

Results 2Q20



PBG S.A.

Press Release 2Q20

June 30, 2020

Stock Price (06/30/2020)

PTBL3 – R\$ 4.15 | share

Market Value (06/30/2020)

R\$ 657,7 Millions

U\$\$ 120,1 Millions

Quantity of shares (06/30/2020)

Common: 155,649,117

Free Float = 45%

Investor Relations

Ronei Gomes

VP of Finance and Investor Relations

Gladimir Brzezinski

Controller and Investor Relations Manager

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PBG S.A and subsidiaries

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

Company information / Breakdown of Capital

Quantity of shares (Thousand)	Last fiscal year 06/30/2020
Paid-in capital	
Common	155,649
Preferred	0
Total	155,649
Treasury	
Common	2.839
Preferred	0
Total	2.839

ITR – Informações Trimestrais – 30/06/2020 – PBG S/A

Company Data / Cash Profits

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

PBG S.A. and subsidiaries

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

Individual financial statements / Balance Sheet - Assets

Account Code	Account Description	Current	Previous Year
		Period 06/30/2020	12/31/2019
1	Total Assets	1.969.034	1.828.301
1.01	Current Assets	758.477	812.427
1.01.01	Cash and Cash Equivalents	233.492	249.448
1.01.03	Accounts Receivable	188.720	222.856
1.01.03.01	Trade Receivables	188.720	222.856
1.01.04	Inventory	223.331	228.170
1.01.06	Recoverable Taxes	54.191	50.528
1.01.06.01	Current Taxes Recoverable	54.191	50.528
1.01.07	Prepaid Expenses	8.601	2.722
1.01.08	Others Current Assets	50.142	58.703
1.01.08.03	Others	50.142	58.703
1.01.08.03.01	Dividends Receivable	31.832	37.237
1.01.08.03.02	Advance to Suppliers	10.931	9.594
1.01.08.03.03	Others	7.379	11.872
1.02	Non-Current Assets	1.210.557	1.015.874
1.02.01	Long-Term Assets	638.128	515.631
1.02.01.07	Deferred Taxes	30.179	21.839
1.02.01.07.01	Deferred Income and Social Contribution Tax	30.179	21.839
1.02.01.09	Related Party Credits	249.634	196.357
1.02.01.09.02	Subsidiaries Credits	147.825	95.422
1.02.01.09.05	Credits with Other Related Parties	101.809	100.935
1.02.01.10	Other Non-Current Assets	358.315	297.435
1.02.01.10.03	Judicial Deposits	143.790	152.477
1.02.01.10.04	Receivables - Eletrobras	12.821	12.821
1.02.01.10.05	Recoverable Taxes	56.702	56.664
1.02.01.10.06	Tax Asset	105.305	37.865
1.02.01.10.07	Actuarial Asset	6.338	6.338
1.02.01.10.08	Interest Earning Bank Deposits	7.633	7.552
1.02.01.10.09	Lease Assets	12.127	12.916
1.02.01.10.10	Other	13.599	10.802
1.02.02	Investments	45.404	21.294
1.02.02.01	Ownership Interest	45.404	21.294
1.02.02.01.02	Interest in Subsidiaries	45.056	20.949
1.02.02.01.04	Other Ownership Interest	348	345
1.02.03	Property, Plant and Equipment	517.129	470.080
1.02.03.01	Operating Property, Plant and Equipment	517.129	470.080
1.02.04	Intangibles Assets	9.896	8.869
1.02.04.01	Intangibles Assets	9.896	8.869
1.02.04.01.02	Intangibles Assets	9.896	8.869

PBG S.A. and subsidiaries

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

Individual financial statements / Balance Sheet - Liabilities

Account Code	Account Description	Current Period	Previous Year
		06/30/2020	12/31/2019
2	Total Liabilities	1.969.034	1.828.301
2.01	Current Liabilities	634.240	574.501
2.01.01	Social and labor obligations	47.785	36.142
2.01.01.01	Social Obligations	47.785	36.142
2.01.02	Suppliers	151.594	134.501
2.01.02.01	National suppliers	96.424	128.374
2.01.02.02	Foreign suppliers	55.170	6.127
2.01.03	Tax Obligations	8.664	9.103
2.01.03.01	Federal tax obligations	8.664	9.103
2.01.03.01.01	Income and social contribution tax payable	8.664	9.103
2.01.04	Loans and Financing	251.750	232.426
2.01.04.01	Loans and Financing	152.772	133.376
2.01.04.01.01	In National Currency	121.060	99.119
2.01.04.01.02	In Foreign Currency	31.712	34.257
2.01.04.02	Debentures	98.978	99.050
2.01.05	Other Obligations	174.447	162.329
2.01.05.01	Liabilities with Related Parties	16.044	22.803
2.01.05.01.04	Debts with Other Related Parties	16.044	22.803
2.01.05.02	Other	158.403	139.526
2.01.05.02.01	Dividends and interest on equity	950	950
2.01.05.02.04	Credit granting from suppliers	69.683	58.710
2.01.05.02.05	Installment of Tax Liabilities	11.454	11.455
2.01.05.02.06	Advance from clients	23.969	23.211
2.01.05.02.07	Payables for fixed asset and intangible	31.773	20.127
2.01.05.02.08	Lease Obligations	3.830	4.554
2.01.05.02.09	Others	16.744	20.519
2.02	Non-current Liabilities	923.465	886.180
2.02.01	Loans and Financing	497.986	522.607
2.02.01.01	Loans and Financing	349.579	324.915
2.02.01.01.01	In National Currency	330.435	307.359
2.02.01.01.02	In Foreign Currency	19.144	17.556
2.02.01.02	Debentures	148.407	197.692
2.02.02	Other Obligations	271.235	182.016
2.02.02.02	Other	271.235	182.016
2.02.02.02.03	Suppliers	131.478	124.754
2.02.02.02.04	Payables for fixed asset and intangible	28.303	-
2.02.02.02.05	Installment of Tax Liabilities	40.014	43.518
2.02.02.02.06	Debts with Related Persons	56.330	-
2.02.02.02.07	Lease Obligations	7.126	7.271
2.02.02.02.08	Others	7.984	6.473
2.02.04	Provisions	154.244	181.557
2.02.04.01	Civil and Labor and Social Security Tax Provisions	61.908	120.200
2.02.04.01.01	Tax provisions	23.174	84.568
2.02.04.01.02	Social Security and Labor Provisions	6.615	6.615
2.02.04.01.03	Provisions for Employee Benefits	11.998	11.891
2.02.04.01.04	Civil Provisions	20.121	17.126
2.02.04.02	Other Provisions	92.336	61.357
2.02.04.02.04	Provision for short liabilities in subsidiaries	92.336	61.357
2.03	Shareholders' Equity	411.329	367.620
2.03.01	Realized Capital	200.000	200.000
2.03.02	Capital reserves	(7.498)	-
2.03.02.05	Treasury stock	(7.498)	-
2.03.04	Profit Reserves	257.382	184.036
2.03.06	Equity valuation adjustments	(44.363)	(22.224)
2.03.08	Other comprehensive income	5.808	5.808

PBG S.A. and subsidiaries

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

Individual financial statements / Statements of Income

Account Code	Account Description	Current Quarter	Accumulated of the	Same Quarter of Previous	Accumulated of the
		04/01/2020 to 06/30/2020	Current Period 01/01/2020 to 03/31/2020	Year 04/01/2019 to 06/30/2019	Previous Period 01/01/2019 to 03/31/2019
3.01	Income from sales of goods and/or services	215.874	455.436	244.426	459.039
3.02	Cost of goods and/or services sold	(186.021)	(359.547)	(181.408)	(342.898)
3.03	Gross income	29.853	95.889	63.018	116.141
3.04	Operating expenses/income	(41.347)	(92.064)	(16.157)	(81.797)
3.04.01	Sales expenses	(46.481)	(97.903)	(51.057)	(102.687)
3.04.02	General and administrative expenses	(9.899)	(20.336)	(9.474)	(19.732)
3.04.04	Other operating income	15.273	15.488	37.889	35.512
3.04.06	Equity income	(240)	10.687	6.485	5.110
3.05	Income (loss) before financial income and taxes	(11.494)	3.825	46.861	34.344
3.06	Financial income (loss)	(2.744)	7.468	(18.624)	(31.209)
3.06.01	Financial income	12.824	40.063	3.379	8.095
3.06.02	Financial expenses	(15.568)	(32.595)	(22.003)	(39.304)
3.07	Income (loss) before income tax	(14.238)	11.293	28.237	3.135
3.08	Income and social contribution taxes	65.988	61.459	(4.106)	3.788
3.08.02	Deferred assets	65.988	61.459	(4.106)	3.788
3.09	Net income (loss) of continued operations	51.750	72.752	24.131	6.923
3.11	Consolidated Net Income/loss for the period	51.750	72.752	24.131	6.923
3.99	Earnings per share - (Reais / Shares)	-	-	-	-
3.99.01	Basic Earnings per Share	-	-	-	-
3.99.02	Diluted Earnings per Share	-	-	-	-

PBG S.A. and subsidiaries

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

Individual financial statements / Statements of comprehensive income

Account Code	Account Description	Current Quarter 04/01/2020 to 06/30/2020	Accumulated of the Current Period 01/01/2020 to 03/31/2020	Same Quarter of Previous Year 04/01/2019 to 06/30/2019	Accumulated of the Previous Period 01/01/2019 to 03/31/2019
4.01	Net Income for the Period	51.750	72.752	24.131	6.923
4.02	Other Comprehensive Income	(15.046)	(21.545)	(1.047)	442
4.03	Comprehensive Income for the Period	36.704	51.207	23.084	7.365

PBG S.A. and subsidiaries

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

Individual financial statements / Statements of cash flows - Indirect method

Account Code	Account Description	Current Period 06/30/2020	Previous Year 12/31/2019
6.01	Net cash from operational activities	72.791	(52.941)
6.01.01	Cash generated in operations	(49.940)	33.173
6.01.01.01	Profit or loss for the year before taxes	11.293	3.135
6.01.01.02	Depreciation and amortization	27.639	21.299
6.01.01.03	Equity income or loss	(10.687)	(5.110)
6.01.01.04	Exchange variation not realized	(39.766)	(1.191)
6.01.01.05	Provision for inventory at market value	(943)	3.309
6.01.01.06	Provision Allowance for doubtful accounts	2.487	1.065
6.01.01.07	Provision for contingencies	(58.292)	8.753
6.01.01.08	Provision for labor obligations	(3.010)	(8.114)
6.01.01.09	Provision for profit sharing	-	2.926
6.01.01.10	Other Provisions	2.767	(416)
6.01.01.11	Adjustments Tax Asset	(67.440)	(14.309)
6.01.01.12	Adjustments Other Related Party Credits	(874)	(1.567)
6.01.01.13	Financial charges adjustment with tax installments	422	2.277
6.01.01.14	Interest Provided on Loans and Debentures	29.130	29.458
6.01.01.15	Interest and adjustment to present value on lease	501	-
6.01.01.16	Liabilities with Related Parties	56.330	-
6.01.01.17	Others	503	(8.342)
6.01.02	Changes in assets and liabilities	144.042	(53.786)
6.01.02.01	(Increase)/Decrease in accounts receivable	(34.136)	(3.774)
6.01.02.02	(Increase)/Decrease in inventories	4.839	(33.162)
6.01.02.03	(Increase)/Decrease in Judicial Deposits	8.687	(4.405)
6.01.02.04	(Increase)/Decrease in recoverable taxes	3.701	(55.790)
6.01.02.05	(Increase)/Decrease in Interest Earning Bank Deposits	(81)	(159)
6.01.02.06	(Increase)/Decrease in Other assets	(1.386)	(9.548)
6.01.02.07	Increase /(Decrease) in Accounts Payable	34.790	15.284
6.01.02.08	(Increase)/Decrease in Advance to Suppliers	(1.337)	(490)
6.01.02.09	(Increase)/Decrease in Provisions for Contingencies	(3.011)	(5.742)
6.01.02.10	Increase /(Decrease) in Advances from clients	758	3.631
6.01.02.11	(Increase)/(Decrease) in installments	(3.506)	(6.838)
6.01.02.12	Increase /(Decrease) in Tax and Labor Liabilities	14.653	3.180
6.01.02.13	Increase / (decrease) in Payables for fixed asset and ir	39.949	45.476
6.01.02.14	Increase / (decrease) in Debts with Related Parties	(6.759)	-
6.01.02.15	Increase / (decrease) in Debts with Related Persons -	56.330	-

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended June 30, 2020

In thousands of Brazilian reais, unless otherwise stated.

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2020–06/30/2020

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	200.000	-	189.844	-	(22.224)	367.620
5.03	Adjusted Opening Balances	200.000	-	189.844	-	(22.224)	367.620
5.04	Capital Transactions with Partners	-	(7.498)	-	-	-	(7.498)
5.04.04	Treasury stockes acquired	-	(7.498)	-	-	-	(7.498)
5.05	Total Comprehensive Income	-	-	-	72.752	(21.545)	51.207
5.05.01	Net Income for the Period	-	-	-	72.752	-	72.752
5.05.02	Other Comprehensive Income	-	-	-	-	(21.545)	(21.545)
5.05.02.03	Equity on Other Comprehensive Net Income	-	-	-	-	(21.545)	(21.545)
5.06	Internal changes in shareholders' equity	-	-	-	594	(594)	-
5.06.02	Realization of the Revaluation Reserve	-	-	-	594	(594)	-
5.07	Closing Balances	200.000	(7.498)	189.844	73.346	(44.363)	411.329

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended June 30, 2020

In thousands of Brazilian reais, unless otherwise stated.

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2019–06/30/2019

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	140.000	-	235.960	-	(13.852)	362.108
5.03	Adjusted Opening Balances	140.000	-	235.960	-	(13.852)	362.108
5.04	Capital Transactions with Partners	60.000	-	(60.000)	-	-	-
5.04.01	Treasury stockes acquired	60.000	-	(60.000)	-	-	-
5.05	Total Comprehensive Income	-	-	-	6.923	442	7.365
5.05.01	Net Income for the Period	-	-	-	6.923	-	6.923
5.05.02	Other Comprehensive Income	-	-	-	-	442	442
5.05.02.03	Equity on Other Comprehensive Net Income	-	-	-	-	442	442
5.06	Internal changes in shareholders' equity	-	-	-	592	(592)	-
5.06.02	Realization of the Revaluation Reserve	-	-	-	592	(592)	-
5.07	Closing Balances	200.000	-	175.960	7.515	(14.002)	369.473

PBG S.A. and subsidiaries

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

Individual financial statements / Statements of added value

Account Code		Accumulated of the Current Period 01/01/2020 to 06/30/2020	Accumulated of the Previous Period 01/01/2019 to 06/30/2019
7.01	Revenue	637.950	595.028
7.01.01	Sales of Goods, Products and Services	556.708	567.544
7.01.02	Other Revenue	83.732	28.549
7.01.04	Allowance/(Reversal of allowance) for doubtful	(2.490)	(1.065)
7.02	Consumables acquired from third parties	(383.726)	(305.467)
7.02.01	Cost of goods and services sold	(245.637)	(224.705)
7.02.02	Material, Energy, Outsourced Services and Ot	(139.568)	(82.178)
7.02.03	Loss/Recovery of Assets	1.479	1.416
7.03	Gross Added Value	254.224	289.561
7.04	Retentions	(22.671)	(21.299)
7.04.01	Depreciation, Amortization and Depletion	(22.671)	(21.299)
7.05	Net Added Value Produced	231.553	268.262
7.06	Transferred Added Value	82.248	19.422
7.06.01	Equity income	10.687	5.110
7.06.02	Financial Revenue	71.561	14.312
7.07	Total Added Value to be Distributed	313.801	287.684
7.08	Distribution of Added Value	313.801	287.684
7.08.01	Personnel	106.409	116.253
7.08.01.01	Direct Remuneration	88.224	97.102
7.08.01.02	Benefits	11.907	11.320
7.08.01.03	F.G.T.S.	6.278	7.831
7.08.02	Taxes, Duties and Contributions	61.465	112.913
7.08.02.01	Federal	(8.482)	37.778
7.08.02.02	State	69.396	74.581
7.08.02.03	Municipal	551	554
7.08.03	Third-party capital remuneration	73.175	51.595
7.08.03.01	Interest	64.188	45.521
7.08.03.02	Rent	8.987	6.074
7.08.04	Remuneration of Equity	72.752	6.923
7.08.04.03	Retained Earnings/Loss for the Period	72.752	6.923

PBG S.A. and subsidiaries

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

Consolidated financial statements / Balance sheet - Assets

Account Code	Account Description	Current Period	Previous Year
		06/30/2020	12/31/2019
1	Total Assets	1.966.315	1.836.292
1.01	Current Assets	847.857	854.556
1.01.01	Cash and Cash Equivalents	282.076	275.378
1.01.03	Accounts Receivable	219.941	251.773
1.01.03.01	Trade Receivables	219.941	251.773
1.01.04	Inventory	254.744	243.413
1.01.06	Recoverable Taxes	55.531	52.172
1.01.06.01	Current Taxes Recoverable	55.531	52.172
1.01.07	Prepaid Expenses	10.199	3.487
1.01.08	Others Current Assets	25.366	28.333
1.01.08.03	Others	25.366	28.333
1.01.08.03.01	Dividends Receivable	15.050	13.332
1.01.08.03.03	Others	10.316	15.001
1.02	Non-Current Assets	1.118.458	981.736
1.02.01	Long-Term Assets	554.711	471.033
1.02.01.07	Deferred Taxes	30.085	26.191
1.02.01.07.01	Deferred Income and Social Contribution	30.085	26.191
1.02.01.09	Related Party Credits	101.809	100.936
1.02.01.09.05	Credits with Other Related Persons	101.809	100.936
1.02.01.10	Other Non-Current Assets	422.817	343.906
1.02.01.10.03	Judicial Deposits	143.784	152.492
1.02.01.10.04	Receivables - Eletrobras	12.821	12.821
1.02.01.10.05	Recoverable Taxes	56.901	56.902
1.02.01.10.06	Tax Asset	119.651	37.865
1.02.01.10.07	Actuarial Asset	6.338	6.338
1.02.01.10.08	Interest Earning Bank Deposits	7.633	7.552
1.02.01.10.09	Lease Asset	61.713	58.843
1.02.01.10.10	Other	13.976	11.093
1.02.02	Investments	348	345
1.02.02.01	Ownership Interest	348	345
1.02.02.01.05	Other Investments	348	345
1.02.03	Property, Plant and Equipment	539.697	487.966
1.02.03.01	Operating Property, Plant and Equipment	539.697	487.966
1.02.04	Intangibles Assets	23.702	22.392
1.02.04.01	Intangibles Assets	23.702	22.392
1.02.04.01.02	Intangibles Assets	23.702	22.392

