Press Release **1Q20**

PortobelloGrupo

PBG S.A.

PRESS RELEASE 1Q20

M 25, 2020

Stock Price (03/31/2020)

PTBL3 – R$ 2.23 | share

Market Value (03/31/2020)

R$ 353 Milions

U$$ 68 Milions

Quantity of shares (03/31/2020)

Common: 158,488,517

Free Float = 46%

Investor Relations

Ronei Gomes
VP of Finance and Investor Relations

Gladimir Brzezinski
Controller and Investor Relations Manager

dri@portobello.com.br

http://ri.portobello.com.br/

PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 30, 2020
In thousands of Brazilian reais - R$, unless otherwise stated.

Company information / Breakdown of Capital

Quantity of shares (Thousand)	Last fiscal year 03/30/2020
Paid-in capital	
Common	**158,485**
Preferred	0
Total	**158,485**
Treasury	
Common	0
Preferred	0
Total	0

Company Data / Cash Profits

Event	Approval	Profits	Start Payment	Type of Share	Class of Share	Profits per Share (Brazilian real / Share)
Extraordinary General Meeting	04/28/2020	Dividends	12/31/2021	Ordinary		0,03979

In thousands of Brazilian reais, unless otherwise started.

Individual financial statements / Balance sheet - Assets

Account Code	Account Description	Current Period 03/31/2020	Previous Year 12/31/2019
1	Total Assets	2.045.218	1.828.301
1.01	Curent Assets	896.657	812.427
1.01.01	Cash and Cash Equivalents	289.686	249.448
1.01.03	Accounts Receivable	218.585	222.856
1.01.03.01	Trade Receivables	218.585	222.856
1.01.04	Inventory	264.462	228.170
1.01.06	Recoverable Taxes	48.890	50.528
1.01.06.01	Current Taxes Recoverable	48.890	50.528
1.01.06.01.01	Income and Social Contribution Tax	427	427
1.01.06.01.02	Other Current Taxes Recoverable	48.463	50.101
1.01.07	Prepaid Expenses	11.178	2.722
1.01.08	Others Current Assets	63.856	58.703
1.01.08.03	Others	63.856	58.703
1.01.08.03.01	Dividends Receivable	31.832	37.237
1.01.08.03.03	Advance to Suppliers	19.198	9.594
1.01.08.03.04	Others	12.826	11.872
1.02	Non-Current Assets	1.148.561	1.015.874
1.02.01	Long-Term Assets	608.169	502.715
1.02.01.07	Deferred Taxes	24.388	21.839
1.02.01.07.01	Deferred Income and Social Contribution Taxes	24.388	21.839
1.02.01.09	Related Party Credits	226.245	196.357
1.02.01.09.02	Subsidiaries Credits	124.813	95.422
1.02.01.09.04	Other Related Party Credits	101.432	100.935
1.02.01.10	Other Non-Current Assets	357.536	284.519
1.02.01.10.03	Judicial Deposits	157.846	152.477
1.02.01.10.04	Receivables - Eletrobras	12.821	12.821
1.02.01.10.05	Recoverable Taxes	55.646	56.664
1.02.01.10.06	Tax Asset	105.305	37.865
1.02.01.10.07	Actuarial Asset	6.338	6.338
1.02.01.10.08	Interest Earning Bank Deposits	7.599	7.552
1.02.01.10.10	Other	11.981	10.802
1.02.02	Investiments	38.863	21.294
1.02.02.01	Ownership Interest	38.863	21.294
1.02.02.01.02	Interest in Subsidiaries	38.515	20.949
1.02.02.01.04	Other Ownership Interest	348	345
1.02.03	Property, Plant and Equipment	491.748	482.996
1.02.03.01	Operating Property, Plant and Equipment	479.570	470.080
1.02.03.02	Right-of-use Asset	12.178	12.916
1.02.04	Intangible Assets	9.781	8.869

In thousands of Brazilian reais, unless otherwise started.

Individual financial statements / Balance sheet - Liabilities

Account Code	Account Description	Current Period 03/31/2020	Previous Year 12/31/2019
2	Total Liabilities	2.045.218	1.828.301
2.01	Current Liabilities	701.632	574.501
2.01.01	Social and labor obligations	39.713	36.142
2.01.02	Suppliers	168.248	134.501
2.01.03	Tax Obligations	19.605	20.558
2.01.03.01	Federal tax obligations	19.605	20.558
2.01.03.01.02	Installment payment of tax obligations	11.403	11.455
2.01.03.01.03	Taxes, rates and contributions	8.202	9.103
2.01.04	Loans and Financing	290.964	236.980
2.01.04.01	Loans and Financing	183.717	133.376
2.01.04.02	Debentures	103.535	99.050
2.01.04.03	Lease liabilities	3.712	4.554
2.01.05	Other Obligations	183.102	146.320
2.01.05.01	Liabilities with Related Parties	23.044	22.803
2.01.05.01.01	Liabilities with affiliates	23.044	22.803
2.01.05.02	Other	160.058	123.517
2.01.05.02.04	Credit granting from suppliers	85.114	58.710
2.01.05.02.05	Advance from clients	23.945	23.211
2.01.05.02.06	Dividends Payable	918	950
2.01.05.02.07	Payables for fixed asset and intangible	32.523	20.127
2.01.05.02.08	Other	17.558	20.519
2.02	Non-current Liabilities	972.298	886.180
2.02.01	Loans and Financing	515.667	529.878
2.02.01.01	Loans and Financing	308.267	324.915
2.02.01.02	Debentures	198.528	197.692
2.02.01.03	Lease liabilities	8.872	7.271
2.02.02	Other Obligations	226.860	168.272
2.02.02.01	Related Party Payable	56331	0
2.02.02.01.04	Related Party Payable	56331	0
2.02.02.02	Other	170.529	168.272
2.02.02.02.03	Suppliers	129.633	124.754
2.02.02.02.06	Installment payment of tax obligations	40.896	43.518
2.02.04	Provisions	229.771	188.030
2.02.04.02	Other Provisions	229.771	188.030
2.02.04.02.04	Provision for short liabilities in subsidiaries	82.344	61.357
2.02.04.02.05	Provisions for Contingencies	137.750	120.200
2.02.04.02.07	Other Non Current	9.677	6.473
2.03	Shareholders' Equity	371.288	367.620
2.03.01	Realized Capital	200.000	200.000
2.03.04	Profit Reserves	189.844	189.844
2.03.04.01	Legal Reserves	25.796	25.796
2.03.04.05	Profit retention reserve	79.083	81.585
2.03.04.07	Tax Incentive Reserve	61199	0
2.03.04.08	Proposed Additional Dividend	5.808	5.808
2.03.04.10	Profit reserve to be allocated	17.958	76.655
2.03.05	Accumulated profit and loss	21.300	0
2.03.06	Equity valuation adjustments	(39.856)	(22.224)

In thousands of Brazilian reais, unless otherwise started.

Individual financial statements / Statement of income

Account Code	Account Description	Accumulated of the Current Period 01/01/2020 to 03/31/2020	Accumulated of the Previous Period 01/01/2019 to 03/31/2019
3.01	Income from sales of goods and/or services	239.562	214.613
3.02	Cost of goods and/or services sold	(173.526)	(161.490)
3.03	Gross income	66.036	53.123
3.04	Operating expenses/income	(50.717)	(65.640)
3.04.01	Sales expenses	(51.422)	(51.630)
3.04.02	General and administrative expenses	(10.437)	(10.258)
3.04.04	Other operating income	81.785	0
3.04.04.01	Other operating income	81.785	0
3.04.05	Other operating expenses	(81.570)	(2.377)
3.04.05.01	Other operating expenses	(81.570)	(2.377)
3.04.06	Equity income	10.927	(1.375)
3.05	Income (loss) before financial income and taxes	15.319	(12.517)
3.06	Financial income (loss)	10.214	(12.585)
3.06.01	Financial income	27.240	4.920
3.06.01.01	Financial income	6.995	4.716
3.06.01.02	Net Exchange Variance	20.245	204
3.06.02	Financial expenses	(17.026)	(17.505)
3.06.02.01	Financial expenses	(17.026)	(17.505)
3.07	Income (loss) before income tax	25.533	(25.102)
3.08	Income and social contribution taxes	(4.530)	7.893
3.08.02	Deferred assets	(4.530)	7.893
3.09	Net income (loss) of continued operations	21.003	(17.209)
3.11	Consolidated Net Income/loss for the period	21.003	(17.209)

In thousands of Brazilian reais, unless otherwise started.

Individual financial statements / Statement of comprehensive income

Account Code	Account Description	Accumulated of the Current Period 01/01/2020 to 03/31/2020	Accumulated of the Previous Period 01/01/2019 to 03/31/2019
4.01	Net Income for the Period	21.003	(17.209)
4.02	Other Comprehensive Income	(17.335)	(605)
4.02.02	Exchange Variation of Subsidiary Located Abroad	(17.335)	(605)
4.03	Attributed to Partners of the Parent Company	3.668	(17.814)

In thousands of Brazilian reais, unless otherwise started.

Individual financial statements / Statement of cash flows - Indirect method

Account Code	Account Description	Accumulated of the Current Period 01/01/2020 to 03/31/2020	Accumulated of the Previous Period 01/01/2019 to 03/31/2019
6.01	Net cash from operational activities	31.040	(20.807)
6.01.01	Cash generated in operations	31.332	6.000
6.01.01.01	Profit or loss for the year before taxes	25.533	(25.102)
6.01.01.02	Depreciation and amortization	13.632	10.397
6.01.01.03	Equity income or loss	(10.927)	1.375
6.01.01.05	Provision for inventory at market value	(220)	1.145
6.01.01.06	Provision allowance for doubtful accounts	42	(565)
6.01.01.07	Provision for contingencies	12.478	4.333
6.01.01.08	Provision for labor obligations	3.572	(2.730)
6.01.01.09	Provision for profit sharing	0	1.940
6.01.01.10	Other provisions	343	1.863
6.01.01.11	Others	1.682	807
6.01.01.13	Adjustments tax asset	(67.440)	(2.525)
6.01.01.14	Adjustments other related party credits	(497)	(775)
6.01.01.15	Finance charges on tax installments	0	5.879
6.01.01.16	Liabilities with related parties	56.330	0
6.01.01.17	Finance charges on loans	11.657	11.472
6.01.01.18	Interest and PVA of leases	(174)	0
6.01.01.19	Unrealized foreign exchange variations Portobello America	(29.391)	(1.879)
6.01.01.20	Unrealized foreign exchange variations of borrowings	14.712	365
6.01.02	Changes in assets and liabilities	5.685	(22.825)
6.01.02.01	(Increase)/Decrease in accounts receivable	4.229	13.761
6.01.02.02	Increase /(Decrease) in advances from clients	734	(793)
6.01.02.03	Increase /(Decrease) in liabilities with related parties	241	0
6.01.02.04	(Increase)/Decrease in inventories	(35.778)	(20.915)
6.01.02.05	(Increase)/Decrease in judicial deposits	(5.369)	(4.454)
6.01.02.07	(Increase)/Decrease in recoverable taxes	2.656	(198)
6.01.02.08	(Increase)/Decrease in interest earning bank deposits	(47)	(93)
6.01.02.09	(Increase)/Decrease in other assets	(11.067)	(5.965)
6.01.02.10	Increase /(Decrease) in accounts payable	65.030	10.499
6.01.02.11	(Increase)/Decrease in advance to suppliers	(9.604)	(898)
6.01.02.12	(Increase)/Decrease in provisions for contingencies	(2.007)	(2.492)
6.01.02.13	(Increase)/Decrease in installments	(2.674)	(8.139)
6.01.02.14	Increase /(Decrease) in tax and labor liabilities	(901)	(8.212)
6.01.02.15	Increase / (decrease) in payables for fixed asset and intangible	0	(8.373)
6.01.02.16	Increase /(Decrease) in other payable	242	13.447
6.01.03	Other	(5.977)	(3.982)
6.01.03.01	Interest paid	(5.977)	(3.982)
6.02	Net cash used in investment activities	(7.950)	(34.701)
6.02.01	Acquisition of property, plant and equipment	(7.367)	(12.069)
6.02.02	Acquisition of intangible assets	(1.827)	(1.474)
6.02.03	Dividends received	5.405	0
6.02.06	Integralization of capital in subsidiaries	(4.161)	(21.158)
6.03	Net cash from financing activities	17.148	106.288
6.03.01	Obtainment of loans and financings	37.681	122.827
6.03.02	Payment of loans and financings	(19.695)	(16.539)
6.03.03	Lease repayments	(806)	0
6.03.04	Paid dividends	(32)	0
6.05	Increase (Decrease) in cash and cash equivalents	40.238	50.780
6.05.01	Opening balance of cash and cash equivalents	249.448	67.580
6.05.02	Closing balance of cash and cash equivalents	289.686	118.360

In thousands of Brazilian reais, unless otherwise started.

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2020–03/31/2020

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Individual Shareholders' Equity
5.01	Opening Balances	200.000	0	189.844	0	(22.224)	367.620
5.03	Adjusted Opening Balances	200.000	0	189.844	0	(22.224)	367.620
5.05	Total Comprehensive Income	0	0	0	21.003	(17.335)	3.668
5.05.01	Net Income for the Period	0	0	0	21.003	0	21.003
5.05.02	Other Comprehensive Income	0	0	0	0	(17.335)	(17.335)
5.05.02.0:	Equity on Other Comprehensive Net Income	0	0	0	0	(17.335)	(17.335)
5.06	Internal changes in shareholders' equity	0	0	0	297	(297)	0
5.06.02	Realization of the Revaluation Reserve	0	0	0	297	(297)	0
5.07	Closing Balances	200.000	0	189.844	21.300	(39.856)	371.288

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended March 30, 2020
In thousands of Brazilian reais, unless otherwise started.

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2019–03/31/2019

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	140.000	0	235.960	0	(13.852)	362.108
5.03	Adjusted Opening Balances	140.000	0	235.960	0	(13.852)	362.108
5.05	Total Comprehensive Income	0	0	0	(17.209)	(605)	(17.814)
5.05.01	Net Income for the Period	0	0	0	(17.209)	0	(17.209)
5.05.02	Other Comprehensive Income	0	0	0	0	(605)	(605)
5.05.02.03	Equity on Other Comprehensive Net Income	0	0	0	0	(605)	(605)
5.06	Internal changes in shareholders' equity	0	0	0	298	(298)	0
5.06.02	Realization of the Revaluation Reserve	0	0	0	298	(298)	0
5.07	Closing Balances	140.000	0	235.960	(16.911)	(14.755)	344.294

In thousands of Brazilian reais, unless otherwise started.

Individual financial statements / Statement of added value

Account Code	Account Description	Accumulated of the Current Period 01/01/2020 to 03/31/2020	Accumulated of the Previous Period 01/01/2019 to 03/31/2019
7.01	Revenue	365.065	268.234
7.01.01	Sales of Goods, Products and Services	293.107	266.972
7.01.02	Other Revenue	72.000	696
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	(42)	566
7.02	Consumables acquired from third parties	(229.902)	(144.793)
7.02.01	Cost of goods and services sold	(112.446)	(103.840)
7.02.02	Material, Energy, Outsourced Services and Other	(118.210)	(41.563)
7.02.03	Loss/Recovery of Assets	754	610
7.03	Gross Added Value	135.163	123.441
7.04	Retentions	(13.632)	(10.397)
7.04.01	Depreciation, Amortization and Depletion	(13.632)	(10.397)
7.05	Net Added Value Produced	121.531	113.044
7.06	Transferred Added Value	61.242	9.689
7.06.01	Equity income	10.927	(1.375)
7.06.02	Financial Revenue	50.315	11.064
7.07	Total Added Value to be Distributed	182.773	122.733
7.08	Distribution of Added Value	182.773	122.733
7.08.01	Personnel	47.114	57.570
7.08.01.01	Direct Remuneration	37.086	47.740
7.08.01.02	Benefits	6.399	5.453
7.08.01.03	F.G.T.S.	3.629	4.377
7.08.02	Taxes, Duties and Contributions	70.076	55.775
7.08.02.01	Federal	32.931	18.849
7.08.02.02	State	36.628	36.399
7.08.02.03	Municipal	517	527
7.08.03	Interest Expenses	44.580	26.597
7.08.03.01	Interest	40.110	23.649
7.08.03.02	Rent	4.470	2.948
7.08.04	Interest earnings	21.003	(17.209)
7.08.04.03	Retained Earnings/Loss for the Period	21.003	(17.209)

In thousands of Brazilian reais, unless otherwise started.

Consolidated financial statements / Balance sheet - Assets

Account Code	Account Description	Current Period 03/31/2020	Previous Year 12/31/2019
1	Total Assets	2.039.745	1.836.292
1.01	Curent Assets	956.947	854.556
1.01.01	Cash and Cash Equivalents	324.782	275.378
1.01.03	Accounts Receivable	243.240	251.773
1.01.03.01	Trade receivables	243.240	251.773
1.01.04	Inventory	285.884	243.413
1.01.06	Recoverable Taxes	50.513	52.172
1.01.06.01	Current Taxes Recoverable	50.513	52.172
1.01.06.01.01	Income taxes and contributions recoverable	1.010	1.006
1.01.06.01.02	Other Current Taxes Recoverable	49.503	51.166
1.01.07	Prepaid expenses	12.664	3.487
1.01.08	Others current assets	39.864	28.333
1.01.08.03	Others	39.864	28.333
1.01.08.03.01	Advances to Suppliers	23.161	13.332
1.01.08.03.02	Other	16.703	15.001
1.02	Non-current Assets	1.082.798	981.736
1.02.01	Long-Term Assets	498.182	412.190
1.02.01.09	Related party Credits	101.432	100.936
1.02.01.09.04	Other related party Credits	101.432	100.936
1.02.01.10	Other Non-current Assets	396.750	311.254
1.02.01.10.03	Judicial Deposits	157.840	152.492
1.02.01.10.04	Receivables - Eletrobrás	12.821	12.821
1.02.01.10.05	Recoverable Taxes	55.865	56.902
1.02.01.10.06	Tax Asset	119.651	37.865
1.02.01.10.07	Actuarial Asset	6.338	6.338
1.02.01.10.08	Interest earning bank deposits	7.599	7.552
1.02.01.10.09	Other	36.636	37.284
1.02.02	Investiments	348	345
1.02.02.01	Ownership Interest	348	345
1.02.02.01.04	Other ownership interest	348	345
1.02.03	Property, plant and equipment	561.101	546.809
1.02.03.01	Operating Property, Plant and Equipment	499.254	487.966
1.02.03.02	Right-of-use Asset	61.847	58.843
1.02.04	Intangible assets	23.167	22.392

In thousands of Brazilian reais, unless otherwise started.

