
PortobelloGrupo

PBG S.A.

PRESS RELEASE 1Q18

March 31, 2018

Stock Price (03/31/2018)
PTBL3 - R$ 5.37 | share

Market value (03/31/2018)
R$ 851 millions
U$$ 256 millions

Quantity of shares (03/31/2018)
Common: 158,488,517
Free Float = 46.0%

Investor Relations

John Shojiro Suzuki
Deputy Chief Operations Officer
Chief Finance and Investor Relations Officer

Gladimir Brzezinski
Controller and Investor Relations Manager

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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.

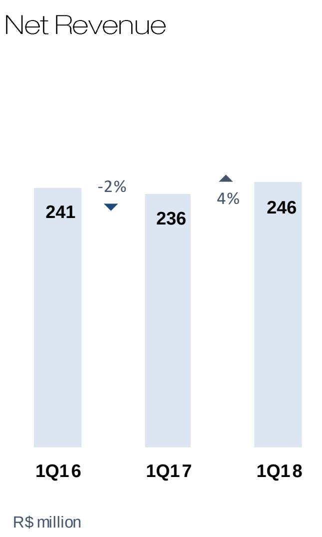
ECONOMIC AND FINANCIAL PERFORMANCE

	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.



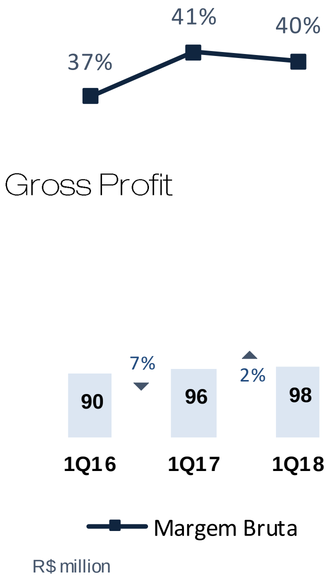
Sales in the domestic market accounted for 79% of total revenue (83% in 1Q17) and the amount in Brazilian reais (R$) remained similar to 1Q17's figures.

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.

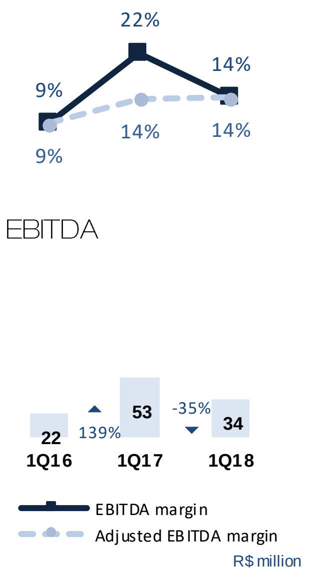
Other operating income amounted to R$2 million in relation to expenses. In 1Q17, revenue amounting to R$12 million was positively impacted by the reversal of the provision for tax risks, concerning the State VAT (ICMS) deduction from the tax base of taxes on revenue (PIS/COFINS), in the amount of R$20 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%**

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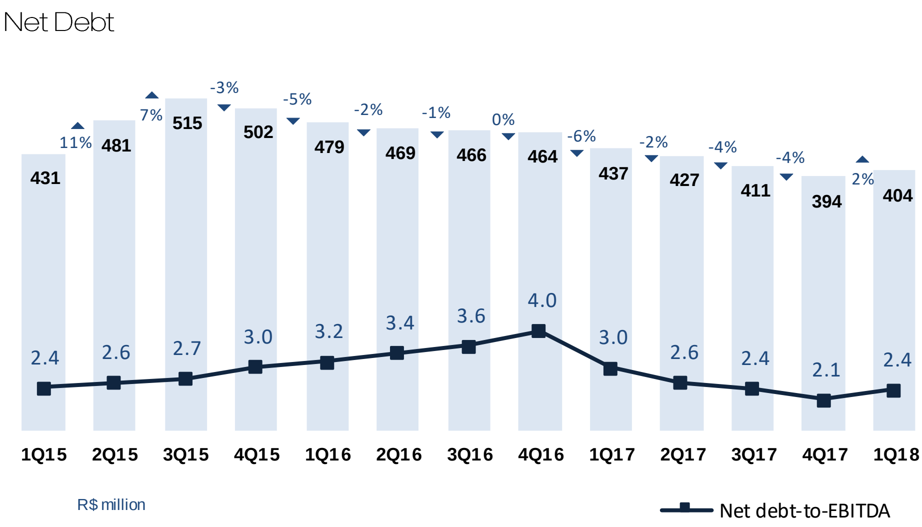
DEBT/CAPITAL STRUCTURE

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%.

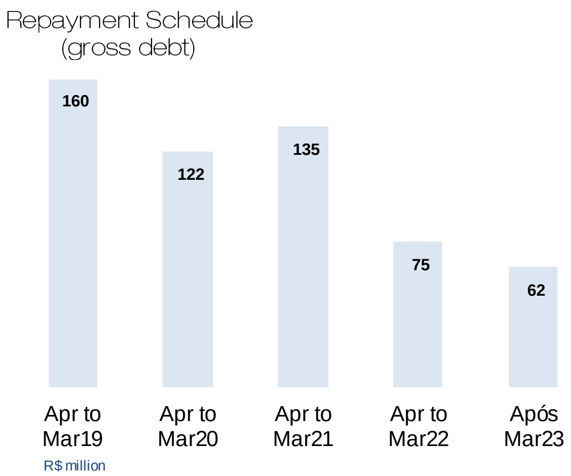
Net debt-to-EBITDA for the year ratio is 2.4x and net debt-to-equity ratio is 1.4x. In this quarter, the same debt-to-EBITDA ratio recorded in 1Q15 was reported.

