LISTED COMPANY

CNPJ: 89.850.341/0001-60

NIRE: 23300021118-CE

Site: http://ri.grendene.com.br
Email: dri@grendene.com.br

Index

1. Invitation

Dear Stockholders,

Grendene S.A. ('the Company') has pleasure in inviting you to participate in the Ordinary (Annual) General Meeting of Stockholders to be held at 9 a.m. on April 15, 2019, at the Head Office, at Avenida Pimentel Gomes 214, Expectativa, Sobral, Ceará, Brazil.

The Company's management hereby presents the Proposal and Orientation for Participation, to provide information to you on the decisions to be taken, which are listed in the Convocation Notice published in the newspapers *Diário Oficial of the State of Ceará* and *O Povo*, which have been filed at the Company's head office, and also published on the websites of: the CVM (Brazilian Securities Commission) (http://www.cvm.gov.br); B3 (the São Paulo Stock Exchange) (http://www.b3.com.br); and its Investor Relations (http://ri.grendene.com.br).

Sobral, Ceará, Brazil, March 15, 2019.

Alexandre Grendene Bartelle

Chair of the Board of Directors

2. Convocation Notice

Ordinary General Meeting of Stockholders

We invite stockholders of this company to Ordinary General Meeting, to be held on April 15, 2019, at 9 a.m. at the Company's head office, Avenida Pimentel Gomes 214, Expectativa, in the city of Sobral, State of Ceará, Brazil, to decide on the following Agenda:

I – In Ordinary (Annual) General Meeting

1. To approve the accounts of the managers and the financial statements for the business year ended December 31, 2018.
2. To decide on the proposal for allocation of net profit for the business year ended December 31, 2018.
3. To set the global remuneration of the managers, in accordance with Clause 14 of the Bylaws.

General information:

The Company hereby gives notice that it will use the remote voting procedure, in accordance with CVM Instruction 481/09. Any stockholder who wishes to do so may opt to exercise the right to vote through the remote voting system, under CVM Instruction 481/09, by sending the corresponding Remote Voting Statement (*Boletim de Voto à Distância*, or BVD), through the stockholder's custody agent, or mandated bank; or directly to the Company, as per the orientation contained in the Proposal of Management and Orientation for Participation in the Ordinary General Meeting of the Company.

To take part in person and vote at the General Meeting, the stockholder should prove status by presenting, by 5 p.m. on April 12, 2019, an identity document and proof issued by the depositary institution confirming the stockholder's position, by original or copy sent by fax, to the number 0XX-54-2109-9991 and/or computer copy by email to dri@grendene.com.br. Stockholders represented by proxies holding power of attorney should present the powers of attorney by that same time limit, and by the same means. The originals of the above-mentioned documents, or their copies, must be exhibited (authentication and recognition of signature being dispensed with) to the Company by the moment of opening of the related General Meeting (Article 10 of the By-laws).

Under CVM Instruction 481/09 (Article 5, Paragraph 2), any stockholder who attends the meeting holding the documents required may take part in it and vote even if that stockholder has not previously deposited their documents.

The Proposal by Management and Orientation for Participation in the Ordinary General Meeting, as specified by CVM Instruction 481/09, and the related documents, are available to stockholders at the Company's head office and on the following websites: CVM (Brazilian Securities Commission) (http://www.cvm.gov.br); BB3 (São Paulo Stock Exchange) (http://www.b3.com.br); and the Investor Relations of Grendene (http://ri.grendene.com.br).

Sobral, Ceará, Brazil, March 15, 2019.

Alexandre Grendene Bartelle

Chair of the Board of Directors

3. Explanation and Orientation

This document contains information on the matters to be decided, upon Proposal by Management, and the explanations necessary for participation by stockholders in the Ordinary General Meeting of Stockholders of Grendene S.A. ('Grendene') to be held on April 15, 2019.

The aim is to reconcile the practices adopted by the Company of opportune and transparent communication with its stockholders and the requirements of Law 6404 of December 15, 1976 ('the Corporate Law') and CVM Instruction 481 of December 17, 2009 ('CVM Instruction 481').

In compliance with requirements in the Corporate Law, we hereby notify you that: Grendene will hold the Ordinary General Meeting of Stockholders on:

Date:	April 15, 2019
Location:	Avenida Pimentel Gomes 214, Expectativa, Sobral, Ceará, Brazil.
Time:	9 a.m.

The information on each one of the matters before the Ordinary General Meeting is given in detail in Items 5.1 of this document.

4. Participation in the Ordinary (Annual) General Meetings of Stockholders

Participation by stockholders may be in person, or by duly constituted proxy, or by sending of the Remote Voting Form, in accordance with CVM Instruction 481.

For the stockholder to participate, presentation of the original or a copy of the following documents will be required:

For individuals:

I. Identity document with a photograph of the stockholder or, as the case may be, an identity document with a photograph of the stockholder's proxy and the related power of attorney.
II. Proof, issued by the depositary financial institution, Itaú Corretora de Valores S.A., or by CBLC (*Companhia Brasileira de Liquidação e Custódia* – Brazilian Settlement and Custody Company), of the shares held, stating the corresponding equity position.

For legal entities:

I. Latest or consolidated Articles of Association or By-laws, and corporate documents proving the legal representation of the stockholder;
II. Identity document with photo of the legal representative.
III. Proof, issued by the depositary financial institution, Itaú Corretora de Valores S.A., or CBLC (Brazilian Settlement and Custody Company), of the shares held, stating the corresponding equity position.

For investment funds:

I. Last consolidated regulations of the fund.
II. By-Laws or Articles of Association of the Fund's administrator or manager, as the case may be, in accordance with the fund's voting policy, and corporate documents proving the powers of representation.
III. Identity document with photo of the legal representative.
IV. Proof, issued by the depositary financial institution, Itaú Corretora de Valores S.A., or CBLC (Brazilian Settlement Custody Company), of the shares held, stating the corresponding equity position.

Note: The Company will not require a sworn translation of documents that have been originally issued in the Portuguese or English language which come accompanied by the respective translation in those languages. The following identity documents will be accepted, provided they have a photograph: RG, RNE, CNH, Passport or Identity Card issued by one of the officially recognized professional groups.

4.1. Orientation for participation in person

Stockholders who wish to participate personally in the Ordinary General Meeting of the Company are requested kindly to attend at Avenida Pimentel Gomes 214, Expectativa, Sobral, in the State of Ceará, Brazil, on April 15, 2019, as from 9:00 a.m., carrying the above documents.

4.2. Orientation for participation by use of the Remote Voting Form

The Company will make available the remote voting system established by Article 21-A of CVM Instruction 481.

For this purpose, as from today's date stockholders may send their instructions for voting in relation to the matters on the meeting's Agenda:

I. By instructions for filling of the form transmitted to their custody agents that provide this service, in the case of holders of shares deposited in a share deposit center;

II. By instructions for filling of the form transmitted to the bookkeeping entity for the Company's shares, Itaú Corretora de Valores S.A., in the case of holders of shares deposited with the bookkeeping entity; and
III. By Remote Voting Form sent directly to the Company, at the following address: Avenida Pimentel Gomes 214, Expectativa, 62040-125 Sobral, Ceará, Brazil, c/o: Investor Relations Departament.

If there is a difference between any remote voting form received directly by the Company and a voting instruction contained in the consolidated voting map sent by the bookkeeping entity in relation to the same CPF or CNPJ number, the voting instruction contained in the voting map of the bookkeeping entity shall prevail, and the remote voting form received directly by the Company shall be ignored.

During the voting period, the stockholder may alter his/her voting instruction as many times as the stockholder deems necessary, and the instruction obeyed on the Company's voting spreadsheet shall be the one most recently presented.

Once the voting period is over, the stockholder may no longer alter voting instructions already sent: a stockholder wishing to change their vote must then participate personally in the General Meeting, carrying the documents required as per the table above, and request that the voting instructions sent by remote voting form be left out of account.

4.2.1. Sending of the ballot by the stockholder directly to the Company

Any stockholder opting to exercise the right of remote voting may also, alternatively, do so directly to the Company, by sending the following documents to Avenida Pimentel Gomes 214, Expectativa, 62040-125 Sobral, Ceará, Brazil, c/o: Investor Relations Department:

(a) Physical copy of the Remote Voting Form duly filled in, initialed and signed; and
(b) Copy of the documents described in Item 4 above.

A stockholder wishing to do so may also send the computer copies of the documents referred to in (a) and (b) above to the email address dri@grendene.com.br. In this case it is also necessary to send the original copy of the remote voting form, and the copies of the other documents required, to Avenida Pimentel Gomes 214, Expectativa, 62040-125 Sobral, Ceará, Brazil, c/o: Investor Relations Department.

Once the documents referred to in (a) and (b) above have been received, the Company will advise the stockholder of their receipt, and acceptance or otherwise, in accordance with CVM Instruction 481.

If the voting form is sent directly to the Company, and is not completely filled in or does not arrive accompanied by the documents of proof described in item (b) above, it will be left out of account and this information will be sent to the stockholder at the email address indicated in Item 3 of the Remote Voting Form.

The documents referred to in (a) and (b) above must be delivered (with proof of receipt) at the Company a minimum of 7 days prior to the date of the Ordinary General Meeting, that is to say by April 8, 2019 (inclusive). Any remote voting forms received by the Company after that date will be left out of account.

The Company has not implemented the electronic system for receipt of a remote voting or remote participation.

4.3. Orientations for participating through a proxy holding power of attorney

Powers of Attorney should be given in the traditional form, by a physical instrument. Stockholders that are individuals may be represented, under Article 126, §1, of the Corporate Law by a person holding power of attorney given less than 1 (one) year previously, who may be (i) a stockholder, (ii) a lawyer, (iii) a financial institution or (iv) a manager of the Company.

For stockholders that are legal entities, in accordance with Committee Decision of the CVM at its meeting held on November 4, 2014 (CVM RJ2014/3578), the Company will not require that the person holding Power of Attorney is (i) a stockholder, (ii) a lawyer, (iii) a financial institution or (iv) a manager of the Company – the stockholder must be represented in accordance with the company documents of constitution.

4.4. Prior accreditation to take part in person

The documents referred to in Item 4 may be delivered at the head office of Grendene by the time of start of the General Meeting.

However, to facilitate stockholders' access to the General Meetings, we request the presentation of those documents the longest possible time in advance, or up to 5 p.m. on April 12, 2018, by original or copy by fax to the number 0XX-54-2109-9991 and/or computer copy to the email dri@grendene.com.br, or sent physically to the head office at Avenida Pimentel Gomes 214, Expectativa, 62040-125, Sobral, Ceará, Brazil, c/o: Investor Relations Department.

5. Proposal by Management

Grendene's Management submits the following proposals to the Ordinary General Meeting of Stockholders to be held on April 15, 2019.

5.1. Matters to be decided at the Ordinary General Meeting of Grendene

This Ordinary General Meeting has been called for the purpose of deciding on:

(i) The accounts of the managers and the financial statements for the business year ended December 31, 2018.

(ii) Allocation of net profit for the business year ended December 31, 2018 and the ratification of any payments of dividends and interest on equity made in advance, and distribution of the balance of dividends, in accordance with the Proposal made by the Company's Management Bodies.

(iii) Global remuneration of management, in accordance with Clause 14 of the Bylaws.

Below you will find explanations by Grendene's Management about each of the items of the proposal that are to be decided in the Ordinary General Meeting of April 15, 2019:

First item: To approve the accounts of management and the Financial Statements for the business year ended December 31, 2018

The Report of Management and the Financial Statements of the Company prepared by the Management of Grendene, accompanied by the Opinion of the external auditors and the Opinion of the Audit Board, for the business year ended December 31, 2018, were were approved by the Board of Directors at a meeting held on February 14, 2019, and published in the newspapers *Diário Oficial do Estado do Ceará* and *O Povo*, on February 27, 2019.

<u>Financial Statements</u>

The Financial Statements express Grendene's economic and financial situation, and the changes in equity occurring in the business year, enabling stockholders to assess the Company's equity situation and level of profitability.

The Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also based on accounting practices adopted in Brazil and the rules of the Brazilian Securities Commission (CVM). The Company has adopted all the rules, revisions of rules and interpretations issued by IASB which are in effect for financial statements at December 31, 2018. These Statements comprise the Statement of Financial Position (Balance Sheet), the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of changes in Stockholder's Equity, the Statement of Cash Flow and the Statement of Added Value. The Financial Statements are complimented by explanatory notes for the purpose of assisting stockholders in analysis and understanding of those Statements.

<u>Report of Management</u>

Accompanying the Financial Statements is the Report of Management, a document which presents information of a financial character such as, for example, the principal lines of the Profit and loss account for the business year and also non-financial, statistical or operational information, such as information on employees, social responsibility, corporate governance and the capital markets, of wide-ranging scope.

Opinion of the Audit Board

The Audit Board has examined the Report of Management and the Individual and Consolidated Financial Statements of the Company, and issued an Opinion concluding that they adequately represent, in all material aspects, the equity and financial position of Grendene and its subsidiaries at December 31, 2018.

Opinion of the external auditors

Ernst & Young Auditores Independentes has examined the Financial Statements and issued an Opinion concluding that they adequately represent, in all material aspects, the equity and financial position of Grendene and its subsidiaries at December 31, 2018.

Documents presented by the Company's management

The following documents relating to this agenda item are available to stockholders: at the Company's head office; on its Investor Relations web page (http://ri.grendene.com.br); and on the sites of B3 – the São Paulo Stock Exchange (http://www.b3.com.br), and the Brazilian Securities Commission (http://www.cvm.gov.br):

I. Report of Management.
II. Financial Statements for the business year 2018.
III. Remarks by the directors on the financial situation of Grendene required by Item 10 of the Reference Form, under Instruction 480 of December 7, 2009 of the CVM ('CVM Instruction 480') – these are also included in **Appendix I** to this present document.
IV. Opinion of the Audit Board.
V. Opinion of the external auditors.
VI. Standardized Financial Statements (DFP form).

Second item: To decide on the proposal for allocation of net profit for the business year ended December 31, 2018 and the ratification of any payments of dividends and interest on equity made in advance, and distribution of the balance of dividends, in accordance with the Proposal made by the Company's Management Bodies – **Appendix II** to this present document.

The Board of Directors, at a meeting held on February 14, 2019, in accordance with By-laws and the dividend policy, proposed allocation of the net profit for the business year ended December 31, 2018, calculated in accordance with Clause 32 of the By-laws, in the amount of R$ 585,529,816.72 (five hundred and eighty-five million, five hundred and twenty-nine thousand, eight hundred sixteen reais and seventy-two cents), as follows:

a) R$ 237,154,837.02 (two hundred and thirty-seven million, one hundred and fifty-four thousand, eight hundred and thirty-seven reais and two cents) to constitute the Tax Incentive Reserve, in the terms of Article 195-A of Law 6404/76.

b) R$ 17,418,748.98 (seventeen million, four hundred and eighteen thousand, seven hundred and forty-eight reais and ninety-eight cents) to constitute the Legal Reserve, in accordance with Article 193 of Law 6404/76.

c) R$ 15,880,000.00 (fifteen million, eight hundred and eighty thousand reais) for constitution of the profit reserve under the By-laws named 'Reserve for acquisition of shares', as per clause 32, §2 of the By-laws.

d) R$ 82,739,057.68 (eighty-two million, seven hundred and thirty-nine thousand, fifty-seven reais and sixty-eight cents) distributed as mandatory dividend, in accordance with Article 32 of the Company's By-laws.

e) Distribution to the stockholders of the remaining balance of dividends from the profit for the business year 2018, in the amount of R$ 232,337,173.04 (two hundred thirty-two million, three hundred thirty-seven thousand, one hundred and seventy-three reais and four cents), under Article 202, §6, of Law 6404/76.

Third item: To set the global remuneration of the managers – **Appendix IV** to this document.

For the period January through December 2019 it is proposed that the General Meeting should approve setting of the global annual amount at up to R$ 9,300,000.00 (nine million three hundred thousand Reais) for remuneration of the managers: up to R$ 1,300,000.00 (one million three hundred thousand Reais) for the Board of Directors and up to R$ 8,000,000.00 (eight million Reais) for the Executive Board. The Board of Directors shall distribute this amount between the members of the said bodies, in accordance with the Company's remuneration policy.

The proposal for Remuneration of the Managers, in the form specified in Item 13 of the Reference Form, is in **Appendix III** of this document.