Individual financial statements / Balance sheet - Liabilities

Account Code	Account Description	Current Period 03/31/2020	Previous Year 12/31/2019
2	Total Liabilities	2.039.745	1.836.292
2.01	Current Liabilities	757.732	613.724
2.01.01	Social and labor obligations	45.278	41.882
2.01.02	Suppliers	181.562	146.685
2.01.03	Tax Obligations	22.591	24.428
2.01.03.01	Federal tax obligations	22.591	24.428
2.01.03.01.01	Income and social contribution tax paya	1.660	2.083
2.01.03.01.02	Installment payment of tax obligations	11.642	11.765
2.01.03.01.03	Taxes, rates and contributions	9.289	10.580
2.01.04	Loans and Financing	300.686	248.234
2.01.04.01	Loans and Financing	185.120	134.719
2.01.04.02	Debentures	103.535	99.050
2.01.04.03	Lease liabilities	12.031	14.465
2.01.05	Other Obligations	207.615	152.495
2.01.05.01	Liabilities with Related Parties	23.052	22.803
2.01.05.01.01	Liabilities with Related Parties	23.052	22.803
2.01.05.02	Other	184.563	129.692
2.01.05.02.04	Credit granting from suppliers	85.114	58.710
2.01.05.02.05	Advance from clients	24.764	23.854
2.01.05.02.06	Dividends Payable	950	982
2.01.05.02.08	Other	73.735	46.146
2.02	Non-current Liabilities	910.700	854.932
2.02.01	Loans and Financing	544.389	547.673
2.02.01.01	Loans and Financing	308.269	324.915
2.02.01.02	Debentures	198.528	197.692
2.02.01.03	Lease liabilities	37.592	25.066
2.02.02	Other Obligations	228.529	187.027
2.02.02.02	Other	228.529	187.027
2.02.02.02.03	Suppliers	129.633	124.754
2.02.02.02.04	Related Party Payable	56.330	0
2.02.02.02.06	Installment payment of tax obligations	41.174	43.815
2.02.02.02.08	Other	1.392	18.458
2.02.04	Provisions	137.782	120.232
2.02.04.02	Other Provisions	137.782	120.232
2.02.04.02.05	Provisions for Contingencies	137.782	120.232
2.03	Shareholders' Equity	371.313	367.636
2.03.01	Realized Capital	200.000	200.000
2.03.03	Revaluation Reserve	33.209	33.506
2.03.04	Profit Reserves	189.844	182.425
2.03.04.01	Legal Reserves	25.796	25.797
2.03.04.05	Profit retention reserve	79.083	150.820
2.03.04.07	Tax Incentive Reserve	61.199	0
2.03.04.08	Proposed Additional Dividend	5808	5.808
2.03.04.10	Profit reserve to be allocated	17.958	0
2.03.05	Accumulated profit and loss	21.300	7.420
2.03.06	Equity valuation adjustments	(73.065)	(55.731)
2.03.09	Non-controlling interest	25	16

In thousands of Brazilian reais, unless otherwise started.

Individual financial statements / Statement of income

Account Code	Account Description	Accumulated of the Current Period 01/01/2020 to 03/31/2020	Accumulated of the Previous Period 01/01/2019 to 03/31/2019
3.01	Income from sales of goods and/or services	274.180	239.232
3.02	Cost of goods and/or services sold	(179.030)	(163.536)
3.03	Gross income	95.150	75.696
3.04	Operating expenses/income	(73.471)	(85.959)
3.04.01	Sales expenses	(74.630)	(72.657)
3.04.02	General and administrative expenses	(10.715)	(10.674)
3.04.04	Other operating income	94.928	261
3.04.04.01	Other operating income	94.928	261
3.04.05	Other operating expenses	(83.054)	(2.889)
3.04.05.01	Other operating expenses	(83.054)	(2.889)
3.05	Income (loss) before financial income and taxes	21.679	(10.263)
3.06	Financial income (loss)	10.703	(12.910)
3.06.01	Financial income	8.640	4.858
3.06.01.01	Financial income	8.640	4.858
3.06.02	Financial expenses	2.063	(17.768)
3.06.02.01	Financial expenses	(18.163)	(17.969)
3.06.02.02	Net Exchange Variance	20.226	201
3.07	Income (loss) before income tax	32.382	(23.173)
3.08	Income and social contribution taxes	(11.370)	5.968
3.08.01	Current	(2.391)	(1.925)
3.08.02	Deferred assets	(8.979)	7.893
3.09	Net income (loss) of continued operations	21.012	(17.205)
3.11	Consolidated Net Income/loss for the period	21.012	(17.205)
3.11.01	Attributed to Partners of the Parent Company	21.003	(17.209)
3.11.02	Attributed to Minority Partners	9	4
3.99.01.01	Common	0,13	(0,11)
3.99.02.01	ON	0,13	(0,11)

In thousands of Brazilian reais, unless otherwise started.

Individual financial statements / Statement of comprehensive income

Account Code	Account Description	Accumulated of the Current Period 01/01/2020 to 03/31/2020	Accumulated of the Previous Period 01/01/2019 to 03/31/2019
4.01	Net Income for the Period	21.012	(17.205)
4.02	Other Comprehensive Income	(17.335)	(605)
4.02.02	Exchange variance of Overseas Subsidiary	(17.335)	(605)
4.03	Comprehensive Income for the Period	3.677	(17.810)
4.03.01	Attributed to Partners of the Parent Company	3.668	(17.814)
4.03.02	Attributed to Minority Partners	9	4

In thousands of Brazilian reais, unless otherwise started.

Consolidated financial statements / Statement of cash flows - Indirect method

Account Code	Account Description	Accumulated of the Current Period 03/31/2020	Accumulated of the Previous Period 03/31/2019
6.01	Net cash from operational activities	48.206	(21.294)
6.01.01	Cash generated in operations	52.178	11.190
6.01.01.01	Profit or loss for the year before taxes	32.382	(23.173)
6.01.01.02	Depreciation and amortization	20.467	13.002
6.01.01.05	Provision for inventory at market value	(514)	1.145
6.01.01.06	Provision allowance for doubtful accounts	380	396
6.01.01.07	Provision for contingencies	12.477	4.333
6.01.01.08	Provision for labor obligations	3.396	(3.371)
6.01.01.09	Provision for profit sharing	0	1.940
6.01.01.10	Other provisions	695	1.863
6.01.01.11	Others	511	1.189
6.01.01.13	Adjustments tax asset	(81.786)	(2.525)
6.01.01.14	Adjustments other related party credits	(497)	(776)
6.01.01.15	Finance charges on tax installments	0	5.913
6.01.01.16	Liabilities with related parties - Polo ativo at market value	56.330	0
6.01.01.17	Finance charges on loans	11.657	11.494
6.01.01.18	Interest and PVA of leases	(697)	0
6.01.01.19	Unrealized foreign exchange variations Portobello America	(17.335)	(605)
6.01.01.20	Unrealized foreign exchange variations of borrowings	14.712	365
6.01.02	Changes in assets and liabilities	4.819	(32.785)
6.01.02.01	(Increase)/Decrease in accounts receivable	8.153	9.306
6.01.02.02	Increase /(Decrease) in advances from clients	910	2.131
6.01.02.03	Increase /(Decrease) in liabilities with related parties	249	0
6.01.02.04	(Increase)/Decrease in inventories	(41.957)	(24.592)
6.01.02.05	(Increase)/Decrease in judicial deposits	(5.348)	(4.455)
6.01.02.07	(Increase)/Decrease in recoverable taxes	2.696	(221)
6.01.02.08	(Increase)/Decrease in Interest earning bank deposit	(47)	(93)
6.01.02.09	(Increase)/Decrease in other assets	(9.852)	(7.721)
6.01.02.10	Increase /(Decrease) in accounts payable	66.160	12.720
6.01.02.11	(Increase)/Decrease in advance to suppliers	(9.829)	(3.861)
6.01.02.12	(Increase)/Decrease in provisions for contingencies	(2.007)	(2.491)
6.01.02.13	(Increase)/Decrease in installments	(2.764)	(8.188)
6.01.02.14	Increase /(Decrease) in tax and labor liabilities	(1.291)	(13.199)
6.01.02.15	Increase / (decrease) in payables for fixed asset and intangible	0	(13.098)
6.01.02.16	Increase /(Decrease) in other payable	(254)	20.977
6.01.03	Other	(8.791)	301
6.01.03.01	Interest paid	(5.977)	(3.982)
6.01.03.02	Income and social contribution taxes paid	(2.814)	4.283
6.02	Net cash used in investment activities	(14.322)	(16.451)
6.02.01	Acquisition of property, plant and equipment	(12.275)	(13.096)
6.02.02	Acquisition of intangible assets	(2.047)	(3.355)
6.03	Net cash from financing activities	15.520	106.287
6.03.01	Obtainment of loans and financings	37.681	122.826
6.03.02	Payment of loans and financings	(19.695)	(16.539)
6.03.03	Lease repayments	(2.434)	0
6.03.04	Paid dividends	(32)	0
6.05	Increase (Decrease) in cash and cash equivalents	49.404	68.542
6.05.01	Opening Balance of cash and cash equivalents	275.378	82.624
6.05.02	Closing Balance of cash and cash equivalents	324.782	151.166

In thousands of Brazilian reais, unless otherwise started.

Consolidated financial statements / Statement of cash flows - Indirect method

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6.01.02.10	Increase /(Decrease) in accounts payable	66.160	12.720
6.01.02.11	(Increase)/Decrease in advance to suppliers	(9.829)	(3.861)
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6.01.02.14	Increase /(Decrease) in tax and labor liabilities	(1.291)	(13.199)
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6.01.02.16	Increase /(Decrease) in other payable	(254)	20.977
6.01.03	Other	(8.791)	301
6.01.03.01	Interest paid	(5.977)	(3.982)
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6.03.04	Paid dividends	(32)	0
6.05	Increase (Decrease) in cash and cash equivalents	49.404	68.542
6.05.01	Opening Balance of cash and cash equivalents	275.378	82.624
6.05.02	Closing Balance of cash and cash equivalents	324.782	151.166

In thousands of Brazilian reais, unless otherwise started.

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2019–03/31/2019

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	200000	0	189844	0	-22224	367620	16	367636
5.03	Adjusted Opening Balances	200000	0	189844	0	-22224	367620	16	367636
5.05	Total Comprehensive Income	0	0	0	21003	-17335	3668	9	3677
5.05.01	Net Income for the Period	0	0	0	21003	0	21003	9	21012
5.05.02	Other Comprehensive Income	0	0	0	0	-17335	-17335	0	-17335
5.05.02.03	Equity on Other Comprehensive Net Income	0	0	0	0	-17335	-17335	0	-17335
5.06	Internal changes in shareholders' equity	0	0	0	297	-297	0	0	0
5.06.02	Realization of the Revaluation Reserve	0	0	0	297	-297	0	0	0
5.07	Closing Balances	200000	0	189844	21300	-39856	371288	25	371313

In thousands of Brazilian reais, unless otherwise started.

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2019–03/31/2019

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	140000	0	235960	0	-13852	362108	12	362120
5.03	Adjusted Opening Balances	140000	0	235960	0	-13852	362108	12	362120
5.05	Total Comprehensive Income	0	0	0	-17209	-605	-17814	4	-17810
5.05.01	Net Income for the Period	0	0	0	-17209	0	-17209	4	-17205
5.05.02	Other Comprehensive Income	0	0	0	0	-605	-605	0	-605
5.05.02.03	Equity on Other Comprehensive Net Income	0	0	0	0	-605	-605	0	-605
5.06	Internal changes in shareholders' equity	0	0	0	298	-298	0	0	0
5.06.02	Realization of the Revaluation Reserve	0	0	0	298	-298	0	0	0
5.07	Closing Balances	140000	0	235960	-16911	-14755	344294	16	344310

In thousands of Brazilian reais, unless otherwise started.

Consolidated financial statements / Statement of added value

Account Code	Account Description	Accumulated of the Current Period 01/01/2020 to 03/31/2020	Accumulated of the Previous Period 01/01/2019 to 03/31/2019
7.01	Revenue	416.062	294.497
7.01.01	Sales of Goods, Products and Services	333.981	297.043
7.01.02	Other Revenue	82.575	(2.149)
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	(494)	(397)
7.02	Consumables acquired from third parties	(242.102)	(151.988)
7.02.01	Cost of goods and services sold	(116.296)	(104.345)
7.02.02	Material, Energy, Outsourced Services and Other	(126.560)	(48.198)
7.02.03	Loss/Recovery of Assets	754	555
7.03	Gross Added Value	173.960	142.509
7.04	Retentions	(20.467)	(13.002)
7.04.01	Depreciation, Amortization and Depletion	(20.467)	(13.002)
7.05	Net Added Value Produced	153.493	129.507
7.06	Transferred Added Value	51.956	11.205
7.06.02	Financial Revenue	50.528	11.205
7.06.01	Others	1.428	0
7.07	Total Added Value to be Distributed	205.449	140.712
7.08	Distribution of Added Value	205.449	140.712
7.08.01	Personnel	55.123	67.701
7.08.01.01	Direct Remuneration	43.824	56.590
7.08.01.02	Benefits	7.101	6.151
7.08.01.03	F.G.T.S.	4.198	4.960
7.08.02	Taxes, Duties and Contributions	82.304	62.175
7.08.02.01	Federal	44.502	24.832
7.08.02.02	State	37.259	36.785
7.08.02.03	Municipal	543	558
7.08.03	Interest Expenses	47.010	28.041
7.08.03.01	Interest	41.215	24.127
7.08.03.02	Rent	5.795	3.914
7.08.04	Interest earnings	21.012	(17.205)
7.08.04.02	Dividends	21.003	(17.209)
7.08.04.03	Retained Earnings/Loss for the Period	9	4

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

Tijucas, May 25, 2020. PBG S.A. (B3 S.A. - BRASIL, BOLSA, BALCÃO: PTBL3), the largest ceramic tile company in Brazil, announces its results for the first quarter of 2020.

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

HIGHLIGHTS

	R$ million	1Q19	1Q20	▲
PERFORMANCE	**Net revenue**	**239**	**274**	**15%**
	Gross margin (i)	*32%*	*35%*	3 p.p
	EBITDA	**3**	**36**	**33**
	Net income	**(17)**	**21**	**38**
	ROCE	**17%**	**9%**	**8 p.p**
Debt	**Net debt**	**515**	**415**	**100**
	Net debt-to-EBITDA	2,0	2,6	0,6 p.p

- **New sales record** for the first quarter with **15% growth in Net Revenues**, despite the drop in the 2nd half of March due to the pandemic;
- **Gross margin growth by 3 p.p.** mainly due to improvements in product mix and sales channels;
- **EBITDA of R$ 36 million**, R$33 million above 1Q19, mainly due to operational improvement and complemented by non-recurring gains;
- **Net income of R$ 21 million**, R$ 38 million above 1Q19, mainly due to higher EBITDA;
- **Reduction of Net debt by R$ 100 million** to the equivalent of 2.6 times EBITDA;

TELECONFERENCE

Thursday, May 28 at 2:30 p.m.

Data for connection:

Phone: +55 11 3137-8043

Password: PORTOBELLO

WEBCAST

The teleconference audio will be broadcast over the internet, accompanied by a slideshow, both will be available 30 minutes in advance at: www.ri.portobello.com.br/

The year 2020 began with great prospects of economic growth for the country. In this environment, PBG closed the first quarter with significant performance and results, as a result of organizational restructuring, the maturation of recent investments and the pursuit of profitability, partially eroded by rising energy costs in the last two years.

During the quarter, operating gains were confirmed due to scale, cost reductions and improvements in product mix. Until the Revestir Fair (March 1st fortnight), sales volumes were above 2019. Expectations began to change in the second fortnight, with a significant retraction in sales - especially in retail - as a result of the advance of the COVID-19 pandemic. However, the restrictions generated by the pandemic were not sufficient to significantly impact the figures for the first quarter.

Sales in 1Q20 reached R$ 274 million, setting a new record for the first quarter, with 15% growth over 1Q19. In the domestic market, net revenues grew 9% surpassing the growth of the construction and finishing materials market, which showed an increase of 1% in the quarter, according to ABRAMAT. According to ANFACER, ceramic sales in the domestic market suffered a 3.8% drop in sales volume in the quarter. In the foreign market, sales grew 54% (in dollars 28%), due to the expansion of exports, the maturation of Portobello America, in addition to the appreciation of the North American currency.

Portobello Shop's franchise network maintains its objective of strengthening the retail culture with a greater focus on the final consumer and agility in responding to the market. At the end of the quarter, it totaled 130 units (128 stores in December 2019), 16 of which were its own stores with coverage in practically all states of the country. The increase in sales this quarter over 1Q19 was the result of the store modernization program to incorporate large format sales and the expansion of the exhibition area from 37,885 m2 in March 2019 to 39,730 m2 in March 2020. Portobello Shop stores are offering customers a combination of Portobello ceramic tiles with crockery and metals, in addition to customized solutions in porcelain tiles. The openings and refurbishments of important stores will be maintained throughout the 2nd quarter, already preparing the Company for the resumption as from the 2nd quarter.

The Pointer brand business, when compared to the previous quarter, had sales growth. The growth in margins is a result of the qualification of the product mix, especially the "Supercerâmico", which brings together a democratic and innovative proposal and, as a result, the Alagoas plant operated with 100% of production capacity in the quarter and with performance above its break-even point, even with the sales restrictions at the end of March.

Portobello America's operation, referring to the business in the USA, has been gaining maturity and is the main focus on the expansion of the foreign market, with the increase in volumes, expansion of the portfolio, adding a competitive differential to the Company.

EBITDA totaled R$ 36 million in 1Q20 while net income reached R$ 21 million. With margins of 13% and 8%, respectively. EBITDA growth was R$ 33 million compared to the 1Q19 period, due to increased gross margin, cost containment and new business maturation. In this quarter, there was the recognition of credits resulting from judicial proceedings that will represent additional inflows to the Company's cash in the medium term.

The Company's net debt closed the first quarter of 2020 at R$ 415 million, a reduction of R$ 100 million when compared to 1Q19, to the equivalent of 2.6 times the Company's EBITDA.

COVID-19

Faced with the movements in Brazil and the world to mitigate the effect of the COVID-19 pandemic, the Company has adapted its operations to the current moment, but above all, it is committed to its strategy, remaining prepared for a quick resumption of its operations. The Company has prioritized cash maintenancee to face the uncertainties in the scenarios and instability of the markets.

In addition, the Company has also taken measures to ensure the safety of its employees and customers. A Management Committee was created with the objective of centralizing and aligning decision-making in the face of COVID-19.

Since the beginning of March, the PBG has been implementing actions, grouped as follows:

<u>Protection for Employees and Customers:</u> focused on reducing the risk of disease transmission, such as: reinforcement in the use of personal protection equipment, frequent communication with employees and customers, adoption of the home office policy, removal of employees who are part of risk groups, reduction of working hours, anticipation of holidays and also reinforcing disinfection actions in store, administrative and distribution center environments. Support actions with the communities where PBG operates were also implemented, including the transfer of respirators to the Hospital de Tijucas (SC), making and distribution of masks and food baskets in needy areas and especially participation in numerous solidarity actions in SC, Alagoas and in partnerships with franchisees around the country.

<u>Protection to Operations:</u> production adequacy with the suspension of part of the production of Tijucas plants, Marechal Deodoro and management of stocks in order to safeguard commercial relations and meet the demands of our customers.

