
PortobelloGrupo

Company information / Breakdown of Capital

Quantity of shares (Thousand)	Last fiscal year 03/31/2018
Paid-in capital	
Common	**158,489**
Preferred	0
Total	**158,489**
Treasury	
Common	0
Preferred	0
Total	0

PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2018
In thousands of Brazilian reais - R$, unless otherwise stated.

Individual financial statements / Balance sheet – Assets

Account Code	Account Description	Current Year 03/31/2018	Previous Year 12/31/2017
1	Total Assets	1,315,668	1,306,897
1.01	Current Assets	502,273	520,623
1.01.01	Cash and Cash Equivalents	46,596	78,756
1.01.03	Accounts Receivable	208,855	203,703
1.01.03.01	Trade receivables	208,855	203,703
1.01.04	Inventory	189,617	179,166
1.01.06	Recoverable Taxes	91,168	14,496
1.01.06.01	Current Taxes Recoverable	9,168	14,496
1.01.06.01.01	Income taxes and contributions recoverable	625	4,034
1.01.06.01.02	Other Current Taxes Recoverable	8,543	10,462
1.01.08	Other Current Assets	48,037	44,502
1.01.08.03	Other	48,037	44,502
1.01.08.03.01	Dividends Receivable	32,529	32,529
1.01.08.03.03	Advances to Suppliers	4,716	4,594
1.01.08.03.04	Other	10,792	7,379
1.02	Noncurrent Assets	813,395	786,274
1.02.01	Long-Term Assets	343,890	336,233
1.02.01.08	Related-party Credits	166,954	162,512
1.02.01.08.02	Credit with Subsidiaries	71,480	67,861
1.02.01.08.04	Other Related-party Credits	95,474	94,651
1.02.01.09	Other Noncurrent Assets	176,936	173,721
1.02.01.09.03	Judicial Deposits	95,791	93,470
1.02.01.09.04	Eletrobras Receivables	12,821	12,821
1.02.01.09.05	Recoverable Taxes	6,033	6,407
1.02.01.09.06	Tax Asset	46,611	45,969
1.02.01.09.07	Actuarial Asset	5,758	5,758
1.02.01.09.08	Call deposits	7,030	6,938
1.02.01.09.09	Advance for future capital increase	-	-
1.02.01.09.10	Other	2,892	2,358
1.02.02	Capital expenditure	21,545	9,429
1.02.02.01	Equity Interests	21,545	9,429
1.02.02.01.02	Interests in Subsidiaries	21,247	9,131
1.02.02.01.04	Other Equity Interests	298	298
1.02.03	Property, plant and equipment	439,418	431,122
1.02.04	Intangible assets	8,542	9,490

In thousands of Brazilian reais - R$, unless otherwise stated.

Individual financial statements/ Balance sheet – Liabilities

Account Code	Account Description	Current Year 03/31/2018	Previous Year 12/31/2017
2	Total Liabilities	1,315,668	1,306,897
2.01	Current Liabilities	415,877	403,124
2.01.01	Social and labor obligations	30,617	27,879
2.01.02	Trade payables	122,749	112,413
2.01.03	Tax Obligations	19,949	28,463
2.01.03.01	Federal Tax Liabilities	19,949	28,463
2.01.03.01.01	Income and social contribution tax payable	1,646	0
2.01.03.01.02	Financing of Taxes	10,570	14,033
2.01.03.01.03	Taxes, Duties and Contributions	7,733	14,430
2.01.04	Loans and Financing	148,887	146,402
2.01.04.01	Loans and Financing	96,828	98,678
2.01.04.02	Debentures	52,059	47,724
2.01.05	Other liabilities	87,998	83,678
2.01.05.02	Other	87,998	83,678
2.01.05.02.04	Loans Assignment Suppliers	31,019	35,127
2.01.05.02.05	Customer Advances	10,263	10,959
2.01.05.02.06	Dividends Payable	6,002	6,002
2.01.05.02.07	Accouts payables from investments	19,349	19,049
2.01.05.02.08	Other	13,865	12,541
2.01.05.02.09	Pre Paid Dividends	7,500	0
2.01.06	Provisions	5,677	4,289
2.01.06.02	Other Provisions	5,677	4,289
2.01.06.02.06	Provision for profit-sharing	5,677	4,289
2.02	Noncurrent Liabilities	608,025	618,725
2.02.01	Loans and Financing	350,316	365,982
2.02.01.01	Loans and Financing	222,165	238,003
2.02.01.02	Debentures	128,151	127,979
2.02.02	Other liabilities	141,274	140,722
2.02.02.02	Other	141,274	140,722
2.02.02.02.03	Trade payables	81,198	78,496
2.02.02.02.06	Financing of Taxes	60,076	62,226
2.02.03	Deferred Taxes	11,541	14,186
2.02.03.01	Deferred Income and Social Contribution Taxes	11,541	14,186
2.02.04	Provisions	104,894	97,835
2.02.04.02	Other Provisions	104,894	97,835
2.02.04.02.04	Provision for devaluation of investments	66,394	67,717
2.02.04.02.05	Provisions for Contingencies	36,565	28,183
2.02.04.02.06	Provision for Long-term Incentive	1,935	1,935
2.03	Shareholders' Equity	291,766	285,048
2.03.01	Realized Capital	130,000	130,000
2.03.04	Profit Reserves	159,220	159,220
2.03.04.01	Legal Reserve	18,426	18,426
2.03.04.05	Profit Retention Reserve	95,400	95,400

In thousands of Brazilian reais - R$, unless otherwise stated.

2.03.04.08	Additional dividend proposed	15,232	15,232
2.03.04.10	Unallocated Profit Reserve	30,162	30,162
2.03.05	Retained Earnings/Accumulated Losses	7,287	-
2.03.08	Other Comprehensive Income	-4,741	-4,172

In thousands of Brazilian reais - R$, unless otherwise stated.

Individual financial statements / Statement of income

Account Code	Account Description	Accumulated of the Current Year 01/01/2018 to 03/31/2018	Accumulated of the Prior Year 01/01/2017 to 03/31/2017
3.01	Income from sales of goods and/or services	223,310	213,213
3.02	Cost of goods and/or services sold	-147,351	-138,946
3.03	Gross income	75,959	74,267
3.04	Operating expenses/income	-51,091	-34,024
3.04.01	Sales expenses	-52,439	-47,075
3.04.02	General and administrative expenses	-8,766	-8,110
3.04.04	Other operating income	120	20,519
3.04.04.01	Other operating income	120	20,519
3.04.05	Other operating expenses	-1,780	-8,385
3.04.05.01	Other operating expenses	-1,780	-8,385
3.04.06	Equity income (loss)	11,774	9,027
3.05	Income (loss) before financial income and taxes	24,868	40,243
3.06	Financial income (loss)	-15,047	-15,273
3.06.01	Financial income	2,184	5,640
3.06.01.01	Financial income	2,184	5,640
3.06.02	Financial expenses	-17.231	-20,913
3.06.02.01	Financial expenses	-16,868	-20,391
3.06.02.02	Net Exchange Variance	-363	-522
3.07	Income (loss) before income tax	9,821	24,970
3.08	Income (loss) before income tax	-2,832	-5,106
3.08.01	Current	-1,646	0
3.08.02	Deferred assets	-1,186	-5,106
3.09	Net income (loss) of continued operations	6,989	19,864
3.11	Income/loss for the period	6,989	19,864
3.99	Earnings per share - (Reais / Shares)		
3.99.01	Basic earnings per share		
3.99.01.01	Common	0.00000	0.12533
3.99.02	Diluted earnings per share		
3.99.02.01	Common	0.04410	0.12533

In thousands of Brazilian reais - R$, unless otherwise stated.

Individual financial statements / Statement of comprehensive income

Account Code	Account Description	Accumulated of the Current Year 01/01/2018 to 03/31/2018	Accumulated of the Prior Year 01/01/2017 to 03/31/2017
4.01	Net Income for the Period	6,989	19,864
4.02	Other Comprehensive Income	-271	1,854
4.02.02	Exchange variance of Overseas Subsidiary	-271	1,854
4.03	Comprehensive Income for the Period	6,718	21,718

In thousands of Brazilian reais - R$, unless otherwise stated.

Individual financial statements / Statement of cash flows - Indirect method

Account Code	Account Description	Accumulated of the Current Year 01/01/2018 to 03/31/2018	Accumulated of the Prior Year 01/01/2017 to 03/31/2017
6.01	Net cash from operational activities	2,473	32,354
6.01.01	Cash generated in operations	25,655	24,521
6.01.01.01	Profit or loss for the year before taxes	9,821	24,970
6.01.01.02	Depreciation and amortization	9,768	9,090
6.01.01.03	Equity in net income of subsidiaries	-11,774	-9,027
6.01.01.05	Provision for inventory at market value	-39	-496
6.01.01.06	Provision Allowance for doubtful accounts	70	1,397
6.01.01.07	Provision for contingencies	8,539	-19,551
6.01.01.08	Provision for labor obligations	-3,152	-3,317
6.01.01.09	Reserve for long-term incentive and profit-sharing	1,388	2,148
6.01.01.10	Other provisions	1,335	3,939
6.01.01.11	Other operating income (expenses)	1,184	1,666
6.01.01.13	Adjustments to tax assets	-642	-832
6.01.01.14	Restatements of credits with other related parties	-823	-1,593
6.01.01.15	Finance charges on tax installments	676	1,389
6.01.01.17	Provisioned Loan Interest	9,673	15,162
6.01.01.19	Unrealized Exchange Variation - PBA	-324	1,857
6.01.01.20	Unrealized Exchange Variation on Loans	-75	-2,281
6.01.02	Changes in assets and liabilities	-19,274	11,654
6.01.02.01	(Increase)/Decrease in accounts receivable	-5,222	9,320
6.01.02.02	Increase /(Decrease) in Advances from clients	-696	301
6.01.02.04	(Increase)/Decrease in inventories	-10,412	-281
6.01.02.05	(Increase)/Decrease in Judicial Deposits	-2,321	-2,644
6.01.02.07	(Increase)/Decrease in Recoverable Taxes	3,155	2,133
6.01.02.08	(Increase)/Decrease in attached financial investment	-92	-180
6.01.02.09	(Increase)/Decrease in other assets	-4,809	-6,468
6.01.02.10	Increase /(Decrease) in Accounts Payable	8,930	9,934
6.01.02.11	(Increase)/Decrease in advance to suppliers	-122	-982
6.01.02.12	(Increase)/Decrease in provisions for contingencies	-157	-707
6.01.02.13	Increase /(Decrease) in financing of taxes	-6,289	-2,550
6.01.02.14	Increase /(Decrease) in tax and labor liabilities	-1,229	10,913
6.01.02.16	Increase /(Decrease) in other accounts payable	-10	-7,135
6.01.03	Other	-3,908	-3,821
6.01.03.01	Interest paid	-3,908	-3,821
6.02	Net cash used in investment activities	-15,204	-2,098
6.02.01	Acquisition of property, plant and equipment	-17,036	-3,719
6.02.02	Acquisition of intangible assets	-437	-387
6.02.03	Dividends received	7,500	0
6.02.04	(Grant)/Receipt of Credits with Related Parties	-3,295	2,032
6.02.05	Receipt from Sale of Permanent Assets	0	-24
6.02.07	Advances for future capital increase	-1,936	0
6.03	Net Cash from Financing Activities	-19,429	-21,802
6.03.01	Obtainment of loans and financings	0	677

In thousands of Brazilian reais - R$, unless otherwise stated.

6.03.02	Payment of loans and financings	-19,429	-22,456
6.03.04	Dividends paid	0	-23
6.05	Increase (Decrease) in Cash and Cash Equivalents	-32,160	8,454
6.05.01	Opening Balance of Cash and Cash Equivalents	78,756	100,085
6.05.02	Closing Balance of Cash and Cash Equivalents	46,596	108,539

In thousands of Brazilian reais - R$, unless otherwise stated.

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

Account Code	Account Description	Paid-in share capital	Capita Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	130,000	0	159,220	0	-4,172	285,048
5.03	Adjusted Opening Balances	130,000	0	159,220	0	-4,172	285,048
5.05	Adjusted Opening Balances	0	0	0	6,989	-271	6,718
5.05.01	Net Income for the Period	0	0	0	6,989	0	6,989
5.05.02	Other Comprehensive Income	0	0	0	0	-271	-271
5.05.02.05	Tax Conversion Adjust				0	-271	-271
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	298	-298	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	298	-298	0
5.07	Closing Balances	130,000	0	159,220	7,287	-4,741	291,766

In thousands of Brazilian reais - R$, unless otherwise stated.

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

Account Code	Account Description	Paid-in share capital	Capita Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders’ Equity
5.01	Opening Balances	119,565	0	121,129	0	-2,246	238,448
5.03	Adjusted Opening Balances	119,565	0	121,129	0	-2,246	238,448
5.05	Adjusted Opening Balances	0	0	0	20,160	1,558	21,718
5.05.01	Net Income for the Period	0	0	0	19,864	0	19,864
5.05.02	Other Comprehensive Income	0	0	0	296	1,558	1,854
5.05.02.05		0					
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	296	-296	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	1,854	1,854
5.07	Closing Balances	119,565	0	121,129	20,160	-688	260,166

In thousands of Brazilian reais - R$, unless otherwise stated.

Individual financial statements / Statement of added value

Account Code	Account Description	Accrued Value of the Current Year 01/01/2018 to 03/31/2018	Accrued Value of the Prior Year 01/01/2017 to 03/31/2017
7.01	Revenue	273,312	266,701
7.01.01	Sales of Goods, Products and Services	272,215	265,636
7.01.02	Other Revenue	1,168	559
7.01.03	Income from construction of own assets	0	1,903
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-71	-1,397
7.02	Consumables acquired from third parties	-137,384	-112,453
7.02.01	Cost of goods and services sold	-95,752	-94,230
7.02.02	Material, Energy, Outsourced Services and Other	-42,351	-18,600
7.02.03	Loss/Recovery of Assets	719	377
7.03	Gross Added Value	135,928	154,248
7.04	Retentions	-9,798	-9,090
7.04.01	Depreciation, Amortization and Depletion	-9,798	-9,090
7.05	Net Added Value Produced	126,130	145,158
7.06	Transferred Added Value	16,090	19,880
7.06.01	Equity in Net Income of Subsidiaries	7,944	9,027
7.06.02	Financial Revenue	8,146	10,853
7.07	Total Added Value to be Distributed	142,220	165,038
7.08	Distribution of Added Value	142,220	165,038
7.08.01	Personnel	50,888	48,726
7.08.01.01	Direct Remuneration	42,904	41,133
7.08.01.02	Benefits	4,985	4,898
7.08.01.03	F.G.T.S.	2,999	2,695
7.08.02	Taxes, Duties and Contributions	58,195	67,547
7.08.02.01	Federal	23,180	32,433
7.08.02.02	State	34,436	34,605
7.08.02.03	Municipal	579	509
7.08.03	Interest Expenses	26,148	28,901
7.08.03.01	Interest	23,193	26,126
7.08.03.02	Rent	2,955	2,775
7.08.04	Interest earnings	6,989	19,864
7.08.04.03	Retained Earnings/Loss for the Period	6,989	19,864

In thousands of Brazilian reais - R$, unless otherwise stated.

Consolidated financial statements / Balance sheet – Assets

Code of account	Account description	Current Year 03/31/2018	Previous Year 12/31/2017
1	Total assets	1,257,954	1,252,008
1.01	Current assets	511,204	522,623
1.01.01	Cash and cash equivalents	65,099	94,379
1.01.03	Accounts receivable	225,585	218,412
1.01.03.01	Trade accounts receivable	225,585	218,412
1.01.04	Inventories	189,706	179,323
1.01.06	Recoverable taxes	10,371	15,922
1.01.06.01	Current taxes recoverable	10,371	15,922
1.01.06.01.01	Income and social contribution tax recoverable	642	4,050
1.01.06.01.02	Other current taxes recoverable	9,729	11,872
1.01.08	Other current assets	20,443	14,587
1.01.08.03	Other	20,443	14,587
1.01.08.03.03	Advance to suppliers	5,828	5,136
1.01.08.03.04	Other	14,615	9,451
1.02	Non-current assets	746,750	729,385
1.02.01	Long-term assets	277,009	268,926
1.02.01.08	Related party credits	95,474	94,651
1.02.01.08.04	Other related party credits	95,474	94,651
1.02.01.09	Other non-current assets	181,535	174,275
1.02.01.09.03	Judicial deposits	95,871	93,501
1.02.01.09.04	Receivables - Eletrobrás	12,821	12,821
1.02.01.09.05	Recoverable taxes	6,033	6,407
1.02.01.09.06	Tax assets	46,611	45,969
1.02.01.09.07	Actuarial assets	5,758	5,758
1.02.01.09.08	Interest earning bank deposits	7,030	6,938
1.02.01.09.09	Other	7,411	2,881
1.02.02	Investments	298	298
1.02.02.01	Ownership interest	298	298
1.02.02.01.04	Other ownership interest	298	298
1.02.03	Property, plant and equipment	449,275	440,595
1.02.04	Intangible assets	20,168	19,566

In thousands of Brazilian reais - R$, unless otherwise stated.

