SPRINGS GLOBAL

Local Conference Call
Springs Global
Fourth Quarter 2018 Earnings Results
April 9th, 2019

Operator: Ladies and gentlemen, thank you for holding for and welcome to the audio conference call us to Springs Global to discuss the results of the fourth quarter and the full year 2018.

At this time all participants are in a listen-only mode and soon in a short introduction we will go on to a question-and-answer session, when further instructions will be given to participate. Should any participant require assistance during the call, please press the *0 to reach the operator.

Go to the Springs Global website www.springs.com/ir if you wish to download the earnings release financial statements and the webcast presentation.

This presentation may contain certain forward-looking statements with respect to Springs Global, including its business operation, strategy and condition. These statements include descriptions regarding the intent, beliefs and current expectation of Springs Global and its officers with respect to the results of operations and financial conditions of the company and its subsidiaries. Investors are cautioned that any such forward statements may be subject to changes and, therefore, may lead to results that differ from those expressed in the statement.

We now have with us the CEO of the company, Mr. Josué Gomes da Silva.

Mr. Silva: Good morning and thank you very much. We have myself here, (Alessandra) and Roberto, and I would like to begin by justifying the week delay in releasing the results that had been foreseen for the last working day of March. We ended up having this delay and we simply released the results on Friday. In truth this is due to broad work carried out by our accounting area in terms of some highlights that we will be discussing.

After our ~~continuation~~ combination of operations in the United States (with a company) called Keeco Holding, a transaction that has been highly relevant for the Company, in the explanatory notes you have all of the details of this transaction and I will attempt to further explain how all of this took place and evidently considering the devotion of the accounting area that worked intensely, not only on due diligence but during the last two months of 2018 and all of the preparation of the closing that took place on March 15th of this year and the repercussion of this in our financial statements, for example, everything relating to discontinued operations not only for 2018 but also 2017, for comparison. All of this represents an excessive workload for our controller and accounting, justifying this delay.

The Keeco operations will bring forward several advantages to the Company, and as a highlight, in this financial statement we have two effects: one that has already been recorded, and one that will be recorded in the first quarter, which is the Keeco operation, that brings us an evolution of R$ 543 (550) million that is to say a 35% increase in the equity of the two quarters and a reduction of our net debt of same magnitude.

Simply to give you an idea of what this means, through a simple calculation we are referring to R$11,00 per share of net and certain effects that are being disclosed and part were already recorded in December 2018, and the rest will be recorded for March 31st 2019, with this impact representing R$11,00 per share, more than twofold the present day value of our shares at Bovespa (B3).

Now that Keeco transaction in fact began, when in March of 2018, we visited the company for which we were working. They were already selling some of our products, they did not have a production capacity, and we would sell their brand and therefore went to visit them. We had a first excellent impression of the company managers, which in fact are the company shareholders. Mr. Bill Tauscher, the ~~CEO~~ Chairman of the company, and Mr. Chris (Grassi), (the CEO of the company), and Kevin (the COO of the company). At this meeting once again gave us a very good impression. Further ahead, as we did not know the company they sold us out, through a conference call suggesting that the process of consolidation in the United States was necessary, and that evidently this consolidation would allow the companies to become more competitive, save our prices and therefore generate a great deal of value.

I fully agreed with what they stated. We shared public information that has already been disclosed through our North American business unit. There was information referring to the North American operation, we began speaking about a possible combination of both companies, we discussed the terms of this combination, and at that point in time we understood that this combination would be extremely important for us as well as for Keeco for several reasons, and therefore we decided to proceed with the transaction without a competitive process.

Once again, we understood that we did not want to sell off our operation in North America, we wanted to make it ever more stronger, competitive and economical. And the combination was the most appropriate process for this. These values were reasonable, we thought that if we entered into a competition, we would not be able to maximize the amount agreed upon, or we would have a slight maximization, but at a very high cost, and we perhaps would not be able to proceed with the operation, therefore we came to an agreement on the amount. They are extremely correct people and during the due diligence process where we were aided by a very large investment bank that helped us through the due diligence and the negotiation of the contract, we once again put in place everything that had been agreed with the CEO and the chairman of the company.

