# Positivo Tecnologia posts a 61.9% growth in PCs sales in Brazil during 1Q18

**Curitiba, May 14, 2018** – Positivo Tecnologia S.A. (B3: POSI3) announces today its results for the 1Q18. The following financial and operating information refer to the consolidated results of Positivo Tecnologia S.A. and are presented in IFRS and in Brazilian reais (R$). Except where otherwise indicated, all comparisons herein refer to 1Q17.

## 1Q18 HIGHLIGHTS

- **Continuous recovery of demand for PCs in Brazil, with a total market growth of 19.7% in 1Q18[1]**

- **Positivo Tecnologia surpasses market performance with a 61.9% growth in PCs volumes in Brazil, of which:**
  - ✓ +57.2% in Retail;
  - ✓ +77.6% in Government; and
  - ✓ +63.0% in Corporate

- **Strong increase in market share (+4.3 p.p.) in PCs in Brazil during 1Q18, reaching 17.0%[1]**

- **In the mobile phone market, the highly competitive environment continues,** with sales concentrated on the three largest manufacturers

- **Net Income of R$2.0 million in 1Q18**, reverting the loss recorded in the previous year

- **Market entry of accessories for electronics and audio devices, in partnership with Anker,** a brand with strong presence in the USA, Japan and Europe and recognized by the high quality of its products

- **Sponsorship agreement with the Corinthians soccer teams for the 2018 season**

[1] Source: IDC

## 1) FINANCIAL HIGHLIGHTS

| Income Statement Highlights (R$ million) | 1Q17 | 4Q17 | 1Q18 | % Chg. 1Q18 x 1Q17 | % Chg. 1Q18 x 4Q17 |
|---|---|---|---|---|---|
| Net Revenue | 453.5 | 587.4 | 429.7 | (5.3) | (26.9) |
| EBITDA | 133.9 | 142.3 | 112.1 | (16.3) | (21.2) |
| **Adjusted EBITDA*** | **34.3** | **23.4** | **23.1** | (32.6) | (1.1) |
| Net Income (Loss) | (8.3) | (45.8) | 2.0 | (123.6) | (104.3) |
| Adjusted EBITDA Margin | 7.6% | 4.0% | 5.4% | -2.2 p.p. | +1.4 p.p. |

| **Multiple** | **1Q17** | **4Q17** | **1Q18** |
|---|---|---|---|
| Net Debt - End of the Period | 239.3 | 140.1 | 235.3 |
| Adjusted EBITDA - LTM | 148.3 | 122.9 | 111.7 |
| **Net Debt Multiple / Adjusted EBITDA** | **1.6x** | **1.1x** | **2.1x** |

* Adjusted for the cash effect of the FX hedge on inputs, the addition of 50% of EBITDA from the IFSA joint venture, and nonrecurring items in 1Q17 and 4Q17. For further details, please refer to 4.4 - EBITDA.

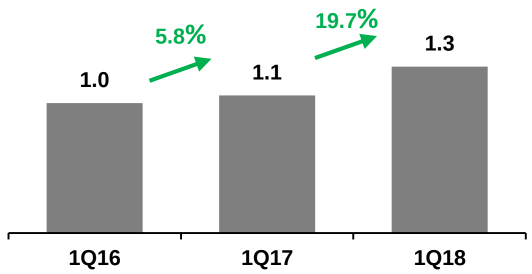
## 2) CURRENT INDUSTRY AND COMPANY SCENARIO

*PC Market*

The Brazilian PC market maintained its recovery path in 1Q18, having recorded a 19.7% growth when compared to the same period of 2017, according to IDC. The growth was originated in the retail segment, followed by improvements in consumption indicators. The Consumer Confidence Index (ICC-FGV) recorded in March its highest level in four years. This fact, combined with the reduction of the basic interest rate to the lowest level in history, stimulated the demand for durable goods.

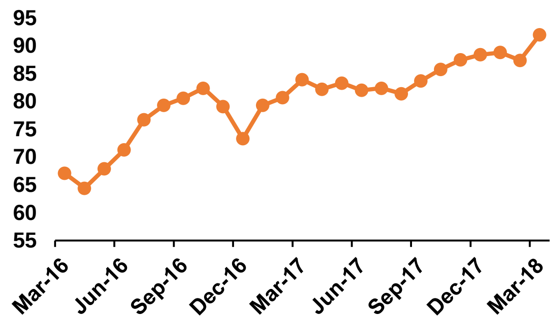
It should be remembered that the PC market is improving after the sharp drop in demand between 2014 and 2016, when this market contracted by 67.8% amid recession and sharp levels of consumption deterioration in Brazil.

**Total Market of PCs – Brazil[1]**
**(Million Units)**




[1] Source: IDC

**Consumer Confidence Index[2]**



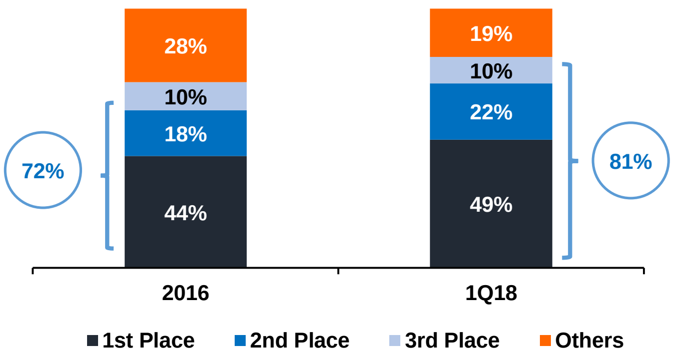

[2] Source: FGV (seasonally adjusted)

*Mobile Phone Market*

The mobile phone market contracted by 2.8% in 1Q18, influenced by the 29.3% reduction in the sale of feature phones. The smartphone category, on the other hand, showed stable volumes in the annual comparison, according to IDC.

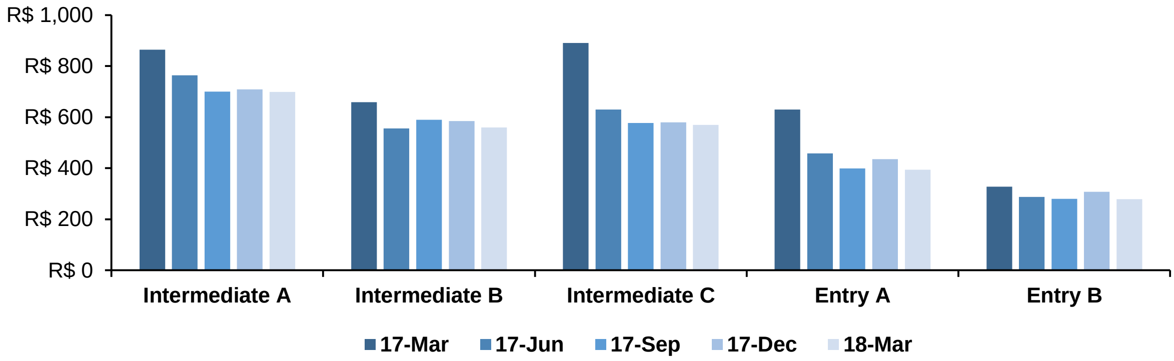
During the quarter, the strong competition between the leading brands, which started a price war in 2Q17 as an attempt to increase market shares, continued. The three main brands accounted for 81% of market volume, compared to an average of 72% in 2016. This limited the space for other competitors to only 19%, resulting in a strong drop in the sales of these brands.

