

3Q18



Portobello Grupo

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### Company information / Breakdown of Capital

Quantity of shares (Thousand)	Last fiscal year 09/30/2018
<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 September 30, 2018

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

**Individual financial statements / Balance sheet – Assets**

Account Code	Account Description	Current Year	Previous Year
		09/30/2018	12/31/2017
1	Total Assets	1,666,160	1,306,897
1.01	Curent Assets	589,420	520,623
1.01.01	Cash and Cash Equivalents	114,482	78,756
1.01.03	Accounts Receivable	239,043	203,703
1.01.03.01	Trade receivables	239,043	203,703
1.01.04	Inventory	203,780	179,166
1.01.06	Recoverable Taxes	8,626	14,496
1.01.06.01	Current Taxes Recoverable	8,626	14,496
1.01.08	Others current assets	23,489	44,502
1.01.08.03	Others	23,489	44,502
1.01.08.03.01	Advanced expenses	4,091	0
1.01.08.03.02	Receivables dividends	11,079	0
1.01.08.03.04	Advanced supplier	2,783	0
1.01.08.03.05	Others	5,536	0
1.02	Non-current Assets	1,076,740	786,274
1.02.01	Long-Term Assets	587,405	336,233
1.02.01.09	Related party Credits	182,615	162,512
1.02.01.09.02	Subsidiaries credits	85,486	67,861
1.02.01.09.04	Other related party Credits	97,129	94,651
1.02.01.10	Other Non-current Assets	404,790	173,721
1.02.01.10.03	Judicial Deposits	103,161	93,470
1.02.01.10.04	Receivables - Eletrobrás	12,821	12,821
1.02.01.10.05	Recoverable Taxes	4,750	6,407
1.02.01.10.06	Tax Asset	267,170	45,969
1.02.01.10.07	Actuarial Asset	5,758	5,758
1.02.01.10.08	Interest earning bank deposits	7,186	6938
1.02.01.10.10	Other	3,944	2,358
1.02.02	Investments	41,539	9,429
1.02.02.01	Ownership Interest	41,539	9,429
1.02.02.01.02	Interest in Subsidiaries	41,240	9,131
1.02.02.01.04	Other ownership interest	299	298
1.02.03	Property, plant and equipment	439,424	431,122
1.02.04	Intangible assets	8,372	9,490

**PBG S.A and subsidiaries**

Interim Financial Information for the quarter ended September 30, 2018

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

**Individual financial statements/ Balance sheet – Liabilities**

Account Code	Account Description	Current Year	Previous Year
		09/30/2018	12/31/2017
2	Total Liabilities	1,666,160	1,306,897
2.01	Current Liabilities	378,752	403,124
2.01.01	Social and labor obligations	43,111	27,879
2.01.02	Suppliers	117,124	112,413
2.01.03	Tax Obligations	22,089	28,463
2.01.03.01	Federal tax obligations	22,089	28,463
2.01.03.01.01	Income and social contribution tax payable	0	0
2.01.03.01.02	Installment payment of tax obligations	10,756	14,033
2.01.03.01.03	Taxes, rates and contributions	11,333	14,430
2.01.04	Loans and Financing	102,565	146,402
2.01.04.01	Loans and Financing	97,300	98,678
2.01.04.02	Debentures	5,265	47,724
2.01.05	Other Obligations	90,004	83,678
2.01.05.02	Other	90,004	83,678
2.01.05.02.04	Credit granting from suppliers	38,707	35,127
2.01.05.02.05	Advance from clients	21,887	10,959
2.01.05.02.06	Dividends Payable	459	6,002
2.01.05.02.07	Accounts payables from investments	15,167	19,049
2.01.05.02.08	Other	13,784	12,541
2.01.06	Provisions	3,859	4,289
2.01.06.02	Other Provisions	3,859	4,289
2.01.06.02.06	Profit share provision	3,859	4,289
2.02	Non-current Liabilities	935,623	618,725
2.02.01	Loans and Financing	523,855	365,982
2.02.01.01	Loans and Financing	227,399	238,003
2.02.01.02	Debentures	296,456	127,979
2.02.02	Other Obligations	205,246	140,722
2.02.02.01	Related Party Payable	62,008	0
2.02.02.02	Other	143,238	140,722
2.02.02.02.03	Suppliers	87,596	78,496
2.02.02.02.06	Installment payment of tax obligations	55,642	62,226
2.02.03	Deferred Taxes	2,140	14,186
2.02.03.01	Deferred Income and Social Contribution Taxes	2,140	14,186
2.02.04	Provisions	204,382	97,835
2.02.04.01	Other Provisions	204,382	97,835
2.02.04.01.05	Provision for loss on investments	77,151	67,717
2.02.04.01.06	Provisions for Contingencies	124,410	28,183
2.02.04.01.07	Provision for Long-term Incentive	2,821	1,935
2.03	Shareholders' Equity	351,785	285,048
2.03.01	Realized Capital	140,000	130,000
2.03.04	Profit Reserves	230,326	159,220

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

2.03.04.01	Legal Reserves	18,426	18,426
2.03.04.04	Reserva de Lucros a Realizar	96,978	95,400
2.03.04.08	Additional dividend proposed	0	15,232
2.03.04.10	Profit reserve to be allocated	114,922	30,162
2.03.05	Retained Earnings/Losses	0	0
2.03.06	Equity valuation adjustments	-18,541	-4172
2.03.08	Other comprehensive income	0	0

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### Individual financial statements / Statement of income

Account Code	Account Description	Current Quarter 07/01/2018 to 09/30/2018	Accumulat ed of the Current Year 01/01/2018 to 09/30/2018	Same Quarter of the Prior Year 07/01/2017 to 09/30/2017	Accumul ated of the Prior Year 01/01/2017 7 to 09/30/2017
3.01	Income from sales of goods and/or services	250,837	716,176	250,482	699,566
3.02	Cost of goods and/or services sold	-	-472,857	-162,482	-
3.03	Gross income	80,628	243,319	88,000	249,113
3.04	Operating expenses/income	-70,176	-60,645	-56,456	-
3.04.01	Sales expenses	-62,459	-175,574	-53,479	-
3.04.02	General and administrative expenses	-9,566	-28,156	-7,536	152,640
3.04.04	Other operating income	-928	149,690	559	-24,375
3.04.04.01	Other operating income	-928	149,690	559	29,968
3.04.05	Other operating expenses	-4,713	-32,992	-6,582	-21,575
3.04.05.01	Other operating expenses	-4,713	-32,992	-6,582	-21,575
3.04.06	Equity income	7,490	26,387	10,582	29,212
3.05	Income (loss) before financial income and taxes	10,452	182,674	31,544	109,703
3.06	Financial income (loss)	-10,406	-30,741	-15,856	-41,322
3.06.01	Financial income	5,102	18,487	1,686	19,597
3.06.01.01	Financial income	3,304	7,281	4,288	21,162
3.06.01.02	Net Exchange Variance	1,798	11,206	-2,602	-1,565
3.06.02	Financial expenses	-15,508	-49,228	-17,542	-60,919
3.06.02.01	Financial expenses	-15,508	-49,228	-17,542	-60,919
3.06.02.02	Net Exchange Variance	0	0	0	0

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

3.07	Income (loss) before income tax	46	151,933	15,688	68,381
3.08	Income and social contribution taxes	2,530	-45,960	1,895	-9,066
3.08.01	Current	583	-370	0	0
3.08.02	Deferred assets	1,947	-45,590	1,895	-9,066
3.09	Net income (loss) of continued operations	2,576	105,973	17,583	59,315
3.11	Consolidated Net Income/loss for the period	2,576	105,973	17,583	59,315
3.99	Earnings per share - (Reais / Shares)	0	0	0	0
3.99.01	Basic earnings per share	0	0	0	0
3.99.01.01	Common	0	1	0	0
3.99.02	Diluted Earnings per Share	0	0	0	0
3.99.02.01	Common	0	0	0	0

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### Individual financial statements / Statement of comprehensive income

Account Code	Account Description	Accumulated of the Current Year		Accumulated of the Prior Year	
		07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2017 to 09/30/2017
4.01	Net Income for the Period	2,576	105,973	17,583	59,315
4.02	Other Comprehensive Income	-10,368	-13,479	2,868	1,862
4.02.01	Exchange variance of Overseas Subsidiary	0	0	0	0
4.02.02	Comprehensive Income for the Period	-10,368	-13,479	2,868	1,862
4.03	Attributed to Partners of the Parent Company	-7,792	92,494	20,451	61,177



**PBG S.A and subsidiaries**

Interim Financial Information for the quarter ended September 30, 2018

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

**Individual financial statements / Statement of cash flows - Indirect method**

Account Code	Account Description	Accumulated of the	Accumulated of the
		Current Year 01/01/2018 to 09/30/2018	Prior Year 01/01/2017 to 09/30/2017
6.01	Net cash from operational activities	-6,074	57,970
6.01.01	Cash generated in operations	51,297	73,318
6.01.01.01	Profit or loss for the year before taxes	151,933	68,381
6.01.01.02	Depreciation and amortization	29,338	27,332
6.01.01.03	Equity	-26,387	-29,212
6.01.01.04	Unrealized Exchange Variation	-10,451	-331
6.01.01.05	Provision for inventory at market value	2,864	-455
6.01.01.06	Provision Allowance for doubtful accounts	-1,086	-124
6.01.01.07	Provision for contingencies	44,080	-19,679
6.01.01.08	Provision for labor obligations	-14,419	-13,713
6.01.01.09	Provision for profit sharing	456	4,845
6.01.01.10	Other provisions	395	4,742
6.01.01.11	Other operating income (expenses)	0	0
6.01.01.12	Loans and Financing adjust	0	0
6.01.01.13	Adjustments to tax assets	-159,193	-11,026
6.01.01.14	Adjustments Other Related Party Credits	-2,478	-4,272
6.01.01.15	Finance charges on tax installments	1,895	2,598
6.01.01.18	Provision for Financial Interest	30,857	39,993
6.01.01.20	Others	3,493	4,239
6.01.02	Changes in assets and liabilities	-31,220	16,978
6.01.02.01	(Increase)/Decrease in accounts receivable	-34,254	-12,925
6.01.02.02	Increase /(Decrease) in Advances from clients	10,928	-575
6.01.02.04	(Increase)/Decrease in inventories	-27,478	10,303
6.01.02.05	(Increase)/Decrease in Recoverable Taxes	5,409	2,501
6.01.02.06	(Increase)/Decrease in Judicial Deposits	-9,691	-8,620
6.01.02.07	(Increase)/Decrease in Interest earning bank deposit	-248	-422
6.01.02.08	(Increase)/Decrease in other assets	-3,834	-7,324
6.01.02.09	Increase /(Decrease) in Accounts Payable	17,391	21,639
6.01.02.10	(Increase)/Decrease in advance to suppliers	1,811	-2,218
6.01.02.11	(Increase)/Decrease in provisions for contingencies	-1,659	-3,092
6.01.02.12	(Increase)/Decrease in installments	-11,756	-2,446
6.01.02.13	Increase /(Decrease) in tax and labor liabilities	25,195	28,021
6.01.02.14	Increase /(Decrease) in other account payable	848	-7,864
6.01.02.15	Increase /(Decrease) in Investment accounts Payable	-3,882	0
6.01.03	Other	-26,151	-32,326
6.01.03.01	Interest paid	-25,746	-32,326
6.01.03.02	Income and social contribution taxes paid	-405	0
6.02	Net cash used in investment activities	-29,321	7,070
6.02.01	Acquisition of property, plant and equipment	-36,825	-9,798
6.02.02	Acquisition of intangible assets	-2,591	-1,014
6.02.03	Receivables Dividends	21,450	15,893

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended September 30, 2018

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

6.02.04	Integralization of Capital	-9,767	0
6.02.06	Related Party Credits	-1,588	2,038
6.02.07	Other Investments	0	-49
6.03	Net Cash from Financing Activities	71,121	-87,378
6.03.01	Obtainment of loans and financings	435,117	35,787
6.03.02	Payment of loans and financings	-332,696	-112,152
6.03.03	Dividends paid	-31,300	-11,013
6.05	Increase (Decrease) in Cash and Cash Equivalents	35,726	-22,338
6.05.01	Opening Balance of Cash and Cash Equivalents	78,756	100,085
6.05.02	Closing Balance of Cash and Cash Equivalents	114,482	77,747

**PBG S.A and subsidiaries**

Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

**Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2018--09/30/2018**

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
	Adjusted Opening Balances	130,000	0	159,220	0	-4,172	285,048
5.03	Shareholds transactions	0	0	-15,872	-9,885	0	-25,757
5.04	Dividends	0	0	-15,232	-2,612	0	-17,844
5.04.06	Interest of own capital	0	0	-640	-7,273	0	-7,913
5.04.07	Total Comprehensive Income	0	0	0	105,973	-13,479	92,494
5.05	Net Income for the Period	0	0	0	105,973	0	105,973
5.05.01	Other Comprehensive Income	0	0	0	0	-13,479	-13,479
5.05.02	Tax Conversion Adjust	0	0	0	0	0	0
5.05.02.05	Realization of the Revaluation Reserve	0	0	0	0	0	0
5.05.02.06	Exchange Variance of Overseas Subsidiary	0	0	0	0	-13,479	-13,479
5.05.02.07	Shareholders' Equity Mutation	10,000	0	-10,000	890	-890	0
5.06	Revaluation reserves	0	0	0	890	-890	0
5.06.02	Capital increase	10,000	0	-10,000	0	0	0
5.06.04	Interest of own capital	0	0	0	0	0	0
5.06.05	Closing Balances	140,000	0	133,348	96,978	-18,541	351,785

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2017–09/30/2017

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	119,565	0	121,129	0	-2,246	238,448
5.03	Adjusted Opening Balances	119,565	0	121,129	0	-2,246	238,448
5.04	Shareholds transactions	0	0	-75	-11,020	0	-11,095
5.04.07	Interest of own capital	0	0	-75	-11,020	0	-11,095
5.05	Total Comprehensive Income	0	0	0	60,204	973	61,177
5.05.01	Net Income for the Period	0	0	0	59,315	0	59,315
5.05.02	Other Comprehensive Income	0	0	0	889	973	1,862
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	1,862	1,862
5.07	Closing Balances	130,000	0	110,619	49,184	-1,273	288,530

**PBG S.A and subsidiaries**

Interim Financial Information for the quarter ended September 30, 2018  
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**PBG S.A and subsidiaries**

Interim Financial Information for the quarter ended September 30, 2018  
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**Individual financial statements / Statement of added value**

Account Code	Account Description	Accrued Value of the	Accrued Value of the
		Current Year 01/01/2018 to 09/30/2018	Prior Year 01/01/2017 to 09/30/2017
7.01	Revenue	1,028,042	894,507
7.01.01	Sales of Goods, Products and Services	875,695	863,755
7.01.02	Other Revenue	151,261	30,628
7.01.03	Income from construction of own assets	0	0
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	1,086	124
7.02	Consumables acquired from third parties	-477,125	-425,608
7.02.01	Cost of goods and services sold	-306,302	-301,135
7.02.02	Material, Energy, Outsourced Services and Other	-172,013	-124,580
7.02.03	Loss/Recovery of Assets	1,190	107
7.03	Gross Added Value	550,917	468,899
7.04	Retentions	-29,338	-27,339
7.04.01	Depreciation, Amortization and Depletion	-29,338	-27,339
7.05	Net Added Value Produced	521,579	441,560
7.06	Transferred Added Value	76,825	67,396
7.06.01	Equity	26,387	29,212
7.06.02	Financial Revenue	50,438	38,184
7.07	Total Added Value to be Distributed	598,404	508,956
7.08	Distribution of Added Value	598,404	508,956
7.08.01	Personnel	164,430	158,074
7.08.01.01	Direct Remuneration	138,486	134,484
7.08.01.02	Benefits	16,307	15,006
7.08.01.03	F.G.T.S.	9,638	8,584
7.08.02	Taxes, Duties and Contributions	237,645	203,736
7.08.02.01	Federal	126,212	92,209
7.08.02.02	State	110,687	110,893
7.08.02.03	Municipal	746	634
7.08.03	Interest Expenses	90,356	87,831
7.08.03.01	Interest	81,178	79,506
7.08.03.02	Rent	9,178	8,325
7.08.04	Interest earnings	105,973	59,315
7.08.04.01	Interest on own capital	7,273	0
7.08.04.02	Dividends	2,612	0
7.08.04.03	Retained Earnings/Loss for the Period	96,088	59,315
7.08.05	Others	0	0

