2Q18 RESULTS

SGPS3
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SPRINGS GLOBAL

Springs Global: E-commerce revenue more than doubled yoy

São Paulo, August 14th, 2018 - Springs Global Participações S.A. (Springs Global), the Americas' largest company in bedding, tabletop and bath products, reported in the second quarter of 2018 (2Q18) net revenue of R$ 523.7 million, with a gross margin expansion, which reached 26.8%. We continue our progress in the digital world, with a growth in e-commerce revenue of 115%.

The highlights of Springs Global's performance in 2Q18 were:

- Net revenue of R$ 523.7 million;
- Gross profit of R$ 140.6 million, 2.9% greater than the second quarter of 2017 (2Q17);
- Gross margin equal to 26.8%, with an increase of 1.6 percentage points (pp) year-over-year (yoy);
- EBITDA[a] of R$ 54.8 million, with EBITDA margin of 10.5%;
- Income from operations amounted to R$ 35.6 million;
- Net earnings of R$ 8.9 million, with an improvement of R$ 5.8 million yoy;
- Growth of 9.7% in EBITDA in the South America – Wholesale business unit;
- Growth of 13.9% in net revenue in the North America – Wholesale business unit;
- Growth of 2.7% in sell-out revenue[b] from South America – Retail business unit;
- E-commerce revenue more than doubled yoy.

in R$ million	2Q18 (A)	2Q17 (B)	(A)/(B) %	1H18 (C)	1H17 (D)	(C)/(D) %
Net revenue	523.7	540.4	(3.1%)	1,052.5	1,056.6	(0.4%)
Gross profit	140.6	136.7	2.9%	280.6	271.8	3.2%
Gross Margin %	*26.8%*	*25.3%*	*1.6 p.p.*	*26.7%*	*25.7%*	*0.9 p.p.*
EBITDA	**54.8**	**59.8**	**(8.4%)**	**108.4**	**114.8**	**(5.6%)**
EBITDA Margin %	*10.5%*	*11.1%*	*(0.6 p.p.)*	*10.3%*	*10.9%*	*(0.6 p.p.)*
Income from operations	**35.6**	**41.4**	**(14.0%)**	**71.1**	**78.0**	**(8.8%)**
Number of stores	232	227	2.2%	232	227	2.2%

Table 1 – Key financial indicators

The financial and operational information presented in this release, except when otherwise indicated, is in accordance with accounting policies adopted in Brazil, which are in accordance with international accounting standards (International Financial Reporting Standards – IFRS)

About Springs Global

Springs Global is the America's largest company in bedding, tabletop and bath products, with traditional and leading brands in the segments in which it operates, strategically positioned to target customers of different socioeconomic profiles. Springs Global operates vertically integrated plants, with high degree of automation and flexibility, located in Brazil, United States and Argentina.

B3: SGPS3

As of 06/30/2018:

Closing share price: R$ 7.00

Market cap: R$ 350.0 million

Conference call

Date: 08/16/2018
Time: 11 am São Paulo time / 10 am New York time / 3 pm London time

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Password: Springs Global

To access the webcast **click here** or access the website **http://www.springs.com/ri**.

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Sales from digital channels

We remain engaged and optimistic about our sales from our digital channels.

We have developed, during 2017, the digital franchise model, which was launched in the beginning of this year with a great success. The success is measured not only by the strong e-commerce sales growth yoy, but, mainly, by the alignment of interests from our franchisees, which also have gains from the digital channel sales growth, and from the consumers of our brands, which benefit from a better purchase experience, since they can choose where they purchase, receive, and pick up their desired products, with the same quality of service and with better delivery time and cost.

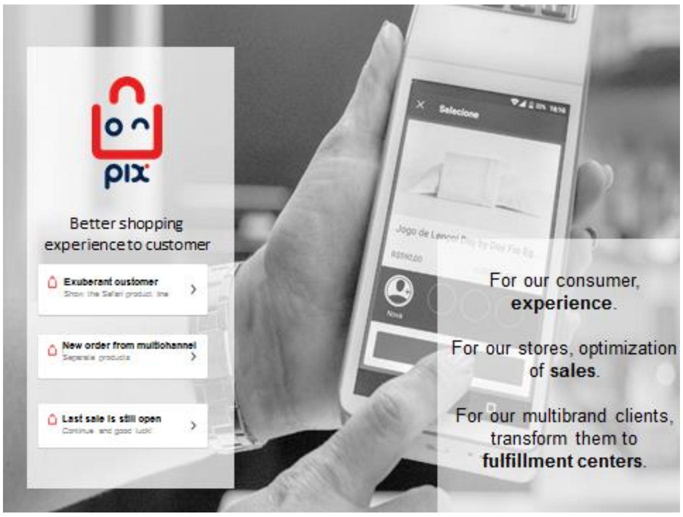
The digital model is robust and its technology, which was developed in-house, is, at the same time, extremely strong and adaptable, enabling us to take the next step: the launch of the Santista's virtual store, at the beginning of this month.

The direct sales of Santista products, through its virtual store, will enable us to become even closer to our final customers, contributing to a better understanding of their needs and desires, and, therefore, to a higher loyalty to our brands and to increased sales.

We have started, in this quarter, the roll-out of PIX – Point of Incredible Experiences, an internally-developed store front system that brings the multichannel concept, presented in our digital channel, to our physical stores. It provides a personalized service and product recommendations, based on information from previous purchases or by the customer profile mapped.

The PIX system, which is already in place in some MMartan stores and will be fully implemented in all owned and franchised stores by the end of the third quarter, transforms the way that our collections are designed, built, exposed and communicated, providing a better shopping experience for our customers and, accordingly, adding more value to our brands.

Finally, we are testing the incorporation of sensors in our utility bedding products, providing data to the consumer such as tips to improve their quality of sleeping, with a positive impact on the productivity of their "next day", after a good night's sleep.



Revenue

The consolidated net revenue reached R$ 523.7 million in 2Q18, 3.1% lower yoy, negatively impacted by the truck drivers´ strike, which resulted in lower sales volume, in South America, and positively impacted by the Brazilian Real depreciation of 12.0% against the US dollar, in North America.

Revenues from South America reached R$ 307.8 million, representing 59% of total revenue, 12.3% lower yoy. Revenue from North America totaled R$ 215.9 million, equivalent to 41% of total revenue and 13.9% greater than 2Q17.

The Bedding, Tabletop and Bath line[c] was responsible for 43% of 2Q18 revenue, the Utility bedding products[d] for 35%, and intermediate products[e] for 11%. The Retail revenue, representing 11% of total revenue in 2Q18, was stable yoy, as the higher number of stores offset the conversions of owned stores into franchises.

Revenues from the Bedding, Tabletop and Bath line amounted to R$ 225.1 million in 2Q18, 7.9% lower yoy. Revenues from the Utility bedding line totaled R$ 182.7 million, with a 16.1% growth yoy. Revenues from intermediate products were R$ 57.1 million, 27.7% lower yoy. Average price increased yoy for all product categories.