We are fully convinced that we have taken a very positive step, initially because we have always been very concerned with a high degree of concentration of our North American operations in a single category of products and having as a single client and exceptional top-quality client. We could not have a better client selling 50% of our sales, but when you have this concentration, this client sneezes and we end up catching a pneumonia which is what truly happened in part of the year 2017 and 2018, with a simple decision of changing something, and this of course had an impact on all of our other suppliers. We needed to deconcentrate, have a greater variety of categories, and evidently the fastest way to attain the strategic goal was through this consolidation process.

Secondly, we maintain a share in the United States. We have 17.5% ownership of this Keeco operations with shareholders that are our colleagues and shareholders, and they are exceptional people that have great value, that have vast experience, and I do not doubt that this share of 17.5%, which was assessed in US$36 million in the transaction will appreciate very quickly.

This group of executives that are also shareholders in the company, the only legal entity that is a shareholder is our company. All the others (shareholders) working the day-to-day of the company and I'm fully convinced that because of their knowledge and experience and their incredible honesty and capacity that they have of generating great value for themselves and for our stakes.

And all of this was built within a highly efficient way from the fiscal viewpoint. Our results in the sale of our operation in the United States is approximately US$~~79~~ (69) million. Once again this has been recorded in our statements and will be accounted for in the first quarter of 2019. We received the cash parcel on the 15th upon the closing in mid-March and this cash parcel was used to reduce our net debt and the fiscal impact of deferred tax does not represent any cash effective, simply something we need to record. The result is US$ ~~79~~ (69) million and the impact is deferred does not mean any use of cash because this operation was extremely well structured.

Additionally, these US$90 million received as part of the payment (The other part represents a 17.5% of the Keeco operations and I'm convinced that in a short period this will be worth much more than the US$ 36 million that have been assigned to it in the original transaction). These US$ 90 million that are equivalent to R$340 million based on the exchange rate of December of 2018 added to this gain that in a certain way had already been consolidated, and that is why we made the decision of excluding from the PIS and COFINS base the calculation of ICMS, which is approved by the Brazilian Judicial [unintelligible] because this does not represent a sale and PIS and COFINS is charge based on a sale. This was an inappropriate calculation that the companies have to pay for many years.

We resorted to the Judiciary Branch, this decision was taken in 2018 and luckily enough in the first quarter of 2019 all of this went to court, we are now in the process of using these credits and we believe that in the month of competence in June we will be able to compensate for these values and we are estimating a compensation of 6 quarters, which means that we will recover all of these values very probably until the end of 2020. This is our understanding.

It is a pity that these values that were calculated and updated until December 31st of 2018 have the SELIC rate over them, (every company has cost of capital higher than SELIC rate), but we only need to pay the SELIC rate. As we have been compensating this, we will be updating the balance based on the SELIC rate and the estimation is that until the end of the coming year, this ~~will be included~~ (projection is based on) ~~in~~ our ~~future~~ budget for 2019-2020. This is a value that will automatically become part of our cash as we have this compensation, and therefore this will be added to the US$90 million, which represents a change in the net debt of the Company of approximately R$550 million through the year 2019, part of this has taken place in March, and up to the year 2020, which means approximately R$11,00 per share, this is very meaningful in terms of the equity increase, which is 30%.

And once again it gives us not only greater financial soundness, and this financial soundness also enables us to invest in the greatest growth of the Company, which represents direct sales to the customers. This will also help us in our sales through multi brands with the development of truly spectacular technologies, making our Company and our brands, brands that have this multi-channel characteristic. They are brands that can be purchased through digital processes, through brick and mortar stores, mono-brand stores that we operate or our franchisees or through multi-brand stores, operated by our retail people, who at present are adopting the same technology that was developed for our points of sales, technologies that have been tested or operating very well and bring us results as the results recorded throughout the year of 2018, with the growth of 150% of sales through internet and the evolution of the delivery based on the store, because the customer has decided to withdraw the product at a certain establishment that is close to work or where they live, or because the store is operating as a mini distribution center and this shipping the merchandise to the end consumer from that point, saving on the logistic cost, but also on the delivery term. This already represents 70% of our internet channel with an expressive growth, and January this was 0. Sales over the internet have grown over 150% and the withdrawal of products from the store represent ~~60%~~ (70%) of all of our internet sales.

It is this aspect of our operation, a vertical operation, but where we have basic raw materials that are cotton bales, polyester, and after the creation of this, we produce and sell directly to the end consumer through our digital stores, our electronic stores, our mono brand stores, our own stores, and our partner retailers, who are also using this PIX technology. And this is where we see that we will be able to strengthen our brands, our sales, we will reduce the idleness of our industrial plants, and we will have a significant operational leverage.

