2Q19

PortobelloGrupo

PBG S.A and subsidiaries

Interim Financial Information for the quarter ended July 30, 2019
In thousands of Brazilian reais - R$, unless otherwise stated.

Company information / Breakdown of Capital

Quantity of shares (Thousand)	Last fiscal year 06/30/2019
Paid-in capital	
Common	**158,489**
Preferred	0
Total	**158,489**
Treasury	
Common	0
Preferred	0
Total	0

PBG S.A and subsidiaries

Interim Financial Information for the quarter ended June 30, 2019
In thousands of Brazilian reais - R$, unless otherwise stated.

Individual financial statements/ Balance sheet – Assets

Account Code	Account Description	Current Period 06/30/2019	Previous Year 12/31/2018
1	Total Assets	1,777,936	1,673,176
1.01	Curent Assets	562,586	544,985
1.01.01	Cash and Cash Equivalents	24,570	67,580
1.01.03	Accounts Receivable	224,774	222,065
1.01.03.01	Trade Receivables	224,774	222,065
1.01.04	Inventory	236,675	206,822
1.01.06	Recoverable Taxes	28,259	8,393
1.01.06.01	Current Taxes Recoverable	28,259	8,393
1.01.06.01.01	Income and Social Contribution Tax	100	-
1.01.06.01.02	Other Current Taxes Recoverable	28,159	8,393
1.01.07	Prepaid Expenses	6,226	1,598
1.01.08	Others Current Assets	42,082	38,527
1.01.08.03	Others	42,082	38,527
1.01.08.03.01	Dividends Receivable	28,377	28,377
1.01.08.03.03	Advance to Suppliers	4,602	4,112
1.01.08.03.04	Others	9,103	6,038
1.02	Non-Current Assets	1,215,350	1,128,191
1.02.01	Long-Term Assets	697,983	658,921
1.02.01.07	Deferred Taxes	1,822	-
1.02.01.07.01	Deferred Income and Social Contribution Taxes	1,822	-
1.02.01.09	Related Party Credits	192,146	182,730
1.02.01.09.02	Subsidiaries Credits	92,638	84,789
1.02.01.09.04	Other Related Party Credits	99,508	97,941
1.02.01.10	Other Non-Current Assets	504,015	476,191
1.02.01.10.03	Judicial Deposits	121,354	116,949
1.02.01.10.04	Receivables - Eletrobras	12,821	12,821
1.02.01.10.05	Recoverable Taxes	41,039	5,015
1.02.01.10.06	Tax Asset	303,197	317,506
1.02.01.10.07	Actuarial Asset	9,675	9,675
1.02.01.10.08	Interest Earning Bank Deposits	7,410	7,251
1.02.01.10.10	Other	8,519	6,974
1.02.02	Investiments	29,084	20,235
1.02.02.01	Ownership Interest	29,084	20,235
1.02.02.01.02	Interest in Subsidiaries	28,777	19,937
1.02.02.01.04	Other Ownership Interest	307	298
1.02.03	Property, Plant and Equipment	478,558	440,384
1.02.03.01	Operating Property, Plant and Equipment	467,525	440,384
1.02.03.02	Right-of-use Asset	11,033	-
1.02.03.02.01	Right-of-use Asset	11,033	-
1.02.04	Intangible Assets	9,725	8,651

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

Individual financial statements/ Balance sheet – Liabilities

Account Code	Account Description	Current Period 06/30/2019	Previous Year 12/31/2018
2	Total Liabilities	1,777,936	1,673,176
2.01	Current Liabilities	459,658	382,598
2.01.01	Social and labor obligations	40,292	31,720
2.01.02	Suppliers	113,921	112,000
2.01.03	Tax Obligations	13,352	22,750
2.01.03.01	Federal tax obligations	13,352	22,750
2.01.03.01.01	Income and social contribution tax payable	-	8,423
2.01.03.01.02	Installment payment of tax obligations	10,895	10,718
2.01.03.01.03	Taxes, rates and contributions	2,457	3,609
2.01.04	Loans and Financing	167,408	101,721
2.01.04.01	Loans and Financing	118,147	99,760
2.01.04.02	Debentures	49,261	1,961
2.01.05	Other Obligations	120,495	113,143
2.01.05.02	Other	120,495	113,143
2.01.05.02.04	Credit granting from suppliers	50,679	45,956
2.01.05.02.05	Advance from clients	20,960	17,329
2.01.05.02.06	Dividends Payable	523	23,428
2.01.05.02.07	Accounts payables from investments	28,920	10,676
2.01.05.02.08	Other	16,191	15,754
2.01.05.02.09	Leases Obligations	3,222	-
2.01.06	Provisions	4,190	1,264
2.01.06.02	Other Provisions	4,190	1,264
2.02	Non-current Liabilities	948,805	928,470
2.02.01	Loans and Financing	515,755	492,624
2.02.01.01	Loans and Financing	269,110	198,966
2.02.01.02	Debentures	246,645	293,658
2.02.02	Other Obligations	220,390	216,488
2.02.02.02	Other	220,390	216,488
2.02.02.02.03	Suppliers	109,908	101,268
2.02.02.02.04	Related Party Payable	62,008	62,008
2.02.02.02.06	Installment payment of tax obligations	48,474	53,212
2.02.03	Deferred Taxes	0	1,965
2.02.03.01	Deferred Income and Social Contribution Taxes	0	1,965
2.02.04	Provisions	212,660	217,393
2.02.04.02	Other Provisions	212,660	217,393
2.02.04.02.04	Provision for loss on investments	62,874	74,534
2.02.04.02.05	Provisions for Contingencies	136,564	139,575
2.02.04.02.06	Provision for Long-term Incentive	162	162
2.02.04.02.07	Other Non Current	6,744	3,122
2.02.04.02.08	Leases Obligations	6,316	0
2.03	Shareholders' Equity	369,473	362,108
2.03.01	Realized Capital	200,000	140,000
2.03.04	Profit Reserves	183,475	235,960

PBG S.A and subsidiaries

Interim Financial Information for the quarter ended June 30, 2019
In thousands of Brazilian reais - R$, unless otherwise stated.

Account Code	Account Description	Current Period 06/30/2019	Previous Year 12/31/2018
2.03.04.01	Legal Reserves	25,141	25,141
2.03.04.05	Profit retention reserve	158,334	114,922
2.03.04.10	Profit reserve to be allocated	0	95,897
2.03.06	Equity valuation adjustments	-14,002	-13,852

PBG S.A and subsidiaries

Interim Financial Information for the quarter ended June 30, 2019
In thousands of Brazilian reais - R$, unless otherwise stated.

Individual financial statements / Statement of income

Account Code	Account Description	Current Quarter 04/01/2019 to 06/30/2019	Accumulated of the Current Period 01/01/2019 to 06/30/2019	Equal Quarter of the Previus Period 04/01/2018 to 06/30/2018	Accumulated of the Previous Period 01/01/2018 to 06/30/2018
3.01	Income from sales of goods and/or services	244,426	459,039	242,029	465,339
3.02	Cost of goods and/or services sold	-181,408	-342,898	-155,297	-302,648
3.03	Gross income	63,018	116,141	86,732	162,691
3.04	Operating expenses/income	-16,157	-81,796	60,622	9,531
3.04.01	Sales expenses	-51,057	-102,687	-60,676	-113,115
3.04.02	General and administrative expenses	-9,474	-19,732	-9,824	-18,590
3.04.04	Other operating income	41,867	42,129	150,498	150,618
3.04.05	Other operating expenses	-3,978	-6,616	-26,499	-28,279
3.04.06	Equity income	6,485	5,110	7,123	18,897
3.05	Income (loss) before financial income and taxes	46,861	34,345	147,354	172,222
3.06	Financial income (loss)	-18,624	-31,209	-5,288	-20,335
3.06.01	Financial income	1,952	6,872	11,564	13,385
3.06.01.01	Financial income	3,379	8,095	1,793	3,977
3.06.01.02	Net Exchange Variance	-1,427	-1,223	9,771	9,408
3.06.02	Financial expenses	-20,576	-38,081	-16,852	-33,720
3.06.02.01	Financial expenses	-20,576	-38,081	-16,852	-33,720
3.07	Income (loss) before income tax	28,237	3,136	142,066	151,887
3.08	Income and social contribution taxes	-4,106	3,787	-45,658	-48,490
3.08.01	Current	0	0	693	-953
3.08.02	Deferred assets	-4,106	3,787	-46,351	-47,537
3.09	Net income (loss) of continued operations	24,131	6,923	96,408	103,397
3.11	Consolidated Net Income/loss for the period	24,131	6,923	96,408	103,397
3.99	Earnings per share - (Reais / Shares)	0	0	0	0
3.99.02	Diluted Earnings per Share	0	0	0	0
3.99.02.01	Common	0,15226	0,04368	0,60829	0,65239

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

Individual financial statements / Statement of Comprehensive Income

		Current Quarter 04/01/2019 to 06/30/2019	Accumulated of the Current Period 01/01/2019 to 06/30/2019	Equal Quarter of the Previus Period 04/01/2018 to 06/30/2018	Accumulated of the Previous Period 01/01/2018 to 06/30/2018
4.01	Net Income for the Period	24,131	6,923	96,408	103,397
4.02	Other Comprehensive Income	-1,047	442	-10,368	-10,639
4.03	Attributed to Partners of the Parent Company	23,084	7,365	86,040	92,758

PBG S.A and subsidiaries

Interim Financial Information for the quarter ended June 30, 2019
In thousands of Brazilian reais - R$, unless otherwise stated.

Individual financial statements / Statement of cash flows - Indirect method

Account Code	Account Description	Accumulated of the Current Period 01/01/2019 to 06/30/2019	Accumulated of the Previous Period 01/01/2018 to 06/30/2018
6.01	Net cash from operational activities	-52,941	-16,192
6.01.01	Cash generated in operations	33,173	38,744
6.01.01.01	Profit or loss for the year before taxes	3,135	151,887
6.01.01.02	Depreciation and amortization	21,299	19,692
6.01.01.03	Equity income or loss	-5,110	-18,897
6.01.01.04	Unrealized Exchange Variation	-1,191	-8,119
6.01.01.05	Provision for inventory at market value	3,309	1,358
6.01.01.06	Provision Allowance for doubtful accounts	1,065	-1,264
6.01.01.07	Provision for contingencies	8,753	39,868
6.01.01.08	Provision for labor obligations	-8,114	-9,151
6.01.01.09	Provision for profit sharing	2,926	-1,005
6.01.01.13	Other Provisions	-416	2,017
6.01.01.15	Adjustments Tax Asset	-14,309	-159,142
6.01.01.16	Finance charges on credit with other related parties	-1,567	-1,635
6.01.01.17	Finance charges on tax installments	2,277	1,286
6.01.01.18	Finance charges on Loans	29,458	19,054
6.01.01.20	Others	-8,342	2,795
6.01.02	Changes in assets and liabilities	-53,786	-34,913
6.01.02.01	(Increase)/Decrease in accounts receivable	-3,774	-24,236
6.01.02.02	Increase /(Decrease) in Advances from clients	3,631	1,509
6.01.02.03	(Increase)/Decrease in inventories	-33,162	-22,453
6.01.02.04	(Increase)/Decrease in Judicial Deposits	-4,405	-5,756
6.01.02.06	(Increase)/Decrease in Recoverable Taxes	-55,790	3,135
6.01.02.07	(Increase)/Decrease in Interest Earning Bank Deposits	-159	-154
6.01.02.08	(Increase)/Decrease in Other assets	-9,548	-2,519
6.01.02.09	Increase /(Decrease) in Accounts Payable	15,284	8,759
6.01.02.10	(Increase)/Decrease in Advance to Suppliers	-490	1,399
6.01.02.11	(Increase)/Decrease in Provisions for Contingencies	-5,742	-872
6.01.02.12	(Increase)/Decrease in Installments	-6,838	-9,011
6.01.02.13	Increase /(Decrease) in Tax and Labor Liabilities	3,180	14,407
6.01.02.14	Increase /(Decrease) in Other Payable	-1,449	879
6.01.02.15	Increase / (decrease) in Investment Payables	45,476	0
6.01.03	Other	-32,328	-20,023
6.01.03.01	Interest paid	-32,328	-20,023
6.02	Net cash used in investment activities	-55,293	-20,745
6.02.01	Acquisition of property, plant and equipment	-45,476	-29,003
6.02.02	Acquisition of intangible assets	-2,624	-1,691
6.02.03	Dividends received	-22,905	16,450
6.02.04	Integralization of Capital in Subsidiaries	21,887	-5,302
6.02.05	Sale of property, plant and equipment	-9	0
6.02.07	Related Party Credits	-6,166	-1,199
6.03	Net Cash from Financing Activities	65,224	176,673

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

Account Code	Account Description	Accumulated of the Current Period 01/01/2019 to 06/30/2019	Accumulated of the Previous Period 01/01/2018 to 06/30/2018
6.03.01	Obtainment of loans and financings	132,957	432,780
6.03.02	Payment of loans and financings	-44,827	-234,662
6.03.03	Paid Dividends	-22,906	-21,445
6.05	Increase (Decrease) in Cash and Cash Equivalents	-43,010	139,736
6.05.01	Opening Balance of Cash and Cash Equivalents	67,580	78,756
6.05.02	Closing Balance of Cash and Cash Equivalents	24,570	218,492

In thousands of Brazilian reais - R$, 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	0	235,960	0	-13,852	362,108
5.03	Adjusted Opening Balances	140,000	0	235,960	0	-13,852	362,108
5.05	Total Comprehensive Income	0	0	0	6,923	442	7,365
5.05.01	Net Income for the Period	0	0	0	6,923	0	6,923
5.05.02	Other Comprehensive Income	0	0	0	0	442	442
5.05.02.06	Exchange Variation of Subsidiary Located Abroad	0	0	0	0	442	442
5.06	Internal changes in shareholders' equity	60,000	0	-60,000	592	-592	0
5.06.03	Realization of the Revaluation Reserve	0	0	0	592	-592	0
5.06.04	Capital Increase	60,000		-60,000			
5.07	Closing Balances	200,000	0	175,960	7,515	-14,002	369,473

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

Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2018–06/30/2018

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	130,000	0	159,220	0	-4,172	285,048
5.03	Adjusted Opening Balances	130,000	0	159,220	0	-4,172	285,048
5.04	Shareholders operation	0	0	-15,872	0	0	-15,872
5.04.06	Dividends	0	0	-15,232	0	0	-15,232
5.04.07	Interest upon Own Capital	0	0	-640	0	0	-640
5.05	Total Comprehensive Income	0	0	0	103,397	-10,639	92,758
5.05.01	Net Income for the Period	0	0	0	103,397	0	103,397
5.05.02	Other Comprehensive Income	0	0	0	0	-10,639	-10.639
5.05.02.06	Tax Conversion Adjust	0	0	0	0	-10,639	-10.639
5.06	Internal changes in shareholders' equity	10,000	0	-10,000	594	-594	0
5.06.02	Realization of the Revaluation Reserve	0	0	0	594	-594	0
5.06.04	Increased Capital	10,000	0	-10,000	0	0	0
5.07	Closing Balances	140,000	0	133,348	103,991	-15,405	361,934

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

Individual financial statements / Statement of added value

Account Code	Account Description	Accumulated of the Current Period 01/01/2019 to 06/30/2019	Accumulated of the Previous Period 01/01/2018 to 06/30/2018
7.01	Revenue	567,511	719,612
7.01.01	Sales of Goods, Products and Services	567,544	565,969
7.01.02	Other Revenue	1,032	152,379
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-1,065	1,264
7.02	Consumables acquired from third parties	-305,467	-312,419
7.02.01	Cost of goods and services sold	-224,705	-195,206
7.02.02	Material, Energy, Outsourced Services and Other	-82,178	-117,584
7.02.03	Loss/Recovery of Assets	1,416	371
7.03	Gross Added Value	262,044	407,193
7.04	Retentions	-21,299	-19,692
7.04.01	Depreciation, Amortization and Depletion	-21,299	-19,692
7.05	Net Added Value Produced	240,745	387,501
7.06	Transferred Added Value	19,422	57,108
7.06.01	Equity income	5,110	18,897
7.06.02	Financial Revenue	14,312	38,211
7.07	Total Added Value to be Distributed	260,167	444,609
7.08	Distribution of Added Value	260,167	444,609
7.08.01	Personnel	116,253	106,418
7.08.01.01	Direct Remuneration	97,102	89,721
7.08.01.02	Benefits	11,320	10,633
7.08.01.03	F.G.T.S.	7,831	6,064
7.08.02	Taxes, Duties and Contributions	112,913	170,245
7.08.02.01	Federal	37,778	99,439
7.08.02.02	State	74,581	70,171
7.08.02.03	Municipal	554	635
7.08.03	Interest Expenses	51,595	64,549
7.08.03.01	Interest	45,521	58,546
7.08.03.02	Rent	6,074	6,003
7.08.04	Interest earnings	-20,594	103,397
7.08.04.03	Retained Earnings/Loss for the Period	-20,594	103,397