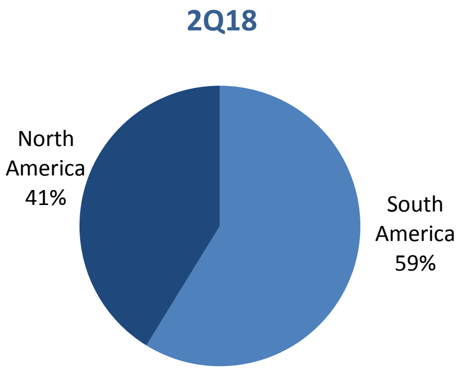


Chart 1 – Revenue per region

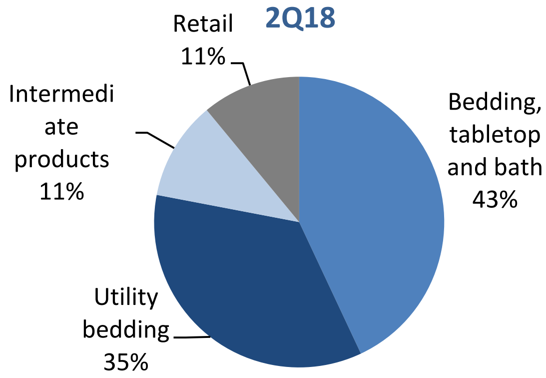


Chart 2 – Revenue per product line

Costs and Expenses

Cost of goods sold (COGS) was R$ 383.1 million in 2Q18, with a yoy decrease of 5.1%, following the decrease in revenues in the same period, representing 73.2% of net revenue.

The main raw materials are cotton and polyester that, together with chemicals, packaging and trims, are included in materials costs, which amounted to R$ 235.4 million in 2Q18, 4.4% lower yoy, in spite of the 26.8% increase in the average cotton price, in Brazilian Reais, in the same period, as illustrated in the following chart.

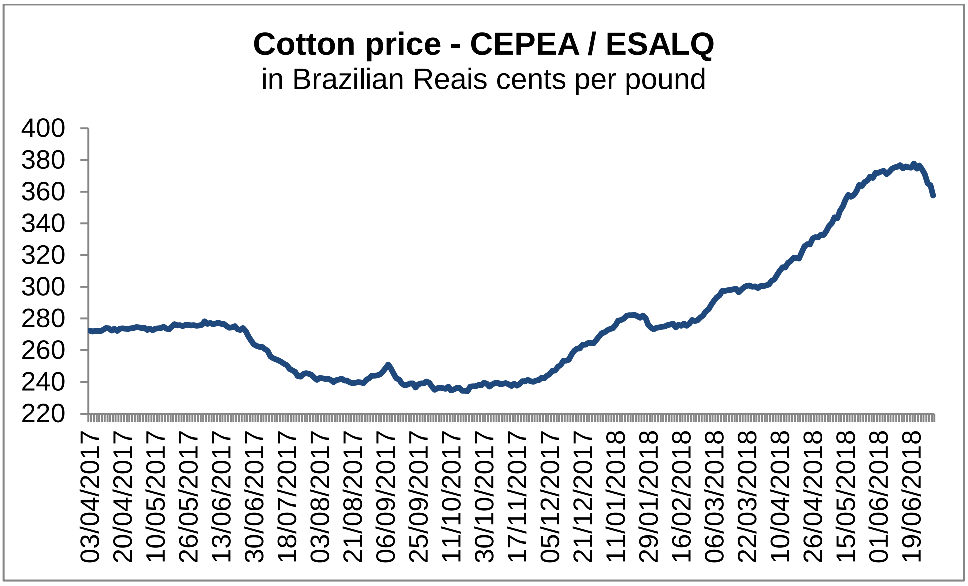


Chart 3 – Cotton price, source CEPEA

The conversion of raw materials into finished goods requires, mainly, labor, electricity and other utilities, designated as conversion costs and others, which reached R$ 130.1 million in 2Q18, with a 7.4% yoy decrease.

Depreciation costs of production and distribution assets totaled R$ 17.6 million in 2Q18, with a 4.1% increase yoy.

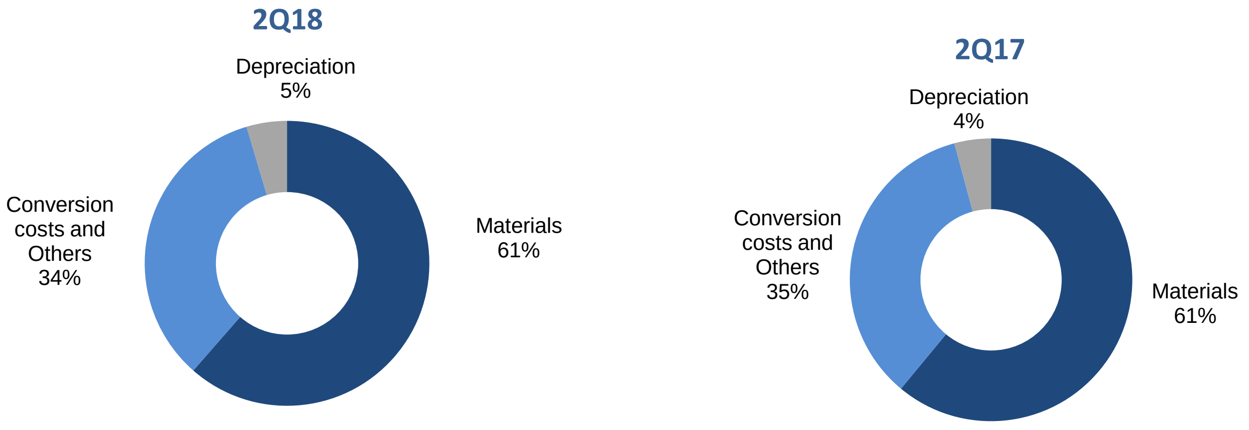


Chart 4 – COGS breakdown

Regarding operational expenses, selling expenses reached R$ 68.3 million, representing 13.0% of net revenue, versus 12.7% in 2Q17. General and administrative expenses (G&A) amounted to R$ 38.1 million, equivalent to 7.3% of net revenue, versus 6.5% in the same period of the previous year.

