

Press Release  
1Q19

Portobello Grupo



## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### Company information / Breakdown of Capital

<b>Quantity of shares (Thousand)</b>	<b>Last fiscal year 03/31/2019</b>
<b>Paid-in capital</b>	
Common	158,489
Preferred	0
<b>Total</b>	<b>158,489</b>
<b>Treasury</b>	
Common	0
Preferred	0
<b>Total</b>	<b>0</b>

## **PBG S.A and subsidiaries**

Interim Financial Information for the quarter ended March 31, 2019  
In thousands of Brazilian reais - R\$, unless otherwise stated.

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### Individual financial statements/ Balance sheet – Assets

Account Code	Account Description	Current Period	Previous Year
		03/31/2019	12/31/2018
1	Total Assets	1,768,912	1,673,176
1.01	Current Assets	607,980	544,985
1.01.01	Cash and Cash Equivalents	118,360	67,580
1.01.03	Accounts Receivable	208,869	222,065
1.01.03.01	Trade Receivables	208,869	222,065
1.01.04	Inventory	226,592	206,822
1.01.06	Recoverable Taxes	8,339	8,393
1.01.06.01	Current Taxes Recoverable	8,339	8,393
1.01.06.01.02	Other Current Taxes Recoverable	8,339	8,393
1.01.08	Others Current Assets	45,820	40,125
1.01.08.03	Others	45,820	40,125
1.01.08.03.01	Dividends Receivable	28,377	28,377
1.01.08.03.03	Advance to Suppliers	5,010	4,112
1.01.08.03.04	Others	12,433	7,636
1.02	Non-Current Assets	1,160,932	1,128,191
1.02.01	Long-Term Assets	674,056	658,921
1.02.01.07	Deferred Taxes	5,928	0
1.02.01.07.01	Deferred Income and Social Contribution Taxes	5,928	0
1.02.01.09	Related Party Credits	188,805	182,730
1.02.01.09.02	Subsidiaries Credits	90,089	84,789
1.02.01.09.04	Other Related Party Credits	98,716	97,941
1.02.01.10	Other Non-Current Assets	479,323	476,191
1.02.01.10.03	Judicial Deposits	121,403	116,949
1.02.01.10.04	Receivables - Eletrobras	12,821	12,821
1.02.01.10.05	Recoverable Taxes	5,267	5,015
1.02.01.10.06	Tax Asset	314,981	317,506
1.02.01.10.07	Actuarial Asset	9,675	9,675
1.02.01.10.08	Interest Earning Bank Deposits	7,344	7,251
1.02.01.10.10	Other	7,832	6,974
1.02.02	Investments	24,455	20,235
1.02.02.01	Ownership Interest	24,455	20,235
1.02.02.01.02	Interest in Subsidiaries	24,157	19,937
1.02.02.01.04	Other Ownership Interest	298	298
1.02.03	Property, Plant and Equipment	452,957	440,384
1.02.03.01	Operating Property, Plant and Equipment	443,227	0
1.02.03.02	Right-of-use Asset	9,730	0
1.02.04	Intangible Assets	9,464	8,651

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### Individual financial statements/ Balance sheet – Liabilities

Account Code	Account Description	Current Period	Previous Year
		03/31/2019	12/31/2018
2	Total Liabilities	1,768,912	1,673,176
2.01	Current Liabilities	423,799	382,598
2.01.01	Social and labor obligations	33,388	31,730
2.01.02	Suppliers	117,492	112,000
2.01.03	Tax Obligations	14,463	22,750
2.01.03.01	Federal tax obligations	14,463	22,750
2.01.03.01.01	Income and social contribution tax payable	412	8,423
2.01.03.01.02	Installment payment of tax obligations	10,806	10,718
2.01.03.01.03	Taxes, rates and contributions	3,245	3,609
2.01.04	Loans and Financing	136,259	101,721
2.01.04.01	Loans and Financing	130,966	99,760
2.01.04.02	Debentures	5,293	1,961
2.01.05	Other Obligations	118,993	113,143
2.01.05.02	Other	118,993	113,143
2.01.05.02.04	Credit granting from suppliers	46,501	45,956
2.01.05.02.05	Advance from clients	16,536	17,329
2.01.05.02.06	Dividends Payable	23,428	23,438
2.01.05.02.07	Accounts payables from investments	12,627	10,676
2.01.05.02.08	Other	19,901	15,754
2.01.06	Provisions	3,204	1,264
2.01.06.02	Other Provisions	3,204	1,264
2.02	Non-current Liabilities	1,000,819	928,470
2.02.01	Loans and Financing	572,899	492,624
2.02.01.01	Loans and Financing	276,043	198,966
2.02.01.02	Debentures	296,856	293,658
2.02.02	Other Obligations	218,602	216,488
2.02.02.02	Other	218,602	216,488
2.02.02.02.03	Suppliers	105,730	101,268
2.02.02.02.04	Related Party Payable	62,008	62,008
2.02.02.02.06	Installment payment of tax obligations	50,864	53,212
2.02.03	Deferred Taxes	0	1,965
2.02.03.01	Deferred Income and Social Contribution Taxes	0	1,965
2.02.04	Provisions	209,318	217,393
2.02.04.02	Other Provisions	209,318	217,393
2.02.04.02.04	Provision for loss on investments	59,784	74,534
2.02.04.02.05	Provisions for Contingencies	137,734	139,575
2.02.04.02.06	Provision for Long-term Incentive	162	162
2.02.04.02.07	Other LP	11,638	3,122
2.03	Shareholders' Equity	344,294	362,108
2.03.01	Realized Capital	140,000	140,000
2.03.04	Profit Reserves	219,047	235,960

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019  
In thousands of Brazilian reais - R\$, unless otherwise stated.

<b>Account Code</b>	<b>Account Description</b>	<b>Current Period</b>	<b>Previous Year</b>
		<b>03/31/2019</b>	<b>12/31/2018</b>
2.03.04.01	Legal Reserves	25,141	25,141
2.03.04.05	Profit retention reserve	114,922	114,922
2.03.04.10	Profit reserve to be allocated	78,984	95,897
2.03.06	Equity valuation adjustments	-14,753	-13,852

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019

In thousands of Brazilian reais - R\$, unless otherwise stated.

### Individual financial statements / Statement of income

Account Code	Account Description	Accumulated of the Current Period	Accumulated of the Previous Period
		01/01/2019 to 03/31/2019	01/01/2018 to 03/31/2018
3.01	Income from sales of goods and/or services	214,613	223,310
3.02	Cost of goods and/or services sold	-161,490	-147,351
3.03	Gross income	53,123	75,959
3.04	Operating expenses/income	-65,640	-51,091
3.04.01	Sales expenses	-51,630	-52,439
3.04.02	General and administrative expenses	-10,258	-8,766
3.04.04	Other operating income	0	120
3.04.04.01	Other operating income	0	120
3.04.05	Other operating expenses	-2,377	-1,780
3.04.05.01	Other operating expenses	-2,377	-1,780
3.04.06	Equity income	-1,375	11,774
3.05	Income (loss) before financial income and taxes	-12,517	24,868
3.06	Financial income (loss)	-12,585	-15,047
3.06.01	Financial income	4,920	2,184
3.06.01.01	Financial income	4,716	2,184
3.06.01.02	Net Exchange Variance	204	0
3.06.02	Financial expenses	-17,505	-17,231
3.06.02.01	Financial expenses	-17,505	-16,868
3.06.02.02	Net Exchange Variance	0	-363
3.07	Income (loss) before income tax	-25,102	9,821
3.08	Income and social contribution taxes	7,893	-2,832
3.08.01	Current	0	-1,646
3.08.02	Deferred assets	7,893	-1,186
3.09	Net income (loss) of continued operations	-17,209	6,989
3.11	Consolidated Net Income/loss for the period	-17,209	6,989
3.99	Earnings per share - (Reais / Shares)		
3.99.02	Diluted Earnings per Share		
3.99.02.01	Common	0,01100	0,04410

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019  
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### Individual financial statements / Statement of comprehensive income

Account Code	Account Description	Accumulated of the Current Period	Accumulated of the Previous Period
		01/01/2019 to 03/31/2019	01/01/2018 to 03/31/2018
4.01	Net Income for the Period	-17,209	6,989
4.02	Other Comprehensive Income	-605	-271
4.02.02	Exchange variance of Overseas Subsidiary	-605	-271
4.03	Attributed to Partners of the Parent Company	-17,814	6,718



## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019  
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### Individual financial statements / Statement of cash flows - Indirect method

Account Code	Account Description	Accumulated of the	Accumulated of the
		Current Period 01/01/2019 to 03/31/2019	Previous Period 01/01/2018 to 03/31/2018
6.01	Net cash from operational activities	-20,807	2,473
6.01.01	Cash generated in operations	6,000	25,655
6.01.01.01	Profit or loss for the year before taxes	-25,102	9,821
6.01.01.02	Depreciation and amortization	10,397	9,798
6.01.01.03	Equity income or loss	1,375	-11,774
6.01.01.05	Provision for inventory at market value	1,145	-39
6.01.01.06	Provision Allowance for doubtful accounts	-565	70
6.01.01.07	Provision for contingencies	4,333	8,539
6.01.01.08	Provision for labor obligations	-2,730	-3,152
6.01.01.09	Provision for profit sharing	1,940	1,388
6.01.01.10	Other provisions	1,863	1,335
6.01.01.11	Other operating income (expenses)	807	1,184
6.01.01.13	Adjustments Tax Asset	-2,525	-642
6.01.01.14	Adjustments Other Related Party Credits	-775	-823
6.01.01.15	Finance charges on tax installments	5,879	676
6.01.01.17	Finance charges on Loans	11,472	9,673
6.01.01.19	Unrealized Exchange Variation PBA	-1,879	-324
6.01.01.20	Unrealized Exchange Variation of Loans	365	-75
6.01.02	Changes in assets and liabilities	-22,825	-19,274
6.01.02.01	(Increase)/Decrease in accounts receivable	13,761	-5,222
6.01.02.02	Increase /(Decrease) in Advances from clients	-793	-696
6.01.02.04	(Increase)/Decrease in inventories	-20,915	-10,412
6.01.02.05	(Increase)/Decrease in Judicial Deposits	-4,454	-2,321
6.01.02.07	(Increase)/Decrease in Recoverable Taxes	-198	2,293
6.01.02.08	(Increase)/Decrease in Interest Earning Bank Deposits	-93	-92
6.01.02.09	(Increase)/Decrease in Other assets	-5,965	-3,947
6.01.02.10	Increase /(Decrease) in Accounts Payable	10,499	8,930
6.01.02.11	(Increase)/Decrease in Advance to Suppliers	-898	-122
6.01.02.12	(Increase)/Decrease in Provisions for Contingencies	-2,492	-157
6.01.02.13	(Increase)/Decrease in Installments	-8,139	-6,289
6.01.02.14	Increase /(Decrease) in Tax and Labor Liabilities	-8,212	-1,229
6.01.02.15	Increase / (decrease) in Investment Payables	-8,373	0
6.01.02.16	Increase /(Decrease) in Other Payable	13,447	-10
6.01.03	Other	-3,982	-3,908
6.01.03.01	Interest paid	-3,982	-3,908
6.02	Net cash used in investment activities	-34,701	-15,204
6.02.01	Acquisition of property, plant and equipment	-12,069	-17,036
6.02.02	Acquisition of intangible assets	-1,474	-437
6.02.03	Dividends received	0	7,500
6.02.04	Related Party Credits	0	-3,295
6.02.06	Integralization of Capital in Subsidiaries	-21,158	-1,936
6.03	Net Cash from Financing Activities	106,288	-19,429

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<b>Account Code</b>	<b>Account Description</b>	<b>Accumulated of the</b>	<b>Accumulated of the</b>
		<b>Current Period 01/01/2019 to 03/31/2019</b>	<b>Previous Period 01/01/2018 to 03/31/2018</b>
6.03.01	Obtainment of loans and financings	122,827	0
6.03.02	Payment of loans and financings	-16,539	-19,429
6.05	Increase (Decrease) in Cash and Cash Equivalents	50,780	-32,160
6.05.01	Opening Balance of Cash and Cash Equivalents	67,580	78,756
6.05.02	Closing Balance of Cash and Cash Equivalents	118,360	46,596

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019  
In thousands of Brazilian reais - R\$, unless otherwise stated.

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

<b>Account Code</b>	<b>Account Description</b>	<b>Paid-in share capital</b>	<b>Capital Reserves, Options Awarded and Treasury Stock</b>	<b>Profit Reserves</b>	<b>Retained Earnings or Accumulated Losses</b>	<b>Other Comprehensive Income</b>	<b>Shareholders' Equity</b>
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 income over subsidiaries' comprehensive 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

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019  
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### Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2018–03/31/2018

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	130,000	0	159,220	0	-4,172	285,048
5.03	Adjusted Opening Balances	130,000	0	159,220	0	-4,172	285,048
5.05	Total Comprehensive Income	0	0	0	6,989	-271	6,781
5.05.01	Net Income for the Period	0	0	0	6,989	0	6,989
5.05.02	Other Comprehensive Income	0	0	0	0	-271	-271
5.05.02.05	Tax Conversion Adjust	0	0	0	0	-271	-271
5.06	Internal changes in shareholders' equity	0	0	0	298	-298	0
5.06.02		0	0	0	298	-298	0
5.07	Closing Balances	130,000	0	159,220	7,287	-4,741	291,766

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019

In thousands of Brazilian reais - R\$, unless otherwise stated.

### Individual financial statements / Statement of added value

Account Code	Account Description	Accumulated of the	Accumulated of the
		Current Period	Previous Period
		01/01/2019 to 03/31/2019	01/01/2018 to 03/31/2018
7.01	Revenue	268,234	273,312
7.01.01	Sales of Goods, Products and Services	266,972	272,215
7.01.02	Other Revenue	696	1,168
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	566	-71
7.02	Consumables acquired from third parties	-144,793	-137,384
7.02.01	Cost of goods and services sold	-103,840	-95,752
7.02.02	Material, Energy, Outsourced Services and Other	-41,563	-42,351
7.02.03	Loss/Recovery of Assets	610	719
7.03	Gross Added Value	123,441	135,928
7.04	Retentions	-10,397	-9,798
7.04.01	Depreciation, Amortization and Depletion	-10,397	-9,798
7.05	Net Added Value Produced	113,044	126,130
7.06	Transferred Added Value	9,689	16,090
7.06.01	Equity income	-1,375	7,944
7.06.02	Financial Revenue	11,064	8,146
7.07	Total Added Value to be Distributed	122,733	142,220
7.08	Distribution of Added Value	122,733	142,220
7.08.01	Personnel	57,570	50,888
7.08.01.01	Direct Remuneration	47,740	42,904
7.08.01.02	Benefits	5,453	4,985
7.08.01.03	F.G.T.S.	4,377	2,999
7.08.02	Taxes, Duties and Contributions	55,775	58,195
7.08.02.01	Federal	18,849	23,180
7.08.02.02	State	36,399	34,436
7.08.02.03	Municipal	527	579
7.08.03	Interest Expenses	26,597	26,148
7.08.03.01	Interest	23,649	23,193
7.08.03.02	Rent	2,948	2,955
7.08.04	Interest earnings	-17,209	6,989
7.08.04.03	Retained Earnings/Loss for the Period	-17,209	6,989

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019

In thousands of Brazilian reais - R\$, unless otherwise stated.