***Mobile Phones - Brazil***
***Market Share – Leaders vs. Other Manufacturers***
***(Smart + Feature)[1]***




*[1] Source: IDC*

***Monthly Price Evolution[2] –***
***Top Selling Smartphones of the Top 3 Manufacturers***



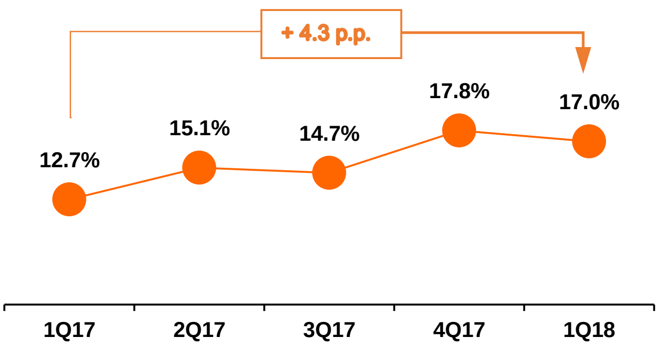

*[2] Source: Zoom.com.br*

*Company's Performance*

**Revenue**

Positivo Tecnologia's PCs sales in Brazil totaled 228,000 units in 1Q18 (+61.9%), surpassing market growth. The good volumes in 1Q18 guaranteed an increase in company's market share, which reached 17.0% (+4.3 p.p.), according to IDC.

***Positivo Market Share***
***PCs Market – Brazil – Total[1]***

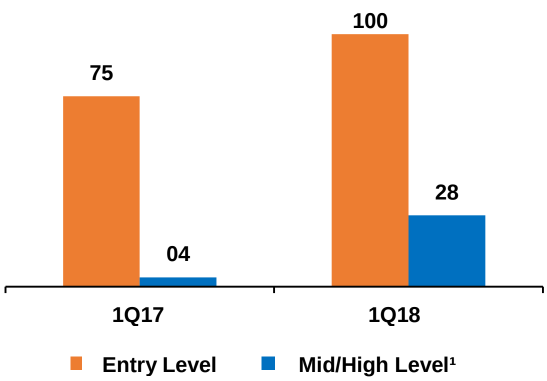



*[1] Source: IDC*

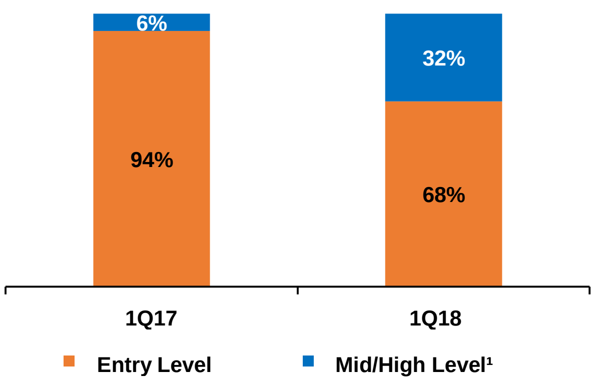
It is worth highlighting that in 1Q18, the growth of PCs sales in Brazil was significant in all of the Company's markets: retail (+57.2%), government (+77.6%) and corporate (+63.0%).

In retail, sales were boosted by the sharp increase in the volume of notebooks with higher configurations, with the Intel® Core™ processors under the Positivo and VAIO brands. This category grew 670.1% in terms of volume, accounting for one-third of the company's notebook revenue in this channel. In addition, entry-level notebooks maintained the same level of revenue rates as the end of 2017, even with the typical unfavorable seasonality at the beginning of the year.

***Retail Volume***
***Notebooks with average and higher configurations***




***Notebooks with average and higher configurations as % of revenues[2]***




*[1] Notebooks with Intel Core ® processors under the Positivo and Vaio brands.*
*[2] In relation to the total revenue of notebooks in Brazilian retail.*

The sales growth in the government segment in 1Q18 was facilitated by the lower comparison base in 1Q17, when this market was very weak. In 2018, volumes at the beginning of the year reflect a better pace of deliveries, which should last until the elections.

In the corporate segment, sales of PCs were quite expressive, having recorded the main advances among small and medium-sized companies, which are served by resellers and by our call centers.

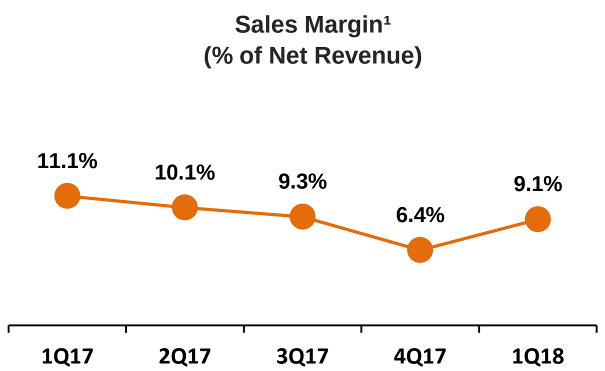
Sales of mobile phones contracted in 1Q18. When compared to the strong volume base in 1Q17, the quarter right before the beginning of the price war among leading manufacturers, the Company recorded a reduction of 42.7% in volume, totaling 281,900 units. The company did not fully follow the sharp decrease in market prices, avoiding a greater margin contraction, and thus reduced its market share.

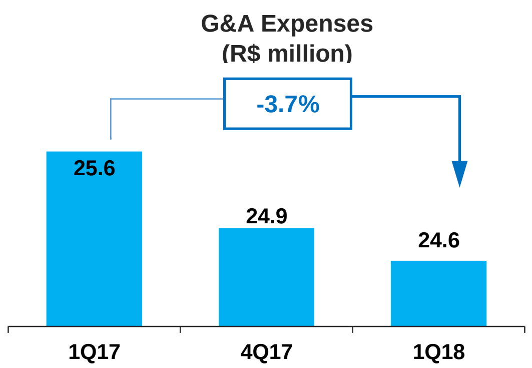
Finally, the company continued with the deliveries of signal decoders for the Digital TV project, with a total volume of 501,300 units in 1Q18. These devices were delivered to Seja Digital, who is responsible for the distribution of set-top-box decoders to the population, within the scope of the analog-to-digital migration program of the FTA TV in Brazil.

## Yield

Sales margin reached 9.1% in 1Q18, approaching its historical level. In comparison with 1Q17, the reduction was mainly due to the greater proportion of products in the retail market hat have lower margins (in percentage), in addition to discounts on mobile phone devices to face the intensified competitive environment.

The Company maintained strong control on fixed costs in 1Q18, allowing recurring G&A costs to reduce by 3.7%.




[1] Calculated from net revenue deducted from the hedge-adjusted COGS, selling expenses and depreciation.