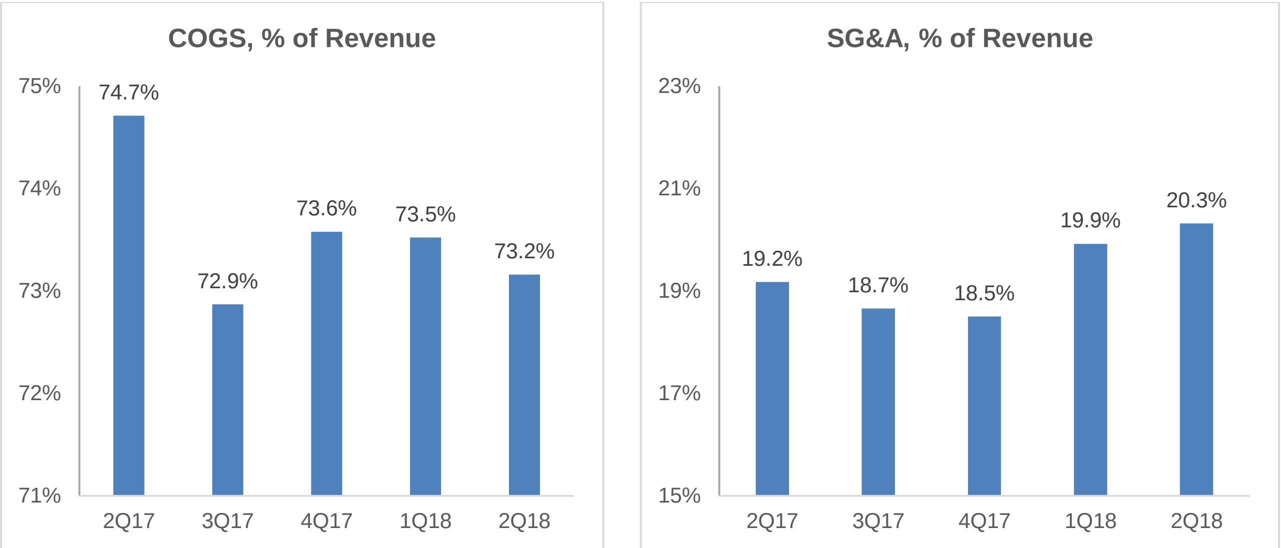


Chart 5 – COGS and SG&A, as % of net revenue

Other Revenue

In 2017, we consolidated the lease project in the land located at São Gonçalo do Amarante, RN. The total area available for leasing amounts to more than 300.0 thousand m^2. The rental income from this lease project is classified as "Other Income, net".

During this year, we expect to complete the full leasing occupancy of the first stage of this commercial venture, named as Power Center, and to start the marketing of the outlet.

EBITDA

Cash generation, as measured by EBITDA, reached R$ 54.8 million in 2Q18, with a decline of 8.4% compared to the previous year. There was an increase of R$ 3.9 million in gross profit, which was more than offset by an increase of R$ 8.9 million in operational expenses, excluding depreciation, in the period. EBITDA margin was 10.5% in 2Q18, against 11.1% in 2Q17. In the last twelve months ended at June 30, 2018, the LTM EBITDA reached R$ 248.2 million, in line with the adjusted LTM EBITDA in the previous year, of R$ 249.0 million.

Profit

Gross profit totaled R$ 140.6 million in 2Q18, with gross margin of 26.8%, both with improvement yoy.

The financial result was an expense of R$ 72.7 million in 2Q18, against an expense of R$ 51.1 million in 2Q17, mainly due to net exchange rate variations.

The financial expenses – interest expenses – totaled R$ 33.5 million, 4.0% lower than the same period of the last year.

The balance of exchange rate variations was negative R$ 35.4 million in 2Q18, reflecting the yoy depreciation of the Brazilian Real in the net liability position in US dollars, against negative R$ 7.0 million in 2Q17, with a total variation of R$ 28.4 million yoy, with no cash effect.

The financial income increased by R$ 0.8 million, while bank charges, taxes, discounts and others decreased by R$ 4.5 million yoy.

The provision for deferred income tax of R$ 47.1 million from the North American operations, also with no cash affect, contributed to the net income of R$ 8.9 million in 2Q18, with an improvement of R$ 5.8 million yoy.

Capex and Working Capital

Capital expenditures (Capex) totaled R$ 15.8 million in 2Q18, mainly focused on operational improvements.

The working capital needs amounted to R$ 934.9 million at the end of 2Q18, in line with the previous quarter.

Debt and Debt indicators

Our net debt[f] was R$ 845.0 million as of June 30, 2018, against R$ 886.4 million as of June 30, 2017, and R$ 866.9 million as of March 31, 2018.

Our goal is to reduce the net debt level and to extend its average term. In 2Q18 we had a positive free cash flow of R$ 31.3 million, contributing to the reduction of net debt quarter-over-quarter (qoq). In the last two years, we have reduced the share of short-term debt to 43%, from 54%, and doubled the ratio of liquid assets/short-term debt to 0.6, from 0.3.

Our leverage, as measured by the net debt/EBITDA ratio, was 3.4x at the end of 2Q18. We are confident that this ratio will decline during the next quarters, due to the improvement of our operational income, which will contribute at the same time to the growth of EBITDA and to the decrease of net debt.

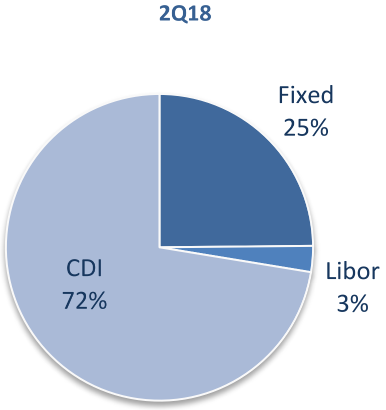


Chart 6 – Debt per index

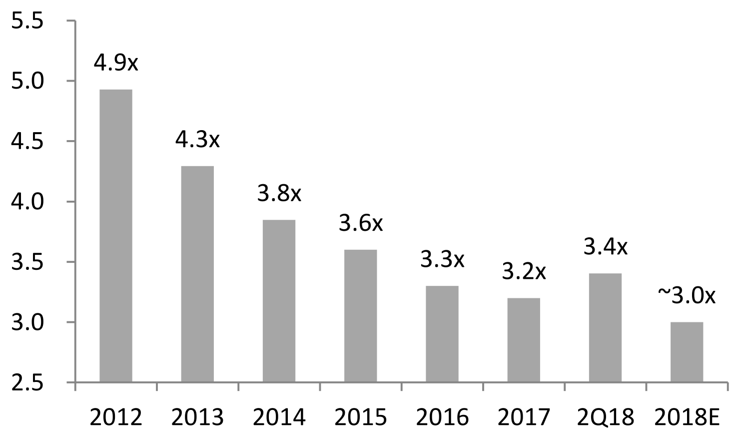


Chart 7 – Net Debt / EBITDA, in recurring terms

Projections

Springs Global maintains its strategy to consolidate its leading position in the bedding, tabletop and bath market, and to expand its channels: multibrand, monobrand retail, prioritizing franchises, and digital, via e-commerce. In 2017, we enhanced the MMartan website, launched the MMartan app, and the Artex website. In 2018, we started the operations of the digital franchises, which will enable a better customer service, with lower costs, since the e-commerce sales will be fulfilled by the closest franchises, who have the products in stock. This new omni channel model will simultaneously enable higher sales to our franchisees and greater customer satisfaction.