When I made reference to a reduction of our net debt, equivalent to R$11,00 per share, R$543 (550) million, I made this reference without taking into account the free cash generation throughout the year of 2019 and the year 2020. Evidently we are estimating and we are convinced that the free cash generation will further reduce the Company's net debt, but even if this did not exist, this free cash generation being generated throughout the next two years - and it will exist - this year our guidance for cash generation is from R$210 to R$240 million, with a Capex guidance of approximately R$60 million.

Evidently the financial expenses will not be (the) difference (variation). Let's base ourselves on an average point, (225, 230 minus 60, 170) ~~160~~ but it will be below this, which means that we will have free cash generation in our operation to further amortize our debt, and if it wouldn't exist - but it will - simply with these two factors, what we need at present is time (one has already taken place, the next will take place in the next six quarters), we would get to a net debt / EBITDA ratio below 2 at the end of 2020.

Therefore we will have a much stronger company, a sounder company, a company that is better prepared to invest in those areas where we have greater returns, our own brands, our technology, and the connection of our brands and plants with the small retail markets, the mono-brand or the multi-brand retail markets. We will do this in a more competitive and efficient fashion.

Now this is our focus without putting aside our significant share in this great company in the United States, under the operation of three brilliant entrepreneurs, executives and shareholders of the company. I do not doubt that this will enable us to generate a great deal of value due to this investment and their investment. We have a great similarity of goals and interests, and we believe that this share in the future will be worth much more than the initial value allocated to this, when we carried out the transaction.

I would like to underscore that Keeco has a taxation structure that is allowed in the American market, a structure that is called pass through, which means that the shareholders are responsible for the shareholder capital in the company and for paying the income taxes of the corporation. Now this structure is a highly efficient structure for our participation, and it is held by our subsidiary in the United States that continues to exist and will continue to benefit from this efficient fiscal structure. Now for this efficient fiscal structure to be able to invest, we do still have some legacy costs from the American operation. And we are working arduously towards reducing this cost very speedily.

And additionally, we have real estate that obviously is now available to generate value for the Company, either through their sale or another development process. It is very probable that it will be through a sale and in some way already have concrete interest. This is another very important chapter that we would like to underscore. The Company´s assets that are available for sale, and to generate value are enhancing their value. We not only concluded a transaction with the Municipality of Montes Claros, and this has been fully documented with the approval of the Municipal Chamber of Montes Claros and the approval of the executive branch of Montes Claros. There was an exchange of an asset from our original headquarters, the main headquarters of the Company, that will now be destined to enhance the service given to the public in Montes Claros that requires municipal services.

And we are deeply satisfied therefore to be able to offer to Montes Claros a building with extremely streamlined facilities that will be better able to service the population with the City Hall services. And ~~we have based ourselves~~ there will be savings based on synergies and savings of lease as this will concentrate almost all of the ~~new~~ Secretariats in this new headquarters for the City Hall. The new City Hall that will host many of the Secretariats. We also received ~~a~~ real estates through a swap, (some of them) very close to this development, where the new City Hall will stand and all of these buildings at present are already ~~being sold out~~ (for sale), and we have observed interest on the part of large wholesale companies in Minas Gerais, as this has become a region with significant trade.

We know that this was the right decision, we not only participate more in the life of a city where we have a great deal of relevance and significant share, where the community acknowledges our value as a company that is part of the life of community, contributing towards enhancing the community. And with this swap of several smaller buildings, as they are smaller, that have a greater capacity for liquidity, they will sell off faster, and this will ~~amortize~~ monetize the assets received that we are working on.

Additionally, we have a very large commercial development in Rio Grande do Norte, in São Gonçalo do Amarante, where our power center is practically leased out. We still have an area that is presently under negotiation and with the launch of the outlet, now foreseen for the end of the month of April, beginning of the month of May. An outlet for which I have an outlook, and the professionals that are aiding us in this also have the outlook that this will be selling very speedily.