### Consolidated financial statements / Balance sheet – Assets

Account Code	Account Description	Current Period	Previous Year
		03/31/2019	12/31/2018
1	Total Assets	1,750,625	1,622,155
1.01	Current Assets	656,778	563,867
1.01.01	Cash and Cash Equivalents	151,166	82,624
1.01.03	Accounts Receivable	229,761	239,463
1.01.03.01	Trade receivables	229,761	239,463
1.01.04	Inventory	237,238	213,791
1.01.06	Recoverable Taxes	10,337	10,201
1.01.06.01	Current Taxes Recoverable	10,337	10,201
1.01.06.01.01	Income taxes and contributions recoverable	805	627
1.01.06.01.02	Other Current Taxes Recoverable	9,532	9,574
1.01.07	Prepaid expenses	6,983	1,598
1.01.08	Others current assets	21,293	16,190
1.01.08.03	Others	21,293	16,190
1.01.08.03.01	Advances to Suppliers	11,246	7,385
1.01.08.03.02	Other	10,047	8,805
1.02	Non-current Assets	1,093,847	1,058,288
1.02.01	Long-Term Assets	589,153	579,070
1.02.01.09	Related party Credits	98,716	97,941
1.02.01.09.04	Other related party Credits	98,716	97,941
1.02.01.10	Other Non-current Assets	490,437	481,129
1.02.01.10.03	Judicial Deposits	121,435	116,980
1.02.01.10.04	Receivables - Eletrobrás	12,821	12,821
1.02.01.10.05	Recoverable Taxes	5,550	5,287
1.02.01.10.06	Tax Asset	314,981	317,506
1.02.01.10.07	Actuarial Asset	9,675	9,675
1.02.01.10.08	Interest earning bank deposits	7,344	7,251
1.02.01.10.10	Other	18,631	11,609
1.02.02	Investments	298	298
1.02.02.01	Ownership Interest	298	298
1.02.02.01.04	Other ownership interest	298	298
1.02.03	Property, plant and equipment	481,435	458,331
1.02.03.01	Operating Property, Plant and Equipment	459,536	0
1.02.03.02	Right-of-use Asset	21,899	0
1.02.04	Intangible assets	22,961	20,589

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### Consolidated financial statements / Balance sheet – Liabilities

Account Code	Account Description	Current Period	Previous Year
		03/31/2019	12/31/2018
2	Total Liabilities	1,750,625	1,622,155
2.01	Current Liabilities	454,415	404,068
2.01.01	Social and labor obligations	39,276	36,734
2.01.02	Suppliers	132,587	124,874
2.01.03	Tax Obligations	17,040	25,846
2.01.03.01	Federal tax obligations	17,040	25,846
2.01.03.01.01	Income and social contribution tax payable	1,993	10,315
2.01.03.01.02	Installment payment of tax obligations	10,882	10,793
2.01.03.01.03	Taxes, rates and contributions	4,165	4,738
2.01.04	Loans and Financing	136,259	101,721
2.01.04.01	Loans and Financing	130,966	99,760
2.01.04.02	Debentures	5,293	1,961
2.01.05	Other Obligations	126,049	113,629
2.01.05.02	Other	126,049	113,629
2.01.05.02.04	Credit granting from suppliers	46,501	45,956
2.01.05.02.05	Advance from clients	18,588	16,457
2.01.05.02.06	Dividends Payable	23,457	23,457
2.01.05.02.08	Other	37,503	27,759
2.01.06	Provisions	3,204	1,264
2.01.06.02	Other Provisions	3,204	1,264
2.01.06.02.06	Profit share provision	3,204	1,264
2.02	Non-current Liabilities	951,900	855,967
2.02.01	Loans and Financing	574,213	493,916
2.02.01.01	Loans and Financing	277,357	200,258
2.02.01.02	Debentures	296,856	293,658
2.02.02	Other Obligations	239,760	220,319
2.02.02.02	Other	239,760	220,319
2.02.02.02.03	Suppliers	105,730	101,268
2.02.02.02.04	Related Party Payable	62,008	62,008
2.02.02.02.06	Installment payment of tax obligations	51,210	53,574
2.02.02.02.08	Other	20,812	3,469
2.02.03	Deferred Taxes	0	1,965
2.02.03.01	Deferred Income and Social Contribution Taxes	0	1,965
2.02.04	Provisions	137,927	139,767
2.02.04.02	Other Provisions	137,927	139,767
2.03	Shareholders' Equity	344,310	362,120
2.03.01	Realized Capital	140,000	140,000
2.03.03	Revaluation Reserve	0	34,690
2.03.04	Profit Reserves	219,047	235,960
2.03.04.01	Legal Reserves	25,141	25,141
2.03.04.05	Profit sharing reserve	114,922	114,922
2.03.04.10	Profit reserve to be allocated	78,984	95,897

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019  
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<b>Account Code</b>	<b>Account Description</b>	<b>Current Period</b>	<b>Previous Year</b>
		<b>03/31/2019</b>	<b>12/31/2018</b>
2.03.06	Equity valuation adjustments	-14,753	-48,542
2.03.09	Non-controlling interest	16	12



## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019

In thousands of Brazilian reais - R\$, unless otherwise stated.

### Consolidated financial statements / Statement of income

Account Code	Account Description	Accumulated of the	Accumulated of the
		Current Period	Prior Period
		01/01/2019 to	01/01/2018 to
		03/31/2019	03/31/2018
3.01	Income from sales of goods and/or services	239,232	245,901
3.02	Cost of goods and/or services sold	-163,536	-147,630
3.03	Gross income	75,696	98,271
3.04	Operating expenses/income	-85,959	-74,662
3.04.01	Sales expenses	-72,657	-63,825
3.04.02	General and administrative expenses	-10,674	-9,260
3.04.04	Other operating income	261	142
3.04.04.01	Other operating income	261	142
3.04.05	Other operating expenses	-2,889	-1,719
3.04.05.01	Other operating expenses	-2,889	-1,719
3.05	Income (loss) before financial income and taxes	-10,263	23,609
3.06	Financial income (loss)	-12,910	-15,203
3.06.01	Financial income	4,858	2,404
3.06.01.01	Financial income	4,858	2,404
3.06.02	Financial expenses	-17,768	-17,607
3.06.02.01	Financial expenses	-17,969	-17,244
3.06.02.02	Net Exchange Variance	201	-363
3.07	Income (loss) before income tax	-23,173	8,406
3.08	Income and social contribution taxes	5,968	-1,410
3.08.01	Current	-1,925	-4,055
3.08.02	Deferred assets	7,893	2,645
3.09	Net income (loss) of continued operations	-17,205	6,996
3.11	Consolidated Net Income/loss for the period	-17,205	6,996
3.11.01	Attributed to Partners of the Parent Company	-17,209	6,989
3.11.02	Attributed to Minority Partners	4	7
3.99	Earnings per share - (Reais / Shares)		
3.99.01	Basic earnings per share		
3.99.01.01	Common	-0,10858	0,04410

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### Consolidated financial statements / Statement of comprehensive income

<b>Account Code</b>	<b>Account Description</b>	<b>Accumulated of the Current Period 01/01/2019 to 03/31/2019</b>	<b>Accumulated of the Prior Period 01/01/2018 to 03/31/2018</b>
4.01	Net Income for the Period	-17,205	6,996
4.02	Other Comprehensive Income	-605	-271
4.02.02	Exchange variance of Overseas Subsidiary	-605	-271
4.03	Comprehensive Income for the Period	-17,810	6,725
4.03.01	Attributed to Partners of the Parent Company	-17,814	6,718
4.03.02	Attributed to Minority Partners	4	7

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### Consolidated financial statements / Statement of cash flows - Indirect method

Account Code	Account Description	Accumulated of the Current Period 01/01/2019 to 03/31/2019	Accumulated of the Prior Period 01/01/2018 to 03/31/2018
6.01	Net cash from operational activities	-21,294	9,895
6.01.01	Cash generated in operations	11,190	37,015
6.01.01.01	Profit or loss for the year before taxes	-23,173	8,406
6.01.01.02	Depreciation and amortization	13,002	10,845
6.01.01.05	Provision for inventory at market value	1,145	-39
6.01.01.06	Provision Allowance for doubtful accounts	396	70
6.01.01.07	Provision for contingencies	4,333	8,539
6.01.01.08	Provision for labor obligations	-3,371	-3,304
6.01.01.09	Provision for profit sharing	1,940	1,388
6.01.01.10	Other provisions	1,863	1,335
6.01.01.11	Other operating income (expenses)	1,189	1,184
6.01.01.13	Adjustments Tax Asset	-2,525	-642
6.01.01.14	Adjustments Other Related Party Credits	-776	-823
6.01.01.15	Finance charges on tax installments	5,913	684
6.01.01.17	Finance charges on Loans	11,494	9,718
6.01.01.19	Unrealized Exchange Variation PBA	-605	-271
6.01.01.20	Others	365	-75
6.01.02	Changes in assets and liabilities	-32,785	-21,532
6.01.02.01	(Increase)/Decrease in accounts receivable	9,306	-7,243
6.01.02.02	Increase /(Decrease) in Advances from clients	2,131	-868
6.01.02.04	(Increase)/Decrease in inventories	-24,592	-10,344
6.01.02.05	(Increase)/Decrease in Recoverable Taxes	-4,455	-2,370
6.01.02.07	(Increase)/Decrease in Interest earning bank deposit	-221	2,517
6.01.02.08	(Increase)/Decrease in other assets	-93	-92
6.01.02.09	Increase /(Decrease) in Accounts Payable	-7,721	-5,863
6.01.02.10	(Increase)/Decrease in advance to suppliers	12,720	10,959
6.01.02.11	(Increase)/Decrease in provisions for contingencies	-3,861	-692
6.01.02.12	(Increase)/Decrease in installments	-2,491	-157
6.01.02.13	Increase /(Decrease) in financing of taxes	-8,188	-6,324
6.01.02.14	Increase /(Decrease) in tax and labor liabilities	-13,199	-1,122
6.01.02.15	Increase /(Decrease) in Other payable	-13,098	0
6.01.02.16	Increase / (decrease) in investment payables	20,977	67
6.01.03	Other	301	-5,588
6.01.03.01	Interest paid	-3,982	-3,907
6.01.03.02	Income and social contribution taxes paid	4,283	-1,681
6.02	Net cash used in investment activities	-16,451	-19,746
6.02.01	Acquisition of property, plant and equipment	-13,096	-17,527
6.02.02	Acquisition of intangible assets	-3,355	-2,219
6.03	Net Cash from Financing Activities	106,287	-19,429
6.03.01	Obtainment of loans and financings	122,826	0
6.03.02	Payment of loans and financings	-16,539	-19,429

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019  
In thousands of Brazilian reais - R\$, unless otherwise stated.

<b>Account Code</b>	<b>Account Description</b>	<b>Accumulated of the Current Period 01/01/2019 to 03/31/2019</b>	<b>Accumulated of the Prior Period 01/01/2018 to 03/31/2018</b>
6.05	Increase (Decrease) in Cash and Cash Equivalents	68,542	-29,280
6.05.01	Opening Balance of Cash and Cash Equivalents	82,624	94,379
6.05.02	Closing Balance of Cash and Cash Equivalents	151,166	65,099

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### 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	Non- controlling interest	Consolidated Shareholders' Equity
5.01	Opening Balances	140,000	0	235,960	0	-13,852	362,108	12	362,120
5.03	Adjusted Opening Balances	140,000	0	235,960	0	-13,852	362,108	12	362,120
5.05	Total Comprehensive Income	0	0	0	-17,209	-605	-17,814	4	-17,810
5.05.01	Net Income for the Period	0	0	0	-17,209	0	-17,209	4	-17,205
5.05.02	Other Comprehensive Income	0	0	0	0	-605	-605	0	-605
5.05.02.03	Equity income over subsidiaries` comprehensive 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	140,000	0	235,960	-16,911	-14,755	344,294	16	344,310

**PBG S.A and subsidiaries**

Interim Financial Information for the quarter ended March 31, 2019  
 In thousands of Brazilian reais - R\$, unless otherwise stated.

**Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2018–03/31/2018**

<b>Account Code</b>	<b>Account Description</b>	<b>Paid-in share capital</b>	<b>Capital Reserves, Options Awarded and Treasury Stock</b>	<b>Profit Reserves</b>	<b>Retained Earnings or Accumulated Losses</b>	<b>Other Comprehensive Income</b>	<b>Shareholders' Equity</b>	<b>Non- controlling interest</b>	<b>Consolidated Shareholders' Equity</b>
5.01	Opening Balances	130,000	0	159,220	0	-4,172	285,048	12	285,060
5.03	Adjusted Opening Balances	130,000	0	159,220	0	-4,172	285,048	12	285,060
5.05	Total Comprehensive Income	0	0	0	6,989	-271	6,781	7	6,725
5.05.01	Net Income for the Period	0	0	0	6,989	0	6,989	7	6,996
5.05.02	Other Comprehensive Income	0	0	0	0	-271	-271	0	-271
5.05.02.05	Tax Conversion Adjust Internal changes in shareholders' equity	0	0	0	0	-271	-271	0	-271
5.06		0	0	0	298	-298	0	0	0
5.06.02		0	0	0	298	-298	0	0	0
5.07	Closing Balances	130,000	0	159,220	7,287	-4,741	291,766	19	291,785

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended March 31, 2019  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### Consolidated financial statements / Statement of added value

Account Code	Account Description	Accumulated of the	Accumulated of the
		Current Period	Prior Period
		01/01/2019 to 03/31/2019	01/01/2018 to 03/31/2018
7.01	Revenue	294,497	298,153
7.01.01	Sales of Goods, Products and Services	297,043	299,749
7.01.02	Other Revenue	-2,149	-1,525
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-397	-71
7.02	Consumables acquired from third parties	-151,988	-140,405
7.02.01	Cost of goods and services sold	-104,345	-95,809
7.02.02	Material, Energy, Outsourced Services and Other	-48,198	-45,315
7.02.03	Loss/Recovery of Assets	555	719
7.03	Gross Added Value	142,509	157,748
7.04	Retentions	-13,002	-10,845
7.04.01	Depreciation, Amortization and Depletion	-13,002	-10,845
7.05	Net Added Value Produced	129,507	146,903
7.06	Transferred Added Value	11,205	8,365
7.06.02	Financial Revenue	11,205	8,365
7.07	Total Added Value to be Distributed	140,712	155,268
7.08	Distribution of Added Value	140,712	155,268
7.08.01	Personnel	67,701	56,782
7.08.01.01	Direct Remuneration	56,590	47,992
7.08.01.02	Benefits	6,151	5,392
7.08.01.03	F.G.T.S.	4,960	3,398
7.08.02	Taxes, Duties and Contributions	62,175	63,958
7.08.02.01	Federal	24,832	28,818
7.08.02.02	State	36,785	34,549
7.08.02.03	Municipal	558	591
7.08.03	Interest Expenses	28,041	27,532
7.08.03.01	Interest	24,127	23,577
7.08.03.02	Rent	3,914	3,955
7.08.04	Interest earnings	-17,205	6,996
7.08.04.03	Retained Earnings/Loss for the Period	-17,209	6,989
7.08.04.04	Minority interests in retained earnings	4	7

## CONSOLIDATED EARNINGS RELEASE 1Q19

Tijucas, May 9, 2019. PBG S.A. (B3 S.A. - BRASIL, BOLSA, BALCÃO: PTBL3), **Brazil's largest ceramic tile company**, is submitting its earnings release for the first quarter of 2019.

