PortobelloGrupo

Press Release

3Q19

PBG S.A.

PRESS RELEASE 2Q19

November 14, 2019

Stock Price (09/30/2019)

PTBL3 – R$ 4.20 | share

Market Value (09/30/2019)

R$ 666 Milions

U$$ 160 Milions

Quantity of shares (09/30/2019)

Common: 158,488,517

Free Float = 47%

Investor Relations

John Shojiro Suzuki
Deputy Chief Operations Officer
Chief Finance and Investor Relacions Officer

Gladimir Brezezinski
Controller and Investor Relacions Manager

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PBG S.A and subsidiaries

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

Company information / Breakdown of Capital

Quantity of shares (Thousand)	Last fiscal year 09/30/2019
Paid-in capital	
Common	**158,489**
Preferred	0
Total	**158,489**
Treasury	
Common	0
Preferred	0
Total	0

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

Individual financial statements/ Balance sheet – Assets

Account Code	Account Description	Current Period 09/30/2019	Previous Year 12/31/2018
1	Total Assets	1.840.156	1.673.176
1.01	Curent Assets	811.743	544.985
1.01.01	Cash and Cash Equivalents	312.129	67.580
1.01.03	Accounts Receivable	219.815	222.065
1.01.03.01	Trade Receivables	219.815	222.065
1.01.04	Inventory	222.411	206.822
1.01.06	Recoverable Taxes	28.646	8.393
1.01.06.01	Current Taxes Recoverable	28.646	8.393
1.01.06.01.01	Income and Social Contribution Tax	527	-
1.01.06.01.02	Other Current Taxes Recoverable	28.119	8.393
1.01.07	Prepaid Expenses	4.579	1.598
1.01.08	Others Current Assets	24.163	38.527
1.01.08.03	Others	24.163	38.527
1.01.08.03.01	Dividends Receivable	10.406	28.377
1.01.08.03.03	Advance to Suppliers	3.141	4.112
1.01.08.03.04	Others	10.616	6.038
1.02	Non-Current Assets	1.028.413	1.128.191
1.02.01	Long-Term Assets	497.882	658.921
1.02.01.07	Deferred Taxes	6.767	-
1.02.01.07.01	Deferred Income and Social Contribution Taxes	6.767	-
1.02.01.09	Related Party Credits	202.957	182.730
1.02.01.09.02	Subsidiaries Credits	102.658	84.789
1.02.01.09.04	Other Related Party Credits	100.299	97.941
1.02.01.10	Other Non-Current Assets	288.158	476.191
1.02.01.10.03	Judicial Deposits	126.075	116.949
1.02.01.10.04	Receivables - Eletrobras	12.821	12.821
1.02.01.10.05	Recoverable Taxes	84.384	5.015
1.02.01.10.06	Tax Asset	37.865	317.506
1.02.01.10.07	Actuarial Asset	9.675	9.675
1.02.01.10.08	Interest Earning Bank Deposits	7.506	7.251
1.02.01.10.10	Other	9.832	6.974
1.02.02	Investiments	41.579	20.235
1.02.02.01	Ownership Interest	41.579	20.235
1.02.02.01.02	Interest in Subsidiaries	41.264	19.937
1.02.02.01.04	Other Ownership Interest	315	298
1.02.03	Property, Plant and Equipment	479.665	440.384
1.02.03.01	Operating Property, Plant and Equipment	469.420	440.384
1.02.03.02	Right-of-use Asset	10.245	-
1.02.03.02.01	Right-of-use Asset	10.245	-
1.02.04	Intangible Assets	9.287	8.651

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

Individual financial statements/ Balance sheet – Liabilities

Account Code	Account Description	Current Period 09/30/2019	Previous Year 12/31/2018
2	Total Liabilities	1.840.156	1.673.176
2.01	Current Liabilities	558.611	382.598
2.01.01	Social and labor obligations	45.100	31.720
2.01.02	Suppliers	116.828	112.000
2.01.03	Tax Obligations	16.058	22.750
2.01.03.01	Federal tax obligations	16.058	22.750
2.01.03.01.01	Income and social contribution tax payable	-	8.423
2.01.03.01.02	Installment payment of tax obligations	10.985	10.718
2.01.03.01.03	Taxes, rates and contributions	5.073	3.609
2.01.04	Loans and Financing	224.161	101.721
2.01.04.01	Loans and Financing	169.054	99.760
2.01.04.02	Debentures	55.107	1.961
2.01.05	Other Obligations	154.518	113.143
2.01.05.01	Liabilities with Related Parties	33.790	-
2.01.05.01.04	Debts with Other Related Parties	33.790	-
2.01.05.02	Other	120.728	113.143
2.01.05.02.04	Credit granting from suppliers	50.779	45.956
2.01.05.02.05	Advance from clients	19.695	17.329
2.01.05.02.06	Dividends Payable	523	23.428
2.01.05.02.07	Accounts payables from investments	26.659	10.676
2.01.05.02.08	Other	20.423	15.754
2.01.05.02.09	Leases Obligations	2.649	-
2.01.06	Provisions	1.946	1.264
2.01.06.02	Other Provisions	1.946	1.264
2.02	Non-current Liabilities	919.160	928.470
2.02.01	Loans and Financing	564.893	492.624
2.02.01.01	Loans and Financing	317.153	198.966
2.02.01.02	Debentures	247.740	293.658
2.02.02	Other Obligations	160.188	216.488
2.02.02.02	Other	160.188	216.488
2.02.02.02.03	Suppliers	114.145	101.268
2.02.02.02.04	Related Party Payable	-	62.008
2.02.02.02.06	Installment payment of tax obligations	46.043	53.212
2.02.03	Deferred Taxes	-	1.965
2.02.03.01	Deferred Income and Social Contribution Taxes	-	1.965
2.02.04	Provisions	194.079	217.393
2.02.04.02	Other Provisions	194.079	217.393
2.02.04.02.04	Provision for loss on investments	57.375	74.534
2.02.04.02.05	Provisions for Contingencies	122.970	139.575
2.02.04.02.06	Provision for Long-term Incentive	162	162
2.02.04.02.07	Other Non Current	4.093	3.122
2.02.04.02.08	Leases Obligations	9.479	-

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

2.03	Shareholders' Equity	362.385	362.108
2.03.01	Realized Capital	200.000	140.000
2.03.04	Profit Reserves	175.960	235.960
2.03.04.01	Legal Reserves	25.141	25.141
2.03.04.05	Profit retention reserve	150.819	114.922
2.03.04.10	Profit reserve to be allocated	-	95.897
2.03.05	Accumulated profit and loss	4.900	-
2.03.06	Equity valuation adjustments	-18.475	-13.852

PBG S.A and subsidiaries

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

Individual financial statements / Statement of income

Account Code	Account Description	Current Quarter 07/01/2019 to 09/30/2019	Accumulated of the Current Period 01/01/2019 to 09/30/2019	Equal Quarter of the Previus Period 07/01/2018 to 09/30/2018	Accumulated of the Previous Period 01/01/2018 to 09/30/2018
3.01	Income from sales of goods and/or services	262.200	721.239	250.837	250.837
3.02	Cost of goods and/or services sold	-198.330	-541.228	-170.209	-170.209
3.03	Gross income	63.870	180.011	80.628	80.628
3.04	Operating expenses/income	-48.695	-130.490	-70.176	-70.176
3.04.01	Sales expenses	-57.519	-160.206	-62.459	-62.459
3.04.02	General and administrative expenses	-9.104	-28.836	-9.566	-9.566
3.04.04	Other operating income	11.923	54.382	-928	-928
3.04.05	Other operating expenses	-891	-7.836	-4.713	-4.713
3.04.06	Equity income	6.896	12.006	7.490	7.490
3.05	Income (loss) before financial income and taxes	15.175	49.521	10.452	10.452
3.06	Financial income (loss)	-23.720	-54.929	-10.406	-10.406
3.06.01	Financial income	11.486	18.358	5.102	5.102
3.06.01.01	Financial income	5.939	14.034	3.304	3.304
3.06.01.02	Net Exchange Variance	5.547	4.324	1.798	1.798
3.06.02	Financial expenses	-35.206	-73.287	-15.508	-15.508
3.06.02.01	Financial expenses	-35.206	-73.287	-15.508	-15.508
3.07	Income (loss) before income tax	-8.545	-5.408	46	46
3.08	Income and social contribution taxes	5.633	9.420	2.530	2.530
3.08.01	Current	-	-	583	583
3.08.02	Deferred assets	5.633	9.420	1.947	1.947
3.09	Net income (loss) of continued operations	-2.912	4.012	2.576	2.576
3.11	Consolidated Net Income/loss for the period	-2.912	4.012	2.576	2.576
3.99	Earnings per share - (Reais / Shares)	-	-	-	-
3.99.01	Diluted Earnings per Share	-	-	-	-
3.99.01.01	Common	0,01837	0,02531	0,01625	0,66860

PBG S.A and subsidiaries

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

Individual financial statements / Statement of Comprehensive Income

		Current Quarter 07/01/2019 to 09/30/2019	Accumulated of the Current Period 01/01/2019 to 09/30/2019	Equal Quarter of the Previus Period 07/01/2018 to 09/30/2018	Accumulated of the Previous Period 01/01/2018 to 09/30/2018
4.01	Net Income for the Period	-2.911	4.012	2.576	105.973
4.02	Other Comprehensive Income	-4.176	-3.735	-2.840	-13.479
4.02.02	Exchange Variation of Subsidiary Located Abroad	-4.176	-3.735	-2.840	-13.479
4.03	Attributed to Partners of the Parent Company	-7.087	277	-264	92.494

PBG S.A and subsidiaries

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

Individual financial statements / Statement of cash flows - Indirect method

Account Code	Account Description	Accumulated of the Current Period 01/01/2019 to 09/30/2019	Accumulated of the Previous Period 01/01/2018 to 09/30/2018
6.01	Net cash from operational activities	166.649	-6.074
6.01.01	Cash generated in operations	264.066	51.297
6.01.01.01	Profit or loss for the year before taxes	-5.408	151.933
6.01.01.02	Depreciation and amortization	32.113	29.338
6.01.01.03	Equity income or loss	-12.006	-26.387
6.01.01.04	Unrealized Exchange Variation	-9.583	-10.451
6.01.01.05	Provision for inventory at market value	4.450	2.864
6.01.01.06	Provision Allowance for doubtful accounts	4.376	-1.086
6.01.01.07	Provision for contingencies	-16.605	44.080
6.01.01.08	Provision for labor obligations	-9.814	-14.419
6.01.01.09	Provision for profit sharing	682	456
6.01.01.10	Other Provisions	-1.221	395
6.01.01.11	Leasing amortization	-3.576	-
6.01.01.13	Adjustments Tax Asset	279.641	-159.193
6.01.01.14	Monetary adjustment of credit with other related parties	-2.358	-2.478
6.01.01.15	Finance charges on tax installments	1.904	1.895
6.01.01.16	Finance charges on credit with other related parties	-10.245	-
6.01.01.17	Leasing obligation	-12.128	-
6.01.01.18	Finance charges on Loans	47.156	30.857
6.01.01.19	Present value adjustment and interest in leasing	-705	-
6.01.01.20	Others	-22.607	3.493
6.01.02	Changes in assets and liabilities	-58.887	-31.220
6.01.02.01	(Increase)/Decrease in accounts receivable	-23.736	-34.254
6.01.02.02	Increase /(Decrease) in Advances from clients	2.366	10.928
6.01.02.03	(Increase)/Decrease in recoverable taxes	-99.095	5.409
6.01.02.04	(Increase)/Decrease in inventories	-20.039	-27.478
6.01.02.06	(Increase)/Decrease in Judicial Deposits	-9.128	-9.691
6.01.02.07	(Increase)/Decrease in Interest Earning Bank Deposits	-255	-248
6.01.02.08	(Increase)/Decrease in Other assets	-10.417	-3.834
6.01.02.09	Increase /(Decrease) in Accounts Payable	22.528	17.391
6.01.02.10	(Increase)/Decrease in Advance to Suppliers	971	1.811
6.01.02.11	(Increase)/Decrease in Provisions for Contingencies	6.104	-1.659
6.01.02.12	(Increase)/Decrease in Installments	-8.806	-11.756
6.01.02.13	Increase /(Decrease) in Tax and Labor Liabilities	11.877	25.195
6.01.02.14	Increase /(Decrease) in Other Payable	9.381	848
6.01.02.15	Increase / (decrease) in Investment Payables	59.362	-3.882
6.01.03	Other	-38.530	-26.151
6.01.03.01	Interest paid	-38.530	-25.746
6.01.03.02	Income and social contribution taxes paid	-	-405
6.02	Net cash used in investment activities	-79.754	-29.321
6.02.01	Acquisition of property, plant and equipment	-56.462	-36.825

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

6.02.02	Acquisition of intangible assets	-2.900	-2.591
6.02.03	Dividends received	20.783	21.450
6.02.04	Integralization of Capital in Subsidiaries	-36.611	-9.767
6.02.05	Sale of property, plant and equipment	-	-
6.02.06	(Grant) / Receipt of Related Party Credits	-4.564	-1.588
6.02.07	Related Party Credits	-	-
6.03	Net Cash from Financing Activities	157.654	71.121
6.03.01	Obtainment of loans and financings	250.681	435.117
6.03.02	Payment of loans and financings	-70.122	-332.696
6.03.03	Paid Dividends	-22.905	-31.300
6.05	Increase (Decrease) in Cash and Cash Equivalents	244.549	35.726
6.05.01	Opening Balance of Cash and Cash Equivalents	67.580	78.756
6.05.02	Closing Balance of Cash and Cash Equivalents	312.129	114.482

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

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

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	140.000	-	235.960	-	-13.852	362.108
5.03	Adjusted Opening Balances	140.000	-	235.960	-	-13.852	362.108
5.05	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
5.05.02.07	Exchange Variation of Subsidiary Located Abroad	-	-	-	-	-3.735	-3.735
5.06	Internal changes in shareholders' equity	60.000	-	-60.000	888	-888	-
5.06.02	Realization of the Revaluation Reserve	-	-	-	888	-888	-
5.06.04	Capital Increase	60.000	-	-60.000	-	-	-
5.07	Closing Balances	200.000	-	175.960	4.900	-18.475	362.385