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

Consolidated financial statements / Balance sheet – Assets

Account Code	Account Description	Current Year 06/30/2019	Previous Year 12/31/2018
1	Total Assets	1,753,028	1,622,155
1.01	Curent Assets	612,907	563,867
1.01.01	Cash and Cash Equivalents	54,221	82,624
1.01.03	Accounts Receivable	251,324	239,463
1.01.03.01	Trade receivables	251,324	239,463
1.01.04	Inventory	248,777	213,791
1.01.06	Recoverable Taxes	30,069	10,201
1.01.06.01	Current Taxes Recoverable	30,069	10,201
1.01.06.01.01	Income taxes and contributions recoverable	727	627
1.01.06.01.02	Other Current Taxes Recoverable	29,342	9,574
1.01.07	Prepaid expenses	6,405	1,598
1.01.08	Others current assets	22,111	16,190
1.01.08.03	Others	22,111	16,190
1.01.08.03.01	Advances to Suppliers	8,650	7,385
1.01.08.03.02	Other	13,461	8,805
1.02	Non-current Assets	1,140,121	1,058,288
1.02.01	Long-Term Assets	610,513	579,070
1.02.01.07	Deferred Taxes	6,175	4,353
1.02.01.07.01	Deferred Income and Social Contribution Taxes	6,175	4,353
1.02.01.09	Related party Credits	99,508	97,941
1.02.01.09.04	Other related party Credits	99,508	97,941
1.02.01.10	Other Non-current Assets	504,830	476,776
1.02.01.10.03	Judicial Deposits	121,386	116,980
1.02.01.10.04	Receivables - Eletrobrás	12,821	12,821
1.02.01.10.05	Recoverable Taxes	41,313	5,287
1.02.01.10.06	Tax Asset	303,197	317,506
1.02.01.10.07	Actuarial Asset	9,675	9,675
1.02.01.10.08	Interest earning bank deposits	7,410	7,251
1.02.01.10.09	Other	9,028	7,256
1.02.02	Investiments	307	298
1.02.02.01	Ownership Interest	307	298
1.02.02.01.04	Other ownership interest	307	298
1.02.03	Property, plant and equipment	506,399	458,331
1.02.03.01	Operating Property, Plant and Equipment	484,372	458,331
1.02.03.02	Right-of-use Asset	22,027	-
1.02.03.02.01	Right-of-use Asset	22,027	-
1.02.04	Intangible assets	22,902	20,589
1.02.04.01	Intangible assets	22,902	20,589

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

Consolidated financial statements / Balance sheet – Liabilities

Account Code	Account Description	Current Year 06/30/2019	Previous Year 12/31/2018
2	Total Liabilities	1,753,028	1,622,155
2.01	Current Liabilities	486,831	404,068
2.01.01	Social and labor obligations	47,223	36,734
2.01.02	Suppliers	124,704	124,874
2.01.03	Tax Obligations	17,032	25,846
2.01.03.01	Federal tax obligations	17,032	25,846
2.01.03.01.01	Income and social contribution tax payable	2,289	10,315
2.01.03.01.02	Installment payment of tax obligations	10,971	10,793
2.01.03.01.03	Taxes, rates and contributions	3,772	4,738
2.01.04	Loans and Financing	167,408	101,721
2.01.04.01	Loans and Financing	118,147	99,760
2.01.04.02	Debentures	49,261	1,961
2.01.05	Other Obligations	126,274	113,629
2.01.05.02	Other	126,274	113,629
2.01.05.02.04	Credit granting from suppliers	50,679	45,956
2.01.05.02.05	Advance from clients	22,407	16,457
2.01.05.02.06	Dividends Payable	551	23,457
2.01.05.02.08	Other	48,478	27,759
2.01.05.02.09	Leases Obligations	4,159	0
2.01.06	Provisions	4,190	1,264
2.01.06.02	Other Provisions	4,190	1,264
2.01.06.02.06	Profit share provision	4,190	1,264
2.02	Non-current Liabilities	896,697	855,967
2.02.01	Loans and Financing	517,028	493,916
2.02.01.01	Loans and Financing	270,383	200,258
2.02.01.02	Debentures	246,645	293,658
2.02.02	Other Obligations	242,912	220,319
2.02.02.02	Other	242,912	220,319
2.02.02.02.03	Suppliers	109,908	101,268
2.02.02.02.04	Related Party Payable	62,008	62,008
2.02.02.02.06	Installment payment of tax obligations	48,804	53,574
2.02.02.02.08	Other	5,596	3,469
2.02.02.02.09	Leases Obligations	16,596	0
2.02.03	Deferred Taxes	0	1,965
2.02.03.01	Deferred Income and Social Contribution Taxes	0	1,965
2.02.04	Provisions	136,757	139,767
2.02.04.02	Other Provisions	136,757	139,767
2.02.04.02.05	Provisions for Contingencies	136,595	139,605
2.02.04.02.06	Provision for Long-term Incentive	162	162
2.03	Shareholders' Equity	369,500	362,120
2.03.01	Realized Capital	200,000	140,000
2.03.03	Revaluation Reserve	0	34,690
2.03.04	Profit Reserves	183,475	235,960
2.03.04.01	Legal Reserves	25,141	25,141

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

Account Code	Account Description	Current Year 06/30/2019	Previous Year 12/31/2018
2.03.04.05	Profit sharing reserve	158,334	114,922
2.03.04.10	Profit reserve to be allocated	0	95,897
2.03.06	Equity valuation adjustments	-14,002	-48,542
2.03.09	Non-controlling interest	27	12

PBG S.A and subsidiaries

Interim Financial Information for the quarter ended June 30, 2019
In thousands of Brazilian reais - R$, unless otherwise stated.

Consolidated financial statements / Statement of income

Account Code	Account Description	Current Quarter 04/01/2019 to 06/30/2019	Accumulated of the Current Period 01/01/2019 to 06/30/2019	Equal Quarter of the Previus Period 04/01/2018 to 06/30/2018	Accumulated of the Previous Period 01/01/2018 to 06/30/2018
3.01	Income from sales of goods and/or services	277,433	516,665	266,154	512,055
3.02	Cost of goods and/or services sold	-183,959	-347,495	-156,009	-303,639
3.03	Gross income	93,474	169,170	110,145	208,416
3.04	Operating expenses/income	-42,794	-128,753	39,858	-34,804
3.04.01	Sales expenses	-72,645	-145,302	-73,066	-136,891
3.04.02	General and administrative expenses	-9,870	-20,544	-10,043	-19,303
3.04.04	Other operating income	43,854	41,226	150,505	150,647
3.04.04.01	Other operating income	43,854	41,226	150,505	150,647
3.04.05	Other operating expenses	-4,133	-4,133	-27,538	-29,257
3.05	Income (loss) before financial income and taxes	50,680	40,417	150,003	173,612
3.06	Financial income (loss)	-18,889	-31,776	-5,397	-20,600
3.06.01	Financial income	2,135	7,192	11,657	13,698
3.06.01.01	Financial income	3,570	8,426	1,886	4,290
3.06.01.02	Net Exchange Variance	-1,435	-1,234	9,771	9,408
3.06.02	Financial expenses	-21,024	-38,968	-17,054	-34,298
3.06.02.01	Financial expenses	-21,024	-38,968	-17,054	-34,298
3.07	Income (loss) before income tax	31,791	8,641	144,606	153,012
3.08	Income and social contribution taxes	-7,672	-1,704	-48,191	-49,601
3.08.01	Current	-3,566	-5,491	-1,841	-5,896
3.08.02	Deferred assets	-4,106	3,787	-46,350	-43,705
3.09	Net income (loss) of continued operations	24,119	6,937	96,415	103,411
3.11	Consolidated Net Income/loss for the period	24,119	6,937	96,415	103,411
3.11.01	Attributed to Partners of the Parent Company	24,130	6,923	96,408	103,397
3.11.02	Attributed to Minority Partners	-11	14	7	14
3.99	Earnings per share - (Reais / Shares)	0	0	0	0
3.99.01	Basic earnings per share	0	0	0	0

PBG S.A and subsidiaries

Interim Financial Information for the quarter ended June 30, 2019
In thousands of Brazilian reais - R$, unless otherwise stated.

Account Code	Account Description	Current Quarter 04/01/2019 to 06/30/2019	Accumulated of the Current Period 01/01/2019 to 06/30/2019	Equal Quarter of the Previus Period 04/01/2018 to 06/30/2018	Accumulated of the Previous Period 01/01/2018 to 06/30/2018
3.99.01.01	Common	0,15226	0,04368	0,60829	0,65239

PBG S.A and subsidiaries

Interim Financial Information for the quarter ended June 30, 2019
In thousands of Brazilian reais - R$, unless otherwise stated.

Consolidated financial statements / Statement of comprehensive income

Account Code	Account Description	Current Quarter 04/01/2019 to 06/30/2019	Accumulated of the Current Period 01/01/2019 to 06/30/2019	Equal Quarter of the Previus Period 04/01/2018 to 06/30/2018	Accumulated of the Previous Period 01/01/2018 to 06/30/2018
4.01	Net Income for the Period	24,130	6,937	-20,579	103,411
4.02	Other Comprehensive Income	-1,047	442	442	-10,639
4.02.02	Exchange variance of Overseas Subsidiary	-1,047	442	442	-10,639
4.03	Comprehensive Income for the Period	23,083	7,379	-20,137	92,772
4.03.01	Attributed to Partners of the Parent Company	23,094	7,365	-20,152	92,758
4.03.02	Attributed to Minority Partners	-11	14	15	14

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

Consolidated financial statements / Statement of cash flows - Indirect method

Account Code	Account Description	Accumulated of the Current Year 01/01/2019 to 06/30/2019	Accumulated of the Prior Year 01/01/2018 to 06/30/2018
6.01	Net cash from operational activities	-40,067	-1,209
6.01.01	Cash generated in operations	62,083	61,394
6.01.01.01	Profit or loss for the year before taxes	8,641	153,012
6.01.01.02	Depreciation and amortization	26,439	21,868
6.01.01.4	Unrealized Exchange Variation	0	-7,542
6.01.01.05	Provision for inventory at market value	3,309	1,358
6.01.01.06	Provision Allowance for doubtful accounts	1,339	-1,165
6.01.01.07	Provision for contingencies	8,753	39,868
6.01.01.08	Provision for labor obligations	-8,859	-9,399
6.01.01.09	Provision for profit sharing	2,926	-1,005
6.01.01.10	Other provisions	-416	2,017
6.01.01.12	Adjustments Tax Asset	-14,309	-159,142
6.01.01.13	Adjustments Other Related Party Credits	-1,567	-1,635
6.01.01.14	Finance charges on tax installments	2,313	1,304
6.01.01.15	Finance charges on Loans	29,439	19,060
6.01.01.18	Others	4,075	2,795
6.01.02	Changes in assets and liabilities	-73,222	-40,899
6.01.02.01	(Increase)/Decrease in accounts receivable	-13,200	-27,072
6.01.02.02	Increase /(Decrease) in Advances from clients	5,950	924
6.01.02.03	(Increase)/Decrease in inventories	-38,295	-22,454
6.01.02.04	(Increase)/Decrease in Judicial Deposits	-4,406	-5,756
6.01.02.06	(Increase)/Decrease in Recoverable Taxes	-55,794	3,096
6.01.02.07	(Increase)/Decrease in Interest earning bank deposit	-159	-154
6.01.02.08	(Increase)/Decrease in other assets	-11,235	-4,194
6.01.02.09	Increase /(Decrease) in Accounts Payable	13,193	9,609
6.01.02.10	(Increase)/Decrease in advance to suppliers	-1,265	591
6.01.02.11	(Increase)/Decrease in provisions for contingencies	-5,742	-872
6.01.02.12	(Increase)/Decrease in installments	-6,905	-9,077
6.01.02.13	Increase /(Decrease) in tax and labor liabilities	-2,466	13,454
6.01.02.14	Increase /(Decrease) in Other payable	511	1,006
6.01.02.15	Increase / (decrease) in investment payables	46,591	0
6.01.03	Other	-28,928	-21,704
6.01.03.01	Interest paid	-32,328	-20,023
6.01.03.02	Income and social contribution taxes paid	3,400	-1,681
6.02	Net cash used in investment activities	-53,559	-35,536
6.02.01	Acquisition of property, plant and equipment	-49,034	-31,967
6.02.02	Acquisition of intangible assets	-4,525	-3,569
6.03	Net Cash from Financing Activities	65,223	176,673
6.03.01	Obtainment of loans and financings	132,956	432,780
6.03.02	Payment of loans and financings	-44,827	-234,662
6.03.03	Paid Dividends	-22,906	-21,445
6.05	Increase (Decrease) in Cash and Cash Equivalents	-28,403	139,928

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

Account Code	Account Description	Accumulated of the Current Year 01/01/2019 to 06/30/2019	Accumulated of the Prior Year 01/01/2018 to 06/30/2018
6.05.01	Opening Balance of Cash and Cash Equivalents	82,624	94,379
6.05.02	Closing Balance of Cash and Cash Equivalents	54,221	234,307

In thousands of Brazilian reais - R$, 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	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	140,000	0	235,960	0	-13,852	362,108	12	362,120
5.03	Adjusted Opening Balances	140,000	0	235,960	0	-13,852	362,108	12	362,120
5.05	Total Comprehensive Income	0	0	0	6,923	442	7,365	15	7,380
5.05.01	Net Income for the Period	0	0	0	6,923	0	6,923	15	6,923
5.05.02	Other Comprehensive Income	0	0	0	0	442	442	0	442
5.05.02.06	Exchange Variance of Overseas Subsidiary	0	0	0	0	442	442	0	442
5.06	Internal changes in shareholders' equity	60,000	0	-60,000	592	-592	0	0	0
5.06.03	Realization of the Revaluation Reserve	0	0	0	592	-592	0	0	0
5.06.04	Increased Capital	60,000	0	-60,000	0	0	0	0	0
5.07	Closing Balances	140,000	0	175,960	-16,911	-14,002	369,473	27	369,500

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

Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2018–06/30/2018

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	130,000	0	159,220	0	-4,172	285,048	12	285,060
5.03	Adjusted Opening Balances	130,000	0	159,220	0	-4,172	285,048	12	285,060
5.04	Shareholders operation	0	0	-15,872	0	0	-15,872	0	-15,872
5.04.06	Dividends	0	0	-15,872	0	0	-15,872	0	-15,872
5.04.07	Interest upon Own Capital	0	0	-640	0	0	-640	0	-640
5.05	Total Comprehensive Income	0	0	0	103,397	-10,639	92,758	14	92,772
5.05.01	Net Income for the Period	0	0	0	103,397	0	103,397	14	103,411
5.05.02	Other Comprehensive Income	0	0	0	0	-10,639	-10,639	0	-10,639
5.05.02.06	Exchange Variance of Overseas Subsidiary	0	0	0	0	-10,639	-10,639	0	-10,639
5.06	Internal changes in shareholders' equity	10,000	0	-10,000	594	594	0	0	0
5.06.02	Realization of the Revaluation Reserve	0	0	0	594	594	0	0	0
5.06.04	Increased Capita	10,000	0	-10,000	0	0	0	0	0
5.07	Closing Balances	130,000	0	159,220	7,287	-15,405	361,934	26	361,960

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

Consolidated financial statements / Statement of added value

Account Code	Account Description	Accumulated of the Current Period 01/01/2019 to 06/30/2019	Accumulated of the Previous Period 01/01/2018 to 06/30/2018
7.01	Revenue	633,731	770,817
7.01.01	Sales of Goods, Products and Services	637,517	622,509
7.01.02	Other Revenue	-2,678	147,143
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-1,108	1,165
7.02	Consumables acquired from third parties	-320,656	-319,776
7.02.01	Cost of goods and services sold	-226,126	-195,959
7.02.02	Material, Energy, Outsourced Services and Other	-95,892	-124,188
7.02.03	Loss/Recovery of Assets	1,362	371
7.03	Gross Added Value	313,075	451,041
7.04	Retentions	-26,439	-21,868
7.04.01	Depreciation, Amortization and Depletion	-26,439	-21,868
7.05	Net Added Value Produced	286,636	429,173
7.06	Transferred Added Value	14,645	38,524
7.06.02	Financial Revenue	14,645	38,524
7.07	Total Added Value to be Distributed	301,281	467,697
7.08	Distribution of Added Value	301,281	467,697
7.08.01	Personnel	138,542	118,850
7.08.01.01	Direct Remuneration	116,497	100,489
7.08.01.02	Benefits	12,991	11,520
7.08.01.03	F.G.T.S.	9,054	6,841
7.08.02	Taxes, Duties and Contributions	128,734	178,251
7.08.02.01	Federal	52,136	107,189
7.08.02.02	State	75,990	70,399
7.08.02.03	Municipal	608	663
7.08.03	Interest Expenses	54,584	67,185
7.08.03.01	Interest	46,437	59,135
7.08.03.02	Rent	8,147	8,050
7.08.04	Interest earnings	-20,579	103,411
7.08.04.03	Retained Earnings/Loss for the Period	-20,594	103,397
7.08.04.04	Minority interests in retained earnings	15	14

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

CONSOLIDATED EARNINGS RELEASE 2Q19

Tijucas, August 8, 2019. PBG S.A. (B3 S.A. - BRASIL, BOLSA, BALCÃO: PTBL3), **Brazil's largest ceramic tile company**, is submitting its earnings release for the second quarter of 2019.