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

	R\$ million	1Q18	1Q19	▲%	
PERFORMANCIA	Gross revenue	303	307	1,4%	<ul style="list-style-type: none"> <li><b>Net Revenue of R\$ 239 million</b> was up 8.6% in the domestic market;</li> <li>Decrease of 8.4 pp in <b>GROSS MARGIN</b>, impacting PROFITABILITY;</li> <li><b>NET DEBT/EBITDA</b> ratio of <b>2.0 X</b>;</li> <li><b>RETURN ON CAPITAL EMPLOYED</b> ending the quarter at 16.8%;</li> <li>Significant participation in the <b>Revestir Fair</b>, with Best in Show award being granted</li> </ul>
	<b>Net revenue</b>	<b>246</b>	<b>239</b>	<b>-2,7%</b>	
	<i>Gross margin</i>	<i>40,0%</i>	<i>31,6%</i>	<i>-8,4 p.p.</i>	
	<b>EBITDA</b>	<b>34</b>	<b>3</b>	<b>-92%</b>	
	<i>EBITDA margin</i>	<i>14,0%</i>	<i>1,1%</i>	<i>-12,9 p.p.</i>	
	<b>Profit</b>	<b>7</b>	<b>(17)</b>	<b>-346%</b>	
	<i>Net margin</i>	<i>2,8%</i>	<i>-7,2%</i>	<i>-10 p.p.</i>	
	<b>ROCE</b>	<b>14,4%</b>	<b>16,8%</b>	<b>2,4 p.p.</b>	
Debt	<b>Net Debt</b>	<b>404</b>	<b>515</b>	<b>27,6%</b>	
	<i>Net debt-to-EBITDA</i>	<i>2,37</i>	<i>2,01</i>	<i>-15%</i>	
PTBL3	<b>Quotation</b>	<b>5,37</b>	<b>4,91</b>	<b>-9%</b>	

(i) Net Revenue in 1Q18 includes the reclassification of rebates, previously recognized in expenses, in the amount of R \$ 4.3 million. In this way the values are suitable for comparison purposes

## TELECONFERENCE

**Friday, May 17 at 9 a.m.**

Data for connection:

Phone: +55 11 3137-8043

Password: PORTOBELLO

## WEBCAST

The teleconference audio will be broadcast on the Internet, accompanied by a slide show.

Both will be available 30 minutes in advance at:





## MANAGEMENT'S COMMENTS

In the first quarter of 2019, the Brazilian economy showed below-expected growth and continues to reflect the uncertainties ranging from political dependence to go ahead with difficult reforms, including that of Social Security, to the consolidation of the confidence necessary for a market that seeks rekindling. Even in this challenging scenario, the Company grew in the domestic market. In the foreign market, we have made good progress in the USA, which was not enough to offset the effects of the downturn in South America, mainly in Argentina. The results were also affected by increases in energy costs, without a corresponding increase of price due to the economic context, and extraordinary adjustments to adapt the structure to the needs and limitations prevailing in the domestic market.

Consolidated net revenue totaled R\$ 239 million, similar to that in 1Q18. In the foreign market, sales fell 37% impacted mostly by the effects of the downturn in Argentina. In the domestic market, sales grew by 6,2%, surmounting the current scenario in the market for construction and coating and finishing materials, which fell by 1.7% in the quarter.

Gross margin decreased from 40.0% in 1Q18 to 31.6% in 1Q19 due to significant increase in energy costs. Natural gas consumed at Santa Catarina's plant increased by 80% throughout 2018 and 7.3% during the first quarter of this year.

The Portobello Shop franchise network maintains its leading role in the Company's growth. To date, it has 131 stores, with 13 own stores, being present in almost all of the Brazilian states. Stores are part of the integrated retail strategy, with increased focus on customers and fast response to changes in market conditions. The Portobello Shop stores are offering customers a combination of Portobello ceramic tiles with sanitary ware and fittings, and customized solutions in porcelain tiles (Officina).

The Pointer business, when compared to 1Q18, had considerable sales growth and maintained positive margins, which resulted from the qualification of the product mix of higher profitability and better prices. The performance of "Superceramic" tiles, which bring together a democratic, innovative and distinctive design of traditional ceramic tiles, are mainly responsible for gearing results.

The Officina project has been gaining maturity and is now focusing on the attainment of steady operations and services. The solution is bringing leading edge to the brand and the Portobello Shop business, incorporating a differentiated mix of products, offering an innovative line and customized solutions in porcelain tiles for our end customers.

Despite the unfavorable scenario, the first quarter of 2019 brought good news in terms of sales outlook. In March, the Company played a relevant role in the Revestir Fair, considered the main platform for solutions involving coating and finishing materials in Latin America. During the fair the new collection was launched and, this year, Portobello was granted the "best in show" award with the Athos Bulcão line.

The Company continues endeavoring to attain operational improvements and increase profitability of existing assets. It is also confident in its strategy focused on the retail market, brand strengthening, new businesses, foreign sales and its internationalization strategy, now counting on own distribution operations in the USA (Florida and Tennessee).

**ADOPTION OF IFRS 16/ CPC 06 (R2) – MAIN IMPACTS**

The standard CPC 06, as from January 1, 2019, has changed the criterion for recognition of rents and leasing qualifying as lease. The new standard introduced the requirement of recognizing future lease commitments, matched against the related right-of-use assets.

Rent and leasing that until 2018 were recognized as operating expenses are now recognized as depreciation and finance costs.

**IMPACTS OF IFRS 16/ CPC06 (R2)**

<b>Balance Sheet</b>		<b>Statement of profit or loss</b>	
<b>Assets</b>	<b>21,899</b>	<b>SPL</b>	<b>500</b>
Right-of-use assets	21,899	Lease expense	(1,639)
<b>Liabilities</b>	<b>22,899</b>	Lease depreciation	1,819
Lease	22,399	Lease finance costs	320
Equity	500		
		<b>Adjusted EBITDA</b>	<b>1,639</b>
		<b>% EBITDA</b>	<b>0.6 p.p.</b>

## ECONOMIC AND FINANCIAL PERFORMANCE

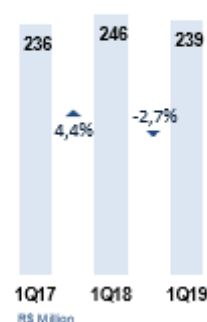
	R\$ thousand	1Q17	1Q18	1T19	▲%	Pro-forma
PERFORMANC	<b>Gross revenue</b>	<b>296.203</b>	<b>303.208</b>	<b>307.334</b>	<b>1,4%</b>	<b>307.334</b>
	Net revenue	235.634	245.901	239.232	-2,7%	239.232
	<b>Gross profit</b>	<b>95.877</b>	<b>98.271</b>	<b>75.695</b>	<b>-23,0%</b>	<b>75.695</b>
	<i>Gross margin</i>	40,7%	40,0%	31,6%	-8,4 p.p.	31,6%
	<b>EBIT</b>	<b>42.877</b>	<b>23.609</b>	<b>(10.267)</b>	<b>-143%</b>	<b>(10.087)</b>
	<i>EBIT margin</i>	18,2%	9,6%	-4,3%	-13,9 p.p.	-4,2%
	Finance income (costs)	(15.445)	(15.203)	(12.910)	-15%	(12.590)
	<b>Profit</b>	<b>19.872</b>	<b>6.996</b>	<b>(17.209)</b>	<b>-346%</b>	<b>(16.709)</b>
	<i>Net margin</i>	8,4%	2,8%	-7,2%	-10 p.p.	-7,0%
	<b>EBITDA</b>	<b>52.720</b>	<b>34.454</b>	<b>2.735</b>	<b>-92%</b>	<b>1.096</b>
<i>EBITDA margin</i>	22,4%	14,0%	1,1%	-12,9 p.p.	0,5%	
INDICATORS	Current liquidity	1,26	1,22	1,00	(0,22)	1,54
	Net debt	437.366	403.956	515.338	27,6%	515.122
	Net debt-to-EBITDA	3,00	2,37	2,01	(0,35)	2,02
	Net debt-to-equity	1,53	1,38	1,50	0,12	1,49
PTBL3	Closing quotation	2,89	5,37	4,91	-9%	4,91
	Market value	458.032	851.083	778.179		778.179
	Monthly trading volume (R\$). Average from the past 12 months	20.000	50.902	44.683	-12%	44.683

(i) Net Revenue from 1Q17 and 1Q18 includes the reclassification of discounts, previously recognized as expenses, in the amount of R \$ 3.9 and R \$ 4.3 million, respectively, adjusted for comparability purposes.

## Net revenue

The consolidated net revenue totaled R\$ 239 million in 1Q19, down 2.7% compared to 1Q18. This variation was affected by adjustments to revenue recognition criteria (mainly contract rebates). Comparing the gross revenue, the Company grew 1.4% compared to 1Q18.

Net Revenue



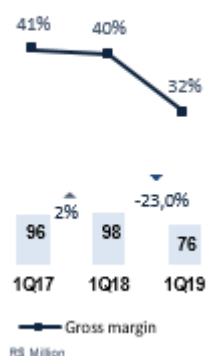
Sales in the domestic market accounted for 87% of total revenue (79% in 1Q18) and the amount in Brazilian reais (R\$) was up 6.8% compared to 1Q18 due to Own Stores and the Pointer brand.

Export sales were down 37% owing to the downturn in the Argentine market.

	1Q17	1Q18	1Q19	??%
<b>Net revenue</b>	<b>231,646</b>	<b>241,598</b>	<b>239,232</b>	<b>-1.0%</b>
Domestic market	191,499	191,019	207,367	8.6%
Foreign market	40,147	50,579	31,865	-37%

### Gross Profit

Gross Profit



Gross profit in 1Q19 totaled R\$ 76 million, down 23% compared to 1Q18. The gross margin decreased to 32%, mainly affected by the increase in prices of inputs and energy.

However, the Company has been taking measures in order to mitigate these effects with a more profitable product mix, increase in sales prices and adjustments in its structure to reduce production costs.

### Operating Income (Expenses)

	1Q17	%RL	1Q18	%RL	1Q19	%RL	??%
<b>Operating expenses</b>	<b>(49,012)</b>	<b>21%</b>	<b>(70,362)</b>	<b>29%</b>	<b>(85,959)</b>	<b>36%</b>	<b>22%</b>
Selling expenses	(52,698)	23%	(59,525)	25%	(72,657)	30%	22%
General and administrative	(8,275)	4%	(9,260)	4%	(10,674)	4%	15%
Other income (expenses)	11,961	-5%	(1,577)	1%	(2,628)	1%	

(i) Expenses for 1Q17 and 1Q18 were adjusted based on reclassification of deductions for deduction of revenue, in the amount of R \$ 3.9 and R \$ 4.3 million, respectively.

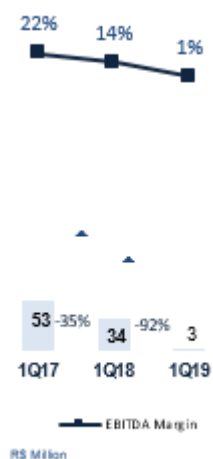
Selling expenses totaled R\$ 73 million in 1Q19, 14% higher than in 1Q18. They account for 30% of net revenue in 1Q19, an increase of 4 pp. This increase was due to the development of new businesses, increase in the number of own stores, operations in the USA, expansion of the logistics network, intensification of retail operations, as well as expenses with the reduction of the organizational structure to allow Company alignment with the current sales levels.

Administrative expenses totaled R\$ 11 million, and continued accounting for 4% of net revenue when compared to 1Q18. Sales and administrative expenses were also impacted by readjustment of the organizational structure, amounting to the sum of R\$ 3.4 million. The Company maintains a diligent position not only in relation to expenses, but also in relation to costs and increase of revenue, in order to return to the same level of 2017.

Other operating expenses remained at the same levels of the previous year.

## EBITDA

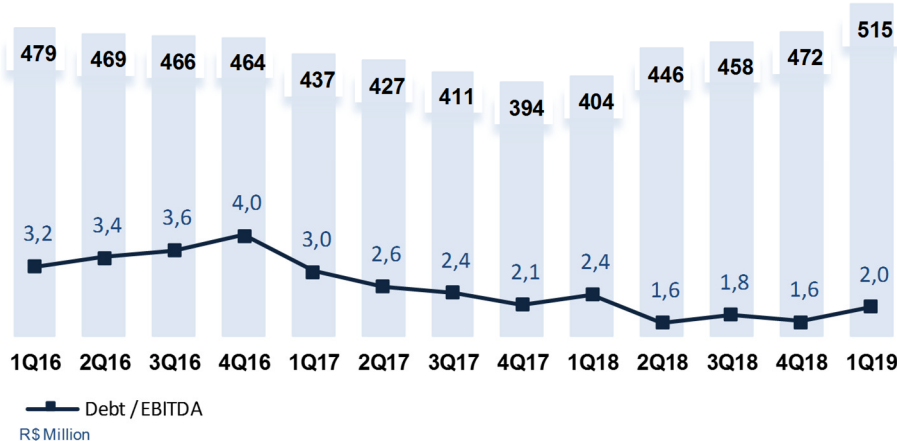
	1Q17	1Q18	1Q19	%RL	▲%
Net profit	19.872	6.996	(17.209)	-7%	-346%
(+) Finance income (costs)	15.445	15.203	12.910	5%	-15%
(+) Depreciation and amortization	9.843	10.845	13.002	5%	20%
(+) Taxes on profit	7.560	1.410	(5.968)	-2%	-523%
<b>EBITDA</b>	<b>52.720</b>	<b>34.454</b>	<b>2.735</b>	<b>1%</b>	<b>-92%</b>
(-) Extraordinary gains	(20.248)				
<b>adjusted EBITDA</b>	<b>32.472</b>	<b>34.454</b>	<b>2.735</b>	<b>1%</b>	<b>-92%</b>



In 1Q19, EBITDA amounted to R\$ 3 million and EBITDA margin was 1%, mainly due to energy costs.

## DEBT / CAPITAL STRUCTURE

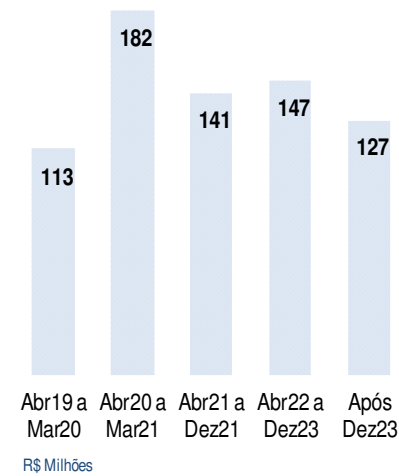
Net Debt



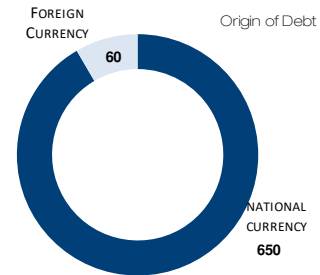
The Company's net debt reached R\$ 515 million at the end of 1Q19, equivalent to 2.0x EBITDA for the last 12 months. Compared to 1Q18, there was a 27% increase in debt, due to lower profits and cash needs for investments.

	mar/18	dez/18	mar/19	▲ R\$
Bank indebtedness	500.425	595.637	710.472	114.835
Tax indebtedness	71.134	64.367	62.092	(2.275)
<b>(=) Gros debt</b>	<b>571.559</b>	<b>660.004</b>	<b>772.564</b>	<b>112.560</b>
(+) Cash and cash equivalents	(72.129)	(89.875)	(158.510)	(68.635)
(+) Receivables from related parties	(95.474)	(97.941)	(98.716)	(775)
<b>(=) Net debt</b>	<b>403.956</b>	<b>472.188</b>	<b>515.338</b>	<b>43.150</b>
EBITDA (past 12 months)	170.751	288.013	256.289	(31.724)
<i>Net debt-to-EBITDA ratio</i>	<i>2,37</i>	<i>1,64</i>	<i>2,01</i>	
<i>Net debt-to-equity ratio</i>	<i>1,38</i>	<i>1,30</i>	<i>1,50</i>	

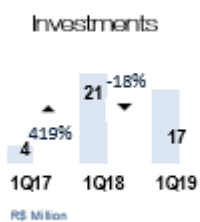
Cronograma de Amortização  
(endividamento bruto)



Debt had its maturity schedule extended with the issue of new series of debentures in 2018. For 84% of the debt, maturity falls within long term.



## INVESTMENTS



In 1Q19, investments totaled R\$ 17 million. Of this amount, 68% were destined to increase the capacity of the Tijucas (SC) plant, 20% to own stores and the remainder for the restructuring of the distribution centers.

In the Tijucas plant, the investments focused on its preparation and updating for the production of larger tile formats and higher value-added product items.