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

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

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balances	130.000	-	159.220	-	-4.172	285.048
5.03	Adjusted Opening Balances	130.000	-	159.220	-	-4.172	285.048
5.04	Shareholders operation	-	-	-15.872	-9.885	-	-25.757
5.04.06	Dividends	-	-	-15.232	-2.612	-	-17.844
5.04.07	Interest upon Own Capital	-	-	-640	-7.273	-	-7.913
5.05	Total Comprehensive Income	-	-	-	105.973	-13.479	92.494
5.05.01	Net Income for the Period	-	-	-	105.973	-	105.973
5.05.02	Other Comprehensive Income	-	-	-	-	-13.479	-13.479
5.05.02.07	Exchange Variation of Subsidiary Located Abroad	-	-	-	-	-13.479	-13.479
5.06	Internal changes in shareholders' equity	10.000	-	-10.000	890	-890	-
5.06.02	Realization of the Revaluation Reserve	-	-	-	890	-890	-
5.06.04	Increased Capital	10.000	-	-10.000	-	-	-
5.07	Closing Balances	140.000	-	133.348	96.978	-18.541	351.785

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

Individual financial statements / Statement of added value

Account Code	Account Description	Accumulated of the Current Period 01/01/2019 to 09/30/2019	Accumulated of the Previous Period 01/01/2018 to 09/30/2018
7.01	Revenue	936.454	1.028.042
7.01.01	Sales of Goods, Products and Services	889.683	875.695
7.01.02	Other Revenue	51.147	151.261
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-4.376	1.086
7.02	Consumables acquired from third parties	-482.821	-477.125
7.02.01	Cost of goods and services sold	-366.128	-306.302
7.02.02	Material, Energy, Outsourced Services and Other	-119.177	-172.013
7.02.03	Loss/Recovery of Assets	2.484	1.190
7.03	Gross Added Value	453.633	550.917
7.04	Retentions	-32.113	-29.338
7.04.01	Depreciation, Amortization and Depletion	-32.113	-29.338
7.05	Net Added Value Produced	421.520	521.579
7.06	Transferred Added Value	46.449	76.825
7.06.01	Equity income	12.006	26.387
7.06.02	Financial Revenue	34.443	50.438
7.07	Total Added Value to be Distributed	467.969	598.404
7.08	Distribution of Added Value	467.969	598.404
7.08.01	Personnel	172.735	164.430
7.08.01.01	Direct Remuneration	143.713	138.486
7.08.01.02	Benefits	17.485	16.307
7.08.01.03	F.G.T.S.	11.537	9.637
7.08.02	Taxes, Duties and Contributions	192.626	237.645
7.08.02.01	Federal	76.515	126.212
7.08.02.02	State	115.436	110.687
7.08.02.03	Municipal	675	746
7.08.03	Interest Expenses	98.596	90.356
7.08.03.01	Interest	89.372	81.178
7.08.03.02	Rent	9.224	9.178
7.08.04	Interest earnings	4.012	105.973
7.08.04.01	Interests on equity	-	7.273
7.08.04.02	Dividends	-	2.612
7.08.04.03	Retained Earnings/Loss for the Period	4.012	96.088

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

Consolidated financial statements / Balance sheet – Assets

Account Code	Account Description	Current Year 09/30/2019	Previous Year 12/31/2018
1	Total Assets	1.822.286	1.622.155
1.01	Curent Assets	872.190	563.867
1.01.01	Cash and Cash Equivalents	329.372	82.624
1.01.03	Accounts Receivable	249.823	239.463
1.01.03.01	Trade receivables	249.823	239.463
1.01.04	Inventory	236.266	213.791
1.01.06	Recoverable Taxes	29.752	10.201
1.01.06.01	Current Taxes Recoverable	29.752	10.201
1.01.06.01.01	Income taxes and contributions recoverable	543	627
1.01.06.01.02	Other Current Taxes Recoverable	29.209	9.574
1.01.07	Prepaid expenses	4.821	1.598
1.01.08	Others current assets	22.156	16.190
1.01.08.03	Others	22.156	16.190
1.01.08.03.01	Advances to Suppliers	7.061	7.385
1.01.08.03.02	Other	15.095	8.805
1.02	Non-current Assets	950.096	1.058.288
1.02.01	Long-Term Assets	400.163	579.070
1.02.01.07	Deferred Taxes	11.120	4.353
1.02.01.07.01	Deferred Income and Social Contribution Taxes	11.120	4.353
1.02.01.09	Related party Credits	100.299	97.941
1.02.01.09.04	Other related party Credits	100.299	97.941
1.02.01.10	Other Non-current Assets	288.744	476.776
1.02.01.10.03	Judicial Deposits	126.108	116.980
1.02.01.10.04	Receivables - Eletrobrás	12.821	12.821
1.02.01.10.05	Recoverable Taxes	84.640	5.287
1.02.01.10.06	Tax Asset	37.865	317.506
1.02.01.10.07	Actuarial Asset	9.675	9.675
1.02.01.10.08	Interest earning bank deposits	7.506	7.251
1.02.01.10.09	Other	10.129	7.256
1.02.02	Investiments	315	298
1.02.02.01	Ownership Interest	315	298
1.02.02.01.04	Other ownership interest	315	298
1.02.03	Property, plant and equipment	527.309	458.331
1.02.03.01	Operating Property, Plant and Equipment	500.744	458.331
1.02.03.02	Right-of-use Asset	26.565	-
1.02.03.02.01	Right-of-use Asset	26.565	-
1.02.04	Intangible assets	22.309	20.589
1.02.04.01	Intangible assets	22.309	20.589

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

Consolidated financial statements / Balance sheet – Liabilities

Account Code	Account Description	Current Year 09/30/2019	Previous Year 12/31/2018
2	Total Liabilities	1.822.286	1.622.155
2.01	Current Liabilities	590.134	404.068
2.01.01	Social and labor obligations	51.158	36.734
2.01.02	Suppliers	129.139	124.874
2.01.03	Tax Obligations	19.751	25.846
2.01.03.01	Federal tax obligations	19.751	25.846
2.01.03.01.01	Income and social contribution tax payable	2.205	10.315
2.01.03.01.02	Installment payment of tax obligations	11.061	10.793
2.01.03.01.03	Taxes, rates and contributions	6.485	4.738
2.01.04	Loans and Financing	224.161	101.721
2.01.04.01	Loans and Financing	169.054	99.760
2.01.04.02	Debentures	55.107	1.961
2.01.05	Other Obligations	163.979	113.629
2.01.05.01	Liabilities with Related Parties	33.790	-
2.01.05.01.04	Debts with Other Related Parties	33.790	-
2.01.05.02	Other	130.189	113.629
2.01.05.02.04	Credit granting from suppliers	50.779	45.956
2.01.05.02.05	Advance from clients	19.777	16.457
2.01.05.02.06	Dividends Payable	523	23.457
2.01.05.02.08	Other	48.862	27.759
2.01.05.02.09	Leases Obligations	10.248	-
2.01.06	Provisions	1.946	1.264
2.01.06.02	Other Provisions	1.946	1.264
2.01.06.02.06	Profit share provision	1.946	1.264
2.02	Non-current Liabilities	869.729	855.967
2.02.01	Loans and Financing	566.198	493.916
2.02.01.01	Loans and Financing	318.458	200.258
2.02.01.02	Debentures	247.740	293.658
2.02.02	Other Obligations	180.368	220.319
2.02.02.02	Other	180.368	220.319
2.02.02.02.03	Suppliers	114.145	101.268
2.02.02.02.04	Related Party Payable	-	62.008
2.02.02.02.06	Installment payment of tax obligations	46.356	53.574
2.02.02.02.08	Other	2.199	3.469
2.02.02.02.09	Leases Obligations	17.668	-
2.02.03	Deferred Taxes	-	1.965
2.02.03.01	Deferred Income and Social Contribution Taxes	-	1.965
2.02.04	Provisions	123.163	139.767
2.02.04.02	Other Provisions	123.163	139.767
2.02.04.02.05	Provisions for Contingencies	123.001	139.605
2.02.04.02.06	Provision for Long-term Incentive	162	162
2.03	Shareholders' Equity	362.423	362.120
2.03.01	Realized Capital	200.000	140.000
2.03.03	Revaluation Reserve	-	34.690
2.03.04	Profit Reserves	175.960	235.960
2.03.04.01	Legal Reserves	25.141	25.141
2.03.04.05	Profit sharing reserve	150.819	114.922
2.03.04.10	Profit reserve to be allocated	-	95.897

2.03.05	Accumulated profit and loss	4.900	-
2.03.06	Equity valuation adjustments	-18.475	-48.542
2.03.09	Non-controlling interest	38	12

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

Consolidated financial statements / Statement of income

Account Code	Account Description	Current Quarter 07/01/2019 to 09/30/2019	Accumulated of the Current Period 01/01/2019 to 09/30/2019	Equal Quarter of the Previus Period 07/01/2018 to 09/30/2018	Accumulated of the Previous Period 01/01/2018 to 09/30/2018
3.01	Income from sales of goods and/or services	296.486	813.151	277.114	789.169
3.02	Cost of goods and/or services sold	-201.612	-549.108	-170.097	-473.736
3.03	Gross income	94.874	264.043	107.017	315.433
3.04	Operating expenses/income	-76.256	-205.007	-93.452	-128.256
3.04.01	Sales expenses	-77.770	-223.072	-76.690	-213.581
3.04.02	General and administrative expenses	-9.497	-30.039	-11.356	-30.659
3.04.04	Other operating income	11.904	56.243	-812	149.835
3.04.04.01	Other operating income	-	-	-	-
3.04.05	Other operating expenses	-893	-8.139	-4.594	-33.851
3.04.05.01	Other operating expenses	-	-	-4.594	-33.851
3.05	Income (loss) before financial income and taxes	18.618	59.036	13.565	187.177
3.06	Financial income (loss)	-24.090	-55.865	-10.545	-31.145
3.06.01	Financial income	11.675	18.869	5.250	18.948
3.06.01.01	Financial income	6.131	14.559	3.456	7.746
3.06.01.02	Net Exchange Variance	5.544	4.310	1.794	11.202
3.06.02	Financial expenses	-35.765	-74.734	-15.795	-50.093
3.06.02.01	Financial expenses	-35.765	-74.734	-15.795	-50.093
3.07	Income (loss) before income tax	-5.472	3.171	3.020	156.032
3.08	Income and social contribution taxes	2.571	867	-436	-50.037
3.08.01	Current	-3.062	-8.553	-2.382	-8.278
3.08.02	Deferred assets	5.633	9.420	1.946	-41.759
3.09	Net income (loss) of continued operations	-2.901	4.038	2.584	105.995
3.11	Consolidated Net Income/loss for the period	-2.901	4.038	2.584	105.995
3.11.01	Attributed to Partners of the Parent Company	-2.912	4.012	2.576	105.973
3.11.02	Attributed to Minority Partners	11	26	8	22
3.99	Earnings per share - (Reais / Shares)	-	-	-	-
3.99.01	Basic earnings per share	-	-	-	-
3.99.01.01	Common	0,0184	0,0253	0,0163	0,6686
3.99.02	Diluted Earnings per Share	-	-	-	-
3.99.02.01	ON	-	-	-	0,9100

PBG S.A and subsidiaries

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

Consolidated financial statements / Statement of comprehensive income

Account Code	Account Description	Current Quarter 07/01/2019 to 09/30/2019	Accumulated of the Current Period 01/01/2019 to 09/30/2019	Equal Quarter of the Previus Period 07/01/2018 to 09/30/2018	Accumulated of the Previous Period 01/01/2018 to 09/30/2018
4.01	Net Income for the Period	-2.911	4.038	2.576	105.995
4.02	Other Comprehensive Income	-4.176	-3.735	-2.840	-13.479
4.02.02	Exchange variance of Overseas Subsidiary	-4.176	-3.735	-2.840	-13.479
4.03	Comprehensive Income for the Period	-7.087	303	-264	92.516
4.03.01	Attributed to Partners of the Parent Company	-7.098	277	-272	92.494
4.03.02	Attributed to Minority Partners	11	26	8	22

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

Consolidated financial statements / Statement of cash flows - Indirect method

Account Code	Account Description	Accumulated of the Current Year 01/01/2019 to 09/30/2019	Accumulated of the Prior Year 01/01/2018 to 09/30/2018
6.01	Net cash from operational activities	169.808	15.983
6.01.01	Cash generated in operations	252.284	86.995
6.01.01.01	Profit or loss for the year before taxes	3.171	156.032
6.01.01.02	Depreciation and amortization	39.582	32.706
6.01.01.04	Unrealized Exchange Variation	-9.583	-7.893
6.01.01.05	Provision for inventory at market value	4.450	2.864
6.01.01.06	Provision Allowance for doubtful accounts	4.505	-878
6.01.01.07	Provision for contingencies	-16.605	44.080
6.01.01.08	Provision for labor obligations	-10.672	-15.657
6.01.01.09	Provision for profit sharing	682	456
6.01.01.10	Other provisions	-1.221	395
6.01.01.11	Leasing amortization	-7.826	-
6.01.01.13	Adjustments Tax Asset	279.641	-159.193
6.01.01.14	Adjustments Other Related Party Credits	-2.358	-2.478
6.01.01.15	Finance charges on tax installments	2.313	1.920
6.01.01.16	Leasing Assets	-26.565	-
6.01.01.17	Leasing Obrigations	-27.916	-
6.01.01.18	Finance charges on Loans	47.169	30.923
6.01.01.19	Present value adjustment and interest in leasing	-1.233	-
6.01.01.20	Others	-25.250	3.718
6.01.02	Changes in assets and liabilities	-38.664	-41.504
6.01.02.01	(Increase)/Decrease in accounts receivable	-14.865	-38.325
6.01.02.02	Increase /(Decrease) in Advances from clients	-26.925	7.453
6.01.02.04	(Increase)/Decrease in inventories	-9.128	-29.753
6.01.02.05	(Increase)/Decrease in recoverable taxes	-99.255	5.345

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

6.01.02.06	(Increase)/Decrease in Judicial Deposits	-	-9.691
6.01.02.07	(Increase)/Decrease in Interest earning bank deposit	-12.386	-248
6.01.02.09	(Increase)/Decrease in other assets	21.965	-5.488
6.01.02.10	Increase /(Decrease) in Accounts Payable	324	19.775
6.01.02.11	(Increase)/Decrease in advance to suppliers	6.104	730
6.01.02.12	(Increase)/Decrease in provisions for contingencies	3.320	-1.659
6.01.02.13	(Increase)/Decrease in installments	-9.263	-11.844
6.01.02.14	Increase /(Decrease) in tax and labor liabilities	14.116	24.510
6.01.02.15	Increase /(Decrease) in Other payable	9.246	1.064
6.01.02.16	Increase / (decrease) in investment payables	78.071	-3.373
6.01.03	Other	-43.812	-29.508
6.01.03.01	Interest paid	-38.530	-25.746
6.01.03.02	Income and social contribution taxes paid	-5.282	-3.762
6.02	Net cash used in investment activities	-80.714	-49.284
6.02.01	Acquisition of property, plant and equipment	-75.729	-44.040
6.02.02	Acquisition of intangible assets	-4.985	-5.244
6.03	Net Cash from Financing Activities	157.654	71.121
6.03.01	Obtainment of loans and financings	250.681	435.117
6.03.02	Payment of loans and financings	-70.122	-332.696
6.03.03	Paid Dividends	-22.905	-31.300
6.05	Increase (Decrease) in Cash and Cash Equivalents	246.748	37.820
6.05.01	Opening Balance of Cash and Cash Equivalents	82.624	94.379
6.05.02	Closing Balance of Cash and Cash Equivalents	329.372	132.199