**PBG S.A and subsidiaries**

Interim Financial Information for the quarter ended September 30, 2018  
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**Consolidated financial statements / Balance sheet – Assets**

Account Code	Account Description	Current Year	Previous Year
		09/30/2018	12/31/2017
1	Total Assets	1,604,126	1,252,008
1.01	Curent Assets	623,427	522,623
1.01.01	Cash and Cash Equivalents	132,199	94,379
1.01.03	Accounts Receivable	257,615	218,412
1.01.03.01	Trade receivables	257,615	218,412
1.01.04	Inventory	206,212	179,323
1.01.06	Recoverable Taxes	9,833	15,922
1.01.06.01	Current Taxes Recoverable	9,833	15,922
1.01.08	Others current assets	17,568	14,587
1.01.08.03	Others	17,568	14,587
1.01.08.03.01	Advanced expenses	4,170	1,720
1.01.08.03.02	Dividends receivable	0	0
1.01.08.03.03	Subsidiaries credits	0	0
1.01.08.03.04	Advanced to suppliers	4,406	5,136
1.01.08.03.05	Others	8,992	7,731
1.02	Non-current Assets	980,699	729,385
1.02.01	Long-Term Assets	506,777	268,926
1.02.01.09	Related party Credits	97,129	94,651
1.02.01.09.02	Subsidiaries credits	0	0
1.02.01.09.04	Other related party Credits	97,129	94,651
1.02.01.10	Other Non-current Assets	409,648	174,275
1.02.01.10.03	Judicial Deposits	103,192	93,501
1.02.01.10.04	Receivables - Eletrobrás	12,821	12,821
1.02.01.10.05	Recoverable Taxes	5,032	6,407
1.02.01.10.06	Tax Asset	267,170	45,969
1.02.01.10.07	Actuarial Asset	5,758	5,758
1.02.01.10.08	Interest earning bank deposits	7,186	6,938
1.02.01.10.09	Other	8,489	2,881
1.02.02	Investments	298	298
1.02.02.01	Ownership Interest	298	298
1.02.02.01.02	Interest in Subsidiaries	0	0
1.02.02.01.04	Other ownership interest	0	0
1.02.02.01.05	Other investment	298	298
1.02.03	Property, plant and equipment	453,296	440,595
1.02.04	Intangible assets	20,328	19,566

**PBG S.A and subsidiaries**

Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

**Consolidated financial statements / Balance sheet – Liabilities**

Account Code	Account Description	Current Year	Previous Year
		09/30/2018	12/31/2017
2	Total Liabilities	1,604,126	1,252,008
2.01	Current Liabilities	391,747	414,310
2.01.01	Social and labor obligations	48,700	31,330
2.01.02	Suppliers	121,664	114,569
2.01.03	Tax Obligations	25,256	31,157
2.01.03.01	Federal tax obligations	25,256	31,157
2.01.03.01.01	Income and social contribution tax payable	2,218	1,758
2.01.03.01.02	Installment payment of tax obligations	10,830	14,126
2.01.03.01.03	Taxes, rates and contributions	12,208	15,273
2.01.04	Loans and Financing	102,565	146,402
2.01.04.01	Loans and Financing	97,300	98,678
2.01.04.02	Debentures	5,265	47,724
2.01.05	Other Obligations	89,703	86,563
2.01.05.02	Other	89,703	86,563
2.01.05.02.04	Credit granting from suppliers	38,707	35,127
2.01.05.02.05	Advance from clients	20,068	12,615
2.01.05.02.06	Dividends Payable	492	6,035
2.01.05.02.07	Accounts payables from investments	15,676	19,049
2.01.05.02.08	Other	14,760	13,737
2.01.06	Provisions	3,859	4,289
2.01.06.01	Other Provisions	3,859	4,289
2.01.06.01.05	Profit share provision	3,859	4,289
2.02	Non-current Liabilities	860,560	552,638
2.02.01	Loans and Financing	525,098	367,159
2.02.01.01	Loans and Financing	228,642	239,180
2.02.01.02	Debentures	296,456	127,979
2.02.02	Other Obligations	206,060	141,144
2.02.02.01	Related Party Payable	62,008	0
2.02.02.02	Other	144,052	141,144
2.02.02.02.03	Suppliers	87,596	78,496
2.02.02.02.04	Installment payment of tax obligations	56,020	62,648
2.02.02.02.05	Others	436	0
2.02.03	Deferred Taxes	2,140	14,186
2.02.03.01	Deferred Income and Social Contribution Taxes	2,140	14,186
2.02.04	Provisions	127,262	30,149
2.02.04.02	Other Provisions	127,262	30,149
2.02.04.02.04	Provisions for Contingencies	124,441	28,214
2.02.04.02.05	Provision for Long-term Incentive	2,821	1,935
2.03	Shareholders' Equity	351,819	285,060
2.03.01	Realized Capital	140,000	130,000
2.03.04	Profit Reserves	230,326	159,220
2.03.04.01	Legal Reserves	18,426	18,426



## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

2.03.04.04	Profit sharing reserve	96,978	95,400
2.03.04.08	Additional dividend proposed	0	15,232
2.03.04.10	Profit reserve to be allocated	114,922	30,162
2.03.05	Retained Earnings/Losses	0	0
2.03.06	Equity valuation adjustments	-18,541	-4,172
2.03.08	Other comprehensive income	0	0
2.03.09	Non-controlling interest	34	12

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### Consolidated financial statements / Statement of income

Account Code	Account Description	Current Quarter 07/01/2018 to 09/30/2018	Accumulated of the Current Year 01/01/2018 to 09/30/2018	Same Quarter of the Prior Year 07/01/2017 to 09/30/2017	Accumulated of the Prior Year 01/01/2017 to 09/30/2017
3.01	Income from sales of goods and/or services	277,114	789,169	275,612	769,774
3.02	Cost of goods and/or services sold	-170,097	-473,736	-163,139	-452,727
3.03	Gross income	107,017	315,433	112,473	317,047
3.04	Operating expenses/income	-93,452	-128,256	-78,017	-199,453
3.04.01	Sales expenses	-76,690	-213,581	-64,394	-183,487
3.04.02	General and administrative expenses	-11,356	-30,659	-7,735	-24,854
3.04.04	Other operating income	-812	149,835	1,014	30,921
3.04.04.01	Other operating income	0	0	1,014	30,921
3.04.05	Other operating expenses	-4,594	-33,851	-6,902	-22,033
3.04.05.01	Other operating expenses	-4,594	-33,851	-6,902	-22,033
3.05	Income (loss) before financial income and taxes	13,565	187,177	34,456	117,594
3.06	Financial income (loss)	-10,545	-31,145	-15,911	-41,451
3.06.01	Financial income	5,250	18,948	1,825	20,140
3.06.01.01	Financial income	3,456	7,746	4,428	21,695
3.06.01.02	Net Exchange Variance	1,794	11,202	-2,603	-1,555
3.06.02	Financial expenses	-15,795	-50,093	-17,736	-61,591
3.06.02.01	Financial expenses	-15,795	-50,093	-17,736	-61,591
3.06.02.02	Net Exchange Variance	0	0	0	0
3.07	Income (loss) before income tax	3,020	156,032	18,545	76,143
3.08	Income and social contribution taxes	-436	-50,037	-952	-16,802
3.08.01	Current	-2,382	-8,278	-2,847	-7,736

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

3.08.02	Deferred assets	1,946	-41,759	1,895	-9,066
3.09	Net income (loss) of continued operations	2,584	105,995	17,593	59,341
3.11	Consolidated Net Income/loss for the period	2,584	105,995	17,593	59,341
3.11.01	Attributed to Partners of the Parent Company	2,576	105,973	17,583	59,315
3.11.02	Attributed to Minority Partners	8	22	10	26
3.99	Earnings per share - (Reais / Shares)	0	0	0	0
3.99.01	Basic earnings per share	0	0	0	0
3.99.01.01	Common	0	1	0	0
3.99.02	Diluted Earnings per Share	0	0	0	0
3.99.02.01	Common	0	1	0	0

**PBG S.A and subsidiaries**

Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### Consolidated financial statements / Statement of comprehensive income

Account Code	Account Description	Accrued of the Current Year		Accrued of the Prior Year	
		07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2017 to 09/30/2017
4.01	Net Income for the Period	2,576	105,995	17,593	59,341
4.02	Other Comprehensive Income	-2,840	-13,479	2,868	1,862
4.02.01	Realization of the Revaluation Reserve	0	0	0	0
4.02.02	Exchange variance of Overseas Subsidiary	-2,840	-13,479	2,868	1,862
4.03	Comprehensive Income for the Period	-264	92,516	20,461	61,203
4.03.01	Attributed to Partners of the Parent Company	-272	92,494	20,451	61,177
4.03.02	Attributed to Minority Partners	8	22	10	26

**PBG S.A and subsidiaries**

Interim Financial Information for the quarter ended September 30, 2018

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

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

Account Code	Account Description	Accrued of the	Accrued of the
		Current Year 01/01/2018 to 09/30/2018	Prior Year 01/01/2017 to 09/30/2017
6.01	Net cash from operational activities	15,983	83,658
6.01.01	Cash generated in operations	86,995	110,983
6.01.01.01	Profit or loss for the year before taxes	156,032	76,143
6.01.01.02	Depreciation and amortization	32,706	29,620
6.01.01.03	Equity	0	0
6.01.01.04	Unrealized Exchange Variation	-7,893	-335
6.01.01.05	Provision for inventory at market value	2,864	-455
6.01.01.06	Provision Allowance for doubtful accounts	-878	-124
6.01.01.07	Provision of contingencies	44,080	-19,844
6.01.01.08	Provision of labor obligations	-15,657	-14,818
6.01.01.09	Provision of profit sharing	456	4,845
6.01.01.10	Other provisions	395	4,402
6.01.01.13	Adjustments to tax assets	-159,193	-11,026
6.01.01.14	Adjustments Other Related Party Credits	-2,478	-4,272
6.01.01.15	Finance charges on tax installments	1,920	2,615
6.01.01.18	Provision for Financial Interest	30,923	39,993
6.01.01.20	Others	3,718	4,239
6.01.02	Changes in assets and liabilities	-41,504	12,382
6.01.02.01	(Increase)/Decrease in accounts receivable	-38,325	-16,617
6.01.02.02	Increase /(Decrease) in Advances from clients	7,453	-2,818
6.01.02.04	(Increase)/Decrease in inventories	-29,753	10,416
6.01.02.06	(Increase)/Decrease in Judicial Deposits	-9,691	-8,601
6.01.02.07	(Increase)/Decrease in Interest earning bank deposit	-248	-422
6.01.02.08	(Increase)/Decrease in Recoverable Taxes	5,345	2,525
6.01.02.09	Increase /(Decrease) in Other assets	-5,488	-9,423
6.01.02.10	Increase /(Decrease) in Account payable	19,775	23,620
6.01.02.11	(Increase)/Decrease in advance to suppliers	730	-6,583
6.01.02.12	(Increase)/Decrease in provisions for contingencies	-1,659	-3,092
6.01.02.13	(Increase)/Decrease in installments	-11,844	-2,470
6.01.02.14	Increase /(Decrease) in tax and labor liabilities	24,510	32,903
6.01.02.15	Increase /(Decrease) in Other payable	1,064	-7,056
6.01.02.16	Increase /(Decrease) in Investment account payable	-3,373	0
6.01.03	Other	-29,508	-39,707
6.01.03.01	Interest paid	-25,746	-32,326
6.01.03.02	Income and social contribution taxes paid	-3,762	-7,381
6.02	Net cash used in investment activities	-49,284	-14,711
6.02.01	Acquisition of property, plant and equipment	-44,040	-12,419
6.02.02	Acquisition of intangible assets	-5,244	-2,244

## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended September 30, 2018

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

6.02.03	Receivables Dividends	0	0
6.02.04	Receipt of Fixed Asset Sales	0	-48
6.02.05	Related Party Credits	0	0
6.03	Net Cash from Financing Activities	71,121	-87,462
6.03.01	Obtainment of loans and financings	435,117	35,787
6.03.02	Payment of loans and financings	-332,696	-112,200
6.03.03	Dividends paid	-31,300	-11,049
6.05	Increase (Decrease) in Cash and Cash Equivalents	37,820	-18,515
6.05.01	Opening Balance of Cash and Cash Equivalents	94,379	105,745
6.05.02	Closing Balance of Cash and Cash Equivalents	132,199	87,230

**PBG S.A and subsidiaries**

Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

**Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2018--09/30/2018**

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	Minority interests	Consolidated Shareholders' Equity
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
5.04	Shareholds transactions	0	0	-15,872	-9,885	0	-25,757	0	-25,757
5.04.06	Dividends	0	0	-15,232	-2,612	0	-17,844	0	-17,844
5.04.07	Interest of own capital	0	0	-640	-7,273	0	-7,913	0	-7,913
5.05	Total Comprehensive Income	0	0	0	105,973	-13,479	92,494	22	92,516
5.05.01	Net Income for the Period	0	0	0	105,973	0	105,973	22	105,995
5.05.02	Other Comprehensive Income	0	0	0	0	-13,479	-13,479	0	-13,479
5.05.02.05	Tax Conversion Adjust	0	0	0	0	0	0	0	0
5.05.02.06	Realization of the Revaluation Reserve	0	0	0	0	0	0	0	0
5.05.02.07	Exchange Variance of Overseas Subsidiary Shareholders' Equity	0	0	0	0	-13,479	-13,479	0	-13,479
5.06	Mutation	10,000	0	-10,000	890	-890	0	0	0
5.06.02	Revaluation reserves	0	0	0	890	-890	0	0	0
5.06.04	Capital increase	10,000	0	-10,000	0	0	0	0	0
5.06.05	Interest of own capital	0	0	0	0	0	0	0	0
5.07	Closing Balances	140,000	0	133,348	96,978	-18,541	351,785	34	351,819



## PBG S.A and subsidiaries

Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2017 –09/30/2017

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	119,565	0	121,129	0	-2,246	238,448	11	238,459
5.03	Adjusted Opening Balances	119,565	0	121,129	0	-2,246	238,448	11	238,459
5.04	Shareholds transactions	0	0	-75	-11,020	0	-11,095	0	-11,095
5.04.07	Interest of own capital	0	0	-75	-11,020	0	-11,095	0	-11,095
5.05	Total Comprehensive Income	0	0	0	60,204	973	61,177	26	61,203
5.05.01	Net Income for the Period	0	0	0	59,315	0	59,315	26	59,341
5.05.02	Other Comprehensive Income	0	0	0	889	973	1,862	0	1,862
5.05.02.07	Exchange Variance of Overseas Subsidiary	0	0	0	0	1,862	1,862	0	1,862
5.07	Closing Balances	130,000	0	110,619	49,184	-1,273	288,530	37	288,567

**PBG S.A and subsidiaries**

Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

**Consolidated financial statements / Statement of added value**

Account Code	Account Description	Accrued Value of the	Accrued Value of the
		Current Year 01/01/2018 to 09/30/2018	Prior Year 01/01/2017 to 09/30/2017
7.01	Revenue	1,108,285	971,850
7.01.01	Sales of Goods, Products and Services	963,229	946,869
7.01.02	Other Revenue	144,178	24,857
7.01.03	Income from construction of own assets	0	0
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	878	124
7.02	Consumables acquired from third parties	-488,240	-435,662
7.02.01	Cost of goods and services sold	-305,389	-302,518
7.02.02	Material, Energy, Outsourced Services and Other	-184,013	-132,962
7.02.03	Loss/Recovery of Assets	1,162	-182
7.03	Gross Added Value	620,045	536,188
7.04	Retentions	-32,706	-29,628
7.04.01	Depreciation, Amortization and Depletion	-32,706	-29,628
7.05	Net Added Value Produced	587,339	506,560
7.06	Transferred Added Value	50,905	38,727
7.06.02	Financial Revenue	50,905	38,727
7.07	Total Added Value to be Distributed	638,244	545,287
7.08	Distribution of Added Value	638,244	545,287
7.08.01	Personnel	184,846	174,261
7.08.01.01	Direct Remuneration	156,138	148,608
7.08.01.02	Benefits	17,756	15,997
7.08.01.03	F.G.T.S.	10,951	9,656
7.08.02	Taxes, Duties and Contributions	252,824	220,558
7.08.02.01	Federal	140,874	108,755
7.08.02.02	State	111,105	111,138
7.08.02.03	Municipal	845	665
7.08.03	Interest Expenses	94,579	91,127
7.08.03.01	Interest	82,066	80,193
7.08.03.02	Rent	12,513	10,934
7.08.04	Interest earnings	105,995	59,341
7.08.04.01	Interest on own capital	7,273	0
7.08.04.02	Dividends	2,612	0
7.08.04.03	Retained Earnings/Loss for the Period	96,088	59,315
7.08.04.04	Minority interests in retained earnings	22	26
7.08.05	Others	0	0

## CONSOLIDATED EARNINGS RELEASE 2Q18

Tijucas, October 25, 2018. PBG S.A.(B3 S.A. - BRASIL, BOLSA, BALCÃO:PTBL3), **Brazil's largest ceramic tile company**, is submitting its earnings release for the second quarter of 2018.