<u>Focus on cash management:</u> containment of expenses and investments, renegotiation of financing contracts, postponement of terms of major customers and suppliers, reduction of expenditures in the short term, and adherence to government programs to stop the preservation of jobs.

PERSPECTIVES 2T20

The company's sales performance in April exceeded our initial expectations for the COVID-19 pandemic period, although still below the pre-pandemic months. In summary, the performance of the main indicators are the following:

- April net sales represented approximately 70% of the 1Q20 average;
- In terms of production, 50% of installed capacity was used in April;
- Inventories will be optimized until the end of the semester by reducing production, adjusting estimated demand and being the main driver of working capital optimization;
- The CAPEX plan for the year was reduced by 40%, although investments in the main strategic projects, such as the second stage of the "Lastras" project and growth in retail with the expansion of the Portobello Shop chain, were maintained;
- The company is focused on maintaining cash liquidity and is therefore negotiating new sources of loans/financing and adjusting the debt profile, among others: (i) Payments between June and July of reimbursement of CAPEX financing already contracted (in the process of confirmation), in the total amount of R$ 25 million; and (ii) Postponement to 2021/2022 of payment of loans and financing, in the total amount of R$ 18 million. (iii) Funding of R$ 42 million in loans for working capital, with a total term of 3 years and a grace period of 1 year, in the final phase of formalization.

PBG is confident in the gradual recovery of the Brazilian economy, especially in the Civil Construction segment. However, until the economic growth is effectively resumed, we will probably have a period of reduction in the sector's operations, and consequently greater business risk. The company has a solid financial structure to support this moment of crisis. Until we have a full recovery of the economy, the Company will be focused on cash and working capital management, maintaining the solidity of our balance sheet and preparing to quickly capture business opportunities after the pandemic.

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

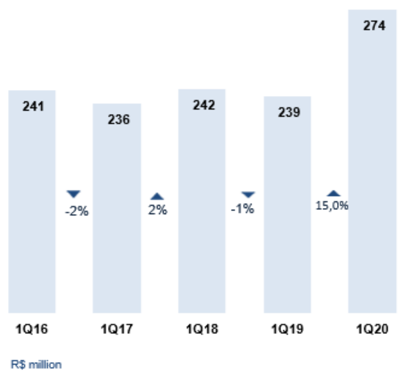
ECONOMIC-FINANCIAL PERFORMANCE (R$ thousand)

		1Q19	1Q20	▲
PERFORMANCE	**Gross revenue**	**307.334**	**343.008**	**12%**
	Net revenue (i)	239.232	274.180	15%
	Gross profit (i)	**75.695**	**95.150**	**26%**
	Gross margin (i)	32%	35%	3 p.p
	EBIT	**(10.267)**	**21.678**	**31.945**
	EBIT margin	-4%	8%	13 p.p
	Net income	**(17.209)**	**21.003**	**38.212**
	Net margin	-7%	8%	16 p.p
	EBITDA	**2.735**	**36.028**	**33.293**
	EBITDA margin	*1%*	*13%*	14 p.p
RATIOS	Current liquidity	*1,00*	*1,26*	0,26
	Net debt	515.338	414.455	-20%
	Net debt-to-EBITDA	*2,0*	*2,6*	0,55
	Net debt-to-equity	*1,5*	*1,1*	(0,39)
PTBL3	Closing quotation	4,91	2,23	-45%
	Market value	778.179	353.429	
	Monthly trading volume (R$). Average from the past 12 months	44.683	65.843	47%

Net Revenue

Net revenue totaled R$ 274 million, with 15% growth, setting a new record for the first quarter. Among the factors that drove this growth were the mix of products with higher added value, the maturation of the operation in the USA, and the expansion of the participation of the own stores.

Domestic market sales accounted for 82% of the total, an increase of 9% over the same period of the previous year. In the domestic market, efforts were concentrated on retail and on the most profitable product mix.

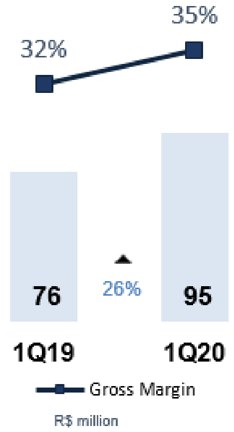


R$ thousand	1Q19	1Q20	▲
Net revenue	**239.232**	**274.180**	**15%**
Domestic Market	207.367	225.187	9%
Foreign Market	31.865	48.993	54%

In the foreign market, sales grew 54% in Reais and 28% in dollars. Sales in the USA stand out with the growth of Portobello America's business, which continues to seek maturity.

In thousands of reais, unless otherwise stated

Gross Profit



Gross profit totaled R$ 95 million in the quarter, an increase of 26% in relation to the first quarter of 2019 and the gross margin grew by 3 p.p. Among the main factors that contributed to this growth, we highlight: (i) products with higher added value (ii) mix of channels and markets (iii) growth in retail participation and (iv) stabilization of production costs, in addition to the exchange rate effect.

Operating results

R$ thousand	1Q19	%NR	1Q20	%NR	▲
Operating expenses	**(85.959)**	**36%**	**(70.465)**	**26%**	**-18%**
Selling expenses (i)	(72.657)	30%	(74.630)	27%	**3%**
General and administrative	(10.674)	4%	(10.715)	4%	**0%**
Other income (expenses)	(2.628)	1%	14.880	-5%	

Sales expenses totaled R$ 75 million in 1Q20, up 3% from 1Q19, due to the growth of operations in the United States and the expansion of the number of own stores, among others. However, in relation to revenues, a reduction of 3 p.p. should be noted.

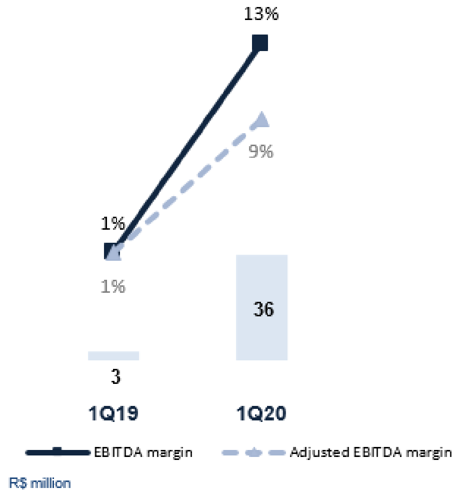
Administrative expenses totaled R$ 11 million in 1Q20 and keep the 4% ratio of net revenues at the same levels of 2019

Assets arising from lawsuits that were judged in this quarter were recognized, with gains in the amount of R$ 12 million classified as other operating income.

In thousands of reais, unless otherwise stated

EBITDA

R$ thousand	1Q19	1Q20	%RL
Net income	(17.209)	21.003	8%
(+) Finance income (costs)	12.910	(10.703)	-4%
(+) Depreciation and amortization	13.002	14.358	5%
(+) Income taxes	(5.968)	11.370	4%
EBITDA	**2.735**	**36.028**	**13%**
(-) Extraordinary gains	-	(11.873)	
Adjusted EBITDA	**2.735**	**24.155**	**9%**



First quarter EBITDA was R$36 million, R$33 million higher than the same period in 2019, reaching a margin of 13%.

Even disregarding the effect of legal gains, EBITDA would have been R$ 24 million, R$ 21 million higher than 1Q19.

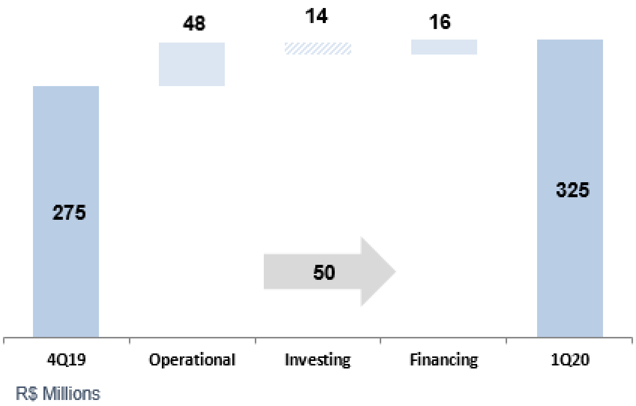
Net income

The Company ended the first quarter of 2020 with a profit of R$ 21 million, a significant result compared to the same quarter of the previous year. This result was achieved through the organizational structure focused on efficiency, the search for higher margins, and the maturity of new businesses.

In thousands of reais, unless otherwise stated

CASH FLOW

At the end of the quarter, the Company strengthened its cash position by R$ 50 million to R$ 325 million, sufficient to service its short-term debt.



The quarter's cash result reflects the good performance of operations, with the generation of R$ 50 million when compared to 4Q19, greater rigidity in the choice of investments, and the constant concern to maintain the Company's liquidity to face the instability of the environment.

R$ thousand	1Q19	4Q19	1Q20
Activities			
Operating activities	(21.294)	(27.641)	48.206
Investing activities	(16.451)	(14.121)	(14.322)
Financing activities	106.287	(12.232)	15.511
Increase/(decrease) in cash	68.542	(53.994)	49.404
Cash at the beginning of the period	**82.624**	**329.372**	**275.378**
Cash at the end of the period	**151.166**	**275.378**	**324.782**

WORKING CAPITAL

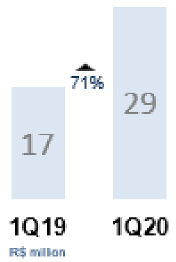
Working capital, when compared to the same period of the previous year, shows a reduction of 7%, or R$ 19 million, represented in 86 days of cash cycle. This reduction is mainly due to higher financing from suppliers.

In the quarter, the Company presented a reduction in working capital equivalent to 19 days of cash cycle of net revenue due to the better equalization of working capital necessary to support sales growth.

R$ thousand	1Q19	1Q20	1Q19 x 1Q20
Accounting receivables	227.919	218.476	-4%
Inventories	243.413	285.884	17%
Accounting payable	(192.063)	(243.515)	27%
Net working capital	**279.269**	**260.846**	-7%
Net revenue	239.562	274.180	14%
Net working capital in days	**105**	**86**	**-18%**

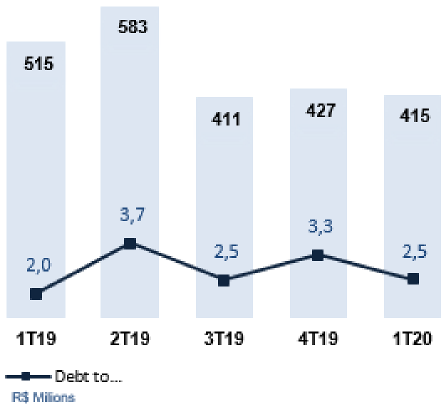
In thousands of reais, unless otherwise stated

INVESTMENTS



Investments totaled R$ 29 million in the quarter, of which R$ 3 million were for the opening of new stores, R$ 18 million for the "Lastras" project at the Tijucas (SC) plant and R$ 8 million for the operation in the United States

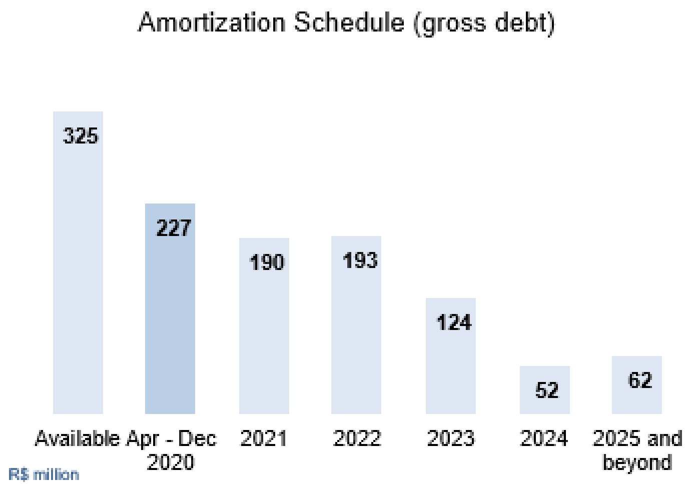
DEBT / CAPITAL STRUCTURE

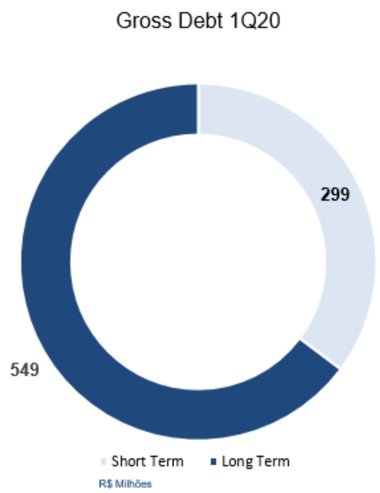


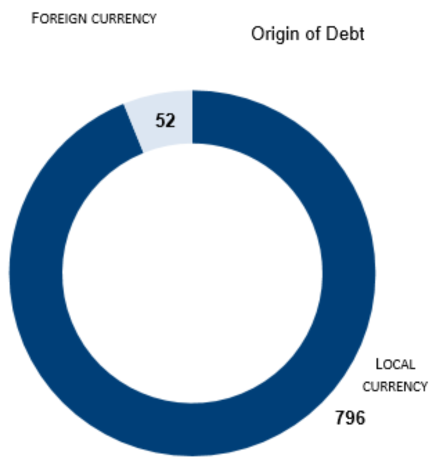
The Company's net debt fell to R$ 415 million at the end of March 2020, which is equivalent to 2.6 times the EBITDA of the last 12 months, remaining within the target for the period. The indebtedness, when compared to the same period of the previous year, shows a reduction of R$ 100 million.

R$ thousand	mar/19	dec/19	mar/20
Bank debt	710.472	756.376	795.452
Tax debt	62.092	55.578	52.816
(=) Gross debt	**772.564**	**811.954**	**848.268**
(+) Cash and cash equivalents	(158.510)	(283.877)	(332.381)
(+) Receivables from related par	(98.716)	(100.936)	(101.432)
(=) Net debt	**515.338**	**427.141**	**414.455**
EBITDA (last 12 months)	256.289	128.845	162.104
Net debt-to-EBITDA ratio	*2,0*	*3,3*	*2,6*
Net debt-to-equity ratio	*1,5*	*1,2*	*1,1*

Gross debt maturing in the short term represents 35% of the total and the remainder matures in the long term, as shown in the amortization schedule and graph below, demonstrating that the Company's cash is sufficient to service the debt in the short term.







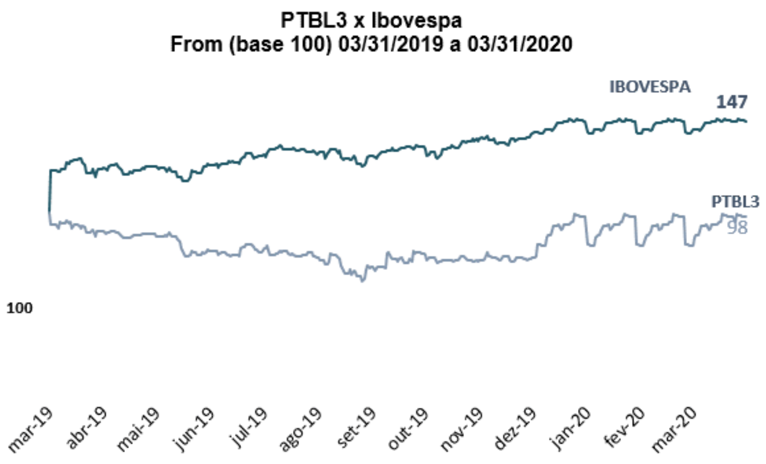
REMUNERATION TO SHAREHOLDERS AND RESOLUTIONS OF ANNUAL GENERAL MEETING

Dividends in the amount of R$ 6.2 million will be distributed for the year 2019, to be paid by December 31, 2020, as approved in the Annual General Meeting held on April 28, 2020. The total remuneration of shareholders for fiscal year 2020 will represent a yield (dividend per share divided by the final share price) of 1.76%.

BUYBACK PLAN

A new share buyback program was approved during the Board of Directors' meeting held on March 31, 2020, authorizing the acquisition of up to 3.9 million shares, corresponding to 2.5% of the total shares issued by the Company and 5% of the outstanding shares ("free float"), effective until March 31, 2021. The Company bought back a total of 2.8 million shares until May 7, 2020.

PERFORMANCE OF PTBL3 SHARES



The shares traded under the PTBL3 code ended the last trading session of March 2020 quoted at R$ 2.23.

The average monthly financial volume traded in the last twelve months was R$ 66 million, an increase of 47% compared to R$ 45 million in the previous period. At the end of 1Q20, PBG S.A. had a market value equivalent to R$ 354 million. Market value equivalent to R$ 354 million.

INDEPENDENT AUDIT

The policy of PBG S.A. in relation to its independent auditors, with regard to the provision of services not related to the external audit of financial statements, is based on the principles that preserve professional independence. These principles are based on the premise that the auditor should not expert his or her own work, perform managerial functions, or even advocate for his or her client. During the first quarter of 2020, the Company did not hire independent auditors for other services not related to external auditing.

MANAGEMENT

Statutory Executive Board

Name	Title
Mauro do Valle Pereira	Chief Executive Officer
Cláudio Ávila da Silva	VP of Institutional Relations
Ronei Gomes	VP of Finance and Investor Relations
Cesar Gomes Junior	VP of Business

Board of Directors

Name	Member
Cláudio Ávila da Silva	Chairman of the Board
Cesar Gomes Júnior	Vice Chairman of the Board
Nilton Torres de Bastos Filho	Board Member
Glauco José Côrte	Independent Board Member
Geraldo Luciano Mattos Junior	Independent Board Member
Walter Roberto de Oliveira Longo	Independent Board Member
Marcos Gouvêa de Souza	Independent Board Member

CORPORATE GOVERNANCE

Electronic address to communicate corporate governance related issues to senior management *dri@portobello.com.br*

- Shares listed on the Novo Mercado of B3;
- Only outstanding common shares, that is, each share entitles their holders to one vote in General Shareholders' Meetings;
- Tag-Along to 100% of the shares;
- Four independent members on the Board of Directors;
- Policy on minimum mandatory dividend of 25% of adjusted net profit;
- Policies in force on the disclosure of significant acts and facts and on the trading of securities;
- The Company has taken out insurance coverage from Itaú Unibanco.

TELECONFENCE AND WEBCAST

On Friday, May 28, 2020 at 2:30 p.m. a teleconference will be held in Portuguese language to report the earnings for the first quarter of 2020.