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

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

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	140.000,000	0,000	235.960,000	0,000	-13.852,000	362.108,000	12,000	362.120,000
5.03	Adjusted Opening Balances	140.000,000	0,000	235.960,000	0,000	-13.852,000	362.108,000	12,000	362.120,000
5.05	Total Comprehensive Income	0,000	0,000	0,000	4.012,000	-3.735,000	277,000	26,000	303,000
5.05.01	Net Income for the Period	0,000	0,000	0,000	4.012,000	0,000	4.012,000	26,000	4.038,000
5.05.02	Other Comprehensive Income	0,000	0,000	0,000	0,000	-3.735,000	-3.735,000	0,000	-3.735,000
5.05.02.07	Exchange Variance of Overseas Subsidiary	0,000	0,000	0,000	0,000	-3.735,000	-3.735,000	0,000	-3.735,000
5.06	Internal changes in shareholders' equity	60.000,000	0,000	-60.000,000	888,000	-888,000	0,000	0,000	0,000
5.06.02	Realization of the Revaluation Reserve	0,000	0,000	0,000	888,000	-888,000	0,000	0,000	0,000
5.06.04	Increased Capital	60.000,000	0,000	-60.000,000	0,000	0,000	0,000	0,000	0,000
5.07	Closing Balances	200.000,000	0,000	175.960,000	4.900,000	-18.475,000	362.385,000	38,000	362.423,000

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

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

Account Code	Account Description	Paid-in share capital	Capital Reserves, Options Awarded and Treasury Stock	Profit Reserves	Retained Earnings or Accumulated Losses	Other Comprehensive Income	Shareholders' Equity	Minority interests	Consolidated Shareholders' Equity
5.01	Opening Balances	130.000,000	0	159.220,000	0	-4.172,000	285.048,000	12,000	285.060,000
5.03	Adjusted Opening Balances	130.000,000	0	159.220,000	0	-4.172,000	285.048,000	12,000	285.060,000
5.04	Shareholders operation	0,000	0	-15.872,000	-9.885	0,000	-25.757,000	0,000	-25.757,000
5.04.06	Dividends	0,000	0	-15.232,000	-2.612	0,000	-17.844,000	0,000	-17.844,000
5.04.07	Interest upon Own Capital	0,000	0	-640,000	-7.273	0,000	-7.913,000	0,000	-7.913,000
5.05	Total Comprehensive Income	0,000	0	0,000	105.973	-13.479,000	92.494,000	22,000	92.516,000
5.05.01	Net Income for the Period	0,000	0	0,000	105.973	0,000	105.973,000	22,000	105.995,000
5.05.02	Other Comprehensive Income	0,000	0	0,000	0	-13.479,000	-13.479,000	0,000	-13.479,000
5.05.02.07	Exchange Variance of Overseas Subsidiary	0,000	0	0,000	0	-13.479,000	-13.479,000	0,000	-13.479,000
5.06	Internal changes in shareholders' equity	10.000,000	0	-10.000,000	890	-890,000	0,000	0,000	0,000
5.06.02	Realization of the Revaluation Reserve	0,000	0	0,000	890	-890,000	0,000	0,000	0,000
5.06.04	Increased Capita	10.000,000	0	-10.000,000	0	0,000	0,000	0,000	0,000
5.07	Closing Balances	140.000,000	0	133.348,000	96.978	-18.541,000	351.785,000	34,000	351.819,000

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

Consolidated financial statements / Statement of added value

Account Code	Account Description	Accumulated of the Current Period 01/01/2019 to 09/30/2019	Accumulated of the Previous Period 01/01/2018 to 09/30/2018
7.01	Revenue	1.041.321	1.108.285
7.01.01	Sales of Goods, Products and Services	1.000.952	963.229
7.01.02	Other Revenue	44.874	144.178
7.01.04	Allowance/(Reversal of allowance) for doubtful accounts	-4.505	878
7.02	Consumables acquired from third parties	-505.802	-488.240
7.02.01	Cost of goods and services sold	-369.100	-305.389
7.02.02	Material, Energy, Outsourced Services and Other	-139.131	-184.013
7.02.03	Loss/Recovery of Assets	2.429	1.162
7.03	Gross Added Value	535.519	620.045
7.04	Retentions	-39.582	-32.706
7.04.01	Depreciation, Amortization and Depletion	-39.582	-32.706
7.05	Net Added Value Produced	495.937	587.339
7.06	Transferred Added Value	34.979	50.905
7.06.02	Financial Revenue	34.979	50.905
7.07	Total Added Value to be Distributed	530.916	638.244
7.08	Distribution of Added Value	530.916	638.244
7.08.01	Personnel	206.267	184.846
7.08.01.01	Direct Remuneration	173.106	156.139
7.08.01.02	Benefits	19.920	17.756
7.08.01.03	F.G.T.S.	13.241	10.951
7.08.02	Taxes, Duties and Contributions	217.662	252.824
7.08.02.01	Federal	98.901	140.874
7.08.02.02	State	118.008	111.105
7.08.02.03	Municipal	753	845
7.08.03	Interest Expenses	102.949	94.579

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

7.08.03.01	Interest	90.866	82.066
7.08.03.02	Rent	12.083	12.513
7.08.04	Interest earnings	4.038	105.995
7.08.04.01	Interests on equity	-	7.273
7.08.04.02	Dividends	-	2.612
7.08.04.03	Retained Earnings/Loss for the Period	4.012	96.088
7.08.04.04	Minority interests in retained earnings	26	22

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

CONSOLIDATED EARNINGS RELEASE 3Q19

Tijucas, November 13, 2019 PBG. S.A. (B3 S.A. - BRASIL, BOLSA, BALCÃO: PTBL3), **Brazil's largest ceramic tile company**, is submitting its earnings release for the third quarter of 2019.

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

HIGHLIGHTS

	R$ million	3Q18	3Q19	▲%
PER	Gross revenue	347	375	7,8%
	Net revenue (i)	**272**	**296**	**8,8%**
	Gross margin (i)	*37,6%*	*32,0%*	-5,6 p.p.
	EBITDA	**24**	**32**	**32%**
	EBITDA margin	*8,8%*	*10,7%*	1,9 p.p.
	Profit (Loss)	**2**	**(3)**	**-235%**
	Net margin	*0,8%*	*-1,0%*	-1,8 p.p.
	ROCE	**19,2%**	**9,8%**	-9,4 p.p.
Debt	**Net debt**	**458**	**411**	**-10,3%**
	Net debt-to-EBITDA	1,75	2,58	47%
PTBL3	**Quotation**	**3,97**	**4,20**	**6%**

(i) Net Revenue for 3Q18 considers r ic rebates, previously recognized in expenses, in the amount of R$ 4.6 million. Accordingly, the amounts are adjusted for purposes of comparison.

- **Net Revenue** of **R$ 296 million** , with growth de 8,8% vs 3T18;
- **Gross Margin 5.6 p.p inferiors ao 3T18**, still pressured;
- **EBITDA** amounted to 32 million in 3Q19, with growth of 32% vs 3T18;
- **Sale of tax assets** in the amount of R $ 170 million and equivalent Net debt reduction
- **Appreciation by 6%** of PTBL3 share price, ending 3Q19 at R$ 4.20 (R$ 3.97 at the end of September 2018).

TELECONFERENCE

Thursday, February 21 at 10 a.m.

Data for connection:

Phone: +55 11 3137-8043
Password: PORTOBELLO

WEBCAST

The teleconference audio will be broadcast over the internet, accompanied by a slideshow, both will be available 30 minutes in advance at:
www.ri.portobello.com.br/

MANAGEMENT COMMENTS

This quarter, although challenging in both domestic and international scenarios, was a period of sales growth and EBITDA recovery. The Brazilian economy has shown a still slow pace of recovery, while the scenario abroad is fluctuating in several markets, including several of our main export destinations. Expectations are more positive in the medium term in the face of falling interest rates and inflation, approval of pension reform, expectations of new reforms, improved GDP growth expected in 2019 and the creation of formal jobs. With this scenario, the prospects for construction and consumption of building material improve.

Net revenue in 3Q19 totaled R $ 296 million, 8.8% higher than 3Q18. In the domestic market, there was a 7.9% increase in revenues when compared to the same period of the previous year. According to Abramat, revenues from the deflated finishing construction materials market increased by 2% between 3Q18 and 3Q19, which points to a gain in the Company's market share in the sector. The domestic commercial strategy remains focused on a more profitable product mix, even though it results in lower sales volume. In the foreign market, there was an increase of 14% in 3Q19 when compared to 3Q18, as a result of the increase in sales in the USA, where two distribution centers were recently implemented, focusing on expanding the customer base.

Cash generation, as measured by EBITDA, totaled R $ 32 million, accumulating R $ 99 million in the year. In September, the IPC premium tax credit proceeding was sold in the amount of R $ 170 million, which made an important additional contribution to cash flow and reduced financial leverage.

In the Pointer brand, sales growth was remarkable. The qualification of the product mix and the nationalization strategy of the brand generated an increase in the turnover of inventory items that have allowed the Alagoas plant to maintain 100% capacity utilization.

We reiterate that we continue our efforts in the constant pursuit of operational improvement, with particular attention to a review of the cost and expense structure. In sales, the strategy is maintained focused on retailing, brand strengthening, new business, internationalization and optimization of the product mix

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

ECONOMIC-FINANCIAL PERFORMANCE

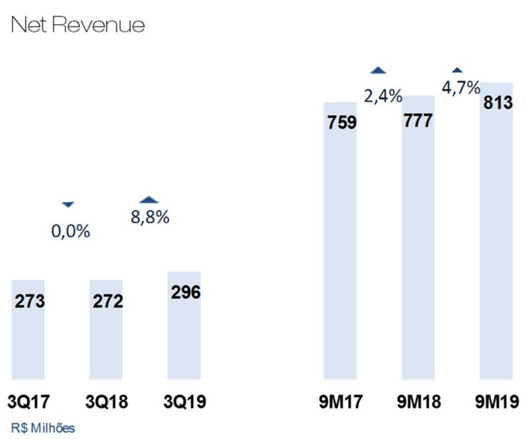
	R$ mil	3Q17	3Q18	3Q19	▲%	9M17	9M18	9M19	▲%
PERFORMANCE	**Gross revenue**	**343.389**	**347.493**	**374.633**	**7,8%**	**961.077**	**978.370**	**1.033.341**	**5,6%**
	Net revenue (i)	272.513	272.499	296.486	8,8%	758.937	776.512	813.151	4,7%
	Gross profit (i)	**109.374**	**102.402**	**94.874**	**-7,4%**	**309.309**	**307.391**	**264.043**	**-14,1%**
	Gross margin (i)	40,1%	37,6%	32,0%	-5,6 p.p.	40,8%	39,6%	32,5%	-7,1 p.p.
	EBIT	**34.456**	**13.135**	**18.618**	**42%**	**120.693**	**191.362**	**59.031**	**-69%**
	EBIT margin	12,6%	4,8%	6,3%	1,5 p.p.	15,9%	24,6%	7,3%	-17,4 p.p.
	Finance income (costs)	(15.911)	(10.545)	(24.090)	128%	(41.451)	(31.145)	(55.866)	79%
	Profit (loss) for the period	**17.593**	**2.154**	**(2.901)**	**-235%**	**59.341**	**105.565**	**4.036**	**-96%**
	Net margin	6,5%	0,8%	-1,0%	-1,8 p.p.	7,8%	13,6%	0,5%	-13,1 p.p.
	EBITDA	**44.408**	**23.973**	**31.762**	**32%**	**147.222**	**219.268**	**98.617**	**-55%**
	EBITDA margin	*16,3%*	*8,8%*	*10,7%*	1,9 p.p.	*19,4%*	*28,2%*	*12,1%*	-16,1 p.p.
INDICATORS	Current liquidity					*1,18*	*1,59*	*1,59*	(0,00)
	Net debt					411.453	457.999	410.599	-10,3%
	Net debt-to-EBITDA					*2,40*	*1,75*	*2,58*	214%
	Net debt-to-equity					*1,40*	*1,30*	*1,13*	(0,17)
PTBL3	Closing quotation					5,10	3,97	4,20	6%
	Market value					808.291	629.199	666.651	
	Monthly trading volume (R$). Average from the past 12 months					32.500	44.683	48.517	9%

(i) Net Revenue for 3Q17, 3Q18, 9M17 and 9M18 considers reclassification of rebates, previously recognized as expenses, in the amounts of R$ 3.1, R$ 4.6 R$ 10.8 and R$ 12.6 million, respectively, adjusted for purposes of comparison.

Net revenue

Net revenue grew 8.8% in 3Q19 versus 3Q18 reaching R $ 296 million, accumulating R $ 813 million, 4.7% over the previous year, the best result in the last three years.

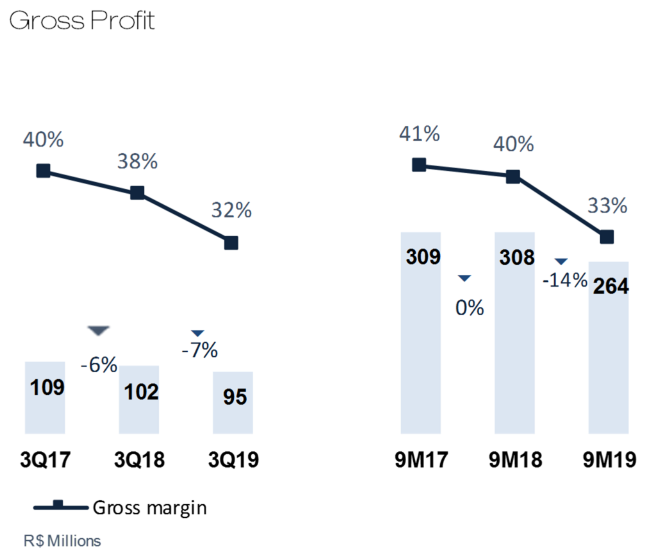
Domestic sales accounted for 84% of the total, maintaining the same percentage as in the previous quarter. Year-to-date revenues reached R $ 685 million, 10.7% higher than 9M18. This growth is mainly due to the increase in the share of owned stores and the Pointer brand.



In the foreign market, sales grew by 14% over 3Q18, This increase is the result of the establishment of two distribution centers in the USA.