6. Documents relating to the matters to be decided in the Ordinary General Meeting of Grendene

The following documents are available to stockholders at the Company's head office, and also on its Investor Relations website (http://ri.grendene.com.br) and also on the sites of B3 (the São Paulo Stock Exchange) (http://www.b3.com.br) and of the Brazilian Securities Commission – CVM (http://www.cvm.gov.br):

- Remote voting form to Ordinary General meeting required by Appendix 21-F of CVM Instruction 481/09.
- The Convocation Notice.
- Financial Statements for the business year ended December 31, 2018 (Report of Management, Financial Statements, Opinion of the External Auditors, and Opinion of the Audit Board).
- Standard Financial Statements form (DFP form).
- Minutes of the meeting of the Board of Directors of February 14, 2019 with the Proposal of allocation of profit for the year ended December 31, 2018.
- Comments by the Directors on the financial situation of Grendene – item 10 of the Reference Form, as per CVM Instruction 480/09 – **Appendix I.**
- Information relating to the proposal for allocation of the profit required by Appendix 9-1-II of CVM Instruction 481/09 – **Appendix II.**
- Information on the remuneration of the managers – Item 13 of the Reference Form, as per CVM Instruction 480/09 – **Appendix III.**

For answers to any question, contact the Investor Relations Department, by telephone at +55 (54) 2109-9000 or +55 (54) 2109-9022 or by email: dri@grendene.com.br.

Appendix I

10 Comments by the Chief Officers

10.1 – General Conditions of finances, assets and liabilities

a. General financial and equity conditions

In management's opinion the Company is in a solid economic and financial situation. The balances held in cash, cash equivalents and/or cash investments provide confidence that the Company has full conditions to honor all its financial commitments in the short and long term.

In the economic aspect the Company has shown capacity to earn profits even in adverse scenarios, remunerating capital invested in a way that we consider to be appropriate and distributing dividends that exceed the minimum mandatory dividends for 15 years, since it was listed on the Novo Mercado in 2004.

The figures that evidence Grendene's general financial and equity conditions for the business years 2016, 2017 and 2018 are given in the tables below, and complimented by items 10.1.b, 10.1.c, 10.1.d, 10.1.e, 10.1.f, 10.1.g, 10.1.h and 10.2 of this proposal.

Year R$ '000	Initial Stockholders'[1] equity	Net profit	Dividends	Reinvestment	Return on Stockholders' equity	Initial Stockholders'[1] equity
2016	2,520,866	634,492	351,383	283,109	25.2%	2,792,976
2017	2,792,976	660,929	377,773	283,156	23.7%	3,087,479
2018	3,087,479	585,530	315,076	270,454	19.0%	3,341,108

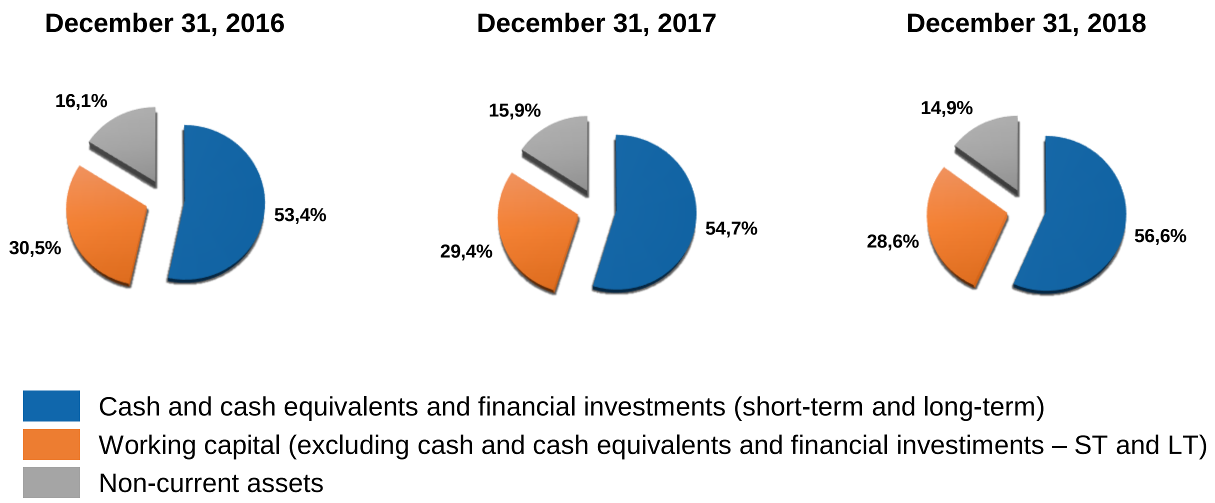
1) Stockholders' equity adjusted by exclusion of the balance of dividends payable.

Liquidity	2016	2017	2018
General liquidity ratio	8.4	8.6	8.5
Current liquidity ratio	9.1	8.8	8.0
Quick ratio	8.1	8.0	7.2

Profitability	2016	2017	2018
Net margin	31.0%	29.3%	25.1%
Gross margin	48.7%	48.9%	47.4%
Ebit margin	19.5%	20.7%	19.6%

R$ '000	2016	2017	2018
Borrowings (short-term and long-term)	125,372	123,627	152,927
Cash and cash equivalents and financial investments (ST and LT)	1,589,378	1,780,645	1,976,958

Assets

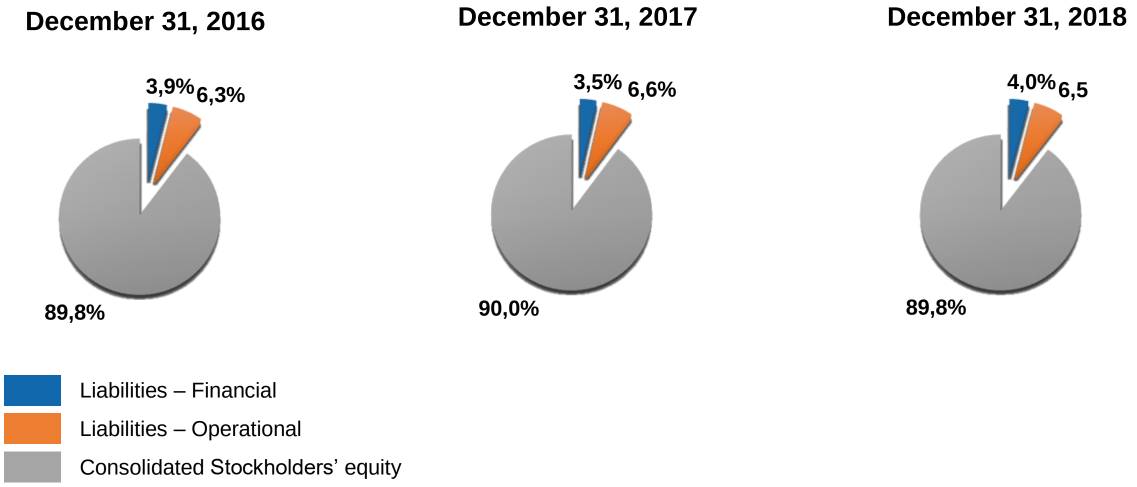


10.1 – General Conditions of finances, assets and liabilities

b. Capital structure and possibility of redemption of shares or share units, indicating:

The Company has a capital structure that does not depend on outside capital to conduct its business. Grendene makes its fixed investments, and investments in working capital, with its own funds.

Liabilities: Current + non-current



All Grendene's shares are common shares. They are nominal, book-entry shares without par value and with no expected redemption.

i. **Situations of redemption**

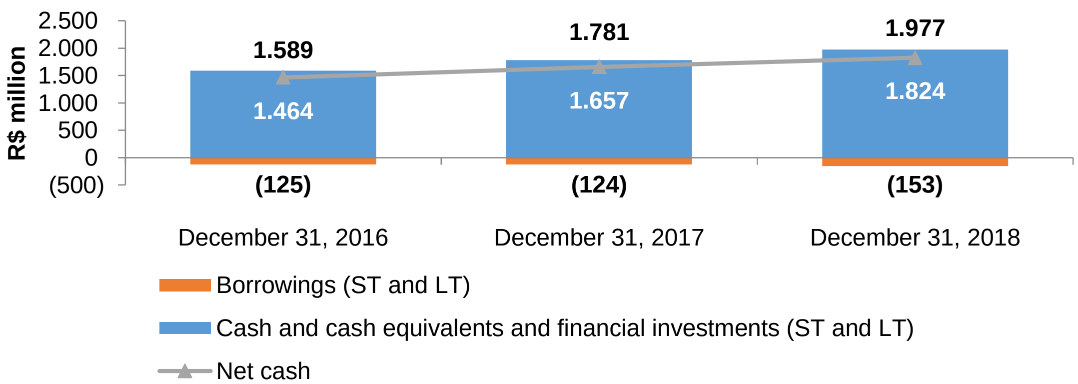
Not applicable, because Grendene does not have any redeemable shares issued.

ii. **Formula for calculation of the redemption value**

Not applicable, because Grendene does not have any redeemable shares issued.

c. Payment capacity in relation to financial commitments assumed

Grendene has a comfortable and solid financial situation, and thus has full conditions to honor all its commitments.



10.1 – General Conditions of finances, assets and liabilities

R$ '000	2016	2017	2018
Current assets	2,492,979	2,846,838	2,930,313
Non-current assets	760,841	729,170	930,443
Current liabilities	275,383	322,074	366,909
Non-current liabilities	56,367	36,325	28,805
Consolidated Stockholders' equity	2,922,070	3,217,609	3,465,042

As can be seen in the Company's Statement of Financial Position, and shown in the table above, the Company's cash position (cash, cash equivalents and cash investments) is higher than the total of short- and long-term liabilities, which makes it improbable that any external economic or financial situation should affect its capacity to pay its commitments.

d. Sources of financing used for working capital and investments in non-current assets

Grendene has a significant net cash position (balance of cash, cash equivalents and financial investments less short and long-term loans) has a strong and regular operational cash generation and has the capacity to finance its present operations and investments with its own funds. However, the Company may have recourse to financing sources whenever the costs of those funds are sufficiently low in the management's opinion, to generate value for its stockholders.

e. Sources of financing for working capital and for investments in non-current assets that the company intends to use to cover deficiencies in liquidity

Grendene does not have deficiencies in liquidity, has not had such deficiencies in the past and does not expect that this situation could occur. Its working capital investments are financed with its own funds.

f. Level of indebtedness, and characteristics of such debt

i. Contracts for significant borrowings

Borrowings are stated at contractual amounts, plus agreed-upon charges including interest and monetary restatement or foreign exchange variations. After initial recognition they are measured at amortized cost, using the effective interest rate method.

The table below presents the composition of our bank debt (fixed assets plus working capital) on December 31, 2015, 2016 and 2017.

Consolidated	Index	Interest rate (p.a)	2016	2017	2018
In local currency					
Property, plant and equipment	Fixed	4.31%	53,039	42,224	31,408
Proapi and Provin	TJLP	-	14,249	2,571	5,933
			67,288	**44,795**	**37,341**
In foreign currency					
Working capital	Argentinean pesos	27.75%	7,814	-	-
Working capital – ACE	US Dollar +	3.87%, 2.30% and 3.36%	50,270	78,832	115,586
			58,084	**78,832**	**115,586**
Total borrowings			**125,372**	**123,627**	**152,927**
(-) Total current liabities			(70,734)	(89,666)	(126,313)
Total non-current liabilities			56,367	33,961	26,614

This table shows the timetable of maturities of long-term loans and financings on December 31, 2018:

	Portions of long-term indebtedness				
Maturities	**2020**	**2021**	**2022**	**2022**	**Total**
Bank financing	10,340	10,341	-	-	20,681
Proapi	-	-	4,079	-	4,079
Provin	53	465	142	1,194	1,854
Total	**10,393**	**10,806**	**4,221**	**1,194**	**26,614**

10.1 – General Conditions of finances, assets and liabilities

Financing – Fixed assets

In 2014 the Company contracted a financing with Banco do Nordeste do Brasil S.A. through FNE – The Constitutional Fund of the Northeast, for acquisition of goods and services for construction of industrial plant. The disbursement of funds occurred in installments by the bank during the year 2014 and 2015 (Balance R$ 31.0 million in 2018, R$ 41.4 million in 2017 and R$ 51.7 million in 2016). Final maturity of the transaction is December 26, 2021.

The other financings for fixed assets were contracted for acquisition of industrial equipment (R$ 0.4 million in 2018, R$ 0.8 million in 2017 and R$ 1.3 million in 2016).

Financing – Working capital – ACE

The Company has contracted loans for its export operations in the ACE modality (Advances on Delivered Shipping Documents). These transactions consist of an advance of the corresponding amount in Reais of shipped exports.

Financing – Proapi and Provin

The Company enjoys tax incentive benefits in relation to its activities located in the State of Ceará, through obtaining of financing from the FDI - Industrial Development Fund of Ceará, through a financial agent as intermediary, established by that fund. These financings are based on the ICMS tax payable (Provin) and products exported (Proapi - this benefit has already been extinguished, but there are still balances receivable and financing payable), measured monthly. The financings are to be settled within 36 to 60 months after their disbursement.

It is the Company's Management's understanding that recording of the benefit of the reduction of amounts payable takes place at the moment of obtaining of the financings, so as to be able to reflect most appropriately the accrual method of reporting, since the costs of the ICMS tax and of the exports, relating to the transactions that enjoy the incentives, are also registered at the same time as the benefits.

At December 31, 2018, portions of this financing that are not subject to tax incentives amounting to R$ 5,933 (R$ 2,571 in 2017 and R$ 14,249 in 2016) are recorded as current and non-current liabilities.

Under the Proapi program, financings are given in the amount of 11% of the FOB value exported, payable in 60 months, attracting interest at the TJLP (long-term interest rate). At maturity the Company paid 10% of the amount of the debtor balance of the financing, and the remaining 90% is exempted from payment, representing a net incentive of 9.9% of the FOB value exported in force until March 2017.

Guarantees

The guarantees linked to the loans and financings are: a) chattel mortgage on machines and equipment acquired; b) land sites and buildings; and c) surety guarantee given by the managers of the Company. The existing guarantees are for the amounts financed.

ii. **Other long-term relationships with financial institutions**

The Company does not have long-term obligations with financial institutions other than the obligations related to the transactions reported above.

iii. **Degree of subordination between the debts**

There is no degree of subordination between the debts.

10.1 – General Conditions of finances, assets and liabilities

iv. **Any restrictions imposed on the issuer, especially in relation to limits of indebtedness and contracting of new debt, distribution of dividends, disposal of assets, issuance of new securities and/or disposal of stockholding control**

There are no restrictions imposed on the Company in relation to the limits of indebtedness and contracting of new debts, distribution of dividends, disposal of assets, issuance of new securities or disposal of stockholding control.

g. Limits of use of the financings already contracted

There are no financings that have been contracted and not been used.

h. Significant alterations in each item of the financial statements

The Company's individual and consolidated financial statements for the business years ended December 31, 2016, 2017 and 2018 have been prepared based on accounting practices adopted in Brazil and the rules of the Brazilian Securities Commission (CVM), obeying the accounting directives arising from the Corporate Law (Law 6404/76), and also in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

In Management's opinion there are no significant changes in the consolidated financial statements of the Company in relation to the business years 2016, 2017 and 2018.

Description of the principal accounts of the consolidated Balance Sheet

Remarks on the main accounts of Assets

Cash, cash equivalents and cash investments

Short and long-term cash, cash equivalents and cash investments totaled R$ 1,589.4 million on December 31, 2016, R$ 1,780.6 million on December 31, 2017 and R$ 1,977.0 million on December 31, 2018. Cash and banks are represented by non-interest-bearing bank deposits. Financial investments classified as cash equivalents refer to short-term investments redeemable no later than three months from the acquisition date.

Financial investments comprise: Bank Certificates of Deposit (CDBs), Debentures, Real-denominated Bank Debt Notes (LFINs) and Government Debt Securities (NTNs), and are classified as 'Securities at fair value through profit or loss', and 'Held-to-maturity investments', according to the Company's investment strategy.

This table shows the Company's cash situation on the following dates:

R$'000	12/31/2016	12/31/2017	12/31/2018
Net cash from operations (a)	566,471	525,726	483,835
Net cash from investment activities (b)	(174,737)	(125,464)	(147,862)
Net cash generated (invested) in redemption (making) of financial investments	*(103,269)*	*(17,935)*	*(75,596)*
Funds allocated to Investments in fixed assets	*(71,468)*	(107,529)	*(72,266)*
Net cash used in financing activities (c)	(392,356)	(390,806)	(349,530)
Reduction / increase in cash and cash equivalents (a + b + c)	**(622)**	**9,456**	**(13,557)**

On December 31, 2018, Cash and cash equivalents and cash investments (short and long-term) were 51.2% of Total assets (compared to 49.8% at the end of 2017 and 48.8% at the end of 2016).

Accounts receivable from customers and Inventories

The lines Accounts receivable from clients and Inventories totaled in aggregate R$ 1,021.6 million on December 31, 2016, R$ 1,129.6 million on December 31, 2017 and R$ 1,232.3 million on December 31, 2018.

On December 31, 2016, 2017 and 2018 the average periods for receivables in the domestic market were – respectively – 90, 89 and 96 days, and in the export market 81, 75 and 84 days, respectively.

10.1 – General Conditions of finances, assets and liabilities

Stockholders' equity

Stockholders' equity totaled R$ 3,465.0 million on December 31,2018, R$ 3,217.6 million on December 31, 2017 and R$ 2,922.1 million on December 31, 2016. The table below shows the evolution of the Company's consolidated Stockholders' equity.