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

HIGHLIGHTS

	R$ million	2Q18	2Q19	▲%
PERFORMANCE	Gross revenue	328	351	7,2%
	Net revenue (i)	**262**	**277**	**5,7%**
	Gross margin (i)	*40,5%*	*33,7%*	-6,8 p.p.
	EBITDA	**161**	**50**	**-69%**
	EBITDA Margin	*61,4%*	*18,0%*	-43,4 p.p.
	Profit	**96**	**24**	**-75%**
	Net margin	*36,7%*	*8,7%*	-28 p.p.
	ROCE	**13,5%**	**5,2%**	-8,3 p.p.
Debt	**Net Debt**	**446**	**583**	**30,7%**
	Net debt-to-EBITDA	1,58	3,66	132%
PTBL3	**Quotation**	**3,73**	**4,25**	**14%**

(i) Net Revenue for 2H18 considers reclassification of rebates, previously recognized in expenses, in the amount of R$ 3,7 million. Accordingly, the amounts are adjusted for purposes of comparison.

- **Gross Revenue** of **R$ 351 million** in 2Q19**,** an increase of 7.2% compared to 2Q18;
- **Growth** in sales in the domestic market of **15.4%** compared to 2Q18, mainly from operations from Pointer;
- Decrease of 7 p.p. in **GROSS MARGIN,** as a result of increase in cost of inputs and energy;
- Launch of the **Project LASTRAS** and inauguration of a blast furnace;
- Recognition of judicial gains of R $ 41 million related to the process of "ICMS Purge from PIS and COFINS calculation basis from April 2003 to October 2009;
- **Appreciation by 14%** of **PTBL3 share price**, ending 2Q19 at **R$ 4.25** (R$ 3.73 in 2Q18).

TELECONFERENCE

Wednesday, August 14 at 10 a.m.

Data for connection:

Phone: +55 11 3137-8043
Password: PORTOBELLO

WEBCAST

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

Both will be available 30 minutes in advance at:

MANAGEMENT'S COMMENTS

The Company has been going through a challenging year due to economic uncertainties in both the domestic and international markets. The approval of the social security and tax reforms is awaited by all segments of the national economy. Once approved, effective economic recovery and market growth are expected. However, even given this challenging scenario, the Company improved its performance, with consolidated net revenue of R$ 277 million, up 5.7% compared to 2Q18 and up 2.5% in the six-month comparison.

In the domestic market, there was a 15.4% increase in revenue compared to 2Q18 and 12.3% increase in the six-month comparison. In this context, the Company's performance was better than that of the building and finishing materials market, a segment that grew 2.2% on a deflated year-to-date basis, according to ABRAMAT. The highlight is the Pointer brand. This business contributed to the increase in sales in the period, as a result of increased qualification of the product mix with more competitive prices. Volume is also relevant, presenting a gain in market share in the Northeast region.

The foreign market was less attractive with a 26% drop in 2Q19 revenue. The decrease in US dollar-denominated sales is a consequence of the economic slowdown in the Argentine market, which has been felt since the second half of 2018. Advances in internationalization through the USA have helped to mitigate this decrease though. The increase in US sales in 2Q19 is already the result of the implementation of two distribution centers in Florida and Tennessee.

The Portobello Shop franchise chain maintains its objective of strengthening the retail culture, following its exhibition area expansion plan. The network has a total of 132 units, of which 14 are own stores.. There was an increase in sales in this six-month period, compared to 1H18, due to the repositioning and refurbishment of some units.
The "Officina" project has gained robustness in terms of operations and services. The solution is adding a leading edge to the Portobello Shop brand and business, offering the market a differentiated mix of products, with an innovative line and solutions for end customers.

In relation to industrial costs, there has been an increase in the cost of energy and inputs in the last 18 months, which led to a reduction in gross margin. Internally, the focus is on cost review and plant optimization to mitigate this effect, as well as the adjustment in the price level and sale of a more qualified mix of products.

Beyond the constant search on operating improvement, with special attention to the revision of its cost and expense structure, in sales, the strategy is maintained focused on retailing, brand strengthening, new businesses, internationalization and product mix optimization. The Company ended 1H19 with EBITDA of R$ 67 million, and net profit of R$ 7 million and although it was benefited by the gain in legal proceedings as described below, which shows the resumption of its results compared to 1Q19.

Investments amounted to R $ 53 million in 1H19, increased by 40% in 1H19 compared to the same period in last year. Most of which was destined to the Tijucas plant, which will have its production capacity increased with the implementation of a new production line of enameled porcelain tiles, which is part of the "Project Lastras". This project is an important step for the Company's evolution and is part of the integrated model strategy that aims to offer complete solutions to customers, including replacing the use of natural marble slabs with large enameled porcelain tiles.

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

ECONOMIC AND FINANCIAL PERFORMANCE

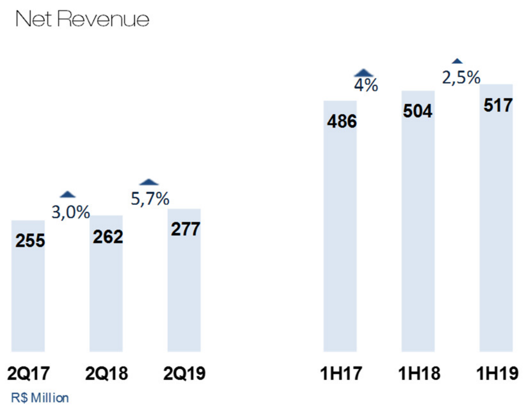
	R$ thousand	2Q17	2Q18	2Q19	▲%	1H17	1H18	1H19	▲%
PERFORMANC	**Gross revenue**	**321.485**	**327.669**	**351.374**	**7,2%**	**617.688**	**630.877**	**658.708**	**4,4%**
	Net revenue(i)	254.779	262.415	277.433	5,7%	486.424	504.013	516.665	2,5%
	Gross profit (i)	**104.948**	**106.406**	**93.474**	**-12,2%**	**196.836**	**200.374**	**169.170**	**-15,6%**
	Gross margin (i)	41,2%	40,5%	33,7%	-6,8 p.p.	40,5%	39,8%	32,7%	-7,1 p.p.
	EBIT	**40.261**	**150.003**	**8.988**	**-94%**	**83.138**	**173.612**	**(1.278)**	**-101%**
	EBIT margin	15,8%	57,2%	3,2%	-53,9 p.p.	17,1%	34,4%	-0,2%	-34,7 p.p.
	Profit for the period	**21.876**	**96.415**	**(3.395)**	**-104%**	**41.748**	**103.411**	**(20.594)**	**-120%**
	Net margin	8,6%	36,7%	-1,2%	-38 p.p.	8,6%	20,5%	-4,0%	-24,5 p.p.
	EBITDA	**50.094**	**161.026**	**64.095**	**-60%**	**102.814**	**195.480**	**66.842**	**-66%**
	EBITDA margin	*19,7%*	*61,4%*	*23,1%*	-38,3 p.p.	*21,1%*	*38,8%*	*12,9%*	-25,8 p.p.
INDICATORS	Current liquidity					*1,26*	*1,59*	*1,33*	(0,26)
	Net debt					427.309	446.054	583.072	30,7%
	Net debt-to-EBITDA					*2,58*	*1,58*	*3,66*	214%
	Net debt-to-equity					*1,50*	*1,23*	*1,58*	0,35
PTBL3	Closing quotation					3,11	3,73	4,25	14%
	Market value					492.899	591.162	673.576	
	Monthly trading volume (R$). Average from the past 12 months					25.514	51.644	34.084	-34%

(i)
Net Revenue for *2Q17,2Q18, 1H17 and 1H18 considers reclassification of rebates, previously recognized as expenses, in the amount of R$ 3.7, R$ 3.7, R$ 7.8 and R$ 8 million, respectively, adjusted for purposes of comparison.*

Net Revenue

The consolidated net revenue totaled R$ 277 million in 2Q19, up 5.7%, and R$ 517 million in 1H19, up 2.5% compared to 1H18.

Sales in the domestic market accounted for 83% (77% in 2Q18) and hit R$ 439 million, up 12.3% compared to 1H18. In 1Q19, sales in the domestic market grew by 15.4%, which shows that the Company increased its sales pace, expanding its share in the ceramic market.

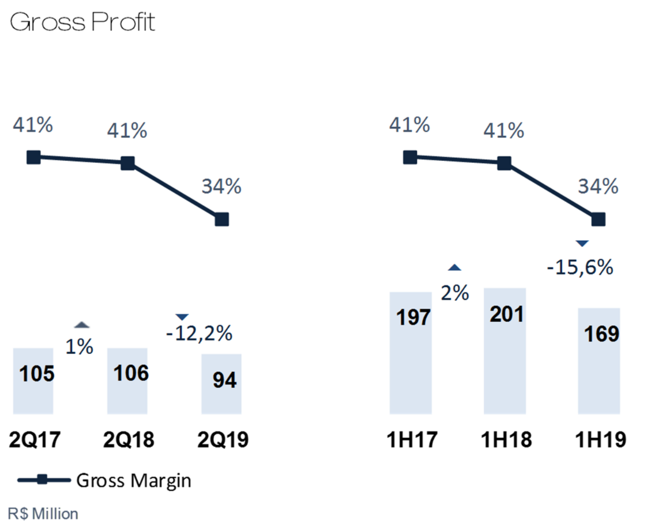


In the foreign market, sales fell 26% compared to 1Q18, still affected by the economic slowdown in the Argentine market.

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

	2Q17	2Q18	2Q19	▲%	1H17	1H18	1H19	▲%
Net Revenue	**254.779**	**262.415**	**277.433**	**5,7%**	**486.424**	**504.013**	**516.664**	**2,5%**
Domestic Market	205.561	200.285	231.199	15,4%	396.368	390.403	438.565	12,3%
Foreign Market	49.218	62.130	46.234	-26%	90.056	113.610	78.099	-31%

Gross Profit



Gross profit in 2Q19 totaled R$ 93 million, down 12.2% compared to 2Q18. In 1H19 there was a 15.6% decrease compared to 1H18. Gross margin reached 34%, mainly affected by the increase in cost of inputs and energy.

The Company has been taking measures in order to mitigate these effects, through productivity gains, alternative energy sources and a more profitable product mix with the release of higher value-added collections.

Operating Income (Expenses)

	2Q17	%RL	2Q18	%RL	2Q19	%RL	▲%	1H17	%RL	1H18	%RL	1H19	%RL	▲%
Operating expenses	**(64.687)**	**25,4%**	**43.597**	**-17%**	**(42.794)**	**15%**	**-198%**	**(113.698)**	**23%**	**(26.762)**	**5%**	**(128.753)**	**25%**	**381%**
Selling expenses (i)	(58.658)	23,0%	(69.327)	26%	(72.645)	26%	5%	(111.355)	23%	(128.849)	26%	(145.302)	28%	13%
General and administrative	(8.844)	3,5%	(10.043)	4%	(9.870)	4%	-2%	(17.119)	4%	(19.303)	4%	(20.544)	4%	6%
Other income (expenses)	2.815	-1,1%	122.967	-47%	39.721	-14%		14.776	-3%	121.390	-24%	37.093	-7%	-69%

(i). Expenses for *2Q17, 2Q18, 1H18 and 1H19 were adjusted due to the reclassification of rebates reducing revenue, in the amount of R$ 3.7, R$ 3.7, R$ 7.8 and R$ 8 million, respectively.*

Selling expenses totaled R$ 73 million in 2Q19, up 5% compared to 2Q18 and up 13% compared to 1H18. The selling expenses share over net revenue in 1H19 was 28%, up 2 p.p. between 1H18 and 1H19, as a result of the Company's restructuring expenses, intensification of retail operations, opening of new stores, improvement of the logistics network and internationalization with the opening of warehouses in the USA. Disregarding the increase due to new business, notably the US operation, selling expenses decreased by 4% in the first half compared to the same period of the previous year.

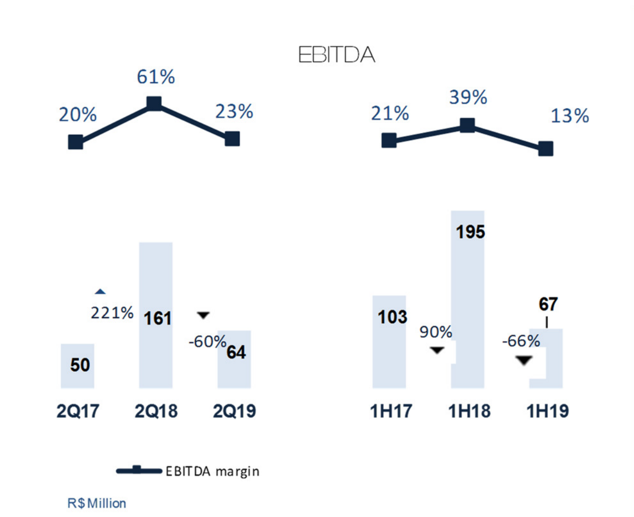
Administrative expenses totaled R$ 10 million in 2Q19 and 21 million in 1H19. The share of administrative expenses over net revenue remained stable at 4%.

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

In" Other operating expenses and revenues a credit of R $ 41 million was recognized as a result of the final judgment of the lawsuit referring to the ICMS Purge from the bas calculation of PIS and COFINS referring to the period from April 2003 to October 2019. In 2Q18 there was a recognition of R $ 123 million related to the lawsuit "IPI Premium Credit Polo Ativo" in the amount of R $ 123 million.

EBITDA

	2Q17	2Q18	2Q19	%RL	▲%	1H17	1H18	1H19	%RL	▲%
Net profit	21.876	96.415	24.122	9%	-75%	41.748	103.411	6.923	1%	-93%
(+) Finance income (costs)	10.095	5.397	18.864	6,8%	250%	25.540	20.600	31.776	6,2%	54%
(+) Depreciation and amortizatioı	9.833	11.023	13.437	4,8%	22%	19.676	21.868	26.439	5,1%	21%
(+) Taxes on profit	8.290	48.191	7.672	3%	-84%	15.850	49.601	1.704	0%	-97%
EBITDA	**50.094**	**161.026**	**64.095**	**23%**	**-60%**	**102.814**	**195.480**	**66.842**	**13%**	**-66%**
(-) Extraordinary gains	(9.794)	(129.576)	(43.768)			(30.042)	(129.576)	(43.768)		
Adjusted EBITDA	**40.300**	**31.450**	**20.327**	**7%**	**-35%**	**72.772**	**65.904**	**23.074**	**4%**	**-65%**

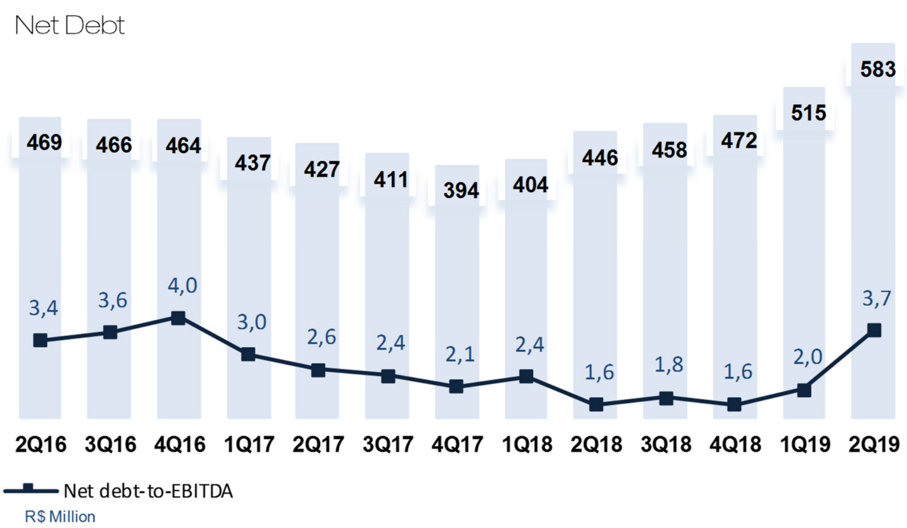


The company finishes the 2Q19 with a EBITDA amounted to R$ 64 million and in 1H19 to R$ 67 million..

Excluding the effects of extraordinary gains, compared to the same periods of previous years, EBITDA declined basically due to energy input costs and the drop in foreign sales.

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

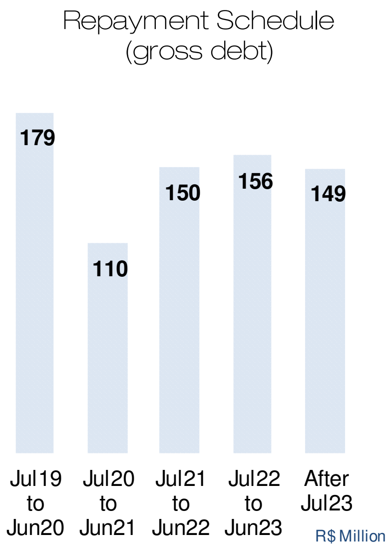
DEBT / CAPITAL STRUCTURE

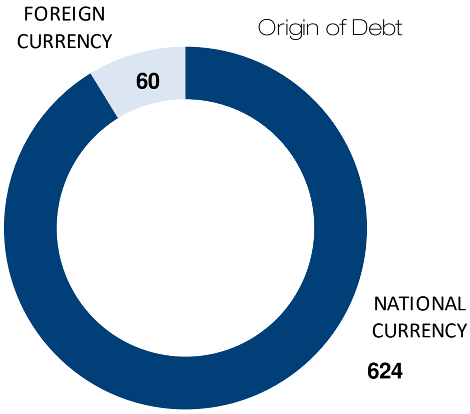


The Company's net debt reached R$ 583 million, equivalent to 3.7x EBITDA for the last 12 months. Compared to 2Q18, there was a 31% increase in debt.