To repeat what I mentioned initially, we are highly convinced that this power center will be generating (annual) revenues of approximately R$12 million and the revenues will increase twofold when we put the outlet in place, and the outlet will be generating (annual) revenues between R$ 15 and 18 million once it has been fully commercialized. This means that only the commercial part of this land, which is extremely well positioned in organized, will be able to generate annual revenues between R$25 to R$30 million, and this represents ~~our~~ entire EBTDA. The EBITDA margin in this type of operation tends to be very steep and we already have R$1 million of (monthly) revenues already contracted with a very sound client portfolio, that allows us to have this outlook.

Additionally, in partnership with the large entrepreneurs of residential buildings, we have begun to launch based on the swap system, residential programs on the same plot of land. Once again, the person who will buy this residential building will have a very high quality of life. We are not going to impose any burden on the municipal equipment, the building will have the treatment of sewage, water, and eventually we are going to install solar energy for the use of the residential homes. They will have a commercial center next to them that they can walk to, they will be very close to this shopping mall in a plot of land that is completely fenced in with a great deal of security, allowing for a very good quality of life for the families, for children, to live in great safety.

We have spoken to the government of the state and the municipality for the creation of a public school where we will offer the facility, and the public school will offer adequate education. We want to create a model based on the best indicators, and for a secondary school. Once again this is our objective, working with methodologies that will be offered by those who are now working in the field of education.

Once again, the state government and the City Hall have already decided to adopt these teaching methodologies that are more streamlined. They are going to follow up on their teachers' corps and the principals' corps enable us to become a new embryo, a seed that will allow for better education in the state. Those who will be purchasing the residential buildings will benefit from this school for their children.

We are also working towards releasing value and generating value in this group of buildings (real estate) that belong to the Company, and this is value that we are already obtaining through the leases and sales.

Basically, these are the highlights for the period. The 2018 balance is not a balance that is easy to read. Although the purchase and sale contract with Keeco was signed on December 29th, the accounting rules demand that this operation for accounting purchases be c~~ontinued~~ (considered) as a discontinued operation. That is why we have that short delay of one week in the release of our results. We had to not only include the operations discontinued in 2018 and for comparative purposes was discontinued into 2017, and this had a strong impact on the last quarter. The full restatement of the results of our subsidiary in Argentina based on the accounting rules after a certain level of inflation, is reached after three years. There is a trigger that demands a full monetary restatement. In the past in Brazil this was very common, luckily, we no longer adopt this methodology, but we were forced to adopt it in Argentina and all of the effects of this were launched on the last quarter.

A former operation call Atacado América do Sul (South America – Wholesale) was strongly impacted not only by the difficult macroeconomic situation of Argentina, but also due to this full monetary restatement due to the levels of inflation. And this adjustment in all of these negative effects therefore appear in the balance of the last quarter. Additionally, to this, the company at present is going to begin to report on two business units, and report on the shareholders capital for the wholesale unit in North America. It is no longer a business unit. The two units that we have at present refer to our Retail unit (South America – Retail), our sales to consumers, our own stores and franchise stores and Atacado América do Sul (South America – Wholesale).

For better information we (eventually) will divide into two business units, the Argentinian business unit and the Brazilian business unit. When a region is doing very poorly as Argentina did last year, the base of comparison is weak and the hope is that things will get better, that is our expectation for Argentina in 2019. We believe that especially in the second semester, as the economic situation has undergone a deterioration, that the second semester will show an improvement vis-à-vis the second semester of 2018 in Argentina. This is what we expect. Evidently the government continues to face difficulties, but this is a large and very rich

~~company~~ country, and they will certainly find a better path.

Regarding Brazil, we are quite optimistic. It is true that the first quarter led to a certain disappointment in the month of March. We had a good January and February, a disappointing month of March, but we are confident that throughout the year, with the approval of the necessary reforms, especially the Social Security Reform, Brazil will be able to resume a faster pace of growth. Of course, we are impacted by macroeconomy, but we are not at a standstill. We are working in a determinated fashion and we are mainly investing in technology and in developing this multi-channel model. And we can state that it has brought us very positive results, it brings a positive outlook for the Company, and this model is a reality, it is no longer simply a project.

Now to conclude and before we go on to question and answer session, I would like to mention that in the month of May we are holding an event, our yearly encounter, we are anticipating it, with a special highlight to the multichannel area, considering that we are convinced that this is already offering us significant results and will continue to bring expressive results for the Company in the future.

