

# Results 3Q20

# PBG S.A.

## Press Release 3Q20

September 30, 2020

Stock Price (09/30/2020)

PTBL3 – R\$ 5.26 | share

Market Value (09/30/2020)

R\$ 833,6 Millions

U\$\$ 147,7 Millions

Quantity of shares (09/30/2020)

Common: 155,311,617

Treasury: 3,176,900

Free Float = 43%

### Investor Relations

#### Ronei Gomes

VP of Finance and Investor Relations

#### Gladimir Brzezinski

Controller and Investor Relations Manager

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## PBG S.A and subsidiaries

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

### Company information / Breakdown of Capital

| <b>Quantity of shares<br/>(Thousand)</b> | <b>Last fiscal year<br/>09/30/2020</b> |
|--|--|
| <b>Paid-in capital</b>                   |  |
| Common                                   | 155,311                                |
| Preferred                                | 0                                      |
| <b>Total</b>                             | <b>155,311</b>                         |
| <b>Treasury</b>                          |  |
| Common                                   | 3.176                                  |
| Preferred                                | 0                                      |
| <b>Total</b>                             | <b>3.176</b>                           |

## PBG S.A. and subsidiaries

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

### Individual financial statements / Balance Sheet - Assets

| Account Code  | Account Description                           | Current              | Previous Year |
|---------------|---|----------------------|---------------|
|               |   | Period<br>09/30/2020 | 12/31/2019    |
| 1             | Total Assets                                  | 1.916.938            | 1.828.301     |
| 1.01          | Current Assets                                | 763.973              | 812.427       |
| 1.01.01       | Cash and Cash Equivalents                     | 219.789              | 249.448       |
| 1.01.03       | Accounts Receivable                           | 268.430              | 222.856       |
| 1.01.03.01    | Trade Receivables                             | 268.430              | 222.856       |
| 1.01.04       | Inventory                                     | 183.959              | 228.170       |
| 1.01.06       | Recoverable Taxes                             | 41.624               | 50.528        |
| 1.01.06.01    | Current Taxes Recoverable                     | 41.624               | 50.528        |
| 1.01.07       | Prepaid Expenses                              | 4.680                | 2.722         |
| 1.01.08       | Others Current Assets                         | 45.491               | 58.703        |
| 1.01.08.03    | Other   | 45.491               | 58.703        |
| 1.01.08.03.01 | Dividends Receivable                          | 26.832               | 37.237        |
| 1.01.08.03.02 | Advance to Suppliers                          | 5.265                | 9.594         |
| 1.01.08.03.03 | Receivables from other related parties        | 4.166                | -             |
| 1.01.08.03.04 | Other   | 9.228                | 11.872        |
| 1.02          | Non-Current Assets                            | 1.152.965            | 1.015.874     |
| 1.02.01       | Long-Term Assets                              | 544.286              | 515.631       |
| 1.02.01.07    | Deferred Taxes                                | 37.301               | 21.839        |
| 1.02.01.07.01 | Deferred Income and Social Contribution Taxes | 37.301               | 21.839        |
| 1.02.01.09    | Receivables from related parties              | 41.998               | 196.357       |
| 1.02.01.09.02 | Subsidiaries Credits                          | 41.998               | 95.422        |
| 1.02.01.09.05 | Receivables from other related parties        | -                    | 100.935       |
| 1.02.01.10    | Other Non-Current Assets                      | 464.987              | 297.435       |
| 1.02.01.10.03 | Judicial Deposits                             | 148.219              | 152.477       |
| 1.02.01.10.04 | Receivables - Eletrobras                      | 12.821               | 12.821        |
| 1.02.01.10.05 | Recoverable Taxes                             | 59.378               | 56.664        |
| 1.02.01.10.06 | Tax Asset                                     | 105.305              | 37.865        |
| 1.02.01.10.07 | Actuarial Asset                               | 6.338                | 6.338         |
| 1.02.01.10.08 | Restricted investments                        | 13.732               | 7.552         |
| 1.02.01.10.09 | Lease Assets                                  | 15.135               | 12.916        |
| 1.02.01.10.10 | Escrow deposit                                | 89.517               | -             |
| 1.02.01.10.11 | Other   | 14.542               | 10.802        |
| 1.02.02       | Investments                                   | 80.508               | 21.294        |
| 1.02.02.01    | Ownership Interest                            | 80.508               | 21.294        |
| 1.02.02.01.02 | Interest in Subsidiaries                      | 80.160               | 20.949        |
| 1.02.02.01.04 | Other investments                             | 348                  | 345           |
| 1.02.03       | Property, Plant and Equipment                 | 517.488              | 470.080       |
| 1.02.04       | Intangibles Assets                            | 10.683               | 8.869         |
| 1.02.04.01    | Intangibles Assets                            | 10.683               | 8.869         |
| 1.02.04.01.02 | Intangibles Assets                            | 10.683               | 8.869         |

## PBG S.A. and subsidiaries

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

### Individual financial statements / Balance Sheet - Liabilities

| Account Code  | Account Description                                  | Current Period | Previous Year |
|---------------|--|----------------|---------------|
|               |  | 09/30/2020     | 12/31/2019    |
| 2             | Total Liabilities                                    | 1.916.938      | 1.828.301     |
| 2.01          | Current Liabilities                                  | 677.037        | 574.501       |
| 2.01.01       | Social and labor obligations                         | 56.321         | 36.142        |
| 2.01.01.01    | Social Obligations                                   | 56.321         | 36.142        |
| 2.01.02       | Suppliers  | 167.121        | 134.501       |
| 2.01.02.01    | National suppliers                                   | -              | 128.374       |
| 2.01.02.02    | Foreign suppliers                                    | -              | 6.127         |
| 2.01.03       | Tax Obligations                                      | 23.298         | 9.103         |
| 2.01.04       | Loans and Financing                                  | 271.998        | 232.426       |
| 2.01.04.01    | Loans and Financing                                  | 170.383        | 133.376       |
| 2.01.04.02    | Debentures   | 101.615        | 99.050        |
| 2.01.05       | Other Obligations                                    | 153.084        | 162.329       |
| 2.01.05.01    | Liabilities with Related Parties                     | 11.534         | 22.803        |
| 2.01.05.01.04 | Debts with Other Related Parties                     | 11.534         | 22.803        |
| 2.01.05.02    | Other  | 141.550        | 139.526       |
| 2.01.05.02.01 | Dividends and interest on equity                     | 6.758          | 950           |
| 2.01.05.02.04 | Credit granting from suppliers                       | 52.337         | 58.710        |
| 2.01.05.02.05 | Taxes payable in installments                        | 11.323         | 11.455        |
| 2.01.05.02.06 | Advances from customers                              | 18.475         | 23.211        |
| 2.01.05.02.07 | Payables for fixed asset and intangible              | 26.503         | 20.127        |
| 2.01.05.02.08 | Lease Obligations                                    | 8.669          | 4.554         |
| 2.01.05.02.09 | Income tax and social contribution                   | 949            | -             |
| 2.01.05.02.10 | Others   | 16.536         | 20.519        |
| 2.01.06       | Provisions   | 5.215          | -             |
| 2.01.06.02    | Other provisions                                     | 5.215          | -             |
| 2.01.06.02.04 | Provision for PPR                                    | 5.215          | -             |
| 2.02          | Non-current Liabilities                              | 818.271        | 886.180       |
| 2.02.01       | Loans and Financing                                  | 478.028        | 522.607       |
| 2.02.01.01    | Loans and Financing                                  | 328.971        | 324.915       |
| 2.02.01.02    | Debentures   | 149.057        | 197.692       |
| 2.02.02       | Other Obligations                                    | 275.612        | 182.016       |
| 2.02.02.02    | Other  | 275.612        | 182.016       |
| 2.02.02.02.03 | Suppliers  | 137.380        | 124.754       |
| 2.02.02.02.04 | Payables for fixed asset and intangible              | 26.647         | -             |
| 2.02.02.02.05 | Taxes payable in installments                        | 37.212         | 43.518        |
| 2.02.02.02.06 | Debts with Related Parties                           | 56.330         | -             |
| 2.02.02.02.07 | Lease Obligations                                    | 7.612          | 7.271         |
| 2.02.02.02.08 | Other  | 10.431         | 6.473         |
| 2.02.04       | Provisions   | 64.631         | 181.557       |
| 2.02.04.01    | Civil and Labor and Social Security Tax Provisions   | 64.631         | 120.200       |
| 2.02.04.02    | Other Provisions                                     | -              | 61.357        |
| 2.02.04.02.04 | Provision for subsidiaries' deficiency in net assets | -              | 61.357        |
| 2.03          | Shareholders' Equity                                 | 421.630        | 367.620       |
| 2.03.01       | Capital  | 200.000        | 200.000       |
| 2.03.02       | Capital reserves                                     | (9.027)        | -             |
| 2.03.02.05    | Treasury shares                                      | (9.027)        | -             |
| 2.03.04       | Profit Reserves                                      | 278.290        | 184.036       |
| 2.03.06       | Equity valuation adjustments                         | (47.633)       | (22.224)      |
| 2.03.08       | Other comprehensive income                           | -              | 5.808         |

## PBG S.A. and subsidiaries

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

### Individual financial statements / Statements of Income

| Account Code | Account Description                             | Current Quarter             | Accumulated of the                         | Same Quarter of Previous         | Accumulated of the                          |
|--------------|---|-----------------------------|--|----------------------------------|---|
|              |   | 07/01/2020 to<br>09/30/2020 | Current Period<br>01/01/2020 to 09/30/2020 | Year<br>07/01/2019 to 09/30/2019 | Previous Period<br>01/01/2019 to 09/30/2019 |
| 3.01         | Income from sales of goods and/or services      | 360.022                     | 815.458                                    | 262.200                          | 721.239                                     |
| 3.02         | Cost of goods and/or services sold              | (252.882)                   | (612.430)                                  | (198.330)                        | (541.228)                                   |
| 3.03         | Gross income                                    | 107.140                     | 203.028                                    | 63.870                           | 180.011                                     |
| 3.04         | Operating expenses/income                       | (66.484)                    | (158.548)                                  | (48.695)                         | (130.490)                                   |
| 3.04.01      | Sales expenses                                  | (61.520)                    | (159.423)                                  | (57.519)                         | (160.206)                                   |
| 3.04.02      | General and administrative expenses             | (11.322)                    | (31.658)                                   | (9.104)                          | (28.836)                                    |
| 3.04.04      | Other operating income                          | -                           | 7.653                                      | 11.032                           | 46.546                                      |
| 3.04.05      | Other operating expenses                        | (7.835)                     | -  | -                                | -   |
| 3.04.06      | Equity income                                   | 14.193                      | 24.880                                     | 6.896                            | 12.006                                      |
| 3.05         | Income (loss) before financial income and taxes | 40.656                      | 44.480                                     | 15.175                           | 49.521                                      |
| 3.06         | Financial income (loss)                         | (20.401)                    | (12.932)                                   | (23.720)                         | (54.929)                                    |
| 3.06.01      | Financial income                                | 3.295                       | 42.900                                     | 11.486                           | 18.358                                      |
| 3.06.02      | Financial expenses                              | (23.696)                    | (55.832)                                   | (35.206)                         | (73.287)                                    |
| 3.07         | Income (loss) before income tax                 | 20.255                      | 31.548                                     | (8.545)                          | (5.408)                                     |
| 3.08         | Income and social contribution taxes            | 359                         | 61.818                                     | 5.633                            | 9.420                                       |
| 3.08.01      | Current   | (6.763)                     | (6.763)                                    | -                                | -   |
| 3.08.02      | Deferred  | 7.122                       | 68.581                                     | 5.633                            | 9.420                                       |
| 3.09         | Net income (loss) of continued operations       | 20.614                      | 93.366                                     | (2.912)                          | 4.012                                       |
| 3.11         | Net Income/loss for the period                  | 20.614                      | 93.366                                     | (2.912)                          | 4.012                                       |

## PBG S.A. and subsidiaries

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

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### Individual financial statements / Statements of comprehensive income

| <b>Account Code</b> | <b>Account Description</b>              | <b>Current Quarter<br/>07/01/2020 to<br/>09/30/2020</b> | <b>Accumulated of the<br/>Current Period<br/>01/01/2020 to<br/>09/30/2020</b> | <b>Same Quarter of<br/>Previous Year<br/>07/01/2019 to<br/>09/30/2019</b> | <b>Accumulated of the<br/>Previous Period<br/>01/01/2019 to<br/>09/30/2019</b> |
|---------------------|---|---|---|---|--|
| 4.01                | Net Income for the Period               | 20.614  | 93.366  | (2.912)   | 4.012  |
| 4.02                | Attributed to Controlling Shareholders  | (2.975)   | (24.519)  | (4.176)   | (3.735)  |
| 4.03                | Attributed to Non-Controlling Interests | 17.639  | 68.847  | (7.088)   | 277  |

## PBG S.A. and subsidiaries

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

### Individual financial statements / Statements of cash flows - Indirect method

| Account Code | Account Description                                       | Current Period<br>01/01/2020 to<br>09/30/2020 | Previous Period<br>01/01/2019 to<br>09/30/2019 |
|--------------|---|---|--|
| 6.01         | Net cash from operating activities                        | 201.552                                       | 166.649  |
| 6.01.01      | Cash provided by operating activities                     | 121.370                                       | 274.311  |
| 6.01.01.01   | Income (loss) before income tax                           | 31.548  | (5.408)  |
| 6.01.01.02   | Depreciation and amortization                             | 41.093  | 32.113   |
| 6.01.01.03   | Equity income or loss                                     | 24.880  | (12.006)                                       |
| 6.01.01.04   | Unrealized exchange variation                             | 77.888  | (9.583)  |
| 6.01.01.05   | Provision for valuation of inventories at market value    | (7.103)                                       | 4.450  |
| 6.01.01.06   | Provision for impairment of trade receivables             | 1.191   | 4.376  |
| 6.01.01.07   | Provisions for civil, labor, pension and taxes            | 66.231  | (16.605)                                       |
| 6.01.01.08   | Provisions for social and labor obligations               | (11.088)                                      | (9.814)  |
| 6.01.01.09   | Provision for profit sharing and long-term incentive      | -   | 682  |
| 6.01.01.10   | Other provisions  | (1.667)                                       | (1.221)  |
| 6.01.01.11   | Tax assets  | (67.440)                                      | 279.641  |
| 6.01.01.12   | Monetary adjustment of receivables from other related     | (100.935)                                     | (2.358)  |
| 6.01.01.13   | Monetary adjustment of financial charges with taxes in    | 531   | 1.904  |
| 6.01.01.14   | Accrued interest on loans and debentures                  | 36.584  | 47.156   |
| 6.01.01.15   | Lease obligations   | -   | (12.128)                                       |
| 6.01.01.16   | Interest and adjustment to present value on lease         | (896)   | (705)  |
| 6.01.01.17   | Lease amortization  | (6.528)                                       | (3.576)  |
| 6.01.01.18   | Discount on credits received from related parties         | (8.307)                                       | -  |
| 6.01.01.19   | Receivables from related parties - Plaintiff supplement   | 45.061  | -  |
| 6.01.01.20   | Other   | 327   | (22.607)                                       |
| 6.01.02      | Changes in assets and liabilities                         | 110.340                                       | (69.132)                                       |
| 6.01.02.01   | Accounts Receivable                                       | (46.765)                                      | (23.736)                                       |
| 6.01.02.02   | Inventory   | 51.314  | (20.039)                                       |
| 6.01.02.03   | Judicial Deposits   | (4.258)                                       | (9.128)  |
| 6.01.02.04   | Recoverable Taxes   | 9.737   | (99.095)                                       |
| 6.01.02.05   | Restricted investments                                    | (6.180)                                       | (255)  |
| 6.01.02.06   | Other assets  | (5.002)                                       | (10.417)                                       |
| 6.01.02.07   | Accounts Payable  | 38.873  | 22.528   |
| 6.01.02.08   | Advance to Suppliers                                      | 4.329   | 971  |
| 6.01.02.09   | Provisions for civil, labor, pension and tax              | (4.874)                                       | 6.104  |
| 6.01.02.10   | Advances from customers                                   | (4.736)                                       | 2.366  |
| 6.01.02.11   | Installments  | (6.969)                                       | (8.806)  |
| 6.01.02.12   | Tax and labor obligations                                 | 38.815  | 11.877   |
| 6.01.02.13   | (Increase)/decrease in payables for investments           | 80.654  | 59.362   |
| 6.01.02.14   | Payables to related parties                               | (11.269)                                      | -  |
| 6.01.02.15   | Payable to related parties - Plaintiff supplementary trar | 4.162   | -  |
| 6.01.02.16   | Other trade payables                                      | (15.611)                                      | 9.381  |
| 6.01.02.17   | Lease Assets  | (11.880)                                      | (10.245)                                       |
| 6.01.03      | Other   | (30.158)                                      | (38.530)                                       |
| 6.01.03.01   | Interest paid   | (25.739)                                      | (38.530)                                       |
| 6.01.03.02   | Income Tax and Social Contribution Paid                   | (4.419)                                       | -  |
| 6.02         | Net cash used in investing activities                     | (195.685)                                     | (79.754)                                       |
| 6.02.01      | Acquisition of property, plant and equipment              | (77.077)                                      | (56.462)                                       |
| 6.02.02      | Acquisition of intangible assets                          | (4.111)                                       | (2.900)  |
| 6.02.03      | Dividends received  | 10.575  | 20.783   |
| 6.02.04      | Receivables from related parties                          | -   | (4.564)  |
| 6.02.06      | Capital contribution in subsidiaries                      | (125.072)                                     | (36.611)                                       |
| 6.03         | Net cash provided by (used in) financing activities       | (35.526)                                      | 157.654  |
| 6.03.01      | Loans and financing and debentures                        | 94.616  | 250.681  |
| 6.03.02      | Payments of loans and financing                           | (123.582)                                     | (70.122)                                       |
| 6.03.03      | Dividends paid  | (32)  | (22.905)                                       |
| 6.03.04      | Lease amortization  | (6.528)                                       | -  |
| 6.05         | Increase/(decrease) in cash and cash equivalents          | (29.659)                                      | 244.549  |
| 6.05.01      | Opening balance of cash and cash equivalents              | 249.448                                       | 67.580   |
| 6.05.02      | Closing balance of cash and cash equivalents              | 219.789                                       | 312.129  |



## PBG S.A. and subsidiaries

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

### Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2020–09/30/2020

| Account Code | Account Description                                 | Capital | Capital Reserves,<br>Options Awarded and<br>Treasury Shares | Earnings reserve | Profits (losses)<br>accumulated | Other Comprehensive<br>Income | Shareholders' Equity |
|--------------|---|---------|---|------------------|---------------------------------|-------------------------------|----------------------|
| 5.01         | Opening Balances                                    | 200.000 | -   | 189.844          | -                               | (22.224)                      | 367.620              |
| 5.03         | Adjusted Opening Balances                           | 200.000 | -   | 189.844          | -                               | (22.224)                      | 367.620              |
| 5.04         | Capital Transactions with Partners                  | -       | (9.027)   | (5.808)          | -                               | -                             | (14.835)             |
| 5.04.04      | Treasury shares acquired                            | -       | (7.498)   | -                | -                               | -                             | (7.498)              |
| 5.04.05      | Treasury shares acquired                            | -       | (1.529)   | -                | -                               | -                             | (1.529)              |
| 5.04.06      | Dividends   | -       | -   | (5.808)          | -                               | -                             | (5.808)              |
| 5.05         | Total Comprehensive Income                          | -       | -   | -                | 93.366                          | (24.521)                      | 68.845               |
| 5.05.01      | Net Income for the Period                           | -       | -   | -                | 93.366                          | -                             | 93.366               |
| 5.05.02      | Other Comprehensive Income                          | -       | -   | -                | -                               | (24.521)                      | (24.521)             |
| 5.05.02.04   | Foreign exchange variation of subsidiary located al | -       | -   | -                | -                               | (24.521)                      | (24.521)             |
| 5.06         | Internal changes in shareholders' equity            | -       | -   | -                | 888                             | (888)                         | -                    |
| 5.06.02      | Realization of the Revaluation Reserve              | -       | -   | -                | 888                             | (888)                         | -                    |
| 5.07         | Closing Balances                                    | 200.000 | (9.027)   | 184.036          | 94.254                          | (47.633)                      | 421.630              |

## PBG S.A. and subsidiaries

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

### Individual financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2019–09/30/2019

| Account Code | Account Description                           | Capital | Capital Reserves, Options<br>Awarded and Treasury<br>Shares | Earnings reserve | Profits (losses)<br>accumulated | Other Comprehensive<br>Income | Shareholders' Equity |
|--------------|---|---------|---|------------------|---------------------------------|-------------------------------|----------------------|
| 5.01         | Opening Balances                              | 140.000 | -   | 235.960          | -                               | (13.852)                      | 362.108              |
| 5.03         | Adjusted Opening Balances                     | 140.000 | -   | 235.960          | -                               | (13.852)                      | 362.108              |
| 5.04         | Capital Transactions with Partners            | 60.000  | -   | (60.000)         | -                               | -                             | -                    |
| 5.04.01      | Capital Increase                              | 60.000  | -   | (60.000)         | -                               | -                             | -                    |
| 5.05         | Total Comprehensive Income                    | -       | -   | -                | 4.012                           | (3.735)                       | 277                  |
| 5.05.01      | Net Income for the Period                     | -       | -   | -                | 4.012                           | -                             | 4.012                |
| 5.05.02      | Other Comprehensive Income                    | -       | -   | -                | -                               | (3.735)                       | (3.735)              |
| 5.05.02.04   | Foreign exchange variation of subsidiary loc: | -       | -   | -                | -                               | (3.735)                       | (3.735)              |
| 5.06         | Internal changes in shareholders' equity      | -       | -   | -                | 888                             | (888)                         | -                    |
| 5.06.02      | Realization of the Revaluation Reserve        | -       | -   | -                | 888                             | (888)                         | -                    |
| 5.07         | Closing Balances                              | 200.000 | -   | 175.960          | 4.900                           | (18.475)                      | 362.385              |

## PBG S.A. and subsidiaries

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

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### Individual financial statements / Statements of added value

| <b>Account Code</b> | <b>Account Description</b>                      | <b>Accumulated of the<br/>Current Period<br/>01/01/2020 to<br/>09/30/2020</b> | <b>Accumulated of the<br/>Previous Period<br/>01/01/2019 to<br/>09/30/2019</b> |
|---------------------|---|---|--|
| 7.01                | Revenues  | 1.075.855   | 936.454  |
| 7.01.01             | Sales of goods, products and services           | 995.764   | 889.683  |
| 7.01.02             | Other revenues                                  | 84.676  | 51.147   |
| 7.01.04             | Reversal/Allowance for doubtful accounts        | (4.585)   | (4.376)  |
| 7.02                | Inputs acquired from third-parties              | (619.202)   | (482.821)  |
| 7.02.01             | Cost of products, goods and services sold       | (432.867)   | (366.128)  |
| 7.02.02             | Materials, energy, third party services and oth | (188.924)   | (119.177)  |
| 7.02.03             | Loss/Recovery of assets                         | 2.589   | 2.484  |
| 7.03                | Gross value added                               | 456.653   | 453.633  |
| 7.04                | Retentions                                      | (34.058)  | (32.113)   |
| 7.04.01             | Depreciation and amortization                   | (34.058)  | (32.113)   |
| 7.05                | Net value added produced                        | 422.595   | 421.520  |
| 7.06                | Value added received in transfer                | 108.260   | 46.449   |
| 7.06.01             | Equity income                                   | 24.880  | 12.006   |
| 7.06.02             | Financial income                                | 83.380  | 34.443   |
| 7.07                | Total value added to be distributed             | 530.855   | 467.969  |
| 7.08                | Distribution of value added                     | 530.855   | 467.969  |
| 7.08.01             | Personnel                                       | 177.700   | 172.735  |
| 7.08.01.01          | Direct remuneration                             | 149.706   | 143.713  |
| 7.08.01.02          | Benefits  | 17.975  | 17.485   |
| 7.08.01.03          | Government Severance Indemnity Fund for Ei      | 10.019  | 11.537   |
| 7.08.02             | Taxes, fees and contributions                   | 152.844   | 192.626  |
| 7.08.02.01          | Federal   | 27.151  | 76.515   |
| 7.08.02.02          | State   | 125.044   | 115.436  |
| 7.08.02.03          | Municipal                                       | 649   | 675  |
| 7.08.03             | Remuneration of third party capital             | 106.945   | 98.596   |
| 7.08.03.01          | Interest  | 95.981  | 89.372   |
| 7.08.03.02          | Rentals   | 10.964  | 9.224  |
| 7.08.04             | Remuneration of own capital                     | 93.366  | 4.012  |
| 7.08.04.03          | Retained earnings                               | 93.366  | 4.012  |

## PBG S.A. and subsidiaries

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

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### Consolidated financial statements / Balance sheet - Assets

| Account Code  | Account Description                           | Current Period<br>09/30/2020 | Previous Year<br>12/31/2019 |
|---------------|---|------------------------------|-----------------------------|
| 1             | Total Assets                                  | 2.023.353                    | 1.836.292                   |
| 1.01          | Current Assets                                | 887.703                      | 854.556                     |
| 1.01.01       | Cash and Cash Equivalents                     | 289.229                      | 275.378                     |
| 1.01.03       | Accounts Receivable                           | 307.655                      | 251.773                     |
| 1.01.03.01    | Trade Receivables                             | 307.655                      | 251.773                     |
| 1.01.04       | Inventory                                     | 217.040                      | 243.413                     |
| 1.01.06       | Recoverable Taxes                             | 42.836                       | 52.172                      |
| 1.01.06.01    | Current Taxes Recoverable                     | 42.836                       | 52.172                      |
| 1.01.07       | Prepaid Expenses                              | 6.869                        | 3.487                       |
| 1.01.08       | Others Current Assets                         | 24.074                       | 28.333                      |
| 1.01.08.03    | Other   | 24.074                       | 28.333                      |
| 1.01.08.03.01 | Advance to Suppliers                          | 9.281                        | 13.332                      |
| 1.01.08.03.03 | Other   | 14.793                       | 15.001                      |
| 1.02          | Non-Current Assets                            | 1.135.650                    | 981.736                     |
| 1.02.01       | Long-Term Assets                              | 566.623                      | 471.033                     |
| 1.02.01.07    | Deferred Taxes                                | 37.206                       | 26.191                      |
| 1.02.01.07.01 | Deferred Income and Social Contribution Taxes | 37.206                       | 26.191                      |
| 1.02.01.09    | Receivables from related parties              | -                            | 100.936                     |
| 1.02.01.09.05 | Receivables from other related parties        | -                            | 100.936                     |
| 1.02.01.10    | Other Non-Current Assets                      | 529.417                      | 343.906                     |
| 1.02.01.10.03 | Judicial Deposits                             | 148.244                      | 152.492                     |
| 1.02.01.10.04 | Receivables - Eletrobras                      | 12.821                       | 12.821                      |
| 1.02.01.10.05 | Recoverable Taxes                             | 59.557                       | 56.902                      |
| 1.02.01.10.06 | Tax Asset                                     | 119.651                      | 37.865                      |
| 1.02.01.10.07 | Actuarial Asset                               | 6.338                        | 6.338                       |
| 1.02.01.10.08 | Restricted investments                        | 13.732                       | 7.552                       |
| 1.02.01.10.09 | Lease Assets                                  | 64.533                       | 58.843                      |
| 1.02.01.10.10 | Escrow deposit                                | 89.517                       | -                           |
| 1.02.01.10.11 | Other   | 15.024                       | 11.093                      |
| 1.02.02       | Investments                                   | 348                          | 345                         |
| 1.02.02.01    | Ownership Interest                            | 348                          | 345                         |
| 1.02.02.01.05 | Other investments                             | 348                          | 345                         |
| 1.02.03       | Property, Plant and Equipment                 | 542.761                      | 487.966                     |
| 1.02.03.01    | Property, Plant and Equipment                 | 542.761                      | 487.966                     |
| 1.02.04       | Intangibles Assets                            | 25.918                       | 22.392                      |
| 1.02.04.01    | Intangibles Assets                            | 25.918                       | 22.392                      |
| 1.02.04.01.02 | Intangibles Assets                            | 25.918                       | 22.392                      |