Consolidated Stockholders' equity – R$ '000	R$
Balances at December 31, 2015	**2,616,760**
Net profit for the year	633,955
Exchange differences on subsidiaries outside Brazil	(11,016)
Losses in interests of non-controlling Stockholders	(125)
Acquisition of treasury shares	(11,020)
Sale of treasury shares for exercise of stock purchase option	6,416
Expenses on Stock options purchase and subscription plan	5,283
Dividends distributed	(183,683)
Interest on Equity distributed	(115,000)
Interest on Equity (counted as part of total dividends)	(19,500)
Balances at December 31, 2016	**2,922,070**
Net profit for the year	660,903
Exchange diferences on subsidiaries outside Brazil	1,642
Exchange losses on investments	7,774
Loss on disposal of investment	(46)
Acquisition of treasury shares	(9,837)
Sale of treasury shares for exercise of stock purchase option	5,472
Expenses on Stock options purchase and subscription plan	6,368
Dividends distributed	(216,737)
Interest on Equity distributed	(140,500)
Interest on Equity (counted as part of total dividends)	(19,500)
Balances at December 31, 2017	**3,217,609**
Net profit for the year	585,530
Exchange differences on subsidiaries outside Brazil	5,709
Acquisition of treasury shares	(35,148)
Sale of treasury shares for exercise of stock purchase option	6,050
Expenses on Stock options purchase and subscription plan	6,564
Dividends distributed	(191,272)
Interest on Equity distributed	(110,500)
Interest on Equity (counted as part of total dividends)	(19,500)
Balances at December 31, 2018	**3,465,042**

Working capital

The table below shows working capital:

R$ '000	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018
Working capital (Current assets – Current liabilities)	2,217,596	2,524,923	2,563,404
Working capital / Total capital	68.2%	70.6%	66.4%
Working capital / Net sales revenue	108.4%	112.1%	109.9%

Description of the principal accounts of the consolidated Profit and loss account

See item 10.2, sub-clause 'a'.

10.2 – Operational profit and Financial revenue (expenses)

a. Results of operations of the issuer, especially:

i. Description of any important components of revenue

Gross sales revenue

In 2018 Grendene's revenue from the domestic market was 3% higher than in 2017, sustained by a small recovery in the economy, and in our assessment, a gain in market share. Over the period 2013-18, in which footwear consumption fell strongly in Brazil, our domestic market revenue grew by 0.2% p.a. more than the growth of the market, but less than the inflation indices over the period.

As well as the major decline in consumption in the country, during this period we still had further adverse factors: Change in the rate of the 'Reintegra' benefit: it was 3% from January 2013 to February 2015; it was reduced to 1% in March 2015 through November 2015; further reduced to 0.1% in December 2015 through December 2016; increased to 2% in January 2017 through May 2018, and reduced to 0.1% for June 2018 to December 2018; and in exports, the Proapi benefit, which represented an increase of 10% in the value of export revenue, was abolished in March 2017. On top of this, there was the very high volatility of the exchange rate.

R$ million	2016	2017	2018	Change % 2018-2017
Consolidated gross revenue	**2,483.0**	**2,727.7**	**2,825.0**	**3.6%**
Domestic market	1,870.3	2,106.6	2,168.0	2.9%
Exports	612.7	621.1	657.0	5.8%
Exports, US$	*175.5*	*194.6*	*179.8*	*(7.6%)*

Million of pairs	2016	2017	2018	Change % 2018-2017
Volume	**163.6**	**171.4**	**173.0**	**1.0%**
Domestic market	123.6	126.4	132.5	4.9%
Exports	40.0	45.0	40.5	(9.9%)

R$	2016	2017	2018	Change % 2018-2017
Gross revenue per pair	**15.18**	**15.92**	**16.33**	**2.6%**
Domestic market	15.13	16.67	16.36	(1.9%)
Exports	15.33	13.81	16.22	17.5%
Exports, US$	*4.39*	*4.33*	*4.44*	*2.5%*

Net sales revenue

R$ million	2016	2017	2018	Change % 2018-2017
Gross sales revenue	**2,483.0**	**2,727.7**	**2,825.0**	**3.6%**
Domestic market	1,870.3	2,106.6	2,168.0	2.9%
Exports	612.7	621.1	657.0	5.8%
Sales deductions	**(437.9)**	**(475.7)**	**(491.6)**	**3.3%**
Returns and taxes on sales	(346.7)	(372.6)	(385.3)	3.4%
Discounts granted to customers	(91.2)	(103.1)	(106.3)	3.1%
Net sales revenue	**2,045.1**	**2,252.0**	**2,333.4**	**3.6%**

Cost of goods sold (COGS)

In 2018 we faced various pressures on costs, mainly caused by the FX volatility, and the transport strike. As well as the strike's effect on our freight and deliveries, items like glues, adhesives, resins, dyes, pigments and packaging suffered indirectly from the effects of the FX variation, inflating our costs. Prices of various inputs increased by more than inflation indices over the period of May through August, when some items such as PVC resin began to fall (on the international market). Clearly these prices of inputs affect the average prices of inventories and appear in COGS as and when the stock inventory cycle is completed, which in our case is an average of 85 days.

We believe that cost discipline has played a fundamental role in our results.

10.2 – Operational profit and Financial revenue (expenses)

R$ million	2016	2017	2018	Change % 2018-2017
COGS	1,048.6	1,151.2	1,227.3	6.6%
R$	**2016**	**2017**	**2018**	**Change % 2018-2017**
COGS per pair	6.41	6.71	7.09	5.7%

Gross profit

In 2018, even with the pressure of costs – shown by total COGS 6.6% higher (higher than the sum of growth in volume of pairs (1%) and the 5.7% growth in COGS/pair), and the difficulty of increasing net revenue via price increases – Gross profit was up 0.5% year-on-year, with gross margin 1.5 p.p. lower.

R$ million	2016	2017	2018	Change % 2018-2017
Gross profit	996.5	1,100.8	1,106.1	0.5%
Gross margin	48.7%	48.9%	47.4%	(1.5 p.p.)

Operational expenses (SG&A)

Selling expenses

Grendene's selling expenses predominantly comprise variables such as freight (which rose in 2018), licensings (some affected by the exchange rate variation), commissions, advertising and marketing. Over the period they remained at approximately 24% of net revenue.

R$ million	2016	2017	2018	Change % 2018-2017
Selling expenses	490.6	525.8	560.7	6.6%
% of net sales revenue	24.0%	23.3%	24.0%	0.7 p.p.

Advertising expenses

R$ million	2016	2017	2018	Change % 2018-2017
Advertising expenses (a)	125.9	125.6	141.3	12.5%
% of net sales revenue	6.1%	5.6%	6.1%	0.5 p.p.
Strategic brand projects (b)	9.7	7.6	8.5	11.1%
Total (a + b)	132.5	133.2	149.8	12.4%
% of net sales revenue	6.5%	5.9%	6.4%	0.5 p.p.

General and administrative expenses (G&A)

General and administrative expenses remained at the same percentage of net revenue, 4%: although this was higher than the target we have aimed for, it was lower than inflation.

R$ million	2016	2017	2018	Change % 2018-2017
G&A expenses	97.5	91.3	92.6	1.4%
% of net sales revenue	4.8%	4.1%	4.0%	(0.1 p.p.)

Net financial revenue (expenses)

The Company has a solid cash position, and its financial revenues are an important part of its net profit. The aim of foreign exchange transactions is hedging, mainly of receivables from exports. In these transactions Grendene is vendor of dollars, and the objective is that their net result in the long term should be very close to zero. Thus the result of Financial revenue (expenses) is primarily influenced by the interest rate (Selic), and the average level of cash held by the Company.

In 2018 we report net financial revenues of R$ 158.9 mn. This is 33.4% less than in 2017, as a result of the major fall in interest rates in the Brazilian economy in the year, as shown:

10.2 – Operational profit and Financial revenue (expenses)

R$ million	2016	2017	2018	Change % 2018-2017
Financial revenues	**396.7**	**312.5**	**332.2**	**7.6%**
Interest received from clients	2.2	2.2	2.1	(5.2%)
Revenue from FX derivatives – BM&FBovespa	49.1	30.0	62.0	107.0%
Revenue from cash investments	207.7	169.8	135.5	(20.2%)
Gains on FX variation	69.7	34.5	75.2	118.0%
Adjustments to present value (AVP)	64.7	73.0	53.8	(26.3%)
Other financial revenues	3.3	3.0	7.5	147.1%
R$ million	**2016**	**2017**	**2018**	**Change % 2018-2017**
Financial expenses	**(128.2)**	**(74.0)**	**(177.3)**	**139.5%**
Operational expenses on FX derivatives – BM&FBovespa	(11.6)	(19.8)	(81.9)	313.2%
Cost of financings	(18.3)	(10.9)	(10.4)	(3.8%)
Expenses of FX variation	(82.4)	(31.2)	(74.0)	136.9%
Cofins and PIS taxes on Financial revenues	(11.0)	(8.3)	(6.9)	(16.7%)
Other financial expenses	(4.9)	(3.8)	(4.1)	(7.6%)
Net financial revenue (expenses)	**268.5**	**238.5**	**158.9**	**(33.4%)**

In the consolidated financial statements discounts given to clients are classified as deductions from sales.

Net profit

In the last three years net profit fell 3.9% pa (CAGR 2016-2018). The item that most impacted the fall in net income was the financial result that was 33.4% lower than that obtained in 2017 and 40.8% lower than the one obtained in 2016 as a result of the fall in interest rate.

R$ million	2016	2017	2018	Change % 2018-2017
Net profit	634.5	660.9	585.5	(11.4%)
Net margin	31.0%	29.3%	25.1%	(4.2 p.p.)

b. Changes in revenues attributable to changes in prices, exchange rates, inflation, changes in volumes and introduction of new products and services

Our operational revenues are affected by changes in volumes of pairs sold, gross revenue per pair, and, for exports, the exchange rate. The impacts of these items are shown in these tables:

Gross revenue (R$ '000)	2016	2017	Change, 2017–2016		2018	Change, 2018–17	
	R$	R$	R$	%	R$	R$	%
Domestic market	1,870,373	2,106,549	236,176	12.6%	2,167,999	61,450	2.9%
Exports	612,665	621,126	8,461	1.4%	656,996	35,870	5.8%
Exports US$	*175,498*	*194,588*	*19,090*	*10.9%*	*179,777*	*(14,811)*	*(7.6%)*
Total	**2,483,038**	**2,727,675**	**244,637**	**9.9%**	**2,824,995**	**97,320**	**3.6%**

Sales volume Thousands of pairs	2016	2017	Change, 2017–16		2018	Change, 2018 – 2017	
			Pairs	%		Pairs	%
Domestic market	123,595	126,375	2,780	2.2%	132,513	6,138	4.9%
Exports	39,962	44,971	5,009	12.5%	40,504	(4,467)	(9.9%)
Total	**163,557**	**171,346**	**7,789**	**4.8%**	**173,017**	**1,671**	**1.0%**

Gross revenue per pair (R$)	2016	2017	Change, 2017–16		2018	Change, 2018-2017	
	R$	R$	R$	%	R$	R$	%
Domestic market	15.13	16.67	1.54	10.2%	16.36	(0.31)	(1.9%)
Exports	15.33	13.81	(1.52)	(9.9%)	16.22	2.41	17.5%
Exports US$	*4.39*	*4.33*	*(0.06)*	*(1.4%)*	*4.44*	*0.11*	*2.5%*
Total	**15.18**	**15.92**	**0.74**	**4.9%**	**16.33**	**0.41**	**2.6%**

Changes, in Reais, in total gross revenue from sales in the domestic and export markets, resulting from changes in volumes and gross revenue per pair			
2016 – 2017		**2017 – 2018**	
DM volume – (2,780 x R$ 15.13)	R$ 42,070	DM volume – (6,138 x R$ 16.67)	R$ 102,315
EXP volume – (5.009 x R$ 15.33)	R$ 76,794	EXP volume – (4,467 x R$ 13.81)	(R$ 61,697)
Change in revenue at 2017 prices	**R$ 118,864**	**Change in revenue at 2018 prices**	**R$ 40,618**

10.2 – Operational profit and Financial revenue (expenses)

Changes, in Reais, in total gross revenue from sales in the domestic and export markets, resulting from changes in volumes and gross revenue per pair			
2016 – 2017		**2017 – 2018**	
Change gross rev. per pair – DM – (R$ 1.54 x 126,375)	R$ 194,106	Change gross rev. per pair – DM – (R$ 0.31 x 132,513)	(R$ 40,865)
Change gross rev. per pair – EXP – (R$ 1.52 x 44,971)	(R$ 68,333)	Change gross rev. per pair – EXP – (R$ 2.41 x 40,504)	R$ 97,567
Change in revenue at 2017 volumes	**R$ 125,773**	**Change in revenue at 2018 volumes**	**R$ 56,702**
Total	**R$ 244,637**	**Total**	**R$ 97,320**

Changes, in US$, in total gross revenue from sales in the domestic and export markets, resulting from changes in volumes and gross revenue per pair			
2016 – 2017		**2017 – 2018**	
EXP volume – (5,009 x US$ 4.39)	US$ 21.998	EXP volume – (4,467 x US$ 4.33)	(US$ 19,329)
Change in revenue at 2017 prices	**US$ 21,998**	**Change in revenue at 2018 prices**	**(US$ 19,329)**
Change gross rev. per pair – EXP – (R$ 0.06 x 44,971)	(US$ 2,908)	Change gross rev. per pair – EXP – (US$ 0.11 x 40,504)	US$ 4,518
Change in revenue at 2017 volumes	**(US$ 2,908)**	**Change in revenue at 2018 volumes**	**(US$ 4,518)**
Total	**US$ 19,090**	**Total**	**(US$ 14,811)**

The business model adopted by Grendene covers operation in markets affected by fashion, where the company, as a competitive differential, regularly presents a large quantity of new models in each period. Each model offered by the company is part of a collection the average life of which is between approximately 90 and 180 days. Thus, in a typical year between 95% and 98% of revenue comes from new products. The products are essentially manufactured under request from customers.

c. Impact of inflation, of the variation in prices of principal inputs and products, of the exchange rate and of interest rates, on the issuer's operational result and financial result

Hence, each quarter, Grendene presents new collections, proposing to the market a new basis of prices (for each new collection). In this business model, any changes in costs are passed through to final prices whenever demand for these products, and consumers' purchasing power, so permits. This being so, inflation affects our result, because it affects the income that the consumer has available for consumption of our products. Our principal inputs are commodity products that are usually priced in dollars in the international market.

The exchange rate influences our costs because it affects the prices in Reais of these commodity products when their prices are translated into Reais. However this is not a linear relationship, since the price of commodity products in dollars fluctuates in accordance with supply and demand in the international market; and also when the Brazilian Real appreciates, the price of commodity products in Reais becomes cheaper – although in these cases there is usually also a change in the price of the commodity products in dollars compensating a part of this effect. At the same time, the exchange rate affects our exports, since the great majority of our costs are in Reais.

Interest rates do not affect the Company's operational result: they only affect the line Financial revenue (expenses). The Company keeps a significant balance in cash and cash equivalents and financial investments (short- and long term) – that on December 31, 2018 was R$ 1,977.0 million (R$ 1,780.6 on December 31, 2017 and R$ 1,589.4 million on December 31, 2016). These funds, basically, are invested in the financial markets, yielding interest at rates close to the Selic rate. Any changes in interest rates in the market will affect the remuneration of these funds.

Indirectly raising the interest rate may affect the purchasing power of our customers.

The table below shows the changes for the items listed:

	2016	2017	Change % 2017–16	2018	Change % 2018–17
Gross revenue per pair – DM – R$	R$ 15.13	R$ 16.67	10.2%	R$ 16.36	(1.9%)
Gross revenue per pair – EXP – R$	R$ 15.33	R$ 13.81	(9.9%)	R$ 16.22	17.5%
Gross revenue per pair – EXP – US$	US$4.39	US$4.33	(1.4%)	US$4.44	2.5%
Gross revenue total – R$	R$ 15.18	R$ 15.92	4.9%	R$ 16.33	2.6%
COGS per pair – R$	R$ 6.41	R$ 6.71	4.7%	R$ 7.09	5.7%
FX rate – R$ / US$, end of the year	R$ 3.2591	R$ 3.3080	1.5%	R$ 3.8748	17.1%
FX rate – R$ / US$, average of the year	R$ 3.4901	R$ 3.1920	(8.5%)	R$ 3.6545	14.5%
IGP-M inflation index			0.5326%		7.5521%
IPCA inflation index			2.9473%		3.7455%

10.3 – Events with material effects on the financial statements – past, or expected

a. Introduction or disposal of an operational segment

In 2016, 2017 and 2018 there was no introduction or disposal of any operational segment in our activities that caused, or is expected to cause in the future, any significant effect on the Company's financial statements or results.

b. Constitution, acquisition or disposal of a stockholding interest

In 2015 and 2017 we did not constitute, acquire or dispose of any materially significant stockholding interest that has caused a material effect on the Company's financial statements or results.