These are the introductory words, and as every quarter, we speak about each of our business units, I will avoid doing this today. We have had significant changes in the new presentation of the Company going forward, everything has been disclosed. Alessandra, myself and Roberto are always at your entire disposal to respond to any question you may have in terms of our outlook for the future of the company, and these business units that we will be working on going forward. And in May you will see the novelties that we will be launching in the month of May, when it comes to technology and direct sales to the consumers or to small businesses.

And therefore, I conclude these introductory words that have referred to the most important accounting statements of 2018, and I have given you a highlight of what will happen in this first quarter of 2019. With this said we will go on to the question and answer session.

Question-and-answer Session

Operator: Ladies and gentlemen we are now going to go on to the question-and-answer session for analysts and investors only. Should you wish to pose a question, please press *1. The questions will be responding to as they are received. At any point if you would like to withdraw your question from the queue, please press * 2. Please wait while we pole our questions.

Our first question is from Heloisa Cruz. You may proceed madam.

Ms. Cruz: Good morning and congratulations for the business. Once again, this combined business in the United States does deserve congratulation.

I would like to understand what has happened with (cash proceeds, first there was Keeco ~~holding business~~ and then there was the tax compensation. I would like to better understand about the debt negotiation in the last quarter). You have done a great deal during the first quarter and now we begin to see a drop (in the debt cost), but not to a level I ~~we did not~~ expected ~~this drop~~. The ~~150% sales~~ (less than) 130% of CDI are ~~very good~~ (better than what we had). And now my question is which is the cost of the debt? What are you doing with the banks? (as the Company will receive a relevant cash proceeds)

And if you could give us a better understanding of how this business went through and how you are going to end up having greater liquidity. And once again congratulations for the presentation.

Mr. Gomes: Heloisa, good morning and thank you very much for the question. I'm going to be very honest; I don't know if you are on your mobile phone and moving, but we were not able to hear your question properly. I think I partially understood the question and will respond to that.

Now, two events that are liquid and correct. The first event, a contract signed on December 29th, 2018, the operation was concluded in mid-March of 2019 and the cash, part received. Now basically 100% of the cash part is devoted to reducing our net debt. Once again, our Capex is relatively low, it is lower than our depreciation. Another event, which is in the process of being put in place, it has gone through the court and we are now awaiting approval. And based on what had occurred in other companies ~~and other buildings~~, we believe that this approval (for tax compensation) will come in June (competence), with payment in July. And based on our projections we are contemplating a period of six quarters approximately.

Now, when it comes to our relationship with financial institution, despite the very high spreads I can only thank all of the partner financial institutions that have continued to believe in the Company, and even more so now thanks to the reduction in our net debt, a liquid net debt of R$550 million. I repeat it's very important, it represents R$11,00 per share, perhaps you did not understand this when you looked it, our shares went up 7.5%, yesterday they should have increased more. We do have a very liquid and correct balance, we should bring it to present value, and all of this is restated by SELIC. And perhaps the CVM (will punish us) for projecting the price of our shares, but this is a problem of analysts.

Once again this is a liquid and correct business, and it will strongly decrease the net debt of the Company. We are speaking about net debt without considering the free cash that we will have during the next coming years, that will be much less than 2x (net debt / EBITDA ratio), this is already fully contracted.

It seems that you also asked about refinancing, because we have an explanatory note that refers to this. In January and March... well, we had analysts who knew part of the information that we disclosed to the market, and the banks already offered us extensions of the present-day financing, which lengthens our payment, and this will completely change the profile of our ~~asset~~ (debt) with these negotiations that were already carried out in the first quarter with partner banks, which means that I can only thank the support received from all the financial institutions throughout the year 2018 (and) the year 2017.

The resources are being used towards reducing or net debt. The Company is investing in activities that demand less Capex, the cash generation will continue to be used for these purposes, and evidently we do expect that with a significant reduction of our net debt / EBITDA ratio that will reach (less than) 2x, we should have an expressive reduction in the spread, although at present we do have financing with a reasonable spread in the light of a SELIC of ~~150~~ 6.5%, that may drop further, we think that it will drop further. We do have lines with very high spreads, and all of this is being amortized and paid off as our free cash is generated, and these values come into the Company.

I hope to have responded your question. Once again I was not able to fully hear your question.

Ms. Cruz: I wonder if the sound has improved.