## SHAREHOLDERS' COMPENSATION AND SHAREHOLDERS' MEETING RESOLUTIONS

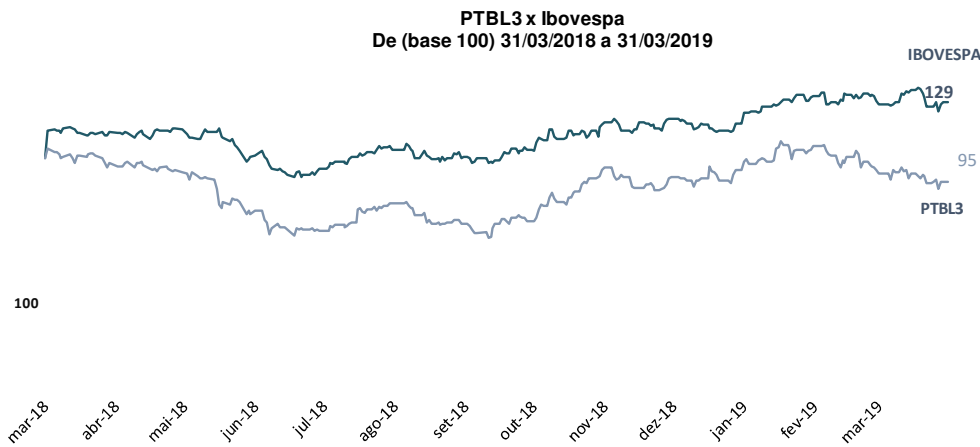
The total compensation to shareholders for the 2018 fiscal year was R\$ 31,892 thousand, representing a yield of 4.10% per share (dividend per share divided by the final share price)

The Management's proposal to distribute total dividends of 25% of net profit was approved on April 2, 2019, at the Annual Shareholders' Meeting. The amount payable is R\$ 22,969 thousand, approximately R\$ 0.14492 per share (net of payments made in August 2018). Payment was made on April 30, 2019.

At the same meeting, the members of the Supervisory Board were re-elected, for a term of office of one year.



**PERFORMANCE OF PTBL3 SHARES**



The common shares issued by PBG S.A., traded on B3 (Brasil, Bolsa, Balcão) under ticker symbol PTBL3, ended the last trading session held in March 2019 quoted at R\$4.91

In the past 12 months, the average financial trading volume was R\$45 million, down by 29% compared to R\$51 million recorded in the prior year. At the end of 1Q19, PBG S.A.'s market value was equivalent to R\$778 million.

- A challenging scenario is expected to continue prevailing in the following quarters, but with the expectation of a gradual resumption of economic growth, depending on the progress of the Brazilian reforms. Thus, internally, the focus will be maintained on the qualification of the sales mix, resumption of sales volume growth and mitigation of increase in costs and expenses;
- The civil construction market has been improving, which should have a positive effect on the finishing materials industry during 2019;
- The retail market continues to represent one of the cornerstones of business growth, seeking to accelerate growth and value generation for shareholders, especially in sales through Portobello Shop and the expansion of Own Stores;
- In the ceramic tiles segment, the Company expects continuity in the increase in the share of porcelain tiles, with emphasis on enameled tiles, and the continuity of recent trends of larger tile formats and decorated product items;
- The Alagoas plant and the Pointer brand continue to execute the plan of alignment with the current market conditions, improve brand positioning, product portfolio and economic results. The operation has already reached its equilibrium and the projections continue to indicate profitability gains;
- In the foreign market, efforts will continue to be made for the expansion of exports and the internationalization of the Company's operations. In this sense, the US distribution operations will continue to be expanded, with distribution centers in Texas, alike those already established in Florida and Tennessee;
- The "Officina" business will continue to gain robustness and representativeness in sales as well as in the Company's strategy. Achieving maturity, providing better profitability and being a leading edge for the Portobello brand;
- Internally, the Company will continue to focus on actions to mitigate the increase in cost of inputs and energy. Whether by way of plant optimization, ongoing review of costs and expenses or the review of the products portfolio.

**INDEPENDENT AUDIT**

In engaging independent auditors to perform non-audit services, PBG S.A. adopts a policy based on principles that preserve the professional independence. These principles draw on the assumption that the auditors should not audit their own work, should not perform management functions in the client and should not act as client's advocate. In the first quarter of 2019, the Company did not engage independent auditors to perform non-audit services.

**MANAGEMENT**

Executive Board	
Name	Title
Cesar Gomes Júnior	Chief Executive Officer
Cláudio Ávila da Silva	Deputy Chief Executive Officer
John Shojiro Suzuki	Finance/Investor Relations Officer
Mauro do Valle Pereira	Deputy Chief Executive Officer

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

**TELECONFERENCE AND WEBCAST**

On Friday, May 17, 2019, at 9 a.m. a teleconference will be held in Portuguese language to report the earnings for the first quarter of 2019.

Data for connection:

Phone: +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/](http://www.ri.portobello.com.br/)).

## Balance Sheet

<b>Assets</b>	<b>31-mar-19</b>	<b>31-dez-18</b>	<b>Liabilities</b>	<b>31-mar-19</b>	<b>31-dez-18</b>
<b>Current assets</b>	<b>656.778</b>	<b>563.867</b>	<b>Current liabilities</b>	<b>454.415</b>	<b>404.068</b>
Cash and cash equivalents	151.166	82.624	Borrowings and debentures	136.259	101.721
Trade receivables	229.761	239.463	Trade payables and credit assignment	179.088	170.830
Inventories	237.238	213.791	Taxes and social contributions	17.040	25.846
Recoverable taxes	10.337	10.201	Payroll and related taxes	39.276	36.734
Prepaid expenses	6.983	1.598	Advances from customers	18.588	16.457
Other current assets	21.293	16.190	Dividends payable	23.457	23.457
			Other current liabilities	40.707	29.023
<b>Noncurrent assets</b>	<b>1.070.886</b>	<b>1.037.699</b>	<b>Noncurrent liabilities</b>	<b>951.900</b>	<b>855.967</b>
<b>Long-term assets</b>	<b>589.153</b>	<b>579.070</b>	Borrowings and debentures	574.213	493.916
Escrow deposits	121.435	116.980	Trade payables	105.730	101.268
Recoverable taxes	5.550	5.287	Deferred income tax and social	-	1.965
Legal assets	314.981	317.506	Taxes payable in installments	51.210	53.574
Due from related parties	98.716	97.941	Related parties	62.008	62.008
Due from Eletrobrás	12.821	12.821	Provisions	137.765	139.605
Other noncurrent assets	35.650	28.535	Other	20.974	3.631
			<b>Equity</b>	<b>344.310</b>	<b>362.120</b>
<b>Investments</b>	<b>298</b>	<b>298</b>	Capital	140.000	140.000
<b>Property, plant and equipment</b>	<b>459.536</b>	<b>458.331</b>	Revenue reserves	219.047	235.960
<b>Right-of-use asset</b>	<b>21.899</b>	<b>-</b>	Other comprehensive income	(14.753)	(13.852)
<b>Intangible assets</b>	<b>22.961</b>	<b>20.589</b>	Additional dividends proposed	-	-
			Retained earnings	-	-
			Noncontrolling interests	16	12
<b>Total assets</b>	<b>1.750.625</b>	<b>1.622.155</b>	<b>Total liabilities</b>	<b>1.750.625</b>	<b>1.622.155</b>

Visit the Investor Relations website: [www.portobello.com.br/ri](http://www.portobello.com.br/ri)

## **PBG S.A. and Subsidiaries**

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

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### **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, 2019. 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, was established in 1977 and is 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 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 13 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 second quarter of 2018 operates the special cuts factory in the Southeast; and (v) Portobello América, which was established to sell Portobello products in the U.S. market and gradually returned to operations as of the second six-month period of 2018.

### **2 Presentation of interim financial information**

#### **a) Statement of compliance**

The individual and consolidated interim financial information, presented herein as Parent Company and Consolidated, respectively, has been prepared in accordance with Interim Financial Reporting Standards CPC21 / IAS34, issued by the International Accounting Standards Board (“IASB”) and accounting practices adopted in Brazil (BR GAAP).

The accounting practices adopted in Brazil comprise the policies set out in Brazilian Corporate Law and the technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Council (CFC) and the Brazilian Securities and Exchange Commission (CVM).

The presentation of the individual and consolidated Statements of Value Added (DVA) is required by the Brazilian corporate law and accounting practices adopted in Brazil applicable to publicly-held companies. The IFRS do not require the presentation of such statement.

The individual and consolidated interim financial information was authorized for issuance by the Board of Directors on May 9, 2019. After their issuance, only the shareholders have the power to change the financial statements.

All the relevant information disclosed in the Interim Financial Information, and only this information, is being disclosed and corresponds to the information used by Management to manage the Company.

## **PBG S.A. and Subsidiaries**

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

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### **b) New standards, amendments or interpretations of the IFRSs issued by the IASB**

#### ***IFRS 16 / CPC 06 (R2) Leases***

The Company applied CPC 06 (R2)/ IFRS 16 for the first time as from January 1, 2019, and as a result of this adoption, recognized new assets and liabilities for its operating leases of stores and distribution center.

The new applicable accounting policy introduced a new accounting model for leases in the balance sheet for lessees, whereby at the beginning of the agreement the Company assesses if the agreement is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control an identified asset for a period of time in exchange for consideration, for which it is necessary to assess if:

- (i) The contract involves the use of an identified asset, which may be explicit or implicit, and may be physically distinct or substantially represent all the capability of a physically distinct asset. If the supplier has a substantial right to substitute the asset, then the asset is not identified;
- (ii) The Company has the right to obtain substantially all of the economic benefits from the use of the asset during the contractual period;
- (iii) The Company has the right to direct the use of the asset. This means that the Company has the right to make decisions to direct how, and for what purpose, the asset is used. A lessee recognizes a right-of-use asset that represents its right to use the leased asset and a lease liability that represents its obligation to make lease payments. The right-of-use asset is initially measured at cost and includes the initial amount of the lease liability adjusted by any payment made at, or before, the date of inception of the contract, plus any direct initial cost incurred and estimated cost of disassembly, removal, restoration of the asset at the location it is located, less any incentive received. The right-of-use asset is subsequently depreciated using the straight-line method as from the initial date up to the end of the useful life of the right-of-use or the end of the lease term. The lease liability is initially measured at the present value of pending payments, less the implicit interest rate of the lease or, if the interest rate cannot be readily determined, by the incremental loan rate.

After initial measurement, the lease liability is measured at amortized cost, using the effective interest rate method. It is only measured when any change is identified:

- (i) In the future payments arising from any change in indexes or rates
- (ii) At the amount expected to be paid on the guaranteed residual value or
- (iii) Changes in valuation if the Company will exercise the option to buy, extend or terminate. When the lease liability is remeasured, the amount of the corresponding adjustment is recorded at the carrying amount of the right-of-use asset or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero. Operating lease agreements are recognized as expenses over the lease period.

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

The impacts of the adoption of IFRS 16 /CPC 06 (R2) are stated below:

Impact on the Consolidated Balance Sheet:

	Parent				Consolidated			
	31/12/2018	IFRS 16/CPC 06 (R2)	Ref.	01/01/2019	31/12/2018	IFRS 16/CPC 06 (R2)	Ref.	01/01/2019
<b>Assents</b>								
<b>Current assent</b>	544.985			544.985	563.867			563.867
<b>Noncurrent assets</b>	1.128.191	10.376	(a)	1.138.567	1.058.288	23.718	(a)	1.082.006
<b>Total do Assents</b>	1.673.176	10.376		1.683.552	1.622.155	23.718		1.645.873
<b>Passivo</b>								
<b>Current liabilities</b>	382.598	2.927	(b)	385.525	404.068	7.350	(b)	411.418
<b>Noncurrent liabilities</b>	928.470	7.449	(b)	935.919	855.967	16.368	(b)	872.335
<b>Equity</b>	362.108			362.108	362.120			362.120
<b>Total liabilities</b>	1.673.176	10.376		1.683.552	1.622.155	23.718		1.645.873

- (a) Refers to the recognition of the right of use of lease agreements defined as a lease in accordance with IFRS 16 / CPC 06 (R2). Note 20.
- (b) Refers to the recognition of the liability of lease agreements defined as a lease in accordance with IFRS 16 / CPC 06 (R2). Note 29.

### **IFRIC 23 / ICPC 22 Uncertainty over Income Tax Treatments**

Interpretation ICPC 22 /IFRIC 23 approved on 12/17/2018, effective as of January 1<sup>st</sup>, 2019, describes the application of the recognition and measurement requirements of CPC 32 about uncertain income tax positions. It requires the disclosure of:

- i) Judgments in determining taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates;
- ii) Information on assumptions made when determining taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates.

According to Company's assessment, the adoption of the interpretation did not have a significant impact on the financial statements, considering that the calculation and collection of income taxes are in accordance with the legislation and precedents of administrative and judicial courts.

### **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.

### **4 Critical accounting estimates and judgments**

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

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, 2018.

### 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.

Risks are managed by the Treasury Area and Finance Department in accordance with the 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.

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

	In Brazilian reais R\$			
	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Trade receivables	42.834	51.214	42.834	51.214
Checking account	8.304	5.470	8.304	5.470
Receivables from subsidiaries	86.134	84.255	-	-
Exposed assets	137.272	140.939	51.138	56.684
Provision for loss on investments	(59.784)	(74.534)	-	-
Trade payables, commissions, net of advances	(4.370)	(6.896)	(4.370)	(6.896)
Payables for investments	(13.401)	(8.793)	(13.401)	(8.793)
Borrowings and financing	(60.123)	(59.134)	(60.123)	(59.134)
(-) Swap transaction	23.840	23.706	23.840	23.706
Exposed liabilities	(113.838)	(125.651)	(54.054)	(51.117)
Net liability exposure	23.434	15.288	(2.916)	5.567



## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

	In Euro (€)				In U.S. Dollar (US\$)			
	Parent Company		Consolidated		Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Trade receivables	177	338	177	338	10.695	12.811	10.695	12.811
Checking account	-	-	-	-	2.131	1.412	2.131	1.412
Receivables from subsidiaries	-	-	-	-	22.104	21.744	-	-
Allowance for investment losses	-	-	-	-	(14.732)	(18.770)	-	-
Trade payables, commissions, net of advances	1.569	(1.592)	1.569	(1.592)	(2.438)	(2.268)	(2.438)	(2.268)
Payables for investments	-	-	-	-	-	-	-	-
Borrowings and financing	-	-	-	-	(9.310)	(9.148)	(9.310)	(9.148)
	1.746	(1.254)	1.746	(1.254)	8.450	5.781	1.078	2.807

The Company adopts the strategy of maintaining the foreign exchange liability exposure at an amount equivalent to up to one year of exports. At March 31, 2019, the net foreign exchange is positive.

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

The interest rate risk arises from long-term borrowings and financing and it is associated with borrowing 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.

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

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

	Parent Company							
	March 31, 2019				December 31, 2018			
	* Borrowings and debentures	Finance lease	Trade payables and credit assignment	Tax installment payment	* Borrowings and debentures	Finance lease	Trade payables and credit assignment	Tax installment payment
Less than 1 year	136.259	2.534	163.993	10.806	101.721	-	157.956	10.718
Between 1 and 2 years	298.562	5.271	105.730	47.060	306.842	-	101.268	21.918
Between 2 and 5 years	274.337	3.676	-	3.804	182.125	-	-	31.294
Over 5 years	-	-	-	-	3.657	-	-	-
	<u>709.158</u>	<u>11.481</u>	<u>269.723</u>	<u>61.670</u>	<u>594.345</u>	<u>-</u>	<u>259.224</u>	<u>63.930</u>

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

	Consolidated							
	March 31, 2019				December 31, 2018			
	* Borrowings and debentures	Finance lease	Trade payables and credit assignment	Tax installment payment	* Borrowings and debentures	Finance lease	Trade payables and credit assignment	Tax installment payment
Less than 1 year	136.259	5.363	179.088	10.882	101.721	-	170.830	10.793
Between 1 and 2 years	299.876	11.757	105.730	47.380	308.134	-	101.268	22.068
Between 2 and 5 years	274.337	7.877	-	3.830	182.125	-	-	31.506
Over 5 years	-	-	-	-	3.657	-	-	-
	<u>710.472</u>	<u>24.997</u>	<u>284.818</u>	<u>62.092</u>	<u>595.637</u>	<u>-</u>	<u>272.098</u>	<u>64.367</u>

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

### d) Sensitivity analysis

#### i) Sensitivity analysis of interest rate variations

Finance costs derived from borrowings and debentures are affected by changes in interest rates such as the CDI and SELIC rates.