## Debt and cash positions

Positivo Tecnologia ended the 1Q18 with a net debt of R$235.3 million, in line with the amounts in 1Q17. When compared to the figures at the end of 2017, net debt increased by R$95.2 million, due to the higher level of inventories needed for the expected sales growth in the upcoming months, especially in the government market. This increase in the operational capital occurs as expected for the first half of 2018 and was detailed in the disclosure materials for the 4Q17 results.

Additionally, at the end of 2017, the Company recorded a reduction in net debt due to the intense cash inflow from government agencies that had committed funds for payment within the 2017 fiscal year.

**Outlook**

The Company's perspectives for its main businesses are as follows:

- Computers in the Retail Market: The Company believes in the continuity of good sales performance in Brazilian retail for 2018, considering that improvement in consumption and credit indicators in the country will be maintained. It is important to point out that any mismatches between prices and exchange rates may punctually pressure sales margin, until the complete pricing update considering the new exchange rates.

- Computers in the Government Market: Considering the increased flow of bids in recent months and the Company's consistent win rate, the Company is expected to achieve a considerably higher turnover in this market in 2018. At the end of 1Q18, Positivo's portfolio of contracted projects for delivery during the year had already exceeded all revenues recognized in 2017.

- Mobile Phones: The expected sales performance in the Brazilian market for 2018 will strongly depend on the level of aggressiveness of the main manufacturers, as the company will continue to seek sustainable margins in its operation. Likewise the computers market, sales margin may be punctually pressured, until the complete pricing update considering the new exchange rates.

- Digital TV Project: The Company increased the contracted volume for 2018 after being declared the winner of the last round of purchases made by Seja Digital. The estimated revenue to be recognized between January and December 2018 increased from approximately R$70 million, as previously disclosed, to R$125 million.

- Joint Venture – Hi Technologies: Hi Technologies is in the advanced stage of discussions of fundraising options with investors, aiming to strengthen its capital structure to face the potential growth of its operation in order to generate its first significant revenues in 2018.

**Partnership with Anker: market entry of accessories for electronic and audio devices**

In yet another initiative towards the diversification of its business, Positivo Tecnologia will begin, in 2Q18, the distribution of audio products and accessories under the Anker brand in the Brazilian market. Anker is present in 70 countries and has relevant market positions in the USA, Japan and Europe, where it is the leading player in power chargers, power banks and cables, being recognized for the high quality of its products.

The Company signed an exclusive contract until 2024, with a possibility of being renewed, and also includes Anker's commitments with marketing investments required to leverage sales. The portfolio includes cables, mobile phone covers, power banks, Bluetooth headsets and wireless speakers, and sales channels include the website www.ankeroficial.com.br, market places and retail stores.

**Power Banks**

**Bluetooth Headsets**

**Loudspeakers**

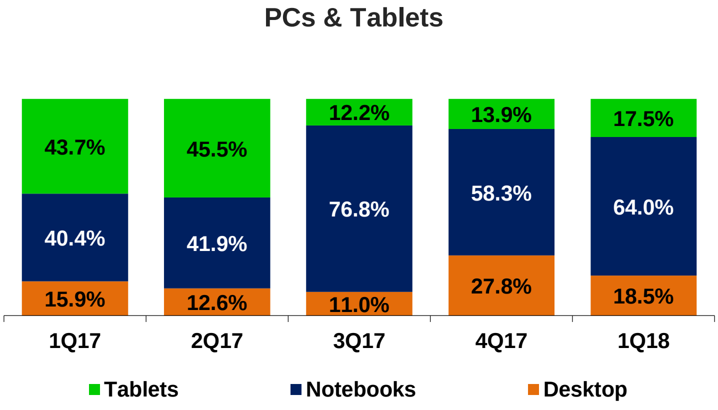

ANKER

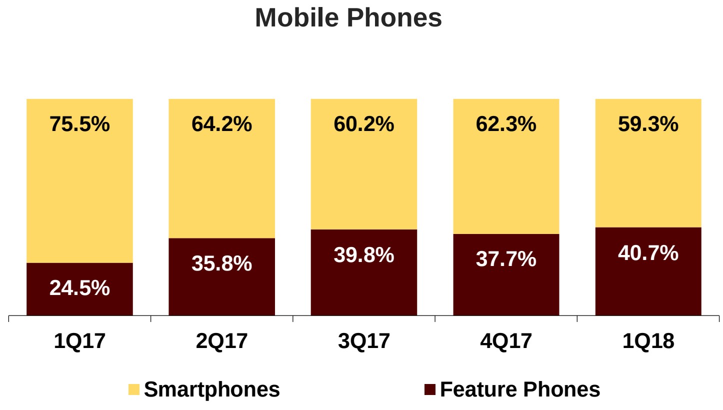
# 3) VOLUMES AND REVENUES

## 3.1) VOLUMES

| Volume Sales (units) | 1Q17 | 4Q17 | 1Q18 | % Chg. 1Q18 x 1Q17 | % Chg. 1Q18 x 4Q17 |
|---|---|---|---|---|---|
| **PCs** | **174,378** | **338,528** | **261,611** | **50.0** | **-22.7** |
| Desktops | 49,280 | 109,291 | 58,643 | 19.0 | -46.3 |
| Notebooks | 125,098 | 229,237 | 202,968 | 62.2 | -11.5 |
| **PCs - Channel** | **174,378** | **338,528** | **261,611** | **50.0** | **-22.7** |
| Retail | 110,084 | 138,562 | 157,056 | 42.7 | 13.3 |
| Government | 45,150 | 169,436 | 72,376 | 60.3 | -57.3 |
| Corporate | 19,144 | 30,530 | 32,179 | 68.1 | 5.4 |
| **PCs - Brand** | **174,378** | **338,528** | **261,611** | **50.0** | **-22.7** |
| Positivo | 140,894 | 263,905 | 228,089 | 61.9 | -13.6 |
| Positivo BGH | 33,484 | 74,623 | 33,522 | 0.1 | -55.1 |
| **Mobile Phones** | **473,291** | **378,654** | **281,915** | **-40.4** | **-25.5** |
| Smartphones | 357,534 | 235,730 | 167,128 | -53.3 | -29.1 |
| Feature Phones | 115,757 | 142,924 | 114,787 | -0.8 | -19.7 |
| **Tablets** | **135,319** | **54,773** | **55,592** | **-58.9** | **1.5** |
| Positivo | 4,470 | 2,165 | 2,817 | -37.0 | 30.1 |
| Positivo BGH | 130,849 | 52,608 | 52,775 | -59.7 | 0.3 |

**Share of Devices in Sales (units)**




## 3.2) AVERAGE PRICE

The factors impacting variation in average prices of products in Brazilian reais (1Q18 vs. 1Q17) are as follows:

Desktops: -15%, reflects higher delivery volumes of equipment with basic configurations, in addition to sales of desktops without monitors.

Notebooks: +12.7%, reflects the proportion of units with higher levels of configuration.

Tablets: -6.4%, reflects lower sale proportion of equipment with larger screens and higher configurations in the corporate market.