We will continue to improve the profitability of our business by higher capacity utilization of our plants in Brazil, resulting in higher absorption of fixed costs, mainly due to growth: (a) in e-commerce sales; (b) in sales of decorative textile products; and (c) in the number of franchises. Moreover, the recovery of the Brazilian economy will leverage the growth in sales of discretionary items, such as our products, whose purchase decision can be postponed during a recession.

For 2018, we expect revenue and EBITDA margin expansion, in line with the Company's budget that includes the following assumptions: (a) an average exchange rate of R$ 3.32 in 2018, (b) a growth of 2.7% of the Brazilian GDP, and (c) the opening of 20 new franchise stores in the monobrand retail.

in R$ million	2018 Guidance	1H18 Actual
Net revenue		
South America - Wholesale*	1,200 - 1,420	555.9
South America - Retail	230 - 270	121.2
North America - Wholesale	740 - 870	408.6
Total net revenue	**2,120 - 2,500**	**1,052.5**
EBIT	200 - 240	71.1
EBITDA	280 - 320	108.4
CAPEX	60 - 70	31.2
* Including intercompany revenue		

Table 2 – Projections

Share performance

Springs Global's shares, traded on the B3 under the ticker SGPS3, decreased by 36.7% in 2Q18, underperforming the IBOVESPA and the Small Cap indexes in the same period. The daily average financial volume of our shares was R$ 448 thousand in 2Q18.

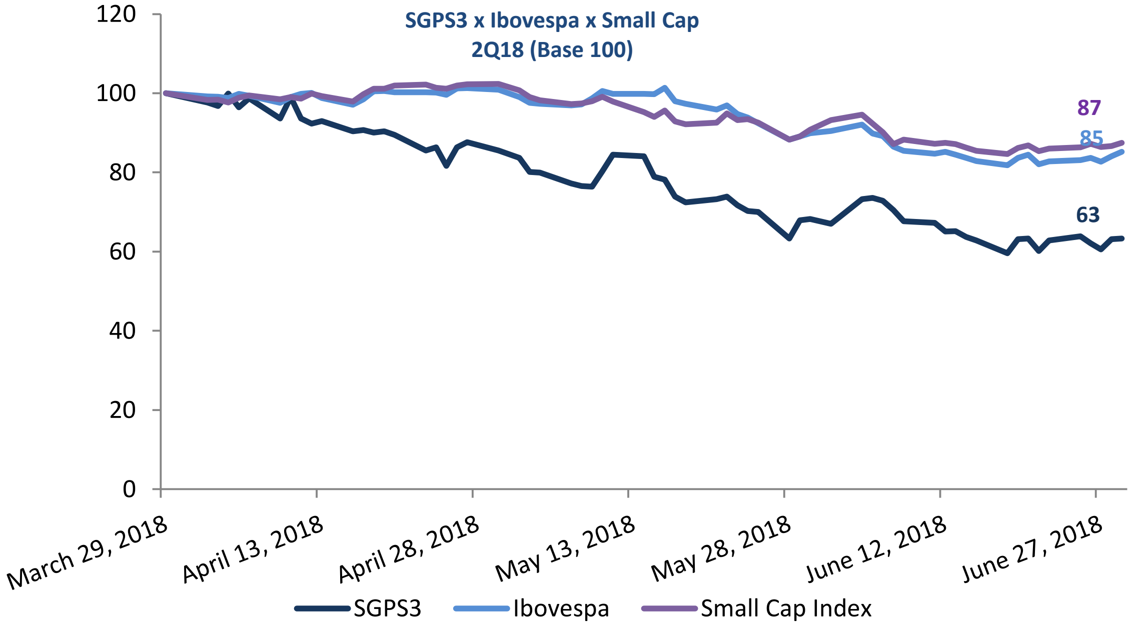


Chart 8 – Performance of SGPS3 share price

Performance of the business units

Springs Global presents its results segregated in the following business units: (a) South America - Wholesale, (b) South America - Retail, and (c) North America - Wholesale.

South America - Wholesale

Net revenue from the South America – Wholesale business unit amounted to R$ 264.5 million in 2Q18, with a 14.1% yoy decrease, negatively impacted by the truck drivers' strike, which resulted in lower sales volume, mainly, of intermediate products.

COGS totaled R$ 187.4 million in 2Q18, 19.2% lower yoy. The gross margin was 29.1% in 2Q18, with an increment of 4.5 pp yoy, due to a lower share of intermediate products, which have lower added value, in the sales mix. SG&A expenses amounted to R$ 54.3 million, stable yoy.

EBITDA reached R$ 44.3 million, with a 9.7% growth yoy. EBITDA margin was 16.7%, with an increase of 3.6 pp yoy.

South America - Retail

Net revenue from the South America – Retail business unit totaled R$ 58.8 million in 2Q18, stable yoy. The sell-out revenue amounted to R$ 119.9 million in 2Q18, 2.7% higher yoy.

At the end of 2Q18, we had 232 stores, of which 70 were owned and 162 franchises, compared to 227 at the end of 2Q17. We opened three new stores in this quarter and had one conversion from owned to franchised store.

We started, in the first quarter of 2018, the operation of digital franchises, in which our e-commerce sales are fulfilled by our franchisers, with positive impact in the experience of online purchase, as there was a drop in delivery time and cost. There was a 115% yoy growth in our e-commerce revenue in 2Q18.

COGS totaled R$ 27.7 million, 3.8% lower yoy. The gross margin increased to 52.9% in 2Q18, from 51.7% in 2Q17, in spite of the higher share of franchises in our revenue.

EBITDA was a loss of R$ 0.4 million in 2Q18, against an income of R$ 0.3 million in 2Q17, due to a variation of R$ 1.7 million in other revenues and expenses, which more than offset the improvement of R$ 0.3 million in gross profit and the reduction of R$ 1.0 million in SG&A.

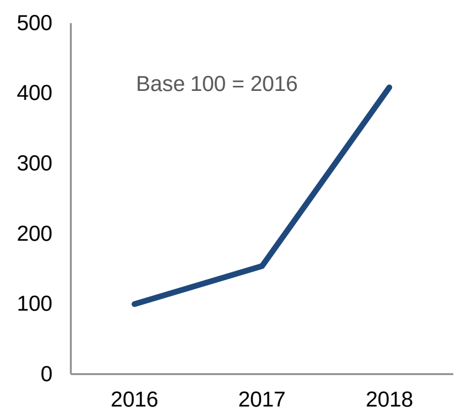


Chart 9 – Sales growth from digital channels

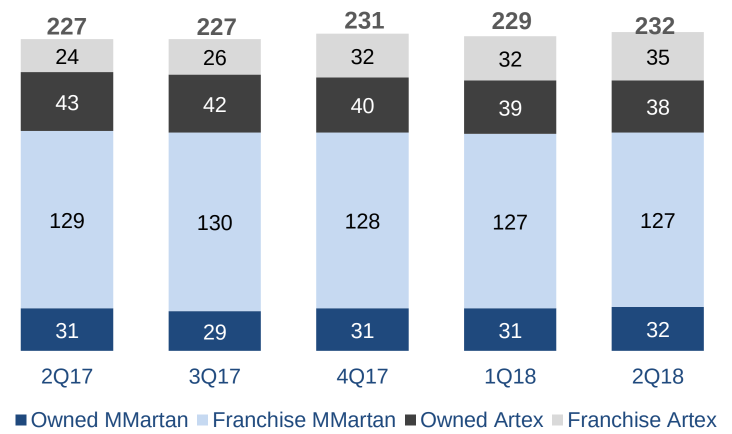


Chart 10 – Number of stores

North America - Wholesale

Net revenue from the North America – Wholesale business unit reached R$ 215.9 million in 2Q18, 13.9% higher yoy, in line with the 13.6% appreciation of the US dollar against the Brazilian Reais in the same period.