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

	3Q17	3Q18	3Q19	▲%	9M17	9M18	9M19	▲%
Net revenue	**272.513**	**272.499**	**296.486**	**8,8%**	**758.937**	**776.512**	**813.151**	**4,7%**
Domestic Market	223.885	228.758	246.835	7,9%	620.253	619.161	685.400	10,7%
Foreign Market	48.628	43.741	49.651	14%	138.684	157.351	127.751	-19%



Gross Profit

Gross profit in 3Q19 totaled R $ 95 million, 8% below 3Q18, representing gross margin of 32%. The main impacts were the readjustments of energy input prices and the need to match production capacity to demand. In 9M19 there was a 14% reduction compared to 9M18 representing 33% of the margin.

Operating Income (Expenses)

	3Q17	%RL	3Q18	%RL	3Q19	%RL	▲%	9M17	%RL	9M18	%RL	9M19	%RL	▲%
Operating expenses	**(74.918)**	**27,5%**	**(89.267)**	**33%**	**(76.256)**	**26%**	**-15%**	**(188.616)**	**25%**	**(116.029)**	**15%**	**(205.009)**	**25%**	**77%**
Selling (i)	(61.295)	22,5%	(72.075)	26,4%	(77.770)	26,2%	7,9%	(172.650)	22,7%	(200.924)	25,9%	(223.072)	27,4%	11,0%
General and administrative	(7.735)	2,8%	(11.356)	4,2%	(9.497)	3,2%	-16,4%	(24.854)	3,3%	(30.659)	3,9%	(30.041)	3,7%	-2,0%
Other income (expenses)	(5.888)	2,2%	(5.836)	2,1%	11.011	-3,7%		8.888	-1,2%	115.554	-14,9%	48.104	-5,9%	-58,4%

(i). Expenses for 3Q17, 3Q18, 9M18 and 9M19 were adjusted due to the reclassification of rebates for deduction from revenues, in the amount of R$ 3.1, R$ 4.6, R$ 10.8 and R$ 12.6 million, respectively.

Selling expenses totaled R $ 78 million in 3Q19, an increase of 7.9% compared to 3Q18. The growth was due to the increase in the number of owned stores, US operations, intensified retail operations and the company's positioning in the market. The ratio with net revenue in 3Q19 was 26%, same as in 3Q18.

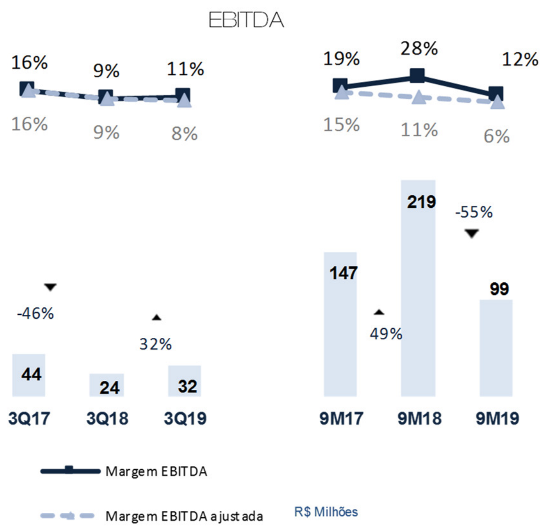
Administrative expenses totaled 9.5 million in 3Q19 and R $ 30 million in 9M19. Net revenue reached 3.2%, stable when compared to the same period of the previous year.

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

Other operating revenues totaled R $ 11 million in 3Q19 and include the reversal of provisions recorded on the occasion of the recognition of the judicial asset in June 2018. As the amount realized was lower, there was a reduction in charges related to this asset, previously provisioned.

EBITDA

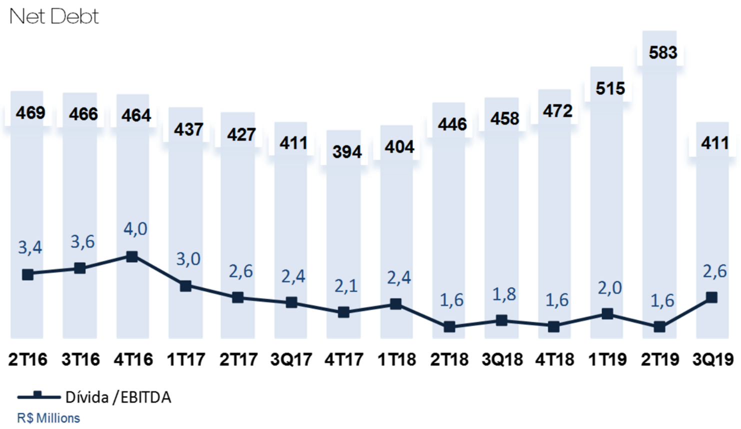
	3Q17	3Q18	3Q19	%RL	▲%	9M17	9M18	9M19	%RL	▲%
Net profit	17.593	2.154	(2.901)	-1%	-235%	59.341	105.565	4.036	0%	-96%
(+) Finance income (costs)	15.911	10.545	24.090	8,1%	128%	41.451	31.145	55.866	6,9%	79%
(+) Depreciation and amortizatioı	9.952	10.838	13.144	4,4%	21%	29.628	32.521	39.582	4,9%	22%
(+) Taxes on profit	952	436	(2.571)	-1%	-690%	16.802	50.037	(867)	0%	-102%
EBITDA	**44.408**	**23.973**	**31.762**	**11%**	**32%**	**147.222**	**219.268**	**98.617**	**12%**	**-55%**
(-) Extraordinary gains	-	-	(7.862)			(30.042)	(132.157)	(51.659)		
Adjusted EBITDA	**44.408**	**23.973**	**23.900**	**8%**	**0%**	**117.180**	**87.111**	**46.958**	**6%**	**-46%**



The company ended the third quarter of 2019 with EBITDA of R $ 32 million, an increase of 32% over 3Q18 and a margin of 11%, reflecting lower expenses and sales growth. In the accumulated totaled $ 99 million with a margin 12%

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

INDEBTEDNESS/ CAPITAL STRUCTURE

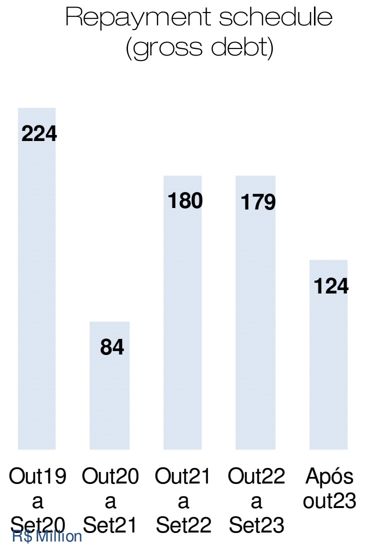


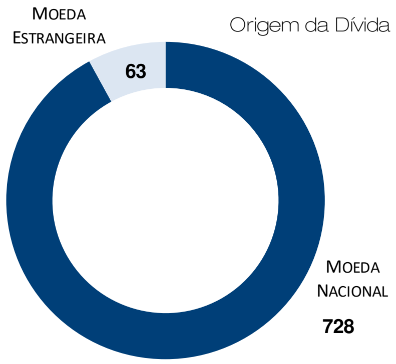
The Company's net indebtedness decreased from R $ 583 million in 2Q19 to R $ 411 million in 3Q19, mainly due to the sale of IPI - Polo Ativo premium credit.

Net indebtedness is 2.6x EBITDA, remaining at levels below 3.0x (expected covenant level) since 2Q17.

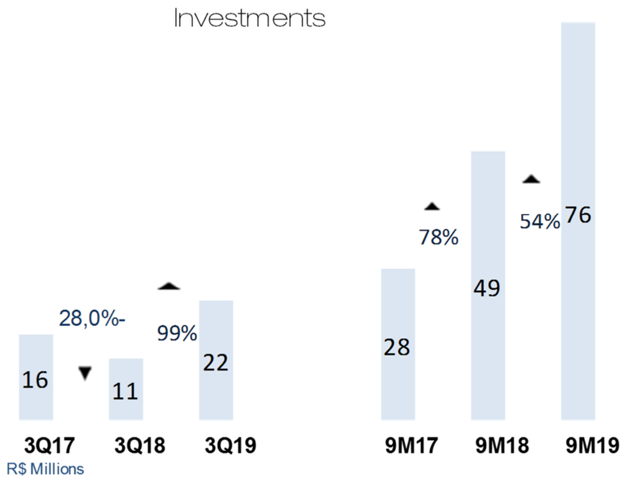
	Sep/18	Dec/18	Sep/19	▲R$
Bank indebtdness	627.663	595.637	790.359	194.722
Tax indebtdness	66.850	64.367	57.417	(6.950)
(=) Gross debt	**694.513**	**660.004**	**847.776**	**187.772**
(+) Cash and cash equivalents	(139.385)	(89.875)	(336.878)	(247.003)
(+) Receivables from related parties	(97.129)	(97.941)	(100.299)	(2.358)
(=) Net debt	**457.999**	**472.188**	**410.599**	**(61.589)**
EBITDA (past 12 months)	261.248	288.013	159.356	(128.657)
Net debt-to-EBITDA ratio	*1,75*	*1,64*	*2,58*	
Net debt-to-equity ratio	*1,30*	*1,37*	*1,13*	

The gross debt balance is divided into 29% short term and 71% long term. The Company continues to work on extending its debt profile.





INVESTMENTS



In the quarter, investments totaled R $ 22 million and were mostly allocated to own stores and acquisition of land in the US to build the future factory.

In 9M19, they reached R $ 76 million, mostly for implementation of a new enameled porcelain production line at the Tijucas unit.

New Standards - IFRS 16

On January 1, 2019, the new IFRS 16/CPC 06 (R2) became effective and the Company has presented since then accounting results containing the effects of this standard. EBITDA adjusted by the impact of application of IFRS 16/CPC 06 (R2), resulting in the increase in lease expenses converted into depreciation and interest, amounts to R$ 2.9 million in 3Q19.

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

IMPACTS OF IFRS 16/CPC 06 (R2)

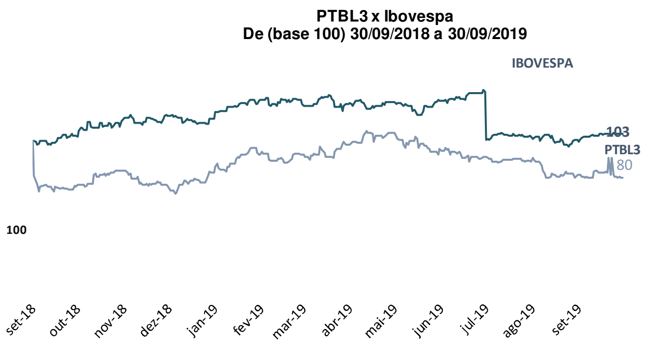
Statement of income 3Q19 R$ thousand	
Lease expense	(3.841)
Lease depreciation	2.894
Lease finance cost	947
Impact on EBITDA	**3.841**

CORPORATE GOVERNANCE

Email address for forwarding corporate governance matters to senior management dri@portobello.com.br

- Shares listed on B3's Novo Mercado;
- Only outstanding common shares, that is, each share entitles to one vote at Shareholders' General Meetings;
- 100% tag-along shares;
- Four independent members on the Board of Directors;
- Minimum dividend policy corresponding to 25% of adjusted net income;
- Policy of Disclosure of relevant Acts and Facts and negotiation of Securities in force;
- Brokerage firm covering the Company is Itaú Unibanco.

PERFORMANCE OF PTBL3 SHARES



The shares traded under ticker symbol PTBL3 ended the last trading session held in September 2019 quoted at R$ 4.20.

In the past 12 months, the average financial trading volume was R$ 49 million, up 9% compared to R$ 45 million recorded in the prior year. At the end of 3Q19, PBG S.A.'s market value was equivalent to R$ 666 million (R$ 629 million in 3Q18).

PROSPECTS

- Management is confident of the gradual recovery of the Brazilian economy, which has reflected in the consumption of construction materials and the growth in construction activity. The construction sector is recovering with the increase of real estate developments in the main urban areas in the country;

- Internally, the company will continue to focus on mitigating the effects of increased energy inputs, whether on factory optimization, constant review of costs and expenses or product portfolio renewal to meet the consumer wishes of the PORTOBELLO and POINTER brands;

- In the foreign market, efforts will continue to be made for the expansion of exports to other markets outside the Americas and internationalization of the Company’s operations. In this sense, the US distribution operations will continue to be expanded;

- The Alagoas plant and Pointer brand continue to execute the plan of alignment with the current market conditions, improve brand positioning, product portfolio and, consequently, economic results. The operation has already reached its equilibrium and the projections continue to indicate profitability gains;

- Management will continue to focus on lengthening and improving the debt profile, as well as monitoring and maintaining the debt/ EBITDA ratio. The actions focus on discipline in cash management, reduction of working capital, preservation of liquidity and reduction of financial costs;

- The Company continues confident about its leading edges and reiterates its efforts to improve its results.

INDEPENDENT AUDIT

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

MANAGEMENT

Conselho de Administração

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

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

TELECONFERENCE and WEBCAST

On Thursday, November 21, 2019, at 10 a.m. a teleconference will be held in Portuguese language to report the earnings for the third quarter of 2019.