Mobile Phones: -23.3%, reflects the greater proportion of entry-level models and feature phones.

| Average Price Positivo[1] | 1Q17 | 4Q17 | 1Q18 | % Chg. 1Q18 x 1Q17 | % Chg. 1Q18 x 4Q17 |
|---|---|---|---|---|---|
| **Dollar Avg for the Period²** | **3.14** | **3.25** | **3.24** | | |
| **Desktops** | | | | | |
| In R$ | 2,857.2 | 2,683.6 | 2,428.6 | -15.0 | -9.5 |
| In US$ | 909.1 | 825.6 | 748.9 | -17.6 | -9.3 |
| **Notebooks** | | | | | |
| In R$ | 1,162.2 | 1,143.1 | 1,309.9 | 12.7 | 14.6 |
| In US$ | 369.8 | 351.6 | 403.9 | 9.2 | 14.9 |
| **Tablets** | | | | | |
| In R$ | 855.8 | 604.7 | 801.0 | -6.4 | 32.5 |
| In US$ | 272.3 | 186.0 | 247.0 | -9.3 | 32.8 |
| **Mobile Phones** | | | | | |
| In R$ | 355.4 | 319.6 | 272.5 | -23.3 | -14.7 |
| In US$ | 113.1 | 98.3 | 84.0 | -25.7 | -14.5 |

¹ Taking into account only products sold in the Brazilian market.
² Company calculation, weighted by monthly sales to decrease seasonal distortions, based on the Brazilian Central Bank's PTAX Sale rate.

### 3.3) GROSS REVENUE

| Gross Revenue (R$ million) | 1Q17 | 4Q17 | 1Q18 | % Chg. 1Q18 x 1Q17 | % Chg. 1Q18 x 4Q17 |
|---|---|---|---|---|---|
| **Total Gross Revenue** | **513.5** | **653.9** | **499.7** | **-2.7** | **-23.6** |
| **Devices by product** | **507.5** | **648.9** | **494.4** | **-2.6** | **-23.8** |
| Desktops | 132.4 | 291.7 | 129.0 | -2.6 | -55.8 |
| Notebooks | 109.9 | 177.4 | 229.2 | 108.6 | 29.2 |
| Mobile Phones | 169.8 | 121.0 | 76.8 | -54.8 | -36.5 |
| Tablets | 3.8 | 1.3 | 2.3 | -41.0 | 72.4 |
| Others | 91.6 | 57.5 | 57.1 | -37.7 | -0.7 |
| **Devices by channel** | **507.5** | **648.9** | **494.4** | **-2.6** | **-23.8** |
| Retail | 273.2 | 253.3 | 240.0 | -12.2 | -5.3 |
| Government | 101.3 | 278.4 | 142.7 | 40.9 | -48.7 |
| Corporate | 133.1 | 117.3 | 111.7 | -16.1 | -4.7 |
| **Educational Technology** | **6.0** | **5.0** | **5.3** | **-10.8** | **7.1** |

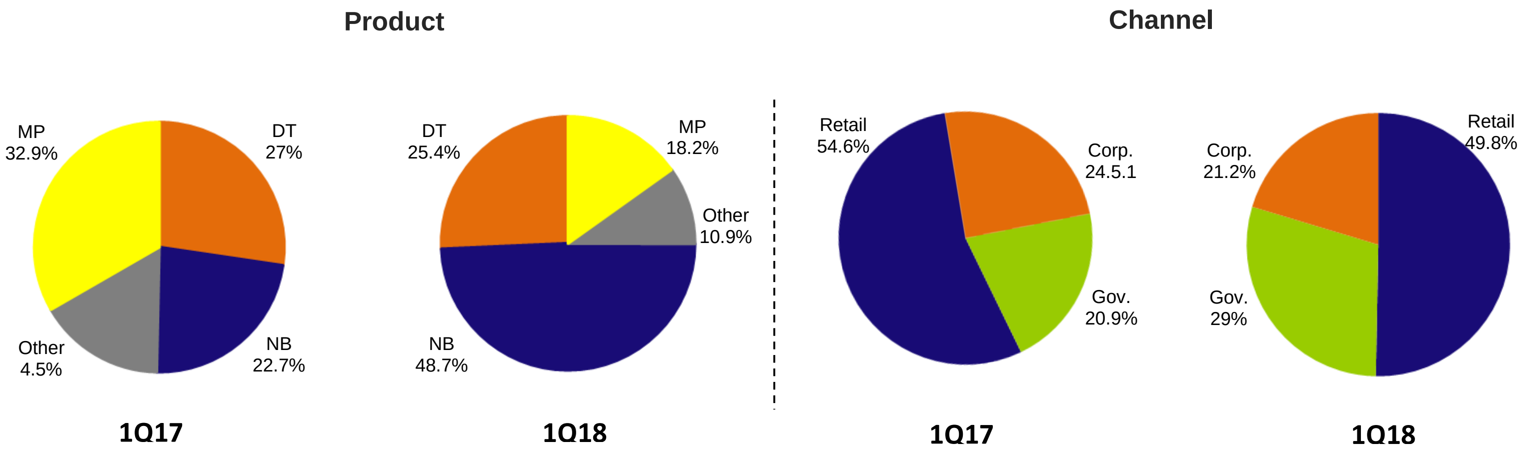
### 3.4) DEDUCTIONS FROM GROSS REVENUE

Deductions from gross revenue, comprising taxes and returns, totaled R$70.3 million in 1Q18 and accounted for 14% of sales, in line with the amounts recorded in 1Q17.

### 3.5) NET REVENUE

| Net Revenue (R$ million) | 1Q17 | 4Q17 | 1Q18 | %Chg. 1Q18 x 1Q17 | %Chg. 1Q18 x 4Q17 |
|---|---|---|---|---|---|
| **Total Net Revenue** | **453.5** | **587.4** | **429.7** | **-5.3** | **-26.9** |
| **Devices by product** | **448.1** | **582.7** | **424.9** | **-5.2** | **-27.1** |
| Desktops | 122.5 | 265.8 | 109.1 | -10.9 | -58.9 |
| Notebooks | 103.0 | 163.7 | 209.0 | 102.9 | 27.7 |
| Mobile Phones | 149.3 | 105.8 | 64.3 | -56.9 | -39.3 |
| Tablets | 3.8 | 1.2 | 2.0 | -46.0 | 67.1 |
| Others | 69.5 | 46.1 | 40.4 | -41.9 | -12.5 |
| **Devices by channel** | **448.1** | **582.7** | **424.9** | **-5.2** | **-27.1** |
| Retail | 244.7 | 221.7 | 211.4 | -13.6 | -4.7 |
| Government | 93.9 | 255.0 | 123.3 | 31.4 | -51.6 |
| Corporate | 109.6 | 106.0 | 90.2 | -17.7 | -14.9 |
| **Educational Technology** | **5.4** | **4.7** | **4.8** | **-11.0** | **2.2** |