COGS amounted to R$ 183.2 million, 14.8% higher yoy. The gross profit totaled R$ 32.7 million, with an expansion of R$ 2.7 million, or 9.0%, yoy, and the gross margin was 15.1%.

The operational result decreased by R$ 8.3 million yoy, due to higher SG&A (R$ 3.2 million) and the variation in other non-operational revenues and expenses (R$ 7.8 million).

EBITDA reached R$ 12.0 million, in line qoq, with EBITDA margin of 5.6%.

The Company is already taking mitigating measures to reduce the impact of higher polyester prices on its operational margin.

Tables

Table 3 – Net revenue per business unit

in R$ million	2Q18 (A)	%	2Q17 (B)	%	(A)/(B) %	1H18 (C)	%	1H17 (D)	%	(C)/(D) %
South America	**307.8**	**59%**	**350.8**	**65%**	**(12.3%)**	**643.9**	**61%**	**676.1**	**64%**	**(4.8%)**
Wholesale*	249.0	48%	291.2	54%	(14.5%)	522.7	50%	556.6	53%	(6.1%)
Retail	58.8	11%	59.6	11%	(1.3%)	121.2	12%	119.5	11%	1.4%
North America	**215.9**	**41%**	**189.6**	**35%**	**13.9%**	**408.6**	**39%**	**380.5**	**36%**	**7.4%**
Total net revenue	**523.7**	**100%**	**540.4**	**100%**	**(3.1%)**	**1,052.5**	**100%**	**1,056.6**	**100%**	**(0.4%)**
Intercompany	15.5		16.6			33.2		32.0		

* Excluding intercompany revenues

Table 4 – Net revenue per product line

	Net Revenue (R$ million)			Volume (tons)			Average price (R$)/Kg		
Product Lines	**2Q18 (A)**	**2Q17 (B)**	**(A)/(B) %**	**2Q18 (C)**	**2Q17 (D)**	**(C)/(D) %**	**2Q18 (E)**	**2Q17 (F)**	**(E)/(F) %**
Bedding, tabletop and bath	225.1	244.4	(7.9%)	6,635	7,881	(15.8%)	33.9	31.0	9.4%
Utility bedding	182.7	157.4	16.1%	10,148	10,195	(0.5%)	18.0	15.4	16.6%
Intermediate products	57.1	79.0	(27.7%)	5,474	7,715	(29.0%)	10.4	10.2	1.9%
Retail	58.8	59.6	(1.3%)						
Total	**523.7**	**540.4**	**(3.1%)**	**22,257**	**25,791**	**(13.7%)**	**23.5**	**21.0**	**12.3%**

	Net Revenue (R$ million)			Volume (tons)			Average price (R$)/Kg		
Product Lines	**1H18 (A)**	**1H17 (B)**	**(A)/(B) %**	**1H18 (C)**	**1H17 (D)**	**(C)/(D) %**	**1H18 (E)**	**1H17 (F)**	**(E)/(F) %**
Bedding, tabletop and bath	454.7	468.7	(3.0%)	14,069	15,253	(7.8%)	32.3	30.7	5.2%
Utility bedding	350.5	318.0	10.2%	21,177	20,984	0.9%	16.6	15.2	9.2%
Intermediate products	126.1	150.4	(16.2%)	12,039	14,338	(16.0%)	10.5	10.5	(0.1%)
Retail	121.2	119.5	1.4%						
Total	**1,052.5**	**1,056.6**	**(0.4%)**	**47,285**	**50,575**	**(6.5%)**	**22.3**	**20.9**	**6.5%**

Table 5 – Cost of goods sold (COGS) and Selling, General and Administrative expenses (SG&A)

in R$ million	2Q18 (A)	%	2Q17 (B)	%	(A)/(B) %	1H18 (C)	%	1H17 (D)	%	(C)/(D) %
Materials	235.4	61.4%	246.3	61.0%	(4.4%)	470.3	60.9%	479.2	61.1%	(1.9%)
Conversion costs and others	130.1	34.0%	140.5	34.8%	(7.4%)	267.3	34.6%	271.7	34.6%	(1.6%)
Depreciation	17.6	4.6%	16.9	4.2%	4.1%	34.3	4.4%	33.9	4.3%	1.2%
COGS	**383.1**	**100.0%**	**403.7**	**100.0%**	**(5.1%)**	**771.9**	**100.0%**	**784.8**	**100.0%**	**(1.6%)**
COGS, % Revenues	**73.2%**		**74.7%**		*(1.6 p.p.)*	**73.3%**		**74.3%**		*(0.9 p.p.)*
Sales expenses	68.3	64.2%	68.6	66.2%	(0.4%)	136.5	64.5%	134.9	66.4%	1.2%
General and administrative expenses	38.1	35.8%	35.0	33.8%	8.8%	75.3	35.5%	68.2	33.6%	10.3%
SG&A	**106.4**	**100.0%**	**103.6**	**100.0%**	**2.7%**	**211.7**	**100.0%**	**203.1**	**100.0%**	**4.3%**
SGA, % Revenues	**20.3%**		**19.2%**		*1.1 p.p.*	**20.1%**		**19.2%**		*0.9 p.p.*

Table 6 – Reconciliation of EBITDA

in R$ million	2Q18 (A)	2Q17 (B)	(A)/(B) %	1H18 (C)	1H17 (D)	(C)/(D) %
Income (Loss)	8.9	3.2	181.2%	2.0	(8.8)	n.a.
(+) Income and social contribution taxes	(46.1)	(12.9)	n.a.	(45.5)	(12.5)	n.a.
(+) Financial results	72.7	51.1	42.5%	114.5	99.3	15.3%
(+) Depreciation and amortization	19.2	18.4	4.2%	37.3	36.8	1.3%
EBITDA	**54.8**	**59.8**	**(8.4%)**	**108.4**	**114.8**	**(5.6%)**