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

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

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

Balance Sheet

Assets	9/30/19	12/31/18	Liabilities	9/30/19	12/31/18
Current assets	**872.190**	**563.867**	**Current liabilities**	**590.134**	**404.068**
Cash and cash equivalents	329.372	82.624	Borrowings and debentures	224.161	101.721
Trade receivables	249.823	239.463	Trade payables and credit assignment	179.918	170.830
Inventories	236.266	213.791	Taxes and social contributions	19.751	25.846
Recoverable taxes	29.752	10.201	Payroll and related taxes	51.158	36.734
Prepaid expenses	4.821	1.598	Advances from customers	19.777	16.457
Other current assets	22.156	16.190	Dividends payable	523	23.457
			Related parties	33.790	-
			Other current liabilities	61.056	29.023
Noncurrent assets	**950.096**	**1.058.288**	**Noncurrent liabilities**	**869.729**	**855.967**
Long-term assets	**400.163**	**579.070**	Borrowings and debentures	566.198	493.916
Escrow deposits	126.108	116.980	Trade payables	114.145	101.268
Recoverable taxes	84.640	5.287	Deferred income tax and social	-	1.965
Legal assets	37.863	317.506	Taxes payable in installments	46.356	53.574
Due from related parties	100.299	97.941	Related parties	-	62.008
Due from Eletrobrás	12.821	12.821	Provisions	123.001	139.605
Other noncurrent assets	38.432	28.535	Other	20.029	3.631
			Equity	**362.423**	**362.120**
Investments	**315**	**298**	Capital	200.000	140.000
Property, plant and equipment	**500.744**	**458.331**	Revenue reserves	180.860	235.960
Right of Use Goods	**26.565**	**-**			
Intangible assets	**22.309**	**20.589**	Other comprehensive income	(18.475)	(13.852)
			Additional dividends proposed	-	-
			Retained earnings	-	-
			Noncontrolling interests	38	12
Total assets	**1.822.286**	**1.622.155**	**Total liabilities**	**1.822.286**	**1.622.155**

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

Cash Flow

R$ thousand	9M18	9M19	Var.%
Net Cash Provided by/(Used in) Operating Activities	**169.808**	**15.983**	**962**
Cash provided by operations	213.620	45.491	370
Other	(43.812)	(29.508)	48
Interest paid	(38.530)	(25.746)	50
Income tax and social contribution paid	(5.282)	(3.762)	40
Net Cash Provided by/(Used in) Investing Activities	**(80.714)**	**(49.285)**	**64**
Acquisition of property, plant and equipment	(75.729)	(44.041)	72
Acquisition of intangible assets	(4.985)	(5.244)	(5)
Proceeds from permanent asset disposals	-	-	-
Net Cash Provided by/(Used in) Financing Activities	**157.654**	**71.122**	**122**
Borrowings	250.681	435.118	(42)
Repayment of borrowings	(70.122)	(332.696)	(79)
Dividends paid	(22.905)	(31.300)	(27)
Increase/(Decrease) in Cash and Cash Equivalents	**246.748**	**37.820**	**552**
Cash and Cash Equivalents at the Beginning of the Period	**82.624**	**94.379**	**(12)**
Cash and Cash Equivalents at the End of the Period	**329.372**	**132.199**	**149**

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

1 General information

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

The Company, headquartered in Tijucas, Santa Catarina, and its direct and indirect subsidiaries, individually or jointly, has as its principal corporate purpose the industrialization and sale of ceramic and porcelain products in general, such as flooring, technical and enameled porcelain, decorated and special pieces. , mosaics, products for the coating of internal walls, external facades, as well as the provision of complementary services for application in the field of construction materials in Brazil and abroad.

The Company also holds equity interest in the following subsidiaries: (i) Portobello Shop, which manages the Portobello Shop and Empório Portobello franchising networks, with a network of franchised stores specializing in porcelain tiles and ceramic coatings; (ii) PBTech, which manages the Portobello Shop own stores and currently manages 14 stores; (iii) Mineração Portobello, which supplies part of the raw materials used in the manufacture of ceramic coatings; (iv) Companhia Brasileira de Cerâmica, which as of the second quarter of 2018 operates the special cuts factory in the Southeast; and (v) Portobello América, which was established to sell Portobello products in the U.S. market and gradually returned to operations as of the second six-month period of 2018,this quarter with a subsidiary Portobello America Manufacturing, LLC.

2 Presentation of interim financial information

a) Statement of compliance

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

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

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

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

The individual and consolidated interim financial information was authorized for issuance by the Board of Directors on November 13, 2019.

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

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

IFRS 16 / CPC 06 (R2) Leases

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

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

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

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

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

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

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

In thousands of reais, unless otherwise stated.

of-use asset has been reduced to zero. Operating lease agreements are recognized as expenses over the lease period.

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

Impact on the Consolidated Balance Sheet:

	Controladora				Consolidado			
	31/12/2018	IFRS 16/CPC 06 (R2)	Ref.	01/01/2019	31/12/2018	IFRS 16/CPC 06 (R2)	Ref.	01/01/2019
Ativo								
Circulante	544.985			544.985	563.867			563.867
Não circulante	1.128.191	10.376	(a)	1.138.567	1.058.288	23.718	(a)	1.082.006
Total do Ativo	1.673.176	10.376		1.683.552	1.622.155	23.718		1.645.873
Passivo								
Circulante	382.598	2.927	(b)	385.525	404.068	7.350	(b)	411.418
Não circulante	928.470	7.449	(b)	935.919	855.967	16.368	(b)	872.335
Patrimônio Líquido	362.108			362.108	362.120			362.120
Total do Passivo	1.673.176	10.376		1.683.552	1.622.155	23.718		1.645.873

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

ICPC 22 / IFRIC 23: Uncertainty over Income Tax Treatments

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

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

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

3 Significant accounting policies

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

4 Critical accounting estimates and judgments

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

5 Financial risk management

5.1 Financial risk factors

In thousands of reais, unless otherwise stated.

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

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

a) Market risk

i) Foreign exchange risk

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

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

	In reais			
	Parent Company		Consolidated	
	30 de setembro de 2019	31 de dezembro de 2018	30 de setembro de 2019	31 de dezembro de 2018
Trade receivables	62.677	51.214	62.677	51.214
Checking account	3.765	5.470	3.765	5.470
Credit with subsidiaries	97.560	84.255	-	-
Assets exposed	164.002	140.939	66.442	56.684
Provision for loss in investments	(57.375)	(74.534)	-	-
Suppliers, commissions, net of advances.	(19.264)	(6.896)	(19.264)	(6.896)
Payables for investments	(10.459)	(8.793)	(10.459)	(8.793)
Borrowings and financing	(63.461)	(59.134)	(63.461)	(59.134)
(-) Swap	19.808	23.706	19.808	23.706
Liabilities exposed	(130.751)	(125.651)	(73.376)	(51.117)
Net exposure	33.251	15.288	(6.934)	5.567

In thousands of reais, unless otherwise stated.

	In Euro				In Dollar			
	Parent Company		Consolidated		Parent company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Trade receivables	134	338	134	338	14.315	12.811	14.315	12.811
Checking account	-	-	-	-	904	1.412	904	1.412
Credit with subsidiaries	-	-	-	-	23.427	21.744	-	-
Provision for loss in investments	-	-	-	-	(13.118)	(18.770)	-	-
Suppliers, commissions, net of advances.	(603)	(1.592)	(603)	(1.592)	(2.091)	(2.268)	(2.091)	(2.268)
Borrowings and financing	(4.067)	-	(4.067)	-	(10.420)	(9.148)	(10.420)	(9.148)
	(4.536)	(1.254)	(4.536)	(1.254)	13.017	5.781	2.708	2.807

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

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

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

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

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

b) Credit risk

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

c) Liquidity risk

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

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

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

In thousands of reais, unless otherwise stated.

	Parent Company								
	September 30, 2019					December 31, 2018			
	*Borrowings and debentures	Lease Liabilities	Trade payables and credit assignment	Tax installment payment	TOTAL	*Borrowings and debentures	Trade payables and credit assignment	Tax installment payment	TOTAL
Less than one year	205.421	1.204	167.607	10.985	385.217	101.721	157.956	10.718	270.395
From one to two years	263.522	6.113	114.145	22.438	406.218	306.842	101.268	21.918	430.028
From two to five years	319.507	4.811	-	23.605	347.923	182.125	-	31.294	213.419
Over five years	604	-	-	-	604	3.657	-	-	3.657
	789.054	12.128	281.752	57.028	1.139.962	594.345	259.224	63.930	917.499

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

	Consolidated								
	September 30, 2019					December 31, 2018			
	*Borrowings and debentures	Lease Liabilities	Trade payables and credit assignment	Tax installment payment	TOTAL	*Borrowings and debentures	Trade payables and credit assignment	Tax installment payment	TOTAL
Less than one year	205.421	8.803	179.918	11.061	405.203	101.721	170.830	10.793	283.344
From one to two years	263.522	11.710	114.145	22.590	411.967	308.134	101.268	22.068	431.470
From two to five years	320.812	7.403	-	23.766	351.981	182.125	-	31.506	213.631
Over five years	604	-	-	-	604	3.657	-	-	3.657
	790.359	27.916	294.063	57.417	1.169.755	595.637	272.098	64.367	932.102

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

d) Sensitivity analysis

i) Sensitivity analysis of interest rate variations

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

As at September 30, 2019, Management considered as the probable scenario the increase in the CDI rate of 5.4% and SELIC rate of 5.10%. 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:

In thousands of reais, unless otherwise stated.

	Consolidated in Reais								
	September 30, 2019	Risk	Probable		Possible (25%)*		Remote (50%)*		
			%	R$	%	R$	%	R$
Borrowings - Working Capital	(1.305)	CDI increas	5,40%	70	6,75%	88	8,10%	106
Borrowings - Export credit note	(284.757)	CDI increas	5,40%	15.377	6,75%	19.221	8,10%	23.065
Debentures	(302.847)	CDI increas	5,40%	16.354	6,75%	20.442	8,10%	24.531
	(588.909)			31.801		39.751		47.702
Tax installment payment	57.417	Selic incre:	5,10%	(2.928)	7,19%	(4.128)	8,10%	(4.651)

ii) Sensitivity analysis of changes in exchange rates

The Company has assets and liabilities pegged to a foreign currency in the balance sheet as at September 30, 2019, and for sensitivity analysis purposes, it has adopted as probable scenario the future market rate effective in the period of preparation of this interim financial information. The probable rate was then stressed by 25% and 50% and used as benchmark for the possible and remote scenarios, respectively.

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

	Consolidated in Reais						
	September 30, 2019	Probable		Possible (25%)*		Remote (50%)*	
		Rate US$	Gain (Loss)	Rate US$	Gain (Loss)	Rate US$	Gain (Loss)
Trade receivables	62.677	3,950	(3.227)	4,938	11.636	5,925	26.498
Checking account	3.765	3,950	(194)	4,938	699	5,925	1.592
Trade payable, net of advances	(19.264)	3,950	992	4,938	(3.576)	5,925	(8.144)
Payables for investments	(10.459)	3,950	538	4,938	(1.942)	5,925	(4.422)
Borrowings and financing	(63.461)	3,950	3.267	4,938	(11.781)	5,925	(26.830)
(-) Swap contract	19.808	3,950	(1.020)	4,938	3.677	5,925	8.374
Net exposure	(6.934)		356		(1.287)		(2.932)

*Possible and remote scenarios calculated based on the probable rate, according to the Focus Report from BACEN dated October 18, 2019.

5.2 Capital management

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

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

In thousands of reais, unless otherwise stated.

At September 30, 2019, the gearing ratios are summarized as follows:

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Borrowings and financing	789.054	594.345	790.359	595.637
Tax installment payment	57.028	63.930	57.417	64.367
Less: Cash and cash equivalents	(312.129)	(67.580)	(329.372)	(82.624)
Receivables from other related parties	(100.299)	(97.941)	(100.299)	(97.941)
Financial Investments	(7.506)	(7.251)	(7.506)	(7.251)
Net debt	426.148	485.503	410.599	472.188
Total Equity	362.385	362.108	362.423	362.120
Net debt / PL (%)	1,18	1,34	1,13	1,30

5.3 Financial instruments by category

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

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Assets stated at fair value through profit or loss				
Derivatives	8.083	3.375	8.083	3.375
Amortized cost				
Cash and cash equivalents	312.129	67.580	329.372	82.624
Financial Investments	7.506	7.251	7.506	7.251
Receivables from other related parties	100.299	97.941	100.299	97.941
Trade receivables	219.815	222.065	249.823	239.463
	647.832	398.212	695.083	430.654
Amortized cost				
Trade payables and assignment	281.752	157.956	294.063	170.830
Borrowings, financing and debentures	789.054	594.345	790.359	595.637
Tax installment payment	57.028	63.930	57.417	64.367
	1.127.834	816.231	1.141.839	830.834

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

In thousands of reais, unless otherwise stated.

6 Cash and cash equivalents

Short-term investments designated as cash equivalents correspond to investments in investment funds, which average return in September 2019 was equivalent to 98.9% of the Interbank Deposit Certificate (CDI) rate and which can be redeemed at any time, without penalties.

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Checking account	16.702	12.290	25.376	22.886
Financial Investments	295.427	55.290	303.996	59.738
	312.129	67.580	329.372	82.624

7 Financial instruments

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

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

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

At September 30, 2019, an unrealized gain of R$ 1,584 was posted, see note 34.

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

In thousands of reais, unless otherwise stated.

8 Trade receivables

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Receivables from third party				
Internal market	162.034	171.741	191.626	188.641
External market	62.677	51.214	62.677	51.214
	224.711	222.955	254.303	239.855
Receivables from related parties:				
Entities related to management	1.151	781	1.963	1.546
	1.151	781	1.963	1.546
Impairment of trade receivables:				
Provision for impairment of trade receivables	(6.047)	(1.671)	(6.443)	(1.938)
	(6.047)	(1.671)	(6.443)	(1.938)
	219.815	222.065	249.823	239.463

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

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

a. Aging list of trade receivables

	Parent Company					
	September 30, 2019	Estimated losses	Coverage %	December 31, 2018	Estimated losses	Coverage %
Falling due	216.368	(1.171)	0,5%	212.671	(509)	0,2%
Past due until 30 days	2.528	(126)	5%	7.353	(273)	4%
Past due from 31 to 90 days	2.931	(1.681)	57%	1.971	(118)	6%
Past due from 91 to 180 days	2.452	(2.050)	84%	755	(155)	21%
Past due from 181 to 360 days	1.348	(784)	58%	584	(214)	37%
Past due over 360 days	235	(235)	100%	402	(402)	100%
	225.862	(6.047)		223.736	(1.671)	

	Consolidated					
	September	Estimated	Coverage %	December 31,	Estimated	Coverage %
Falling due	245.739	(1.171)	0,5%	228.664	(509)	0,2%
Past due until 30 days	3.022	(126)	1%	8.099	(328)	4%
Past due from 31 to 90 days	2.994	(1.697)	2%	2.363	(151)	10%
Past due from 91 to 180 days	2.629	(2.165)	6%	980	(181)	16%
Past due from 181 to 360 days	1.610	(1.012)	23%	804	(278)	65%
Past due over 360 days	272	(272)	90%	491	(491)	98%
	256.266	(6.443)		241.401	(1.938)	

In thousands of reais, unless otherwise stated.

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

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

At September 30, 2019, trade receivables pledged as collateral amounts to R$ 110,102 (R$ 76,502 at December 31, 2018).

9 Inventories

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Finished products	193.676	179.476	207.182	186.188
Work in progress	8.813	7.311	9.162	7.446
Raw material and consumables	33.611	29.848	33.611	29.970
Provision for valuation of inventories at realizable value	(14.263)	(9.813)	(14.263)	(9.813)
Import in progress	574	-	574	-
	222.411	206.822	236.266	213.791

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

In thousands of reais, unless otherwise stated.

