts occurred since July 2016, pursuant to the contract and respective addenda.

1.4. Timberland brand licensing

On May 13, 2016, the Company announced in a material fact that, as of January 2017, would not be no longer representative of the Timberland brand in Brazil. This decision was in line with the Company's strategy regarding its positioning in the sporting goods market.

1.5. Relocation Alpargatas International S.L.

On December 5, 2016, the Company completed the relocation process of Alpargatas International SL, new corporate name of Alpargatas International ApS, from Copenhagen (Denmark) to Madrid (Spain). Such European holding company relocation was due to strategic business growth issues.

1.6. Start of Alpargatas Colombia SAS operations

The operations of Alpargatas Colombia SAS started in January 2018. The main activity is the commercialization of Havaianas brand products.

2. Basis for preparation of the interim financial statements

a) Declaration of conformity

The individual and consolidated interim financial information of the Company for the quarter ended March 31, 2018 were prepared and are being presented in accordance with CPC 21 (R1) technical pronouncements - Interim Financial Reporting, which includes the provisions of the Brazilian Corporate Law, accounting standards and procedures issued by the Brazilian Securities Commission (CVM) and the Accounting Pronouncements Committee (CPC), and in accordance with *IAS 34 - Interim Financial Reporting,* issued by the Accounting Pronouncements Committee and the *International Accounting Standards Board (IASB).*

b) Basis of presentation

The individual and consolidated interim financial information were prepared to update users on material events and transactions that occurred in the period, and should be analyzed in conjunction with the individual and consolidated financial statements for the year ended December 31, 2017. Accounting policies, estimates and judgments, risk management and measurement methods are the same as those adopted in the preparation of the last annual financial statements, except for the new accounting policies related to the adoption of IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers, which are described in note 3.

3. New standards, amendments and interpretations of standards

a) *CPC 47 / IFRS 15 - Income from contracts with clients*

The Company adopted the CPC 47/IFRS 15 using the cumulative effect method, with first-time application as of January 1, 2018. As a result, the Company did not apply the requirements required by the standard for the comparative period presented.

IFRS 15 introduces a comprehensive framework for determining whether and when income is recognized, and how income is measured. IFRS 15 replaces current income recognition standards, including CPC 30 (IAS 18) Income, CPC 17 (IAS 11) Construction Contracts, and CPC 30 Interpretation A (IFRIC 13) Client Loyalty Programs.

IFRS 15 established a five-step model, applicable to the recognition of revenue from contracts with customers. The core principle of this new pronouncement is the recognition of revenue upon the transfer of control of goods and services to the customer and for an amount that reflects the consideration that the entity expects to be entitled to receive in exchange for the transfer of such goods or services.

Since the transfer of risks and rewards usually coincides with the transfer of control of products, the timing of recognition of revenue from sales of products was not affected by the adoption of this new standard.

The Company has a commercial agreement with certain clients that allows some special discounts, which were recorded upon recognition of income as "sales expenses" and, as of 2018, will be accounted for as a reduction in "sales income".

The Company recorded the amount of R$ 2,809 in the parent company and R$ 3,509 in the consolidated as a reduction of sales revenue for the quarter ended March 31, 201.

b) ***CPC 48 / IFRS 9 - Financial instruments***

The Company adopted CPC 48/IFRS 9, effective as of January 1, 2018, taking advantage of the exemption that allows it not to present comparative information from prior periods arising from changes in classification, measurement and recognition of financial assets and liabilities.

- Classification and measurement - financial assets and liabilities

CPC 48/IFRS 9 contains 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 eliminates the categories existing in CPC 38/IAS 39 of held-to-maturity, loans and receivables, and available for sale. The new classification requirements had no impact on the accounting of the Company's financial assets and liabilities.

- Impairment - Financial and contractual assets

CPC 48/IFRS 9 replaced the “incurred losses” model of CPC 38 / IAS 39 with a prospective “expected credit losses” model. The new model of expected losses will be applied to financial assets measured at amortized cost or FVTOCI, with the exception of investments in equity instruments.

For the accounts receivable, the Company adopted a simplified approach and calculated the expected loss based on the expectation of default risk occurring throughout the life of the financial instrument. The Company has established a provisioning matrix that is based on its history of credit losses, adjusted to prospective factors specific to the economic environment in which it operates and for any financial guarantee related to the receivable.

The Company took advantage of the exemption that allows it not to re-report comparative information from prior periods resulting from changes in the classification and measurement of financial instruments, including expected credit losses and recognized in book balances of financial liabilities, resulting from adoption of IFRS 9 as Retained earnings as of January 1, 2018.

	IFRS 9 initial adoption adjustment
Trade accounts receivable	(4,156)
Deferred taxes	1,166
Total recognized in retained earnings in shareholders' equity	(2,990)

For other financial assets, the expected credit losses are based on a 12-month period, representing a proportion of the total contractual period of the instrument, where the possibility of default occurrence is estimated in relation to the financial asset in a 12-month period as of the date of presentation of the financial statements. However, when there is a significant increase in the original credit risk, the allowance will be based on expected credit losses for the total contractual period of the asset.

When determining if the credit risk of a financial asset has significantly increased since the initial recognition and when estimating expected credit loss, the Company considers reasonable and sustainable information that is relevant and available without excessive cost or effort. Such information include both quantitative and qualitative analyzes, based on the Company's historical experience and the existing credit assessment, which includes forward-looking information.

The Company will reassess its financial statements and whether its financial assets classified and measured at amortized cost should be subject to impairment at each reporting date. An impairment loss is recognized regarding a particular financial asset in the event of one or more events that adversely affect its estimated future cash flows.

Due to its risk and credit management policies, the Company have not a material impact on its financial statements due to the change in approach for the purpose of analyzing the impairment of its financial assets.

c) Accounting pronouncements issued and not yet in effect

The standards and interpretations issued by the IASB relevant to the Company that are not yet in force are the same as those presented in the financial statements for the year ended December 31, 2017. The other new pronouncements effective as of January 1, 2018 did not result in a material impact on the Company's interim financial statements and are described in items 3.a) and 3.b).

d) Reclassifications

The Company made some reclassifications in the statement of income for the first quarter of 2017 (as disclosed in the second quarter of 2017) to make it comparable to the presentations made in the statement of income for the first quarter of 2018.

	1Q17	Reclassifications	1Q17 - Adjusted
Cost of goods sold	456,248	986	457,234
Sales expenses	209,574	10,670	220,244
General and administrative expenses	70,794	(14,113)	56,681
Other operating income and expenses	(160,425)	2,457	(157,968)
Total	576,191	-	576,191

4. Consolidated financial statements

The consolidation comprises the accounting information of the Company and the following direct and indirect subsidiaries:

		Interest (%)	
	Main activity	**03/31/2018**	**12/31/2017**
Direct interest:			
Fibrasil Agrícola e Comercial Ltda.	Import and export in general, purchase, sale and lease of own properties and interest in other companies, in the country or abroad	100.00	100.00
Alpargatas Imobiliária S.A.	Sale and lease of own properties and holding interest in other companies, in Brazil or abroad.	100.00	100.00
Alpargatas International S.L. - Espanha (formerly Alpargatas International - APS)	Holding company with investments in other companies (Alpargatas USA Inc. and Alpargatas Europe S.L.U.)	100.00	100.00
Alpargatas S.A.I.C. - Argentina	Manufacturing and trading of footwear and textile products, mainly in the Argentine market	98.35	98.35
Terras de Aventura Indústria de Artigos Esportivos S.A. - Osklen	Premium fashion retail chain with stores in Brazil and abroad	60.00	60.00
Alpargatas Asia Ltd. - Hong Kong	Import and trading of footwear in the Asian market	100.00	100.00
Alpargatas Colômbia SAS - Colombia	Import and trading of footwear in the Colombian market	100.00	100.00
Indirect interest (through Alpargatas Internacional S.L.):			
Alpargatas USA Inc. - United States	Import and trading of footwear in the U.S. market	100.00	100.00
Alpargatas Europe S.L.U. - Spain	Import and trading of footwear in the European market	100.00	100.00
Alpargatas UK Limited - United Kingdom		100.00	100.00
Alpargatas France S.A.R.L. - France		100.00	100.00
Alpargatas Itália S.R.L. - Italy		100.00	100.00
Alpargatas Portugal Limited - Portugal		100.00	100.00
Alpargatas Germany GmbH - Germany		100.00	100.00
Indirect interest (by means of Fibrasil Agrícola e Comercial Ltda.):			
Alpargatas S.A.I.C. - Argentina	Manufacturing and trading of footwear and textile products, mainly in the Argentine market	1.65	1.65
Dialog S.A.	Logistic services	10.00	10.00
Indirect interest (by means of Alpargatas S.A.I.C. - Argentina):			
Alpargatas Calzados de Uruguay S.A.	Trading of footwear	100.00	100.00
Dialog S.A.	Logistic services	90.00	90.00

Thus, the Company considers that it controls an investee if, and only if, it has all the following characteristics: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect their return value.

5. Tax incentives - Government grant

The Company has grants granted by state governments in its main plants, which, according to by original standards would expire between 2018 and 2020 in Northeast region and in 2031, in Minas Gerais. Meanwhile, both in Paraíba and in Pernambuco, laws were enacted extending such grants indefinitely. These standards are under the validation provided by Complementary Law No 160/17, regulated by ICMS Agreement No 190/17. Considering the restrictions contained in said standards for the conclusion of the validation process, namely the limitation of validity for industrial incentives until 2032 and the legal conditions to be fulfilled by the States by the end of 2018, the Company will monitor such process to act in the extension of its incentives for the maximum term allowed in the legislation in a timely manner.

The Company also has tax incentives granted by the federal government through profit from tax-incentive activities in the Northeast Region, which will expire in 2021.

These investments grants and tax incentives are as follows:

		Parent company and Consolidated	
		03/31/2018	03/31/2017
ICMS grant:			
Paraíba	(a)	26,079	24,499
Pernambuco	(b)	2,871	2,208
Minas Gerais	(c)	5,912	4,046
Corporate Income Tax (IRPJ) incentives:			
Northeastern region	(d)	-	6,414
Total		34,862	37,167

(a) Amounts of the investment grant in the State of Paraíba, used in the calculation of matching ICMS credit. The amounts refer to unpaid ICMS installments, thus committed to what was agreed upon with the state government. The Company is compliant with the established agreement, which consists of expanding the manufacturing facilities in that region, increasing its production of footwear and generating direct jobs in plants in the State of Paraíba.

In addition, during the quarters ended March 31, 2018 and 2017, there were no incentive installments to be accounted for, arising from obligations established by the incentive program, to be complied with by the Company. Tax incentive installments are credited to “Sales taxes” in the statement of income.

(b) Amounts of the investment grant in the State of Pernambuco, used in the calculation of ICMS deemed credit, thus committed to what was agreed with the state government. The Company is compliant with the established agreement, which consists of maintaining a minimum number of direct jobs in the region and reaching gross income of at least R$2,500.

(c) Determination of presumed ICMS credit by Montes Claros plant. The amounts refer to unpaid ICMS installments, thus committed to what was agreed upon with the state government. The Company is in compliance with the established agreement, which consists of investing, generating income and creating direct jobs in Minas Gerais state plant.

(d) Recorded at credit under “Current income tax and social contribution” caption in statement of income (see details in Note 10.b).

6. Cash and cash equivalents and interest earning bank deposits

a) Cash and cash equivalents

	Parent company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Cash and banks	49,986	35,350	118,251	141,231
Interest earnings bank deposits:				
Post-fixed Bank Deposit Certificates - CDBs (i)	393,837	284,258	402,294	292,182
Post-fixed repurchase and resale agreements (i)	170,051	191,126	175,301	195,825
Total	613,874	510,734	695,846	629,238

(i) As of March 31, 2018, CDBs (Bank Deposit Certificates) and purchase and sale commitments had an average remuneration of 99.66% of CDI interest rate (99.50% as of December 31, 2017). The maturity terms range from April 2018 to January 2023, with a grace period for redemption of three months or less, and are subject to an insignificant risk of change in value.

b) Interest earnings bank deposits

As of March 31, 2018, they refer to CDBs (Bank Deposit Certificates) and purchase and sale commitments had an average remuneration of 101.31% of CDI interest rate (101.37% as of December 31, 2017).

	Parent company and Consolidated	
	03/31/2018	12/31/2017
Post-fixed Bank Deposit Certificates - CDBs (i)	14,105	33,271
Post-fixed repurchase and resale agreements (i)	-	43,844
Total	14,105	77,115

(i) They have grace period for redemption longer than three months and are subject to the risk of change in value in case of early redemption.

7. Trade accounts receivable

Trade accounts receivable are recorded in the balance sheet at that nominal value of securities, net of allowance for doubtful accounts, which is formed considering an individual analysis of receivables, of the economic environment and the history of losses recorded in prior years by maturity bracket.