In 2016 Grendene acquired the shares in the subsidiary A3NP Indústria e Comércio de Móveis S.A. from its other partners, by immaterial value, thus becoming holder of 100% of the share capital of that company.

In 2017, Grendene dispose the company Grendene Argentina S.A., pursuant to the purchase agreement on 9th June 2017.

In 2018, Grendene dispose the company A3NP Indústria e Comércio de Móveis S.A., pursuant to the purchase agreement on 21st February, 2018.

c. Non-usual events or operations

In 2016, 2017 and 2018, there were no non-usual events or operations in relation to the Company and/or its activities.

10.4 - Significant changes in accounting practices – Qualifications or emphases in Auditors' Opinion

a. Significant changes in accounting practices

There were no changes, from the financial statements of December 31, 2016 and 2017, to 2018, in the accounting policies and method of measurement adopted in the preparation of the individual and consolidated financial statements.

The Company's individual and financial statements were prepared based on accounting practices adopted in Brazil and rules of the Brazilian Securities Commission (CVM), obeying the accounting guidelines arising from the Corporate Law (Law 6404/76) and also in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and evidence all the relevant information of the financial statements, and only that information, which are consistent with those used by management in its management.

The Company has adopted all the rules, revisions of rules and interpretations issued by IASB which are in effect for the financial statements at December 31, 2016, 2017 and 2018.

Rules, and interpretations of rules, not yet in force

The rules, revisions and interpretations issued by the IASB, but not yet adopted up to the date of reporting of these financial statements, are as follows:

Rules	Nature of change	Period of validity
Interpretation IFRIC 23 / ICPC 22 – Uncertainty over Income Tax Treatments	Gives orientation on recognition and measurement of tax assets and liabilities on income when tax treatment applicable is uncertain.	01/01/2019
Change to IAS 12/CPC 32 - Taxation of profit	Deals with the tax consequences of distribution of profits, including payments in financial instruments classified as Stockholders' equity. These are recognized consistently with the transaction that generated the distributable profits (that is to say, in Net profit, Other comprehensive income or Stockholders' equity).	01/01/2019
Change to IAS 1 and IAS 8 - Definition of 'material'	Small alterations to improve and clarify the definition of "material".	01/01/2019
Change to IAS 8 - Accounting policies	Aims to help entities distinguish accounting policies from accounting estimates.	01/01/2019
IFRS 16 / CPC 06 (R2) – Leases	Presents a single model for accounting of leasing transactions. Establishes that all leases should be recognized in the lessee's balance sheet. Contracts for short terms and insignificant amounts may be excluded from the scope of this rule.	01/01/2019

The Company plans to adopt new rules on the effective date, and according to the prior assessment by the Company's Management, will not have any impact on its financial statements.

These are the only rules and interpretations issued which have not yet been adopted and which might, in the opinion of Management, have a significant effect on the profit or net equity disclosed by the Company.

b. Significant effects of the changes in accounting practices

In the opinion of Management, there are no other rules or interpretations issued and not yet adopted that might have a significant impact on the Company's published net profit or equity position.

c. Qualifications or emphases in the Auditor's Opinion

There are no qualifications or emphases in the Auditor's Opinion.

10.5 – Critical accounting policies

The preparation of the individual and financial statements requires the use of certain critical accounting estimates and also the exercise of judgment by Management in the process of application of the accounting policies, for the accounting of certain assets, liabilities, revenues and expenses.

Estimates and the exercise of judgment are continuously reviewed and the results of this process are recognized in a timely manner and in any future periods affected. Actual results may diverge from these estimates when they materialize.

Information on accounting judgments, estimates and assumptions that may result in significant effects on the amounts recognized in the financial statements are presented in the notes to the financial statements disclosed on February 14, 2019, available on the following websites: CVM (Brazilian Securities Commission) (http://www.cvm.gov.br); B3 (São Paulo Stock Exchange) (http://www.b3.com.br); and the Investor Relations of Grendene (http://ri.grendene.com.br), listed below:

Notes	Nature
Note 7	Estimated losses for doubtful receivables, estimated discounts for punctuality and the rates and periods applied in determining adjustments to present value.
Note 8	Estimated losses for obsolete inventory
Notes 10 and 11	Selection of useful lives of fixed and intangible assets, and impairments.
Note 13	Provisions for employment-law, tax, civil and environmental risks
Note 16	Deferred income tax and Social Contribution tax
Note 18	Sensitivity analyses of financial instruments.
Note 20	Fair value of share-based remuneration.

10.6 – Material items not evidenced in the financial statements

a. Assets and liabilities held by the Issuer, directly or indirectly, that do not appear in its balance sheet (off-balance sheet items), such as:

i) Operational leasing transactions, as lessor or lessee

Not applicable

ii) Portfolios of receivables written off on which the entity maintains risks and responsibilities, including respective liabilities

Not applicable

iii) Contracts for future purchase and sale of products or services

Not applicable

iv) Construction contracts that have not been terminated

Not applicable

v) Contracts for future receipts of financings

Not applicable

b. Other items not evidenced in the financial statements

The Company does not maintain any operations, transactions, contracts, obligations or other types of commitments with subsidiaries that are not consolidated or other transactions capable of generating a significant effect, in the present or the future, on its financial situation, and/or changes in its financial situation, revenues or expenses, operational results, liquidity, capital expenditure or capital resources that are not recorded in its Statement of financial position (Balance sheet).

10.7 - Comments on the items not evidenced in the financial statements

There are no other material items that are not evidenced in our financial statements.

a. How such items changed or could change the revenue, expenses, operational result, financial expenses or other items of the financial statements of the Issuer

Not applicable

b. The nature and purpose of the transaction

Not applicable

c. The nature and amount of the obligations assumed and of the rights generated in favor of the Issuer as a result of the transaction

Not applicable

10.8 – Business plan

a. Capital expenditure, including:

i) Quantitative and qualitative description of the investments in progress, and of the investments foreseen

On December 31, 2016, 2017 and 2018 the largest investments were in maintenance of industrial buildings, replacement of fixed assets, and acquisition of new equipment for modernization of the manufacturing plant and better efficiency of production.

This table shows the investments in the respective years:

R$ million	2016	2017	2018	Change % 2017–18
Capital expenditure (Fixed and intangible)	71.5	107.5	72.3	(32.8%)

In 2019 we are estimating that we will invest around R$ 100 mn in maintenance of our production capacity.

The quantitative and qualitative descriptions of the investments in progress and of the investments planned are given in items 10.8.b and 10.8.c.

ii) Sources of financing of the investments

The Company is in a position to finance all the investments with its own funds.

iii) Significant disinvestments in progress, and disinvestments planned

There are no relevant disinvestments in progress and there are no disinvestments planned.

b. Provided they have been published, indicate the acquisition of plants, equipment, patents or other assets that are expected to materially influence the issuer's productive capacity

We do not have any plans for acquisition of industrial plant, equipment, patents or other assets that are likely materially to influence our productive capacity.

c. New products and services, indicating:

Grendene operates in the sector of footwear, with strong components of fashion, and its business model is similar to that which is known in the market as 'fast fashion', which consists of launch of many products in a year, comprising various collections. Thus, Grendene's portfolio of products is entirely renewed with each successive period of 90 to 180 days.

To guarantee the success and acceptance of these collections Grendene continually accompanies the market, keeping close communication with the points of sale, and carries out market research with the target consumers on its proposals for launches. Participation in many Brazilian and international fairs, where the reactions of purchasers in relation to the products can be observed and tested, is also a part of this effort.

i) Description of research in progress already published

Grendene does not disclose work in progress, due to the characteristics of its business, but shows the result in the form of products in its launches, which usually take place during participations in fairs and events.

10.8 – Business plan

ii) Total amounts spent by the issuer in research for development of new products or services

R$ million	2016	2017	2018	Change % 2017–18
Investment in research for development of new products	52.1	54.6	54.7	0.2%

iii) Projects in development already disclosed

See items 10.8.b and 10.8.c.

iv) Total amounts spent by the issuer in development of new products or services

We do not distinguish these expenses from those presented in item 10.8.c.ii.

10.9 - Other factors with material influence

There are no other factors that significantly influenced the operational performance and which have not been identified or commented on in the other items of this section.

11.1 - Guidance forecasts and assumptions

As of 2019, the company does not make further projections or disclosure of assumptions.

In 2008, we decided to offer a long-term vision, so that investors could have the optimum basis for a view and outlook for Grendene. After almost 15 years, in the meantime, in which its numbers, and the adjustments to its expectations, have been monitored, and we have come to the conclusion that long-term guidance is no longer necessary, but we will continue to comment on our view of the market.

Appendix II

Allocation of Net Profit

DEMONSTRATION OF THE PROPOSAL FOR ALLOCATION OF NET PROFIT – APPENDIX 9-1 II CVM INSTRUCTION 481/2009

In R$	2016	2017	2018
Net profit for the year (a)	**634,491,601.48**	**660,928,515.86**	**585,529,816.72**
Reserve for tax incentives	(264,614,866.54)	(253,689,966.35)	(237,154,837.02)
Basis for calculation of the legal reserve (b)	**369,876,734.94**	**407,238,549.51**	**348,374,979.70**
Legal reserve – 5% (c)	(18,493,836.74)	(20,361,927.47)	(17,418,748.98)
Basis for calculation of the obligatory dividend (b – c) = d	**351,382,898.20**	**386,876,622.04**	**330,956,230.72**
Obligatory dividend – 25%	***87,845,724.55***	***96,719,155.51***	***82,739,057.68***
Reserve for acquisition of shares (Stock Options)	0.00	(9,103,478.70)	(15,880,000.00)
Sum (e)	**0.00**	**(9,103,478.70)**	**(15,880,000.00)**
Dividends relating to the profit of the business year (d – e) = (f)	**351,382,898.20**	**377,773,143.34**	**315,076,230.72**
Obligatory dividend – 25%	87,845,724.55	96,719,155.51	82,739,057.68
Dividend in excess of the obligatory minimum for the business year	263,537,173.65	281,053,987.83	232,337,173.04
Total of dividends proposed by management	**351,382,898.20**	**377,773,143.34**	**315,076,230.72**
Dividends distributed in advance	172,789,040.29	198,143,143.34	171,642,046.10
Interest on Equity (I.E.) distributed in advance (Gross)	30,000,000.00	30,000,000.00	-
Additional dividend proposed	18,593,857.91	19,630,000.00	13,434,184.62
I.E. proposed (Net of tax: R$ 110,500,000.00 in 2016, 2017 and 2018)	130,000,000.00	130,000,000.00	130,000,000.00
Total of dividends distributed	**351,382,898.20**	**377,773,143.34**	**315,076,230.72**
Value of the dividend distributed, per share	**0.212139049**	**0.241396330**	**0.205337683**
Gross value of the I. E., per share (Net of tax: R$ 0.150752385 in 2016 / R$ 0.150750022 in 2017 / R$ 0.122483817 in 2018)	**0.177355747**	**0.177352967**	**0.144098608**
Sum of dividend and I.E., per share (Net of tax: R$ 0.362891434 in 2016 / R$ 0.392146352 in 2017 / R$ 0.327821500 in 2018)	**0.389494796**	**0.418749297**	**0.349436291**
% of the dividend and I.E. (Gross) distributed in relation to:			
- Net profit for the business year	**55.4%**	**57.2%**	**53.8%**
- Net profit for the business year after constitution of the legal reserve (h ÷ (a – c))	**57.0%**	**59.0%**	**55.5%**

(*) Reserve for acquisition of shares – see item 14, sub-clause “a” and “b”.

1. State the net profit for the business year

In 2018 the net profit for the business year was R$ 585,529,816.72 (five hundred and eighty-five million, five hundred and twenty-nine thousand, eight hundred sixteen reais and seventy-two cents).

2. Informar o montante global e o valor por ação dos dividendos, incluindo dividendos antecipados e juros sobre capital próprio já declarados

In 2018 the global amount of the dividend: Gross amount R$ 315,076,230.72, corresponding R$ 0.349436291 per share (Net value R$ 295,576,230.72, corresponding to R$ 0.327821500 per share) for the business year, distributed as follows:

a) **Dividend and Interest on Equity paid previously** (see table below), in the amount of R$ 171,642,046.10, and;

b) **In the form of Interest on Equity** – calculated as part of the total value of dividends, subject to the limits in Article 9, §7, of Law 9249/95: The gross amount of R$ 130,000,000.00, corresponding to gross value per share of R$ 0.144098608; resulting in net payment, after deduction of 15% withholding income tax at source, of R$ 110,500,000.00, this net amount represents net value per share of R$ 0.122483817.

   The Company requests that shareholders, companies and/or entities not subject to withholding income tax submit the documentation to the Company located at Av. Pedro Grendene, 131 – Bairro Volta Grande – Farroupilha – RS -, CEP 95180-052, care the Investor Relations Department, by April 29, 2019, and;

c) **In the form of dividends** – Complementary dividend of R$ 13,424,184.62, or R$ 0.014891133 per share. This amount will not be subject to any remuneration or monetary updating, nor any withholding tax.

The amounts mentioned above (2018) and corresponding to 2016 and 2017 are shown in the table - Appendix II – Allocation of Net profit.

The table below shows the dividend and Interest on Equity, per share, approved by the Board of Directors:

Proceeds in cash for results from fiscal year ending on December 31, 2018 **(Dividends were approved "ad referendum" the OGM the considers the balance sheet and income statement for the business year)**								
Proceeds	**Date of Board of Directors' resolution**	**Ex- date**	**Beginning of payment**	**Payment form**	**Gross amount R$**	**Gross value R$, per share**	**Net amount R$**	**Net value R$, per share**
Dividend	04/26/2018	05/08/2018	05/23/2018	Credit in the current account of the shareholder	90,731,045.64	0.100570903	90,731,045.64	0.100570903
Dividend	07/26/2018	08/04/2018	08/16/2018		33,685,929.15	0.037418208	33,685,929.15	0.037418208
Dividend	10/25/2018	11/07/2018	11/22/2018		47,225,071.31	0.052457439	47,225,071.31	0.052457439
Dividend	02/14/2019	04/24/2019	05/08/2019		13,434,184.62	0.014891133	13,434,184.62	0.014891133
I.E.	02/14/2019	04/24/2019	05/08/2019		130,000,000.00	0.144098608	110,500,000.00	0.122483817
Total R$					**315,076,230.72**	**0.349436291**	**295,576,230.72**	**0.327821500**

1 Dividends approved subject to ratification by AGM that considers the financial statements for the 2018 business year.

2 Value per share adjusted for the stock Split approved at the EGM of April 23, 2018.

3. State the percentage of net profit for the year distributed

In 2018 the percentage of dividends and Interest on Equity (Gross) distributed by the holding company in relation to the net profit for the business year was 53.8%, and 55.5%, of the net profit for the year, after constitution of the legal reserve. In 2017, these figures were 57.2% and 59.0%; and in 2016, they were 55.4% and 57.0%, respectively.

4. State the global amount and value per share of dividends distributed based on profit of prior years

Not applicable

5. State, after deduction of the interim dividends and Interest on Equity already declared:

a) The gross amount of dividend and Interest on Equity, stated separately, by share of each type and class

Grendene has only common shares. Proposed only ratification of dividends approved in advance by the Company's Board of Directors (see item 2 above).

b) Form and timing of payment of dividends and Interest on Equity

In the 2018 business year see item 2 above.

c) Any instance of updating and interest on dividends or Interest on Equity

Not applicable

d) Date of declaration of payment of dividends and Interest on Equity used for identification of the stockholders that will have a right to receive it

In the 2018 business year see item 2 above.