PBG S.A. and subsidiaries

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

Consolidated financial statements / Balance sheet - Liabilities

Account Code	Account Description	Current Period 06/30/2020	Previous Year 12/31/2019
2	Total Liabilities	1.966.315	1.836.292
2.01	Current Liabilities	675.749	613.724
2.01.01	Social and labor obligations	55.326	41.882
2.01.01.01	Social Obligations	55.326	41.882
2.01.02	Suppliers	165.571	146.685
2.01.02.01	National suppliers	110.401	140.558
2.01.02.02	Foreign suppliers	55.170	6.127
2.01.04	Loans and Financing	251.750	233.769
2.01.04.01	Loans and Financing	152.772	134.719
2.01.04.01.01	In National Currency	121.060	100.462
2.01.04.01.02	In Foreign Currency	31.712	34.257
2.01.04.02	Debentures	98.978	99.050
2.01.05	Other Obligations	203.102	191.388
2.01.05.02	Other	203.102	191.388
2.01.05.02.01	Dividends and interest on ec	983	982
2.01.05.02.04	Credit granting from supplie	69.683	58.710
2.01.05.02.05	Installment of Tax Liabilities	11.632	11.765
2.01.05.02.06	Advance from clients	11.448	10.580
2.01.05.02.07	Payables for fixed asset and	1.734	2.083
2.01.05.02.08	Lease Obligations	30.754	23.854
2.01.05.02.09	Others	31.773	21.745
2.01.05.02.10	Debts with Related Parties	16.044	22.803
2.01.05.02.11	Lease Obligations	12.705	14.465
2.01.05.02.12	Others	16.346	24.401
2.02	Non-current Liabilities	879.207	854.932
2.02.01	Loans and Financing	497.986	522.607
2.02.01.01	Loans and Financing	349.579	324.915
2.02.01.01.01	In National Currency	330.435	307.359
2.02.01.01.02	In Foreign Currency	19.144	17.556
2.02.01.02	Debentures	148.407	197.692
2.02.02	Other Obligations	319.282	212.093
2.02.02.02	Other	319.282	212.093
2.02.02.02.03	Suppliers	131.478	124.754
2.02.02.02.04	Payables for fixed asset and	28.303	-
2.02.02.02.06	Debts with Related Persons	40.286	43.815
2.02.02.02.07	Lease Obligations	56.322	-
2.02.02.02.08	Others	25.342	25.066
2.02.02.02.09	Others	37.551	18.458
2.02.04	Provisions	61.939	120.232
2.02.04.01	Labor and Civil Social Secur	61.939	120.232
2.02.04.01.01	Tax provisions	23.205	84.600
2.02.04.01.02	Social Security and Labor Pr	6.615	6.615
2.02.04.01.03	Provisions for Employee Ber	11.998	11.891
2.02.04.01.04	Civil Provisions	20.121	17.126
2.03	Shareholders' Equity	411.359	367.636
2.03.01	Realized Capital	200.000	200.000
2.03.02	Capital reserves	(7.498)	-
2.03.02.05	Actions in Treasury	(7.498)	-
2.03.04	Profit Reserves	257.382	184.036
2.03.06	Equity valuation adjustments	(44.363)	(22.224)
2.03.08	Other comprehensive result	5.808	5.808
2.03.09	Non-Controlling Shareholde	30	16

PBG S.A. and subsidiaries

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

Consolidated financial statements / Statement of Income

Account Code	Account Description	Current Quarter	Accumulated of the	Same Quarter of	Accumulated of the
		04/01/2020 to 06/30/2020	Current Period 01/01/2020 to 03/31/2020	Previous Year 04/01/2019 to 06/30/2019	Previous Period 01/01/2019 to 03/31/2019
3.01	Income from sales of goods and/or ser	241.743	515.923	277.433	516.665
3.02	Cost of goods and/or services sold	(186.105)	(365.135)	(183.959)	(347.495)
3.03	Gross income	55.638	150.788	93.474	169.170
3.04	Operating expenses/income	(65.051)	(138.522)	(42.794)	(128.753)
3.04.01	Sales expenses	(70.125)	(144.754)	(72.645)	(145.302)
3.04.02	General and administrative expenses	(10.211)	(20.926)	(9.870)	(20.544)
3.04.04	Other operating income	15.285	27.158	39.721	37.093
3.05	Income (loss) before financial income	(9.413)	12.266	50.680	40.417
3.06	Financial income (loss)	(2.336)	8.365	(18.889)	(31.776)
3.06.01	Financial income	14.535	43.400	3.570	8.426
3.06.02	Financial expenses	(16.871)	(35.035)	(22.459)	(40.202)
3.07	Income (loss) before income tax	(11.749)	20.631	31.791	8.641
3.08	Income and social contribution taxes	63.505	52.136	(7.672)	(1.704)
3.08.01	Current	(2.484)	(4.875)	(3.566)	(5.491)
3.08.02	Deferred assets	65.989	57.011	(4.106)	3.787
3.09	Net income (loss) of continued operatic	51.756	72.767	24.119	6.937
3.11	Consolidated Net Income/loss for the p	51.756	72.767	24.119	6.937
3.11.01	Attributed to Controlling shareholders	51.750	72.753	24.130	6.923
3.11.02	Attributed to Non-Controlling sharehold	6	14	(11)	14

PBG S.A. and subsidiaries

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

Consolidated financial statements / Statement of comprehensive income

Account Code	Account Description	Current Quarter	Accumulated of the Current Period	Same Quarter of Previous Year	Accumulated of the Previous Period
		04/01/2020 to 06/30/2020	01/01/2020 to 03/31/2020	04/01/2019 to 06/30/2019	01/01/2019 to 03/31/2019
4.01	Net Income for the Period	51.756	72.767	24.130	6.937
4.02	Other Comprehensive Income	(15.046)	(21.545)	(1.047)	442
4.03	Comprehensive Income for the P	36.710	51.222	23.083	7.379
4.03.01	Attributed to Controlling sharehol	36.704	51.208	23.094	7.365
4.03.02	Attributed to Non-Controlling shar	6	14	(11)	14

PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended June 30, 2020

In thousands of Brazilian reais, unless otherwise stated.

Consolidated financial statements / Statement of cash flows - Indirect method

Account Code	Account Description	Current Period 06/30/2020	Previous Year 12/31/2019
6.01	Net cash from operational activities	132.002	(40.067)
6.01.01	Cash generated in operations	(8.296)	62.083
6.01.01.01	Profit or loss for the year before taxes	20.631	8.641
6.01.01.02	Depreciation and amortization	44.726	26.439
6.01.01.04	Exchange variation not realized	(8.908)	-
6.01.01.05	Provision for inventory at market value	-	3.309
6.01.01.06	Provision Allowance for doubtful accounts	4.039	1.339
6.01.01.07	Provision for contingencies	(58.293)	8.753
6.01.01.08	Provision for labor obligations	(3.148)	(8.859)
6.01.01.09	Provision for profit sharing	-	2.926
6.01.01.10	Other Provisions	2.767	(416)
6.01.01.11	Adjustments Tax Asset	(81.786)	(14.309)
6.01.01.12	Adjustments Other Related Party Credits	(874)	(1.567)
6.01.01.13	Adjustments Financial charges with installment taxes	159	2.313
6.01.01.14	Interest Provided on Loans and Debentures	28.191	29.439
6.01.01.15	Interest and adjustment to present value on lease	1.675	-
6.01.01.16	Liabilities with Related Parties	56.330	-
6.01.01.17	Others	(13.805)	4.075
6.01.02	Changes in assets and liabilities	167.283	(73.222)
6.01.02.01	(Increase)/Decrease in accounts receivable	(31.832)	(13.200)
6.01.02.02	(Increase)/Decrease in inventories	(11.331)	(38.295)
6.01.02.03	(Increase)/Decrease in Judicial Deposits	8.708	(4.406)
6.01.02.04	(Increase)/Decrease in recoverable taxes	3.358	(55.794)
6.01.02.05	(Increase)/Decrease in Interest Earning Bank Deposits	(81)	(159)
6.01.02.06	(Increase)/Decrease in Other assets	(2.027)	(11.235)
6.01.02.07	Increase /(Decrease) in Accounts Payable	36.583	13.193
6.01.02.08	(Increase)/Decrease in Advance to Suppliers	(1.718)	(1.265)
6.01.02.09	(Increase)/Decrease in Provisions for Contingencies	(3.011)	(5.742)
6.01.02.10	Increase /(Decrease) in Advances from clients	6.900	5.950
6.01.02.11	(Increase)/(Decrease) in installments	(3.662)	(6.905)
6.01.02.12	Increase /(Decrease) in Tax and Labor Liabilities	16.592	(2.466)
6.01.02.13	Increase / (decrease) in Payables for fixed asset and in	39.949	46.591
6.01.02.14	Increase / (decrease) in Debts with Related Persons	(6.759)	-
6.01.02.15	Increase / (decrease) in Debts with Related Persons - (56.322	-
6.01.02.16	Increase /(Decrease) in Other Payable	59.292	511
6.01.03	Other	(26.985)	(28.928)
6.01.03.01	Interest paid	(21.715)	(32.328)
6.01.03.02	Income Tax and Social Contribution Paid	(5.270)	3.400
6.02	Net cash used in investment activities	(78.236)	(53.559)
6.02.01	Acquisition of property, plant and equipment	(74.441)	(49.034)
6.02.02	Acquisition of intangible assets	(3.795)	(4.525)
6.03	Net Cash from Financing Activities	(47.068)	65.223
6.03.01	Obtainment of loans and financings	83.418	132.956
6.03.02	Payment of loans and financings	(107.898)	(44.827)
6.03.03	Paid Dividends	32	(22.906)
6.03.04	Lease Amortization	(22.620)	-
6.05	Increase (Decrease) in Cash and Cash Equivalents	6.698	(28.403)
6.05.01	Opening Balance of Cash and Cash Equivalents	275.378	82.624
6.05.02	Closing Balance of Cash and Cash Equivalents	282.076	54.221

PBG S.A. and subsidiaries

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

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2020–06/30/2020

Account Code	Account Description	Paid-in share capital	Capital Reserves,	Profit Reserves	Retained Earnings or	Other Comprehensive	Shareholders' Equity	Non-controlling interest	Consolidated Shareholders' Equity
5.01	Opening Balances	200.000	-	189.844	-	(22.224)	367.620	16	367.636
5.03	Adjusted Opening Balances	200.000	-	189.844	-	(22.224)	367.620	16	367.636
5.04	Capital Transactions with Partners	-	(7.498)	-	-	-	(7.498)	-	(7.498)
5.04.04	Acquired Treasury Shares	-	(7.498)	-	-	-	(7.498)	-	(7.498)
5.05	Total Comprehensive Income	-	-	-	72.752	(21.545)	51.207	14	51.221
5.05.01	Net Income for the Period	-	-	-	72.752	-	72.752	14	72.766
5.05.02	Other Comprehensive Income	-	-	-	-	(21.545)	(21.545)	-	(21.545)
5.05.02.03	Equity on Other Comprehensive Net Income	-	-	-	-	(21.545)	(21.545)	-	(21.545)
5.06	Internal changes in shareholders' equity	-	-	-	594	(594)	-	-	-
5.06.02	Realization of the Revaluation Reserve	-	-	-	594	(594)	-	-	-
5.07	Closing Balances	200.000	(7.498)	189.844	73.346	(44.363)	411.329	30	411.359

PBG S.A. and subsidiaries

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

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2019–06/30/2019

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Non-controlling interest	Consolidated Shareholders' Equity
5.01	Opening Balances	140.000	-	235.960	-	(13.852)	362.108	12	362.120
5.03	Adjusted Opening Balances	140.000	-	235.960	-	(13.852)	362.108	12	362.120
5.04	Capital Transactions with Partners	60.000	-	(60.000)	-	-	-	-	-
5.04.01	Acquired Treasury Shares	60.000	-	(60.000)	-	-	-	-	-
5.05	Total Comprehensive Income	-	-	-	6.923	442	7.365	15	7.380
5.05.01	Net Income for the Period	-	-	-	6.923	-	6.923	15	6.938
5.05.02	Other Comprehensive Income	-	-	-	-	442	442	-	442
5.05.02.03	Equity on Other Comprehensive Net Inco	-	-	-	-	442	442	-	442
5.06	Internal changes in shareholders' equity	-	-	-	592	(592)	-	-	-
5.06.02	Realization of the Revaluation Reserve	-	-	-	592	(592)	-	-	-
5.07	Closing Balances	200.000	-	175.960	7.515	(14.002)	369.473	27	369.500

PBG S.A. and subsidiaries

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

Consolidated financial statements / Statement of added value

Account Code	Account Description	Accumulated of the	Accumulated of the
		Current Period 01/01/2020 to 06/30/2020	Previous Period 01/01/2019 to 06/30/2019
7.01	Revenue	716.849	675.260
7.01.01	Sales of Goods, Products and Services	628.332	637.517
7.01.02	Other Revenue	93.302	39.014
7.01.04	Allowance/(Reversal of allowance) for doubtful accou	(4.785)	(1.271)
7.02	Consumables acquired from third parties	(400.099)	(320.493)
7.02.01	Cost of goods and services sold	(248.176)	(226.126)
7.02.02	Material, Energy, Outsourced Services and Other	(153.395)	(95.729)
7.02.03	Loss/Recovery of Assets	1.472	1.362
7.03	Gross Added Value	316.750	354.767
7.04	Retentions	(28.363)	(26.438)
7.04.01	Depreciation, Amortization and Depletion	(28.363)	(26.438)
7.05	Net Added Value Produced	288.387	328.329
7.06	Transferred Added Value	74.932	14.645
7.06.02	Financial Revenue	74.932	14.645
7.07	Total Added Value to be Distributed	363.319	342.974
7.08	Distribution of Added Value	363.319	342.974
7.08.01	Personnel	130.285	138.543
7.08.01.01	Direct Remuneration	109.634	116.498
7.08.01.02	Benefits	13.307	12.991
7.08.01.03	F.G.T.S.	7.344	9.054
7.08.02	Taxes, Duties and Contributions	81.701	142.909
7.08.02.01	Federal	10.082	66.311
7.08.02.02	State	71.024	75.990
7.08.02.03	Municipal	595	608
7.08.03	Remuneration of Third Party Capital	78.566	54.584
7.08.03.01	Interest	66.556	46.437
7.08.03.02	Rent	12.010	8.147
7.08.04	Remuneration of Equity	72.767	6.938
7.08.04.03	Retained Earnings/Loss for the Period	72.753	6.923
7.08.04.04	Non-controlling interest in retained earnings	14	15

Portobello Grupo

Comments on Performance

(Em thousand of reais, unless otherwise stated)

Tijucas, August 06, 2020. PBG S.A. (B3 S.A. - BRASIL, BOLSA, BALCÃO: PTBL3), the largest ceramic tile company in Brazil, announces its results for the second quarter of 2020.

The financial information presented herein is derived from the consolidated financial statements of PBG S.A., prepared in accordance with the standards of the Accounting Pronouncements Committee (CPC) and the International Financial Reporting Standards (IFRS).

Highlights

- **Net Revenue** accumulated R\$ 515.9 in 1H20, similar to the same period of 2019, due to the good performance in 1Q20 (+15.0% growth). In 2Q20, Net Revenues reached R\$ 241.7 million, -12.9% below when compared to 2Q19, due to the drop in sales in April due to the pandemic, but showing the beginning of the recovery in May and growth in June.
- **Adjusted Gross Margin** in 2Q20 and 1H20 was 34.1% and 34.4%, respectively, showing an improvement of +0.4 p.p. when compared to 2Q19 and +1.7 p.p. versus 1H19. This performance is due to the favourable effect of the exchange rate on exports, evolution in the product mix and stabilization in production costs.
- **Adjusted and Recurring EBITDA** reached R\$ 15.7 million in 2Q20 with a margin of 6.5% of Net Revenue, despite the impacts on the economy during the pandemic period. Adjusted and Recurring EBITDA in 1H20 was R\$38.5 million, an increase of R\$17.4 million versus 1H19, with a margin of 7.5% of Net Revenue, due to the growth in Gross Margin and management of Operating Expenses.
- **Net Income** reached R\$ 51.7 million in 2Q20, R\$ 27.6 million above 2Q19, and R\$ 72.8 million in 1H20, R\$ 65.9 million above 1H19, reflecting better EBITDA combined with positive financial results (income from foreign exchange variation) and lower effective tax rate on profit, with the reversal of provisions on the realization of the IPI - Polo Ativo credit in the amount of R\$ 54.0 million.
- **Net Debt** decreased from R\$ 583.1 million in 1H19 to R\$ 410.1 million in 1H20, equivalent to 4.0 times the EBITDA of the last 12 months.

R\$ Millions		2Q19	2Q20	▲	1H19	1H20	▲
Performance	Net Revenue	277,4	241,7	-12,9%	516,7	515,9	-0,1%
	<i>Gross Margin</i>	33,7%	23,0%	-10,7 p.p.	32,7%	29,2%	-3,5 p.p.
	<i>Adjusted Gross Margin</i>	33,7%	34,1%	0,4 p.p.	32,7%	34,4%	1,7 p.p.
	EBITDA	64,1	4,6	-59,6	66,8	40,6	-26,3
	Adjusted and Recurring EBITDA	18,4	15,7	-2,7	21,1	38,5	17,4
Debt	<i>Adjusted and Recurring EBITDA Margin</i>	6,6%	6,5%	-0,1 p.p.	4,1%	7,5%	3,4 p.p.
	Profit	24,1	51,7	27,6	6,9	72,8	65,9
	Net Debt	583,1	410,1	-173,0	583,1	410,1	-173,0
	<i>Net Debt-to-EBITDA</i>	3,7	4,0	0,3	3,7	4,0	0,3

To address the Company's performance this quarter, it is necessary to assess the dynamics of the global scenario against the effects of COVID-19. In 41 years of history, Portobello has faced challenging moments that demanded fast and safe decisions. It is no different in this health crisis, which has demanded a focus on the safety of our employees, customers and community.

In the first signs of a pandemic, in March of this year, the Company created a crisis committee to ensure employee safety and business continuity. Highlighting the intense internal communication, with the removal of employees at risk, the substitution of trips, events and face-to-face meetings by remote meetings, reinforcing the home office concept adopted for the administrative area. For the community, in Tijucas (SC), the company provided support with the donation of respirators and masks for the hospital, masks for the Health Department and baskets and masks for the neediest communities.

With the growing contamination by COVID-19 in July, more specifically in Santa Catarina, where Portobello's headquarters are located, and also in Florida (USA) where Portobello America's Warehouse and sales team are located, more restrictive actions were adopted to preserve the health of employees in the resumption of activities. For prevention, at all points of agglomeration (internal restaurants and bus lines), reinforcement is being made in the actions of care with hygiene, distance, mandatory wearing of masks, guidance on safe behavior inside and outside the company. Care and follow-up of infected employees, whether by some symptoms or just contact with infected people, either in the company or in the family, with medical guidance for screening, removal and testing of people, and isolation as determined by WHO protocols. Intensification of home office work for all administrative areas, with minimum face-to-face staff, creating a culture of remote meetings and fewer face-to-face meetings. These actions are synchronized in all units (factories, stores and distribution centers) and are accompanied by a Specific Committee, with the participation of all areas of the company and reporting to the Executive Board.

In order to meet the demand with the objective of safeguarding commercial relations and customer needs, the Company has strengthened its inventory management, adapting part of the production of the plants in Tijucas (SC) and Marechal Deodoro (AL), and adapting the organization, production, logistics and transportation of employees, as well as ensuring safe distance and avoiding agglomerations.

The rules of restriction to population circulation were maintained throughout the quarter, due to the increase of COVID-19 cases in Brazil, impairing mainly the performance of April sales, which represented approximately 70% of the 1Q20 and April 2019 average. As of May, sales reached 85% of May 2019, and it is possible to verify the beginning of the resumption of activities, and with June sales already increasing vs. June 2019, in line with the performance of the ceramic market. In view of the improved expectations for the coming months, the Company published a relevant fact on July 14, informing the full resumption of industrial and administrative activities, with the end of the reduction in working hours 30 days ahead of schedule.

Net Revenue in 2Q20 reached R\$ 241.7 million, showing a retraction of -12.9% compared to the same period of the previous year, as a result of the drop in sales in April due to the pandemic, but showing the beginning of the recovery in May and growth in June. In 1H20, Net Revenue totaled R\$ 515.9 million, a similar result to 1H19, due to the strong growth in 1Q20 (+15.0% vs. 1Q19). This performance results mainly from the appreciation of the Dollar against the Real, impacting exports, price increases at the end of 2Q20 and a more profitable sales mix.

Net Revenue in the domestic market in 1H20 fell -1.6% compared to 1H19, totaling R\$ 431.8 million, a drop lower than the -10% reduction reported by ABRAMAT and the -7% reduction reported by ANFACER, confirming that the Company's performance in the semester was better than the market, both in the building materials and ceramic tile sectors.

Portobello Grupo

Comments on Performance

(Em thousand of reais, unless otherwise stated)

In the foreign market, Net Revenue in 2Q20 showed a drop of -24.0% when compared to 2Q19, due to marketing restrictions in Latin American countries, similar to the domestic market. However, in 1H20, there was a growth of +7.7% vs. 1H19, due to the appreciation of the Dollar against the Real and the expansion of Portobello America, partially reduced by restrictions in the Latin American region.