As at March 31, 2019, Management considered as the probable scenario the increase in the CDI rate of 6.5% and SELIC rate of 6.5%. 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:

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

	March 31, 2019	Risk	Consolidated in Brazilian reais					
			Probable		Possible (25%) *		Remote (50%) *	
			%	R\$	%	R\$	%	R\$
Loans - working capital	(1.314)	CDI Inceas	6,50%	85	8,13%	107	9,75%	128
Loans - export credit note	(240.937)	CDI Inceas	6,50%	15.661	8,13%	19.576	9,75%	23.491
Debentures	(302.150)	CDI Inceas	6,50%	19.640	8,13%	24.550	9,75%	29.460
	<u>(544.401)</u>			<u>35.386</u>		<u>44.233</u>		<u>53.079</u>
Tax liabilities payable in installments	62.092	Selic incre:	6,50%	(4.036)	8,13%	(5.048)	9,75%	(6.054)

### 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, 2019, and for sensitivity analysis purposes, it has adopted as probable scenario the future market rate effective in the period of preparation of this 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:

	March 31, 2019	Consolidated in Brazilian Reais					
		Probable		Possible (25%)*		Remote (50%)*	
		US\$ rate	Gain (loss)	US\$ rate	Gain (loss)	US\$ rate	Gain (loss)
Trade receivables	42.834	3,400	(5.454)	4,250	10.709	5,100	21.417
Checking account	8.304	3,400	(1.057)	4,250	2.076	5,100	4.152
Payables, net of advances	(17.771)	3,400	2.263	4,250	(4.443)	5,100	(8.886)
Payables for investments	(13.401)	3,400	1.706	4,250	(3.350)	5,100	(6.701)
Borrowings and financing	(60.123)	3,400	7.656	4,250	(14.788)	5,100	(30.062)
(-) Swap contracts	23.840	3,400	(3.036)	4,250	5.927	5,100	11.920
Net exposure	<u>(16.317)</u>		<u>2.078</u>		<u>(3.869)</u>		<u>(8.160)</u>

\*Possible and remote scenarios calculated based on the probable rate, based on the Focus Report from BACEN dated April 12, 2019.

## 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 divided 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, 2019, the gearing are summarized as follows:

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Borrowings and financing	709.158	594.345	710.472	595.637
Tax installment payment	61.670	63.930	62.092	64.367
Less: Cash and cash equivalents	(118.360)	(67.580)	(151.166)	(82.624)
Receivables from other related parties	(98.716)	(97.941)	(98.716)	(97.941)
Financial investments	(7.344)	(7.251)	(7.344)	(7.251)
Net debt	546.408	485.503	515.338	472.188
Total equity	344.294	362.108	344.310	362.120
Gearing ratio (%)	1,59	1,34	1,50	1,30

### 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, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Assets at fair value through profit or loss				
Cash and cash equivalents	118.360	67.580	151.166	82.624
Short-term investments	7.344	7.251	7.344	7.251
Derivatives	4.782	3.375	2.403	3.375
Amortized cost				
Receivables from other related parties	98.716	97.941	98.716	97.941
Trade receivables	208.869	222.065	229.761	239.463
	438.071	398.212	489.390	430.654
Amortized cost				
Trade payables and assignment	269.723	157.956	287.472	170.830
Borrowings, financing and debentures	709.158	594.345	710.256	595.637
Tax liabilities payable in installments	61.671	63.930	62.092	64.367
	1.040.552	816.231	1.059.820	830.834

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 2019 was equivalent to 96.4% of the Interbank Deposit Certificate (CDI) rate and which can be redeemed at any time, without penalties.

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

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	Parent		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Checking account	19.412	12.290	44.204	22.886
Financial investments	98.948	55.290	106.962	59.738
	<u>118.360</u>	<u>67.580</u>	<u>151.166</u>	<u>82.624</u>

### 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, 2019, an unrealized loss of R\$ 29, was posted see note 34.

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

### 8 Trade receivables

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

	Parent		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Receivables from third parties				
Domestic market	166.073	171.741	187.605	188.641
Foreign market	42.834	51.214	42.834	51.214
	<u>208.907</u>	<u>222.955</u>	<u>230.439</u>	<u>239.855</u>
Receivables from related parties				
Entities related to management	1.068	781	1.656	1.546
	<u>1.068</u>	<u>781</u>	<u>1.656</u>	<u>1.546</u>
Impairment of trade receivables:				
Provision for impairment of trade receivables	(1.106)	(1.671)	(2.334)	(1.938)
	<u>(1.106)</u>	<u>(1.671)</u>	<u>(2.334)</u>	<u>(1.938)</u>
	<u>208.869</u>	<u>222.065</u>	<u>229.761</u>	<u>239.463</u>

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.

The recognition and write-off of the provision for impairment of trade receivables are recognized in the statement of income as selling expenses.

### a. Aging list of trade receivables

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

	Controladora					
	March 31, 2019	Estimated losses	Coverage %	December 31, 2018	Estimated losses	Coverage %
Not yet due	202.866	-	0,2%	212.671	(509)	0,2%
Overdue for up to 30 days	4.044	-	0%	7.353	(273)	4%
Overdue from 31 to 90 days	1.565	(181)	12%	1.971	(118)	6%
Overdue from 91 to 180 days	636	(212)	33%	755	(155)	21%
Overdue from 181 to 360 days	458	(307)	67%	584	(214)	37%
Overdue from 360 days	406	(406)	100%	402	(402)	100%
	<u>209.975</u>	<u>(1.106)</u>	<u>0,5%</u>	<u>223.736</u>	<u>(1.671)</u>	<u>0,7%</u>

	Consolidado					
	March 31, 2019	Estimated losses	Coverage %	December 31, 2018	Estimated losses	Coverage %
Not yet due	224.733	(1.163)	0,1%	228.664	(509)	0,2%
Overdue for up to 30 days	4.110	-	0%	8.099	(328)	4%
Overdue from 31 to 90 days	1.728	(234)	14%	2.363	(151)	10%
Overdue from 91 to 180 days	661	(224)	34%	980	(181)	16%
Overdue from 181 to 360 days	458	(307)	67%	804	(278)	65%
Overdue from 360 days	406	(406)	100%	491	(491)	98%
	<u>232.095</u>	<u>(2.334)</u>	<u>1,0%</u>	<u>241.401</u>	<u>(1.938)</u>	<u>1,08%</u>

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

The Company's policy with regard to the estimated loss is based on the portfolio realization schedule, taking into consideration the recovery performance of receivables up to 360 days after maturity. Such methodology has been supporting the estimated losses on this portfolio with a high level of reliability, in accordance with IFRS 9/CPC 48.

The criterion adopted by the Company both for the distribution of ranges and the distribution of the percentage of estimated losses is not comparable when used for credit portfolios of financial institutions, which are regulated by the Central Bank, which establishes the change of customers to the worst risk rating, upon the adoption of minimum percentage of estimated losses for each range. However, customers that pose risk are subject to the change of the portfolio risk rating.

At March 31, 2019, the total receivables pledged as collateral amounts to R\$98,288 (R\$76,502 at December 31, 2018).

## 9 Inventories

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Finished products	198.746	179.476	209.026	186.188
Work in progress	7.251	7.311	7.593	7.446
Raw and consumption material	30.745	29.848	30.769	29.970
Provision for realizable value of inventories	(10.958)	(9.813)	(10.958)	(9.813)
Imports in transit	808		808	
	<u>226.592</u>	<u>206.822</u>	<u>237.238</u>	<u>213.791</u>

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 and other taxes recoverable

	Parent		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Current				
ICMS	5.060	4.809	5.524	5.275
IPI (a)	2.204	2.655	2.337	2.767
IRRF/CSRF	636	512	653	549
IRPJ/CSLL	-	-	805	627
PIS and COFINS	-	-	-	422
PIS/COFINS credits	-	-	435	-
Reintegra (b)	140	93	140	93
Other	299	324	443	468
	<u>8.339</u>	<u>8.393</u>	<u>10.337</u>	<u>10.201</u>
Noncurrent*				
ICMS	2.911	3.203	3.194	3.475
PIS and COFINS	2.356	1.812	2.356	1.812
	<u>5.267</u>	<u>5.015</u>	<u>5.550</u>	<u>5.287</u>

\* Taxes recoverable from purchase of property, plant and equipment.

### a. Decrease of IPI rates



## **PBG S.A. and Subsidiaries**

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
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The decrease of IPI rates levied on the products manufactured and sold by the Company is set forth in Decree 8,950, of December 29, 2016, which defines a zero rate for the IPI in the sector for an indefinite period. This measure generates tax credits that are used for offset against federal taxes on a quarterly basis.

### **b. Special Tax Reintegration Regime for Exporting Companies (REINTEGRA)**

The Special Tax Reintegration Regime for Exporting Companies (Reintegra) consists of returning part of the exported amount in the form of tax credit to reduce federal taxes.  
At March 31, 2019, the Reintegra-related tax credits amounted to R\$140 (R\$ 93 at December 31, 2018).

## **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, 2019, these credits also originating from lawsuit No. 87.00.00967-9 amount to R\$98,716 (R\$97,941 at December 31, 2018) 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. Installments 05, 06, 07 and 08 are already deposited on behalf of Refinadora, but the transfer of the amount depends on a release order, which is in progress.

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

## **12 Judicial deposits**

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

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The Company and its subsidiaries are parties to tax, civil, labor and social security lawsuits (see note 26) and are discussing these matters at administrative and judicial level, which are supported by escrow 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, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Civil (a)	105.475	101.316	105.476	101.316
Labor	9.041	8.848	9.041	8.848
Tax	6.887	6.785	6.918	6.816
	<u>121.403</u>	<u>116.949</u>	<u>121.435</u>	<u>116.980</u>

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 Eletrobras

The Company filed a lawsuit against Centrais Elétricas Brasileira S/A - Eletrobras 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 2014, Eletrobras was sentenced to pay R\$35,395, which amount was 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. In the period up to December 31, 2018 the amount remains the same.

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
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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 on 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 tax

#### 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		Consolidated		Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Income tax	-	-	620	495	(412)	(6.152)	(1.573)	(7.527)
Social contribution	-	-	185	132	-	(2.271)	(420)	(2.788)
	-	-	805	627	(412)	(8.423)	(1.993)	(10.315)

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:

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Tax losses	18.049	10.607	18.049	10.607
Temporary differences - assets	39.555	38.726	43.908	43.080
Exchange differences on a cash basis	236	648	236	648
Provision for adjustment to market value	2.068	1.899	2.068	1.899
Civil, labor, social security and tax provisions	15.461	15.577	15.461	15.577
Provision for PIS/ COFINS contingencies - Plaintiff	6.927	6.927	6.927	6.927
Provision for profit sharing and long-term incentive	1.144	485	1.144	485
Tax losses in subsidiaries	-	-	4.353	4.353
Other temporary differences - assets	13.719	13.191	13.719	13.191
Temporary differences - liabilities	(51.676)	(51.298)	(51.676)	(51.298)
Portobello pension plan	(3.289)	(3.289)	(3.289)	(3.289)
Realization of revaluation reserve	(17.718)	(17.871)	(17.718)	(17.871)
Receivables from Eletrobrás	(4.359)	(4.359)	(4.359)	(4.359)
Contingent assets - Semiannual PIS	(2.607)	(2.607)	(2.607)	(2.607)
Plaintiff - IPI credit premium	(10.267)	(10.267)	(10.267)	(10.267)
Contingent asset - adjustment of rural credit notes	(12.620)	(11.862)	(12.620)	(11.862)
Adjustment to present value	(815)	(1.043)	(815)	(1.043)
Depreciation adjustment (to the useful lives of assets)	-	-	-	-
Non-current assets	5.928	-	10.281	4.354
Non-current liabilities	-	(1.965)	-	(1.965)

At March 31, 2019, net variations in deferred income tax and social contribution are as follows:

	Parent Company	Consolidated
December 31, 2018	(1.965)	2.338
Tax losses	7.442	7.442
Temporary differences - assets	829	829
Temporary differences - liabilities	(530)	(530)
Revaluation reserve	153	153
March 31, 2019	5.928	10.281

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:

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
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	Parent Company	Consolidated
	March 31, 2019	March 31, 2019
Deferred tax assets charged against (credited to) profit or loss		
Tax losses	(7.442)	(7.442)
Cash basis exchange rate variations	412	412
Provision for adjustment to market value	(169)	(169)
Provision for contingencies	116	116
Provision for profit sharing and long-term incentive	(660)	(660)
Other temporary differences - assets	(528)	(528)
	<u>(8.271)</u>	<u>(8.271)</u>
Realization of revaluation reserve	(153)	(153)
Adjustment to present value	(228)	(228)
	<u>378</u>	<u>378</u>
	<u>(7.893)</u>	<u>(7.893)</u>

The differences with respect to note 14b are presented as tax contingencies according to explanatory note 25.

### c) Income tax and social contribution - P&L

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

	Parent Company		Consolidated	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Profit before tax	<u>(25.102)</u>	<u>9.821</u>	<u>(23.173)</u>	<u>8.406</u>
Tax calculated based on the standard tax rates - 34%	8.365	(3.339)	7.709	(2.858)
Equity in the earnings of subsidiaries	(439)	4.004	-	-
Non-deductible expenses for tax purposes	(33)	328	(33)	328
Depreciation of revalued assets	(153)	(153)	(153)	(153)
Other	(7.741)	(2.486)	(1.555)	(1.372)
Deferred income tax and social contribution	<u>7.893</u>	<u>(2.832)</u>	<u>5.968</u>	<u>(1.410)</u>
Effective rate	<u>31,4%</u>	<u>28,8%</u>	<u>25,8%</u>	<u>16,8%</u>

Based on studies and projections of results for the following periods, a recoverability test was conducted for deferred tax assets arising from income tax and social contribution losses, which were submitted for the approval of the Supervisory Board on February 12, 2019, where we estimated the following asset recoverability schedule:

## PBG S.A. and Subsidiaries

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Período	Consolidado
2019	33
2020	682
2021	964
2022	1.125
2023 a 2026	1.550
Total - Ativos diferidos	4.354

### 15 Judicial asset

	Parent Company and consolidated	
	March 31, 2019	December 31, 2018
IPI premium credit (a)		
Case No. 1987.0000.645-9	22.414	22.414
Case No. 1984.00.020114-0	7.784	7.784
Adjustment to rural credit notes (b)	7.667	7.667
Expense of ICMS tax on PIS and COFINS (e)	56.856	59.381
IPI premium credit - "Plaintiff" (c)	220.260	220.260
	<u>314.981</u>	<u>317.506</u>

#### 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, 2019 is R\$22,414.

Regarding Lawsuit No. 1984.00.020114-0, for the period between December 7, 1979 and March 31, 1981, after a final and unappeasable 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, 2019 of R\$7,784.

## **PBG S.A. and Subsidiaries**

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
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### **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 adjustments rates applied on transactions involving rural credit notes carried out in March 1990. Banco do Brasil, in the case of a complaint filed at the Superior Court of Justice, obtained an injunction to determine the suspension of the individual enforcement process proposed by the Company. The amount of the uncontested portion adjusted up to March 31, 2019 is R\$7,667 (R\$ 7,667 at December 31, 2018).

### **c) IPI premium credit – Plaintiff**

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.

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.

On March 31, 2019, the amount of the asset due on behalf of the Company is R\$220,260 which was approved by the 6th Federal Court for regular sentence enforcement process.

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 thousand.