6. If there has been a declaration of dividends or Interest on Equity based on profits ascertained in balance sheets drawn up six-monthly or more frequently

a) State the amount of the dividends or Interest on Equity already declared

b) State the date of the respective payments

Proceeds	Date of Board of Directors' resolution	Ex- date	Beginning of payment	Payment form	Gross amount R$	Gross value R$, per share	Net amount R$	Net value R$, per share
Dividend	04/28/16	05/04/16	05/18/16	Credit in the current account of the shareholder	51,190,824.65	0.170227536	51,190,824.65	0.170227536
I.E.	04/28/16	05/04/16	05/18/16		30,000,000.00	0.099760575	25,500,000.00	0.084796488
Dividend	07/28/16	08/03/16	08/17/16		45,505,162.63	0.151320706	45,505,162.63	0.151320706
Dividend	10/20/16	10/28/16	11/16/16		76,093,053.01	0.253036223	76,093,053.01	0.253036223
Dividend	02/16/17	04/13/17	04/26/17		18,593,857.91	0.061845589	18,593,857.91	0.061845589
I.E.	02/16/17	04/13/17	04/26/17		130,000,000.00	0.432396906	110,500,000.00	0.367537370
2016 - Total R$					**351,382,898.20**	**1.168484390**	**327,382,898.20**	**1.088674303**

Proceeds	Date of Board of Directors' resolution	Ex- date	Beginning of payment	Payment form	Gross amount R$	Gross value R$, per share	Net amount R$	Net value R$, per share
Dividend	04/27/17	05/03/17	05/17/17	Credit in the current account of the shareholder	69,078,060,63	0.229714663	69,078,060.63	0.229714663
I.E.	04/27/17	05/03/17	05/17/17		30,000,000,00	0.099763077	25,500,000.00	0.084798615
Dividend	07/27/17	08/04/17	08/16/17		55,584,193,70	0.184841673	55,584,193.70	0.184841673
Dividend	10/26/17	11/07/17	11/22/17		73,480,889,01	0.244355986	73,480,889.01	0.244355986
Dividend	02/22/18	05/04/18	05/16/18		19,630,000,00	0.065276669	19,630,000.00	0.065276669
I.E.	02/22/18	05/04/18	05/16/18		130,000,000,00	0.432295823	110,500,000.00	0.367451450
2017 - Total R$					**377,773,143.34**	**1.256247891**	**353,773,143.34**	**1.176439056**

Proceeds	Date of Board of Directors' resolution	Ex- date	Beginning of payment	Payment form	Gross amount R$	Gross value R$, per share	Net amount R$	Net value R$, per share
Dividend	04/26/18	05/08/18	05/23/18	Credit in the current account of the shareholder	90,731,045.64	0.100570903	90,731,045.64	0.100570903
Dividend	07/26/18	08/04/18	08/16/18		33,685,929.15	0.037418208	33,685,929.15	0.037418208
Dividend	10/25/18	11/07/18	11/22/18		47,225,071.31	0.052457439	47,225,071.31	0.052457439
Dividend	02/14/19	04/24/19	05/08/19		13,434,184.62	0.014891133	13,434,184.62	0.014891133
I.E.	02/14/19	04/24/19	05/08/19		130,000,000.00	0.144098608	110,500,000.00	0.122483817
2018 - Total R$					**315,076,230.72**	**0.349436291**	**295,576,230.72**	**0.327821500**

1 Dividends approved subject to ratification by AGM that considers the financial statements for the 2018 business year.

2 Value per share adjusted for the stock Split approved at the EGM of April 23, 2018.

7. Provide a comparative table showing the following amounts per share for each share type and class:

a) Net profit for the business year and of the 3 (three) prior years

b) Dividend and Interest on Equity distributed in the 3 (three) previous years

	2016	2017	2018
Share type and class	ON	ON	ON
Net profit for the business year R$	634,491,601.48	660,928,515.86	585,529,816.72
Net profit per share R$	0.7034	0.7328	0.6501
Dividends R$	191,382,898.20	217,773,143.34	185,076,230.72
Dividends per share R$	0.212139049	0.241396330	0.205337683
Gross Interest on Equity R$	160,000,000.00	160,000,000.00	130,000,000.00
Net Interest on Equity R$	136,000,000.00	136,000,000.00	110,500,000.00
Gross Interest on Equity per share R$	0.177355747	0.177352967	0.144098608
Net Interest on Equity per share R$	0.150752385	0.150750022	0.122483817

8. In the event that profits were allocated to the Legal reserve

a) State the amount allocated to the Legal reserve

R$	2016	2017	2018
Legal reserve	18,493,836.74	20,361,927.47	17,418,748.98

b) State the manner of calculation of the legal reserve, in detail

The amount allocated to the Legal reserve is constituted as 5% of: {Net profit for the business year, less the amount of tax incentives}, subject to its total at any time being limited to 20% of the share capital.

R$	2016	2017	2018
Net profit for the business year	634,491,601.48	660,928,515.86	585,529,816.72
Tax incentives reserve	(264,614,866.54)	(253,689,966.35)	(237,154,837.02)
Basis for calculation	**369,876,734.94**	**407,238,549.51**	**348,374,979.70**
Legal reserve – 5%	**18,493,836.74**	**20,361,927.47**	**17,418,748.98**

9. If the company has preferred shares with the right to fixed or minimum dividends

a) Describe the form of calculation of the fixed or minimum dividends

b) State whether the profit for the business year is sufficient for full payment of the fixed or minimum dividends

c) Identify if any portion not paid is cumulative

d) Identify the global amount of the fixed or minimum dividend to be paid to each class of preferred shares

e) Identify the fixed or minimum dividends to be paid per preferred share of each class

The Company does not have preferred shares.

10. In relation to the obligatory dividend

a) Describe the form of calculation specified in the Bylaws

The Company's bylaws, approved on April 7, 2014, in the clauses reproduced below, define the form of calculation of the obligatory dividend:

Clause 32. The shareholders are entitled to an annual obligatory dividend equivalent to, at least, 25% (twenty five per cent) of the net profit for the year, less or augmented by the following amounts:

a. 5% (five per cent) to constitute the legal reserve, until this reserve reaches the limits set by law; and

b. an amount allocated for formation of reserves for contingencies, and reversal of such of those reserves as may have been formed in previous business years, As specified in article 195 of the corporate Law.

§1 The payment of the dividend referred to by this Clause is limited to the amount of the net profit for the business year that has been realized, and the difference is recorded in the Future Earnings Reserve. The profits recorded in the Future Earnings Reserve, when realized, if they have not been absorbed by losses in subsequent business years, shall be added to the first dividend declared after their realization.

§2 The General Meeting of Stockholders may, upon proposal from the Management Bodies, allocate a portion of the net profit for constitution and/or maintenance of a profits reserve arising under the By-laws, named the "Share Acquisition Reserve", the purpose of which shall be redemption, repurchase or acquisition of shares issued by the Company, for purposes that may include compliance with its obligations to deliver shares to participants exercising their options under the Company's Stock Options Plan, as approved by the Company. The Share Acquisition Reserve may be formed from up to 100% of the net profit that remains after the deductions made by obligation of law and the By-laws, and its balance shall be equal to a maximum of 20% of the Company's registered share capital. At the end of the business year, any remaining balance not used in this reserve may be used, for the same purpose, for the following business year if management decides this to be necessary, upon approval by the General Meeting of Stockholders and, if not used wholly or in part, such balance shall revert for payment of dividends. In the form specified in Article 198 of the Brazilian Corporate Law, allocation of profits for constitution of the Reserve for Acquisition of Shares may not be approved insurance such a way as to prejudice distribution of the obligatory dividend.

§3 The remaining profit shall be allocated in such manner as is approved by the General Meeting of Stockholders, in accordance with the proposal formulated by the Executive Board, subject to the applicable precepts of law, in particular Paragraph 6 of Article 202 of Law 6404/76.

Clause 33. By decision of the Executive Board, the Company may pay to its stockholders Interest on Equity, which shall be imputed against the obligatory dividend referred to in Clause 32, becoming, for all purposes, part of the amount of the dividends distributed by the Company.

§1 By decision of the Board of Directors, the Company may pay its stockholders dividends on account of retained earnings from previous years.

Clause 34. The Company may raise balance sheets at six-monthly, or quarterly, intervals, or more frequently, and may declare, by decision of the Board of Directors, dividends based on the profit ascertained in these financial statements, on account of the total to be distributed at the end of the respective business year, subject to the limitations specified by law. Dividends thus declared constitute advances against the obligatory dividend referred to in Clause 32.

§1 Dividends do not attract interest and if not claimed by any stockholder within a period of three years from the date of the decision for their distribution will revert in favor of the Company.

Clause 35. The General Meeting of Stockholders may, upon proposal by the Management Bodies, allocate to the Tax Incentive Reserve, in accordance with Article 195-A of Law 6404/76, as amended by Law 11638/2007, the portion of net profit arising from government donations or subsidies for investments, which may be excluded from the base of calculation of the obligatory dividend.

b) State whether it is being paid in full

Yes, the dividend has always been paid above the limit of 25% established by the Company's Bylaws (Clause 32), approved on April 7, 2014.

c) State any amount retained

There was no retention of the obligatory dividend in 2016, 2017 and 2018, as shown below:

R$	2016	2017	2018
Obligatory dividend – 25%	87,845,724.55	96,719,155.51	82,739,057.68
Additional dividend	263,537,173.65	281,053,987.83	232,337,173.04
Total	**351,382,898.20**	**377,773,143.34**	**315,076,230.72**

11. If there has been retention of the obligatory dividend due to the company's financial situation

There was no retention of the obligatory dividend in 2016, 2017 and 2018.

a. State the amount of the retention

b. Describe, in detail, the financial situation of the company, dealing also with aspects relating to analysis of liquidity, working capital and positive cash flows

c. Justify the retention of the dividends

12. If there has been allocation to contingency reserve

There was no allocation of income to contingency reserve.

a. Identify the amount allocated to the reserve

b. Identify the loss considered probable and its cause

c. Explain why the loss was considered probable

d. Justify the constitution of the reserve

13. If there has been allocation of profit to the future income reserve

There was no allocation of profit to the future income reserve.

a. State the amount allocated to the future income reserve

b. State the nature of the non-realized profits that gave rise to the reserve

14. If profits were allocated to the Reserve under the by-laws

a. Describe the clauses in the by-laws that establish the reserve

Under Clause 32 §2 of the by-laws the general meeting of stockholders may, upon proposal by the management bodies, allocate part of the net profit to the constitution and/or maintenance of a profit reserve established under the by-laws named 'Reserve for acquisition of shares', the purpose of which is redemption, repurchase or acquisition of shares issued by the Company, including for compliance with its obligation to deliver shares to those participants in the Company's Stock Purchase Options Plan, approved by the Company, who exercise their shares. The Reserve for acquisition of shares may be formed from up to 100% of the net profit that remains after the deductions of the allocations to the legal reserve and any allocations under the by-laws, and its balance shall have a maximum limit of 20% of the share capital. At the end of the business year, any remaining balance of this reserve not utilized may be used, for the same purpose, for the next business year if the management deems this to be necessary, upon approval by the General Meeting of Stockholders and, if it is not used in whole or in part, the said balance shall be reverted to payment of dividends. As specified in Article 198 of the Corporate Law, allocation of profits to constitution of the Reserve for acquisition of shares may not be approved to the detriment of distribution of the obligatory dividend.

b. Identification of the amount allocated to the reserve

R$	2016	2017	2017
Balance of Reserve for acquisition of shares	0.00	9,103,478.70	15,880,000.00

c. Describe how the amount was calculated

In 2019, a total of 1,969,017 options to subscribe shares will be exercisable. In 2020, there will be 1,465,048 options to buy or subscribe shares exercisable by the executives that are beneficiaries of the plans.

The Board of Directors believes that acquisition of the Company's common shares in the market is the best means of accommodating this purpose. For this reason the Company retained the further amount of R$ 15,880,000.00 in the 2018 business year, which when added to the balance of reserve approved in the business year 2017, of R$ 16,034,799.89, results in a total of R$ 31,914,799.89 for acquisition of shares to meet this objective.

15. If there was retention of profits specified in a capital budget:

a. Identify the amount of the retention

In 2016, 2017 and 2018 there was no retention of profits specified in a capital budget.

b. Supply a copy of the capital budget

In 2018 there was no retention of profit specified in a capital budget.

16. If profit was allocated to the tax incentive reserve:

a. Specify the amount allocated to the reserve

R$	2016	2017	2018
Tax incentive reserve	264,614,866.54	253,689,966.35	237,154,837.02

b. Explain the nature of the allocation

R$	2016	2017	2018
ICMS tax (Provin and Proapi)	188,830,352.77	167,824,441.03	158,410,541.04
Income tax (IRPJ)	75,784,513.77	85,865,525.32	78,744,295.98
Total	**264,614,866.54**	**253,689,966.35**	**237,154,837.02**

Appendix III

Manager's Compensation

13.1 - Description of the remuneration policy or practice, including that of non-statutory directors

a. Objectives of the remuneration policy or practice

The objective of each element of the managers' remuneration is to encourage alignment of the interests of the managers with the targets of the Company, so as to stimulate their commitment and also to attract and maintain highly qualified professionals.

The Company has no statutory committee. On 12 February 2015 the Board of Directors in its minute of meeting nº 59, established a committee composed of three members, all belonging to the Board of Directors to meet the provisions of items 2.1 and 2.2 of the Regulation of the Stock Option Plan Purchase or the Company's Share Subscription which provides that the plan administration can be delegated to a committee specially created for both.

The members of this committee do not receive any remuneration due to this activity. The only compensation received is as Board member as is shown in items 13.1.b.ii, 13.2 and 11.13 of this form.

b. Composition of the remuneration, indicating:

i. Description of the elements of the remuneration and the objectives of each one of them

The members of the **Board of Directors** receive only a fixed monthly remuneration for performance of their functions, thus, other than the fixed monthly remuneration referred to, there are no other elements in the remuneration of the members of the Board of Directors.

The members of the **Audit Board** receive only a fixed monthly remuneration for performance of their functions, thus, other than the fixed monthly remuneration referred to, there are no other elements in the remuneration of the members of the Audit Board.

As to the remuneration of the **statutory and non-statutory officers**, the elements of their remuneration are: the fixed monthly salary; and remuneration based on shares in the Company.

There is no other direct and indirect benefits to the members of the Board of Directors, Audit Board and Executive Board.

The fixed remuneration seeks to remunerate the executives on attractive terms in comparison to the market with a view to attracting and retaining good professionals.

The share-based remuneration seeks an alignment with the stockholders, including the performance of the shares in the market among the factors that affect the executive's income. This remuneration takes the form of grant of options to purchase shares in the Company, with a period of acquisition of right (vesting) divided into three years (1/3 may be exercised in one year, 2/3 in two years and 3/3 in three years) so as to discourage excessive focus on the short term.

ii. What is the proportion of each element in the total remuneration?

	2018			
	Board of Directors	**Committee**	**Audit Board**	**Executive Board**
Fixed remuneration	100%	-	100%	67%
Remuneration based on shares	-	-	-	32%

	2017			
	Board of Directors	**Committee**	**Audit Board**	**Executive Board**
Fixed remuneration	100%	-	100%	68%
Remuneration based on shares	-	-	-	32%

	2016			
	Board of Directors	**Committee**	**Audit Board**	**Executive Board**
Fixed remuneration	100%	-	100%	70%
Remuneration based on shares	-	-	-	30%

13.1 - Description of the remuneration policy or practice, including that of non-statutory directors

iii. Methodology of calculation and adjustment of each one of the elements of the remuneration

The amount of fixed remuneration of the members of the Board of Directors is set annually by the Annual General Meeting based on market values and the economic/financial situation of the Company. The fixed remuneration of the Audit Board is approved by the Annual General Meeting and obeys the limits defined in Law 6404 – Article 162, §3. The members of the Board of Directors and of the Audit Board do not receive any other type of remuneration.

The fixed remuneration of the statutory and non-statutory directors takes into account experience for exercise of the post, references values in the market, which are obtained through research, information in business newspapers and magazines specialized in remuneration of executives, and the Company's economic/financial situation. The remuneration of the statutory Directors is set annually by the Board of Directors.

The number of Options granted to the executives is decided annually by the Committee specified in Item 2.2 of the Regulations of the Stock Option Purchase and Subscription Plan, taking as a basis the performance of the Company in the previous year and accordance with the said Regulations (approved by the Ordinary and Extraordinary General Meeting of Stockholders of April 14, 2008 as amended by the meetings of the Board of Directors of March 1 2012 and February 12, 2015).

iv. Reasons for the composition of the remuneration

The main reasons that justify the composition of the remuneration are:

- To help attract and retain professionals.
- To ensure remuneration appropriate to the market.
- The Company's economic and financial situation.
- Long-term incentive; and
- Alignment of interests with those of the stockholders.

c. Principal indicators of performance that are taken into consideration in the determination of each element of the remuneration

The principal indicators are the change in the Company's Ebit in comparison with the evolution of the market as a whole; Grendene's share of the total of Brazilian footwear exports; Grendene's share in Brazilian apparent footwear consumption; and a qualitative evaluation of the products launched and the satisfaction of the 'trade'. The fixed remuneration takes market parameters into account comparing the Company's practices with those of companies of an equal size for functions of the same complexity and responsibility, and also inflation in the previous year.

The share-based remuneration is in accordance with the Regulations of the Stock Options Purchase and Subscription Plan approved by the Annual General Meeting held on April 14, 2008, and amendments approved by the meeting of the Board of Directors of March 1, 2012 and February 12, 2015. The quantity of options granted is decided in a Meeting of the Board of Directors, which takes into account basically the profit obtained by the Company in the previous business year, and the indicators described above. The options are granted with an exercise price based on the price of the share in the market, and this remuneration only becomes effective if during the period of the Plan the market value of the shares grows faster than monetary adjustment by the IPCA inflation index, which is applied to the exercise price of the grant up to the date of exercise of the option.