Consolidated financial statements / Balance sheet – Liabilities

Code of account	Account description	Current Year 03/31/2018	Previous Year 12/31/2017
2	Total liabilities	1,257,954	1,252,008
2.01	Current liabilities	422,284	414,310
2.01.01	Social and labor obligations	34,526	31,330
2.01.02	Suppliers	126,934	114,569
2.01.03	Tax obligations	22,857	31,157
2.01.03.01	Federal tax obligations	22,857	31,157
2.01.03.01.01	Income and social contribution tax payable	3,605	1,758
2.01.03.01.02	Installment payment of tax obligations	10,651	14,126
2.01.03.01.03	Taxes, rates and contributions	8,601	15,273
2.01.04	Loans and financing	148,887	146,402
2.01.04.01	Loans and financing	96,828	98,678
2.01.04.02	Debentures	52,059	47,724
2.01.05	Other obligations	83,403	86,563
2.01.05.02	Other	83,403	86,563
2.01.05.02.04	Credit granting from suppliers	31,019	35,127
2.01.05.02.05	Advance from clients	11,747	12,615
2.01.05.02.06	Dividends payable	6,035	6,035
2.01.05.02.08	Other	34,602	32.786
2.01.06	Provisions	5,677	4,289
2.01.06.02	Other provisions	5,677	4,289
2.01.06.02.06	Provisions for profit sharing	5,677	4,289
2.02	Non-current liabilities	543,885	552.638
2.02.01	Loans and financing	351,538	367.159
2.02.01.01	Loans and financing	223,387	239,180
2.02.01.02	Debentures	128,151	127,979
2.02.02	Other obligations	142,275	141,144
2.02.02.02	Other	142,275	141,144
2.02.02.02.03	Suppliers	81,198	78.496
2.02.02.02.06	Installment payment of tax obligations	60,483	62,648
2.02.02.02.08	Other	594	0
2.02.03	Deferred taxes	11,541	14,186
2.02.03.01	Deferred income and social contribution taxes	11,541	14,186
2.02.04	Provisions	38,531	30,149
2.02.04.02	Other provisions	38,531	30,149
2.02.04.02.05	Provisions for contingencies	36,596	28,214
2.02.04.02.06	Provision for long-term incentive	1,935	1,935
2.03	Consolidated shareholders' equity	291,785	285.060
2.03.01	Realized capital	130,000	130,000
2.03.04	Profit reserves	159,220	159,200
2.03.04.01	Legal reserve	18,426	18,426
2.03.04.05	Profit retention reserve	95,400	95,400
2.03.04.08	Additional dividend proposed	15,232	15,232

In thousands of Brazilian reais - R$, unless otherwise stated.

2.03.04.10	Profit reserve to be allocated	30,162	30,162
2.03.05	Retained Earnings/Losses	7,287	0
2.03.06	Equity valuation adjustments	-4,741	-4,172
2.03.09	Non-controlling interest	19	12

In thousands of Brazilian reais - R$, unless otherwise stated.

Consolidated financial statements / Statement of income

Account Code	Account Description	Accumulated of the Current Year 01/01/2018 à 31/03/2018	Accumulated of the Current Year 01/01/2017 à 31/03/2017
3.01	Income from sales of goods and/or services	245,901	235,634
3.02	Cost of goods and/or services sold	-147,630	-139,757
3.03	Gross income	98,271	95,877
3.04	Operating expenses/income	-74,662	-53,000
3.04.01	Sales expenses	-63,825	-56,686
3.04.02	General and administrative expenses	-9,260	-8,275
3.04.04	Other operating income	142	20,547
3.04.04.01	Other operating income	142	20,547
3.04.05	Other operating expenses	-1,719	-8,586
3.04.05.01	Other operating expenses	-1,719	-8,586
3.05	Income (loss) before financial income and taxes	23,609	42,877
3.06	Financial income (loss)	-15,203	-15,445
3.06.01	Financial income	2,404	5,781
3.06.01.01	Financial income	2,404	5,781
3.06.02	Financial expenses	-17,607	-21,226
3.06.02.01	Financial expenses	-17,244	-20,710
3.06.02.02	Net Exchange Variance	-363	-516
3.07	Income (loss) before income tax	8,406	27,432
3.08	Income and social contribution taxes	-1,410	-7,560
3.08.01	Current	-4,055	-2,454
3.08.02	Deferred assets	2,645	-5,106
3.09	Net income (loss) of continued operations	6,996	19,872
3.11	Consolidated Net Income/loss for the period	6,996	19,872
3.11.01	Attributed to Partners of the Parent Company	6,996	19,864
3.11.02	Attributed to Minority Partners	7	8
3.99	Earnings per share - (Reais / Shares)		
3.99.01	Basic earnings per share		
3.99.01.01	Common	0.04410	0.12533
3.99.02	Diluted Earnings per Share		
3.99.02.01	Common	0.04410	0.12533

In thousands of Brazilian reais - R$, unless otherwise stated.

Consolidated financial statements / Statement of comprehensive income

Account Description	Accumulated of the Current Year 01/01/2018 to 03/31/2018	Accumulated of the Prior Year 01/01/2017 to 03/31/2017
Net Income for the Period	6,989	19,872
Other Comprehensive Income	-271	1,854
Exchange variance of Overseas Subsidiary	-271	1,854
Comprehensive Income for the Period	6,725	21,726
Attributed to Partners of the Parent Company	6,718	21,718
Attributed to Minority Partners	7	8

In thousands of Brazilian reais - R$, unless otherwise stated.

Consolidated financial statements / Statement of cash flows - Indirect method

Account Code	Account Description	Accumulated of the Current Year 01/01/2018 to 03/31/2018	Accumulated of the Prior Year 01/01/2017 to 03/31/2017
6.01	Net cash from operational activities	9,895	38,927
6.01.01	Cash generated in operations	37,015	36,415
6.01.01.01	Profit or loss for the year before taxes	8,406	27,432
6.01.01.02	Depreciation and amortization	10,845	9,843
6.01.01.05	Provision for inventory at market value	-39	-496
6.01.01.06	Provision Allowance for doubtful accounts	70	1,397
6.01.01.07	Provision for contingencies	8,539	-19,439
6.01.01.08	Provision for labor obligations	-3,304	-3,770
6.01.01.09	Provisão para Participação nos Lucros	1,388	2,148
6.01.01.10	Other provisions	1,335	3,888
6.01.01.11	Other Income	1,184	1,666
6.01.01.13	Adjustments to tax assets	-642	-832
6.01.01.14	Restatements of credits with other related parties	-823	-1,593
6.01.01.15	Finance charges on tax installments	684	1,398
6.01.01.17	Provisioned Loan Interest	9,718	15,200
6.01.01.19	Unrealized Exchange Variation - PBA	-271	1,854
6.01.01.20	Unrealized Exchange Variation on Loans	-75	-2,281
6.01.02	Changes in assets and liabilities	-21,532	7,026
6.01.02.01	(Increase)/Decrease in accounts receivable	-7,243	8,730
6.01.02.02	Increase /(Decrease) in Advances from clients	-868	-1,904
6.01.02.04	(Increase)/Decrease in inventories	-10,344	-273
6.01.02.05	(Increase)/Decrease in Judicial Deposits	-2,370	-2,650
6.01.02.07	(Increase)/Decrease in Recoverable Taxes	3,379	2,192
6.01.02.08	(Increase)/Decrease in attached financial investment	-92	-180
6.01.02.09	(Increase)/Decrease in other assets	-6,725	-8,370
6.01.02.10	Increase /(Decrease) in Accounts Payable	10,959	10,915
6.01.02.11	(Increase)/Decrease in advance to suppliers	-692	-2,803
6.01.02.12	(Increase)/Decrease in provisions for contingencies	-157	-707
6.01.02.13	Increase /(Decrease) in financing of taxes	-6,324	-2,568
6.01.02.14	Increase /(Decrease) in tax and labor liabilities	-1,122	11,727
6.01.02.16	Increase /(Decrease) in other accounts payable	67	-7,083
6.01.03	Other	-5,588	-4,514
6.01.03.01	Interest paid	-3,907	-3,821
6.01.03.02	Income and social contribution taxes paid	-1,681	-693
6.02	Net cash used in investment activities	-19,746	-4,187
6.02.01	Acquisition of property, plant and equipment	-17,527	-3,777
6.02.02	Acquisition of intangible assets	-2,219	-387
6.02.04	Receipt from Sale of Permanent Assets	0	-23
6.03	Net Cash from Financing Activities	-19,429	-21,823
6.03.01	Obtainment of loans and financings	0	677
6.03.02	Payment of loans and financings	-19,429	-22,456
6.03.04	Dividends paid	0	-44
6.05	Increase (Decrease) in Cash and Cash Equivalents	-29,280	12,917

6.05.01	Opening Balance of Cash and Cash Equivalents	94,379	105,745
6.05.02	Closing Balance of Cash and Cash Equivalents	65,099	118,662

In thousands of Brazilian reais - R$, unless otherwise stated.

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

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	130,000	0	159,220	0	-4,172	285,048	12	285,060
5.03	Adjusted Opening Balances	130,000	0	159,220	0	-4,172	285,048	12	285,060
5.05	Total Comprehensive Income	0	0	0	6,989	-271	6,718	7	6,725
5.05.01	Net Income for the Period	0	0	0	6,989	0	6,989	7	6,996
5.05.02	Other Comprehensive Income	0	0	0	0	-271	-271	0	-271
5.05.02.05	Tax Conversion Adjust	0	0	0	0	-271	-271	0	-271
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	298	-298	0	0	0
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	298	-298	0	0	0
5.07	Closing Balances	130,000	0	159,220	7,287	-4,741	291,766	19	291,785

In thousands of Brazilian reais - R$, unless otherwise stated.

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

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	119,565	-	121,129	-	- 2,246	238,448	11	238,459
5.03	Adjusted Opening Balances	119,565	-	121,129	-	- 2,246	238,448	11	238,459
5.05	Total Comprehensive Income	-	-	-	20,160	1,558	21,718	8	21,726
5.05.01	Net Income for the Period	-	-	-	19,864	-	19,864	8	19,872
5.05.02	Other Comprehensive Income	-	-	-	296	1,558	1,854	-	1,854
5.05.02.06	Realization of the Revaluation Reserve	-	-	-	296	- 296	-	-	-
5.05.02.07	Exchange Variance of Overseas Subsidiary	-	-	-	-	1,854	1,854	-	1,854
5.07	Closing Balances	119,565	-	121,129	20,160	- 688	260,166	19	260,185

PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2018
In thousands of Brazilian reais - R$, unless otherwise stated.

Consolidated financial statements / Statement of added value

Account Code	Account Description	Accrued Value of the Current Year 01/01/2018 to 03/31/2018	Accrued Value of the Prior Year 01/01/2016 à 03/31/2016
7.01	Revenue	298,153	291,116
7.01.01	Sales of Goods, Products and Services	299,749	292,312
7.01.02	Other Revenue	-1,525	-1,702
7.01.03	Income from construction of own assets	0	1.903
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-71	-1,397
7.02	Consumables acquired from third parties	-140,405	-115.645
7.02.01	Cost of goods and services sold	-95,809	-94,761
7.02.02	Material, Energy, Outsourced Services and Other	-45,315	-21,123
7.02.03	Loss/Recovery of Assets	719	239
7.03	Gross Added Value	157,748	175,471
7.04	Retentions	-10,845	-9,843
7.04.01	Depreciation, Amortization and Depletion	-10,845	-9,843
7.05	Net Added Value Produced	146,903	165,628
7.06	Transferred Added Value	8,365	11,000
7.06.02	Financial Revenue	8,365	11,000
7.07	Total Added Value to be Distributed	155,268	176,628
7.08	Distribution of Added Value	155,268	176,628
7.08.01	Personnel	56,782	53,714
7.08.01.01	Direct Remuneration	47,992	45,521
7.08.01.02	Benefits	5,392	5,185
7.08.01.03	F.G.T.S.	3,398	3,008
7.08.02	Taxes, Duties and Contributions	63,958	72,980
7.08.02.01	Federal	28,818	37,774
7.08.02.02	State	34,549	34,687
7.08.02.03	Municipal	591	519
7.08.03	Interest Expenses	27,532	30,062
7.08.03.01	Interest	23,577	26,449
7.08.03.02	Rent	3,955	3,613
7.08.04	Interest earnings	6,996	19,872
7.08.04.03	Retained Earnings/Loss for the Period	6,989	19,864
7.08.04.04	Minority interests in retained earnings	7	8

In thousands of Brazilian reais - R$, unless otherwise stated

CONSOLIDATED EARNINGS RELEASE 1Q18

Tijucas, May 15, 2018. PBG S.A. (B3 S.A. - BRASIL, BOLSA, BALCÃO: PTBL3), **Brazil's largest ceramic tile company**, announced its results for the first quarter of 2018.

The financial information reported herein is derived from PBG S.A.'s consolidated quarterly financial information, prepared in accordance with the standards issued by the Accounting Pronouncements Committee (CPC) and the International Financial Reporting Standards (IFRSs).

HIGHLIGHTS

	R$ million	1Q17	1Q18	▲%
PERFORMANCE	Gross revenue	296	303	2%
	Net revenue	**236**	**246**	**4%**
	Gross margin	*40.7%*	*40.0%*	-0,7 p.p.
	EBITDA	**53**	**34**	**-35%**
	EBITDA margin	*22.4%*	*14.0%*	-8,4 p.p.
	Profit	**20**	**7**	**-65%**
	Net margin	*8.4%*	*2.8%*	-5,6 p.p.
	ROCE	**12.1%**	**14.4%**	**2,3 p.p.**
Debt	**Net Debt**	**437**	**404**	**-8%**
	Net debt-to-EBITDA	3.00	2.37	-21%
PTBL3	**Quotation**	**2.89**	**5.37**	**86%**

- **NET REVENUE** of **R$ 246** million, up by **4%** over 1Q17;
- **GROSS MARGIN** of **40%** in 1Q18, **similarly** to 1Q17;
- **EBITDA** of **R$34 million** in 1Q18, with a margin of 14%. Decrease of **35%** (increase of **6%** when compared to the recurring EBITDA) and 8 p.p. in the margin, when compared to 1Q17;
- **PROFIT** of **R$7 million**;
- **Reduction** in **DEBT** and **Net Debt-to-EBITDA ratio** from 3.00x (in 1Q17) to **2.37x** (in 1Q18);
- **Increase** of **2.3 p.p.** in **RETURN** on Invested Capital, ending the quarter at **14.4%** (12.1% in 1Q17);
- **PTBL3** shares reach **R$5.37** at the end of 1Q18 (R$2.89 in 1Q17); **appreciation of 86%** and increase of **155%** in the average financial trading **volume** in the last 12 months.

TELECONFERENCE

Friday, May 18 at 10 a.m.

Data for connection:

Phone: +55 11 3137-8043
Password: PORTOBELLO

WEBCAST

The teleconference audio will be broadcast on the Internet, accompanied by a slide show.
Both will be available 30 minutes in advance at:

www.ri.portobello.com.br/

MANAGEMENT'S COMMENTS

PBG ends the first quarter of 2018 with optimism and confidence. Results were achieved according to the Company's planning and demonstrate that the bias towards boosting profitability and strengthening the competitive edges has added greater value to the business and consolidated the brand leading position. The economic stabilization and rebound in retail trade bring bright prospects for the domestic market. In addition, maintaining the high export volumes diversifies the revenue origin and contributes to creating a more robust and international structure.

In 1Q18, net revenue totaled R$246 million, up by 4% over 1Q17. Sales in the foreign market continue to follow an upward trend. Since the second quarter of 2017, the Company has been recording average quarterly revenue of US$15 million. In 1Q18, we attained a quarterly record of US$16 million, up by 21% against 1Q17. In Brazilian reais (R$), there was growth of 26% when compared to 1Q17.

In the domestic market, net revenue was similar to the 1Q17's figures. We continued to focus on sales of a more profitable product mix in the domestic market, despite the lower sales volume. The consolidated gross margin of 40% is similar to 1Q17's. According to Abramat, the finishing construction material market's deflated turnover grew by 2.1% between 1Q18 and 1Q17, which suggests the beginning of a rebound in retail trade and encourages positive expectations for sales in 2018.

Cash generation, measured based on the EBITDA, totaled R$34 million and profit reached R$7 million in 1Q18, with margins of 14% and 3%, respectively. Margins were lower when compared to 1Q17. In relation to the prior year, the reduction arises from the extraordinary gains on lawsuits recognized in 1Q17. Should those effects be disregarded, the 1Q18 margins would be similar to 1Q17's, as a result of efforts to increase the gross margin, strict management of expenses and maturation of new business.

Portobello Shop maintains its plan on expanding the exhibition area. The network relies on 142 units located in almost all Brazilian states, out of which 11 are own units. In 1Q17, there were 6 own units and the number of stores grew by 83% within 12 months. Although 45% of own stores are operational for less than one year, such business attained positive results in this first quarter. The own stores maintain their roles as a franchising development laboratory.

As to Pointer brand, the revenue growth and maintenance of positive margins are noticeable. The mix qualification and increase in inventory turnover have been leading to more qualified sales at better prices. In this quarter, it is also worth pointing out that Alagoas plant is once again using 100% of its production capacity.

Net debt dropped by 8% when compared to the same period in the prior year. Debt-to-EBITDA ratio also decreased to 2.4 times (3.0 in 1Q17). Investments were resumed, focused on sustaining the strategies designed to improve the product mix and margins, without capacity expansions. When compared to 4Q17, investments rose by 10%.

In thousands of Brazilian reais - R$, unless otherwise stated

In March, the Company's participation in Expo Revestir 2018, the main business platform for ceramic coatings in the domestic and foreign markets, was once again impressive. A new collection was launched during the fair. This year, Portobello's "Still Black" product awarded it the "best in show" prize.

On the occasion, several parallel events for franchisees, architects, designers and the general public also took place. This year, the annual public market analysts' meeting was also held during the fair in São Paulo. The participants could get to know the new collection and discuss the 2017's earnings recently published on the occasion. The dynamism and close relationship with the market reinforce the Company's transparency and candor towards investors.

The Company maintains its endeavors oriented to operational improvements, with confidence in its strategy focused on retail trade and brand building. In 1Q18, the organizational structure underwent changes so as to strengthen the Company's retail culture, driving greater focus on customers and streamlining responses to market requirements. The teams will now seek excellence in key skills and will work in a more collaborative way.

At the quarter end, Return on Invested Capital was 14.4%, posting 2.3 p.p. growth in the past 12 months. The earnings achieved result from strategic alignment, brand positioning, flexibility to adapt and strong business competitive edges.