## PBG S.A. and subsidiaries

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

### Consolidated financial statements / Balance sheet - Liabilities

| Account Code  | Account Description                                | Current Period | Previous Year |
|---------------|--|----------------|---------------|
|               |  | 09/30/2020     | 12/31/2019    |
| 2             | Total Liabilities                                  | 2.023.353      | 1.836.292     |
| 2.01          | Current Liabilities                                | 764.174        | 613.724       |
| 2.01.01       | Social and labor obligations                       | 64.938         | 41.882        |
| 2.01.01.01    | Social Obligations                                 | 64.938         | 41.882        |
| 2.01.02       | Suppliers  | 182.948        | 146.685       |
| 2.01.02.01    | National suppliers                                 | -              | 140.558       |
| 2.01.02.02    | Foreign suppliers                                  | -              | 6.127         |
| 2.01.04       | Loans and Financing                                | 271.998        | 233.769       |
| 2.01.04.01    | Loans and Financing                                | 170.383        | 134.719       |
| 2.01.04.02    | Debentures   | 101.615        | 99.050        |
| 2.01.05       | Other Obligations                                  | 239.075        | 191.388       |
| 2.01.05.02    | Other  | 239.075        | 191.388       |
| 2.01.05.02.01 | Dividends and interest on equity                   | 6.791          | 982           |
| 2.01.05.02.04 | Credit granting from suppliers                     | 52.337         | 58.710        |
| 2.01.05.02.05 | Taxes payable in installments                      | 11.442         | 11.765        |
| 2.01.05.02.06 | Taxes, fees and contributions                      | 26.274         | 10.580        |
| 2.01.05.02.07 | Income tax and social contribution                 | 4.058          | 2.083         |
| 2.01.05.02.08 | Advances from customers                            | 39.339         | 23.854        |
| 2.01.05.02.09 | Payables for fixed asset and intangible            | 26.503         | 21.745        |
| 2.01.05.02.10 | Payable to related parties                         | 11.534         | 22.803        |
| 2.01.05.02.11 | Lease Obligations                                  | 17.362         | 14.465        |
| 2.01.05.02.12 | Other  | 43.435         | 24.401        |
| 2.01.06       | Provisions   | 5.215          | -             |
| 2.01.06.02    | Other provisions                                   | 5.215          | -             |
| 2.01.06.02.04 | Provision for PPR                                  | 5.215          | -             |
| 2.02          | Non-current Liabilities                            | 837.506        | 854.932       |
| 2.02.01       | Loans and Financing                                | 478.028        | 522.607       |
| 2.02.01.01    | Loans and Financing                                | 328.971        | 324.915       |
| 2.02.01.02    | Debentures   | 149.057        | 197.692       |
| 2.02.02       | Other Obligations                                  | 359.478        | 332.325       |
| 2.02.02.02    | Other  | 359.478        | 332.325       |
| 2.02.02.02.03 | Suppliers  | 137.380        | 124.754       |
| 2.02.02.02.04 | Payables for fixed asset and intangible            | 26.647         | -             |
| 2.02.02.02.05 | Civil and Labor and Social Security Tax Provisions | 64.662         | 120.232       |
| 2.02.02.02.06 | Taxes payable in installments                      | 37.468         | 43.815        |
| 2.02.02.02.07 | Debts with Related Parties                         | 56.319         | -             |
| 2.02.02.02.08 | Lease Obligations                                  | 25.988         | 25.066        |
| 2.02.02.02.09 | Other  | 11.014         | 18.458        |
| 2.03          | Shareholders' Equity                               | 421.673        | 367.636       |
| 2.03.01       | Capital  | 200.000        | 200.000       |
| 2.03.02       | Capital reserves                                   | (9.027)        | -             |
| 2.03.02.05    | Treasury shares                                    | (9.027)        | -             |
| 2.03.04       | Profit Reserves                                    | 278.290        | 184.036       |
| 2.03.06       | Equity valuation adjustments                       | (47.633)       | (22.224)      |
| 2.03.08       | Other comprehensive income                         | -              | 5.808         |
| 2.03.09       | Non-controlling interests                          | 43             | 16            |

## PBG S.A. and subsidiaries

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

### Consolidated financial statements / Statement of Income

| Account Code | Account Description                     | Current Quarter          | Accumulated of the<br>Current Period | Same Quarter of<br>Previous Year | Accumulated of the<br>Previous Period |
|--------------|---|--------------------------|--------------------------------------|----------------------------------|---------------------------------------|
|              |   | 07/01/2020 to 09/30/2020 | 01/01/2020 to<br>09/30/2020          | 07/01/2019 to 09/30/2019         | 01/01/2019 to<br>09/30/2019           |
| 3.01         | Income from sales of goods and/or ser   | 414.732                  | 930.655                              | 296.486                          | 813.151                               |
| 3.02         | Cost of goods and/or services sold      | (262.592)                | (627.727)                            | (201.612)                        | (549.108)                             |
| 3.03         | Gross income                            | 152.140                  | 302.928                              | 94.874                           | 264.043                               |
| 3.04         | Operating expenses/income               | (106.291)                | (244.813)                            | (76.256)                         | (205.007)                             |
| 3.04.01      | Sales expenses                          | (86.857)                 | (231.613)                            | (77.770)                         | (223.072)                             |
| 3.04.02      | General and administrative expenses     | (11.614)                 | (32.540)                             | (9.497)                          | (30.039)                              |
| 3.04.04      | Other operating income                  | -                        | 19.340                               | 11.011                           | 48.104                                |
| 3.04.05      | Other operating expenses                | (7.820)                  | -                                    | -                                | -                                     |
| 3.05         | Income (loss) before financial income : | 45.849                   | 58.115                               | 18.618                           | 59.036                                |
| 3.06         | Financial income (loss)                 | (21.109)                 | (12.746)                             | (24.090)                         | (55.865)                              |
| 3.06.01      | Financial income                        | 3.590                    | 46.532                               | 11.675                           | 18.869                                |
| 3.06.02      | Financial expenses                      | (24.699)                 | (59.278)                             | (35.765)                         | (74.734)                              |
| 3.07         | Income (loss) before income tax         | 24.740                   | 45.369                               | (5.472)                          | 3.171                                 |
| 3.08         | Income and social contribution taxes    | (4.113)                  | 48.024                               | 2.571                            | 867                                   |
| 3.08.01      | Current                                 | (11.235)                 | (16.109)                             | (3.062)                          | (8.553)                               |
| 3.08.02      | Deferred                                | 7.122                    | 64.133                               | 5.633                            | 9.420                                 |
| 3.09         | Net income (loss) of continued operatic | 20.627                   | 93.393                               | (2.901)                          | 4.038                                 |
| 3.11         | Consolidated Net Income/loss for the p  | 20.627                   | 93.393                               | (2.901)                          | 4.038                                 |
| 3.11.01      | Attributed to Controlling Shareholders  | 20.614                   | 93.366                               | (2.912)                          | 4.012                                 |
| 3.11.02      | Attributed to Non-Controlling Interests | 13                       | 27                                   | 11                               | 26                                    |

## PBG S.A. and subsidiaries

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

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### Consolidated financial statements / Statement of comprehensive income

| Account<br>Code | Account Description                              | Current Quarter             | Accumulated of<br>the<br>Current Period | Same Quarter<br>of Previous Year | Accumulated of<br>the<br>Previous Period |
|-----------------|--|-----------------------------|---|----------------------------------|--|
|                 |  | 07/01/2020 to<br>09/30/2020 | 01/01/2020 to<br>09/30/2020             | 07/01/2019 to<br>09/30/2019      | 01/01/2019 to<br>09/30/2019              |
| 4.01            | Consolidated Net Income/loss for the period      | 20.627                      | 93.393                                  | (2.901)                          | 4.038                                    |
| 4.02            | Other Comprehensive Income                       | (2.975)                     | (24.519)                                | (4.176)                          | (3.735)                                  |
| 4.03            | Consolidates Comprehensive Income for the Period | 17.652                      | 68.874                                  | (7.077)                          | 303                                      |
| 4.03.01         | Attributed to Controlling Shareholders           | 17.639                      | 68.847                                  | (7.088)                          | 277                                      |
| 4.03.02         | Attributed to Non-Controlling Interests          | 13                          | 27                                      | 11                               | 26                                       |

## PBG S.A. and subsidiaries

Interim Financial Information for the quarter ended September 30, 2020

In thousands of Brazilian reais, unless otherwise stated.

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

| Account Code | Account Description   | Current Period           | Previous Period          |
|--------------|---|--------------------------|--------------------------|
|              |   | 01/01/2020 to 09/30/2020 | 01/01/2019 to 09/30/2019 |
| 6.01         | Net cash from operating activities                                      | 161.533                  | 169.808                  |
| 6.01.01      | Cash provided by operating activities                                   | 76.961                   | 312.639                  |
| 6.01.01.01   | Income (loss) before income tax   | 45.369                   | 3.171                    |
| 6.01.01.02   | Depreciation and amortization   | 46.250                   | 39.582                   |
| 6.01.01.04   | Unrealized exchange variation   | 77.888                   | (9.583)                  |
| 6.01.01.05   | Provision for valuation of inventories at market value                  | (7.103)                  | 4.450                    |
| 6.01.01.06   | Provision for impairment of trade receivables                           | 3.468                    | 4.505                    |
| 6.01.01.07   | Provisions for civil, labor, pension and taxes                          | 66.231                   | (16.605)                 |
| 6.01.01.08   | Provisions for social and labor obligations                             | (11.700)                 | (10.672)                 |
| 6.01.01.09   | Provision for profit sharing and long-term incentive                    | -                        | 682                      |
| 6.01.01.10   | Other provisions  | (1.667)                  | (1.221)                  |
| 6.01.01.11   | Tax assets  | (81.786)                 | 279.641                  |
| 6.01.01.12   | Monetary adjustment of receivables from other related parties           | (100.935)                | (2.358)                  |
| 6.01.01.13   | Monetary adjustment of financial charges with taxes in interest         | 531                      | 2.313                    |
| 6.01.01.14   | Accrued interest on loans and debentures                                | 36.584                   | 47.169                   |
| 6.01.01.15   | Lease obligations   | -                        | (27.916)                 |
| 6.01.01.16   | Interest and adjustment to present value on lease                       | (1.675)                  | (1.233)                  |
| 6.01.01.17   | Lease amortization  | (23.240)                 | (7.826)                  |
| 6.01.01.18   | Discount on credits received from related parties                       | (8.307)                  | -                        |
| 6.01.01.19   | Receivables from related parties - Plaintiff supplementary transactions | 45.061                   | -                        |
| 6.01.01.20   | Other   | (8.008)                  | 8.540                    |
| 6.01.02      | Changes in assets and liabilities                                       | 115.581                  | (99.019)                 |
| 6.01.02.01   | Accounts Receivable   | (59.350)                 | (44.245)                 |
| 6.01.02.02   | Inventory   | 33.476                   | (26.925)                 |
| 6.01.02.03   | Judicial Deposits   | (4.248)                  | (9.128)                  |
| 6.01.02.04   | Recoverable Taxes   | 10.177                   | (98.988)                 |
| 6.01.02.05   | Restricted investments  | (6.180)                  | (255)                    |
| 6.01.02.06   | Other assets  | (2.966)                  | (12.386)                 |
| 6.01.02.07   | Accounts Payable  | 42.516                   | 21.965                   |
| 6.01.02.08   | Advance to Suppliers  | 4.051                    | 324                      |
| 6.01.02.09   | Provisions for civil, labor, pension and tax                            | (4.874)                  | 6.104                    |
| 6.01.02.10   | Advances from customers   | 15.485                   | 3.320                    |
| 6.01.02.11   | Installments  | (6.950)                  | (9.263)                  |
| 6.01.02.12   | Tax and labor obligations   | 35.475                   | 14.116                   |
| 6.01.02.13   | (Increase)/decrease in payables for investments                         | 94.910                   | 78.071                   |
| 6.01.02.14   | Payables to related parties   | (11.269)                 | -                        |
| 6.01.02.15   | Payable to related parties - Plaintiff supplementary transactions       | 4.162                    | -                        |
| 6.01.02.16   | Other trade payables  | -                        | 4.836                    |
| 6.01.02.17   | Lease Assets  | (28.834)                 | (26.565)                 |
| 6.01.03      | Other   | (31.009)                 | (43.812)                 |
| 6.01.03.01   | Interest paid   | (25.739)                 | (38.530)                 |
| 6.01.03.02   | Income Tax and Social Contribution Paid                                 | (5.270)                  | (5.282)                  |
| 6.02         | Net cash used in investing activities                                   | (95.444)                 | (80.714)                 |
| 6.02.01      | Acquisition of property, plant and equipment                            | (88.258)                 | (75.729)                 |
| 6.02.02      | Acquisition of intangible assets  | (7.186)                  | (4.985)                  |
| 6.03         | Net cash provided by (used in) financing activities                     | (52.238)                 | 157.654                  |
| 6.03.01      | Loans and financing and debentures                                      | 94.616                   | 250.681                  |
| 6.03.02      | Payments of loans and financing   | (123.582)                | (70.122)                 |
| 6.03.03      | Dividends paid  | (32)                     | (22.905)                 |
| 6.03.04      | Lease amortization  | (23.240)                 | -                        |
| 6.05         | Increase/(decrease) in cash and cash equivalents                        | 13.851                   | 246.748                  |
| 6.05.01      | Opening balance of cash and cash equivalents                            | 275.378                  | 82.624                   |
| 6.05.02      | Closing balance of cash and cash equivalents                            | 289.229                  | 329.372                  |



## PBG S.A. and subsidiaries

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

### Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2020–09/30/2020

| Account Code | Account Description                                     | Capital | Capital Reserves, | Earnings reserve | Profits (losses) accumulated | Other Comprehensive | Shareholders' Equity | Non-controlling interest | Consolidated Shareholders' Equity |
|--------------|---|---------|-------------------|------------------|------------------------------|---------------------|----------------------|--------------------------|-----------------------------------|
| 5.01         | Opening Balances  | 200.000 | -                 | 189.844          | -                            | (22.224)            | 367.620              | 16                       | 367.636                           |
| 5.03         | Adjusted Opening Balances                               | 200.000 | -                 | 189.844          | -                            | (22.224)            | 367.620              | 16                       | 367.636                           |
| 5.04         | Capital Transactions with Partners                      | -       | (9.027)           | (5.808)          | -                            | -                   | (14.835)             | -                        | (14.835)                          |
| 5.04.04      | Treasury shares acquired                                | -       | (7.498)           | -                | -                            | -                   | (7.498)              | -                        | (7.498)                           |
| 5.04.05      | Treasury shares acquired                                | -       | (1.529)           | -                | -                            | -                   | (1.529)              | -                        | (1.529)                           |
| 5.04.06      | Dividends   | -       | -                 | (5.808)          | -                            | -                   | (5.808)              | -                        | (5.808)                           |
| 5.05         | Total Comprehensive Income                              | -       | -                 | -                | 93.366                       | (24.521)            | 68.845               | 27                       | 68.872                            |
| 5.05.01      | Net Income for the Period                               | -       | -                 | -                | 93.366                       | -                   | 93.366               | 27                       | 93.393                            |
| 5.05.02      | Other Comprehensive Income                              | -       | -                 | -                | -                            | (24.521)            | (24.521)             | -                        | (24.521)                          |
| 5.05.02.04   | Foreign exchange variation of subsidiary located abroad | -       | -                 | -                | -                            | (24.521)            | (24.521)             | -                        | (24.521)                          |
| 5.06         | Internal changes in shareholders' equity                | -       | -                 | -                | 888                          | (888)               | -                    | -                        | -                                 |
| 5.06.02      | Realization of the Revaluation Reserve                  | -       | -                 | -                | 888                          | (888)               | -                    | -                        | -                                 |
| 5.07         | Closing Balances  | 200.000 | (9.027)           | 184.036          | 94.254                       | (47.633)            | 421.630              | 43                       | 421.673                           |

## PBG S.A. and subsidiaries

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

### Consolidated financial statements / Statement of changes in shareholders' equity / DMPL - 01/01/2019–09/30/2019

| Account Code | Account Description                        | Capital | Capital Reserves,<br>Options Awarded<br>and Treasury<br>Shares | Earnings<br>reserve | Profits<br>(losses)<br>accumulated | Other<br>Comprehensi<br>ve Income | Shareholders<br>' Equity | Non-<br>controlling<br>interest | Consolidated<br>Shareholders<br>' Equity |
|--------------|--|---------|--|---------------------|------------------------------------|-----------------------------------|--------------------------|---------------------------------|--|
| 5.01         | Opening Balances                           | 140.000 | -  | 235.960             | -                                  | (13.852)                          | 362.108                  | 12                              | 362.120                                  |
| 5.03         | Adjusted Opening Balances                  | 140.000 | -  | 235.960             | -                                  | (13.852)                          | 362.108                  | 12                              | 362.120                                  |
| 5.04         | Capital Transactions with Partners         | 60.000  | -  | (60.000)            | -                                  | -                                 | -                        | -                               | -  |
| 5.04.01      | Capital Increase                           | 60.000  | -  | (60.000)            | -                                  | -                                 | -                        | -                               | -  |
| 5.05         | Total Comprehensive Income                 | -       | -  | -                   | 4.012                              | (3.735)                           | 277                      | 26                              | 303                                      |
| 5.05.01      | Net Income for the Period                  | -       | -  | -                   | 4.012                              | -                                 | 4.012                    | 26                              | 4.037                                    |
| 5.05.02      | Other Comprehensive Income                 | -       | -  | -                   | -                                  | (3.735)                           | (3.735)                  | -                               | (3.734)                                  |
| 5.05.02.04   | Foreign exchange variation of subsidiary I | -       | -  | -                   | -                                  | (3.735)                           | (3.735)                  | -                               | (3.734)                                  |
| 5.06         | Internal changes in shareholders' equity   | -       | -  | -                   | 888                                | (888)                             | -                        | -                               | -  |
| 5.06.02      | Realization of the Revaluation Reserve     | -       | -  | -                   | 888                                | (888)                             | -                        | -                               | -  |
| 5.07         | Closing Balances                           | 200.000 | -  | 175.960             | 4.900                              | (18.475)                          | 362.385                  | 38                              | 362.423                                  |

## PBG S.A. and subsidiaries

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

### Consolidated financial statements / Statement of added value

| <u>Account Code</u> | <u>Account Description</u>                              | <u>Accumulated of the<br/>Current Period<br/>01/01/2020 to<br/>09/30/2020</u> | <u>Accumulated of the<br/>Previous Period<br/>01/01/2019 to<br/>09/30/2019</u> |
|---------------------|---|---|--|
| 7.01                | Revenues  | 1.214.735   | 1.041.321  |
| 7.01.01             | Sales of goods, products and services                   | 1.130.469   | 1.000.952  |
| 7.01.02             | Other revenues  | 92.103  | 45.024   |
| 7.01.04             | Reversal/Allowance for doubtful accounts                | (7.837)   | (4.655)  |
| 7.02                | Inputs acquired from third-parties                      | (649.409)   | (505.802)  |
| 7.02.01             | Cost of products, goods and services sold               | (443.455)   | (369.100)  |
| 7.02.02             | Materials, energy, third party services and other       | (208.373)   | (139.131)  |
| 7.02.03             | Loss/Recovery of assets                                 | 2.419   | 2.429  |
| 7.03                | Gross value added                                       | 565.326   | 535.519  |
| 7.04                | Retentions  | (42.523)  | (39.582)   |
| 7.04.01             | Depreciation and amortization                           | (42.523)  | (39.582)   |
| 7.05                | Net value added produced                                | 522.803   | 495.937  |
| 7.06                | Value added received in transfer                        | 87.050  | 34.979   |
| 7.06.02             | Financial income  | 87.050  | 34.979   |
| 7.07                | Total value added to be distributed                     | 609.853   | 530.916  |
| 7.08                | Distribution of value added                             | 609.853   | 530.916  |
| 7.08.01             | Personnel   | 216.941   | 206.268  |
| 7.08.01.01          | Direct remuneration                                     | 185.168   | 173.106  |
| 7.08.01.02          | Benefits  | 20.094  | 19.920   |
| 7.08.01.03          | Government Severance Indemnity Fund for Employee (FGTS) | 11.679  | 13.242   |
| 7.08.02             | Taxes, fees and contributions                           | 184.644   | 217.662  |
| 7.08.02.01          | Federal   | 56.775  | 98.901   |
| 7.08.02.02          | State   | 127.158   | 118.008  |
| 7.08.02.03          | Municipal   | 711   | 753  |
| 7.08.03             | Remuneration of third party capital                     | 114.875   | 102.949  |
| 7.08.03.01          | Interest  | 99.306  | 90.866   |
| 7.08.03.02          | Rentals   | 15.569  | 12.083   |
| 7.08.04             | Remuneration of own capital                             | 93.393  | 4.037  |
| 7.08.04.03          | Retained earnings                                       | 93.366  | 4.012  |
| 7.08.04.04          | Non-controlling interest in retained earnings           | 27  | 25   |

## Portobello Grupo

## Comments on Performance

(In million of reais, unless otherwise stated)

Tijucas, November 13, 2020. PBG S.A. (B3 S.A. - BRASIL, BOLSA, BALCÃO: PTBL3), the largest ceramic tile company in Brazil, announces its results for the third quarter of 2020.

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

## Highlights

- **Very positive performance in the quarter**, with record sales and **growth in Net Revenues of 39.9% vs. 3Q19** reaching 14.5% growth in the 9 months to 2019.
- **Growing performance of the company as a retailer**, notably through its **own store network**, has contributed both to the **growth of Net Revenue** and to the **evolution of Gross Margin**.
- **Adjusted and Recurrent Gross Margin of 37.0% in the quarter**, with **significant improvement of 5.0 p.p.** vs. 3Q19. In the 9M20, Adjusted and Recurrent Gross Margin reached 35.6%, 3.1 p.p. above 2019.
- **Adjusted and Recurrent EBITDA of R\$61.2 million in the quarter**, **R\$37.4 million or 156.9% above 3Q19**, with an **improvement in EBITDA Margin of 6.8 p.p. vs. 3Q19**. In the 9M20, Adjusted and Recurrent EBITDA reached R\$ 99.8 million, R\$ 52.0 million or 108.7% above 2019.
- **Adjusted and Recurrent Net Profit of R\$ 30.2 million in the quarter**, **R\$ 40.2 million or 402.2% above 3Q19**. In the 9M20, the Adjusted and Recurrent Net Profit reached R\$ 51.5 million, R\$ 100.4 million or 205.4% above 2019.
- **Working Capital** of R\$ 259.3 million, **R\$ 34.1 million below 2019**, due to a **reduction in the Cash Conversion Cycle to 63 days**, an **improvement of 33 days vs. 2019**.
- Net Debt of R\$ 460.8 million and **Adjusted Net Debt/EBITDA reduced to 3.5 times**, **48.6% lower than 2019**.
- **25.2% appreciation of the PTBL3 share** ending 3Q20 at R\$ 5.26.

| R\$ Million |   | 3Q19  | 3Q20  | ▲        | Absolute | 9M19  | 9M20  | ▲        | Absolute |
|-------------|---|-------|-------|----------|----------|-------|-------|----------|----------|
| Performance | <b>Net Revenue</b>                              | 296,5 | 414,7 | 39,9%    | -118,2   | 813,2 | 930,7 | 14,5%    | 117,5    |
|             | <i>Adjusted and Recurring Gross Margin</i>      | 32,0% | 37,0% | 5,0 p.p. | 5,0 p.p. | 32,5% | 35,6% | 3,1 p.p. | 3,1 p.p. |
|             | <b>EBITDA</b>                                   | 31,7  | 59,9  | 89,1%    | 28,2     | 99,5  | 100,6 | 1,2%     | 1,2      |
|             | <b>Adjusted and Recurring EBITDA</b>            | 23,8  | 61,2  | 156,9%   | 37,4     | 47,8  | 99,8  | 108,7%   | 52,0     |
|             | <i>Adjusted and Recurring EBITDA Margin</i>     | 8,0%  | 14,8% | 6,8 p.p. | 6,8 p.p. | 5,9%  | 10,7% | 4,8 p.p. | 4,8 p.p. |
|             | <b>Net Profit</b>                               | -2,9  | 20,6  | 805,8%   | 23,5     | 4,0   | 93,4  | 2233,4%  | 89,4     |
| Debt        | <b>Adjusted and Recurring Net Profit</b>        | -10,0 | 30,2  | 402,2%   | 40,2     | -48,9 | 51,5  | 205,4%   | 100,4    |
|             | Working Capital (R\$)                           |       |       |          |          | 293,4 | 259,3 | -11,6%   | -34,1    |
|             | Cash Conversion Cycle (days)                    |       |       |          |          | 96    | 63    | -34,4%   | -33      |
| PTBL3       | <b>Net Debt</b>                                 |       |       |          |          | 461,0 | 460,8 | 0,0%     | -0,2     |
|             | <i>Net Debt-to-EBITDA</i>                       |       |       |          |          | 2,8   | 3,5   | 27,7%    | 0,8      |
|             | <i>Ajusted and Recurring Net Debt-to-EBITDA</i> |       |       |          |          | 6,9   | 3,5   | -48,6%   | -3,3     |
|             | <b>Quote</b>                                    |       |       |          |          | 4,20  | 5,26  | 25,2%    | 1,06     |

## Portobello Grupo

### Comments on Performance

(In million of reais, unless otherwise stated)

The performance in 3Q20 was expressive, representing the best in the history of PBG S.A., surpassing expectations at the beginning of the quarter. This performance was driven by the resumption of economic activity, the gradual reopening of retail trade and civil construction, and the injection of resources into the economy with the emergency programs of governments.

The Company's decision to prepare for a quick resumption of economic activity proved to be right, with an emphasis on capturing opportunities, bringing growth in sales, greater profitability through the resumption of production, the launch of product lines ennobling the portfolio, with the increase in the market share of the Portobello and Pointer brands in the domestic market and the leverage of sales abroad, with a favorable exchange rate. The construction materials sector had a good performance and the company knew how to take advantage of this moment, especially in activities related to retail.

Sales in 3Q20 reached R\$ 414.7 million, setting a new record for the quarter, with growth of 39.9% vs. 3Q19. In the accumulated 9 months, the Net Revenue totaled R\$ 930.7 million, up 14.5% over the same period in 2019.

In the domestic market, the Company presented in 3Q20 a significant growth in Net Revenue of 38.0% when compared with 3Q19, which indicates market share gain, because according to ABRAMAT (Brazilian Association of Construction Materials Industry), the revenue of the construction materials market showed growth of 6.2% in the same period. This increase was driven by the basic materials, due to the resumption of the works postponed during the pandemic and reduction of interest rates on real estate credit. The commercial strategy in the domestic market continues to focus on expanding the mix, especially in large formats and differentiation through innovation, which are competitive advantages of the Company.

In the external market, the Company also presented a very strong growth in Net Revenues in 3Q20 of 47.6% vs. 3Q19 (11.3% in Dollars), as a result of the expansion of exports, the growth in distribution in the United States, through the Portobello America business unit, in addition to the appreciation of the North American currency.

The Portobello Shop business unit, responsible for managing the franchise network and its own stores, with national coverage through 128 units and 42 thousand m<sup>2</sup> of exhibition area, obtained in 3Q20 the normalization of operations of all units, always with extensive hygiene and cleaning measures to ensure the safety of consumers, employees and partners. In this period, the network had an excellent resumption in sales with 24.2% growth in Net Revenues in 3Q20 vs. 3Q19 and 31.0% growth in VNP (sale to final consumer) in the same period (28.9% considering same store sales). In September 2020 Portobello Shop realized its Franchisers National Convention, through digital platform, with 400 participants, among franchisers and managers of all units. In this quarter, Portobello Shop has received two awards: the Seal of Excellence of ABF (Brazilian Franchising Association) for the 15th consecutive year and, also the classification among the Best Franchises in Brazil in the top category (5 stars), by the magazine Pequenas Empresas & Grandes Negócios. This recognition demonstrates the excellence in management with the franchisees. In the accumulated 9 months, the business unit had a net revenue growth of 6.0% vs. the same period in 2019.

Analyzing Portobello Shop business unit retail performance, it is verified that the own stores of the net presented 69.7% growth on Net Revenue on 3Q20 vs. 3Q19 (51.9% considering same store sales), superior performance to the construction materials retail indexes (CIELO, IBGE), which had variation from 19,8% to 23,5% on the same period, in function of the redirection of the families expenses for improvements and home comfort.

The Portobello business unit, with operations in the resale and engineering channels in the domestic market and exports (except USA) of the Portobello brand, showed strong growth in all its markets, achieving the best historical quarterly performance. Net Revenue growth in 3Q20 was 32.0% vs. 3Q19, leveraged by the evolution in product mix and launches. The implementation of a point of sale update program and digital marketing performance were fundamental for growth, higher than the 6.2% growth reported by ABRAMAT. In the accumulated 9 months, the business unit had Net Revenue growth of 8.1% vs. the same period in 2019.