According to the plan, annually, during the period of the Plan, the Company's Board of Directors, taking into account the premises for grant, will decide the Beneficiaries, in the form specified in Clause I of the Plan, and also the number of shares that may be acquired with the exercise of each option, the price of exercise of each option and the conditions of its payment, the periods and conditions of exercise of each option and any other conditions relating to them.

The Options, as specified in the said Plan, shall have a total vesting period of 3 years, being able to be exercised as follows: (i) Up to 1/3 after one (1) year from the date of grant; (ii) a further 1/3 after 2 years from the date of the grant, making a total limit of 2/3; and (iii) the remaining 1/3 after 3 years from the date of the grant. The options shall have a period of validity of six (6) years, from the date of grant. The grant of options for purchase of shares under the said Regulations is made through signing of Subscription Contracts between the Company and the Beneficiaries. These contracts must specify, without prejudice to other conditions determined by the Board of Directors or Committee (as the case may be): (a) the quantity of shares subject of the grant; (b) the conditions for acquisition of the right to exercise of the option; (c) the final period for exercise of the share purchase option; and (d) the period of exercise and conditions of payment. The Board of Directors or Committee (as the case may be) may impose terms and/or prior conditions for the exercise of the option and impose restrictions on the transfer of the shares acquired with the

13.1 - Description of the remuneration policy or practice, including that of non-statutory directors

exercise of the Option, and may also reserve to the Company options of repurchase or rights of preference in the case of sale by the Beneficiary of the same shares, up to the termination of the period and/or compliance with the conditions set. The Subscription Contracts shall be prepared individually for each Beneficiary, and the Board of Directors or the Committee (as the case may be) may establish differentiated terms and conditions for each Subscription Contract, without the need for application of any rule of equality of rights or of analogy between the Beneficiaries, even if they are in similar or identical situations. The purchase options granted under the said Regulations, and also their exercise by the Beneficiaries, have no relationship with, nor are they linked to, their fixed remuneration, or any shares in the profits. Without prejudice to any provision to the contrary specified in the said Regulations or in the Subscription Contract, the options granted shall be extinguished automatically, all their effects ceasing for all purposes of law, in the following events: (a) their full exercise; (b) expiry of the period of validity of the option; (c) agreement to dissolve the Subscription Contract; or (d) if the Company is dissolved, liquidated or declared bankrupt. Signing of the Subscription Contract will mean acceptance, by the Beneficiary, of all the conditions established in the Plan and the said Regulations.

d. How the remuneration is structured to reflect changes in the performance indicators

The fixed remuneration is compared with the amounts practiced in other companies of equal scale. The share-based remuneration reflects the value of the Company, which is the result of the valuation by the market of the Company's performance; and an evaluation by the Committee, submitted to the Board of Directors, of the change in the indicators.

e. How the remuneration policy or practice aligns with the short-, medium- and long-term interests of the Issuer

See Share-based remuneration, in items 13.4 – sub-items 'c', 'd' and 'e'.

f. Existence of remuneration paid by subsidiaries or controlling stockholders, whether direct or indirect

There is no form of remuneration of Chief Officers or members of the Board of Directors paid by any direct or indirect subsidiary, jointly-controlled subsidiary or parent company.

g. Existence of any remuneration or benefit linked to the occurrence of any corporate event, such as disposal of stockholding control of the Issuer

There is no remuneration or benefit linked to the occurrence of corporate events, however, in the event of dissolution, merger, absorption, split or liquidation of the Company, the Beneficiaries of the Stock Options Purchase and Subscription Plan may exercise such options as they have that may already be exercised (that is to say, for which the vesting period has been completed) in the period between the date of convocation of the General Meeting of Stockholders whose object is to decide on the dissolution, merger, absorption, split or liquidation of the Company and the date of its being held. To the contrary, the Options will be extinguished, as will also the Regulations of the Plan of Grant and the respective Subscription Contracts.

13.2. - Total of the remuneration of the Board of Directors, the Executive Board and the Audit Board

Total remuneration for the current business year to December 31, 2019 – Annual amounts				
	Board of Directors	Executive Board	Audit Board	Total
No. of members	6.00	3.00	3.00	12.00
No. of remunerated members	6.00	3.00	3.00	12.00
Annual fixed remuneration				
Salary or 'pro-labore' payment	1,300,000.00	5,000,000.00	500,000.00	6,800,000.00
Direct and indirect benefits	0.00	0.00	0.00	0.00
Attendance at committees	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other fixed remunerations				
Variable remuneration				
Bonus	0.00	0.00	0.00	0.00
Profit shares	0.00	0.00	0.00	0.00
Attendance at meetings	0.00	0.00	0.00	0.00
Commissions	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other variable remunerations				
Post-employment	0.00	0.00	0.00	0.00
Leaving of post	0.00	0.00	0.00	0.00
Share-based	0.00	3,000,000.00	0.00	3,000,000.00
Remarks	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	
Total of the remuneration	1,300,000.00	8,000,000.00	500,000.00	9,800,000.00

13.2. - Total of the remuneration of the Board of Directors, the Executive Board and the Audit Board

Total remuneration for the current business year to December 31, 2018 – Annual amounts				
	Board of Directors	Executive Board	Audit Board	Total
No. of members	6.00	3.00	3.00	12.00
No. of remunerated members	6.00	3.00	3.00	12.00
Annual fixed remuneration				
Salary or 'pro-labore' payment	1,146,000.00	4,263,720.00	437,400.00	5,847,120.00
Direct and indirect benefits	0.00	0.00	0.00	0.00
Attendance at committees	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other fixed remunerations				
Variable remuneration				
Bonus	0.00	0.00	0.00	0.00
Profit shares	0.00	0.00	0.00	0.00
Attendance at meetings	0.00	0.00	0.00	0.00
Commissions	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other variable remunerations				
Post-employment	0.00	0.00	0.00	0.00
Leaving of post	0.00	0.00	0.00	0.00
Share-based	0.00	2,139,122.00	0.00	2,139,122.00
Remarks	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	
Total of the remuneration	1,146,000.00	6,402,842.00	437,400.00	7,986,242.00

13.2. - Total of the remuneration of the Board of Directors, the Executive Board and the Audit Board

Total remuneration for the current business year to December 31, 2017 – Annual amounts				
	Board of Directors	Executive Board	Audit Board	Total
No. of members	6.00	3.00	3.00	12.00
No. of remunerated members	6.00	3.00	3.00	12.00
Annual fixed remuneration				
Salary or 'pro-labore' payment	1,116,000.00	4,159,000.00	427,500.00	5,702,500.00
Direct and indirect benefits	0.00	0.00	0.00	0.00
Attendance at committees	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other fixed remunerations				
Variable remuneration				
Bonus	0.00	0.00	0.00	0.00
Profit shares	0.00	0.00	0.00	0.00
Attendance at meetings	0.00	0.00	0.00	0.00
Commissions	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other variable remunerations				
Post-employment	0.00	0.00	0.00	0.00
Leaving of post	0.00	0.00	0.00	0.00
Share-based	0.00	1,992,445.00	0.00	1,992,445.00
Remarks	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	
Total of the remuneration	1,116,000.00	6,151,445.00	427,500.00	7,694,945.00

13.2. - Total of the remuneration of the Board of Directors, the Executive Board and the Audit Board

Total remuneration for the business year to Dec. 31, 2016 – Annual amounts				
	Board of Directors	Executive Board	Audit Board	Total
No. of members	6.00	3.00	3.00	12.00
No. of remunerated members	6.00	3.00	3.00	12.00
Annual fixed remuneration				
Salary or 'pro-labore' payment	1,056,000.00	3,914,640.00	401,400.00	5,372,040.00
Direct and indirect benefits	0.00	0.00	0.00	0.00
Attendance at committees	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other fixed remunerations				
Variable remuneration				
Bonus	0.00	0.00	0.00	0.00
Profit shares	0.00	0.00	0.00	0.00
Attendance at meetings	0.00	0.00	0.00	0.00
Commissions	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00
Description of other variable remunerations				
Post-employment	0.00	0.00	0.00	0.00
Leaving of post	0.00	0.00	0.00	0.00
Share-based	0.00	1,675,974.00	0.00	1,675,974.00
Remarks	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	There is no other direct and indirect benefits.	
Total of the remuneration	1,056,000.00	5,590,614.00	401,400.00	7,048,014.00

13.3 - Variable remuneration of the Board of Directors, Executive Board and the Audit Board

The remuneration policy of Grendene S.A. does not include programs of remuneration in the form of cash payments during or in respect of the business year for the members of the Board of Directors, Audit Board and Executive Board.

13.4 - Share-based remuneration plan for the Board of Directors and the Executive Board

a. General terms and conditions

The Regulations of the Program establish the rules relating to the Program of Options for Purchase or Subscription of Shares of Grendene S.A. and its subsidiaries ('the Company'), instituted under the Stock Options Purchase and Subscription Plan ('the Plan'), submitted to decision of the Extraordinary General Meeting of stockholders of the Company on April 14, 2008. The Plan and Regulations currently in force were recommended by the Board of Directors in a meeting held on March 13, 2008, and alterations were approved in the meeting of the Board of Directors of March 1, 2012 and February 12, 2015.

Definitions established in the Plan:

For the purposes of the Regulations governing Grant of Options for Purchase or Subscription of Shares currently in effect, the terms employed below have the following definitions:

i) Stockholder: Individual or legal entity owning a share in the Company.

ii) Shares: Nominal common shares that will be or have been issued by the Company.

iii) Beneficiary: The Eligible Employee to whom the Option is in fact granted.

iv) Eligible Employees: Executives at the levels of Members of the Board of Directors, Executive Board and Management, except those who are part of the Controlling Stockholding Group, who are able to take part in the Stock Options Purchase and Subscription Plan, in the form of the indications specified in the said Regulations.

v) Company: The company Grendene S.A. and its subsidiary companies.

vi) Subscription Contract: The Private Instrument of Grant of Option to Purchase or Subscribe Shares, entered into between the Company and the Eligible Employee, through which the latter becomes a participant in the Stock Options Purchase and Subscription Plan.

vii) Date of Grant: The date of signature of the Subscription Contract, which will formalize the grant of the Options to the Beneficiaries.

viii) Separation: This means any act or event which, whether or not with just cause, puts an end to the legal relationship between the Beneficiary and the Company, except in cases of retirement, permanent invalidity or death. Separation also covers the cases of dismissal, replacement or non-reelection of a Beneficiary from a position as member of the Board of Directors or of the Executive Board, and rescission of the employment contract.

ix) Exercise of the Options: Actual purchase or subscription, by the Beneficiary, of shares relating to the Options granted to him by the Subscription Contract.

x) Option or Options: Possession by a Beneficiary of the right to acquire or subscribe shares in the Company for a previously fixed price, during a specified period of time, when the conditions established in the Regulations have been met.

xi) Exercisable Option(s): Such option(s) as have met the conditions specified for the exercise of the right of purchase or subscription of the Shares (vesting), and hence are able to be exercised.

xii) Non-exercisable Option(s): Such option(s) as has (have) not met the conditions specified for the exercise of the right of purchase or subscription of the Shares.

xiii) Option Exercise Period: Period between the date on which it is possible to buy or subscribe the shares and the limit date for the purchase or subscription.

xiv) Regulations: The Regulations of the Plan duly approved by the Board of Directors and the General Meeting of Stockholders of the Company.

xv) Option Exercise Price: Amount determined to be paid by the Beneficiary for the purchase or subscription of the shares that are subject of the option granted to him.

xvi) Vesting Period: The period established by the Company before the period for exercise of the option for purchase or subscription of shares by the Beneficiary.

b. Principal objectives of the plan

The objective of the Stock Options Purchase and Subscription Plan, governed by the Regulations, is to establish rules for certain executives of the Company to be able to acquire shares issued by the company, aiming to strengthen the levels of attraction, retention and motivation of talents, and also to align the interests of executives with those of stockholders in the generation of profits and sustainable creation of value. The aim is to create a long-term incentive, based on the concept of stock options, which consists of concession of a right – and not an obligation – to buy shares in the Company for

13.4 - Share-based remuneration plan for the Board of Directors and the Executive Board

predetermined prices and in predetermined periods. The Beneficiary's potential gain will be the result of the Purchase and Sale of the shares, that is to say, any increase in the value of the share over the exercise price.

c. How the plan contributes to these objectives

As a result of the plan, part of the remuneration of the executives (the part that is based on shares) depends on the value of the shares in the market, which in turn reflects the value of the stockholders' investment. The fact that the options have a period for vesting (1/3 of the total, each year, as from the date of grant) and a period of 6 years for exercise, creates an incentive for pursuing the long-term targets and penalizes the taking of actions whose aim is only short-term benefit.

d. How the plan fits into the Issuer's remuneration policy

The Share-based remuneration is the Company's only form of variable remuneration, and is the element that links the remuneration of the executives to the remuneration of the stockholders in the form of increase in value of their shares.

e. How the plan aligns the interests of the managers and of the Company in the short, medium and long term

When the vesting period specified in the regulations has ended, the Beneficiary may exercise his or her option to purchase shares. The exercise of the option consists of purchase of the shares for the exercise price established, after the vesting period has expired. For this purpose, the Beneficiary must formally state the exercise of the option to the company, through an Exercise Notice, within fifteen (15) days following the meeting of the Board of Directors which approved the financial statements of the previous business year, subject to the limits specified by the vesting period. Further, at its exclusive option the Board of Directors may authorize the exercise of any options to which right has been acquired, within up to fifteen (15) days following the publication of the quarterly results, subject to the limits specified by the vesting period. The options may be exercised in their totality or in part, subject to the periods and conditions established by the Board of Directors, by the Committee (as the case may be), by these regulations (especially, but not limited to the limits specified by the vesting period), and/or by the Adhesion Contracts. The portion of the Option that has not been exercised by the date specified in the regulation shall be considered automatically to have been extinguished, without any right to indemnity. The exercise of the Option may only take place provided there has been continuity of the Beneficiary's employment relationship with the Company or with its subsidiaries, up to the actual date of exercise of the option. The Exercise Notice may only be issued by the Beneficiary, after publication of the annual and/or quarterly results as per decision of the Board of Directors. In the Exercise Notice, the Beneficiary must indicate the quantity of shares that he/she wishes to acquire, in the form of notice to be published by the Board of Directors or by the Committee, as the case may be.

With the continuity of the plan and if the executive remains in the company he/she will be the holder of options which may be exercised in the short, medium or long term, and the value of which depends on the difference between the exercise price of the options and the price of the shares traded in the market – the greater the difference, the greater the value. Thus, it is in the interest of the executives that the price of the shares of the Company should increase in a continuous and sustainable manner, and this is also in the interests of the Company's stockholders.

f. Maximum number of shares covered

The share purchase options granted under the Stock Options Purchase and Subscription Plan and the Regulations in effect shall be limited to a total of 5% (five per cent) of the Company's registered capital. The shares resulting from the exercise of the option will be issued as a result of a decision by the Board of Directors to increase the capital, within the authorized limit of the Company's capital, or with use of shares in treasury, within the legal limits. The present shareholders will not have preference in the grant or in the exercise of the share purchase options specified in the said Regulations, as per the provisions of Article 171, § 3 of Law 6404/76.

In the event that the number, type and/or class of the shares issued by the Company is changed as a result of share splits, bonuses, reverse splits or conversions, the Board of Directors shall make the corresponding adjustment in the number, type and/or class of the shares that are the subject of each Option in effect and their respective price of acquisition or subscription, as the case may be, informing the Beneficiaries in writing.

13.4 - Share-based remuneration plan for the Board of Directors and the Executive Board

g. Maximum number of options to be granted

The criteria are the same as for the previous item. The company expects always to make any grant of an option to purchase a share in accordance with criteria defined in the Plan.

h. Conditions for acquisition of shares

When the vesting period specified in the regulations has ended, the Beneficiary may exercise his or her option to purchase shares. The exercise of the option consists of purchase of the shares for the exercise price established, after the vesting period has expired. For this purpose, the Beneficiary must formally state the exercise of the option to the Company, through an Exercise Notice, within fifteen (15) days following the meeting of the Board of Directors which approved the financial statements of the previous business year, subject to the limits specified by the vesting period. Further, at its exclusive option the Board of Directors may authorize the exercise of any options to which right has been acquired, within up to fifteen (15) days following the publication of the quarterly results, subject to the limits specified by the vesting period. The options may be exercised in their totality or in part, subject to the periods and conditions established by the Board of Directors, by the Committee (as the case may be), by these regulations (especially, but not limited to the limits specified by the vesting period), and/or by the Adhesion Contracts. The portion of the Option that has not been exercised by the date specified in the regulation shall be considered automatically to have been extinguished, without any right to indemnity. The exercise of the Option may only take place provided there has been continuity of the Beneficiary's employment relationship with the Company or with its subsidiaries, up to the actual date of exercise of the option. The Exercise Notice may only be issued by the Beneficiary, after publication of the annual and/or quarterly results as per decision of the Board of Directors. In the Exercise Notice, the Beneficiary must indicate the quantity of shares that he/she wishes to acquire, in the form of notice to be published by the Board of Directors or by the Committee, as the case may be.