Mr. Gomes: I'm sorry you had asked a second question. We work with a single treasury system and a single cash. All of the ~~inputs~~ (loans) are done at market rates, at compatible rates, and they were calculated very precisely on December 2018. The total amount of the credits for the reduction and elimination of the calculation of PIS and COFINS from the ICMS in the group represents more than R$350 million, which means the impact is highly significant for the group as a whole, we are referring to more than R$ ~~600~~ 700 million of changes in terms of our net debt. The group receive credit, (Santanense, CTNM – Companhia de Tecidos Norte de Minas), the holding company receives credit.

Ms. Cruz: Very well, if I could go on to a second question. Without going into the details of the strategy but having an overview, and the companies are very complimentary not only in the market, but also in terms of products. How does Keeco fit into this? Are you going to have a better partnership allowing them to sell bedding and towels, and you here will sell decorative products? Are you going to have an exchange of products or is the idea to limit yourself to a share in the company?

Mr. Gomes: Heloisa, no, both companies are interested in having a closer trade relationship. As you mentioned, Keeco is a leader in the American company... American market with curtains that are truly spectacular for bedrooms. An excellent brand that is called Eclipse, a very strong brand in the North American market, and their share in selling directly to consumers is very expressive. For a company not linked to the retail market, their share is very expressive. They are leaders in terms of the sale of curtains and it is our mutual interest to bring down their brands to sell in South America. We are already discussing this possibility.

Additionally, Keeco at present is one of the large distributors of fashion bedding in the United States but they do not sell towels in that same market. Evidently, we are interested in once again occupying a part of the share of the towel market, in which we were leaders. And after the bankruptcy of the company that was Pillowtex, that had acquired Cannon Fieldcrest, we became the largest sellers of towels in the North American market. We had an expressive share among the large American retailers. We then decided to reposition our company for pillows and bedding products, and we discontinued our export of towels. We no longer work in fashion bedding, and we no longer have the synergy to do this. We now believe that we have this, and both companies are interested in working together in this business.

Therefore, what you said is very correct, there is the possibility that we will have strong commercial transactions and not only have a stake in the company. We think that Keeco can benefit our business in South America with a very streamlined and competitive lines that will complement our product, and we can also complement their products in North America.

Ms. Cruz: Thank you very much and congratulations on this new business, and I look forward to the event in May. Thank you.

Operator: The next question is from (Pedro Ruttenthal, Ruttenthal investments) ~~Bank~~.

Mr. Ruttenthal: It is a pleasure to be here once again, and I have two doubts. First of all, congratulations for your increase in the stake in the United States. I believe this will be very productive because you will now be able to concentrate in the South America units. North America was highly complex, and I would like to gain an understanding of what will happen with your export base, if you are once again going to export products to the United States.

And I would like to know how long it will take you to fully materialize that residential project in Rio Grande do Norte. And further, when... what can we expect in terms of EBITDA at power center and the other units? Thank you very much.

Mr. Gomes: Well, Keeco… we have some questions (about Keeco) in the webcast. Keeco is a very large company, almost fivefold larger than the business unit in North America. It is a highly profitable company with an EBITDA margin very close to two digits, and a company that if we consider the quality of the entrepreneurs that are operating it, can continue to grow a great deal. These are top-level people with vast experience, great capacity, and only this was one of the reasons that led us towards undertaking this transaction. In fact, it is a group of entrepreneurs that I have known for only a year that I now admire and not in vain, this is due to their behavior during this entire process, and the great competence that they have. This is why we became involved in this transaction and they will add a great deal of value to our stake.

As I mentioned to Heloisa, we do have the possibility of having several export activities, we are exporting to the Swedish client that you referred to, we have an increase in the orders for this year, it is a highly demanding client, a client that teaches us a great deal, and sometimes we question ourselves if the size of the business is worth the investment that we have in personnel to service them, but business goes on, and they are, in fact, for a long-term ~~belong to a very old~~ partnership, (as marriage). I'm from Minas and the people in Minas court for many years, and they get married, and they remain married during their entire lifetime. And we believe that our engagement with them is growing and we are going to continue on with this (growing) commercial partnership (for a long time).

The growth potential for exports to North America considering our relationship with the company (including ownership) that is being managed brilliantly can perhaps be greater and speedier. In the coming months and quarters, we will be able to gain an understanding of this growth in the relationship. Now when it comes to the Swedish company, it will grow significantly this year in terms of exports.

Now the power center is already generating revenues, we have several lessees, some of which are inaugurating stores. We have given them a grace period and the revenue of the power center will grow.