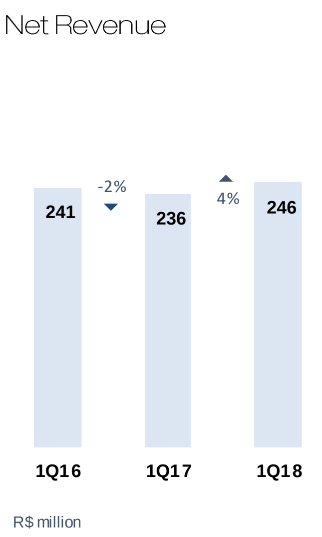
ECONOMIC AND FINANCIAL PERFORMANCE

	R$ thousand	1Q16	1Q17	1Q18	▲%
PERFORMANC	**Gross revenue**	**307,444**	**296,203**	**303,208**	**2%**
	Net revenue	241,361	235,634	245,901	4%
	Gross profit	**89,572**	**95,877**	**98,271**	**2%**
	Gross margin	37.1%	40.7%	40.0%	-0,7 p.p.
	EBIT	**12,661**	**42,877**	**23,609**	**-45%**
	EBIT margin	5.2%	18.2%	9.6%	-8,6 p.p.
	Finance income (costs)	(19,620)	(15,445)	(15,203)	-2%
	Profit	**(6,220)**	**19,872**	**6,996**	**-65%**
	Net margin	-2.6%	8.4%	2.8%	-5,6 p.p.
	EBITDA	**22,053**	**52,720**	**34,454**	**-35%**
	EBITDA margin	*9.1%*	*22.4%*	*14.0%*	-8,4 p.p.
RATIOS	Current liquidity	*1.31*	*1.26*	*1.22*	(0.04)
	Net debt	561,460	437,366	403,956	-8%
	Net debt-to-EBITDA	*3.70*	*3.00*	*2.37*	(0.63)
	Net debt-to-equity	*2.35*	*1.53*	*1.38*	(0.15)
PTBL3	Closing quotation	2.08	2.89	5.37	86%
	Market value	329,656	458,032	851,083	
	Monthly trading volume (R$). Average from the past 12 months.	5,131	20,000	50,902	155%

In thousands of Brazilian reais - R$, unless otherwise stated

Net Revenue

The consolidated net revenue totaled R$248 million in 1Q18, up by 4% when compared to 1Q17.



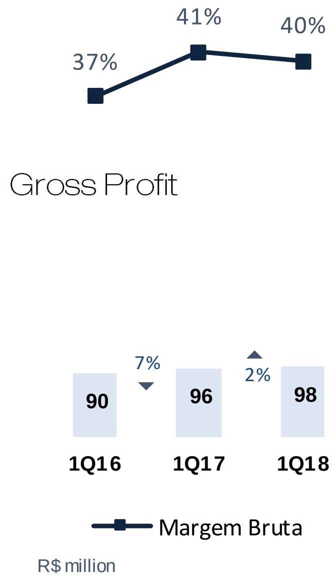
Sales in the domestic market accounted for 79% of total revenue (83% in 1Q17) and the amount in Brazilian reais (R$) remained similar to 1Q17's figures.

In the foreign market, sales grew by 26% against 1Q17. Exports in 1Q18 attained the quarterly record of US$16 million, roughly 21% higher when compared to the same period in the prior year.

	1Q16	1Q17	1Q18	▲%
Net revenue	**241,361**	**235,634**	**245,901**	**4%**
Domestic Market	202,493	194,796	194,421	0%
Foreign Market	38,868	40,838	51,480	26%

Gross Profit

In 1Q18, gross profit totaled R$98 million, similarly to 1Q17. The gross margin remained at 40% as a result of a sales mix involving more profitable products and cost reduction.



Operating Income (Expenses)

Selling expenses totaled R$64 million in 1Q18, up by 13% when compared to 1Q17, but maintained a ratio of 26% to net revenue, similarly to the prior year. Expenses on freight and logistics structure account for 16% of selling expenses. The more effective distribution structure is a significant competitive edge for the company's market positioning through improvements in the quality of services.

In thousands of Brazilian reais - R$, unless otherwise stated

	1Q16	1Q17	%RL	1Q18	%NR	▲%
Operating expenses	**(76,911)**	**(53,000)**	**22%**	**(74,662)**	**30%**	**41%**
Selling expenses	(61,146)	(56,686)	24%	(63,825)	26%	13%
General and administrative expenses	(8,911)	(8,275)	4%	(9,260)	4%	12%
Other income (expenses)	(6,854)	11,961	-5%	(1,577)	1%	

Administrative expenses totaled R$9 million in 1Q18 and maintain the ratio of 4% to net revenue when compared to 1Q17.

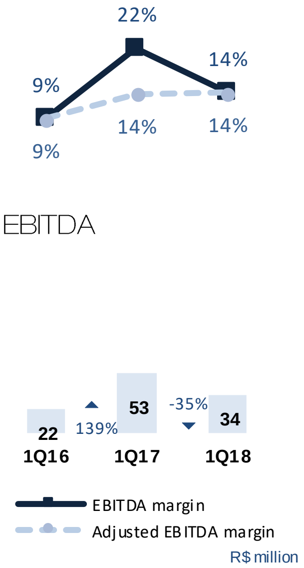
Other operating income amounted to R$2 million in relation to expenses. In 1Q17, revenue amounting to R$12 million was positively impacted by the reversal of the provision for tax risks, concerning the State VAT (ICMS) deduction from the tax base of taxes on revenue (PIS/COFINS), in the amount of R$20 million due to the favorable decision on the matter handed down by the Federal Supreme Court ("STF").

EBITDA

EBITDA amounted to R$34 million in 1Q18, with an EBITDA margin of 14%. When compared to 1Q17, the 35% reduction in the EBITDA mainly arises from the extraordinary gains recognized in 1Q17. Should those gains be disregarded, the EBITDA would be 6% higher against 1Q17 and the margin would remain unchanged at 14%, which demonstrates the operating profitability consistency.

Profit

In 1Q17, profit amounted to R$7 million. The reduction of 65% also reflects the extraordinary gains. Should such effect be disregarded, profit would be 55% higher against 1Q17, as a result of pursuing higher margins, control over expenses and the new business maturation.



	1Q16	1Q17	1Q18	%NR	▲%
Profit	(6,220)	19,872	6,996	3%	-65%
(+) Finance income (costs)	19,620	15,445	15,203	6%	-2%
(+) Depreciation and amortizatio	9,392	9,843	10,845	4%	10%
(+) Income taxes	(739)	7,560	1,410	1%	
EBITDA	**22,053**	**52,720**	**34,454**	**14%**	**-35%**
(-) Reversal of Provision for Tax Risks	-	(20,248)	-		
Adjusted EBITDA	**22,053**	**32,472**	**34,454**	**14%**	**6%**

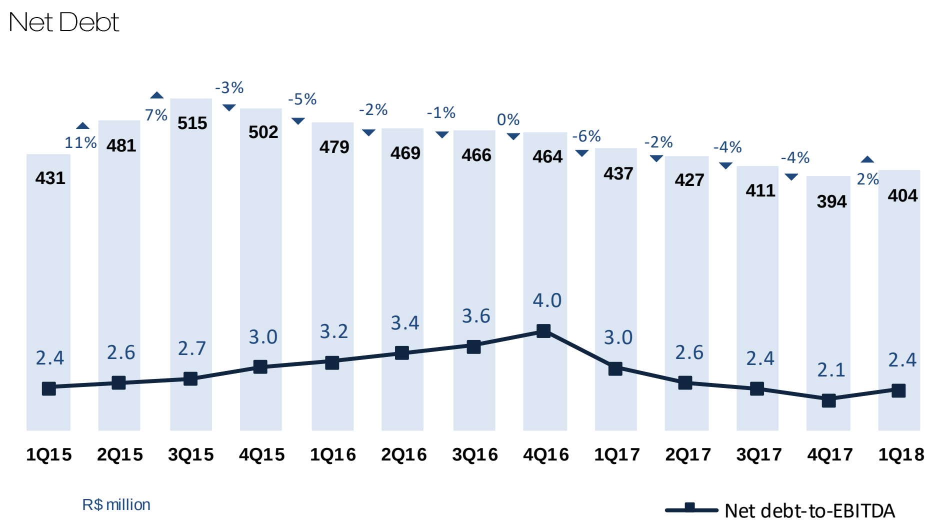
In thousands of Brazilian reais - R$, unless otherwise stated

DEBT/CAPITAL STRUCTURE

The Company's net debt reached R$404 million at the end of 1Q18. When compared to the same period in the prior year, it dropped by 8%.

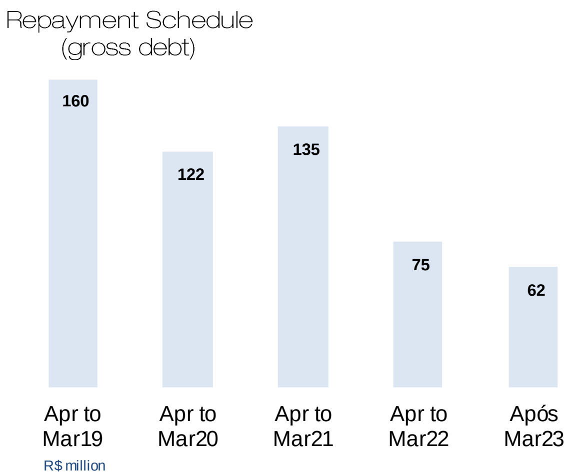
Net debt-to-EBITDA for the year ratio is 2.4x and net debt-to-equity ratio is 1.4x. In this quarter, the same debt-to-EBITDA ratio recorded in 1Q15 was reported.

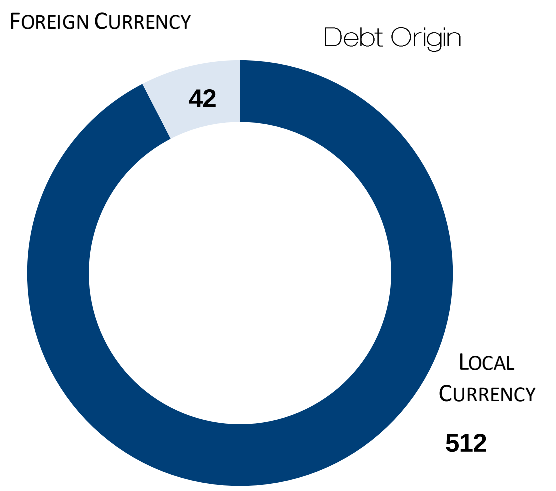
The minimum covenants set out in all financing agreements in force are being met.



	Mar-16	Mar-17	Mar-18	▲R$
Bank Indebtedness	661,399	575,646	500,425	(75,221)
Tax Indebtedness	81,772	78,029	71,134	(6,895)
(=) Gross debt	**743,171**	**653,675**	**571,559**	**(82,116)**
(+) Cash and cash equivalents	(95,497)	(125,293)	(72,129)	53,164
(+) Due from related parties	(86,214)	(91,016)	(95,474)	(4,458)
(=) Net debt	**561,460**	**437,366**	**403,956**	**(33,410)**
EBITDA (past 12 months)	151,666	145,979	170,751	24,772
Net debt-to-EBITDA ratio	*3.7*	*3.0*	*2.4*	
Net debt-to-equity ratio	*2.4*	*1.5*	*1.4*	

The balance of gross debt is divided into 30% maturing in the short term and 70% maturing in the long term. The Company continues to work on the debt profile extension.



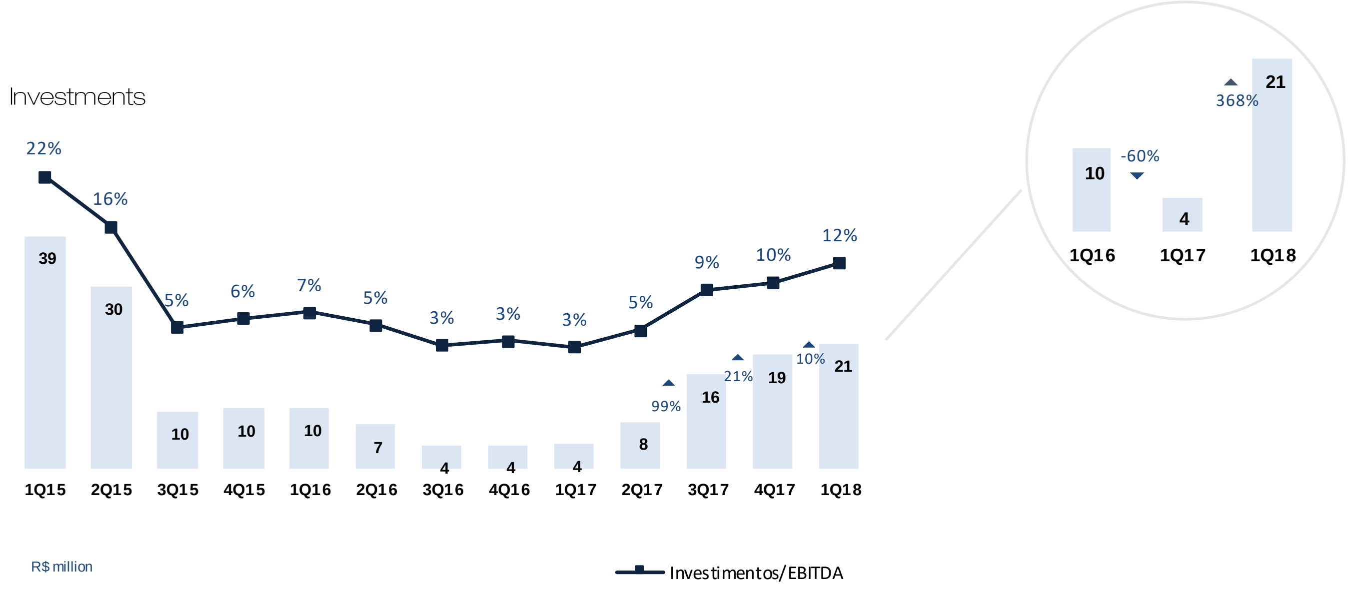


INVESTMENTS

Investments are being gradually resumed. In 1Q18, investments amounted to R$21 million, out of which 84% were allocated to Portobello and 16% were allocated to Pointer.

At Portobello, the amount of R$16 million is intended for preparing and upgrading the plant located in Tijucas to manufacture products with higher value added and larger formats, while R$2 million are targeted at own stores and the Officina.

At Pointer, investments were mostly allocated to the plant transformation seeking the portfolio profitability and qualification.



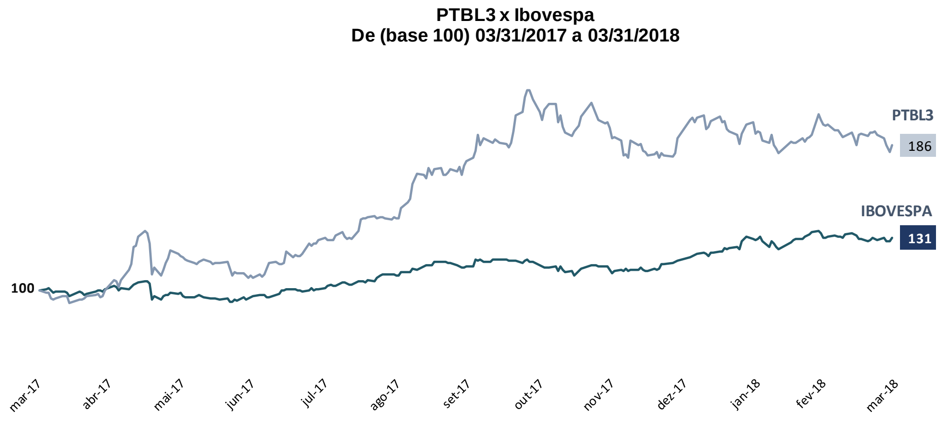
SHAREHOLDERS' COMPENSATION AND SHAREHOLDERS' MEETING RESOLUTIONS

Total shareholders' compensation for 2017 amounted to R$30,464 thousand, which represented a yield of 3.50% (dividend per share divided by the closing share quotation).

The Annual Shareholders' Meeting held on April 30, 2018 approved Management's proposal for distributing total dividends equivalent to 50% of profit. The amount payable will be R$20,850 thousand, i.e., approximately R$0.132 (net of payments made in August 2017). The proposed payment date is May 25, 2018.

The Annual Shareholders' Meeting also appointed the new members of the Board of Directors, whose term of office is two years, and reelected the Supervisory Board members, whose term of office is one year.

PERFORMANCE OF PTBL3 SHARES



The common shares issued by PBG S.A., traded on B3 (Brasil, Bolsa, Balcão) under ticker symbol PTBL3, ended the last trading session held in March quoted at R$5.37, i.e., appreciation of 86% in the past 12 months, while Ibovespa rose by 31% in the same period.

In the past 12 months, the average financial trading volume was R$51 million, up by 155% against the R$20 million recorded in the prior year. At the end of 1Q18, PBG S.A.'s market value was equivalent to R$851 million (R$458 million in March 2017).

PROSPECTS

- The Company remains confident that, in 2018, the market is likely to maintain the gradual rebound already observed in the first quarter of 2018.
- Retail trade and exports are likely to remain as the industry's growth pillars. The construction market is expected to rebound this year, which might be more clearly reflected in the finishing material industry in early 2019. Accordingly, next year will be still challenging for such segment with respect to the channel of sales to construction companies and development companies (Engineering).
- The foreign market efforts are concentrated on increasing exports and internationalizing the Company so as to create a more robust structure for ensuring lower dependence on the domestic market.
- Internally, we will continue to focus on the qualification of the sales mix, pursuing margin gains.
- The plant located in Alagoas and Pointer brand maintain the plan on adjusting to the current market scenario and seeking economic balance. The positive results reached in 1Q18 represent the plan effectiveness.
- The Company is gradually recovering the pace of investments for 2018. At the plants located in Tijucas and Alagoas, the focus is driven to production qualification. At own stores, investments are allocated to expanding the current units and creating new units. Investments will be also concentrated on the distribution structure, both in the domestic (for both brands) and foreign markets.
- Upon reviewing the organizational structure, the Company will maintain its efforts to enhance its retail trade-oriented business model, seeking improvements in its processes, technologies, the development of teams and brand positioning.

- In addition, efforts remain concentrated on expanding and enhancing the Portobello Shop business's competitive edges, with new own stores, distribution and the Officina.
- Management will continue to focus on reducing the debt-to-EBITDA ratio. The actions aim to ensure effective cash management, working capital decrease, liquidity maintenance and reduction of finance costs.
- The Company remains confident in its competitive edges and reaffirms its efforts to improve earnings.