10 Taxes recoverable

	Parent Company		Consolidated	
	Septembe r 30, 2019	December 31, 2018	Septembe r 30, 2019	December 31, 2018
Current				
ICMS	6.605	4.809	7.057	5.275
IPI (a)	6.372	2.655	6.376	2.767
IRRF/CSRF	490	512	532	549
IRPJ/CSLL	527	-	543	627
Pis/Cofins receivables	-	-	440	422
Special Tax Reintegration Regime for Exporting Cor	222	93	222	93
Exclusion of ICMS on PIS and COFINS (c)	6.855	-	6.855	-
Other	238	324	390	468
	21.309	8.393	22.415	10.201
Noncurrent*				
ICMS *	3.637	3.203	3.893	3.475
PIS/COFINS *	4.798	1.812	4.798	1.812
Exclusion of ICMS on PIS and COFINS (c)	87.094	-	87.094	-
	95.529	5.015	95.785	5.287

* Tax credit on property, plant and equipment.

a. Decrease of IPI rates

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

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

The Special Tax Reintegration Regime for Exporting Companies (Reintegra) consists of returning part of the exported amount in the form of tax credit to reduce federal taxes.
At September 30, 2019, the Reintegra-related tax credits amounted to R$ 222 (R$ 93 at December 31, 2018).

c. Exclusion of ICMS on PIS and COFINS

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

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

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

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

On December 13, 2018, an administrative decision was granted granting the request for credit qualification arising from a final court decision, in the amount of R $ 59,381, recording this amount in the same period. The Company has been offsetting these credits with federal taxes. Upon approval by the IRS, this asset was reclassified from tax assets to recoverable taxes.

At September 30, 2019, the recoverable tax credits related to the ICMS Purge on PIS and COFINS were R$ 18,000 in current assets and R$ 75,949 in non-current assets, as projected by the company to offset taxes. As of December 31, 2018, the amount of R$ 59,381, recorded in tax assets, was reclassified under equity. In addition to the lawsuit recognized, there was another lawsuit on the purge of ICMS for the period 2003-2009 that the Company recognized in the amount of R$ 45,072 in the second quarter of 2019 in non-current assets.

11 Receivables from other related parties

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

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

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

Upon adhering to the installment payment program under Law 11,941/09, the Company and "Refinadora" have entered into an instrument confirming these credits as guarantee capable of satisfying all tax debts payable in installments. At September 30, 2019, these credits also originating from lawsuit

In thousands of reais, unless otherwise stated.

No. 87.00.00967-9 amount to R$ 99,508 (R$ 97,941 at December 31, 2018) and are adjusted based on the SELIC rate, as set forth in the agreement.

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

a release order, however, due to an appeal filed by the Federal Government, the installments remain blocked for withdrawal by Refinadora Catarinense S.A..

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

12 Judicial deposits

The Company and its subsidiaries are parties to tax, civil, labor and social security lawsuits (see note 26) and are discussing these matters at administrative and judicial level, which are supported by 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 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Civil (a)	114.262	101.316	114.263	101.316
Labor	4.354	8.848	4.354	8.848
Tax	7.459	6.785	7.491	6.816
	126.075	116.949	126.108	116.980

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

13 Receivables from Eletrobras

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

In 2005 this lawsuit was upheld and in February 2006 the Company filed an execution action and recognized the amount determined by the legal expert monthly adjusted by the INPC plus 12% per year.

In thousands of reais, unless otherwise stated.

After such period, the calculation was subject to reviews conducted by the accounting office of the Federal Court.

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

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

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

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

14 Income tax and social contribution tax

a) Income tax and social contribution on income

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

	Current assets				Current liabilities			
	Parent Company		Consolidated		Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Income tax	414	-	423	495	-	(6.152)	1.619	(7.527)
Social contribution	113	-	120	132	-	(2.271)	586	(2.788)
	527	-	543	627	-	(8.423)	2.205	(10.315)

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

b) Deferred income tax and social contribution tax

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

In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Tax losses	22.839	10.607	22.839	10.607
Temporary differences - assets	36.438	38.727	40.791	43.080
Cash basis exchange rate variations	(874)	648	(874)	648
Provision for adjustment to market value	2.563	1.899	2.563	1.899
Provisions for civil, labor, pension and tax	14.685	15.577	14.685	15.577
Provision for Pis/Cofins contingencies - Plantiff	4.913	6.927	4.913	6.927
Accrued profit sharing e long-term incentive	717	485	717	485
Tax losses on subsidiaries	-	-	4.353	4.353
Other temporary differences - assets	14.434	13.191	14.434	13.192
Temporary differences - liabilities	(52.427)	(51.298)	(62.693)	(51.298)
Portobello Pension Plan	(3.289)	(3.289)	(3.289)	(3.289)
Realization of revaluation reserve	(17.413)	(17.871)	(17.413)	(17.871)
Receivables from Eletrobrás	(4.359)	(4.359)	(4.359)	(4.359)
Active contingency - IPI credit premium IPI - Phase I	(2.646)	(2.646)	(2.646)	(2.646)
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)	(2.607)	(2.607)	(2.607)
Adjustment to present value	(430)	(1.043)	(430)	(1.043)
Depreciation adjustment (useful lives of goods)	(14.062)	(11.862)	(14.062)	(11.862)
Deferred income tax and social contribution tax - Net	6.850	(1.965)	11.203	2.388
Noncurrent asset	6.850	-	11.203	4.353
Noncurrent liabilities	-	(1.965)	-	(1.965)

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

	Parent Company	Consolidated
December 31, 2018	(1.965)	2.388
Tax losses	12.233	12.233
Temporary differences - assets	(2.290)	(2.290)
Temporary differences - liabilities	(1.586)	(1.586)
Reavaliation reserve	458	458
September 30, 2019	6.850	11.203

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:

In thousands of reais, unless otherwise stated.

	Parent Compan	Consolidated
	September 30, 2019	September 30, 2019
Deferred tax assets charged (credited) to income		
Tax losses	(12.233)	(12.233)
Cash basis exchange rate variations	1.522	1.522
Provision for adjustment to market value	(664)	(664)
Provision for contingencies	892	892
Provision for Pis/Cofins contingencies - Plantiff	2.014	2.014
Accrued profit sharing and long-term incentive	(232)	(232)
Other temporary differences - assets	(1.244)	(1.244)
	(9.945)	(9.945)
Portobello Pension Plan	-	-
Realization of revaluation reserve	(458)	(458)
Adjustment to present value	(612)	(612)
Exclusion of ICMS on PIS and COFINS	2.200	2.200
	1.130	1.130
	(8.815)	(8.815)

c) Income tax and social contribution - P&L

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

Changes in the 3rd quarter:

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Profit before taxes	(8.545)	46	(5.472)	3.020
Tax calculated at nominal rate - 34%	2.905	(16)	1.860	(1.027)
Equity in the earnings of subsidiaries	2.345	2.547	-	-
Non-deductible expenses for tax purposes	289	10	288	10
Depreciation of revalued assets	(153)	(153)	(153)	(153)
Tax credits on tax losses and temporary differences	(5.386)	142	(5.058)	734
Current tax on profit for the year	-	583	(3.062)	(2.382)
Deferred income tax and social contribution	5.633	1.947	5.633	1.946
Income tax and social contribution expense recognized in income (current and deferred)		2.530	2.571	(436)
Effective tax rate	0,0%	-5500,0%	47,0%	14,4%

In thousands of reais, unless otherwise stated.

Changes - accumulated:

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Profit before taxes	(5.408)	151.993	3.171	156.032
Tax calculated at nominal rate - 34%	1.839	(51.657)	(1.077)	(53.051)
Equity in the earnings of subsidiaries	4.082	8.972	-	-
Non-deductible expenses for tax purposes	3.405	539	3.405	539
Depreciation of revalued assets	(458)	(458)	(458)	(458)
Tax credits on tax losses and temporary differences	(8.868)	(3.356)	(10.423)	2.933
Current tax on profit for the year	-	(370)	(8.553)	(8.278)
Deferred income tax and social contribution	9.420	(45.590)	9.420	(41.759)
Income tax and social contribution expense recognized in income (current and deferred)	9.420	(45.590)	867	(50.037)
Effective tax rate	174,2%	30,0%	-27,4%	32,1%

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

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

15 Tax asset

	Parent Company and Consolidated	
	September 30, 2019	December 31, 2018
IPI premium credit (a)		
Lawsuit No. 1987.0000.645-9	22.414	22.414
Lawsuit No. 1984.00.020114-0	7.784	7.784
Adjustment to rural credit notes (b)	7.667	7.667
Exclusion of ICMS on PIS and COFINS (d)	-	59.381
IPI premium credit – Plaintiff (c)	-	220.260
	37.865	317.506

a) IPI premium credit

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

Regarding Lawsuit No. 1984.00.020114-0, for the period between December 7, 1979 and March 31, 1981, after a final and 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 irtually certain, it recorded the tax asset in June 2015, in the amount adjusted up to September 30, 2019 of R$ 7,784 (R$ 7,784 at December 31, 2018).

b) Adjustment to rural credit notes

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

c) IPI premium credit – Plaintiff

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

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

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

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

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

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

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

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

The Board of Directors' Meeting No. 11, held on September 30, 2019, approved the negotiation of this tax asset, under Payment Request (court-ordered debts) distributed under No. 0154107-24.2019.4.01.9198, issued on April 16, 2019, with the original amount of R$ 180,708,783.79 (one hundred and eighty million seven hundred and eight thousand seven hundred and eighty-three reais and seventy-nine cents) as of August 2015. The amount of this tax asset, after being submitted to the legal monetary restatement indexes by the Federal Regional Court of the 1st Region, is currently R$ 200,549,762.82 (two hundred million five hundred and forty-nine thousand seven hundred and sixty-two reais and eighty-two cents as of June 2019.

Accordingly, the Company sold the tax asset at the final price of R$ 170,000,000.00 (one hundred and seventy million reais), with settlement on September 30, the conditions of which are set forth in the Public Deed of Credit Assignment, drawn up with the 9th Notary Office of the City of São Paulo.

In the sale of the precatory there was a financial discount on the operation and thus the obligation to Refinadora Catarinense S / A became R $ 33,790 which will be paid according to the terms of understanding of the process in three equal installments, the first will be paid 12 / 2019, the second 04/2020 and the third and last on 07/2020. Therefore, as the settlement will be in the 12-month period, this obligation has been reclassified to noncurrent.

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

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

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

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

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

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

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

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

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

On July 12, 2019, the Company filed with the Brazilian Federal Revenue an administrative request for credit clearance resulting from a final court decision referring to the period from April 2003 to October 2009, in the amount of R$ 45 million, to enable us to use said credit through offsetting.

On August 7, 2019, an administrative decision was rendered approving the request for utilization of the credit arising from a final and unappealable decision, in the amount of R $ 45,072, which will be used after the end of the tax asset described in note 15.d. according to the legal decision.

16 Contingent assets

a) IPI Award Credit - controversial installment

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

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

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

b) IPI Award Credit – difference indexers

The Company, in view of the divergence of criteria for updating the Payment Request (court-ordered debts) distributed under No. 0154107-24.2019.4.01.9198, issued on April 16, 2019, adopted by the

In thousands of reais, unless otherwise stated.

Federal Regional Court of the 1st Region, which quantified the tax asset at R$ 200,549, as of June 2019, will initiate a judicial proceeding with a view to adjusting the criteria used to update said court-ordered debt.

Management maintains the understanding that the Tax Asset, described in item 15 (c) above, amounts to R$ 220,260 as of June 2018 and, therefore, will require the issuance of a Complementary Payment Request (court-ordered debts)

17 Investments

a) Interest in subsidiaries

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

	Country of incorporation	Direct participation	Indirect participation	Assets	Liabilities	Revenue*	Profit or loss:
Em December 31, 2018							
Portobello América Inc.	United States	100,00%	100,00%	18.088	90.818	3.047	(5.156)
PBTech Ltda.	Brazil	99,94%	99,94%	26.912	16.644	76.841	4.334
Portobello Shop S/A	Brazil	99,90%	99,90%	36.089	35.609	65.049	28.377
Mineração Portobello Ltda.	Brazil	99,76%	99,76%	3.312	2.479	10.110	249
Companhia Brasileira de Cerâmica S/A	Brazil	98,00%	98,00%	9.461	1.118	1.420	974
Em September 30, 2019							
Portobello América Inc.	United States	100,00%	100,00%	45.454	100.084	15.627	(12.345)
Portobello America Manufacturing		0,00%	100,00%	11.855	-	-	-
PBTech Ltda.	Brazil	99,94%	99,94%	48.703	40.336	73.925	5.032
Portobello Shop S/A	Brazil	99,90%	99,90%	40.514	18.582	50.315	21.452
Mineração Portobello Ltda.	Brazil	99,76%	99,76%	4.627	2.206	7.949	1.588
Companhia Brasileira de Cerâmica S/A	Brazil	98,00%	98,00%	11.867	3.400	3.615	(3.721)

** For 12/31/2018 information is for the 12 months period and 09/30/2019 is for the 9 months period*

This quarter, Portobello America Manufacturing was paid in, which has a direct interest of 100% in Portobello da America and indirectly in the parent company. The amount paid was R $ 11,855 and refers to the purchase of land in the USA.

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

In thousands of reais, unless otherwise stated.

	Equity net	Profit or loss of period	Percentage of Interest	December 31, 2018	Variations exchange	Integra-lization capital	Profit on Inventories	Profit or loss earnings of investees	Dividends proposed	September 30, 2019
Investments										
Portobello América Inc.	(54.630)	(12.345)	100%	(74.534)	(3.735)	32.702	537	(12.345)	-	(57.375)
PBTech Ltda.	8.372	5.035	99,94%	10.268	-	-	-	5.032	(6.933)	8.367
Portobello Shop S.A.	21.954	21.474	99,90%	480	-	-	-	21.452	-	21.932
Mineração Portobello Ltda.	2.427	1.592	99,76%	833	-	-	-	1.588	-	2.421
Companhia Brasileira de Cerâmica S/A	8.640	2.831	98,00%	8.346	-	3.909	-	(3.721)	-	8.534
Other	10	-	100%	10	-	-	-	-	-	10
Total net investment in subsidiaries				(54.597)	(3.735)	36.611	537	12.006	(6.933)	(16.111)
Interest in subsidiaries				19.937						41.264
Provision for loss in investments				(74.534)						(57.375)

In thousands of reais, unless otherwise stated.