**Breakdown of Net Revenue – Devices**




NB: Notebooks
DT: Desktops
MP: Mobile Phones

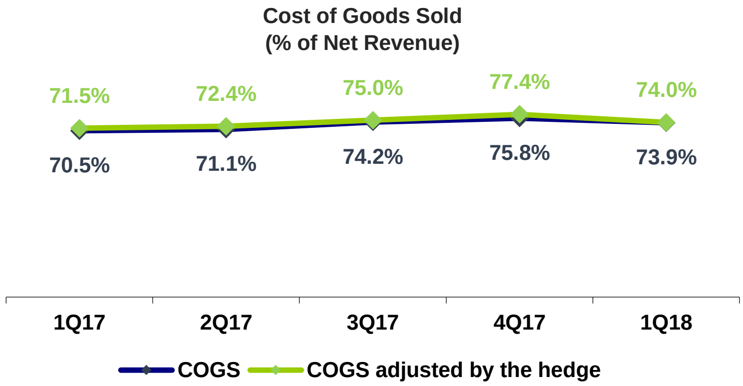
Corp : Corporate
Gov.: Government

# 4) FINANCIAL PERFORMANCE

## 4.1) COST OF GOODS SOLD (COGS) AND GROSS PROFIT

| Cost of Goods Sold (R$ million) | 1Q17 | 4Q17 | 1Q18 | % Chg. 1Q18 x 1Q17 | % Chg. 1Q18 x 4Q17 |
|---|---|---|---|---|---|
| Raw materials and consumables used | (302.6) | (443.8) | (298.8) | -1.3 | -32.7 |
| Depreciation and Amortization | (3.0) | (1.8) | (1.6) | -45.5 | -7.8 |
| Others | (14.0) | (21.1) | (17.1) | 21.8 | -19.0 |
| **Total** | **(319.6)** | **(466.7)** | **(317.5)** | **-0.7** | **-32.0** |
| **Conciliation - adjusted COGS** | | | | | |
| (+) Cash Effect of raw material hedging* | (4.9) | (9.4) | (0.5) | -89.9 | -94.8 |
| **Total adjusted** | **(324.5)** | **(476.1)** | **(318.0)** | **-2.0** | **-33.2** |

* Refers to amounts received (or paid) by the Company in FX hedge instruments contracted to cover the dollarized inputs. These amounts are net of the exchange rate variation on US dollar invoices.




In 1Q18, Hedge-adjusted COGS accounted for 74% of consolidated net revenue, an increase of 2.5 p.p. versus 1Q17.

*Inputs*

Hedge-adjusted raw materials and inputs accounted for 69.7% of net revenue in 1Q18, a 1.9 p.p. increase when compared to 1Q17. This increase was due to the higher costs in US dollar of the memories in the period without full pass-through to prices, in addition to discounts in mobile phone prices to face the competitive environment.

When compared to 4Q17, this account fell by 3.8pp, basically due to lower revenues from the Digital TV project, which has a higher proportion of inputs in its cost structure.

The Company believes that the analysis of this line adjusted for the hedge and the exchange variation is the best way to understand the dynamics of the margins, given that pricing is established considering the contracted-hedge positions, which are required by internal policies.

*Other Costs*

Other costs accounted for 4.3% of net revenue in 1Q18, up by 0.5 p.p. when compared to 1Q17 due to the slight reduction in revenue between the periods, which provides less dilution of fixed costs.

### Gross Profit

Adjusted gross profit reached R$112.1 million in 1Q18, accompanied by a gross margin of 26.1% (-3.4 p.p.). With the data adjusted for the hedge and the exchange variation, gross margin stood at 25.6% in 1Q18 (-2.8 p.p.).

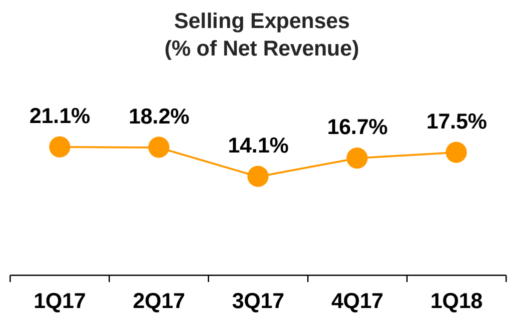
### 4.2) OPERATING EXPENSES

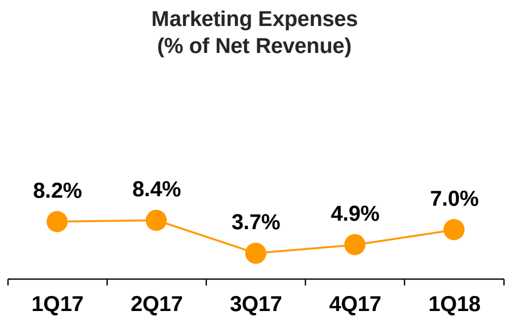
| Operating Expenses (R$ million) | 1Q17 | 4Q17 | 1Q18 | %Chg. 1Q18 x 1Q17 | %Chg. 1Q18 x 4Q17 |
|---|---|---|---|---|---|
| Selling Expenses | (82.9) | (98.9) | (75.1) | -9.4 | -24.1 |
| General and Administrative Expenses | (25.6) | (24.9) | (24.2) | -5.5 | -2.8 |
| Financial Result | (31.2) | (16.5) | (7.5) | -76.0 | -54.7 |
| Other Revenue (Expenses) | 0.3 | 1.4 | 0.0 | -98.9 | -99.7 |
| **Total** | **(139.3)** | **(138.9)** | **(106.7)** | **-23.4** | **-23.2** |

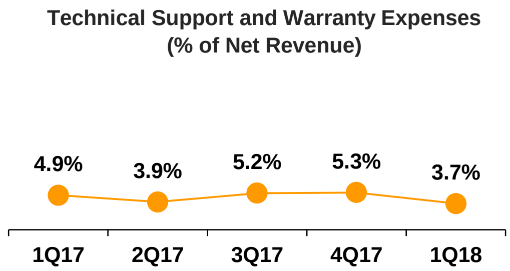
### Selling Expenses

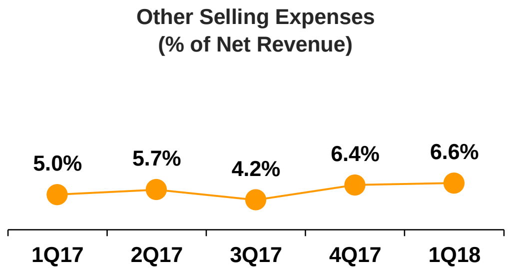
Selling expenses totaled R$75.1 million in 1Q18, corresponding to 17.5% of net revenue, lower by 3.7 p.p. versus 1Q17. This variation was caused by reductions in marketing and technical support and warranty expenses as well as the representativeness of selling expenses in relation to net revenue, which remained stable during the periods.

| Selling Expenses (R$ million) | 1Q17 | 4Q17 | 1Q18 | %Chg. 1Q18 x 1Q17 | %Chg. 1Q18 x 4Q17 |
|---|---|---|---|---|---|
| Marketing | (37.1) | (28.6) | (30.1) | -18.8 | 5.3 |
| Tech. Assistance and Warranties | (22.3) | (31.1) | (15.9) | -28.4 | -48.7 |
| Deprec. and Amortization | (0.9) | (0.9) | (0.6) | -32.1 | -29.2 |
| Others | (22.6) | (38.4) | (28.4) | 25.7 | -25.9 |
| **Total** | **(82.9)** | **(98.9)** | **(75.1)** | **-9.4** | **-24.1** |
| **% of Net Revenue** | **21.1** | **16.7** | **17.5** | **-3,7 p.p.** | **+0.8 p.p.** |



*Marketing*

Marketing expenses totaled R$30.1 million in 1Q18, corresponding to 7% of net revenues, a 1.9 p.p. reduction which reflects the lower rebate volumes versus 1Q17, when a campaign was carried out to stimulate product turnover at points of sales.