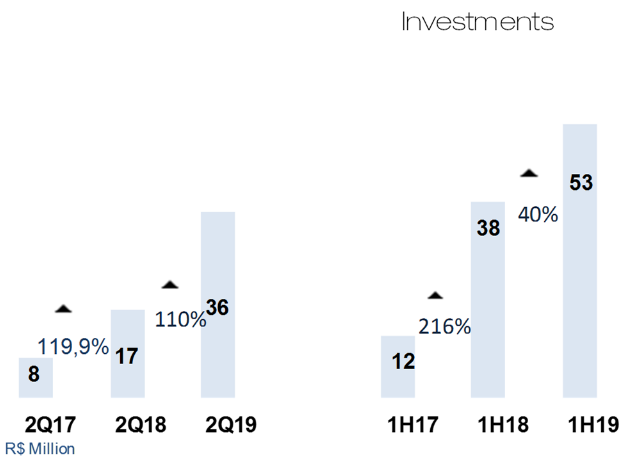
	Jun/18	Dec/18	Jun/19	▲R$
Bank indebtedness	714.738	595.637	684.436	88.799
Tax indebtedness	69.001	64.367	59.775	(4.592)
(=) Gros debt	**783.739**	**660.004**	**744.211**	**84.207**
(+) Cash and cash equivalents	(241.399)	(89.875)	(61.631)	28.244
(+) Receivables from related parties	(96.286)	(97.941)	(99.508)	(1.567)
(=) Net debt	**446.054**	**472.188**	**583.072**	**110.884**
EBITDA (past 12 months)	281.683	288.013	159.356	(128.657)
Net debt-to-EBITDA ratio	*1,58*	*1,64*	*3,66*	
Net debt-to-equity ratio	*1,23*	*1,30*	*1,71*	

Debt had its maturity schedule extended with the issue of new series of debentures in 2018. For 76% of the debt, maturity falls within long term.





INVESTMENTS



With the resumption of investments, in 2Q19 we had R$ 36 million, mostly for the implementation of a new enameled porcelain tiles production line at the Tijucas plant.

Of the amount invested, 72% was allocated to the expansion of the Tijucas plant (in the Santa Catarina state), 8% to the Marechal Deodoro plant (in the Alagoas state) and the remainder to other businesses.

New Standards – IFRS 16

On January 1, 2019, the new IFRS 16/CPC 06 (R2) became effective and the Company has presented since 1Q19 accounting results containing the effects of this standard. EBITDA adjusted by the impact of application of IFRS16/CPC 06 (R2), resulting in the increase in lease expenses converted into depreciation and interest, amounts to R$ 2.9 million in 1H19, and Adjusted EBITDA before the effect of IFRS 16/CPC 06 in the period amounts to R$ 2.2 million.

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

IMPACTS OF IFRS 16/CPC 06 (R2)

Statement of income 1H19 R$ thousand	
Lease expense	(2.242)
Lease depreciation	2.464
Lease finance cost	466
Impact on Ebitda	**2.242**
Ebtida	**25.150**
Ebtida before IFRS 16/CPC 06	22.908

SHAREHOLDERS' COMPENSATION AND SHAREHOLDERS' MEETING RESOLUTIONS

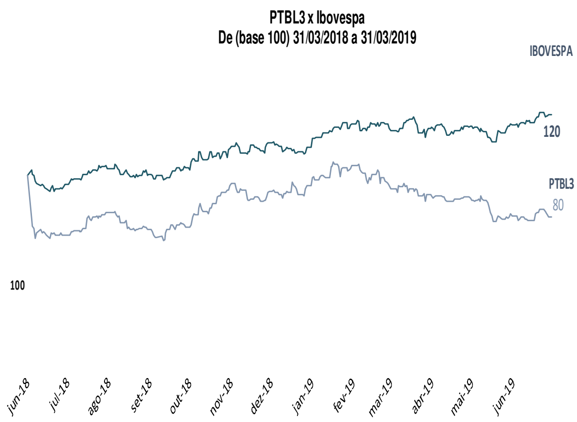
The total compensation to shareholders for 2018 fiscal year was R$ 31,892 thousand, representing yield of 4.10% per share (dividend per share divided by the final share price). On April 30, 2019, the residual portion of dividends for 2018 was paid.

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 in the Board of Directors;
- Policy on minimum mandatory dividend of 25% of adjusted net profit;
- Policies in force on the disclosure of significant acts and facts and on the trading of securities;
- The Company has taken out insurance coverage from Itaú Unibanco.

PERFORMANCE OF PTBL3 SHARES



The common shares, traded on B3 (Brasil, Bolsa, Balcão) under ticker symbol PTBL3, ended the last trading session held in June 2019 quoted at R$ 4.25.

In the past 12 months, the average financial trading volume was R$ 34 million, down by 34% compared to R$ 52 million recorded in the prior period. At the end of 2Q19, PBG S.A.'s market value was equivalent to R$ 674 million (R$ 591 million in 2Q18).

The Company has created a new share buyback program to maximize value generation for shareholders.

PROSPECTS

- The Company believes that a challenging economic scenario will continue prevailing in the following 2019 quarters, however there already are signs of gradual rekindling in the domestic market. Thus, internally, the focus will be maintained on improving the qualification of the production and sales mix, resumption of growth and also on the control of costs and expenses. Recovering profitability;
- The retail market continues to represent one of the cornerstones of business growth.
- The civil construction market, in turn, has been improving with the increase in the launch of news real estate projects.
- An increase in the share of porcelain tiles is expected, with emphasis on enameled tiles, and the continuity of recent trends of larger tile formats and decorated product items;
- In the foreign market, efforts will continue to be made for the expansion of exports to other markets beyond America and the internationalization of the Company's operations. In this sense, the US distribution operations will continue to be expanded, with distribution centers;
- The Alagoas plant and Pointer brand continue to execute the plan of alignment with the current market conditions, improve brand positioning, product portfolio and, consequently, economic results. The operation has already reached its equilibrium and the projections continue to indicate profitability gains;
- Internally, the Company will continue to focus on actions to mitigate the effects from the increase in costs of inputs and energy, whether by way of plant optimization, ongoing review of costs and expenses or the review of the products portfolio;
- The Company continues confident about its leading edges and reiterates its efforts to improve its results.

INDEPENDENT AUDIT

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

MANAGEMENT

Board of Directors

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

Executive Board

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

TELECONFERENCE AND WEBCAST

On Wednesday, August 14, 2019, at 10 a.m. a teleconference will be held in Portuguese language to report the earnings for the second quarter of 2019.

Dada for connection: Phone: +55 11 3137-8043 Password: PORTOBELLO

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

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

Balance Sheet

Assets	06/30/19	12/31/18	Liabilities	06/30/19	12/31/18
Current assets	**612.907**	**563.867**	**Current liabilities**	**486.831**	**404.068**
Cash and cash equivalents	54.221	82.624	Borrowings and debentures	167.408	101.721
Trade receivables	251.324	239.463	Trade payables and credit assignment	175.383	170.830
Inventories	248.777	213.791	Taxes and social contributions	17.032	25.846
Recoverable taxes	30.069	10.201	Payroll and related taxes	47.223	36.734
Prepaid expenses	6.405	1.598	Advances from customers	22.407	16.457
Other current assets	22.111	16.190	Dividends payable	551	23.457
			Other current liabilities	56.827	29.023
Noncurrent assets	**1.140.121**	**1.058.288**	**Noncurrent liabilities**	**896.697**	**855.967**
Long-term assets	**610.513**	**579.070**	Borrowings and debentures	517.028	493.916
Escrow deposits	121.386	116.980	Trade payables	109.908	101.268
Recoverable taxes	41.313	5.287	Deferred income tax and social	-	1.965
Legal assets	303.197	317.506	Taxes payable in installments	48.804	53.574
Due from related parties	99.508	97.941	Related parties	62.008	62.008
Due from Eletrobrás	12.821	12.821	Provisions	136.595	139.605
Other noncurrent assets	32.288	28.535	Other	22.354	3.631
			Equity	**369.500**	**362.120**
Investments	**307**	**298**	Capital	200.000	140.000
Property, plant and equipment	**484.372**	**458.331**	Revenue reserves	183.475	235.960
right of use goods	**22.027**	**-**	Other comprehensive income	(14.002)	(13.852)
Intangible assets	**22.902**	**20.589**	Additional dividends proposed	-	-
			Retained earnings	-	-
			Noncontrolling interests	27	12
Total assets	**1.753.028**	**1.622.155**	**Total liabilities**	**1.753.028**	**1.622.155**

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

Cash Flow

R$ thousand	2Q18	2Q19	Var.%
Net Cash Provided by/(Used in) Operating Activities	**52.183**	**(1.209)**	**(4.416)**
Cash provided by operations	69.589	20.495	240
Other	(17.406)	(21.704)	(20)
Interest paid	(20.806)	(20.023)	4
Income tax and social contribution paid	3.400	(1.681)	(302)
Net Cash Provided by/(Used in) Investing Activities	**(53.495)**	**(35.536)**	**51**
Acquisition of property, plant and equipment	(48.970)	(31.967)	53
Acquisition of intangible assets	(4.525)	(3.569)	27
Proceeds from permanent asset disposals	-	-	-
Net Cash Provided by/(Used in) Financing Activities	**(27.091)**	**176.673**	**(115)**
Borrowings	14.620	432.780	(97)
Repayment of borrowings	(18.805)	(234.662)	(92)
Dividends paid	(22.906)	(21.445)	7
Increase/(Decrease) in Cash and Cash Equivalents	**(28.403)**	**139.928**	**(120)**
Cash and Cash Equivalents at the Beginning of the Period	**82.624**	**94.379**	**(12)**
Cash and Cash Equivalents at the End of the Period	**54.221**	**234.307**	**(77)**

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

1 General information

PBG S.A., hereinafter referred to as “Company” or “Parent Company”, is a publicly-held company and its shares are traded on the *Novo Mercado* segment of B3 S.A. - Brasil, Bolsa, Balcão (B^3), under ticker symbol PTBL3. The Company is controlled by a group of shareholders, formalized in the agreement entered into on April 15, 2011, and amended on February 18, 2019, which hold 54% of the Company’s shares at June 30, 2019. The remaining 46% of the shares are held by several shareholders.

The Company, with registered head office in the city of Tijucas, State of Santa Catarina, was established in 1977 and is primarily engaged in the manufacture and sale of ceramic and porcelain products in general, such as floor tiles, enameled and non-enameled porcelain tiles, decorated and special pieces, mosaics, products intended for inner wall and external facade coatings, as well as in the provision of supplementary services involving the application of its products in the construction material industry in Brazil and overseas.

The Company also holds equity interest in the following subsidiaries: (i) Portobello Shop, which manages the Portobello Shop and Empório Portobello franchising networks, with a network of franchised stores specializing in porcelain tiles and ceramic coatings; (ii) PBTech, which manages the Portobello Shop own stores and currently manages 13 stores; (iii) Mineração Portobello, which supplies part of the raw materials used in the manufacture of ceramic coatings; (iv) Companhia Brasileira de Cerâmica, which as of the second quarter of 2018 operates the special cuts factory in the Southeast; and (v) Portobello América, which was established to sell Portobello products in the U.S. market and gradually returned to operations as of the second six-month period of 2018.

2 Presentation of interim financial information

a) Statement of compliance

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

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

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

The interim financial statements have been prepared to update users on relevant events and transactions occurring in the period and should be analyzed in conjunction with the financial statements for the year ended December 31, 2018. Accounting policies, accounting estimates and judgments, management of the risk and measurement methods are the same as those adopted in the preparation of the latest annual financial statements, except for the new accounting policy related to the adoption of IFRS 16 Leases, adopted by the Company since January 1, 2019, described in Note 2 (b).

The individual and consolidated interim financial information was authorized for issuance by the Board of Directors on August 8, 2019.

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

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

IFRS 16 / CPC 06 (R2) Leases

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

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

(i) The contract involves the use of an identified asset, which may be explicit or implicit, and may be physically distinct or substantially represent all the capability of a physically distinct asset. If the supplier has a substantial right to substitute the asset, then the asset is not identified;

(ii) The Company has the right to obtain substantially all of the economic benefits from the use of the asset during the contractual period;

(iii) The Company has the right to direct the use of the asset. This means that the Company has the right to make decisions to direct how, and for what purpose, the asset is used. A lessee recognizes a right-of-use asset that represents its right to use the leased asset and a lease liability that represents its obligation to make lease payments. The right-of-use asset is initially measured at cost and includes the initial amount of the lease liability adjusted by any payment made at, or before, the date of inception of the contract, plus any direct initial cost incurred and estimated cost of disassembly, removal, restoration of the asset at the location it is located, less any incentive received. The right-of-use asset is subsequently depreciated using the straight-line method as from the initial date up to the end of the useful life of the right-of-use or the end of the lease term. The lease liability is initially measured at the present value of pending payments, less the implicit interest rate of the lease or, if the interest rate cannot be readily determined, by the incremental loan rate.

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

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

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

Impact on the Consolidated Balance Sheet:

In thousands of reais, unless otherwise stated.

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

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

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

ICPC 22 / IFRIC 23: Uncertainty over Income Tax Treatments

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

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

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

3 Significant accounting policies

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

4 Critical accounting estimates and judgments

The main judgments and uncertainties in the estimates used in the application of accounting policies remain the same as those detailed in the financial statements for the year ended December 31, 2018.

5 Financial risk management

5.1 Financial risk factors

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

Risks are managed by the Treasury Area and Finance Department in accordance with the policies approved by the Board of Directors. The Treasury Area and Finance Department identify, assess and hedge the Company and its subsidiaries against possible financial risks in cooperation with the operational units. The Board of Directors sets the overall risk management principles and the criteria for specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and the investment of cash surpluses.

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, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Trade receivables	46.536	51.214	47.622	51.214
Checking account	1.909	5.470	9.699	5.470
Receivables from subsidiaries	85.938	84.255	-	-
Exposed assets	134.383	140.939	57.321	56.684
Provision for loss on investments	(60.663)	(74.534)	-	-
Suppliers, commissions, net of advances	(10.352)	(6.896)	(10.352)	(6.896)
Payables for investments	(18.908)	(8.793)	(18.908)	(8.793)
Borrowings and financing	(60.098)	(59.134)	(60.098)	(59.134)
(-) Swap transaction	20.833	23.706	20.833	23.706
Exposed liabilities	(129.188)	(125.651)	(68.525)	(51.117)
Net liability exposure	5.195	15.288	(11.204)	5.567

	In Euro				In Dollar			
	Parent Company		Consolidated		Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Trade receivables	208	338	208	338	12.873	12.811	12.873	12.811
Checking account	-	-	-	-	498	1.412	498	1.412
Receivables from subsidiaries	-	-	-	-	22.425	21.744	-	-
Allowance for investment losses	-	-	-	-	(15.830)	(18.770)	-	-
Trade payables, commissions, net of advances	(4.879)	(1.592)	(4.879)	(1.592)	(1.390)	(2.268)	(1.390)	(2.268)
Borrowings and financing	-	-	-	-	(10.246)	(9.148)	(10.246)	(9.148)
	(4.671)	(1.254)	(4.671)	(1.254)	8.330	5.781	1.735	2.807

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

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

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

In thousands of reais, unless otherwise stated.

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

	Parent Company									
	June 30, 2019					December 31, 2018				
	*Borrowings and debentures	Lease Liabilities	Trade payables and credit assignment	Tax installment payment	Total	*Borrowings and debentures	Finance lease	Trade payables and credit assignment	Tax installment payment	Total
Less than 1 year	167.408	1.463	164.600	10.895	344.366	101.721	-	157.956	10.718	270.395
From 1 to 2 years	240.962	5.535	109.908	46.870	403.275	306.842	-	101.268	21.918	430.028
From 2 to 5 years	274.793	3.676	-	1.604	280.073	182.125	-		31.294	213.419
Over 5 years	-	-	-	-	0	3.657	-	-	-	3.657
	683.163	10.674	274.508	59.369	1.027.714	594.345	-	259.224	63.930	917.499

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

	Consolidated									
	June 30, 2019					December 31, 2018				
	*Borrowings and debentures	Lease Liabilities	Trade payables and credit assignment	Tax installment payment	Total	*Borrowings and debentures	Finance lease	Trade payables and credit assignment	Tax installment payment	Total
Less than 1 year	167.408	3.368	175.383	10.971	357.130	101.721	-	170.830	10.793	283.344
From 1 to 2 years	242.235	11.757	109.908	47.190	411.090	308.134	-	101.268	22.068	431.470
From 2 to 5 years	274.793	7.877		1.614	284.284	182.125	-		31.506	213.631
Over 5 years	,	-		-	0	3.657	-	-	-	3.657
	684.436	23.002	285.291	59.775	1.052.504	595.637	-	272.098	64.367	932.102

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

In thousands of reais, unless otherwise stated.

d) Sensitivity analysis

i) Sensitivity analysis of interest rate variations

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

As at June 30, 2019, Management considered as the probable scenario the increase in the CDI rate of 6.4% and SELIC rate of 5.75%. 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 Reais							
	June 30, 2019	Risk	Probable		Possible (25%)*		Remote (50%)*	
			%	R$	%	R$	%	R$
Loans - working capital	(1.273)	CDI increas	6,40%	81	8,00%	102	9,60%	122
Loans - export credit note	(228.567)	CDI increas	6,40%	14.628	8,00%	18.285	9,60%	21.942
Debentures	(295.906)	CDI increas	6,40%	18.938	8,00%	23.672	9,60%	28.407
	(525.746)			33.647		42.059		50.471
Tax liabilities payable in installments	59.775	Selic incre	5,75%	(3.437)	7,19%	(4.298)	8,63%	(5.159)

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, 2019, and for sensitivity analysis purposes, it has adopted as probable scenario the future market rate effective in the period of preparation of this interim financial information. The probable rate was then stressed by 25% and 50% and used as benchmark for the possible and remote scenarios, respectively.