Table 7 – EBITDA per business unit and EBITDA margin

in R$ million	2Q18 (A)	2Q17 (B)	(A)/(B) %	1H18 (C)	1H17 (D)	(C)/(D) %
South America	**43.9**	**40.7**	**7.9%**	**86.9**	**78.4**	**10.8%**
Wholesale	44.3	40.4	9.7%	88.8	77.7	14.3%
Retail	(0.4)	0.3	n.a.	(1.9)	0.7	n.a.
North America	**12.0**	**20.2**	**(40.6%)**	**23.9**	**38.5**	**(37.9%)**
Non-allocated expenses	(1.2)	(1.0)	20.0%	(2.4)	(2.0)	20.0%
EBITDA total	**54.8**	**59.8**	**(8.4%)**	**108.4**	**114.8**	**(5.6%)**
EBITDA Margin %	*10.5%*	*11.1%*	*(0.6 p.p.)*	*10.3%*	*10.9%*	*(0.6 p.p.)*

Table 8 – Financial Results

in R$ million	2Q18 (A)	2Q17 (B)	(A)/(B) %	1H18 (C)	1H17 (D)	(C)/(D) %
Financial income	6.9	6.1	12.8%	11.8	13.9	(14.6%)
Financial expenses - interests	(33.5)	(34.9)	(4.0%)	(64.8)	(76.3)	(15.1%)
Financial expenses - bank charges and others	(10.7)	(15.3)	(29.6%)	(23.8)	(30.8)	(22.7%)
Exchange rate variations, net	(35.4)	(7.0)	403.2%	(37.8)	(6.1)	522.2%
Financial results	**(72.7)**	**(51.1)**	**42.5%**	**(114.5)**	**(99.3)**	**15.3%**

Table 9 – Capex

in R$ million	2Q18	2Q17	1H18	1H17
Manufacturing facilities	13.6	8.9	27.0	17.4
Retail	2.2	0.7	2.7	0.8
Total	**15.8**	**9.6**	**29.7**	**18.2**

Table 10 – Working Capital

in R$ million	2Q18 (A)	1Q18 (B)	2Q17 (C)	(A)/(B) %	(A)/(C) %
Accounts receivable	473.1	513.8	505.0	(7.9%)	(6.3%)
Inventories	579.8	554.9	566.1	4.5%	2.4%
Advances to suppliers	41.6	38.3	37.0	8.8%	12.7%
Suppliers	(159.6)	(165.5)	(152.0)	(3.6%)	5.0%
Working capital	**934.9**	**941.4**	**956.1**	**(0.7%)**	**(2.2%)**

Table 11 – Indebtedness

in R$ million	2Q18 (A)	1Q18 (B)	2Q17 (C)	(A)/(B) %	(A)/(C) %
Loans and financing	943.9	931.2	1,039.1	1.4%	(9.2%)
- Domestic currency	512.5	578.5	673.7	(11.4%)	(23.9%)
- Foreign currency	431.4	352.7	365.4	22.3%	18.1%
Debentures	185.3	198.4	48.5	(6.6%)	282.2%
Total Debt	**1,129.2**	**1,129.6**	**1,087.6**	**(0.0%)**	**3.8%**
Cash and marketable securities	(284.2)	(262.7)	(201.2)	8.2%	41.3%
Net debt	**845.0**	**866.9**	**886.4**	**(2.5%)**	**(4.7%)**

Table 12 – Main indicators - South America - Wholesale business unit

in R$ million	2Q18 (A)	1Q18 (B)	2Q17 (C)	(A)/(B) %	(A)/(C) %
Net revenue	264.5	291.4	307.8	(9.2%)	(14.1%)
(-) COGS	(187.4)	(212.3)	(231.9)	(11.7%)	(19.2%)
Gross profit	77.1	79.1	75.9	(2.5%)	1.6%
Gross Margin %	***29.1%***	***27.1%***	***24.7%***	***2.0 p.p.***	***4.5 p.p.***
(-) SG&A	(54.3)	(52.0)	(53.6)	4.4%	1.3%
(+/-) Others	4.0	0.8	1.4	n.a.	n.a.
Operational result	26.8	27.9	23.7	(3.9%)	13.1%
(+) Depreciation and Amortization	17.5	16.6	16.7	5.4%	4.8%
EBITDA	44.3	44.5	40.4	(0.4%)	9.7%
EBITDA Margin %	***16.7%***	***15.3%***	***13.1%***	***1.5 p.p.***	***3.6 p.p.***
Intercompany revenue	15.5	17.7	16.6	(12.4%)	(6.6%)
Revenue ex-intercompany	249.0	273.7	291.2	(9.0%)	(14.5%)

in R$ million	1H18 (A)	1H17 (B)	(A)/(B) %
Net revenue	555.9	588.6	(5.6%)
(-) COGS	(399.7)	(442.5)	(9.7%)
Gross profit	156.2	146.1	6.9%
Gross Margin %	***28.1%***	***24.8%***	***3.3 p.p.***
(-) SG&A	(106.3)	(103.2)	3.0%
(+/-) Others	4.8	1.3	n.a.
Operational result	54.7	44.2	23.8%
(+) Depreciation and Amortization	34.1	33.5	1.8%
EBITDA	88.8	77.7	14.3%
EBITDA Margin %	***16.0%***	***13.2%***	***2.8 p.p.***
Intercompany revenue	33.2	32.0	3.8%
Revenue ex-intercompany	522.7	556.6	(6.1%)

Table 13 – Main indicators - South America - Retail business unit

Em R$ milhões	2Q18 (A)	1Q18 (B)	2Q17 (C)	(A)/(B) %	(A)/(C) %
Net revenue	58.8	62.4	59.6	(5.8%)	(1.3%)
(-) COGS	(27.7)	(30.4)	(28.8)	(8.9%)	(3.8%)
Gross profit	31.1	32.0	30.8	(2.8%)	1.0%
Gross Margin %	***52.9%***	***51.3%***	***51.7%***	***1.6 p.p.***	***1.2 p.p.***
(-) SG&A	(31.2)	(33.7)	(32.2)	(7.4%)	(3.1%)
(+/-) Others	(1.1)	(0.6)	0.6	n.a.	n.a.
Operational result	(1.2)	(2.3)	(0.8)	n.a.	n.a.
(+) Depreciation and Amortization	0.8	0.8	1.1	0.0%	(27.3%)
EBITDA	(0.4)	(1.5)	0.3	n.a.	n.a.
EBITDA Margin %	***-0.7%***	***-2.4%***	***0.5%***	***1.7 p.p.***	***(1.2 p.p.)***
Number of stores	232	229	227	1.3%	2.2%
Owned MMartan	32	31	31		
Franchise MMartan	127	127	129		
Owned Artex	38	39	43		
Franchise Artex	35	32	24		
Gross Revenue sell-out	119.9	121.2	116.7	(1.1%)	2.7%