	Parent company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Domestic market	447,249	671,070	502,761	754,454
Foreign market (i)	20,485	31,559	310,475	205,407
Related parties (note 20.b))	81,963	48,563	-	-
Allowance for doubtful accounts	(42,722)	(43,441)	(54,300)	(48,320)
Total	506,975	707,751	758,936	911,541

(i) Foreign trade accounts receivable are denominated in U.S. dollars, euros and Argentinean pesos.

a) Trade accounts receivable by maturity age

	Parent company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Falling due	462,817	648,698	689,290	827,476
Overdue (days):				
Up to 30	16,058	34,890	37,705	55,277
31-60	6,695	8,815	10,860	14,098
61-90	7,045	2,582	11,465	5,530
91-180	7,516	6,404	17,763	5,458
>181	49,566	49,803	46,152	52,022
Total	549,697	751,192	813,235	959,861

b) Allowance for doubtful accounts

Changes in the allowance for doubtful accounts are as follows:

	Parent company	Consolidated
Balances at December 31, 2017	(43,441)	(48,320)
Additions	(1,879)	(8,039)
Reversals	1,203	1,766
Write-off for loss	4,688	4,688
Adoption of IFRS 9	(3,428)	(4,618)
Other changes /Foreign exchange variation	135	223
Balances at March 31, 2018	(42,722)	(54,300)

The breakdown by aging of trade accounts receivable included in the allowance for doubtful accounts is as follows:

	Parent company		Consolidated	
Days:	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Up to 30	(1,579)	(103)	(2,009)	(103)
31-60	(638)	(272)	(793)	(443)
61-90	(752)	(757)	(896)	(890)
91-180	(2,925)	(2,487)	(9,668)	(4,396)
>181	(36,829)	(39,822)	(40,934)	(42,488)
Total	(42,722)	(43,441)	(54,300)	(48,320)

Additions and reversals of allowance for doubtful accounts were recorded in “Sales expenses” caption in the statement of income.

The maximum credit risk exposure on the date of the financial statements is the book value of each maturity bracket as shown in the table above. The policy requires that past due notes receive some treatment in up to 45 days of the maturity date and, if there is no favorable evolution of the negotiations in up to 90 days, they are sent to external collection advisory companies or to litigation. At this time, 100% of the client's notes portfolio is provisioned, regardless of the maturity date. No provision for losses was recorded for default clients with rescheduled debts, for which Company and subsidiaries have letters of credit and properties as collaterals.

8. Inventories

Recorded at average acquisition or production cost and when applicable, restated at market value and possible losses.

	Parent company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Finished goods	270,294	229,220	469,178	397,422
Work in process	22,309	23,282	43,961	45,064
Raw materials	85,862	101,304	121,840	129,594
Imports in transit	19,958	25,350	20,890	25,350
Other	982	2,810	93,502	101,331
Total	399,405	381,966	749,371	698,761

Changes in the provision for inventory losses are as follow:

	Parent company	Consolidated
Balances at December 31, 2017	(6,230)	(11,508)
Additions	(2,674)	(4,144)
Reversals	-	431
Other changes	470	1,227
Balances at March 31, 2018	(8,434)	(13,994)

The Company forms provision for inventory losses for: (i) all raw material not related to custom materials and 70% for other materials; and (ii) 100% of work in process for outdated items. Periodic evaluations and action plans are made to address obsolete items.

9. Recoverable taxes

	Parent company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Prepayments of income tax and social contribution	1,667	828	1,929	1,088
Withholding income tax - IRRF	7,236	7,806	7,562	8,154
ICMS	4,541	8,283	7,339	10,251
Excise Tax - IPI	1,840	1,744	1,840	1,744
Social Integration Program (PIS) and Contribution for social security funding - COFINS to be offset	5,193	3,739	5,193	3,739
Tax incentive - Brasil Maior Plan	2,322	1,303	2,322	1,303
Credit from INSS lawsuit	6,985	6,988	6,988	6,988
Paex CBS	1,228	1,228	1,228	1,228
SAT refunding	1,254	1,254	1,254	1,254
Alpargatas Europe S.L.U. - Spain:				
Value-Added Tax - VAT	-	-	4,748	3,258
Prepayments of income tax	-	-	6,187	10,751
Alpargatas S.A.I.C. - Argentina:				
Value-Added Tax - VAT	-	-	12,049	9,923
Prepayments of income tax	-	-	13,492	31,541
Export taxes	-	-	2,541	2,609
IIBB/Fishing tax credit	-	-	14,666	5,266
Other	2,970	1,061	7,025	2,625
Total	35,236	34,234	96,363	101,722
Current portion	25,272	24,225	65,587	85,158
Installments - non-current	9,964	10,009	30,776	16,564

10. Income tax and social contribution

Deferred tax assets and liabilities are recognized on temporary differences only when it is probable that the Company will present future taxable income in sufficient amount to use these deductible temporary differences. The amounts are calculated based on the rates provided for by the tax legislation prevailing on the balance sheet dates.

a) Deferred assets

	Parent company and Consolidated	
	03/31/2018	12/31/2017
Assets:		
Parent company:		
Allowance for doubtful accounts	14,572	14,822
Provision for inventory losses	2,548	2,125
Provision for tax, civil and labor risks	14,173	14,063
Provision for long-term incentive plan	4,837	-
Provision for loss of property, plant and equipment	4,002	-
Recognition adjustment of sales income	11,439	19,192
Deferred income tax and social contribution on tax losses	10,374	5,607
Impairment of goodwill - Osklen	42,670	42,670
Other temporary differences	6,610	13,666
Total - parent company	111,225	112,145
Subsidiaries:		
Alpargatas S.A.I.C. - Argentina:		
- Provisions for tax, civil and labor risks	3,650	3,814
- Deferred taxes on tax losses	7,206	-
- Provision for inventory losses	4,018	5,285
- Other temporary differences	3,676	1,900
	18,550	10,999
Alpargatas Europe S.L.U. - Spain:		
- Allowance for doubtful accounts	118	377
- Provision for inventory losses	471	333
- Other temporary differences	3,041	1,639
	3,630	2,349
Alpargatas Europe S.L.		
- Deferred taxes on unrealized income	1,418	1,096
Terras de Aventura Indústria de Artigos Esportivos S.A. - Osklen		
- Allowance for doubtful accounts	536	532
- Provisions for tax, civil and labor risks	827	873
- Provision for inventory losses	58	-
- Tax loss carry forwards and negative basis of social contribution	13,594	10,198
- Other temporary differences	700	428
	15,715	12,031
- Deferred taxes on unrealized income	6,119	5,555
Total - consolidated	156,657	144,175

Liabilities:			
Parent company:			
Goodwill in the acquisition of subsidiaries - amortized for tax purposes		16,880	16,685
Transactions with derivative financial instruments		246	(200)
Adjustment to present value - Law 11638		142	278
Total parent company		17,268	16,763
Subsidiaries:			
Alpargatas S.A.I.C. - Argentina:			
- Adjustment to present value on renegotiated liabilities and tax difference in valuation of fixed asset items		7,782	8,975
Terras de Aventura Indústria de Artigos Esportivos S.A. - Osklen	(ii)	67,043	67,948
Total - consolidated		92,093	93,686
Parent Company - Non-current assets		93,957	95,382
Consolidated - Non-current assets		115,891	106,406
Consolidated - Non-current liabilities		(51,328)	(55,917)

(i) The Company enjoys the goodwill tax benefit on acquisition of subsidiary CBS S.A. Companhia Brasileira de Sandálias, at the ratio of 1/60, after the merger of former subsidiary Atlântico Participações S.A., with monthly amortization of R$400 from January 2009 to October 2017, which has resulted in a R$136/month tax effect, and of CBS S.A., with monthly amortization of R$192 from February 2015 to January 2020, with a tax effect of R$65/month for income tax and social contribution (IRPJ and CSLL) purposes.

(ii) Refer to deferred income and social contribution tax liabilities on fair value of assets acquired and liabilities assumed upon acquisition of the controlling interest of Osklen. Liabilities are reversed as the acquired defined useful life intangible assets are amortized.

The deferred tax credits (consolidated) have the following estimated realization terms:

	03/31/2018	**12/31/2017**
2018 (nine months)	34,711	44,215
2019	40,884	28,740
2020	24,963	23,545
2021	24,627	23,540
2022	41,409	24,135
>2023	639	-
Total - consolidated	167,233	144,175

As of March 31, 2018, the Company had unrecognized tax credits on income tax losses and unrecognized temporary differences in the consolidated financial statements, generated by its foreign subsidiary Alpargatas USA Inc. and its indirect foreign subsidiary Osklen USA Holding Corp, which, in view of the lack of projected taxable profits for the next years, were not recorded by the corresponding foreign subsidiaries.

The amount of unrecorded tax credit, calculated at the current rate in the United States of America, is as follows:

Alpargatas USA Inc. - United States:	
Total temporary differences	243
Tax losses	105,257
Osklen USA Holding Corp - USA:	
Tax losses	17,518
Tax credit	123,018

The tax credit on tax losses arising from such subsidiary has a 20-year period to be offset (expiration date).

Changes in balances of deferred income tax and social contribution, assets and liabilities for the quarter ended March 31, 2018 is as follows:

	Parent company			Consolidated		
	Assets	**Liabilities**	**Total**	**Assets**	**Liabilities**	**Total**
Balance at December 31, 2017	112,145	16,763	95,382	144,175	93,686	50,489
Effects on income (loss)	(2,086)	505	(2,592)	4,233	(1,070)	5,303
Foreign exchange variation, charges and other changes	1,166	-	1,166	8,249	(523)	8,772
Balance at March 31, 2018	111,225	17,268	93,956	156,657	92,093	64,564

b) Current

Reconciliation of income tax and social contribution on net income:

	Parent company		Consolidated	
	03/31/2018	**03/31/2017**	**03/31/2018**	**03/31/2017**
Income before income tax and social contribution	116,664	223,836	129,857	211,453
Combined tax rate for income tax and social contribution	34%	34%	34%	34%
Estimate of income and social contribution tax expense	(39,666)	(76,104)	(44,151)	(71,894)
Equity in net income of subsidiaries	13,956	10,316	-	-
Benefits from interest on own capital	12,818	12,988	12,818	12,988
Investment grant - ICMS	10,693	10,296	10,693	10,296
Federal tax grant - IRPJ (Corporate Income Tax) (Note 5)	-	6,414	-	6,414
Tax credit - Argentina (Note 31.i))	-	-	-	11,330
Unrecognized tax credit on tax loss carryforwards and temporary differences calculated by subsidiaries abroad	-	-	4,277	890
Other permanent exclusions (additions), net	(392)	(226)	(613)	(40)
Total expense with income tax and social contribution	(2,591)	(36,316)	(16,976)	(30,016)
Current	-	(10,333)	(23,160)	(15,558)
Deferred assets	(2,591)	(25,983)	6,184	(14,458)
Effective rate	2%	16%	13%	14%

11. Judicial deposits

	Parent company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Tax proceedings	10,018	10,018	10,018	10,018
Civil proceedings	400	400	400	400
Labor claims	10,602	10,120	13,446	12,837
	21,020	20,538	23,864	23,255

These judicial deposits, which do not involve current obligations, were necessary to proceed with these claims. Based on the management's and its legal advisors' opinion, the likelihood of loss is not considered probable; therefore, no provision for tax, civil and labor contingencies was recorded.

12. Investments

They are represented as follow:

	Parent company	
	03/31/2018	12/31/2017
Investments	459,802	410,601
Goodwill	147,893	147,893
	607,695	558,494

Information at March 31, 2018	Fibrasil Agrícola e Comercial Ltda.	Alpargatas International S.L. - Spain		Alpargatas Imobiliária S.A.	Alpargatas S.A.I.C. - Argentina		Alpargatas Colômbia SAS	Terras de Avent. Ind. de Art. Esportivos S.A. - Osklen		Total
Quantity of shares or quotas held	5,978,751	57,734,570		10,296,177	507,021,800		9,951	50,914,603		
Total current assets	275	286,070		8,694	413,293		12,827	130,277		
Total non-current assets	3,573	71,399		3,234	77,070		240	246,076		
Total current liabilities	-	228,154		37	235,158		1,454	128,918		
Total non-current liabilities	-	649		-	50,461		-	56,810		
Capital	5,979	236,650		10,296	85,216		11,841	80,209		
Non-controlling interest	-	-		-	198		-	76,250		
Shareholders' equity - Controlling shareholders	3,849	128,666		11,890	204,546		11,613	114,375		
Unrealized income in inventories / Unrealized gain from sale of assets		(9,628)			(556)		(322)	(1,373)		
	3,849	119,038		11,890	203,990		11,291	113,002		
Net income for the period	-	152,664		29	150,105		74	47,305		
Net income (loss) for the period	355	22,083	(i)	(45)	21,026		(220)	(2,980)		
Interest - %	100.00	100.00		100.00	98.35	(ii)	100.00	60.00		
Book value of investments:										
Balance at December 31, 2017	3,635	92,017		11,935	187,583		-	115,431		410,601
Capital increase/contribution	-	-		-	-		11,237	-		11,237
Equity in net income of subsidiaries	355	21,987	(i)	(45)	20,892		(548)	(1,592)		41,047
Foreign exchange variation on investments	(140)	5,034		-	(7,741)		602	(109)		(2,354)
IFRS 9 adjustment	-	-		-	-		-	(728)		(729)
Balance at March 31, 2018	3,850	119,038		11,890	200,734		11,291	113,002	(iii)	459,802

(i) The difference of R$ between income earned by Alpargatas Internacional S.L. - and equity in net income of subsidiaries for the year refers to unrealized profit in inventories of subsidiary.

(ii) The difference of R$ 134 between income earned by Alpargatas S.A.I.C. - Argentina and equity in net income of subsidiaries for the year refers to realized profit in inventories of subsidiary.

(iii) Other 1.65% interest of Alpargatas S.A.I.C. - Argentina is held by subsidiary Fibrasil Agrícola e Comercial Ltda. and totals R$3,256 as of March 31, 2018.

(iv) As of March 31, 2018, the amount related to the goodwill of assets and liabilities of Terras de Avent. Ind. de Art. Esportivos S.A. - Osklen was R$ (73,344) (R$74,204 as of December 31, 2017).