At the Portobello business unit, the quarter was characterized by preventive actions to COVID-19 at the Tijucas plant and sales reduction in 2Q20 due to market retraction in April and May. Sales to construction companies were similar to those in 2Q19, while in multi-brand retail we had drops in sales in April and May, reflecting operating restrictions imposed by local and state authorities to operate in the period, and growth resumed in June. In terms of production, production capacity was reduced and fixed costs of R\$ 19.3 million were not diluted (cost of stoppages), despite a reduction in the days and a plan to contain expenditures in the period.

Portobello Shop, a business unit that houses the franchise network focused on the specialized retail market, ended the quarter with 129 units, with 39,730 m2 of exhibition area, including 17 of its own stores. The franchise network has national coverage and is present in 26 states in Brazil. During the pandemic, most of the stores remained closed until the first half of May and, after this period, with the relaxation of the rules restricting the circulation of the population, began a gradual recovery in sales. The stores were adjusted with reduced attendance, scheduling and extensive hygiene and cleaning measures to ensure the safety of consumers, employees and partners. In addition, the stores prioritized the distance service, via digital, which enabled the recovery of sales in the months of May and June. Sales in 2Q20 fell when compared to 2Q19, but showed growth in June vs. the same period in 2019.

The Pointer business unit also had a decrease in sales in 2Q20 compared to 2Q19, impacted by the retraction of demand due to the pandemic and the reduction in production capacity. Undiluted fixed costs represented R\$ 7.5 million in the quarter (cost of stoppages). Sales, which dropped significantly in April, and as of May already showed recovery. In June, sales increased when compared to the same month of the previous year. At the Marechal Deodoro (AL) plant, like the other units of the group, actions were taken to adapt the operational structure, such as collective vacation, reduction or suspension of working hours and compensation for hours.

The Portobello America business unit has been gradually gaining strength in operations, showing growth in sales vs. the previous year, both in 1Q20 and 2Q20, and adding a competitive differential to the international expansion of the Company. In 2Q20, besides the business having grown in size, there was the registration of new clients, key to achieving the unit's objectives for the year, in terms of scale of sales and profitability.

In 2Q20, the Company continued to focus on maintaining cash liquidity and to this end negotiated new sources of financing and adjusted the debt profile. Among the measures implemented in 2Q20, we highlight the following: (i) Postponement to 2021/2022 of loan and financing amortizations, in the amount of R\$ 26 million for the year; (ii) Raising of R\$ 35 million as working capital, with total term of 3 years and grace period of 1 year; and (iii) Raising of R\$ 11.0 million through ACC (Advance on Exchange Contract), with one year term.

Net Debt closed 2Q20 at R\$ 410.1 million, down R\$ 173.0 million when compared to 2Q19 and R\$ 4.4 million when compared to 1Q20, equivalent to 4.0 times EBITDA. In the quarter, the Company's focus on honoring debt service, maintaining robustness and cash liquidity in the face of the challenges imposed by the pandemic should be highlighted.

Perspectives 3Q20

Our visibility for the future remains uncertain due to the persistence of the COVID-19 pandemic and the lack of knowledge about the strength of economic recovery. Some short-term factors represent a possible opportunity, including historically low interest rates, increased home improvement spending, and investments in new home purchases. However, possible changes in government policies, consumer and business spending, and higher rates of infection from COVID-19 may reduce demand, especially if governments increase restrictions. Given these factors, our business plans must remain flexible to quickly adjust our production levels to market demand.

In this sense, with the gradual improvement of business over 2Q20, the resumption of civil construction, and the return of retail construction material activities, the Company expects that the construction materials sector will remain heated in the short term compared to other sectors of the economy. Therefore, the main perspectives for 3Q20 are:

- Since July, the Company has been operating close to full utilization of plant capacity. With the resumption of activities, the Company achieved record sales in July, with growth in Net Revenue of around 25% when compared to the same period of the previous year, establishing a new level of revenues.
- Continuity of discipline to pursue cost and expense efficiency. In addition, with the expected drop in gas tariffs beginning in July, the Company foresees improved margins and profitability.
- The CAPEX plan is still contained for this year, however the Company will maintain the investments in the "Lastras" project and the retail expansion with the Portobello Shop chains.
- The Company will maintain the rigidity in cash management and working capital optimization (focus on inventory management) to preserve liquidity. In this sense, the Company expects inflows in 3Q20 of financing already contracted (in the process of being proved) in the order of R\$ 15 million. In addition, the Company contracted in July a new financing operation with FINEP, in the amount of R\$ 98 million, with an expected inflow of approximately R\$ 64 million in 2H20, upon presentation of guarantee or insurance guarantee. This funding will finance the investment plan of the "Lastras" project. Other loan and financing lines continue to be evaluated, both for cash maintenance and for debt profile adjustments.

The Company remains confident in the recovery of the economy and keeps focused on maintaining cash liquidity and sound balance sheet in order to quickly capture the business opportunities post COVID-19 pandemic.

Portobello Grupo

Comments on Performance

(Em thousand of reais, unless otherwise stated)

Economic-Financial Performance

	2Q19	2Q20	▲	1H19	1H20	▲	
Performance	Gross Revenue	351,4	303,7	-13,6%	658,7	646,7	-1,8%
	Net Revenue	277,4	241,7	-12,9%	516,7	515,9	-0,1%
	Gross Profit	93,5	55,6	-40,5%	169,2	150,8	-10,9%
	Gross Margin	33,7%	23,0%	-10,7 p.p.	32,7%	29,2%	-3,5 p.p.
	Recurring and Adjusted Gross Margin	33,7%	34,1%	0,4 p.p.	32,7%	34,4%	1,7 p.p.
	EBIT	50,7	(9,4)	-118,6%	40,4	12,2	-69,9%
	EBIT Margin	18,3%	-3,9%	-22,2 p.p.	7,8%	2,4%	-5,5 p.p.
	Profit (Loss)	24,1	51,7	114,5%	6,9	72,8	951,1%
	Net Margin	8,7%	21,4%	12,7 p.p.	1,3%	14,1%	12,8 p.p.
	EBITDA	64,1	4,6	-92,9%	66,8	40,6	-39,3%
	EBITDA Margin	23,1%	1,9%	-21,2 p.p.	12,9%	7,9%	-5,1 p.p.
	Recurring and Adjusted EBITDA	18,4	15,7	-14,7%	21,1	38,5	82,5%
	Recurring and Adjusted EBITDA Margin	6,6%	6,5%	-0,1 p.p.	4,1%	7,5%	3,4 p.p.
Ratio	Net Debt	583,1	410,1	-29,7%	583,1	410,1	-29,7%
	Net Debt - to - EBITDA	3,7	4,0	0,3	3,7	4,0	0,3
PTBL3	Closing Quotation				4,25	4,15	-2,4%
	Market Value				673,6	657,7	
	Average Trade Volume. From Past 12 Months				34,1	95,6	180,3%

Net Revenue

Net Revenue totaled R\$ 241.7 million in 2Q20, down -12.9% when compared to 2Q19, due to reduced demand resulting from insulation measures in April and May. This effect occurred in all businesses. In 1H20, the Company's Net Revenue was R\$515.9 million, similar to the same period of 2019, reflecting the improvement in the higher value-added mix and the exchange devaluation.

Net Revenue in the domestic market represented 86% of the total in 2Q20 and 84% in 1H20. There was a decrease in Net Revenue of the domestic market of -10.6% in 2Q20 and -1.6% in 1H20 vs. the same periods of the previous year, a smaller decrease than the -10% reduction reported by ABRAMAT and the -7% reduction reported by ANFACER.

In the foreign market, there was a decrease in Net Revenue in 2Q20 of -24.0% (reduction of -32.0% in Dollar) and an increase of +7.7% (reduction of -10.0% in Dollar) in 1H20 when compared to the same period last year. This increase is mainly a result of the currency devaluation and expansion of Portobello America, partially reduced by marketing restrictions in Latin American countries.

R\$ millions	2Q19	2Q20	▲	1H19	1H20	▲
Net revenue	277,4	241,7	-12,9%	516,7	515,9	-0,1%
Domestic Market	231,1	206,6	-10,6%	438,6	431,8	-1,6%
Foreign Market	46,2	35,1	-24,0%	78,1	84,1	7,7%

Portobello Grupo

Comments on Performance

(Em thousand of reais, unless otherwise stated)

Gross Profit

Gross Profit reached R\$ 55.6 million in 2Q20, showing a decrease of -40.5% in relation to 2Q19 due to the non-dilution of fixed costs resulting from idleness (R\$ 26.7 million in stoppage costs). Gross Adjusted Margin was 34.1% in 2Q20 and 34.4% in 1H20. Both periods saw growth in Gross Adjusted Margin and Recurring EBITDA. Among the main factors contributing to this growth are (i) favorable exchange rate effect on foreign sales; (ii) higher value-added products; and (iii) stabilization of production costs.



R\$ Millions	2Q19	2Q20	▲	1H19	1H20	▲
Net Revenue	277,4	241,7	-12,9%	516,7	515,9	-0,1%
Cost of Goods Sold (COGS)	(184,0)	(159,4)	-13,4%	(347,5)	(338,4)	-2,6%
Idle Capacity Cost	-	(26,7)	100,0%	-	(26,7)	100%
Operating Profit	93,5	55,6	-40,5%	169,2	150,8	-10,9%
<i>Gross Margin</i>	<i>33,7%</i>	<i>23,0%</i>	<i>-10,7 p.p.</i>	<i>32,7%</i>	<i>29,2%</i>	<i>-3,5 p.p.</i>
<i>Recurring and Adjusted Gross Margin</i>	<i>33,7%</i>	<i>34,1%</i>	<i>0,4 p.p.</i>	<i>32,7%</i>	<i>34,4%</i>	<i>1,7 p.p.</i>

Operating Results

Operating and Recurring Expenses in 2Q20 were -7.6% lower than in 2Q19 and in 1H20 they were -3.4% lower than in 1H19. This reduction is due to cost containment, in addition to the positive impact of reduced working hours on administrative and commercial activities. Due to the reduction in plant capacity utilization, the administrative and commercial teams had a reduction in working hours per period of 60 days.

R\$ Millions	2Q19	% RL	2Q20	% RL	▲	1H19	% RL	1H20	% RL	▲
Operating Expenses										
Selling Expenses	(72,6)	26,2%	(70,1)	29,0%	-3,5%	(145,3)	28,1%	(144,8)	28,1%	-0,4%
General and Administrative	(9,9)	3,6%	(10,2)	4,2%	3,3%	(20,5)	4,0%	(20,9)	4,1%	2,1%
Outras Income (Expenses)	39,7	14,3%	15,3	6,3%	-61,5%	37,1	7,2%	27,2	5,3%	-26,8%
Operating Expenses	(42,8)	15,4%	(65,0)	26,9%	51,9%	(128,7)	24,9%	(138,5)	26,8%	7,6%
Non Recurring Gains	(45,1)		(16,2)			(45,1)		(29,4)		
Adjusted Operating Expenses	(87,9)	31,7%	(81,2)	33,6%	-7,6%	(173,8)	33,6%	(167,9)	32,5%	-3,4%

Portobello Grupo

Comments on Performance

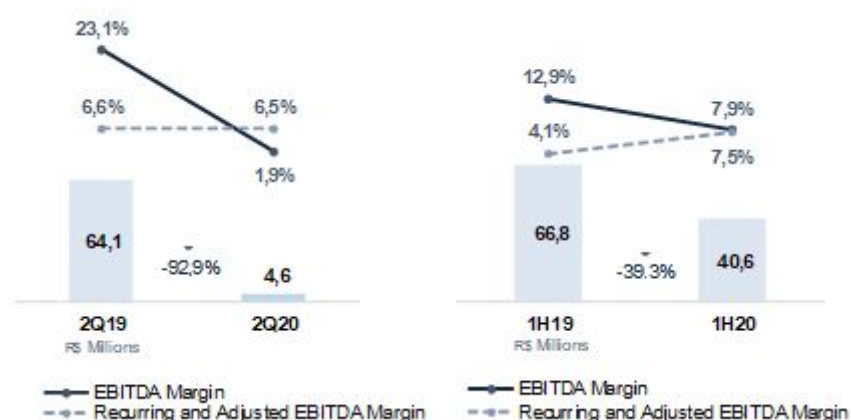
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Selling Expenses decreased -3.5% in 2Q20 and -0.4% in 2H20 vs. the same periods last year. This decrease is due to lower sales, with the effect of variable expenses, and fixed expenses, the effect of optimizing the sales structure and lower payroll expenses during the workday reduction period.

General and Administrative Expenses grew +3.3% in 2Q20 and +2.1% in 1H20 when compared to the same periods last year. This increase is a result of the expenses incurred in the quarter due to changes in the administrative structure and the expenses generated by the COVID-19 pandemic.

In Other Income and Expenses, in 2Q20 we had a reversal of the taxation (PIS/COFINS) of the IPI - Polo Ativo credit process, in the amount of R\$ 16.2 million, due to a decision by the STF with binding effect and general repercussion. In addition to this event, in 1Q20, there was recognition of the complementary portion of the IPI - Polo Ativo credit, updating and complementing legal proceedings, totaling R\$ 29.4 million in 1H20.

EBITDA



R\$ Millions	2Q19	%NR	2Q20	%NR	1H19	%NR	1H20	%NR
Net Income	24,1	8,7%	51,8	21,4%	6,9	1,3%	72,8	14,1%
(+) Finance Income (Cost)	18,9	6,8%	2,3	1,0%	31,8	6,1%	(8,4)	-1,6%
(+) Depreciation and Amortization	13,4	4,8%	14,0	5,8%	26,4	5,1%	28,4	5,5%
(+) Income Taxes	7,7	2,8%	(63,5)	-26,3%	1,7	0,3%	(52,1)	-10,1%
EBITDA	64,1	23,1%	4,6	1,9%	66,8	12,9%	40,6	7,9%
Non Recurring Events	(45,8)	16,5%	11,1	-4,6%	(45,8)	8,9%	(2,1)	-0,4%
(1) COVID Effects (Idle Capacity and Incurred Cost)	-		27,3		-		27,3	
(2) Reversal of Tax on Legal Asset	-		(16,2)		-		(16,2)	
(3) ICMS on PIS/COFINS	(45,1)		-		(45,1)		-	
(4) Lawsuit Gains	(0,7)		-		(0,7)		(13,2)	
EBITDA Adjusted and Recurring	18,4	6,6%	15,7	6,5%	21,1	4,1%	38,5	7,5%

Adjusted and Recurring EBITDA reached R\$ 15.7 million in 2Q20 with a margin of 6.5% of Net Revenue, in line with 1Q19, despite the impacts on the economy during the pandemic period. Adjusted and Recurring EBITDA in 1H20 was R\$38.5 million, an increase of R\$17.4 million versus 1H19, with a margin of 7.5% of Net Revenue, due to the growth in Gross Margin and management of Operating Expenses. Thus, the EBITDA margin increased from 4.1% in 1H19 to 7.5% of Net Revenue in 1H20.

Net Income

The Company closed 1H20 accumulating Net Income of R\$ 72.8 million, R\$ 65.9 million more than the R\$ 6.9 million of 1H19. In 2Q20, Net Income reached R\$ 51.7 million, an increase of R\$ 27.6 million compared to 2Q19. This significant result, both in the quarter and in the semester, is due, besides the good operating performance (improvement in EBITDA due to higher Gross Margin and reduction in expenses), to foreign exchange income, lower interest rates and the reduction in taxation on profits, with the reversal of provisions on the realization of the IPI - Polo Ativo credit in the amount of R\$ 54.0 million, due to a decision by the STF with binding effect and general repercussion.

Cash Flow

The Company closed 1H20 with a cash balance of R\$ 282.1 million, increasing the cash position at the end of 2019 by R\$ 6.7 million. Operating activities accounted for R\$ 133.0 million, mainly for EBITDA generation and working capital optimization. R\$ 78.2 million were allocated to the investment plan, while financing activities consumed R\$ 48.1 million due to compliance with the debt amortization schedule.

Specifically in 2Q20, there was a cash reduction of R\$ 42.7 million. The Company's operational activities in 2Q20 generated cash of R\$ 84.8 million, mainly due to the reduction in working capital. Investments in 2Q20 were R\$ 63.9 million, while the debt reduction consumed R\$ 63.6 million, with the first installment of the debenture issued in 2018 (R\$ 50 million) being noteworthy.

Since the beginning of the pandemic, the Company has established actions aimed at preserving cash liquidity, such as containing expenses and investments, negotiating with clients and suppliers, renegotiating loans and financing, adhering to government programs to preserve jobs and postponing taxes. The 1H20 cash balance reinforces the Company's commitment to maintaining a strong cash position.

R\$ millions	1Q20	2Q20	1H20
Activities			
Operating Activities	48,2	84,8	133,0
Investing Activities	(14,3)	(63,9)	(78,2)
Financing Activities	15,5	(63,6)	(48,1)
Increase/(Decrease) in Cash	49,4	(42,7)	6,7
Cash at the Beginning of Period	275,4	324,8	275,4
Cash at the End of the Period	324,8	282,1	282,1

Working Capital

The Working Capital of June 2020, when compared to the same period of the previous year, shows a reduction of -28.1% or R\$ 87.2 million. In Cash Conversion Cycle, this reduction represented a gain of 22 days due to the lengthening of supplier terms and anticipation of receivables from customers.

In relation to March 2020, there was a reduction in Working Capital of -14.2%, equivalent to R\$ -37.1 million or 2 days in the Cash Conversion Cycle, also coming from optimizations in suppliers and clients.

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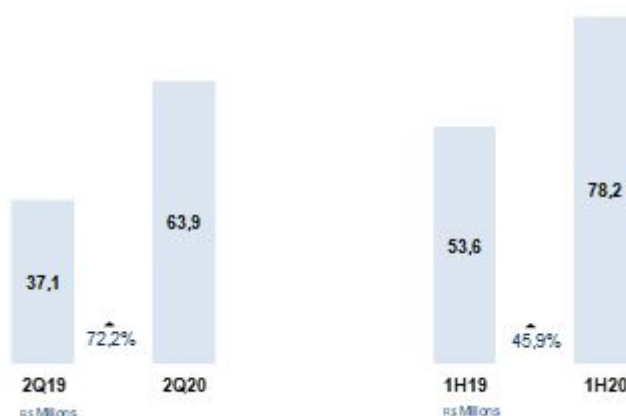
Comments on Performance

(Em thousand of reais, unless otherwise stated)

	jun/19	mar/20	jun/20	Absolute jun/19 x jun/20	% jun/19 x jun/20	Absolute mar/20 x jun/20	% mar/20 x jun/20
In Millions							
Accounts Receivables	228,9	218,5	189,2	(39,7)	-17,4%	(29,3)	-13,4%
Inventories	248,8	285,9	254,7	6,0	2,4%	(31,1)	-10,9%
Trade Payables	166,7	243,5	220,2	53,5	32,1%	(23,3)	-9,6%
Net Working Capital	311,0	260,8	223,7	(87,2)	-28,1%	(37,1)	-14,2%
In Days							
Accounts Receivables	59	58	55	(4)		(3)	
Inventories	126	124	129	3		5	
Trade Payables	88	105	109	21		4	
Cash Conversion Cycle (CCC in Days)	97	77	75	(22)		(2)	

Investments

Investments in 2Q20 totaled R\$ 63.9 million, accumulating R\$ 78.2 million in 1H20, of which a large part for plant expansion. In the 1H20, more than 76% of the investments were destined to the plant in Tijucas (SC), with highlight to the "Lastras" Project, with R\$ 54.2 million and other smaller industry projects with R\$ 5.9 million. R\$ 7.8 million were invested in opening new stores and incentives to franchisees. In the Marechal Deodoro (AL) plant, R\$ 1.8 million was allocated to production lines. R\$ 8.5 million was invested in projects in the commercial, logistics, digital and other businesses of the entire company.