Em R$ milhões	1H18 (A)	1H17 (B)	(A)/(B) %
Net revenue	121.2	119.5	1.4%
(-) COGS	(58.1)	(58.2)	(0.2%)
Gross profit	63.1	61.3	2.9%
Gross Margin %	***52.1%***	***51.3%***	***0.8 p.p.***
(-) SG&A	(64.9)	(64.2)	1.1%
(+/-) Others	(1.7)	1.5	(213.3%)
Operational result	(3.5)	(1.4)	n.a.
(+) Depreciation and Amortization	1.6	2.1	(23.8%)
EBITDA	(1.9)	0.7	n.a.
EBITDA Margin %	***-1.6%***	***0.6%***	***(2.2 p.p.)***
Number of stores	232	227	2.2%
Owned MMartan	32	31	
Franchise MMartan	127	129	
Owned Artex	38	43	
Franchise Artex	35	24	
Gross Revenue sell-out	241.1	227.2	6.2%

Table 14 – Main indicators - North America - Wholesale business unit

in R$ million	2Q18 (A)	1Q18 (B)	2Q17 (C)	(A)/(B) %	(A)/(C) %
Net revenue	215.9	192.7	189.6	12.0%	13.9%
(-) COGS	(183.2)	(163.6)	(159.6)	12.0%	14.8%
Gross profit	32.7	29.1	30.0	12.4%	9.0%
Gross Margin %	***15.1%***	***15.1%***	***15.8%***	***0.0 p.p.***	***(0.7 p.p.)***
(-) SG&A	(20.0)	(18.6)	(16.8)	7.5%	19.0%
(+/-) Others	(1.5)	0.6	6.3	n.a.	n.a.
Operational result	11.2	11.1	19.5	0.9%	(42.6%)
(+) Depreciation and Amortization	0.8	0.8	0.7	0.0%	14.3%
EBITDA	12.0	11.9	20.2	0.8%	(40.6%)
EBITDA Margin %	***5.6%***	***6.2%***	***10.7%***	***(0.6 p.p.)***	***(5.1 p.p.)***

in R$ million	1H18 (A)	1H17 (B)	(A)/(B) %
Net revenue	408.6	380.5	7.4%
(-) COGS	(346.8)	(316.1)	9.7%
Gross profit	61.8	64.4	(4.0%)
Gross Margin %	***15.1%***	***16.9%***	***(1.8 p.p.)***
(-) SG&A	(38.6)	(33.7)	14.5%
(+/-) Others	(0.9)	6.5	n.a.
Operational result	22.3	37.2	(40.1%)
(+) Depreciation and Amortization	1.6	1.3	23.1%
EBITDA	23.9	38.5	(37.9%)
EBITDA Margin %	***5.8%***	***10.1%***	***(4.3 p.p.)***

Glossary

(**a) EBITDA** – EBITDA is a non-accounting measurement which we prepare and which is reconciled with our financial statement in accordance with CVM Instruction 01/2007, when applicable. We have calculated our EBITDA (usually defined as earnings before interest, tax, depreciation and amortization) as net earnings before financial results, the effect of depreciation of our plants, equipment and other permanent assets and the amortization of intangible assets. EBITDA is not a measure recognized under BR GAAP, IFRS or US GAAP. It is not significantly standardized and cannot be compared to measurements with similar names provided by other companies. We have reported EBITDA because we use it to measure our performance. EBITDA should not be considered in isolation or as a substitute for "net income" or "operating income" as indicators of operational performance or cash flow, or for the measurement of liquidity or debt repayment capacity.

(b) Sell-out revenue – Revenue from sales channel to the end customers.

(c) Bedding, Tabletop and Bath ("CAMEBA") line – includes bed sheets and pillow cases, sheet sets, tablecloths, towels, rugs and bath accessories.

(d) Utility bedding line – includes pillows, mattress pads and quilts.

(e) Intermediate products – yarns and fabrics, in their natural state or dyed and printed, sold to small and medium-sized clothing, knitting and weaving companies.

(f) Net debt – Gross debt minus cash and marketable securities.

Balance sheet

in R$ million	2Q18	1Q18	2Q17
Assets			
Current assets	**1,377.7**	**1,392.8**	**1,328.9**
Cash and cash equivalents	128.7	134.2	120.3
Marketable securities	62.7	56.4	17.4
Financial instruments	17.9	7.8	-
Accounts receivable	473.1	513.8	505.0
Inventories	579.8	554.9	566.1
Advances to suppliers	41.6	38.3	37.0
Recoverable taxes	17.1	26.5	25.2
Other receivables	56.7	61.0	57.8
Noncurrent assets	**1,451.0**	**1,371.7**	**1,269.9**
Long-term assets	**461.1**	**381.8**	**424.7**
Marketable securities	74.9	64.3	63.4
Receivable - clients	33.1	34.5	24.2
Receivable - sale of property	57.9	55.7	53.8
Related parties	43.9	41.8	45.9
Recoverable taxes	15.6	15.6	9.1
Deferred income and social contribution taxes	149.7	89.5	126.9
Property, plant and equipment held for sale	38.9	34.1	48.0
Escrow deposits	13.3	13.2	14.9
Others	33.8	33.0	38.3
Permanent	**989.9**	**989.9**	**845.2**
Properties for investment	223.9	210.8	-
Property, plant and equipment	647.1	663.7	730.3
Intangible assets	118.9	115.3	114.9
Total assets	**2,828.6**	**2,764.5**	**2,598.7**

in R$ million	2Q18	1Q18	2Q17
Liabilities and Equity			
Current liabilities	**819.4**	**726.0**	**777.1**
Loans and financing	421.2	358.5	475.2
Debentures	66.6	63.4	0.3
Suppliers	159.6	165.5	152.0
Taxes	11.2	8.9	12.3
Payroll and related charges	70.8	61.7	66.0
Government concessions	20.2	19.8	16.8
Noneconomic leases	8.4	7.2	6.4
Other payables	61.5	40.9	48.1
Noncurrent liabilities	**844.3**	**899.1**	**809.3**
Loans and financing	522.7	572.7	563.9
Debentures	118.7	135.0	48.2
Noneconomic leases	15.4	13.5	14.5
Related parties	-	1.5	0.8
Government concessions	43.2	42.8	46.7
Employee benefit plans	107.5	94.2	104.7
Miscellaneous accruals	13.6	18.4	17.1
Deferred taxes	4.3	4.3	-
Other obligations	18.8	16.7	13.4
Equity	**1,165.0**	**1,139.4**	**1,012.3**
Capital	1,860.3	1,860.3	1,860.3
Capital reserves	79.4	79.4	79.4
Assets and liabilities valuation adjustment	82.4	82.5	(36.7)
Cumulative translation adjustment	(260.7)	(277.4)	(269.8)
Earnings reserves	25.2	25.2	25.2
Accumulated deficit	(621.6)	(630.5)	(648.4)
Noncontrolling interest	-	-	2.5
Total liabilities and equity	**2,828.6**	**2,764.5**	**2,598.7**