### **d) Exclusion of ICMS from PIS and COFINS tax base.**

The Company filed a writ of mandamus to change the PIS and COFINS tax base upon exclusion of ICMS. The Federal Court of Santa Catarina issued a favorable decision on the exclusion of ICMS from the abovementioned tax base. The aforesaid decision was upheld by the Federal Regional Court of the 4th Region. The Federal Government, through the prosecution office of the National Treasury, has filed an appeal against the decision with the superior courts (STF and STJ).

## **PBG S.A. and Subsidiaries**

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In thousands of reais, unless otherwise stated

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Based on the favorable decision handed down by the STF on March 15, 2017, with general effect, in the case records of lawsuit No. 5032720-26.2014.404.7200, the Company reversed the amount accrued on that date.

On July 2, 2018, according to the certificate drafted by the Office of the Federal Regional Court of the 4th Region this case became final and therefore the appeal against the judicial decision was exhausted. Thus, it is no longer possible to review the decision of the court or bring new appeals.

On August 14, 2018, the Company filed with the Brazilian Federal Revenue a request for credit facility release resulting from the final and unappealable Judicial Decision so that it may use credits between November 2009 and October 2014 according to the legal decision.

On December 13, 2018, an administrative decision was rendered approving the request for utilization of the credit arising from a final and unappealable decision, at the amount of R\$59,381. The Company has been offsetting these credits with federal taxes.

### **16 Contingent assets**

The contingent asset related to lawsuit No. 1998.34.00.029022-4, mentioned in note 15c, is recorded as a contingent asset given that the Federal Government did not agree with the amount calculated.

The Federal Government alleges a difference between the calculation base provided by Company and that of the Brazilian Federal Revenue Service of R\$ 66,056 (base date August, 2015), of that value, the Company's net portion is R\$ 9,908 (base date August 2015) and the difference is allocated to Refinadora Catarinense success fees. At March 31, 2019, the amount is approximately R\$ 11,665.

In relation to this portion management believes that its realization is probable. Accordingly, it maintains disclosure in the accompanying notes. We await legal developments to recognize the contingency portion of the asset.

### **17 Investments**

#### **a) Interest in subsidiaries**

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



## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

	Country of incorporation	Ownership percentage	Assets	Liabilities	Revenue*	Profit/(loss)*
At December 31, 2018						
Portobello América Inc.	United States of	100,00%	18.088	90.818	3.047	(5.156)
PBTech Ltda.	Brazil	99,94%	26.912	16.644	76.841	4.334
Portobello Shop S/A	Brazil	99,90%	36.089	35.609	65.049	28.377
Mineração Portobello Ltda.	Brazil	99,76%	3.312	2.479	10.110	249
Companhia Brasileira de Cerâmica S/A	Brazil	98,00%	9.461	1.118	1.420	974
At March 31, 2019						
Portobello América Inc.	United States of	100,00%	34.197	91.602	3.947	(3.824)
PBTech Ltda.	Brazil	99,94%	37.982	27.086	20.354	542
Portobello Shop S/A	Brazil	99,90%	40.306	36.501	14.080	3.325
Mineração Portobello Ltda.	Brazil	99,76%	3.304	2.349	2.690	122
Companhia Brasileira de Cerâmica S/A	Brazil	99,91%	11.978	3.401	804	(961)

\* As of 12/31/2018 information refers to the 12-month period and 3/31/2019 refers to the 3-month period

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

	Profit or loss		Interest	December 31, 2018	Exchange variations	Payment of capital	Profit on inventories	Share of profit (loss) of subsidiaries	Dividends proposed	Variation	
	Equity	the period								March 31, 2019	shareholding interest
Investments											
Portobello América Inc.	(57.405)	(3.824)	100%	(74.534)	(605)	19.754	(575)	(3.824)	-	-	(59.784)
PBTech Ltda.	10.903	542	99,94%	10.268	-	-	-	542	-	-	10.810
Portobello Shop S.A.	3.809	3.328	99,90%	480	-	-	-	3.325	-	-	3.805
Mineração Portobello Ltda.	957	122	99,76%	833	-	-	-	122	-	-	955
Companhia Brasileira de Cerâmica S.A.	8.585	(962)	99,91%	8.346	-	1.192	-	(961)	-	-	8.577
Others	10	-	100%	10	-	-	-	-	-	-	10
Total net investment in subsidiaries				(54.597)	(605)	20.946	(575)	(796)	-	-	(35.627)
Interest in subsidiaries				19.937							24.157
Provision for loss on investments				(74.534)							(59.784)

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
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### 18 Property, plant and equipment

#### a) Breakdown

	Parent Company				Consolidated				
	March 31, 2019		December 31, 2018		March 31, 2019		December 31, 2018		
	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	13.524	-	13.524	13.524
Buildings, construction and improvement	2.88% (*)	203.846	(50.932)	152.914	154.636	223.302	(59.853)	163.449	163.822
Machinery and equipment	15%	586.727	(336.815)	249.912	254.594	590.305	(336.891)	253.414	257.917
Furniture and fixtures	10%	9.466	(8.615)	851	888	10.381	(8.850)	1.531	1.568
Computers	20%	25.979	(18.899)	7.080	7.505	26.674	(19.158)	7.516	8.086
Other property, plant and equipment	20%	2.563	(369)	2.194	2.001	2.799	(369)	2.430	2.452
Construction in progress	-	17.673	-	17.673	8.157	17.673	-	17.673	10.962
		858.857	(415.630)	443.227	440.384	884.658	(425.121)	459.536	458.331

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 (note 29.3).

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 2019.

#### b) Changes in PP&E

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

Parent Company						
	December 31, 2018	Additions	Transfers	Depreciation	Write-offs	March 31, 2019
Land	12.603	-	-	-	-	12.603
Buildings and improvements	154.636	-	283	(1.868)	(137)	152.914
Machinery and equipment	254.594	682	1.220	(6.583)	-	249.912
Furniture and fixtures	888	10	-	(47)	-	851
Computers	7.505	99	66	(590)	-	7.080
Other property, plant and equipr	2.001	194	-	(2)	-	2.193
Construction in progress	8.157	11.085	(1.569)	-	-	17.673
	440.384	12.069	-	(9.090)	(137)	443.226
Consolidated						
	December 31, 2018	Additions	Transfers	Depreciation	Write-offs	March 31, 2019
Land	13.524	-	-	-	-	13.524
Buildings and improvements	163.822	-	2.842	(3.079)	(137)	163.448
Machinery and equipment	257.917	1.872	1.220	(7.595)	-	253.414
Furniture and fixtures	1.568	39	-	(76)	-	1.531
Computers	8.086	99	66	(600)	(135)	7.516
Other property, plant and equipr	2.452	2.578	-	(2)	-	5.028
Construction in progress	10.962	11.085	(4.128)	-	(247)	17.673
	458.331	15.673	-	(11.351)	(519)	462.134

In 1Q19, additions totaled R \$ 13 million, of which 85% was allocated to Portobello and 15% to Pointer.

Of this amount, 68% was allocated to increase the capacity of the Tijucas (SC) plant, 20% for its own stores and the remainder for the restructuring of the distribution centers.

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

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

	Parent		Consolidated	
	1st Quarter			
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Cost of sales	7.921	7.578	8.160	6.994
Selling expenses	745	566	1.784	1.162
Administrative expenses	425	269	440	252
	9.090	8.413	10.384	8.408

## 19 Intangible assets

### a) Breakdown

	Annual average amortization rate	Parent Company				Consolidated			
		March 31, 2019		December 31, 2018		March 31, 2019		December 31, 2018	
		Cost	Accumulated amortization	Net value	Net value	Cost	Accumulated amortization	Net value	Net value
Trademarks and patents	-	150	-	150	150	-	150	150	
Software	20%	25.437	(18.064)	7.372	7.207	26.272	(18.224)	8.048	8.066
Right to explore mineral resources	20%	1.000	(1.000)	-	-	4.073	(2.941)	1132	1.231
Goodwill	7%	-	-	-	-	12.320	(853)	11467	9.845
Software under development	-	1.942	-	1.942	1.294	2.164	-	2164	1.297
Management system (a)	21%	18.887	(18.887)	-	-	18.887	(18.887)	0	-
		47.416	(37.951)	9.464	8.651	63.866	(40.905)	22.961	20.589

(a) Expenses on acquisition and implementation of enterprise resource planning systems, mainly represented by Oracle, WMS and Demantra and Inventory Optimization and the developments achieved in the value chain management process.

### b) Changes in intangible assets

	Parent Company					
	December 31, 2018	Additions	Amortiz ation	Transfer s	Write-offs	March 31, 2019
Trademarks and patents	150	-	-	-	-	150
Software	7.207	-	(661)	826	-	7.372
Right to explore mineral resources	-	-	-	-	-	-
Software under development	1.294	1.474	-	(826)	-	1.942
Management system	-	-	-	-	-	-
	8.651	1.474	(661)	-	-	9.464

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
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	Consolidated					March 31, 2019
	December 31, 2018	Additions	Amortizat ion	Transfer s	Write-offs	
Trademarks and patents	150	-	-	-	-	150
Software	8.066	-	(699)	679	-	8.046
Right to explore mineral resource	1.231	-	(99)	-	-	1.132
Goodwill	9.845	1.807	(185)	-	-	11.467
Software under development	1.297	1.548	-	(679)	-	2.166
Management system	-	-	-	-	-	-
	20.589	3.355	(983)	-	-	22.961

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

	Parent Company		Consolidated	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Cost of sales	203	196	301	272
Selling expenses	200	698	326	881
Administrative expenses	258	431	356	464
	661	1.325	983	1.617

### c) Projected amortization of consolidated intangible assets:

	2019	2020	2021	2022	2023 to 2038	Total
Software	2.140	2.625	1.654	1.018	609	8.046
Right to explore mineral resources	294	392	95	68	283	1.132
Goodwill	625	832	832	832	8.346	11.467
Management system	-	-	-	-	-	-
	3.059	3.849	2.581	1.918	9.238	20.645

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.

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
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### 20 Right-of-use asset

#### a) Breakdown

	Parent Company	Consolidated
Adoption initial 01/01/2019 - IFRS 16 / CPC 06 (R2)	10.376	23.718
(-) Accumulated depreciation	(646)	(1.819)
Balance 31/03/2019	9.730	21.899

### 21 Trade payables and credit assignment

#### a) Trade payables

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Domestic market	106.201	104.038	121.296	116.912
Foreign market	11.291	7.962	11.291	7.962
Current	117.492	112.000	132.587	124.874
Domestic market (i)	105.730	101.268	105.730	101.268
Non-current	105.730	101.268	105.730	101.268
	223.222	213.268	238.317	226.142

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

#### b) Supplier credit assignment

The Company conducted supplier credit assignment transactions with top-tier financial institutions in the amount of R\$46,501 at March 31, 2019, (R\$45,956 at December 31, 2018), to offer to its partner suppliers more attractive credit facilities intended to maintain the business relationship.

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

#### c) Payables for investments

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
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The Company recognizes a balance of R\$12,627 in the parent company and R\$13,528 in the consolidated in current liabilities (R\$10,676 and R\$11,533 at December 31, 2018), which refers to modernization of plants, investment in own stores and systems.

## 22 Borrowings and debentures

	Currency	Maturity	Charges	Parent Company		Consolidated	
				March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
<b>Current</b>							
Banco do Nordeste S.A (a)	R\$	jun-25	3,00% p.a.	11.173	9.796	11.173	9.796
NCE (b)	R\$	jun-21	7,80% p.a. <sup>1</sup>	46.983	42.002	46.983	42.002
NCE (b)	US\$	mar-24	8,57% p.a. <sup>1</sup>	10.637	7.947	10.637	7.947
PRODEC (c)	R\$	nov-22	4,00% p.a. <sup>1</sup>	12.246	14.145	12.246	14.145
FINEP (d)	R\$	mai/21	7,08% p.a. <sup>1</sup>	13.225	13.270	13.225	13.270
DEG (e)	US\$	out-21	7,45% p.a. + VC	36.280	12.179	36.280	12.179
Finame (f)	R\$	ago-23	3,00% p.a. <sup>1</sup>	421	421	421	421
Debentures 1st Series (g)	R\$	jun-21	8,73% p.a.	2.539	976	2.539	976
Debentures 2nd Series (h)	R\$	jun-23	9,29% p.a.	2.755	985	2.755	985
<b>Total current</b>			<b>7,89% p.a.<sup>1</sup></b>	<b>136.259</b>	<b>101.721</b>	<b>136.259</b>	<b>101.721</b>
Total local currency				89.342	81.595	89.342	81.595
Total foreign currency				46.917	20.126	46.917	20.126
<b>Non-current</b>							
Working capital (b)	R\$		8,00% p.a.			1.314	1.292
Banco do Nordeste S.A (a)	R\$	jun-25	3,00% p.a.	58.569	53.792	58.569	53.792
NCE (b)	R\$	jun-21	7,80% p.a. <sup>1</sup>	170.111	67.944	170.111	67.944
NCE (b)	US\$	mar-24	8,57% p.a. <sup>1</sup>	13.206	15.759	13.206	15.759
PRODEC (c)	R\$	nov-22	4,00% p.a. <sup>1</sup>	17.520	18.240	17.520	18.240
FINEP (d)	R\$	mai/21	7,08% p.a. <sup>1</sup>	15.347	18.590	15.347	18.590
DEG (e)	US\$	out-21	7,45% p.a. + VC	-	23.249	-	23.249
Finame (f)	R\$	ago-23	3,00% p.a. <sup>1</sup>	1.290	1.392	1.290	1.392
Debentures 1st Series (g)	R\$	jun-21	8,73% p.a.	148.428	146.829	148.428	146.829
Debentures 2nd Series (h)	R\$	jun-23	9,29% p.a.	148.428	146.829	148.428	146.829
<b>Total non-current</b>			<b>7,89% p.a.<sup>1</sup></b>	<b>572.899</b>	<b>492.624</b>	<b>574.213</b>	<b>493.916</b>
Total local currency				559.693	453.616	561.007	454.908
Total foreign currency				13.206	39.008	13.206	39.008
<b>Grand Total</b>			<b>7,89% p.a.<sup>1</sup></b>	<b>709.158</b>	<b>594.345</b>	<b>710.472</b>	<b>595.637</b>
Total local currency				649.035	535.211	650.349	536.503
Total foreign currency				60.123	59.134	60.123	59.134

<sup>1</sup> Average rate

VC - Exchange variation

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
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### a. Information on agreements