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

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

In thousands of reais, unless otherwise stated

FINANCIAL STATEMENTS

Balance Sheet

Assets	mar/19	VA %	dec/19	VA %	mar/20	VA %
Current assets	**656.778**	**38%**	**854.556**	**47%**	**956.948**	**47%**
Cash and cash equivalents	151.166	9%	275.378	15%	324.782	16%
Trade receivables	229.761	13%	251.773	14%	243.240	12%
Inventories	237.238	14%	243.413	13%	285.884	14%
Other current assets	38.613	2%	83.992	5%	103.042	5%
Noncurrent assets	**1.093.847**	**62%**	**981.736**	**53%**	**1.082.797**	**53%**
Long-term assets	**589.153**	**33%**	**412.190**	**22%**	**498.181**	**24%**
Escrow deposits	121.435	7%	152.492	8%	157.840	8%
Legal assets	314.981	18%	37.865	2%	119.651	6%
Receivables from related parties	98.716	6%	100.936	5%	101.433	5%
Receivables from Eletrobrás	12.821	1%	12.821	1%	12.821	1%
Other noncurrent assets	41.200	2%	108.076	5%	106.436	5%
Fixed Assets	**504.694**	**29%**	**569.546**	**31%**	**584.616**	**29%**
PPE, Intangible assets and Investments	481.733	28%	510.703	28%	522.769	26%
Right of use of leased assets	22.961	1%	58.843	3%	61.847	3%
Total assets	**1.750.625**	**100%**	**1.836.292**	**100%**	**2.039.745**	**100%**

Liabilities and equity	mar/19	VA %	dec/19	VA %	mar/20	VA %
Current liabilities	**454.415**	**27%**	**613.724**	**34%**	**757.732**	**37%**
Loans and debentures	136.259	8%	233.769	13%	288.655	14%
Trade payables and credit assignment	179.088	10%	205.395	11%	266.676	13%
Lease obligations	-	-	14.465	1%	12.031	1%
Other current liabilities	139.068	9%	160.095	10%	190.370	9%
Noncurrent liabilities	**951.900**	**53%**	**854.932**	**46%**	**910.700**	**45%**
Loans and debentures	574.213	33%	522.607	28%	506.797	25%
Trade payables	105.730	6%	124.754	7%	129.633	6%
Debts with related parties	62.008	4%	-	0%	56.330	3%
Provisions	137.765	8%	120.232	7%	137.782	7%
Lease obligations	-	-	25.066	1%	37.592	2%
Other	72.184	3%	62.273	2%	42.566	2%
Equity	**344.310**	**20%**	**367.636**	**20%**	**371.313**	**18%**
Capital	140.000	8%	200.000	11%	200.000	10%
Earnings reserve	219.063	13%	184.052	10%	205.361	10%
Other comprehensive income	(14.753)	-1%	(22.224)	-1%	(39.856)	-2%
Additional proposed dividends	-	-	5.808	0%	5.808	0%
Total liabilities and equity	**1.750.625**	**100%**	**1.836.292**	**100%**	**2.039.745**	**100%**

In thousands of reais, unless otherwise stated

Income Statement

R$ thousand	1Q19	1Q20	1Q20X1Q19
Net revenue	239.232	274.180	15%
Gross profit	75.696	95.150	26%
Operating expenses, net	**(85.959)**	**(73.471)**	**-15%**
Sales	(72.657)	(74.630)	
General and administrative	(10.674)	(10.715)	
Other operating income (expenses), net	(2.628)	11.874	
Operating profit (loss) before finance income (costs)	**(10.263)**	**21.679**	**311%**
Finance income (costs)	**(12.910)**	**10.703**	**183%**
Financial Revenue	4.858	8.640	
Financial costs	(17.969)	(18.163)	
Net exchange rate	201	20.226	
Profit or loss before income tax and social contributi	**(23.173)**	**32.382**	**240%**
Income tax and social contribution	5.968	(11.370)	
Net income (loss) for the period	**(17.205)**	**21.012**	**222%**

Cash Flow

R$ thousand	1Q19	1Q20	1Q20x 1Q19
Cash flows from operating activities	**(21.294)**	**48.206**	**69.500**
Cash from operations	(21.595)	56.997	
Other	301	(8.791)	
Net cash provided by (used in) investing activities	**(16.451)**	**(14.322)**	**2.129**
Acquisition of property, plant and equipment	(13.096)	(12.275)	
Acquisition of intangible assets	(3.355)	(2.047)	
Net cash provided by (used in) financing activities	**106.287**	**15.520**	**90.767**
Borrowings and financing and debentures	122.826	37.681	
Payments of borrowings and financing	(16.539)	(19.695)	
Dividends paid	-	(32)	
Lease repayments	-	(2.434)	
Increase/(decrease) in cash and cash equivalents	**68.542**	**49.404**	**19.138**
Cash and cash equivalents at the beginning of the period	**82.624**	**275.378**	**192.754**
Cash and cash equivalents at the end of the period	**151.166**	**324.782**	**173.616**

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

1 General information

PBG S.A., hereinafter referred to as "Company" or "Parent Company", is a publicly-held company and its shares are traded on the *Novo Mercado* segment of B3 S.A. - Brasil, Bolsa, Balcão ("B3"), under ticker symbol PTBL3. The Company is controlled by a group of shareholders, formalized in the agreement entered into on April 15, 2011, and amended on February 18, 2019, which hold 54% of the Company's shares at March 31, 2020. The remaining 46% of the shares are held by several shareholders.

The Company, with registered head office in the city of Tijucas, State of Santa Catarina, and its direct and indirect subsidiaries, individually or in the aggregate, are primarily engaged in the manufacture and sale of ceramic and porcelain products in general, such as floor tiles, enameled and non-enameled porcelain tiles, decorated and special pieces, mosaics, products intended for inner wall and external facade coatings, as well as in the provision of supplementary services involving the application of its products in the construction material industry in Brazil and overseas. The Company has a plant in Tijucas and another in Alagoas, in addition to the distribution centers.

The Company also holds equity interest in the following subsidiaries: (i) Portobello Shop, which manages the Portobello Shop and Empório Portobello franchising networks, with a network of franchised stores specializing in porcelain tiles and ceramic coatings; (ii) PBTech, which manages the Portobello Shop own stores and currently manages 15 stores; (iii) Mineração Portobello, which supplies part of the raw materials used in the manufacture of ceramic coatings; (iv) Companhia Brasileira de Cerâmica, which as of the 2nd quarter of 2018 operates the special cuts factory in the Southeast; and (v) Portobello America, which was established to sell Portobello products in the U.S. market and gradually returned to operations as of the second half of 2018, and (vi) in 2019 Portobello America Manufacturing, LLC was established, a subsidiary of Portobello America, with the business purpose of building the plant in the USA.

2 Presentation of interim financial information

a) Statement of compliance

The interim financial information has been prepared in accordance with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and CPC 21 (R1) – Interim Financial Reporting and presented according to the standards issued and approved by the Securities and Exchange Commission of Brazil (CVM), applicable to the preparation of Quarterly Financial Information - ITR.
This interim financial information contains selected explanatory notes on significant events and transactions, which allow the understanding of the changes occurred in the Company's financial position and performance since its last individual and consolidated annual financial statements.

Therefore, this interim financial information should be read in conjunction with the Company's financial statements for the year ended December 31, 2019, which have been prepared and presented in accordance with the International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board - IASB, and also in accordance with the accounting practices adopted in Brazil (BR GAAP), which include those included in Brazilian corporate law and the standards, guidelines and interpretations issued by the Brazilian Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM). All significant information in the interim financial information, and only this information, is being disclosed and corresponds to that used by Management in its activities. This interim financial information was approved and authorized for issue by the Board of Directors on May 7, 2020.

In thousands of reais, unless otherwise stated.

The presentation of the individual and consolidated statements of value added (DVA) is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil applicable to listed companies. The DVA was prepared in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". IFRS does not require the presentation of this statement. Under IFRS, the presentation of this statement is considered supplementary information, and not part of the set of interim financial information.

b) Use of judgment and estimates

In preparing this interim financial information, the Group has made judgments and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by Management during the application of the Company's accounting policies and the information on the uncertainties related to the assumptions and estimates that have significant risk of resulting in a material adjustment are the same as those disclosed in the last individual and consolidated annual financial statements.

3. Significant accounting policies

The significant accounting policies applied in the preparation of this individual and consolidated interim financial information are as follows. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Consolidations

3.1.1 Consolidated financial statements

a) Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of possible voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company's ownership interest in subsidiaries at March 31, 2020, is as follows:

	Country of incorporation	Direct ownership	Indirect ownership
Portobello América Inc.	United States	100,00%	0,00%
Portobello America Manufacturing	United States	0,00%	100,00%
PBTech Ltda.	Brazil	99,94%	0,06%
Portobello Shop S.A.	Brazil	99,90%	0,00%
Mineração Portobello Ltda.	Brazil	99,76%	0,00%
Companhia Brasileira de Cerâmica S.A.	Brazil	98,00%	2,00%

Transactions between the Company and its subsidiaries, as well as unrealized balances, gains and losses, have been eliminated on consolidation.

The accounting policies of subsidiaries are altered, where necessary, to ensure consistency with the policies adopted by the Company.

b) Transactions and non-controlling interests

The Company and its subsidiaries treat transactions with non-controlling interests as transactions with equity owners. For purchases from non-controlling interests, the difference between any consideration paid and the proportion of the carrying amount of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interest are also recognized in equity.

3.1.2 Individual financial statements

In the individual financial statements, subsidiaries are accounted for under the equity method. In accordance with this method, an investment is initially recognized at cost and subsequently adjusted to recognize the interest of the Company in changes in the investee's net assets. Adjustments to the investment's carrying amount are also necessary to recognize the Company's proportionate interest in changes in the investee's carrying value adjustments, recorded directly in equity. These changes are also recognized directly in the parent company's equity as carrying value adjustments.

Under the equity method of accounting, the Company's share of dividends declared by subsidiaries is recognized as dividends receivable, in current assets. Accordingly, the investment is stated net of dividends proposed by the subsidiary. Accordingly there is no recognition of income from dividends.

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, is the Executive Board that makes the strategic decisions of the Company and its subsidiaries.

3.3 Foreign currency translation

a) Transactions and balances

Foreign currency transactions are translated into Brazilian reais using the exchange rates prevailing at the dates of the transactions, or the dates of valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in profit or loss as finance income (costs), as described in note 31]]]].

b) Subsidiaries

The assets and liabilities recorded in foreign currency (US dollars) recorded for the subsidiary located abroad were translated into Brazilian reais at the foreign exchange rate in effect at the balance sheet date and the operations' profit or loss were translated at the monthly average foreign exchange rates. The exchange variation on the foreign investment was recorded as a cumulative translation adjustment in equity under "Carrying value adjustments".

3.4 Interpretation of IFRS issued by IASB - ICPC 22 / IFRIC23

a) Uncertainty over Income Tax Treatments

The Company reviewed the treatments given to income taxes in order to determine the impact on the parent company and consolidated financial statements, as determined by IFRIC 23 / ICPC 22 - Uncertainty over Income Tax Treatments.

The Company recognizes deferred income tax and social contribution (IRPJ and CSLL) balances at March 31, 2020, as a result of the recognition of the “Plaintiff” lawsuit that judicially discusses the non-taxation of this revenue. In 2020, the amount of R$ 60,629 is recognized as provision for IRPJ and CSLL contingency and R$ 5,608 as temporary asset differences.

The tax assets sale transaction denominated “Plaintiff”, generated a financial discount of R$ 9,008 recorded in September 2019, which the Company believes should be considered a deductible expense for the current year for IRPJ and CSLL purposes of R$ 3,063. For PIS and COFINS purposes it is not an expense that generates credit for tax purposes. This classification was made in line with the IFRS Interpretation Committee, which clarifies that uncertain positions regarding income taxes are part of the measurement of current or deferred income taxes.

4 Critical accounting estimates and judgments

The main judgments and uncertainties in the estimates used in the application of accounting policies remain the same as those detailed in the financial statements for the year ended December 31, 2019 and should thererfore be read together.

5 Financial risk management

5.1 Financial risk factors

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

Risk management is carried out by the Company's treasury department according to policies approved by the Board of Directors. The Treasury Area and Finance Department identify, assess and hedge the Company and its subsidiaries against possible financial risks in cooperation with the operational units. The Board of Directors sets the overall risk management principles and the criteria for specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and the investment of cash surpluses.

a) Market risk

i) Foreign exchange risk

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

In thousands of reais, unless otherwise stated.

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

	(In Reais)			
	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Trade receivables	72.666	55.350	84.294	62.464
Checking account	2.239	241	2.239	241
Credit with subsidiaries	119.202	90.338	-	-
Assets exposed	194.107	145.929	86.533	62.705
Provision for short liabilities in subsidiaries	(77.456)	(57.643)	-	-
Suppliers, commissions, net of advances	(18.972)	(18.539)	(18.972)	(18.539)
Payables for fixed asset and intangible	(23.678)	(16.976)	(23.678)	(16.976)
Borrowings and financing	(63.976)	(51.813)	(63.976)	(51.813)
(-) Swap	17.653	16.433	17.653	16.433
Liabilities exposed	(166.429)	(128.538)	(88.973)	(70.895)
Net exposure	27.678	17.391	(2.440)	(8.190)

The foreign exchange exposure is divided into:

a) Euro:

	In Euro			
	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Trade receivables	313	283	313	283
Suppliers, commissions, net of advances	(556)	(3.024)	(556)	(3.024)
Payables for fixed asset and intangible	(4.066)	(3.475)	(4.066)	(3.475)
	(4.309)	(6.216)	(4.309)	(6.216)

b) US Dollar:

	In US Dollar			
	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Trade receivables	13.645	13.373	15.814	15.138
Checking account	431	60	431	60
Credits with subsidiaries	22.929	22.413	-	-
Provision for short liabilities in subsidiaries	(14.899)	(14.301)	-	-
Suppliers, commissions, net of advances	(3.038)	(1.209)	(3.038)	(1.209)
Payables for fixed asset and intangible	(76)	(305)	(76)	(305)
Borrowings and financing	(8.910)	(8.778)	(8.910)	(8.778)
	10.082	11.253	4.221	4.906

In thousands of reais, unless otherwise stated.

The Company adopts the strategy of maintaining the foreign exchange liability exposure at an amount equivalent to up to one year of exports.

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

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

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

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

b) Credit risk

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

c) Liquidity risk

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

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

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

	Parent Company									
	March 31, 2020					December 31, 2019				
	*Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Tax installment payment	Total	*Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Tax installment payment	Total
Less than 1 year	271.657	3.226	253.362	11.403	539.648	231.984	4.554	193.211	11.455	441.204
From 1 to 2 years	114.401	8.872	129.633	11.403	264.309	357.412	3.226	124.754	11.455	496.847
Between 2 and 5 years	364.854		-	29.493	394.347	159.998	4.045	-	32.062	196.105
Over 5 years	43.136	-	-	-	43.136	5.639	-	-	-	5.639
	794.048	12.098	382.995	52.299	1.241.440	755.033	11.825	317.965	54.972	1.139.795

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

In thousands of reais, unless otherwise stated.

	Consolidated									
	March 31, 2020					December 31, 2019				
	*Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Tax installment payment	Total	*Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Tax installment payment	Total
Less than 1 year	273.061	12.031	266.676	11.642	563.410	231.984	14.465	205.395	11.765	463.609
From 1 to 2 years	114.401	25.462	129.633	11.642	281.138	357.412	7.328	124.754	11.765	501.259
Between 2 and 5 years	364.854	-	-	29.532	394.386	159.998	3.273	-	32.048	195.319
Over 5 five years	43.136	-	-	-	43.136	6.982	-	-	-	6.982
	795.452	37.493	396.309	52.816	1.282.070	756.376	25.066	330.149	55.578	1.167.169

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

d) Sensitivity analysis

i) Sensitivity analysis of interest rate variations

The Company's Management conducted a study of the potential impact of interest rates changes from CDI and Selic on the amounts of finance costs arising from borrowings.

This study is based on the likely scenario of an increase in the CDI rate to 3.65% p.a., based on the future interest curve by B3 S.A. - Brasil, Bolsa, Balcão and Selic to 3.75% p.a.. The probable rate was then stressed by 25% and 50% and used as benchmark for the possible and remote scenarios, respectively.

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

	Consolidated in Brazilian Reais							
	March 31, 2020	Risk	Probable rate		Possible (25%)*		Remote (50%)*	
			%	R$	%	R$	%	R$
Borrowings - Working Capital	(1.404)	CDI increase	3,65%	(51)	4,56%	(64)	5,48%	(77)
Borrowings - Export credit note	(243.479)	CDI increase	3,65%	(8.887)	4,56%	(11.109)	5,48%	(13.330)
Debentures	(302.064)	CDI increase	3,65%	(11.025)	4,56%	(13.782)	5,48%	(16.538)
	(546.947)			(19.964)		(24.954)		(29.945)
Tax installment payment	(52.816)	Selic increase	3,75%	(1.981)	4,69%	(2.476)	5,63%	(2.971)

ii) Sensitivity analysis of changes in exchange rates

The Company has assets and liabilities pegged to a foreign currency in the balance sheet as at March 31, 2020, and for sensitivity analysis purposes, it has adopted as probable scenario the future market rate effective in the period of preparation of interim financial information. The probable rate was then stressed by 25% and 50% and used as benchmark for the possible and remote scenarios, respectively.

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

In thousands of reais, unless otherwise stated.

In US$	March 31, 2020 R$	Exchange rate	Risk	Possible (25%)* Rate US$	Possible (25%)* Gain (Loss)	Remote (50%)* Rate US$	Remote (50%)* Gain (Loss)	Possible (-25%)* Rate US$	Possible (-25%)* Gain (Loss)	Remote (-50%)* Rate US$	Remote (-50%)* Gain (Loss)
Trade receivables US$	82.502	5,2168	Decrease in US$ rate	6,521	20.985	7,825	41.682	3,913	(20.410)	2,608	(41.107)
Checking account US$	2.239	5,2168	Decrease in US$ rate	6,521	569	7,825	1.131	3,913	(554)	2,608	(1.116)
Trade payables, net of advances US$	(15.788)	5,2168	Increase in US$ rate	6,521	(4.016)	7,825	(7.976)	3,913	3.906	2,608	7.867
Payables for fixed asset and intangible US$	(395)	5,2168	Increase in US$ rate	6,521	(100)	7,825	(200)	3,913	98	2,608	197
Borrowings and financing US$	(63.976)	5,2168	Increase in US$ rate	6,521	(16.272)	7,825	(32.322)	3,913	15.827	2,608	31.877
(-) Swap contract US$	17.653	5,2168	Fixed	6,521	4.490	7,825	8.919	3,913	(4.367)	2,608	(8.796)
Net exposure	22.235		-		5.656		11.234		(5.501)		(11.079)

* Possible and remote scenarios calculated based on the March 31, 2020 B3 (Bolsa, Brasil and Balcão) Dollar rate.

In EUR	March 31, 2020 R$	Exchange rate	Risk	Possible (25%)* Rate US$	Possible (25%)* Gain (Loss)	Remote (50%)* Rate US$	Remote (50%)* Gain (Loss)	Possible (-25%)* Rate US$	Possible (-25%)* Gain (Loss)	Remote (-50%)* Rate US$	Remote (-50%)* Gain (Loss)
Trade receivables EUR	1.792	5,7751	Decrease in EUR rate	7,219	467	8,663	919	4,331	(437)	2,888	(888)
Trade payables, net of advances EUR	(3.184)	5,7751	Increase in EUR	7,219	(830)	8,663	(1.633)	4,331	776	2,888	1.578
Payables for fixed asset and intangible EUR	(23.283)	5,7751	Increase in EUR	7,219	(6.068)	8,663	(11.939)	4,331	5.672	2,888	11.542
Net exposure	(24.675)		-		(6.431)		(12.652)		6.011		12.233

* Possible and remote scenarios calculated based on the March 31, 2020 B3 (Bolsa, Brasil and Balcão) dollar rate Euro rate.