## Portobello Grupo

### Comments on Performance

(In million of reais, unless otherwise stated)

During all 3Q20 the Portobello plant in Tijucas operated with full production capacity, maintaining in force all measures focused on health and safety to prevent COVID19, implemented throughout the year. The Crisis Management Committee followed the community, employees, partners and responsibility organs, to guarantee the best practices in this moment of market reacceleration. The commercial and administrative teams were directed to the home office and the digital tools made possible the second wave of product launches in the year, being 100% online for clients in the domestic market and more than 50 partners worldwide.

The Pointer business unit, a democratic design brand of the Group, focused on the North and Northeast regions of Brazil, with operations in the resale and engineering channels in the domestic market and exports (except USA) of the Pointer brand, also showed extraordinary growth in all its markets, achieving better historical quarterly performance. Net Revenue growth in 3Q20 was 77.1% vs. 3Q19, with volume growing 47.0% and product mix qualification through the "Supercerâmico", the main leverage that brings together a democratic and innovative proposal, recording record sales in August and September. It is worth noting that the Pointer plant in Alagoas returned to operations in early July with the adoption of all safety measures to combat COVID19, in accordance with the recommendations of health agencies. In the accumulated 9 months, the business unit had 17.4% growth in Net Revenues vs. the same period in 2019.

The Portobello America business unit, responsible for the distribution of private label products in the USA, ended 3Q20 with a net revenue growth of 62.1% vs. 3Q19 (17.7% in Dollars), mainly in local service to North American distributors. Portobello America continues to invest in its competitive differentials, with a focus on service, through stock availability, local service and also a new digital platform for interaction with its customers. In the accumulated 9 months, the business unit had a 104.7% growth in Net Revenues (56.5% in Dollars) vs. the same period in 2019.

Adjusted and Recurrent EBITDA totaled R\$ 61.2 million in 3Q20 and R\$ 99.8 million in the year to date, with margins increasing by +6.8 p.p. vs. 3Q19 and +4.9 p.p. vs. 2019. Adjusted and Recurrent EBITDA growth in the quarter was R\$37.4 million and R\$52.0 million in the year to date, resulting from the qualification of the product mix with better profitability, price increases, absorption of fixed production costs, reduction of energy costs and optimization of expenses.

During 3Q20 the Company continued to focus on maintaining cash liquidity. Among the measures implemented in the quarter, we highlight the following: (i) Postponement to 2021 of loan and financing repayments of R\$ 16.5 million; and (ii) Reimbursement of R\$ 4.2 million related to an investment financing contract with BNB.

The Company's net debt closed 3Q20 at R\$ 460.8 million, equivalent to 3.5 times the Adjusted and Recurrent EBITDA of the last 12 months, a significant improvement vs. 3Q19.

## COVID19

With the resumption of total production capacity at the Santa Catarina and Alagoas plants and with the increasing level of contamination by COVID19 in Santa Catarina and Florida (USA), our concern with the health of our employees has led us to intensify preventive actions:

- Focus on prevention in all points of agglomeration, especially in our internal restaurants and bus lines, reinforcing and improving the actions of care with hygiene, distance from people, use of masks and very strong orientation on safe behavior inside and outside the company, always with an intensity in the communication of all audiences, using the various channels of communication.
- Very great care in people who may somehow become contaminated, either by some symptoms, contact with infected people, either in the company or in the family, all under medical guidance of screening, removal and testing of people, putting them in quarantine as determined by WHO protocols.
- We continue with the Home Office regime for all administrative areas, keeping around 50% of people in face-to-face work, restricting the number of people in meeting rooms, creating the culture of remote meetings.

These actions are synchronized in all units where the Company has business, whether in factories, stores, in the United States or in distribution centers, and are followed up and managed by a specific committee that responds to the Group's leadership team.

## 4Q20 Prospects

- Continued strong demand for building material consumption whether due to real estate refurbishment or new construction.
  - During the month of October, both market indicators and the Company's performance indicators remained positive, confirming the growth trend observed in recent months.
- Strengthening of civil construction driven by a reduction in interest rates and an increase in the supply of real estate financing.
- Maintenance of the exchange rate at similar levels to the current ones, maintaining competitiveness and profitability in foreign sales.
- Inflationary pressure already seen in 3Q20 remains one of the Company's main concerns for the coming months, which may impact margins and prices.
- Continued efficient management of inventory levels with reorganization of the organization from the point of view of production, logistics and customer supply.
- Gradual resumption of investments but with preservation of the cash position.
- Continuity of cash and working capital management discipline, reducing debt and maintaining the solidity of the company balance sheet.

## Comments on Performance

(In million of reais, unless otherwise stated)

# Portobello Grupo

## Economic-Financial performance

| R\$ Million                                     | 3Q19         | 3Q20         | ▲             | Absolute     | 9M19           | 9M20           | ▲              | Absolute     |
|---|--------------|--------------|---------------|--------------|----------------|----------------|----------------|--------------|
| <b>Gross Revenue</b>                            | <b>374,6</b> | <b>513,9</b> | 37,2%         | <b>139,3</b> | <b>1.033,3</b> | <b>1.160,6</b> | 12,3%          | <b>127,3</b> |
| Net Revenue                                     | 296,5        | 414,7        | 39,9%         | 118,2        | 813,2          | 930,7          | 14,5%          | 117,5        |
| <b>Gross Profit</b>                             | <b>94,9</b>  | <b>152,1</b> | <b>60,4%</b>  | <b>57,3</b>  | <b>264,0</b>   | <b>302,9</b>   | <b>14,7%</b>   | <b>38,9</b>  |
| Gross Margin                                    | 32,0%        | 36,7%        | 4,7 p.p.      | 4,7 p.p.     | 32,5%          | 32,5%          | -              | -            |
| <b>Ajusted and Recurring Gross Profit</b>       | <b>94,9</b>  | <b>153,4</b> | <b>61,7%</b>  | <b>58,6</b>  | <b>264,0</b>   | <b>330,9</b>   | <b>25,3%</b>   | <b>66,9</b>  |
| Ajusted and Recurring Gross Margin              | 32,0%        | 37,0%        | 5,0 p.p.      | 5,0 p.p.     | 32,5%          | 35,6%          | 3,1 p.p.       | 3,1 p.p.     |
| <b>EBIT</b>                                     | <b>18,6</b>  | <b>45,8</b>  | <b>146,3%</b> | <b>27,2</b>  | <b>59,0</b>    | <b>58,1</b>    | <b>-1,6%</b>   | <b>-0,9</b>  |
| EBIT Margin                                     | 6,3%         | 11,1%        | 4,8 p.p.      | 4,8 p.p.     | 7,3%           | 6,2%           | -1,1 p.p.      | -1,1 p.p.    |
| <b>Ajusted and Recurring EBIT</b>               | <b>10,8</b>  | <b>47,1</b>  | <b>338,4%</b> | <b>36,4</b>  | <b>7,4</b>     | <b>57,3</b>    | <b>674,1%</b>  | <b>49,9</b>  |
| Ajusted and Recurring EBIT Margin               | 3,6%         | 11,4%        | 7,7 p.p.      | 7,7 p.p.     | 0,9%           | 6,2%           | 5,2 p.p.       | 5,2 p.p.     |
| <b>Net Profit (Loss)</b>                        | <b>-2,9</b>  | <b>20,6</b>  | <b>805,8%</b> | <b>23,5</b>  | <b>4,0</b>     | <b>93,4</b>    | <b>2233,4%</b> | <b>89,4</b>  |
| Net Margin                                      | -1,0%        | 5,0%         | 6,0 p.p.      | 6,0 p.p.     | 0,5%           | 10,0%          | 9,5 p.p.       | 9,5 p.p.     |
| <b>Adjusted and Recurring Net Profit (Loss)</b> | <b>-10,0</b> | <b>30,2</b>  | <b>402,2%</b> | <b>40,2</b>  | <b>-48,9</b>   | <b>51,5</b>    | <b>205,4%</b>  | <b>100,4</b> |
| Adjusted and Recurring Net Margin               | -3,4%        | 7,3%         | 10,7 p.p.     | 10,7 p.p.    | -6,0%          | 5,5%           | 11,5 p.p.      | 11,5 p.p.    |
| <b>EBITDA</b>                                   | <b>31,7</b>  | <b>59,9</b>  | <b>89,1%</b>  | <b>28,2</b>  | <b>99,5</b>    | <b>100,6</b>   | <b>1,2%</b>    | <b>1,2</b>   |
| EBITDA Margin                                   | 10,7%        | 14,5%        | 3,8 p.p.      | 3,8 p.p.     | 12,2%          | 10,8%          | -1,4 p.p.      | -1,4 p.p.    |
| <b>Adjusted and Recurring EBITDA</b>            | <b>23,8</b>  | <b>61,2</b>  | <b>156,9%</b> | <b>37,4</b>  | <b>47,8</b>    | <b>99,8</b>    | <b>108,7%</b>  | <b>52,0</b>  |
| Adjusted and Recurring EBITDA Margin            | 8,0%         | 14,8%        | 6,8 p.p.      | 6,8 p.p.     | 5,9%           | 10,7%          | 4,8 p.p.       | 4,8 p.p.     |
| Working Capital (R\$)                           |              |              |               |              | 293,4          | 259,3          | -11,6%         | -34,1        |
| Cash Conversion Cycle (days)                    |              |              |               |              | 96             | 63             | -34,4%         | -33          |
| Net Debt  |              |              |               |              | 461,0          | 460,8          | 0,0%           | -0,2         |
| Net Debt-to-EBITDA                              |              |              |               |              | 2,8            | 3,5            | 27,7%          | 0,8          |
| Ajusted and Recurring Net Debt-to-EBITDA        |              |              |               |              | 6,9            | 3,5            | -48,6%         | -3,3         |
| Closing Quotation                               |              |              |               |              | 4,20           | 5,26           | 25,2%          | 1,06         |
| Market Value                                    |              |              |               |              | 665,7          | 833,6          |                |              |
| Average Trading Volume From Past 12 Months      |              |              |               |              | 48,6           | 126,3          | 159,9%         | 77,7         |

### Net Revenue

Net Revenue totaled R\$ 414.7 million in 3Q20, an increase of 39.9% when compared with 3Q19, a performance above expectations and setting a historical record for the quarter, accumulating a growth of 14.5% in the year. All businesses showed substantial growth, but the Pointer brand stood out with 77.1% growth over 3Q19. Among the determining factors of this growth are higher sales volume, higher value-added product mix, price increase, increased share of own stores and currency devaluation.

The Net Revenue of the domestic market grew 38.0% in 3Q20 and 10.2% in the accumulated year, when compared to the same period in 2019, representing relevant market share gain when compared with the growth of 6.2% pointed out by ABRAMAT to 3Q20 and drop of -6.0% in the accumulated year.

In the external market, Net Revenues grew 47.6% in Reais and 11.3% in Dollars in 3Q20 vs. 3Q19. It is highlighted the sales in the USA, with Portobello America business participation increasing. On the accumulated, there was a 33,1% growth (1,7% in Dollars), resulting from Portobello America ramp up and the favorable exchange rate.

| R\$ million        | 3Q19         | 3Q20         | ▲            | Absolute     | 9M19         | 9M20         | ▲            | Absolute     |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Net Revenue</b> | <b>296,5</b> | <b>414,7</b> | <b>39,9%</b> | <b>118,2</b> | <b>813,2</b> | <b>930,7</b> | <b>14,5%</b> | <b>117,5</b> |
| Domestic Market    | 239,8        | 331,0        | 38,0%        | 91,2         | 665,8        | 734,4        | 10,2%        | 68,6         |
| Foreign Market     | 56,7         | 83,7         | 47,6%        | 27,0         | 147,4        | 196,2        | 33,1%        | 48,8         |
| US\$ million       | 3Q19         | 3Q20         | ▲            | Absolute     | 9M19         | 9M20         | ▲            | Absolute     |
| Foreign Market     | 13,3         | 14,8         | 11,3%        | 1,5          | 35,5         | 36,1         | 1,7%         | 0,6          |



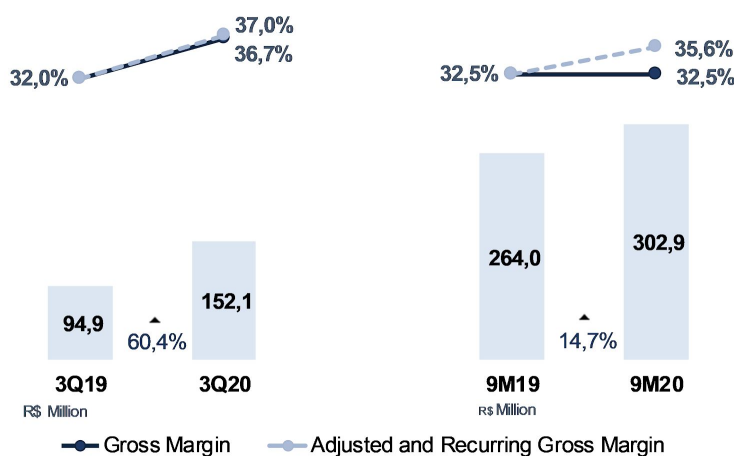
## Portobello Grupo

## Comments on Performance

(In million of reais, unless otherwise stated)

## Gross Profit

Gross Profit in 3Q20 increased 60.4% and in the accumulated 14.7%, when compared to the same period. This increase occurred due to the increase in sales volume, increased participation of products with higher added value, lower cost with energy inputs, greater dilution of fixed production costs, despite the adverse effects caused by COVID19. Thus, there was an increase in Gross Margin (Adjusted and Recurrent) of 5.0 p.p. and 3.1 p.p., in 3Q20 and accumulated year vs. the same period in 2019.



| R\$ Million                         | 3Q19        | 3Q20         | ▲            | Absolute    | 9M19         | 9M20         | ▲            | Absolute    |
|-------------------------------------|-------------|--------------|--------------|-------------|--------------|--------------|--------------|-------------|
| Net Revenue                         | 296,5       | 414,7        | 39,9%        | 118,2       | 813,2        | 930,7        | 14,5%        | 117,5       |
| Cost of Goods Sold (COGS)           | -201,6      | -261,3       | 29,6%        | 59,7        | -549,1       | -599,1       | 9,1%         | 50,0        |
| Idle Capacity Cost                  | -           | -1,3         | 100,0%       | 1,3         | -            | -28,6        | 100%         | 28,6        |
| <b>Gross Operating Profit</b>       | <b>94,9</b> | <b>152,1</b> | <b>60,4%</b> | <b>57,3</b> | <b>264,0</b> | <b>302,9</b> | <b>14,7%</b> | <b>38,9</b> |
| Gross Margin                        | 32,0%       | 36,7%        | 4,7 p.p.     | 4,7 p.p.    | 32,5%        | 32,5%        | 0,1 p.p.     | 0,1 p.p.    |
| Adjusted and Recurring Gross Margin | 32,0%       | 37,0%        | 5,0 p.p.     | 5,0 p.p.    | 32,5%        | 35,6%        | 3,1 p.p.     | 3,1 p.p.    |

## Operating Results

Operating and recurring expenses for 3Q20 were 26.2% higher than 3Q19 and 6.8% for the full year vs. 2019. This growth is concentrated in commercial activities. When analyzed in relation to Net Revenues, expenses represented 25.6% in 3Q20 and 29.5% in the year to date, down 2.8 p.p. from 3Q19 and 2.1 p.p. from 2019.

| R\$ Million                                      | 3Q19         | %RL          | 3Q20          | %RL          | ▲            | Absolute    | 9M19          | %RL          | 9M20          | %RL          | ▲            | Absolute    |
|--|--------------|--------------|---------------|--------------|--------------|-------------|---------------|--------------|---------------|--------------|--------------|-------------|
| <b>Operating Expenses</b>                        |              |              |               |              |              |             |               |              |               |              |              |             |
| Selling  | -77,8        | 26,2%        | -86,8         | 20,9%        | 11,6%        | 9,0         | -223,1        | 27,4%        | -231,6        | 24,9%        | 3,8%         | 8,5         |
| General and Administrative                       | -9,5         | 3,2%         | -11,6         | 2,8%         | 22,3%        | 2,1         | -30,0         | 3,7%         | -32,5         | 3,5%         | 8,3%         | 2,5         |
| Other Income (Expenses)                          | 11,0         | 3,7%         | -7,8          | -1,9%        | -171,0%      | -18,8       | 48,1          | 5,9%         | 19,3          | 2,1%         | -59,8%       | -28,8       |
| <b>Operating Expenses</b>                        | <b>-76,3</b> | <b>25,7%</b> | <b>-106,2</b> | <b>25,6%</b> | <b>39,3%</b> | <b>29,9</b> | <b>-205,0</b> | <b>25,2%</b> | <b>-244,8</b> | <b>26,3%</b> | <b>19,4%</b> | <b>39,8</b> |
| Non-recurring Income                             | -7,9         |              | 0,0           |              |              |             | -51,6         |              | -29,4         |              |              |             |
| <b>Adjusted and Recurring Operating Expenses</b> | <b>-84,1</b> | <b>28,4%</b> | <b>-106,2</b> | <b>25,6%</b> | <b>26,2%</b> | <b>22,1</b> | <b>-256,6</b> | <b>31,6%</b> | <b>-274,2</b> | <b>29,5%</b> | <b>6,8%</b>  | <b>17,6</b> |

Sales expenses had a growth of 11,6% in relation to 3Q19, mainly on home centers marketing, own stores implantation, commercial structure on the USA operation, besides variable sales expenses. On the year's accumulated there was a 3,8% increase, referring mainly to the enlargement of the number of own stores and marketing.

## Portobello Grupo

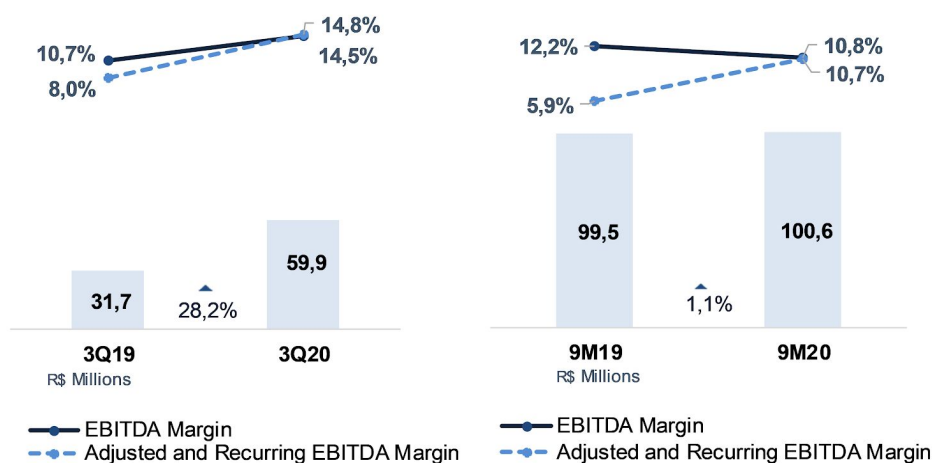
## Comments on Performance

(In million of reais, unless otherwise stated)

General and administrative expenses increased 22.3% and 8.3% when compared to 3Q19 and accumulated 2019. This increase is the result of expenses with changes in the administrative structure and expenses generated by the COVID19 pandemic, although to a lesser extent when compared to 2Q20.

In other revenues and expenses, in 3Q20 the Company incurred R\$ 7.8 million related to the provisioning for the year's profit sharing program. In the accumulated, R\$ 19.3 million were related to the recognition of the complementary portion of the IPI - Polo Ativo credit and complementation of lawsuits in 1Q20, reversal of taxation (PIS/COFINS) of the IPI - Polo Ativo credit process, in the amount of R\$ 16.2 million, due to the STF decision in 2Q20.

## EBITDA



| R\$ Million   | 3Q19        | %RL          | 3Q20        | %RL          | 9M19         | %RL          | 9M20         | %RL          |
|---|-------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|
| Net Profit  | -2,9        | -1,0%        | 20,6        | 5,0%         | 4,0          | 0,5%         | 93,4         | 10,0%        |
| (+) Finance Income (Cost)                           | 24,1        | 8,1%         | 21,1        | 5,1%         | 55,9         | 6,9%         | 12,7         | 1,4%         |
| (+) Depreciation and Amortization                   | 13,1        | 4,4%         | 14,1        | 3,4%         | 39,6         | 4,9%         | 42,5         | 4,6%         |
| (+) Income Taxes                                    | -2,6        | -0,9%        | 4,1         | 1,0%         | -            | 0,0%         | -48,0        | -5,2%        |
| <b>EBITDA</b>                                       | <b>31,7</b> | <b>10,7%</b> | <b>59,9</b> | <b>14,5%</b> | <b>99,5</b>  | <b>12,2%</b> | <b>100,6</b> | <b>10,8%</b> |
| <b>Non-Recurring Events</b>                         | <b>-7,9</b> | <b>2,7%</b>  | <b>1,3</b>  | <b>-0,3%</b> | <b>-51,8</b> | <b>6,4%</b>  | <b>-0,8</b>  | <b>-0,1%</b> |
| 1) Exclusion ICMS on PIS and COFINS                 | -           | -            | -           | -            | -43,9        | -            | -            | -            |
| 2) Tax Plaintiff                                    | -7,9        | -            | -           | -            | -7,9         | -            | -16,2        | -            |
| 3) COVID Effects (Idle Capacity and Incurred Costs) | -           | -            | 1,3         | -            | -            | -            | 28,6         | -            |
| 4) Favorable Outcomes in Lawsuits                   | -           | -            | -           | -            | -            | -            | -13,2        | -            |
| <b>Adjusted and Recurring EBITDA</b>                | <b>23,8</b> | <b>8,0%</b>  | <b>61,2</b> | <b>14,8%</b> | <b>47,7</b>  | <b>5,9%</b>  | <b>99,8</b>  | <b>10,7%</b> |

1) ICMS PIS/COFINS tax base: R\$ (43.9) million in 9M19, related to the recognition of the exclusion of ICMS from the PIS and COFINS tax base. (2003 - 2008) - Lawsuit No. 2008.34.000.11286-4.

2) Plaintiff: R\$ (7.9) million in 3Q19 and 9M19, of which R\$ (5.9) million related to the reversal of the PIS/COFINS reversal of the Plaintiff precatório. R\$ (16.2) million in the 9M20, related to the reversal of the Plaintiff taxation.

3) COVID (Costs and Idle): R\$ 1.3 million in the 3Q20, referring to the COVID effect (Idle and costs incurred) and R\$ 28.6 million in the 9M20, referring to the COVID effect (Idle and costs incurred).

4) Other Judicial Gains: R\$ (13.2) million in the 9M20, referring to the judicial gains from the correction of rural credit notes.

Adjusted and Recurrent EBITDA reached R\$ 61.2 million in 3Q20 with a margin of 14.8%. In the year to date, it reached R\$ 99.8 million with a 10.7% margin. This increase occurs due to the combination of better volumes, prices and mix of channels and products, dilution of fixed costs and reduction of energy costs.

Non recurrent events in the quarter added US\$ 1,3 mns which refers to the idle cost on the first fortnight of July at the Alagoas plant. In the accumulated, the non-recurring events totaled R\$ -0.8 million, due to the costs incurred of COVID19, cost of stoppages and the effect of legal gains referring to the reversal of provisions for taxation of the revenue of the IPI credit -Plaintiff.

## Portobello Grupo

## Comments on Performance

(In million of reais, unless otherwise stated)

## Net Profit

Adjusted and Recurrent Net Income in the first nine months of 2020 reached R\$ 51.5 million, of which R\$ 100.4 million was higher than 2019 and in 3Q20 reached R\$ 30.2 million, R\$ 40.2 million higher than 3Q19. This relevant result, both in the quarter and in the accumulated, was achieved through the excellent operating performance (improvement in EBITDA due to higher Gross Margin and reduction in expenses and energy costs), foreign exchange revenue and lower interest rates.

| R\$ Million  | 3Q19         | 3Q20        | ▲              | Absolute    | 9M19         | 9M20         | ▲              | Absolute     |
|--|--------------|-------------|----------------|-------------|--------------|--------------|----------------|--------------|
| <b>Net Profit</b>                                    | <b>-2,9</b>  | <b>20,6</b> | <b>-811,0%</b> | <b>23,5</b> | <b>4,0</b>   | <b>93,4</b>  | <b>2213,0%</b> | <b>89,4</b>  |
| <b>Non-recurring Events</b>                          | <b>-7,1</b>  | <b>9,5</b>  |                |             | <b>-52,9</b> | <b>-41,9</b> |                |              |
| (1) Finance Income (Cost)                            | -            | 8,3         |                |             | -            | 7,1          |                |              |
| (2) Income Tax / Social Contribution                 | -            | -           |                |             | -            | -48,1        |                |              |
| (3) Recognition and Updates of Lawsuits              | -            | -           |                |             | -            | -29,4        |                |              |
| (4) COVID Effects (Idle Capacity and Incurred Costs) | -            | 1,2         |                |             | -            | 28,5         |                |              |
| (5) Other income/expenses                            | -7,1         | -           |                |             | -52,9        | -            |                |              |
| <b>Adjusted and Recurring Net Profit</b>             | <b>-10,0</b> | <b>30,2</b> | <b>-402,2%</b> | <b>40,2</b> | <b>-48,9</b> | <b>51,5</b>  | <b>-205,4%</b> | <b>100,4</b> |

## Cash Flow

The Company closed the quarter with a cash balance of R\$ 289.2 million, an increase of R\$ 129.7 million when compared to the recurring balance of the same period last year. Although the final balance shows a reduction of R\$ 40.3 million in relation to 3Q19, this results from the non-recurring event of the sale of the active pole, which strongly influenced the cash for the period (R\$ 170.0 million). In the first 9 months of 2020, the strong operating performance of the period, where R\$ 161.7 million were generated, should be highlighted. This result is due to the capture and generation of EBITDA, with good sales results and optimization of costs and expenses, as well as optimization of working capital.

In the first 9 months of 2020, were allocated R\$ 95.5 million for investments focused on Tijucas and Alagoas plants as well as retail own stores. Financing activities totaled R\$ 52.2 million in the first 9 months of 2020, as the Company complied with the amortization schedule and commitment to maintain the robustness of the cash position, as well as the preservation of liquidity.

## Cash flows

| R\$ Million                                | 3Q19         | 3Q20         | Absolute     | 9M19         | 9M20         | Absolute     |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Activities</b>                          |              |              |              |              |              |              |
| Operating Activities                       | 39,9         | 28,5         | -11,4        | -0,2         | 161,5        | 161,7        |
| Investing Activities                       | -27,0        | -17,2        | 9,8          | -80,6        | -95,5        | -14,9        |
| Financing Activities                       | 92,4         | -4,2         | -96,6        | 157,7        | -52,2        | -209,9       |
| Non-recurring (1)                          | 170,0        | -            | -170,0       | 170,0        | -            | -170,0       |
| Increase(Decrease) in Cash                 | 275,3        | 7,1          | -268,2       | 246,9        | 13,8         | -233,0       |
| <b>Cash at the Beginning of the Period</b> | <b>54,2</b>  | <b>282,1</b> | <b>227,9</b> | <b>82,6</b>  | <b>275,4</b> | <b>192,8</b> |
| <b>Cash at the End of the Period</b>       | <b>329,5</b> | <b>289,2</b> | <b>-40,3</b> | <b>329,5</b> | <b>289,2</b> | <b>-40,3</b> |

1) non-recurring event of the sale of the active pole, which influenced the cash for the period (R\$ 170.0 million).

# Portobello Grupo

## Comments on Performance

(In million of reais, unless otherwise stated)

### Working Capital

Working Capital in 3Q20, when compared to the same period of the previous year presents a reduction of 11.6% or R\$ 34.1 million, due to inventory optimization and supplier term lengthening, partially compensated by an increase in the client account due to higher sales in the period.

In the Cash Conversion Cycle, there was an evolution of 33 days, through the reduction of inventories of slow moving items, better management of the receivables and lower level of past due, combined with lower payable terms with suppliers.