In 1Q18, Positivo Tecnologia became a sponsor of the Corinthians football teams for the 2018 season. The team has about 30 million fans, representing one of the largest fan base in the world. The company expects its media exposure to increase significantly, contributing to a greater customer audience that will consider the Positivo brand when purchasing computers, tablets and mobile phones.

*Technical Support and Warranty*

Technical support and warranty expenses totaled R$15.9 million in 1Q18 and corresponded to 3.7% of net revenue, a 1.2 p.p. reduction when compared to 1Q17, reflecting the lower service costs for equipment installment during the period and a lower fail rate of the decoders for the Digital TV project.

**G&A Expenses**

In 1Q18, general and administrative expenses totaled R$24.2 million, a 5.5% reduction when compared to 1Q17. Excluding expenses with depreciation and amortization, mandatory Research & Development (R&D) expenses and extraordinary items, G&A expenses totaled R$10.4 million for the period, a 1.9% drop in the annual comparison.

| G&A Expenses (R$ million) | 1Q17 | 4Q17 | 1Q18 | % Chg. 1Q18 x 1Q17 | % Chg. 1Q18 x 4Q17 |
|---|---|---|---|---|---|
| Personnel and Management Compensation | (8.5) | (9.6) | (9.5) | 11.9 | -0.3 |
| Others | (2.1) | (1.6) | (0.8) | -59.4 | -46.2 |
| **Subtotal - before non-recurring items, R&D expenses, depreciation and aoortization** | **(10.6)** | **(11.1)** | **(10.4)** | **-1.9** | **-6.7** |
| (+) Deprec. and amortization | (3.7) | (6.2) | (5.6) | 53.3 | -9.4 |
| (+) Research and Development - R&D | (8.2) | (7.1) | (6.9) | -16.6 | -3.8 |
| (+) Non-recurring items | (3.1) | (0.4) | (1.3) | -57.5 | 214.8 |
| **Total** | **(25.6)** | **(24.9)** | **(24.2)** | **-5.5** | **-2.8** |

**Financial Result**

The financial result in 1Q18 came in as negative R$7.5 million, an improvement of 76% versus 1Q17, mainly due to lower losses with foreign exchange variations and lower debt costs.

The exchange rate account is represented by the sum of (i) the R$9.1 million gain from hedge instruments; and (ii) the R$9.7 million loss from the effect of the exchange rate fluctuation on outstanding liabilities in foreign currency.

The cost of debt was favored by a lower cash-carrying cost, reflected by the reduction in gross debt between 1Q17 and 1Q18, as well as by the trajectory of falling interest rates in Brazil, since most of the Company's debt is composed of post-fixed interest rates.

| Financial Result (R$ million) | 1Q17 | 4Q17 | 1Q18 | %Chg. 1Q18 x 1Q17 | %Chg. 1Q18 x 4Q17 |
|---|---|---|---|---|---|
| Cash effect of raw material hedging | (4.9) | (9.4) | (0.5) | -89.9 | -94.8 |
| Mark to market and other non-cash items | (8.7) | 7.6 | 0.7 | -108.1 | -90.7 |
| Subtotal - Exchange rate (a) | (13.6) | **(1.7)** | **0.2** | **-101.6** | **-112.5** |
| Financial Revenue | 18.4 | 13.4 | 14.3 | -22.3 | 6.3 |
| Financial Expenses | (36.0) | (28.2) | (22.0) | -39.0 | -22.0 |
| **Subtotal - Cost of debt and others (b)** | **(17.6)** | **(14.8)** | **(7.7)** | **-56.4** | **-47.9** |
| **Total (a + b)** | **(31.2)** | **(16.5)** | **(7.5)** | **-76.0** | **-54.7** |

## 4.3) NET INCOME (LOSS)

A net income of R$2.0 million was recorded in 1Q18, reversing the net loss of R$8.3 million recorded in 1Q17.

### 4.4) EBITDA

In 1Q18, Adjusted EBITDA totaled R$23.1 million, 20.1% lower when compared to 1Q17, with a margin of 4.8% (-2.5 p.p). As previously mentioned, the reduction resulted from the increase in prices of some inputs in the international market, as well as the unfavorable competitive scenario in the mobile phone market.

| EBITDA (R$ million) | 1Q17 | 4Q17 | 1Q18 | % Chg. 1Q18 x 1Q17 | % Chg. 1Q18 x 4Q17 |
|---|---|---|---|---|---|
| Net Income (Loss) | (8.3) | (45.8) | 2.0 | -123.8 | -2,434.4 |
| Deprec. and Amortization | (7.7) | (8.9) | (7.9) | 3.5 | 12.5 |
| Financial Result | (31.2) | (16.5) | (7.5) | -76.0 | 120.7 |
| Equity Income | (2.9) | (5.6) | (3.4) | 18.1 | 63.7 |
| IR e Social Contribution | 0.0 | (3.2) | 0.0 | N/A | N/A |
| **EBITDA** | 33.5 | (11.6) | 20.8 | -37.9 | -155.5 |
| **Conciliation of Ajusted EBITDA** | | | | | |
| (1) Provision of obsolet inventories | 0.0 | 20.8 | 0.0 | N/A | -100.0 |
| (2) Tax payments | 0.0 | 19.6 | 0.0 | N/A | -100.0 |
| (3) Factoring migration to Manaus | 0.0 | 0.8 | 0.0 | N/A | -100.0 |
| (4) Cash effect of raw material hedging | (4.9) | (9.4) | (0.5) | -89.9 | -94.8 |
| (5) EBITDA joint venture Positivo BGH | 0.3 | 3.0 | 2.8 | 705.6 | -6.7 |
| (6) Costs - plant closure in Argentina | 5.4 | 0.0 | 0.0 | N/A | N/A |
| **Adjusted EBITDA** | **34.4** | **23.3** | **23.1** | **-32.8** | **-0.7** |
| **Adjusted EBITDA margin (%)** | **7.4** | **4.0** | **4.8** | **-2.5 p.p.** | **+0.9 p.p.** |

| **Multiple** | | | |
|---|---|---|---|
| Net Debt - end of the period | 239.3 | 140.1 | 235.3 |
| Adjusted EBITDA - LTM | 148.3 | 122.9 | 111.7 |
| **Net Debt Multiple / Adjusted EBITDA** | **1.6x** | **1.1x** | **2.1x** |

The items used in the calculation of Adjusted EBITDA are presented as follows:

1) 4Q17 - Provision for obsolete inventory: primarily linked to a batch of educational laptops customized for a government project. This provision was necessary due to the non-authorization for delivery of the products by the client, breaching the sales contract, in light of financial difficulties faced by this client with its State Department. The company believes that the likelihood of realizing these assets at cost value is low, considering the high level of customization of the batch, which was created with specific screens and images, as well as asset labels for the client

2) 4Q17 - Fiscal Installment Program: recognized in the Other Net Operating Expenses (R$19.6 million) and Income Tax and Social Contribution (R$3.2 million) accounts, related to the Company's adhesion to tax installment programs, mainly the PERT/REFIS. The installment payment under REFIS refers mainly to charges with the INSS and to CIDE's impact on the payment of royalties abroad.