Information at March 31, 2017	Fibrasil Agrícola e Comercial Ltda.	Alpargatas International S.L. - Spain		Alpargatas Imobiliária S.A.	Alpargatas S.A.I.C. - Argentina		Terras de Avent. Ind. de Art. Esportivos S.A. - Osklen		Total
Quantity of shares or quotas held	5,978,751	57,734,570		10,296,177	507,021,800		50,914,603		
Total current assets	278	231,837		7,719	410,041		122,845		
Total non-current assets	3,794	35,261		3,234	105,243		269,959		
Total current liabilities	-	162,971		74	253,754		95,150		
Total non-current liabilities	-	704		-	42,899		88,548		
Capital	5,979	196,367		10,296	106,197		80,209		
Non-controlling interest	-	-		-	190		83,643		
Shareholders' equity	4,072	103,423		10,879	218,441		125,463		
Unrealized income in inventories / Unrealized gain from sale of assets		(5,385)			25		(1,568)		
	4,072	98,038		10,879	218,466		123,895		
Net income for the period	-	156,363		28	154,075		42,282		
Net income (loss) for the period	101	32,817	(i)	132	4,351		(15,207)		
Interest - %	100.00	100.00		100.00	98.35	(ii)	60.00		
Book value of investments:									
Balance at December 31, 2016	3,985	62,366		10,747	210,127		133,020		420,245
Hedge operations	-	44		-	-		-		44
Equity in net income of subsidiaries	101	34,954	(i)	132	4,280		(9,125)		30,342
Foreign exchange variation on investments	(14)	674		-	457		-		1,117
Balance at March 31, 2017	4,072	98,038		10,879	214,864		123,895	(iii)	451,748

(i) The difference of R$(2,137) between income earned by Alpargatas APS and equity pickup for the year refers to unrealized profit in inventories of subsidiary.
(ii) The other 1.65% interest of Alpargatas S.A.I.C. - Argentina is held by subsidiary Fibrasil Agrícola e Comercial Ltda. and totals R$3,602 at March 31, 2017.
(iii) As of March 31, 2017, the amount related to the goodwill of assets and liabilities of Terras de Avent. Ind. de Art. Esportivos S.A. - Osklen was R$ 77,170 (R$ 81,034 as of December 31, 2016).

As of March 31, 2018 and December 31, 2017, the goodwill in subsidiaries is comprised as follows:

	Alpargatas S.A.I.C. - Argentina	Terras de Avent. Ind. de Art. Esportivos S.A. - Osklen	Total
Balance at December 31, 2017	96,268	51,625	147,893
Balance at March 31, 2018	96,268	51,625	147,893

(i) See note 14.a)

Indirect investments through the holding company Alpargatas International S.L.

	Indirect subsidiaries							
Information at March 31, 2018	Alpargatas Europe S.L.U. - Spain	Alpargatas France S.A.R.L. - France	Alpargatas UK Limited - United Kingdom	Alpargatas Itália S.R.L. - Italy	Alpargatas Portugal Limited - Portugal	Alpargatas Germany GmbH - Germany	Alpargatas USA Inc. - United States	Total indirect subsidiaries
Quantity of shares or quotas held	100,000	5,000	1	1	2	25,000	10	
Total current assets	220,399	2,698	11,704	3,845	3,216	750	43,495	
Total non-current assets	31,697	5,597	1,802	7,622	4,176	1,040	18,047	
Total current liabilities	84,738	8,354	7,188	10,893	6,932	1,988	114,010	
Total non-current liabilities	378	-	-	-	-	-	271	
Shareholders' equity (unsecured liability)	166,980	(59)	6,318	574	460	(198)	(52,740)	
Net income for the period	119,172	1,063	917	1,217	871	106	29,318	
Net income (loss) for the period	34,126	(2,870)	(1,839)	(2,814)	(1,436)	(697)	(1,557)	
Indirect interest - %	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
Book value of investments:								
Balance at December 31, 2017	145,187	2,799	8,002	3,358	1,876	501	(103,795)	57,928
Capital increase	-	-	-	-	-	-	50,747	50,747
Equity in net income of subsidiaries	34,126	(2,870)	(1,839)	(2,814)	(1,436)	(697)	(1,557)	22,912
Foreign exchange variation on investments	(12,333)	12	155	30	20	(2)	1,865	(10,252)
Balance at March 31, 2018	166,980	(59)	6,318	574	460	(198)	(52,740)	121,335

	Indirect subsidiaries							
Information at March 31, 2017	**Alpargatas Europe S.L.U. - Spain**	**Alpargatas France S.A.R.L. - France**	**Alpargatas UK Limited - United Kingdom**	**Alpargatas Itália S.R.L. - Italy**	**Alpargatas Portugal Limited - Portugal**	**Alpargatas Germany GmbH - Germany**	**Alpargatas USA Inc. - United States**	**Total indirect subsidiaries**
Quantity of shares or quotas held	100,000	5,000	1	1	2	25,000	10	
Total current assets	169,405	3,709	5,191	3,045	2,494	750	46,909	
Total non-current assets	7,388	4,811	1,519	4,282	3,272	179	12,404	
Total current liabilities	52,747	7,456	1,578	5,454	4,955	584	130,394	
Total non-current liabilities	377	-	-	-	-	-	328	
Shareholders' equity (unsecured liability)	123,669	1,064	5,132	1,873	811	345	(71,409)	
Net income for the year	116,307	2,474	2,287	2,689	946	542	31,118	
Net income (loss) for the year	32,427	(605)	(136)	(147)	(464)	79	2,073	
Indirect interest - %	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
Book value of investments:								
Balance at December 31, 2016	91,999	1,701	5,247	2,051	1,298	269	(75,642)	26,923
Equity in net income of subsidiaries	32,427	(605)	(136)	(147)	(464)	79	2,073	33,227
Foreign exchange variation on investments	(757)	(32)	21	(31)	(23)	(3)	2,160	1,335
Balance at March 31, 2017	123,669	1,064	5,132	1,873	811	345	(71,409)	61,485

Additional information of subsidiaries

The following table presents the information related to the Group's subsidiary with material ownership of non-controlling shareholders.

	Terras de Avent. Ind. de Art. Esportivos S.A. - Osklen	
	03/31/2018	12/31/2017
Percentage of non-controlling interest	40%	40%
Total current assets	129,994	155,220
Total non-current assets	70,219	66,198
Total current liabilities	(94,535)	(113,818)
Total non-current liabilities	(39,583)	(38,888)
Net assets	66,095	68,712
Net assets attributable to non-controlling shareholders	26,438	27,485
Net income for the period	47,305	229,871
Income (loss) for the period	(1,222)	(17,933)
Other comprehensive income - OCI	-	0
Total comprehensive income (loss)	(1,222)	(17,933)
Income (loss) allocated to non-controlling shareholders	(489)	(7,173)
OCI allocated to non-controlling shareholders	-	-
Cash flow from operating activities	5,281	(28,147)
Cash flow from investing activities	(103)	(2,338)
Cash flow from financing activities	(6,517)	25,066
Net increase (decrease) in cash and cash equivalents	(1,339)	(5,419)

13. Property, plant and equipment

Property, plant and equipment are measured at historical cost, including expenditures directly attributable to the acquisition of items and financing costs related to the acquisition of qualified assets.

		Parent company					
		03/31/2018			12/31/2017		
	Useful life of depreciation (years)	Cost	Accumulated depreciation (i)	Net	Cost	Accumulated depreciation (i)	Net
Land	-	10,321	-	10,321	10,321	-	10,321
Buildings and constructions	10 - 80	358,837	(99,710)	259,127	357,314	(97,340)	259,974
Machinery and equipment	3 - 30	511,209	(233,340)	277,869	508,505	(233,179)	275,326
Furniture and fixtures	10	47,996	(28,479)	19,517	47,181	(27,666)	19,515
Vehicles	10	7,118	(4,878)	2,240	7,118	(4,702)	2,416
Leasehold improvements	5 - 10	30,656	(22,564)	8,092	30,576	(21,871)	8,705
Projects in progress	-	43,939	-	43,939	51,711	-	51,711
Other property, plant and equipment	-	5,525	-	5,525	5,525	-	5,525
Provision for losses ("impairment") (ii)		(11,772)		(11,772)	(11,772)		(11,772)
Total		1,003,829	(388,971)	614,858	1,006,479	(384,758)	621,721

		Consolidated					
		03/31/2018			12/31/2017		
	Useful life of depreciation (years)	Cost	Accumulated depreciation (i)	Net	Cost	Accumulated depreciation (i)	Net
Land	-	11,474	-	11,474	11,715	-	11,715
Buildings and constructions	10 - 80	426,507	(149,858)	276,649	435,290	(155,260)	280,030
Machinery and equipment	3 - 30	619,536	(322,197)	297,339	623,363	(326,971)	296,392
Furniture and fixtures	10	94,060	(63,823)	30,237	96,218	(65,175)	31,043
Vehicles	10	8,550	(6,320)	2,230	8,657	(6,196)	2,461
Leasehold improvements	5 - 10	109,472	(63,907)	45,565	106,602	(60,488)	46,114
Projects in progress	-	47,075	-	47,075	55,032	-	55,032
Other property, plant and equipment	-	10,592	-	10,592	10,630	-	10,630
Provision for losses ("impairment") (ii)	-	(11,772)	-	(11,772)	(11,772)	-	(11,772)
Total		1,315,494	(606,105)	709,389	1,335,735	(614,090)	721,645

(i) Depreciation is calculated under the straight-line method, based on the estimated useful life of each asset, which is reviewed every year.

(ii) Refers to provision for asset losses of deactivated plants or obsolete assets.

Changes

	Parent company						
	12/31/2017	Additions	Transfers (i)	Depreciation	Write-offs	Other changes	03/31/2018
Property, plant and equipment							
Land	10,321						10,321
Buildings and constructions	259,974	-	1,570	(2,417)	-	-	259,127
Machinery and equipment	275,326	-	10,940	(8,222)	(193)	18	277,869
Furniture and fixtures	19,515	-	1,047	(884)	(161)	-	19,517
Vehicles	2,416	-	-	(176)	-	-	2,240
Leasehold improvements	8,705		80	(693)			8,092
Projects in progress	51,711	5,819	(13,591)				43,939
Other fixed assets	5,525	-	-	-	(212)	212	5,525
Provision for losses ("impairment")	(11,772)						(11,772)
Total	621,721	5,819	46	(12,392)	(566)	230	614,858

	Parent company						
	12/31/2016	Additions	Transfers (i)	Depreciation	Write-offs	Other changes (ii)	12/31/2017
Property, plant and equipment							
Land	10,321						10,321
Buildings and constructions	249,964	-	20,370	(9,060)	(1,322)	22	259,974
Machinery and equipment	259,287	-	52,910	(33,737)	(3,253)	119	275,326
Furniture and fixtures	21,914	-	2,588	(4,478)	(651)	142	19,515
Vehicles	2,968	-	174	(699)	(27)	-	2,416
Leasehold improvements	11,100	-	958	(2,831)	(522)	-	8,705
Projects in progress	55,113	74,246	(77,648)	-	-	-	51,711
Other fixed assets	3,788	-	-	-	(135)	1,872	5,525
Provision for losses ("impairment")	(347)	-	-	-	-	(11,425)	(11,772)
Total	614,108	74,246	(648)	(50,805)	(5,910)	(9,270)	621,721

	Consolidated						
	12/31/2017	Additions	Transfers (i)	Depreciation	Write-offs	Foreign exchange variation / Other changes	03/31/2018
Property, plant and equipment							
Land	11,715				(160)	(81)	11,474
Buildings and constructions	280,030	29	1,570	(2,759)	(1,078)	(1,143)	276,649
Machinery and equipment	296,392	65	10,940	(8,841)	(193)	(1,024)	297,339
Furniture and fixtures	31,043	146	1,569	(1,819)	(707)	5	30,237
Vehicles	2,461	-	-	(184)	-	(47)	2,230
Leashold improvements	46,114	775	1,910	(3,206)	-	(28)	45,565
Projects in progress (iii)	55,032	7,697	(16,076)	-	-	422	47,075
Other fixed assets	10,630	-	-	-	(212)	174	10,592
Provision for losses ("impairment") (iv)	(11,772)	-	-	-	-	-	(11,772)
Total	721,645	8,712	(87)	(16,809)	(2,350)	(1,722)	709,389

	Consolidated						
	12/31/2016	Additions	Transfers (i)	Depreciation	Write-offs	Other changes (ii)	12/31/2017
Property, plant and equipment							
Land	12,256					(541)	11,715
Buildings and constructions	277,445	185	20,370	(10,790)	(1,402)	(5,778)	280,030
Machinery and equipment	287,045	5,232	52,941	(36,413)	(3,273)	(9,140)	296,392
Furniture and fixtures	30,143	4,110	2,595	(7,943)	(741)	2,879	31,043
Vehicles	3,122	-	715	(782)	(27)	(567)	2,461
Leasehold improvements	44,293	3,346	5,547	(13,331)	(725)	6,984	46,114
Projects in progress	60,986	79,291	(85,158)	-	-	(87)	55,032
Other fixed assets	13,440	-	-	-	(135)	(2,675)	10,630
Provision for losses ("impairment")	(6,647)	-	-	-	-	(5,125)	(11,772)
Total	722,083	92,164	(2,990)	(69,259)	(6,303)	(14,050)	721,645

(i) The transfers correspond to the changes in assets between the line item "Projects in progress" to the corresponding definite accounts in "Property, plant and equipment", upon completion of projects.

(ii) Mainly refers to foreign exchange variation of foreign subsidiaries.

(iii) The balances recorded in line item "Projects in progress" refer to the following projects: (1) maintenance and modernization of plants, with investments of approximately R$ 15,056; and (2) several improvements and expansion of the manufacturing process, with investments of approximately R$ 15,950; and (3) other projects R$ 16,069.

(iv) Refers to provision for asset losses of deactivated plants or obsolete assets.