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 (IFRSs).

## HIGHLIGHTS

	R\$ milhões	9M17	9M18	▲%
PERFORMANCE	Gross revenue	961	978	2%
	<b>Net revenue</b>	<b>770</b>	<b>789</b>	3%
	Gross margin	41.2%	40.0%	-1.2 p.p.
	<b>EBITDA</b>	<b>147</b>	<b>219</b>	49%
	EBITDA margin	19.1%	27.8%	8.7 p.p.
	<b>Profit</b>	<b>59</b>	<b>106</b>	78%
	Net margin	7.7%	13.4%	5.7 p.p.
	<b>ROCE</b>	<b>13.6%</b>	<b>19.2%</b>	5.6 p.p.
Debt	<b>Net Debt</b>	<b>411</b>	<b>458</b>	11%
	Net debt-to-EBITDA	2.41	1.75	-27%
PTBL3	<b>Quotation</b>	<b>5.10</b>	<b>3.97</b>	-22%

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## WEBCAST

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

Both will be available 30 minutes in advance at:

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



- **NET REVENUE** accrued of **R\$789** million, up by **2.5%** over 9M17;
- **EBITDA** of **R\$219** million or **R\$87** million when adjusted with extraordinary earns (9M18);
- **PROFIT** of **R\$106million**;
- **DECREASE** of **NET DEBIT/EBITDA** of 2,41(9M17) to 1.75(9M18);

## MANAGEMENT'S COMMENTS

Despite of economic challenger since year begin, waiting for politician' definition scenario, events such as transportation paralysis in the first half, significant increases in energy costs, the Company today announces the results of the third quarter of 2018 with growth and profitability.

In 9M18, net revenue totaled R\$789 million, up by 2.5% over the same period of the prior year. The consolidated gross margin of 40% is similar at 9M17. The lowest Net Debt / EBITDA ratio of the last 5 years was observed from 2.41x (in 9M17) to 1.75x (in 9M18).

Cash generation which measured by EBITDA amounted in R\$219 million and net income R\$106 million in 9M18 as well as the margins of 28% and 13% respectively. EBITDA growth was 49% when compared to 9M17, impacted by the recognition of the IPI premium credit in the "POLO ATIVO" lawsuit. Excluding the effect of R\$132 million, EBITDA margin and net margin for 9M18 was 11% and 2%.

The sales in market foreign keep showing off a growth of 13% in Net Revenue. Since second quarter of 2017 the Company keeps its average quarter revenue in US\$14 million. In the current quarter(3Q18) began the US business with its Warehouse and distribution center located in Florida.

Net income in 3Q18 in domestic marketincreased 2.8% when compared the same period of the prior year.The accrued net income of the year is similar to the same period of the prior year.

Portobello Shop holds its exposition expansion plan andnow a days has 141 franchise located in almost all state of the Country, out of which 11 are own franchises. The Portobello Shop' franchises are offering a mix of Portobello' ceramic tiles together with tableware and metals as well as porcelain art solution.

The Officina project has been gaining operation and service. The solution is buying a great differential of the brand and business Portobello Shop, incorporating a differentiated mix of products, offering an innovative line and customized solutions for our final client.

The Pointer business keeps with its sales growth. The qualification mix and increase in inventory turnover have been leading to more qualified sales at better prices. In this quarter, Marechal Deodoro plant presented product launches that come with a democratic innovative proposal and aesthetic characteristics that differentiate ceramic and porcelain tiles.

In this quarter, the Company won several awards, such as Anamaco (National Association of Building Material Merchants), in the category "Ceramic Coating - Big Clients First" and worthy of record: Portobello was the most cited among sector,also received ADVB Citizen Company 2018 award in the category "Community Participation" with the Grow Program.

Investments are maintained as the focus in the strategy of improvement in product mix, margins and digital innovation, without expansions of productive capacity.

The Company maintains its endeavors oriented to operational improvements, with confidence in its strategy focused on retail trade and brand building. The organizational structure changes continue so as to strengthen the Company's retail culture. The teams are focused on the search for more integrated performance, strengthening the Company's retail culture, giving greater customer focus and agility in response to the market.

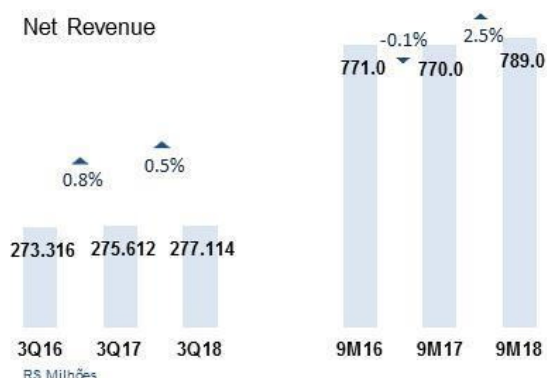
## ECONOMIC AND FINANCIAL PERFORMANCE

	R\$ thousand	3Q16	3Q17	3Q18	?	9M16	9M17	9M18	?
DESEMPENHO	Gross revenue	351,884	343,389	347,493	1.2%	988,285	961,077	978,370	1.8%
	Net revenue	273,316	275,612	277,114	0.5%	771,252	769,774	789,169	2.5%
	Gross profit	98,438	112,473	107,017	-4.9%	275,068	317,047	315,433	-0.5%
	Gross margin	36.0%	40.8%	38.6%	-2.2 p.p.	35.7%	41.2%	40.0%	-1.2 p.p.
	EBIT	29,256	34,456	13,135	-62%	62,623	117,594	186,747	59%
	EBIT margin	10.7%	12.5%	4.7%	-7.8 p.p.	8.1%	15.3%	23.7%	8.4 p.p.
	Finance income (costs)	(30,816)	(15,911)	(10,545)	-34%	(69,309)	(41,451)	(31,145)	-25%
	Profit	(921)	17,593	2,154	-88%	(3,101)	59,341	105,565	78%
	Net margin	-0.3%	6.4%	0.8%	-5.6 p.p.	-0.4%	7.7%	13.4%	5.7 p.p.
	EBITDA	39,284	44,408	23,973	-46%	91,784	147,222	219,453	49%
	EBITDA margin	14.4%	16.1%	8.7%	-7.5 p.p.	11.9%	19.1%	27.8%	8.7 p.p.
INDICADORES	Current liquidity					1.31	1.26	1.59	0.33
	Net debt					466,028	411,453	457,999	11.3%
	Net debt-to-EBITDA					3.60	2.41	1.75	(0.66)
	Net debt-to-equity					1.95	1.44	1.30	(0.14)
PTBL3	Closing quotation					2.69	5.10	3.97	-22%
	Market value					426,334	808,291	629,199	
	Monthly trading volume (R\$). Average from the past 12 months.					10,354	32,500	44,683	37%

## Net revenue

The consolidated net revenue totaled R\$277 million in 3Q18 and R\$789 million in the accumulated, up by 2.5% when compared to the prior year.

	3Q16	3Q17	3Q18	?	9M16	9M17	9M18	?
Net revenue	273,316	275,612	277,114	0.5%	771,252	769,774	789,169	2.5%
Domestic Market	236,035	226,984	233,373	2.8%	654,530	631,090	631,818	0.1%
Foreign Market	37,281	48,628	43,741	-10%	116,722	138,684	157,351	13%



Sales in the domestic market accounted for 84% of total revenue (82% in 3Q17) and the amount in Brazilian reais (R\$) was similar to 3Q17.

In the foreign market sales have been keeping similar amount of US\$14 million since 2Q17.

## Gross Profit

In 3Q18, gross profit totaled R\$107 million, similarly to 3Q17 and higher than 3Q16. The gross profit in 9H18 is close to 9H17.

The gross margin remained at 40% as a result of a mix of sales with higher yield products the structuring of the pricing process and investments in the distribution to both domestic and foreign markets, but negatively affected by the readjustments of the cost of natural gas.

Gross Profit



## Operating Income (Expenses)

Selling expenses totaled R\$77 million in 3Q18 and R\$214 million in 9M18, up by 19% when compared to 3Q17 and 16% when compared to 9M17 respectively. The ratio to net revenue in the 9M18 is 27% and posts a growth by 2.8 p.p. between the 9M18 and 9H17 as a result of the research on the Company's new business and restructuring to reach a new growth level.

	3Q16	3Q18	%RL	3T18	%RL	%?	9M16	%RL	9M17	%RL	9M18	%RL	%?
<b>Operating expenses</b>	<b>(69,182)</b>	<b>(78,017)</b>	<b>28.3%</b>	<b>(93,882)</b>	<b>14.2%</b>	20%	<b>(212,445)</b>	<b>27.5%</b>	<b>(199,453)</b>	<b>25.9%</b>	<b>(128,686)</b>	<b>16.0%</b>	-35%
Selling expenses	(63,624)	(64,394)	23.4%	(76,690)	26.4%	19%	(184,379)	23.9%	(183,487)	23.8%	(213,581)	26.6%	16%
General and administrative e	(8,567)	(7,735)	2.8%	(11,356)	3.9%	47%	(27,183)	3.5%	(24,854)	3.2%	(30,659)	3.8%	23%
Other income (expenses)	3,009	(5,888)	2.1%	(5,836)	-16.1%		(883)	0.1%	8,888	-1.2%	115,554	-14.4%	

Administrative expenses totaled R\$11 million in 3Q18 and R\$31 million in 9M18 and in relation to net revenues, there was the ratio of 3.8% the rate grew up by 0.6 p.p. when compared to the same period of the previous year.

The Company has been working on cost containment and revenue increase plans to retake the appropriate expenses level for the operation.

The other operating revenues amounted to R \$ 116 million in 9M18, impacted by the judicial gains of the Tax Credits IPI "Polo Ativo" recognized in 2Q18.

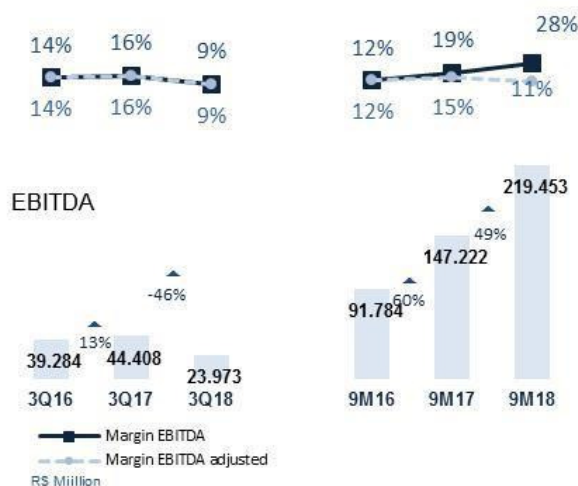
## EBITDA

	3Q16	3Q17	3Q18	%RL	▲ %	9M16	9M17	9M18	%RL	▲ %
Profit	(921)	17,593	2,154	1%	-88%	(3,101)	59,341	105,565	13%	78%
(+) Finance income (costs)	30,816	15,911	10,545	3.6%	-34%	69,309	41,451	31,145	3.9%	-25%
(+) Depreciation and amortization	10,028	9,952	10,838	3.7%	9%	29,161	29,628	32,706	4.1%	10%
(+) Income taxes	(639)	952	436	0%	-1154%	(3,585)	16,802	50,037	6%	198%
<b>EBITDA</b>	<b>39,284</b>	<b>44,408</b>	<b>23,973</b>	<b>8%</b>	<b>-46%</b>	<b>91,784</b>	<b>147,222</b>	<b>219,453</b>	<b>27%</b>	<b>49%</b>
(-) Extraordinary Gains	-	-	-	-	-	-	(30,042)	(132,157)	-	-
<b>EBITDA ajustado</b>	<b>39,284</b>	<b>44,408</b>	<b>23,973</b>	<b>8%</b>	<b>-46%</b>	<b>91,784</b>	<b>117,180</b>	<b>87,296</b>	<b>11%</b>	<b>-26%</b>

The Company finishes 9M18 with EBITDA in the amount of R\$219 million and EBITDA margin of 28%. The growth by 49% when compared to the 9H17 is due to the favorable court decisions recognized in the 2Q18.

Whether these gains on favorable court decisions be disregarded, EBITDA would amount to R\$87 million and EBITDA margin would be 11%.

## NET PROFIT

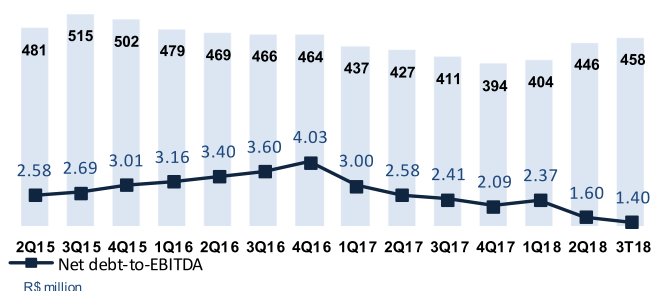


In 3Q18, net profit amounted to R\$3 million and accrued in the current year is R\$106 million, net profit significant higher than the same period of prior year.

Adjusting the extraordinary earns of the current year the net profit accrued reach R\$52 million in 9M18.

## DEBT/CAPITAL STRUCTURE

## Net Debt

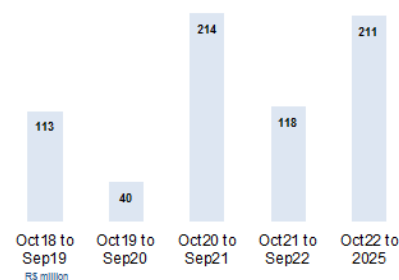


The Company's net debt reached R\$458 million at the end of 3Q18. Net debt-to-EBITDA ratio for the past 12 months is 1.8x. When compared to 3Q17, net debt-to-EBITDA ratio dropped by 0.6x.

In 3Q18, the lowest net debt-to-EBITDA ratio for the past five years was reached.

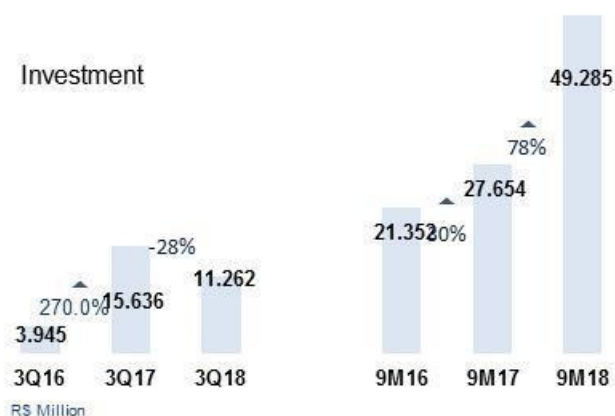
	Sep-16	Sep-17	Sep-18	▲ R\$
Bank Indebtedness	639,029	519,907	627,663	107,756
Tax Indebtedness	80,220	79,344	66,850	(12,494)
<b>(=) Gross debt</b>	<b>719,249</b>	<b>599,251</b>	<b>694,513</b>	<b>95,262</b>
(+) Cash and cash equivalents	(165,453)	(94,103)	(139,385)	(45,282)
(+) Due from related parties	(87,768)	(93,695)	(97,129)	(3,434)
<b>(=) Net debt</b>	<b>466,028</b>	<b>411,453</b>	<b>457,999</b>	<b>46,546</b>
EBITDA (past 12 months)	129,479	170,750	261,248	90,498
<i>Net debt-to-EBITDA ratio</i>	<i>3.60</i>	<i>2.41</i>	<i>1.51</i>	
<i>Net debt-to-equity ratio</i>	<i>1.95</i>	<i>1.44</i>	<i>1.30</i>	

The balance of gross debt is divided into 16% maturing in the short term and 84% maturing in the long term. In the 3Q17, the balance of gross debt was divided into 35% maturing in the short term and 65% maturing in the long term.