INDEPENDENT AUDIT

In engaging independent auditors to perform non-audit services, PBG S.A. adopts a policy based on principles that preserve the professional independence. These principles draw on the assumption that the auditor should not audit their own work, should not perform management functions in the client and should not act as client's advocate. In 2017, the Company did not engage independent auditors to perform non-audit services.

MANAGEMENT

Board of Directors

Name
Cláudio Ávila da Silva
Cesar Gomes Júnior
Nilton Torres de Bastos Filho
Glauco José Côrte
Geraldo Luciano Mattos Junior
Walter Roberto de Oliveira Longo
Marcos Gouvêa de Souza

Executive Board

Name	Title
Cesar Gomes Júnior	Chief Executive Officer
Cláudio Ávila da Silva	Deputy Chief Institutional Relations Officer
John Shojiro Suzuki	Deputy Chief Operations Officer
Mauro do Valle Pereira	Deputy Chief Business Officer

TELECONFERENCE AND WEBCAST

On Friday, May 18, 2018, at 10 a.m., a teleconference will be held in Portuguese language to report the earnings for the first quarter of 2018.

Data for connection: Phone: +55 11 3137-8043 Password: PORTOBELLO

For those who cannot attend the live teleconferences, the full audio will be made available and can be directly accessed at the Company's website (www.ri.portobello.com.br/).

In thousands of Brazilian reais - R$, unless otherwise stated

Balance Sheet

Assets	03/31/2018	12/31/2017	Liabilities	03/31/2018	12/31/2017
Current assets	**511,204**	**522,623**	**Current liabilities**	**422,284**	**414,310**
Cash and cash equivalents	65,099	94,379	Borrowings and debentures	148,887	146,402
Trade receivables	225,585	218,412	Trade payables and credit assignment	157,953	149,696
Inventories	189,706	179,323	Taxes and social contributions	22,857	31,157
Recoverable taxes	10,371	16,784	Payroll and related taxes	34,526	31,330
Prepaid expenses	6,396	1,720	Advances from customers	11,747	12,615
Other current assets	14,047	12,005	Dividends payable	6,035	6,035
			Other current liabilities	40,279	37,075
Noncurrent assets	**746,750**	**729,385**	**Noncurrent liabilities**	**543,885**	**552,638**
Long-term assets	**277,009**	**268,926**	Borrowings and debentures	351,538	367,159
Escrow deposits	95,871	93,501	Trade payables	81,198	78,496
Recoverable taxes	6,033	6,407	Deferred income tax and social contribution	11,541	14,186
Legal assets	46,611	45,969	Taxes payable in installments	60,483	62,648
Due from related parties	95,474	94,651	Provisions	36,596	28,214
Due from Eletrobrás	12,821	12,821			
Other noncurrent assets	20,199	15,577			
			Equity	**291,785**	**285,060**
Investments	**298**	**298**	Capital	130,000	130,000
Property, plant and equipment	**449,275**	**440,595**	Earnings reserves	143,988	143,988
Intangible assets	**20,168**	**19,566**	Other comprehensive income	(4,741)	(4,172)
			Additional proposed dividends	15,232	15,232
			Retained earnings	7,287	-
			Noncontrolling interests	19	12
Total assets	**1,257,954**	**1,252,008**	**Total liabilities**	**1,257,954**	**1,252,008**

Visit the Investor Relations website: *www.portobello.com.br/ri*

1 General information

PBG S.A., hereinafter referred to as “Company” or “Parent”, is a publicly-held company and its shares are traded on the *Novo Mercado* segment of the B3 S.A. - Brasil, Bolsa, Balcão (B³), under ticker symbol PTBL3. The Company is controlled by a group of shareholders, formally recognized under the agreement entered into on April 15, 2011, and amended on August 4, 2017, which hold 54% equity interest in the Company as at March 31, 2018. The remaining 46% equity interest is held by several shareholders.

The Company, with registered head office in the city of Tijucas, State of Santa Catarina, was established in 1977 and is primarily engaged in the manufacture and sale of ceramic and porcelain products in general, such as floor tiles, enameled and non-enameled porcelain tiles, decorated and special pieces, mosaics, products intended for inner wall and external facade coatings, as well as in the provision of supplementary services involving the application of its products in the construction material industry in Brazil and overseas.

Moreover, the Company holds equity interest in the following subsidiaries: (i) Portobello Shop, which manages the Portobello Shop and Empório Portobello franchising networks, with a network of franchised stores specializing in porcelain tiles and ceramic coatings; (ii) PBTech, which manages the Portobello Shop own stores and currently manages 11 stores; (iii) Mineração Portobello, which supplies part of the raw materials used in the manufacture of ceramic coatings; (iv) Companhia Brasileira de Cerâmica, which is established in the Northeast region and currently dormant; and (v) Portobello América, which was established to sell Portobello products in the U.S. market and is currently dormant.

2 Presentation of interim financial information

a) Statement of compliance

This interim financial information includes:

The individual and consolidated interim financial information, herein presented as Parent and Consolidated, respectively, has been prepared in accordance with CPC 21 (R1) - Interim Financial Reporting and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and is being presented in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Interim Financial Information (ITR).

The presentation of the individual and consolidated Statements of Value Added (DVA) is required by the Brazilian Corporate Law and accounting practices adopted in Brazil applicable to publicly-held companies. The IFRSs do not require the presentation of such statement.

The individual and consolidated interim financial information was authorized for issuance by the Board of Directors on May 15, 2018.

All the relevant information disclosed in the Interim Financial Information, and only this information, is being disclosed and corresponds to the information used by Management to manage the Company.

b) New standards, amendments or interpretations of the IFRSs issued by the IASB

On January 1, 2018, several new standards became effective: IFRS 9/CPC 48 – Financial Instruments and IFRS 15/CPC 47 – Revenue from Contracts with Customers. As mentioned in Note 3.20 to the financial statements for the year ended December 31, 2017, the Company did not identify any significant impacts arising on the adoption of these new standards in the quarter ended March 31, 2018.

With respect to IFRS 9/CPC 48 – Financial Instruments, in the quarter ended March 31, 2018, the presentation of financial instruments was adjusted as follows:

CPC 48/ IFRS 9 - Financial Instruments

Pursuant to CPC 48/IFRS 9, the Company recognizes, measures and classifies financial assets, financial liabilities and some agreements for the purchase or sale of non-financial items as follows:

(i) Initial recognition and measurement

Financial Assets: Initially recognized at fair value and measured upon initial recognition according to their classification: (i) measured at amortized cost, (ii) measured at fair value through other comprehensive income (FVTOCI), and (iii) measured at fair value through profit or loss (FVTPL). The standard eliminated the categories set out in IAS 39 (held-to-maturity, loans and receivables and available-for-sale).

Allowance for impairment losses on Financial Assets and Contractual Assets: CPC 48/IFRS 9 superseded the “incurred losses” model provided for by CPC 38 (IAS 39) and now the Company recognizes losses using a prospective model of “expected credit losses”. This requires considerable judgment about how changes in economic factors affect the expected credit losses.

The new expected losses model is applicable to financial assets measured at amortized cost or at FVTOCI, except for investments in equity instruments and contractual assets.

Financial Liabilities: Initially recognized at fair value and measured upon initial recognition according to their classification: (i) measured at fair value through profit or loss (FVTPL) or (ii) other financial liabilities measured at amortized cost. Changes in the fair value of liabilities measured at FVTPL are broken down as follows:

– the amount of changes in the fair value attributable to changes in the credit risk underlying financial liabilities is recognized in other comprehensive income; and

– the remaining amount of changes in fair value is recorded in profit or loss.

(i) Classification

Financial Assets: Classified into three categories: (i) measured at amortized cost, (ii) measured at fair value through other comprehensive income (FVTOCI), and (iii) measured at fair value through profit or loss (FVTPL).

Financial Liabilities: classified into two categories: (i) measured at fair value through profit or loss (FVTPL) or (ii) other financial liabilities measured at amortized cost.

Management did not designate any financial liabilities at FVTPL.

3 Significant accounting policies

The accounting policies and calculation methods adopted in preparing the interim financial information for March 31, 2018 are the same as those used in preparing the financial statements for the year ended December 31, 2017, except for the adoption of CPC 48/IFRS 9 – Financial Instruments mentioned in Note 2 b).

In thousands of Brazilian reais - R$, unless otherwise stated.

4 Critical accounting estimates and judgments

The critical judgments and uncertainties in estimates adopted in applying the accounting policies are the same as those detailed in the financial statements for the year ended December 31, 2017.

5 Financial risk management

5.1 Financial risk factors

The activities of the Company and its subsidiaries expose them to several financial risks: market risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of the financial markets and aims to minimize any adverse impacts on the consolidated financial performance.

Risks are managed by the Treasury Area and Finance Department in accordance with the policies approved by the Board of Directors. The Treasury Area and Finance Department identify, assess and hedge the Company and its subsidiaries against possible financial risks in cooperation with the operational units. The Board of Directors sets the overall risk management principles and the criteria for specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and the investment of cash surpluses.

a) Market risk

i) Foreign exchange risk

The Company operates globally and is exposed to the foreign exchange risk arising from exposures of some currencies, basically in relation to the U.S. dollar and Euro. The foreign exchange risk arises from future business transactions, assets and liabilities recognized and net investments in foreign transactions.

The balances of assets and liabilities exposed to exchange rate changes are broken down as follows:

	In Brazilian reais (R$)			
	Parent		Consolidated	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Trade receivables	58,265	52,785	58,265	52,785
Checking account	6,355	3,806	6,355	3,806
Due from subsidiaries	68,052	67,728	-	-
Exposed assets	132,672	124,319	64,620	56,591
Allowance for investment losses	(66,394)	(67,717)	-	-
Trade payables, commissions, net of advances	(14,309)	(9,718)	(14,309)	(9,718)
(-) Swap transaction	(13,401)	(12,392)	(13,401)	(12,392)
Borrowings and financing	(42,167)	(42,303)	(42,167)	(42,303)
Exposed liabilities	(136,271)	(132,130)	(69,877)	(64,413)
Net exposure	(3,599)	(7,811)	(5,257)	(7,822)

In thousands of Brazilian reais - R$, unless otherwise stated.

	In Euro (€)				In U.S. Dollar (US$)			
	Parent		Consolidated		Parent		Consolidated	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Trade receivables	335	317	335	317	13,317	12,659	13,317	12,659
Checking account	-	-	-	-	1,912	1,150	1,912	1,150
Due from subsidiaries	-	-	-	-	20,474	20,474	-	-
Allowance for investment losses	-	-	-	-	(19,975)	(20,471)	-	-
Trade payables, commissions, net of advances	(980)	(541)	(980)	(541)	(2,873)	(2,288)	(2,873)	(2,288)
Payables for investments	(3,429)	(3,122)	(3,429)	(3,122)	(65)	-	(65)	-
Borrowings and financing	-	-	-	-	(12,687)	(12,788)	(12,687)	(12,788)
	(4,074)	(3,346)	(4,074)	(3,346)	103	(1,264)	(396)	(1,267)

Although the net foreign exchange exposure is low, the Company adopts the strategy of maintaining the foreign exchange liability exposure at an amount equivalent to up to one year of exports.

ii) Cash flow or fair value risk associated with interest rate

The interest rate risk arises from long-term borrowings and financing and it is associated with borrowings obtained at floating rates that expose the Company and its subsidiaries to the interest rate and cash flow risks. Borrowings that bear fixed interest expose the entities to the fair value risk associated with interest rate.

The Company and its subsidiaries continuously monitor market interest rates to assess whether new transactions should be entered into to hedge against interest rate fluctuations.

Short-term investments are primarily made in investment funds, as stated in Note 6.

b) Credit risk

The Company and its subsidiaries hold strict controls over the granting of credits to their customers and adjust those credit limits whenever material changes in the perceived risk level are identified.

c) Liquidity risk

Refers to the risk that the Company and its subsidiaries may not have sufficient funds available to honor their financial commitments as a result of mismatching of terms or volumes between expected amounts collectible and payable.

To manage cash liquidity both in domestic and foreign currencies, future disbursement and cash inflow assumptions are established and daily monitored by the Treasury Area and Finance Department.

The table below analyses the non-derivative financial liabilities (Parent and Consolidated), by maturity ranges, corresponding to the remaining period in the balance sheet through the contractual maturity date. The amounts disclosed in the table refer to the contracted undiscounted cash flows.

In thousands of Brazilian reais - R$, unless otherwise stated.

	Parent							
	March 31, 2018				December 31, 2017			
	* Borrowings and debentures	Finance lease	Trade payables and assignment	Taxes payable in installments	* Borrowings and debentures	Finance lease	Trade payables and assignment	Taxes payable in installments
Up to 1 year	148,745	142	153,768	10,570	146,051	351	147,540	14,033
From 1 to 2 years	236,299	-	81,198	21,550	252,500	-	78,496	21,334
From 2 to 5 years	102,772	-	-	32,325	102,778	-	-	32,001
Over 5 years	14,820	-	-	6,201	14,836	-	-	8,891
	502,636	142	234,966	70,646	516,165	351	226,036	76,259

*The difference between total borrowings and debentures reported in this table and the balance sheet arises from the APV of Prodec.

	Consolidated							
	March 31, 2018				December 31, 2017			
	* Borrowings and debentures	Finance lease	Trade payables and assignment	Taxes payable in installments	* Borrowings and debentures	Finance lease	Trade payables and assignment	Taxes payable in installments
Up to 1 year	148,745	142	157,953	10,651	146,051	351	149,696	14,126
From 1 to 2 years	237,521	-	81,198	21,698	253,677	-	78,496	21,478
From 2 to 5 years	102,772	-	-	32,547	102,778	-	-	32,217
Over 5 years	14,820	-	-	6,238	14,836	-	-	8,953
	503,858	142	239,151	71,134	517,342	351	228,192	76,774

* The difference between total borrowings and debentures reported in this table and the balance sheet arises from the APV of Prodec.

d) Sensitivity analysis

i) Sensitivity analysis to interest rate fluctuations

The income from the Company's short-term investments and the finance costs arising on financing and borrowings are affected by changes in interest rates such as the CDI and Selic rates.

As at March 31, 2018, Management considered as the probable scenario the increase in the CDI rate of 6.39% and of the Selic rate of 6.40%. The probable rate was then stressed by 25% and 50% and used as benchmark for the possible and remote scenarios, respectively.

The scenarios below were estimated for a one-year period:

	Consolidated in Brazilian reais							
	March 31, 2018	Risk	Probable		Possible (25%)*		Remote (50%)*	
			%	R$	%	R$	%	R$
Loans – working capital	(1,221)	CDI increase	6.39%	(78)	7.99%	(98)	9.59%	(117)
Loans – export credit note	(114,559)	CDI increase	6.39%	(7,320)	7.99%	(9,150)	9.59%	(10,980)
Debentures	(180,210)	CDI increase	6.39%	(11,515)	7.99%	(14,394)	9.59%	(17,273)
	(250,001)			(16,098)		(21,531)		(26,962)
Tax installment payment	(71,134)	Selic increase	6.40%	(4,553)	8.00%	(5,691)	9.60%	(6,829)

*Possible and remote scenarios calculated based on the probable rate.

In thousands of Brazilian reais - R$, unless otherwise stated.

ii) Sensitivity analysis of changes in exchange rates

The Company has assets and liabilities pegged to a foreign currency in the balance sheet as at March 31, 2016, and for sensitivity analysis purposes, it has adopted as probable scenario the future market rate effective in the period of preparation of this interim financial information. The probable rate was then stressed by 25% and 50% and used as benchmark for the possible and remote scenarios, respectively.

Accordingly, the table below simulates the effects of foreign exchange differences on future profit or loss:

	Consolidated in Brazilian reais						
	March 31, 2018	Probable		Possible (25%)*		Remote (50%)*	
		Rate US$	Gain (loss)	Rate US$	Gain (loss)	Rate US$	Gain (loss)
Trade receivables	58,265	3.260	(1,118)	4.075	14,566	4.890	29,133
Checking account	6,355	3.260	(122)	4.075	1,589	4.890	3,178
Trade payables, net of advances	(27,710)	3.260	532	4.075	(6,927)	4.890	(13,855)
Borrowings and financing	(42,167)	3.260	809	4.075	(10,542)	4.890	(21,084)
Net exposure	(5,257)		101		(1,314)		(2,628)

*Possible and remote scenarios calculated based on the probable rate, based on the Focus Report from Bacen dated April 20, 2018.

5.2 Capital management

Management's purposes when managing its capital are to protect its and its subsidiaries' ability to continue as going concerns so as to offer return to shareholders and benefits to other stakeholders, besides providing the best cash management so as to obtain the lower borrowing costs when combining own and third-party capital.

Capital is monitored based on consolidated financial leverage ratios. This ratio corresponds to the net debt divided by the total capital. In turn, the net debt corresponds to total borrowings and tax installment payment, less cash and cash equivalents, due from other related parties and securities. Total capital is calculated through the sum of equity and net debt, as shown in the consolidated balance sheet.

As at March 31, 2018, financial leverage ratios are summarized as follows:

	Parent		Consolidated	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Borrowings and financing	499,203	512,384	500,425	513,561
Tax installment payment	70,646	76,259	71,134	76,774
Less: Cash and cash equivalents	(46,596)	(78,756)	(65,099)	(94,379)
Due from other related parties	(95,474)	(94,651)	(95,474)	(94,651)
Short-term investments	(7,030)	(6,938)	(7,030)	(6,938)
Net debt	420,749	408,298	403,956	394,367
Total equity	291,766	285,048	291,785	285,060
Total capital	712,515	693,346	695,741	679,427
Leverage ratio (%)	59	59	58	58

In thousands of Brazilian reais - R$, unless otherwise stated.