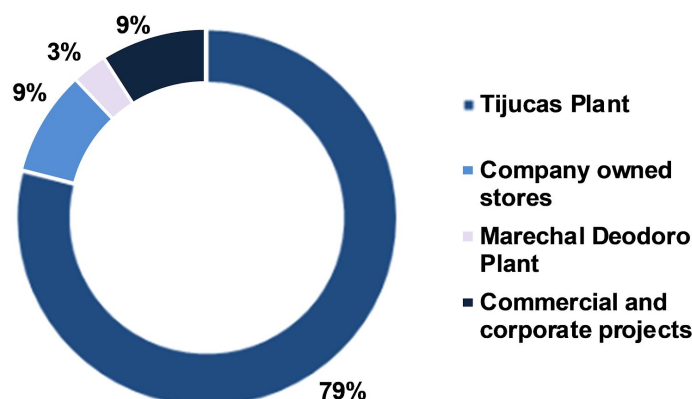
|             | 3Q19                                       | 3Q20         | ▲            | Absolute      |              |
|-------------|--|--------------|--------------|---------------|--------------|
| In Millions | Trade Receivables                          | 230,0        | 268,3        | 16,7%         | 38,3         |
|             | Inventories                                | 236,3        | 217,0        | -8,2%         | -19,3        |
|             | Trade Payables                             | 172,9        | 226,0        | 30,7%         | 53,1         |
|             | <b>Working Capital</b>                     | <b>293,4</b> | <b>259,3</b> | <b>-11,6%</b> | <b>-34,1</b> |
| In Days     | Trade Receivables                          | 61           | 57           | -6,0%         | -4           |
|             | Inventories                                | 119          | 99           | -16,8%        | -20          |
|             | Trade payables                             | 84           | 93           | 11,1%         | 9            |
|             | <b>Cash Conversion Cycle (CCC in Days)</b> | <b>96</b>    | <b>63</b>    | <b>-34,3%</b> | <b>-33</b>   |

### Investments

Investments totaled \$ 17.2 million, accumulating \$ 95.5 million in the year, of which 79% were for the Tijucas plant, 9% in own stores, 3% in the Alagoas plant and the rest for commercial and corporate projects. In the Tijucas plant 67% are for preparation and updating of the plant to produce products with higher added value and larger formats, such as the Lastras project and 33% for other projects, including new business. At the Alagoas plant, most of the investments were destined to the implementation of a new production line of enameled porcelain tiles.

In this quarter the capital of Portobello America, Inc was increased by R\$ 115.7 million (US\$ 20.5 million) with the conversion of PBG S.A.'s receivables with the subsidiary.

Investments 3Q20



## Debt / Capital Structure

The Company's net indebtedness reduced to R\$ 460.8 million at the end of 3Q20, representing a reduction of R\$ 6.8 million in relation to 2Q20. The ratio of debt to EBITDA is equivalent to 3.5 times, and presents a decrease of 1.1 times in relation to the 2Q20, due to operational performance in the quarter. When we compare Net Debt in relation to 3Q19, the same is maintained. However, when we analyze its relationship with Adjusted and Recurrent EBITDA, we see a decrease of 3.4 times, which led the leverage ratio from 6.9 times to 3.5 times, being the lowest of the last 5 quarters.

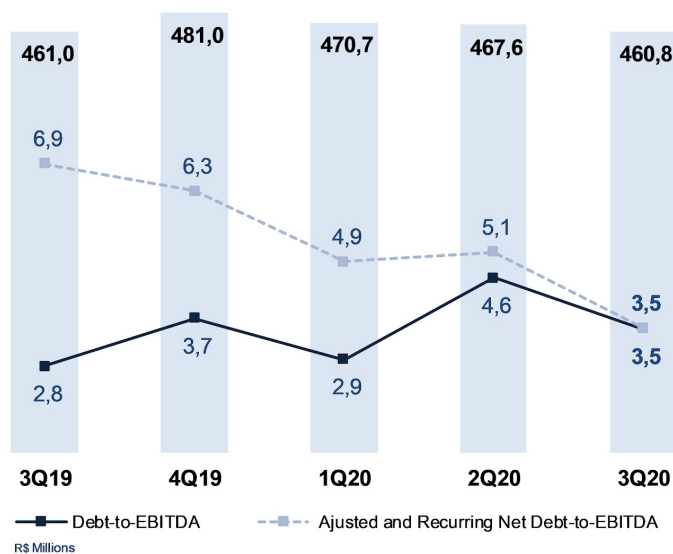
In 3Q20, R\$ 14.7 million of loans were amortized, referring to several operations such as NCEs, FINEP and Prodec and R\$ 11.2 million were raised referring to Prodec, BNB and NCE. Thus, the Company closed 3Q20 with total amortizations of R\$ 123.6 million and funding of R\$ 94.6 million.

At the end of the quarter, the contractual requirements ("covenants") regarding the leverage ratio were not met, which could cause the early maturity of financing contracts and debentures. However, it should be noted that the Company obtained the waiver in relation to the financial covenants contracted for the period.

In September 2020, the Superior Court of Justice (STJ) ruled on a lawsuit filed by the Company ratifying the extraordinary installment payment of MP 470 of 2009. The consequence of this decision will be the extinction of the tax executions filed against the company related to the installment plan itself.

These executions were guaranteed with Refinadora Catarinense S.A. amounts, deposited in court which, therefore, will be released. The Company signed a settlement agreement with Refinadora Catarinense, at which time it received in transfer R\$ 89.5 million, which should be withdrawn by the Company in the coming months and will be used to reduce the net debt.

In view of this scenario, the Company has modified the way of calculating the indebtedness used until 2Q20, which included the values of credits with related parties and tax debt. Thus, as of 3Q20, the Company reports net indebtedness considering bank loans and financing operations, and the available cash balance, in line with the criteria used to calculate covenants.



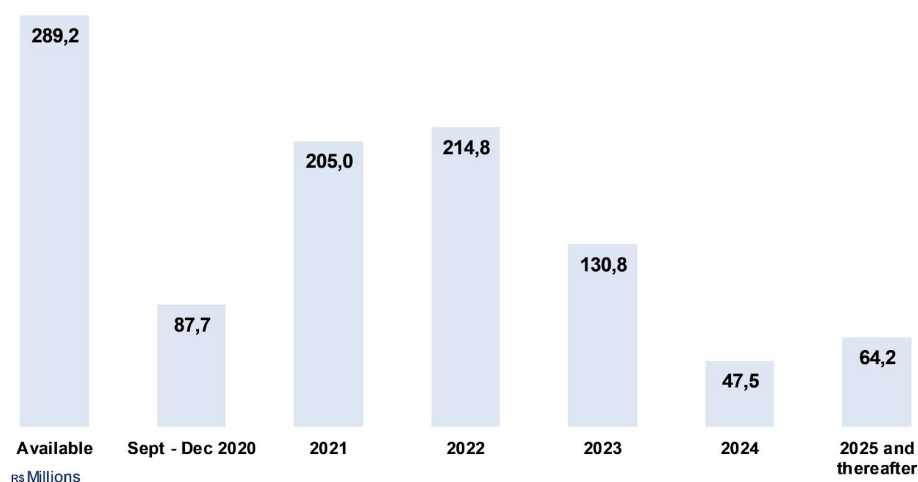
# Portobello Grupo

## Comments on Performance

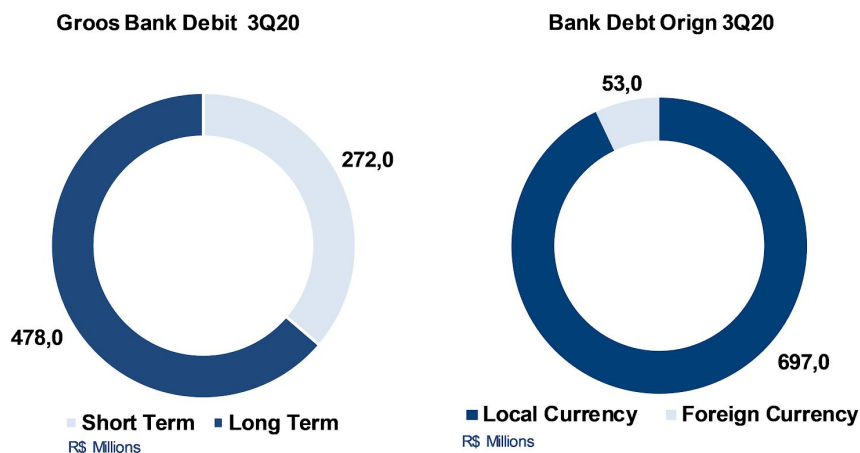
(In million of reais, unless otherwise stated)

| R\$ million  | 3Q19         | 4Q19         | 1Q20         | 2Q20         | 3Q20         |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Gross Bank Debt</b>                                 | <b>790,4</b> | <b>756,4</b> | <b>795,5</b> | <b>749,7</b> | <b>750,0</b> |
| Cash and Cash Equivalents                              | -329,4       | -275,4       | -324,8       | -282,1       | -289,2       |
| <b>Net Debt</b>  | <b>461,0</b> | <b>481,0</b> | <b>470,7</b> | <b>467,6</b> | <b>460,8</b> |
| EBITDA (Last 12 Months)                                | 167,1        | 128,8        | 162,1        | 102,6        | 130,9        |
| Adjusted and Recurring EBITDA (Last 12 months)         | 66,9         | 75,9         | 96,1         | 93,5         | 130,0        |
| <i>Net Debt-to-EBITDA Ratio</i>                        | 2,8          | 3,7          | 2,9          | 4,6          | <b>3,5</b>   |
| <i>Adjusted and Recurring Ratio Net Debt-to-EBITDA</i> | 6,9          | 6,3          | 4,9          | 5,1          | <b>3,5</b>   |

Below is the repayment schedule (gross bank debt):



The gross bank debt maturing in the short term represents 36.3% of the total and the remainder matures in the long term, as shown in the repayment schedule in the previous graph, demonstrating that the cash position is sufficient to cover the debt service in the short term. Currently, the average cost of the Company's bank debt is 4.5% p.a.



# Portobello Grupo

## Remuneration to shareholders and resolutions of meeting

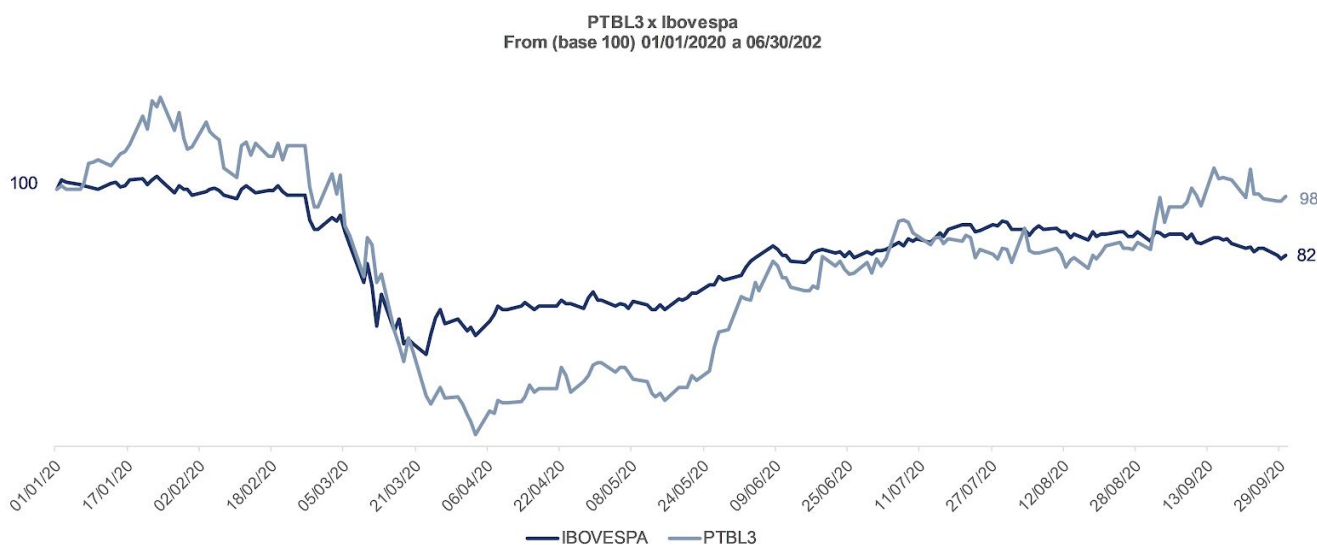
Dividends approved at the last AGO will be distributed in the amount of R\$ 6.2 million for the 2019 fiscal year. The payment will be made on November 20, 2020 and thus the total remuneration of shareholders for the year 2020 will represent a yield (dividend per share divided by the final share price) of 0.95%.

## Buyback Plan

On March 31, 2020, the Board of Directors approved a new Share Buyback program, which authorizes the acquisition of up to 3.9 million shares, corresponding to 2.5% of the total shares issued by the Company and 5% of the outstanding shares (free float), effective until March 31, 2021. The Company has repurchased a total of 3.1 million shares until September 30, 2020.

## Performance of PTBL3 Shares

The shares traded on the PTBL3 code, ended the last trading session of September 2020 quoted at R\$ 5.26, with a valuation of 25.2% when compared to the close of the second quarter of 2020. The average monthly financial volume traded in the last twelve months was R\$ 126.3 million, an increase of 159.9% compared to R\$ 48.6 million in the previous period. At the end of 3Q20, PBG S.A. had a market value equivalent to R\$ 833.6 million.



## Independent Audit

The policy of PBG S.A. in relation to its independent auditors, regarding the provision of services not related to the external audit of financial statements, is based on the principles that preserve professional independence. These principles are based on the premise that the auditor should not expert his or her own work, perform managerial functions, or even advocate for his or her client. During 3Q20, the Company hired independent auditors to review the reference form filed with CVM.

## Portobello Grupo

## Comments on Performance

(In million of reais, unless otherwise stated)

## Management

**Statutory Executive Board**

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

**Board of Directors**

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

## Corporate Governance

Electronic address to communicate corporate governance related issues to senior management  
[dri@portobello.com.br](mailto:dri@portobello.com.br)

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

## Teleconference and Webcast

On Thursday, November 10, 2020 at 2:00 pm a teleconference will be held in Portuguese language to report the earnings for the third quarter of 2020.

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

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

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





## Portobello Grupo

## Comments on Performance

(In million of reais, unless otherwise stated)

## Financial Statements

## Balance Sheet

| Assets                                 | sep/20         | AV %          | dec/20         | AV %          | sep/20         | AV %          |
|--|----------------|---------------|----------------|---------------|----------------|---------------|
| <b>Current</b>                         | <b>872,1</b>   | <b>47,9%</b>  | <b>854,6</b>   | <b>46,5%</b>  | <b>887,7</b>   | <b>43,9%</b>  |
| Cash and Cash Equivalents              | 329,4          | 18,1%         | 275,4          | 15,0%         | 289,2          | 14,3%         |
| Trade Receivables                      | 249,8          | 13,7%         | 251,8          | 13,7%         | 307,7          | 15,2%         |
| Inventories                            | 236,3          | 13,0%         | 243,4          | 13,3%         | 217,0          | 10,7%         |
| Others                                 | 56,6           | 3,1%          | 84,0           | 4,6%          | 73,8           | 3,6%          |
| <b>Non Current</b>                     | <b>950,2</b>   | <b>52,1%</b>  | <b>981,7</b>   | <b>53,5%</b>  | <b>1.135,6</b> | <b>56,1%</b>  |
| <b>Long-Term Assets</b>                | <b>400,2</b>   | <b>15,2%</b>  | <b>412,2</b>   | <b>22,4%</b>  | <b>502,1</b>   | <b>24,8%</b>  |
| Escrow Deposits                        | 126,1          | 6,9%          | 152,5          | 8,3%          | 148,2          | 7,3%          |
| Legal Assets                           | 37,9           | 2,1%          | 37,9           | 2,1%          | 119,7          | 5,9%          |
| Receivables from Related Parties       | 100,3          | 5,5%          | 100,9          | 5,5%          | -              | 0,0%          |
| Guarantee Deposit                      | -              | -             | -              | 0,0%          | 89,5           | 4,4%          |
| Receivables from Eletrobrás            | 12,8           | 0,7%          | 12,8           | 0,7%          | 12,8           | 0,6%          |
| Restricted financial investments       | 7,5            | 0,4%          | 7,6            | 0,4%          | 13,7           | 0,7%          |
| Recoverable taxes and deferred tax     | 95,8           | 5,3%          | 83,09          | 4,5%          | 96,8           | 4,8%          |
| Other Non Current Assets               | 19,8           | 1,1%          | 17,4           | 0,9%          | 21,4           | 1,1%          |
| <b>Fixed Assets</b>                    | <b>550,0</b>   | <b>30,1%</b>  | <b>569,6</b>   | <b>31,0%</b>  | <b>633,5</b>   | <b>31,3%</b>  |
| PPE, Intangible assets and Investments | 523,4          | 28,6%         | 510,7          | 27,8%         | 569,0          | 28,1%         |
| Right of Use of Leased Assets          | 26,6           | 1,5%          | 58,8           | 3,2%          | 64,5           | 3,2%          |
| <b>Total Assets</b>                    | <b>1.822,3</b> | <b>100,0%</b> | <b>1.836,3</b> | <b>100,0%</b> | <b>2.023,3</b> | <b>100,0%</b> |
| Liabilities                            | sep/20         | AV %          | dec/20         | AV %          | sep/20         | AV %          |
| <b>Current</b>                         | <b>590,2</b>   | <b>32,4%</b>  | <b>613,7</b>   | <b>33,4%</b>  | <b>764,2</b>   | <b>37,8%</b>  |
| Loans and Debentures                   | 224,2          | 12,3%         | 233,8          | 12,7%         | 272,0          | 13,4%         |
| Trade Payables and Credit Assignment   | 207,7          | 11,4%         | 227,1          | 12,4%         | 261,8          | 12,9%         |
| Lease Obligation                       | 10,2           | 0,6%          | 14,5           | 0,8%          | 17,4           | 0,9%          |
| Tax Liabilities                        | 8,7            | 0,5%          | 12,7           | 0,7%          | 30,3           | 1,5%          |
| Payroll and Related Taxes              | 51,2           | 2,8%          | 41,9           | 2,3%          | 64,9           | 3,2%          |
| Advances from Customers                | 19,8           | 1,1%          | 23,9           | 1,3%          | 39,3           | 1,9%          |
| Other                                  | 68,4           | 3,8%          | 60,0           | 3,3%          | 78,4           | 3,9%          |
| <b>Non Current</b>                     | <b>869,7</b>   | <b>47,7%</b>  | <b>854,9</b>   | <b>46,6%</b>  | <b>837,5</b>   | <b>41,4%</b>  |
| Loans and Debentures                   | 566,2          | 31,1%         | 522,6          | 28,5%         | 478,0          | 23,6%         |
| Trade payables                         | 114,1          | 6,3%          | 124,8          | 6,8%          | 164,0          | 8,1%          |
| Debts with Related Parties             | -              | 0,0%          | -              | 0,0%          | 56,3           | 2,8%          |
| Provisions                             | 123,0          | 6,7%          | 120,2          | 6,5%          | 64,7           | 3,2%          |
| Lease Obligations                      | 17,7           | 1,0%          | 25,1           | 1,4%          | 26,0           | 1,3%          |
| Other Non Current Liabilities          | 48,7           | 2,7%          | 62,3           | 3,4%          | 48,5           | 2,4%          |
| <b>Equity</b>                          | <b>362,4</b>   | <b>19,9%</b>  | <b>367,6</b>   | <b>20,0%</b>  | <b>421,6</b>   | <b>20,8%</b>  |
| Capital                                | 200,0          | 11,0%         | 200,0          | 10,9%         | 200,0          | 9,9%          |
| Treasury Shares                        | -              | 0,0%          | -              | 0,0%          | -9,0           | -0,4%         |
| Earnings Reserve                       | 180,9          | 9,9%          | 184,1          | 10,0%         | 278,3          | 13,8%         |
| Other Comprehensive Income             | -18,5          | -1,0%         | -22,2          | -1,2%         | -47,6          | -2,4%         |
| Additional Proposed Dividends          | -              | 0,0%          | 5,8            | 0,3%          | -              | 0,0%          |
| <b>Total Liabilities and Equity</b>    | <b>1.822,3</b> | <b>100,0%</b> | <b>1.836,3</b> | <b>100,0%</b> | <b>2.023,3</b> | <b>100,0%</b> |

## Statement of Income

| R\$ million  | 3Q19         | 3Q20          | 9M19          | 9M20          |
|--|--------------|---------------|---------------|---------------|
| Net Sales Revenue  | 296,5        | 414,7         | 813,2         | 930,7         |
| Gross Profit   | 94,9         | 152,1         | 264,0         | 302,9         |
| <b>Operating Expenses, Net</b>                                   | <b>-76,3</b> | <b>-106,3</b> | <b>-205,0</b> | <b>-244,8</b> |
| Selling  | -77,8        | -86,9         | -223,1        | -231,6        |
| General and Administrative                                       | -9,5         | -11,6         | -30,0         | -32,5         |
| Other Operating Income (Expenses), Net                           | 11,0         | -7,8          | 48,1          | 19,3          |
| <b>Operating Profit before Finance Income</b>                    | <b>18,6</b>  | <b>45,8</b>   | <b>59,0</b>   | <b>58,1</b>   |
| <b>Finance Income</b>  | <b>-24,1</b> | <b>-21,1</b>  | <b>-55,9</b>  | <b>-12,7</b>  |
| Finance Income   | 6,1          | 3,6           | 14,5          | 20,6          |
| Finance Costs  | -35,7        | -24,2         | -74,7         | -59,3         |
| Net Exchange Rate  | 5,5          | -0,5          | 4,3           | 26,0          |
| <b>Profit or Loss Before Income Tax and Social Contributions</b> | <b>-5,5</b>  | <b>24,7</b>   | <b>3,2</b>    | <b>45,4</b>   |
| Income Tax and Social Contribution                               | 2,6          | -4,1          | 0,9           | 48,0          |
| <b>Net Profit (Loss) for the Period</b>                          | <b>-2,9</b>  | <b>20,6</b>   | <b>4,0</b>    | <b>93,4</b>   |

## Cash Flow

| R\$ million   | 3Q19         | 3Q20         | 9M19         | 9M20         |
|---|--------------|--------------|--------------|--------------|
| <b>Cash Flow from Operating Activities</b>                      | <b>209,9</b> | <b>28,5</b>  | <b>169,8</b> | <b>161,5</b> |
| Cash from Operations  | 190,2        | 84,3         | 252,3        | 77,0         |
| Variations in Assets and Liabilities                            | 34,6         | -51,7        | -38,7        | 115,6        |
| Interests Paid and Tax Over Income Paid                         | -14,9        | -4,1         | -43,8        | -31,1        |
| <b>Net Cash Used in Investing Activities</b>                    | <b>-27,0</b> | <b>-17,2</b> | <b>-80,6</b> | <b>-95,5</b> |
| Acquisition of Property, Plant and Equipment                    | -26,7        | -13,8        | -75,7        | -88,3        |
| Acquisition of Intangible Assets                                | -0,4         | -3,4         | -4,9         | -7,2         |
| <b>Net Cash Provided by (Used in) Financing Activities</b>      | <b>92,4</b>  | <b>-4,2</b>  | <b>157,7</b> | <b>-52,2</b> |
| Loans and Financing and Debentures                              | 117,7        | 11,2         | 250,7        | 94,6         |
| Payments of Loans and Financing                                 | -25,3        | -14,7        | -70,1        | -123,6       |
| Dividends Paid  | -            | -0,1         | -22,9        | 0,0          |
| Lease Repayments  | -            | -0,6         | -            | -23,2        |
| <b>Exchange variation on Cash and Cash Equivalents</b>          | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     |
| <b>Increase / (Decrease) in Cash and Cash Equivalents</b>       | <b>275,3</b> | <b>7,1</b>   | <b>246,9</b> | <b>13,8</b>  |
| <b>Cash and Cash Equivalents at the Beginning of the Period</b> | <b>54,2</b>  | <b>282,1</b> | <b>82,6</b>  | <b>275,4</b> |
| <b>Cash and Cash Equivalents at the End of the Period</b>       | <b>329,5</b> | <b>289,2</b> | <b>329,5</b> | <b>289,2</b> |

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

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

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### **1. General information**

PBG S.A., hereinafter referred to as “Company” or “Parent Company”, is a publicly-held company and its shares are traded on the *Novo Mercado* segment of B3 S.A. - Brasil, Bolsa, Balcão (“B3”), under ticker symbol PTBL3. The Company is controlled by a group of shareholders, formalized in the agreement entered into on April 15, 2011, and amended on February 18, 2019, which hold 57% of the Company’s shares at September 30, 2020. The remaining 43% of the shares are held by several shareholders.

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

The Company also holds equity interest in the following subsidiaries: (i) Portobello Shop, which manages the Portobello Shop and Portobello franchising networks, with a network of franchised stores specializing in porcelain tiles and ceramic coatings; (ii) PBTech, which manages the Portobello Shop own stores and currently manages 17 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 2<sup>nd</sup> half of 2018 operates the special cuts factory in the Southeast; and (v) Portobello América, which was established to sell Portobello products in the U.S. market and gradually returned to operations as of the second half of 2018, and (vi) in 2019 Portobello America Manufacturing, LLC. was established, a subsidiary of Portobello America, with the business purpose of building the plant in the USA.

#### **1.1 Effects of COVID - 19 and actions taken by the Company**

The third quarter of 2020 started with positive expectations regarding the resumption of the market and sales, despite the recent impacts caused by Covid-19. The Company reached record numbers in relation to the same quarter of the previous year and the last quarter, confirming the gradual recovery of the Brazilian economy and the resumption of its operations.

The Company continues to be cautious and maintaining all precautions to combat this pandemic. The costs related to Covid-19 are less and less significant, which shows the reduced impact on the company's operation. The Company also continues to act strictly in managing its cash, maintaining the solidity of its balance sheet

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

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

The interim financial information has been prepared in accordance with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and CPC 21 (R1) – Interim Financial Reporting and presented according to the standards issued and approved by the Securities

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

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
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and Exchange Commission of Brazil (CVM), applicable to the preparation of Quarterly Financial Information - ITR.

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

Therefore, this interim financial information should be read in conjunction with the Company's financial statements for the year ended December 31, 2019, which have been prepared and presented in accordance with the International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board - IASB, and also in accordance with the accounting practices adopted in Brazil (BR GAAP), which include those included in Brazilian corporate law and the standards, guidelines and interpretations issued by the Brazilian Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM). All significant information in the interim financial information, and only this information, is being disclosed and corresponds to that used by Management in its activities. This interim financial information was approved and authorized for issue by the Board of Directors on November 12, 2020.

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

### **b) Use of judgment and estimates**

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

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

## **3. Significant accounting policies**

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

### **3.1 Consolidations**

#### **3.1.1 Consolidated financial statements**

##### **a) Subsidiaries**

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

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

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when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

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

|                                      | Pais de<br>constituição | Participação<br>direta | Participação<br>Indireta |
|--------------------------------------|-------------------------|------------------------|--------------------------|
| Portobello América Inc.              | Estados Unidos          | 100,00%                | 0,00%                    |
| Portobello America Manufacturing     | Estados Unidos          | 0,00%                  | 100,00%                  |
| PBTech Ltda.                         | Brasil                  | 99,94%                 | 0,06%                    |
| Portobello Shop S/A                  | Brasil                  | 99,90%                 | 0,00%                    |
| Mineração Portobello Ltda.           | Brasil                  | 99,76%                 | 0,00%                    |
| Companhia Brasileira de Cerâmica S/A | Brasil                  | 98,00%                 | 2,00%                    |

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

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

### b) Transactions and non-controlling interests

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

#### 3.1.2 Individual financial statements

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

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

### 3.2 Segment reporting

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

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

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

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### **3.3 Foreign currency translation**

#### **a) Transactions and balances**

Foreign currency transactions are translated into Brazilian reais using the exchange rates prevailing at the dates of the transactions, or the dates of valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in profit or loss as finance income (costs), as described in note 33.

#### **b) Subsidiaries**

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

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

#### **a) Uncertainty over Income Tax Treatments**

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

In the Company's assessment, it concluded that the application of this interpretation did not bring significant impacts, since the main treatments for calculating income tax and social contribution were considered.

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

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

## **5 Financial risk management**

### **5.1 Financial risk factors**

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

Risk management is carried out by the Company's treasury department according to policies approved by the Board of Directors. The Treasury Area and Finance Department identify, assess and hedge the Company and its subsidiaries against possible financial risks in cooperation with the operational units. The Board of Directors sets the overall risk management principles and the criteria for specific areas,

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
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such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and the investment of cash surpluses.