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

In thousands of reais, unless otherwise stated.

	Consolidated in Brazilian Reais						
	June 30, 2019	Probable		Possible (25%)*		Remote (50%)*	
		Rate US$	Gain (Loss)	US$ rate	Gain (Loss)	US$ rate	Gain (Loss)
Trade receivables	47.622	3,800	(400)	4,750	11.405	5,700	23.211
Checking account	9.699	3,800	(81)	4,750	2.323	5,700	4.727
Payables, net of advances	(10.352)	3,800	87	4,750	(2.479)	5,700	(5.046)
Payables for investments	(18.908)	3,800	87	4,750	(4.528)	5,700	(9.216)
Borrowings and financing	(60.098)	3,800	505	4,750	(14.393)	5,700	(29.292)
(-) Swap contract	20.833	3,800	(175)	4,750	4.989	5,700	10.154
Net exposure	(11.204)		23		(2.683)		(5.462)

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

In thousands of reais, unless otherwise stated.

5.2 Capital management

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

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

At June 30, 2019, the gearing are summarized as follows:

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Borrowings and financing	683.163	594.345	684.436	595.637
Tax installment payment	59.369	63.930	59.775	64.367
Less: Cash and cash equivalents	(24.570)	(67.580)	(54.221)	(82.624)
Receivables from other related parties	(99.508)	(97.941)	(99.508)	(97.941)
Financial Investments	(7.410)	(7.251)	(7.410)	(7.251)
Net debt	611.044	485.503	583.072	472.188
Total Equity	369.473	362.108	369.500	362.120
Gearing ratio (%)	1,65	1,34	1,58	1,30

5.3 Financial instruments by category

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

In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Assets at fair value through profit or loss				
Derivatives	(581)	3.375	(581)	3.375
Amortized cost				
Cash and cash equivalents	24.570	67.580	54.221	82.624
Short-term investments	7.410	7.251	7.410	7.251
Receivables from other related parties	99.508	97.941	99.508	97.941
Trade receivables	224.774	222.065	251.324	239.463
	355.681	398.212	411.882	430.654
Amortized cost				
Trade payables and assignment	274.508	157.956	285.291	170.830
Borrowings, financing and debentures	683.163	594.345	684.436	595.637
Tax liabilities payable in installments	59.369	63.930	59.775	64.367
	1.017.040	816.231	1.029.502	830.834

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

6 Cash and cash equivalents

Short-term investments designated as cash equivalents correspond to investments in investment funds, which average return in June 2019 was equivalent to 95.1% of the Interbank Deposit Certificate (CDI) rate and which can be redeemed at any time, without penalties.

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Checking account	7.854	12.290	18.569	22.886
Financial Investments	16.716	55.290	35.652	59.738
	24.570	67.580	54.221	82.624

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 thousands of reais, unless otherwise stated.

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

The Export Credit (NCE) transaction was for US$ 6,100, corresponding to R$ 23,999, bearing interest of 2.10% p.a. + LIBOR-03 + exchange rate change per year, with swap for 100% CDI + 1.40% per year and payment date within 36 months with 12-month grace period. Repayments are made on a quarterly basis.

At June 30, 2019, an unrealized loss of R$ 691, was posted, see note 34.

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

8 Trade receivables

	Parent Company		Consolidated	
	June 30, 2019	December	June 30, 2019	December
Receivables from third party				
Domestic market	179.888	171.741	204.832	188.641
Foreign market	46.554	51.214	47.622	51.214
	226.442	222.955	252.454	239.855
Receivables from related parties:				
Entities related to management	1.068	781	2.147	1.546
	1.068	781	2.147	1.546
Impairment of trade receivables:				
Provision for impairment of trade receivables	(2.736)	(1.671)	(3.277)	(1.938)
	(2.736)	(1.671)	(3.277)	(1.938)
	224.754	222.065	251.324	239.463

In thousands of reais, unless otherwise stated.

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

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

a. Aging list of trade receivables

	Parent company					
	June 30, 2019	Estimated losses	Coverage %	December 31, 2018	Estimated losses	Coverage %
Not yet due	218.451	(1.243)	0,6%	212.671	(509)	0,2%
Overdue for up to 30 days	1.105	-	0%	7.353	(273)	4%
Overdue from 31 to 90 days	1.885	(44)	2%	1.971	(118)	6%
Overdue from 91 to 180 days	3.142	(190)	6%	755	(155)	21%
Overdue from 181 to 360 days	1.893	(362)	19%	584	(214)	37%
Overdue from 360 days	1.034	(897)	87%	402	(402)	100%
	227.510	(2.736)		223.736	(1.671)	

	Consolidated					
	June 30, 2019	Estimated losses	Coverage %	December 31, 2018	Estimated losses	Coverage %
Not yet due	244.586	(1.310)	0,5%	228.664	(509)	0,2%
Overdue for up to 30 days	1.411	(15)	1%	8.099	(328)	4%
Overdue from 31 to 90 days	1.888	(47)	2%	2.363	(151)	10%
Overdue from 91 to 180 days	3.280	(206)	6%	980	(181)	16%
Overdue from 181 to 360 days	2.082	(482)	23%	804	(278)	65%
Overdue from 360 days	1.354	(1.217)	90%	491	(491)	98%
	254.601	(3.277)		241.401	(1.938)	

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

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

At June 30, 2019, the total receivables pledged as collateral amounts to R$ 94,505 (R$ 76,502 at December 31, 2018).

In thousands of reais, unless otherwise stated.

9 Inventories

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Finished products	209.337	179.476	221.152	186.188
Work in progress	7.490	7.311	7.777	7.446
Raw and consumption material	32.963	29.848	32.963	29.970
Provision for realizable value of inventories	(13.122)	(9.813)	(13.122)	(9.813)
Imports in transit	7	-	7	-
	236.675	206.822	248.777	213.791

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

10 Taxes recoverable

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Current				
ICMS	6.745	4.809	7.198	5.275
IPI (a)	4.084	2.655	4.213	2.767
IRRF/CSRF	408	512	434	549
IRPJ/CSLL	100	-	727	627
PIS and COFINS	-	-	-	422
PIS/COFINS credits	-	-	427	-
Reintegra (b)	193	93	193	93
Exclusion of ICMS on PIS and COFINS (c)	7.500	-	7.500	-
Other	229	324	377	468
	19.259	8.393	21.069	10.201
Noncurrent*				
ICMS *	4.391	3.203	4.665	3.475
PIS/COFINS *	1.512	1.812	1.512	1.812
Exclusion of ICMS on PIS and COFINS (c)	44.136	-	44.136	-
	50.039	5.015	50.313	5.287

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

a. Decrease of IPI rates

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

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

The Special Tax Reintegration Regime for Exporting Companies (Reintegra) consists of returning part of the exported amount in the form of tax credit to reduce federal taxes.
At June 30, 2019, the Reintegra-related tax credits amounted to R$ 193 (R$ 93 at December 31, 2018).

c. Exclusion of ICMS on PIS and COFINS

The Company filed a writ of mandamus seeking to amend the PIS and COFINS tax basis upon removal of the ICMS posted. The Federal Court of Santa Catarina ruled in favor of ruling out the exclusion of ICMS from the tax base. This decision was confirmed by the Federal Regional Court of the 4th Region. The Federal Union, through the attorney's office of the National Farm appealed the decision to the Superior Courts (STF and STJ).

On March 15, 2017, in a favorable decision issued by the STF in general repercussion, in the case file 5032720-26.2014.404.7200, the Company reversed the amount provisioned at that time.

On July 2, 2018, according to a certificate drawn up by the Registry of the Federal Regional Court of the 4th Region, the aforementioned proceeding became final, thus exhausting the possibilities of appeal against the judicial decision. Thus, it is no longer possible to revise the court's ruling or to bring new appeals

On August 14, 2018, the Company filed with the IRS with the request for credit qualification arising from a Judicial Decision in May to use the credits between November 2009 and October 2014, as determined by the court decision.

On December 13, 2018, an administrative decision was granted granting the request for credit clearance resulting from a final court decision, in the amount of R $ 59,381, recording this amount in the same period. The Company has been offsetting these credits against federal taxes and reclassified as recoverable taxes, see note 10.c.

At June 30, 2019, the recoverable tax credits related to the ICMS Purge on PIS and COFINS were R $ 16,500 in current assets and R $ 35,136 in non-current assets, as projected by the company to offset taxes. As of December 31, 2018, the amount of R $ 59,381, recorded in tax assets, was reclassified under equity.

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.

In thousands of reais, unless otherwise stated.

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, 2019, these credits also originating from lawsuit No. 87.00.00967-9 amount to R$98,508 (R$97,941 at December 31, 2018) and are adjusted based on the SELIC rate, as set forth in the agreement.

It should be noted that the claims on guarantees have already been converted into court-ordered debts. In fact, the Company has received four installments of a total of ten annual installments, as set forth in the agreement. The amounts were received in August 2011, March 2013, April 2014 and December 2015, amounting to R$ 8,505, R$ 9,824, R$ 9,995 and R$ 10,000, respectively. Additionally, in September 2016 the amount of R$ 2,167 was received to supplement installment 04. Installments 05, 06, 07 and 08 are already deposited on behalf of Refinadora, but the transfer of the amount depends on a release order, which is in progress.

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

12 Judicial deposits

The Company and its subsidiaries are parties to tax, civil, labor and social security lawsuits (see note 26) and are discussing these matters at administrative and judicial level, which are supported by escrow deposits, when applicable. These are recorded at the original amount adjusted by the rates relating to the benchmark interest rates applicable to savings accounts.

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

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Civil (a)	110.024	101.316	110.024	101.316
Labor	4.191	8.848	4.191	8.848
Tax	7.139	6.785	7.171	6.816
	121.354	116.949	121.386	116.980

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

13 Receivables from Eletrobras

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

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

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

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

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

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

14 Income tax and social contribution tax

a) Income tax and social contribution on income

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

In thousands of reais, unless otherwise stated.

	Current assets				Current liabilities			
	Parent Company		Consolidated		Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Income tax	100	-	587	495	-	(6.152)	(1.681)	(7.527)
Social contribution	-	-	140	132	-	(2.271)	(608)	(2.788)
	100	-	727	627	-	(8.423)	(2.289)	(10.315)

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

b) Deferred income tax and social contribution tax

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

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Tax losses	12.685	10.607	12.685	10.607
Temporary differences - assets	41.055	38.727	45.408	43.080
Exchange differences on a cash basis	866	648	866	648
Provision for adjustment to market value	2.459	1.899	2.459	1.899
Civil, labor, social security and tax provisions	14.254	15.577	14.254	15.577
Provision for PIS/ COFINS contingencies - Plantiff	6.927	6.927	6.927	6.927
Provision for profit sharing and long-term incentive	1.480	485	1.480	485
Tax losses in subsidiaries	-	-	4.353	4.353
Other temporary differences - assets	15.070	13.191	15.070	13.192
Temporary differences - liabilities	(51.918)	(51.298)	(51.920)	(51.298)
Portobello pension plan	(3.289)	(3.289)	(3.289)	(3.289)
Realization of revaluation reserve	(17.566)	(17.871)	(17.566)	(17.871)
Receivables from Eletrobrás	(4.359)	(4.359)	(4.359)	(4.359)
Contingent asset - IPI credit premium IPI - Phase I	(2.646)	(2.646)	(2.646)	(2.646)
Contingent asset - IPI credit premium IPI - Phase II	(7.621)	(7.621)	(7.621)	(7.621)
Contingent asset - adjustment of rural credit notes	(2.607)	(2.607)	(2.607)	(2.607)
Adjustment to present value	(570)	(1.043)	(572)	(1.043)
Depreciation adjustment (to the useful lives of assets)	(13.259)	(11.862)	(13.259)	(11.862)
Income tax and net social contribution	1.822	(1.965)	6.175	2.388
Non-current asset	1.822	-	6.175	4.353
Non-current liabilities	-	(1.965)	-	(1.965)

At June 30, 2019, net variations in deferred income tax and social contribution are as follows:

In thousands of reais, unless otherwise stated.

	Parent Company	Consolidated
December 31, 2018	(1.965)	2.388
Tax losses	2.078	2.078
Temporary differences - assets	2.328	2.330
Temporary differences - liabilities	(924)	(926)
Reavaliation reserve	305	305
June 30, 2019	1.822	6.175

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:

	Parent Compan	Consolidated
	June 30, 2019	June 30, 2019
Deferred tax assets charged against (credited to) profit or loss		
Tax losses	(2.078)	(2.078)
Cash basis exchange rate variations	(219)	(219)
Provision for adjustment to market value	(560)	(560)
Provision for contingencies	1.323	1.323
Provision for profit sharing and long-term incentive	(995)	(995)
Other temporary differences - assets	(1.880)	(1.880)
	(4.409)	(4.409)
Realization of revaluation reserve	(305)	(305)
Adjustment to present value	(471)	(471)
Exclusion of ICMS on PIS and COFINS	1.397	1.397
	621	621
	(3.788)	(3.788)

c) Income tax and social contribution - P&L

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

Revenues incurred in the 2nd quarter:

In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Profit before tax	28.237	142.066	31.791	144.606
Tax calculated based on the standard tax rates - 34%	(9.601)	(48.302)	(10.809)	(49.166)
Equity in the earnings of subsidiaries	2.205	2.421	-	-
Non-deductible expenses for tax purposes	3.290	201	3.290	201
Depreciation of revalued assets	(153)	(153)	(153)	(153)
Other	4.258	175	4.106	927
Current tax on profit for the year	-	693	(3.566)	(1.840)
Deferred income tax and social contribution	(11.680)	(46.351)	(11.680)	(46.351)
Income tax and social contribution expense recognized in income (current and deferred)	(11.680)	(45.658)	(15.246)	(48.191)
Effective rate	41,4%	32,1%	48,0%	33,3%

Changes in the 1st Half:

	Parent Company		Consolidated	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Profit before taxes	3.135	151.887	8.641	153.012
Tax calculated based on the standard tax rates - 34%	(1.066)	(51.642)	(2.938)	(52.024)
Equity in the earnings of subsidiaries	1.737	6.425	-	-
Non-deductible expenses for tax purposes	3.116	529	3.116	529
Depreciation of revalued assets	(305)	(305)	(305)	(305)
Tax credits on tax losses and temporary differences	(3.482)	(3.497)	(5.364)	2.199
Current tax on profit for the year		(953)	(5.491)	(5.896)
Deferred income tax and social contribution	3.787	(47.537)	(3.787)	(43.705)
Income tax and social contribution expense recognized in income (current and deferred)	3.788	(48.490)	(1.704)	(49.601)
Effective rate	-120,8%	31,9%	19,7%	32,4%

Based on studies and projections of results for the following periods, a recoverability test was conducted for deferred tax assets arising from income tax and social contribution losses recorded at December 31, 2018, which were submitted for the approval of the Supervisory Board on February 12, 2019, where we estimated the following asset recoverability schedule:

Period	Consolidated
2019	33
2020	682
2021	964
2022	1.125
2023 a 2026	1.550
total deferred charges	4.354

15 Tax asset

In thousands of reais, unless otherwise stated.

	Parent Company and Consolidated	
	June 30, 2019	December 31, 2018
IPI premium credit (a)		
Case No.. 1987.0000.645-9	22.414	22.414
Case No. 1984.00.020114-0	7.784	7.784
Adjustment to rural credit notes (b)	7.667	7.667
Exclusion of ICMS on PIS and COFINS (d)	45.072	59.381
IPI premium credit – "Plaintiff" (c)	220.260	220.260
	303.197	317.506

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, 2019 is R$ 22,414.

Regarding Lawsuit No. 1984.00.020114-0, for the period between December 7, 1979 and March 31, 1981, after a final and unappeasable decision handed down more than 10 years ago, the award calculation and decision enforcement phase has started, followed by an expert report prepared by a legal expert. The parties were notified about the amount determined to manifest their agreement or objection to the report. The Company agreed with the calculations made. The Federal Government, represented by the General Attorneys’ Office of the National Treasury has not issued an opinion, which implies tacit agreement, resulting in preclusion. Therefore, the lawsuit is concluded and there is no further possibility of objection. The Company recognized in 2015 the amount calculated by the legal expert of R$ 4,983, and since the Company understands that a favorable decision on the lawsuit is virtually certain, it recorded the tax asset in June 2015, in the amount adjusted up to June 30, 2019 of R$7,784 (R$ 7,784 at December 31, 2018).

b) Adjustment to rural credit notes

In March 2017, the Company, based on a court decision handed down in relation to the Civil Class Action filed by the General Attorneys' Office against the Federal Government, filed an individual Court Decision Enforcement action for collection of the amount corresponding to the difference between the inflation adjustments rates applied on transactions involving rural credit notes carried out in March 1990. Banco do Brasil in the case of a complaint filed at the Superior Court of Justice, obtained an injunction to determine the suspension of the individual enforcement process in the amount of R$ 7,667 (R$ 7,667 at December 31, 2018).

c) IPI premium credit – Plaintiff

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

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

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

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

On June 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 for regular sentence enforcement process.