Net Debt / Capital Structure

The Company's Net Debt decreased to R\$ 410.1 million at the end of 2Q20, representing a reduction of R\$ 173.0 million vs. 2Q19. This reduction is mainly due to the sale of Polo Ativo's judicial credit, which occurred in September 2019. In relation to 1Q20, the reduction in Net Debt was R\$ 4.4 million.

The ratio of Debt to EBITDA is 4.0 times, the increase is due to the fall in EBITDA in 1H20 due to the pandemic and tax gains in June 2019.

Portobello Grupo

Comments on Performance

(Em thousand of reais, unless otherwise stated)



R\$ Millions	jun/19	dec/19	mar/20	jun/20
Bank Debt	684,4	756,4	795,5	749,7
Tax Debt	59,8	55,6	52,8	51,9
(=) Gross Debt	744,2	812,0	848,3	801,6
(+) Cash and Cash Equivalents	(54,2)	(275,4)	(324,8)	(282,1)
(+) Financial Applications	(7,4)	(7,6)	(7,6)	(7,6)
(+) Receivables from Related Parties	(99,5)	(100,9)	(101,4)	(101,8)
(=) Net Debt	583,1	427,1	414,5	410,1
EBITDA (Last 12 Months)	159,4	128,8	162,1	102,3
<i>Net Debt-to-EBITDA Ratio</i>	<i>3,7</i>	<i>3,3</i>	<i>2,6</i>	<i>4,0</i>

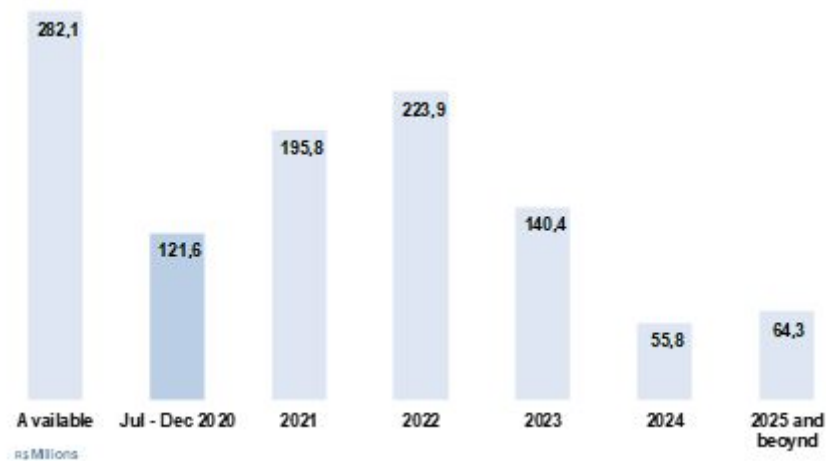
In 2Q20, R\$ 83.9 million were amortized, of which R\$ 50.0 million related to the first tranche of debentures issued in 2018 and R\$ 43.9 million in several operations: ACC, NCEs, FINEP and Prodec. On the other hand, R\$ 48.4 million were raised, including the contracting of a line for working capital of R\$ 35 million with a total term of 3 years with a grace period of 1 year, and raising of R\$ 11.0 million through ACC (Advance on Exchange Contract), with a term of one year. The Company also carried out debt rollover negotiations that would mature in the period in the amount of approximately R\$ 7.5 million. Thus, the Company closed 1H20 with total amortizations of R\$ 108.9 million and funding of R\$ 84.4 million.

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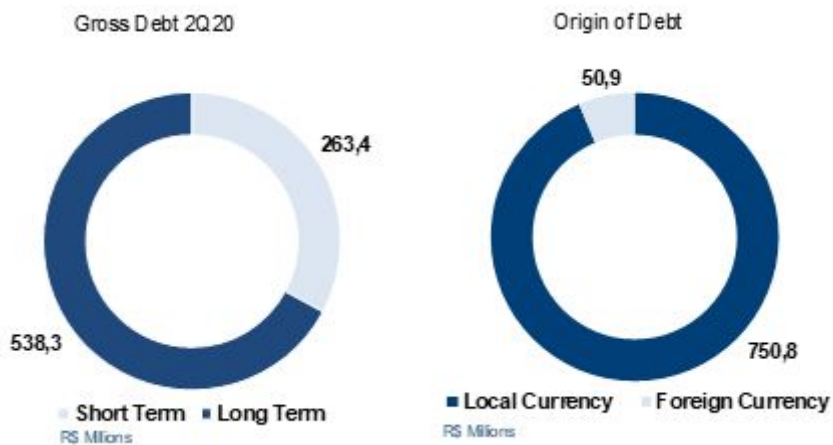
Comments on Performance

(Em thousand of reais, unless otherwise stated)

Below is the repayment schedule (Gross Debt):



Gross Debt maturing in the short term represents 33% of the total and the remainder matures in the long term, as presented in the amortization schedule of the graph below, demonstrating that the cash position is sufficient to cover the debt service in the short term. Currently, the average cost of the Company's total debt is 4.3% p.a.



Remuneration to Shareholders and Resolutions of Annual General Meeting

Dividends in the amount of R\$ 6.2 million will be distributed for the year 2019, to be paid by December 31, 2020, as approved in the Annual General Meeting held on April 28, 2020. Thus, the total remuneration of shareholders for fiscal year 2020 will represent a yield (dividend per share divided by the final share price) of 0,95%.

Buyback Plan

On March 31, 2020, the Board of Directors approved a new share buyback program that authorizes the acquisition of up to 3.9 million shares, corresponding to 2.5% of the total shares issued by the Company and 5% of the outstanding shares (free float), effective until March 31, 2021. The Company bought back a total of 2.8 million shares until June 30, 2020.

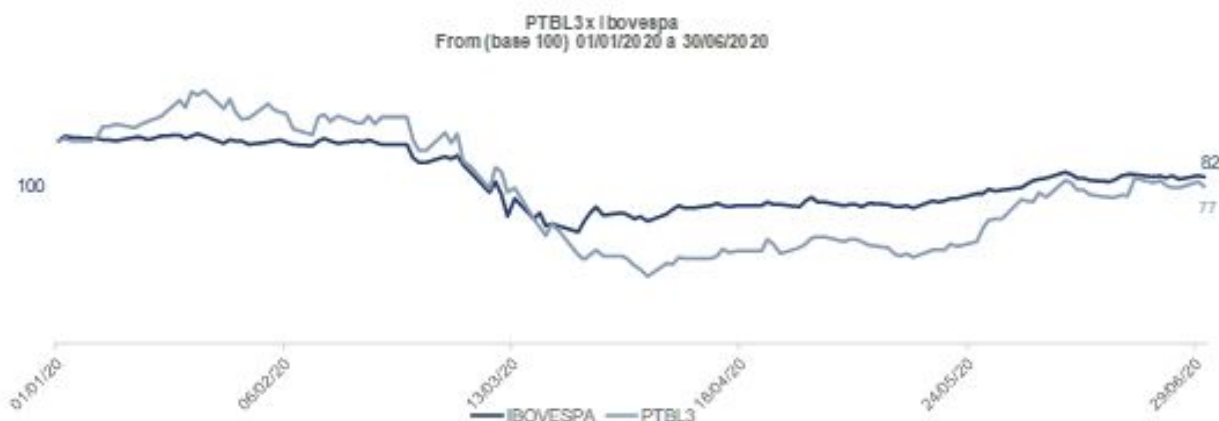
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Comments on Performance

(Em thousand of reais, unless otherwise stated)

Performance of PTBL3 Shares

The shares traded on the PTBL3 code ended the last trading session of June 2020 quoted at R\$ 4.15. The average monthly financial volume traded in the last twelve months was R\$ 95.6 million, an increase of 180% compared with R\$ 34.1 million in the previous period. At the end of 2Q20, PBG S.A. had a market value equivalent to R\$ 657.7 million.



Independent Audit

The policy of PBG S.A. in relation to its independent auditors, with regard to the provision of services not related to the external audit of financial statements, is based on the principles that preserve professional independence. These principles are based on the premise that the auditor should not expert his or her own work, perform managerial functions, or even advocate for his or her client. During 2Q20, the Company did not hire independent auditors for other services not related to external auditing.

Management

Statutory Executive Board

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

Board of Directors

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

Corporate Governance

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

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

Teleconference and Webcast

On Thursday August 13, 2020 at 2:00 pm will be held in portuguese language to report the earnings for the second of 2020.

Data for connection:

Telephone: +55 11 3137-8043

Password: PORTOBELLO

The audio of the teleconference will be transmitted over the Internet, accompanied by the slide show, which will be available 30 minutes in advance at: (www.ri.portobello.com.br/)

For those who are unable to follow live teleconferences, the full audio will be made available directly through the Company's web site (www.ri.portobello.com.br/).



Financial Statements

Balance Sheet

Assets	jun/19	AV %	dec/19	AV %	jun/20	AV %
Current	612,9	35,0%	854,6	46,5%	847,9	43,1%
Cash and Cash Equivalents	54,2	3,1%	275,4	15,0%	282,1	14,3%
Trade Receivable	251,3	14,3%	251,8	13,7%	219,9	11,2%
Inventories	248,8	14,2%	243,4	13,3%	254,7	13,0%
Others	58,6	3,3%	84,0	4,6%	91,1	4,6%
Non Current	1.140,1	65,0%	981,7	53,5%	1.118,5	56,9%
Long-Term Assets	610,5	34,8%	412,2	22,4%	493,0	25,1%
Escrow Deposits	121,4	6,9%	152,5	8,3%	143,8	7,3%
Legal Assets	303,2	17,3%	37,9	2,1%	119,7	6,1%
Receivables from Related Parties	99,5	5,7%	100,9	5,5%	101,8	5,2%
Receivables from Eletrobras	12,8	0,7%	12,8	0,7%	12,8	0,7%
Other Non Current Assets	73,6	4,2%	108,1	5,9%	114,9	5,8%
Fixed Assets	529,6	30,2%	569,6	31,0%	625,5	31,8%
PPE, Intangible Assets and Investments	507,6	29,0%	510,7	27,8%	563,7	28,7%
Right of Use of Leased Assets	22,0	1,3%	58,8	3,2%	61,7	3,1%
Total Assets	1.753,0	100,0%	1.836,3	100,0%	1.966,3	100,0%
Liabilities	jun/19	AV %	dez/19	AV %	jun/20	AV %
Current	486,8	27,8%	613,7	33,4%	675,7	34,4%
Loans and Debentures	167,4	9,5%	233,8	12,7%	251,8	12,8%
Trade Payables and Credit Assignment	175,4	10,0%	205,4	11,2%	235,3	12,0%
Lease Obligation	-	0,0%	14,5	0,8%	12,7	0,6%
Other Current Liabilities	144,0	8,2%	160,1	8,7%	176,0	9,0%
Non Current	896,7	51,2%	854,9	46,6%	879,2	44,7%
Loans and Debentures	517,0	29,5%	522,6	28,5%	498,0	25,3%
Trade Payables	109,9	6,3%	124,8	6,8%	159,8	8,1%
Debts with Related Parties	62,0	3,5%	-	0,0%	56,3	2,9%
Provisions	136,6	7,8%	120,2	6,5%	61,9	3,2%
Lease Obligations	-	0,0%	25,1	1,4%	25,3	1,3%
Other Non Current Liabilities	71,2	4,1%	62,3	3,4%	77,8	4,0%
Equity	369,5	21,1%	367,6	20,0%	411,4	20,9%
Capital	200,0	11,4%	200,0	10,9%	200,0	10,2%
Treasury Shares	-	0,0%	-	0,0%	(7,5)	-0,4%
Earnings Reserve	183,5	10,5%	184,1	10,0%	257,4	13,1%
Other Comprehensive Income	(14,0)	-0,8%	(22,2)	-1,2%	(44,4)	-2,3%
Additional Proposed Dividends	-	0,0%	5,8	0,3%	5,8	0,3%
Total Liabilities and Equity	1.753,0	100,0%	1.836,3	100,0%	1.966,3	100,0%

Income of Statement

R\$ Millions	2Q19	2Q20	1H19	1H20
Net Sales Revenue	277,4	241,7	515,9	516,7
Gross Profit	93,5	55,6	169,2	150,8
Operating Expenses, Net	(42,8)	(64,9)	(128,7)	(138,5)
Sales	(72,6)	(70,1)	(145,3)	(144,8)
General and Administrative	(9,9)	(10,2)	(20,5)	(20,9)
Other Operating Income, Net	39,7	15,3	37,1	27,2
Operating Profit (Loss) Before Finance Income (Costs)	50,7	(9,3)	40,5	12,3
Finance Income (Costs)	(18,9)	(2,3)	(31,8)	8,4
Financial Revenue	3,6	8,3	8,4	17,0
Financial Costs	(21,0)	(16,9)	(39,0)	(35,0)
Net Exchange Rate	(1,4)	6,2	(1,2)	26,4
Profit or Loss Before Income Tax and Social Contribution	31,8	(11,7)	8,7	20,7
Income Tax and Social Contribution	(7,7)	63,5	(1,7)	52,1
Net Profit (Loss) for the Period	24,1	51,8	6,9	72,8

Cash Flow

R\$ Millions	2Q19	2Q20	1H19	1H20
Cash Flow from Operating Activities	(18,8)	84,8	(40,1)	133,0
Cash from Operations	50,9	(59,5)	62,1	(7,3)
Variations in Assets and Liabilities	(40,4)	162,5	(73,2)	167,3
Interests Paid and Tax Over Income Paid	(29,2)	(18,2)	(28,9)	(27,0)
Net Cash Used in Investment Activities	(37,1)	(63,9)	(53,6)	(78,2)
Acquisition of Property, Plant and Equipment	(35,9)	(62,2)	(49,0)	(74,4)
Acquisition of Intangible Assets	(1,2)	(1,7)	(4,5)	(3,8)
Net Cash Provided by (Used in) Financing Activities	(41,1)	(63,6)	65,2	(48,1)
Loans and Financing and Debentures	10,1	45,7	133,0	83,4
Payments of Loans and Financing	(28,3)	(89,2)	(44,8)	(108,9)
Dividends Paid	(22,9)	0,1	(22,9)	0,0
Lease Repayments	-	(20,2)	-	(22,6)
Increase / (Decrease) in Cash and Cash Equivalents	(97,0)	(42,7)	(28,4)	6,7
Cash and Cash Equivalents at Beginning of Period	151,2	324,8	82,6	275,4
Cash and Cash Equivalents at the End of the Period	54,2	282,1	54,2	282,1

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PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

1. General information

PBG S.A., hereinafter referred to as “Company” or “Parent Company”, is a publicly-held company and its shares are traded on the *Novo Mercado* segment of B3 S.A. - Brasil, Bolsa, Balcão (“B3”), under ticker symbol PTBL3. The Company is controlled by a group of shareholders, formalized in the agreement entered into on April 15, 2011, and amended on February 18, 2019, which hold 55% of the Company’s shares at June 30, 2020. The remaining 45% of the shares are held by several shareholders.

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

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

1.1 Effects of Covid - 19 and actions taken by the Company

The second quarter of 2020 began with not-so-pessimistic expectations in sales regarding the impacts caused by Covid-19. However, due to restrictions on the circulation of the population, there was a drop in revenue in April, a reduction in the manufacturing operation and consequently an increase in costs due to the loss of scale in production. Expenses related to COVID-19 had an impact on the reduction of results. The fall in revenues was accentuated at Pointer and PBShop. However, disregarding the effects caused by the pandemic, the Company had good results during the months of May and June. To mitigate the effect of COVID-19, the Company created a crisis committee to monitor progress and implement actions with employees and the community.

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

(i) The Company has been jointly participating in aid campaigns in Tijucas (SC), Marechal Deodoro (AL), through the rental of breathing apparatus, donations and masks, rapid tests, food among other actions.

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

(ii) Aiming to protect employees and customers, the Company is focused on reducing the risk of disease transmission by reinforcing the use of individual protection equipment, frequent communication with employees and customers, adoption of the home office policy, removal of employees who are part of the risk groups, anticipation of holidays and also reinforcing cleaning and disinfection actions in store, administrative and distribution center environments.

(iii) In order to protect its operations, PBG has adapted its plants by suspending part of the production from the Tijucas (SC) and Marechal Deodoro (AL) plants. In terms of production, in April 50% of the installed capacity was used, and in the following months it was gradually resumed until reaching 100% at the beginning of the second semester. Therefore, inventories were optimized by reducing production, adjusted to demand.

(iv) In order to maintain its financial liquidity, the Company has adopted a policy of containing expenses and investments, renegotiating financing contracts, postponing the term of the main clients and some suppliers, making it possible to provide additional financing to the final consumer through the franchisee, in addition to interacting with government entities to seek to preserve jobs. Additionally, the Company negotiated new sources of financing, in May it raised R\$ 35 million and R\$ 11 million in June for working capital.

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

In this environment, PBG closed the second quarter with significant results, fruit of organizational restructuring, the maturing of recent investments, the pursuit of profitability eroded by the increase in energy costs in the last two years and the resumption of the construction market.

PBG believes in the gradual recovery of the Brazilian economy and is resuming its operations. Since August it operates with 100% of its productive capacity. It has also anticipated in one month the resumption of the normal working hours of its employees. The Company continues to act rigidly in the management of its cash flow, maintaining the solidity of its balance sheet to ensure favorable conditions to support this crisis. To this end, it has a solid financial structure to support this moment and even the recovery of the Brazilian and world economies.

2. Presentation of interim financial information

a) Statement of compliance

The interim financial information has been prepared in accordance with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and CPC 21 (R1) – Interim Financial Reporting and presented according to the standards issued and approved by the Securities and Exchange Commission of Brazil (CVM), applicable to the preparation of Quarterly Financial Information - ITR.

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

This interim financial information contains selected explanatory notes on significant events and transactions, which allow the understanding of the changes occurred in the Company's financial position and performance since its last individual and consolidated annual financial statements.

Therefore, this interim financial information should be read in conjunction with the Company's financial statements for the year ended December 31, 2019, which have been prepared and presented in accordance with the International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board - IASB, and also in accordance with the accounting practices adopted in Brazil (BR GAAP), which include those included in Brazilian corporate law and the standards, guidelines and interpretations issued by the Brazilian Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM). All significant information in the interim financial information, and only this information, is being disclosed and corresponds to that used by Management in its activities. This interim financial information was approved and authorized for issue by the Board of Directors on August 6, 2020.

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

b) Use of judgment and estimates

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

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

3. Significant accounting policies

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

3.1 Consolidations

3.1.1 Consolidated financial statements

a) Subsidiaries

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

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company's ownership interest in subsidiaries as June 30, 2020, is as follows:

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

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

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

b) Transactions and non-controlling interests

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

3.1.2 Individual financial statements

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

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

3.2 Segment reporting

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

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

3.3 Foreign currency translation

a) Transactions and balances

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

b) Subsidiaries

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

3.4 Interpretation of IFRS issued by IASB – ICPC 22 / IFRIC 23

a) Uncertainty over Income Tax Treatments

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

4 Critical accounting estimates and judgments

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

5 Financial risk management

5.1 Financial risk factors

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

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

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

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 Reais			
	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Trade receivables	45.747	55.350	54.898	62.464
Checking account	1.545	241	10.850	241
Credit with subsidiaries	137.471	90.338	-	-
Assets exposed	184.763	145.929	65.748	62.705
Provision for short liabilities in subsidiaries	(86.479)	(57.643)	-	-
Suppliers, commissions, net of advances	(27.965)	(18.539)	(35.141)	(18.539)
Payables for fixed asset and intangible	(48.678)	(16.976)	(48.678)	(16.976)
Borrowings and financing	(50.855)	(51.813)	(50.855)	(51.813)
(-) Swap	14.869	16.433	14.869	16.433
Liabilities exposed	(199.108)	(128.538)	(119.805)	(70.895)
Net exposure	(14.345)	17.391	(54.057)	(8.190)

The foreign exchange exposure is divided into:

a) Euro:

	In Euro			
	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Trade receivables	473	283	473	283
Suppliers, commissions, net of advances	(1.927)	(3.024)	(1.927)	(3.024)
Payables for fixed asset and intangible	(7.910)	(3.475)	(7.910)	(3.475)
	(9.364)	(6.216)	(9.364)	(6.216)

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

b) US Dollar:

	In US Dollar			
	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Trade receivables	7.836	13.373	9.493	15.138
Checking account	279	60	1.978	60
Credits with subsidiaries	25.109	22.413	-	-
Provision for short liabilities in subsidiaries	(15.792)	(14.301)	-	-
Suppliers, commissions, net of advances	(2.952)	(1.209)	(4.262)	(1.209)
Payables for fixed asset and intangible	-	(305)	-	(305)
Borrowings and financing	(6.571)	(8.778)	(6.571)	(8.778)
	<u>7.909</u>	<u>11.253</u>	<u>638</u>	<u>4.906</u>

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

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

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

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

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

b) Credit risk

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

c) Liquidity risk

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

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

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

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.