Repayment Schedule  
(gross debt)



## INVESTMENTS



The Investments amounted to R\$49 million, out of which 74% were allocated to Portobello, 15% were allocated to Pointer and remain of 11% were allocated to another business.

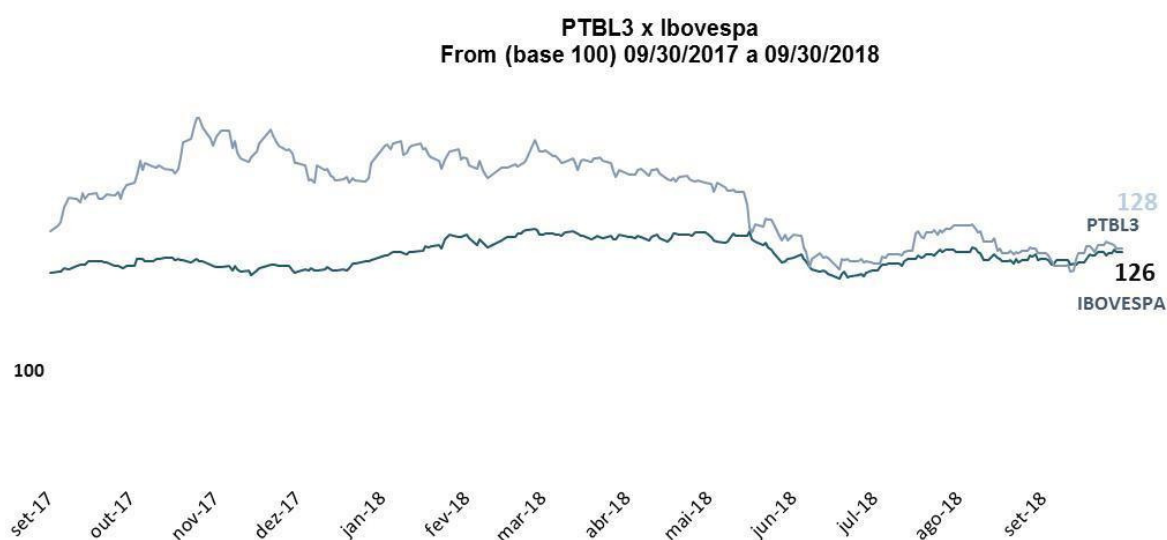
In Portobello framework the investments focused the preparation and updating of the industrial park for the production of products with higher added value and larger formats and IT infrastructure.

At Pointer, investments were mostly allocated to the plant transformation and seeking the portfolio profitability and qualification.

## SHAREHOLDERS' COMPENSATION AND SHAREHOLDERS' MEETING RESOLUTIONS

In August 29 were distributed advanced earnings in the net amount R\$8,939 thousands, in approximate R\$0.0564 per share. The amount is referring the current year as dividends and interest on own capital. Additionally at April 30, 2018 had already been distributed the net amount of R\$20,848 thousands as dividends and interest on own capital.

## 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 September quoted at R\$3,97.

In the past 12 months, the average financial trading volume was R\$44 million, up by 37% against the R\$33 million recorded in the prior year. At the end of 3Q18, PBG S.A.'s market value was equivalent to R\$629 million (R\$808 million in September 2017).

## PROSPECTS

- The next quarters point to a still challenging scenario, but with the expectation of a gradual resumption of economic growth and also expected greater stability related to the post-election period. Thus, internally, the focus has been maintained on the qualification of the sales mix, nullification of the pressure for cost increase, seeking gain margin through large formats, launches and customized products;
- Retail remains one of the pillars of business growth, seeking to accelerate the result and the generation of value especially in sales through the Portobello Shop channel and expansion of the number of Own Stores;
- Officina business gaining robustness, becoming profitable and consolidating in fact as a great competitive differential for the brand and the Portobello Shop;
- Efforts in the foreign market remain focused on expanding exports and internationalizing the Company. To contribute with its goals the US distribution operation was reopened in this quarter and will be a relevant point;
- The Alagoas plant and the Pointer brand keep being aligned with the current market context, brand reposition and portfolio'products with higher economic margin. The operations has reached its balance and keepspointing to additional earns;
- The Tijucas plant maintains diligent production cost control by the end of this year, in order to mitigate increases in energy costs and consequent impacts on margins
- After reviewing the organizational structure, the Company will continue its efforts to improve its business model with a retail focus.
- The Company remains confident in its competitive advantages and reaffirms its efforts to improve the results.

## 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 auditor should not audit their own work, should not perform management functions in the client and should not act as client's advocate. In the third quarter of 2018, the Company did not engage independent auditors to perform non-audit services.

## MANAGEMENT

### 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
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### Executive Board

Name	Title
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Cesar Gomes Júnior	Chief Executive Officer
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Cláudio Ávila da Silva	Deputy Chief Institutional Relations Officer
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John Shojiro Suzuki	Deputy Chief Operations Officer
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Mauro do Valle Pereira	Deputy Chief Business Officer
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## TELECONFERENCE AND WEBCAST (Portuguese Only)

On Friday, November 9, 2018, at 9 a.m., a teleconference will be held in Portuguese language to report the earnings for the second quarter of 2018.

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/)).

## Balanco Patrimonial

Assets	09/30/2018	12/31/2017	Liabilities	09/30/2018	12/31/2017
<b>Current assets</b>	<b>623,427</b>	<b>522,623</b>	<b>Current liabilities</b>	<b>391,747</b>	<b>414,310</b>
Cash and cash equivalents	132,199	94,379	Borrowings and debentures	102,565	146,402
Trade receivables	257,615	218,412	Trade payables and credit assignment	160,371	149,696
Inventories	206,212	179,323	Taxes and social contributions	25,256	31,157
Recoverable taxes	9,833	15,922	Payroll and related taxes	48,700	31,330
Prepaid expenses	4,170	1,720	Advances from customers	20,068	12,615
Other current assets	13,398	12,867	Dividends payable	492	6,035
			Other current liabilities	34,295	37,075
<b>Noncurrent assets</b>	<b>980,699</b>	<b>729,385</b>	<b>Noncurrent liabilities</b>	<b>860,560</b>	<b>552,638</b>
<b>Long-term assets</b>	<b>506,777</b>	<b>268,926</b>	Borrowings and debentures	525,098	367,159
Escrow deposits	103,192	93,501	Trade payables	87,596	78,496
Recoverable taxes	5,032	6,407	Deferred income tax and social	2,140	14,186
Legal assets	267,170	45,969	Taxes payable in installments	56,020	62,648
Due from related parties	97,129	94,651	Related parties	62,008	-
Due from Eletrobrás	12,821	12,821	Provisions	124,441	28,214
Other noncurrent assets	21,433	15,577	Other	3,257	1,935
			<b>Equity</b>	<b>351,819</b>	<b>285,060</b>
<b>Investments</b>	<b>298</b>	<b>298</b>	Capital	140,000	130,000
<b>Property, plant and equipment</b>	<b>453,296</b>	<b>440,595</b>	Earnings reserves	133,348	143,988
<b>Intangible assets</b>	<b>20,328</b>	<b>19,566</b>	Other comprehensive income	(18,541)	(4,172)
			Additional proposed dividends	-	15,232
			Retained earnings	96,978	-
			Noncontrolling interests	34	12
<b>Total assets</b>	<b>1,604,126</b>	<b>1,252,008</b>	<b>Total liabilities</b>	<b>1,604,126</b>	<b>1,252,008</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 September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### **1 General information**

PBG S.A., hereinafter referred to as “Company” or “Parent”, is a publicly-held company and its shares are traded on the *Novo Mercado* segment of the B3 S.A. - Brasil, Bolsa, Balcão (B³), under ticker symbol PTBL3. The Company is controlled by a group of shareholders, formally recognized under the agreement entered into on April 15, 2011, and amended on August 4, 2017, which hold 54% equity interest in the Company as at September 30, 2018. The remaining 46% equity interest is 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.

Moreover, the Company 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 11 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 third quarter operates the special cuts factory on Southeast; and (v) Portobello América, which was established to sell Portobello products in the U.S. market and gradually returns the operations started in the second half of 2018.

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

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

This interim financial information includes:

The individual and consolidated interim financial information, herein presented as Parent and Consolidated, respectively, has been prepared in accordance with CPC 21 (R1) - Interim Financial Reporting and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and is being presented in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Interim Financial Information (ITR).

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 IFRSs 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 October 25, 2018.

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.

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

On January 1, 2018, several new standards became effective: IFRS 9/CPC 48 – Financial Instruments and IFRS 15/CPC 47 – Revenue from Contracts with Customers. As mentioned in Note 3.20 to the financial statements for the year ended December 31, 2017, the Company did not identify any significant impacts arising on the adoption of these new standards in the quarter ended September 30, 2018.

With respect to IFRS 9/CPC 48 – Financial Instruments, in the quarter ended September 30, 2018, the presentation of financial instruments was adjusted as follows:

## **CPC 48/ IFRS 9 - Financial Instruments**

Pursuant to CPC 48/IFRS 9, the Company recognizes, measures and classifies financial assets, financial liabilities and some agreements for the purchase or sale of non-financial items as follows:

### **(i) Initial recognition and measurement**

*Financial Assets:* Initially recognized at fair value and measured upon initial recognition according to their classification: (i) measured at amortized cost, (ii) measured at fair value through other comprehensive income (FVTOCI), and (iii) measured at fair value through profit or loss (FVTPL). The standard eliminated the categories set out in IAS 39 (held-to-maturity, loans and receivables and available-for-sale).

*Allowance for impairment losses on Financial Assets and Contractual Assets:* CPC 48/IFRS 9 superseded the “incurred losses” model provided for by CPC 38 (IAS 39) and now the Company recognizes losses using a prospective model of “expected credit losses”. This requires considerable judgment about how changes in economic factors affect the expected credit losses.

The new expected losses model is applicable to financial assets measured at amortized cost or at FVTOCI, except for investments in equity instruments and contractual assets.

*Financial Liabilities:* Initially recognized at fair value and measured upon initial recognition according to their classification: (i) measured at fair value through profit or loss (FVTPL) or (ii) other financial liabilities measured at amortized cost. Changes in the fair value of liabilities measured at FVTPL are broken down as follows:

- the amount of changes in the fair value attributable to changes in the credit risk underlying financial liabilities is recognized in other comprehensive income; and
- the remaining amount of changes in fair value is recorded in profit or loss.

### **(i) Classification**

*Financial Assets:* Classified into three categories: (i) measured at amortized cost, (ii) measured at fair value through other comprehensive income (FVTOCI), and (iii) measured at fair value through profit or loss (FVTPL).

*Financial Liabilities:* classified into two categories: (i) measured at fair value through profit or loss (FVTPL) or (ii) other financial liabilities measured at amortized cost.

Management did not designate any financial liabilities at FVTPL.

## **3 Significant accounting policies**

The accounting policies and calculation methods adopted in preparing the interim financial information for September 30, 2018 are the same as those used in preparing the financial statements for the year ended December 31, 2017, except for the adoption of CPC 48/IFRS 9 and CPC 47/IFRS 15 mentioned in Note 2 b).

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### 4 Critical accounting estimates and judgments

The critical judgments and uncertainties in estimates adopted in applying the accounting policies are the same as those detailed in the financial statements for the year ended December 31, 2017.

### 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		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Trade receivables	59,174	52,785	59,174	52,785
Checking account	10,206	3,806	10,206	3,806
Due from subsidiaries	83,765	67,728	-	-
Exposed assets	166,855	124,319	83,090	56,591
Allowance for investment losses	(77,151)	(67,717)	-	-
Trade payables, commissions, net of advances	(11,831)	(9,718)	(11,831)	(9,718)
Supplier of investments	(10,459)	(12,392)	(10,459)	(12,392)
(-) Swap transaction	(67,957)	(42,303)	(67,957)	(42,303)
Borrowings and financing	24,487	-	24,487	-
Exposed liabilities	(142,911)	(132,130)	(65,760)	(64,413)
Net exposure	10,234	(7,811)	3,620	(7,822)

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

	In Euro (€)				In U.S. Dollar (US\$)			
	Parent		Consolidated		Parent		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Trade receivables	259	317	259	317	13,082	12,659	13,082	12,659
Checking account		-		-	2,549	1,150	2,549	1,150
Due from subsidiaries		-		-	20,921	20,474	-	-
Allowance for investment losses		-		-	(19,269)	(20,471)		-
Trade payables, commissions, net of advances	(557)	(541)	(557)	(541)	(2,339)	(2,288)	(2,341)	(2,288)
Payables for investments	(2,246)	(3,122)	(2,246)	(3,122)	(2)	-		-
Borrowings and financing		-		-	(16,973)	(12,788)	(16,973)	(12,788)
	(2,544)	(3,346)	(2,544)	(3,346)	4,085	(1,264)	2,433	(1,267)

The Company adopts the strategy of maintaining the foreign exchange liability exposure at an amount equivalent to up to one year of exports. On September 30, the net foreign exchange remained low.

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

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

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

### b) Credit risk

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

### c) Liquidity risk

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

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

The table below analyses the non-derivative financial liabilities (Parent 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 refer to the contracted undiscounted cash flows.

	Parent							
	September 30, 2018				December 31, 2017			
	* Loans and Debentures	Financial Leasing	Supplier and cession	Installment of tax obligation	* Loans and Debentures	Financial Leasing	Supplier and cession	Installment of tax obligation
Up to 1 year	102,565	-	155,831	10,756	146,051	351	147,540	14,033
From 1 to 2 years	231,772	-	87,596	21,830	252,500	-	78,496	21,334
From 2 to 5 years	280,534	-		32,745	102,778	-	-	32,001
Over 5 years	14,762	-	-	1,067	14,836	-	-	8,891
	629,633	-	243,427	66,398	516,165	351	226,036	76,259



## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

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

	Consolidated							
	September 30, 2018				December 31, 2017			
	* Loans and Debentures	Financial Leasing	Supplier and cession	Installment of tax obligation	* Loans and Debentures	Financial Leasing	Supplier and cession	Installment of tax obligation
Up to 1 year	102,565	-	160,371	10,830	146,051	351	149,696	14,126
From 1 to 2 years	233,014	-	87,596	21,978	253,677	-	78,496	21,478
From 2 to 5 years	280,534	-	-	32,967	102,778	-	-	32,217
Over 5 years	14,763	-	-	1,075	14,836	-	-	8,953
	630,876	-	247,967	66,850	517,342	351	228,192	76,774

\* 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 to interest rate fluctuations

The income from the Company's short-term investments and the finance costs arising on financing and borrowings are affected by changes in interest rates such as the CDI and Selic rates.

As at September 30, 2018, Management considered as the probable scenario the increase in the CDI rate of 6.39% and of the Selic rate of 6.40%. The probable rate was then stressed by 25% and 50% and used as benchmark for the possible and remote scenarios, respectively.

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

Consolidated in Brazilian reais								
	September 30, 2018	Risk	Probable		Possible (25%)*		Remote (50%)*	
			%	R\$	%	R\$	%	R\$
Loans – working capital	(1,243)	Alta CDI	6.39%	(79)	7.99%	(99)	9.59%	(119)
Loans – export credit note	(140,785)	Alta CDI	6.39%	(8,996)	7.99%	(11,245)	9.59%	(13,494)
Debentures	(301,721)	Alta CDI	6.39%	(19,280)	7.99%	(24,100)	9.59%	(28,920)
	(443,749)			(28,355)		(35,444)		(42,533)
Tax installment payment	(66,850)	Alta Selic	6.40%	(4,345)	8.00%	(5,432)	9.60%	(6,518)

\*Possible and remote scenarios calculated based on the probable rate.