5.3 Financial instruments by category

The table below shows the classification of financial instruments by category in each of the reporting periods:

	Parent		Consolidated	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Assets measured at fair value through profit or loss				
Cash and cash equivalents	46,596	78,756	65,099	94,379
Short-term investments	7,030	6,938	7,030	6,938
Amortized cost				
Due from other related parties	95,474	94,651	95,474	94,651
Trade receivables	208,855	203,703	225,585	218,412
	357,955	384,048	393,188	414,380
Amortized cost				
Trade payables and assignment	234,966	226,036	239,151	228,192
Borrowings, financing and debentures	499,203	512,384	500,425	513,561
Tax installment payment	70,646	76,259	71,134	76,774
	804,815	814,679	810,710	818,527

Investments correspond to a long-term investment fund and are subject to a reciprocity clause in the loan agreement entered into with Banco do Nordeste.

6 Cash and cash equivalents

	Parent		Consolidated	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Checking account	10,465	12,801	19,110	15,417
Short-term investments	36,131	65,955	45,989	78,962
	46,596	78,756	65,099	94,379

Short-term investments designated as cash equivalents correspond to investments in investment funds, which average return in March 2018 was equivalent to 95.8% of the Interbank Deposit Certificate (CDI) rate and which can be redeemed on any time, without penalties.

In thousands of Brazilian reais - R$, unless otherwise stated.

7 Trade receivables

	Parent		Consolidated	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Due from third parties:				
Domestic market	152,964	153,302	168,883	167,560
Foreign marjet	58,265	52,785	58,265	52,785
	211,229	206,087	227,148	220,345
Due from related parties:				
Entities linked to Management	80	-	891	451
	80	-	891	451
Impairment of trade receivables:				
Allowance for doubtful debts	(2,454)	(2,384)	(2,454)	(2,384)
	(2,454)	(2,384)	(2,454)	(2,384)
	208,855	203,703	225,585	218,412

Management believes that the allowance for doubtful debts is sufficient to cover probable losses on collection of receivables considering the situation of each customer and respective collaterals offered. Its amount corresponds to the estimated risk of non-collection of past-due receivables based on the analysis of the responsible manager.

The recognition and write-off of the allowance doubtful debts are recorded in profit or loss as selling expenses.

The Company's receivables are pledged as collateral for some of the borrowings and financing, as described in note **Erro! Fonte de referência não encontrada.**. Its amount is calculated based on a percentage rate of the residual debt balance. As at March 31, 2018, the total receivables pledged as collateral amounts to R$76,698 (R$79,332 as at December 31, 2017).

8 Inventories

	Parent		Consolidated	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Finished products	154,083	144,331	154,172	144,488
Work in process	7,634	6,207	7,634	6,207
Raw materials and consumables	33,341	31,729	33,341	31,729
Allowance for impairment of inventories	(7,004)	(7,043)	(7,004)	(7,043)
Imports in progress	1,563	3,942	1,563	3,942
	189,617	179,166	189,706	179,323

Inventories of finished products in the amount of R$11,016 (R$11,016 as at December 31, 2017) were pledged as collateral for borrowings and financing.

The Company recognizes an allowance for inventory losses taking into consideration the lower of net cost value and the recoverable value. The expense on the recognition of the allowance for inventory losses was recorded in line item ‘Cost of sales’ in the income statement for the year. When there is no recovery expectation, the amounts credited to this line item are realized against the definite write-off of the inventory.

In thousands of Brazilian reais - R$, unless otherwise stated.

9 Recoverable taxes

	Parent		Consolidated	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Current				
State VAT (ICMS)	3,145	5,646	3,620	6,120
Federal VAT (IPI) (a)	3,240	3,051	3,352	3,399
Withholding income tax (IRRF)/social contribution (CSRF)	146	1,612	181	1,635
Corporate income tax (IRPJ)/social contribution (CSLL)	625	4,034	642	4,050
Taxes on revenue (PIS/COFINS)	-	-	420	421
Reintegra	1,840	-	1,840	-
Other	172	153	316	297
	9,168	14,496	10,371	15,922
Noncurrent*				
ICMS	2,766	2,728	2,766	2,728
PIS/COFINS	3,267	3,679	3,267	3,679
	6,033	6,407	6,033	6,407

* Recoverable taxes arising from acquisitions of property, plant and equipment.

a) Decrease of IPI rates

The decrease of IPI rates levied on the products manufactured and sold by the Company is set forth in Decree 8.950, of December 29, 2016 which defines a zero rate for the IPI in the sector for an indefinite period. This measure originates tax credits that are used for offset against federal taxes on a quarterly basis.

b) Reintegra

As at March 31, 2018, the tax credits referring to Reintegra were reclassified from "other current assets" to "recoverable taxes". On December 31, 2017, it was R$ 862. The Special Regime for the Reintegration of Taxes for Exporting Companies (Reintegra in Portuguese) consists in the repayment of part of the amount exported in the form of tax credit for the reduction of federal taxes.

10 Due from other related parties

The Company has acquired, between 2001 and 2003, from related party Refinadora Catarinense S.A. ("Refinadora") tax credits against the National Treasury arising from a Writ of Security claiming the right to the reimbursement of the IPI premium credit. The Company has used such credits to settle federal taxes. As set forth in the agreement entered into among the parties, in case these credits are not validated by the National Treasury, “Refinadora” should reimburse the Company.

The Federal Supreme Court has handed down a decision by mid-2009 defining the date of extinguishment of this incentive on October 04, 1990, thus extinguishing this credit utilization claims. As a result of this fact, the Company has joined the installment payment program set forth in Law 11.941/09, then including the debt arising from the utilization of the credit acquired from “Refinadora”.

In thousands of Brazilian reais - R$, unless otherwise stated.

It must be pointed out that “Refinadora” had already entered into an agreement with the Company guaranteeing the reimbursement of the amounts utilized. Such guarantee was provided using credits also arising on the ‘IPI premium credit’ tax benefit, calculated prior to October 04, 1990, in progress at the Federal Justice of the Federal District, which final and unappealable court decision handed down was favorable to Refinadora.

Upon adhering to the installment payment program under Law 11.941/09, the Company and “Refinadora” have entered into an instrument confirming these credits as guarantee capable of satisfying all tax debts payable in installments. As at March 31, 2018, these credits also originating in lawsuit No. 87.00.00967-9 amount to R$95,474 (R$94,651 as at December 31, 2017) and are adjusted based on the SELIC rate, as set forth in the agreement.

These credits have already become court-ordered debt payments. In fact, the Company has received four installments of a total of ten annual installments, as set forth in the agreement. The amounts were received in August 2011, March 2013, April 2014 and December 2015, amounting to R$8,505, R$9,824, R$9,995 and R$10,000, respectively. Additionally, in September 2016 the amount of R$2,167 was received to supplement installment 04. Installments 05, 06 and 07 are already deposited on behalf of Refinadora, but the transfer of the amount depends on a release order, which is in progress.

Refinadora Catarinense S/A was the parent of PBG S/A in the past and currently has common shareholders; it continues to be financially responsible for the performance of the obligation.

11 Escrow deposits

The Company and its subsidiaries are parties to tax, civil and labor lawsuits (see note **Erro! Fonte de referência não encontrada.**) e and are discussing these matters at administrative and judicial level, which are supported by escrow deposits, when applicable. These are recorded at the original amount adjusted by the rates relating to the benchmark interest rates applicable to savings accounts, i.e., TR + 0.5%.

Escrow deposits are broken down according to the nature of the lawsuits:

	Parent		Consolidated	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Civil (a)	81,198	78,568	81,198	78,568
Labor	8,414	8,381	8,463	8,381
Tax	6,179	6,521	6,210	6,552
	95,791	93,470	95,871	93,501

a) The Company, as a result of the untimely and unilateral decision by supplier SC Gás, concerning the suspension of the discount on the monthly amount of the gas acquired, a benefit called loyalty plan, has filed a lawsuit claiming the maintenance of such benefit with respect to which an injunction was granted determining the deposit of the discount-related amounts in escrow.

In thousands of Brazilian reais - R$, unless otherwise stated.

12 Receivables from Eletrobras

The Company has filed a lawsuit against Centrais Elétricas Brasileira S/A - Eletrobras aiming at the reimbursement of the compulsory loan paid through electric energy bills between 1977 and 1993, as set forth in Law 4.156/62.

In 2005 this lawsuit was considered with grounds and in February 2006 the Company has filed an execution action and recognized the amount determined by the legal expert monthly adjusted by the INPC plus 12% per year. After such period, the calculation was subject to reviews conducted by the accounting office of the Federal Court.

In 2014, Eletrobras was sentenced to pay R$35,395, which amount was determined by the expert review as at August 2013. The Company has challenged such decision claiming the rectification of such calculation and the establishment of the criteria adopted in the determination of the award amount, as a result of conflicts among the parties. Based on such new situation, in July 2014 the Company has decided to suspend the asset adjustment, until a new decision on the amount and criteria used in this procedure is handed down, maintaining the adjusted balance in the amount of R$48,621.

In 2016, after the final and unappealable decision on the award calculation lawsuit, the Company has hired an accounting expert to determine the credit to be executed, adjusting (reducing) the quantity due to the STJ's subsequent decision.

In 2017, the Company has filed a court decision enforcement action, in the total amount of R$12,821. In the period up to March 31 the amount remains the same.

13 Income tax and social contribution

a) Income tax and social contribution on income

Income tax and social contribution recoverable and payable are broken down as follows:

	Current assets				Current liabilities			
	Parent		Consolidated		Parent		Consolidated	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Income tax	428	2,823	444	2,839	(1,209)	-	(2,639)	(1,284)
Social contribution	197	1,211	198	1,211	(437)	-	(966)	(474)
	625	4,034	642	4,050	(1,646)	-	(3,605)	(1,758)

Taxes are stated at their net amount, in assets or liabilities, if there is a legally enforceable right to set off current tax assets and liabilities.

In thousands of Brazilian reais - R$, unless otherwise stated.

b) Deferred income tax and social contribution

Deferred income tax and social contribution amounts for the Parent and consolidated are as follows:

	Parent		Consolidated	
	March 31, 2018	December 31, 2017	31 de março de 2018	December 31, 2017
Tax losses	14,580	15,288	14,580	15,288
Temporary gains	25,485	21,570	25,485	22,092
Exchange differences on cash basis	3,009	2,873	3,009	2,873
Provision for adjustment to market value	1,793	1,841	1,793	1,841
Provision for contingencies	11,435	8,585	11,435	8,585
Accrued profit sharing and long-term incentive	2,588	2,116	2,588	2,116
Tax losses in subsidiaries	-	-	4,353	522
Other temporary gains	6,660	6,155	6,660	6,155
Temporary losses	(51,606)	(51,044)	(51,606)	(51,044)
Portobello pension plan	(1,958)	(1,957)	(1,958)	(1,957)
Realization of revaluation reserve	(18,328)	(18,481)	(18,328)	(18,481)
Receivables from Eletrobrás	(4,359)	(4,359)	(4,359)	(4,359)
Contingent assets - IPI premium credit - phase I	(2,633)	(2,591)	(2,633)	(2,591)
Contingent assets - IPI premium credit - phase II	(7,581)	(7,461)	(7,581)	(7,461)
Contingent assets - Semiannual PIS	(3,041)	(3,025)	(3,041)	(3,025)
Contingent assets - adjustment to rural credit notes	(2,593)	(2,552)	(2,593)	(2,552)
Adjustment to present value	(1,215)	(1,405)	(1,215)	(1,405)
Depreciation adjustment (based on the useful life of assets)	(9,898)	(9,213)	(9,898)	(9,213)
Deferred income tax and social contribution - net	(11,541)	(14,186)	(11,541)	(13,664)
Noncurrent assets	-	-	4,353	522
Noncurrent liabilities	(11,541)	(14,186)	(11,541)	(14,186)

As at March 31, 2018, net variations in deferred income tax and social contribution are as follows:

	Parent	Consolidated
December 31, 2017	(14,186)	(13,664)
Tax losses	(708)	(708)
Tax losses in subsidiaries	-	3,831
Temporary gains	3,913	3,913
Temporary losses	(713)	(713)
Revaluation reserve	153	153
March 31, 2018	(11,541)	(11,019)

In thousands of Brazilian reais - R$, unless otherwise stated.

The variations in deferred income tax and social contribution assets and liabilities for the period, without considering the offset of the balances for the Parent and consolidated are as follows:

	Parent	Consolidated
	March 31, 2018	March 31, 2018
Deferred tax asset charged against (credited to) profit or loss		
Tax losses	(708)	(708)
Exchange differences on cash basis	136	136
Provision for adjustment to market value	(49)	(49)
Provision for risks	2,850	2,850
Accrued profit sharing and long-term incentive	472	472
Other temporary gains	504	504
	3,205	3,205
Realization of revaluation reserve	153	153
Receivables from Eletrobrás	(41)	(41)
Contingent assets - IPI premium credit - phase I	(119)	(119)
Contingent assets - IPI premium credit - phase II	(17)	(17)
Contingent assets - Semiannual Pis	(41)	(41)
Contingent assets - adjustment to rural credit notes	189	189
Adjustment to present value	(684)	(684)
Tax losses in subsidiaries	(3,831)	-
	(4,391)	(560)
	(1,186)	2,645

c) Income tax and social contribution expenses

Income tax and social contribution expenses are broken down below:

	Parent		Consolidated	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Profit before taxes	5,990	24,970	8,406	27,432
Tax calculated based on statutory rate - 34%	(3,339)	(8,490)	(2,858)	(9,327)
Share of profit of subsidiaries	4,004	3,069	-	-
Non-deductible expenses for tax purposes	328	314	328	314
Depreciation of revalued assets	(153)	(152)	(153)	(152)
Tax credits on tax losses and temporary differences	(2,486)	5,259	(1,372)	6,711
Current tax on profit for the year	(1,646)	-	(4,055)	(2,454)
Formation of deferred income and social contribution taxes	(1,186)	(5,106)	2,645	(5,106)
Recognition of deferred income tax and social contribution	(2,832)	(5,106)	(1,410)	(7,560)
Effective tax rate	28.8%	20.4%	16.8%	27.6%

In thousands of Brazilian reais - R$, unless otherwise stated.

14 Judicial asset

	Parent		Consolidated	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
IPI premium credit (a)				
Case No. 1987.0000.645-9	22,296	21,945	22,296	21,945
Case No. 1984.00.020114-0	7,743	7,621	7,743	7,621
Semiannual PIS (b)	8,945	8,896	8,945	8,896
Adjustment to rural credit notes (c)	7,627	7,507	7,627	7,507
	46,611	45,969	46,611	45,969

a) IPI premium credit

The Company is a party to a lawsuit claiming the recognition of tax benefits called ‘IPI premium credit’, in different calculation periods. Lawsuit No. 1987.0000.645-9, relating to the period between April 01, 1981 and April 30, 1985, which was decided favorably to the Company, is in the award calculation phase with the amounts already calculated by the accounting office of the Federal Court; the amount recognized in November 2009, adjusted up to March 31, 2018 is R$22,296.

Regarding Lawsuit No. 1984.00.020114-0, for the period between December 07, 1979 and March 31, 1981, after a final and unappealable decision handed down more than 10 years ago, the award calculation and decision enforcement phase has started, followed by an expert report prepared by a legal expert. The parties were notified about the amount determined so that they can agree with or object against the report. The Company has agreed with the calculations made. The Federal government, represented by the General Attorneys’ Office of the National Treasury has not issued an opinion, which implies tacit agreement, resulting in preclusion. Therefore, the lawsuit is concluded and there is no more possibility of objection. The Company has recognized in 2015 the amount calculated by the legal expert of R$4,983, and since the Company understands that a favorable decision on the lawsuit is virtually certain, it has recorded the tax asset in June 2015, which amount adjusted up to March 31, 2018 is R$7,743.

b) Semiannual payment of the PIS

In 2017 the Company has recognized the asset relating to the semiannual payment of the PIS, based on the final and unappealable decision in May, whereby the Federal Superior Court has handed down a favorable decision to recover the amounts overpaid as Pis. In October the request for credit utilization was filed, which is pending a decision by the Brazilian Federal Revenue Service. The Brazilian Federal Revenue Service is conducting an analysis to ratify the amounts.

c) Adjustment to rural credit notes

In March 2017, the Company, based on a court decision handed down in relation to the Civil Class Action filed by the General Attorneys' Office against the Federal government, has filed an individual Court Decision Enforcement action for collection of the amount corresponding to the difference between the inflation adjustments rates applied on transactions involving rural credit notes carried out in March 1990. The amount of the uncontested portion adjusted up to March 31, 2018 is R$7,627.

In thousands of Brazilian reais - R$, unless otherwise stated.

15 Contingent assets

The contingent asset refers to lawsuit No. 1998.34.00.029022-4 which also addresses the recognition of tax benefits called 'IPI premium credit', which decision on award calculation was already made final and unappealable in March 2015. The Company is already enforcing the decision and the respective judge has ordered the legal accounting office to issue an opinion on the proper application of the criteria set forth in the award calculation for subsequent ratification of the amount due. The legal accounting office has issued an opinion in the sense of ratifying the calculations presented by the Company, as "they are in conformity with the court decision". The amount was set at R$162,000, as at November 2017.

The Company has issued in December 2017 a notice to the market disclosing such fact. It is awaiting the opinion from the engaged law firm.

Management also maintains the understanding that the asset is probable and, accordingly, it must continue to be disclosed in an explanatory note. The Company is waiting for the next legal actions regarding the recognition of the asset.

16 Investments

a) Interests in subsidiaries

The Company is the controlling shareholder of five companies and investments are recorded in noncurrent assets in line item "Interests in subsidiaries" and in liabilities in line item "Allowance for investment losses".