In thousands of reais, unless otherwise stated.

	Parent Company									
	June 30, 2020					December 31, 2019				
	* Borrowings and debentures	Lease liabilities	Trade receivables and credit assignment	Tax installment payment	Total	* Borrowings and debentures	Lease liabilities	Trade receivables and credit assignment	Tax installment payment	Total
Less than 1 year	251.750	3.830	253.050	11.454	520.084	231.984	4.554	193.211	11.455	441.204
From 1 to 2 years	184.811	5.513	138.553	11.454	340.331	357.412	3.226	124.754	11.455	496.847
Between 2 and 5 years	288.048	1.613	21.228	28.560	339.449	159.998	4.045	-	32.062	196.105
Over 5 years	25.127	-	-	-	25.127	5.639	-	-	-	5.639
	<u>749.736</u>	<u>10.956</u>	<u>412.831</u>	<u>51.468</u>	<u>1.224.991</u>	<u>755.033</u>	<u>11.825</u>	<u>317.965</u>	<u>54.972</u>	<u>1.139.795</u>
	Consolidated									
	June 30, 2020					December 31, 2019				
	* Borrowings and debentures	Lease liabilities	Trade receivables and credit assignment	Tax installment payment	Total	* Borrowings and debentures	Lease liabilities	Trade receivables and credit assignment	Tax installment payment	Total
Less than 1 year	251.750	12.705	267.027	11.632	543.114	231.984	14.465	205.395	11.765	463.609
From 1 to 2 years	184.811	14.388	138.553	11.632	349.384	357.412	7.328	124.754	11.765	501.259
Between 2 and 5 years	288.048	10.954	21.228	28.654	348.884	159.998	3.273	-	32.048	195.319
Over 5 years	25.127	-	-	-	25.127	6.982	-	-	-	6.982
	<u>749.736</u>	<u>38.047</u>	<u>426.808</u>	<u>51.918</u>	<u>1.266.509</u>	<u>756.376</u>	<u>25.066</u>	<u>330.149</u>	<u>55.578</u>	<u>1.167.169</u>

d) Sensitivity analysis

i) Sensitivity analysis of interest rate variations

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

This study is based on the likely scenario of an increase in the CDI rate to 1.90% p.a., based on the future interest curve by B3 S.A. - Brasil, Bolsa e Balcão and Selic to 2.00% p.a. The probable rate was then stressed by 25% and 50% and used as benchmark for the possible and remote scenarios, respectively.

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

	Consolidated in Real							
	June 30, 2020	Risk	Probable rate		Possible (25%)*		Remote (50%)*	
			%	R\$	%	R\$	%	R\$
Borrowings - Export credit note	(235.624)	CDI increas	1,90%	(4.477)	2,38%	(5.596)	2,85%	(6.715)
Debentures	(247.385)	CDI increas	1,90%	(4.700)	2,38%	(5.875)	2,85%	(7.050)
	<u>(483.009)</u>			<u>(9.177)</u>		<u>(11.471)</u>		<u>(13.766)</u>
Tax installment payment	(51.918)	Selic incre:	2,00%	(1.038)	2,50%	(1.298)	3,00%	(1.558)

* Selic and CDI rates extracted from the Boletim Focus of July 17, 2020.

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 June 30, 2020, 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%, 50% and -25% and used as benchmark for the possible and remote scenarios, respectively.

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

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

		Consolidated in Real									
		June 30, 2020		Possible (25%)*		Remote (50%)*		Possible (-25%)*		Remote (-50%)*	
In US\$	R\$	Exchange rate	Risk	Rate US\$	Gain (Loss)	Rate US\$	Gain (Loss)	Rate US\$	Gain (Loss)	Rate US\$	Gain (Loss)
Trade receivables US\$	9.493	5,4497	Decrease in US\$ rate	6,812	2.946	8,175	5.434	4,087	(2.029)	2,725	(4.517)
Checking account US\$	1.978	5,4497	Decrease in US\$ rate	6,812	614	8,175	1.132	4,087	(423)	2,725	(941)
Trade payables, net of advances US\$	(4.262)	5,4497	Increase in US\$ rate	6,812	(1.323)	8,175	(2.440)	4,087	911	2,725	2.028
Borrowings and financing US\$	(6.571)	5,4497	Increase in US\$ rate	6,812	(2.039)	8,175	(3.761)	4,087	1.405	2,725	3.127
(-) Swap contract US\$	14.869	5,4497	Fixed	6,812	4.615	8,175	8.512	4,087	(3.179)	2,725	(7.075)
Net exposure	15.507		-		4.813		8.877		(3.315)		(7.379)

		Consolidated in Real									
		June 30, 2020		Possible (25%)*		Remote (50%)*		Possible (-25%)*		Remote (-50%)*	
In EUR	R\$	Exchange rate	Risk	Rate US\$	Gain (Loss)	Rate US\$	Gain (Loss)	Rate US\$	Gain (Loss)	Rate US\$	Gain (Loss)
Trade receivables EUR	473	6,1328	Decrease in EUR rate	7,666	160	9,199	287	4,600	(93)	3,066	(220)
Trade payables, net of advances EUR	(1.927)	6,1328	Increase in EUR	7,666	(653)	9,199	(1.169)	4,600	379	3,066	895
Payables for fixed asset and intangible EUR	(7.910)	6,1328	Increase in EUR	7,666	(2.679)	9,199	(4.797)	4,600	1.556	3,066	3.674
Net exposure	(9.364)		-		(3.172)		(5.679)		1.843		4.350

*Possible and remote scenarios calculated based on the probable future rate of the Euro and the Dollar for 90 days, obtained from the B3 - Brazil, Bolsa e Balcão website on June 30, 2020.

5.2 Capital management

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

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

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

At June 30, 2020, the gearing ratios are summarized as follows:

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Borrowings and financing	749.736	755.033	749.736	756.376
Tax installment payment	51.468	54.972	51.918	55.580
Less: Cash and cash equivalents	(233.492)	(249.488)	(282.076)	(275.378)
Receivables from other related parties	(101.809)	(100.936)	(101.809)	(100.936)
Financial investments	(7.633)	(7.552)	(7.633)	(7.552)
Net debt	458.270	452.029	410.136	428.090
Total equity	411.329	367.620	411.359	367.636
Total capital	869.599	819.649	821.495	795.726
Net debt / Equity (%)	1,11	1,23	1,00	1,16
Gearing ratio (%)	53	55	50	54

5.3 Financial instruments by category

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

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Assets at fair value through profit or loss				
Derivatives	11.177	9.041	11.177	9.041
Amortized cost				
Cash and cash equivalents	233.492	249.448	282.076	275.378
Financial investments	7.633	7.552	7.633	7.552
Receivables from other related parties	101.809	100.935	101.809	100.936
Trade receivables	188.720	222.856	219.941	251.773
	542.831	589.833	622.636	644.680
Amortized cost				
Trade payables and assignment	412.831	317.965	426.808	330.149
Borrowings, financing and debentures	749.736	755.033	749.736	756.376
Tax installment payment	51.468	54.972	51.918	55.578
Lease liabilities	10.956	11.825	38.047	39.531
Payables to related parties	72.374	22.803	72.366	22.803
	1.297.365	1.162.598	1.338.875	1.204.437

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.

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

6. Cash and cash equivalents

Short-term investments designated as cash equivalents correspond to investments in investment funds, which average return in June 2020 was equivalent to 102.20% of the Interbank Deposit Certificate (CDI) rate and which can be redeemed at any time, without penalties.

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Checking account	36.534	15.467	76.408	27.222
Financial investments	196.958	233.981	205.668	248.156
	<u>233.492</u>	<u>249.448</u>	<u>282.076</u>	<u>275.378</u>

7. Financial instruments

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

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

The Export Credit (NCE) transaction, renegotiated in June 2020, amounted to US\$ 2,711, corresponding to R\$ 14,430, at a cost of 2.95% p.a. + LIBOR-03 + exchange rate change per year, with swap for 100% CDI + 2.95% per year and payment date within 45 months with 12-month grace period. Repayments are made on a quarterly basis.

At June 30, 2020, an unrealized loss of R\$ 3,584 was posted, see note 31.

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

8. Trade receivables

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

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Receivables from third parties:				
Domestic market	151.409	173.362	173.425	201.653
Foreign market	45.747	55.350	55.646	55.350
	<u>197.156</u>	<u>228.712</u>	<u>229.071</u>	<u>257.003</u>
Receivables from related parties:				
Related parties	279	372	1.180	1.041
	<u>279</u>	<u>372</u>	<u>1.180</u>	<u>1.041</u>
Impairment of trade receivables:				
Provision for impairment of trade receivables	(8.715)	(6.228)	(10.310)	(6.271)
	<u>(8.715)</u>	<u>(6.228)</u>	<u>(10.310)</u>	<u>(6.271)</u>
	<u>188.720</u>	<u>222.856</u>	<u>219.941</u>	<u>251.773</u>

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

a) Aging list of trade receivables

	Parent Company					
	June 30, 2020	Estimated losses	Coverage %	December 31, 2019	Estimated losses	Coverage %
Falling due	180.831	(2.486)	1,0%	217.635	(1.615)	0,7%
Past due until 30 days	3.824	(542)	14,2%	4.138	(15)	0%
Past due from 31 to 90 days	5.178	(307)	5,9%	2.001	(81)	4%
Past due from 91 to 180 days	2.087	(665)	31,9%	2.058	(1.684)	82%
Past due from 181 to 360 days	2.597	(1.798)	69,2%	2.903	(2.483)	86%
Past due over 360 days	2.918	(2.917)	100,0%	349	(350)	100%
	<u>197.435</u>	<u>(8.715)</u>		<u>229.084</u>	<u>(6.228)</u>	
	Consolidated					
	June 30, 2020	Estimated losses	Coverage %	December 31, 2019	Estimated losses	Coverage %
Falling due	212.906	(3.756)	1,4%	244.750	(1.619)	0,7%
Past due until 30 days	4.165	(543)	13,0%	5.305	(15)	0%
Past due from 31 to 90 days	5.185	(307)	5,9%	2.201	(82)	4%
Past due from 91 to 180 days	2.139	(665)	31,1%	2.142	(1.696)	79%
Past due from 181 to 360 days	2.615	(1.798)	68,8%	3.246	(2.510)	77%
Past due over 360 days	3.241	(3.241)	100,0%	400	(349)	87%
	<u>230.251</u>	<u>(10.310)</u>		<u>258.044</u>	<u>(6.271)</u>	

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

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

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

At June 30, 2020, trade receivables pledged as collateral amounts to R\$ 88,720 (R\$ 76,502 at December 31, 2019).

9. Inventories

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Finished products	181.938	195.829	213.288	211.047
Work in progress	8.451	9.110	8.514	9.110
Raw material and consumables	46.248	33.243	46.248	33.268
Provision for valuation of inventories at realizable value	(14.145)	(15.088)	(14.145)	(15.088)
Imports in progress	839	5.076	839	5.076
	<u>223.331</u>	<u>228.170</u>	<u>254.744</u>	<u>243.413</u>

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

10. Taxes recoverable

The Company and its subsidiaries have tax credits that are recorded in current and non-current assets according to their expected realization, as follows:

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Current				
Curtailement of ICMS from the PIS and COFINS tax base (a)	35.619	22.036	35.619	22.036
ICMS (b)	14.137	24.165	14.598	24.616
IRRF/CSRF	1.745	833	1.788	855
IPI	1.585	2.504	1.594	2.508
IRPJ/CSLL	427	427	1.068	1.006
PIS/COFINS receivables	392	37	410	467
Special Tax Reintegration Regime for Exporting Companies (REINTEGRA)	285	184	285	184
Other	1	342	170	500
	<u>54.191</u>	<u>50.528</u>	<u>55.531</u>	<u>52.172</u>
Non-current *				
Curtailement of ICMS from the PIS and COFINS tax base (a)	45.559	50.342	45.559	50.342
PIS/COFINS *	6.571	2.438	6.571	2.438
ICMS *	4.572	3.884	4.770	4.122
	<u>56.702</u>	<u>56.664</u>	<u>56.901</u>	<u>56.902</u>

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

a) Exclusion of ICMS on PIS and COFINS

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

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

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

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

On July 12, 2019, the Company filed with the Federal Revenue of Brazil the 2nd application for recovery of credit resulting from a final and unappealable court decision, in the amount of R\$ 45,072 for the period from April 2003 to October 2009 of the exclusion of ICMS from PIS and COFINS tax base to allow the Company to use said credit through offset.

On August 7, 2019, the credit was qualified, making it possible to use the said credit through compensations.

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

b) ICMS

This line item includes ICMS-ST levied on product transfer operations between the Company's units, in the amount of R\$ 9,569. This amount is the subject matter of a proceeding to be filed with the Finance Department of the State of Pernambuco, aiming at its full recovery.

In this same line item, an unused tax credit related to ICMS tax rate difference on interstate operations in the amount of R\$ 1,805 was recorded in this quarter.

The balance of R\$ 2,763 arises from other transactions and will be fully offset in the Company's normal calculations.

11. Receivables from other related parties

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

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

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

Upon adhering to the installment payment program under Law 11,941/09, the Company and "Refinadora" have entered into an instrument confirming these credits as guarantee capable of satisfying all tax debts payable in installments. At June 30, 2020, these credits also originating from lawsuit No. 87.00.00967-9 amount to R\$ 101,809 (R\$ 100,935 at December 31, 2019) and are adjusted based on the SELIC rate, as set forth in the agreement.

It should be noted that the claims on guarantees have already been converted into court-ordered debts. In fact, the Company has received four installments of a total of ten annual installments, as set forth in the agreement. The amounts were received in August 2011, March 2013, April 2014 and December 2015, amounting to R\$ 8,505, R\$ 9,824, R\$ 9,995 and R\$ 10,000, respectively. Additionally, in September 2016 the amount of R\$ 2,167 was received to supplement installment 04. The installments 05, 06, 07, 08 and 09 are already deposited for the Refiner, but the transfer depends on a release permit before the appeal filed by the Union and the installments remain blocked. The Company expects that these credits will be realized in 2020.

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

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

12. Judicial deposits

The Company and its subsidiaries are parties to tax, civil, labor and social security lawsuits (see Note 25) and are discussing these matters at administrative and judicial level, which are supported by judicial deposits, when applicable. These are recorded at the original amount adjusted by the rates relating to the benchmark interest rates applicable to savings accounts.

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

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Civil (a)	131.600	124.875	131.600	124.859
Labor	3.797	4.159	3.759	4.159
Tax	8.393	23.443	8.425	23.474
	<u>143.790</u>	<u>152.477</u>	<u>143.784</u>	<u>152.492</u>

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

b) The change in value from 4Q19 to 2Q20 refers to the cancellation of the offset of taxes, Pis and Cofins, which were levied on the IPI Premium Credit - Polo Ativo, which, although contingent, were offset with ICMS credits

13. Receivables from Eletrobrás

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

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

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

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

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

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

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

14. Income tax and social contribution

Income tax and social contribution on income

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

	Current assets				Current liabilities			
	Parent Company		Consolidated		Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Income tax	314	314	826	779	-	-	1.273	1.527
Social contribution	113	113	241	227	-	-	461	556
	427	427	1.067	1.006	-	-	1.734	2.083

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

a) Deferred income tax and social contribution tax

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

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Tax losses	55.760	38.562	55.760	38.562
Temporary differences - assets	26.371	35.456	31.155	39.809
Cash basis foreign exchange variations	(5.636)	801	(5.636)	801
Provision for adjustment to market value	2.620	2.536	2.620	2.536
Provision for civil, labor, pension and tax	15.363	14.207	15.363	14.207
Provision for PIS/COFINS contingencies - Plaintiff	-	4.913	-	4.913
Tax losses in subsidiaries	-	-	4.353	4.353
Other temporary differences - assets	14.024	12.998	14.454	12.998
Temporary differences - liabilities	(51.952)	(52.179)	(56.830)	(52.180)
Portobello Pension Plan	(2.155)	(2.155)	(2.155)	(2.155)
Realization of revaluation reserve	(16.956)	(17.261)	(16.956)	(17.261)
Receivables from Eletrobás	(4.359)	(4.359)	(4.359)	(4.359)
Active contingency - IPI credit premium IPI - Phase I	(2.647)	(2.647)	(2.647)	(2.647)
Active contingency - IPI credit premium IPI - Phase II	(7.621)	(7.621)	(7.621)	(7.621)
Active contingency - adjustment to rural credit notes	-	(2.607)	(4.878)	(2.607)
Adjustment to present value	40	(163)	40	(163)
Depreciation adjustment (useful lives of goods)	(18.256)	(15.367)	(18.256)	(15.367)
Deferred income tax and social contribution - Net	30.179	21.839	30.085	26.191
Non-currente assets	30.179	21.839	30.085	26.191

At June 30, 2020, net variations in deferred income tax and social contribution are as follows:

	Parent Company	Consolidated
December 31, 2019	21.839	26.191
Tax losses	17.198	17.198
Temporary differences - assets	(9.084)	(8.654)
Temporary differences - liabilities	(79)	(4.956)
Revaluation reserve	305	305
June 30, 2020	30.179	30.085

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

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

	Parent Company	Consolidated
	June 30, 2020	June 30, 2020
Deferred tax assets charged (credited) to profit or loss		
Tax losses	17.198	17.198
Cash basis exchange rate variations	(6.437)	(6.437)
Provision for adjustment to market value	247	247
Provision for contingencies	3.150	3.150
Provision for PIS/COFINS contingencies - Plaintiff	(4.913)	(4.913)
Other temporary differences - assets	(1.131)	(1.131)
	8.114	8.114
Realization of revaluation reserve	305	305
Active contingency - adjustment to rural credit notes	2.607	(1.841)
Adjustment to present value	203	203
Depreciation adjustment (useful lives of goods)	(2.888)	(2.888)
	227	(4.221)
	8.341	3.893

b) Income tax and social contribution - P&L

Income tax and social contribution expenses for the 2nd quarter are broken down as follows:

	Controladora		Consolidado	
	30 de junho de 2020	30 de junho de 2019	30 de junho de 2020	30 de junho de 2019
Resultado antes do imposto	(14.238)	28.237	(11.749)	31.791
Imposto calculado com base na taxa nominal - 34%	4.841	(9.601)	3.995	(10.809)
Resultado de subsidiárias por equivalência patrimonial	(82)	2.205	-	-
Despesas não dedutíveis para fins de impostos	60.528	3.290	60.528	3.290
Depreciação de ativos reavaliados	(153)	(153)	(153)	(153)
Créditos tributários s/ prejuízos fiscais e diferenças temporárias	(65.134)	4.258	(866)	-
Imposto corrente sobre o lucro do exercício	-	-	(2.484)	(3.566)
Constituição de imposto de renda e contribuição social diferidos	65.988	(4.106)	65.988	(4.106)
Despesa com imposto de renda e contribuição social reconhecida no resultado (corrente e diferido)	65.988	(4.106)	63.504	(7.672)
Aliquota efetiva	-483,5%	-14,5%	-540,5%	-24,1%

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

Changes in the 1st half:

	Parent Company		Consolidated	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Profit before taxes	11.293	3.135	20.631	8.641
Tax calculated based at nominal rate - 34%	(3.840)	(1.066)	(7.014)	(2.938)
Equity in the earnings of subsidiaries	3.634	1.737	-	-
Non-deductible expenses for tax purposes	2.357	3.116	2.357	3.116
Depreciation of revalued assets	(356)	(305)	(356)	(305)
Tax credits on tax losses and temporary differences	(1.795)	(3.482)	139	(5.364)
Current tax on profit for the year	-	-	-	(5.491)
Deferred income tax and social contribution	-	3.788	-	3.787
Income tax and social contribution expense recognized in income (current and deferred)	61.459	3.788	52.136	(1.704)
Effective tax rate	-544,2%	-120,8%	-252,7%	19,7%

15. Tax asset

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
IPI premium credit (a)				
Lawsuit No. 1987.0000.645-9	22.414	22.414	22.414	22.414
Lawsuit No. 1984.00.020114-0	7.784	7.784	7.784	7.784
Adjustment to rural credit notes (b)	-	7.667	14.346	7.667
IPI premium credit - Plaintiff (c)	75.107	-	75.107	-
	105.305	37.865	119.651	37.865

a) IPI premium credit

The Company is a party to a lawsuit claiming the recognition of tax benefits called 'IPI premium credit', in different calculation periods. Lawsuit No. 1987.0000.645-9, relating to the period between April 1, 1981 and April 30, 1985, which was decided favorably to the Company, is in the award calculation phase with the amounts already calculated by the accounting office of the Federal Court; the amount recognized in November 2009, adjusted up to June 30, 2020 is R\$ 22,414 (R\$ 22,41 at December 31, 2019).