14. Intangible assets

		Parent company					
		03/31/2018			12/31/2017		
	Useful life of amortization (years)	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
With defined useful life:							
Business management systems (i)	4 - 10	197,648	(155,543)	42,105	196,688	(151,546)	45,142
Client portfolio	5	27,311	(27,311)	-	27,311	(27,311)	-
Assignment of commercial rights (ii)	5 - 10	6,515	(870)	5,645	6,621	(781)	5,840
Without defined useful life:							
Brands, rights and patents	-	1,027	-	1,027	1,027	-	1,027
Goodwill in the acquisition of merged subsidiaries	-	53,862	-	53,862	53,862	-	53,862
Projects in progress	-	7,067	-	7,067	7,396	-	7,396
Total		293,430	(183,724)	109,706	292,905	(179,638)	113,267

		Consolidated					
		03/31/2018			12/31/2017		
	Useful life of amortization (years)	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
With defined useful life:							
Brands, rights and patents	1 - 10	22,598	(22,598)	-	22,034	(22,024)	10
Business management systems (i)	4 - 10	212,397	(164,165)	48,232	206,805	(158,948)	47,857
Assignment of commercial rights (ii)	5 - 10	88,557	(13,057)	75,500	91,299	(12,582)	78,717
Client portfolio	1 - 5	46,903	(41,409)	5,494	47,167	(40,637)	6,530
Non-competition agreement	4	20,850	(14,195)	6,655	20,850	(13,197)	7,653
Without defined useful life:							
Brands, rights and patents	-	143,925	-	143,925	143,916	-	143,916
Goodwill in the acquisition of subsidiaries (iii)	-	201,755	-	201,755	201,755	-	201,755
Projects in progress	-	7,067	-	7,067	7,396	-	7,396
Total		744,052	(255,424)	488,628	741,222	(247,388)	493,834

(i) They refer to the expenditures incurred in the acquisition, development and implementation of business management systems, such as SAP/R3, ALPA ONE Platform and LINX, and the costs incurred in the value chain management project.

(ii) Refer to amounts paid in the acquisition of the rights to use points of sale where certain Havaianas and Osklen stores are located (consolidated). As of 2017, the cost of acquisition will be amortized over the remaining contractual term and considering the expectation of renewal.

(iii) Refers to the goodwill regarding: (1) Atlântico Participações S.A. in the amount of R$ 53,862; (2) Alpargatas A.S.A.I.C. -Argentina in the amount of R$ 96,268; and (3) Osklen in the amount of R$ 51,625.

a) Additional information on intangible assets

(i) *Expenditures with research and development of products*

	Consolidated	
	03/31/2018	03/31/2017
Expenditures with research and development of products recorded in income (loss):	4,782	4,858

(ii) *Goodwill impairment test*

Factors that indicated loss on the recoverable value of goodwill in the period were not found.

b) Changes

	Parent company						
	12/31/2017	Additions	Transfers (i)	Amortizations	Write-offs	Other changes	03/31/2018
Intangible assets							
With defined useful life:							
Business management system	45,142	-	623	(3,660)	-	-	42,105
Assignment of commercial rights	5,840	-	-	(195)	-	-	5,645
Without defined useful life:							
Brands, rights and patents	1,027	-	-	-	-	-	1,027
Projects in progress (iii)	7,396	340	(669)	-	-	-	7,067
Goodwill in the acquisition of merged subsidiaries	53,862						53,862
Assignment of commercial rights	-	-	-	-	-	-	-
Total	113,267	340	(46)	(3,855)	-	-	109,706

	Parent company						
	12/31/2016	Additions	Transfers (i)	Amortizations	Write-offs	Other changes (ii)	12/31/2017
Intangible assets							
With defined useful life:							
Business management system	59,626	-	1,403	(15,846)	(7)	(34)	45,142
Assignment of commercial rights	-	-	6,621	(781)	-	-	5,840
Without defined useful life:							
Brands, rights and patents	1,027	-	-	-	-	-	1,027
Projects in progress (ii)	7,005	4,046	(3,655)	-	-	-	7,396
Goodwill in the acquisition of merged subsidiaries	-	-	-	-	-	53,862	53,862
Assignment of commercial rights	3,618	-	(3,721)	-	(1,327)	1,430	-
Total	71,276	4,046	648	(16,627)	(1,334)	55,258	113,267

	Consolidated							
	12/31/2017	Additions	Transf.(i)	Amortizations	Impairment	Write-offs	Foreign exchange variation / Other changes (ii)	03/31/2018
Intangible assets								
With defined useful life:								
Brands, rights and patents	10	-	133	(143)	-	-	-	-
Business management systems	47,857	73	623	(3,930)	-	-	3,609	48,232
Assignment of commercial rights	78,717	679		(2,480)	-	-	(1416)	75,500
Client portfolio	6,530	-	-	(460)	-	-	(576)	5,494
Non-competition agreement	7,653	-	-	(998)	-	-	-	6,655
Without defined useful life:								
Brands, rights and patents	143,916	-	-	-	-	-	9	143,925
Projects in progress (iii)	7,396	340	(669)	-	-	-	-	7,067
Goodwill in the acquisition of subsidiaries	201,755	-	-	-	-	-	-	201,755
Assignment of commercial rights	-	-	-	-	-	-	-	
Total	493,834	1,092	87	(8,011)	-	-	1,626	488,628

	Consolidated							
	12/31/2016	Additions	Transf.(i)	Amortizations	Impairment	Write-offs	Foreign exchange variation / Other changes (ii)	31/122017
Intangible assets								
With defined useful life:								
Brands, rights and patents	1,902	-	-	(1,466)	-	-	(426)	10
Business management systems	62,051	2,001	2,135	(18,337)	-	(7)	14	47,857
Assignment of commercial rights	6,267	1,835	82,890	(11,922)	-	(669)	316	78,717
Client portfolio	3,112	5,576	-	(1,845)	-	-	(313)	6,530
Non-competition agreement	11,646	-	-	(3,993)	-	-	-	7,653
Without defined useful life:								
Brands, rights and patents	143,916	-	-	-	-	-	-	143,916
Projects in progress (iii)	5,569	3,872	(2,045)	-	-	-	-	7,396
Goodwill in the acquisition of subsidiaries	327,255	-	-	-	(125,500)	-	-	201,755
Assignment of commercial rights	85,439	-	(79,990)	-	-	(6,879)	1,430	-
Total	647,157	13,284	2,990	(37,563)	(125,500)	(7,555)	1,021	493,834

(i) The transfers correspond to the changes in assets between the line item "Projects in progress" to the corresponding definite accounts in "Intangible assets", upon completion of projects.

(ii) Mainly refers to foreign exchange variation of foreign subsidiaries.

(iii) The balances recorded in line item "Projects in progress" refer to the following projects: (1) investments in infrastructure and IT, with investment of R$ 6,868, and (2) other projects, R$ 199.

15. Suppliers

	Parent company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Domestic	147,853	207,045	157,133	216,389
Foreigners	53,170	50,756	194,107	159,436
Operation - drawee risk	17,906	12,287	17,906	12,287
Total	218,929	270,088	369,146	388,112

The balance of foreign suppliers mostly refers to amounts denominated in US dollars.

The amount as of March 31, 2018, of R$ 17,906 (R$ 12,287 as of December 31, 2017) refers to financial liabilities with suppliers through financial institutions. Due to their characteristics, these financial liabilities were included in cash advance programs using the Company's credit facilities. The Company understands that this transaction is of a specific nature, maintaining the same maturity date and amounts involved in commercial transactions with suppliers. Therefore, it was not classified separately from the caption "Suppliers".

16. Loans and financing

				Parent company		Consolidated	
		Currency	Index and annual interest rate	31/032018	12/31/2017	31/032018	12/31/2017
Denominated in reais:							
FNE (BNB)	(a)		2.53%	88,670	93,312	88,670	93,312
Finame	(b)		3.38%	31,253	33,990	31,253	33,990
Finem	(c)		9.26%	37,454	41,728	37,454	41,728
Exim (BNDES)	(d)		10.87%	-	142,171	-	142,171
Debtor risk	(e)		11.64%	-	-	14,635	21,655
Debentures	(f)		7.18%	254,704	250,551	254,704	250,551
Total in Reais				412,081	561,752	426,716	583,407
Denominated in foreign currency:							
Foreign facility (4131) - Terras de Aventura Ind. Artigos Esportivos S.A. - Osklen	(g)	US$	2.72%			32,673	30,936
"Working capital" - Alpargatas USA	(h)	US$	3.56%	-	-	4,693	15,058
"Working capital" - Terras de Aventura Ind. Artigos Esportivos S.A. - Osklen	(h)	US$	3.41%	-	-	16,269	16,540
"Line of Credit" - Alpargatas USA		US$	2.99%	-	-	80,684	67,522
Financial leases -Alpargatas S.A.I.C. - Argentina	(i)	AR$	23.88%	-	-	70	92
"Working capital" - Alpargatas S.A.I.C. - Argentina	(i)	AR$	24.40%	-	-	37,565	20,088
Total foreign currency				-	-	171,954	150,236
Overall total				412,081	561,752	598,670	733,643
Current liabilities				70,703	237,050	257,292	408,941
Non-current liabilities				341,378	324,702	341,378	324,702

(a) Allocated to support investment programs in the Northeastern region, and investment in the Montes Claros plant in the Northern region of Minas Gerais. The clearance of contract installments was tied to disbursement schedule of investments. Guarantees are backed by a letter of bank guarantee.

(b) Loans and financing related to FINAME, which were raised by the parent company between 2010 and 2014, are aimed at financing equipment used by the company for improving and increasing production (usually plant equipment). The average term of operations is 96 months (eight years). These financings are monthly amortized, one portion relating to principal value and the other to interest.

(c) In October 2015, the Company received a credit of R$25,445 related to Pro Design (FINEM). The amounts raised in this modality are aimed at contributing and fostering the development and strengthen the trademark, and also product creation. There are two financing contracts in this modality, one for flip flops and other focused on sports items. Both with a term of 60 months.

(d) In June 2016, the company received a credit of R$ 180,840 related to the financing of the BNDES-EXIM Pre-Shipment facility signed with the banks Santander and Safra. The funds are aimed at financing the exports of flip flops, and require evidence of the export performance during the contract period at the end of the operation. The financing will be amortized in a single installment in 2018.

(e) Loans obtained by subsidiary Terras de Aventura Indústria de Artigos Esportivos S.A. to finance working capital.

(f) In December 2017, the Company raised the amount of R$ 250,000,000 (two hundred and fifty million reais) through the issuance of unsecured simple debentures, non-convertible into shares, of the first issuance. The proceeds will be used for the ordinary management of its businesses, as provided for in its bylaws. The amortization of funds will be made in full in a single installment on the maturity date of each series, with the first in December 2019, the second in December 2020 and the third in December 2022.

(g) In August 2016, the Company, by means of the subsidiary Terras de Aventura Indústria de Artigos Esportivos S.A., raised the amount of US$4,746 (four million seven hundred forty six thousand dollars) with maturity in February 2017. On the same date, a swap was purchased to hedge against interest rate, converting the financial charges (1.65% p.a.) into 114.00% of CDI (see note 34.c), designating the derivative financial instrument to hedge fair value. In September 2016, raised the amount of US$3,773 (three million seven hundred seventy-tree thousand dollars) with maturity in August 2017. On the same date, a swap was purchased to hedge against interest rate, converting the financial charges (1.85% p.a.) into 114.00% of CDI (see note 34.c), designating the derivative financial instrument to hedge fair value. In October 2016, the Company raised the amount of US$4,658 (four million six hundred fifty-eight thousand dollars) with maturity in August 2017. On the same date, a swap was purchased to hedge against interest rate, converting the financial charges (1.85% p.a.) into 114.00% of CDI (see note 34.c), designating the derivative financial instrument to hedge fair value. The loans and swaps are presented at their fair values. In August 2017, it raised the amount of US$ 9,519,000 (nine million, five hundred and nineteen thousand dollars), maturing in August 2018. On the same date, a swap was purchased to hedge against interest rate, converting the financial charges (2.72% p.a.) into 116.80% of CDI (see note 34.c), designating the derivative financial instrument to hedge fair value.

(h) The loans and financing funded by foreign subsidiaries are guaranteed by Company's collaterals, according to the limits approved by the Board of Directors.

(i) The loans and financing funded by Alpargatas S.A.I.C. - Argentina are used in the working capital of the operation, and do not have covenants or guarantees.

The other loans are guaranteed by Promissory Notes and conditional disposal of the assets of the Company and its subsidiaries, with the exception of the *working capital* of Alpargatas S.A.I.C. - Argentina.

The maturities for the installment recorded in non-current liabilities are shown as follow:

	Parent company		Consolidated	
	31/032018	12/31/2017	31/032018	12/31/2017
2019	130,239	118,559	130,239	118,559
2020	123,554	118,559	123,554	118,559
2021	18,559	18,559	18,559	18,559
2022	68,559	68,559	68,559	68,559
2023	467	466	467	466
Total	341,378	324,702	341,378	324,702

Contractual covenants

As of March 31, 2018 and December 31, 2017, the loans and financing contracts maintained by the Company and its subsidiaries did not contain restrictive covenants that established obligations by the Company and its subsidiaries. The Company and its subsidiaries are in compliance with these covenants, except for those mentioned below.

On March 31, 2018, due to a covenant related to the change of shareholding control (see note 1.2), the Company temporarily reclassified the balance of loans raised with BNB, through various financial institutions, in the amount of R$ 24,944, from long to short term. The process for obtaining the approvals of said institutions is still under way.