18 Property, plant and equipment

a) Breakdown

		Parent Company				Consolidated			
		September 30, 2019			December 31, 2018	September 30, 2019			December 31, 2018
	Annual average depreciation rate	Cost	Accumulated depreciation	Net value	Net value	Cost	Accumulated depreciation	Net value	Net value
Lands	-	12.603	-	12.603	12.603	27.031	-	27.031	13.524
Buildings, constructions and improveme	3%	211.157	(54.475)	156.682	154.636	233.202	(65.219)	167.983	163.822
Machinery and equipment	15%	631.934	(349.909)	282.025	254.594	635.686	(350.053)	285.633	257.917
Furniture and fixtures	10%	9.642	(8.709)	933	888	11.331	(8.998)	2.333	1.568
Computers	20%	28.845	(20.245)	8.600	7.505	29.574	(20.357)	9.217	8.086
Other property, plant and equipment	20%	2.590	(627)	1.963	2.001	2.590	(627)	1.963	2.452
Construction in progress	-	6.614	-	6.614	8.157	6.614	-	6.614	10.962
		903.385	(433.965)	469.420	440.384	946.028	(445.254)	500.774	458.331

In 2010, upon the first-time adoption of international standards CPC 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company elected to adopt the revaluation of the property, plant and equipment carried out in 2006 as deemed cost, as it understands that it significantly represented the fair value on transition date (note 30.2).

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

b) Changes in PP&E

	Parent Company					
	December 31, 2018	Additions	Transfers	Depreciation	Write-offs	September 30, 2019
Lands	12.603	-	-	-	-	12.603
Buildings and improvements	154.636	16	7.327	(5.297)	-	156.682
Machinery and equipment	254.594	1.086	46.023	(19.678)	-	282.025
Furniture and fixtures	888	10	176	(141)	-	933
Computers	7.505	243	2.788	(1.936)	-	8.600
Other property, plant and equipr	2.001	82	254	(374)	-	1.963
Construction in progress	8.157	55.025	(56.568)	-	-	6.614
	440.384	56.462	-	(27.426)	-	469.420

In thousands of reais, unless otherwise stated.

	Consolidated					
	December 31, 2018	Additions	Transfers	Depreciation	Write-offs	September 30, 2019
Lands	13.524	13.545	-	-	(38)	27.031
Buildings and improvements	163.822	725	13.363	(7.718)	(2.209)	167.983
Machinery and equipment	257.917	1.524	46.023	(19.776)	(55)	285.633
Furniture and fixtures	1.568	59	929	(223)	-	2.333
Computers	8.086	310	2.788	(1.966)	-	9.217
Other property, plant and equipr	2.452	216	254	(959)	-	1.963
Construction in progress	10.962	59.350	(63.357)	-	(341)	6.614
	458.331	75.729	-	(30.642)	(2.643)	500.774

In 9M19, additions totaled R$ 65 million, of which 90% was allocated to Portobello and 10% to Pointer.

At Portobello 47% was allocated to increase the capacity of the Tijucas (SC) plant, 6% for own stores and the remainder for the restructuring of the distribution centers.

	Parent Company		Consolidated	
	Accumulated			
	Septembe r 30, 2019	Septembe r 30, 2018	Septembe r 30, 2019	Septembe r 30, 2018
Cost of sales	23.707	23.185	24.061	23.240
Selling expenses	2.448	1.789	5.281	4.327
Administrative expense	1.271	974	1.300	974
	27.426	25.948	30.642	28.541

19 Intangible assets

a) Breakdown

		Parent Company				Consolidated			
		September 30, 2019			December 31, 2018	September 30, 2019			December 31, 2018
	Annual average amortization rate	Cost	Accumulated amortization	Net value	Net value	Cost	Accumulated amortization	Net value	Net value
Trademarks and patents	-	150	-	150	150	150	-	150	150
Software	20%	28.805	(19.668)	9.137	7.207	30.065	(19.898)	10.167	8.066
Right to explore mineral resources	20%	1.000	(1.000)	-	-	4.073	(3.137)	936	1.231
Goodwill	7%	-	-	-	-	12.320	(1.264)	11.056	9.845
Software under development	-	-	-	-	1.294	-	-	-	1.297
Management system (a)	21%	18.887	(18.887)	-	-	18.887	(18.887)	-	-
		48.842	(39.555)	9.287	8.651	65.495	(43.186)	22.309	20.589

In thousands of reais, unless otherwise stated.

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

b) Changes in intangible assets

	Parent Company					
	December 31, 2018	Additions	Transfers	Amortizations	Write-offs	September 30, 2019
Trademarks and patents	150	-	-	-	-	150
Software	7.207	17	4.177	(2.264)	-	9.137
Right to explore mineral resources	-	-	-	-	-	-
Software under development	1.294	2.883	(4.177)	-	-	-
	8.651	2.900	-	(2.264)	-	9.287

	Consolidated					
	December 31, 2018	Additions	Transfers	Amortizations	Write-offs	September 30, 2019
Trademarks and patents	150	-	-	-	-	150
Software	8.066	206	4.269	(2.373)	-	10.167
Right to explore mineral resource	1.231	-	-	(295)	-	936
Goodwill	9.845	1.807	-	(596)	-	11.056
Software under development	1.297	2.972	(4.269)	-	-	-
	20.589	4.985	-	(3.264)	-	22.309

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

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Cost of sales	735	607	1.038	883
Selling expenses	704	1.766	1.348	2.265
Administrative expense	825	1.017	878	1.017
	2.264	3.390	3.264	4.165

c) Projected amortization of consolidated intangible assets:

In thousands of reais, unless otherwise stated.

	2019	2020	2021	2022	2023 to 2038	Total
Software	624	3.500	2.529	1.893	1.621	10.167
Right to explore mineral resources	227	340	67	56	246	936
Goodwill	209	1.193	1.193	1.193	7.268	11.056
	1.060	5.033	3.789	3.142	9.135	22.159

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

20 Right-of-use asset

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 noncurrent liabilities.

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

In 3Q19 there were additions of four lease-related contracts under IFRS16 / CPC 06 (R2), the finance lease, see note 29. Most of these contracts have terms of three years.

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

a) Breakdown

	Parent Company	Consolidated
First-time adoption 01/01/2019 - IFRS 16 / CPC 06(R2)	10.376	23.718
Additions	131	8.512
(-) Accumulated depreciation	(2.423)	(5.676)
Balance at September 30, 2019	8.084	26.554

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

In thousands of reais, unless otherwise stated.

21 Trade payables and credit assignment

a) Trade payables

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Internal market	112.311	104.038	124.622	116.912
External market	4.517	7.962	4.517	7.962
Current	116.828	112.000	129.139	124.874
Internal market (i)	114.145	101.268	114.145	101.268
Noncurrent	114.145	101.268	114.145	101.268
	230.973	213.268	243.284	226.142

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

b) Supplier credit assignment

The Company conducted supplier credit assignment transactions with top-tier financial institutions in the amount of R$ 50,779 at September 30, 2019, (R$ 45,956 at December 31, 2018), to offer to its partner suppliers more attractive credit facilities intended to maintain the business relationship.

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

c) Payables for investments

The Company recognizes a balance of R$ 26,659 in the parent company and R$ 27,751 in the consolidated in current liabilities (R$ 10,676 in the parent company and R$ 11,533 in the consolidated at December 31, 2018), which refer to modernization of plants, investment in own stores and systems.

In thousands of reais, unless otherwise stated.

22 Borrowings and debentures

	Currency	Maturities	Charges	Parent Company		Consolidated	
				September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Current							
Banco do Nordeste S.A (a)	R$	jun-25	3,44% p.a.¹	34.848	9.796	34.848	9.796
NCE (b)	R$	jun-21	7,50% p.a.¹	54.059	42.002	54.059	42.002
NCE (b)	US$	mar-24	4,20% p.a.¹ +FX	11.340	7.947	11.340	7.947
PRODEC (c)	R$	nov-22	3,99% p.a.¹	11.801	14.145	11.801	14.145
FINEP (d)	R$	mai/21	7,15% p.a.¹	13.194	13.270	13.194	13.270
DEG (e)	US$	out-21	6,86% p.a.¹ +FX	32.316	12.179	32.316	12.179
FINAME (f)	R$	ago-23	3,00% p.a.¹	420	421	420	421
DEBENTURES 1st series (g)	R$	jun-21	7,69% p.a.¹	52.196	976	52.196	976
DEBENTURES 2nd series (g)	R$	jun-23	8,26% p.a.¹	2.910	985	2.910	985
ACC (i)	US$	jun-20	4,55% p.a.¹ +FX	11.077	-	11.077	-
Total current			6,90% p.a.¹	224.161	101.721	224.161	101.721
Total domestic currency		R$		169.428	81.595	169.428	81.595
Total foreign currency		US$		54.733	20.126	54.733	20.126
Noncurrent							
Working capital	R$					1.305	1.292
Banco do Nordeste S.A (a)	R$	jun-25	3,44% p.a.¹	76.616	53.792	76.616	53.792
NCE (b)	R$	mar-24	7,50% p.a.¹	210.889	67.944	210.889	67.944
NCE (b)	US$	jun-21	4,20% p.a.¹ +FX	8.728	15.759	8.728	15.759
PRODEC (c)	R$	nov-22	3,99% p.a.¹	11.071	18.240	11.071	18.240
FINEP (d)	R$	mai/21	7,15% p.a.¹	8.770	18.590	8.770	18.590
DEG (e)	US$	out-21	6,86% p.a.¹ +FX	-	23.249	-	23.249
FINAME (f)	R$	ago-23	3,00% p.a.¹	1.078	1.392	1.078	1.392
DEBENTURES 1st series (g)	R$	jun-21	7,69% p.a.¹	99.223	146.829	99.223	146.829
DEBENTURES 2nd series (g)	R$	jun-23	8,26% p.a.¹	148.518	146.829	148.518	146.829
Total noncurrent			6,90% p.a.¹	564.893	492.624	566.198	493.916
Total domestic currency		R$		556.165	453.616	557.470	454.908
Total foreign currency		US$		8.728	39.008	8.728	39.008
Total			6,90% p.a.¹	789.054	594.345	790.359	595.637
Total domestic currency		R$		725.593	535.211	726.898	536.503
Total foreign currency		US$		63.461	59.134	63.461	59.134

¹ Weighted average rate
VC - Exchange variation

In thousands of reais, unless otherwise stated.

a. **Information on agreements**

Note	Contract	Date: Disbursement	Date: Maturity	Borrowing (R$ thousands)	Term (months)	Amortization	Grace period (months)	Guarantees
(a)	Banco do Nordeste	ago-14	jun-25	R$ 105.646	133	Monthly	24	Mortgages of real estate and machinery and equipment
	Agreement entered into in Jun/2013, in the amount of R$ 147,700 The 1st installment of the loan was released by the Bank on Aug/2014 in the amount of R$ 29,221, the 2nd installment released on Jan/2015 in the amount of R$ 45,765, the 3rd installment released on Sep/2009 in the amount of R$ 14,700, 4th installment released on Mar/2016 in the amount of R$ 4,713 the 5th installment released on Dec/2016 in the amount of R$ 2,418 the 6th installment released on Feb/2019 in the amount of R$ 8,827.							
	Banco do Nordeste	jul-19	jun-27	R$ 31.147	95	Monthly	24	Mortgages for real estate and machinery and equipment in 2nd degree
	Agreement entered into in Jul/2019, in the amount of R$ 31,147. The first installment of the financing was released by the Bank on Jul/2019 in the amount of R$ 7,246.							
	Banco do Nordeste	set-19	set-20	R$ 16.500	12	Bullet	Bullet	PBTech and CBC guarantee
	Agreement entered into in Sep/2019, in the amount of R$ 16,500. The amount of the financing was released fully by the Bank on Sep/2019 in the amount of R$ 16,500.							
	Banco do Nordeste	set-19	ago-22	R$ 23.500	12	35	2	PBTech and CBC guarantee
	Agreement entered into in Sep/2019, in the amount of R$ 23,500. The amount of the financing was released fully by the Bank on Sep/2019 in the amount of R$ 23,500.							
.(b)	Export Credit (NCE)	nov-17	nov-21	R$ 50.000	48	Monthly	12	PBG S/A receivables amounting to 30% of the outstanding balance of the
		This contract has minimum covenant clauses that have been met.						
		nov-17	nov-20	R$ 30.000	36	Quarter	20	PBG S/A receivables amounting to 30% of the outstanding balance of the
		jun-18	jun-21	R$ 24.000	36	Quarter	12	Clean
		jun-18	mai-21	R$ 24.000	36	Quarter	12	PBG S/A receivables amounting to 25% of the outstanding balance of the
		mar-19	fev-24	R$ 54.000	60	Annual	24	PBG S/A receivables amounting to 20% of the outstanding balance of the
		mar-19	mar-24	R$ 50.000	60	Quarter	24	PBG S/A receivables amounting to 20% of the outstanding balance of the
		mar-19	mar-24	R$ 10.000	60	Quarter	24	PBG S/A receivables amounting to 20% of the outstanding balance of the
		jul-19	jul-23	R$ 20.000	48	Monthly	12	Portobello SA receivables amounting to 30% of the outstanding balance of the
		jul-19	jul-13	R$ 20.000	48	Monthly	12	Portobello SA receivables amounting to 30% of the outstanding balance of the
		set-19	set-22	R$ 30.000	36	Quarter	12	Portobello SA receivables amounting to 20% of the outstanding balance of the
		These contracts have minimum covenant clauses that have been met.						
	PRODEC (c)				48	Bullet	Bullet	-
(c)	*(Program of Development for Companies of the Santa Catarina State) - Special Regime of the State of Santa Catarina obtained in July 2009. The balance is subject to adjustment to present value and the rate used for calculation purposes is the average working capital (8.15% per year). The deferred amount is 60% of the tax balance generated in the month that exceeds R $ 2,251 (average tax paid in 2007 and 2008), with a grace period of 48 months, a term of 120 months and a monetary restatement of 4% per year. UFIR variation.*							
(d)	Finep	jul-14	mai-21	R$ 57.318	84	Monthly	24	Bank Guarantee
		Agreement entered into in Jul/2014, in the amount of R$ 57,300 and the first installment of the financing, in the amount of R$ 12,627, was released by the Bank in the same month. The 2nd installment released in 1/2016 in the amount of R$ 12,479. The 3rd installment released on 6/2017 in the amount of R$ 32,064.						
(e)	DEG	mai-14	out-21	US$ 18.000	90	Semiannual	23	Machinery and equipment and promissory notes
	On 11/05/2019, Bank DEG granted Waiver for the non-achievement of the indicator (PL / Total Assets> 20%) for 3Q2019.							
(f)	Finame	mai-13	mai-23	R$ 39	120	Monthly	25	Machinery and equipment
		mai-13	abr-23	R$ 601	120	Monthly	24	
		jul-13	jul-23	R$ 107	120	Monthly	25	
		jul-13	ago-23	R$ 1.890	120	Monthly	26	
		jan-14	jun-23	R$ 577	114	Monthly	18	
(g)	Debentures 3rd Issue 1ª series	jun-18	jun-21	R$ 150.000	36	Semiannual	24	Real guarantee and additional fiduciary guarantee
(h)	Debentures 3rd Issue 2ª series	jun-18	jun-23	R$ 150.000	60	Semiannual	48	Real guarantee and additional fiduciary guarantee
	On June 15, 2018, the Board of Directors of PBG S.A approved the 3rd Issuance of simple, non-convertible debentures of the type with collateral and additional collateral, in two series, for public distribution with restricted efforts. The proceeds were allocated to the redemption of all 2nd issuance debentures of the issuer and renegotiation of the issuer's other liabilities. This contract has minimum covenant clauses that have been met.							
(i)	ACC	jun-19	jun-20	US$ 2.628	12	Bullet	Bullet	Clean Operation

Restricted investments, real estate mortgages, equipment, Parent Company's (note 8) and subsidiary's receivables (note 39) and Parent Company's and subsidiary's sureties were pledged as collateral for other borrowings.