Note	Contract	Date		Loans raised R\$ (Thousand)	Term (months)	Amortization	Grace period (months)	Guarantees
		Disbursement	Maturity					
	Banco do Nordeste	5-Aug	28-Jun	30-Mar	11-May	Monthly	24-Jan	Mortgage for real estate and machinery and equipment
(a)	<i>Contract entered into in June 2013, in the amount of R\$ 147,700. The first installment of the financing was disbursed by the bank in August 2014 in the amount of R\$ 23,221, the second installment was disbursed in January 2015 in the amount of R\$ 45,765, the third installment was disbursed in September 2015 in the amount of R\$ 14,700, the 4th installment was disbursed in March 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 February 2019 in the amount of R\$ 8,827.</i>							
		16-Nov	10-Nov	21-Nov	17-Feb	Monthly	12-Jan	Receivables from Portobello SA in the amount of 30% of the outstanding
		<i>This agreement has minimum "covenants" that have been fulfilled.</i>						
		10-Nov	10-Nov	18-Feb	5-Feb	Quarterly	20-Jan	Receivables from Portobello SA in the amount of 30% of the outstanding
		8-Jun	8-Jun	15-Sep	5-Feb	Quarterly	12-Jan	Clean
		8-Jun	28-May	15-Sep	5-Feb	Quarterly	12-Jan	Receivables from Portobello SA in the amount of 25% of the outstanding
		1-Mar	15-Feb	4-Nov	29-Feb	Yearly	24-Jan	Receivables from Portobello SA in the amount of 20% of the outstanding
		7-Mar	7-Mar	21-Nov	29-Feb	Quarterly	24-Jan	Receivables from Portobello SA in the amount of 20% of the outstanding
		29-Mar	6-Mar	18-May	29-Feb	Quarterly	24-Jan	Receivables from Portobello SA in the amount of 20% of the outstanding
		10-Jun	24-May	18-May	5-Feb	Quarterly	12-Jan	80% of trade notes receivable + 20% financial investment.
		9-Jun	24-May	3-Oct	5-Feb	Quarterly	12-Jan	
		These contracts have minimum covenants that have been complied with.						
	PRODEC				17-Feb	Bullet	Bullet	-
(c)	<i>(Santa Catarina Company Development Program) - Special Tax 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 (8.64% pa). The deferred amount is 60% of the tax balance generated in the month that exceeds R\$ 2,251 (average of the tax paid in 2007 and 2008), with a grace period of 48 months, a maturity of 120 months and a monetary restatement of 4% per year, variation of the UFIR.</i>							
(d)	FINEP	4-Jul	15-May	4-Dec	23-Mar	Monthly	24-Jan	Bank guarantee
		<i>Agreement entered into in 07/2014, in the amount of R\$ 57,300 and the first installment of the financing, in the amount of R\$ 12,627, was released by the Bank in the same month. The second installment released in 01/2016 in the amount of R\$ 12,479. The third installment released in 06/2017 in the amount of R\$ 32,064.</i>						
	DEG	30-May	15-Oct	12-Apr	29-Mar	Semi annual	22-Jan	Machinery and equipment and promissory notes
(e)	<i>In 1Q2019, the company did not comply with the contractual obligation with DEG bank (Equity Ratio &gt; 20%). On May 6<sup>th</sup>, 2019 the DEG bank granted a temporary waiver for the impacts of not reaching such indicator. The company expects to fulfill their obligations for the next quarters.</i>							
		13-May	16-May	8-Feb	29-Apr	Monthly	25-Jan	Machinery and equipment
		23-May	17-Apr	22-Aug	29-Apr	Monthly	24-Jan	
		9-Jul	17-Jul	15-Apr	29-Apr	Monthly	24-Jan	
		29-Jul	15-Aug	3-Mar	29-Apr	Monthly	25-Jan	
		30-Jan	15-Jun	29-Jul	23-Apr	Monthly	17-Jan	
(g)	3rd issue of Debentures – 1st \$	27-Jun	27-Jun	7-Sep	5-Feb	Semi annual	24-Jan	Collateral and additional fiduciary guarantee
(h)	3rd issue of Debentures – 2st \$	27-Jun	27-Jun	7-Sep	29-Feb	Semi annual	17-Feb	Collateral and additional fiduciary guarantee

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. The proceeds from the issuance shall be allocated to the redemption of all 2nd issuance debentures of the issuer and renegotiation of the issuer's other liabilities. This agreement has minimum covenants that have been fulfilled.

Restricted investments, real estate mortgages, equipment, Parent Company's (note 8) and subsidiary's receivables (note 40) and Parent Company's and subsidiary's sureties were pledged as collateral for other borrowings.

On the 1<sup>st</sup> trimester the Company carried out the raising of funds in the amount of R\$122,827.

Long-term borrowings mature as follows:

	Parent		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
2019	136.259	101.721	136.259	10.721
2020	168.829	197.939	170.143	199.231
2021 to 2025	404.070	294.685	404.070	294.685
	709.158	594.345	710.472	504.637



## PBG S.A. and Subsidiaries

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

	Controladora		Consolidado	
	31 de março de 2019	31 de dezembro de 2018	31 de março de 2019	31 de dezembro de 2018
Reais	649.035	535.211	650.349	536.503
Dólares dos Estados Unidos	60.123	59.134	60.123	59.134
	<u>709.158</u>	<u>594.345</u>	<u>710.472</u>	<u>595.637</u>

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.

### 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, 2019	December 31, 2018
Amount raised		
Debentures 1st series	153.213	150.110
Debentures 2nd series	153.427	150.119
Gross balance	<u>306.640</u>	<u>300.229</u>
Fundraising cost	(4.491)	(4.610)
Net balance	<u>302.149</u>	<u>295.619</u>
Current	5.293	1.961
Non-current	296.856	293.658

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
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Emission Characteristics	
Issue	3rd
Trustee	Planner Trustee DTVM Ltda.
Custodian	Banco Bradesco S.A
Lead Underwriter	Banco Itaú BBA S.A.
Depository bank	No
Trading	CETIP
Series number	2
Issuance volume R\$	300.000.000,00
Total debentures	300.000
Unit par value R\$:	1.000,00

Transaction details per series			
Series	1st		2nd
CVM Registration No	476/09		
Asset Code	PTBL13		PTBL23
Issuance Date	6/27/2018		
Maturity Date	6/27/2021		6/23/2023
Volume - R\$	150.000.000,00		150.000.000,00
Number of Debentures	150.000		150.000
Unit Par Value - R\$	1.000,00		1.000,00
Form	Registered and book-entry		
Type	Collateral and additional fiduciary guarantee		
Convertibility	Non-convertible into shares issued by the Issuer		
Adjustment	No monetary restatement of the par value		
Interest	DI rate + 2.20% per year (252-day year)		DI rate + 2.75% per year (252-day year)
Interest Paid	Semiannual, with first interest date on 12/27/2018		
Repayment	Initial Nominal Value		Initial Nominal Value
Corporate Acts:	Extraordinary General Meeting held on 06/15/2018		
Covenants	Division of Net Debt and EBITDA <= 3.00 times		

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, 2019.

## 23 Tax installment payment

Taxes	Installment payment reques		Parent		Consolidated	
	Date	Installment s falling due	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Law 11.941 / 09 (a)	nov-09	67	61.670	63.930	62.092	64.367
Total			61.670	63.930	62.092	64.367

## PBG S.A. and Subsidiaries

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Tax installments will be paid as follows:

Maturity January 1st	Parent		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
2019	10.806	10.718	10.882	10.793
2020 to 2023 (*)	47.060	52.270	47.380	52.570
2024	3.804	942	3.830	1.004
	<u>61.670</u>	<u>63.930</u>	<u>62.092</u>	<u>64.367</u>
Current	10.806	10.718	10.882	10.793
Non-current	50.864	53.212	51.210	53.574

(\*) Sum of annual installments of R\$10,806 at March 31, 2019 and R\$10,718 at December 31, 2018 for the Parent Company and R\$10,882 and R\$10,793 for the consolidated, respectively.

### a) Law 11,941/09 (Tax Recovery Program - REFIS)

In May and September 2011, the Company completed the installment payment consolidation process established by Law 11,941/09, initiated upon enrollment with the Tax Recovery Program in November 2009.

Between the enrollment and consolidation, the Company paid the minimum amount of R\$395 as established in legislation. During such period and more specifically upon consolidation, the Company made decisions that resulted in a positive financial adjustment of R\$3,013, of which R\$3,613 impacts other operating income and R\$ 600 impacts finance costs. The main effect occurred due to a failure to confirm the transfer of non-approved debts in the installment program under MP 470 for the installment payment program under Law 11,941/09 (note 24).

Upon completion of the consolidation, the Company undertakes to pay monthly installments of R\$818, restated at the SELIC rate, and withdrew from the lawsuits and waived any allegation of right on which such lawsuits are based, under penalty of immediate rescission of the installment payment and, consequently, loss of the benefits established by Law 11,941/09. This withdrawal of lawsuits filed against tax assessments does not impair the continuance of the lawsuits in progress before the courts, as mentioned in note 15.

### 24 Tax debts – Law 12,249/10 (MP 470 and MP 472)

In November 2009 the Company joined the installment payment program established by MP 470 (improper utilization of IPI premium credit) for the SRF and PGFN. Upon adoption, in addition to the installment payment, the charges were reduced and the Company was able to utilize tax credits arising from tax losses up to 2008 for debt payment.

Upon enactment of this Provisional Act (Law 12,249/10) in June 2010 the utilization of tax credits arising from tax losses existing at December 31, 2009 was authorized. The Company utilized this benefit and recorded in the second quarter of 2010 the amount of R\$3,252 considering the settled installment payments.

## PBG S.A. and Subsidiaries

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PGFN partially rejected the request in June 2010 by alleging the need of withdrawal of the lawsuits challenging the credit and concluded that the requirement of “inappropriate utilization” was not met. The Company issued an opinion in the sense of claiming the withdrawal/waiver of the lawsuits that challenged the notification received from the SRF. However, the Regional General Attorneys’ Office of the National Treasury of Santa Catarina understood that the withdrawal/waiver would also comprise the declaratory actions intended to recognize the IPI Credit Premium, mentioned in note 15. The Company’s Legal Department is adopting the necessary measures against the PGFN’s decision so as to rule out the requirement of withdrawal/waiver of such declaratory actions and also the confirmation of the “inappropriate utilization”, evidently recognized by the Brazilian Federal Revenue Service upon notification. This procedure adopted by Management is in accordance with an opinion from law firm, Demarest Almeida, which argues that, for the debts included in the installment payment program under Law 12,249/10, the withdrawal of the abovementioned declaratory actions is not required, as distinct from the provisions set forth in Law 11,941/09. Accordingly, it asserts that the reversal of this situation is virtually certain by resorting to various judicial levels to rule out the grounds for the rejection in the merit of the case. As clarification, a writ of mandamus filed to claim court approval for payment in installments was rejected in the lower court. In the appeal the TRF of the 4th region partially approved the appeal. The Company was granted a partial appeal and its special appeal was accepted and maintains the pronouncement of reverting the remaining court dispute to the Superior Court of Justice.

In the event the PGFN’s decision is upheld by the superior court, which the Company believes to be a remote possibility, based on the opinion of its legal advisors, the impact on the Company’s profit or loss would correspond to a loss of R\$29,433 at December 31, 2018, considering the non-acknowledgement of the debt, the non-existence of benefits and the maintenance of the debts for the contingent liabilities, the potential tax liability of which will be settled against credits arising from lawsuit No. 1998.34.00.029022-4, as shown in note 15 d.

### 25 Taxes, fees and contributions

At March 31, 2019, taxes, fees and contributions recorded in current liabilities were classified as follows:

	Parent Company		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
IRRF	1.288	2.177	1.579	2.688
ICMS	1.585	1.161	1.638	1.224
IPI	(75)	-	(75)	-
PIS and COFINS	254	62	681	492
Other	193	209	342	334
			-	
	<u>3.245</u>	<u>3.609</u>	<u>4.165</u>	<u>4.738</u>

## PBG S.A. and Subsidiaries

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### 26 Provision for civil, labor, social security and tax risks

The Company and its subsidiaries are parties to civil, labor and tax lawsuits and tax administrative proceedings. Based on the opinion of its tax and legal advisors, Management 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:

Accrued amount	Parent		Consolidated	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Civil	18.081	19.581	18.081	19.581
Labor	18.733	18.397	18.733	18.397
Social security	6.836	6.836	6.836	6.836
Tax	94.084	94.761	94.115	94.791
	<u>137.734</u>	<u>139.575</u>	<u>137.765</u>	<u>139.605</u>

	Parent Company				Total
	Civil	Labor	Social security	Tax	
At December 31, 2018	19.581	18.397	6.836	94.761	139.575
Charged (credited) to the statement of income	-	651	-	-	651
Additional provisions	-	257	-	-	257
Reversal - not used	-	(37)	-	-	(37)
Monetary adjustment (Reversal)	-	431	-	-	431
Reversal due to realization	(1.500)	(315)	-	(677)	(2.492)
At March 31, 2019	<u>18.081</u>	<u>18.733</u>	<u>6.836</u>	<u>94.084</u>	<u>137.734</u>

	Consolidated				Total
	Civil	Labor	Social security	Tax	
At December 31, 2018	19.581	18.397	6.836	94.791	139.605
Charged (credited) to the statement of income	-	651	-	-	651
Additional provisions	-	257	-	-	257
Reversal - not used	-	(37)	-	-	(37)
Monetary adjustment	-	431	-	-	431
Reversal due to realization	(1.500)	(315)	-	(676)	(2.491)
At March 31, 2019	<u>18.081</u>	<u>18.733</u>	<u>6.836</u>	<u>94.115</u>	<u>137.765</u>

## **PBG S.A. and Subsidiaries**

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

### **Civil**

The Company and its subsidiaries are defendants in 427 civil lawsuits (436 lawsuits at December 31, 2018), 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).

### **Labor**

The Company and its subsidiary Portobello Shop S.A. are defendants in 316 labor claims (324 claims at December 31, 2018), 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 (note 12).

### **Social security**

Based on the low expectation of success in administrative and judicial actions involving corporate awards, the Company recognized in the first quarter of 2018 the provision of 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 Federal Revenue Service of Brazil.

### **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 June 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.

### **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).

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
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### 27 Significant lawsuits assessed as possible and remote losses

#### a. Lawsuits assessed as possible 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, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Civil	3.844	3.844	3.844	3.844
Labor	7.295	7.315	7.295	7.315
	<u>11.139</u>	<u>11.159</u>	<u>11.139</u>	<u>11.159</u>

#### b. 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 has filed an objection against the abovementioned assessments, challenging all infractions attributable to it, so that, as from that date (January 06, 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 with the Regional Judgment Office of the Federal Revenue Office of Brazil for a decision on the legal 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-

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720.300/2016-91 were sent to the Administrative Council of Tax Appeals (CARF), for judgment of the appeal.

### 28 Long-term incentive

In 2012, the Company implemented the long-term incentive (ILP) program. The program aims at attracting, retaining and recognizing the performance of key professionals.

Officers, superintendents and managers are eligible to the ILP who, through an adhesion agreement, become the program participants. Each participant holds a number of shares that are figuratively called "reference shares". These shares are not traded on the over-the-counter market and their "appreciation" is annually calculated based on the EBITDA performance and the EBITDA-to-net debt ratio.

Payment is scheduled to be made in three annual installments with two-year deferral at the beginning of the period. Settlement will be made through monetary sums in an amount proportional to the gains calculated based on the plan metrics.

The first group of participants joined the program in 2012. Currently, there are two active plans. The present value of the obligation at March 31, 2019, is R\$ 162 in the parent company and consolidated (R\$162 in the parent company and consolidated at December 31, 2018).

### 29 Other

At March 31, 2019, the Company had 18 lease agreements for its commercial units. The lease contracts are adjusted annually according to the variation of the main inflation indices.

The majority of the agreements have five-year terms with the renewal option after that date.

The accounting treatment for these agreements was changed as from January 1, 2019, as mentioned in explanatory notes 2b. The agreements characterized as leases, in accordance with IFRS 16 / CPC 06 (R2), are now recorded as Right-of-Use Assets in Other as Lease Liabilities.

The remaining agreements were recorded according to the expense period.

At the initial adoption of IFRS 16/ CPC 06 (R2), the weighted average discount rate used was 0.52%.

Estimated realization

	Parent			Consolidated		
	Lease liability	Interest	Present value of the lease liabilities	Lease liability	Interest	Present value of the lease liabilities
2019	2.534	(418)	2.116	5.363	(817)	4.546
2020	2.868	(429)	2.439	6.194	(822)	5.372
2021	2.403	(285)	2.118	5.563	(541)	5.022
2022	2.114	(158)	1.956	4.728	(284)	4.444
2023 onward	1.562	(47)	1.515	3.149	(77)	3.072
Total	11.481	(1.337)	10.144	24.997	(2.541)	22.456



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### 30 Equity

#### 30.1 Capital

At March 31, 2019, the Company recognizes subscribed and paid-up capital in the total amount of R\$140,000 (R\$140,000 at December 31, 2018), divided into 158,488,517 common, registered and book-entry shares, without par value.

At March 31, 2019, there was 73,786,991 outstanding shares, corresponding to 46% of the total shares issued (73,786,991 at December 31, 2018, 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.

#### 30.2 Revenue reserve

The revenue reserve is comprised of three reserves: the 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 March 31, 2019, the balance of the legal reserve totals R\$25,140 (R\$25,140 at December 31, 2018), as provided by Article 193 of Brazilian Corporate Law.