17. Liabilities traded from subsidiaries

	Consolidated	
	03/31/2018	12/31/2017
Current	3,051	4,855
Non-current	12,938	18,834
Total	15,989	23,689

On September 26, 2001, the subsidiary Alpargatas S.A.I.C. - Argentina filed proceedings for provisional remedy regarding the liabilities negotiated with creditors, such decision having been ratified at the Annual Shareholders' Meeting held on March 1, 2002, and the deferral by the competent Commercial Court, on March 7, 2002.

In December 2005, this same Commercial Court, granted the request from the Management of the subsidiary, awarded a decision making public the existence of a preliminary agreement with creditors, and on September 15, 2006, after the fulfillment of certain previously imposed legal obligations, the subsidiary started the implementation of the debt restructuring agreement with creditors.

The above amounts are shown net of the adjustments to present value, in the amounts of R$ 9,184 and R$ 11,738, respectively, as of March 31, 2018 and December 31, 2017. The adjustment to present value has been calculated considering as rate, the difference between the base rate of Argentina and the fixed rate for restating liabilities, as established according to the terms of the traded liabilities. As of March 31, 2018, the average discount rate for adjustment to present value was 15% per year.

The effects arising from the net reversal of adjustment to present value have been recorded in the line item "Financial Expenses" in the consolidated, and total R$ 1,866 in profit or loss for the quarter ended March 31, 2018 (R$ 458 related to the same period of 2017).

Total liabilities are subject to annual interests between 1% and 3%, and have maturity terms between 15 and 25 years, with grace period from 6 to 10 years, from the date in which agreements were entered into.

As at March 31, 2018, the reversals expected for the following years related to the adjustment to present value are shown as follow:

2018 (nine months)	1,154
2019	1,072
2020	1,037
>2021	5,921
Total	9,184

The maturities estimated for the installment recorded in non-current liabilities are shown as follow:

2019	2,573
2020	2,550
>2021	7,815
Total	12,938

Balance at December 31, 2017	23,689
Interest - reversal	(1,794)
Exchange-rate change	(4,913)
Payments	(993)
Balance at March 31, 2018	15,989

18. Tax obligations

	Parent company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
ICMS	628	4,217	2,618	11,193
Social Integration Program - PIS and Contribution for the Financing of Social Security - COFINS			520	2,917
Excise Tax - IPI	898	857	898	857
Income tax and social contribution	-	2,120	-	2,050
Brasil Maior Plan	2,465	3,916	2,465	3,916
INSS Third-Parties	318	966	318	966
Alpargatas S.A.I.C. - Argentina:				
Other taxes	-	-	2,084	2,221
Alpargatas Europe S.L.U. - Spain:				
Income tax	-	-	13,365	2,586
Other taxes	-	-	384	961
Alpargatas International - Spain:				
Income tax	-	-	1,854	-
Other	2,009	3,542	3,851	5,118
Total	6,318	15,618	28,357	32,785

19. Provisions and other obligations

	Parent company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Royalties payable	1,558	1,197	1,197	1,197
Provision for freight payable	3,596	5,438	7,821	7,619
Advertising payable	2,132	10,597	5,836	13,954
Commissions payable	2,958	2,953	10,404	4,822
Provision for legal fees - COFINS lawsuit (Note 22)	8,046	8,046	8,046	8,046
Import expenses - US	-	-	-	2,848
Expenses related to change in controlling interest (i)	3,830	3,957	3,830	3,957
Advances from clients	3,749	5,326	6,052	5,326
Advance from third-parties - Argentina (ii)	-	-	-	36,600
Storage - EMEA/USA	-	-	6,429	3,457
Other accounts payable (commissions, outsourced services, concessionaires and other)	14,913	6,308	52,219	47,027
Total	40,782	43,822	101,834	134,853

(j) These refer to expenses to be incurred in obtaining approvals for the brand licensing agreements, rental of commercial points and loans with financial institutions (see note 16), as a result of the transfer of control of the Company, as mentioned in note 1.2, considering the current covenants in the respective contracts.

(iii) Refers to the advance for the sale of real estate in Argentina.

20. Related parties

a) Balances with subsidiaries

	Parent company	
Non-current assets and (liabilities)	03/31/2018	12/31/2017
Alpargatas Imobiliária S.A.	(23)	(23)
Alpargatas S.A.I.C. - Argentina	8,894	8,984
Terras de Aventura Indústria de Artigos Esportivos S.A. - Osklen (i)	34,483	34,604
Total	43,354	43,565

(i) Refer to two loan agreements in the amounts of R$ 12,000, maturing on March 23, 2019 and bearing interest rate of 107.40% of the CDI, and R$ 20,000, maturing on February 14, 2019 and bearing interest rate of 104.45% of the CDI.

The balance is represented by the current account between the Company and its subsidiaries, in view of the centralized management of cash and cash equivalents.

b) Balances receivable and payable from subsidiaries' transactions

		Parent company Accounts receivable		Parent company and Consolidated Accounts payable	
		03/31/2018	12/31/2017	03/31/2018	12/31/2017
Alpargatas USA Inc. - United States	(ii)	21,474	17,643	-	-
Alpargatas Europe S.L.U. - Spain	(ii)	53,407	25,258	-	-
Alpargatas S.A.I.C. - Argentina		4,975	4,644	-	-
Alpargatas Calzados del Uruguay S.A.		1,035	1,018	-	-
Alpargatas Colômbia SAS		1,072	-	-	-
Total		81,963	48,563	-	-

c) Transactions with subsidiaries

Transactions made with subsidiaries are shown below:

		Sale of products/services		Purchase of products/services	
		03/31/2018	03/31/2017	03/31/2018	03/31/2017
Alpargatas S.A.	(i)	42,780	38,314	-	-
Alpargatas USA Inc. - United States		-	-	3,677	4,381
Alpargatas Europe S.L.U. - Spain		-	-	35,807	31,777
Alpargatas S.A.I.C. - Argentina		-	-	2,295	1,251
Alpargatas Colômbia SAS		-	-	1,001	-
JBS S/A		-	-	-	905
Total		42,780	38,314	42,780	38,314

(i) Substantially comprise sales of flip flops of "Havaianas" trademark to the subsidiaries located in the US and Europe, in view of the operations model, and the distribution channel format defined for the Company's foreign operations, in which products are manufactured in Brazil and then sold to foreign subsidiaries, where they are resold.

During the quarters ended March 31, 2018 and 2017, the Company did not record any derecognition or allowance for doubtful accounts for balances receivable of foreign subsidiaries.

(ii) Accounts receivable for the sales of the products described in item (i), which receipts will occur through December 2018.

d) Related-party transactions

		Parent company and Consolidated - Assets			Parent Company and Consolidated - Liabilities	
		03/31/2018	12/31/2017		03/31/2018	12/31/2017
Banco Itaú-Unibanco	(i)	7,247	19,787	(ii)	58,246	70,371
Banco Itaú Argentina		-	-	(iii)	-	20,086
Total		7,247	19,787		58,246	90,457

	Parent Company and Consolidated - Income			Parent Company and Consolidated - Expense	
	03/31/2018	03/31/2017		03/31/2018	03/31/2017
Banco Itaú-Unibanco	-	-	(iv)	1,537	2,221
Banco Itaú Argentina	-	-	(iv)	343	372
Total	-	-		1,880	2,593

(i) The amounts refer to the balance of financial investments of Alpargatas S.A.

(ii) The values refer to: (1) Finame Loans from Alpargatas S.A. in the amount of R$ 11,029; (2) Finem Loans of Alpargatas S.A. in the amount of R$ 32,583; and (3) drawee risk transactions carried out at Osklen in the amount of R$ 14,635 (see note 16). The transactions were contracted prior to the date of change of shareholding control.

(iii) Refer to loans of Alpargatas S.A.I.C - Argentina as of December 31, 2017 (see Note 16). The transactions were contracted prior to the date of change of shareholding control.

(iv) Refers to interest expense on loans mentioned in item (ii)

As of March 31, 2018, except for the collaterals and for the guarantees granted to support the loans and financing operations, as mentioned in Note 16, the Company and its subsidiaries had not granted other collaterals and guarantees to the related parties.

e) Dividends and interest on own capital payable

	Parent company and Consolidated	
	03/31/2018	12/31/2017
Interest on own capital / Dividends	135,179	5,044

f) Remuneration of key management personnel

The Directors' fees are as follow:

	03/31/2018		
	Remuneration		
	Fixed	Variable (i)	Total
Board of Directors and Tax Council	768	-	768
Directors	2,058	2,101	4,159
Total	2,826	2,101	4,927

	03/31/2017		
	Remuneration		
	Fixed	Variable (i)	Total
Board of Directors and Tax Council	910	-	910
Directors	1,957	1,751	3,708
Total	2,867	1,751	4,618

(i) Refers to profit sharing recorded in the quarter.

According to Note 27, during the quarter ended March 31, 2018, an expense was recognized for the long-term incentive plan amounting to R$ 3,750 (R$ 2,000 in the same period of 2017).

In addition to the management remuneration, during the quarter ended March 31, 2018, the Company made contributions to the private pension plan in the amount of R$ 162 (R$ 150 in the same period as 2017) on behalf of the statutory directors.

The annual global Directors' fees set for the year 2018 in the Annual Shareholders' Meeting of April 27, 2018 was R$17,000.

21. Provision for tax, civil and labor risks

As of March 31, 2018 and December 31, 2017, the Company and its subsidiaries are parties to tax, civil and labor lawsuits, arising from tax assessment notices by tax authorities, third-parties and former employees claims, or actions and questionings. For these contingencies, new provisions were recognized, when, in the opinion of Management and its legal advisors, the risk of any loss is considered probable. These provisions are shown as follow:

		Parent company		Consolidated	
		03/31/2018	12/31/2017	03/31/2018	12/31/2017
Labor claims	(i)	19,487	17,979	28,844	28,414
Tax proceedings	(ii)	5,575	5,556	7,868	7,808
Civil proceedings	(iii)	18,102	19,299	18,102	19,299
Contingent liabilities	(iv)	-	-	1,438	1,438
Total		43,164	42,834	56,252	56,959
Current portion		13,525	12,017	16,214	14,992
Installments - non-current		29,639	30,817	40,038	41,967

(i) Refer to the claims filed against the Company and its subsidiaries by former employees and collaborators, who basically claim severance payment, extras, overtime, and allowances that they understand as due in view of the subsidiary liability.

(ii) Basically refers to a COFINS collection of the period from July and September to December 1992, in which the non-taxed differences are disputed, which amount adjusted as of December 31, 2018 amounts to R$4,347. The claim is waiting from a decision in the lower court.

(iii) Refer to civil lawsuits filed against the Company primarily related to moral and material damages arising from discussions of contractual noncompliance regarding consumer and commercial contracts.

(iv) Refers to a contingent liability recognized at fair value as a result of the acquisition of subsidiary Osklen.

Changes

	Parent company			
	Labor	Tax	Civil	Total
Balance at December 31, 2017	17,979	5,556	19,299	42,834
Complements	4,026	19	383	4,428
Payments / Write-offs	(2,518)	-	(1,580)	(4,098)
Balance at March 31, 2018	19,487	5,575	18,102	43,164

	Consolidated				
	Labor	Tax	Civil	Contingent liabilities	Total
Balance at December 31, 2017	28,414	7,808	19,299	1,438	56,959
Complements	4,767	19	426	-	5,212
Payments / Write-offs / Foreign exchange variation	(4,337)	41	(1,623)	-	(5,919)
Balance at March 31, 2018	28,844	7,868	18,102	1,438	56,252

Possible losses

Contingent liabilities with risk of loss classified as possible:

	Parent company and Consolidated	
	03/31/2018	12/31/2017
Tax:		
Tax assessment notice - IRRF (Withholding Income Tax) (i)	10,678	10,622
CSLL and IRPJ (ii)	12,050	11,979
Royalties (iii)	7,647	7,600
IP (iv)	49,199	48,882
Other	9,006	6,540
	88,580	85,623
Civil (indemnity lawsuits)	10,287	10,268

(i) Tax assessment notice aimed at collecting IRRF, offset against IRPJ credits.

(ii) Tax assessment notice related to the non-approval of offsets of tax debits against IRPJ and CSLL debits.

(iii) Tax assessment notice aimed at collecting II, IPI, PIS-Import and COFINS-Import on amounts remitted abroad as royalties, in the period from 2007 to 2010. The Company was awarded a final and unappealable favorable decision in administrative proceeding. The remaining amount refers to tax assessment notice that is still pending judgment.

(iv) Tax assessment notices related to the non-approval of the offset of IPI credits arising from the acquisition of exempt inputs from the former subsidiary Locomotiva da Amazônia Indústria e Comércio de Têxteis Industriais Ltda., corresponding to the period from July 2004 to June 2008.

Contingent assets

The Company claims in court the refund for PIS and COFINS collected with the inclusion of ICMS in their tax bases, the expectation of favorable outcome in such claim is considered probable according to the opinion of its legal advisors.

Such refund refers to the period from March 1996 to May 2008 and from January 2015 onwards for COFINS, and March 2002 onwards for PIS. The amounts involved are estimated at R$300,000, and the Company does not recognize the contingent asset listed above in its assets, according to the Pronouncement CPC 25 - Provisions and contingent liabilities and assets.

22. Taxes with payment requirement suspended

Since 1993 the Company has challenged in court the inclusion of ICMS in the calculation basis of COFINS, and in the period from May 1993 to February 1996 it made judicial deposits and provision has not been reversed since they were not returned yet.

From June 2008 to December 2014, the Company used the stay effects from the Injunction sought at the Federal Supreme Court to keep excluding ICMS from the COFINS calculation basis, however, with no need for making judicial deposits. Nevertheless, such amounts were recorded as liability with suspended payment requirement.