3) 4Q17 - Production Migration to Manaus: the Cost of Goods Sold (COGS) account was affected by the termination, union agreements and production ramp costs in connection with the migration of production of motherboards and batteries from Curitiba to Manaus, in the amount of R$2.9 million

4) Cash input hedge effect: corresponds to the amounts received (or paid) by the Company in exchange hedge instruments contracted to cover inputs in US dollars. These amounts are net of the exchange variation on US dollar. Since they are fully linked to inputs, the Company considers this as an operational result.

5) Positivo BGH Joint Venture EBITDA: refers to half of the EBITDA of Positivo BGH's joint venture operations in Argentina, Rwanda and Kenya, where the Company's stake in these companies totals 50%. We have disclosed this adjustment since 1Q13 due to the introduction of accounting regulations that started to treat joint ventures by the equity method, which is excluded from the traditional calculation of EBITDA.

6) 1Q17 - Costs related to the closure of a plant in Argentina: The equity income resulting from the Positivo BGH joint venture was impacted by non-recurring costs, due to the shutdown of one of its industrial plants in Argentina. These costs affected the result absorbed by the company in a total of R$5.4 million.

## 5) WORKING CAPITAL

Financial working capital, comprising inventory, accounts receivable and suppliers, totaled R$398.1 million in 1Q18, an increase of R$54.2 million versus the amount at the end of 2017.

Working capital growth was influenced by the higher inventory levels, which were purchased to meet the higher expected revenues for the upcoming months, especially in the government market.

| Working Capital WITH Materials in Transit (R$ Million - end of period) | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | Média |
|---|---|---|---|---|---|---|
| Accounts Receivable | 350.9 | 384.0 | 329.9 | 276.5 | 247.5 | 355 |
| Inventories + Advances | 440.2 | 545.2 | 550.2 | 553.6 | 656.5 | 512 |
| Suppliers | (283.4) | (444.5) | (401.3) | (486.1) | (505.9) | (376) |
| **Working Capital** | **507.7** | **484.7** | **478.7** | **343.9** | **398.1** | **490** |

| Working Capital WITHOUT Materials in Transit (in days – end of period) | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | Média |
|---|---|---|---|---|---|---|
| Accounts Receivable(1) | 69 | 82 | 69 | 52 | 52 | 73 |
| Inventories + Advances(2) | 99 | 124 | 132 | 113 | 133 | 118 |
| Suppliers(2) | (64) | (107) | (104) | (108) | (111) | (92) |
| **Cash Conversion Cycle** | **104** | **99** | **97** | **57** | **74** | **100** |

(1) In days of net revenue.
(2) In days of COGS.

## 6) CASH FLOW AND NET DEBT

In 1Q18, operating cash generation came in negative by R$90.2 million, mainly impacted by the increase by higher working capital in the period, related to the expected growth in revenues in the upcoming months.

| Cash Flow (R$ million) | 1Q17 | 4Q17 | 1Q18 |
|---|---|---|---|
| Net Income (Loss) in the Period | (2.9) | (1.3) | 2.0 |
| (+) Depreciation and amortization | 7.7 | 8.9 | 7.9 |
| (+) Equity Income | 2.9 | 5.6 | 3.4 |
| **Internal Cash Flow** | **7.6** | **13.2** | **13.3** |
| (+) Working capital | (56.1) | 110.6 | (74.5) |
| (+) Other assets and liabilities | 33.4 | (5.0) | (29.0) |
| **Operating Cash Flow** | **(15.0)** | **118.9** | **(90.2)** |
| (+) Investments | (5.1) | (13.9) | (5.2) |
| (+) Dividends | 0.0 | 0.0 | 0.0 |
| (+) Treasury shares | 1.0 | 0.6 | 0.2 |
| **Increase (Decrease) in Net Debt** | **19.2** | **(105.6)** | **95.2** |
| Net Debt (Cash) - Beginning of the Period | 220.2 | 245.6 | 140.1 |
| Net Debt (Cash) - End of the Period | 239.4 | 140.1 | 235.3 |

## 7) INVESTMENTS

Investments totaled R$6.9 million in 1Q18, mostly related to R&D activities. There were no significant investments in fixed assets in the period.

## 8) CAPITAL MARKETS

### Share Performance

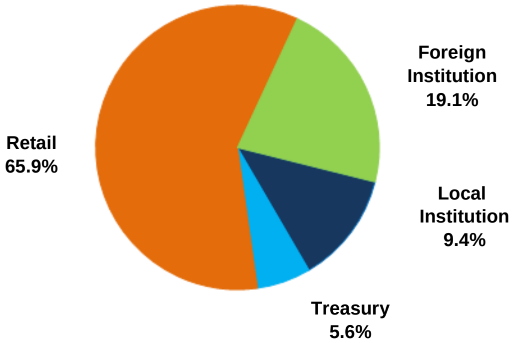
Positivo Tecnologia's shares closed 1Q18 at R$3.50, equivalent to a market cap of R$307.3 million. POSI3's performance in 1Q18 is presented in the following table.

| Parameters | 1Q18 |
|---|---|
| Closing Price (R$) | 3.50 |
| Minimum Price (R$) | 3.44 |
| Maximum Price (R$) | 3.55 |
| POSI3 Appreciation | 12.5% |
| Ibovespa Appreciation | 1.4% |

## Allocation of Outstanding Shares

On March 31, 2018, the Company had 7.4 thousand individuals in its shareholder base, holding 65.9% of the shares in free-float. Institutional investors held 28.5% of the free-float, as presented below:

**Free-Float Allocation**




**March 31, 2018**

**IR Contact**

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**1Q18 Conference Call**
Monday, May 14, 2018

**> Portuguese**
10:30 a.m. (Brasília)
11:30 a.m. (US EST)
Calls originating in Brazil: (11) 2188-0155
Calls originating abroad: +55 (11) 2188-0155
Code: Positivo

**> English**
11:30 a.m. (Brasília)
12:30 p.m. (US EST)
Calls originating in the United States: 1 (844) 854-4414
Calls originating in the other countries: 1 (412) 317-5484
Code: Positivo