#### 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 September 30, 2018, 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:

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

		Consolidated in Brazilian reais					
September 30, 2018		Probable		Possible (25%)*		Remote (50%)*	
		Taxa US\$	Ganho (Perda)	Taxa US\$	Ganho (Perda)	Taxa US\$	Ganho (Perda)
Trade receivables	59,174	3.890	(1,686)	4.863	12,707	5.835	27,099
Checking account	10,206	3.890	(290)	4.863	2,189	5.835	4,668
Trade payables, net of advances	(22,290)	3.890	634	4.863	(4,780)	5.835	(10,194)
Borrowings and financing	(67,957)	3.890	1,933	4.863	(14,573)	5.835	(31,079)
(-) Swap transaction	24,487	3.890	(697)	4.863	5,251	5.835	11,199
Net exposure	3,620		(106)		794		1,693

\*Possible and remote scenarios calculated based on the probable rate, based on the Focus Report from Bacen dated October 5, 2018.

## 5.2 Capital management

Management's purposes when managing its capital are to protect its and its subsidiaries' ability to continue as going concerns so as to offer return to shareholders and benefits to other stakeholders, besides providing the best cash management so as to obtain the lower borrowing costs when combining own and third-party capital.

Capital is monitored based on consolidated financial leverage ratios. This ratio corresponds to the net debt divided by the total capital. In turn, the net debt corresponds to total borrowings and tax installment payment, less cash and cash equivalents, due from other related parties and securities. Total capital is calculated through the sum of equity and net debt, as shown in the consolidated balance sheet.

As at September 30, 2018, financial leverage ratios are summarized as follows:

	Parent		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Borrowings and financing	626,420	512,384	627,663	513,561
Tax installment payment	66,398	76,259	66,850	76,774
Less: Cash and cash equivalents	(114,482)	(78,756)	(132,199)	(94,379)
Due from other related parties	(97,129)	(94,651)	(97,129)	(94,651)
Short-term investments	(7,186)	(6,938)	(7,186)	(6,938)
Net debt	474,021	408,298	457,999	394,367
Total equity	351,785	285,048	351,389	285,060
Total capital	825,806	693,346	809,388	679,427
Leverage ratio (%)	57	59	57	58

## 5.3 Financial instruments by category

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

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

	Parent		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Assets measured at fair value through profit or loss				
Cash and cash equivalents	114,482	78,756	132,199	94,379
Short-term investments	7,186	6,938	7,186	6,938
Amortized cost	385	-	385	-
Due from other related parties				
Trade receivables	97,129	94,651	97,129	94,651
	458,225	384,048	494,514	414,380
Amortized cost				
Trade payables and assignment	243,427	226,036	247,967	228,192
Borrowings, financing and debentures	626,420	512,384	627,663	513,561
Tax installment payment	66,398	76,259	66,850	76,774
	936,245	814,679	942,480	818,527

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

	Parent		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Checking account	11,799	12,801	18,793	15,417
Short-term investments	102,683	65,955	113,406	78,962
	114,482	78,756	132,199	94,379

Short-term investments designated as cash equivalents correspond to investments in investment funds, which average return in September 2018 was equivalent to 108.7% of the Interbank Deposit Certificate (CDI) rate and which can be redeemed on any time, without penalties.

### 7 Financial Instruments

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

The Company has conducted swap transactions intended to hedge future payments for borrowings and financing described below against the US dollar and interest rate fluctuations. This transaction is classified as current and noncurrent liabilities.

In June 2018, the Company has entered into an Export Credit (NCE) transaction in the amount of 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. An unrealized loss amount of R\$726 on the transaction was recognized in September 2018 (note 32).

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

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

### 8 Trade receivables

	Parent		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Due from third parties:				
Domestic market	180,341	153,302	197,920	167,560
Foreign market	59,174	52,785	59,174	52,785
	<u>239,515</u>	<u>206,087</u>	<u>257,094</u>	<u>220,345</u>
Due from related parties:				
Entities linked to Management	826	-	2,027	451
	<u>826</u>	<u>-</u>	<u>2,027</u>	<u>451</u>
Impairment of trade receivables:				
Allowance for doubtful debts	(1,298)	(2,384)	(1,506)	(2,384)
	<u>(1,298)</u>	<u>(2,384)</u>	<u>(1,506)</u>	<u>(2,384)</u>
	<u>239,043</u>	<u>203,703</u>	<u>257,615</u>	<u>218,412</u>

Management believes that the allowance for doubtful debts 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 allowance doubtful debts are recorded in profit or loss as selling expenses.

#### a) Aging list of trade receivables

	Parent		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
To be due	232,744	199,172	249,545	213,431
30 days	2,853	2,979	3,280	3,070
31 to 90 days	2,367	1,354	3,300	1,411
91 to 180 days	445	272	600	305
181 to 360 days	862	1,100	1,156	1,350
Over 360 days	1,070	1,210	1,240	1,229
	<u>240,341</u>	<u>206,087</u>	<u>259,121</u>	<u>220,796</u>

The Company's receivables are pledged as collateral for some of the borrowings and financing, as described in note 21. Its amount is calculated based on a percentage rate of the residual debt balance. As at September 30, 2018, the total receivables pledged as collateral amounts to R\$79,122 (R\$79,332 as at December 31, 2017).

### 9 Inventories

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

	Parent		Consolidado	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Finished products	172,860	144,331	175,113	144,488
Work in process	8,604	6,207	8,651	6,207
Raw materials and consumables	30,916	31,729	31,048	31,729
Allowance for impairment of inventories	(9,907)	(7,043)	(9,907)	(7,043)
Imports in progress	1,307	3,942	1,307	3,942
	<u>203,780</u>	<u>179,166</u>	<u>206,212</u>	<u>179,323</u>

The Company recognizes an allowance for inventory losses taking into consideration the lower of net cost value and the recoverable value. The expense on the recognition of the allowance for inventory losses was recorded in line item 'Cost of sales' in the income statement for the year. When there is no recovery expectation, the amounts credited to this line item are realized against the definite write-off of the inventory.

## 10 Recoverable taxes

	Parent		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Current				
ICMS	4,439	5,646	4,933	6,120
IPI (a)	1,507	3,051	1,619	3,399
IRRF/CSRF	106	1,612	128	1,635
IRPJ/CSLL	1,916	4,034	1,931	4,050
PIS/COFINS	-	-	421	421
Reintegra (b)	445	-	445	-
Outros	213	153	356	297
	<u>8,626</u>	<u>14,496</u>	<u>9,833</u>	<u>15,922</u>
Noncurrent*				
ICMS	3,076	2,728	3,358	2,728
PIS/COFINS	1,674	3,679	1,674	3,679
	<u>4,750</u>	<u>6,407</u>	<u>5,032</u>	<u>6,407</u>

\* Recoverable taxes arising from acquisitions of property, plant and equipment.

### a) Decrease of IPI rates

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 originates tax credits that are used for offset against federal taxes on a quarterly basis.

### b) 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.

As at September 30, 2018, the Reintegra-related tax credits amounted to R\$445. As at December 31, 2017, these credits amounted to R\$ 862 recognized in other current assets and it was reclassified in 2018.

## 11 Due from other related parties

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

The Company has acquired, between 2001 and 2003, from related party Refinadora Catarinense S.A. ("Refinadora") tax credits against the National Treasury arising from a Writ of Security 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 has handed down a decision by mid-2009 defining the date of extinguishment of this incentive on October 04, 1990, thus extinguishing this credit utilization claims. As a result of this fact, the Company has 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 must be pointed out 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 04, 1990, in progress at the Federal Justice of the Federal District, which final and unappealable court decision handed down was 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. As at September 30, 2018, these credits also originating in lawsuit No. 87.00.00967-9 amount to R\$97,127 (R\$94,651 as at December 31, 2017) and are adjusted based on the SELIC rate, as set forth in the agreement.

These credits have already become court-ordered debt payments. 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 and 07 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 responsible for the performance of the obligation.

## 12 Escrow deposits

The Company and its subsidiaries are parties to tax, civil and labor lawsuits (see note 25) e 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, i.e., TR + 0.5%.

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

	Parent		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Civil (a)	87,645	78,568	87,645	78,568
Labor	8,816	8,381	8,816	8,381
Tax	6,700	6,521	6,731	6,552
	103,161	93,470	103,192	93,501

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 loyalty plan,

## PBG S.A and subsidiaries

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has 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 has filed a lawsuit against CentraisElétricasBrasileira 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 considered with grounds and in February 2006 the Company has 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 has challenged such 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 such new situation, in July 2014 the Company has decided to suspend the asset adjustment, until a new decision on the amount and criteria used in this procedure is handed down, maintaining the adjusted balance in the amount of R\$48,621.

In 2016, after the final and unappealable decision on the award calculation lawsuit, the Company has 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 has filed a court decision enforcement action, in the total amount of R\$12,821. In the period up to September 30 the amount remains the same.

TheCentraisElétricasBrasileira 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. The Company reaffirms its relation to the value or anticipated its realization in the medium term.

### 14 Income tax and social contribution

#### a) Income tax and social contribution on income

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

	Current Asset				Current Liabilities			
	Parent		Consolidated		Parent		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Income tax	1,398	2,823	1,413	2,839	-	-	(1,626)	(1,284)
Social contribution	518	1,211	518	1,211	-	-	(592)	(474)
	1,916	4,034	1,931	4,050	-	-	(2,218)	(1,758)

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

#### b) Deferred income tax and social contribution

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

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

	Parent		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Tax losses	14,549	15,288	14,549	15,288
Temporary gains	35,949	21,570	40,302	22,092
Exchange differences on cash basis	1,031	2,873	1,031	2,873
Provision for adjustment to market value	1,983	1,841	1,983	1,841
Provision for contingencies	12,529	8,585	12,529	8,585
Provision for contingencies Pis/Cofins - Plaintiff	6,927	-	6,927	-
Accrued profit sharing and long-term incentive	2,271	2,116	2,271	2,116
Tax losses in subsidiaries	-	-	4,353	522
Other temporary gains	11,208	6,155	11,208	6,155
Temporary losses	(52,638)	(51,044)	(52,638)	(51,044)
Portobello pension plan	(1,957)	(1,957)	(1,957)	(1,957)
Realization of revaluation reserve	(18,023)	(18,481)	(18,023)	(18,481)
Receivables from Eletrobrás	(4,359)	(4,359)	(4,359)	(4,359)
Contingent assets - IPI premium credit - phase I	(2,647)	(2,591)	(2,647)	(2,591)
Contingent assets - IPI premium credit - phase II	(7,621)	(7,461)	(7,621)	(7,461)
Contingent assets - Semiannual PIS	(3,075)	(3,025)	(3,075)	(3,025)
Contingent assets - adjustment to rural credit notes	(2,607)	(2,552)	(2,607)	(2,552)
Adjustment to present value	(1,092)	(1,405)	(1,092)	(1,405)
Depreciation adjustment (based on the useful life of assets)	(11,257)	(9,213)	(11,257)	(9,213)
Deferred income tax and social contribution - net	(2,140)	(14,186)	2,213	(13,664)
Noncurrent assets	-	-	4,353	522
Noncurrent liabilities	(2,140)	(14,186)	(2,140)	(14,186)

As at September 30, 2018, net variations in deferred income tax and social contribution are as follows:

	Parent	Consolidated
December 31, 2017	(14,186)	(13,664)
Tax losses	(739)	(739)
Tax losses in subsidiaries	-	3,831
Temporary gains	14,379	14,379
Temporary losses	(2,052)	(2,052)
Revaluation reserve	458	458
Em September 30, 2018	(2,140)	2,213

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 and Consolidated are as follows:



## PBG S.A and subsidiaries

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

	Parent	Consolidated
	September 30, 2018	September 30, 2018
Deferred tax asset charged against (credited to) profit or loss		
Tax losses	(739)	(739)
Exchange differences on cash basis	(1,842)	(1,842)
Provision for adjustment to market value	142	142
Provision for contingencies	3,944	3,944
Provision for contingencies Pis/Cofins - Plaintiff	6,927	6,927
Accrued profit sharing and long-term incentive	155	155
Subsidiaries accumulated tax loss	-	3,831
Other temporary gains	5,053	5,053
	<u>13,640</u>	<u>17,471</u>
Portobello previdência		
Realization of revaluation reserve	458	458
Contingent assets - IPI premium credit - phase I	(56)	(56)
Contingent assets - IPI premium credit - phase II	(160)	(160)
Contingent assets - Semiannual Pis	(50)	(50)
Plaintiff - Credit premium IPI	(55)	(55)
Adjustment to present value	313	313
Depreciation adjust	(2,044)	(2,044)
	<u>(1,594)</u>	<u>(1,594)</u>
	<u>12,046</u>	<u>15,877</u>

### c) Income tax and social contribution expenses

Income tax and social contribution expenses are broken down below:

#### Income tax and social contribution expenses in the third quarter:

	Parent		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Profit before taxes	5,665	15,688	8,209	18,545
Tax calculated based on statutory rate - 34%	(1,926)	(5,334)	(2,791)	(6,305)
Share of profit of subsidiaries	2,547	3,598	-	-
Non-deductible expenses for tax purposes	10	3,631	10	3,631
Depreciation of revalued assets	(153)	(153)	(153)	(153)
Others	142	153	588	1,875
Expense of income and social contribution taxes	619	1,895	(2,346)	(952)
Effective tax rate	-10.9%	-12.1%	28.6%	5.1%

#### Accumulated income tax and social contribution expenses:

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

	Parent		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Profit before taxes	157,552	68,381	161,221	76,143
Tax calculated based on statutory rate - 34%	(53,567)	(23,250)	(54,815)	(25,889)
Share of profit of subsidiaries	8,972	9,932	-	-
Non-deductible expenses for tax purposes	539	4,251	539	4,251
Depreciation of revalued assets	(458)	(458)	(458)	(458)
Others	(3,356)	459	2,788	5,294
Expense of income and social contribution taxes	(47,871)	(9,066)	(51,947)	(16,802)
Effective tax rate	30.4%	13.3%	32.2%	22.1%

## 15 Judicial asset

	Parent		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
IPI premium credit (a)				
Case No. 1987.0000.645-9	22,414	21,945	22,414	21,945
Case No. 1984.00.020114-0	7,784	7,621	7,784	7,621
Semiannual PIS (b)	9,045	8,896	9,045	8,896
Adjustment to rural credit notes (c)	7,667	7,507	7,667	7,507
IPI premium credit – Plaintiff	220,260	-	220,260	-
	267,170	45,969	267,170	45,969

### 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 01, 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 September 30, 2018 is R\$22,414.

Regarding Lawsuit No. 1984.00.020114-0, for the period between December 07, 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 so that they can agree with or object against the report. The Company has 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 more possibility of objection. The Company has 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 has recorded the tax asset in June 2015, which amount adjusted up to September 30, 2018 is R\$7,784.

### b) Semiannual payment of the PIS

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In 2017 the Company has recognized the asset relating to the semiannual payment of the PIS, based on the final and unappeasable decision in May, whereby the Federal Superior Court has handed down a favorable decision to recover the amounts overpaid as Pis. In October the request for credit utilization was filed, which is pending a decision by the Brazilian Federal Revenue Service. The Brazilian Federal Revenue Service is conducting an analysis to ratify the amounts.

### **c) 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, has 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. The amount of the uncontested portion adjusted up to September 30, 2018 is R\$7,667.

### **d) 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 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, has acknowledged as uncontested the amount of R\$187,091 (August/15) while it has not agreed with the amount of R\$66,056.

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

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

The amount of the asset due on behalf of the Company is R\$220,260 (September/18) and was already submitted to the 6<sup>th</sup> Federal Court for rendering of sentence in a regular sentence enforcement process. The Company believes that the recognition of this amount will not affect cash in the short-term.

Concomitant to the recognition of the asset, a liability of R\$62,008 was recorded in the liabilities with the Refinadora Catarinense, initially the author of the lawsuit, In 2002 the Plaintiff of the process was changed and as provided in the initial contract, the amount is due to the related party.

The net asset amount of the liabilities to Refinadora is R\$158,252 thousand. The estimated amount of R\$162,000 was being disclosed in the note relating to contingent assets through March 31, 2018.

### **e) Exclusion of ICMS from PIS and COFINS taxa base.**

The Company has filed a writ of security to change the PIS and COFINS tax base upon exclusion of ICMS. The Federal Court of Santa Catarina has issued a favorable decision on the exclusion of the ICMS from the abovementioned tax base. The aforesaid decision was upheld by the Federal Regional Court of the 4<sup>th</sup> 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).