Income Statement

in R$ million	2Q18 (A)	1Q18 (B)	2Q17 (C)	(A)/(B) %	(A)/(C) %
Gross revenues	634.8	631.8	673.7	0.5%	(5.8%)
Net revenues	**523.7**	**528.9**	**540.4**	**(1.0%)**	**(3.1%)**
Cost of goods sold	**(383.1)**	**(388.8)**	**(403.7)**	**(1.5%)**	**(5.1%)**
% of net sales	*73.2%*	*73.5%*	*74.7%*	*(0.4 p.p.)*	*(1.6 p.p.)*
Materials	(235.4)	(234.9)	(246.3)	0.2%	(4.4%)
Conversion costs and others	(130.1)	(137.2)	(140.5)	(5.2%)	(7.4%)
Depreciation	(17.6)	(16.7)	(16.9)	5.4%	4.1%
Gross profit	**140.6**	**140.0**	**136.7**	**0.4%**	**2.9%**
% Gross Margin	*26.8%*	*26.5%*	*25.3%*	*0.4 p.p.*	*1.6 p.p.*
SG&A	**(106.4)**	**(105.3)**	**(103.6)**	**1.0%**	**2.7%**
% of net sales	*20.3%*	*19.9%*	*19.2%*	*0.4 p.p.*	*1.1 p.p.*
Selling expenses	(68.3)	(68.2)	(68.6)	0.2%	(0.4%)
% of net sales	*13.0%*	*12.9%*	*12.7%*	*0.2 p.p.*	*0.3 p.p.*
General and administrative expenses	(38.1)	(37.2)	(35.0)	2.4%	8.8%
% of net sales	*7.3%*	*7.0%*	*6.5%*	*0.2 p.p.*	*0.8 p.p.*
Others, net	**1.4**	**0.8**	**8.3**	**85.5%**	**(82.8%)**
% of net sales	*0.3%*	*0.1%*	*1.5%*	*0.1 p.p.*	*(1.3 p.p.)*
Income from operations	**35.6**	**35.5**	**41.4**	**0.3%**	**(14.0%)**
% of net sales	*6.8%*	*6.7%*	*7.7%*	*0.1 p.p.*	*(0.9 p.p.)*
Financial result	(72.7)	(41.8)	(51.1)	74.1%	42.5%
Profit (loss) before taxes	**(37.1)**	**(6.3)**	**(9.7)**	**n.a.**	**n.a.**
Income and social contribution taxes	46.1	(0.6)	12.9	n.a.	n.a.
Net income (loss)	**8.9**	**(6.9)**	**3.2**	**n.a.**	**181.2%**

in R$ million	1H18 (A)	1H17 (B)	(A)/(B) %
Gross revenues	1,266.6	1,305.9	(3.0%)
Net revenues	**1,052.5**	**1,056.6**	**(0.4%)**
Cost of goods sold	**(771.9)**	**(784.8)**	**(1.6%)**
% of net sales	*73.3%*	*74.3%*	*(0.9 p.p.)*
Materials	(470.3)	(479.2)	(1.9%)
Conversion costs and others	(267.3)	(271.7)	(1.6%)
Depreciation	(34.3)	(33.9)	1.2%
Gross profit	**280.6**	**271.8**	**3.2%**
% Gross Margin	*26.7%*	*25.7%*	*0.9 p.p.*
SG&A	**(211.7)**	**(203.1)**	**4.3%**
% of net sales	*20.1%*	*19.2%*	*0.9 p.p.*
Selling expenses	(136.5)	(134.9)	1.2%
% of net sales	*13.0%*	*12.8%*	*0.2 p.p.*
General and administrative expenses	(75.3)	(68.2)	10.3%
% of net sales	*7.2%*	*6.5%*	*0.7 p.p.*
Others, net	**2.2**	**9.3**	**(76.3%)**
% of net sales	*0.2%*	*0.9%*	*(0.7 p.p.)*
Income from operations	**71.1**	**78.0**	**(8.8%)**
% of net sales	*6.8%*	*7.4%*	*(0.6 p.p.)*
Financial result	(114.5)	(99.3)	15.3%
Profit (loss) before taxes	**(43.5)**	**(21.4)**	**n.a.**
Income and social contribution taxes	45.5	12.5	n.a.
Net income (loss)	**2.0**	**(8.8)**	**n.a.**

Cash Flow Statement

in R$ million	1Q18	1Q17	1H18	1H17
Cash flows from operating activities				
Net income (loss) for the period	8.9	3.2	2.0	(8.8)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	19.2	18.4	37.3	36.8
Income and social contribution taxes	(46.1)	(12.9)	(45.5)	(12.5)
Gain on disposal of property, plant and equipment	(1.9)	(1.8)	(3.8)	(6.9)
Gain on financial instruments, net faur value result	7.8	-	-	-
Exchange rate variations	35.4	7.0	37.8	6.1
Monetary variation	1.8	4.1	3.3	1.1
Bank charges, interests and comissions	23.7	38.3	58.5	85.5
Other accruals	0.1	-	-	-
	49.0	**56.4**	**89.7**	**101.2**
Changes in assets and liabilities				
Marketable securities	(0.5)	1.2	(4.0)	3.0
Financial instruments	(17.9)	-	(17.9)	-
Accounts receivable	56.2	(11.0)	39.6	(17.0)
Inventories	(14.5)	(17.1)	(34.6)	(5.1)
Advances to suppliers	(3.3)	0.3	(4.5)	(1.4)
Suppliers	(22.6)	27.0	(20.4)	8.1
Taxes	5.1	(1.5)	-	-
Others	27.1	3.5	15.6	5.3
Net cash provided by (used in) operating activities	**78.7**	**58.9**	**63.6**	**94.1**
Interest paid on loans	(28.1)	(43.9)	(50.2)	(70.5)
Income and social contribution taxes paid	(0.9)	(2.4)	(1.6)	(4.5)
Net cash provided by (used in) operating activities after interest and taxes	**49.7**	**12.6**	**11.8**	**19.1**
Cash flows from investing activities				
Acquisition of permanet investment	(10.8)	(4.0)	(10.9)	(7.9)
Acquisition of property, plant and equipment	(5.0)	(9.6)	(18.8)	(18.2)
Acquisition of intangible assets	(0.0)	(0.0)	(2.1)	(0.0)
Disposal of property, plant and equipment	2.0	1.0	4.4	11.2
Loans between related parties	(4.5)	(14.3)	(28.6)	(18.7)
Net cash provided by (used in) investing activities	**(18.3)**	**(26.9)**	**(55.9)**	**(33.6)**
Cash flows from financing activities				
Proceeds from new loans	191.7	316.2	459.0	578.5
Repayment of loans	(235.0)	(306.9)	(447.2)	(602.6)
Net cash provided by (used in) financing activities	**(43.3)**	**9.3**	**11.8**	**(24.1)**
Effect of exchange rate changes on cash and cash equivalents of foreign subsidiaries	6.5	0.9	5.5	(1.4)
Increase (decrease) in cash and cash equivalents	**(5.5)**	**(4.0)**	**(26.7)**	**(40.0)**
Cash and cash equivalents:				
At the beginning of the period	134.2	124.3	155.4	160.4
At the end of the period	128.7	120.3	128.7	120.3

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