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

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

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

d) Exclusion of ICMS from PIS and COFINS tax base (2009-2014)

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

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

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

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

On December 13, 2018, an administrative decision was rendered approving the request for utilization of the credit arising from a final and unappealable decision, at the amount of R$ 59,381. The Company has been offsetting these credits with federal taxes and reclassified as recoverable taxes, see note 10.c.

e)Exclusion of ICMS from PIS and COFINS tax base (2003-2009)

On April 2008, the Company filed a writ of mandamus, claiming the exclusion of ICMS detached from the PIS and COFINS tax base. The Federal Court of Brasilia ruled to deny the security required by the Company, recognizing the illegitimacy of the coatoral authority. In an appeal filed by the Company, the Federal Regional Court of the 1st Region granted the appeal in favor of the exclusion of ICMS from the above mentioned tax base. The Federal Government, through its prosecutors, brought special and extraordinary appeals, which they denied continuation.

On May 17, 2019, according to a certificate issued by the Office of the Federal Regional Court of the 1st Region, the aforementioned lawsuit became final, thus exhausting the possibilities of appeal against the judicial decision that recognized the Company's credit right.

On July 12, 2019, the Company field with the Brazilian Federal Revenue a administrative request for credit clearance resulting from a final court decision referring to the period from April 2003 to October 2009 as to enable us to use said credit through offsetting.

16 Contingent assets

a) IPI Award Credit - Undisputed Portion

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

The Federal Government alleges a difference between the calculation base provided by the Company and that of the Brazilian Federal Revenue Service of R$ 66,056 (base date August 2015), of that value, the Company’s net portion is R$ 9,908 (base date August 2015) and at June 30, 2019 the amount is approximately R$ 11,665, and the difference is allocated to Refinadora Catarinense success fees.

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

17 Investments

a) Interest in subsidiaries

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

In thousands of reais, unless otherwise stated.

	Country of incorporation	Ownership percentage	Assets	Liabilities	Revenue*	Profit /(loss)*
December 31, 2018						
Portobello América Inc.	United States	100,00%	18.088	90.818	3.047	(5.156)
PBTech Ltda.	Brazil	99,94%	26.912	16.644	76.841	4.334
Portobello Shop S/A	Brazil	99,90%	36.089	35.609	65.049	28.377
Mineração Portobello Ltda.	Brazil	99,76%	3.312	2.479	10.110	249
Companhia Brasileira de Cerâmica S/A	Brazil	98,00%	9.461	1.118	1.420	974
June 30, 2019						
Portobello América Inc.	United States	100,00%	29.346	90.010	9.539	(8.130)
PBTech Ltda.	Brazil	99,94%	41.787	35.928	45.377	2.524
Portobello Shop S/A	Brazil	99,90%	49.453	37.438	32.092	11.535
Mineração Portobello Ltda.	Brazil	99,76%	4.735	2.318	5.531	1.584
Companhia Brasileira de Cerâmica S/A	Brazil	98,00%	11.930	3.454	1.960	(2.003)

** As of 12/31/2018 information irefers to the 12-month period and 6/30/2019 i refers to the 6-month period*

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

	Equity	Profit or loss the period	Interest	December 31, 2018	Exchange variations	Payment of capital	Profit on Inventories	Share of profit (loss) of subsidiaries	Dividends proposed	Variation shareholding interest	June 30, 2019
Investments											
Portobello América Inc.	(60.664)	(8.130)	100%	(74.534)	442	19.754	(406)	(8.130)	-	-	(62.874)
PBTech Ltda.	5.863	2.526	99,94%	10.268	-	-	-	2.524	(6.933)	-	5.859
Portobello Shop S.A.	12.027	11.547	99,90%	480	-	-	-	11.535	-	-	12.015
Mineração Portobello Ltda.	2.423	1.588	99,76%	833	-	-	-	1.584	-	-	2.417
Companhia Brasileira de Cerâmica S/A	8.649	(2.044)	98,00%	8.346		2.133	-	(2.003)	-	-	8.476
Other	10	-	100%	10	-	-	-	-	-	-	10
Total net investment in subsidiaries				(54.597)	442	21.887	(406)	5.510	(6.933)	-	(34.097)
Interest in subsidiaries				19.937							28.777
Provision for loss on investments				(74.534)							(62.874)

In thousands of reais, unless otherwise stated.

18 Property, plant and equipment

a) Breakdown

		Parent Company				Consolidated			
		June 30, 2019			December 31, 2018	June 30, 2019			December 31, 2018
	Annual average depreciation rate	Cost	Accumulated depreciation	Net value	Net value	Cost	Accumulated depreciation	Net value	Net value
Land	-	12.603	-	12.603	12.603	13.486	-	13.486	13.524
Buildings, constructions and improveme	2.88% (*)	207.531	(52.698)	154.833	154.636	227.068	(62.588)	164.481	163.822
Machinery and equipment	15%	591.303	(343.423)	247.880	254.594	594.882	(343.533)	251.349	257.917
Furniture and fixtures	10%	9.466	(8.662)	804	888	10.385	(8.927)	1.458	1.568
Computers	20%	26.360	(19.600)	6.760	7.505	27.055	(19.701)	7.354	8.086
Other property, plant and equipment	20%	2.568	(491)	2.078	2.001	2.568	(493)	2.075	2.452
Construction in progress	-	42.567	-	42.567	8.157	44.166	-	44.169	10.962
		892.399	(424.874)	467.525	440.384	919.610	(435.242)	484.372	458.331

In 2010, upon the first-time adoption of international standards CPC 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company elected to adopt the revaluation of the property, plant and equipment carried out in 2006 as deemed cost, as it understands that it significantly represented the fair value on transition date (note 29.3).

Pursuant to Technical Interpretation ICPC 10 of the Accounting Pronouncements Committee, approved by CVM Resolution 619/09, effective beginning January 1, 2009, the Company revised and changed the useful life of its property, plant and equipment items in 2008, based on the Technical Report issued by the Company's engineers, and since then, it regularly conducts an annual review; there was no significant impact on the useful life of property, plant and equipment items in the second quarter of 2019.

In thousands of reais, unless otherwise stated.

b) Changes in PP&E

	Parent Company					
	December 31, 2018	Additions	Transfers	Depreciation	Write-offs	June 30, 2019
Land	12.603	-	-	-	-	12.603
Buildings and improvements	154.636	-	3.716	(3.519)	-	154.833
Machinery and equipment	254.594	875	5.603	(13.191)	-	247.880
Furniture and fixtures	888	10	-	(94)	-	804
Computers	7.505	149	398	(1.292)	-	6.760
Other property, plant and equipı	2.001	61	254	(238)	-	2.078
Construction in progress	8.157	44.381	(9.971)	-	-	42.567
	440.384	45.476	-	(18.334)	-	467.525

	Consolidated					
	December 31, 2018	Additions	Transfers	Depreciation	Write-offs	June 30, 2019
Land	13.524	-	-	-	(38)	13.486
Buildings and improvements	163.822	657	7.805	(5.453)	(2.350)	164.481
Machinery and equipment	257.917	1.139	5.603	(13.255)	(55)	251.349
Furniture and fixtures	1.568	42	-	(152)	-	1.458
Computers	8.086	182	399	(1.312)	-	7.354
Other property, plant and equipı	2.452	-	-	(377)	-	2.075
Construction in progress	10.962	47.014	(13.547)	-	-	44.169
	458.331	49.034	-	(20.549)	(2.443)	484.372

In 2Q19, additions totaled R$ 49 million, of which 85% was allocated to Portobello and 15% to Pointer.

Of this amount, 72% was allocated to increase the capacity of the Tijucas (SC) plant, 8% for Marechal Deodoro (AL) and the remainder for the restructuring of the distribution centers.
The depreciation amounts were recorded as cost of sales, selling expenses and administrative expenses as follows:

In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	Accumulated			
	June 30, 2019	30 de junho de 2018	June 30, 2019	30 de junho de 2018
Cost of sales	15.867	15.313	15.992	15.323
Selling expenses	1.611	1.163	3.608	2.831
Administrative expenses	856	572	949	572
	18.334	17.048	20.549	18.726

19 Intangible assets

a) Breakdown

		Parent Company				Consolidated			
		June 30, 2019			December 31, 2018	June 30, 2019			December 31, 2018
	Annual average amortization rate	Cost	Accumulated amortization	Net value	Net value	Cost	Accumulated amortization	Net value	Net value
Trademarks and patents	-	150	-	150	150	150	-	150	150
Software	20%	27.336	(18.955)	8.381	7.207	28.411	(19.151)	9.260	8.066
Right to explore mineral resources	20%	1.000	(1.000)	-	-	4.073	(3.039)	1.034	1.231
Goodwill	7%	-	-	-	-	12.320	(1.058)	11.262	9.845
Software under development	-	1.194	-	1.194	1.294	1.195	-	1.196	1.297
Management system (a)	21%	18.887	(18.887)	-	-	18.887	(18.887)	-	-
		48.567	(38.842)	9.725	8.651	65.036	(42.135)	22.902	20.589

(a) 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, 2018	Additions	Transfers	Amortizations	Write-offs	June 30, 2019
Trademarks and patents	150	-	-	-	-	150
Software	7.206	17	2.708	(1.550)	-	8.381
Right to explore mineral resources	-	-	-	-		-
Software under development	1.295	2.607	(2.708)	-	-	1.194
Management system	-	-	-	-		-
	8.651	2.624	-	(1.550)	-	9.725

In thousands of reais, unless otherwise stated.

	Consolidated					
	December 31, 2018	Additions	Transfers	Amortizations	Write-offs	June 30, 2019
Trademarks and patents	150	-	-	-	-	150
Software	8.066	110	2.710	(1.625)	-	9.260
Right to explore mineral resource	1.231	-	-	(197)	-	1.034
Goodwill	9.845	1.807	-	(390)	-	11.262
Software under development	1.297	2.608	(2.710)	-	-	1.196
Management system	-	-	-	-	-	-
	20.589	4.525	-	(2.212)	-	22.902

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

	Parent Company		Consolidated	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Cost of sales	555	405	759	574
Selling expenses	444	1.408	866	1.737
Administrative expense	552	831	587	831
	1.551	2.644	2.212	3.142

c) Projected amortization of consolidated intangible assets:

	2019	2020	2021	2022	2023 to 2038	TOTAL
Software	1.098	3.189	2.218	1.582	1.173	9.260
Right to explore mineral resources	325	340	56	67	246	1.034
Goodwill	417	1.193	1.193	1.193	7.265	11.262
Management system	-	-	-	-	-	-
	1.840	4.772	3.467	2.842	8.684	21.556

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 asset

In thousands of reais, unless otherwise stated.

The agreements characterized as leases, in accordance with IFRS 16 / CPC 06 (R2), are now recorded as Right-of-Use Asset against Other in liabilities.

This asset is comprised of own store rentals, distribution centers and financial leases.

In 2Q19 there were additions of another twenty lease-related contracts under IFRS16 / CPC 06 (R2), the finance lease, see note 29. Most of these contracts have terms of three years.

Contracts are adjusted annually, in accordance with.

a) Breakdown

	Parent Company	Consolidated
First-time adoption 01/01/2019 - IFRS 16 / CPC 06(R	10.376	23.718
Additions	2.071	2.071
(-) Accumulated depreciation	(1.414)	(3.762)
Balance at June 30, 2019	11.033	22.027

21 Trade payables and credit assignment

a) Trade payables

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Domestic market	105.612	104.038	112.529	116.912
Foreign market	8.309	7.962	12.175	7.962
Current	113.921	112.000	124.704	124.874
Domestic market (i)	109.908	101.268	109.908	101.268
Non-current	109.908	101.268	109.908	101.268
	223.829	213.268	234.612	226.142

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

b) Supplier credit assignment

The Company conducted supplier credit assignment transactions with top-tier financial institutions in the amount of R$ 50,679 at June 30, 2019, (R$ 45,956 at December 31, 2018), to offer to its partner suppliers more attractive credit facilities intended to maintain the business relationship.

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

c) Payables for investments

The Company recognizes a balance of R$28,920 in the parent company and R$ 30,407 in the consolidated in current liabilities (R$ 10,676 in the parent company and R$ 11,533 in the consolidated at December 31, 2018), which refer to modernization of plants, investment in own stores and systems.

In thousands of reais, unless otherwise stated.

22 Borrowings and debentures

	Currency	Maturity	Charges	Parent Company		Consolidated	
				June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Current							
Banco do Nordeste S.A (a)	R$	jun-25	3,00% p.a.	11.167	9.796	11.167	9.796
NCE (b)	R$	jun-21	7,80% p.a.[1]	48.384	42.002	48.384	42.002
NCE (b)	US$	mar-24	8,57% p.a.[1]	10.442	7.947	10.442	7.947
PRODEC (c)	R$	nov-22	4,00% p.a.[1]	12.504	14.145	12.504	14.145
FINEP (d)	R$	mai/21	7,08% p.a.[1]	13.210	13.270	13.210	13.270
DEG (e)	US$	out-21	7,45% p.a.	11.948	12.179	11.948	12.179
FINAME (f)	R$	ago-23	3,00% p.a.[1]	420	421	420	421
DEBENTURES 1st series (g)	R$	jun-21	8,73% p.a.	49.729	976	49.729	976
DEBENTURES 2nd series (g)	R$	jun-23	9,29% p.a.	(468)	985	(468)	985
ACC (i)	US$	jun-20	4,55% p.a.	10.072	-	10.072	-
Total current			7,83% p.a.[1]	167.408	101.721	167.408	101.721
Total local currency				134.946	81.595	134.946	81.595
Total foreign currency				32.462	20.126	32.462	20.126
Non-current							
Working capital	R$		8,00% p.a.			1.273	1.292
Banco do Nordeste S.A (a)	R$	jun-25	3,00% p.a.	55.780	53.792	55.780	53.792
NCE (b)	R$	jun-21	7,80% p.a.[1]	159.350	67.944	159.350	67.944
NCE (b)	US$	mar-24	8,57% p.a.[1]	10.391	15.759	10.391	15.759
PRODEC (c)	R$	nov-22	4,00% p.a.[1]	13.102	18.240	13.102	18.240
FINEP (d)	R$	mai/21	7,08% p.a.[1]	12.059	18.590	12.059	18.590
DEG (e)	US$	out-21	7,45% p.a.	17.245	23.249	17.245	23.249
FINAME (f)	R$	ago-23	3,00% p.a.[1]	1.183	1.392	1.183	1.392
Debentures 1st series (g)	R$	jun-21	8,73% p.a.	98.964	146.829	98.964	146.829
Debentures 2nd series (g)	R$	jun-23	9,29% p.a.	147.681	146.829	147.681	146.829
Total non-current			7,89% p.a.[1]	515.755	492.624	517.028	493.916
Total local currency				488.119	453.616	489.392	454.908
Total foreign currency				27.636	39.008	27.636	39.008
Total			7,83% p.a.[1]	683.163	594.345	684.436	595.637
Total local currency				623.065	535.211	624.338	536.503
Total foreign currency				60.098	59.134	60.098	59.134

[1] Average rate
VC - Exchange variation

In thousands of reais, unless otherwise stated.

a. Information on agreements

Note	Contract	Date		Loans raised R$ (Thousand)	Term (months)	Amortization	Grace period (months)	Guarantees
		Disbursement	Maturity					
	Banco do Nordeste	ago-14	jun-25	R$ 105.646	133	Monthly	24	Mortgage for real estate and machinery and equipment
(a)	*Contract entered into in June 2013, in the amount of R$ 147,700. The first installment of the financing was disbursed by the Bank in August 2014 in the amount of R$ 29,221, the second installment was disbursed in January 2015 in the amount of R $ 45,765, the third installment was disbursed in September 2015 in the amount of R$ 14,700, the 4th installment was disbursed in March 2016 in the amount of R $ 4,713, the 5th installmentwas disbursed in December 2016 in the amount of R $ 2,418, the 6th installment was disbursed in February 2019 in the amount of R $ 8,827.*							
b	Export Credit Note (NCE)	nov-17	nov-21	R$ 50.000	48	Monthly	12	Receivables from Portobello SA in the amount of 30% of the outstanding
		This agreement has minimum "covenants" that have been fulfilled.						
		nov-17	nov-20	R$ 30.000	36	Quarter	20	Receivables from Portobello SA in the amount of 30% of the outstanding
		jun-18	jun-21	R$ 24.000	36	Quarter	12	Clean
		jun-18	mai-21	R$ 24.000	36	Quarter	12	Receivables from Portobello SA in the amount of 25% of the outstanding
		mar-19	fev-24	R$ 54.000	60	Annual	24	Receivables from Portobello SA in the amount of 20% of the outstanding
		mar-19	mar-24	R$ 50.000	60	Quarter	24	Receivables from Portobello SA in the amount of 20% of the outstanding
		mar-19	mar-24	R$ 10.000	60	Quarter	24	Receivables from Portobello SA in the amount of 20% of the outstanding
		These contracts have minimum covenant clauses that have been met.						
(c)	PRODEC (c)				48	Bullet	Bullet	-
	(Santa Catarina Company Development Program) - Special Tax Regime for the State of Santa Catarina obtained in July 2009. The balance is subject to adjustment to present value, and the							
(d)	Finep	jul-14	mai-21	R$ 57.318	84	Monthly	24	Bank Guarantee
		Agreement entered into in 07/2014, in the amount of R $ 57,300 and the first installment of the financing, in the amount of R $ 12,627, was released by the Bank in the same month. The second installment released in 01/2016 in the amount of R $ 12,479. The third installment released in 06/2017 in the amount of R$ 32,064.						
(e)	DEG	mai-14	out-21	US$ 18.000	90	Semiannual	23	Machinery and equipment and promissory notes
	In 2Q2019, the company did not comply with the contractual obligation with DEG bank (Equity Ration> 20%). On Jun 28th , 2019 the DEG bank granted a temporary waiver for the impacts of not reaching such indicator. The company expects to fulfill their obligations for the next quarters.							
(f)	Finame	mai-13	mai-23	R$ 39	120	Monthly	25	Machinery and equipment
		mai-13	abr-23	R$ 601	120	Monthly	24	
		jul-13	jul-23	R$ 107	120	Monthly	25	
		jul-13	ago-23	R$ 1.890	120	Monthly	26	
		jan-14	jun-23	R$ 577	114	Monthly	18	
(g)	3rd issue of Debentures – 1st S	jun-18	jun-21	R$ 150.000	36	Semiannual	24	Collateral and additional fiduciary guarantee
(h)	3rd issue of Debentures – 2st S	jun-18	jun-23	R$ 150.000	60	Semiannual	48	Collateral and additional fiduciary guarantee
	On June 15, 2018, the Board of Directors of PBG S.A approved the 3rd Issuance of simple, non-convertible debentures of the type with collateral and additional collateral, in two series, for public distribution with restricted efforts. The proceeds were allocated to the redemption of all 2nd issuance debentures of the issuer and renegotiation of the issuer's other liabilities. This contract has minimum covenant clauses that have been met.							
(i)	ACC	jun-19	jun-20	US$ 2.628	12	Bullet	Bullet	Clean Operation

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

In this quarter the Company carried out the raising of funds in the amount of R$ 10,130.