We have just two physical spaces in the power center (missing((for rent), so that it can become fully commercialized, and evidently the spaces there are larger due to the concept of the power center, and the lease per square meter tends to be lower compared to the outlet. In the outlet the concept will be full cost and the price of the leasing for the square meter will include the air conditioning, the lighting and a condominium to have a single payment and avoid surprises for the store owners.

We believe that based on this concept and the professionals that are helping us in conceiving and commercializing the outlet, we do believe that the commercialization will take place speedily.

(Related to the residential project, it can be very large.) The idea is that initially, and this means that we will still have a great deal of space for future construction, that we work with 2,000 or 2,500 residential units in the level ~~1.5 or 2~~ 2 or 2.5 of My House My Life ("Minha Casa, Minha Vida"), the potential sales value of this must be around R$ 300 and some million, R$ 400 and some million.

It's a negotiation of course. The owner of the land plot will receive a parcel of the sale, this is the negotiation. Evidently from 2,500 units, we don't expect to be able to sell them off instantly. Now the expectation of those who are very experienced in this segment and Minas Gerais has stood out in this segment with two companies that stand out in the 2, 2.5 levels of My House My Life residences, and they are estimating that in 2, 3 or 4 years we will be able to launch.

In general, the lots are 400 or 500 units. 350, 400 or 500 units, and the average size of each block put up for sale is this. So, we do have a certain period for the development of these residential homes. We have to begin. What is more important is to negotiate the percentage. Now we are not going to develop these enterprises ~~now~~, we don't have experience in this.

(In the case of the commercial complex) The part of the construction or retrofit of our buildings is easier for the outlet, we ~~offer~~ have used consultancy in terms of planning and commercialization. The retrofit of course was simpler. We surrounded ourselves with good architect, with a good project to carry out a very good retrofit. In the residential sector we are going to do this in a partnership, perhaps less than a partnership. It's a sale base and we will receive a percentage of their sales and we will give this for those who are active in this segment.

I hope to have responded to your questions.

Mr. Ruttenthal: Yes, thank you very much.

SPRINGS GLOBAL

Operator: Ladies and gentlemen we would like to remind you that should you wish to pose a question, please press star one. To withdraw your question from the queue press *2.

Mr. Gomes: There is a question which I deem to be relevant and one that I cannot respond to now because we have not discussed this. The question refers to the payout of dividends. This isn't exactly a question, but this is what it implies. I believe that the company will not only have a capital structure that will be very appropriate with the (leverage) indices reduced and dropping during the coming quarters, and the company, due to the reduction of financial expenses will also have significant profitability, therefore it is reasonable for shareholders to think about the payoff of dividends.

This is how I respond to the question. The question more precisely is if we are ~~therefore~~ going to absorb the accrued losses so that we can pay dividends, at least this is what I believe the question is asking. We haven't thought about this, but the question is reasonable, the shareholders interest is reasonable, the holding company is also interested in this, but I cannot respond to this as we have not discussed this in house up to present.

Operator: We do not have further questions, and therefore we would like to return the floor to Mr. Silva for the closing remarks.

Mr. Silva: I would like to thank all of you for your attention. The Company now is somewhat different, a sounder and stronger company with a relevant foot in North America.

I would say that at present the Company is even more robust than before. In the past we had a strategic vulnerability and we depended on a single category and on a single client. An excellent client, but it is never good to depend so much on a single client. We are fully confident that we will have an excellent 2019. We are confident that our multi-channel technology is operating and very well. It is being enhanced with the use of artificial intelligence to be able to foresee demand and to make sales recommendation, and this technology will also be adopted by the small multi brand retailers, creating a true bridge between the large plants that produce products and the small retail market, and this is where we intend to focus on.

I hope to be to able to help as a member of the board of Keeco, ensuring that these large ~~clients~~ entrepreneurs will generate ever more value for Keeco, and that our 17.5% stake will be worth much more than the ~~240~~ US$ 36 million initially.

We will be with you once again in 40 days when we disclose the results for the first quarter. There will be no great surprises, we will have that profit of US$69 million less the deferred taxes (with no cash disbursement) from the sale of the North American operation. And once again Alessandra, Roberto and myself are at your entire disposal, should you have any further doubts.

Thank you very much once again and have a good day.

Operator: With this we would like to close the audio conference call for Springs Global. Thank you very much for your participation.