5.2 Capital management

Management's objectives when managing capital are to safeguard its ability and that of its subsidiaries to continue as going concerns in order to provide returns for stockholders and benefits for other stakeholders and to obtain lower borrowing costs when combining own and third-party capital.

Capital is monitored based on the net debt-equity ratio. Net debt is calculated as total borrowings and tax installment payment, less cash and cash equivalents, receivables from other related parties and securities.

At March 31, 2020, the gearing ratios are summarized as follows:

	Parent Company March 31, 2020	Parent Company December 31, 2019	Consolidated March 31, 2020	Consolidated December 31, 2019
Borrowings and financing	794.048	755.033	795.452	756.376
Tax installment payment	52.299	54.972	52.816	55.578
Less: Cash and cash equivalents	(289.686)	(249.488)	(324.782)	(275.378)
Receivables from other related parties	(101.432)	(100.936)	(101.432)	(100.936)
Financial investments	(7.599)	(7.552)	(7.599)	(7.552)
Net debt	447.630	451.122	414.455	427.141
Total equity	371.289	367.620	371.314	367.636
Total capital	818.919	818.742	785.769	794.777
Net debt / Equity (%)	1,21	1,23	1,12	1,16
Gearing ratio (%)	55	55	53	54

In thousands of reais, unless otherwise stated.

5.3 Financial instruments by category

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

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Assets at fair value through profit or loss				
Derivatives	11.608	9.041	11.608	9.041
Amortized cost				
Cash and cash equivalents	289.686	249.448	324.782	275.378
Financial investments	7.599	7.552	7.599	7.552
Receivables from other related parties	101.432	100.935	101.432	100.936
Trade receivables	218.585	222.856	243.240	251.773
	628.910	589.833	688.661	644.680
Amortized cost				
Trade payables and assignment	382.995	317.965	396.309	330.149
Borrowings, financing and debentures	794.048	755.033	795.452	756.376
Tax installment payment	52.299	54.972	52.816	55.578
Lease liabilities	12.584	11.825	49.623	39.561
Payables to related parties	89.314	22.803	89.314	22.803
	1.331.240	1.162.598	1.383.514	1.204.467

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

6 Cash and cash equivalents

Short-term investments designated as cash equivalents correspond to investments in investment funds, which average return in March 2020 was equivalent to 64,2% of the Interbank Deposit Certificate (CDI) rate and which can be redeemed at any time, without penalties.

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Checking account	37.871	15.467	49.572	27.222
Financial investments	251.815	234.021	275.210	248.156
	289.686	249.488	324.782	275.378

In thousands of reais, unless otherwise stated.

7 Financial instruments

Derivatives for trading are classified as current and non-current assets or liabilities. The total fair value of a hedge derivative is classified as non-current assets or non-current liabilities if the remaining period for the maturity of the hedged item is over 12 months, and for current assets or current liabilities if the remaining period for the maturity of the hedged item is below 12 months.

In June 2018, the Company entered into an export credit (NCE) agreement together with swap transactions intended to hedge future payments of these borrowings and financing against fluctuations in the US Dollar and interest rate. This transaction is classified as current and non-current liabilities.

The Export Credit (NCE) transaction was for US$ 6,100, corresponding to R$ 23,999, bearing interest of 2.10% p.a. + LIBOR-03 + exchange rate change per year, with swap for 100% CDI + 1.40% per year

and payment date within 36 months with 12-month grace period. Repayments are made on a quarterly basis.

At March 31, 2020, an unrealized loss of R$ 960 was posted, see note 31.

The Company does not carry out financial transactions using derivatives or any other risk instruments for speculative purposes.

8 Trade receivables

	Parent Company		Consolidated	
	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Receivables from third parties:				
Domestic market	151.871	173.362	164.705	201.653
Foreign market	72.666	55.350	84.294	55.350
	224.537	228.712	248.999	257.003
Receivables from related parties:				
Related parties	318	372	892	1.041
	318	372	892	1.041
Impairment of trade receivables:				
Provision for impairment of trade receivables	(6.270)	(6.228)	(6.651)	(6.271)
	(6.270)	(6.228)	(6.651)	(6.271)
	218.585	222.856	243.240	251.773

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

In thousands of reais, unless otherwise stated.

The recognition and write-off of the provision for impairment of trade receivables are recognized in profit or loss as selling expenses

a. **Aging list of trade receivables**

	Parent Company					
	March 31, 2020	Estimated losses	Coverage %	December 31, 2019	Estimated losses	Loss
Falling due	208.636	(1.668)	0,8%	217.635	(1.615)	0,7%
Past due until 30 days	7.384	(27)	0%	4.138	(15)	0%
Past due from 31 to 90 days	2.707	(52)	2%	2.001	(81)	4%
Past due from 91 to 180 days	1.299	(537)	41%	2.058	(1.684)	82%
Past due from 181 to 360 days	4.272	(3.429)	80%	2.903	(2.483)	86%
Past due over 360 days	557	(557)	100%	349	(350)	100%
	224.855	(6.270)		229.084	(6.228)	

	March 31, 2020	Estimated losses	Coverage	December 31, 2019	Estimated losses	Loss %
Falling due	232.209	(1.686)	0,7%	244.750	(1.619)	0,7%
Past due until 30 days	8.289	(28)	0%	5.305	(15)	0%
Past due from 31 to 90 days	2.850	(56)	2%	2.201	(82)	4%
Past due from 91 to 180 days	1.323	(538)	41%	2.142	(1.696)	79%
Past due from 181 to 360 days	4.444	(3.567)	80%	3.246	(2.510)	77%
Past due over 360 days	776	(776)	100%	400	(349)	87%
	249.891	(6.651)		258.044	(6.271)	

The Company's receivables are pledged as collateral for some of the borrowings and financing, as described in note 22.

The provision for impairment of trade receivables estimated by the Company is calculated by means of a staggered portfolio realization policy, taking into consideration the credit analysis, the recovery performance of receivables up to 360 days after maturity and market information. Such methodology has been supporting the estimated losses on this portfolio with a high level of reliability, in accordance with IFRS 9/CPC 48.

At March 31, 2020, trade receivables pledged as collateral amounts to R$ 98,904 (R$ 76,502 at December 31, 2019).

In thousands of reais, unless otherwise stated.

9 Inventories

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Finished products	222.052	195.829	242.980	211.047
Work in progress	7.606	9.110	8.059	9.110
Raw material and consumables	39.609	33.243	39.650	33.268
Provision for valuation of inventories at realizable value	(14.574)	(15.088)	(14.574)	(15.088)
Imports in progress	9.769	5.076	9.769	5.076
	264.462	228.170	285.884	243.413

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

10 Taxes recoverable

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Current				
ICMS (b)	22.893	24.165	23.349	24.616
Curtailment of ICMS from the PIS and COFINS tax base (a)	21.226	22.036	21.226	22.036
IPI	2.558	2.504	2.566	2.508
IRRF/CSRF	1.087	833	1.136	855
IRPJ/CSLL	427	427	1.010	1.006
Other	420	342	584	500
Special Tax Reintegration Regime for Exporting Companies (REINTEGRA)	236	184	236	184
PIS/COFINS receivables	43	37	406	467
	48.890	50.528	50.513	52.172
Non-current*				
Curtailment of ICMS from the PIS and COFINS tax base (a)	47.409	50.342	47.409	50.342
ICMS *	4.336	3.884	4.555	4.122
PIS/COFINS *	3.901	2.438	3.901	2.438
	55.646	56.664	55.865	56.902

* Taxes credit on property, plant and equipment.

a. **Exclusion of ICMS on PIS and COFINS**

The Company filed two Writs of Mandamus, one pending judgment by the Federal Court of Brasília, for which the tax paid in error refers to the period from 2003 to 2009 and the other is pending judgment by the Federal Court of Santa Catarina for the period from 2009 to 2014, both claiming the exclusion of ICMS from the PIS and COFINS tax base.

In both writs of mandamus, the Company obtained favorable decisions recognizing the right to offset the credit.

After filing of appeal by the Federal Government, final and unappealable rulings were handed down on both proceedings.

On December 13, 2018, after filing an application for credit recovery with the Federal Revenue of Brazil an administrative ruling was handed down granting such credit recovery resulting from a final and unappealable court ruling, to allow the Company to use the credits from November 2009 to October 2014, in the amount of R$ 59,381. The Company has been offsetting these credits with federal taxes.

On July 12, 2019, the Company filed with the Federal Revenue of Brazil the 2nd application for recovery of credit resulting from a final and unappealable court decision, in the amount of R$ 45,072 for the period from April 2003 to October 2009 of the exclusion of ICMS from PIS and COFINS tax base to allow the Company to use said credit through offset, which was granted on August 7, 2019, whose use will take place after the end of the credit calculated from November 2009 to October 2014.

b. ICMS -

This line item includes ICMS-ST levied on product transfer operations between the Company's units, in the amount of R$ 7,873. This amount will be the subject matter of a proceeding to be filed with the Finance Department of the State of Pernambuco, aiming at its full recovery.

In this same line item, an unused tax credit related to ICMS tax rate difference on interstate operations in the amount of R$ 6,509 was recorded in December 2019.

The amount of R$ 8,474 will be fully offset in the Company's future tax calculations.

11 Receivables from other related parties

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

The Federal Supreme Court handed down a decision in mid-2009 defining the date of extinguishment of this incentive on October 4, 1990, thus extinguishing this credit utilization claim. As a result, the Company joined the installment payment program set forth in Law 11,941/09, then including the debt arising from the utilization of the credit acquired from “Refinadora”.

It should be stressed that “Refinadora” had already entered into an agreement with the Company guaranteeing the reimbursement of the amounts utilized. Such guarantee was provided using credits also arising on the ‘IPI premium credit’ tax benefit, calculated prior to October 4, 1990, in progress at the Federal Court of Justice of the Federal District, which handed down a final and unappealable court decision favorable to Refinadora.

Upon adhering to the installment payment program under Law 11,941/09, the Company and “Refinadora” have entered into an instrument confirming these credits as guarantee capable of satisfying all tax debts payable in installments. At March 31, 2020, these credits also originating from lawsuit No.

In thousands of reais, unless otherwise stated.

87.00.00967-9, amount to R$ 101,432 (R$ 100,935 at December 31, 2019) and are adjusted based on the SELIC rate, as set forth in the agreement.

It should be noted that the claims on guarantees have already been converted into court-ordered debts. In fact, the Company has received four installments of a total of ten annual installments, as set forth in the agreement. The amounts were received in August 2011, March 2013, April 2014 and December 2015, amounting to R$ 8,505, R$ 9,824, R$ 9,995 and R$ 10,000, respectively. Additionally, in September 2016 the amount of R$ 2,167 was received to supplement installment 04. The installments 05, 06, 07, 08 and 09, are already deposited for the Refiner, but the transfer depends on a release permit before the appeal filed by the Union and the installments remain blocked. The Company expects that these credits will be realized in 2021.

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

12 Judicial deposits

The Company and its subsidiaries are parties to tax, civil, labor and social security lawsuits (see Note 24) and are discussing these matters at administrative and judicial level, which are supported by judicial deposits, when applicable. These are recorded at the original amount adjusted by the rates relating to the benchmark interest rates applicable to savings accounts.

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

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Civil (a)	129.755	124.875	129.755	124.859
Labor	3.946	4.159	3.909	4.159
Tax	24.145	23.443	24.176	23.474
	157.846	152.477	157.840	152.492

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

13 Receivables from Eletrobrás

The Company filed a lawsuit against Centrais Elétricas Brasileira S.A. - Eletrobrás aiming at the reimbursement of the compulsory loan paid through electric energy bills between 1977 and 1993, as set forth in Law 4,156/62.

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

In thousands of reais, unless otherwise stated.

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

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

In 2017, the Company filed a court decision enforcement action, at the total amount of R$ 12,821.

Centrais Elétricas Brasileira S.A. – Eletrobrás filed an Interlocutory Appeal upon Decision Enforcement and obtained an injunction to suspend the decision that determined the payment on behalf of the Company, as well as the resumption of the court decision settlement procedure. The judgment became final in July 2018. In February 2019, the Company requested continuation of the proceedings with the approval of the tax credit calculation, which identified the amount of R$ 12,821. The Company reaffirms its certainty in relation to the amount and its realization in the medium term.

14 Income tax and social contribution

a) Income tax and social contribution on income

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

	Current assets				Current liabilities			
	Parent Company		Consolidated		Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Income tax	314	314	782	779	-	-	1.219	1.527
Social contribution	113	113	228	227	-	-	441	556
	427	427	1.010	1.006	-	-	1.660	2.083

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

b) Deferred income tax and social contribution tax

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

In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Tax losses	43.306	38.562	43.306	38.562
Temporary differences - assets	31.834	35.456	36.616	39.809
Cash basis foreign exchange variations	(5.346)	801	(5.346)	801
Provision for adjustment to market value	2.691	2.536	2.691	2.536
Provision for civil, labor, pension and tax	14.864	14.207	14.864	14.207
Provision for PIS/COFINS contingencies - Plaintiff	5.018	4.913	5.018	4.913
Tax losses in subsidiaries		-	4.353	4.353
Other temporary differences - assets	14.608	12.998	15.037	12.998
Temporary differences - liabilities	(50.752)	(52.179)	(55.629)	(52.180)
Portobello Pension Plan	(2.155)	(2.155)	(2.155)	(2.155)
Realization of revaluation reserve	(17.108)	(17.261)	(17.108)	(17.261)
Receivables from Eletrobrás	(4.359)	(4.359)	(4.359)	(4.359)
Active contingency - IPI credit premium IPI - Phase I	(2.647)	(2.647)	(2.647)	(2.647)
Active contingency - IPI credit premium IPI - Phase II	(7.621)	(7.621)	(7.621)	(7.621)
Active contingency - adjustment to rural credit notes	-	(2.607)	(4.878)	(2.607)
Adjustment to present value	(63)	(163)	(63)	(163)
Depreciation adjustment (useful lives of goods)	(16.799)	(15.367)	(16.799)	(15.367)
Deferred income tax and social contribution - Net	24.388	21.839	24.292	26.191
Non-current assets	24.388	21.839	24.292	26.191
Non-current liabilities	-	-	-	-

March 31, 2020, net variations in deferred income tax and social contribution are as follows:

	Parent Company	Consolidated
December 31, 2019	21.839	26.191
Tax losses	4.744	4.744
Temporary differences - assets	(3.622)	(3.194)
Temporary differences - liabilities	1.274	(3.602)
Reevaluation reserve	153	153
March 31, 2020	24.388	24.292

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

In thousands of reais, unless otherwise stated.

	Parent Company	Consolidated
	March 31, 2020	March 31, 2020
Deferred tax assets charged (credited) to profit or loss		
Tax losses	4.744	4.744
Cash basis exchange rate variations	(6.147)	(6.147)
Provision for adjustment to market value	317	317
Provision for contingencies	657	657
Provision for PIS/COFINS contingencies - Plaintiff	104	104
Other temporary differences - assets	1.446	1.876
	1.122	1.552
Portobello Pension Plan	153	153
Realization of revaluation reserve	2.607	(2.271)
Adjustment to present value	100	100
Curtailment of ICMS from the PIS and COFINS tax base	(1.432)	(1.432)
	1.427	(3.451)
	2.549	(1.899)

c) Income tax and social contribution - P&L

Income tax and social contribution expenses are broken down as follows:

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Profit before taxes	25.533	(25.102)	32.381	(23.173)
Tax calculated based at nominal rate - 34%	(8.681)	8.365	(11.010)	7.879
Equity in the earnings of subsidiaries	3.715	(439)	-	-
Non-deductible expenses for tax purposes	1.331	(33)	1.331	(174)
Depreciation of revalued assets	(203)	(153)	(203)	(153)
Tax credits on tax losses and temporary differences	3.839	(7.741)	(1.488)	(1.584)
Current tax on profit for the year	-	-	(2.391)	(1.925)
Deferred income tax and social contribution	(4.530)	7.893	(8.979)	7.893
Income tax and social contribution expense recognized in income (current and deferred)	(4.530)	7.893	(11.370)	5.968
Effective tax rate	-17,7%	-31,4%	35,1%	25,8%

In thousands of reais, unless otherwise stated.

15 Contingent assets

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
IPI premium credit (a)				
Lawsuit No. 1987.0000.645-9	22.414	22.414	22.414	22.414
Lawsuit No. 1984.00.020114-0	7.784	7.784	7.784	7.784
Adjustments to rural credit notes (b)	-	7.667	14.346	7.667
IPI premium credit – Plaintiff (c)	75.107	-	75.107	-
	105.305	37.865	119.651	37.865

a) IPI premium credit

The Company is a party to a lawsuit claiming the recognition of tax benefits called ‘IPI premium credit’, in different calculation periods. Lawsuit No. 1987.0000.645-9, relating to the period between April 1, 1981 and April 30, 1985, which was decided favorably to the Company, is in the award calculation phase with the amounts already calculated by the accounting office of the Federal Court; the amount recognized in November 2009, adjusted up to March 31, 2020, is R$ 22,414 (R$ 22,414 at December 31, 2020).

Regarding Lawsuit No. 1984.00.020114-0, for the period between December 7, 1979 and March 31, 1981, after a final and unappealable decision handed down more than 10 years ago, the award calculation and decision enforcement phase has started, followed by an expert report prepared by a legal expert. The parties were notified about the amount determined to manifest their agreement or objection to the report. The Company agreed with the calculations made. The Federal Government, represented by the General Attorneys’ Office of the National Treasury has not issued an opinion, which implies tacit agreement, resulting in preclusion. Therefore, the lawsuit is concluded and there is no further possibility of objection. The Company recognized in 2015 the amount calculated by the legal expert of R$ 4,983, and since the Company understands that a favorable decision on the lawsuit is virtually certain, it recorded the tax asset in June 2015, in the amount adjusted up to March 31, 2020 of R$ 7,784 (R$ 7,784 at December 31, 2019).

b) Adjustment to rural credit notes

In March 2017, the Company, based on a court decision handed down in relation to the Civil Class Action filed by the General Attorneys' Office against the Federal Government, filed an individual Court Decision Enforcement action for collection of the amount corresponding to the difference between the inflation adjustment rates applied on transactions involving rural credit notes carried out in March 1990. Banco do Brasil filed a petition with the Higher Court claiming suspension of the proceeding. In March 2020, by decision of the Federal Regional Court of the 4th Region, the lawsuit, as it involved only the Company and Banco do Brasil S.A. and reviewing the previous decision of the STJ, determined that the proceeding should be submitted to one of the Civil Courts of the City of Tijucas/Santa Catarina state with jurisdiction to judge the matter. The amount of the credit enforced is R$ 14,346 , which is in conformity with the decision issued in RESP No. 1,319,232 - DF (Sociedade Rural Brasileira x Central Bank of Brazil and Others).

c) IPI premium credit – Plaintiff

The proceeding, filed in 1984, was distributed to the Federal Supreme Court (STF) and returned to the 6th Federal Court of the Judiciary Section of the Federal District (original court), for enforcement of the sentence. The Company is already enforcing the sentence.