### a) Market risk

#### i) Foreign exchange risk

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

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

|   | In Reais              |                      |                       |                      |
|---|-----------------------|----------------------|-----------------------|----------------------|
|   | Parent Company        |                      | Consolidated          |                      |
|   | September<br>30, 2020 | December<br>31, 2019 | September<br>30, 2020 | December<br>31, 2019 |
| Trade receivables                               | 44.361                | 55.350               | 62.426                | 62.464               |
| Checking account                                | 1.625                 | 241                  | 9.585                 | 241                  |
| Credit with subsidiaries                        | 34.470                | 90.338               | -                     | -                    |
| Investment in subsidiary                        | 18.602                | -                    | -                     | -                    |
| Assets exposed                                  | 99.058                | 145.929              | 72.011                | 62.705               |
| Provision for short liabilities in subsidiaries | -                     | (57.643)             | -                     | -                    |
| Suppliers, commissions, net of advances         | (18.493)              | (18.539)             | (27.317)              | (18.539)             |
| Payables for fixed asset and intangible         | (45.716)              | (16.976)             | (45.716)              | (16.976)             |
| Borrowings and financing                        | (52.259)              | (51.813)             | (52.259)              | (51.813)             |
| (-) Swap  | 14.597                | 16.433               | 14.597                | 16.433               |
| Liabilities exposed                             | (101.871)             | (128.538)            | (110.695)             | (70.895)             |
| Net exposure                                    | (2.813)               | 17.391               | (38.684)              | (8.190)              |

The foreign exchange exposure is divided into:

#### a) Euro:

|   | In Euro               |                      |                       |                      |
|---|-----------------------|----------------------|-----------------------|----------------------|
|   | Parent Company        |                      | Consolidated          |                      |
|   | September<br>30, 2020 | December<br>31, 2019 | September 30,<br>2020 | December<br>31, 2019 |
| Trade receivables                       | 200                   | 283                  | 200                   | 283                  |
| Suppliers, commissions, net of advances | (1.260)               | (3.024)              | (1.260)               | (3.024)              |
| Payables for fixed asset and intangible | (6.912)               | (3.475)              | (6.912)               | (3.475)              |
|   | (7.972)               | (6.216)              | (7.972)               | (6.216)              |

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
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### b) US Dollar:

|   | In Dólar              |                      |                       |                      |
|---|-----------------------|----------------------|-----------------------|----------------------|
|   | Parent Company        |                      | Consolidated          |                      |
|   | September<br>30, 2020 | December<br>31, 2019 | September 30,<br>2020 | December<br>31, 2019 |
| Trade receivables                               | 7.616                 | 13.373               | 10.819                | 15.138               |
| Checking account                                | 288                   | 60                   | 1.699                 | 60                   |
| Credit with subsidiaries                        | 6.111                 | 22.413               | -                     | -                    |
| Investment in subsidiary                        | 4.162                 | -                    | -                     | -                    |
| Provision for short liabilities in subsidiaries | -                     | (14.301)             | -                     | -                    |
| Suppliers, commissions, net of advances         | (1.801)               | (1.209)              | (3.365)               | (1.209)              |
| Payables for fixed asset and intangible         | (2)                   | (305)                | (2)                   | (305)                |
| Borrowings and financing                        | (6.677)               | (8.778)              | (6.677)               | (8.778)              |
|   | 9.697                 | 11.253               | 2.474                 | 4.906                |

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

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

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

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

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

#### a) 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.

#### b) Liquidity risk

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

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

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



## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

|                       | Parent Company              |                   |   |                         |                  |                             |                   |   |                         |                  |
|-----------------------|-----------------------------|-------------------|---|-------------------------|------------------|-----------------------------|-------------------|---|-------------------------|------------------|
|                       | September 30, 2020          |                   |   |                         |                  | December 31, 2019           |                   |   |                         |                  |
|                       | * Borrowings and debentures | Lease liabilities | Trade receivables and credit assignment | Tax installment payment | Total            | * Borrowings and debentures | Lease liabilities | Trade receivables and credit assignment | Tax installment payment | Total            |
| Less than 1 year      | 271.998                     | 8.669             | 219.458                                 | 11.323                  | 511.448          | 231.984                     | 4.554             | 193.211                                 | 11.455                  | 441.204          |
| From 1 to 2 years     | 185.455                     | 3.958             | 144.993                                 | 11.323                  | 345.729          | 357.412                     | 3.226             | 124.754                                 | 11.455                  | 496.847          |
| Between 2 and 5 years | 267.904                     | 3.654             | 19.034                                  | 25.889                  | 316.481          | 159.998                     | 4.045             | -                                       | 32.062                  | 196.105          |
| Over 5 years          | 24.669                      | -                 | -                                       | -                       | 24.669           | 5.639                       | -                 | -                                       | -                       | 5.639            |
|                       | <u>750.026</u>              | <u>16.281</u>     | <u>383.485</u>                          | <u>48.535</u>           | <u>1.198.327</u> | <u>755.033</u>              | <u>11.825</u>     | <u>317.965</u>                          | <u>54.972</u>           | <u>1.139.795</u> |

|                       | Consolidated                |                   |   |                         |                  |                             |                   |   |                         |                  |
|-----------------------|-----------------------------|-------------------|---|-------------------------|------------------|-----------------------------|-------------------|---|-------------------------|------------------|
|                       | September 30, 2020          |                   |   |                         |                  | December 31, 2019           |                   |   |                         |                  |
|                       | * Borrowings and debentures | Lease liabilities | Trade receivables and credit assignment | Tax installment payment | Total            | * Borrowings and debentures | Lease liabilities | Trade receivables and credit assignment | Tax installment payment | Total            |
| Less than 1 year      | 271.998                     | 17.362            | 235.285                                 | 11.442                  | 536.087          | 231.984                     | 14.465            | 205.395                                 | 11.765                  | 463.609          |
| From 1 to 2 years     | 185.455                     | 13.514            | 144.993                                 | 11.442                  | 355.404          | 357.412                     | 7.328             | 124.754                                 | 11.765                  | 501.259          |
| Between 2 and 5 years | 267.904                     | 12.474            | 19.034                                  | 26.026                  | 325.438          | 159.998                     | 3.273             | -                                       | 32.048                  | 195.319          |
| Over 5 years          | 24.669                      | -                 | -                                       | -                       | 24.669           | 6.982                       | -                 | -                                       | -                       | 6.982            |
|                       | <u>750.026</u>              | <u>43.350</u>     | <u>399.312</u>                          | <u>48.910</u>           | <u>1.241.598</u> | <u>756.376</u>              | <u>25.066</u>     | <u>330.149</u>                          | <u>55.578</u>           | <u>1.167.169</u> |

### c) Sensitivity analysis

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

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

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

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

|                                 | Consolidated in Real |                |               |                |                 |                 |               |                 |
|---------------------------------|----------------------|----------------|---------------|----------------|-----------------|-----------------|---------------|-----------------|
|                                 | September 30, 2020   | Risk           | Probable rate |                | Possible (25%)* |                 | Remote (50%)* |                 |
|                                 |                      |                | %             | R\$            | %               | R\$             | %             | R\$             |
| Borrowings - Export credit note | (229.637)            | CDI Increase   | 1,90%         | (4.363)        | 2,38%           | (5.454)         | 2,85%         | (6.545)         |
| Debentures                      | (250.672)            | CDI Increase   | 1,90%         | (4.763)        | 2,38%           | (5.953)         | 2,85%         | (7.144)         |
|                                 | <u>(480.309)</u>     |                |               | <u>(9.126)</u> |                 | <u>(11.407)</u> |               | <u>(13.689)</u> |
| Tax installment payment         | <u>(48.910)</u>      | Selic Increase | 2,00%         | (978)          | 2,50%           | (1.223)         | 3,00%         | (1.467)         |

\* Selic and CDI rates extracted from the Boletim Focus of October 9, 2020.

#### ii) Sensitivity analysis of changes in exchange rates

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

The Company has assets and liabilities pegged to a foreign currency in the balance sheet as at September 30, 2020, and for sensitivity analysis purposes, it has adopted as probable scenario the future market rate effective in the period of preparation of this interim financial information. The probable rate was then stressed by 25%, 50% and -25% and used as benchmark for the possible and remote scenarios, respectively.

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

|   |         | Consolidated in Reais |                       |                 |             |               |             |                  |             |                |             |
|---|---------|-----------------------|-----------------------|-----------------|-------------|---------------|-------------|------------------|-------------|----------------|-------------|
|   |         | September 30, 2020    |                       | Possible (25%)* |             | Remote (50%)* |             | Possible (-25%)* |             | Remote (-50%)* |             |
| In US\$                                     | R\$     | Exchange rate         | Risk                  | Rate US\$       | Gain (Loss) | Rate US\$     | Gain (Loss) | Rate US\$        | Gain (Loss) | Rate US\$      | Gain (Loss) |
| Trade receivables US\$                      | 10.819  | 5,6396                | Decrease in US\$ rate | 7,049           | 3.852       | 8,459         | 6.786       | 4,230            | (2.017)     | 2,820          | (4.951)     |
| Checking account US\$                       | 1.699   | 5,6396                | Decrease in US\$ rate | 7,049           | 605         | 8,459         | 1.066       | 4,230            | (317)       | 2,820          | (777)       |
| Trade payables, net of advances US\$        | (3.365) | 5,6396                | Increase in US\$ rate | 7,049           | (1.198)     | 8,459         | (2.111)     | 4,230            | 627         | 2,820          | 1.540       |
| Borrowings and financing US\$               | (6.677) | 5,6396                | Increase in US\$ rate | 7,049           | (2.377)     | 8,459         | (4.188)     | 4,230            | 1.245       | 2,820          | 3.055       |
| (-) Swap contract US\$                      | 14.597  | 5,6396                | Fixed                 | 7,049           | 5.197       | 8,459         | 9.155       | 4,230            | (2.721)     | 2,820          | (6.680)     |
| Net exposure                                | 17.073  |                       | -                     |                 | 6.079       |               | 10.708      |                  | (3.183)     |                | (7.813)     |
|   |         | September 30, 2020    |                       | Possible (25%)* |             | Remote (50%)* |             | Possible (-25%)* |             | Remote (-50%)* |             |
| In EUR                                      | R\$     | Exchange rate         | Risk                  | Rate US\$       | Gain (Loss) | Rate US\$     | Gain (Loss) | Rate US\$        | Gain (Loss) | Rate US\$      | Gain (Loss) |
| Trade receivables EUR                       | 200     | 6,6200                | Decrease in EUR rate  | 8,275           | 89          | 9,930         | 147         | 4,965            | (27)        | 3,310          | (84)        |
| Trade payables, net of advances EUR         | (1.260) | 6,6200                | Increase in EUR rate  | 8,275           | (561)       | 9,930         | (925)       | 4,965            | 168         | 3,310          | 532         |
| Payables for fixed asset and intangible EUR | (6.912) | 6,6200                | Increase in EUR rate  | 8,275           | (3.076)     | 9,930         | (5.074)     | 4,965            | 919         | 3,310          | 2.917       |
| Net exposure                                | (7.972) |                       | -                     |                 | (3.548)     |               | (5.852)     |                  | 1.060       |                | 3.365       |

\*Possible and remote scenarios calculated based on the probable future rate of the Euro and the Dollar for 90 days, obtained from the B3 (Brasil, Bolsa e Balcão) website on October 16, 2020.

## 5.2 Capital management

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

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

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

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

|  | Parent Company       |                      | Consolidated         |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | September<br>30,2020 | December<br>31, 2019 | September<br>30,2020 | December<br>31, 2019 |
| Borrowings and financing               | 750.026              | 755.033              | 750.026              | 756.376              |
| Tax installment payment                | 48.535               | 54.972               | 48.910               | 55.580               |
| Less: Cash and cash equivalents        | (219.789)            | (249.488)            | (289.229)            | (275.378)            |
| Receivables from other related parties | -                    | (100.936)            | -                    | (100.936)            |
| Financial investments                  | (13.732)             | (7.552)              | (13.732)             | (7.552)              |
| Net debt                               | 565.040              | 452.029              | 495.975              | 428.090              |
| Total equity                           | 422.038              | 367.620              | 422.081              | 367.636              |
| Total capital                          | 987.078              | 819.649              | 918.056              | 795.726              |
| Net debt / Equity (%)                  | 1,34                 | 1,23                 | 1,18                 | 1,16                 |
| Gearing ratio (%)                      | 57                   | 55                   | 54                   | 54                   |

### 5.3 Financial instruments by category

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

|   | Parent Company        |                      | Consolidated          |                      |
|---|-----------------------|----------------------|-----------------------|----------------------|
|   | September<br>30, 2020 | December<br>31, 2019 | September<br>30, 2020 | December<br>31, 2019 |
| Assets at fair value through profit or loss |                       |                      |                       |                      |
| Derivatives                                 | 12.608                | 9.041                | 12.608                | 9.041                |
| Amortized cost                              |                       |                      |                       |                      |
| Cash and cash equivalents                   | 219.789               | 249.448              | 289.229               | 275.378              |
| Financial investments                       | 13.732                | 7.552                | 13.732                | 7.552                |
| Receivables from other related parties      | -                     | 100.935              | -                     | 100.936              |
| Trade receivables                           | 268.430               | 222.856              | 307.655               | 251.773              |
|   | 514.559               | 589.833              | 623.224               | 644.680              |
| Amortized cost                              |                       |                      |                       |                      |
| Trade payables and assignment               | 383.485               | 317.965              | 399.312               | 330.149              |
| Borrowings, financing and debentures        | 750.026               | 755.033              | 750.026               | 756.376              |
| Tax installment payment                     | 48.535                | 54.972               | 48.910                | 55.578               |
| Lease liabilities                           | 16.281                | 11.825               | 43.350                | 39.531               |
| Payables to related parties                 | 67.864                | 22.803               | 67.853                | 22.803               |
|   | 1.266.191             | 1.162.598            | 1.309.451             | 1.204.437            |

The financial investment has a long-term investment fund and is linked to a reciprocity clause in the loan agreement with Banco do Nordeste in the amount of R \$ 8,092 and in this quarter, the amount of R \$ 5,640 was recognized, equivalent to USD 1,000 for the linked financial investment as requested in a waiver obtained from the DEG bank.

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

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### 6. Cash and cash equivalents

Short-term investments designated as cash equivalents correspond to investments in investment funds, which average return in September 2020 was equivalent to 91.05% of the Interbank Deposit Certificate (CDI) rate and which can be redeemed at any time, without penalties.

|                       | Parent Company        |                      | Consolidated          |                      |
|-----------------------|-----------------------|----------------------|-----------------------|----------------------|
|                       | September<br>30, 2020 | December<br>31, 2019 | September<br>30, 2020 | December<br>31, 2019 |
| Checking account      | 81.048                | 15.467               | 113.594               | 27.222               |
| Financial investments | 138.741               | 233.981              | 175.635               | 248.156              |
|                       | <u>219.789</u>        | <u>249.448</u>       | <u>289.229</u>        | <u>275.378</u>       |

### 7. Financial instruments

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

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

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

At September 30, 2020, an unrealized loss of R\$ 4.926, was posted, see note 33.

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

### 8. Trade receivables

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

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

|   | Parent Company        |                      | Consolidated          |                      |
|---|-----------------------|----------------------|-----------------------|----------------------|
|   | September 30,<br>2020 | December<br>31, 2019 | September<br>30, 2020 | December<br>31, 2019 |
| Receivables from third parties:               |                       |                      |                       |                      |
| Domestic market                               | 230.948               | 173.362              | 269.373               | 201.653              |
| Foreign market                                | 44.362                | 55.350               | 46.345                | 55.350               |
|   | <u>275.310</u>        | <u>228.712</u>       | <u>315.718</u>        | <u>257.003</u>       |
| Receivables from related parties:             |                       |                      |                       |                      |
| Related parties                               | 539                   | 372                  | 1.676                 | 1.041                |
|   | <u>539</u>            | <u>372</u>           | <u>1.676</u>          | <u>1.041</u>         |
| Impairment of trade receivables:              |                       |                      |                       |                      |
| Provision for impairment of trade receivables | (7.419)               | (6.228)              | (9.739)               | (6.271)              |
|   | <u>(7.419)</u>        | <u>(6.228)</u>       | <u>(9.739)</u>        | <u>(6.271)</u>       |
|   | <u>268.430</u>        | <u>222.856</u>       | <u>307.655</u>        | <u>251.773</u>       |

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

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
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### a) Aging list of trade receivables

| Parent Company                |                       |                     |            |                      |                     |            |
|-------------------------------|-----------------------|---------------------|------------|----------------------|---------------------|------------|
|                               | September<br>30, 2020 | Estimated<br>losses | Coverage % | December<br>31, 2019 | Estimated<br>losses | Coverage % |
| Falling due                   | 269.954               | (4.108)             | 1,5%       | 217.635              | (1.615)             | 0,7%       |
| Past due until 30 days        | 1.265                 | (57)                | 4,5%       | 4.138                | (15)                | 0%         |
| Past due from 31 to 90 days   | 819                   | (602)               | 73,5%      | 2.001                | (81)                | 4%         |
| Past due from 91 to 180 days  | 1.354                 | (815)               | 60,2%      | 2.058                | (1.684)             | 82%        |
| Past due from 181 to 360 days | 1.648                 | (1.028)             | 62,4%      | 2.903                | (2.483)             | 86%        |
| Past due over 360 days        | 809                   | (809)               | 100,0%     | 349                  | (350)               | 100%       |
|                               | <b>275.849</b>        | <b>(7.419)</b>      |            | <b>229.084</b>       | <b>(6.228)</b>      |            |
| Consolidated                  |                       |                     |            |                      |                     |            |
|                               | September<br>30, 2020 | Estimated<br>losses | Coverage % | December<br>31, 2019 | Estimated<br>losses | Coverage % |
| Falling due                   | 309.438               | (5.487)             | 1,7%       | 244.750              | (1.619)             | 0,7%       |
| Past due until 30 days        | 1.994                 | (107)               | 5,4%       | 5.305                | (15)                | 0%         |
| Past due from 31 to 90 days   | 1.275                 | (874)               | 68,5%      | 2.201                | (82)                | 4%         |
| Past due from 91 to 180 days  | 1.708                 | (1.056)             | 61,8%      | 2.142                | (1.696)             | 79%        |
| Past due from 181 to 360 days | 1.836                 | (1.072)             | 58,4%      | 3.246                | (2.510)             | 77%        |
| Past due over 360 days        | 1.143                 | (1.143)             | 128,2%     | 400                  | (349)               | 87%        |
|                               | <b>317.394</b>        | <b>(9.739)</b>      |            | <b>258.044</b>       | <b>(6.271)</b>      |            |

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

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

At September 30, 2020, trade receivables pledged as collateral amounts to R\$ 86,676 (R\$ 76,502 at December 31, 2019).

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

### 9. Inventories

|  | Parent Company        |                      | Consolidated          |                      |
|--|-----------------------|----------------------|-----------------------|----------------------|
|  | September<br>30, 2020 | December<br>31, 2019 | September<br>30, 2020 | December<br>31, 2019 |
| Finished products  | 137.051               | 195.829              | 169.960               | 211.047              |
| Work in progress   | 8.499                 | 9.110                | 8.672                 | 9.110                |
| Raw material and consumables                               | 44.178                | 33.243               | 44.178                | 33.268               |
| Provision for valuation of inventories at realizable value | (7.985)               | (15.088)             | (7.985)               | (15.088)             |
| Imports in progress  | 2.216                 | 5.076                | 2.215                 | 5.076                |
|  | <u>183.959</u>        | <u>228.170</u>       | <u>217.040</u>        | <u>243.413</u>       |

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

### 10. Taxes recoverable

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

|  | Parent Company        |                      | Consolidated          |                      |
|--|-----------------------|----------------------|-----------------------|----------------------|
|  | September<br>30, 2020 | December<br>31, 2019 | September<br>30, 2020 | December<br>31, 2019 |
| Current  |                       |                      |                       |                      |
| Curtailement of ICMS from the PIS and COFINS tax base ( a )          | 23.213                | 22.036               | 23.213                | 22.036               |
| ICMS (b)   | 13.655                | 24.165               | 14.106                | 24.616               |
| IRRF/CSRF  | 43                    | 833                  | 52                    | 855                  |
| IPI  | 2.707                 | 2.504                | 2.714                 | 2.508                |
| IRPJ/CSLL  | 1.260                 | 427                  | 1.846                 | 1.006                |
| PIS/COFINS receivables   | 395                   | 37                   | 402                   | 467                  |
| Special Tax Reintegration Regime for Exporting Companies (REINTEGRA) | 350                   | 184                  | 350                   | 184                  |
| Other  | 1                     | 342                  | 152                   | 500                  |
|  | <u>41.624</u>         | <u>50.528</u>        | <u>42.836</u>         | <u>52.172</u>        |
| Non-current *  |                       |                      |                       |                      |
| Curtailement of ICMS from the PIS and COFINS tax base ( a )          | 47.728                | 50.342               | 47.728                | 50.342               |
| PIS/COFINS *   | 6.548                 | 2.438                | 6.549                 | 2.438                |
| ICMS *   | 5.102                 | 3.884                | 5.281                 | 4.122                |
|  | <u>59.378</u>         | <u>56.664</u>        | <u>59.558</u>         | <u>56.902</u>        |

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

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

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### **a) Exclusion of ICMS on PIS and COFINS**

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

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

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

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

On July 12, 2019, the Company filed with the Federal Revenue of Brazil the 2<sup>nd</sup> application for recovery of credit resulting from a final and unappealable court decision, in the amount of R\$ 45,072 for the period from April 2003 to October 2009 of the exclusion of ICMS from PIS and COFINS tax base. On August 7, 2019, the credit was qualified, making it possible to use the said credit through compensations.

### **b) ICMS**

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

The balance of R\$ 4,086 arises from other transactions and will be fully offset in the Company's normal calculations.

## **11. Receivables from other related parties**

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

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



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

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It should be stressed that “Refinadora” had already entered into an agreement with the Company guaranteeing the reimbursement of the amounts used. Such guarantee was provided using credits also arising from 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 agreement confirming these credits as guarantee capable of satisfying all tax debts payable in installments. At September 30, 2020, these credits also originating from lawsuit No. 87.00.00967-9 amount to R\$ 101,809 (R\$ 100,935 at December 31, 2019) and are adjusted based on the SELIC rate, as set forth in the agreement.

It should be noted that the claims on guarantees have already been converted into bonds issued to pay court-ordered debts. In fact, the Company has received four installments of a total of ten annual installments, as set forth in the agreement. The amounts were received in August 2011, March 2013, April 2014 and December 2015, amounting to R\$ 8,505, R\$ 9,824, R\$ 9,995 and R\$ 10,000, respectively. Additionally, in September 2016 the amount of R\$ 2,167 was received to supplement installment 04. The installments 05, 06, 07, 08 and 09 have already been deposited to Refinadora.

These bonds issued to pay court-ordered debts were given as a pledge in tax foreclosure proceedings filed against the Company, the origin of which was the disallowance of said tax offsets carried out.

Given the impossibility of partial withdrawal of the deposited amounts related to this bond issued to pay court-ordered debts, in July 2019, the 7<sup>th</sup> Federal Court of the Federal District Court determined the transfer of cash, so that the aforementioned pledge made through the bond was replaced by money judgment.

On September 8, the Higher Court of Justice upheld PBG SA's request in a special and terminating appeal whose decision implies the termination of tax foreclosure proceedings, now guaranteed by money judgment, in connection with a bond issued to pay court order debt delivered in accord and satisfaction by the Refinadora Catarinense S.A. Thus, the extinguishment of tax foreclosures makes it possible to settle the debt, as it will allow (i) the collection of pledged amounts (R\$ 8,517); (ii) application of negative goodwill established in the payment in accord and satisfaction agreement (R\$ 8,307); and (iii) payment in cash by Refinadora Catarinense S.A. (R\$ 4,166), paying off the debt (R\$ 101,900).

In September 2020, the Company and Refinadora Catarinense S.A. formalized the Settlement Term referring to the payment agreement signed in 2009, with no residual obligations to be fulfilled by Refinadora Catarinense S.A.

## PBG S.A. and Subsidiaries

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### 12. Judicial deposits

The Company and its subsidiaries are parties to tax, civil, labor and social security lawsuits (see Note 27) and are discussing these matters at administrative and judicial level, which are supported by judicial deposits, when applicable. These are recorded at the original amount adjusted by the rates relating to the benchmark interest rates applicable to savings accounts.

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

|           | Parent Company        |                      | Consolidated          |                      |
|-----------|-----------------------|----------------------|-----------------------|----------------------|
|           | September<br>30, 2020 | December<br>31, 2019 | September<br>30, 2020 | December<br>31, 2019 |
| Civil (a) | 136.080               | 124.875              | 136.111               | 124.859              |
| Labor     | 3.531                 | 4.159                | 3.494                 | 4.159                |
| Tax       | 8.608                 | 23.443               | 8.639                 | 23.474               |
|           | 148.219               | 152.477              | 148.244               | 152.492              |

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

c) In 4Q19, the Company offset Pis and Cofins levied on the IPI Premium Credit - Polo Asset, which, although contingent, was settled with the ICMS purge credit on the Pis and Cofins basis. The transaction was registered in the judicial deposit group. The variation in the amount from 4Q19 to 3Q20 refers to the cancellation of this compensation.

### 13. Guarantee deposits

As described in note 11, in September 2020, PBG S / A signed a "Term of Understanding and Settlement of Obligations" with Refinadora Catarinense S / A, referring to the settlement of the Refiner's debt with PBG, in the amount of R \$ 101,990. In the aforementioned Term, the Parties agreed that the Refiner will pay the transferred money, in the amount of R \$ 89,517, for the tax enforcement proceedings filed against PBG S / A. With the advance payment of the obligation, the Refiner will have the contractual right to recognize a discount of 20% of the installments due, totaling R \$ 8,307. They have also adjusted, that the Refiner will pay the Company the amount of R \$ 4,166, with maturity up to 31 October 2020, therefore totaling the amount of its obligation with PBG S / A, in the amount of R \$ 101,990.

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

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Accounting, a record was made in the amount of R \$ 89,517 in a guarantee deposit account, classified in non-current assets, because although management expects to receive this amount within the next months, there is still no defined date for the accomplishment of the same.

### **14. Receivables from Eletrobrás**

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

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

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

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.