Regarding Lawsuit No. 1984.00.020114-0, for the period between December 7, 1979 and March 31, 1981, after a final and unappealable decision handed down more than 10 years ago, the award calculation and decision enforcement phase has started, followed by an expert report prepared by a legal expert. The parties were notified about the amount determined to manifest their agreement or objection to the report. The Company agreed with the calculations made. The Federal Government, represented by the General Attorneys' Office of the National Treasury has not issued an opinion, which implies tacit agreement, resulting in preclusion. Therefore, the lawsuit is concluded and there is no further possibility of objection. The Company recognized in 2015 the amount calculated by the legal Muexpert of R\$ 4,983, and since the Company understands that a favorable decision on the lawsuit is virtually certain, it recorded the tax asset in June 2015, in the amount adjusted up to June 30, 2020 of R\$7,784 (R\$ 7,784 at December 31, 2019).

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

b) Adjustment to rural credit notes

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

c) IPI premium credit – Plaintiff

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

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

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

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

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

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

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

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

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

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

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

In the sale of the court-ordered debt, there was a financial discount on the operation and thus the obligation for Refinadora Catarinense S.A. became R\$ 33,790, which will be paid in accordance with the Term of Understanding of the lawsuit in 3 equal installments, the 1st of which was paid in December 2019, the 2nd was partially paid in April 2020 (R\$ 7,000), with the remaining amount postponed to July 2020 (R\$ 4,400), and the 3rd and last one in October 2020 (R\$ 11,400). Therefore, as the settlement will take place in the 12-month period, this obligation was reclassified to current, remaining the balance of R\$ 15,800

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

In the first quarter of 2020, the amount of R\$ 75,107 was recognized. In addition, the amount of R\$ 56,329 was recorded in liabilities, referring to the amounts to be paid to the Refinadora Catarinense, R\$ 1,737 referring to Pis and Cofins recorded in long-term liabilities, R\$ 3,380 referring to Income Tax and Social Contribution recorded in the respective deferred tax accounts, being non-current liabilities and results. The amount of success fees was also accrued. The net amount for the Company is R\$ 4,823.

Regarding the taxes levied on the court-ordered debt, the Company filed a Writ of Mandamus, which aims to legally recognize the non-levy of IRPJ, CSL, PIS, and COFINS on the revenues associated with that court-ordered debt.

In the course of the judicial discussion, there was a decision by the Federal Supreme Court (June/2020) in RE 631,537, with general repercussion No. 361, the text of the decision was transcribed as follows: "Court-ordered debt - Credit - Assignment - Nature. The assignment of the court-ordered debt does not entail a change in the nature".

Thus, it was agreed that, even after the assignment of the court-ordered debt, there is no change in the nature of the credit taxation. Therefore, if the credit was not taxed at source, it cannot be taxed later, even in the event of an assignment.

This is the understanding of the Company's legal area, supported by an external opinion, of the Pinheiro Neto law firm, which in its conclusions states that "*After the decision of the STF of June 2020 on the nature of the court-ordered debt after its assignment, we understand that the chances of success of tPGB in the discussion on the taxation of principal amounts from the court-ordered debt are qualified as probable (remote loss).*"

Based on this, the Company reversed the provision for payment of such reported taxes, in the amount of R\$ 70,187.

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

16. Contingent assets

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

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

Management maintains the understanding that the Tax Assets, described in item 15 (c) above, represents the amount of R\$ 220,260, (base June/2018) and, in due course, will claim in court the recognition of the difference in the amount of R\$ 19,657.

17. Investments

a) Interest in subsidiaries

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

	Country of incorporation	Direct ownership	Indirect ownership	Assets	Liabilities	Revenue	Profit or loss
At December 31, 2019							
Portobello América Inc.	United States	100,00%	0,00%	42.595	97.692	18.122	(18.860)
Portobello America Manufacturing	United States	0,00%	100,00%	13.087	13.087	-	-
PBTech Ltda.	Brazil	99,94%	0,06%	62.373	52.817	103.559	6.220
Portobello Shop S/A	Brazil	99,90%	0,00%	45.666	45.187	69.311	31.832
Mineração Portobello Ltda.	Brazil	99,76%	0,00%	4.632	2.213	10.402	1.587
Companhia Brasileira de Cerâmica S/A	Brazil	98,00%	2,00%	12.957	4.552	5.059	(5.539)
At June 30, 2020							
Portobello América Inc.	United States	100,00%	0,00%	64.092	150.572	23.418	(11.469)
Portobello America Manufacturing	United States	0,00%	100,00%	17.946	17.946	-	-
PBTech Ltda.	Brazil	99,94%	0,06%	90.415	70.248	50.652	10.612
Portobello Shop S/A	Brazil	99,90%	0,00%	55.440	41.396	29.560	13.564
Mineração Portobello Ltda.	Brazil	99,76%	0,00%	3.778	1.277	3.606	81
Companhia Brasileira de Cerâmica S/A	Brazil	98,00%	2,00%	12.537	4.327	2.288	(2.101)

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

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

	Percentage of interest	December 31, 2019]	Exchange variations	Capital contribution	Profit on inventories	Equity in the earnings of subsidiaries	June 30, 2020
Investments							
Portobello América Inc.	100%	(61.357)	(21.545)	4.149	(2.144)	(11.469)	(92.366)
PBTech Ltda.	99,94%	9.555	-	-	-	10.612	20.167
Portobello Shop S.A.	99,90%	480	-	-	-	13.564	14.044
Mineração Portobello Ltda.	99,76%	2.420	-	-	-	81	2.501
Companhia Brasileira de Cerâmica S/A	98,00%	8.484	-	1.951	-	(2.101)	8.334
Portobello S/A	100%	10	-	-	-	-	10
Total net investment in subsidiaries		<u>(40.408)</u>	<u>(21.545)</u>	<u>6.100</u>	<u>(2.144)</u>	<u>10.687</u>	<u>(47.310)</u>
Interest in subsidiaries		<u>20.949</u>					<u>45.056</u>
Provision for short liabilities in subsidiaries		<u>(61.357)</u>					<u>(92.366)</u>

18. Property, plant and equipment

a) Breakdown

	Annual average depreciation rate	Parent Company				Consolidated			
		June 30, 2020		December 31, 2019		June 30, 2020		December 31, 2019	
		Cost	Accumulated depreciation	Net value	Net value	Cost	Accumulated depreciation	Net value	Net value
Land	-	12.603	-	12.603	12.603	13.485	-	13.485	13.485
Buildings, constructions and improvements	3%	211.393	(59.960)	151.433	155.092	239.607	(73.925)	165.682	167.027
Machinery and equipment	15%	652.689	(370.806)	281.883	285.951	656.867	(371.551)	285.316	289.115
Furniture and fixtures	10%	9.642	(8.860)	782	883	11.735	(9.352)	2.383	2.326
Computers	20%	28.918	(22.443)	6.475	8.009	29.798	(22.894)	6.904	8.471
Other property, plant and equipment	20%	2.672	(1.015)	1.657	1.870	2.672	(1.015)	1.657	1.870
Construction in progress	-	62.296	-	62.296	5.672	64.270	-	64.270	5.672
		<u>980.213</u>	<u>(463.084)</u>	<u>517.129</u>	<u>470.080</u>	<u>1.018.434</u>	<u>(478.737)</u>	<u>539.697</u>	<u>487.966</u>

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

Pursuant to Technical Interpretation ICPC 10 of the Accounting Pronouncements Committee, approved by CVM Resolution 619/09, effective beginning January 1, 2009, the Company revised and changed the useful life of its property, plant and equipment items in 2008, based on the Technical Report issued by the Company's engineers, and since then, it regularly conducts an annual review; there was no significant impact on the useful life of property, plant and equipment items in the 2nd quarter of 2020.

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

b) Changes in PP&E

	Parent Company					June 30, 2020
	December 31, 2019	Additions	Transfers	Depreciation	Write-offs	
Land	12.603	-	-	-	-	12.603
Buildings and improvements	155.092	-	-	(3.659)	-	151.433
Machinery and equipment	285.951	625	9.728	(14.029)	(392)	281.883
Furniture and fixtures	883	-	-	(101)	-	782
Computers	8.009	-	-	(1.449)	(85)	6.475
Other property, plant and equipment	1.870	69	-	(282)	-	1.657
Construction in progress	5.672	66.352	(9.728)	-	-	62.296
	470.080	67.046	-	(19.520)	(477)	517.129
	Consolidated					June 30, 2020
	December 31, 2019	Additions	Transfers	Depreciation	Write-offs	
Land	13.485	-	-	-	-	13.485
Buildings and improvements	167.027	4.419	-	(5.764)	-	165.682
Machinery and equipment	289.115	1.197	9.728	(14.332)	(392)	285.316
Furniture and fixtures	2.326	280	-	(223)	-	2.383
Computers	8.471	150	-	(1.632)	(85)	6.904
Other property, plant and equipment	1.870	69	-	(282)	-	1.657
Construction in progress	5.672	68.326	(9.728)	-	-	64.270
	487.966	74.441	-	(22.233)	(477)	539.697

In the first half of 2020, additions of fixed and intangible assets totaled R\$ 74 million, of which 59% went to the Tijucas plant, 5% to Own Stores, 2% to the Marechal Deodoro plant and the rest to new business. In the Tijucas plant 69% are for preparation and updating of the industrial park for production of products with higher added value and larger formats, such as the Lastras project and 31% for others for commercial projects and new business. At the Marechal Deodoro plant, most of the investments were destined to the implementation of a new production line of glazed porcelain tiles.

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

	Parent Company		Consolidated	
	June 30, 2020	Mach 31, 2019	June 30, 2020	Mach 31, 2019
	Accumulated			
Cost of sales	16.705	15.867	17.010	15.992
Selling expenses	1.941	1.611	4.224	3.608
Administrative expenses	874	856	999	949
	19.520	18.334	22.233	20.549

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

19. Intangible assets

a) Breakdown

	Parent Company				Consolidated				
	June 30, 2020			December 31, 2019	June 30, 2020			December 31, 2019	
	Annual average amortization rate	Cost	Accumulated amortization	Net value	Net value	Cost	Accumulated amortization	Net value	Net value
Trademarks and patents	-	150	-	150	150	150	-	150	150
Software	20%	29.326	(22.533)	6.793	8.240	31.447	(23.150)	8.297	9.126
Right to explore mineral resources	20%	1.000	(1.000)	-	-	4.073	(3.431)	642	839
Goodwill (a)	7%	-	-	-	-	12.320	(1.881)	10.439	10.851
Software under development	-	2.953	-	2.953	479	4.174	-	4.174	1.426
Management system (b)	21%	5.725	(5.725)	-	-	5.725	(5.725)	-	-
		39.154	(29.258)	9.896	8.869	57.889	(34.187)	23.702	22.392

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

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

b) Changes in intangible assets

	Parent Company					
	December 31, 2019	Additions	Transfers	Amortizations	Write-offs	June 30, 2020
Trademarks and patents	150	-	-	-	-	150
Software	8.240	-	178	(1.592)	(33)	6.793
Software under development	479	2.652	(178)	-	-	2.953
	8.869	2.652	-	(1.592)	(33)	9.896
	Consolidated					
	December 31, 2018	Additions	Transfers	Amortizations	Write-offs	June 30, 2020
Trademarks and patents	150	-	-	-	-	150
Software	9.126	468	579	(1.843)	(33)	8.297
Right to explore mineral resource	839	-	-	(197)	-	642
Goodwill	10.851	-	-	(412)	-	10.439
Software under development	1.426	3.327	(579)	-	-	4.174
	22.392	3.795	-	(2.452)	(33)	23.702

In the first half of 2020, intangible assets added up to R\$ 3.8 million, an amount destined mainly for the Transformation project, which aims to optimize and implement digital improvements in the commercial area.

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

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Cost of sales	388	555	584	759
Selling expenses	678	444	1.301	866
Administrative expenses	526	552	567	587
	1.592	1.551	2.452	2.212

c) Projected amortization of consolidated intangible assets:

	2020	2021	2022	2023	2024 a 2038	Total
Software	1.485	2.659	1.935	1.538	680	8.297
Right to explore mineral resources	195	392	55	-	-	642
Goodwill	410	822	822	822	7.563	10.439
	2.090	3.873	2.812	2.360	8.243	19.378

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

20. Right-of-use assets and lease liabilities

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

At June 2020, the Company had 45 lease agreements for its commercial units. This asset is comprised of own store rentals and distribution centers.

The agreements are adjusted annually, according to the variation of the main inflation indexes, most of them have terms of five years with the option of renewal after that date.

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

The remaining agreements were recorded according to the expense period.

a) Breakdown of right-of-use assets

	Parent Company	Consolidated
December 31, 2019	12.916	58.943
(+) Additions	5.738	22.811
(-) Accumulated depreciatioin	(6.527)	(20.041)
June 30, 2020	12.127	61.713

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

b) Breakdown of lease liabilities

	Parent Company	Consolidated
December 31, 2019	11.825	39.531
Additions	5.738	22.811
Payments	(6.106)	(22.620)
Interest Incurred	(501)	(1.675)
June 30, 2020	10.956	38.047

21. Trade payables and supplier credit assignment

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2020	June 30, 2020	December 31, 2020
Domestic market	197.879	187.084	211.857	199.268
Credit assignment (a)	69.683	58.710	69.683	58.710
Other	128.197	128.374	142.174	140.558
Foreign market	55.170	6.127	55.170	6.127
Current	253.050	193.211	267.027	205.395
Domestic market (i)	131.478	124.754	131.478	124.754
Payables for investments (b)	28.303	-	28.303	-
Non-current	159.781	124.754	159.781	124.754
	412.831	317.965	426.808	330.149

(i) Provision for payment to gas supplier arising from the matter mentioned in note 2.

a) Supplier credit assignment

The Company conducted supplier credit assignment transactions with top-tier financial institutions in the amount of R\$ 69,683 at June 30, 2020, (R\$ 58,710 at December 31, 2019), to offer to its partner suppliers more attractive credit facilities aiming at maintaining the business relationship. In this transaction, suppliers transfer the right to receive the amounts of the notes to the bank, which in turn, becomes creditor of the transaction.

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

b) Payables for fixed asset and intangible

The Company recognizes a balance of R\$ 31.773 in the parent company and consolidated in current liabilities (R\$ 20,127 in the parent company and R\$ 21,745 in the consolidated at December 31, 2019). Simultaneously, it has a balance of R\$ 28,303 in the parent company and consolidated non-current liabilities related to fixed assets for modernization of plants, investment in own stores and systems.

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

22. Borrowings and debentures

	Currency	Maturity	Charges	Parent Company		Consolidated	
				June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Current							
Working capital	R\$				-		1.343
Banco do Nordeste S.A (a)	R\$	jun-25	3,96% a.a. ¹ +IPCA	30.112	36.419	30.112	36.419
NCE (b)	R\$	mar-24	4,39% a.a. ¹	73.929	40.320	73.929	40.320
NCE (b)	US\$	jun-21	2,41% a.a. ¹ +VC	3.734	10.969	3.734	10.969
PRODEC (c)	R\$	nov-22	3,95% a.a. ¹ +AVP	4.382	8.710	4.382	8.710
FINEP (d)	R\$	mai/21	6,50% a.a. ¹	12.217	13.250	12.217	13.250
DEG (e)	US\$	out-21	5,16% a.a. ¹ +VC	17.024	12.443	17.024	12.443
FINAME (f)	R\$	ago-23	3,00% a.a. ¹	420	420	420	420
DEBENTURES 1st series (g)	R\$	jun-21	4,40% a.a. ¹	98.978	99.050	98.978	99.050
ACC	US\$	jun-20	5,90% a.a. ¹ +VC	10.954	-	10.954	-
ACC (i)	US\$	jun-20	4,55% a.a. ¹ +VC	-	10.845	-	10.845
Total current			4,65% a.a.¹	251.750	232.426	251.750	233.769
Total domestic currency	R\$			220.038	198.169	220.038	199.512
Total foreign currency	US\$			31.712	34.257	31.712	34.257
Non-current							
Banco do Nordeste S.A (a)	R\$	jun-25	3,96% a.a. ¹ +IPCA	113.739	71.689	113.739	71.689
NCE (b)	R\$	mar-24	4,39% a.a. ¹	146.825	192.389	146.825	192.389
NCE (b)	US\$	jun-21	2,41% a.a. ¹ +VC	11.136	5.464	11.136	5.464
PRODEC (c)	R\$	nov-22	3,95% a.a. ¹ + AVP	11.099	11.817	11.099	11.817
FINEP (d)	R\$	mai/21	6,50% a.a. ¹	58.008	30.489	58.008	30.489
DEG (e)	US\$	out/21	5,16% a.a. ¹ +VC	8.008	12.092	8.008	12.092
FINAME (f)	R\$	ago-23	3,00% a.a. ¹	764	974	764	974
DEBENTURES 1st series (g)	R\$	jun-21	4,40% a.a. ¹	-	49.482	-	49.482
DEBENTURES 2nd series (h)	R\$	jun-23	4,95% a.a. ¹	148.407	148.211	148.407	148.211
Total non-current			4,65% a.a.¹	497.986	522.607	497.986	522.607
Total domestic currency	R\$			478.842	505.051	478.842	505.051
Total foreign currency	US\$			19.144	17.556	19.144	17.556
Total			4,65% a.a.¹	749.736	755.033	749.736	756.376
Total domestic currency	R\$			698.880	703.220	698.880	704.563
Total foreign currency	US\$			50.856	51.813	50.856	51.813