The proceeding that addresses the recognition of tax benefits named 'IPI premium credit' (1998.34.00.029022-4) classified in March 2018 as a contingent asset started to be recognized in the second quarter of 2018 as a legal asset.

The receipt of economic benefits was considered virtually certain due to the Federal Government-National Treasury's decision on the proceeding which, in summary, acknowledged as uncontested the amount of R$ 187,091 (August/15) but did not agree with the amount of R$ 66,056.

Appeals are no longer applicable in respect of the uncontested portion, as the debtor acknowledged the debt – Federal Government.

Concurrently with the recognition of the asset, an obligation of R$ 62,008 was recorded in liabilities with Refinadora Catarinense S.A., initially the plaintiff of the lawsuit. In 2002, the plaintiff of the lawsuit was changed and the Company opted to use these tax credits to offset taxes. That transaction was provided for in the agreement entered into between the parties, which generated the amount due to the aforementioned related party.

Accordingly, the value of the Company´s net asset is R$ 158,252.

On September 30, 2019, the amount of the asset due on behalf of the Company is R$ 220,260 which was approved by the 6th Federal Court in the enforcement process.

On April 16, 2019 the Payment Request (Court-Ordered Debt) of the uncontested amount was issued, quantified at R$ 187,091 as at August 2015.

The Board of Directors' Meeting No. 11, held on September 30, 2019, approved the negotiation of this tax asset, under Payment Request (court-ordered debts) distributed under No. 0154107-24.2019.4.01.9198, issued on April 16, 2019, with the original amount of R$ 180,708 as of August 2015. The amount of this tax asset, after being submitted to the legal monetary restatement indexes by the Federal Regional Court of the 1st Region, is currently R$ 200,549 as of June 2019.

Accordingly, the Company sold the tax asset at the final price of R$ 170,000, with settlement on September 30, the conditions of which are set forth in the Public Deed of Credit Assignment, drawn up with the 9th Notary Office of the City of São Paulo.

In the sale of the court-ordered debt, there was a financial discount on the operation and thus the obligation for Refinadora Catarinense S.A. became R$ 33,790, which will be paid in accordance with the Term of Understanding of the lawsuit in 3 equal installments, the 1st was paid in December 2019, the 2nd will be paid in April 2020 and the 3rd and last in July 2020. Therefore, as the settlement will take place in the 12-month period, this obligation was reclassified to current, remaining the balance of R$ 22,803.

The Company, considering that the credit enforced has been the subject matter of agreement by the accounting office of the Federal Court, having ratified the amounts presented by the Company and, in view of the position expressed by the accounting office of the Federal Court enclosed with the lawsuit in March 2020, in which it informs that it does not have technical knowledge to express a technical position about the challenges filed by the Federal Government, recognized the portion considered as controversial in the amount of R$ 66,056 (as of August 2015).

In thousands of reais, unless otherwise stated.

In this quarter, the amount of R$ 75,107 was recognized. In addition, the amount of R$ 56,329 was recorded in liabilities, referring to the amounts to be paid to the Refinadora Catarinense, R$ 1,737 referring to Pis and Cofins recorded in long-term liabilities, R$ 3,380 referring to Income Tax and Social Contribution recorded in the respective deferred tax accounts, being non-current liabilities and results. The amount of success fees was also accrued. The net amount for the Company is R$ 4,823.

16 Contingent assets

a) IPI premium credit – Difference in indexes of Tax Assets "Plaintiff"

The Company, in view of the divergence of criteria for updating the Payment Request (court-ordered debts) distributed under No. 0154107-24.2019.4.01.9198, issued on April 16, 2019, adopted by the Federal Regional Court of the 1st Region, which quantified the tax asset at R$ 200,549, as of June 2019, will initiate a judicial proceeding with a view to adjusting the criteria used to update said court-ordered debt.

Management maintains the understanding that the Tax Asset, described in item 15 (c) above, amounts to R$ 220,260, as of June 2018 and, therefore, will require the issuance of a Complementary Payment Request (court-ordered debts).

17 Investments

a) Interest in subsidiaries

The Company is the parent company of five companies and investments are recorded in non-current assets in line item "Interests in subsidiaries" and in liabilities in line item "Allowance for investment losses".

	Country of incorporation	Direct ownership	Indirect ownership	Assets	Liabilities	Revenue*	Profit or loss
At December 31, 2019							
Portobello América Inc.	United States	100,00%	0,00%	42.595	97.692	18.122	(18.860)
Portobello America Manufacturing	United States	0,00%	100,00%	13.087	13.087	-	-
PBTech Ltda.	Brazil	99,94%	0,06%	62.373	52.817	103.559	6.220
Portobello Shop S.A.	Brazil	99,90%	0,00%	45.666	45.187	69.311	31.832
Mineração Portobello Ltda.	Brazil	99,76%	0,00%	4.632	2.213	10.402	1.587
Companhia Brasileira de Cerâmica S.A.	Brazil	98,00%	2,00%	12.957	4.552	5.059	(5.539)
At March 31, 2020							
Portobello América Inc.	United States	100,00%	0,00%	67.392	144.848	10.099	(5.851)
Portobello America Manufacturing	United States	0,00%	100,00%	15.423	15.423	-	-
PBTech Ltda.	Brazil	99,94%	0,06%	77.108	58.464	25.979	9.508
Portobello Shop S.A.	Brazil	99,90%	0,00%	49.072	40.563	16.290	8.034
Mineração Portobello Ltda.	Brazil	99,76%	0,00%	4.972	2.374	2.546	178
Companhia Brasileira de Cerâmica S.A.	Brazil	98,00%	2,00%	12.627	4.401	1.193	(942)

In thousands of reais, unless otherwise stated.

Subsidiaries are closely held companies, for which variations are as follows

	Percentage of Interest	December 31, 2019	Exchange variations	Capital contribution	Profit on Inventories	Equity in the earnings of subsidiaries	March 31, 2020
Investments							
Portobello América Inc.	100%	(61.357)	(17.334)	3.373	(1.175)	(5.851)	(82.344)
PBTech Ltda.	99,94%	9.555	-	-	-	9.508	19.063
Portobello Shop S.A.	99,90%	480	-	-	-	8.034	8.514
Mineração Portobello Ltda.	99,76%	2.420	-	-	-	178	2.598
Companhia Brasileira de Cerâmica S.A.	98,00%	8.484	-	788	-	(942)	8.330
Portobello S.A.	100%	10	-	-	-	-	10
Total net investment in subsidiaries		(40.408)	(17.334)	4.161	(1.175)	10.927	(43.829)
Interest in subsidiaries		20.949					38.515
Provision for short liabilities in subsidiaries		(61.357)					(82.344)

18 Property, plant and equipment

a) Breakdown

		Parent Company				Consolidated			
		March 31, 2020			December 31, 2019	March 31, 2020			December 31, 2019
	Annual average depreciation rate	Cost	Accumulated depreciation	Net value	Net value	Cost	Accumulated depreciation	Net value	Net value
Land	-	12.603	-	12.603	12.603	13.485	-	13.485	13.485
Buildings, constructions and improvements	3%	211.394	(58.131)	153.263	155.092	237.753	(71.140)	166.613	167.027
Machinery and equipment	15%	642.961	(363.803)	279.158	285.951	647.039	(364.422)	282.617	289.115
Furniture and fixtures	10%	9.642	(8.810)	832	883	11.586	(9.241)	2.345	2.326
Computers	20%	28.918	(21.743)	7.175	8.009	29.770	(22.115)	7.655	8.471
Other property, plant and equipment	20%	2.605	(875)	1.730	1.870	2.605	(875)	1.730	1.870
Construction in progress	-	24.809	-	24.809	5.672	24.809	-	24.809	5.672
		932.932	(453.362)	479.570	470.080	967.047	(467.793)	499.254	487.966

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

Pursuant to Technical Interpretation ICPC 10 of the Accounting Pronouncements Committee, approved by CVM Resolution 619/09, effective beginning January 1, 2009, the Company revised and changed the useful life of its property, plant and equipment items in 2008, based on the Technical Report issued by the Company's engineers, and since then, it regularly conducts an annual review; there was no significant impact on the useful life of property, plant and equipment items in the 1st quarter of 2020.

In thousands of reais, unless otherwise stated.

b) Changes in PP&E

	Parent Company				
	December 31, 2019	Additions	Depreciation	Write-offs	March 31, 2020
Land	12.603	-	-	-	12.603
Buildings and improvements	155.092	-	(1.829)	-	153.263
Machinery and equipment	285.951	626	(7.015)	(404)	279.158
Furniture and fixtures	883	-	(51)	-	832
Computers	8.009	-	(754)	(80)	7.175
Other property, plant and equipr	1.870	-	(140)		1.730
Construction in progress	5.672	19.137	-	-	24.809
	470.080	19.763	(9.789)	(484)	479.570

	Consolidated				
	December 31, 2019	Additions	Depreciation	Write-offs	March 31, 2020
Land	13.485	-	-	-	13.485
Buildings and improvements	167.027	2.565	(2.979)	-	166.613
Machinery and equipment	289.115	1.099	(7.193)	(404)	282.617
Furniture and fixtures	2.326	131	(112)	-	2.345
Computers	8.471	121	(857)	(80)	7.655
Other property, plant and equipr	1.870	-	(140)	-	1.730
Construction in progress	5.672	19.137	-	-	24.809
	487.966	23.053	(11.281)	(484)	499.254

In the 1st quarter of 2020, additions amounted to R$ 23 million, of which 73% went to the Tijucas plant, 11% to Own Stores, 2% to the Marechal Deodoro plant and the remainder to new businesses. At the Tijucas plant, 73% are for the preparation and updating of the industrial facilities for the manufacturing of products with greater added value and larger formats, and 27% for commercial projects and new businesses. In Own Stores, expenses were divided into 2 new units under renovation and expected to end by the end of the first half of the year. At the Marechal Deodoro plant, most of the investments were for the implementation of a new production line for enameled porcelain tiles.

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

In thousands of reais, unless otherwise stated.

	Parent company		Consolidated	
	Accumulated			
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Cost of sales	8.373	7.921	8.569	9.127
Selling expenses	971	745	2.253	1.784
Administrative expenses	445	425	459	440
Outras	-	-	-	-
	9.789	9.091	11.281	11.351

19 Intangible assets

a) Breakdown

		Parent Company				Consolidated			
		March 31, 2020			December 31, 2018	March 31, 2020			December 31, 2018
	Annual average amortization rate	Cost	Accumulated amortization	Net value	Net value	Cost	Accumulated amortization	Net value	Net value
Trademarks and patents	-	150	-	150	150	150	-	150	150
Software	20%	29.325	(21.821)	7.504	8.240	31.246	(22.312)	8.934	9.126
Right to explore mineral resources	20%	1.000	(1.000)	-	-	4.073	(3.333)	740	839
Goodwill (a)	7%	-	-	-	-	12.320	(1.675)	10.645	10.851
Software under development	-	2.127	-	2.127	479	2.698	-	2.698	1.426
Management system (b)	21%	5.725	(5.725)	-	-	5.725	(5.725)	-	-
		38.327	(28.546)	9.781	8.869	56.212	(33.045)	23.167	22.392

(a) Inherent goodwill corresponds to value of the sales points of stores acquired from third parties.

(b) Expenses on acquisition and implementation of enterprise resource planning systems, mainly represented by Oracle systems and applications to increase interaction with customers at Portobello stores.

b) Changes in intangible assets

	Parent Company					
	December 31, 2019	Additions	Transfers	Amortizations	Write-offs	March 31, 2020
Trademarks and patents	150	-	-	-	-	150
Software	8.240	-	179	(888)	(27)	7.504
Software under development	479	1.827	(179)	-	-	2.127
	8.869	1.827	-	(888)	(27)	9.781

In thousands of reais, unless otherwise stated.

	Consolidated					
	December 31, 2018	Additions	Transfers	Amortizations	Write-offs	December 31, 2019
Trademarks and patents	150	-	-	-	-	150
Software	9.126	196	579	(940)	(27)	8.934
Right to explore mineral resource	839	-	-	(99)	-	740
Goodwill	10.851	-	-	(206)	-	10.645
Software under development	1.426	1.851	(579)	-	-	2.698
	22.392	2.047	-	(1.245)	(27)	23.167

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

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Cost of sales	278	203	376	301
Selling expenses	338	200	580	326
Administrative expenses	272	258	289	356
	888	661	1.245	983

c) Projected amortization of consolidated intangible assets:

	2020	2021	2022	2023	2024 to 2038	Total
Software	1.925	2.299	1.918	1.444	1.348	8.934
Right to explore mineral resources	293	392	55	-	-	740
Goodwill	616	822	822	822	7.563	10.645
	2.834	3.513	2.795	2.266	8.911	20.319

Trademarks and patents and software under development were not subject to amortization due to their indefinite useful lives. However, they are subject to impairment, as described in the significant accounting policies disclosed in this interim financial information.

20 Right-of-use assets and lease liabilities

The agreements characterized as leases, in accordance with IFRS 16 / CPC 06 (R2), are now recorded as Right-of-Use Assets against Lease Liabilities in current and non-current liabilities. The new standard replaced the existing lease standards, including CPC 06 / IAS 17 Leases, ICPC 03 / IFRIC 4, SIC 15 and SIC 27 Determining whether an Arrangement contains a Lease.

At March 31, 2020, the Company had 42 lease agreements for its commercial units. This asset is comprised of own store rentals and distribution centers.
The agreements are adjusted annually, according to the variation of the main inflation indexes, most of them have terms of five years with the option of renewal after that date.

In thousands of reais, unless otherwise stated.

The lease contracts are adjusted annually according to the variation of the main inflation indexes.

The remaining agreements were recorded according to the expense period.

a) Breakdown of right-of-use assets

	Parent Company	Consolidated
December 31, 2019	12.916	58.943
(+) Additions	2.217	10.845
(-) Accumulated depreciation	(2.955)	(7.941)
March 31, 2020	12.178	61.847

b) Breakdown of lease liabilities

	Parent Company	Consolidated
December 31, 2019	11.825	39.531
Additions	1.739	13.269
Payments	(806)	(2.434)
Incurred interests	(174)	(697)
March 31, 2020	12.584	49.669

21 Trade payables and supplier credit assignment

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Domestic market	242.071	187.084	255.385	199.268
Credit assignment (a)	85.114	58.710	85.114	58.710
Other	156.957	128.374	170.271	140.558
Foreign market	11.291	6.127	11.291	6.127
Current	253.362	193.211	266.676	205.395
Domestic market (i)	129.633	124.754	129.633	124.754
Non-current	129.633	124.754	129.633	124.754
	382.995	317.965	396.309	330.149

(i) Provision for payment to gas supplier arising from the matter mentioned in Note 12 a.

a) Supplier credit assignment

The Company conducted supplier credit assignment transactions with top tier financial institutions in the amount of R$ 85,114 at March 31, 2020 (R$ 58,710 at December 31, 2019), to offer to its partner suppliers more attractive credit facilities aiming at maintaining the business relationship. In this transaction, suppliers transfer the right to receive the amounts of the notes to the bank, which in turn, becomes creditor of the transaction.

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

b) Payables for fixed asset and intangible

The Company recognizes a balance of R$ 32,523 in the parent company and consolidated in current liabilities (R$ 20,127 in the parent company and R$ 21,745 in the consolidated at December 31, 2019), which refer to modernization of plants, investment in own stores and systems.

In thousands of reais, unless otherwise stated.

22 Borrowings and debentures

				Parent Company		Consolidated	
	Currency	Maturity	Charges	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Current							
Working capital	**R$**			-	-	1.404	1.343
Banco do Nordeste S.A (a)	R$	jun-25	4,85% p.a.¹ + IPCA	36.540	36.419	36.540	36.419
NCE (b)	R$	mar-24	6,00% p.a.¹	65.052	40.320	65.052	40.320
NCE (b)	US$	jun-21	5,85% p.a.¹ +FX	14.129	10.969	14.129	10.969
PRODEC (c)	R$	nov-22	3,96% p.a.¹ +PVA	7.930	8.710	7.930	8.710
FINEP (d)	R$	mai/21	2,11% p.a.¹	13.322	13.250	13.322	13.250
DEG (e)	US$	out-21	6,25% p.a.¹ +FX	32.178	12.443	32.178	12.443
FINAME (f)	R$	ago-23	3,00% p.a.¹	420	420	420	420
DEBENTURES 1st series (g)	R$	jun-21	5,90% p.a.¹	101.412	99.050	101.412	99.050
DEBENTURES 2nd series (g)	R$	jun-23	6,47% p.a.¹	2.124	-	2.124	-
ACC (i)	US$	jun-20	4,55% p.a.¹ +FX	14.145	10.845	14.145	10.845
Total current			5,48% p.a.¹	287.252	232.426	288.656	233.769
Total domestic currency		R$		226.800	198.169	228.204	199.512
Total foreign currency		US$		60.452	34.257	60.452	34.257
Non-current							
Banco do Nordeste S.A (a)	R$	jun-25	4,85% p.a.¹ + IPCA	71.446	71.689	71.446	71.689
NCE (b)	R$	mar-24	6,00% p.a.¹	160.774	192.389	160.774	192.389
NCE (b)	US$	jun-21	5,85% p.a.¹ +FX	3.524	5.464	3.524	5.464
PRODEC (c)	R$	nov-22	3,96% p.a.¹ +PVA	11.454	11.817	11.454	11.817
FINEP (d)	R$	mai/21	2,11% p.a.¹	60.201	30.489	60.201	30.489
DEG (e)	US$	out/21	6,25% p.a.¹ +FX	-	12.092	-	12.092
FINAME (f)	R$	ago-23	3,00% p.a.¹	869	974	869	974
DEBENTURES 1st series (g)	R$	jun-21	5,90% p.a.¹	49.741	49.482	49.741	49.482
DEBENTURES 2nd series (g)	R$	jun-23	6,47% p.a.¹	148.787	148.211	148.787	148.211
Total non-current			5,48% p.a.¹	506.796	522.607	506.796	522.607
Total domestic currency		R$		503.272	517.143	503.272	517.143
Total foreign currency		US$		3.524	5.464	3.524	5.464
Total			5,48% p.a.¹	794.048	755.033	795.452	756.376
Total domestic currency		R$		730.072	715.312	731.476	716.655
Total foreign currency		US$		63.976	39.721	63.976	39.721

¹ Weighted average rate
VC - Exchange variation

In thousands of reais, unless otherwise stated.