### **15. Income tax and social contribution**

#### **Income tax and social contribution on income**

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

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

|                     | Current assets        |                      |                       |                      | Current liabilities   |                      |                       |                      |
|---------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|
|                     | Parent Company        |                      | Consolidated          |                      | Parent Company        |                      | Consolidated          |                      |
|                     | September<br>30, 2020 | December<br>31, 2019 | September<br>30, 2020 | December<br>31, 2019 | September<br>30, 2020 | December<br>31, 2019 | September<br>30, 2020 | December<br>31, 2019 |
| Income tax          | 1.147                 | 314                  | 1.612                 | 779                  | 725                   | -                    | 3.005                 | 1.527                |
| Social contribution | 113                   | 113                  | 235                   | 227                  | 224                   | -                    | 1.053                 | 556                  |
|                     | 1.260                 | 427                  | 1.847                 | 1.006                | 949                   | -                    | 4.058                 | 2.083                |

### a) 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          |                      |
|--|-----------------------|----------------------|-----------------------|----------------------|
|  | September<br>30, 2020 | December<br>31, 2019 | September<br>30, 2020 | December<br>31, 2019 |
| Tax losses   | 35.657                | 38.562               | 35.657                | 38.562               |
| Temporary differences - assets                         | 54.636                | 35.456               | 59.419                | 39.809               |
| Cash basis foreign exchange variations                 | 20.251                | 801                  | 20.251                | 801                  |
| Provision for adjustment to market value               | 1.916                 | 2.536                | 1.916                 | 2.536                |
| Provision for civil, labor, pension and tax            | 16.620                | 14.207               | 16.620                | 14.207               |
| Provision for PIS/COFINS contingencies - Plaintiff     | -                     | 4.913                | -                     | 4.913                |
| Provision for profit sharing and long-term incentive   | 1.773                 | -                    | 1.773                 | -                    |
| Tax losses in subsidiaries                             | -                     | -                    | 4.353                 | 4.353                |
| Other temporary differences - assets                   | 14.076                | 12.998               | 14.506                | 12.998               |
| Temporary differences - liabilities                    | (52.992)              | (52.180)             | (57.870)              | (52.180)             |
| Portobello Pension Plan                                | (2.155)               | (2.155)              | (2.155)               | (2.155)              |
| Realization of revaluation reserve                     | (16.803)              | (17.261)             | (16.803)              | (17.261)             |
| Receivables from Eletrobás                             | (4.359)               | (4.359)              | (4.359)               | (4.359)              |
| Active contingency - IPI credit premium IPI - Phase I  | (2.647)               | (2.647)              | (2.647)               | (2.647)              |
| Active contingency - IPI credit premium IPI - Phase II | (7.621)               | (7.621)              | (7.621)               | (7.621)              |
| Active contingency - adjustment to rural credit notes  | -                     | (2.607)              | (4.878)               | (2.607)              |
| Adjustment to present value                            | 117                   | (163)                | 117                   | (163)                |
| Depreciation adjustment (useful lives of goods)        | (19.524)              | (15.367)             | (19.524)              | (15.367)             |
| Deferred income tax and social contribution - Net      | 37.301                | 21.838               | 37.206                | 26.191               |
| Non-currente assets                                    | 37.301                | 21.838               | 37.206                | 26.191               |
| Non-currente liabilities                               | -                     | -                    | -                     | -                    |

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

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

|                                     | <u>Parent Company</u> | <u>Consolidated</u> |
|-------------------------------------|-----------------------|---------------------|
| December 31, 2019                   | 21.839                | 26.191              |
| Tax losses                          | (2.905)               | (2.905)             |
| Temporary differences - assets      | 19.180                | 19.610              |
| Temporary differences - liabilities | (1.271)               | (6.148)             |
| Revaluation reserve                 | 458                   | 458                 |
| September 30, 2020                  | 37.301                | 37.206              |

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:

|  | <u>Parent Company</u>         | <u>Consolidated</u>           |
|--|-------------------------------|-------------------------------|
|  | <u>September 30,<br/>2020</u> | <u>September<br/>30, 2020</u> |
| Deferred tax assets charged (credited) to profit or loss |                               |                               |
| Tax losses   | (2.905)                       | (2.905)                       |
| Cash basis exchange rate variations                      | 19.450                        | 19.450                        |
| Provision for adjustment to market value                 | (457)                         | (457)                         |
| Provision for contingencies                              | 4.102                         | 4.102                         |
| Provision for PIS/COFINS contingencies - Plaintiff       | (4.913)                       | (4.913)                       |
| Provision for profit sharing and long-term incentive     | 1.773                         | 1.773                         |
| Other temporary differences - assets                     | (775)                         | (775)                         |
|  | <u>16.275</u>                 | <u>16.275</u>                 |
| Realization of revaluation reserve                       | 458                           | 458                           |
| Active contingency - adjustment to rural credit notes    | 2.607                         | (1.842)                       |
| Adjustment to present value                              | 280                           | 280                           |
| Depreciation adjustment (useful lives of goods)          | (4.157)                       | (4.157)                       |
|  | <u>(812)</u>                  | <u>(5.261)</u>                |
|  | <u>15.463</u>                 | <u>11.014</u>                 |

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

Income tax and social contribution expenses for the 3<sup>rd</sup> quarter are broken down as follows:

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

|   | Parent Company     |                    | Consolidated       |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | September 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| Profit before taxes                                 | 20.663             | (8.545)            | 25.148             | (5.472)            |
| Tax calculated based at nominal rate - 34%          | (7.025)            | 2.905              | (8.550)            | 1.860              |
| Equity in the earnings of subsidiaries              | 4.826              | 2.345              |                    |                    |
| Non-deductible expenses for tax purposes            | 2.541              | 289                | 2.541              | 289                |
| Depreciation of revalued assets                     | (153)              | (153)              | (153)              | (153)              |
| Tax credits on tax losses and temporary differences | (6.951)            | (5.386)            | (5.073)            | (5.059)            |
| Current tax on profit for the year                  | (6.763)            | -                  | (11.235)           | (3.062)            |
| Deferred income tax and social contribution         | 7.122              | 5.633              | 7.122              | 5.633              |
| Income tax and social contribution expense          | 359                | 5.633              | (4.113)            | 2.571              |
| Effective tax rate                                  | 1,7%               | -65,9%             | 16,4%              | 47,0%              |

### Cumulative change

|   | Parent Company     |                    | Consolidated       |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | September 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| Profit before taxes                                 | 31.956             | (5.408)            | 45.777             | 3.171              |
| Tax calculated based at nominal rate - 34%          | (10.865)           | 1.839              | (15.564)           | (1.078)            |
| Equity in the earnings of subsidiaries              | 8.459              | 4.082              | -                  | -                  |
| Non-deductible expenses for tax purposes            | 4.898              | 3.405              | 4.898              | 3.405              |
| Depreciation of revalued assets                     | (509)              | (458)              | (509)              | (458)              |
| Tax credits on tax losses and temporary differences | (8.746)            | (8.868)            | (4.934)            | (10.423)           |
| Current tax on profit for the year                  | (6.763)            | -                  | (16.109)           | (8.553)            |
| Deferred income tax and social contribution         | 68.581             | 9.420              | 64.133             | 9.420              |
| Income tax and social contribution expense          | 61.818             | 9.420              | 48.024             | 867                |
| Effective tax rate                                  | -193,4%            | 174,2%             | -104,9%            | -27,3%             |

## 16. Tax asset

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

### a) IPI premium credit

The Company is a party to a lawsuit claiming the recognition of tax benefits called 'IPI premium credit', in different calculation periods. Lawsuit No. 1987.0000.645-9, relating to the period between April 1,

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

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

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1981 and April 30, 1985, which was decided favorably to the Company, is in the award calculation phase with the amounts already calculated by the accounting office of the Federal Court; the amount recognized in November 2009, adjusted up to September 30, 2020 is R\$ 22,414 (R\$ 22,41 at December 31, 2019).

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

### **b) Adjustment to rural credit notes**

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

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

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

The 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.

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

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

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

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

On April 16, 2019 the Payment Request (bonds issued to pay court-ordered debts) of the supplementary amount was issued, quantified at R\$ 187,091 as at August 2015.

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

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

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

In the sale of the court-ordered debt, there was a financial discount on the operation and thus the obligation for Refinadora Catarinense S.A. became R\$ 33,790, which will be paid in accordance with the Term of Understanding of the lawsuit in 3 equal installments, the 1<sup>st</sup> of which was paid in December 2019, the 2<sup>nd</sup> was partially paid in April 2020 (R\$ 7,000), with the remaining amount postponed to July 2020 (R\$ 4,400), and the 3<sup>rd</sup> and last one in October 2020 (R\$ 11,400). Therefore, as the settlement will take place in the 12-month period, this obligation was reclassified to current, remaining the balance of R\$ 16,044.

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

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



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

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

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

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

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

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

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

## **17. Contingent assets**

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

The Company, in view of the different criteria for updating the Payment Request (court-ordered debts) distributed under No. 0154107-24.2019.4.01.9198, issued on April 16, 2019, adopted by the Federal Regional Court of the 1<sup>st</sup> Region, which quantified the tax asset at R\$ 200,549, as of June 2019, will file a judicial proceeding with a view to adjusting the criteria used to update said court-ordered debt; it should be noted that this amount is not recorded in the Financial Statements.

Management maintains the understanding that the Tax Assets, described in item 15 (c) above, represents the amount of R\$ 220,260, (base June/2018) and, in due course, will claim in court the recognition of the difference in the amount of R\$ 19,711.

## **18. Investments**

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

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

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

|                                      | Contry of incorporation | Direct ownership | Indirect ownership | Assets | Liabilities | Revenue | Profit or loss |
|--------------------------------------|-------------------------|------------------|--------------------|--------|-------------|---------|----------------|
| At December 31, 2019                 |                         |                  |                    |        |             |         |                |
| Portobello América Inc.              | United States           | 100,00%          | 0,00%              | 42.595 | 97.692      | 18.122  | (18.860)       |
| Portobello America Manufacturing     | United States           | 0,00%            | 100,00%            | 13.087 | 13.087      | -       | -              |
| PBTech Ltda.                         | Brazil                  | 99,94%           | 0,06%              | 62.373 | 52.817      | 103.559 | 6.220          |
| Portobello Shop S/A                  | Brazil                  | 99,90%           | 0,00%              | 45.666 | 45.187      | 69.311  | 31.832         |
| Mineração Portobello Ltda.           | Brazil                  | 99,76%           | 0,00%              | 4.632  | 2.213       | 10.402  | 1.587          |
| Companhia Brasileira de Cerâmica S/A | Brazil                  | 98,00%           | 2,00%              | 12.957 | 4.552       | 5.059   | (5.539)        |
| At September 30, 2020                |                         |                  |                    |        |             |         |                |
| Portobello América Inc.              | United States           | 100,00%          | 0,00%              | 74.520 | 51.037      | 46.496  | (13.028)       |
| Portobello America Manufacturing     | United States           | 0,00%            | 100,00%            | 18.545 | 16.735      | -       | (64)           |
| PBTech Ltda.                         | Brazil                  | 99,94%           | 0,06%              | 99.116 | 74.797      | 91.111  | 14.764         |
| Portobello Shop S/A                  | Brazil                  | 99,90%           | 0,00%              | 63.331 | 36.248      | 51.517  | 26.603         |
| Mineração Portobello Ltda.           | Brazil                  | 99,76%           | 0,00%              | 4.692  | 2.135       | 5.791   | 137            |
| Companhia Brasileira de Cerâmica S/A | Brazil                  | 98,00%           | 2,00%              | 11.804 | 4.349       | 3.687   | (3.347)        |

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

|   | Percentage of interest | December 31, 2019 | Exchange variations | Capital contribution | Profit on inventories | Equity in the earnings of subsidiaries | 30 de setembro de 2020 |
|---|------------------------|-------------------|---------------------|----------------------|-----------------------|--|------------------------|
| Investments                                     |                        |                   |                     |                      |                       |  |                        |
| Portobello América Inc.(a)                      | 100%                   | (61.357)          | (24.519)            | 122.784              | (4.865)               | (13.441)                               | 18.602                 |
| PBTech Ltda.                                    | 99,94%                 | 9.555             | -                   | -                    | -                     | 14.764                                 | 24.319                 |
| Portobello Shop S.A.                            | 99,90%                 | 480               | -                   | -                    | -                     | 26.603                                 | 27.083                 |
| Mineração Portobello Ltda.                      | 99,76%                 | 2.420             | -                   | -                    | -                     | 137                                    | 2.557                  |
| Companhia Brasileira de Cerâmica S/A            | 98,00%                 | 8.484             | -                   | 2.288                | -                     | (3.183)                                | 7.589                  |
| Portobello S/A                                  | 100%                   | 10                | -                   | -                    | -                     | -                                      | 10                     |
| Total net investment in subsidiaries            |                        | <u>(40.408)</u>   | <u>(24.519)</u>     | <u>125.072</u>       | <u>(4.865)</u>        | <u>24.880</u>                          | <u>80.160</u>          |
| Interest in subsidiaries                        |                        | <u>20.949</u>     |                     |                      |                       |  | <u>80.160</u>          |
| Provision fo short lliabilities in subsidiaries |                        | <u>(61.357)</u>   |                     |                      |                       |  | <u>-</u>               |

a) In August 2020, through the approval of the Board of Directors and a contract between the parties, the capital increase of the subsidiary Portobello America Inc, in the amount of R \$ 122,784, through accounts receivable between the Controllership was approved and the Subsidiary, in the period from 2008 to 2011. It should be noted that, with the payment of capital, the Company no longer presents the provision for loss on investments, and their values are recorded in the investment account in non-current assets.

## 19. Property, plant and equipment

### a) Breakdown

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

|   | Parent Company                   |         |                          |                   | Consolidated       |           |                          |                   |           |
|---|----------------------------------|---------|--------------------------|-------------------|--------------------|-----------|--------------------------|-------------------|-----------|
|   | September 30, 2020               |         |                          | December 31, 2019 | September 30, 2020 |           |                          | December 31, 2019 |           |
|   | Annual average depreciation rate | Cost    | Accumulated depreciation | Net value         | Net value          | Cost      | Accumulated depreciation | Net value         | Net value |
| Land                                      | -                                | 12.603  | -                        | 12.603            | 12.603             | 13.485    | -                        | 13.485            | 13.485    |
| Buildings, constructions and improvements | 3%                               | 211.871 | (61.791)                 | 150.080           | 155.092            | 243.271   | (76.570)                 | 166.701           | 167.027   |
| Machinery and equipment                   | 15%                              | 656.849 | (377.798)                | 279.051           | 285.951            | 661.107   | (378.660)                | 282.447           | 289.115   |
| Furniture and fixtures                    | 10%                              | 9.750   | (8.909)                  | 841               | 883                | 11.859    | (9.460)                  | 2.399             | 2.326     |
| Computers                                 | 20%                              | 29.972  | (23.077)                 | 6.895             | 8.009              | 30.929    | (23.615)                 | 7.314             | 8.471     |
| Other property, plant and equipment       | 20%                              | 2.681   | (1.158)                  | 1.523             | 1.870              | 2.681     | (1.158)                  | 1.523             | 1.870     |
| Construction in progress                  | -                                | 66.495  | -                        | 66.495            | 5.672              | 68.892    | -                        | 68.892            | 5.672     |
|   |                                  | 990.221 | (472.733)                | 517.488           | 470.080            | 1.032.224 | (489.463)                | 542.761           | 487.966   |

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

Pursuant to Technical Interpretation ICPC 10 of the Accounting Pronouncements Committee, approved by CVM Resolution 619/09, effective beginning January 1, 2009, the Company revised and changed the useful life of its property, plant and equipment items in 2008, based on the Technical Report issued by the Company's engineers, and since then, it regularly conducts an annual review; there was no significant impact on the useful life of property, plant and equipment items in the 3<sup>rd</sup> quarter of 2020.

### b) Changes in PP&E

|                                     | Parent Company    |           |           |              |            |                    |
|-------------------------------------|-------------------|-----------|-----------|--------------|------------|--------------------|
|                                     | December 31, 2019 | Additions | Transfers | Depreciation | Write-offs | September 30, 2020 |
| Land                                | 12.603            | -         | -         | -            | -          | 12.603             |
| Buildings and improvements          | 155.092           | 477       | -         | (5.489)      | -          | 150.080            |
| Machinery and equipment             | 285.951           | 4.813     | 9.728     | (21.031)     | (410)      | 279.051            |
| Furniture and fixtures              | 883               | 107       | -         | (149)        | -          | 841                |
| Computers                           | 8.009             | 1.053     | -         | (2.082)      | (85)       | 6.895              |
| Other property, plant and equipment | 1.870             | 76        | -         | (423)        | -          | 1.523              |
| Construction in progress            | 5.672             | 70.551    | (9.728)   | -            | -          | 66.495             |
|                                     | 470.080           | 77.077    | -         | (29.174)     | (495)      | 517.488            |

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

|                                     | Consolidated      |           |           |              |            |                    |
|-------------------------------------|-------------------|-----------|-----------|--------------|------------|--------------------|
|                                     | December 31, 2019 | Additions | Transfers | Depreciation | Write-offs | September 30, 2020 |
| Land                                | 13.485            | -         | -         | -            | -          | 13.485             |
| Buildings and improvements          | 167.027           | 6.154     | 1.927     | (8.407)      | -          | 166.701            |
| Machinery and equipment             | 289.115           | 5.468     | 9.728     | (21.454)     | (410)      | 282.447            |
| Furniture and fixtures              | 2.326             | 405       | -         | (332)        | -          | 2.399              |
| Computers                           | 8.471             | 1.280     | -         | (2.352)      | (85)       | 7.314              |
| Other property, plant and equipment | 1.870             | 76        | -         | (423)        | -          | 1.523              |
| Construction in progress            | 5.672             | 74.875    | (11.655)  | -            | -          | 68.892             |
|                                     | 487.966           | 88.258    | -         | (32.968)     | (495)      | 542.761            |

Up to September 30, 2020, additions amounted to R\$ 88,258 , of which 79% went to the Tijucas plant, 9% to Own Stores, 3% to the Marechal Deodoro plant and the remainder to new businesses. At the Tijucas plant, 67% are for the preparation and updating of the industrial facilities for the manufacturing of products with greater added value and larger formats, such as the Lastras project and 33% for commercial projects and new businesses. In Own Stores, approximately half of the investment made was allocated to the remodeling of the Brasília store. At the Marechal Deodoro plant, most of the investments were for the implementation of a new production line for enameled porcelain tiles.

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

|                         | Parent Company     |                    | Consolidated       |                    |
|-------------------------|--------------------|--------------------|--------------------|--------------------|
|                         | Accumulated        |                    |                    |                    |
|                         | September 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| Cost of sales           | 24.969             | 23.707             | 25.107             | 24.061             |
| Selling expenses        | 2.906              | 2.448              | 6.518              | 5.281              |
| Administrative expenses | 1.299              | 1.271              | 1.343              | 1.300              |
|                         | 29.174             | 27.426             | 32.968             | 30.642             |

## 20. Intangible assets

### a) Breakdown

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.

In thousands of reais, unless otherwise stated.

|                                    | Parent Company                   |        |                          |           | Consolidated       |        |                          |           |           |
|------------------------------------|----------------------------------|--------|--------------------------|-----------|--------------------|--------|--------------------------|-----------|-----------|
|                                    | September 30, 2020               |        | December 31, 2019        |           | September 30, 2020 |        | December 31, 2019        |           |           |
|                                    | Annual average amortization rate | Cost   | Accumulated amortization | Net value | Net value          | Cost   | Accumulated amortization | Net value | Net value |
| Trademarks and patents             | -                                | 150    | -                        | 150       | 150                | 150    | -                        | 150       | 150       |
| Software                           | 20%                              | 37.116 | (28.930)                 | 8.186     | 8.240              | 40.464 | (29.744)                 | 10.720    | 9.126     |
| Right to explore mineral resources | 20%                              | 1.000  | (1.000)                  | -         | -                  | 4.073  | (3.529)                  | 544       | 839       |
| Goodwill (a)                       | 7%                               | -      | -                        | -         | -                  | 12.320 | (2.086)                  | 10.234    | 10.851    |
| Software under development         | -                                | 2.347  | -                        | 2.347     | 479                | 4.270  | -                        | 4.270     | 1.426     |
|                                    |                                  | 40.613 | (29.930)                 | 10.683    | 8.869              | 61.277 | (35.359)                 | 25.918    | 22.392    |

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

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

### b) Changes in intangible assets

|                                   | Parent Company    |           |           |               |            |                    |
|-----------------------------------|-------------------|-----------|-----------|---------------|------------|--------------------|
|                                   | December 31, 2019 | Additions | Transfers | Amortizations | Write-offs | September 30, 2020 |
| Trademarks and patents            | 150               | -         | -         | -             | -          | 150                |
| Software                          | 8.240             | -         | 2.243     | (2.258)       | (39)       | 8.186              |
| Software under development        | 479               | 4.111     | (2.243)   | -             | -          | 2.347              |
|                                   | 8.869             | 4.111     | -         | (2.258)       | (39)       | 10.683             |
|                                   | Consolidated      |           |           |               |            |                    |
|                                   | December 31, 2019 | Additions | Transfers | Amortizations | Write-offs | September 30, 2020 |
| Trademarks and patents            | 150               | -         | -         | -             | -          | 150                |
| Software                          | 9.126             | 1.699     | 2.643     | (2.709)       | (39)       | 10.720             |
| Right to explore mineral resource | 839               | -         | -         | (295)         | -          | 544                |
| Goodwill                          | 10.851            | -         | -         | (617)         | -          | 10.234             |
| Software under development        | 1.426             | 5.487     | (2.643)   | -             | -          | 4.270              |
|                                   | 22.392            | 7.186     | -         | (3.621)       | (39)       | 25.918             |

Until September 30, 2020, intangible assets added up to R\$ 7,186, an amount destined mainly for the Transformation project, which aims to optimize and implement digital improvements in the commercial area.

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

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

|                         | Parent Company     |                    | Consolidatd        |                    |
|-------------------------|--------------------|--------------------|--------------------|--------------------|
|                         | September 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| Cost of sales           | 438                | 735                | 732                | 1.038              |
| Selling expenses        | 1.069              | 704                | 2.076              | 1.348              |
| Administrative expenses | 751                | 825                | 813                | 878                |
|                         | <u>2.258</u>       | <u>2.264</u>       | <u>3.621</u>       | <u>3.264</u>       |

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

|                                    | 2020         | 2021         | 2022         | 2023         | 2024 to 2038 | Total         |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Software                           | 960          | 3.528        | 2.804        | 2.407        | 1.021        | 10.720        |
| Right to explore mineral resources | 97           | 392          | 55           | -            | -            | 544           |
| Goodwill                           | 205          | 822          | 822          | 822          | 7.563        | 10.234        |
|                                    | <u>1.262</u> | <u>4.742</u> | <u>3.681</u> | <u>3.229</u> | <u>8.584</u> | <u>21.498</u> |

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.

## 21. Right-of-use assets and lease liabilities

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

At September 30, 2020, the Company had 48 lease agreements for its commercial units. This asset is comprised of own store rentals and distribution centers.

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

The remaining agreements were recorded according to the expense period.

### a) Breakdown of right-of-use assets

|                               | Parent Company | Consolidated  |
|-------------------------------|----------------|---------------|
| December 31, 2019             | 12.916         | 58.843        |
| (+) Additions                 | 11.880         | 28.834        |
| (-) Accumulated depreciatioin | (9.661)        | (23.144)      |
| September 30, 2020            | <u>15.135</u>  | <u>64.533</u> |

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

### b) Breakdown of lease liabilities

|                    | <u>Parent Company</u> | <u>Consolidated</u> |
|--------------------|-----------------------|---------------------|
| December 31, 2019  | 11.825                | 39.531              |
| Additions          | 11.880                | 28.834              |
| Payments           | (6.528)               | (23.240)            |
| Incorred interests | (896)                 | (1.675)             |
| September 30, 2020 | 16.281                | 43.450              |

## 22. Trade payables and supplier credit assignment

|                              | <u>Parent Company</u> |                      | <u>Consolidated</u>   |                      |
|------------------------------|-----------------------|----------------------|-----------------------|----------------------|
|                              | September<br>30, 2020 | December<br>31, 2019 | September<br>30, 2020 | December<br>31, 2019 |
| Domestic market              | 203.531               | 187.084              | 219.358               | 199.268              |
| Credit assignment (a)        | 52.337                | 58.710               | 52.337                | 58.710               |
| Other                        | 151.194               | 128.374              | 167.021               | 140.558              |
| Foreign market               | 15.927                | 6.127                | 15.927                | 6.127                |
| Circulante                   | 219.458               | 193.211              | 235.285               | 205.395              |
| Domestic market (i)          | 137.380               | 124.754              | 137.380               | 124.754              |
| Payables for investments (b) | 26.647                | -                    | 26.647                | -                    |
| Non-current                  | 164.027               | 124.754              | 164.027               | 124.754              |
|                              | <u>383.485</u>        | <u>317.965</u>       | <u>399.312</u>        | <u>330.149</u>       |

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

### a) Supplier credit assignment

The Company conducted supplier credit assignment transactions with top-tier financial institutions in the amount of R\$ 52,337 at September 30, 2020, (R\$ 58,710 at December 31, 2019), to offer to its partner suppliers more attractive credit facilities aiming at maintaining the business relationship. In this transaction, suppliers transfer the right to receive the amounts of the notes to the bank, which in turn, becomes creditor of the transaction.

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

### b) Payables for fixed asset and intangible

The Company recognizes a balance of R\$ 26,503 in the parent company and consolidated in current liabilities (R\$ 20,127 in the parent company and R\$ 21,745 in the consolidated at December 31, 2019).

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

Simultaneously, it has a balance of R\$ 26,647 in the parent company and consolidated non-current liabilities related to fixed assets for modernization of plants, investment in own stores and systems.

### 23 Borrowings and debentures

|                           | Currency | Maturity | Charges                       | Parent Company     |                   | Consolidated       |                   |
|---------------------------|----------|----------|-------------------------------|--------------------|-------------------|--------------------|-------------------|
|                           |          |          |                               | September 30, 2020 | December 31, 2019 | September 30, 2020 | December 31, 2019 |
| <b>Current</b>            |          |          |                               |                    |                   |                    |                   |
| Working capital           | R\$      |          |                               | -                  | -                 | -                  | 1.343             |
| Banco do Nordeste S.A (a) | R\$      | jun-25   | 3,68% a.a. <sup>1</sup> +IPCA | 40.132             | 36.419            | 40.132             | 36.419            |
| NCE (b)                   | R\$      | mar-24   | 4,21% a.a. <sup>1</sup>       | 79.439             | 40.320            | 79.439             | 40.320            |
| NCE (b)                   | US\$     | jun-21   | 3,18% a.a. <sup>1</sup> +VC   | 7.675              | 10.969            | 7.675              | 10.969            |
| PRODEC (c)                | R\$      | nov-22   | 3,72% a.a. <sup>1</sup> +AVP  | 4.524              | 8.710             | 4.524              | 8.710             |
| FINEP (d)                 | R\$      | mai-21   | 6,89% a.a. <sup>1</sup>       | 8.866              | 13.250            | 8.866              | 13.250            |
| DEG (e)                   | US\$     | out-21   | 5,07% a.a. <sup>1</sup> +VC   | 17.849             | 12.443            | 17.849             | 12.443            |
| FINAME (f)                | R\$      | ago-23   | 3,00% a.a. <sup>1</sup>       | 420                | 420               | 420                | 420               |
| DEBENTURES 1st series (g) | R\$      | jun-21   | 4,13% a.a. <sup>1</sup>       | 100.311            | 99.050            | 100.311            | 99.050            |
| DEBENTURES 2nd series (h) | R\$      | jun-23   | 4,70% a.a. <sup>1</sup>       | 1.304              | -                 | 1.304              | -                 |
| ACC                       | US\$     | jun-20   | 5,90% a.a. <sup>1</sup> +VC   | 11.478             | -                 | 11.478             | -                 |
| ACC (i)                   | US\$     | jun-20   | 4,55% a.a. <sup>1</sup> +VC   | -                  | 10.845            | -                  | 10.845            |
| Total current             |          |          | 4,49% a.a. <sup>1</sup>       | 271.998            | 232.426           | 271.998            | 233.769           |
| Total domestic currency   | R\$      |          |                               | 234.996            | 198.169           | 234.996            | 199.512           |
| Total foreign currency    | US\$     |          |                               | 37.002             | 34.257            | 37.002             | 34.257            |
| <b>Non-current</b>        |          |          |                               |                    |                   |                    |                   |
| Banco do Nordeste S.A (a) | R\$      | jun-25   | 3,68% a.a. <sup>1</sup> +IPCA | 108.942            | 71.689            | 108.942            | 71.689            |
| NCE (b)                   | R\$      | mar-24   | 4,21% a.a. <sup>1</sup>       | 134.876            | 192.389           | 134.876            | 192.389           |
| NCE (b)                   | US\$     | jun-21   | 3,18% a.a. <sup>1</sup> +VC   | 7.647              | 5.464             | 7.647              | 5.464             |
| PRODEC (c)                | R\$      | nov-22   | 3,72% a.a. <sup>1</sup> + AVP | 10.503             | 11.817            | 10.503             | 11.817            |
| FINEP (d)                 | R\$      | mai-21   | 6,89% a.a. <sup>1</sup>       | 58.008             | 30.489            | 58.008             | 30.489            |
| DEG (e)                   | US\$     | out-21   | 5,07% a.a. <sup>1</sup> +VC   | 8.335              | 12.092            | 8.335              | 12.092            |
| FINAME (f)                | R\$      | ago-23   | 3,00% a.a. <sup>1</sup>       | 660                | 974               | 660                | 974               |
| DEBENTURES 1st series (g) | R\$      | jun-21   | 4,13% a.a. <sup>1</sup>       | -                  | 49.482            | -                  | 49.482            |
| DEBENTURES 2ns series (h) | R\$      | jun-23   | 4,70% a.a. <sup>1</sup>       | 149.057            | 148.211           | 149.057            | 148.211           |
| Total non-current         |          |          | 4,49% a.a. <sup>1</sup>       | 478.028            | 522.607           | 478.028            | 522.607           |
| Total domestic currency   | R\$      |          |                               | 462.046            | 505.051           | 462.046            | 505.051           |
| Total foreign currency    | US\$     |          |                               | 15.982             | 17.556            | 15.982             | 17.556            |
| Total                     |          |          | 4,49% a.a. <sup>1</sup>       | 750.026            | 755.033           | 750.026            | 756.376           |
| Total domestic currency   | R\$      |          |                               | 697.043            | 703.220           | 697.043            | 704.563           |
| Total foreign currency    | US\$     |          |                               | 52.983             | 51.813            | 52.983             | 51.813            |



## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

### a) Information on agreements

| Note | Contract   | Date         |          | Borrowings<br>(R\$<br>thousand) | Maturity<br>(months) | Repayment    | Grace<br>period<br>(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  |
|      | <i>Contract entered into in June/2013, in the amount of R\$ 147,700. The 1st installment of financing was disbursed by the Bank in August/2014 in the amount of R\$ 29,221, the 2nd installment was</i>  |              |          |                                 |                      |              |                             |   |
| (a)  | Banco do Nordeste  | jul-19       | jun-27   | R\$ 31.147                      | 95                   | Monthly      | 24                          | Mortgage for real estate and machinery and equipment in 2nd degree  |
|      | <i>Contract entered into in July/2019, in the amount of R\$ 31,147. The 1st installment of the financing was disbursed by the Bank in July/2019 in the amount of R\$ 7,246, the 2nd installment was</i>  |              |          |                                 |                      |              |                             |   |
|      | Banco do Nordeste  | set-19       | jan-21   | R\$ 16.500                      | 12                   | Bullet       | Bullet                      | PB Tech and CBC guarantee   |
|      | <i>Contract entered into in September/2019, in the amount of R\$ 16,500. The amount of the financing was disbursed fully by the Bank in September/2019 in the amount of R\$ 16,500. Transaction</i>  |              |          |                                 |                      |              |                             |   |
|      | Banco do Nordeste  | set-19       | ago-22   | R\$ 23.500                      | 12                   | 35           | 2                           | PB Tech and CBC guarantee   |
|      | <i>Contract entered into in September/2019, in the amount of R\$ 23,500. The amount of the financing was disbursed fully by the Bank in September/2019 in the amount of R\$ 23,500.</i>  |              |          |                                 |                      |              |                             |   |
|      | Banco do Nordeste  | jun-20       | jul-23   | R\$ 35.000                      | 37                   | Monthly      | 13                          | Mortgage for real state in 2nd degree   |
|      | <i>Contract entered in June/2020, in the amount of R\$ 35,000. The amount of the financing was disbursed fully by the Bank in June/2020 in the amount of R\$ 35,000.</i>   |              |          |                                 |                      |              |                             |   |
|      | Export credit (NCE)  | nov-17       | nov-21   | R\$ 50.000                      | 51                   | Monthly      | 12                          | Receivables from Portobello SA in the amount of 30% of the outstanding balance of the contract                          |
|      | This contract has minimum covenant clauses evaluated in the 4th quarter. (Renegotiated in April/2020)  |              |          |                                 |                      |              |                             |   |
|      |  | jun-18       | jun-21   | R\$ 24.000                      | 36                   | Quarterly    | 12                          | Clean   |
|      |  | jun-18       | mai-21   | R\$ 24.000                      | 36                   | Quarterly    | 12                          | Receivables from Portobello SA in the amount of 25% of the outstanding balance of the contract                          |
|      |  | mar-19       | abr-24   | R\$ 54.000                      | 61                   | Annual       | 24                          | Receivables from Portobello SA in the amount of 20% of the outstanding balance of the contract or short-term investment |
| (b)  |  | mar-19       | mar-24   | R\$ 50.000                      | 60                   | Quarterly    | 24                          | Receivables from Portobello SA in the amount of 20% of the outstanding balance of the contract                          |
|      |  | mar-19       | mar-24   | R\$ 10.000                      | 60                   | Quarterly    | 24                          | Receivables from Portobello SA in the amount of 20% of the outstanding balance of the contract or short-term investment |
|      |  | jul-19       | jul-23   | R\$ 20.000                      | 48                   | Monthly      | 12                          | Receivables from Portobello SA in the amount of 30% of the outstanding balance of the contract                          |
|      |  | jul-19       | jul-23   | R\$ 20.000                      | 48                   | Monthly      | 12                          | Receivables from Portobello SA in the amount of 30% of the outstanding balance of the contract                          |
|      |  | set-19       | set-22   | R\$ 30.000                      | 36                   | Quarterly    | 12                          | Receivables from Portobello SA in the amount of 20% of the outstanding balance of the contract                          |
|      |  | jul-20       | dez-21   | R\$ 3.500                       | 18                   | Quarterly    | 18                          | Clean   |
| (c)  | PRODEC   | ago-20       | ago-24   | R\$ 437                         | 48                   | Bullet       | Bullet                      | -   |
|      |  | set-20       | set-24   | R\$ 1.318                       | 48                   | Bullet       | Bullet                      | -   |
|      | <i>(Program of Development for Companies of the Santa Catarina State) - Special Regime for the State of Santa Catarina obtained in July/2009. The balance is subject to adjustment to present</i>  |              |          |                                 |                      |              |                             |   |
| (d)  | Finep  | jul-14       | mai-21   | R\$ 57.318                      | 84                   | Mensal       | 24                          | Fiança Bancária   |
|      | <i>Contract entered into July/2014, in the amount of R\$ 57,300 and the first installment of the financing, in the amount of R\$ 12,627, was disbursed by the Bank in</i>  |              |          |                                 |                      |              |                             |   |
|      |  | dez-19       | set-29   | R\$ 66.771                      | 117                  | Mensal       | 32                          | Fiança Bancária   |
|      | <i>Contract entered into December/2019, in the amount of R\$ 66,771 and the 1st installment of the financing, in the amount of R\$ 25,008, was disbursed by the</i>  |              |          |                                 |                      |              |                             |   |
| (e)  | DEG  | mai-14       | out-21   | US\$ 18.000                     | 90                   | Semiannually | 23                          | Machinery and equipment and promissory notes  |
|      | This contract has minimum covenant clauses that were renegotiated in MAR18 and were not complied with, and a waiver was granted.   |              |          |                                 |                      |              |                             |   |
| (f)  | Finame   | mai-13       | mai-23   | R\$ 39                          | 120                  | Monthly      | 25                          |   |
|      |  | mai-13       | abr-23   | R\$ 601                         | 120                  | Monthly      | 24                          |   |
|      |  | jul-13       | jul-23   | R\$ 107                         | 120                  | Monthly      | 25                          | Machinery and equipment   |
|      |  | jul-13       | ago-23   | R\$ 1.890                       | 120                  | Monthly      | 26                          |   |
|      |  | jan-14       | jun-23   | R\$ 577                         | 114                  | Monthly      | 18                          |   |
| (g)  | Debentures 3rd Issuance 1st s  | jun-18       | jun-21   | R\$ 150.000                     | 36                   | Semiannually | 24                          | Real guarantee and additional fiduciary guarantee   |
|      | Debentures 3rd Issuance 2nd s  | jun-18       | jun-23   | R\$ 150.000                     | 60                   | Semiannually | 48                          | Real guarantee and additional fiduciary guarantee   |
| (h)  | On June 15, 2018, the Board of Directors of PBG SA, approved the 3rd issuance of simple, non-convertible debentures of the type with collateral and additional collateral, in two series, for public distribution with restricted efforts. The proceeds 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 been met. |              |          |                                 |                      |              |                             |   |
| (i)  | ACC  | jun-20       | jun-21   | US\$ 2.000                      | 12                   | Bullet       | Bullet                      | Investments by Portobello SA in the amount of 35% of the outstanding balance of the contract                            |

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

Until the end of the 3<sup>rd</sup> quarter of 2020, the Company carried out fundraising in the amount of R\$ 93,002 and repayments of R\$ 123,582, of which R\$ 59,064 refers to payment of debentures.

In 3Q2020, the Company did not reach the covenant referring to the operation with DEG bank (PL / Total Assets greater than 20%). In September 2020, DEG bank granted the waiver referring to the failure to meet the indicator.

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As requested in a waiver obtained from the DEG bank, on September 30, 2020, the Company reclassified the amount of R \$ 5,640, equivalent to USD 1,000 for the linked financial investment, classified in non-current assets, according to note 5.3.

Long-term borrowings mature as follows:

|               | Parent Company        |                      | Consolidated          |                      |
|---------------|-----------------------|----------------------|-----------------------|----------------------|
|               | September<br>30, 2020 | December<br>31, 2019 | September<br>30, 2020 | December<br>31, 2019 |
| 2020          | 87.727                | 232.426              | 87.727                | 233.769              |
| 2021          | 205.042               | 177.531              | 205.042               | 177.531              |
| 2022          | 214.852               | 179.881              | 214.852               | 179.881              |
| 2023 and 2029 | 242.405               | 165.195              | 242.405               | 165.195              |
|               | 750.026               | 755.033              | 750.026               | 756.376              |

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

|           | Parent Company        |                      | Consolidated          |                      |
|-----------|-----------------------|----------------------|-----------------------|----------------------|
|           | September<br>30, 2020 | December<br>31, 2019 | September<br>30, 2020 | December<br>31, 2019 |
| Reais     | 697.043               | 703.220              | 697.043               | 704.563              |
| US Dollar | 52.983                | 51.813               | 52.983                | 51.813               |
|           | 750.026               | 755.033              | 750.026               | 756.376              |

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

Changes in borrowings and debentures are as follows:

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

|                                  | Total debt     |              |
|----------------------------------|----------------|--------------|
|                                  | Parent Company | Consolidated |
| Net debt at December 31, 2019    | 755.033        | 756.376      |
| Changes affecting cash flows     |                |              |
| Proceeds from borrowings         | 93.002         | 93.002       |
| Repayments of borrowings         | (123.582)      | (123.582)    |
| Interest paid                    | (25.739)       | (25.739)     |
| Changes not affecting cash flows |                |              |
| Exchange rate variations         | 49.156         | 47.813       |
| Payment of interest              |                |              |
| Mark-to-market                   | 975            | 975          |
| Allocation of debenture cost     | 1.181          | 1.181        |
| Net debt at September 30, 2020   | 750.026        | 750.026      |

## Debentures

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

|                       | September<br>30, 2020 | December<br>31, 2019 |
|-----------------------|-----------------------|----------------------|
| Borrowing amount      |                       |                      |
| Debentures 1st series | 101.089               | 150.088              |
| Debentures 2nd series | 151.843               | 150.097              |
| Gross Balance         | 252.932               | 300.185              |
| Borrowings costs      | (2.260)               | (3.443)              |
| Net Balance           | 250.672               | 296.742              |
| Current               | 101.615               | 99.050               |
| Non-current           | 149.057               | 197.692              |

| Issue Characteristics |                            |
|-----------------------|----------------------------|
| Issue                 | 3 <sup>rd</sup>            |
| Fiduciary Agent       | PLANNER TRUSTEE DTVM LTDA. |
| Settling bank         | Banco Bradesco S/A         |
| Lead Coordinator      | Banco Itaú BBA S/A         |
| Issue Rating          | No                         |
| Trading               | CETIP                      |
| Serial Number         | 2                          |
| Issue Volume R\$      | 300.000.000,00             |
| Total Debentures      | 300.000                    |
| Par Value R\$         | 1.000,00                   |

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
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| Series                    | Serial operation breakdown                            |  |
|---------------------------|---|--|
|                           | 1 <sup>st</sup>                                       | 2 <sup>nd</sup>                            |
| Registration with CVM No. | 476/09  |  |
| Asset Code                | PTBL13  | PTBL23                                     |
| Issue date                | 27/06/2018  |  |
| Maturity date             | 27/06/2021  | 27/06/2023                                 |
| Volume R\$                | 150.000.000,00  | 150.000.000,00                             |
| Total Debentures          | 150.000   | 150.000                                    |
| Par Value R\$             | 1.000,00  | 1.000,00                                   |
| Form                      | Book-entry  |  |
| Cash                      | Real guarantee and additional fiduciary guarantee     |  |
| Convertibility            | Not convertible into shares issued by the Issuer      |  |
| Monetary Correction       | There will be no monetary correction of the Par Value |  |
| Remuneration              | DI Rate + 2,20% p.a. (year based 252 days)            | DI Rate + 2.75% p.a. (year based 252 days) |
| Payment Remuneration      | Semiannual, with first interest date on 12/27/2018    |  |
| Amortization              | Initial nominal value                                 | Initial nominal value                      |
| Corporate acts:           | EGM at 06/15/2018                                     |  |
| Covenants                 | Net Debt / EBITDA < 3.00 times by two periods         |  |

In 3Q2020, the Company did not reach the covenant referring to the debentures. In September 2020, Banco Itaú granted the waiver for non-compliance with the indicator.

### 24. Installment payment of tax obligations

| Tax obligations   | Request for installmen payment |                 | Parent Company |          | Consolidado |          |
|-------------------|--------------------------------|-----------------|----------------|----------|-------------|----------|
|                   | Date                           | Installment due | September      | December | September   | December |
|                   |                                |                 | 30, 2020       | 31, 2019 | 30, 2020    | 31, 2019 |
| Law 11,941/09 (a) | nov-09                         | 52              | 48.535         | 54.973   | 48.910      | 55.580   |
| Total             |                                |                 | 48.535         | 54.973   | 48.910      | 55.580   |

Tax installments will be paid as follows:

| Maturity     | Parent Company |          | Consolidated |          |
|--------------|----------------|----------|--------------|----------|
|              | September      | December | September    | December |
| October 1    | 30, 2020       | 31, 2019 | 30, 2020     | 31, 2019 |
| 2020 (*)     | 4.787          | 11.455   | 4.821        | 11.765   |
| 2021 to 2024 | 43.748         | 43.517   | 44.089       | 43.815   |
|              | 48.535         | 54.972   | 48.910       | 55.580   |
| Current      | 11.323         | 11.455   | 11.442       | 11.765   |
| Non-current  | 37.212         | 43.517   | 37.468       | 43.815   |

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

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

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

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### **25. Other accounts payable – Current liabilities**

In September 2020, the Company recorded R \$ 43,435 (R \$ 24,401 as of December 31, 2020) in other accounts payable in current liabilities. The main accounts that make up this balance are provisions and commissions payable, gain or loss on derivative transactions and deferred tax of the subsidiary.

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

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

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

PGFN partially rejected the request in June 2010 alleging the need to withdraw from the lawsuits contesting the credit, as well as showing that the requirement had not been met "undue use". The Company manifested itself in order to request the withdrawal / resignation only of lawsuits that contested the assessments received from SRF. However, the Regional Attorney of the National Treasury of Santa Catarina understood that the withdrawal/resignation should also reach the declaratory actions that aim at the recognition of the IPI Premium Credit, referred to in notes 15. The Legal Department of the Company is taking the necessary measures against the decision of the PGFN with the purpose of removing the requirement of giving up/waiving said declaratory actions as well as the proof of "Improper use", clearly recognized by the Federal Revenue Service of Brazil launching. This procedure decided by the Administration is supported by the opinion of the law firm Demarest Almeida, who defends that, for the debts included in the installment plan of Law 12,249/10, the aforementioned declaratory actions are not required to be withdrawn, unlike the provided for in Law 11,941/09. In this way it maintains that it is practically certain to reverse this situation pursuing the various judicial bodies to, on the merits, remove the grounds for refusal. For the clarification, the writ of mandamus filed to seek judicial approval of the installment payment was denied at first instance. In appeal, the 4th Regional TRF gave partial dismissal the appeal. In judgment of the Special Appeal, the Higher Court of Justice upheld the appeal lodged by the Company to fully ratify the installments governed by MP 470 and also dismissed the Special Appeal filed by the National Treasury.

### **27. Provision for civil, labor, social security and tax risks**

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

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Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
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Provisions are measured based on the estimated expenses necessary to settle the obligation. Civil and labor lawsuits are individually assessed by the Company's legal advisors who classify them according to the likelihood of favorable outcome in the lawsuits.

The balance of provisions is broken down as follows:

| Amount accrued  | Parent Company     |                   | Consolidated       |                   |
|-----------------|--------------------|-------------------|--------------------|-------------------|
|                 | September 30, 2020 | December 31, 2019 | September 30, 2020 | December 31, 2019 |
| Civil           | 23.644             | 17.126            | 23.675             | 17.126            |
| Labor           | 12.113             | 11.891            | 12.113             | 11.891            |
| Social security | 6.615              | 6.615             | 6.615              | 6.615             |
| Tax             | 22.259             | 84.568            | 22.259             | 84.600            |
|                 | 64.631             | 120.200           | 64.662             | 120.232           |

|  | Parent Company |        |                 |          | Total    |
|--|----------------|--------|-----------------|----------|----------|
|  | Civil          | Labor  | Social security | Tax      |          |
| At December 31, 2019                       | 17.126         | 11.891 | 6.615           | 84.568   | 120.200  |
| Charged (credited) to statement of income: |                |        |                 |          |          |
| Additional provisions                      |                | 4.817  |                 | 90       | 6.479    |
| Reversal - not used                        |                | 2.425  |                 | 17.134   | 20.196   |
| Monetary adjustment (Reversal)             |                | (243)  |                 | (76.307) | (77.371) |
| Reversal due to realization                |                | (481)  |                 | (3.226)  | (4.874)  |
| At September 30, 2020                      | 23.644         | 12.113 | 6.615           | 22.259   | 64.631   |

|  | Consolidated |        |                 |          | Total    |
|--|--------------|--------|-----------------|----------|----------|
|  | Civil        | Labor  | Social security | Tax      |          |
| At December 31, 2019                       | 17.126       | 11.891 | 6.615           | 84.600   | 120.232  |
| Charged (credited) to statement of income: |              |        |                 |          |          |
| Additional provisions                      |              | 4.817  |                 | 90       | 6.479    |
| Reversal - not used                        |              | 2.424  |                 | 17.134   | 20.195   |
| Monetary adjustment (Reversal)             |              | (243)  |                 | (76.307) | (77.371) |
| Reversal due to realization                |              | (481)  |                 | (3.226)  | (4.874)  |
| At September 30, 2020                      | 23.643       | 12.113 | 6.615           | 22.291   | 64.662   |

## Civil

The Company and its subsidiaries are defendants in 447 civil lawsuits (509 lawsuits at December 31, 2018), before the Common Courts and Special Civil Courts. The majority of lawsuits is filed by customers and claim indemnity for alleged pain and suffering and damage to property. When applicable, escrow deposits were made (note 12).

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

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### **Labor**

The Company and its subsidiary Portobello Shop S.A. are defendants in 246 labor claims (279 claims at December 31, 2019), filed by former employees and third parties. The other lawsuits refer to payment of severance amounts, additional amounts, overtime, equal pay and indemnity for pain and suffering and damage to property arising from work accident/ occupational illness. Provisions are revised by Management according to its legal advisors. Some lawsuits are supported by escrow deposits.

### **Social security**

Based on the low expectation of success in administrative and judicial actions involving corporate awards, the Company recognized in the 1<sup>st</sup> quarter of 2018 the provision for these debts, in the total amount of R\$ 6,615, which still depend on a court decision, in the Fiscal Execution phase, or in some cases, an administrative decision with the Brazilian Federal Revenue Service.

### **Change in the labor debt adjustment criterion**

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

### **Tax**

#### **Tax on legal asset - Plaintiff**

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

In June 2020, the values of the IPI Premium Credit Tax - Polo Assets were reversed according to the STF decision, totaling the amount of R \$ 70,187 related to PIS, COFINS, IRPJ and CSLL, as mentioned in note 16c.

The remaining amount of the balance includes the success fees related to tax proceedings and the provision for contingency of PIS and COFINS on financial income.

#### **28. Lawsuits assessed as possible and remote losses**

In addition to the provisions recorded in its financial statements, assessed as probable losses, there are other civil, labor and social security lawsuits, which were assessed as possible losses based on the

## PBG S.A. and Subsidiaries

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risk assessments arising from the abovementioned lawsuits, and the Company, based on the opinion of its legal advisors, estimates the amounts of contingent liabilities as follows:

|                 | Parent Company        |                      | Consolidated          |                      |
|-----------------|-----------------------|----------------------|-----------------------|----------------------|
|                 | September<br>30, 2020 | December<br>31, 2019 | September<br>30, 2020 | December<br>31, 2019 |
| Civil           | 3.786                 | 3.786                | 3.786                 | 3.786                |
| Labor           | 11.956                | 9.606                | 11.956                | 9.711                |
| Social Security | 10.985                | 10.985               | 10.985                | 10.985               |
|                 | <u>26.727</u>         | <u>24.377</u>        | <u>26.727</u>         | <u>24.482</u>        |

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

On December 08, 2014, the Company was notified about the issuance of Tax Assessment Notices, which established IRPJ and CSLL tax credits (as well as monetary penalties and interest), for calendar years from 2009 to 2013. According to the Tax Authorities, the Company would have allegedly committed the following infractions: (a) in 2009, it would have allegedly: (a.1) unduly excluded taxable income deriving from tax benefits; (a.2) deducted unnecessary expenses related to the principal of tax debts (IPI, PIS and COFINS) which were recorded in prior-years' profit or loss; (a.3) excluded non-deductible amounts related to the principal of IRPJ and CSLL; (a.4) unduly excluded amounts related to the principal included in temporary additions and that were recorded in prior-years' profit or loss; and (a.5) deducted non-deductible expenses related to the assessment fine; (b) in 2010, 2011 and 2012, it would have allegedly: (b.1) offset income tax and social contribution losses in amounts above those calculated; and (b.2) failed to pay IRPJ and CSLL amounts calculated based on monthly estimate, which resulted in a fine applied individually; and (c) in 2013, it would have allegedly offset CSLL losses in amounts above those calculated. On January 6, 2015, the Company filed an objection against the abovementioned assessments, challenging all infractions attributable to it. In a judgment by the Federal Revenue of Brazil, the assessment was fully upheld. In the context of a Voluntary Appeal filed by the Company, the Administrative Board of Tax Appeals - CARF partially granted it to repeal the disallowing of exclusions related to the revenues earned by converting income tax and CSLL losses into usable amounts for the settlement of tax debts and related amounts (fines and interest) included in the installment plan. Currently, said administrative proceeding is awaiting judgment by the Special Appeals filed by the Company and the National Treasury. The Company, according to its legal advisors, considers a favorable decision as virtually certain, resulting in the cancellation of the Tax Assessment Notice, the Company understands that the likelihood of loss is remote, and elected not to record the amount of R\$ 73,000 as potential liabilities.

On March 7, 2016, the Company was notified about the serving of Tax Assessment Notices relating to the tax administrative proceedings No. 11516-720.299/2016-02 and No. 11516-720.300/2016-91 which established tax credits relating to undue offset of IRPJ and CSLL. However, the Company argued that



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

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such discussion is already in progress in Lawsuit No. 10983-721.445/2014-78. The cancellation of the objected tax assessment in the amount of R\$19,000 was requested due to the double collection by the tax authorities. In the lower court decision, the objections filed were upheld in the sense of recognizing the double collection of the assessment and, consequently, determining the extinguishment of the tax credit. Currently, the tax administrative proceedings No. 11516-720.299/2016-02 and No. 11516-720.300/2016-91 are at the Administrative Council of Tax Appeals (CARF), for judgment of the appeal.

## **29. Equity**

### **29.1 Capital**

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

At September 30, 2020, there were 67,542,464 outstanding shares, corresponding to 43% of the total shares issued (74,131,291 at December 31, 2019, corresponding to 46% of the total). The balance of outstanding shares comprises all securities available for trading in the market, other than those held by controlling shareholders, members of the Board of Directors and Executive Board and treasury shares.

### **29.2 Treasury shares**

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

Until September 30, 2020, the Company repurchased its shares, totaling 3,177 thousand shares, corresponding to 2% of the total shares issued by the Company, and 5% of the outstanding shares.

### **29.3 Earnings reserve**

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

The legal reserve is set up annually by allocating 5% of the profit for the year, which cannot exceed 20% of the capital. The purpose of the legal reserve is to ensure the integrity of capital and can only be used to offset accumulated losses or increase capital. At September 30, 2020, the balance of the legal reserve totals R\$ 25,797 (R\$ 25,797 at December 31, 2019) as provided by Article 193 of the Brazilian Corporate Law.

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

In this six-month period, the Company recognized the Tax Incentive Reserve in the amount of R\$ 5,619 related to government grants for ICMS tax incentives related to Prodesin (Alagoas State Integrated

## PBG S.A. and Subsidiaries

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Development Program) and the Differentiated Tax Treatment of Santa Catarina (TTD) and Simplified Taxation System.

In September 2020, the amount of R\$ 5,619 referring to the tax incentive reserve was reversed and the amount was recorded in the profit reserve account.

### 29.4 Carrying value adjustments

|  | Carrying value adjustments |                                   |                            | Total    |
|--|----------------------------|-----------------------------------|----------------------------|----------|
|  | Deemed cost                | Cumulative translation adjustment | Other comprehensive income |          |
| Parent Company and Consolidated<br>December 31, 2019 | 33.506                     | (41.872)                          | (13.858)                   | (22.224) |
| Realization of revaluation reserve                   | (888)                      | -                                 | -                          | (888)    |
| Exchange variations of subsidiary located abroad     | -                          | (24.521)                          | -                          | (24.521) |
| At September 30, 2020                                | 32.618                     | (66.393)                          | (13.858)                   | (47.633) |

#### a) Deemed cost

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

#### b) Cumulative translation adjustment

The changes in assets and liabilities in foreign currency (US dollar) arising from currency fluctuation, as well as the variations between the daily rates and the closing rate of the changes in profit or loss of the foreign subsidiary are recognized in this line item of cumulative translation adjustments. In September 2020, the amount was R\$ (4,505) (Note 17). The amount presented is the sum of the amounts for the first, second and third quarters, of which R\$ (17,335) in the first quarter, R\$ (4,210) in the second quarter and R\$ (4,505) in the third quarter.

## 30. Revenue

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

#### a) Revenues incurred in the 3<sup>rd</sup> quarter:

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|                               | Parent Company        |                       | Consolidated          |                       |
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                               | September<br>30, 2020 | September<br>30, 2019 | September<br>30, 2020 | September<br>30, 2019 |
| Gross sales revenue           | 450.702               | 334.439               | 513.902               | 374.633               |
| Deductions from gorss revenue | (90.680)              | (72.239)              | (99.170)              | (78.147)              |
| Taxes on sales                | (79.035)              | (59.940)              | (85.520)              | (64.888)              |
| Returns                       | (11.645)              | (12.299)              | (13.650)              | (13.259)              |
| Net revenue                   | 360.022               | 262.200               | 414.732               | 296.486               |
| Domestic market               | 293.666               | 204.749               | 356.650               | 246.834               |
| Foreign marked                | 66.356                | 57.451                | 58.082                | 49.652                |

### b) Accumulated revenue:

|                                | Parent Company        |                       | Consolidated          |                       |
|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                | September<br>30, 2020 | September<br>30, 2019 | September<br>30, 2020 | September<br>30, 2019 |
| Sale of own products           | 350.730               | 255.597               | 372.344               | 266.443               |
| Resale of third-party products | 9.292                 | 6.603                 | 21.296                | 12.474                |
| Royalties                      | -                     | -                     | 21.092                | 17.569                |
| Net revenue                    | 360.022               | 262.200               | 414.732               | 296.486               |

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

### a) Operating nature and net revenue in the 3<sup>rd</sup> quarter:

|                                | Parent Company        |                       | Consolidated          |                       |
|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                | September<br>30, 2020 | September<br>30, 2019 | September<br>30, 2020 | September<br>30, 2019 |
| Sale of own products           | 350.730               | 255.597               | 372.344               | 266.443               |
| Resale of third-party products | 9.292                 | 6.603                 | 21.296                | 12.474                |
| Royalties                      | -                     | -                     | 21.092                | 17.569                |
| Net revenue                    | 360.022               | 262.200               | 414.732               | 296.486               |

### b) Operating nature and accumulated net revenue :

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|                                | Parent Company        |                       | Consolidated          |                       |
|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                | September<br>30, 2020 | September<br>30, 2019 | September<br>30, 2020 | September<br>30, 2019 |
| Sale of own products           | 789.846               | 701.457               | 829.482               | 728.213               |
| Resale of third-party products | 25.612                | 19.782                | 50.491                | 36.642                |
| Royalties                      | -                     | -                     | 50.682                | 48.296                |
| Net revenue                    | 815.458               | 721.239               | 930.655               | 813.151               |

### 31. Expenses by nature

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

#### a) Expenses incurred in the 3<sup>rd</sup> quarter

|  | Parent Company        |                       | Consolidated          |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September<br>30, 2020 | September<br>30, 2019 | September<br>30, 2020 | September<br>30, 2019 |
| <b>Cost and expenses</b>   |                       |                       |                       |                       |
| Cost of sales and/or services  | (251.647)             | (198.330)             | (261.357)             | (201.612)             |
| Other Costs (b)  | (1.235)               | -                     | (1.235)               | -                     |
| Selling  | (61.520)              | (57.519)              | (86.857)              | (77.770)              |
| General and administrative   | (11.322)              | (9.104)               | (11.614)              | (9.497)               |
|  | <b>(325.724)</b>      | <b>(264.953)</b>      | <b>(361.063)</b>      | <b>(288.879)</b>      |
| <b>Breakdown of expenses by nature</b>                               |                       |                       |                       |                       |
| Direct production cost (raw materials and inputs)                    | 123.906               | 109.240               | 107.108               | 107.073               |
| Salaries, charges and employee benefits                              | 67.169                | 60.629                | 75.402                | 70.464                |
| Third-party labor services   | 14.919                | 12.916                | 15.649                | 13.584                |
| General production expenses (including maintenance)                  | 15.620                | 10.540                | 15.781                | 10.701                |
| Cost of goods resold   | 15.946                | 8.167                 | 48.338                | 11.802                |
| Amortization and depreciation  | 11.387                | 10.815                | 13.741                | 13.144                |
| Other selling expenses   | 5.130                 | 7.292                 | 10.309                | 11.996                |
| Sales commissions  | 11.312                | 8.941                 | 13.203                | 10.168                |
| Marketing and publicity  | 10.288                | 7.772                 | 10.997                | 9.910                 |
| Transportation of goods sold   | 3.901                 | 4.191                 | 3.901                 | 4.191                 |
| Lease expenses   | 1.551                 | 3.150                 | 1.879                 | 4.335                 |
| Other administrative expenses  | 1.138                 | 1.488                 | 1.217                 | 1.609                 |
| Changes in inventories of finished products and work in progress (a) | 43.457                | 19.812                | 43.538                | 19.812                |
| Total  | <b>325.724</b>        | <b>264.953</b>        | <b>361.063</b>        | <b>288.789</b>        |

(a) A variação nos estoques de produtos acabados e produtos em elaboração é a diferença entre o custo do produto produzido e o custo do produto vendido, podendo ficar com saldo negativo pelas baixas de CPV referente produtos que foram produzidos em períodos anteriores que contemplavam a conta de estoque.