When the issuance of the shares or transfer of the shares in treasury has been approved, according to the case and the decision of the Board of Directors, the shares resulting from the Exercises of Option will be transferred to or posted in the name of the respective Beneficiary, who must pay the Issue Price to the Company within five (5) days after the registry or transfer.

i. Criteria for setting the price of acquisition or exercise

The Exercise Price of the option will be based on the volume-weighted average of the market price of the share in the month prior to the grant and adjusted by inflation (IPCA) up to the Exercise of Option, thus establishing Article 170, § 1, III, of Law 6404/76 as the criterion for setting the issue price. The Board of Directors, at its exclusive option, but without disobeying the legal limits referred to above, may apply a discount of up to 50% on the result of the average referred to in this item. Application of the said discount will not create an acquired right, in favor of the same or of other Beneficiaries, to similar discounts in other issues of shares.

j. Criteria for setting of the exercise price

As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant. The options shall have a period of validity of six (6) years, from the date of grant.

The periods have been established to generate long-term incentives.

k. Form of settlement

The exercise price of the option shall be paid on the date determined by the Company, in Brazilian currency, by: (i) nominal check to the Company; (ii) bank transfer to an account indicated by the Company; or (iii) any other form of payment expressly permitted by the Company and previously advised to the Beneficiary in writing.

13.4 - Share-based remuneration plan for the Board of Directors and the Executive Board

l. Restrictions on transfer of shares

The shares acquired by the Beneficiaries under this plan do not have any restrictions on transfer, however, as is specified in the Regulations, the Board of Directors or the Committee (as the case may be), may impose terms and/or prior conditions for the exercise of the option, and impose restrictions on the transfer of shares acquired with the exercise of the Option, and may also reserve for the Company options to repurchase, or rights of first refusal, in the event of sale by the Beneficiary of those shares, up to the termination of the period and/or compliance with the conditions set. The Subscription Contracts will be prepared individually for each Beneficiary, and the Board of Directors or the Committee (as the case may be) may establish differentiated terms and conditions for each Subscription Contract, without the need for application of any rule of equality of rights or of analogy between the Beneficiaries, even if they are in similar or identical situations.

m. Criteria and events which, when present, will result in suspension, alteration or extinction of the plan

The 'Plan' and the Regulations come into effect on the date of their approval by the General Meeting of Stockholders of the Company and may be extinguished at any time by decision of the General Meeting of Stockholders. The termination of the period of validity shall not affect acquired rights - thus not affecting the efficacy of the Options that are still in effect, and granted under it.

Without prejudice to any provision to the contrary specified in the Regulations or in the Subscription Contract, the options granted shall be automatically extinguished, all their effects ceasing for all purposes of law, in the following events: (a) their full exercise; (b) expiry of the period of validity of the option; (c) agreement to dissolve the Subscription Contract; or (d) if the Company is dissolved, liquidated or declared bankrupt. However, in the event of dissolution, merger, absorption, split or liquidation of the Company, the Beneficiaries of the Stock Options Purchase and Subscription Plan may exercise such of their Options as are already able to be exercised (that is to say, for which the vesting period has elapsed) in the period between the date of convocation of the general meeting of stockholders for the purpose of deciding on the dissolution, merger, incorporation, split or liquidation of the Company and the date of it being held. To the contrary, the Options will be extinguished, as will also the Regulations of the Plan of Grant and the respective Subscription Contracts.

The Regulations will not prevent the realization of any operations of stockholding reorganization, such as transformation, absorption, merger or split. The Board of Directors of the Company and the Companies involved in such transactions may, at their option, decide, without prejudice to other measures which they decide for the purposes of being equitable: (a) to substitute for the shares that are subject of the Options shares in the company that is successor to the Company; (b) to bring forward the acquisition of the right to exercise the option for acquisition of shares, so as to ensure inclusion of the corresponding shares in the transaction in question; and/or (c) to pay in money the amount to which the Beneficiary would be entitled under the Plan.

n. Effects on a Manager's rights under the share-based remuneration plan caused by his leaving the corporate bodies of the Company

In the event of the Beneficiary separating from the Company by dismissal or rescission of the respective contract, if any, with or without just cause, or by resignation or by destitution from the position, or by retirement, or due to permanent disablement, or death, the rights conferred on him under these Regulations may be extinguished or modified, as specified in item 6.2 of the Regulations, transcribed below.

6.2. If, at any time during the period of the Plan being in effect, the Beneficiary:

a) separates from the Company of his/her own volition, resigning from the employment, rescinding the respective contract, if any, or resigns his/her position as member of the Board of Directors or Executive Board.

(i) the Non-exercisable options on the date of his/her separation will be automatically extinguished, for the full purposes of law, independently of prior notice or indemnity; and

(ii) the Exercisable Options may be exercised within up to thirty (30) days, after which they will be automatically extinguished, independent of advice or service of notice;

b) is separated from the company at the initiative of the Company, by dismissal or rescission of the respective contract, if any, for just cause, or by destitution from his/her position due to violating the rights and attributions of a member of the Board of Directors or Executive Board, all the rights already exercisable or not yet exercisable in accordance with the respective Subscription Contract, on the date of his/her separation from the Company, will automatically be extinguished, for full purposes of law, independently of prior notice or indemnity;

c) is separated from the Company at the Company's initiative, through dismissal or rescission of the respective contract, if any, without just cause, or by destitution from his/her position without violation of the duties and attributions of members of the Board of Directors or Executive Board:

(i) the Non-exercisable Options under the respective Subscription Contract, on the date of separation, will be automatically cancelled, independently of prior advice, notice or indemnity;

13.4 - Share-based remuneration plan for the Board of Directors and the Executive Board

(ii) the Exercisable Options will be extended by up to thirty (30) calendar days from the announcement of the separation – no further extension being possible – after which they will automatically be cancelled, independently of prior advice, notice or indemnity;

d) separates himself from the Company by retirement or permanent disablement:

(i) the Non-exercisable Options under the Subscription Contract, on the date of his separation, will become automatically exercisable, the ending of the vesting period being brought forward; and

(ii) the Exercisable Options under the Subscription Contract on the date of his separation will remain unchanged, being able to be exercised normally under the Contract;

e) is separated from the Company by death:

(i) the Non-exercisable Options in accordance with the Subscription Contract, on the date of his death, will automatically be exercisable, the ending of the vesting period being brought forward, and the Beneficiary's heirs and legal successors may exercise the respective option within up to twelve (12) months from the date of death, after which such rights shall be automatically extinguished, for full purposes of law, independently of prior advice or indemnity; and

(ii) the Exercisable Options under the respective Subscription Contract, on the day of his death may be exercised by the heirs and legal successors of the Beneficiary, provided that they do so within up to twelve (12) months from the date of death, after which the rights shall be automatically extinguished, for full purposes of law, independently of prior advice, notice or indemnity.

Items 6.3 and 6.4 of the Regulations state:

6.3. In the case of dismissals without just cause that take place in the period of 12 months after a change of control, in accordance with the law, all the options become exercisable.

6.4. The Board of Directors shall have freedom and autonomy to decide on exceptional cases and/or change the rules specified above, without prejudice to rights already exercised and/or acquired prior to their decision.

13.5 - Share-based remuneration of the Board of Directors and the statutory directors

Up to February 14, 2019 the Company has made several grants of shares: in 2008 (Plan I), 2009 (Plan II), 2010 (Plan III), 2011 (Plan IV), 2012 (Plan V), 2013 (Plan VI), 2014 (Plan VII), 2015 (Plan VIII), 2016 (Plan IX), 2017 (Plan X), 2018 (Plan XI), and 2019 (Plan XII).The Beneficiaries of the plans are Chief Officers and Managers of the Company (excluding any that are also Controlling Stockholders), as specified by the Board of Directors. **The members of the Board of Directors and Audit Board are not part of the program.**

Share-based remuneration – Forecast for the current business year (2019)	**Board of Directors**	**Executive Board (Statutory)**
Number of members	**6**	**3**
Number of remunerated members	**0**	**3**
Weighted average price of exercise:		
(a) Options – open at the beginning of the business year	-	3.97
(b) Options – lost during the business year	-	-
(c) Options – Exercised during the business year	-	3.49
(d) Options – Expired during the business year	-	-
Potential dilution in the event of exercise of all options granted	**-**	**0.07%**

Share-based remuneration – Business year ended on December 31, 2018	**Board of Directors**	**Executive Board (Statutory)**
Number of members	**6**	**3**
Number of remunerated members	**0**	**3**
Weighted average price of exercise:		
(a) Options – open at the beginning of the business year	-	3.08
(b) Options – lost during the business year	-	-
(c) Options – Exercised during the business year	-	3.01
(d) Options – Expired during the business year	-	-
Potential dilution in the event of exercise of all options granted	**-**	**0.08%**

Share-based remuneration – Business year ended on December 31, 2017	**Board of Directors**	**Executive Board (Statutory)**
Number of members	**6**	**3**
Number of remunerated members	**0**	**3**
Weighted average price of exercise:		
(a) Options – open at the beginning of the business year	-	2,94
(b) Options – lost during the business year	-	-
(c) Options – Exercised during the business year	-	2,97
(d) Options – Expired during the business year	-	-
Potential dilution in the event of exercise of all options granted	**-**	**0.08%**

Share-based remuneration – Business year ended on December 31, 2016	**Board of Directors**	**Executive Board (Statutory)**
Number of members	**6**	**3**
Number of remunerated members	**0**	**3**
Weighted average price of exercise:		
(a) Options – open at the beginning of the business year	-	3.00
(b) Options – lost during the business year	-	-
(c) Options – Exercised during the business year	-	3.08
(d) Options – Expired during the business year	-	-
Potential dilution in the event of exercise of all options granted	**-**	**0.15%**

13.5 - Share-based remuneration of the Board of Directors and the statutory directors

Grants recognized in the current business year (2019)	**Board of Directors**	**Executive Board (Statutory)**			
Grant of stock options	No	Plan 9	Plan 10	Plan 11	Plan 12
Date of grant	-	02/25/16	02/16/17	02/22/18	02/14/19
Quantity of options granted	-	278,802	217,905	164,343	72,974
Period for the options to become exercisable	-	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
Maximum period for exercise of the options	-	02/24/22	02/15/23	02/21/24	02/13/25
Period of restriction on transfer of the shares	-	There is no restriction			
Fair value of the options on the date of grant	-	R$ 2.58	R$ 3.16	R$ 4.43	R$ 4.12

Grants recognized in the business year ended on December 31, 2018	**Board of Directors**	**Executive Board (Statutory)**			
Grant of stock options	No	Plan 8	Plan 9	Plan 10	Plan 11
Date of grant	-	02/12/15	02/25/16	02/16/17	02/22/18
Quantity of options granted	-	195,234	278,802	217,905	164,343
Period for the options to become exercisable	-	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
Maximum period for exercise of the options	-	02/11/21	02/24/22	02/15/23	02/21/24
Period of restriction on transfer of the shares	-	There is no restriction			
Fair value of the options on the date of grant	-	R$ 2.02	R$ 2.58	R$ 3.16	R$ 4.43

Grants recognized in the business year ended on December 31, 2017	**Board of Directors**	**Executive Board (Statutory)**			
Grant of stock options	No	Plan 8	Plan 9	Plan 10	Plan 10
Date of grant	-	02/13/14	02/12/15	02/25/16	02/16/17
Quantity of options granted	-	119,010	195,234	278,802	217,905
Period for the options to become exercisable	-	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
Maximum period for exercise of the options	-	02/12/20	02/11/21	02/24/22	02/15/23
Period of restriction on transfer of the shares	-	There is no restriction			
Fair value of the options on the date of grant	-	R$ 1.99	R$ 2.02	R$ 2.58	R$ 3.16

Grants recognized in the business year ended on December 31, 2016	**Board of Directors**	**Executive Board (Statutory)**			
Grant of stock options	No	Plan 6	Plan 7	Plan 8	Plan 9
Date of grant	-	02/28/13	02/13/14	02/12/15	02/25/16
Quantity of options granted	-	261,870	119,010	195,234	278,802
Period for the options to become exercisable	-	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
Maximum period for exercise of the options	-	02/27/19	02/12/20	02/11/21	02/24/22
Period of restriction on transfer of the shares	-	There is no restriction			
Fair value of the options on the date of grant	-	R$ 2.79	R$ 1.99	R$ 2.02	R$ 2.58

13.5 - Share-based remuneration of the Board of Directors and the statutory directors

The information below refers only to the Statutory Board, the members of the Board of Directors and Audit Board are not part of the program.

Share-based remuneration forecast for the current business year (2019)

a) Body	**Executive Board (Statutory)**			
b) Nr. of members	3 (three)			
c) Nr. of remunerated members	3 (three)			
d) In relation to each grant of options to purchase shares	Plan 9 (2016)	Plan 10 (2017)	Plan 11 (2018)	Plan 12 (2019)
i. Date of grant	02/25/16	02/16/17	02/22/18	02/14/19
ii. Quantity of options granted	278,802	217,905	164,343	72,974
iii. Period for the options to become exercisable	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
iv. Maximum period for exercise of the options	02/24/22	02/15/23	02/21/24	02/13/25
v. Period of restriction on transfer of the shares	There is no restriction			
vi. Weighted average price of exercise				
(a) Options – open at the beginning of the business year	R$ 2.96	R$ 3.27	R$ 5.16	R$ 4.68
(b) Options – lost during the business year	-	-	-	-
(c) Options – Exercised during the business year	R$ 2.96	R$ 3.27	R$ 5.16	R$ 4.68
(d) Options – Expired during the business year	-	-	-	-
e) Fair value of the options on the date of grant	R$ 2.58	R$ 3.16	R$ 4.43	R$ 4.68
f) Potential dilution in the event of exercise of all options granted	0.09%	0.07%	0.05%	0.02%

13.5 - Share-based remuneration of the Board of Directors and the statutory directors

Share-based remuneration for the business year ended on December 31, 2018

a) Body	**Executive Board (Statutory)**			
b) Nr. of members	3 (three)			
c) Nr. of remunerated members	3 (three)			
d) In relation to each grant of options to purchase shares	Plan 8 (2015)	Plan 9 (2016)	Plan 10 (2017)	Plan 11 (2018)
i. Date of grant	02/12/15	02/25/16	02/16/17	02/22/18
ii. Quantity of options granted	195,234	278,802	217,905	164,343
iii. Period for the options to become exercisable	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
iv. Maximum period for exercise of the options	02/11/21	02/24/22	02/15/23	02/21/24
v. Period of restriction on transfer of the shares	There is no restriction			
vi. Weighted average price of exercise				
(a) Options – open at the beginning of the business year	R$ 2.81	R$ 2.96	R$ 3.27	R$ 5.16
(b) Options – lost during the business year	-	-	-	-
(c) Options – Exercised during the business year	R$ 2.81	R$ 2.96	R$ 3.27	R$ 5.16
(d) Options – Expired during the business year	-	-	-	-
e) Fair value of the options on the date of grant	R$ 2.02	R$ 2.58	R$ 3.16	R$ 4.43
f) Potential dilution in the event of exercise of all options granted	0.06%	0.09%	0.07%	0.05%

13.5 - Share-based remuneration of the Board of Directors and the statutory directors

Share-based remuneration for the business year ended on December 31, 2017

a) Body	**Executive Board (Statutory)**			
b) Nr. of members	3 (three)			
c) Nr. of remunerated members	3 (three)			
d) In relation to each grant of options to purchase shares	Plan 7 (2014)	Plan 8 (2015)	Plan 9 (2016)	Plan 10 (2017)
i. Date of grant	02/13/14	02/12/15	02/25/16	02/16/17
ii. Quantity of options granted	119,010	195,234	278,802	217,905
iii. Period for the options to become exercisable	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
iv. Maximum period for exercise of the options	02/12/20	02/11/21	02/24/22	02/15/23
v. Period of restriction on transfer of the shares	There is no restriction			
vi. Weighted average price of exercise				
(a) Options – open at the beginning of the business year	R$ 3.28	R$ 2.81	R$ 2.96	R$ 3.27
(b) Options – lost during the business year	-	-	-	-
(c) Options – Exercised during the business year	R$ 3.28	R$ 2.81	R$ 2.96	R$ 3.27
(d) Options – Expired during the business year	-	-	-	-
e) Fair value of the options on the date of grant	R$ 1.99	R$ 2.02	R$ 2.58	R$ 3.16
f) Potential dilution in the event of exercise of all options granted	0.04%	0.06%	0.09%	0.07%

13.5 - Share-based remuneration of the Board of Directors and the statutory directors

Share-based remuneration for the business year ended on December 31, 2016

a) Body	**Executive Board (Statutory)**			
b) Nr. of members	3 (three)			
c) Nr. of remunerated members	3 (three)			
d) In relation to each grant of options to purchase shares	Plan 6 (2013)	Plan 7 (2014)	Plan 8 (2015)	Plan 9 (2016)
i. Date of grant	02/28/13	02/13/14	02/12/15	02/25/16
ii. Quantity of options granted	261,870	119,010	195,234	278,802
iii. Period for the options to become exercisable	As specified in the Plan: The Options shall have a total vesting period of three years, being able to be exercised as follows: up to 1/3 after one year from the date of the grant; a further 1/3 after two years from the date of the grant, making up a total limit of 2/3; and the remaining 1/3 after three years from the date of the grant.			
iv. Maximum period for exercise of the options	02/27/19	02/12/20	02/11/21	02/24/22
v. Period of restriction on transfer of the shares	There is no restriction			
vi. Weighted average price of exercise				
(a) Options – open at the beginning of the business year	R$ 3.18	R$ 3.28	R$ 2.81	R$ 2.96
(b) Options – lost during the business year	-	-	-	-
(c) Options – Exercised during the business year	R$ 3.18	R$ 3.28	R$ 2.81	R$ 2.96
(d) Options – Expired during the business year	-	-	-	-
e) Fair value of the options on the date of grant	R$ 2.79	R$ 1.99	R$ 2.02	R$ 2.58
f) Potential dilution in the event of exercise of all options granted	0.09%	0.04%	0.06%	0.09%

13.6 – Information on the open options held by the Board of Directors and the statutory directors

Amounts relating to the 2018 business year

Body	Executive Board (Statutory)		
Number of members	3 (three)		
Number of remunerated members	3 (three)		
In relation to options not yet exercised	**Plan 9 (2016)**	**Plan 10 (2017)**	**Plan 11 (20187)**
I. Quantity	1,207,641		
II. Date when they will become exercisable	02/24/19 – 278,802	02/24/19 – 217,905 02/24/20 – 217,905	02/21/19 – 164,343 02/21/20 – 164,343 02/21/21 – 164,343
III. Maximum period for exercise of the options	02/24/22	02/15/23	02/21/24
IV. Period of restriction on transfer of the shares	There is no restriction		
V. Weighted average price of exercise	R$ 3.97		
VI. Fair value of the options on the last day of the business year	R$ 3.54		
In relation to the exercisable options	**There is no exercisable options on December 31, 2018**		
I. Quantity	-		
II. Date when they will become exercisable	-		
III. Maximum period for exercise of the options	-		
IV. Period of restriction on transfer of the shares	-		
V. Weighted average price of exercise	-		
VI. Fair value of the options on the last day of the business year	-		

The members of the Board of Directors and the Audit Board are not part of the program.