a. **Information on agreements**

Note	Contract	Date		Borrowings (R$ thousand)	Maturity (months)	Repayment	Grace period (months)	Guarantees
		Disbursement	Maturity					
(a)	Banco do Nordeste	ago-14	jun-25	R$ 105.646	133	Monthly	24	Mortgage for real estate and machinery and equipment
	Contract entered into in June/2013, in the amount of R$ 147,700. The 1st installment of the financing was disbursed by the Bank in Aug/2014 in the amount of R$ 29,221, the 2nd installment was disbursed in Jan/2015 in the amount of R$ 45,765, the 3rd installment was disbursed in Sep/2009 in the amount of R$ 14,700, the 4th installment was disbursed in Mar/2016 in the amount of R$ 4,713, the 5th installment was disbursed in December 2016 in the amount of R$ 2,418, the 6th installment was disbursed in Feb/2019 in the amount of R$ 8,827.							
	Banco do Nordeste	jul-19	jun-27	R$ 31.147	95	Monthly	24	Mortgage for real estate and machinery and equipment in 2nd degree
	Contract entered into in July/2019, in the amount of R$ 31,147. The 1st installment of the financing was disbursed by the Bank in July/2019 in the amount of R$ 7,246, the 2nd installment disbursed in Feb/2020 in the amount of R$ 6,681.							
	Banco do Nordeste	set-19	set-20	R$ 16.500	12	Bullet	Bullet	PBTech and CBC guarantee
	Contract entered into in Sep/2019, in the amount of R$ 16,500. The amount of the financing was disbursed fully by the Bank in Sep/2019 in the amount of R$ 16,500.							
	Banco do Nordeste	set-19	ago-22	R$ 23.500	12	35	2	PBTech and CBC guarantee
	Contract entered into in Sep/2019, in the amount of R$ 23,500. The amount of the financing was disbursed fully by the Bank in Sep/2019 in the amount of R$ 23,500.							
(b)	Export Credit (NCE)	nov-17	nov-21	R$ 50.000	48	Monthly	12	Receivables from Portobello SA in the amount of 30% of the outstanding balance of the contract.
		This contract has minimum covenant clauses that have been met.						
		jun-18	jun-21	R$ 24.000	36	Quarterly	12	Clean
		jun-18	mai-21	R$ 24.000	36	Quarterly	12	Receivables from Portobello SA in the amount of 25% of the outstanding balance of the contract.
		mar-19	fev-24	R$ 54.000	60	Annually	24	Receivables from Portobello SA in the amount of 20% of the outstanding balance of the contract.
		mar-19	mar-24	R$ 50.000	60	Quarterly	24	Receivables from Portobello SA in the amount of 20% of the outstanding balance of the contract.
		mar-19	mar-24	R$ 10.000	60	Quarterly	24	Receivables from Portobello SA in the amount of 20% of the outstanding balance of the contract.
		jul-19	jul-23	R$ 20.000	48	Monthly	12	Receivables from Portobello SA in the amount of 30% of the outstanding balance of the contract.
		jul-19	jul-23	R$ 20.000	48	Monthly	12	Receivables from Portobello SA in the amount of 30% of the outstanding balance of the contract.
		set-19	set-22	R$ 30.000	36	Quarterly	12	Receivables from Portobello SA in the amount of 20% of the outstanding balance of the contract.
	PRODEC (c)				48	Bullet	Bullet	-
(c)	*(Program of Development for Companies of the Santa Catarina State) - Special Regime for the State of Santa Catarina obtained in July 2009. The balance is subject to adjustment to present value and the rate used for calculation purposes is the average working capital (6.43% per year). The deferred amount is 60% of the tax balance generated in the month that exceeds, with a grace period of 48 months, a term of 120 months and a monetary restatement of 4% per year plus UFIR variation.*							
(d)	Finep	jul-14	mai-21	R$ 57.318	84	Monthly	24	Bank Guarantee
		Contract entered into in July/2014, in the amount of R$ 57,300 and the first installment of the financing, in the amount of R$ 12,627, was disbursed by the Bank in the same month. The 2nd installment disbursed in January 2016 in the amount of R$ 12,479. The 3rd installment disbursed in June 2017 in the amount of R$ 32,064.						
		dez-19	set-29	R$ 66.771	117	Monthly	32	Bank Guarantee
		Contract entered into in Dec/2019, in the amount of R$ 66,771 and the 1st installment of the financing, in the amount of R$ 25,008, was disbursed by the Bank in the same month. The 2nd installment disbursed in March 2020 in the amount of R$ 33,000.						
(e)	DEG	mai-14	out-21	US$ 18.000	90	Semiannually	23	Machinery and equipment and promissory notes
	In 1Q2020, the company did not reach the covenant referring to the operation with Banco DEG (PL / Total Assets> 20%). In April 2020, DEG bank granted the Waiver referring to the non-achievement							
(f)	Finame	mai-13	mai-23	R$ 39	120	Monthly	25	Machinery and equipment
		mai-13	abr-23	R$ 601	120	Monthly	24	
		jul-13	jul-23	R$ 107	120	Monthly	25	
		jul-13	ago-23	R$ 1.890	120	Monthly	26	
		jan-14	jun-23	R$ 577	114	Monthly	18	
(g)	Debentures 3rd Issuance 1st series	jun-18	jun-21	R$ 150.000	36	Semiannually	24	Real guarantee and additional fiduciary guarantee
	Debentures 3rd Issuance 2nd series	jun-18	jun-23	R$ 150.000	60	Semiannually	48	Real guarantee and additional fiduciary guarantee
(h)	*On June 15, 2018, the Board of Directors of PBG S.A. approved the 3rd Issuance of simple, non-convertible debentures of the type with collateral and additional collateral, in two series, for public distribution with restricted efforts. The proceeds were allocated to the redemption of all 2nd issuance debentures of the issuer and renegotiation of the issuer's other liabilities. This contract has minimum covenant clauses that have been met.*							
(i)	ACC	jun-19	jun-20	US$ 2.628	12	Bullet	Bullet	Clean Operation

Restricted investments, real estate mortgages, equipment, Parent Company and subsidiary's trade receivables (Note 8) were pledged as collateral for other borrowings.

In this quarter, the Company carried out the raising of funds in the amount of R$ 37,841 and repayments of R$ 19,663.

In 1Q2020 the Company did not reach the covenant regarding the operation with DEG bank (PL/Total Assets more than 20%), reclassifying it for the short term. In April 2020, the DEG bank granted the Waiver for the failure to reach the indicator. As long as this indicator is not complied with, there can be no payment of dividends in excess of the legal minimum.

In thousands of reais, unless otherwise stated.

Long-term borrowings mature as follows:

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
2020	215.439	232.426	216.492	233.769
2021	170.619	177.531	170.970	177.531
2022	184.630	179.881	184.630	179.881
2023 to 2025	223.360	165.195	223.360	165.195
	794.048	755.033	795.452	756.376

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

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Reais	730.072	703.220	731.476	704.563
US Dollar	63.976	51.813	63.976	51.813
	794.048	755.033	795.452	756.376

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

Changes in borrowings and debentures are as follows:

	Total debt	
	Parent Company	Consolidated
Net debt at December 31, 2019	755.033	756.376
Changes affecting cash flows		
Proceeds from borrowings	37.681	37.681
Repayments of borrowings	(19.695)	(19.695)
Interest paid	(5.977)	(5.977)
Changes not affecting cash flows		
Exchange rate variations	14.712	14.712
Payment of interest	11.657	11.657
Mark-to-market	294	355
Interest incurred	343	343
Net debt at March 31, 2020	794.048	795.452

In thousands of reais, unless otherwise stated.

b. **Debentures**

On June 15, 2018, the Board of Directors of Portobello S.A. approved the 3rd issuance of simple, non-convertible debentures, with real guarantee and additional fiduciary guarantee, in two series, for public distribution with restricted placement efforts.

	March 31, 2020	December 31, 2019
Borrowing amount		
Debentures 1st series	152.447	150.088
Debentures 2nd series	152.663	150.097
Gross Balance	305.110	300.185
Borrowing costs	(3.047)	(3.443)
Net Balance	302.063	296.742
Current	103.535	99.050
Non-current	198.528	197.692

Issuance Characteristics	
Issue	3rd
Fiduciary Agent	PLANNER TRUSTEE DTVM LTDA.
Settling bank	Banco Bradesco S.A.
Lead Coordinator	Banco Itaú BBA S.A.
Issue Rating	No
Trading	B3
Serial Number	2
Issue Volume R$	300.000.000,00
Total Debentures	300.000
Par Value R$	1.000,00

Serial operation breakdown		
Series	1st	2nd
Registration with CVM No.	476/09	
Asset Code	PTBL13	PTBL23
Issue date	27/06/2018	
Maturity date	27/06/2021	27/06/2023
Volume R$	150.000.000,00	150.000.000,00
Total Debentures	150.000	150.000
Par Value R$	1.000,00	1.000,00
Form	Book-entry	
Cash	Real guarantee and additional fiduciary guarantee	
Convertibility	Not convertible into shares issued by the Issuer	
Monetary adjustment	There will be no monetary adjustment of the Par Value	
Remuneration	DI Rate + 2,20% p.a.	DI Rate + 2.75% p.a.
Payment Remuneration	Semiannual, with first interest date on 12/27/2018	
Amortization	Initial nominal value	Initial nominal value
Corporate acts:	EGM at 06/15/2018	
Covenants	Net Debt / EBITDA < 3.00 times by two periods	

The proceeds from the 3rd issuance were allocated to the redemption of all 2nd issuance debentures of the issuer and renegotiation of the issuer's other liabilities.

The 3rd issuance of debentures is subject to covenants that were met at March 31, 2020.

In thousands of reais, unless otherwise stated.

23 Installment payment of tax obligations

Tax obligations	Request for installment payment		Parent Company		Consolidated	
	Date	Installment due	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Law 11.941/09 (a)	nov-09	55	52.299	54.973	52.816	55.580
Total			52.299	54.973	52.816	55.580

Tax installments will be paid as follows:

Maturity April 1	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
2020 (*)	8.855	11.455	9.017	11.765
2021 to 2024	43.444	43.517	43.799	43.815
	52.299	54.972	52.816	55.580
Current	11.403	11.455	11.642	11.765
Non-current	40.896	43.517	41.174	43.815

(*) Sum of the installments to be paid in 2020 in the Parent Company and Consolidated, of R$ 8,855 and R$ 9,017, respectively. And the sum of the installments to be paid until 2024 in the Parent Company and Consolidated, of R$ 43,444 and R$ 43,799, respectively.

24 Tax Debts Law No. 12,249 / 10 (MP 470 and MP 472)

In November 2009, the Company adhered to the installment plan provided for by MP 470 (improper use of IPI premium credit), with Federal Revenue Secretary (SRF) and General Attorneys' Office of the National Treasury (PGFN). In this adhesion, in addition to the installment plan, reduction of charges and the Company can use tax credits arising from tax losses until 2008, for payment of debts.

Upon the conversion of this Provisional Measure (Law No. 12,249 / 10) in June 2010, it was authorized to use of tax credits arising from tax losses existing on December 31, 2009. The Company made use of this benefit and recorded in the second quarter of 2010 the amount of R$ 3,252 considering the installment paid.

PGFN partially rejected the request in June 2010 alleging the need to withdraw from the lawsuits contesting the credit, as well as showing that the requirement had not been met "undue use". The Company manifested itself in order to request the withdrawal / resignation only of lawsuits that contested the assessments received from SRF. However, the Regional Attorney of the National Treasury of Santa Catarina understood that the withdrawal / resignation should also reach the declaratory actions that aim at the recognition of the IPI Premium Credit, referred to in notes 15. The Legal Department of the Company is taking the necessary measures against the decision of the PGFN with the purpose of removing the requirement of giving up / waiving said declaratory actions as well as the proof of "Improper use", clearly recognized by the Federal Revenue Service of Brazil launching. This procedure decided by the Administration is supported by the opinion of the law firm Demarest Almeida, who defends that, for the debts included in the installment plan of Law 12.249 / 10, the aforementioned declaratory actions are not required to be withdrawn, unlike the provided for in Law 11,941 / 09. In this way it maintains that it is practically certain to reverse this situation pursuing the various judicial bodies to, on the merits, remove the grounds for refusal. For the clarification, the writ of mandamus filed to seek judicial approval of the installment payment was denied at first instance. In appeal, the 4th Regional TRF gave partial dismiss the appeal. The Company, which was not satisfied with the decision to partially grant it, had its Special Appeal admitted and maintains its pronouncement to revert to the remaining legal issue Superior Justice Tribunal.

In thousands of reais, unless otherwise stated.

25 Provision for civil, labor, social security and tax risks

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

The balance of provisions is broken down as follows:

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

Amount accrued	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Civil	18.852	17.126	18.852	17.126
Labor	11.895	11.891	11.895	11.891
Social security	6.615	6.615	6.615	6.615
Tax	100.388	84.568	100.420	84.600
	137.750	120.200	137.782	120.232

	Parent Company				Total
	Civil	Labor	Social security	Tax	
December 31, 2019	17.126	11.891	6.615	84.568	120.200
Charged (credited) to statement of income:	1.800	720	-	19.039	21.559
Additional provisions	986	365	-	17.037	18.388
Reversal - not used	(166)	(103)	-	-	(269)
Monetary adjustment (Reversal)	980	458	-	-	1.438
Reversal due to realization	(74)	(716)	-	(1.217)	(2.007)
March 31, 2020	18.852	11.895	6.615	100.388	137.750

In thousands of reais, unless otherwise stated.

	Consolidated				
	Civil	Labor	Social security	Tax	Total
December 31, 2019	17.126	11.891	6.615	84.600	120.232
Charged (credited) to statement of income	1.800	720	-	19.039	21.559
Additional provisions	986	365	-	17.037	18.388
Reversal - not used	(166)	(103)	-	-	(269)
Monetary adjustment (Reversal)	980	458	-	-	1.438
Reversal due to realization	(74)	(716)	-	(1.217)	(2.007)
March 31, 2020	18.852	11.895	6.615	100.420	137.782

Comments on civil, labor, tax and social security lawsuits:

Civil

The Company and its subsidiaries are defendants in 426 civil lawsuits (509 lawsuits at December 31, 2019), before the Common Courts and Special Civil Courts. The majority of lawsuits is filed by customers and claim indemnity for alleged pain and suffering and damage to property. When applicable, escrow deposits were made (note 12 a)

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 262 labor claims (279 claims at December 31, 2019), filed by former employees and third parties. The other lawsuits refer to payment of severance amounts, additional amounts, overtime, equal pay and indemnity for pain and suffering and damage to property arising from work accident/ occupational illness. Provisions are revised by Management according to its legal advisors. Some lawsuits are supported by escrow deposits.

Social security

Based on the low expectation of success in administrative and judicial actions involving corporate awards, the Company recognized in the 1st quarter of 2018 the provision for these debts, in the total amount of R$ 6,836, which still depend on a court decision, in the Fiscal Execution phase, or in some cases, an administrative decision with the Brazilian Federal Revenue Service.

Change in the labor debt adjustment criterion

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

In thousands of reais, unless otherwise stated.

Tax

Tax on legal asset - Plaintiff

In the second quarter of 2018, the Company recognized under “tax contingencies” the amount of R$ 74,180 relating to PIS, COFINS, IRPJ and CSLL on legal asset - Plaintiff, as mentioned in note 15c. The amount was recalculated and the amount of provisions totaled R$ 77,123 referring to PIS, COFINS, IRPJ and CSLL. Until the reporting date of this financial information this amount is being discussed in court.

The remaining amount of the balance includes the success fees related to tax proceedings and the provision for contingency of PIS and COFINS on finance income, at the amount R$ 17.037.

26 Lawsuits assessed as possible and remote losses

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

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Civil	3.786	3.786	3.786	3.786
Labor	9.467	9.606	9.467	9.711
Social security	10.985	10.985	10.985	10.985
	24.238	24.377	24.238	24.482

a. **Lawsuit assessed as remote loss relating to Administrative Proceeding No. 10983-721.445/2014-78, No. 11516-720.299/2016-02 and No. 11516-720.300/2016-91**

On December 08, 2014, the Company was notified about the issuance of Tax Assessment Notices, which established IRPJ and CSLL tax credits (as well as monetary penalties and interest), for calendar years from 2009 to 2013. According to the Tax Authorities, the Company would have allegedly committed the following infractions: (a) in 2009, it would have allegedly: (a.1) unduly excluded taxable income deriving from tax benefits; (a.2) deducted unnecessary expenses related to the principal of tax debts (IPI, PIS and COFINS) which were recorded in prior-years’ profit or loss; (a.3) excluded non-deductible amounts related to the principal of IRPJ and CSLL; (a.4) unduly excluded amounts related to the principal included in temporary additions and that were recorded in prior-years’ profit or loss; and (a.5) deducted non-deductible expenses related to the assessment fine; (b) in 2010, 2011 and 2012, it would have allegedly: (b.1) offset income tax and social contribution losses in amounts above those calculated; and (b.2) failed to pay IRPJ and CSLL amounts calculated based on monthly estimate, which resulted in a fine applied individually; and (c) in 2013, it would have allegedly offset CSLL losses in amounts above those calculated. On January 6, 2015, the Company filed an objection against the abovementioned assessments, challenging all infractions attributable to it, so that, as from that date (January 6, 2015), it is awaiting the judgment of said objection which, according to the legal advisors of PBG S.A., considers a favorable decision as virtually certain, resulting in the cancellation of the Tax Assessment Notice; accordingly, the Company understands that the likelihood of loss is remote and

elected not to record the amount of R$ 73,000 as potential liabilities. Said administrative proceeding is at the Regional Judgment Office of the Federal Revenue of Brazil for judgment of the challenge.
On March 7, 2016, the Company was notified about the serving of Tax Assessment Notices relating to the tax administrative proceedings No. 11516-720.299/2016-02 and No. 11516-720.300/2016-91 which established tax credits relating to undue offset of IRPJ and CSLL. However, the Company argued that such discussion is already in progress in Lawsuit No. 10983-721.445/2014-78. The cancellation of the objected tax assessment in the amount of R$19,000 was requested due to the double collection by the tax authorities. In the lower court decision, the objections filed were upheld in the sense of recognizing the double collection of the assessment and, consequently, determining the extinguishment of the tax credit Currently, the tax administrative proceedings No. 11516-720.299/2016-02 and No. 11516-720.300/2016-91 are at the Administrative Council of Tax Appeals (CARF), for judgment of the appeal.

27 Equity

27.1 Capital

At March 31, 2020, the Company has a subscribed and paid-up capital in the total amount of R$ 200,000 (R$ 200,000 at December 31, 2019), divided into 158,488,517 common, registered and book-entry shares, with no par value.

At March 31, 2020, there were 74,120,891 outstanding shares, corresponding to 46% of the total shares issued (74,131,291 at December 31, 2019, corresponding to 46% of the total). The balance of outstanding shares comprises all securities available for trading in the market, other than those held by controlling shareholders, members of the Board of Directors and Executive Board.

27.2 Earnings reserve

The earnings reserve is comprised of legal reserve, earnings retention reserve and

unallocated earnings reserve, as follows:

The legal reserve is set up annually by allocating 5% of the profit for the year, which cannot exceed 20% of the capital. The purpose of the legal reserve is to ensure the integrity of capital and can only be used to offset accumulated losses or increase capital. At December 31, 2019, the balance of the legal reserve totals R$ 25,796 (R$ 25,796 at December 31, 2019), as provided by Article 193 of the Brazilian Corporate Law.