In 2Q2019, the Company did not reach the covenant related to the operation with bank DEG (PL / Total Assets greater than 20%), mentioned in Note 22. On June 30, 1919, Bank DEG granted Waiver regarding the non-achievement of the indicator. . For next quarters the company envisions the achievement of covenant.

Long-term borrowings mature as follows:

In thousands of reais, unless otherwise stated.

	Parent		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
2019	167.408	101.721	167.408	101.721
2020	99.868	197.939	101.141	199.231
2021 to 2025	415.887	294.685	415.887	294.685
	683.163	594.345	684.436	595.637

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

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Reais	623.065	535.211	624.338	536.503
USD (US dollars)	60.098	59.134	60.098	59.134
	683.163	594.345	684.436	595.637

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

b. Debentures

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

	June 30, 2019	December 31, 2018
Amount raised		
Debentures 1st series	150.064	150.110
Debentures 2nd series	150.071	150.119
Gross Balance	300.135	300.229
Fundraising cost	(4.229)	(4.610)
Net Balance	295.906	295.619
Current	49.261	1.961
Non-current	246.645	293.658

In thousands of reais, unless otherwise stated.

Emission Characteristics	
Issue	3rd
Trustee	Planner Trustee DTVM Ltda.
Custodian	Banco Bradesco S/A
Lead Underwriter	Banco Itaú BBA S/A
Depository bank	No
Trading	CETIP
Series number	2
Issuance volume R$	300.000.000,00
Total debentures	300.000
Unit par value R$:	1.000,00

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

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

The 3rd issuance of Debentures is subject to covenants that were met at June 30, 2019.

23 Tax installment payment

	Installment payment request		Parent Company		Consolidated	
Taxes	Date	Installments falling due	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Law 11.941/09 (a)	nov-09	64	59.369	63.930	59.775	64.367
Total			59.369	63.930	59.775	64.367

Tax installments will be paid as follows:

In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
Maturity January 1	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
2019	10.895	10.718	10.971	10.793
2020 to 2023 (*)	44.528	52.270	44.832	52.570
2024	3.946	942	3.972	1.004
	59.369	63.930	59.775	64.367
Current	10.895	10.718	10.971	10.793
Non-current	48.474	53.212	48.804	53.574

(*) Sum of annual installments of R$ 10,895 at June 30, 2019 and R$ 10,718 at December 31, 2018 for the Parent Company and R$ 10,971 and R$ 10,793 for the consolidated, respectively.

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

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

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

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

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

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

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

In thousands of reais, unless otherwise stated.

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

In the event the PGFN’s decision is upheld by the superior court, which the Company believes to be a remote possibility, based on the opinion of its legal advisors, the impact on the Company’s profit or loss would correspond to a loss of R$ 29,433 at June 30, 2019, considering the non-acknowledgment of the debt, the non-existence of benefits and the maintenance of the debts for the contingent liabilities, the potential tax liability of which will be settled against credits arising from lawsuit No. 1998.34.00.029022-4, as shown in note 15 c.

25 Taxes, fees and contributions

At June 30, 2019, taxes, fees and contributions recorded in current liabilities were classified as follows:

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
IRRF	2.155	2.177	2.402	2.688
ICMS	198	1.161	446	1.224
PIS and COFINS	-	62	665	492
Other	104	209	259	334
	2.457	3.609	3.772	4.738

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

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

The balance of provisions is broken down as follows:

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

In thousands of reais, unless otherwise stated.

Accrued amount	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Civil	17.148	19.581	17.148	19.581
Labor	12.093	18.397	12.093	18.397
Social security	6.836	6.836	6.836	6.836
Tax	100.487	94.761	100.518	94.791
	136.564	139.575	136.595	139.605

	Parent Company				TOTAL
	Civil	Labor	Pension	Tax	
December 31, 2018	19.581	18.397	6.836	94.761	139.575
Charged (credited) to the statement of income	(2.500)	(495)	-	5.726	2.731
Additional provisions	-	485	-	3.594	4.079
Reversal - not used	(2.500)	(2.346)	-	2.132	(2.714)
Monetary adjustment (Reversal)	-	1.366	-	-	1.366
Reversal due to realization	67	(5.809)	-	-	(5.742)
June 30, 2019	17.148	12.093	6.836	100.487	136.564

	Consolidated				TOTAL
	Civil	Labor	Pension	Tax	
December 31, 2018	19.581	18.397	6.836	94.791	139.605
Charged (credited) to statement of income	(2.500)	(495)	-	5.727	2.732
Additional provisions	-	485	-	3.594	4.079
Reversal - not used	(2.500)	(2.346)	-	2.133	(2.713)
Monetary adjustment	-	1.366	-	-	1.366
Reversal due to realization	67	(5.809)	-	-	(5.742)
June 30, 2019	17.148	12.093	6.836	100.518	136.595

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

Civil

The Company and its subsidiaries are defendants in 478 civil lawsuits (436 lawsuits at December 31, 2018), before the Common Courts and Special Civil Courts. The majority of lawsuits is filed by customers and claim indemnity for alleged pain and suffering and damage to property. When applicable, escrow deposits were made (note 12).

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 332 labor claims (324 claims at December 31, 2018), filed by former employees and third parties. The other lawsuits refer to payment of severance amounts, additional amounts, overtime, equal pay and indemnity for pain and suffering and damage to property arising from work accident/ occupational illness. Provisions are revised by Management according to its legal advisors. Some lawsuits are supported by escrow deposits (note 12).

In June 2019, the Company reversed R$ 2,079,964, referring to the provision in Labor Claim No. 0234100-60.1998.5.05.0015.

Social security

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

Change in the labor debt adjustment criterion

The Superior Labor Court (TST), in a decision published on August 7, 2015, changed the labor debt adjustment rate, so as to substitute the Benchmark Rate (TR) for the National Special Extended Consumer Price Index (IPCA-E), with effects retroactive to June 30, 2009. The matter was sent to the Federal Supreme Court (STF), in Claim 22012, which considered the claim groundless, thus maintaining the labor debt adjustment based on the IPCA-E. The Company will not immediately increase its labor provisions as it is awaiting a new decision from the TST on the matter. The change in the criterion will impact the balance of labor provisions by approximately R$ 6,235.

Tax

Tax on legal asset Plaintiff

In the second quarter of 2018, the Company recognized under “tax contingencies” the amount of R$ 74,180 relating to PIS, COFINS, IRPJ and CSLL on legal asset - plaintiff, as mentioned in note 15c).

27 Significant lawsuits assessed as possible and remote losses

a. Lawsuits assessed as possible losses

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

In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Civil	3.844	3.844	3.844	3.844
Labor	8.564	7.315	8.648	7.315
	12.408	11.159	12.492	11.159

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

On December 08, 2014, the Company was notified about the issuance of Tax Assessment Notices, which established IRPJ and CSLL tax credits (as well as monetary penalties and interest), for calendar years from 2009 to 2013. According to the Tax Authorities, the Company would have allegedly committed the following infractions: (a) in 2009, it would have allegedly: (a.1) unduly excluded taxable income deriving from tax benefits; (a.2) deducted unnecessary expenses related to the principal of tax debts (IPI, PIS and COFINS) which were recorded in prior-years' profit or loss; (a.3) excluded non-deductible amounts related to the principal of IRPJ and CSLL; (a.4) unduly excluded amounts related to the principal included in temporary additions and that were recorded in prior-years' profit or loss; and (a.5) deducted non-deductible expenses related to the assessment fine; (b) in 2010, 2011 and 2012, it would have allegedly: (b.1) offset income tax and social contribution losses in amounts above those calculated; and (b.2) failed to pay IRPJ and CSLL amounts calculated based on monthly estimate, which resulted in a fine applied individually; and (c) in 2013, it would have allegedly offset CSLL losses in amounts above those calculated. On January 6, 2015, the Company filed an objection against the abovementioned assessments, challenging all infractions attributable to it, so that, as from that date (January 6, 2015), it is awaiting the judgment of said objection which, according to the legal advisors of PBG S.A., considers a favorable decision as virtually certain, resulting in the cancellation of the Tax Assessment Notice; accordingly, the Company understands that the likelihood of loss is remote and elected not to record the amount of R$ 73,000 as potential liabilities. After the judgment of the objection that upheld the assessment, the Company filed a voluntary appeal. Said administrative proceeding is with Regional Judgment Office of the Federal Revenue Office of Brazil for a decision on the legal challenge.

On March 7, 2016, the Company was notified about the serving of Tax Assessment Notices relating to the tax administrative proceedings No. 11516-720.299/2016-02 and No. 11516-720.300/2016-91 which established tax credits relating to undue offset of IRPJ and CSLL. However, the Company argued that such discussion is already in progress in Lawsuit No. 10983-721.445/2014-78. The cancellation of the objected tax assessment in the amount of R$19,000 was requested due to the double collection by the tax authorities. In the lower court decision, the objections filed were upheld in the sense of recognizing the double collection of the assessment and, consequently, determining the extinguishment of the tax credit Currently, the tax administrative proceedings No. 11516-720.299/2016-02 and No. 11516-720.300/2016-91 were sent to the Administrative Council of Tax Appeals (CARF), for judgment of the appeal.

In thousands of reais, unless otherwise stated.

28 Long-term incentive

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

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

Payment is scheduled to be made in three annual installments with two-year deferral at the beginning of the period. Settlement will be made through monetary sums in an amount proportional to the gains calculated based on the plan metrics.
The first group of participants joined the program in 2012. Currently, there are two active plans. The present value of the obligation at June 30, 2019 is R$ 162 in the parent company and consolidated (R$162 in the parent company and consolidated at December 31, 2018).

29 Lease Obligation

At June 30, 2019, the Company had 18 lease agreements for its commercial units. The lease contracts are adjusted annually according to the variation of the main inflation indexes.

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

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

The remaining agreements were recorded according to the expense period.

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

Estimated realization:

	Parent Company			Consolidated		
	Lease Liability	Interest	Present value of lease liabilities	Lease Liability	Interest	Present value of lease liabilities
2019	1.463	(217)	1.246	3.368	(523)	2.845
2020	3.132	(429)	2.703	6.194	(822)	5.372
2021	2.403	(285)	2.118	5.563	(541)	5.022
2022	2.114	(158)	1.956	4.728	(284)	4.444
2023 onwards	1.562	(47)	1.515	3.149	(77)	3.072
TOTAL	10.674	(1.136)	9.538	23.002	(2.247)	20.755

In thousands of reais, unless otherwise stated.

30 Equity

30.1 Capital

At June 30 2019, the Company recognizes subscribed and paid-up capital in the total amount of R$ 200,000 (R$ 140,000 at December 31, 2018), divided into 158,488,517 common, registered and book-entry shares, without par value.

At June 30, 2019, there were 73,786,991 outstanding shares, corresponding to 46% of the total shares issued (73,786,991 at December 31, 2018, corresponding to 46% of the total). The balance of outstanding shares comprises all securities available for trading in the market, other than those held by controlling shareholders, members of the Board of Directors and Executive Board.

30.2 Revenue reserve

The revenue reserve is comprised of three reserves: the legal reserve, earnings retention reserve and unallocated earnings reserve, as follows:

The legal reserve is set up annually by allocating 5% of the profit for the year, which cannot exceed 20% of the capital. The purpose of the legal reserve is to ensure the integrity of capital and can only be used to offset accumulated losses or increase capital. At June 30, 2019, the balance of the legal reserve totals R$ 25,140 (R$ 25,140 at December 31, 2018), as provided by Article 193 of the Brazilian Corporate Law.

The amount of R$ 150,820 refers to the earnings retention reserve based on the business growth project, established in the Company's investment plan approved at the Annual General Meeting held on April 2, 2019, according to the capital budget, in conformity with article 196 of the Brazilian Corporate Law.

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

30.2 Carrying value adjustments

	Equity adjustments			
Parent Company and Consolidated	Deemed cost	Cumulative translation adjustment	Other comprehensive income	Total
At December 31, 2018	34.690	(40.462)	(8.080)	(13.852)
Realization of revaluation reserve	(592)	-	-	(592)
Exchange difference of foreign subsidiary	-	442	-	442
June 30, 2019	34.098	(40.020)	(8.080)	(14.002)

a) Deemed cost

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

In thousands of reais, unless otherwise stated.

b) Cumulative translation adjustment

The changes in assets and liabilities in foreign currency (US dollar) arising from currency fluctuation, as well as the variations between the daily rates and the closing rate of the changes in results of the foreign subsidiary are recognized in this line item of cumulative translation adjustments. In June 2019, the amount was R$ 442 (note 17a).

31 Revenue

The reconciliation of gross revenue and net revenue, shown in the statement of income for the quarter ended June 30, 2019, is as follows:

a) Revenues incurred in the 2nd quarter:

	Parent		Consolidated	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Gross sales revenue	313.027	300.273	351.374	327.669
Deduction from gross reven	(68.601)	(58.244)	(73.941)	(61.515)
Taxes on sales	(56.146)	(51.726)	(60.625)	(54.419)
Return	(12.455)	(6.518)	(13.316)	(7.096)
Net sales revenue	244.426	242.029	277.433	266.154
Domestic market	198.192	179.899	231.199	204.024
Foreign market	46.234	62.130	46.234	62.130

b) Revenues incurred in the 1st half:

	Parent		Consolidated	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Gross sales revenue	591.642	577.931	658.708	630.877
Deduction from gross reven	(132.603)	(112.592)	(142.043)	(118.822)
Sales taxes	(108.505)	(100.631)	(116.185)	(105.968)
Returns	(24.098)	(11.961)	(25.858)	(12.854)
Sales revenue, net	459.039	465.339	516.665	512.055
Domestic market	361.325	351.729	438.566	398.445
Foreign market	97.714	113.610	78.099	113.610

In thousands of reais, unless otherwise stated.

32 Expenses by nature

Cost of sales, selling and administrative expenses for the quarter ended June 30, 2019 are broken down as follows:

a) Expenses incurred in the second quarter:

	Parent Company		Consolidated	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Cost and expenses				
Cost of sales and/or services	(181.408)	(155.297)	(183.959)	(156.009)
Selling expenses (b)	(51.057)	(60.676)	(72.645)	(73.066)
General and administrative	(9.474)	(9.824)	(9.870)	(10.043)
	(241.939)	(225.797)	(266.474)	(239.118)
Breakdown of expense by nature				
Direct production cost(raw materials and inputs)	113.074	91.523	110.492	88.974
Salaries, charges and employee benefits	59.476	57.836	71.408	63.960
Labor and third-party services.	12.848	21.743	13.534	22.176
General production expenses (including maintenance)	13.015	13.059	13.180	13.059
Cost of goods resold	7.914	8.751	11.443	11.697
Amortization and depreciation	10.902	9.894	13.437	11.023
Other selling expenses	6.122	7.621	10.608	10.082
Sales commissions	7.191	6.952	8.272	7.675
Marketing and publicity	6.582	6.984	8.118	7.821
Transportation of goods sold	4.896	4.492	4.896	4.492
Rental and operating leasing	3.126	3.047	4.232	4.076
Other administrative expenses	1.828	2.333	1.917	2.423
Changes in inventories of finished products and work in process	(5.035)	(8.438)	(5.063)	(8.340)
TOTAL	241.939	225.797	266.474	239.118

(a) The variation in the inventories of finished products and w ork in progress is the difference betw een the cost of the product manufactured and the cost of the product sold, w hich may have a negative balance due to w rite-offs of cost of sales for products that w ere produced in prior periods that included the inventories account.