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 has reversed the amount accrued on that date.

## PBG S.A and subsidiaries

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

On July 02, 2018, according to the certificate drafted by the Office of the Federal Regional Court of the 4<sup>th</sup> Region this case became final and therefore the appeal against the judicial decision was exhausted. Thus, it is no longer possible to review the determination of the court and also to bring new resources.

On August 14, 2018, the Company filed with the Brazilian Federal Revenue with the request for credit rating resulting from the Judicial Decision Transited in Judgment so that it may use credits between November 2009 and October 2014 according legal decision. The Company will wait the manifest of Brazilian Federal Revenue answering the claiming about the recognition procced.

### 16 Contingent assets

The contingent asset that refers to lawsuit No. 1998.34.00.029022-4 which also mentioned in note 15d, it keeps as a Contingent asset, once the Federal Government diverged the calculated amount.

The Federal Government affirms there is a difference between the basis provided by Company and the basis of Federal Government in the amount of R\$ 66,056 (base of August, 2015). Of that value, the company's net part is 9,908 (base of August, 2015) the difference is destined to the Refinadora Catarinense and success fees. On September 30, 2018 the amount is approximately R\$ 11,665.

Management also maintains the understanding that the asset is probable and, accordingly, it must continue to be disclosed in an explanatory note. The Company is waiting for the next legal actions regarding the recognition of the asset.

### 17 Investments

#### a) Interests in subsidiaries

The Company is the controlling shareholder 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".

	Country of establishment	Interest	Asset	Liability	Revenue*	Profit or loss*
On December 31, 2017						
Portobello América Inc.	Estados Unidos	100.00%	26	67,743	-	(67)
PBTech Ltda.	Brasil	99.94%	14,359	8,425	62,772	5,215
Portobello Shop S/A	Brasil	99.90%	40,380	39,900	63,510	32,528
Mineração Portobello Ltda.	Brasil	99.76%	2,079	1,495	9,336	339
Companhia Brasileira de Cerâmica S/A	Brasil	98.00%	2,121	(2)	-	8
On September 30, 2018						
Portobello América Inc.	Estados Unidos	100.00%	6,908	84,059	278	(1,722)
PBTech Ltda.	Brasil	99.94%	24,864	14,762	55,486	4,168
Portobello Shop S/A	Brasil	99.90%	41,977	19,950	48,249	21,547
Mineração Portobello Ltda.	Brasil	99.76%	3,085	2,223	7,640	278
Companhia Brasileira de Cerâmica S/A	Brasil	99.91%	9,061	822	589	2,116

\* For December 31, 2017, the information refers to the 12-month period and for September 30, 2018 refers to the 9-month period

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

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

	Equity	Profit or loss the period	Interest	December 31, 2017	Exchange differences	Payment of capital	Share of profit (loss) of subsidiaries	September 30, 2018
Investments								
Portobello América Inc.	(77,151)	(1,722)	100%	(67,717)	(13,479)	5,767	(1,722)	(77,151)
PBTech Ltda.	10,108	4,171	99.94%	5,934	-	-	4,168	10,102
Portobello Shop S.A.	22,049	21,569	99.90%	480	-	-	21,547	22,027
Mineração Portobello Ltda.	864	279	99.76%	584	-	-	278	862
Companhia Brasileira de Cerâmica S/A	8,246	2,118	99.91%	2,123		4,000	2,116	8,239
Others	10	-	100%	10	-	-	-	10
Total net investment in subsidiaries				(58,586)	(13,479)	9,767	26,387	(35,911)
Interest in subsidiaries				9,131				41,240
Allowance for investment losses				(67,717)				(77,151)

## 18 Property, plant and equipment

### a) Breakdown

	Annual ratio average of depreciation	Parent			Consolidated		
		September 30, 2018			December 31, 2017		
		Cost	Depreciation accrued	Net amount	Cost	Depreciation accrued	Net amount
Land		12,603	-	12,603	12,141	13,524	13,062
Buildings, constructions and improvements	3%	203,677	(47,428)	156,249	161,341	164,285	169,413
Machinery and equipment	15%	580,646	(323,605)	257,041	230,268	259,930	230,269
Furniture and fixtures	10%	9,456	(8,521)	935	1,079	997	1,092
Computers	20%	25,085	(17,735)	7,350	4,321	7,915	4,325
Other property, plant and equipment	20%	374	(211)	163	15	643	14
Constructions in progress		5,083	-	5,083	21,957	6,002	22,420
		836,924	(397,500)	439,424	431,122	453,296	440,595

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 has 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 28.3).

Pursuant to Technical Interpretation ICPC 10 of the Accounting Pronouncements Committee, approved by CVM Resolution 619/09, effective beginning January 01, 2009, the Company has 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 periodically conducts an annual review; there was no significant impact on the useful life of property, plant and equipment items in 2018.

### b) Variation in property, plant and equipment

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

	Parent					September 30, 2018
	December 31, 2017	Additions	Transfers	Depreciation	Write-offs	
Land	12,141	462	-	-	-	12,603
Buildings and improvements	161,341	136	210	(5,242)	(196)	156,249
Machinery and equipment	230,268	2,145	44,235	(19,176)	(431)	257,041
Furniture and fixtures	1,079	-	-	(144)	-	935
Computers	4,321	2,214	2,184	(1,369)	-	7,350
Other property, plant and equipr	15	165	-	(17)	-	163
Constructions in progress	21,957	31,703	(46,629)	-	(1,948)	5,083
	431,122	36,825	-	(25,948)	(2,575)	439,424

	Consolidated					September 30, 2018
	December 31, 2017	Additions	Transfers	preciation	Write-offs	
Land	13,062	462	-	-	-	13,524
Buildings and improvements	169,413	399	2,670	(7,776)	(421)	164,285
Machinery and equipment	230,269	4,881	44,410	(19,199)	(431)	259,930
Furniture and fixtures	1,092	53	-	(148)	-	997
Computers	4,325	2,783	2,187	(1,380)	-	7,915
Other property, plant and equipr	14	667	-	(38)	-	643
Constructions in progress	22,420	34,796	(49,267)	-	(1,948)	6,002
	440,595	44,041	-	(28,541)	(2,800)	453,296

In the end of thirdquarterthetotal additions in the fixed asset amounted R\$ 44 million, out of which 74% were allocated to Portobello, 15% were allocated to Pointer, 8% in Warehouse to Portobello American and 3% at own stores.

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

AS FOLLOWS.

	Controladora		Consolidado		Parent		Consolidated	
	3rd Quarter				Accrued			
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Cost of slaes	7,872	7,046	7,917	7,046	23,185	21,033	23,240	21,034
Selling expenses	626	520	1,496	1,205	1,789	1,572	4,327	3,523
Administrative expenses	401	247	401	250	974	736	974	743
	8,899	7,813	9,814	8,501	25,948	23,341	28,541	25,300

## 19 Intangible assets

### a) Breakdown

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

		Parent			Consolidated		
		September 30, 2018			December 31, 2017	September 30, 2018	December 31, 2017
		Annual ratio average of depreciation	Cost	Depreciation accrued	Net amount	Cost	Depreciation accrued
Trademarks and patents	-	150	-	150	150	150	150
Software	20%	22,934	(16,831)	6,103	6,025	6,411	6,025
Mining rights	20%	1,000	(1,000)	-	-	1,329	289
Goodwill	7%	-	-	-	-	10,015	9,681
Software under development	-	2,116	-	2,116	1,398	2,420	1,504
Management system (a)	21%	18,886	(18,883)	3	1,917	3	1,917
		45,086	(36,714)	8,372	9,490	20,328	19,566

(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) Variations in intangible assets

	Parent					
	December 31, 2017	Addiction	Amortization	Transfer	Get off	September 30, 2018
Trademarks and patents	150	-	-	-	-	150
Software	6,025	27	(1,476)	1,529	-	6,103
Software under development	1,398	2,564	-	(1,529)	(317)	2,116
Management system	1,917	-	(1,914)	-	-	3
	9,490	2,591	(3,390)	-	(317)	8,372

	Consolidated					
	December 31, 2017	Addiction	Amortization	Transfer	Get off	September 30, 2018
Trademarks and patents	150	-	-	-	-	150
Software	6,025	344	(1,487)	1,529	-	6,411
Mining rights	289	1,307	(267)	-	-	1,329
Goodwill	9,681	831	(497)	-	-	10,015
Software under development	1,504	2,762	-	(1,529)	(317)	2,420
Management system	1,917	-	(1,914)	-	-	3
	19,566	5,244	(4,165)	-	(317)	20,328

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

	Parent		Consolidated		Parent		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Cost of sales	202	196	310	306	607	593	883	921
Selling expenses	359	705	528	705	1,766	2,095	2,265	2,095
Administrative expenses	186	440	186	440	1,017	1,303	1,017	1,304
	747	1,341	1,024	1,451	3,390	3,991	4,165	4,320

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

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

	2018	2019	2020	2021	2022	2023 a 2038	Total
Software	546	2,175	1,965	1,070	485	170	6,411
Mining rights	98	392	392	95	68	284	1,329
Goodwill	190	761	761	761	761	6,781	10,015
Management system	3	-	-	-	-	-	3
	837	3,328	3,118	1,926	1,314	7,235	17,758

Trademarks and patents and software under development in the total amount of R\$2,570 were not subject to amortization due to their indeterminate useful life. However, they are subject to impairment, as described in the significant accounting policies disclosed in these financial statements as at the end of the year.

## 20 Trade payables and credit assignment

### a) Trade payables

	Parent		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Domestic market	108,969	99,741	113,509	101,897
Foreign market	8,155	12,672	8,155	12,672
Current	117,124	112,413	121,664	114,569
Domestic market (i)	87,596	78,496	87,596	78,496
Noncurrent	87,596	78,496	87,596	78,496
	204,720	190,909	209,260	193,065

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

### b) Credit assignment of trade payables

The Company conducted trade payables credit assignment transactions with prime financial institutions in the amount of R\$38,707 as at September 30, 2018 (R\$35,127 as at December 31, 2017), to offer to its partner suppliers more attractive credit facilities aiming at maintaining the business relationship.

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

### c) Payables for investments

The Company recognizes a balance of R\$15,167 in the Parent and R\$15,676 in the consolidated in current liabilities (R\$19.049 and R\$ 19.609 on December 31, 2017), which refers to modernization of plants, investment in own stores and systems.



## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

### 21 Borrowings, financing and debentures

				Parent		Consolidated	
	Currency	Maturities	Charges	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Current							
Banco do Nordeste S.A (a)	R\$	jun-25	3.00% a.a.	9,781	9,798	9,781	9,798
NCE (b)	R\$	nov-21	8.56% a.a. <sup>1</sup>	36,520	37,954	36,520	37,954
NCE (b)	US\$	jun-21	7.79% a.a. <sup>1</sup>	5,489	-	5,489	-
PRODEC (c)	R\$	mai-22	4.00% a.a. <sup>1</sup>	18,314	20,489	18,314	20,489
FINEP (d)	R\$	mai-21	7.49% a.a. <sup>1</sup>	13,333	17,133	13,333	17,133
DEG (e)	US\$	out/21	7.39% a.a.+VC	13,441	10,460	13,441	10,460
FINAME (f)	R\$	ago-23	3.00% a.a. <sup>1</sup>	421	422	421	422
Debêntures 1ª série (g)	R\$	jun-21	8.59% a.a.	2,527	18,708	2,527	18,708
Debêntures 2ª série (g)	R\$	jun-23	9.14% a.a.	2,739	29,016	2,739	29,016
Pre-payment	US\$	mai-18	0.00% a.a.+VC	-	2,071	-	2,071
Financial leasing	R\$	mai-18	0.00% a.a.	-	351	-	351
Total Current			7.78% a.a. <sup>1</sup>	102,565	146,402	102,565	146,402
Total local currency				83,635	133,871	83,635	133,871
Total foreign currency				18,930	12,531	18,930	12,531
Noncurrent							
Floating Capital	R\$			-	-	1,243	1,177
Banco do Nordeste S.A (a)	R\$	jun-25	3.00% a.a.	56,237	63,573	56,237	63,573
NCE (b)	R\$	nov-21	8.56% a.a. <sup>1</sup>	79,778	85,278	79,778	85,278
NCE (b)	US\$	jun-21	7.79% a.a. <sup>1</sup>	18,998	-	18,998	-
PRODEC (c)	R\$	mai-22	4.00% a.a. <sup>1</sup>	18,990	25,848	18,990	25,848
FINEP (d)	R\$	mai-21	7.49% a.a. <sup>1</sup>	21,876	31,721	21,876	31,721
DEG (e)	US\$	out-21	7.39% a.a.+VC	30,029	29,772	30,029	29,772
FINAME (f)	R\$	ago-23	3.00% a.a. <sup>1</sup>	1,497	1,811	1,497	1,811
Debêntures 1ª série (g)	R\$	jun-21	8.59% a.a.	148,225	71,782	148,225	71,782
Debêntures 2ª série (g)	R\$	jun-23	9.14% a.a.	148,225	56,197	148,225	56,197
Total Noncurrent			7.82% a.a. <sup>1</sup>	523,855	365,982	525,098	367,159
Total local currency				474,828	336,210	476,071	337,387
Total foreign currency				49,027	29,772	49,027	29,772
Grand total			7.67% a.a. <sup>1</sup>	626,420	512,384	627,663	513,561
Total local currency				558,463	470,081	559,706	471,258
Total foreign currency				67,957	42,303	67,957	42,303

<sup>1</sup> Weighted average rate

VC - Exchange difference

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

### a) Information on contracts

Note	Agreement	Date		Borrowing	Term (months)	Repayment	Grace period (months)	Collaterals
		Disbursement	Maturity					
		Aug-14	Jun-25	R\$ 96,819	133	Monthly	24	Mortgage of properties and machinery and equipment
(a)	<b>Banco do Nordeste</b>	Agreement entered into in Jun/13, in the amount of R\$147,700. The 1st installment of the financing was released by the Bank in Aug/14 in the amount of R\$29,221, the 2nd installment was released in Jan/15 in the amount of R\$45,765, the 3rd installment was released in Sep/15 in the amount of R\$14,700, the 4th installment was released in Mar/16 in the amount of R\$4,713 and the 5th installment was released in Dec/16 in the amount of R\$2,418.						
		Nov-17	Nov-21	R\$ 50,000	48	Monthly	12	Receivables from Portobello SA in the amount of 30% of the
		Nov-17	Nov-20	R\$ 30,000	36	Quarterly	20	Receivables from Portobello SA in the amount of 30% of the debt balance of the agreement
		May-18	Nov-18	R\$ 24,000	6	Bullet	5	Receivables from Portobello SA in the amount of 24% of the
		May-18	Nov-18	R\$ 18,000	6	Bullet	5	Receivables from Portobello SA in the amount of 24% of the
		May-18	Nov-18	R\$ 18,000	6	Bullet	5	Receivables from Portobello SA in the amount of 24% of the
		May-18	Nov-18	R\$ 24,000	6	Bullet	5	Receivables from Portobello SA in the amount of 24% of the
		Jun-18	Jun-21	R\$ 24,000	36	Quarterly	12	Clean
		Jun-18	May-21	R\$ 24,000	36	Quarterly	12	Clean
		Jun-16	May-19	R\$ 10,000	36	Quarterly	12	Receivables from Portobello SA in the amount of 25% of the
		Jun-16	May-19	R\$ 20,000	36	Quarterly	12	80% of trade notes + 20% short-term investment.
		(*) The agreements indicated contain minimum covenants that were met.						
	<b>PRODEC</b>	-	-	-	48	Bullet	Bullet	-
(c)	(Santa Catarina Company Development Program) - Special Regime of the State of Santa Catarina obtained in July 2009. The balance is subject to adjustment to present value and the rate used for purposes of calculation is the average working capital (8.83% per year). The deferred amount is 60% of the tax balance generated in the month exceeding R\$2,251 (average tax paid in 2007 and 2008), with a grace period of 48 months, term of 120 months and inflation adjustment of 4% per year and UFIR variation.							
		Jul-14	May-21	R\$ 57,318	84	Monthly	24	Bank guarantee
(d)	<b>Finep</b>	The 1st installment of the financing, in the amount of R\$12,627, was released by the Bank in Jul/14. The 2nd installment was released in Jan/16 in the amount of R\$12,479. The 3rd installment was released in Jun/17 in the amount of R\$32,064.						
		May-14	Oct-21	US\$ 18,000	90	Semiannually	23	Machinery and equipment and promissory notes
(e)	<b>DEG (Deut</b>	This agreement has minimum covenants that were accomplished.						
		May-13	May-23	R\$ 39	120	Monthly	25	Machinery and equipment
		May-13	Apr-23	R\$ 601	120	Monthly	24	
		Jul-13	Jul-23	R\$ 107	120	Monthly	25	
		Jul-13	Aug-23	R\$ 1,890	120	Monthly	26	
		Jan-14	Jun-23	R\$ 577	114	Monthly	18	
	<b>Debentures 3rd issue, 1st series</b>	Jun-18	Jun-21	R\$ 150,000	36	Semiannually	24	Real guarantee and additional fidejussory guarantee
(g)	<b>Debentures 3rd issue, 2nd series</b>	Jun-18	Jun-21	R\$ 150,000	60	Semiannually	48	Real guarantee and additional fidejussory guarantee

Restricted investments, real estate mortgages, equipment, Parent's (note 8) and subsidiary's receivables (note 38) and Parent's and subsidiary's surety were pledged as collateral for other borrowings.