¹ Weighted average rate

VC - Exchange variation

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

a) Information on agreements

Note	Contract	Date		Borrowings (R\$ thousand)	Maturity (months)	Repayment	Grace period (months)	Guarantees
		Disbursement	Maturity					
	Banco do Nordeste	ago-14	jun-25	R\$ 105.646	133	Monthly	24	Mortgage for real state and machinery and equipment
	Contract entered into in June/2013, in the amount of R\$ 147.700. The 1st installment of financing w as disbursed by the Bank in August/2014 in the amount of R\$ 29,221 , the 2nd installment w as disbursed in January/2015 in the amount of R\$ 45,765, the 3rd installment w as disbursed in September/2015 in the amount of R\$ 14,700, the 4th installment w as disbursed in March/2016 in the amount of R\$ 4,713, 5th installmente w as disbursed in December/2016 in the amount of R\$ 2,418, the 6th installment w as disbursed in February/2019 in the amount of R\$ 8,827. (Renegotiated in April/2020)							
	Banco do Nordeste	jul-19	jun-27	R\$ 31.147	95	Monthly	24	Mortgage for real state and machinery and equipment in 2nd degreee
(a)	Contract entered into in July/2019, in the amount of R\$ 31,147. The 1st installment of the financing w as disbursed by the Bank in July/2019 in the amount of R\$ 7,246, the 2nd installment w as disbursed in February/2020 in the amount of R\$ 6,681. (Renegotiated in April/2020)							
	Banco do Nordeste	set-19	set-20	R\$ 16.500	12	Bullet	Bullet	PBTech and CBC guarantee
	Contract entered into in September/2019, in the amount of R\$ 16,500. The amount of the financing w as disbursed fully by the Bank in September/2019 in the amount of R\$ 16,500.							
	Banco do Nordeste	set-19	ago-22	R\$ 23.500	12	35	2	PBTech and CBC guarantee
	Contract entered into in September/2019, in the amount of R\$ 23,500. The amount of the financing w as disbursed fully by the Bank in September/2019 in the amount of R\$ 23,500. (Renegotiated in April/2020)							
	Banco do Nordeste	jun-20	jul-23	R\$ 35.000	37	Monthly	13	Mortgage for real state in 2nd degree
	Contract entered in June/2020, in the amount of R\$ 35,000. The amount of the financing w as disbursed fully by the Bank in June/2020 in the amount of R\$ 35,000.							
		nov-17	nov-21	R\$ 50.000	51	Monthly	12	Receivables from Portobello SA in the amount of 30% of the outstanding balance of the contract
	This contract has minimum covenant clauses evaluated in the 4th quarter. (Renegotiated in April/2020)							
		jun-18	jun-21	R\$ 24.000	36	Quarterly	12	Clean
		jun-18	mai-21	R\$ 24.000	36	Quarterly	12	Receivables from Portobello SA in the amount of 25% of the outstanding balance of the contract
		mar-19	abr-24	R\$ 54.000	61	Annual	24	Receivables from Portobello SA in the amount of 20% of the outstanding balance of the contract or short-term investment
		mar-19	mar-24	R\$ 50.000	60	Quarterly	24	Receivables from Portobello SA in the amount of 20% of the outstanding balance of the contract
		mar-19	mar-24	R\$ 10.000	60	Quarterly	24	Receivables from Portobello SA in the amount of 20% of the outstanding balance of the contract or short-term investment
		jul-19	jul-23	R\$ 20.000	48	Monthly	12	Receivables from Portobello SA in the amount of 30% of the outstanding balance of the contract
		jul-19	jul-23	R\$ 20.000	48	Monthly	12	Receivables from Portobello SA in the amount of 30% of the outstanding balance of the contract
		set-19	set-22	R\$ 30.000	36	Quarterly	12	Receivables from Portobello SA in the amount of 20% of the outstanding balance of the contract
(b)	Banco do Nordeste							
(c)	PRODEC				48	Bullet	Bullet	-
	(Program of Development for Companies of the Santa Catarina State) - Special Regime for the State of Santa Catarina obtained in July/2009. The balance is subject to adjustment to present value and the rate used for calculation purposes is the average working capital (5.24% per year). The deferred amount is 60% of the tax balance generated in the month that exceeds, with a grace period of 48 months, a term of 120 months and a monetary restatement of 4% per year plus UFIR variation.							
		jul-14	mai-21	R\$ 57.318	84	Monthly	24	Bank Guarantee
	Contract entered into July/2014, in the amount of R\$ 57,300 and the first installment of the financing, in the amount of R\$ 12,627, w as disbursed by the Bank in the same month. The 2nd installment w as disbursed in January/2016 in the amount of R\$ 12,479. The 3rd installment w as disbursed in June/2017 in the amount of R\$ 32,064.							
(d)	Finep	dez-19	set-29	R\$ 66.771	117	Monthly	32	Bank Guarantee
	Contract entered into December/2019, in the amount of R\$ 66,771 and the 1st installment of the financing, in the amount of R\$ 25,008, w as disbursed by the Bank in the same month. The 2nd installment w as disbursed in March/2020 in the amount of R\$ 33,000.							
(e)	DEG	mai-14	out-21	US\$ 18.000	90	Semiannually	23	Machinery and equipmen and promissory notes
	This contract has minimum covenant clauses that w ere renegotiated in MAR18 and w ere not complied with, and a w aiver w as granted.							
		mai-13	mai-23	R\$ 39	120	Monthly	25	Machiney and equipment
		mai-13	abr-23	R\$ 601	120	Monthly	24	
		jul-13	jul-23	R\$ 107	120	Monthly	25	
		jul-13	ago-23	R\$ 1.890	120	Monthly	26	
		jan-14	jun-23	R\$ 577	114	Monthly	18	
(g)	Debentures 3rd Issuance 1st series	jun-18	jun-21	R\$ 150.000	36	Semiannually	24	Real guarantee and additional fiduciary guarantee
(h)	Debentures 3rd Issuance 2nd series	jun-18	jun-23	US\$ 150.000	60	Semiannually	48	Real guarantee and additional fiduciary guarantee
	On June 15, 2018, the Board of Directors of PBG SA, approved the 3rd issuance of simple, non-convertible debentures of the type with collateral and additional collateral, in two series, for public distribution with restricted efforts. The proceeds w ere allocated to the redemption of all 2nd issuance debentures of the issuer and renegotiation of the issuer's other liabilities. This contract has minimum covenant clauses that been met.							
(i)	ACC	jun-20	jun-21	US\$ 2.000	12	Bullet	Bullet	Aplicações da Portobello SA no valor de 35% do saldo

In this six-month period, the Company carried out fundraising in the amount of R\$ 83,418 and repayments of R\$ 108,898, of which R\$ 59,064 refers to payment of debentures.

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

In 2Q20, the Company did not comply with the covenant regarding the operation with DEG bank (Equity/Total Assets greater than 20%). In June 2020, the DEG bank granted a waiver for the failure to comply with the covenant.

Long-term borrowings mature as follows:

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
2020	109.949	232.426	109.949	233.769
2021	185.684	177.531	185.684	177.531
2022	213.872	179.881	213.872	179.881
2023 and 2029	240.231	165.195	240.231	165.195
	<u>749.736</u>	<u>755.033</u>	<u>749.736</u>	<u>756.376</u>

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

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Reais	698.880	703.220	698.880	704.563
US Dollar	50.856	51.813	50.856	51.813
	<u>749.736</u>	<u>755.033</u>	<u>749.736</u>	<u>756.376</u>

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

Changes in borrowings and debentures are as follows:

	Parent Company	Consolidated
Net debt at December 31, 2019	755.033	756.376
Changes affecting cash flows		
Proceeds from borrowings	83.418	83.418
Repayments of borrowings	(107.898)	(108.898)
Interest paid	(21.311)	(21.715)
Changes not affecting cash flows		
Exchange rate variations	26.871	26.871
Payment of interest	12.236	12.236
Mark-to-market	650	711
Allocation of debenture cost	737	737
Net debt at June 30, 2020	<u>749.736</u>	<u>749.736</u>

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

Debentures

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

	June 30, 2020	December 31, 2019
Borrowing amount		
Debentures 1st series	100.015	150.088
Debentures 2nd series	150.023	150.097
Gross Balance	250.038	300.185
Borrowings costs	(2.653)	(3.443)
Net Balance	247.385	296.742
Current	98.978	99.050
Non-current	148.407	197.692

Issuance Characteristics	
Issue	3rd
Fiduciary agent	PLANNER TRUSTEE DTVM LTDA.
Settling bank	Banco Bradesco S/A
Lead Coordinator	Banco Itaú BBA S/A
Issue Rating	Não
Trading	CETIP
Serial Number	2
Issue Volume R\$	300.000.000,00
Total Debentures	300.000
Par Value R\$	1.000,00

Serial operation breakdown		
Series	1st	2nd
Registration with CVM No.	476/09	
Asset Code	PTBL13	PTBL23
Issue date	27/06/2018	
Maturity date	27/06/2021	27/06/2023
Volume R\$	150.000.000,00	150.000.000,00
Total Debentures	150.000	150.000
Par Value R\$	1.000,00	1.000,00
Form	Book-entry	
Cash	Real guarantee and additional fiduciary guarantee	
Convertibility	Not convertible into shares issued by the Issuer	
Monetary adjustment	There will be no monetary adjustment of the Par Value	
Remuneration	DI Rate + 2.20% p.a. (year based 252 days)	DI Rate + 2.75% p.a. (year based 252 days)
Payment Remuneration	Semiannual, with first interest date on 12/27/2018	
Amortization	Initial nominal value	Initial nominal value
Corporate acts:	EGM at 06/15/2018	
Covenants	Net Debt / EBITDA < 3.00 times by two periods	

The 3rd issuance is subject to covenants that were met at June 30, 2020.

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

23. Installment payment of tax obligations

Tax obligations	Request for installment payment		Parent Company		Consolidated	
	Date	Installment due	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
	Law 11,941/09 (a)	nov-09	55	51.468	54.973	51.918
Total			51.468	54.973	51.918	55.580

Tax installments will be paid as follows:

Maturity	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
July 1				
2020 (*)	7.630	11.455	11.632	11.765
2021 to 2024	43.838	43.517	40.286	43.815
	51.468	54.972	51.918	55.580
Current	11.454	11.455	11.632	11.765
Non-current	40.014	43.517	40.286	43.815

(*) Sum of the installments to be paid in 2020 in the Parent Company and Consolidated, of R\$ 7,630 and R\$ 7,682, respectively. And the sum of the installments to be paid until 2024 in the Parent Company and Consolidated, of R\$ 43,838 and R\$ 44,236, respectively.

Under Ordinance No. 201 of May 11, 2020, the Federal Government extended the installments due in May, June and July to the months of August, October and December, respectively.

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

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

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

PGFN partially rejected the request in June 2010 alleging the need to withdraw from the lawsuits contesting the credit, as well as showing that the requirement had not been met "undue use". The Company manifested itself in order to request the withdrawal / resignation only of lawsuits that contested the assessments received from SRF. However, the Regional Attorney of the National Treasury of Santa Catarina understood that the withdrawal / resignation should also reach the declaratory actions that aim at the recognition of the IPI Premium Credit, referred to in notes 15. The Legal Department of the Company is taking the necessary measures against the decision of the PGFN with the purpose of removing the requirement of giving up / waiving said declaratory actions as well as the proof of "Improper use", clearly recognized by the Federal Revenue Service of Brazil launching.

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

This procedure decided by the Administration is supported by the opinion of the law firm Demarest Almeida, who defends that, for the debts included in the installment plan of Law 12,249/10, the aforementioned declaratory actions are not required to be withdrawn, unlike the provided for in Law 11,941/09. In this way it maintains that it is practically certain to reverse this situation pursuing the various judicial bodies to, on the merits, remove the grounds for refusal. For the clarification, the writ of mandamus filed to seek judicial approval of the installment payment was denied at first instance. In appeal, the 4th Regional TRF gave partial dismiss the appeal. The Company, which was not satisfied with the decision to partially grant it, had its Special Appeal admitted and maintains its pronouncement to revert to the remaining legal issue Superior Justice Tribunal.

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

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

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

The balance of provisions is broken down as follows:

Amount accrued	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Civil	20.121	17.126	20.121	17.126
Labor	11.998	11.891	11.998	11.891
Social security	6.615	6.615	6.615	6.615
Tax	23.174	84.568	23.205	84.600
	61.908	120.200	61.939	120.232

	Parent Company				
	Civil	Labor	Social security	Tax	Total
December 31, 2019	17.126	11.891	6.615	84.568	120.200
Charged (credited) to statement of income:					
Additional provisions	3.069	823	-	(59.173)	(55.281)
Reversal - not used	2.028	920	-	-	2.948
Monetary adjustment (Reversal)	1.266	483	-	17.134	18.883
Reversal due to realization	(225)	(580)	-	(76.307)	(77.112)
Reversal due to realization	(74)	(716)	-	(2.221)	(3.011)
June 30, 2020	20.121	11.998	6.615	23.174	61.908

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

	Consolidated				
	Civil	Labor	Social security	Tax	Total
December 31, 2019	17.126	11.891	6.615	84.600	120.232
Charged (credited) to statement of income:	3.069	823	-	(59.174)	(55.282)
Additional provisions	2.028	920	-	-	2.948
Reversal - not used	1.266	483	-	17.134	18.883
Monetary adjustment (Reversal)	(225)	(580)	-	(76.308)	(77.113)
Reversal due to realization	(74)	(716)	-	(2.221)	(3.011)
June 30, 2020	20.121	11.998	6.615	23.205	61.939

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

Civil

The Company and its subsidiaries are defendants in 427 civil lawsuits (509 lawsuits at December 31, 2018), before the Common Courts and Special Civil Courts. The majority of lawsuits is filed by customers and claim indemnity for alleged pain and suffering and damage to property. When applicable, escrow deposits were made (note 12 a).

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 251 labor claims (279 claims at December 31, 2019), filed by former employees and third parties. The other lawsuits refer to payment of severance amounts, additional amounts, overtime, equal pay and indemnity for pain and suffering and damage to property arising from work accident/ occupational illness. Provisions are revised by Management according to its legal advisors. Some lawsuits are supported by escrow deposits.

Social security

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

Change in the labor debt adjustment criterion

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

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

Tax

Tax on legal asset - Plaintiff

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

As mentioned in note 15, the amounts of the IPI Premium Credit - Plaintiff was reversed according to the STF decision in June 2020, totaling the amount of R\$ 76 million referring to PIS, COFINS, IRPJ and CSLL.

The remaining amount of the balance includes the success fees related to tax proceedings and the provision for contingency of PIS and COFINS on finance income, at the amount R\$ 17,037.

26. Lawsuits assessed as possible and remote losses

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

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Civil	3.786	3.786	3.786	3.786
Labor	9.505	9.606	9.505	9.711
Social security	10.985	10.985	10.985	10.985
	<u>24.276</u>	<u>24.377</u>	<u>24.276</u>	<u>24.482</u>

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

On December 08, 2014, the Company was notified about the issuance of Tax Assessment Notices, which established IRPJ and CSLL tax credits (as well as monetary penalties and interest), for calendar years from 2009 to 2013. According to the Tax Authorities, the Company would have allegedly committed the following infractions: (a) in 2009, it would have allegedly: (a.1) unduly excluded taxable income deriving from tax benefits; (a.2) deducted unnecessary expenses related to the principal of tax debts (IPI, PIS and COFINS) which were recorded in prior-years' profit or loss; (a.3) excluded non-deductible amounts related to the principal of IRPJ and CSLL; (a.4) unduly excluded amounts related to the principal included in temporary additions and that were recorded in prior-years' profit or loss; and (a.5) deducted non-deductible expenses related to the assessment fine; (b) in 2010, 2011 and 2012, it would have allegedly: (b.1) offset income tax and social contribution losses in amounts above those calculated; and (b.2) failed to pay IRPJ and CSLL amounts calculated based on monthly estimate, which resulted in a fine applied individually; and (c) in 2013, it would have allegedly offset CSLL losses

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

in amounts above those calculated. On January 6, 2015, the Company filed an objection against the abovementioned assessments, challenging all infractions attributable to it. In a judgment by the Federal Revenue of Brazil, the assessment was fully upheld. Currently, said administrative proceeding is awaiting judgment of the Voluntary Appeal filed by the Company, which, according to its legal advisors, considers a favorable decision as virtually certain, resulting in the cancellation of the Tax Assessment Notice, 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 7, 2016, the Company was notified about the serving of Tax Assessment Notices relating to the tax administrative proceedings No. 11516-720.299/2016-02 and No. 11516-720.300/2016-91 which established tax credits relating to undue offset of IRPJ and CSLL. However, the Company argued that such discussion is already in progress in Lawsuit No. 10983-721.445/2014-78. The cancellation of the objected tax assessment in the amount of R\$19,000 was requested due to the double collection by the tax authorities. In the lower court decision, the objections filed were upheld in the sense of recognizing the double collection of the assessment and, consequently, determining the extinguishment of the tax credit. Currently, the tax administrative proceedings No. 11516-720.299/2016-02 and No. 11516-720.300/2016-91 are at the Administrative Council of Tax Appeals (CARF), for judgment of the appeal.

27. Equity

27.1 Capital

At June 30, 2020, the Company has a subscribed and paid-up capital in the total amount of R\$ 200,000 (R\$ 200,000 at December 31, 2019), divided into 158,488,517 common, registered and book-entry shares, with no par value.

At June 30, 2020, there were 71,281,491 outstanding shares, corresponding to 45% of the total shares issued (74,131,291 at December 31, 2019, corresponding to 46% of the total). The balance of outstanding shares comprises all securities available for trading in the market, other than those held by controlling shareholders, members of the Board of Directors and Executive Board and treasury shares.

27.2 Treasury shares

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

Until June 30, 2020, the Company repurchased its shares, totaling 2,839 thousand shares, corresponding to 1.79% of the total shares issued by the Company, and 4% of the outstanding shares.

27.3 Earnings reserve

The earnings reserve is comprised of legal reserve, earnings retention reserve and unallocated earnings reserve, as follows:

The legal reserve is set up annually by allocating 5% of the profit for the year, which cannot exceed 20% of the capital. The purpose of the legal reserve is to ensure the integrity of capital and can only be used to offset accumulated losses or increase capital. At June 30, 2020, the balance of the legal reserve

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

totals R\$ 25,797 (R\$ 25,797 at December 31, 2019), as provided by Article 193 of the Brazilian Corporate Law.

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

In this quarter, the Company recognized the Tax Incentive Reserve in the amount of R\$ 5,619 related to government grants for ICMS tax incentives related to Prodesin (Alagoas State Integrated Development Program) and the Differentiated Tax Treatment of Santa Catarina (TTD) and Simplified Taxation System.

27.4 Carrying value adjustments

	Carrying value adjustments			Total
	Deemed cost	Cumulative translation adjustment	Other comprehensive income	
Parent Company and Consolidated				
At December 31, 2019	33.506	(41.872)	(13.858)	(22.224)
Realization of revaluation reserve	(594)	-	-	(594)
Exchange variations of subsidiary located abroad	-	(21.545)	-	(21.545)
At June 30, 2020	32.912	(63.417)	(13.858)	(44.363)

a) Deemed cost

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

b) Cumulative translation adjustment

The changes in assets and liabilities in foreign currency (US dollar) arising from currency fluctuation, as well as the variations between the daily rates and the closing rate of the changes in profit or loss of the foreign subsidiary are recognized in this line item of cumulative translation adjustments. In June 2020, the amount was R\$ (4,210) (Note 17b). The amount presented is the sum of the amounts for the first and second quarters, of which R\$ (17,335) in the first quarter and R\$ (4,210) in the second quarter.