	Country of establishment	Interest	Asset	Liability	Revenue*	Profit or loss*
As at December 31, 2017						
Portobello América Inc.	United States	100.00%	26	67,743	-	(67)
PBTech Ltda.	Brazil	99.94%	14,359	8,425	62,772	5,215
Portobello Shop S/A	Brazil	99.90%	40,380	39,900	63,510	32,528
Mineração Portobello Ltda.	Brazil	99.76%	2,079	1,495	9,336	339
Companhia Brasileira de Cerâmica S/A	Brazil	98.00%	2,121	(2)	-	8
As at March 31, 2018						
Portobello América Inc. and others	United States	100.00%	2,005	68,399	-	(342)
PBTech Ltda.	Brazil	99.94%	20,837	13,394	17,487	1,509
Portobello Shop S/A	Brazil	99.90%	40,917	33,782	14,267	6,655
Mineração Portobello Ltda.	Brazil	99.76%	3,268	2,560	2,708	124
Companhia Brasileira de Cerâmica S/A	Brazil	99.91%	5,951	-	-	(3)

** For December 31, 2017, the information refers to the 12-month period and for March 31, 2018 refers to the three-month period*

Subsidiaries are closely-held companies, which variations are as follows:

In thousands of Brazilian reais - R$, unless otherwise stated.

	Equity	Profit or loss the period	Interest	December 31, 2017	Exchange differences	Payment of capital	Share of profit (loss) f subsidiaries	March 31, 2018
Investments								
Portobello América Inc. and others	(66,394)	(342)	100%	(67,717)	(271)	1,936	(342)	(66,394)
PBTech Ltda.	7,447	1,510	99.94%	5,934	-	-	1,509	7,443
Portobello Shop S.A.	7,142	6,662	99.90%	480	-	-	6,655	7,135
Mineração Portobello Ltda.	710	124	99.76%	584	-	-	124	708
Companhia Brasileira de Cerâmica S/A	5,956	3,831	99.91%	2,123	-	-	3,828	5,951
Others	10	-	100%	10	-	-	-	10
Total net investment in subsidiaries				(58,586)	(271)	1,936	11,774	(45,147)
Interest in subsidiaries				9,131				21,247
Allowance for investment losses				(67,717)				(66,394)

In 2017, the subsidiary Portobello Shop S/A allocated dividends in the amount of R $ 32,529 recognized in the parent company under "dividends receivable". Of these R$ 7,500 were paid in the first quarter of 2018 and are recognized in the "Prepaid dividends".

17 Property, plant and equipment

a) Breakdown

		Parent				Consolidated	
		March 31, 2018			December 31, 2017	March 31, 2018	December 31, 2017
	Average annual depreciation rate	Cost	Accumulated depreciation	Net amount	Net amount	Net amount	Net amount
Land		12,141	-	12,141	12,141	13,062	13,062
Buildings, constructions and improveme	3%	203,331	(43,933)	159,398	161,341	152,587	155,343
Machiney and equipment	15%	551,649	(310,673)	240,976	230,268	240,977	230,269
Furniture and fixtures	10%	9,456	(8,425)	1,031	1,079	1,043	1,092
Computers	20%	21,293	(16,739)	4,554	4,321	4,557	4,325
Other property, plant and equipment	20%	209	(196)	13	15	14,708	14,084
Constructions in progress		21,305	-	21,305	21,957	22,341	22,420
		819,384	(379,966)	439,418	431,122	449,275	440,595

In 2010, upon the first-time adoption of international standards CPC 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company has elected to adopt the revaluation of the property, plant and equipment carried out in 2006 as deemed cost, as it understands that it significantly represented the fair value on transition date (note 29.3).

Pursuant to Technical Interpretation ICPC 10 of the Accounting Pronouncements Committee, approved by CVM Resolution 619/09, effective beginning January 01, 2009, the Company has revised and changed the useful life of its property, plant and equipment items in 2008, based on the Technical Report issued by the Company’s engineers, and since then, it periodically conducts an annual review; there was no significant impact on the useful life of property, plant and equipment items in 2017.

In thousands of Brazilian reais - R$, unless otherwise stated.

b) Variation in property, plant and equipment

	Parent					
	December 31, 2017	Additions	Transfers	Depreciation	Write-offs	March 31, 2018
Land	12,141	-	-	-	-	12,141
Buildings and improvements	161,341	-	-	(1,747)	(196)	159,398
Machinery and equipment	230,268	396	16,985	(6,242)	(431)	240,976
Furniture and fixtures	1,079	-	-	(48)	-	1,031
Computers	4,321	121	486	(374)	-	4,554
Other property, plant and equipr	15	-	-	(2)	-	13
Constructions in progress	21,957	16,819	(17,471)	-	-	21,305
	431,122	17,336	-	(8,413)	(627)	439,418

	Consolidated					
	December 31, 2017	Additions	Transfers	Depreciation	Write-offs	March 31, 2018
Land	13,062	-	-	-	-	13,062
Buildings and improvements	155,343	-	-	(2,560)	(196)	152,587
Machinery and equipment	230,269	396	16,985	(6,242)	(431)	240,977
Furniture and fixtures	1,092	-	-	(49)	-	1,043
Computers	4,325	121	486	(375)	-	4,557
Other property, plant and equipı	14,084	-	626	(2)	-	14,708
Constructions in progress	22,420	18,018	(18,097)	-	-	22,341
	440,595	18,535	-	(9,228)	(627)	449,275

As at March 31, 2018 the additions in the property, plant and equipment were R$ 19 million, out of which 82% were allocated to Portobello and 18% were allocated to Pointer. At Portobello, the amount of 92% is intended for preparing and upgrading the plant located in Tijucas to manufacture products with higher value added and larger formats, while 8% are targeted at own stores and the Officina. At Pointer, investments were mostly allocated to the plant transformation seeking the portfolio profitability and qualification.

The depreciation amounts were recorded as cost of sales, selling expenses and administrative expenses as follows:

	Parent		Consolidated	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Cost of slaes	7,578	6,994	7,578	6,994
Selling expenses	566	522	1,380	1,162
Administrative expenses	269	249	270	252
	8,413	7,765	9,228	8,408

In thousands of Brazilian reais - R$, unless otherwise stated.

18 Intangible assets

a) Breakdown

		Controladora				Consolidado	
		March 31, 2018			December 31, 2017	March 31, 2018	December 31, 2017
	Taxa média anual de amortização	Custo	Amortização acumulada	Valor líquido	Valor líquido	Valor líquido	Valor líquido
Trademarks and patents	-	150	-	150	150	150	150
Software	20%	21,591	(15,822)	5,769	6,025	5,769	6,025
Mining rights	20%	1,000	(1,000)	-	-	1,525	289
Goodwill	7%	-	-	-	-	9,901	9,681
Software under development	-	1,624	-	1,624	1,398	1,824	1,504
Management system (a)	21%	18,886	(17,887)	999	1,917	999	1,917
		43,251	(34,709)	8,542	9,490	20,168	19,566

(a) Expenses on acquisition and implementation of enterprise resource planning systems, mainly represented by Oracle, WMS and Demantra and Inventory Optimization and the developments achieved in the value chain management process.

b) Variations in intangible assets

	Parent				
	December 31, 2017	Additions	Amortiz ation	Transfer s	March 31, 2018
Trademarks and patents	150	-	-	-	150
Software	6,025	-	(467)	211	5,769
Mining rights	-	-	-	-	-
Software under development	1,398	437	-	(211)	1,624
Management system	1,917	-	(918)	-	999
	9,490	437	(1,385)	-	8,542

In thousands of Brazilian reais - R$, unless otherwise stated.

	Consolidated				
	December 31, 2017	Additions	Amortization	Transfers	March 31, 2018
Trademarks and patents	150	-	-	-	150
Software	6,025	-	(467)	211	5,769
Mining rights	289	1,307	(71)	-	1,525
Goodwill	9,681	381	(161)	-	9,901
Software under development	1,504	531	-	(211)	1,824
Management system	1,917	-	(918)	-	999
	19,566	2,219	(1,617)	-	20,168

The amortization amounts were recorded as cost of sales, selling expenses and administrative expenses as follows:

	Parent		Consolidated	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Cost of sales	202	196	272	306
Selling expenses	719	698	881	698
Administrative expenses	464	431	464	431
	1,385	1,325	1,617	1,435

c) Projected amortization of consolidated intangible assets:

	2018	2019	2020	2021	2022	2023 to 2038	Total
Software	1,386	1,846	1,636	741	160	-	5,769
Mining rights	392	392	338	68	68	267	1,525
Goodwill	484	646	646	646	646	6,833	10,547
Management system	999	-	-	-	-	-	999
	3,261	2,884	2,620	1,455	874	7,100	18,840

Trademarks and patents and software under development in the total amount of R$1,194 were not subject to amortization due to their indeterminate useful life. However, they are subject to impairment, as described in the significant accounting policies disclosed in these financial statements as at the end of the year.

In thousands of Brazilian reais - R$, unless otherwise stated.

19 Trade payables and credit assignment

a) Trade payables

	Parent		Consolidated	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Domestic market	111,458	99,741	115,643	101,897
Foreign market	11,291	12,672	11,291	12,672
Current	122,749	112,413	126,934	114,569
Domestic market (i)	81,198	78,496	81,198	78,496
Noncurrent	81,198	78,496	81,198	78,496
	203,947	190,909	208,132	193,065

(i) Provision for payment to gas supplier arising from the matter mentioned in note **Erro! Fonte de referência não encontrada.**

b) Credit assignment of trade payables

The Company conducted trade payables credit assignment transactions with prime financial institutions in the amount of R$31,019 as at March 31, 2018 (R$35,127 as at December 31, 2017), to offer to its partner suppliers more attractive credit facilities aiming at maintaining the business relationship.

There was no change in the payment conditions and prices negotiated with suppliers in such transactions.

c) Payables for investments

The Company recognizes a balance of R$19,349 in the Parent and R$20,057 in the consolidated in current liabilities, which refers to constructions in progress for modernization of plants, investment in own stores and systems.

In thousands of Brazilian reais - R$, unless otherwise stated.

20 Borrowings, financing and debentures

	Currency	Maturities	Charges		Parent		Consolidated	
					March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Current								
Finance lease (a)	R$	May-18	11.48%	p.a.	142	351	142	351
Banco do Nordeste S.A (b)	R$	Jun-25	3.00%	p.a.	9,798	9,798	9,798	9,798
NCE (c)	R$	Nov-21	8.67%	p.a.[1]	36,780	37,954	36,780	37,954
Prepayment (d)	US$	May-18	6.70%	p.a.+VC	1,040	2,071	1,040	2,071
PRODEC (e)	R$	Dec-21	4.00%	p.a.[1]	21,602	20,489	21,602	20,489
FINEP (f)	R$	mai-21	7.64%	p.a.[1]	15,832	17,133	15,832	17,133
DEG (g)	US$	Oct-21	7.25%	p.a.+VC	11,213	10,460	11,213	10,460
FINAME (h)	R$	Aug-23	3.00%	p.a.[1]	421	422	421	422
Debentures - 1st series (i)	R$	Nov-22	9.94%	p.a.	20,984	18,708	20,984	18,708
Debentures - 2nd series (i)	R$	Nov-20	9.54%	p.a.	31,075	29,016	31,075	29,016
Total current			7.78%	p.a.[1]	148,887	146,402	148,887	146,402
Total local currency					136,634	133,871	136,634	133,871
Total foreign currency					12,253	12,531	12,253	12,531
Noncurrent								
Working capital	R$				-	-	1,221	1,177
Banco do Nordeste S.A (b)	R$	Jun-25	3.00%	p.a.	61,128	63,573	61,128	63,573
NCE (c)	R$	Nov-21	8.67%	p.a.[1]	77,778	85,278	77,779	85,278
PRODEC (e)	R$	Dec-21	4.00%	p.a.[1]	23,200	25,848	23,200	25,848
FINEP (f)	R$	mai-21	7.64%	p.a.[1]	28,439	31,721	28,439	31,721
DEG (g)	US$	Oct-21	7.25%	p.a.+VC	29,914	29,772	29,914	29,772
FINAME (h)	R$	Aug-23	3.00%	p.a.[1]	1,706	1,811	1,706	1,811
Debentures - 1st series (i)	R$	Nov-22	9.94%	p.a.	71,868	71,782	71,868	71,782
Debentures - 2nd series (i)	R$	Nov-20	9.54%	p.a.	56,283	56,197	56,283	56,197
Total noncurrent			7.54%	p.a.[1]	350,316	365,982	351,538	367,159
Total local currency					320,402	336,210	321,624	337,387
Total foreign currency					29,914	29,772	29,914	29,772
Grand Total			7.61%	p.a.[1]	499,203	512,384	500,425	513,561
Total local currency					457,036	470,081	458,258	471,258
Total foreign currency					42,167	42,303	42,167	42,303

[1] Weighted average rate
VC - Exchange difference

In thousands of Brazilian reais - R$, unless otherwise stated.

a) Information on contracts

Note	Contract	Date		Borrowing	Term (months)	Repayment	Grace period (months)	Collaterals
		Disbursement	Maturity					
(a)	**Finance lease**	May-15	May-18	R$ 2,192	36	Monthly	-	Machinery and equipment
(b)	**Banco do Nordeste**	Aug-14	Jun-25	R$ 96,819	133	Monthly	24	Real estate mortgages and machinery and equipment
		Contract entered into in Jun/13, in the amount of R$147,700. The 1st installment of the financing was disbursed by the Bank in Aug/14 in the amount of R$29,221 , the 2nd installment disbursed in Jan/15 in the amount of R$45,765, the 3rd installment disbursed in Sep/15 in the amount of R$14,700, 4th installment disbursed in Mar/16 in the amount of R$4,713, the 5th installment disbursed in Dec/16 in the amount of R$2,418.						
(c)	**Export Credit (NCE)**	Nov-17	May-18	R$ 50,000	24	Semiannual	12	Receivables from Portobello SA in the amount of 30% of the debt balance of the contract (*)
		Nov-17	May-19	R$ 10,000	36	Quarterly	12	
		May-16	May-19	R$ 20,000	36	Quarterly	12	Receivables from Portobello SA in the amount of 15% of the debt balance of the contract
		Jun-16	Nov-20	R$ 30,000	36	Quarterly	20	80% of trade notes + 20% short-term investments. (*)
		Jun-16	Nov-21	R$ 50,000	48	Monthly	12	
		(*) The contracts indicated have minimum covenants that were met .						
(d)	**Prepayment**	Jul-13	May-18	US$ 5,000	60	Quarterly	15	Pledge
(e)	**PRODEC**	-	-	-	48	Bullet	Bullet	-
	(Santa Catarina State Development Program) - Special Regime of the State of Santa Catarina obtained in July 2009. The balance is subject to adjustment to present value and the rate used for calculation purposes is the average working capital (9.26% per year). The deferred amount corresponds to 60% of the tax balance generated in the month that exceeds R$2,251 (average tax paid in 2007 and 2008), with 48-month grace period, 120-month period and inflation adjustment of 4% per year and UFIR variance.							
(f)	**Finep**	Jul-10	Sep-18	R$ 30,103	99	Monthly	24	Bank guarantee
		All 5 financing installments were disbursed by the Bank as follows: 1st in the amount of R$5,000 in Jul/10, 2nd of R$ 5,100 in Aug/10, 3rd of R$3,146 in Sep/10, 4th of R$5,572 in Dec/12 and 5th of R$11,282 in Aug/13.						
		Jul-14	May-21	R$ 57,318	84	Monthly	24	Bank guarantee
		The 1st financing installment, in the amount of R$12,627, was disbursed by the Bank in Jul/14. The 2nd installment was disbursed in Jan/16 in the amount of R$12,479. The 3rd installment was disbursed in Jun/17 in the amount of R$32,064.						
(g)	**DEG (Deut**	May-14	Oct-21	US$ 18,000	90	Semiannual	23	Machinery and equipment and promissory notes
		This contract has minimum covenants that were renegotiated in Dec/17 and were met.						
(h)	**Finame**	May-13	May-23	R$ 39	120	Monthly	25	Machinery and equipment
		May-13	Apr-23	R$ 601	120	Monthly	24	
		Jul-13	Jul-23	R$ 107	120	Monthly	25	
		Jul-13	Aug-23	R$ 1,890	120	Monthly	26	
		jan-14	jun-23	R$ 577	114	Monthly	18	
(i)	**Debentures**	Dec-15	Nov-22	R$ 100,000	83	Semiannual	24	Collateral and additional fiduciary guarantee
		Dec-15	Nov-20	R$ 100,000	59	Semiannual	24	Collateral and additional fiduciary guarantee
		For more information, see Item (c) Debentures below						

Restricted investments, real estate mortgages, equipment, Parent’s (note **Erro! Fonte de referência não encontrada.**) and subsidiary’s receivables (note **Erro! Fonte de referência não encontrada.**), Parent’s and subsidiary’s surety and inventories of finished products (note 9) were pledged as collateral for other borrowings.

Long-term borrowings mature as follows:

	Controladora		Consolidado	
Maturities on April 1	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
2018	-	104,535	-	105,762
2019	109,673	92,722	110,895	92,722
2020	124,239	80,329	124,239	80,329
2021	64,124	41,316	64,124	41,316
2022 a 2025	52,280	52,968	52,280	52,968
	350,316	371,870	351,538	373,097

In thousands of Brazilian reais - R$, unless otherwise stated.

The carrying amounts and fair values of borrowings are stated in Brazilian reais, broken down by currency:

	Controladora		Consolidado	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Brazilian reais	457,036	470,081	458,258	471,258
US Dollars	42,167	42,303	42,167	42,303
	499,203	512,384	500,425	513,561

The fair value of current borrowings approximates their carrying amount, as the carrying amounts are stated at amortized cost and adjusted on a *pro rata basis.*

b) Debentures

On November 17, 2015, the Board of Directors of Portobello S.A. has approved the 2nd issuance of simple, non-convertible debentures, with real guarantee and additional fiduciary guarantee, in two series, for public distribution with restricted distribution efforts.

	March 31, 2018	December 31, 2017
Debentures 1st series	94,055	91,779
Debentures 2nd series	88,562	86,503
Gross balance	182,617	178,282
Borrowing costs	(2,407)	(2,579)
Net balance	180,210	175,703
Current	52,059	47,724
Noncurrent	128,151	127,979

Issuance Characteristics	
Issuance	2nd
Trustee	PLANNER TRUSTEE DTVM LTDA.
Custodian	Itaú Unibanco S.A
Lead Underwriter	Banco Bradesco S.A.
Depositary Bank	ITAU CV S/A
Trade	CETIP
Series Number	2
Issuance Volume - R$	200,000,000.00
Total Number of Debentures	2,000
Unit Par Value - R$	100,000.00

In thousands of Brazilian reais - R$, unless otherwise stated.