On March 15, 2017 the Federal Supreme Court ruled, in the systematics of general repercussion, the Appeal to the Supreme Court No. 574.706, interpreting the issue favorable to taxpayers, establishing the following thesis: “ICMS should not comprise PIS and COFINS calculation basis”. Such judgment was duly formalized by the Judgment Records published on March 17, 2017 and March 20, 2017, reason why the Company reversed the provision for the amounts which payment was suspended with no judicial deposits, according to the opinion of its legal advisors.

23. Shareholders' equity

a) Capital

Subscribed and paid-in capital have the following ownership structure: March 31, 2018:

	Common shares		Preferred shares		Total	
Shareholders	Quantity	%	Quantity	%	Quantity	%
Controlling shareholders (Itaúsa, Cambuhy I and Cambuhy Alpa)	207,246,069	85.78	47,937,043	20.95	255,183,112	54.24
Directors:						
Board of Directors	25,426,833	10.52	23,046,311	10.07	48,473,144	10.31
Tax Council	-	-	200	-	200	-
Other shareholders	8,935,623	3.70	150,461,295	65.75	159,396,918	33.88
Treasury	26	0	7,396,377	3.23	7,396,403	1.57
Total	241,608,551	100.00	228,841,226	100.00	470,449,777	100.00

March 31, 2017:

	Common shares		Preferred shares		Total	
Shareholders	Quantity	%	Quantity	%	Quantity	%
Parent companies (J&F Investimentos)	207,246,069	85.78	47,937,043	20.95	255,183,112	54.24
Directors:						
Board of Directors	25,220,333	10.44	24,236,311	10.59	49,456,644	10.51
Tax Council	-	-	2,000	-	2,000	-
Other shareholders	9,142,123	3.78	149,269,495	65.23	158,411,618	33.68
Treasury	26	-	7,396,377	3.23	7,396,403	1.57
Total	241,608,551	100.00	228,841,226	100.00	470,449,777	100.00

b) Treasury shares

The Company has 7,393,403 treasury shares at an average cost of R$ 8.69. In the quarter ended March 31, 2018, the “Treasury Shares” account did not record changes.

c) Dividends and interest on own capital

Shareholders are guaranteed, every year, minimum dividend of 25% of net income, calculated under the terms of Corporation law and by-laws.

In the quarter ended March 31, 2018, Management declared interest on own capital in the gross amount of R$ 37,700 (R$ 33,160, net of Withholding Income Tax - IRRF) and unit values per share class are described as follows:

	Per share - R$ (gross)	
	Common	**Preferred**
Interest on own capital	0.0777	0.0854

On February 9, 2018, the Board of Directors approved the proposal for the payment of dividends "ad referendum" of the Annual Shareholders' Meeting held on April 27, 2018, in the amount of R$ 97,439, of which R$ 27,778 refers to net income for the year 2017 and R$ 69,661 related to profit reserves from prior years.

Additional dividends distributed per share	
Dividends	**97,439**
Common shares	0.2008
Preferred shares	0.2209

Preferred shares will be entitled to the following advantages: (i) the receipt of dividends per preferred share, which is 10% (ten percent) higher than the dividends assigned to each common share; and (ii) priority in the reimbursement of capital, without premium, up to the amount of the capital represented by these shares, in case of Company's liquidation.

d) Tax incentive reserve

From January 1, 2008, tax incentives started to be directly recorded in profit or loss, being later on, upon the closing of the annual financial statements, recognized as "Tax incentive reserve" in "Profit Reserves" group.

e) Legal reserve

The legal reserve is calculated at the rate of 5% of the net income under current legislation, up to the limit of 20% of the capital.

24. Information per business segment

The main operating decision maker about the Company's operations is the CEO.

Although the Company has a matrix management structure where sales income is analyzed by the main decision maker in several levels, because the products manufactured and sold by the Company and its subsidiaries are divided into several trademarks among shoes, sports items, flip flops and clothing, the operations are managed by geographical segments with the following segregation: (i) Domestic Operations: performance of the Company and its subsidiaries in Brazil, and (ii) Foreign Operations: performance of the subsidiaries in Argentina, and the consolidated performance of the subsidiaries in the US and Europe, as well as direct exports.

Net income per segment is as follows in the quarter ended March 31, 2018:

- Domestic operations:
  - Brasil: 63.5%

- Foreign operations:
  - Argentina: 16.6%
  - Europe, United States and Exports: 19.9%

The segment performance was assessed based on net operating income, net income, and employed capital (total assets less current and non-current liabilities) in each segment. This measurement basis includes the financial effects, income tax and social contribution, depreciation and amortization.

Information is shown below:

						03/31/2018
Statement of income accounts - Continued operations	**Net operating income**	**Net income (loss)**	**Depreciation and amortization**	**Financial income (loss)**	**Net foreign exchange variation**	**Income tax and social contribution**
Domestic operations:						
Brazil	525,554	66,470	(15,477)	379	1,124	(2,566)
Terras de Avent. Ind. Art.Esport. S.A. - Osklen	47,305	(2,980)	(4,669)	(2,536)	2,027	4,179
Foreign operations:						
Argentina	150,031	24,522	(963)	(5,820)	(6,165)	(8,482)
International Flip Flops	179,194	24,868	(3,711)	(723)	(2,436)	(10,107)
Consolidated	902,084	112,880	(24,820)	(8,700)	(5,450)	(16,976)

						03/31/2017
Statement of income accounts - Continued operations	**Net operating income**	**Net income (loss)**	**Depreciation and amortization**	**Financial income (loss)**	**Net foreign exchange variation**	**Income tax and social contribution**
Domestic operations:						
Brazil	423,799	151,535	(16,277)	(1,453)	(1,565)	(37,524)
Terras de Avent. Ind. Art.Esport. S.A. - Osklen	42,282	(15,207)	(3,615)	(2,402)	(244)	4,087
Foreign operations:						
Argentina	154,075	4,351	(1,082)	(4,985)	138	14,581
International Flip Flops	187,304	34,646	(3,100)	(690)	(1,221)	(11,160)
Interest of non-controlling shareholders	-	6,112	-	-	-	-
Consolidated	807,460	181,437	(24,074)	(9,530)	(2,892)	(30,016)

The table below presents equity balance as of March 31, 2018 and December 31, 2017.

			03/31/2018			12/31/2017
Assets and liabilities	**Total assets**	**Current and non-current liabilities**	**Addition to fixed and intangible assets**	**Total assets**	**Current and non-current liabilities**	**Addition to fixed and intangible assets**
Domestic operations:						
Brazil	2,458,405	824,867	6,159	2,617,330	910,035	78,292
Terras de Avent. Ind. Art.Esport. S.A. - Osklen	376,352	185,728	488	405,059	210,061	2,337
Foreign operations:						
Argentina	462,489	283,756	306	472,135	281,017	8,818
International Flip Flops	476,064	242,641	2,851	358,930	187,952	16,001
Consolidated	3,773,310	1,536,992	9,804	3,853,454	1,589,065	105,448

The Company has a diluted client portfolio, and no individual client accounts for more than 6% of sales income.

25. Net operating income

	Parent company		Consolidated	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Gross operating income:				
Domestic market	639,073	513,739	695,255	571,842
Foreign market	68,732	68,187	377,907	390,730
	707,805	581,926	1,073,162	962,572
Returns and cancellations	(18,872)	(13,628)	(25,079)	(27,528)
Sales taxes	(94,218)	(76,149)	(145,999)	(127,584)
Net operating income	594,715	492,149	902,084	807,460

26. Expenses per type

The Company presents the statement of income using a classification of expenses based on their function. The information on expense by type is as follows:

	Parent company		Consolidated	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Cost of goods sold:				
Raw materials	198,414	168,087	281,053	242,094
Salaries, social charges and benefits	109,070	108,270	153,746	157,373
Depreciation	11,096	10,806	11,870	11,640
Hedge accounting (note 33.c)	-	1,944	-	1,944
Provision for tax, civil and labor risks	3,398	3,055	3,644	3,053
Other costs	27,228	24,438	42,936	41,130
Total	349,206	316,600	493,249	457,234
Sales expenses:				
Salaries, social charges and benefits	17,749	17,841	50,875	45,971
Profit sharing	2,779	3,120	4,655	4,348
Freight	18,924	15,412	27,382	25,105
Advertising and publicity	42,961	36,095	59,204	49,546
Commissions	2,037	2,052	12,788	13,296
Clients' agreement	-	4,473	-	5,105
Depreciation	549	616	3,653	3,587
Royalties	7,823	6,271	7,966	6,351
Third party services	5,362	3,981	12,733	10,581
Rental / Leasing	2,071	2,476	19,388	17,040
Travel expenses	1,019	919	2,536	2,320
Storage expenses	1,559	1,124	11,490	10,082
Bulk packaging	3,375	7,097	3,375	7,097
Cargo Insurance	1,542	1,688	2,243	2,304
Other	13,222	9,831	26,109	17,511
Total	120,972	112,996	244,397	220,244
General and administrative:				
Salaries, social charges and benefits	20,080	20,348	28,500	29,333
Directors' fees (Note 20.f)	4,897	4,523	4,928	4,618
Third party services	5,925	6,736	9,229	10,548
Depreciation	746	861	1,286	1,453
Rent and condominium	3,145	3,117	3,495	3,389
Maintenance and repairs	1,949	2,225	2,032	2,268
Other	3,719	3,726	5,347	5,072
Total	40,461	41,536	54,817	56,681

27. Long-term incentive plan

On April 23, 2015, in the Annual and Special Shareholders' Meeting the shareholders approved the new long-term incentive plan (ILP). The ILP plan is based on a value-creation policy that enables some employees of the Company and its subsidiaries to acquire rights with the Company, based on the distribution of a portion of the creation of future value for the Company that exceeds the hurdle rate *(ke / hurdle rate)* to its shareholders, and has the following benchmarks: (i) market (BM&F Bovespa); (ii) economic (multiple of EBITDA); and (iii) multiple of dividends.

Individual interest of beneficiaries in the creation of value in excess of the hurdle rate is operationalized by granting Virtual Value Units (UVV), which individual value is calculated by: (i) weighing of the average quotation of shares over the last 60 trading sessions (40%); (ii) multiple of EBITDA discounted of net debt divided by the number of shares (40%); and (iii) dividends and interest on own capital per share divided into *dividend yield* (20%).

The UVV translations into payment will be made by the beneficiary in up to five years and three months from the commencement of each annual program, provided that the following grace periods are observed: (i) up to 36 months: no translation will be allowed; (Ii) after 36 months: up to 33%; (iii) after 48 months: up to 66%; less those already exercised and; (iv) after 60 months: up to 100%, discounted of those already exercised. The settlement will be in cash.

The new plan started on January 1, 2015 and provides five annual programs, from 2015 to 2019. The Board of Directors of the Company may approve new programs after 2019.

In case the beneficiary is no longer an employee or director of the Company and its subsidiaries during the effective period of the ILP plan, except due to death, retirement or permanent disability, the conversion into payment of the UVVs granted to the beneficiary will be restricted only to the UVVs that have already been vested for conversion. In the event any beneficiary is no longer an employee or management member of the Company and its subsidiaries due to just cause, all of the UVVs not exercised, whether vested or not, will be cancelled. In case of death, permanent disability or retirement, all of the UVVs, including those that have not been vested yet for translation into payment, will become exercisable earlier, and converted into cash, and such right shall be exercised for said employee by the respective heirs and successors.

The accounting expense recorded in profit or loss related to long-term incentive plans, in the quarter ended March 31, 2018, was R$ 3,750 (R$ 2,000 in the quarter ended 2017), as a contraentry to the liability account of long-term incentive plan.

28. Employee benefits

The Company and its subsidiaries sponsor a defined contribution private pension plan, and, in addition, grant its own conceded um single-life annuity and pension plan for a certain group of former employees and respective spouses which will be extinguished after the last beneficiary's death. As of March 31, 2018 and December 31, 2017, actuarial liabilities of these plans is R$ 172.

29. Financial income and expenses, net

	Parent company		Consolidated	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Financial income:				
Yields from financial investments	9,064	11,269	9,277	11,845
Asset interest	1,488	2,501	1,684	3,167
Other	574	524	47	615
	11,126	14,294	11,008	15,627
Financial expenses:				
Interest and charges on loans and financing	(7,849)	(9,852)	(14,200)	(14,210)
Interest and charges on liabilities traded from subsidiary	-	-	1,794	(1,158)
Tax on Financial Operations - IOF	-	(78)	(131)	489
Tax on bank operations -Argentina	-	-	(1,983)	(1,639)
Inflation adjustment on taxes	-	-	(465)	-
Bank expenses	(995)	(965)	(995)	(1,126)
Adjustment to present value	(1,599)	(4,152)	(1,599)	(4,152)
Liability interest	-	-	(1,366)	(2,362)
Other	(666)	(849)	(995)	(940)
Total	(11,109)	(15,896)	(19,940)	(25,098)
Gains on operations with derivative financial instruments	960	965	960	965
Losses on operations with derivative financial instruments	(728)	(1,024)	(728)	(1,024)
	232	(59)	232	(59)
Total	249	(1,661)	(8,700)	(9,530)

30. Net foreign exchange variation

	Parent company		Consolidated	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Foreign-exchange income	3,236	2,695	8,368	2,946
Foreign exchange losses	(1,785)	(5,124)	(13,818)	(5,839)
	1,451	(2,429)	(5,450)	(2,893)

31. Other operating income (expenses)

	Parent company		Consolidated	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Other operating income:				
Sale of scrap	276	170	276	170
Income from deductible rate	231	103	231	103
Gain in the sale of property, plant and equipment	-	45	-	45
Income from sale of property in Argentina	-	-	45,543	-
Escrow Osklen	-	235	-	235
Write-off of taxes with enforceability suspended (Note 22)	-	190,518	-	190,518
Credit action premium IPI (iii)	-	22,223	-	22,223
Tax credit - Argentina (ii)	-	-	7,652	33,323
Reimbursement of affected goods	819	-	819	-
Other	968	369	2,322	971
	2,294	213,663	56,843	247,588

Other operating expenses:				
Amortization of intangible assets	(3,855)	(4,745)	(8,011)	(7,394)
Provision for labor, civil and tax risks (Note 21)	(1,030)	(591)	(1,814)	(742)
Long-term incentive plan (Note 27)	(3,750)	(2,000)	(3,750)	(2,000)
Special projects	-	(298)	-	(298)
Severance pay	(168)	(1,937)	(3,399)	(1,937)
Provision for industrial restructuring	-	(14,695)	-	(14,695)
Provision for losses on property, plant and equipment	-	(7,719)	-	(7,719)
Cotton moratorium Argentina (i)	-	-	-	(14,660)
Restructuring - Argentina	-	-	-	(33,462)
Provision expenses Novo Mercado	-	(2,500)	-	(2,500)
Impairment of goodwill - Osklen	-	-	-	(5,552)
Other	(3,651)	(2,611)	(5,484)	(6,055)
	(12,454)	(37,096)	(22,458)	(97,014)
Total	10,160	176,567	34,385	150,574

(i) In March 2017, Alpargatas S.A.I.C. - Argentina renegotiated with the domestic tax authority the payment of a debit of taxes levied on cotton purchases, for the years from 2005 to 2012. The payment will be made in sixty (60) monthly installments starting in April 2017.