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.

In thousands of reais, unless otherwise stated.

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

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

### b) Accumulated expenses incurred:

|  | Parent Company        |                       | Consolidated          |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September<br>30, 2020 | September<br>30, 2019 | September<br>30, 2020 | September<br>30, 2019 |
| <b>Cost and expenses</b>   |                       |                       |                       |                       |
| Cost of sales and/or services  | (584.431)             | (541.228)             | (599.728)             | (549.108)             |
| Other costs  | (27.999)              | -                     | (27.999)              | -                     |
| Selling  | (159.423)             | (160.206)             | (231.613)             | (223.072)             |
| General and administrative   | (31.658)              | (28.836)              | (32.540)              | (30.039)              |
|  | <u>(803.511)</u>      | <u>(730.270)</u>      | <u>(891.880)</u>      | <u>(802.219)</u>      |
| <b>Breakdown of expenses by nature</b>                               |                       |                       |                       |                       |
| Direct production cost (raw materials and inputs)                    | 306.241               | 330.696               | 271.083               | 323.458               |
| Salaries, charges and employee benefits                              | 180.939               | 180.037               | 203.758               | 211.579               |
| Third-party labor services   | 38.428                | 41.249                | 40.283                | 43.306                |
| General production expenses (including maintenance)                  | 41.747                | 36.347                | 42.166                | 36.812                |
| Cost of goods resold   | 36.013                | 23.272                | 104.899               | 33.604                |
| Amortization and depreciation  | 34.058                | 32.114                | 41.479                | 39.583                |
| Other selling expenses   | 13.312                | 17.009                | 27.445                | 31.467                |
| Sales commissions  | 24.618                | 22.196                | 29.151                | 25.576                |
| Marketing and publicity  | 22.958                | 20.894                | 25.202                | 26.835                |
| Transportation of goods sold   | 10.699                | 12.902                | 10.699                | 12.902                |
| Lease expenses   | 10.636                | 9.224                 | 11.592                | 12.483                |
| Other administrative expenses  | 3.996                 | 5.158                 | 4.158                 | 5.592                 |
| Changes in inventories of finished products and work in progress (a) | 79.866                | (828)                 | 79.965                | (978)                 |
|  |                       | <u>-</u>              |                       |                       |
| Total  | <u>803.511</u>        | <u>730.270</u>        | <u>891.880</u>        | <u>802.219</u>        |

(a) A variação nos estoques de produtos acabados e produtos em elaboração é a diferença entre o custo do produto produzido e o custo do produto vendido, podendo ficar com saldo negativo pelas baixas de CPV referente produtos que foram produzidos em períodos anteriores que contemplavam a conta de estoque.

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

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

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

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### 32. Other operating income and expenses, net

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

a) Revenues and expenses incurred in the 3<sup>rd</sup> quarter:

|  | Parent Company        |                       | Consolidated          |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September<br>30, 2020 | September<br>30, 2019 | September<br>30, 2020 | September<br>30, 2019 |
| Other operating income                                 |                       |                       |                       |                       |
| Revenue from services                                  | 42                    | 136                   | 125                   | 136                   |
| Reversal of provision for Pis and Cofins contingencies | -                     | 1.155                 | -                     | 1.155                 |
| Reversal to attorneys' fees                            | -                     | 5.922                 | -                     | 5.922                 |
| Reversal to equity interest                            | -                     | 2.227                 | -                     | 2.227                 |
| Other revenue  | 732                   | 2.483                 | 732                   | 2.464                 |
| Total  | <u>774</u>            | <u>11.923</u>         | <u>857</u>            | <u>11.904</u>         |
| Other operating expenses                               |                       |                       |                       |                       |
| Provision for civil, labor, pension and tax            | (3.159)               | (792)                 | (3.159)               | (792)                 |
| Other expenses   | (182)                 | -                     | (247)                 | -                     |
| Taxes on other revenues                                | (53)                  | (99)                  | (56)                  | (101)                 |
| Provision for profit sharing (c)                       | (5.215)               | -                     | (5.215)               | -                     |
| Total  | <u>(8.609)</u>        | <u>(891)</u>          | <u>(8.677)</u>        | <u>(893)</u>          |
| Total net  | <u>(7.835)</u>        | <u>11.032</u>         | <u>(7.820)</u>        | <u>11.011</u>         |

(a) Recognition of ICMS Purge on PIS and COFINS from 2003 to 9.

(b) Recognition of amounts related to the reversal of taxes of the Plaintiff (Notes 14 and 15)

(c) Recognition of the employee profit sharing provision to be paid after the end of the year.

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

### b) Accumulated revenue and expenses:

|  | Parent Company        |                       | Consolidated          |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September<br>30, 2020 | September<br>30, 2019 | September<br>30, 2020 | September<br>30, 2019 |
| Other operating expenses   |                       |                       |                       |                       |
| Revenue from services  | 453                   | 451                   | 468                   | 450                   |
| Tax assets - rural credit notes (a)                                  | -                     | -                     | 13.241                | -                     |
| Curtailment of ICMS from the PIS and COFINS tax base (2003-2009) (b) | -                     | 41.692                | -                     | 41.692                |
| Reversal of provision for Pis and Cofins contingencies               | -                     | 5.922                 | -                     | 5.922                 |
| Reversal to attorneys' fees  | -                     | 1.155                 | -                     | 1.155                 |
| IPI premium credit complementary - Plaintiff (c)                     | 83.695                | -                     | 83.695                | -                     |
| Other revenue  | -                     | 5.162                 | -                     | 7.024                 |
| <b>Other revenue</b>   | <b>84.148</b>         | <b>54.382</b>         | <b>97.404</b>         | <b>56.243</b>         |
| Other operating expenses   |                       |                       |                       |                       |
| Provision for civil, labor, pension and tax                          | (6.090)               | (4.674)               | (6.090)               | (4.974)               |
| Taxes on Tax Assets  | -                     | -                     | (1.322)               | -                     |
| IPI premium credit - Plaintiff - Refinadora Catarinense (d)          | (64.782)              | -                     | (64.782)              | -                     |
| Profit sharing - PLR   | -                     | -                     | -                     | -                     |
| Idleness cost  | -                     | (336)                 | -                     | (336)                 |
| Taxes on other revenues  | (154)                 | (99)                  | (178)                 | (101)                 |
| Other expenses   | (87)                  | -                     | (477)                 | -                     |
| Provision for legal fees - rural credit notes                        | -                     | -                     | -                     | -                     |
| Provision for profit sharing (e)                                     | (5.215)               | (2.582)               | (5.215)               | (2.582)               |
| Pre-operating expenses   | -                     | (145)                 | -                     | (146)                 |
| <b>Total</b>   | <b>(76.328)</b>       | <b>(7.836)</b>        | <b>(78.064)</b>       | <b>(8.139)</b>        |
| <b>Total net</b>   | <b>7.820</b>          | <b>46.546</b>         | <b>19.340</b>         | <b>48.104</b>         |

(a) Recognition of the amount receivable referring to the rural credit note law suit - Fraiburgo (Note 14)

(b) Recognition of ICMS Purge on PIS and COFINS from 2003 to 2009.

(c) Recognition of the amount receivable regarding the IPI premium credit - Plaintiff law suit (Notes 14 and 15)

(d) Recognition of the amount to be paid to Refinadora Catarinense regarding the IPI premium credit - Plaintiff law suit (Notes 14 and 15)

(e) Recognition of the employee profit sharing provision to be paid after the end of the year.

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

### 33. Finance income (costs)

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

#### a) Revenues and expenses incurred in the 3<sup>rd</sup> quarter:

|   | Parent Company        |                       | Consolidated          |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September<br>30, 2020 | September<br>30, 2019 | September<br>30, 2020 | September<br>30, 2019 |
| Finance income                            |                       |                       |                       |                       |
| Interest                                  | 1.291                 | 1.054                 | 1.344                 | 1.184                 |
| Asset adjustment                          | 570                   | 2.505                 | 570                   | 2.505                 |
| Gain for swap operation (a)               | 1.431                 | 2.375                 | 1.431                 | 2.375                 |
| Other                                     | 3                     | 5                     | 245                   | 67                    |
| Total                                     | 3.295                 | 5.939                 | 3.590                 | 6.131                 |
| Financial costs                           |                       |                       |                       |                       |
| Interest                                  | (6.002)               | (7.700)               | (6.551)               | (7.911)               |
| Financial charges with taxes              | (109)                 | (559)                 | (121)                 | (567)                 |
| Adjustment of provision for contingencies | -                     | (1.200)               | -                     | (1.200)               |
| Commissions and services fees             | (1.795)               | (2.378)               | (2.234)               | (2.690)               |
| Bank expenses                             | (103)                 | (15.017)              | (103)                 | (15.017)              |
| Discount (b)                              | (8.307)               | -                     | (8.307)               | -                     |
| Loss for swap operation                   | (1.048)               | (791)                 | (1.048)               | (791)                 |
| Interest on debentures                    | (3.734)               | (6.958)               | (3.734)               | (6.958)               |
| Other                                     | (2.139)               | (603)                 | (2.142)               | (631)                 |
| Total                                     | (23.237)              | (35.206)              | (24.240)              | (35.765)              |
| Foreign exchange variations, net          |                       |                       |                       |                       |
| Trade receivables and trade payables      | 758                   | 9.666                 | 758                   | 9.666                 |
| Borrowings and financing                  | (1.217)               | (4.119)               | (1.217)               | (4.122)               |
| Total                                     | (459)                 | 5.547                 | (459)                 | 5.544                 |
| Total net                                 | (20.401)              | (23.720)              | (21.109)              | (24.090)              |

(a) Nota explicativa nº 7

(b) Negative goodwill related to the receipt of tax assets - Polo Asset



## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

### b) Accumulated revenue and expenses:

|   | Parent Company        |                       | Consolidated          |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September<br>30, 2020 | September<br>30, 2019 | September<br>30, 2020 | September<br>30, 2019 |
| Finance income                            |                       |                       |                       |                       |
| Interest                                  | 6.236                 | 3.847                 | 6.485                 | 4.234                 |
| Asset adjustment                          | 2.472                 | 5.472                 | 3.900                 | 5.472                 |
| Gain for swap operation (a)               | 8.074                 | 4.707                 | 8.074                 | 4.707                 |
| Other                                     | 110                   | 8                     | 2.093                 | 146                   |
| Total                                     | 16.892                | 14.034                | 20.552                | 14.559                |
| Financial costs                           |                       |                       |                       |                       |
| Interest                                  | (17.393)              | (20.592)              | (18.973)              | (20.592)              |
| Financial charges with taxes              | (224)                 | (1.904)               | (280)                 | (2.313)               |
| Adjustment of provision for contingencies | (3.082)               | (4.133)               | (3.083)               | (4.133)               |
| Commissions and service fees              | (6.787)               | (6.218)               | (8.477)               | (6.218)               |
| Bank expenses                             | (179)                 | (15.501)              | (190)                 | (15.501)              |
| Discount (b)                              | (8.307)               | -                     | (8.307)               | -                     |
| Loss for swap operation (a)               | (3.148)               | (3.698)               | (3.148)               | (3.698)               |
| Interest on debentures                    | (13.399)              | (20.239)              | (13.399)              | (20.239)              |
| Other                                     | (3.313)               | (1.002)               | (3.421)               | (2.040)               |
| Total                                     | (55.832)              | (73.287)              | (59.278)              | (74.734)              |
| Foreign exchange variations, net          |                       |                       |                       |                       |
| Trade receivables and trade payables      | 50.425                | 7.858                 | 50.425                | 7.858                 |
| Borrowings and financing                  | (24.417)              | (3.534)               | (24.445)              | (3.548)               |
| Total                                     | 26.008                | 4.324                 | 25.980                | 4.310                 |
| Total net                                 | (12.932)              | (54.929)              | (12.746)              | (55.865)              |

(a) Nota explicativa nº 7

(b) Negative goodwill related to the receipt of tax assets - Polo Asset

## 34. Earnings (loss) per share

### a) Basic

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

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

|   | Parent Company and Consolidated |                    |
|---|---------------------------------|--------------------|
|   | September 30, 2020              | September 30, 2019 |
| Profit (loss) attributable to the owners of the Company | 93.366                          | 4.012              |
| Weighted average number of common shares (a)            | 155.312                         | 158.489            |
| Basic earnings (loss) per share                         | 0,60115                         | 0,02531            |

a) On September 30, the Company had 3,177 thousand treasury shares, which were purchased in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of 2020.

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

### b) Diluted

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

## 35. Dividends

The minimum mandatory dividends for 2019, which represent 25% of the Company's profit less the Legal Reserve and the Tax Incentive Reserve recognized in that year, amount to R\$ 428.

Dividends approved in the last AGM will be distributed, in the amount of R \$ 6,236 for the year of 2019. Payment will be on November 20, 2020 and so on. the total shareholder remuneration for the year 2020.

## 36. Segment reporting

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

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

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

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

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

### a) Segment reporting in the 3<sup>rd</sup> quarter:

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

|  | September 30, 2020 |                 |           | September 30, 2019 |                 |           |
|--|--------------------|-----------------|-----------|--------------------|-----------------|-----------|
|  | Brazil             | Other countries | Total     | Brazil             | Other countries | Total     |
| Continuing operations                  |                    |                 |           |                    |                 |           |
| Revenue                                | 330.996            | 83.735          | 414.732   | 246.834            | 49.652          | 296.486   |
| Cost of sales                          | (215.148)          | (47.445)        | (262.592) | (165.613)          | (35.999)        | (201.612) |
| Other cost                             | -                  | -               | -         | -                  | -               | -         |
| Gross profit                           | 115.849            | 36.291          | 152.140   | 81.221             | 13.653          | 94.874    |
| Operating income (expenses), net       | (97.441)           | (8.442)         | (105.883) | (61.421)           | (14.835)        | (76.256)  |
| Selling, general and administrative    | (89.624)           | (8.439)         | (98.063)  | (72.432)           | (14.835)        | (87.267)  |
| Other operating income (expenses), net | (7.817)            | (3)             | (7.820)   | 11.011             | -               | 11.011    |
| Operating income before finance income | 18.408             | 27.849          | 46.257    | 19.800             | (1.182)         | 18.618    |
| % NOR                                  | 6%                 | 33%             | 11%       | 8%                 | -2%             | 6%        |

### b) Segment reporting - accumulated

|  | September 30, 2020 |                 |           | September 30, 2019 |                 |           |
|--|--------------------|-----------------|-----------|--------------------|-----------------|-----------|
|  | Brazil             | Other countries | Total     | Brazil             | Other countries | Total     |
| Continuing operations                  |                    |                 |           |                    |                 |           |
| Revenue                                | 734.442            | 196.213         | 930.655   | 685.400            | 127.751         | 813.151   |
| Cost of sales                          | (514.109)          | (113.617)       | (627.727) | (454.461)          | (94.647)        | (549.108) |
| Other cost                             | -                  | -               | -         | -                  | -               | -         |
| Gross profit                           | 220.333            | 82.596          | 302.928   | 230.939            | 33.104          | 264.043   |
| Operating income (expenses), net       | (220.896)          | (23.510)        | (244.406) | (139.199)          | (65.808)        | (205.007) |
| Selling, general and administrative    | (240.379)          | (23.366)        | (263.745) | (187.303)          | (65.808)        | (253.111) |
| Other operating income (expenses), net | 19.483             | (144)           | 19.339    | 48.104             | -               | 48.104    |
| Operating income before finance income | (563)              | 59.086          | 58.523    | 91.740             | (32.704)        | 59.036    |
| % NOR                                  | 0%                 | 30%             | 6%        | 13%                | -26%            | 7%        |

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

## 37. Commitments

### a) Commitments for acquisition of assets

Expenses recorded at the balance sheet date but not yet incurred relating to property, plant and equipment at September 30, 2020, total R\$ 9,566, corresponding to the modernization of manufacturing equipment, according to the Company's investment plan.

## 38. Insurance coverage

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

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

| Insurance Company                                       | Insurance Policy   | Maximum Indemnity Limit | Maturity   |
|---|--|-------------------------|------------|
| Mitsui Seguros  | Property Insurance   | 378.100                 | 06/13/2021 |
| General Brasil Seguros S.A.                             | Directors and Officers Liability Insurance (D&O)             | 10.000                  | 08/27/2021 |
| HDI Global Seguros                                      | Civil Liability  | 6.520                   | 04/01/2021 |
| Prudential do Brasil Vida em Grupo S.A.                 | Group life insurance and funeral assistance                  | 380.754                 | 03/01/2021 |
| Allianz Seguros S.A.                                    | International transport - Portobello import                  | USD 12.000              | 12/31/2020 |
| Tokio Marine Seguros                                    | Vehicle fleet  | 79 (veículos)           | 11/15/2020 |
| Junto Seguros   | ENGIE guarantee  | 5.483                   | 12/31/2020 |
| Pottencial  | Demand Guarantee Locatícia PBG S.A.                          | 1.941                   | 05/25/2021 |
| AXA Seguros   | Property insurance - Own PBTech Stores                       | 35.537                  | 05/25/2021 |
|   |  | 1.407                   | 04/24/2023 |
| Seguradora Berkley Internacional do Brasil Seguros S.A. | Legal Protection insurance                                   | 850                     | 03/13/2021 |
|   |  | 3.899                   | 04/26/2024 |
| Fairfax   | 15th Labor Court of Salvador - BA                            | 28.000                  | 06/18/2025 |
|   |  | 314                     | 05/10/2022 |
| Junto Seguros S.A.                                      | Legal Protection insurance                                   | 10.603                  | 05/10/2022 |
| Chubb Seguros Brasil S.A.                               | Property Insurance - (Only the building in State of Alagoas) | 13.085                  | 06/13/2021 |

## 39. Related entities and parties

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

| Nature - Assets and liabilities balance              | Company                     | Parent Company     |                   |
|--|-----------------------------|--------------------|-------------------|
|  |                             | September 30, 2020 | December 31, 2019 |
| <b>Subsidiaries</b>                                  |                             |                    |                   |
| Dividends receivable                                 | Portobello Shop S.A.        | 26.832             | 37.237            |
| Receivables  | Portobello Shop S.A.        | 1.299              | 592               |
| Trade receivables                                    | Portobello América, Inc.    | 34.471             | 95.422            |
| Trade receivables, net of advances                   | PBTech Com. Sem. Cer. Ltda. | 7.435              | 9.534             |
| Trade receivables, net of advances                   | Cia Brasileira de Cerâmica  | 92                 | 194               |
| Trade payables, net of advances                      | Cia Brasileira de Cerâmica  | (52)               | -                 |
| Trade payables, net of advances                      | Mineração Portobello Ltda.  | (1.249)            | -                 |
| Net assets and liabilities with subsidiaries         |                             | 68.828             | 142.979           |
| <b>Related entities and parties</b>                  |                             |                    |                   |
| Receivables from related parties                     | Refinadora Catarinense S.A. | -                  | 100.936           |
| Payable to related parties                           | Refinadora Catarinense S.A. | (67.864)           | (22.803)          |
| Trade receivables, net of advances                   | Solução Cerâmica Com. Ltda. | 423                | 232               |
| Trade receivables, net of advances                   | Flooring Renest. Cer. Ltda. | 110                | 6                 |
| Contas a pagar                                       | Multilog Sul Armazéns S/A   | 6                  | (1.597)           |
| Trade payables                                       | Flooring Revest. Cer. Ltda. | (6.962)            | (3.416)           |
| Trade payables                                       | Decorado Marketin Place S/A | (35)               | (85)              |
| Trade payables                                       | Senior Sistens S/A          | (43)               | (38)              |
| Trade payables                                       | AB Parking                  | (22)               | (14)              |
| Trade payables                                       | Neoway                      | (265)              | (2)               |
| Net assets of liabilities with other related parties |                             | (74.652)           | 73.219            |

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

| Nature - profit or loss                      | Company                      | 2nd quarter           |                       | Accumulated           |                       |
|--|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  |                              | September<br>30, 2020 | September<br>30, 2019 | September<br>30, 2020 | September<br>30, 2019 |
| Restated                                     |                              |                       |                       |                       |                       |
| <b>Revenue</b>                               |                              |                       |                       |                       |                       |
| <b>Subsidiaries</b>                          |                              |                       |                       |                       |                       |
| Sale of products                             | PBTech Com. Sern. Cer. Ltda. | 17.642                | 6.848                 | 36.845                | 7.532                 |
| Sale of products                             | Cia Brasileira de Cerâmica   | 94                    | 74                    | 343                   | 74                    |
| Sale of products                             | Portobello América, Inc.     | 9.430                 | 2.470                 | 25.292                | 6.497                 |
| <b>Related entities and parties</b>          |                              |                       |                       |                       |                       |
| Sale of products                             | Solução Cerâmica Com. Ltda.  | 6.693                 | 7.539                 | 15.267                | 22.779                |
| Sale of products                             | Flooring Revest. Cer. Ltda.  | 3.224                 | 3.586                 | 7.397                 | 9.979                 |
| <b>Expenses</b>                              |                              |                       |                       |                       |                       |
| <b>Subsidiaries</b>                          |                              |                       |                       |                       |                       |
| Acquisition of inputs                        | Mineração Portobello Ltda.   | (2.191)               | (455)                 | (5.805)               | (5.475)               |
| <b>Pessoas ligadas e partes relacionadas</b> |                              |                       |                       |                       |                       |
| Rental                                       | Gomes Part Societárias Ltda. | (155)                 | (41)                  | (457)                 | (41)                  |
| Freight service                              | Multilog Sul Armazéns S/A    | (2.296)               | (777)                 | (5.153)               | (1.232)               |
| Cutting service                              | Flooring Revest. Cer. Ltda.  | (3.854)               | (3.666)               | (9.591)               | (3.023)               |
| Software service                             | Neoway Tecnologia            | (127)                 | (82)                  | (288)                 | (128)                 |
| Marketing                                    | Decorado Marketplace Ltda.   | (107)                 | -                     | (430)                 | -                     |
| Software                                     | Senior Sistemas S/A          | (136)                 | -                     | (396)                 | -                     |
| Parking service                              | AB Parking                   | (102)                 | -                     | (252)                 | -                     |
|  |                              | 28.115                | 15.496                | 62.772                | 36.962                |

\*The Company restated its balances for the comparative period (September 30, 2019), with the objective of readjusting the comparative balances between 3Q19 and 3Q20.

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

### Related-party transactions

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

| Transactions with subsidiaries and related entities | Nature                             | September<br>30, 2020 | December<br>31, 2019 | Nature         | 3rd quarter           |                       | Accumulated           |                       |
|---|------------------------------------|-----------------------|----------------------|----------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   |                                    |                       |                      |                | September<br>30, 2020 | September<br>30, 2019 | September<br>30, 2020 | September<br>30, 2019 |
|   | Equity                             |                       |                      | Profit or loss |                       |                       |                       |                       |
| Solução Cerâmica Com. Ltda.                         | Trade receivables, net of advances | 770                   | 690                  | Royalties      | 1.880                 | 998                   | 4.364                 | 4.671                 |
| Flooring Revest. Cer. Ltda.                         | Trade receivables, net of advances | 367                   | 351                  | Royalties      | 926                   | 775                   | 1.657                 | 2.215                 |
|   |                                    | 1.137                 | 1.041                |                | 2.806                 | 1.773                 | 6.021                 | 6.886                 |

### 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 September 30, 2020, are as follows:

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

## PBG S.A. and Subsidiaries

Notes to the Interim Financial Information for the quarter ended September 30, 2020.  
In thousands of reais, unless otherwise stated.

|                       | Parent Company        |                       | Consolidated          |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                       | September<br>30, 2020 | September<br>30, 2019 | September<br>30, 2020 | September<br>30, 2019 |
|                       |                       | Restated              |                       | Restated              |
| Fixed compensation    |                       |                       |                       |                       |
| Salaries              | 3.514                 | 2.454                 | 3.960                 | 2.882                 |
| Fees                  | 1.662                 | 1.515                 | 1.662                 | 1.515                 |
| Variable compensation | 538                   | 342                   | 631                   | 400                   |
| Pension Plan          | 499                   | 345                   | 549                   | 389                   |
| Other                 | 39                    | -                     | 39                    | -                     |
|                       | <u>6.472</u>          | <u>4.847</u>          | <u>7.071</u>          | <u>5.396</u>          |

\*The Company restated its balances for the comparative period (September 30, 2019), with the objective of readjusting the comparative balances between 3Q19 and 3Q20.

### b) Accumulated expenses incurred:

|                       | Parent Company        |                       | Consolidated          |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                       | September<br>30, 2020 | September<br>30, 2019 | September<br>30, 2020 | September<br>30, 2019 |
|                       |                       | Restated              |                       | Restated              |
| Fixed compensation    |                       |                       |                       |                       |
| Salaries              | 9.776                 | 9.481                 | 11.041                | 10.915                |
| Fees                  | 4.797                 | 3.507                 | 4.797                 | 3.507                 |
| Variable compensation | 1.184                 | 1.269                 | 1.414                 | 1.464                 |
|                       | 565                   | 709                   | 587                   | 766                   |
| Pension Plan          | 1.296                 | 1.681                 | 1.435                 | 1.872                 |
|                       | <u>17.660</u>         | <u>16.648</u>         | <u>19.316</u>         | <u>18.525</u>         |

\*The Company restated its balances for the comparative period (September 30, 2019), with the objective of readjusting the comparative balances between 3Q19 and 3Q20.

## 40. Events after the reporting period

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

(A free translation of the original in Portuguese)

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



## **Report on review of quarterly information**

To the Board of Directors and Shareholders  
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 September 30, 2020, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and nine-month period then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

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

### **Scope of review**

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

### **Conclusion on the interim information**

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





PBG S.A.

### **Other matters**

#### **Statements of value added**

The quarterly information referred to above includes the parent company and consolidated statements of value added for the nine-month period ended September 30, 2020. These statements are the responsibility of the Company's management and are presented as supplementary information under IAS 34. These statements have been subjected to review procedures performed together with the review of the interim accounting information for the purpose of concluding whether they are reconciled with the interim accounting information and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in the accounting standard CPC 09 - "Statement of Value Added". Based on our review, nothing has come to our attention that causes us to believe that these statements of value added have not been properly prepared, in all material respects, in accordance with the criteria established in this accounting standard, and consistent with the parent company and consolidated interim accounting information taken as a whole.

Florianópolis, November 13, 2020

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

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

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

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

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

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

Tijucas, November 13, 2020.

**Board Composition**

Mauro do Valle Pereira - Chief Executive Officer

Cláudio Ávila da Silva - Institutional Vice-President

Ronei Gomes – Vice President of Finance and Investor Relations

Cesar Gomes Junior– Vice President of Business