Transaction details per series		
Series	1st	2nd
CVM Registration No	480/09	
Asset Code	PTBL12	PTBL22
Issuance Date	26/11/2015	
Maturity Date	11/26/2022	11/26/2020
Volume - R$	100,000,000.00	100,000,000.00
Number of Debentures	1,000	1,000
Unit Par Value - R$	100,000.00	100,000.00
Form	Registered and book-entry	
Type	Collateral and additional fiduciary guarantee	
Convertibility	Non-convertible into shares issued by the Issuer	
Adjustment	No inflation adjustment to the Par Value	
Interest	DI rate + 3.55% per year (252-day year)	DI rate + 3.15% per year (252-day year)
Interest Payment	Semiannual, with first interest date on 05/26/2016	
Repayment	Repaid in 11 consecutive semiannual installments, as from the 24th month counted from the Issuance Date, the first payment being made on November 26, 2017.	Repaid in seven consecutive semiannual installments, as from the 24th month counted from the Issuance Date, the first payment being made on November 26, 2017.
Corporate Acts:	Meeting of the Board of Directors held on 11/17/2015	
Covenants	Division of Net Debt and EBITDA <= 3.35 times (year 2015) , 3.00 times (03.2016 and 06.2016), 4.50 times (09.2016 and 12.2016), 4.25 times (03.2017), 4.00 times (06.2017), 3.75 times (09.2017), 3.50 times (12.2017), 3.25 times (03.2018 and 06.2018), 3.00 times (09.2018 and 12.2018), 2.50 times (year 2019, 2020, and 2021) and 3.00 times (beginning 2022).	
	Division of Current Assets and Current Liabilities >= 1.15 times	

This contract has covenants that were met as at March 31, 2018.

21 Tax installment payment

Taxes	Installment payment request		Parent		Consolidated	
	Date	Falling-due installments	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
LAW 11.941/09 (a)	Nov-09	79	70,646	72,602	71,134	73,097
LAW 13.496/17 (b)	Aug-17		-	3,657	-	3,677
Total			70,646	76,259	71,134	76,774

Tax installments will be paid as follows:

Maturity April 1	Parent March 31, 2018	Parent December 31, 2017	Consolidated March 31, 2018	Consolidated December 31, 2017
2018	10,570	14,033	10,651	14,126
2019 to 2023 (*)	53,875	53,335	54,245	53,695
2024	6,201	8,891	6,238	8,953
	70,646	76,259	71,134	76,774
Current	10,570	14,033	10,651	14,126
Noncurrent	60,076	62,226	60,483	62,648

(*) Sum of annual installments of R$10,775 as at March 31, 2018 and R$10,667 as at December 31, 2017 for the Parent and R$10,849 and R$10,739 for the consolidated, respectively.

a) Law 11.941/09 (Tax Recovery Program (REFIS))

In May and September 2011, the Company has completed the installment payment consolidation process established by Law 11.941/09, initiated upon adhesion to the Tax Recovery Program in November 2009.

Between the adhesion and consolidation, the Company has paid the minimum amount of R$395 as prescribed by the legislation. During such period and more specifically upon consolidation, the Company has made decisions that resulted in a positive financial adjustment of R$3,013, of which R$3,613 impacting other operating income and R$ 600 impacting finance costs. The main effect derived from the non-confirmation of the migration of debts rejected in the installment program under MP 470 to the installment payment program under Law 11.941/09 (note **Erro! Fonte de referência não encontrada.**).

Upon completion of the consolidation, the Company undertakes to pay monthly installments of R$818, adjusted by the Selic rate, and withdrew the lawsuits and waives any allegation of right on which such lawsuits are based, under penalty of immediate rescission of the installment payment and, consequently, loss of the benefits established by Law 11.941/09. Theses withdrawal of lawsuits filed against tax assessments do not impair the continuance of the lawsuits in progress before the courts, as mentioned in notes **Erro! Fonte de referência não encontrada.** and **Erro! Fonte de referência não encontrada.**.

b) Law 13.496/17 (PERT – Tax Regularization Program)

In August 2017 the Company has joined the tax installment payment program established by Law 13.496/17. In November 2017 the debt calculations were completed and federal debts in the amount of R$3,865 were paid in installments through the Special Tax Regularization Program (PERT), already considering the benefits prescribed by the law. At that date, the impact on profit or loss in other operating expenses amounted to R$3,193 and in finance costs amounted to R$672. In January 2018 the Company revised the installment payment conditions before conducting the consolidation, whereby it has decided to change the decision to join the installment payment program. The decision was based on the expected favorable outcome on the initially selected debts as they are being discussed at the courts. On March 2018, the Company reversed the revoked debts, as well as the benefits of installment payments. The impacts in 1Q18 were the reversal of launches of R $ 3,193 in Operating Expenses and R $ 672 in Financial Expenses.

22 Tax debts – Law 12.249/10 (MP 470 and MP 472)

In November 2009 the Company has joined the installment payment program established by MP 470 (improper utilization of IPI premium credit) of the SRF and PGFN. Upon adhesion, in addition to the installment payment, the charges were reduced and the Company was able to utilize tax credits arising from tax losses up to 2008 for debt payment.

Upon the conversion of this Provisional Act (Law 12.249/10) in June 2010 the utilization of tax credits arising from tax losses existing as at December 31, 2009 was authorized. The Company utilized this benefit and recorded in the second quarter of 2010 the amount of R$3,252 considering the settled installment payments.

PGFN has partially rejected the request in June 2010 by alleging the need of withdrawal of the lawsuits challenging the credit and concluded that the requirement of “inappropriate utilization” was not met. The Company has issued an opinion in the sense of claiming the withdrawal/relinquishment of the lawsuits that challenged the notifications received from the SRF. However, the Regional General Attorneys’ Office of the National Treasury of Santa Catarina understood that the withdrawal/relinquishment should also comprise the declaratory actions intended to recognize the IPI Credit Premium, mentioned in notes **Erro! Fonte de referência não encontrada.** and **Erro! Fonte de referência não encontrada.**. The Company’s Legal Department is adopting the necessary measures against PGFN’s decision so as to rule out the requirement of withdrawal/relinquishment of such declaratory actions and also the confirmation of the “inappropriate utilization”, evidently recognized by the Brazilian Federal Revenue Service upon notification. This procedure decided by Management is followed by an opinion from law firm Demarest Almeida, which defends that, for the debts included in the installment payment program under Law 12.249/10, the withdrawal of the abovementioned declaratory actions is not required, differently from the provisions set forth in Law 11.941/09. Accordingly, it asserts that the reversal of this situation is virtually certain by resorting to various judicial levels to rule out the grounds for the rejection in the merit of the case. For clarification purposes, the writ of security filed to seek the judicial homologation of the installment payment was denied by the lower court. In the appeal, the TRF of the 4th Region has partially accepted the appeal. The Company maintains the opinion on the reversal of the remaining legal matter at the Superior Court of Justice.

In thousands of Brazilian reais - R$, unless otherwise stated.

In case PGFN’s decision is upheld by the superior court, which the Company believes to be remote based on the opinion of its legal advisors, the impact on the Company’s profit or loss would correspond to a loss of R$28 million as at March 31, 2018, considering the non-acknowledgement of the debt, the non-existence of benefits and the maintenance of the debts for the contingent liabilities, which potential tax liability will be satisfied against credits arising from lawsuit No. 1998.34.00.029022-4, as shown in note **Erro! Fonte de referência não encontrada.**.

23 Taxes, fees and contributions

As at March 31, 2018, taxes, fees and contributions recorded in current liabilities were classified as follows:

	Parent		Consolidated	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
IRRF	1,687	2,420	1,853	2,721
ICMS	4,817	6,304	4,838	6,325
PIS/COFINS	950	5,404	1,489	5,801
Other	279	302	421	426
	7,733	14,430	8,601	15,273

24 Provision for civil, labor, social security and tax issues

The Company and its subsidiaries are parties to civil, labor and tax lawsuits and tax administrative proceedings. Based on the opinion of its tax and legal advisors, Management believes that the balance of provisions is sufficient to cover the necessary expenses to settle obligations.

The balance of provisions is broken down as follows:

In thousands of Brazilian reais - R$, unless otherwise stated.

Amount accrued	Parent		Consolidated	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Civil	9,450	8,733	9,450	8,733
Labor	15,622	14,959	15,622	14,959
Social security	6,730	-	6,730	-
Tax	4,763	4,491	4,794	4,522
	36,565	28,183	36,596	28,214

Provisions are measured based on the estimated expenses necessary to settle the obligation. Civil and labor lawsuits are individually assessed by the Company’s legal advisors which classify them according to the likelihood of favorable outcome on the lawsuits.
Statement of variations in provisions:

	Parent				Total
	Civil	Labor	Social Sec	Tax	
As at December 31, 2017	8,733	14,959	-	4,491	28,183
Debited from (credited to) the income statement:	717	820	6,730	272	8,539
Additional provisions	968	234	2,489	272	3,963
Reversals due to lack of use	(109)	(45)	-	-	(154)
Inflation adjustment	(142)	631	4,241	-	4,730
Reversals due to realization	-	(157)	-	-	(157)
As at March 31, 2018	9,450	15,622	6,730	4,763	36,565

	Consolidated				Total
	Civil	Labor	Social Sec	Tax	
As at December 31, 2017	8,733	14,959	-	4,522	28,214
Debited from (credited to) the income statement:	717	820	6,730	272	8,539
Additional provisions	968	234	2,489	272	3,963
Reversals due to lack of use	(109)	(45)	-	-	(154)
Inflation adjustment	(142)	631	4,241	-	4,730
Reversals due to realization	-	(157)	-	-	(157)
As at March 31, 2018	9,450	15,622	6,730	4,794	36,596

Comments on civil, labor and tax lawsuits:

Civil

The Company and its subsidiaries are defendants in 416 civil lawsuits (388 lawsuits as at December 31, 2017), before the Common Courts and Special Civil Courts. The majority of lawsuits is filed by customers and claim indemnity for alleged pain and suffering and property damages. When applicable, escrow deposits were made (note **Erro! Fonte de referência não encontrada.**).

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 338 labor claims (324 claims as at December 31, 2017), filed by former employees and third parties. The other lawsuits refer to payment of severance amounts, additional amounts, overtime, equal pay and indemnity for pain and suffering and property damages arising from work accident/occupational diseases. Provisions are revised by Management according to its legal advisors. Some lawsuits are supported by escrow deposits (note **Erro! Fonte de referência não encontrada.**).

Social Security

Based on the low expectation of success in administrative and judicial actions involving corporate awards, the Company recognized in the first quarter of 2018 the provision of these debts, in the total amount of R$ 6,730, which still depend on a court decision, in the Fiscal Execution phase, or in some cases, an administrative decision with the Federal Revenue Service of Brazil.

Change in the labor debt adjustment criterion

The Superior Labor Court (TST), in a decision published on August 07, 2015, has changed the labor debt adjustment rate, so as to substitute the Benchmark Rate (TR) for the National Special Extended Consumer Price Index (IPCA-E), with effects retroactive to June 30, 2009. The matter was sent to the Federal Supreme Court (STF), in Claim 22012, which considered the claim groundless, thus maintaining the labor debt adjustment based on the IPCA-E. The Company will not immediately increase its labor provisions as it is awaiting a new decision from the TST on the matter. The change in the criterion will impact the balance of labor provisions by approximately R$6,235.

Tax

a) Exclusion of the ICMS from the PIS and COFINS tax base

The Company has filed a writ of security to change the PIS and COFINS tax base upon exclusion of ICMS. The Federal Court of Santa Catarina has issued a favorable decision on the exclusion of the ICMS from the abovementioned tax base. The aforesaid decision was upheld by the Federal Regional Court of the 4th Region. The Federal government, through the prosecution office of the National Treasury, has filed an appeal against the decision with the superior courts (STF and STJ).

Based on the favorable decision handed down by the STF on March 15, 2017, with general effect, in the case records of lawsuit No. 5032720-26.2014.404.7200, the Company has reversed the amount accrued which amounted to R$25,544 on that date; accordingly, the Company understands that the likelihood of loss is remote. The effect of the ICMS exclusion on the Company’s profit or loss was a saving of R$2,144 in the quarter ended March 31, 2018.

The balances of the provisions for tax risks are adjusted based on the SELIC rate fluctuation for the period.

25 Significant lawsuits assessed as possible and remote losses

a) Lawsuits assessed as possible losses

In addition to the provisions recorded in its financial statements, assessed as probable losses, there are other civil and labor lawsuits, which were assessed as possible losses based on the risk assessments arising from the abovementioned lawsuits, and the Company, based on the opinion of its legal advisors, estimates the amounts of contingent liabilities as follows:

In thousands of Brazilian reais - R$, unless otherwise stated.

	Parent		Consolidated	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Civil	5,472	3,764	5,481	3,773
Labor	7,278	7,278	7,366	7,366
	12,750	11,042	12,847	11,139

b) Lawsuit assessed as remote loss relating to Administrative Proceeding No. 10983-721.445/2014-78

On December 08, 2014, the Company was notified about the issuance of Tax Assessment Notices, which established IRPJ and CSLL tax credits (as well as monetary penalties and interest), for calendar years from 2009 to 2013. According to the Tax Authorities, the Company would have allegedly committed the following infractions: (a) in 2009, it would have allegedly: (a.1) unduly excluded taxable income deriving from tax benefits; (a.2) deducted unnecessary expenses related to the principal of tax debts (IPI, PIS and COFINS) which were recorded in prior-years' profit or loss; (a.3) excluded non-deductible amounts related to the principal of IRPJ and CSLL; (a.4) unduly excluded amounts related to the principal included in temporary additions and that were recorded in prior-years' profit or loss; and (a.5) deducted non-deductible expenses related to the assessment fine; (b) in 2010, 2011 and 2012, it would have allegedly: (b.1) offset income tax and social contribution losses in amounts above those calculated; and (b.2) failed to pay IRPJ and CSLL amounts calculated based on monthly estimate, which resulted in a fine applied individually; and (c) in 2013, it would have allegedly offset CSLL losses in amounts above those calculated. On January 06, 2015, the Company has filed an Objection against the abovementioned assessments, challenging all infractions attributable to it, so that, as from that date (January 06, 2015), it is awaiting the judgment of said Objection which, according to the legal advisors of PBG S.A, considers a favorable decision as virtually certain, resulting in the cancellation of the Tax Assessment Notice; accordingly, the Company understands that the likelihood of loss is remote and elected not to record the amount of R$73,000 as potential liabilities.
On March 07, 2016, the Company was notified about the issuance of the Tax Assessment Notices according to the tax administrative proceedings No. 11516-720.299/2016-02 and No. 11516-720.300/2016-91 which established tax credits relating to undue offsets of IRPJ and CSLL. However, the Company has defended that such discussion is already in progress in Lawsuit No. 10983-721.445/2014-78. The cancellation of the objected tax assessment in the amount of R$19,000 was requested due to the double collection by the tax authorities. At the lower court decision, the objections filed were considered with grounds in the sense of recognizing the double collection of the assessment and, consequently, determining the extinguishment of the tax credit. Currently, the tax administrative proceedings No. 11516-720.299/2016-02 and No. 11516-720.300/2016-91 were sent to the Administrative Council of Tax Appeals (Carf), for judgment of the appeal.

26 Long-term Incentive

In 2012, the Company has implemented the long-term incentive (ILP) program. The program aims at attracting, retaining and recognizing the performance of key professionals.

Officers, superintendents and managers are eligible to the ILP who, through an adhesion agreement, become the program participants. Each participant holds a number of shares that are figuratively called "reference shares". These shares are not traded on the over-the-counter market and their "appreciation" is annually calculated based on the Ebitda performance and the Ebitda-to-net debt ratio.

Payment is scheduled to be made in three annual installments with two-year deferral at the beginning of the period. Settlement will be made through monetary sums in and amount proportional to the gains calculated based on the plan metrics.

In thousands of Brazilian reais - R$, unless otherwise stated.

The first group of participants has joined the program in 2012. Currently, there are two active plans. The present value of the obligation as at March 31, 2018 is R$1,935 in the Parent and consolidated (R$1,935 in the Parent and consolidated as at December 31, 2017).

27 Equity

27.1 Capital

As at March 31, 2018, the Company records subscribed and paid-in capital in the amount of R$130,000 (R$130,000 as at December 31, 2017), represented by 158,488,517 registered, book-entry common shares without par value.

As at March 31, 2018, there was 73,754,154 outstanding shares, corresponding to 46.54% of the total shares issued (72,982,224 as at December 31, 2017, corresponding to 46.05% of the total). The balance of outstanding shares comprises all securities available for trading in the market, other than those held by controlling shareholders, members of the Board of Directors and Executive Board.

27.2 Earnings reserve

The earnings reserve is comprised of three reserves: the legal reserve, earnings retention reserve and unallocated earnings reserve, as follows:

The legal reserve is set up annually by allocating 5% of the profit for the year, which cannot exceed 20% of the capital. The purpose of the legal reserve is to ensure the integrity of capital and can only be used to offset accumulated losses or increase capital. As at March 31, 2018, the balance of the legal reserve totals R$18,426 (R$18,426 as at December 31, 2017), as prescribed by Article 193 of the Brazilian Corporate Law.

The amount of R$95,400 refers to the earnings retention reserve based on the business growth project, established in the Company's investment plan approved at the Annual General Meeting held on April 28, 2017, according to the capital budget, in conformity with article 196 of the Brazilian Corporate Law.

The unallocated earnings reserve is intended to demonstrate the portion of earnings whose allocation will be decided by the Annual General Meeting. In March 2018, the balance of this reserve amounts to R$30,162 (R$30,162 as at December 31, 2017).