(ii) In March 2017, Alpargatas S.A.I.C. - Argentina obtained favorable outcome in a lawsuit against the Argentine Government, which challenged the suspension of export benefit in 1992.

(iii) Updating of the amount of the court-ordered debt payment (*precatório*) according to calculation approved by the Federal Court.

32. Profit sharing

The Company and its subsidiaries grant profit sharing to its employees related to the achievement of operating goals and specific objectives established and approved at the beginning of each year for each plant/unit. In the quarters ended March 31, 2018 and 2017, the following amounts were recognized:

	Parent company		Consolidated	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Profit sharing program	11,220	14,310	14,067	17,222

This liability is recorded in “Salaries and social security charges payable” account in current liabilities. The expense is calculated under “Cost of Products Sold”, “Sales Expenses” and “General and Administrative Expenses” captions.

33. Financial derivative instruments and risk management

a) Sundry considerations and policies

The management of financial instruments, including derivatives, is carried out by means of policies, definition of strategies and establishment of control systems, and are monitored by the Company's management.

The treasury procedures defined by the prevailing policy include monthly routines of projection and evaluation of the consolidated exchange exposure of the Company and its subsidiaries, on which the decisions made by Management are based.

b) Financial risk management

Financial risk factors

The activities of the Company and its subsidiaries expose them to various financial risks: market risk (including currency risk and interest rate), credit and liquidity risk. The Company's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects in financial performance, and when required, using derivative financial instruments to hedge certain risk exposures.

The risk management is conducted by the Company's Treasury Department, and policies are mandatorily approved by the Board of Directors. The Treasury Department identifies, values and hires financial instruments with the intention of protecting the Company from possible financial risks, specially those derived from interest and foreign exchange rate.

b.1) *Market risk*

The Company is exposed to market risks arising from a number of its business activities. These risks mainly involve the possibility of fluctuations in exchange rates and changes in interest rates.

(i) Foreign exchange risk

In view of accounts receivable and financial obligations of several natures assumed by the Company in foreign currencies, an Foreign Exchange Hedge policy is conducted establishing levels of exposure related to this risk.

Considering values in foreign currency of balances receivable and payable of commitments already assumed and recorded in the financial statements derived from the Company's operations, as well as future cash flows.

(ii) Interest rate risk

The Company's interest rate risk arises from interest earning bank deposits which are post-fixed and loans and financing are on short and long-term basis.

b.2) *Credit risk*

Sales are mainly made to retail and wholesale stores. The credit risk is reduced by the large dispersion of the client portfolio and the procedures of evaluation and concession of credit. As of March 31 2018, the amount recorded for allowance for doubtful accounts was R$ 54,300 (R$ 48,320 as of December 31, 2017). The maximum exposure to credit risk on the base date of March 31, 2018 is the book value of accounts receivable presented in note 7.

The Company and its subsidiaries are also subject to credit risks related to the financial instruments contracted in the management of its business.

The risk of non-settlement of the operations that it maintains at financial institutions with which it operates was considered low, which are considered prime by the market.

The Company maintains cash, cash equivalents and short-term interest earning bank deposits in prime financial institutions and does not limit its exposure to a specific institution. As of March 31, 2018, the maximum exposure to credit risk is the book value of cash, cash equivalents and interest earning bank deposits, presented in note 6.

b.3) *Liquidity risk*

Prudent liquidity risk management implies in maintaining cash, enough marketable securities, cash fund raising availability by means of bank credit facilities and capacity to settle market positions.

Management monitors the consolidated liquidity level of the Company, considering the expected cash flows against the credit facilities not used and amounts not available in cash and cash equivalents. The following table, in item d), analyzes financial liabilities per maturity brackets, corresponding to the remaining period in balance sheet, in relation to contract maturity date. Amounts presented in the table are contracted undiscounted cash flows.

c) Derivative financial instruments and hedge accounting

The Company has imports of finished products and raw materials in dollars, in relation to business units of Sporting Goods and Flip Flops. In addition, the Company also buys part of its local raw materials at a price that is subject to indirect impact of the exchange-rate change. On the other hand, the Company also has exports of flip-flops, which are mostly sold in dollars.

The volume of exports and receipts in foreign currency is higher than the volume of imports and payments in foreign currency. Accordingly, the Company has foreign exchange exposure whose export position is higher than the import position, that is, it has a risk of loss in case of decrease in the foreign exchange rate.

In addition, the Company may eventually contract exchange derivatives against the risk of exchange-rate change on debts in foreign currency (for example, Export Credit Note (NCE), Export Prepayment (PPE), among other).

In order to mitigate this risk and mainly to hedge its cash flow, the Foreign Exchange Risk Management Policy was approved by the Company's Board of Directors. This policy establishes the guidelines for operations of hedge of the cash flow through derivative financial instruments.

The operations with derivatives aim to hedge the Company's future cash flow through reduction of foreign exchange exposure to a horizon of 12 months in the future. The future foreign exchange exposure is based on projections of payments and receipts in foreign currency. These operations aim to hedge against impacts of the exchange-rate change on imports and exports.

The book balance recorded in Company's balance sheet as of March 31, 2018 is in the table below:

	03/31/2018		12/31/2017	
	Assets	Liabilities	Assets	Liabilities
NDF- “Non-Deliverable Forward” (Fair value - MtM)	-	90	-	587

The accumulated impacts of derivative instruments of the NDF type on income (loss) for the quarter ended March 31, 2018 totaled R$ 232 in Financial Income/Expenses (see note 29).

The settlements of derivative financial instruments of the type NDF in the quarter ended March 31, 2018 totaled a cash outflow of R$(265).

Cash flow hedge

As of December 31, 2017, the Company discontinued the hedge accounting to all operations with derivative financial instruments of the type NDF, whose object of hedge, exports of flip-flops are highly-probable imports and future purchases of inventories in foreign currency.

The accumulated impacts of derivative instruments of the NDF type on income (loss) for the quarter ended March 31, 2017 totaled R$(2,003) of which R$(59) in Financial Income/Expenses (see note 30) and R$(1,944) in Costs of Sold Products (see note 26).

Fair value hedge

The Company adopts the hedge accounting to operations with derivative financial instruments of the Swap type, whose object of hedge is the risk of changes on debts in foreign currency.

On March 31, 2018, the Company, through the subsidiary Terras de Aventura Indústria de Artigos Esportivos S.A. had a position of derivative financial instruments of the type Swap designated as hedge of debts in foreign currency, obtained through Foreign Facility 4131, with maturity on August 22, 2018. The settlement of this type of instrument is made according to the present value on the settlement date. The book balance recorded in Company’s balance sheet as of March 31, 2018 is in the table below:

	03/31/2018		12/31/2017	
	Assets	Liabilities	Assets	Liabilities
Swap	430	-	-	785

The operations of hedge of fair value of loans in currency were considered as highly efficient on March 31, 2018.

Accumulated impacts on transactions in income (loss) for the quarter ended March 31, 2018 totaled R$(1,289).

d) Liquidity risk

The consolidated book value of financial liabilities is measured under the amortized cost method, and its corresponding fair values are as follows:

	03/31/2018				
	< 1 year	1-2 years	3-5 years	>5 years	Future Flow
Current:					
Obligations from financial lease	70	-	-	-	70
Loans and financing	257,222	130,239	211,139	-	598,600
Loans and financing (charges)	24,524	20,048	20,571	-	65,143
Suppliers	369,146	-	-	-	369,146
Total	650,962	150,287	231,710	-	1,032,959

	12/31/2017				
	< 1 year	1-2 years	3-5 years	>5 years	Future Flow
Current:					
Obligations from financial lease	92	-	-	-	92
Loans and financing	408,849	237,118	87,584	-	733,551
Loans and financing (charges)	40,512	40,783	8,746	-	90,041
Suppliers	388,112	-	-	-	388,112
Total	837,565	277,901	96,330	-	1,211,796

e) Capital management

The Company's objectives in managing its capital are to safeguard its business continuity capacity to offer return to shareholders and benefits to the other stakeholders besides maintaining an optimal capital structure to reduce this cost.

	03/31/2018	12/31/2017
Cash and cash equivalents and interest earning bank deposits	709,945	706,353
(-) Short and long-term loans and financing	(598,670)	(733,643)
Net financial position	111,275	(27,290)
Shareholders' equity	2,240,234	2,264,389

f) Foreign exchange exposure

The Company is exposed to changes in the US dollar. For the subsidiaries abroad, there is no risk of currency exposure, since monetary assets and liabilities are maintained in the functional currencies of each location.

	Parent company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Assets:				
Trade accounts receivable	102,447	80,122	102,447	80,122
Total assets	102,447	80,122	102,477	80,122
Liabilities:				
Suppliers	53,170	50,756	53,170	50,756
“Royalties” payable	1,558	1,197	1,558	1,197
Total liabilities	54,728	51,953	54,728	51,953
Net exposure	47,719	28,169	47,719	28,169
Derivative financial instruments	(16,120)	(29,772)	(16,120)	(29,772)
Total exposure for sensitivity analysis purpose	31,599	(1,603)	31,599	(1,603)

g) Market values

On March 31, 2018 and December 31, 2017, the market values of variable cash investments approximate the values recorded in the financial statements since they are linked to the CDI change. The Company adjusts the market value of its prefixed investments recorded in the balance sheet. Loans and financing are maintained monetarily updated based on interest rates contracted according to usual market conditions and, therefore, the balances payable on the balance sheet dates substantially approximate market values, even those classified as “non-current", considering the type of the corresponding financing.

The fair value of financial instruments that are not traded on active markets (for example, over-the-counter market derivatives) is determined based on evaluation techniques. The Company and its subsidiaries use several methods and define assumptions that are based on market conditions on the balance sheet date. The fair value of forward exchange agreements is determined based on forward exchange rates, quoted on the balance sheet date.

It is assumed that balances of trade accounts receivable and trade accounts payable, recorded at book value, approximate their market fair values, due to the short-term of transactions made.

The Company and its subsidiaries adopt hierarchical rules to determine the fair values of its financial instruments, which requires disclosure of the measurements of fair value according to the level of the following hierarchy:

- Prices quoted (not adjusted) in active markets for identical assets and liabilities (Level 1).
- In addition to quoted prices, information included in level 1 that is adopted by the market for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Exemptions for assets or liabilities that are not based on data adopted by the market (that is, non-observable entries) (Level 3).

The market price quoted and used for the financial assets held by the Group is the price of the existing competitor. These instruments are included in the Level 1.

Specific evaluation techniques used to measure the financial instruments pursuant to Level 2 rules include:

- Market prices quoted or quotations of financial institutions or brokerage firms for similar instruments.
- The fair value of "swaps" of interest rate is calculated at the present value of future cash flows estimated based on yield curves adopted by the market.
- The fair value of future exchange agreements is determined based on future exchange rates on the balance sheet date, whose result is discounted at present value.
- Other techniques, such as analysis of discounted cash flows, are used to determine the fair value of the remaining financial instruments.