13.7 - Options exercised and shares delivered in relation to the share-based remuneration of the Board of Directors and the statutory directors

a. Body	Executive Board					
b. Number of members	3 (three)					
c. Number of remunerated members	3 (three)					
d. In relation to options not yet exercised	Plan 6 (2013)	Plan 7 (2014)	Plan 8 (2015)	Plan 9 (2016)	Plan 10 (2017)	Plan 11 (2018)
i. Number of shares	2014 – 261,870 2015 – 261,870 2016 – 261,870	2015 – 119,010 2016 – 119,010 2017 – 119,010	2016 – 195,234 2017 – 195,234 2018 – 195,234	2017 – 278,802 2018 – 278,802	2018 – 217.905	-
ii. Weighted average price in the business year	2014 – R$ 2.96 2015 – R$ 3.45 2016 – R$ 3.59	2015 – R$ 3.45 2016 – R$ 3.59 2017 – R$ 2.97	2016 – R$ 3.59 2017 – R$ 2.97 2018 – R$ 2.94	2017 – R$ 2.97 2018 – R$ 2.94	2018 – R$ 2.94	-
iii. Total value of the difference between the exercise value and the market value of the shares for the options exercised	R$ 1,924,744.50	R$ 862,822.50	R$ 2,348,014.24	R$ 2,509,218.00	R$ 1,304,524.60	-
e. In relation to the shares delivered, state:						
i. Number of shares	785,610	357,030	585,702	557,604	217,905	-
ii. Weighted average acquisition price	2014 – R$ 6.16 2015 – R$ 5.39 2016 – R$ 5.79	2015 – R$ 5.39 2016 – R$ 5.79 2017 – R$ 5.99	2016 – R$ 5.79 2017 – R$ 5.99 2018 – R$ 8.93	2017 – R$ 5.99 2018 – R$ 8.93	2018 – R$ 8.93	-
iii. Total value of the difference between the acquisition value and the market value of the shares acquired	R$ 1,924,744.50	R$ 862,822.50	R$ 2,348,014.24	R$ 2,509,218.00	R$ 1,304,524.60	-

The members of the Board of Directors and the Audit Board are not part of the program.

13.8 - Information necessary for understanding of the data disclosed in items 13.5 to 13.7 - Method of pricing of the value of the shares and the options

a. The pricing model

	Plan 6 (2013)	Plan 7 (2014)	Plan 8 (2015)	Plan 9 (2016)	Plan 10 (2017)	Plan 11 (2018)
Pricing model	Black and Scholes					

b. Data and assumptions used in the pricing model, including the weighted average price of the shares, exercise price, expected volatility, period of life of the option, expected dividends and risk-free interest rate

	Plan 6 (2013)	Plan 7 (2014)	Plan 8 (2015)	Plan 9 (2016)	Plan 10 (2017)	Plan 11 (2018)
Grant date	02/28/2013	02/13/2014	02/12/2015	02/25/2016	02/16/17	02/22/18
Total purchase options granted	785,610	357,030	585,702	836,406	653,715	493,029
Exercise price	3.18	3.28	2.81	2.96	3.27	5.16
Estimated volatility	25.51%	26.35%	26.51%	29.89%	20.16%	15.58%
Expected dividends (*)	5%	6%	5%	6%	6%	4%
Weighted average risk-free interest rate (**)	7.25%	11.25%	12.75%	14.25%	9.50%	6.75%
Maximum maturity	6 years	6 years	6 years	6 years	6 years	6 years
Average maturity	2.5 years	2.5 years	2.5 years	2.5 years	2.5 years	2.5 years
Option premium	2.79	1.99	2.02	2.58	3.30	4.43

* The expected dividends were based on the average dividend payment per share in relation to the market value of the share over the last 12 months.

** The Company utilizes as the risk-free interest rate the average projected Special System for Settlement and Custody (SELIC) rate published by the Central Bank of Brazil (BACEN).

c. Method and assumptions used to incorporate the expected effects of the expected exercise

	Plan 6 (2013)	Plan 7 (2014)	Plan 8 (2015)	Plan 9 (2016)	Plan 10 (2017)	Plan 11 (2018)
Method and assumptions	In the calculation of the fair value of the options, we use the value for the expected life of the options. We did not take into consideration the turnover, because it is expected to be insignificant at the level of the Executive Board of Grendene S.A.					

d. Manner of determining expected volatility

	Plan 6 (2013)	Plan 7 (2014)	Plan 8 (2015)	Plan 9 (2016)	Plan 10 (2017)	Plan 11 (2018)
Expected volatility	Volatility was determined based on the average historical fluctuation of the share price over the 18 months prior to the grant date.					

e. Was any other characteristic of the option incorporated into the measurement of its fair value?

	Plan 6 (2013)	Plan 7 (2014)	Plan 8 (2015)	Plan 9 (2016)	Plan 10 (2017)	Plan 11 (2018)
Other characteristic of the option	No					

13.9 - Holdings in shares, unit shares and other securities that are convertible, held by managers and members of the Audit Board – by body

Number of shares or share units issued by the Company or its direct or indirect controlling stockholders, or its subsidiaries or jointly-controlled subsidiaries, and any other securities convertible into such shares or share units, that were directly or indirectly held, in Brazil or outside Brazil, by members of the Board of Directors, by the statutory directors, or by members of the Audit Board, grouped by body, on the closing date of the last business year.

Notes:
(*) This includes shares owned by the controlling stockholders Alexandre Grendene Bartelle and Pedro Grendene Bartelle and by the other stockholders bound by the Company's stockholders' agreement.

Stockholders	Dec. 31, 2018	
	Number of shares	% holding in the total share capital
Members of the Board of Directors (*)	628,725,612	69.691143%
Members of the Executive Board	2,466,921	0.273446%
Members of the Audit Board	-	-
Total number of shares	**631,192.533**	**69.964589%**

Stockholders	Dec. 31, 2017	
	Number of shares	% holding in the total share capital
Members of the Board of Directors (*)	646,249,452	71.633574%
Members of the Executive Board	2,187,627	0.242488%
Members of the Audit Board	-	-
Total number of shares	**648,437,079**	**71.876062%**

Stockholders	Dec. 31, 2016	
	Number of shares	% holding in the total share capital
Members of the Board of Directors (*)	652,394,352	72.181691%
Members of the Executive Board	2,184,174	0.242105%
Members of the Audit Board	-	-
Total number of shares	**654,578,526**	**72.423796%**

13.10 – Information on the pension plans granted to the members of the Board of Directors and statutory directors

The company does not maintain Private Pension Plans for the members of its Board of Directors, Executive Board and managers.

13.11 - Maximum, minimum and average individual remuneration of the Board of Directors, the statutory directors and the Audit Board

Annual amounts

	Executive Board			Board of Directors			Audit Board		
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
No. of members	3.00	3.00	3.00	6.00	6.00	6.00	3.00	3.00	3.00
No. of remunerated members	3.00	3.00	3.00	6.00	6.00	6.00	3.00	3.00	3.00
Amount of the largest individual remuneration (Reais)	2,876,477.00	2,748,408.00	2,475,008.30	191,000.00	186,000,00	176,000,00	145,800.00	142,500.00	133,800.00
Amount of the lowest individual remuneration (Reais)	1,468,768.00	1,423,997.00	1,308,828.31	191,000.00	186,000,00	176,000,00	145,800.00	142,500.00	133,800.00
Average remuneration (Reais)	2,134,280.67	2,050,481.67	1,863,538.10	191,000.00	186,000,00	176,000,00	145,800.00	142,500.00	133,800.00

Remarks

Executive Board

Board of Directors

Audit Board

13.12 – Mechanisms of remuneration or indemnity for managers in the event of being removed from office or retirement

There are no mechanisms of remuneration or indemnity for members of its Board of Directors, Executive Board and managers in the event of dismissal from their position, or retirement.

13.13 – Remuneration of managers and members of the Audit Board who are related parties of the controlling stockholders, as a percentage of total remuneration of all managers and members of the Audit Board

Grendene does not make payments to members of the Board of Directors, the Statutory Directors or the Audit Board who are related parties of the Controlling stockholders, whether direct or indirect. The only payment made is to the controlling stockholders themselves (Mr. Alexandre Grendene Bartelle, who serves as Chairman of the Board of Directors, and Mr. Pedro Grendene Bartelle, who serves as Vice-Chairman of the Board of Directors).

Business year ended on	Board of Directors	Audit Board	Executive Board (Statutory Board)
December 31, 2018	33%	0%	0%
December 31, 2017	33%	0%	0%
December 31, 2016	33%	0%	0%

13.14 – Remuneration of managers and members of the Audit Board, grouped by body, received for any reason other than the function they hold

R$	2016	2017	2018
Board of Directors	R$ 120,000.00	R$ 170,000.00	R$ 210,000.00
Audit Board	-	-	-
Executive Board (Statutory Board)	R$ 413,000.00	R$ 479,000.00	R$ 293,000.00

13.15 - Remuneration of management or the Audit Board recognized in the Profit and loss account of companies that are direct or indirect controlling stockholders, or companies under common control, or subsidiaries, the Issuer

The Company has no amounts recognized in the Profit and loss of any company that is a direct or indirect controlling stockholder, nor any company under common control or subsidiary of the Issuer, as remuneration of members of the Board of Directors or the statutory directors.

13.16 - Other material information

The full text of the Regulations of the Company's Stock Options Plan, approved by the Extraordinary General Meeting of Stockholders on April 14, 2008, and the alterations approved at the meetings of the Board of Directors of March 1, 2012 and February 12, 2015, is available for consultation on the websites of the CVM, BM&FBovespa and on the Company's Investor Relations site.

CVM – http://www.cvm.gov.br

BM&FBovespa S.A. – http://www.bmfbovespa.com.br

Grendene – Investor Relations – http://ri.grendene.com.br/PT/Governanca-Corporativa/Stock-Options

Stock options plan

The information in the items above refers only to the Directors. However it is necessary to make clear that the stock options plan, administered by the Board of Directors, allows for beneficiaries who are executives at Management levels, as well as the Directors referred to above, also including the principal managers. For greater transparency we transcribe below **Explanatory Note 20** to the financial statements.

20. Stock option or subscription plan

The stock options plan, approved the stockholders or the Company in a Extraordinary General Meeting of April 14, 2008, grants stock options, on the terms described in the plan, to directors and managers, other than the controlling stockholders.

The share options may be exercised in up to six years from the date of grant, with a vesting period of three years, under which 33% is released as from expiry of the first year, 66% on completion of the second year and 100% on completion of the third year.

The information is being presented taking into account the number of shares after the split, to enable comparability with the current period.

For compliance with exercises of stock options, a total of 3,937,029 shares were acquired in 2018, at an average cost of R$8.93, totalling an amount of R$35,148. In first quarter 2018, options for a total of 2,054,658 shares were exercised, at an average price of R$2.94, totaling R$6,050.

The difference between the average exercise price of the options and the average cost of the shares acquired for compliance with the exercise of stock options resulted in recognition of R$7,827. This was posted in Stockholders' equity, since settlement of the stock option plans takes place with equity instruments.

Bases for recognition of expenses on share-based remuneration

Shares are valued at fair value on the date of the grant, and expenses recognized in the Profit and loss account as Personnel expenses, over the period in which the right to the exercise of the option is acquired, with counterpart in Stockholders' equity.

The fair value of the options granted was estimated using the Black & Scholes options pricing model. The economic parameters used were: (i) expected dividends, obtained on the basis of the average of dividend payments per share, in relation to the market value of the shares in the last 12 months; (ii) volatility, based on the historic average variation of the share price in the 18 months prior to the date of the grant; and (iii) the risk-free interest rate, assumed to be the projected average of the Selic rate, published by the Central Bank. This table gives this information in detail:

	8th Plan	9th Plan	10th Plan	11th Plan
Grant date	2/12/2015	2/25/2016	2/16/2017	2/22/2018
Total purchase options granted	1,939,662	2,675,538	2,181,456	1,524,825
Exercise price	2.81	2.96	3.27	5.16
Estimated volatility	26.51%	29.89%	20.16%	15.58%
Expected dividends	5%	6%	6%	4%
Weighted average risk-free interest rate	12.75%	14.25%	9.50%	6.75%
Maximum maturity	6 years	6 years	6 years	6 years
Average maturity	2.5 years	2.5 years	2.5 years	2.5 years
Option premium	2.02	2.58	3.16	4.43

The Company has no commitment to re-purchase such shares as are acquired by the beneficiaries.

13.16 - Other material information

Movement stock options plan

This table shows the changes arising from the transactions of purchase or subscription of shares:

	4th Plan	7th Plan	8th Plan	9th Plan	10th Plan	11th Plan	Final Balance
Total at 12/31/2016	24,147	338,712	1,216,968	2,649,240	-	-	4,229,067
Granted	-	-	-	-	2,181,456	-	2,181,456
Exercised	(24,147)	(338,712)	(599,376)	(869,559)	-	-	(1,831,794)
Canceled	-	-	(41,607)	(107,931)	(90,072)	-	(239,610)
Total at 12/31/2017	-	-	575,985	1,671,750	2,091,384	-	4,339,119
Granted	**-**	**-**	**-**	**-**	**-**	**1,524,825**	**1,524,825**
Exercised	**-**	**-**	**(562,107)**	**(812,784)**	**(679,767)**	**-**	**(2,054,658)**
Canceled	**-**	**-**	**(13,878)**	**(59,016)**	**(74,241)**	**(23,688)**	**(170,823)**
Total at 12/31/2018	**-**	**-**	**-**	**799,950**	**1,337,376**	**1,501,137**	**3,638,463**
Options exercisable in 2019	**-**	**-**	**-**	**799,950**	**668,688**	**500,379**	**1,969,017**
Options exercisable in 2020	**-**	**-**	**-**	**-**	**668,688**	**500,379**	**1,169,067**
Options exercisable in 2021	**-**	**-**	**-**	**-**	**-**	**500,379**	**500,379**
	-	**-**	**-**	**799,950**	**1,337,376**	**1,501,137**	**3,638,463**
Result of options granted, recognized on 12/31/2017	(14)	(685)	(1,290)	(2,367)	(107)	-	(4,463)
Result of options granted, recognized on 12/31/2018	**-**	**-**	**(1,207)**	**(2,236)**	**(2,371)**	**(26)**	**(5,840)**
Expense on personnel at 12/31/2017	-	(19)	(463)	(2,034)	(3,852)	-	(6,368)
Expense on personnel at 12/31/2018	**-**	**-**	**(34)**	**(800)**	**(1,964)**	**(3,766)**	**(6,564)**