Long-term borrowings mature as follows:

	Parent		Consolidated	
Maturities on October 1	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
2018	-	146,402	-	146,402
2019	28,605	125,477	28,605	126,654
2020	201,755	124,204	202,998	124,204
2021 a 2025	293,495	116,301	293,495	116,301
	523,855	512,384	525,098	513,561

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

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Brazilian reais	558,463	470,081	559,706	471,258
US Dollars	67,957	42,303	67,957	42,303
	626,420	512,384	627,663	513,561

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

### b) Debentures

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

Issuance Characteristics	
Issuance	3 <sup>a</sup>
Trustee	PLANNER TRUSTEE DTVM LTDA.
Custodian	Banco Bradesco S/A
Lead Underwriter	Banco Itaú BBA S/A
Depository Bank	Não
Trade	CETIP
Series Number	2
Issuance Volume - R\$	300,000,000.00
Total Number of 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	06/27/2018	
Maturity Date	06/27/2021	06/27/2023
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 inflation adjustment to the Par Value	
Interest	DI rate + 2.20% per year (252-day year)	DI rate + 2.75% per year (252-day year)
Interest Payment	Semiannual, with first interest date on 12/27/2018	
Repayment	Initial Nominal Value	Initial Nominal Value
Corporate Acts:	Meeting of the Board of Directors held on 06/15/2018	
Covenants	Division of Net Debt and EBITDA ≤ 3.00 times	

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

The 3<sup>rd</sup> issuance of Debentures is subject to covenants that were met on September 30, 2018.

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### 22 Tax installment payment

Taxes	Installment payment request		Parent		Consolidated	
	Date	Falling-due installments	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
LAW 11.941/09 (a)	nov-09	73	66,398	72,602	66,850	73,097
LAW 13.496/17 (b)	ago-17		-	3,657	-	3,677
Total			66,398	76,259	66,850	76,774

Tax installments will be paid as follows:

Maturity April 1	Parent		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
2018	10,756	14,033	10,830	14,126
2019 a 2023 (*)	54,575	53,335	54,945	53,695
2024	1,067	8,891	1,075	8,953
	66,398	76,259	66,850	76,774
Current	10,756	14,033	10,830	14,126
Noncurrent	55,642	62,226	56,020	62,648

(\*) Sum of annual installments of R\$10,756 as at Sep 30, 2018 and R\$10,667 as at December 31, 2017 for the Parent and R\$10,830 and R\$10,739 for the consolidated, respectively.

#### a) Law 11.941/09 (Tax Recovery Program (REFIS))

In May and September 2011, the Company has completed the installment payment consolidation process established by Law 11.941/09, initiated upon adhesion to the Tax Recovery Program in November 2009.

Between the adhesion and consolidation, the Company has paid the minimum amount of R\$395 as prescribed by the legislation. During such period and more specifically upon consolidation, the Company has made decisions that resulted in a positive financial adjustment of R\$3,013, of which R\$3,613 impacting other operating income and R\$ 600 impacting finance costs. The main effect derived from the non-confirmation of the migration of debts rejected in the installment program under MP 470 to the installment payment program under Law 11.941/09 (note 23).

Upon completion of the consolidation, the Company undertakes to pay monthly installments of R\$818, adjusted by the Selic rate, and withdrew the lawsuits and waives 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. These withdrawal of lawsuits filed against tax assessments do not impair the continuance of the lawsuits in progress before the courts, as mentioned in note 15.

#### b) Law 13.496/17 (PERT – Tax Regularization Program )

In August 2017 the Company has joined the tax installment payment program established by Law 13.496/17. In November 2017 the debt calculations were completed and federal debts in the amount of R\$3,865 were paid in installments through the Special Tax Regularization Program (PERT), already considering the benefits prescribed by the law. At that date, the impact on profit or loss in other operating expenses amounted to R\$3,193 and in finance costs amounted to R\$672. In January 2018 the Company

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

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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revised the installment payment conditions before conducting the consolidation, whereby it has decided to change the decision to join the installment payment program. The decision was based on the expected favorable outcome on the initially selected debts as they are being discussed at the courts. On March 2018, the Company reversed the revoked debts, as well as the benefits of installment payments. The impacts in 1Q18 were the reversal of the amount recognized, as well as the benefits of installment payments.

### **23 Tax debts – Law 12.249/10 (MP 470 and MP 472)**

In November 2009 the Company has joined the installment payment program established by MP 470 (improper utilization of IPI premium credit) of the SRF and PGFN. Upon adhesion, 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 the conversion of this Provisional Act (Law 12.249/10) in June 2010 the utilization of tax credits arising from tax losses existing as 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.

PGFN has 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 has issued an opinion in the sense of claiming the withdrawal/relinquishment of the lawsuits that challenged the notifications received from the SRF. However, the Regional General Attorneys’ Office of the National Treasury of Santa Catarina understood that the withdrawal/relinquishment should 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 PGFN’s decision so as to rule out the requirement of withdrawal/relinquishment of such declaratory actions and also the confirmation of the “inappropriate utilization”, evidently recognized by the Brazilian Federal Revenue Service upon notification. This procedure decided by Management is followed by an opinion from law firm Demarest Almeida, which defends 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, differently 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. For clarification purposes, the writ of security filed to seek the judicial homologation of the installment payment was denied by the lower court. In the appeal, the TRF of the 4<sup>th</sup> Region has partially accepted the appeal. The Company maintains the opinion on the reversal of the remaining legal matter at the Superior Court of Justice.

In case PGFN’s decision is upheld by the superior court, which the Company believes to be remote 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 million as at September 30, 2018, considering the non-acknowledgement of the debt, the non-existence of benefits and the maintenance of the debts for the contingent liabilities, which potential tax liability will be satisfied against credits arising from lawsuit No. 1998.34.00.029022-4, as shown in note 15 d.

### **24 Taxes, fees and contributions**

As at September 30, 2018, taxes, fees and contributions recorded in current liabilities were classified as follows:

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

	Parent		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
IRRF	2,233	2,420	2,495	2,721
ICMS	6,854	6,304	6,875	6,325
PIS/COFINS	2,003	5,404	2,503	5,801
Outros	243	302	335	426
	<b>11,333</b>	<b>14,430</b>	<b>12,208</b>	<b>15,273</b>

## 25 Provision for civil, labor, social security and tax issues

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:

	Parent		Consolidated	
Amount accrued	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Civil	10,733	8,733	10,733	8,733
Labor	16,462	14,959	16,462	14,959
Social security	6,836	-	6,836	-
Tax	90,379	4,491	90,410	4,522
	<b>124,410</b>	<b>28,183</b>	<b>124,441</b>	<b>28,214</b>

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 which classify them according to the likelihood of favorable outcome on the lawsuits.

Statement of variations in provisions:

	Parent				Total
	Civil	Labor	Social Sec	Tax	
As at December 31, 2017	8,733	14,959	-	4,491	28,183
Debited from (credited to) to the income statement:	2,185	2,977	6,836	85,888	97,886
Additional provisions	2,726	1,118	2,489	85,888	92,221
Reversals due to lack of use	(861)	(165)	-		(1,026)
Inflation adjustment	320	2,024	4,347		6,691
Reversals due to realization	(185)	(1,474)	-		(1,659)
As at September 30, 2018	<b>10,733</b>	<b>16,462</b>	<b>6,836</b>	<b>90,379</b>	<b>124,410</b>

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

	Consolidated				Total
	Cíveis	Trabalhistas	Previdenc	Tributárias	
As at December 31, 2017	8,733	14,959	-	4,522	28,214
Debited from (credited to) to the income statement:	2,185	2,977	6,836	85,888	97,886
Additional provisions	2,726	1,118	2,489	85,888	92,221
Reversals due to lack of use	(861)	(165)	-		(1,026)
Inflation adjustment	320	2,024	4,347		6,691
Reversals due to realization	(185)	(1,474)			(1,659)
As at September 30, 2018	10,733	16,462	6,836	90,410	124,441

Comments on civil, labor and tax lawsuits:

### Civil

The Company and its subsidiaries are defendants in 414 civil lawsuits (388 lawsuits as at December 31, 2017), 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 property damages. When applicable, escrow deposits were made (note 12).

### Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 326 labor claims (324 claims as at December 31, 2017), 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 property damages arising from work accident/occupational diseases. 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 second 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, has 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

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### Tax on legal asset Polo Ativo

In the second quarter of 2018, the Company has recognized in line item "Tax contingencies" the amount of R\$74,180 relating to PIS, COFINS, IRPJ and CSLL on legal asset Polo Ativo, as mentioned in note 15d.

## 26 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		Consolidated	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Civil	3,678	3,764	3,678	3,773
Labor	7,305	7,278	7,393	7,366
	10,983	11,042	11,071	11,139

### b) Lawsuit assessed as remote loss relating to Administrative Proceeding No. 10983-721.445/2014-78

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 06, 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.

On March 07, 2016, the Company was notified about the issuance of the Tax Assessment Notices according 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 offsets of IRPJ and CSLL. However, the Company has defended 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. At the lower court decision, the objections filed were considered with grounds 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-



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

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720.299/2016-02 and No. 11516-720.300/2016-91 were sent to the Administrative Council of Tax Appeals (Carf), for judgment of the appeal.

### **27 Long-term Incentive**

In 2012, the Company has 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 has joined the program in 2012. Currently, there are two active plans. The present value of the obligation as at September 30, 2018 is R\$2,558 in the Parent and consolidated (R\$1,935 in the Parent and consolidated as at December 31, 2017).

### **28 Equity**

#### **28.1 Capital**

After the resolutions at the Annual Shareholders' Meeting, held on April 30, 2018, the Company increased its capital by R\$10,000, fully through capitalization of profits, exclusively for the Company's capitalization, without changing the total number of shares, as set forth in article 169, paragraph 1 of Law 6404/76. Accordingly, as at September 30, 2018, the Company recognizes subscribed and paid-up capital in the total amount of R\$140,000 (R\$130,000 as at December 31, 2017), represented by 158,488,517 common, registered and book-entry shares, without par value.

As at September 30, 2018, there was 73,792,391 outstanding shares, corresponding to 46% of the total shares issued (72,982,224 as at December 31, 2017, corresponding to 46.05% 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.

#### **28.2 Earnings reserve**

The earnings 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. As at September 30, 2018, the balance of the legal reserve totals R\$18,426 (R\$18,426 as at December 31, 2017), as prescribed by Article 193 of the Brazilian Corporate Law.

After the resolutions at the Annual Shareholders' Meeting, held on April 30, 2018, the Company increased its profit retention in of R\$19,522. As at September 30, the company states the profit reserve in the total amount of R\$114,922 (R\$95,400 as at 31 December, 2017). The reserve of profit retention is based in the business enhanced plan, established in the investment plan according capital budget, in accordance with article 196 of the Brazilian Corporate Law.

## PBG S.A and subsidiaries

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The objective of the profit reserve is to show the portion of profits whose allocation was deliberated at the Annual General Meeting held on April 30, 2018. Thus, the current balance of the reserve is nil, since part of the income was destined and the remainder were paid as share capital.

### 28.3 Valuation adjustment to equity

	Equity valuation adjustments		
	Deemed cost	Cumulative translation adjustments	Other comprehensive income
Parent and Consolidated			
As at December 31, 2017	35,876	(29,523)	(10,525)
Realization of the revaluation reserve	(890)	-	-
Exchange difference of foreign subsidiary	-	(13,479)	-
As at September 30, 2018	34,986	(43,002)	(10,525)

#### a) Deemed cost

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 has 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. 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 valuation adjustments to equity is reflected in profit or loss for the year, based on the depreciation of revalued assets.

#### b) Cumulative translation adjustments

The changes in assets and liabilities in foreign currency (US dollar) arising from the currency fluctuation, as well as the variations between the daily rates and the closing rate of the variations in profit or loss of the foreign subsidiary are recognized in this line item of cumulative translation adjustments. In September 2018 the amount was R\$13,479 (note 17.a).

## 29 Revenue

The reconciliation of gross revenue and net revenue, shown in the income statement for the quarter ended September 30, 2018, is as follows:

#### a) Gross revenue incurred in the third quarter:

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

	Parent		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Gross sales revenue	318,223	315,301	347,493	343,389
Deductions from gross revenue	(67,386)	(64,819)	(70,379)	(67,777)
Taxes on sales	(58,888)	(57,909)	(61,901)	(60,393)
Returns	(8,498)	(6,910)	(8,478)	(7,384)
Net sales revenue	250,837	250,482	277,114	275,612
Domestic market	207,096	205,366	233,373	226,984
Foreign market	43,741	45,116	43,741	48,628

### b) Expenses accrued until third semester:

	Parent		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Gross sales revenue	896,154	882,697	978,370	961,077
Deductions from gross revenue	(179,978)	(183,131)	(189,201)	(191,303)
Taxes on sales	(159,519)	(164,189)	(167,869)	(171,229)
Returns	(20,459)	(18,942)	(21,332)	(20,074)
Net sales revenue	716,176	699,566	789,169	769,774
Domestic market	558,825	572,198	631,818	631,090
Foreign market	157,351	127,368	157,351	138,684

## 30 Expenses by nature

Cost of sales, selling and administrative expenses for the quarter ended September 30, 2018 are broken down as follows:

### a) Expenses incurred in the third quarter:

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

	Parent		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
<b>Cost and expenses</b>				
Cost of sales and/or services	(170,209)	(162,482)	(170,097)	(163,139)
Selling	(62,459)	(53,479)	(76,690)	(64,394)
General and administrative	(9,566)	(7,536)	(11,356)	(7,735)
	<u>(242,234)</u>	<u>(223,497)</u>	<u>(258,143)</u>	<u>(235,268)</u>
<b>Breakdown of expenses by nature</b>				
Direct production costs (raw materials and inputs)	92,648	86,353	90,408	83,989
Payroll, related taxes and employee benefits	59,391	54,768	67,268	60,290
Labor and third-party services	17,692	15,599	18,302	15,967
Overhead (including maintenance)	12,168	11,358	12,228	11,358
Cost of goods resold	10,514	13,092	11,537	15,790
Amortization and depreciation	9,645	9,155	10,838	9,952
Other selling expenses	8,828	6,317	12,998	8,291
Sales commissions	7,707	7,378	8,559	8,065
Expenses on marketing and advertising	10,144	7,487	11,209	8,598
Expenses on transportation of goods sold	4,989	4,541	4,989	4,541
Expenses on rentals and operating leases	3,175	2,751	4,463	3,631
Other administrative expenses	1,415	785	1,516	883
Changes in inventories of finished products and work in process (a)	3,918	3,913	3,828	3,913
Total	<u>242,234</u>	<u>223,497</u>	<u>258,143</u>	<u>235,268</u>

(a) The variation in inventories of finished products and work in process corresponds to the difference between the cost of products manufactured and cost of products sold, remaining with a negative balance due to write-offs of cost of products sold relating to products that were manufactured in prior periods that contemplated the inventory account.