Accounting classification and fair values

March 31, 2018	Book value				Fair value		
	Fair value through profit or loss	Fair value - Hedging instruments	Amortized cost	Total	Level 1	Level 2	Total
Financial assets measured at fair value							
Cash and cash equivalents	695,840	-	-	695,840	-	695,840	695,840
Interest earnings bank deposits	14,105	-	-	14,105	-	14,105	14,105
Foreign currency forward contract	-	430	-	430	-	430	430
	709,945	430	-	710,375	-	710,375	710,375
Financial assets not measured at fair value							
Trade accounts receivable	-	-	758,936	758,936	-	-	-
Other accounts receivable	-	-	61,120	61,120	-	-	-
	-	-	820,056	820,056	-	-	-

March 31, 2018	Book value				Fair value		
	Fair value through profit or loss	Fair value - Hedging instruments	Amortized cost	Total	Level 2	Level 3	Total
Financial instruments measured at fair value							
Loans and financing	-	32,318	-	32,318	32,318	-	32,318
Foreign currency forward contract	-	90	-	90	90	-	90
	-	32,408	-	32,408	32,408	-	32,408
Financial liabilities not measured at fair value							
Loans and financing	-	-	566,352	566,352	566,146	-	566,146
Liabilities traded from subsidiary	-	-	15,989	15,989	-	-	-
Suppliers	-	-	369,146	369,146	-	-	-
	-	-	951,487	951,487	566,146	-	566,146

December 31, 2017	Book value				Fair value		
	Fair value through profit or loss	Fair value - Hedging instruments	Amortized cost	Total	Level 1	Level 2	Total
Financial assets measured at fair value							
Cash and cash equivalents	488,007	-	-	488,007	-	488,007	488,007
Interest earnings bank deposits	77,115	-	-	77,115	-	77,115	77,115
	565,122	-	-	565,122	-	565,122	565,122
Financial assets not measured at fair value							
Trade accounts receivable	-	-	911,541	911,541	-	-	-
Other accounts receivable	-	-	60,999	60,999	-	-	-
	-	-	972,540	972,540	-	-	-

December 31, 2017	Book value				Fair value		
	Fair value through profit or loss	Fair value - Hedging instruments	Amortized cost	Total	Level 2	Level 3	Total
Financial instruments measured at fair value							
Loans and financing	-	30,936	-	30,936	30,936	-	30,936
Foreign currency forward contract	-	1,372	-	1,372	1,372	-	1,372
	-	32,308	-	32,308	32,308	-	32,308
Financial liabilities not measured at fair value							
Loans and financing	-	-	702,707	702,707	702,615	-	-
Liabilities traded from subsidiary	-	-	23,689	23,689	-	-	-
Suppliers	-	-	388,112	388,112	-	-	-
	-	-	1,114,508	1,114,508	702,615	-	-

h) Sensitivity analysis of financial instruments

Foreign exchange risk

For the sensitivity analysis of the consolidated exchange exposure on March 31, 2018, whose effects reflect only the impacts on monetary assets and liabilities, the balances of trade accounts receivable and of loans and financing held by the foreign subsidiaries were not considered, which are denominated in local functional currencies of each of these subsidiaries, and for this reason, the Company's Management believes that there is no risk of exchange exposure to these subsidiaries.

Considering the foreign exchange exposures described in item (f) above, on March 31, 2018 the sensitivity analysis concerning the outstanding position is as follows:

	Gain/(loss)		
	Probable scenario	**Possible scenario**	**Remote scenario**
Impacts of USD change			
Trade accounts receivable	5,122	(25,612)	(51,224)
Suppliers	(2,658)	13,292	26,585
"Royalties" payable	(78)	390	779
Impact on income (loss)	2,386	(11,930)	(23,860)
Derivative financial instruments	(1,321)	3,454	7,434
Total impact in income (loss) from derivatives	1,065	(8,476)	(16,426)

The Company considers a devaluation of the Brazilian real of 5% against the U.S. dollar considering a future exchange rate of R$ 3.3668, for December 31, 2018, based on market references.

Possible scenario considers an appreciation of 25% of Brazilian Real in relation to US dollar, considering the rate at R$ 2.4929/US$, and the remote scenario considers an appreciation of 50%, at the rate at R$ 1.6619/US$.

Interest rate risk

The sensitivity analysis was calculated based on the interest rates of non-derivative financial instruments in the end of each reporting period.

The analysis considers the financial assets and liabilities of the parent company at the end of the period and forecasts the financial income and expenses calculated on such balance. Three scenarios have been used. The probable scenario is the interest curve disclosed by BM&FBovespa on the date and the possible and remote scenarios are defined according to the economic panorama.

As of March 31, 2018, 100% of investments was indexed at Interbank Deposit Certificate - CDI. Loans comprised 62% of the balance tied to the variable interest curve and 38% of the balance tied to the post-fixed rate or TJLP plus a fixed spread.

	Gain/(loss)		
	Probable scenario	**Possible scenario**	**Remote scenario**
Impacts of interest rate change			
Income from interest earning bank deposits	27,387	26,796	26,205
Expenses with interest on loans	(33,313)	(33,016)	(32,753)
Impact on income (loss)	(5,926)	(6,220)	(6,548)

The benchmark interest rate (Selic) target on March 31, 2018 was 6.50% per annum, and the CDI rate was 6.39% per annum. The probable scenario considers the interest curve as of December 31, 2018, incorporating a cycle of interest cuts of 25 basis points in the Selic target, thus taking the target to 6.25% per annum.

The possible scenario estimates a larger cycle of cuts in the Selic rate, taking the Selic target to 6.25% by the end of the year.

The remote scenario estimates a decrease in 75 basis points, leaving the Selic target at 5.75% per annum.

34. Net earnings per share

	03/31/2018		
Continued operations	**Common shares**	**Preferred shares (a)**	**Total**
Denominator			
Weighted average of total number of shares	241,608,551	228,841,226	470,449,777
Weighted number of treasury shares	-	(7,396,403)	(7,396,403)
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
% of shares in relation to total	52.18%	47.82%	100.00%
Basic / diluted numerator			
Net income for the period of each class of shares	56,202	56,678	112,880
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
Total net income per share - diluted	0.2326	0.2559	0.2438

	03/31/2018		
Discontinued operations	**Common shares**	**Preferred shares (a)**	**Total**
Denominator			
Weighted average of total number of shares	241,608,551	228,841,226	470,449,777
Weighted number of treasury shares	-	(7,396,403)	(7,396,403)
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
% of shares in relation to total	52.18%	47.82%	100.00%
Basic / diluted numerator			
Net income (loss) for the period of each class of shares	-	-	-
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
Total net earning (loss), diluted per share	-	-	-

Consolidated	03/31/2018 Common shares	Preferred shares (a)	Total
Denominator			
Weighted average of total number of shares	241,608,551	228,841,226	470,449,777
Weighted number of treasury shares	-	(7,396,403)	(7,396,403)
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
% of shares in relation to total	52.18%	47.82%	100.00%
Basic / diluted numerator			
Net income for the period of each class of shares	56,202	56,678	112,880
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
Total net income per share - diluted	0.2326	0.2559	0.2438

Continued operations	03/31/2017 Common shares	Preferred shares (a)	Total
Denominator			
Weighted average of total number of shares	241,608,551	228,841,226	470,449,777
Weighted number of treasury shares	-	(7,396,403)	(7,396,403)
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
% of shares in relation to total	52.18%	47.82%	100.00%
Basic / diluted numerator			
Income/loss for the period attributable to each share class	90,336	91,102	181,438
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
Total net earning/loss or the period per share, diluted	0.3739	0.4114	0.3918

Discontinued operations	03/31/2017 Common shares	Preferred shares (a)	Total
Denominator			
Weighted average of total number of shares	241,608,551	228,841,226	470,449,777
Weighted number of treasury shares	-	(7,396,403)	(7,396,403)
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
% of shares in relation to total	52.18%	47.82%	100.00%
Basic / diluted numerator			
Total net earning/loss or the period per share, diluted	(833)	(841)	(1,674)
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
Total diluted earning/loss per share	(0.0034)	(0.0038)	(0.0036)

Consolidated	03/31/2017 Common shares	Preferred shares (a)	Total
Denominator			
Weighted average of total number of shares	241,608,551	228,841,226	470,449,777
Weighted number of treasury shares	-	(7,396,403)	(7,396,403)
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374
% of shares in relation to total	52.18%	47.82%	100.00%
Basic / diluted numerator			
Net income (loss) for the period of each class of shares	89,503	90,261	179,764
Weighted average number of outstanding shares	241,608,551	221,444,823	463,053,374

Total diluted earning/loss per share	0.3704	0.4076	0.3882

(a) Preferred shares are entitled to dividend 10% higher than common shares.

35. Assumed commitments

35.1. Operating leases

Rental

As of March 31, 2018, the Company had rental contracts entered into with third-parties which Management analyzed and concluded that they may be classified as operating leases.

The lease amount for properties is always the higher of: (i) the equivalent to the average rate between 3 and 4% of monthly gross sales, practiced by the store; or (ii) a monthly minimum value restated on annual basis at several indexes representing the inflation. Such lease contracts are effective from 5 to 15 years and are subject to renewal.

In the quarter ended March 31, 2018, rental expenses, net of recoverable taxes, in consolidated, totaled R$ 6,400 (R$ 6,436 in the quarter ended March 31, 2017).

Other leases

The Company also has rental agreements of warehouses for products and goods and commercial offices with monthly fixed values, restated on annual basis at usual market inflation indices.

In the quarter ended March 31, 2018, rental expenses, net of recoverable taxes, in consolidated, totaled R$ 20,405 (R$ 18,001 in the quarter ended March 31, 2017).

Future commitments

Total future commitments derived from operating lease agreements, in amounts on March 31, 2018, totaled a minimum fixed amount of R$164,010, distributed as follow:

	R$
2018 (nine months)	31,884
2019	34,889
2020	33,195
2021	31,869
2022	32,173
Total	164,010

These operations contain usual covenants, such as guarantees against early termination of agreement, among other, with which the Company was compliant on March 31, 2018.

35.2. IFRS 16 - Leases

IFRS 16 introduces a single model of accounting of leases in the balance sheet to lessees. A lessee recognizes an asset of right of use that represents its right to use the leased asset and a lease liability that represents its obligation to make the lease payments. Optional exemptions are available for short-term leases and low-value items. The lessor's accounting remains similar to the current standard, that is, lessors continue to classify leases as financial or operating leases.

The standard in force for annual periods starting on or after January 1, 2019. The possible impacts of the adoption of this standard for the Company's financial statements are being evaluated and will be completed by the date on which the standard enters into force.

35.3. Input supply agreements

The Company has commitments derived from electric power supply agreement, according to which a minimum monthly volume of 3,389 kw, equivalent to R$ 66,489, should be acquired, which may be changed with minimum term of six months. On March 31, 2018, the Company fulfilled with the commitments of this agreement.

36. Insurance coverage

The Company and its subsidiaries adopt the policy of contracting insurance to cover fixed assets and inventories subject to risk of fire, at the technical replacement value, and to cover loss of profits. As of March 31, 2018, the insurance coverage in consolidated was considered sufficient by Management to cover risks involved.

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Opinions and Statements / Special Review Report - Unqualified

Report on the review of quarterly information - ITR
To the Shareholders, Board members and Managers of
Alpargatas S.A.
São Paulo - SP

Introduction

We have reviewed the interim, individual and consolidated accounting information of Alpargatas S.A. (“Company”), contained in the Quarterly Information - ITR Form for the quarter ended March 31, 2018, which comprise the balance sheet on March 31, 2018 and related statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for the quarter then ended, including explanatory notes.

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

Scope of the review
Our review was carried out in accordance with the Brazilian and international review standards for interim information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
Conclusion on the interim information

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative (“KPMG International”), uma entidade suíça.

KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

Based on our review, we are not aware of any facts that would lead us to believe that the individual and consolidated interim accounting information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 issued by IASB and applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission.

Other issues

Statements of added value

The individual and consolidated interim financial information related to statements of added value (DVA) for the three-month period ended March 31, 2018, prepared under responsibility of Company's Management, and presented as supplementary information for IAS 34 purposes, was submitted to review procedures carried out jointly with the audit of Company's quarterly information. To form a conclusion, we evaluated whether these statements are reconciled with interim financial information and accounting records, as applicable, and whether their forms and contents are in accordance with criteria defined in Technical Pronouncement CPC 09 - Statement of Added Value. Based on our review, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with individual and consolidated interim financial information taken as a whole.

São Paulo, May 11, 2018

KPMG Auditores Independentes
CRC SP014428/O-6

Marcelle Mayume Komukai
Accountant CRC 1SP249703/O-5

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

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Opinions and Declarations / Opinion or Summary Report, if any, from the Audit Committee (statutory or otherwise)

Financial information for the first quarter, ended March 31, 2018:

The Chief Financial and Investor Relations Officer presented the main financial indicators for the quarter ended March 31, 2018. Independent auditors presented a Review of Quarterly Information for the quarter ended March 31, 2018. After clarifying, analyzing and discussing the relevant aspects of these financial statements together with the independent auditors, the members of the Audit Committee recommend the approval of the Quarterly Financial Information related to the first quarter of 2018, based on the aforementioned aspects and the draft report submitted by KPMG Auditores Independentes.

Ricardo Baldin - Coordinator

Alfredo S. Lazzareschi Neto

Carlos A. Reis de Athayde Fernandes

Opinions and Statements / Statement of the Executive Officers on the Financial Statements

Alpargatas S.A.

STATEMENT OF THE EXECUTIVE BOARD ON

THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2018

In compliance with article 29, paragraph 1, item II of CVM Instruction No. 480/09, the Executive Board states that reviewed, discussed and agreed with the individual and consolidated financial statements contained in the Quarterly Information Form (ITR) of Alpargatas S.A. for the quarter ended March 31, 2018.

Márcio Luiz Simões Utsch - CEO

Adalberto Fernandes Granjo

Ana Mareia Lopes

Carla Schmitzberger

Diego Mohadeb

Edson Rubião Gonzales

Fabio Leite de Souza

Marcelo Ferreira

Marcelo Turri

Rogério Bastos Shimizu

Opinions and Statements / Statement of the Executive Officers on Independent Auditor’s Report

Alpargatas S.A.

STATEMENT OF EXECUTIVE BOARD ON

INDEPENDENT AUDITORS' REPORT FOR THE QUARTER ENDED MARCH 31, 2018

In compliance with article 29, paragraph 1, item II of CVM Instruction No. 480/09, the Executive Board states that reviewed, discussed and agreed with opinions stated in the Independent Auditors’ Report on the individual and consolidated financial statements of Alpargatas S.A. for the year ended March 31, 2018.

Márcio Luiz Simões Utsch - CEO

Adalberto Fernandes Granjo

Ana Mareia Lopes

Carla Schmitzberger

Diego Mohadeb

Edson Rubião Gonzales

Fabio Leite de Souza

Marcelo Ferreira

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