The objective of the unallocated earnings reserve is to show the portion of profits whose allocation will be decided at the Annual General Meeting.

In this quarter, the Company recognized the Tax Incentive Reserve in the amount of R$ 2,483 related to government grants for ICMS tax incentives related to Prodesin (Alagoas State Integrated Development Program) and the Differentiated Tax Treatment of Santa Catarina (TTD).

In thousands of reais, unless otherwise stated.

27.3 Carrying value adjustments

	Carrying value adjustments			
Parent Company and Consolidated	Deemed cost	Cumulative translation adjustment	Other comprehensive income	Total
At December 31, 2019	33.506	(41.872)	(13.858)	(22.224)
Realization of revaluation reserve	(297)	-	-	(297)
Exchange variations of subsidiary located abroad	-	(17.335)	-	(17.335)
Em March 31, 2020	33.208	(59.207)	(13.858)	(39.856)

a) Deemed cost

In 2010, upon the initial adoption of international standards CPC 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company adopted the option to use the property, plant and equipment revaluation made in 2006 as deemed cost, understanding that it substantially represented fair value at the date of transition. The deemed cost was calculated as a result of the revaluations of land, constructions and improvements, supported by a revaluation report prepared by an independent appraiser. It is being realized based on the depreciation of revalued constructions and improvements recorded against retained earnings. The same effect of the realization of the carrying value adjustments is reflected in profit or loss, based on the depreciation of revalued assets.

b) Cumulative translation adjustment

The changes in assets and liabilities in foreign currency (US dollar) arising from currency fluctuation, as well as the variations between the daily rates and the closing rate of the changes in profit or loss of the foreign subsidiary are recognized in this line item of cumulative translation adjustments. In March 2020, the amount was R$ 17,335 (Note 17a).

28 Revenue

The reconciliation of gross revenue and net revenue, shown in the statement of income for the period ended March 31, 2020, is as follows:

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Gross sales revenue	303.361	278.615	343.008	307.334
Deductions from gross reve	(63.799)	(64.001)	(68.828)	(68.102)
Taxes on sales	(53.545)	(52.358)	(57.248)	(55.560)
Returns	(10.254)	(11.643)	(11.580)	(12.542)
Net revenue	239.562	214.613	274.180	239.232
Domestic market	186.696	163.133	225.186	207.367
Foreign market	52.866	51.480	48.994	31.865

The operating nature and net revenue are shown in the following structure:

In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Net revenue	262.200	250.837	296.486	277.114
Sale of own products	255.826	243.297	266.732	252.611
Resale of third-party products	6.374	7.540	13.448	11.806
Royalties	-	-	16.306	12.697

29 Expenses by nature

Cost of sales, selling and administrative expenses for the period ended March 31, 2020, are broken down as follows:

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Cost and expenses				
Cost of sales and/or services	(173.526)	(161.490)	(179.030)	(163.536)
Selling	(51.422)	(51.630)	(74.630)	(72.657)
General and administrative	(10.437)	(10.258)	(10.715)	(10.674)
	(235.385)	(223.378)	(264.375)	(246.867)
Breakdown of expenses by nature				
Direct production cost(raw materials and inputs)	118.561	108.382	123.052	105.893
Salaries, charges and employee benefits	62.373	59.932	73.390	67.003
Third-party labor services	12.489	15.485	13.537	16.161
General production expenses (including maintenance)	12.983	12.792	13.138	12.931
Cost of goods resold	8.953	7.191	8.333	7.448
Amortization and depreciation	11.506	9.753	14.357	18.862
Other selling expenses	4.319	3.595	9.652	8.863
Sales commissions	8.091	6.064	9.306	7.136
Marketing and publicity	5.233	6.540	6.379	7.502
Transportation of goods sold	3.772	3.815	3.772	3.815
Lease expenses	4.483	3.340	5.754	4.672
Other administrative expenses	1.479	2.094	2.563	2.306
Changes in inventories of finished products and work in progress (a)	(18.857)	(15.605)	(18.858)	(15.725)
Total	235.385	223.378	264.375	246.867

(a) The change in inventories of finished products and work in progress is the difference between the cost of the product produced and the cost of the product sold, and may be negatively affected by the COGS write-offs related to products that were produced in previous periods that included the inventory account.

30 Other operating income and expenses, net

Other individual and consolidated operating income and expenses for the period ended March 31, 2020 are as follows:

In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Other operating income				
Revenue from services	179	162	179	162
Judicial asset - Adjustment to rural credit notes (a)	-	-	13.095	-
IPI premium credit – Plaintiff (b)	88.360	-	88.360	-
Other revenue	752	2.664	827	2.568
Total	89.291	2.826	102.461	2.730
Other operating expenses				
Provision for civil, labor, pension and tax	(2.931)	(3.192)	(2.931)	(3.192)
IPI premium credit – Plaintiff - Refinadora Catarinense (d)	(56.320)	-	(56.320)	-
Provision for legal fees - rural credit notes	-	-	(1.287)	-
Provision for legal fees - IPI premium credit complementary – Plaintiff (c)	(8.836)	-	(8.836)	-
Provision for profit sharing	-	(1.940)	-	(1.940)
Pre-operating expenses	-	(71)	-	(72)
Adjustment market value - IPI premium credit complementary portion	(13.254)	-	(13.254)	-
Other expenses	(7.735)	-	(7.960)	(154)
Total	(89.076)	(5.203)	(90.588)	(5.358)
Total net	215	(2.377)	11.873	(2.628)

(a) Recognition of the amount receivable in respect of the rural banknote process - Fraiburgo (EN 14)

(b) Reversal of legal fees related to IPI premium credit - Plaintiff law suit (EN 14 and 15)

(c) Recognition of the amount to be paid as a success fee related to the process IPI premium credit - Plaintiff (EN 14 and 15)

(d) Acknowledgement of the amount to be paid to the Refinadora Catarinense regarding the process IPI premium credit - Plaintiff (EN 14 and 15)

In thousands of reais, unless otherwise stated.

31 Finance income (costs)

Individual and consolidated finance income (costs) for the period ended March 31, 2020, are as follows:

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Finance income				
Interest	2.927	1.730	3.050	1.842
Asset adjustment	1.044	1.578	2.472	1.578
Gain for swap operation (a)	3.020	1.407	3.020	1.407
Other	4	1	98	31
Total	6.995	4.716	8.640	4.858
Financial costs				
Interest	(5.124)	(5.664)	(5.683)	(5.697)
Financial charges with taxes	-	(1.573)	(34)	(1.608)
Adjustment of provision for contingencies	(1.606)	-	(1.606)	-
Commissions and service fees	(2.184)	(1.374)	(2.687)	(1.609)
Bank expenses / Discount (b)	(45)	(325)	(54)	(327)
Loss for swap operation (a)	(2.061)	(1.436)	(2.061)	(1.436)
Interest on debentures	(5.343)	(6.551)	(5.343)	(6.551)
Discount granted	(518)	-	(547)	-
Other	(145)	(582)	(148)	(741)
Total	(17.026)	(17.505)	(18.163)	(17.969)
Foreign exchange variations, net				
Trade receivables and trade payables	41.232	448	41.232	445
Borrowings and financing	(20.987)	(244)	(21.006)	(244)
Total	20.245	204	20.226	201
Total net	10.214	(12.585)	10.703	(12.910)

(a) Note 7

(b) Discount related to sale of the tax asset - Plaintiff

32 Earnings (loss) per share

a) Basic

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

In thousands of reais, unless otherwise stated.

	3º Trimestre	
	Parent Company and Consolidated	
	March 31, 2020	March 31, 2019
Profit (loss) attributable to the owners of the Company	23.578	(17.209)
Weighted average number of common shares	158.489	158.489
Basic earnings (loss) per share	0,14877	(0,10858)

Consolidated earnings (loss) attributable to shareholders do not consider non-controlling interests in subsidiaries.

b) Diluted

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

33 Dividends

The minimum mandatory dividends for 2019, which represent 25% of the Company's profit less the Legal Reserve and the Tax Incentive Reserve recognized in that year, amount to R$ 428. Additional dividends were proposed in the amount of R$ 5,808. After holding the Annual Shareholders' Meeting, the payment date was established.

34 Repurchase of shares

At the Board of Directors' Meeting held on March 31, 2020, the Board approved a new Share Repurchase program that authorizes the acquisition of up to 3.9 million shares, corresponding to 2.5% of the total shares issued by the Company and 5% of the outstanding shares ("free float"), effective until March 31, 2021.

35 Segment reporting

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

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

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

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

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

In thousands of reais, unless otherwise stated.

	March 31, 2020			December 31, 2019		
Continuing operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Revenue	225.186	48.994	274.180	207.367	31.865	239.232
Cost of sales	(146.233)	(32.797)	(179.030)	(138.818)	(24.718)	(163.537)
Gross profit	78.953	16.197	95.150	68.549	7.147	75.695
Operating income (expenses), net	(53.948)	(15.251)	(69.199)	(73.486)	(12.473)	(85.959)
Selling, general and administrative	(70.094)	(15.251)	(85.345)	(70.858)	(12.473)	(83.331)
Other operating income (expenses), net	16.146	-	16.146	(2.628)	-	(2.628)
Operating income before finance income	25.005	946	25.951	(4.937)	(5.326)	(10.264)
% NOR	11%	2%	9%	-2%	-17%	-4%

The Company has no customers that individually account for more than 10% of the net sales revenue.

36 Commitments

a) Commitments for acquisition of assets

Expenses recorded at the balance sheet date but not yet incurred relating to property, plant and equipment at March 31, 2020, total R$ 38,105, corresponding to the modernization of manufacturing equipment, according to the Company's investment plan.

37 Insurance coverage

The insurance coverage at March 31, 2020 is considered sufficient to cover any claims and is summarized as follows:

Insurance Company	Insurance Policy	Maximum Indemnity Limit	Maturity
Mitsui Seguros	Property Insurance	348.800	13/06/2020
General Brasil Seguros S.A.	Directors and Officers Liability Insurance (D&O)	10.000	27/08/2020
Travelers	Civil Liability	6.520	01/04/2020
Allianz Seguros S.A.	International transport - Portobello imports	1.000	31/12/2020
Argo	International transport - Pointer imports	1.000	11/09/2020
Prudential do Brasil Vida em Grupo S.A.	Group life insurance and funeral assistance	380.754	01/03/2021
Tokio Marine Seguros	Vehicle fleet	79 (vehicles)	15/11/2020
Junto Seguros	ENGIE guarantee	5.483	31/12/2020
AXA Seguros	Propertu Insurance - Owb PBTech Stores	35.537	25/04/2020
Pottencial	Demand for Rent Guarantee PBG S.A.	1.941	04/12/2023
Seguradora Berkley Internacional do Brasil Seguros S.A.	Legal Protection Insurance	1.407	24/04/2023
		850	13/03/2021
		3.899	26/04/2024
Chubb Seguros S.A.	Legal Protection Insurance	132	03/03/2023
	Legal Protection Insurance	44.493	22/08/2021
Fairfax	15th Labor Court of Salvador - BA	28.000	18/08/2020
Junto Seguros S.A.	Legal Protection Insurance	314	10/05/2022
		10.603	10/05/2022

In thousands of reais, unless otherwise stated.

38 Related entities and parties

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

		Parent Company	
Nature - Assets and liabilities balance	Company	March 31, 2020	March 31, 2019
Subsidiaries			
Dividends receivable	Portobello Shop S.A.	31.382	28.377
Receivables	Portobello Shop S.A.	701	3
Trade receivables	Portobello América, Inc.	119.201	84.255
Trade payables, net of advances	PBTech Com. Sern. Cer. Ltda.	1.096	481
Trade receivables, net of advances	Cia Brasileira de Cerâmica	5.839	752
Net assets of liabilities with subsidiaries		158.372	113.868
Related entities and parties			
Receivables from related parties	Refinadora Catarinense S.A.	101.432	97.941
Payable to related parties	Refinadora Catarinense S.A.	(89.314)	(62.008)
Trade receivables, net of advances	Solução Cerâmica Com. Ltda.	290	-
Trade receivables, net of advances	Flooring Renest. Cer. Ltda.	103	-
Trade payables	Multilog Sul Armazéns S.A.	(1.581)	(958)
Trade payables	Flooring Revest. Cer. Ltda.	(5.268)	(307)
Trade payables	Neoway	-	(122)
Net assets of liabilities with other related parties		5.662	34.546

In thousands of reais, unless otherwise stated.

Nature - profit or loss	Company	Acumulado March 31, 2020	Acumulado March 31, 2019
Revenue			
Subsidiaries			
Sale of products	PBTech Com. Sern. Cer. Ltda.	9.935	5.734
Sale of products	Cia Brasileira de Cerâmica	165	4.027
Sale of products	Portobello América, Inc.	1.424	-
Related entities and parties			
Sale of products	Solução Cerâmica Com. Ltda.	4.882	5.783
Sale of products	Flooring Revest. Cer. Ltda.	2.232	2.545
Expenses			
Subsidiaries			
Acquisition of inputs	Mineração Portobello Ltda.	(920)	(2.447)
Related entities and parties			
Rental	Gomes Part Societárias Ltda.	126	(469)
Freight service	Multilog Sul Armazéns S.A.	(43)	(1.256)
Cutting service	Flooring Revest. Cer. Ltda.	(3.269)	(2.741)
Software service	Neoway Tecnologia	-	122
		14.532	11.298

Subsidiary Portobello Shop is the Company's guarantor in some financing transactions.

Related-party transactions

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

Transactions with subsidiaries and related entities	Nature	March 31, 2020	December 31, 2019	Nature	Acumulado March 31, 2020	Acumulado December 31, 2019
	Equity			Profit or loss		
Solução Cerâmica Com. Ltda.	Trade receivables, net of advances	413	690	Royalties	1.210	1.227
Flooring Revest. Cer. Ltda.	Trade receivables, net of advances	159	351	Royalties	569	524
		572	1.041		1.779	1.751

Key management personnel compensation

Expenses on compensation paid to key management personnel, which comprise the members of the Executive Board, Board of Directors, Supervisory Board and Management, recorded in the period ended March 31, 2020, are as follows:

In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Fixed compensation				
Salaries	3.212	4.092	3.604	4.628
Fees	1.511	1.515	1.511	1.515
Variable compensation	406	477	475	556
Pension Plan	207	246	214	264
Other	112	902	156	981
	5.448	7.232	5.960	7.945

39 Events after the reporting period

a) Noncompliance with covenant in the quarter

In 1Q2020 the Company did not reach the covenant regarding the operation with DEG bank (PL/Ativo Total 20%), mentioned in note 22. On 05/05/2020 the DEG bank granted the Waiver regarding the failure to reach the indicator on 31.3.2020 the loan was classified in its entirety in the short term, after receiving the waiver it was reclassified as long-term receivables.

b) Share buyback

Up to May 7, 2020 the Company repurchased 2,839,400 common shares (PTBL3).

c) Impacts of COVID-19

The year 2020 began with great prospects of economic growth for the country. In this environment, PBG closed the first quarter with significant performance and results, as a result of organizational restructuring, the maturing of recent investments and the pursuit of profitability eroded by rising energy costs in the last two years.

Due to the recent impacts caused by COVID-19, the Brazilian economy has been going through a process of GDP deceleration and retraction of the growth it had been experiencing in recent months.

Faced with the movements in Brazil and the world to mitigate the effect of the pandemic, the Company has created a Corona Virus Crisis Committee to monitor the progress of the pandemic and has adapted its operations to the current moment, but above all, it is committed to its strategy, remaining prepared for a rapid resumption of its operations.

Since the beginning of March the PBG has implemented actions, grouped as follows:

Aiming at protecting employees and customers, the Company is focused on reducing the risk of disease transmission, by reinforcing the use of individual protection equipment, frequent communication with employees and customers, adoption of the home office policy, removal of employees who are part of the risk groups, reduction of working hours, anticipation of vacations and also reinforcing cleaning and disinfection actions in store, administrative and distribution center environments.

In order to protect its operations, PBG is adapting its plants by suspending part of the production at the Tijucas and Marechal Deodoro plants. As a result, revenues will be reduced. In terms of production, 50% of installed capacity was used in April, so stocks will be optimized until the end of the semester by reducing production, adjusted to demand.

Net sales in April accounted for approximately 70% of first quarter average revenues.

In order to maintain its financial liquidity, the Company has adopted a policy of containing expenses and investments, renegotiating financing contracts, postponing the terms of its main clients and some suppliers, providing additional financing to the end consumer through the franchisee, and interacting with government entities in order to preserve jobs. Additionally, the Company has been negotiating new sources of financing, in May the Company is negotiating the raising of R$ 42 million for working capital, in June and July there will be funding of R$ 25 million for loans already contracted and postponement of R$ 18 million in loan repayments.

The CAPEX plan for the year was reduced by 40% although the main strategic projects, i.e. the new "Lastras" units and the growth in retail with the expansion of the Portobello Shop network, were maintained.

PBG believes in the gradual recovery of the Brazilian economy and, especially, of the Civil Construction segment. However, until the economic growth is effectively resumed, there will be a period of reduction in the sector's operations and, consequently, an increase in business risk. To this end, the Company has a solid financial structure to support this moment and until the resumption of the Brazilian and global economy the Company will emphasize strict cash management. Maintaining the solidity of our balance sheet to ensure favorable conditions to support this crisis.

(A free translation of the original in Portuguese)

PBG S.A.

Quarterly Information (ITR) at March 31, 2020 and report on review of quarterly information

Report on review of quarterly information

To the Board of Directors and Stockholders
PBG S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of PBG S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended March 31, 2020, comprising the balance sheet at that date and the statements of income, comprehensive income, changes in equity and cash flows for the quarter then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company and consolidated interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC) and International Accounting Standard (IAS) 34, Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of review

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

Conclusion on the interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34, applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

PricewaterhouseCoopers Auditores Independentes, Avenida Rio Branco, 847, Salas 401, 402, 403 e 409, Florianópolis, SC, Brasil 88015-215, T: (48) 3212-0200, www.pwc.com/br

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the quarter ended March 31, 2020. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Florianopolis, May 25, 2020

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Leandro Sidney Camilo da Costa
Accountant CRC 1SP 236051/O-7

PortobelloGrupo

<u>Directors' Statement on Financial Statements and Review Report</u>
<u>Special of Independent Auditors</u>

Pursuant to CVM Instruction 480/09, item I of article 28, in compliance with the provisions of items V and VI of article 25 of said instruction, the board of directors of PBG S.A., declares that:

(i) reviewed, discussed and agreed with the Company's Quarterly Information for the quarter ended March 31, 2020; and

(ii) reviewed, discussed and agreed with the opinions expressed in the special review report of PRICEWATERHOUSECOOPERS AUDITORES INDEPENDENTES Independent Auditors, regarding the Company's Quarterly Information for the quarter ended on March 31, 2020.

Tijucas, May 25, 2020.

<u>Board Composition</u>

Mauro do Valle Pereira - Chief Executive Officer

Cláudio Ávila da Silva - Institutional Vice-President

Edson Luiz Mees Stringari - Vice President of Investor Relations

Cesar Gomes Junior– Vice President of Business