27.3 Valuation adjustment to equity

	Valuation adjustments to equity			
Parent and Consolidated	Deemed cost	Cumulative translation adjustments	Other comprehensive income	Total
As at December 31, 2017	35,876	(29,523)	(10,525)	(4,172)
Realization of the revaluation reserve	(298)	-	-	(298)
Actuarial gain (loss)	-	-	-	-
Exchange difference of foreign subsidiary	-	(271)	-	(271)
As at March 31, 2018	35,578	(29,794)	(10,525)	(4,741)

a) Deemed cost

In 2010, upon the first-time adoption of international standards CPC 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company has elected to adopt the revaluation of the property, plant and equipment carried out in 2006 as deemed cost, as it understands that it significantly represented the fair value on transition date. The deemed cost was calculated as a result of the revaluations of land, constructions and improvements, supported by a revaluation report prepared by an independent appraiser. It is being realized based on the depreciation of revalued constructions and improvements recorded against retained earnings. The same effect of the realization of the valuation adjustments to equity is reflected in profit or loss for the year, based on the depreciation of revalued assets.

In thousands of Brazilian reais - R$, unless otherwise stated.

b) Cumulative translation adjustments

The changes in assets and liabilities in foreign currency (US dollar) arising from the currency fluctuation, as well as the variations between the daily rates and the closing rate of the variations in profit or loss of the foreign subsidiary are recognized in this line item of cumulative translation adjustments. In March 2018 the amount was R$ 271 (note 17.a).

28 Revenue

The reconciliation of gross revenue and net revenue, shown in the income statement for the quarter ended March 31, 2018, is as follows:

	Parent		Consolidated	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Gross sales revenue	277,658	271,192	303,208	296,203
Deductions from gross revenue	(54,348)	(57,979)	(57,307)	(60,569)
Taxes on sales	(48,905)	(52,424)	(51,549)	(54,751)
Returns	(5,443)	(5,555)	(5,758)	(5,818)
Net sales revenue	223,310	213,213	245,901	235,634
Domestic market	171,830	176,284	194,421	194,796
Foreign market	51,480	36,929	51,480	40,838

In thousands of Brazilian reais - R$, unless otherwise stated.

29 Expenses by nature

Cost of sales, selling and administrative expenses for the quarter ended March 31, 2018 are broken down as follows:

	Parent		Consolidated	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Cost and expenses				
Cost of sales and/or services	(147,351)	(138,946)	(147,630)	(139,757)
Selling	(52,439)	(47,075)	(63,825)	(56,686)
General and administrative	(8,766)	(8,110)	(9,260)	(8,275)
	(208,556)	(194,131)	(220,715)	(204,718)
Breakdown of expenses by nature				
Changes in inventories of finished products and work in process (a)	(5,349)	(1,833)	(5,349)	(1,780)
Direct production costs (raw materials and inputs)	87,022	75,083	84,308	72,795
Overhead (including maintenance)	10,616	10,447	10,616	10,447
Cost of goods resold	9,267	12,485	12,038	15,250
Expenses on transportation of goods sold	3,960	3,252	3,960	3,252
Payroll, related taxes and employee benefits	52,813	49,500	58,560	54,526
Labor and third-party services	14,424	14,340	14,730	14,648
Expenses on rentals and operating leases	2,955	2,775	3,955	3,613
Sales commissions	6,093	6,279	6,812	6,753
Expenses on marketing and advertising	6,895	3,434	7,547	4,135
Amortization and depreciation	9,798	9,090	10,845	9,843
Other selling expenses	8,180	7,720	10,719	9,603
Other administrative expenses	1,882	1,559	1,974	1,633
Total	208,556	194,131	220,715	204,718

(a) The variation in inventories of finished products and w ork in process corresponds to the difference betw een the cost of products manufactured and cost of products sold, remaining w ith a negative balance due to w rite-offs of cost of products sold relating to products that w ere manufactured in prior periods that contemplated the inventory account.

In thousands of Brazilian reais - R$, unless otherwise stated.

30 Other operating income and expenses, net

Other individual and consolidated operating income and expenses for the quarter ended March 31, 2018 are as follows:

	Controladora		Consolidado	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Other Operating Revenue				
Service Revenue	120	160	142	160
Reversal of Provision for Contingency (a)	-	20,247	-	20,247
Other Revenues	-	112	-	140
Total	120	20,519	142	20,547
Other Operating Expenses				
Provision for Contingencies (note 25)	(3,336)	(691)	(3,337)	(792)
Provision for Long-Term Incentive (note 28)	-	(364)	-	(364)
Provision for Profit Sharing (b)	(1,388)	(1,784)	(1,388)	(1,784)
Idle Cost (c)	-	(5,241)	-	(5,241)
Reversal of Installment payment of tax obligations	3,193	-	3,193	-
Other Expenses	(249)	(305)	(187)	(405)
Total	(1,780)	(8,385)	(1,719)	(8,586)
Net Total	(1,660)	12,134	(1,577)	11,961

(a) Reversal of restatements of provision for contingencies related to civil and taxes proceeding

(b) Recognition of provision for profit sharing, to be paid to the employees after the end of the year.

(c) Expenses w ith adequacy of production equipment in order to adjust prodution to demand in the Northeast market

In thousands of Brazilian reais - R$, unless otherwise stated.

31 Finance income (costs)

Individual and consolidated finance income (costs) for the quarter ended March 31, 2018 are as follows:

	Parent		Consolidated	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Finance income				
Interest	735	2,919	945	3,053
Adjustment to assets	1,443	2,485	1,443	2,485
Other	6	236	16	243
Total	2,184	5,640	2,404	5,781
Interest	(5,452)	(9,008)	(5,505)	(9,051)
Finance charges on taxes	(676)	(1,451)	(684)	(1,461)
Adjustment to provision for risks	(5,121)	(1,614)	(5,121)	(1,624)
Reversal of adjustment to contingencies (a)	-	3,381	-	3,381
Commissions and service fees	(1,128)	(1,269)	(1,317)	(1,488)
Banking expenses	(113)	(121)	(113)	(122)
Reversal of fine and interest on installment payment (PE	672	-	672	-
Loss on swap transactions	-	(1,677)	-	(1,677)
Interest on debentures	(4,508)	(8,064)	(4,508)	(8,064)
Other	(542)	(568)	(668)	(604)
Total	(16,868)	(20,931)	(17,244)	(20,710)
Exchange differences, net				
Trade receivables and payables	(194)	(2,963)	(194)	(2,957)
Borrowings and financing	(169)	2,441	(169)	2,441
Total	(363)	(522)	(363)	(516)
Total, net	(15,047)	(15,273)	(15,203)	(15,445)

32 Earnings (loss) per share

a) Basic

Pursuant to CPC 41 (Earnings per Share), basic earnings (loss) per share are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of common shares issued during the period, less common shares bought by the Company and held as treasury shares.

	Parent and Consolidated	
	March 31, 2018	March 31, 2017
Profit (loss) attributable to the Company's shareholders	6,989	19,864
Weighted average number of common shares	158,489	158,489
Basic earnings (loss) per share	0.04410	0.12533

Consolidated earnings (loss) attributable to shareholders do not consider noncontrolling interests in subsidiaries.

In thousands of Brazilian reais - R$, unless otherwise stated.

b) Diluted

Diluted earnings (loss) per share correspond to basic earnings (loss) as the Company's common shares are not subject to dilutive factors.

33 Dividends and interest on shareholders' equity

Minimum dividends for 2017, which account for 25% of the Company's profit, total R$15,232. Of these, R$9,614 (net of taxes) was paid in advance as interest on capital on August 18, 2017. The remaining amount payable as profit distribution is R$5,618. Additionally, the Annual General Meeting held on April 30, 2018 approved additional dividends in the amount of R$15,232.
Total amount payable will be R$20,850 thousand, approximately R$0.132. The payment date will be May 25, 2018.

	March 31, 2018
Dividends 2017	
Minimum dividends (25% of the Company's profit)	15,232
Paid in advance (net of taxes)	(9,614)
Amount payable March 31, 2018 (a)	5,618
Additional dividends (25% of the Company's profit)	15,232
Amount payable May 25, 2018 (b)	20,850

(a) Liabilities (Dividends payable)
(b) Shareholders' equity (Additional dividend proposed)

34 Segment reporting

Management defined the operating segments based on the reports used for strategic decision-making, reviewed by the Executive Board.

The Executive Board conducts its business analysis, by segmenting the business under the standpoint of the market where it operates: Domestic (Internal Market - Brazil) and Export (External Market – Other Countries).

The revenue provided by operating segments reported exclusively derives from the manufacturing and sale of ceramic tiles used in the civil construction industry.

The Executive Board assesses the performance of the operating segments based on the measurement of the operating income or loss (Earnings Before Interest and Taxes – EBIT) and does not take into consideration the assets for segment performance analysis, as the Company's assets are not segregated.

The segment reporting, reviewed by the Executive Board is as follows:

In thousands of Brazilian reais - R$, unless otherwise stated.

	As at March 31, 2018			As at March 31, 2017		
Continuing operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Revenue	194,421	51,480	245,901	194,796	40,838	235,634
Cost of sales	(117,113)	(30,517)	(147,630)	(114,121)	(25,636)	(139,757)
Gross operating income	77,308	20,963	98,271	80,675	15,202	95,877
Operating income (expenses), net	(64,534)	(10,128)	(74,662)	(46,217)	(6,783)	(53,000)
Selling, general and administrative	(62,957)	(10,128)	(73,085)	(58,178)	(6,783)	(64,961)
Other operating income (expenses), net	(1,577)	-	(1,577)	11,961	-	11,961
Operating income before finance income (costs)	12,774	10,835	23,609	34,458	8,419	42,877
% on NOI	7%	21%	10%	18%	21%	18%

The Company has no customers that individually account for more than 10% of the net sales revenue. It exports to 78 countries, particularly Argentina and Paraguay.

35 Commitments

a) Commitments for acquisition of assets

Expenses incurred on the balance sheet date but not yet incurred relating to property, plant and equipment as at March 31, 2018 total R$8,253, corresponding to the modernization of manufacturing equipment, according to the Company's investment plan.

b) Commitments on operating leases

Operating leases refer to the acquisition of vehicles. Minimum future non-cancelable payments as at March 31, 2018 and December 31, 2017 amount to R$945 and R$965, respectively, for less than one year. Amounts total R$1,022 and R$1,058 for more than one year and less than five years, respectively.

36 Insurance coverage

Current insurance coverage is considered sufficient by Management to cover probable losses. As at March 31, 2018, coverage against fire, lightning and explosion of any nature is R$95,000, against windstorm, smoke with car crash is R$3,000, against loss of profits is R$35,000 and against electric damages, riot and civil liability is R$3,600. The insurance policy is effective from June 13, 2017 to June 13, 2018.

The Company also has civil liability insurance for Directors & Officers (D&O), taken from XL Seguradora S.A, to cover losses and damages caused to third parties related to the exercise of the duties and tasks of officers and directors, up to the amount of R$10,000, effective from August 27, 2017 to August 27, 2018.

Additionally, the Company has taken insurance from Fairfax Brasil, relating to the provision of guarantee bond under labor claim No. 0234100-60.1998.5.05.0015 in the amount of R$28,000, effective from August 18, 2016 to August 18, 2020.

In thousands of Brazilian reais - R$, unless otherwise stated.

37 Related entities and parties

The purchase and sale of products, raw materials and services, as well as borrowings and funding transactions between the Parent and subsidiaries were carried out as follows.

Nature	Company	March 31, 2018	December 31, 2017
Dividends receivable	Portobello Shop S.A.	25,029	32,529
Amounts receivable	Portobello Shop S.A.	-	127
Trade receivables	Portobello América, Inc.	68,052	67,728
Trade receivables	PBTech Com. Serv. Cer. Ltda.	10	6
Advance from customers	PBTech Com. Serv. Cer. Ltda.	(1,637)	(2,777)
Advance to suppliers	Mineração Portobello Ltda.	445	449
Net assets of payables to subsidiaries		91,899	98,062
Due from other related parties	Refinadora Catarinense S.A.	95,474	94,651
Receivables net of advance	Solução Cerâmica Com. Ltda.	(475)	(238)
Receivables net of advance	Flooring Revest. Cer. Ltda.	(692)	(456)
Payables	Multilog S/A	915	1,054
Net assets of payables to other related parties		1,476	2,493

Nature	Company	March 31, 2018	December 31, 2017
Revenues			
Sales of products	Solução Cerâmica Com. Ltda.	4,882	5,856
Sales of products	Flooring Revest. Cer. Ltda.	2,233	1,664
Sales of products	PBTech Com. Serv. Cer. Ltda.	6,231	5,961
Expenses			
Purchase of products	Mineração Portobello Ltda.	(2,714)	(2,288)
Rental	Gomes Participações Societárias Ltda.	(126)	(111)
Freight services	Multilog S/A	(1,390)	(547)
Cutting services	Flooring Revest. Cer. Ltda.	(1,390)	(270)
		7,680	9,646

Subsidiary Portobello Shop is the Company’s guarantor in some financing transactions (see note **Erro! Fonte de referência não encontrada.**).

<u>Related-party transactions</u>

Portobello Shop recognized receivables and service revenue relating to royalties of two related parties. One Company’s subsidiary and two related entities comprise the franchise network. The transactions are as follows:

In thousands of Brazilian reais - R$, unless otherwise stated.

Transactions with subsidiaries and related parties	Nature	March 31, 2018	December 31, 2017	Nature	Accumulated March 31, 2018	Accumulated March 31, 2017
	Asset			Revenues		
Solução Cerâmica Com. Ltda.	Trade receivables	515	585	Royalties	1,210	1,450
Flooring Revest. Cer. Ltda.	Trade receivables	296	234	Royalties	569	428
		811	819		1,779	1,878

Key management personnel compensation

Expenses on compensation paid to key management personnel, which comprise the members of the Executive Board, Board of Directors, Supervisory Board and Management, recorded in the quarter ended March 31, 2018 are as follows:

	Parent		Consolidated	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Fixed compensation				
Salaries	3,280	2,902	3,692	3,274
Fees	1,318	1,325	1,318	1,325
Variable compensation	419	398	419	466
Short-term direct and fringe benefits				
Pension plan	195	178	195	178
Others	593	403	658	446
	5,805	5,206	6,282	5,689

38 Information supplemental to cash flow

During the first quarter of 2018, the following non-cash transactions were carried out:

	Parent	Consolidated
Purchase of property, plant and equipment in the investing activity	300	300

(Convenience Translation into English from the Original Previously Issued in Portuguese)

PBG S.A.

Individual and Consolidated
Interim Financial Information for the
Quarter Ended March 31, 2018 and
Report on Review of Interim Financial Information

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders and Management of
PBG S.A.
Tijucas - SC

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of PBG S.A. ("Company"), identified as Parent and Consolidated, respectively, included in the Interim Financial Information Form (ITR) for the quarter ended March 31, 2018, which comprises the balance sheet as at March 31, 2018 and the statements of income, of comprehensive income, of changes in shareholders' equity and of cash flows for the three-month period then ended, including the explanatory notes.

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

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review of interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the Interim Financial Information (ITR) referred to above is not prepared, in all material respects, in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34, applicable to the preparation of Interim Financial Information (ITR), and presented in accordance with the standards issued by CVM.

Other matters

Statements of added value

We have also reviewed the individual and consolidated statements of added value ("DVA") for the three-month period ended March 31, 2018, prepared under the responsibility of the Company's Management, the presentation of which in the interim financial information is required by the standards issued by CVM applicable to the preparation of Interim Financial Information (ITR) and considered supplemental information by the International Financial Reporting Standards - IFRS, which do not require the presentation of the DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in relation to the individual and consolidated interim financial information taken as a whole.

Review of the interim financial information for the quarter ended March 31, 2017 and audit of the financial statements for the year ended December 31, 2017

The interim financial information mentioned in the first paragraph includes the corresponding financial information to the statements of income, of comprehensive income, of changes in shareholders' equity, of cash flows and of added value for the quarter ended March 31, 2017, obtained from the Interim Financial Information (ITR) for the quarter then ended, as well as to the balance sheets as at December 31, 2017, obtained from the financial statements for the year ended December 31, 2017, presented for comparison purposes. The review of the interim financial information for the quarter ended March 31, 2017 and the audit of the financial statements for the year ended December 31, 2017 were conducted under the responsibility of other independent auditors, who issued an unmodified report on review of interim financial information and an unmodified independent auditor's report, dated May 4, 2017 and February 22, 2018, respectively.

The accompanying individual and consolidated interim financial information has been translated into English for the convenience of readers outside Brazil.

Joinville, May 15, 2018

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Jonas Dal Ponte
Engagement Partner

Opinions and Statements / Statement of Directors on the Financial Statements

Representation of the Officers about the Financial Statements and Review Report
Special Independent Auditor's Report

Pursuant to CVM Directive 480/09 (Article 28, I) and items V and VI of Article 25 of this Directive, the management of PBG S.A. represents that they have:

(i) reviewed, discussed and agree with the Company's quarterly information for the quarter ended 03.31.2018; and
(ii) reviewed, discussed and accept the opinions expressed in the DELOITTE TOUCHE TOHMATSU Independent Auditors' special review report relating to the Company's Quarterly Information for the quarter ended 03.31.2018.

Members of the Executive Board

Cesar Gomes Júnior - CEO

Cláudio Ávila da Silva – Deputy Chief Institutional Relations Officer

John Shojiro Suzuki - Deputy Chief Operations Officer

Mauro do Valle Pereira – Deputy Chief Business Officer

Tijucas, May 15, 2018.

Opinions and Statements / Directors' Statement Independent Auditor's Report

Representation of the Officers about the Financial Statements and Review Report
Special Independent Auditor's Report

Pursuant to CVM Directive 480/09 (Article 28, I) and items V and VI of Article 25 of this Directive, the management of PBG S.A. represents that they have:

(i) reviewed, discussed and agree with the Company's quarterly information for the quarter ended 03.31.2018; and
(ii) reviewed, discussed and accept the opinions expressed in the DELOITTE TOUCHE TOHMATSU Independent Auditors' special review report relating to the Company's Quarterly Information for the quarter ended 03.31.2018.

Members of the Executive Board

Cesar Gomes Júnior - CEO

Cláudio Ávila da Silva – Deputy Chief Institutional Relations Officer

John Shojiro Suzuki - Deputy Chief Operations Officer

Mauro do Valle Pereira – Deputy Chief Business Officer

Tijucas, May 15, 2018.