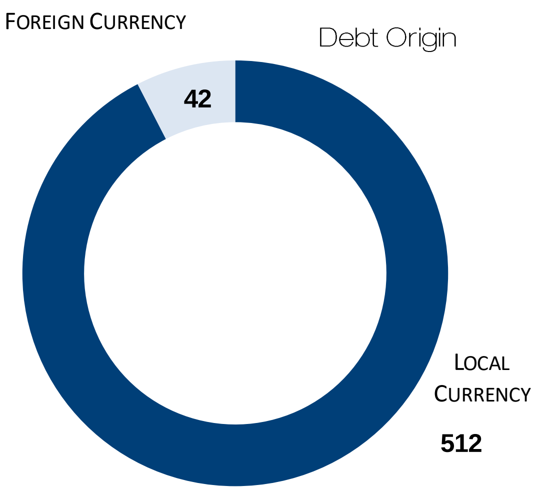
The minimum covenants set out in all financing agreements in force are being met.



	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.



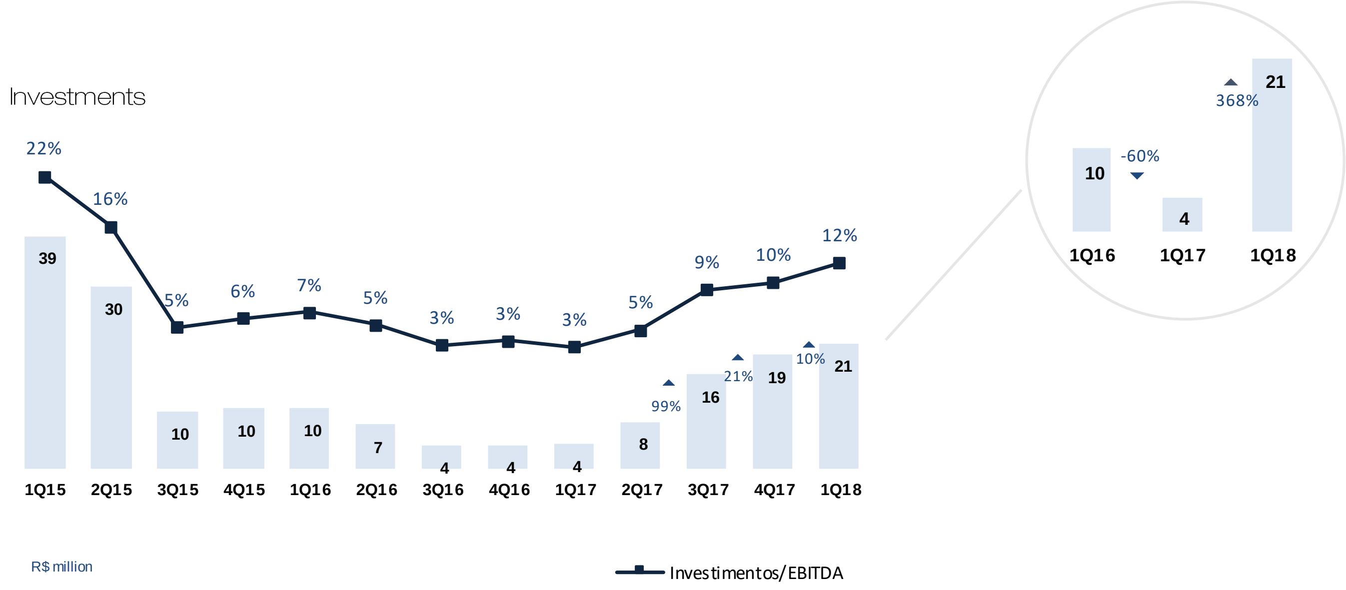


INVESTMENTS

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.



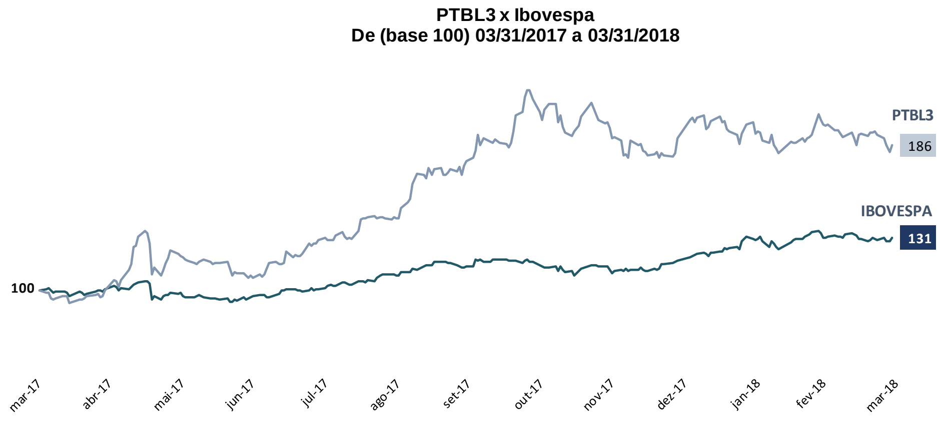
SHAREHOLDERS' COMPENSATION AND SHAREHOLDERS' MEETING RESOLUTIONS

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

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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**

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