**About Positivo Tecnologia:**

*Founded in 1989, Positivo Tecnologia (BM&FBOVESPA: POSI3) is present both in Brazil and abroad, and offers the most advanced technology solutions, from the production of computers to the development of educational tools. The Company operates through two business divisions: Hardware and Educational Technology. The Hardware division portfolio offers a complete line of personal computers (desktops and notebooks), tablets and mobile phones. In order to provide support for all of its activities, it maintains a technical support network covering every Brazilian city, as well as the CRP (Positivo Relationship Center). In the Educational Technology segment, Positivo Tecnologia is renowned for being at the forefront of development and for the high quality of its technological solutions in the three segments in which it operates: Private Education, Public Education, and Retail. Positivo Tecnologia's educational solutions are present in more than 14,000 schools and are exported to more than 40 countries. Positivo Tecnologia on the Internet: www.positivotecnologia.com.br/ir.*

| INCOME STATEMENT | | | | | |
|---|---|---|---|---|---|
| (R$ million) | 1Q17 | 4Q17 | 1Q18 | % Chg. 1Q18x1Q17 | % Chg. 1Q18x4Q17 |
| **GROSS REVENUE** | | | | | |
| Sales of products | 506,800 | 636,763 | 492,225 | -2.9 | -22.7 |
| Services | 6,708 | 17,112 | 7,471 | 11.4 | -56.3 |
| | **513,508** | **653,875** | **499,696** | **-2.7** | **-23.6** |
| **SALES DEDUCTIONS** | | | | | |
| Returns and Trade Discounts | (15,668) | (22,385) | (25,244) | 61.1 | 12.8 |
| Taxes and Contributions | (44,332) | (44,042) | (44,793) | 1.0 | 1.7 |
| | (60,000) | (66,427) | (70,037) | **16.7** | **5.4** |
| **NET SALES REVENUE** | **453,508** | **587,448** | **429,659** | **-5.3** | **-26.9** |
| **COST OF GOODS SOLD AND SERVICES RENDERED** | **(319,600)** | **(466,780)** | **(317,518)** | **-0.7** | **-32.0** |
| **GROSS PROFIT** | **133,908** | **120,668** | **112,141** | **-16.3** | **-7.1** |
| **OPERATING (EXPENSE) INCOME** | | | | | |
| Selling Expenses | (82,913) | (98,090) | (75,104) | -9.4 | -23.4 |
| General and Administrative Expenses | (25,571) | (24,704) | (24,168) | -5.5 | -2.2 |
| Financial Income | 18,401 | 13,447 | 14,299 | -22.3 | 6.3 |
| Financial Expenses | (36,044) | (28,215) | (21,990) | -39.0 | -22.1 |
| Monetary and Foreign Exchange Variations | (13,558) | (1,729) | 217 | 101.6 | 112.6 |
| Other net operating income (expenses) | 348 | (18,297) | 4 | -98.9 | -100.0 |
| | **(139,337)** | **(157,588)** | **(106,742)** | **-23.4** | **-32.3** |
| **EQUITY INCOME** | (2,919) | (5,625) | **(3,437)** | **17.7** | **-38.9** |
| **OPERATING INCOME** | **(8,348)** | **(42,545)** | **1,962** | **123.5** | **-104.6** |
| **NET INCOME BEFORE TAXES** | **(8,348)** | **(42,545)** | **1,962** | **123.5** | **-104.6** |
| Provision for Income Taxes | 0 | 0 | 0 | 0.0 | 0.0 |
| Provision for Social Contribution | 0 | 0 | 0 | 0.0 | 0.0 |
| Deferred Income Taxes and Social Contribution | 0 | (3,224) | 0 | 0.0 | 0.0 |
| **NET INCOME (LOSS)** | **(8,348)** | **(45,769)** | **1,962** | **123.5** | **-104.3** |

## BALANCE SHEET
(R$ thousand)

| ASSETS | 03/31/2018 | 12/31/2017 | 03/31/2017 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and Cash Equivalents | 286,764 | 387,826 | 365,187 |
| Receivables | 247,409 | 276,246 | 345,312 |
| Inventories | 592,827 | 506,539 | 406,566 |
| Recoverable taxes | 153,949 | 142,158 | 96,576 |
| Advances | 63,623 | 53,944 | 33,602 |
| Financial Instrument Balance | - | - | - |
| Related parties | 9,899 | 8,484 | 150 |
| Other Credits | 12,505 | 12,383 | 11,666 |
| | 35,461 | 23,752 | 25,791 |
| **Total Current Assets** | **1,402,437** | **1,411,332** | **1,284,850** |
| **NON CURRENT ASSETS** | | | |
| **Long term Assets** | **149,633** | **149,661** | **221,583** |
| Recoverable taxes | 75,575 | 75,586 | 130,233 |
| Deferred Taxes | 66,731 | 66,731 | 70,247 |
| Receivables | 121 | 262 | 5,585 |
| Other Credits | 7,206 | 7,082 | 15,518 |
| Investments - Joint Venture | - | - | - |
| Net Property, Plant & Equipment | 48,981 | 53,604 | 61,378 |
| Net Intangible Assets | 55,585 | 57,092 | 50,074 |
| | 61,322 | 62,170 | 57,639 |
| **Total Noncurrent Liabilities** | **315,521** | **322,527** | **390,674** |
| **TOTAL ASSETS** | **1,717,958** | **1,733,859** | **1,675,524** |

| LIABILITIES | 03/31/2018 | 12/31/2017 | 03/31/2017 |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Loans and Financing | 438,566 | 439,705 | 453,258 |
| Suppliers | 505,877 | 486,141 | 283,366 |
| Accrued Payroll | 22,520 | 20,122 | 25,407 |
| Provisions | 74,807 | 91,423 | 93,114 |
| Taxes Payables | 18,819 | 35,970 | 27,920 |
| Dividends Payable | 3 | 3 | 2,212 |
| Deferred Revenue | 10,115 | 10,115 | 9,806 |
| Financial Instrument Balance | - | - | 43,795 |
| Related parties | 1,750 | 3,814 | 16,961 |
| Other Payables | 3,662 | 5,096 | 4,043 |
| **Total Current Liabilities** | **1,076,119** | **1,092,389** | **959,882** |
| **NON CURRENT LIABILITIES** | | | |
| **Long term Liabilities** | **133,892** | **135,095** | **165,302** |
| Loans and Financing | 87,570 | 91,602 | 117,564 |
| Provisions | 11,173 | 7,609 | 9,609 |
| Provisions for Contingencies | 32,702 | 33,092 | 34,724 |
| Net capital deficiency in subsidiaries | - | - | - |
| Other Payables | 459 | 459 | 458 |
| | 1,988 | 2,333 | 2,947 |
| **Total Noncurrent Liabilities** | **133,892** | **135,095** | **165,302** |
| **SHAREHOLDERS´ EQUITY** | | | |
| Capital | 389,000 | 389,000 | 389,000 |
| Capital Reserve | 118,605 | 118,512 | 118,575 |
| Income Reserve | 67,267 | 67,069 | 107,331 |
| Treasury Shares | - 21,127 | (23,109) | (24,823) |
| Cumulative translation adjustment | - 45,798 | (45,097) | (39,743) |
| **Total Shareholders' Equity** | **507,947** | **506,375** | **550,340** |
| **TOTAL LIABILITIES** | **1,717,958** | **1,733,859** | **1,675,524** |