28. Revenue

The reconciliation of gross revenue and net revenue, shown in the statement of income for the period ended June 30, 2020, is as follows:

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

a) Revenues incurred in the 2nd quarter:

	Parent Company		Consolidated	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Gross sales revenue	272.655	313.027	303.719	351.374
Deductions from gross revenue	(56.781)	(68.601)	(61.976)	(73.941)
Taxes on sales	(47.728)	(56.146)	(51.691)	(60.625)
Returns	(9.053)	(12.455)	(10.285)	(13.316)
Net revenue	215.874	244.426	241.743	277.433
Domestic market	168.769	198.192	206.628	231.199
Foreign market	47.105	46.234	35.115	46.234

b) Revenues incurred in the 1st half:

	Parent Company		Consolidated	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Gross sales revenue	576.016	591.632	646.727	658.708
Deductions from gross revenue	(120.580)	(132.603)	(130.804)	(142.043)
Taxes on sales	(101.273)	(108.505)	(108.939)	(116.185)
Returns	(19.307)	(24.098)	(21.865)	(25.858)
Net revenue	455.436	459.039	515.923	516.665
Domestic market	355.465	361.325	431.814	438.566
Foreign market	99.971	97.714	84.109	78.099

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

a) Operating nature and net revenue in the 2nd quarter:

	Parent Company		Consolidated	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Net revenue	215.874	244.426	241.744	277.433
Sale of own products	205.928	238.787	212.713	247.041
Resale of third-party products	9.946	5.639	15.747	12.362
Royalties	-	-	13.284	18.030

b) Operating nature and net revenue in the 1st half:

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Net revenue	455.436	459.039	515.923	516.665
Sale of own products	439.116	445.860	457.139	461.770
Resale of third-party products	16.320	13.179	29.195	24.168
Royalties	-	-	29.590	30.727

29. Expenses by nature

Cost of sales, selling and administrative expenses for the period ended June 30, 2020 are broken down as follows:

a) Expenses incurred in the 2nd quarter

	Parent Company		Consolidated	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Cost and expenses				
Cost of sales and/or services	(159.307)	(181.408)	(159.390)	(183.959)
Other Costs (b)	(26.714)	-	(26.714)	-
Selling	(46.481)	(51.057)	(70.124)	(72.645)
General and administrative	(9.899)	(9.474)	(10.211)	(9.870)
	<u>(242.401)</u>	<u>(241.939)</u>	<u>(266.439)</u>	<u>(266.474)</u>
Breakdown of expenses by nature				
Direct production cost (raw materials and inputs)	63.774	113.074	62.955	110.492
Salaries, charges and employee benefits	51.397	59.476	62.473	71.408
Third-party labor services	11.021	12.848	12.067	13.534
General production expenses (including maintenance)	13.144	13.015	13.247	13.180
Cost of goods resold	11.114	7.914	10.605	11.443
Amortization and depreciation	11.165	10.902	14.005	13.437
Other selling expenses	3.864	6.122	9.662	10.608
Sales commissions	5.214	7.191	6.358	8.272
Marketing and publicity	7.437	6.582	9.456	8.118
Transportation of goods sold	3.027	4.896	3.027	4.896
Lease expenses	4.602	3.126	5.848	4.232
Other administrative expenses	1.375	1.828	1.452	1.917
Changes in inventories of finished products and work in progress (a)	55.267	(5.035)	28.570	(5.063)
Total	<u>242.401</u>	<u>241.939</u>	<u>239.725</u>	<u>266.474</u>

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

b) Values resulting from the idleness of the Tijucas and Marechal Deodoro industrial park.

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

b) Expenses incurred in the 1st half

	Parent Company		Consolidated	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Cost and expenses				
Cost of sales and/or services	(332.833)	(342.898)	(338.421)	(347.495)
Other costs (b)	(26.714)	-	(26.714)	-
Selling	(97.903)	(102.687)	(144.754)	(145.302)
General and administrative	(20.336)	(19.732)	(20.926)	(20.544)
	<u>(477.786)</u>	<u>(465.317)</u>	<u>(530.815)</u>	<u>(513.341)</u>
Breakdown of expenses by nature				
Direct production cost (raw materials and inputs)	182.335	221.456	186.007	216.385
Salaries, charges and employee benefits	113.770	119.408	135.863	141.115
Third-party labor services	23.511	28.333	25.604	29.722
General production expenses (including maintenance)	26.127	25.807	26.385	26.111
Cost of goods resold	20.067	15.105	18.938	21.802
Amortization and depreciation	22.671	21.299	28.362	26.439
Other selling expenses	8.183	9.717	18.920	19.471
Sales commissions	13.305	13.255	15.664	15.408
Marketing and publicity	12.669	13.122	15.835	16.925
Transportation of goods sold	6.799	8.711	6.799	8.711
Lease expenses	9.085	6.074	11.997	8.148
Other administrative expenses	2.854	3.670	4.014	3.892
Changes in inventories of finished products and work in progress (a)	36.410	(20.640)	36.427	(20.788)
Total	<u>477.786</u>	<u>465.317</u>	<u>530.815</u>	<u>513.341</u>

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

b) Values resulting from the idleness of the Tijucas and Marechal Deodoro industrial park.

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

30. Other operating income and expenses, net

Other individual and consolidated operating income and expenses for the period ended June 30, 2020 are as follows:

a) Revenues and expenses incurred in the 2nd quarter:

	Parent Company		Consolidated	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Other operating income				
Revenue from services	207	153	207	153
Curtailement of ICMS from the PIS and COFINS tax base (2003-2009) (a)	-	41.692	-	41.692
Other revenue	1.381	22	1.445	1.999
Total	1.588	41.867	1.652	43.844
Other operating expenses				
Provision for civil, labor, pension and tax (b)	15.786	(690)	15.786	(690)
Idleness cost	-	(336)	-	(336)
IPI premium credit - Plaintiff - Refinadora Catarinense (c)	(2.009)	-	(2.009)	-
Other expenses	(51)	(9)	(97)	(154)
Taxes on other revenues	(41)	-	(47)	-
Provision for profit sharing (d)	-	(2.869)	-	(2.869)
Pre-operating expenses	-	(74)	-	(74)
Total	13.685	(3.978)	13.633	(4.123)
Total net	15.273	37.889	15.285	39.721

- a) Recognition of ICMS Purge on PIS and COFINS from 2003 to 2009.
b) Recognition of amounts related to the reversal of taxes of the Plaintiff (Notes 14 and 15)
c) Recognition of the amount to be paid to Refinadora Catarinense regarding the IPI premium credit - Plaintiff lawsuit (Notes 14 and 15).
d) Recognition of the employee profit sharing provision to be paid after the end of the year.

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

b) Revenues and expenses incurred in the 1st half:

	Controladora		Consolidado	
	June 30, 2020	31 de dezembro de 2019	June 30, 2020	31 de dezembro de 2019
Other operating expenses				
Revenue from services	342	315	342	315
Tax assets - rural credit notes (a)	-	-	13.160	-
Curtailement of ICMS from the PIS and COFINS tax base (2003-2009) (a)	-	41.692	-	41.692
IPI premium credit complementary - Plaintiff (c)	83.075	-	83.075	-
Other revenue	(43)	2.686	4	4.567
Total	83.374	44.693	96.581	46.574
Other operating expenses				
Provision for civil, labor, pension and tax	12.855	(5.221)	12.855	(5.221)
IPI premium credit - Plaintiff - Refinadora Catarinense (d)	(80.568)	-	(80.568)	-
Idleness cost	-	(336)	-	(336)
Taxes on other revenues	(100)	-	(100)	-
Other expenses	(73)	(9)	(283)	(308)
Provision for legal fees - rural credit notes	-	-	(1.327)	-
Provision for profit sharing (e)	-	(4.809)	-	(4.809)
Pre-operating expenses	-	(145)	-	(146)
Provision for contingencies	-	1.339	-	1.339
Total	(67.886)	(9.181)	(69.423)	(9.481)
Total net	15.488	35.512	27.158	37.093

- a) Recognition of the amount receivable referring to the rural credit note lawsuit - Fraiburgo (Note 14);
- b) Recognition of ICMS Purge on PIS and COFINS from 2003 to 2009.
- c) Recognition of the amount receivable regarding the IPI premium credit - Plaintiff lawsuit (Notes 14 and 15);
- d) Recognition of the amount to be paid to Refinadora Catarinense regarding the IPI premium credit - Plaintiff lawsuit (Notes 14 and 15).
- e) Recognition of the employee profit sharing provision to be paid after the end of the year.

31. Finance income (costs)

Individual and consolidated finance income (costs) for the period ended June 30, 2020 are as follows:

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

a) Revenues and expenses incurred in the 2nd quarter:

	Parent Company		Consolidated	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Finance income				
Interest	2.018	1.302	2.091	1.446
Asset adjustment	858	1.389	858	1.389
Gain for swap operation (a)	3.623	687	3.623	687
Other	104	1	1.750	48
Total	6.603	3.379	8.322	3.570
Financial costs				
Interest	(6.267)	(7.228)	(6.739)	(7.228)
Financial charges with taxes	(115)	(704)	(125)	(705)
Adjustment of provision for contingencies	(1.476)	-	(1.477)	-
Commissions and services fees	(2.808)	(1.419)	(3.556)	(1.420)
Bank expenses / Discount	(31)	(159)	(33)	(160)
Loss for swap operation (a)	(39)	(1.378)	(39)	(1.378)
Interest on debentures	(4.322)	(6.820)	(4.322)	(6.820)
Discount granted	(399)	-	(410)	-
Other	(111)	(2.868)	(171)	(3.313)
Total	(15.568)	(20.576)	(16.872)	(21.024)
Foreign exchange variations, net				
Trade receivables and trade payables	8.435	(2.242)	8.426	(2.250)
Borrowings and financing	(2.214)	815	(2.213)	815
Total	6.221	(1.427)	6.213	(1.435)
Total net	(2.744)	(18.624)	(2.337)	(18.889)

a) Note 7

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

b) Revenues and expenses incurred in the 1st half:

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Finance income				
Interest	4.944	2.793	5.121	3.050
Asset adjustment	1.902	2.967	4.725	2.967
Gain for swap operation (a)	6.644	2.332	6.644	2.332
Other	107	3	471	77
Total	13.597	8.095	16.961	8.426
Financial costs				
Interest	(13.295)	(12.892)	(12.422)	(12.925)
Financial charges with taxes	(422)	(2.277)	(159)	(2.313)
Adjustment of provision for contingencies	(3.082)	-	(3.083)	-
Commissions and service fees	(5.109)	(2.793)	(6.243)	(3.029)
Bank expenses / Discount	(76)	(484)	(87)	(487)
Reversal of financial gains from taxes	-	(1.471)	-	(1.471)
Loss for swap operation (a)	(2.099)	(2.907)	(2.100)	(2.907)
Interest on debentures	(9.652)	(11.900)	(9.665)	(11.900)
Discount granted	1.409	-	(957)	-
Other	(269)	(3.357)	(320)	(3.936)
Total	(32.595)	(38.081)	(35.035)	(38.968)
Foreign exchange variations, net				
Trade receivables and trade payables	49.667	(1.794)	49.658	(1.805)
Borrowings and financing	(23.201)	571	(23.219)	571
Total	26.466	(1.223)	26.439	(1.234)
Total net	7.468	(31.209)	8.365	(31.776)

a) Note 7

32. Earnings (loss) per share

a) Basic

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

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

	<u>Consolidated</u>
	<u>June 30, 2019</u>
Profit (loss) attributable to the owners of the Company	6.923
Weighted average number of common shares (a)	158.489
Basic earnings (loss) per share	<u>0,04368</u>

a) On June 30, the Company had 2,840 thousand treasury shares, which were purchased in the 2nd quarter of 2020.

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

b) Diluted

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

33. Dividends

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

34. Segment reporting

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

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

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

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

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

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

a) Segment reporting in the 2nd quarter:

	June 30, 2020			June 30, 2019		
	Brazil	Other countries	Total	Other countries	Total	
Continuing operations						
Revenue	206.628	35.115	241.743	231.199	46.234	277.433
Cost of sales	(139.150)	(20.241)	(159.391)	(150.029)	(33.930)	(183.959)
Other cost	(26.714)	-	(26.714)	-	-	-
Gross profit	40.764	14.874	55.638	81.170	12.304	93.474
Operating income (expenses), net	(56.783)	(8.268)	(65.051)	(30.417)	(12.377)	(42.794)
Selling, general and administrative	(72.068)	(8.268)	(80.336)	(70.138)	(12.377)	(82.515)
Other operating income (expenses), net	15.285	-	15.285	39.721	-	39.721
Operating income before finance income	(16.019)	6.606	(9.413)	50.753	(73)	50.680
% NOR	-8%	19%	-4%	22%	0%	18%

b) Segment reporting in the 1st half:

	June 30, 2020			December 31, 2019		
	Brazil	Other countries	Total	Brazil	Other countries	Total
Continuing operations						
Revenue	431.814	84.109	515.923	438.566	78.099	516.665
Cost of sales	(285.383)	(53.038)	(338.421)	(288.847)	(58.648)	(347.495)
Other cost	(26.714)	-	(26.714)	-	-	-
Gross profit	119.717	31.071	150.788	149.719	19.451	169.170
Operating income (expenses), net	(115.003)	(23.519)	(138.522)	(103.903)	(24.850)	(128.753)
Selling, general and administrative	(142.161)	(23.519)	(165.680)	(140.996)	(24.850)	(165.846)
Other operating income (expenses), net	27.158	-	27.158	37.093	-	37.093
Operating income before finance income	4.714	7.552	12.266	45.816	(5.399)	40.417
% NOR	1%	9%	2%	10%	-7%	8%

The Company has no customers that individually account for more than 10% of the net sales revenue. The Company exports to 73 countries.

35. Commitments

a) Commitments for acquisition of assets

Expenses recorded at the balance sheet date but not yet incurred relating to property, plant and equipment at June 30, 2020, total R\$ 2,551, corresponding to the modernization of manufacturing equipment, according to the Company's investment plan.

36. Insurance coverage

The insurance coverage at June 30, 2020 is considered sufficient to cover any claims and is summarized as follows:

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

Insurance Company	Insurance Policy	Maximum Indemnity Limit	Maturity
Mitsui Seguros	Property Insurance	378.100	13/06/2021
General Brasil Seguros S.A.	Directors and Officers Liability Insurance (D&O)	10.000	27/08/2020
HDI Global Seguros	Civil Liability	6.520	01/04/2021
Allianz Seguros S.A.	International Transport - Portobello imports	1.000	31/12/2020
Argo	International Transport - Pointer imports	1.000	11/09/2020
Prudential do Brasil Vida em Grupo S.A.	Group life insurance and funeral assistance	380.754	01/03/2021
Tokio Marine Seguros	Vehicle fleet	79 (vehicles)	15/11/2020
Junto Seguros	ENGIE guarantee	5.483	31/12/2020
AXA Seguros	Property insurance - Own PBTech Stores	35.537	25/05/2021
Pottencial	Demand for Rent Guarantee PBG S.A.	1.941	04/12/2023
		1.407	24/04/2023
Seguradora Berkley Internacional do Brasil Seguros S.A.	Legal Protection insurance	850	13/03/2021
		3.899	26/04/2024
Chubb Seguros S.A.	Legal Protection insurance	132	03/03/2023
Fairfax	15th Labor Court of Salvador - BA	28.000	18/06/2025
Junto Seguros S.A.	Legal Protection insurance	314	10/05/2022
		10.603	10/05/2022
Chubb Seguros Brasil S.A.	Property Insurance - (Only the building in State of Alagoas)	13.085	13/06/2021

37. Related entities and parties

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

Nature - Assets and liabilities balance	Company	Controladora	
		June 30, 2020	December 31, 2019
Subsidiaries			
Dividends receivable	Portobello Shop S.A.	31.832	37.237
Receivables	Portobello Shop S.A.	853	592
Trade receivables	Portobello América, Inc.	147.825	95.422
Trade payables, net of advances	PBTech Com. Sem. Cer. Ltda.	10.338	9.534
Trade receivables, net of advances	Cia Brasileira de Cerâmica	461	194
Net assets and liabilities with subsidiaries		191.309	142.979
Related entities and parties			
Receivables from related parties	Refinadora Catarinense S.A.	101.809	100.936
Payable to related parties	Refinadora Catarinense S.A.	(72.374)	(22.803)
Trade receivables, net of advances	Solução Cerâmica Com. Ltda.	374	232
Trade receivables, net of advances	Flooring Renest. Cer. Ltda.	102	6
Trade payables	Flooring Revest. Cer. Ltda.	(5.921)	(3.416)
Trade payables	Multilog Sul Armazéns S/A	(2.137)	(1.597)
Trade payables	Decorado Marketplace Ltda	-	(85)
Trade payables	Senior Sistemas S/A	(8)	(38)
Trade payables	AB Parking	(10)	(14)
Trade payables	Neoway	(159)	(2)
Net assets of liabilities with other related parties		21.676	73.219

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

Nature - profit or loss	Company	2nd Quarter		Accumulated	
		June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Revenue					
Subsidiaries					
Sale of products	PBTech Com. Sem. Cer. Ltda.	9.268	10.822	19.203	16.561
Sale of products	Cia Brasileira de Cerâmica	84	98	249	98
Sale of products	Portobello América, Inc.	11.990	2.470	15.862	6.497
Related entities and parties					
Sale of products	Solução Cerâmica Com. Ltda.	3.692	6.905	8.574	15.104
Sale of products	Flooring Revest. Cer. Ltda.	1.941	3.062	4.173	6.827
Expenses					
Subsidiaries					
Acquisition of inputs	Mineração Portobello Ltda.	(1.062)	(2.573)	(3.614)	(5.020)
Related entities and parties					
Rental	Gomes Part Societárias Ltda.	-	(104)	126	(616)
Freight service	Multilog Sul Armazéns S/A	(564)	(1.473)	(607)	(2.729)
Cutting service	Flooring Revest. Cer. Ltda.	(2.468)	(3.039)	(5.737)	(5.780)
Software service	Neoway Tecnologia	-	(33)	(2)	(191)
Marketing	Decorado Marketplace Ltda.	(384)	-	(384)	-
Software	Senior Sistemas S/A	(273)	-	(273)	-
Parking service	AB Parking	(70)	-	(107)	-
		<u>22.154</u>	<u>16.135</u>	<u>37.463</u>	<u>30.751</u>

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

Related-party transactions

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

Transactions with subsidiaries and related entities	Nature	2nd Quarter		Accumulated				
		June 30, 2020	December 31, 2019	June 30, 2020	June 30, 2019			
	Equity			Profit or loss				
Solução Cerâmica Com. Ltda.	Trade receivables, net of advances	901	690	Royalties	978	6.905	2.484	9.332
Flooring Revest. Cer. Ltda.	Trade receivables, net of advances	526	351	Royalties	605	3.061	731	4.282
		<u>1.427</u>	<u>1.041</u>		<u>1.583</u>	<u>9.966</u>	<u>3.215</u>	<u>13.614</u>

Key management personnel compensation

Expenses on compensation paid to key management personnel, which comprise the members of the Executive Board, Board of Directors, Supervisory Board and Management, recorded in the period ended June 30, 2020, are as follows:

a) Expenses incurred in the second quarter:

PBG S.A. and Subsidiaries

Notes to Financial Information for the year ended June 30, 2020.
In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Fixed compensation				
Salaries	3.050	2.936	3.477	3.405
Fees	1.624	1.515	1.624	1.571
Variable compensation	240	451	308	451
Pension Plan	138	272	144	292
Other	111	434	155	502
	<u>5.163</u>	<u>5.608</u>	<u>5.708</u>	<u>6.221</u>

b) Expenses incurred in the 1st half:

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Fixed compensation				
Salaries	6.262	7.028	7.081	8.033
Fees	3.135	1.992	3.135	1.992
Variable compensation	646	928	783	1.064
	345	518	357	555
Pension Plan	223	1.136	311	1.483
	<u>10.611</u>	<u>11.602</u>	<u>11.667</u>	<u>13.127</u>

38. Events after the reporting period

The Company has not identified any relevant fact that should be reported in the Explanatory Note of Subsequent Events.

(A free translation of the original in Portuguese)

PBG S.A.
Quarterly Information (ITR) at
June 30, 2020
and report on review of
quarterly information



Report on review of quarterly information

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of PBG S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2020, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and six-month periods then ended, and the statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

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

Scope of review

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

Conclusion on the interim information

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



PBG S.A.

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2020. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Florianópolis, August 10, 2020

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

Directors' Statement on Financial Statements and Review Report
Special of Independent Auditors

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

(i) reviewed, discussed and agreed with the Company's Quarterly Information for the quarter ended June 30, 2020; and

(ii) reviewed, discussed and agreed with the opinions expressed in the special review report of PRICEWATERHOUSECOOPERS AUDITORES INDEPENDENTES Independent Auditors, regarding the Company's Quarterly Information for the quarter ended on June 30, 2020.

Tijucas, August 10, 2020.

Board Composition

Mauro do Valle Pereira - Chief Executive Officer

Cláudio Ávila da Silva - Institutional Vice-President

Ronei Gomes – Vice President of Finance and Investor Relations

Cesar Gomes Junior– Vice President of Business