The amount of R\$114,921 refers to the earnings retention reserve based on the business growth project, established in the Company's investment plan approved at the Annual General Meeting held on April 28, 2018, according to the capital budget, in conformity with article 196 of the Brazilian Corporate Law.

The objective of the earnings reserve is to show the portion of profits whose allocation was deliberated at the Annual General Meeting held on April 2, 2019. Accordingly, the current balance of reserve is R\$95,898 (R\$95,898 at December 31, 2018).

#### 30.3 Carrying value adjustments

	Equity adjustments			Total
	Deemed cost	Cumulative translation adjustment	Other comprehensive income	
Parent and Consolidated				
At December 31, 2018	34.692	(40.462)	(8.080)	(13.850)
Realization of revaluation reserve	(298)	-	-	(298)
Exchange difference of foreign subsidiary	-	(605)	-	(605)
Em March 31, 2019	34.394	(41.067)	(8.080)	(14.753)

## PBG S.A. and Subsidiaries

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### 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 for the year, 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 results of the foreign subsidiary are recognized in this line item of cumulative translation adjustments. In March 2019, the amount was R\$603 (note 17.a).

## 31 Revenue

The reconciliation of gross revenue and net revenue, shown in the statement of income for the quarter ended March 31, 2019, is as follows:

	Parent		Consolidated	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Gross sales revenue	278.615	277.658	307.334	303.208
Deductions from gross reve	(64.001)	(54.348)	(68.102)	(57.307)
Taxes on sales	(52.358)	(48.905)	(55.560)	(51.549)
Returns*	(11.643)	(5.443)	(12.542)	(5.758)
Net sales revenue	214.613	223.310	239.232	245.901
Domestic market	163.133	171.830	207.367	194.421
Foreign market	51.480	51.480	31.865	51.480

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## 32 Expenses by nature

Cost of sales, selling and administrative expenses for the quarter ended March 31, 2019 are broken down as follows:

## PBG S.A. and Subsidiaries

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	Parent Company		Consolidated	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
<b>Costs and expenses</b>				
Cost of sales and/or services	(161.490)	(147.351)	(163.536)	(147.630)
Selling expenses	(51.630)	(52.439)	(72.657)	(63.825)
General and administrative	(10.258)	(8.766)	(10.674)	(9.260)
	<u>(223.378)</u>	<u>(208.556)</u>	<u>(246.867)</u>	<u>(220.715)</u>
<b>Breakdown of expenses by nature</b>				
Direct production costs (raw materials and inputs)	108.382	87.022	105.893	84.308
Salaries, social charges and employee benefits	59.932	52.813	67.003	58.560
Labor and third-party services.	15.485	14.424	16.161	14.730
General production expenses (including maintenance)	12.792	10.616	12.931	10.616
Cost of goods sold	7.191	9.267	7.448	12.038
Amortization and depreciation	9.753	9.798	18.862	10.845
Other selling expenses	3.595	8.180	8.863	10.719
Sales commissions	6.064	6.093	7.136	6.812
Marketing and publicity	6.540	6.895	7.502	7.547
Transportation of goods sold	3.815	3.960	3.815	3.960
Rent and operating leases	3.340	2.955	4.672	3.955
Other administrative expenses	2.094	1.882	2.306	1.974
Changes in inventories of finished products and work in progress	(15.605)	(5.349)	(15.725)	(5.349)
Total	<u>223.378</u>	<u>208.556</u>	<u>246.867</u>	<u>220.715</u>

(a) The variation in the inventories of finished products and work in progress is the difference between the cost of the product manufactured and the cost of the product sold, which may have a negative balance due to write-offs of cost of sales for products that were produced in prior periods that included the inventories account.

(b) Adjustment of revenue recognition criteria

### 33 Other operating income and expenses, net

Other individual and consolidated operating income and expenses for the quarter ended March 31, 2019 are as follows:

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	Parent Company		Consolidated	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Other operating income				
Service revenue	162	120	162	142
Other revenues	2.664	-	2.568	-
Total	<u>2.826</u>	<u>120</u>	<u>2.730</u>	<u>142</u>
Other operating expenses				
Provisions for civil, labor, social security and tax issues	(3.192)	(3.336)	(3.192)	(3.337)
Provision for profit sharing	(1.940)	(1.388)	(1.940)	(1.388)
Reversal of debt installments (PERT)	-	3.193	-	3.193
Pre-operating expenses	(71)		(72)	
Other expenses	-	(249)	(154)	(187)
Total	<u>(5.203)</u>	<u>(1.780)</u>	<u>(5.358)</u>	<u>(1.719)</u>
Total, net	<u>(2.377)</u>	<u>(1.660)</u>	<u>(2.628)</u>	<u>(1.577)</u>

### 34 Finance income (costs)

Individual and consolidated finance income (costs) for the quarter ended March 31, 2019 is as follows:

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	Parent Company		Consolidated	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Finance income				
Interest	1.730	735	1.842	945
Adjustment of assets	1.578	1.443	1.578	1.443
Gain on swap transactions	1.407	-	1.407	-
Other	1	6	31	16
<b>Total</b>	<b>4.716</b>	<b>2.184</b>	<b>4.858</b>	<b>2.404</b>
Finance cost				
Interest	(5.664)	(5.452)	(5.697)	(5.505)
Finance charges on taxes	(1.573)	(676)	(1.608)	(684)
Monetary restatement of provision for contingencies	-	(5.121)	-	(5.121)
Commissions and service fees	(1.374)	(1.128)	(1.609)	(1.317)
Bank expenses	(325)	(113)	(327)	(113)
Reversal of fine and interest on PERT installments	-	672	-	672
Loss on swap transactions	(1.436)	-	(1.436)	-
Interest on debentures	(6.551)	(4.508)	(6.551)	(4.508)
Other	(582)	(542)	(741)	(668)
<b>Total</b>	<b>(17.505)</b>	<b>(16.868)</b>	<b>(17.969)</b>	<b>(17.244)</b>
Foreign exchange variations, net				
Trade receivables and trade payables	448	(194)	445	(194)
Borrowings and financing	(244)	(169)	(244)	(169)
<b>Total</b>	<b>204</b>	<b>(363)</b>	<b>201</b>	<b>(363)</b>
<b>Total, net</b>	<b>(12.585)</b>	<b>(15.047)</b>	<b>(12.910)</b>	<b>(15.203)</b>

(a) Reversal of the provision for contingencies related to civil law suit 2001.

## 35 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.

	Parent Company		Consolidated	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Profit attributable to the Company's stockholders	(17.209)	6.989	(17.205)	6.996
Weighted average number of common shares (a)	158.489	158.489	158.489	158.489
<b>Basic earnings per share</b>	<b>(0,10858)</b>	<b>0,04410</b>	<b>(0,10856)</b>	<b>0,04414</b>

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Consolidated earnings (loss) attributable to shareholders do not consider noncontrolling 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.

### 36 Dividends and interest on capital

Minimum dividends for 2018, which account for 25% of the Company's profit, total R\$31,892. Of this total R\$2,612 and R\$6,310 (net of taxes) were paid in advance as dividends and interest on capital, respectively, on August 29, 2018. The remaining amount to be paid to shareholders as distribution of profits is R\$22,970 and the payment date will be decided at the Annual General Meeting.

	<u>March 31, 2019</u>
<b>Dividends 2018</b>	
Mandatory minimum dividend (25% of profit for the year)	31.892
Amounts paid in advance (net of taxes)	(8.922)
Dividends payable as of March 31, 2019 (a)	<u>22.970</u>
Amount approved for payment on April 2, 2019	<u>22.970</u>

(a) Liabilities (Dividends payable)

### 37 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:

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

	March 31, 2019			March 31, 2018		
	Brazil	Other countries	Total	Brazil	Other countries	Total
Continuing operations						
Revenue	207.367	31.865	239.232	194.421	51.480	245.901
Cost of sales	(138.818)	(24.718)	(163.537)	(117.113)	(30.517)	(147.630)
Gross operating income	68.549	7.147	75.695	77.308	20.963	98.271
Operating income (expenses), net	(73.486)	(12.473)	(85.959)	(64.534)	(10.128)	(74.662)
Selling, general and administrative expenses	(70.858)	(12.473)	(83.331)	(62.957)	(10.128)	(73.085)
Other operating expenses, net	(2.628)	-	(2.628)	(1.577)	-	(1.577)
Operating profit before finance result	(4.937)	(5.326)	(10.264)	12.774	10.835	23.609
% on NOR	-2%	-17%	-4%	7%	21%	10%

The Company has no customers that individually account for more than 10% of the net sales revenue. The Company exports to 71 countries.

### 38 Commitments

#### a) Commitments for acquisition of assets

Expenses incurred at the balance sheet date but not yet incurred relating to property, plant and equipment at March 31, 2019, total R\$21,261, corresponding to the modernization of manufacturing equipment, according to the Company's investment plan.

#### b) Commitments on operating leases

Operating leases refer to the acquisition of vehicles. Minimum future non-cancelable payments at March 31, 2019, and December 31, 2018, amount to R\$1,1011 and R\$873, respectively, for less than one year. Amounts total R\$694 and R\$904 for more than one year and less than five years, respectively.

### 39 Insurance coverage

Current insurance coverage is considered sufficient by Management to cover probable losses. At March 31, 2019, coverage against fire, lightning and explosion of any nature is R\$250,000, against windstorm, smoke, vehicle collision the coverage amount is R\$18,000, against loss of profits is R\$35,000 and against electric damage is R\$3,600. The insurance policy is effective from June 13, 2018 to June 13, 2019.

The Company also has civil liability insurance for Directors & Officers (D&O), contracted with XL Seguradora S.A, to cover losses and damages caused to third parties related to the exercise of the duties and tasks of officers and directors, up to the amount of R\$10,000, effective from August 26, 2018 to August 26, 2019.

Additionally, the Company has taken out an insurance policy from Fairfax Brasil, relating to the provision of guarantee bond under labor claim No. 0234100-60.1998.5.05.0015 in the amount of R\$28,000, effective from August 18, 2016 to August 18, 2020.

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

### 40 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.

Nature	Company	Company	
		March 31, 2019	December 31, 2018
<b>Subsidiaries</b>			
Dividends receivable	Portobello Shop S.A.	28.377	28.377
Receivables	Portobello Shop S.A.	1	3
Accounts receivable	Portobello América Inc.	86.134	84.255
Accounts payable net of advances	PBTech Com. Sern. Ceara Ltda.	3.914	481
Accounts receivable net of advances	Cia Brasileira de Cerâmica	40	752
Assets net of liabilities with subsidiaries		<u>118.466</u>	<u>113.868</u>
<b>Related entities and parties</b>			
Receivables from related parties	Refinadora Catarinense S.A.	98.716	97.941
Payables to related parties	Refinadora Catarinense S.A.	(62.008)	(62.008)
Accounts receivable net of advances	Flooring Renest. Ceara Ltda.	(3)	
Accounts payable	Multilog S/A	958	958
Accounts payable	Flooring Renest. Ceara Ltda.	307	307
Accounts payable	Neo way	122	122
Assets net of liabilities with other related parties		<u>38.104</u>	<u>37.320</u>



## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

Nature	Company	Accumulated	
		March 31, 2019	March 31, 2018
<b>Revenue</b>			
<b>Subsidiaries</b>			
Sale of products	PBTech Com. Sern. Ceara Ltda.	5.734	6.231
Sale of products	Portobello América Inc.	4.027	-
<b>Related entities and parties</b>			
Sale of products	Solução Cerâmica Com. Ltda.	5.783	4.882
Sale of products	Flooring Revest. Cer. Ltda.	2.545	2.233
<b>Expenses</b>			
<b>Subsidiaries</b>			
Purchase of inputs	Mineração Portobello Ltda.	(2.447)	(2.714)
<b>Related entities and parties</b>			
Rent	Gomes Part Societárias Ltda.	(469)	(126)
Freight services	Elog Logistica Sul Ltda	(1.256)	(1.390)
Cutting services	Flooring Revest. Cer. Ltda.	(2.741)	-
Software services	Neoway Technology	(122)	-
		<u>11.054</u>	<u>9.116</u>

Subsidiary Portobello Shop is the Company's guarantor in some financing transactions (see note 22).

### 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 parties	Nature	March 31, 2019	December 31, 2018	Nature	Accumulated	
					March 31, 2019	March 31, 2018
	Asset			P&L		
Solução Cerâmica Com. Ltda.	Trade receivables	928	938	Royalties	1.227	1.210
Flooring Renest. Ceara Ltda.	Trade receivables	353	393	Royalties	524	569
		<u>1.281</u>	<u>1.331</u>		<u>1.751</u>	<u>1.779</u>

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended March 31, 2019  
In thousands of reais, unless otherwise stated

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### 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 quarter ended March 31, 2019, are as follows:

	Parent		Consolidated	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Fixed remuneration				
Salaries	3.889	3.280	4.387	3.692
Fees	1.467	1.318	1.467	1.318
Variable remuneration	434	419	528	419
Short-term direct and indirect benefits	-	-	-	-
Private pension plan	323	195	331	195
Other	487	593	540	658
	<u>6.600</u>	<u>5.805</u>	<u>7.254</u>	<u>6.282</u>

## 41 Subsequent events

### **(a) Non-compliance with covenant in the quarter:**

In 1Q2019, the Company did not reach the covenant regarding the operation with DEG Bank (PL / Total Assets 20%) mentioned in note 22. On May 6, 2019, DEG Bank granted the Waiver referring to the failure to reach the indicator.

For next quarters the company envisions the attainment of the covenant.

### **(b) Profit allocations at the Annual Shareholders' Meeting and Extraordinary General Meeting:**

At the Annual General Meeting held on April 2, 2019, the distribution of profits representing 25% of the income for the year 2018, in the amount of R \$ 31,892, was approved. Also, at the Extraordinary Shareholders' Meeting held on the same date, the capital increase was approved with the use of profit reserves, in the amount of R \$ 60,000

(A free translation of the original in Portuguese)

**PBG S.A.**  
**Quarterly Information (ITR) at**  
**March 31, 2019**  
**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, 2019, 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.



PBG S.A.

### **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, 2019. 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.

#### **Audit and review of prior-year information**

The Quarterly Information Form (ITR) mentioned in the first paragraph include accounting information corresponding to the income, changes in equity, cash flows and value added from the quarter ended March 31, 2018, obtained from the Quarterly Information Form (ITR) of that quarter, and the balance sheet at December 31, 2018, obtained from the financial statements at December 31, 2018, presented for comparison purposes. The review of the Quarterly Information Form (ITR) for the quarter ended March 31, 2018 and the audit of financial statements for the year ended December 31, 2018 were conducted by another firm of auditors whose review report and audit report, dated May 15, 2018 and February 18, 2019, respectively, expressed an unmodified conclusion and opinion.

Florianopolis, May 10, 2019

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

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

**Opinions and Statements / Statement of the Executive Officers on the Financial Statements Statement of the Directors on the Financial Statements and Independent Auditors' Report Pursuant to CVM**

Instruction No. 480/09, item I of Article 28, in compliance with items V and VI of Article 25 of this Instruction, the executive board of PBG S.A. declares that:

(i) reviewed, discussed and agreed with the Company's financial statements for the year ended March 31, 2019; and

(ii) reviewed, discussed and agreed with the opinions expressed in the PRICEWATERHOUSECOOPERS AUDITORES INDEPENDENTES Independent Auditors' Report relating to the Company's Financial Statements for the year ended March 31, 2019.

**Members of the Executive Board**

Cesar Gomes Júnior - CEO

Cláudio Ávila da Silva – Director Vice-presidente

John Shojiro Suzuki - CEO and Investor Relations Officer

Mauro do Valle Pereira – Director

Tijucas, May 10, 2019

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Cesar Gomes Júnior

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Cláudio Ávila da Silva

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John Shojiro Suzuki

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Mauro do Valle Pereira