In thousands of reais, unless otherwise stated.

b) Expenses incurred in the 1st half:

	Parent Company		Consolidated	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Cost and expenses				
Cost of sales and/or services	(342.898)	(302.648)	(347.495)	(303.639)
Selling expenses	(102.687)	(113.115)	(145.302)	(136.891)
General and administrative	(19.732)	(18.590)	(20.544)	(19.303)
	(465.317)	(434.353)	(513.341)	(459.833)
Opening balance of expenditure by nature				
Direct production cost (raw materials and inputs)	221.456	178.545	216.385	173.282
Salaries, charges and employee benefits	119.408	110.648	141.115	122.521
Labor and third-party services	28.333	36.167	29.722	36.906
General production expenses (including maintenance)	25.807	23.675	26.111	23.675
Cost of sales	15.105	18.018	21.802	23.735
Amortization and depreciation	21.299	19.692	26.439	21.868
Other selling expenses	9.717	15.801	19.471	20.801
Sales commissions	13.255	13.045	15.408	14.487
Marketing and publicity	13.122	13.879	16.925	15.368
Transportation of goods sold	8.711	8.452	8.711	8.452
Rent and operating leases	6.074	6.002	8.148	8.031
Other administrative expenses	3.670	4.215	3.892	4.397
Changes in inventories of finished products and goods in process (a)	(20.640)	(13.786)	(20.788)	(13.690)
TOTAL	465.317	434.353	513.341	459.833

(a) The variation in the inventories of finished products and w ork in progress is the difference betw een the cost of the product manufactured and the cost of the product sold, w hich may have a negative balance due to w rite-offs of cost of sales for products that w ere produced in prior periods that included the inventories account.

33 Other operating income and expenses, net

Other individual and consolidated operating income and expenses for the period ended June 30, 2019 are as follows:

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

In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Other operating income				
Service revenue	153	139	153	139
Sale of fixed assets	-	125	-	125
Judicial asset - Plantiff (a)	-	149.985	-	149.985
ICMS Purge on PIS and COFINS (b)	41.692		41.692	-
Other revenues	22	249	1.999	256
TOTAL	41.867	150.498	43.844	150.505
Other operating expenses				
Provisions for civil, labor, pension and tax issues	(690)	(1.519)	(690)	(1.519)
Provision for Pis/Cofins tax - Plantiff	-	(20.374)	-	(20.374)
Cost of idleness (c)	(336)	(2.141)	(336)	(2.431)
Provision for profit sharing (c)	(2.869)	(758)	(2.869)	(1.021)
Provision for long-term incentive	-	(360)	-	(360)
Loss on sale of investments	-	(480)	-	(480)
Pre-operating expenses	(74)	(400)	(74)	(832)
Taxes on other revenues	-	(197)		(197)
Other	(9)	(270)	(154)	(324)
TOTAL	(3.978)	(26.499)	(4.123)	(27.538)
Total net	37.889	123.999	39.721	122.967

(a) Tax credits referring to the exclusion of ICMS from the calculation base of PIS and COFINS
(b)ICMS Purge Recognition on PIS and COFINS Period 2003-2009
(c) Recognition of the employee profit sharing provision to be paid after the end of the year.

In thousands of reais, unless otherwise stated.

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

	Parent Company		Consolidated	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Other operating income				
Service revenue	315	259	315	281
Sale of fixed assets	-	125	-	-
Tax credits	-	-	-	125
Judicial asset - Plantiff (a)	-	149.985	-	149.985
ICMS Purge on PIS and COFINS (b)	41.692	-	41.692	-
Other	2.686	249	4.567	256
Total	44.693	150.618	46.574	150.647
Other operating expenses				
Provision for contingencies	1.339	-	1.339	-
Provisions for civil, labor, social security and tax issues	(5.221)	(4.855)	(5.221)	(4.856)
PIS / COFINS tax provision - Plaintiff	-	(20.374)	-	(20.374)
Provision for long-term incentive	-	(360)	-	(360)
Provision for profit sharing (b)	(4.809)	(2.146)	(4.809)	(2.409)
Law 13,496 (PERT)	-	3.193	-	3.193
Cost of idleness	(336)	(2.141)	(336)	(2.431)
Loss on sale of investments	-	(480)	-	(480)
Pre-operating expenses	(145)	(400)	(146)	(832)
Tax on other revenues	-	(197)	-	(197)
Other	(9)	(519)	(308)	(511)
TOTAL	(9.181)	(28.279)	(9.481)	(29.257)
Total net	35.512	122.339	37.093	121.390

(a) Tax credits referring to the exclusion of ICMS from the calculation base of PIS and COFINS
(b) ICMS Purge Recognition on PIS and COFINS Period 2003-2009
(c) Recognition of the employee profit sharing provision to be paid after the end of the year.

34 Finance income (costs)

Individual and consolidated finance income (costs) for the period ended June 30, 2019 is as follows:

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

In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Financial income				
Interest	1.302	754	1.208	847
Adjustment of assets	1.389	1.039	1.389	1.039
Gain on swap transactions	687	-	925	-
Other	1		48	
Total	3.379	1.793	3.570	1.886
Finance cost				
Interest	(7.228)	(6.067)	(7.228)	(6.054)
Finance charges on taxes	(704)	(610)	(705)	(620)
Monetary restatement of provision for contingencies	-	(967)	-	(967)
Commissions and service fees	(1.419)	(1.034)	(1.420)	(1.226)
Bank expenses	(159)	(140)	(160)	(140)
Reversal of fine and interest on PERT installments	-	-	-	-
Loss on swap transactions (a)	(1.378)	(523)	(1.378)	(523)
Interest on debentures	(6.820)	(7.186)	(6.820)	(7.186)
Other	(2.868)	(325)	(3.313)	(338)
Total	(20.576)	(16.852)	(21.024)	(17.054)
Foreign exchange variations, net				
Trade receivables and trade payables	(2.242)	14.860	(2.250)	14.860
Borrowings and financing	815	(5.089)	815	(5.089)
TOTAL	(1.427)	9.771	(1.435)	9.771
Total net	(18.624)	(5.288)	(18.889)	(5.397)

(a) Note 7

In thousands of reais, unless otherwise stated.

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

	Parent Company		Consolidated	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Finance income				
Interest	2.793	1.495	3.050	1.808
Reversal of restatement of contingency (a)	2.967	2.482	2.967	2.482
Swap transaction gain (loss) (a)	2.332	-	2.332	-
Other	3	-	77	-
Total	8.095	3.977	8.426	4.290
Finance costs				
Interest	(12.892)	(11.519)	(12.925)	(11.559)
Finance charges on taxes	(2.277)	(1.286)	(2.313)	(1.304)
Discount of provision for contingencies	-	(6.088)	-	(6.088)
Commissions and service fees	(2.793)	(2.162)	(3.029)	(2.543)
Bank expenses	(484)	(253)	(487)	(253)
Review Balance of Eletrobras compulsory loan	-	-	-	-
Reversal of financial gain with taxes	(1.471)	-	(1.471)	-
Adoption of tax payment in installments under Law 1349	-	672	-	672
Swap transaction gain (loss)	(2.907)	(523)	(2.907)	(523)
Interest on debentures	(11.900)	(11.694)	(11.900)	(11.694)
Other	(3.357)	(867)	(3.936)	(1.006)
Total	(38.081)	(33.720)	(38.968)	(34.298)
Foreign exchange variations, net				
Clients and suppliers	(1.794)	14.666	(1.805)	14.666
Borrowings	571	(5.258)	571	(5.258)
Total	(1.223)	9.408	(1.234)	9.408
Total net	(31.209)	(20.335)	(31.776)	(20.600)

(a) Note 7

35 Earnings (loss) per share

a) Basic

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

In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Profit attributable to the Company's stockholders	24.131	96.408	6.937	96.408
Weighted average number of common shares	158.489	158.489	158.489	158.489
Basic earnings per share	0,15223	0,60829	0,04368	0,65239

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

b) Diluted

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

36 Dividends and interest on capital

The minimum dividends for 2018, which represent 25% of the Company's profit, total R $ 31,892. Of these, R $ 8,922 was paid in advance as dividends and interest on shareholders' equity (net of income tax).

The residual was paid on April 30, 2019 to shareholders in the amount of R $ 22,970 in the form of dividends and interest on equity (net of income tax) which was resolved by the Annual General Meeting on April 2, 2019.

37 Segment reporting

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

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

In thousands of reais, unless otherwise stated.

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:

	June 30, 2019			June 30, 2018		
Continuing operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Revenue	231.199	46.234	277.433	204.024	62.130	266.154
Cost of sales	(150.029)	(33.930)	(183.959)	(120.297)	(35.712)	(156.009)
Gross operating income	81.170	12.304	93.474	83.727	26.418	110.145
Operating income (expenses), net	(72.109)	(12.377)	(84.486)	51.268	(11.410)	39.858
Selling, general and administrative expenses	(70.138)	(12.377)	(82.515)	(71.699)	(11.410)	(83.109)
Other operating expenses, net	(1.971)	-	(1.971)	122.967	-	122.967
Operating profit before finance result	9.061	(73)	8.988	134.995	15.008	150.003
% on NOR	4%	0%	3%	66%	24%	56%

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

38 Commitments

a) Commitments for acquisition of assets

Expenses incurred at the balance sheet date but not yet incurred relating to property, plant and equipment at June 30, 2019 total R$ 7,719, corresponding to the modernization of manufacturing equipment, according to the Company's investment plan.

39 Insurance coverage

Current insurance coverage is considered sufficient by Management to cover probable losses. At June 30, 2019, coverage against fire, lightning and explosion of any nature is R$ 250,000, against windstorm, smoke, vehicle collision the coverage amount is R$ 18,000, against loss of profits is R$ 35,000 and against electric damage is R$ 3,600. The insurance policy is effective from June 14, 2018 to June 14, 2019.

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

It has also taken out guarantee bond insurance policies from Seguradora Berkley Internacional do Brasil Seguros S/A with insurance values of R$ 1,407, R$ 850 and R$ 3,899, effective from April 24, 2018 to April 24, 2023, March 13, 2018 to March 13, 2021 and April 26, 2019 to April 26, 2024, whose purpose was the guarantee of Tax Enforcement 0381150-73.2010.8.19.0001, Labor Claim 00180-2007.004.23.00-4 and writ of prevention filed by the Company, respectively.

In thousands of reais, unless otherwise stated.

In addition, it has taken out a guarantee bond insurance policy from Chubb Seguros S/A in the insured value of R$ 44 thousand, referring to Tax Enforcement 0381149-88.2010.8.19.0001, effective from August 22, 2018 to August 22, 2021.

Lastly, in May 2019, the Company took three other guarantee bond insurance policies from Junto Seguros S/A in the insured values of R$ 11, R$ 1.5 and R$ 314, referring to Civil Class Action No. 0000788-50.2011.5.12.0040 and two other writs of prevention to be filed by the Company, effective from May 10, 2019 to May 10, 2022, May 13, 2019 to May 13, 2024 and May 10, 2019 to May 10, 2022, respectively.

40 Related entities and parties

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

		* *	* *
		Parent Company	
Nature	Company	June 30, 2019	December 31, 2018
Subsidiaries			
Dividends receivable	Portobello Shop S.A.	28.377	28.377
Receivables	Portobello Shop S.A.	4	3
Accounts receivable	Portobello América, Inc.	85.938	84.255
Accounts payable net of advances	PBTech Com. Sern. Cer. Ltda.	6.646	481
Accounts receivable net of advances	Cia Brasileira de Cerâmica	50	50
Assets net of liabilities with subsidiaries		121.015	113.868
Related entities and parties			
Receivables from related parties	Refinadora Catarinense S.A.	99.508	97.941
Payables to related parties	Refinadora Catarinense S.A.	(62.008)	(62.008)
Accounts receivable net of advances	Solução Cerâmica Com. Ltda.	407	-
Accounts receivable net of advances	Flooring Renest. Cer. Ltda.	97	
Accounts payable	Multilog Sul Armazéns S/A	1.059	958
Accounts payable	Flooring Renest. Cer. Ltda.	896	307
Accounts payable	Neo way	2	122
Assets net of liabilities with other related parties		39.961	37.320

In thousands of reais, unless otherwise stated.

Nature - profit or loss	Company	2nd Quarter June 30, 2019	2nd Quarter June 30, 2018	Accumulated June 30, 2019	Accumulated June 30, 2018
Revenue					
Subsidiaries					
Sale of products	PBTech Com. Sern. Cer. Ltda.	10.822	9.142	16.561	15.373
Sale of products	Cia Brasileira de Cerâmica	98	32	98	32
Sale of products	Portobello América, Inc.	2.470	-	6.497	-
Related entities and parties					
Sale of products	Solução Cerâmica Com. Ltda.	6.905	5.769	15.104	10.651
Sale of products	Flooring Renest. Cer. Ltda.	3.062	3.103	6.827	5.336
Expenses					
Subsidiaries					
Acquisition of inputs	Mineração Portobello Ltda.	(2.573)	(2.549)	(5.020)	(5.263)
Related entities and parties					
Rental	Gomes Part Societárias Ltda.	(104)	(97)	(616)	(223)
Freight service	Multilog Sul Armazéns S/A	(1.473)	(1.467)	(2.729)	(2.857)
Cutting service	Flooring Renest. Cer. Ltda.	(3.039)	(3.403)	(5.780)	(3.403)
Software service	Neoway Tecnologia	(69)	(33)	(191)	(33)
		16.099	10.497	30.751	19.613

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

Related-party transactions

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

Transactions with subsidiaries and related entities	Nature	June 30, 2019	December 31, 2018	Nature	2nd Quarter June 30, 2019	2nd Quarter June 30, 2018	Accumulated June 30, 2019	Accumulated June 30, 2018
	Equity			Profit or loss				
Solução Cerâmica Com. Ltda.	Trade payable, net of advances	407	700	Royalties	6.905	1.530	9.322	2.740
Flooring Renest. Cer. Ltda.	Trade payable, net of advances	94	505	Royalties	3.061	768	4.282	1.337
		501	1.205		9.966	2.298	13.604	4.077

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, 2019, are as follows:

In thousands of reais, unless otherwise stated.

a) Expenses incurred in the second quarter:

	Parent Company		Consolidated	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Fixed compensation				
Salaries	2.936	3.250	3.405	3.716
Fees	1.515	1.393	1.571	1.393
Variable compensation	451	331	451	399
Pension Plan	272	196	292	202
Other	434	457	502	500
	5.608	5.627	6.221	6.210

b) Expenses incurred in the 1st half:

	Parent Company		Consolidated	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Fixed compensation				
Salaries	7.028	6.530	8.033	7.408
Fees	1.992	2.711	1.992	2.711
Variable compensation	928	750	1.064	818
Pension Plan	518	391	555	397
Other	1.336	1.050	1.483	1.158
	11.802	11.432	13.127	12.492

41 Events after the reporting period

In July 2019 there were two new loans, one by Banco Daycoval in the amount of R$ 40 thousand, in NCE modality, with a four-year term and one year grace period, and the other one by Banco do Nordeste in the amount of R$ 7 thousand, in the FNE (constitutional financing of the northeast) modality within 8 years with 2 years of grace.

(A free translation of the original in Portuguese)

PBG S.A.

Quarterly Information (ITR) at June 30, 2019 and report on review of quarterly information

Report on review of quarterly information

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of PBG S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2019, 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.

PricewaterhouseCoopers Auditores Independentes, Avenida Rio Branco, 847, Salas 401, 402, 403 e 409, Florianópolis, SC, Brasil 88015-215, T: (48) 3212-0200, F: (48) 3212-0210, www.pwc.com/br

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2019. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Audit and review of prior-year information

The Quarterly Information Form (ITR) mentioned in the first paragraph include accounting information corresponding to the income and comprehensive income from the quarter and six-month period ended June 30, 2018, and changes in equity, cash flows and value added from the six-month period ended June 31, 2018, obtained from the Quarterly Information Form (ITR) of that quarter, and the balance sheet at December 31, 2018, obtained from the financial statements at December 31, 2018, presented for comparison purposes. The review of the Quarterly Information Form (ITR) for the quarter and the six-month period ended June 30, 2018 and the audit of financial statements for the year ended December 31, 2018 were conducted by another firm of auditors whose review report and audit report, dated August 8, 2018 and February 18, 2019, respectively, expressed an unmodified conclusion and opinion.

Florianopolis, August 9, 2019

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

PortobelloGrupo

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

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

(i) reviewed, discussed and agreed with the Company's financial statements for the year ended July 30, 2019; and

(ii) reviewed, discussed and agreed with the opinions expressed in the PRICEWATERHOUSECOOPERS AUDITORES INDEPENDENTES Independent Auditors’ Report relating to the Company’s Financial Statements for the year ended July 30, 2019.

Members of the Executive Board

Cesar Gomes Júnior - CEO

Cláudio Ávila da Silva – Director Vice-presidente

John Shojiro Suzuki - CEO and Investor Relations Officer

Mauro do Valle Pereira – Director

Tijucas, August 09, 2019

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Cesar Gomes Júnior

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Cláudio Ávila da Silva

____
John Shojiro Suzuki

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Mauro do Valle Pereira