### b) Expenses accrued until third semester:

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

	Parent		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
<b>Cost and expenses</b>				
Cost of sales and/or services	(472,857)	(450,453)	(473,736)	(452,727)
Selling	(175,574)	(152,640)	(213,581)	(183,487)
General and administrative	(28,156)	(24,375)	(30,659)	(24,854)
	<u>(676,587)</u>	<u>(627,468)</u>	<u>(717,976)</u>	<u>(661,068)</u>
<b>Abertura das despesas por natureza</b>				
Direct production costs (raw materials and inputs)	271,193	243,437	263,690	236,552
Payroll, related taxes and employee benefits	170,039	156,319	189,789	171,970
Labor and third-party services	53,859	45,831	55,208	46,957
Overhead (including maintenance)	35,843	33,530	35,903	33,530
Cost of goods resold	28,532	37,633	35,272	45,839
Amortization and depreciation	29,337	27,339	32,706	29,628
Other selling expenses	24,629	21,123	33,799	26,954
Sales commissions	20,752	20,163	23,046	21,774
Expenses on marketing and advertising	24,023	17,918	26,577	20,791
Expenses on transportation of goods sold	13,441	12,018	13,441	12,018
Expenses on rentals and operating leases	9,177	8,325	12,494	10,934
Other administrative expenses	5,630	4,425	5,913	4,652
Changes in inventories of finished products and work in process (a)	(9,868)	(593)	(9,862)	(531)
Total	<u>676,587</u>	<u>627,468</u>	<u>717,976</u>	<u>661,068</u>

(a) The variation in inventories of finished products and work in process corresponds to the difference between the cost of products manufactured and cost of products sold, remaining with a negative balance due to write-offs of cost of products sold relating to products that were manufactured in prior periods that contemplated the inventory account.

## 31 Other operating income and expenses, net

Other individual and consolidated operating income and expenses for the quarter ended September 30, 2018 are as follows:

### a) Other income incurred in the third quarter:

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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	Controladora		Consolidado	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Other Operating Revenue				
Service Revenue	119	235	119	235
Goods sold	50	-	50	-
Other Revenues	(1,097)	324	(981)	779
Total	(928)	559	(812)	1,014
Other Operating Expenses				
Provision for Contingencies	(3,036)	(1,464)	(3,036)	(1,473)
Tax and Other revenue	-	-	-	-
Provision for Long-Term Incentive	(526)	-	(526)	-
Provision for Profit Sharing (a)	(936)	(4,910)	(936)	(5,219)
Other Expenses	(215)	(208)	(96)	(210)
Total	(4,713)	(6,582)	(4,594)	(6,902)
Net Total	(5,641)	(6,023)	(5,406)	(5,888)

### b) Other income accrued until the third quarter:

	Parent		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Other operating income				
Revenue from services	378	433	400	433
Goods sold	175	-	175	-
Tax credits	-	8,735	-	8,735
Judicial Asset	-	-	-	-
Reversal of Provision for Contingency	-	20,247	-	20,247
IPI Premium Credit - Plaintiff (b)	149,985	-	149,985	-
Other Revenue	(848)	553	(725)	1,506
Total	149,690	29,968	149,835	30,921
Other Operating Expenses				
Provision for Contingencies	(7,891)	(1,495)	(7,892)	(1,355)
Tax provision Pis/Cofins - Plaintiff IPI	(20,374)	-	(20,374)	-
Provision for Long-Term Incentive (note 28)	(3,082)	-	(3,345)	-
Provision for Profit Sharing (d)	3,193	(10,746)	3,193	(11,055)
Law 13.496 (PERT)	-	-	-	-
Lost on sales of investments	(2,141)	-	(2,431)	-
Pre-Operating Expenses	(480)	-	(480)	-
Idleness Cost (e)	(400)	(8,579)	(832)	(8,579)
Tax on others revenue	(197)	-	(197)	-
Other Expenses	(734)	(755)	(607)	(1,044)
Total	(32,992)	(21,575)	(33,851)	(22,033)
Net Total	116,698	8,393	115,984	8,888

## PBG S.A and subsidiaries

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### 32 Finance income (costs)

Individual and consolidated finance income (costs) for the quarter ended September 30, 2018 is as follows:

#### a) Finance income incurred in the third quarter:

	Parent		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Finance income				
Interest	1,728	1,775	1,880	1,910
Adjustment to assets	850	1,937	850	1,937
Other	726	576	726	581
Total	3,304	4,288	3,456	4,428
Finance expense				
Interest	(5,534)	(7,038)	(5,602)	(7,066)
Finance charges on taxes	(609)	(839)	(616)	(856)
Adjustment to provision for risks	(895)	(831)	(895)	(831)
Commissions and service fees	(915)	(1,043)	(1,120)	(1,190)
Banking expenses	(118)	(58)	(121)	(58)
Loss on swap transactions	-	(737)	-	(737)
Interest on debentures	(6,901)	(6,501)	(6,901)	(6,501)
Other	(536)	(495)	(540)	(497)
Total	(15,508)	(17,542)	(15,795)	(17,736)
Exchange differences, net				
Trade receivables and payables	3,847	(4,872)	3,843	(4,873)
Borrowings and financing	(2,049)	2,270	(2,049)	2,270
Total	1,798	(2,602)	1,794	(2,603)
Net Total	(10,406)	(15,856)	(10,545)	(15,911)

(a) Reversal of adjustments to the provision for contingencies relating to a 2001 civil law suit

#### b) Finance income accrued until the third quarter:

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

	<u>Controladora</u>		<u>Consolidado</u>	
	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
Finance income				
Interest	3,223	6,636	3,688	7,154
Adjustment to assets	3,332	7,010	3,332	7,010
Reversal of adjustment to contingencies (a)	-	6,320	-	6,320
Other	726	1,196	726	1,211
Total	<u>7,281</u>	<u>21,162</u>	<u>7,746</u>	<u>21,695</u>
Finance expense				
Interest	(17,053)	(23,909)	(17,161)	(23,916)
Finance charges on taxes	(1,895)	(3,526)	(1,920)	(3,566)
Adjustment to provision for risks	(6,983)	(3,329)	(6,983)	(3,339)
Comissions and service fees	(3,077)	(3,915)	(3,663)	(4,488)
Banking expenses	(371)	(353)	(374)	(354)
Reversal of fine and interest on installment payment (PERT)	672	-	672	-
Loss on swap transactions	(523)	(2,414)	(523)	(2,414)
Interest on debentures	(18,595)	(21,689)	(18,595)	(21,689)
Other	(1,403)	(1,784)	(1,546)	(1,825)
Total	<u>(49,228)</u>	<u>(60,919)</u>	<u>(50,093)</u>	<u>(61,591)</u>
Exchange differences, net				
Trade receivables and payables	18,513	(3,841)	18,509	(3,831)
Borrowings and financing	(7,307)	2,276	(7,307)	2,276
Total	<u>11,206</u>	<u>(1,565)</u>	<u>11,202</u>	<u>(1,555)</u>
Net Total	<u>(30,741)</u>	<u>(41,322)</u>	<u>(31,145)</u>	<u>(41,451)</u>

(a) Reversal of adjustments to the provision for contingencies relating to a 2001 civil law suit in the amount of R\$2.9 MM and relating to the ICMS on the PIs and Cofins tax base in the amount of R\$3.3 MM.

## 33 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.

	<u>Parent and Consolidated</u>	
	<u>September 30, 2018</u>	<u>September 30, 2018</u>
Profit (loss) attributable to the Company's shareholders	105,973	105,995
Weighted average number of common shares	158,489	158,489
Basic earnings (loss) per share	<u>0.66865</u>	<u>0.66878</u>

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



## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### b) Diluted

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

### 34 Dividends and interest on shareholders' equity

On August 29, 2018, there was a advanced payment of dividends in the net amount of R\$ 2,612 and R\$7,273 of interest of own capital referring to FY 2018.

Moreover, on May 25, 2018, it was already been distributed own dividends in the net amount of R\$ 16,819 and R\$4,031 by interest of own capital referring to FY 2017.

### 35 Segment reporting

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

The Executive Board conducts its business analysis, by segmenting the business under the standpoint of the market where 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:

	As at September 30, 2018			As at September 30, 2017		
	Brazil	Other Countries	Total	Brazil	Other Countries	Total
Continuing operations						
Revenue	233,373	43,741	277,114	226,984	48,628	275,612
Cost of sales	(206,000)	35,903	(170,097)	(132,622)	(30,517)	(163,139)
Gross operating income	27,373	79,644	107,017	94,362	18,111	112,473
Operating income (expenses), net	(80,760)	(12,692)	(93,452)	(67,889)	(10,128)	(78,017)
Selling, general and administrative	(75,354)	(12,692)	(88,046)	(62,001)	(10,128)	(72,129)
Other operating income (expenses), net	(5,406)	-	(5,406)	(5,888)	-	(5,888)
Operating income before finance income (costs)	18,419	(4,854)	13,565	26,473	7,983	34,456
% on NOI	8%	-11%	5%	12%	16%	13%

The Company has no customers that individually account for more than 10% of the net sales revenue. It exports to 78 countries, particularly Argentina and Paraguay.

### 36 Commitments

#### a) Commitments for acquisition of assets

Expenses incurred on the balance sheet date but not yet incurred relating to property, plant and equipment as at September 30, 2018 total R\$385, corresponding to the modernization of manufacturing equipment, according to the Company's investment plan.

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018  
In thousands of Brazilian reais - R\$, unless otherwise stated.

### b) Commitments on operating leases

Operating leases refer to the acquisition of vehicles. Minimum future non-cancelable payments as at September 30, 2018 and December 31, 2017 amount to R\$892 and R\$965, respectively, for less than one year. Amounts total R\$1,851 and R\$1,058 for more than one year and less than five years, respectively.

### 37 Insurance coverage

Current insurance coverage is considered sufficient by Management to cover probable losses. As at September 30, 2018, coverage against fire, lightning and explosion of any nature is R\$250,000, against windstorm, smoke with car crash is R\$18,000, against loss of profits is R\$35,000 and against electric damages, riot and civil liability is R\$3,600. The insurance policy is effective from May 31, 2018 to May 31, 2019.

The Company also has civil liability insurance for Directors & Officers (D&O), taken from 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 27, 2018 to August 27, 2019.

Additionally, the Company has taken insurance 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.

### 38 Related entities and parties

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

Nature	Company	September 30, 2018	December 31, 2017
Dividends receivable	Portobello Shop S.A.	11,079	32,529
Amounts receivable	Portobello Shop S.A.	-	127
Trade receivables	Portobello América, Inc.	83,765	67,728
Trade receivables	PBTech Com. Serv. Cer. Ltda.	(1,637)	(2,771)
Advance from customers	Cia Brasileira de Cerâmica	81	-
Advance to suppliers	Mineração Portobello Ltda.	514	449
Net assets of payables to subsidiaries		<u>93,802</u>	<u>98,062</u>
Due from other related parties	Refinadora Catarinense S.A.	97,129	94,651
Due from other related parties	Refinadora Catarinense S.A.	(62,008)	-
Receivables net of advance	Solução Cerâmica Com. Ltda.	384	(238)
Receivables net of advance	Flooring Revest. Cer. Ltda.	19	(456)
Payables	Multilog Sul Armazéns S/A	(723)	1,054
Payables	Flooring Revest. Cer. Ltda.	(3,074)	-
Payables	Neo way	(36)	
Net assets of payables to other related parties		<u>31,691</u>	<u>95,011</u>

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

		3 Quarter 2018		Accumulated	
Nature	Company	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Revenues					
Sales of products	Solução Cerâmica Com. Ltda.	7,058	6,159	17,709	17,518
Sales of products	Flooring Revest. Cer. Ltda.	3,400	3,106	8,736	7,342
Sales of products	PBTech Com. Serv. Cer. Ltda.	8,727	6,316	24,100	18,005
Sales of products	Cia Brasileira de Cerâmica	130	-	162	-
Expenses					
Purchase of products	Mineração Portobello Ltda.	(2,394)	(2,365)	(7,657)	(6,886)
Rental	Gomes Part Societárias Ltda.	(127)	(95)	(350)	(340)
Freight services	Multilog Sul Armazéns S/A	(1,542)	(523)	(4,399)	(1,670)
Cutting services	Flooring Revest. Cer. Ltda.	(3,045)	-	(6,448)	-
Software services	Neoway Tecnologia	(83)	-	(116)	-
		12,124	12,598	31,737	33,969

Subsidiary Portobello Shop is the Company's guarantor in some financing transactions (see note 21).

### 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:

					3rd Quarter		Accumulated	
					September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Transactions with subsidiaries and related parties	Nature	September 30, 2018	December 31, 2017	Nature	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	Asset			Income				
Solução Cerâmica Com. Ltda.	Trade receivables	819	380	Royalties	1,995	1,908	4,735	3,115
Flooring Revest. Cer. Ltda.	Trade receivables	381	286	Royalties	853	670	2,190	1,377
		1,200	666		2,848	2,578	6,925	4,492

### 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 September 30, 2018 are as follows:

#### a) Expenses incurred in the third quarter:

## PBG S.A and subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2018

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

	Parent		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Fixed compensation				
Salaries	3,542	3,060	4,081	3,531
Fees	1,515	1,357	1,592	1,357
Variable compensation	468	3,995	468	4,160
Short-term direct and fringe benefits				
Pension plan	217	184	225	186
Others	472	430	540	500
	6,214	9,026	6,906	9,734

### b) Expenses accrued until the third quarter:

	Parent		Consolidated	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Fixed compensation				
Salaries	10,072	8,920	11,488	10,188
Fees	4,226	3,994	4,303	3,994
Variable compensation	1,219	4,754	1,286	5,044
Short-term direct and fringe benefits				
Pension plan	608	536	621	538
Others	1,522	1,233	1,698	1,383
	17,647	19,437	19,396	21,147

## 39 Information supplemental to cash flow

During the third quarter of 2018, the following non-cash transactions were carried out:

	Parent	Consolidated
Purchase of property, plant and equipment in the investing activity	3,882	3,882

(Convenience Translation into English from the  
Original Previously Issued in Portuguese)

# **PBG S.A.**

Individual and Consolidated  
Interim Financial Information for the  
Quarter Ended September 30, 2018 and  
Report on Review of Interim  
Financial Information

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders and Management of  
PBG S.A.  
Tijucas - SC

### **Introduction**

We have reviewed the accompanying individual and consolidated interim financial information of PBG S.A. ("Company"), included in the Interim Financial Information Form (ITR) for the quarter ended September 30, 2018, which comprises the balance sheet as at September 30, 2018 and the statements of income and of comprehensive income for the three and nine-month periods then ended and the statements of changes in shareholders' equity and of cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with technical pronouncement CPC 21 (R1) - Interim Financial Reporting and international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and international standards on review of interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial 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 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 financial information**

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the Interim Financial Information (ITR) referred to above is not prepared, in all material respects, in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34, applicable to the preparation of Interim Financial Information (ITR), and presented in accordance with the standards issued by CVM.

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## Other matters

### *Statements of added value*

We have also reviewed the individual and consolidated interim statements of added value ("DVA") for the nine-month period ended September 30, 2018, prepared under the responsibility of the Company's Management, the presentation of which is required by the standards issued by CVM applicable to the preparation of Interim Financial Information (ITR) and considered supplemental information by the International Financial Reporting Standards - IFRS, issued by the IASB, which do not require the presentation of DVA. These statements were subject 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 are not prepared, in all material respects, in relation to the interim financial information taken as a whole.

### *Review of the corresponding interim financial information for the quarter ended September 30, 2017 and audit of the corresponding figures of the financial statements for the year ended December 31, 2017*

The interim financial information mentioned in the first paragraph includes the corresponding financial information to the statements of income, of comprehensive income, of changes in shareholders' equity, of cash flows and of added value for the quarter ended September 30, 2017, obtained from the Interim Financial Information (ITR) for the quarter then ended, as well as to the balance sheet as at December 31, 2017, obtained from the financial statements for the year ended December 31, 2017, presented for comparison purposes. The review of the interim financial information for the quarter ended September 30, 2017 and the audit of the financial statements for the year ended December 31, 2017 were conducted under the responsibility of other independent auditors, who issued an unmodified report on review of interim financial information and an unmodified independent auditor's report, dated November 9, 2017 and February 22, 2018, respectively.

The accompanying individual and consolidated interim financial information has been translated into English for the convenience of readers outside Brazil.

Joinville, November 1, 2018

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

Jonas Dal Ponte  
Engagement Partner