In this quarter, the Company had some fundraising totaling R $ 117,724 thousand and amortizations R $ 25,296 thousand.

In 3Q19, the Company did not reach the covenant related to the operation with bank DEG (PL/Total Assets greater than 20%).On XXXX, Bank DEG granted Waiver regarding the non-achievement of the indicator. For next quarters the company envisions the achievement of the covenant. However, Company reclassified to the long-term balance of this bank to current.

Long-term borrowings mature as follows:

In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
2019	224.161	101.721	224.161	101.721
2020	65.154	197.939	65.154	199.231
2021 to 2025	499.739	294.685	501.044	294.685
	789.054	594.345	790.359	595.637

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

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Reais	725.593	535.211	726.898	536.503
US Dollar	63.461	59.134	63.461	59.134
	789.054	594.345	790.359	595.637

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

b. **Debentures**

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

	September 30, 2019	December 31, 2018
Borrowing amount		
Debentures 1st series	153.232	150.110
Debentures 2nd series	153.450	150.119
Gross Balance	306.682	300.229
Borrowings cost	(3.835)	(4.610)
Net Balance	302.847	295.619
Current	55.107	1.961
Noncurrent	247.740	293.658

In thousands of reais, unless otherwise stated.

Issue Characteristics	
Issue	3rd
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

Serial operation breakdown		
Series	1st	2nd
Registration with CVM No.	476/09	
Asset Code	PTBL13	PTBL23
Issue date	27/06/2018	
Maturity date	27/06/2021	27/06/2023
Volume R$	150.000.000,00	150.000.000,00
Total Debentures	150.000	150.000
Par Value R$	1.000,00	1.000,00
Form	Book-entry	
Cash	Real guarantee and additional fiduciary guarantee	
Convertibility	Not convertible into shares issued by the Issuer	
Monetary 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	

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

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

23 Tax installment payment

Tax obligations	Request for installment payment		Parent Company		Consolidated	
	Date	Installmentdue	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
LAW 11,941/09 (a)	nov-09	61	57.028	63.930	57.417	64.367
TOTAL			57.028	63.930	57.417	64.367

In thousands of reais, unless otherwise stated.

Tax installments will be paid as follows:

	Parent Company		Consolidated	
Maturity January 1	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
2019	10.985	10.718	11.061	10.793
2020 to 2023 (*)	44.876	52.270	45.180	52.570
2024	1.167	942	1.176	1.004
	57.028	63.930	57.417	64.367
Current	10.985	10.718	11.061	10.793
Noncurrent	46.043	53.212	46.356	53.574

(*) Sum of annual installments of R$ 10,985 at September 30, 2019 and R$ 11,061 at December 31, 2018 for the Parent Company and R$ 10,971 and R$ 10,793 for the Consolidated, respectively.

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

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

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

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

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

In November 2009, the Company adhered to the installment plan provided for by MP 470 (improper use of IPI premium credit) with SRF and PGFN. In this adhesion, in addition to the installment payment, there was a reduction in charges and the Company may use tax credits arising from tax losses until 2008, to pay debts. Upon the conversion of this Provisional Measure (Law No. 12,249 / 10) in June 2010, the Company was authorized to use tax credits arising from tax losses as of December 31, 2009. The Company made use of this benefit and recorded in the second quarter of 2010 R $ 3,252 considering the installment payment settled. PGFN partially rejected the request in June 2010, alleging the need to waive the lawsuits contesting the credit, and also stated that the “improper use” requirement was not met. The Company stated that it should only waive / waive the lawsuits contesting the notifications received from SRF. However, the Regional Attorney's Office of the National Treasury of Santa Catarina understood that the withdrawal / waiver should also reach the declaratory actions aimed at the recognition of the IPI Premium Credit, referred to in notes 15. The Company's Legal Department is taking the necessary measures. against the decision of PGFN with the purpose of rejecting the requirement of withdrawal / waiver of said declaratory actions as well as the proof of “improper use”, manifestly recognized by the Brazilian Internal Revenue Service at launch. This procedure deliberated by the Administration is supported by the opinion of the law firm Demarest Almeida, which argues that, for the debts included in the installment payment of Law 12.249 / 10, the withdrawal of the above declaratory actions is not required, unlike the provisions of Law 11.941 / 09 . It thus submits that it is practically certain to reverse this situation by pursuing the various courts to merit the grounds for rejection on the merits. By way of clarification, the writ of mandamus filed to seek court approval of the installment payment was denied at first instance. On appeal, the TRF of the 4th Region granted the appeal in part. The Company, which was disgusted with the decision of partial approval, had its Special Appeal accepted and maintains the pronouncement of reverting to the remaining legal matter in the Superior Court of Justice.

In thousands of reais, unless otherwise stated.

25 Taxes, fees and contributions

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

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
IRRF	2.068	2.177	2.331	2.688
ICMS	588	1.161	930	1.224
PIS/COFINS	2.195	62	2.859	492
Other	222	209	365	334
	5.073	3.609	6.485	4.738

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

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

The balance of provisions is broken down as follows:

In thousands of reais, unless otherwise stated.

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

Amount accrued	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Civil	18.418	19.581	18.418	19.581
Labor	12.030	18.397	12.030	18.397
Social security	6.682	6.836	6.682	6.836
Tax	85.840	94.761	85.871	94.791
	122.970	139.575	123.001	139.605

	Parent Company				TOTAL
	Civil	Labor	Pension	Tax	
Em December 31, 2018	19.581	18.397	6.836	94.761	139.575
Charged (credited) to statement of income	(1.071)	(355)	(154)	(8.921)	(10.501)
Additional provisions	(1.783)	677	(154)	359	(901)
Reversal - not used	(174)	(2.711)	-	(9.280)	(12.165)
Monetary adjustment (Reversal)	886	1.679	-	-	2.565
Reversal due to realization	(92)	(6.012)	-	-	(6.104)
Em September 30, 2019	18.418	12.030	6.682	85.840	122.970

	Consolidated				TOTAL
	Civil	Labor	Pension	Tax	
EmDecember 31, 2018	19.581	18.397	6.836	94.791	139.605
Charged (credited) to statement of income	(1.071)	(355)	(154)	(8.921)	(10.501)
Additional provisions	(1.783)	677	(154)	359	(901)
Reversal - not used	(174)	(2.711)	-	(9.280)	(12.165)
Monetary adjustment (Reversal)	886	1.679	-	-	2.565
Reversal due to realization	(92)	(6.012)	-	-	(6.104)
Em September 30, 2019	18.418	12.030	6.682	85.870	123.000

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

Civil

The Company and its subsidiaries are defendants in 445 civil lawsuits (436 lawsuits at December 31, 2018), before the Common Courts and Special Civil Courts. The majority of lawsuits is filed by customers and claim indemnity for alleged pain and suffering and damage to property. When applicable, escrow deposits were made (note 12).

Labor

The Company and its subsidiary Portobello Shop S.A. are defendants in 296 labor claims (324 claims at December 31, 2018), filed by former employees and third parties. The other lawsuits refer to payment of severance amounts, additional amounts, overtime, equal pay and indemnity for pain and suffering and damage to property arising from work accident/occupational illness. Provisions are revised by Management according to its legal advisors. Some lawsuits are supported by escrow deposits (note 12).

Social security

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

Change in the labor debt adjustment criterion

The Superior Labor Court (TST), in a decision published on August 7, 2015, changed the labor debt adjustment rate, so as to substitute the Benchmark Rate (TR) for the National Special Extended Consumer Price Index (IPCA-E), with effects retroactive to 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 as tax provisions the amount of R $ 74,180 related to PIS, COFINS, IRPJ and CSLL on the Polo Ativo judicial asset, mentioned in Note 15c. In this quarter, the amount was recalculated and the amount of provisions totaled R $ 62,738 related to PIS, COFINS, IRPJ and CSLL.

27 Significant lawsuits assessed as possible and remote losses

a. Lawsuits assessed as possible losses

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

In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Civil	3.796	3.844	3.796	3.844
Labor	23.338	7.315	23.447	7.315
	27.134	11.159	27.243	11.159

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

On December 8, 2014, the Company was notified about the issuance of Tax Assessment Notices, which established IRPJ and CSLL tax credits (as well as monetary penalties and interest), for calendar years from 2009 to 2013. According to the Tax Authorities, the Company would have allegedly committed the following infractions: (a) in 2009, it would have allegedly: (a.1) unduly excluded taxable income deriving from tax benefits; (a.2) deducted unnecessary expenses related to the principal of tax debts (IPI, PIS and COFINS) which were recorded in prior-years' profit or loss; (a.3) excluded non-deductible amounts related to the principal of IRPJ and CSLL; (a.4) unduly excluded amounts related to the principal included in temporary additions and that were recorded in prior-years' profit or loss; and (a.5) deducted non-deductible expenses related to the assessment fine; (b) in 2010, 2011 and 2012, it would have allegedly: (b.1) offset income tax and social contribution losses in amounts above those calculated; and (b.2) failed to pay IRPJ and CSLL amounts calculated based on monthly estimate, which resulted in a fine applied individually; and (c) in 2013, it would have allegedly offset CSLL losses in amounts above those calculated. On January 6, 2015, the Company filed an objection against the abovementioned assessments, challenging all infractions attributable to it, so that, as from that date (January 6, 2015), it is awaiting the judgment of said objection which, according to the legal advisors of PBG S.A., considers a favorable decision as virtually certain, resulting in the cancellation of the Tax Assessment Notice; accordingly, the Company understands that the likelihood of loss is remote and elected not to record the amount of R$ 73,000 as potential liabilities. After the judgment of the objection that upheld the assessment, the Company filed a voluntary appeal. Said administrative proceeding is pending judgment at the Administrative Council of Tax Appeals.

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

In thousands of reais, unless otherwise stated.

28 Long-term incentive

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

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

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

29 Lease liabilities

As of September 30, 2019, the Company had 40 lease agreements for its business units. The contracts are adjusted annually, according to the variation of the main inflation indices, most of them have a term of five years with the option of renewal after that date.

The accounting treatment for these contracts was changed as of January 1, 2019, as mentioned in notes 2b. The contracts characterized as lease, in accordance with IFRS 16 / CPC 06 (R2), are now recorded as Right-of-Use Assets and the corresponding entry in liabilities in others.

The remaining agreements were recorded according to the expense period.

At the initial adoption of IFRS 16/ CPC 06 (R2), the weighted average discount rate used was 5.4% p.a..

Estimated realization:

	Parent Company			Consolidated		
	Lease Liabilities	Interest	Present value of lease liabilities	Lease Liabilities	Interest	Present value of lease liabilities
2019	2.649	(687)	1.962	10.248	(923)	10.248
2020	2.571	(421)	2.150	3.752	(1.294)	2.458
2021	2.588	(2.217)	371	5.574	(2.782)	2.792
2022	2.117	(1.956)	161	4.896	(1.618)	3.278
2023 and thereafter	2.203	(1.515)	688	3.446	(1.681)	1.765
TOTAL	12.128	(6.796)	5.332	27.916	(8.298)	20.541

In thousands of reais, unless otherwise stated.

30 Equity

30.1 Capital

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

At September 30, 2019, there were 74,131,291 outstanding shares, corresponding to 46% of the total shares issued (73,786,991 at December 31, 2018, corresponding to 46% of the total). The balance of outstanding shares comprises all securities available for trading in the market, other than those held by controlling shareholders, members of the Board of Directors and Executive Board.

30.2 Revenue reserve

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

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

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

The objective of the earnings reserve is to show the portion of profits whose allocation was deliberated at the Annual General Meeting held on April 2, 2019.

30.3 Carrying value adjustments

	Carrying value adjustments			
Parent Company and Consolidated	Deemed cost	Cumulative translation adjustment	Other comprehensive income	TOTAL
Balance at December 31, 2018	34.690	(40.462)	(8.080)	(13.852)
Realization of revaluation reserve	(888)	-	-	(888)
Exchange variation of subsidiary located abroad	-	(3.735)	-	(3.735)
Em September 30, 2019	33.802	(44.197)	(8.080)	(18.475)

a) Deemed cost

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

In thousands of reais, unless otherwise stated.

b) Cumulative translation adjustment

The changes in assets and liabilities in foreign currency (US dollar) arising from currency fluctuation, as well as the variations between the daily rates and the closing rate of the changes in results of the foreign subsidiary are recognized in this line item of cumulative translation adjustments. In June 2019, the amount was R$ 3,374 (note 17a).

31 Revenue

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

a) Revenues incurred in the 3rd quarter:

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Gross sales revenue	334.439	318.223	374.633	347.493
Deduction from gross reven	(72.239)	(67.386)	(78.147)	(70.379)
Taxes on sales	(59.940)	(58.888)	(64.888)	(61.901)
Return	(12.299)	(8.498)	(13.259)	(8.478)
Net sales revenue	262.200	250.837	296.486	277.114
Internal market	204.749	207.096	246.834	233.373
External market	57.451	43.741	49.652	43.741

b) Revenues incurred - accumulated:

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Gross sales revenue	926.081	896.154	1.033.340	978.370
Deduction from gross reven	(204.842)	(179.978)	(220.189)	(189.201)
Taxes on sales	(168.445)	(159.519)	(181.073)	(167.869)
Return	(36.397)	(20.459)	(39.116)	(21.332)
Net sales revenue	721.239	716.176	813.151	789.169
Internal market	566.074	558.825	685.399	631.818
External market	155.165	157.351	127.752	157.351

In thousands of reais, unless otherwise stated.

32 Expenses by nature

Cost of sales, selling and administrative expenses for the quarter ended September 30, 2019 are broken down

as follows:

a) Expenses incurred in the 3rd quarter:

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Cost and expenses				
Cost of goods and/or services sold	(198.330)	(170.209)	(201.612)	(170.097)
Selling	(57.519)	(62.459)	(77.770)	(76.690)
General and administrative	(9.104)	(9.566)	(9.497)	(11.356)
	(264.953)	(242.234)	(288.879)	(258.143)
Breakdown of expense by nature				
Direct production cost(raw materials and inputs)	109.240	92.648	107.073	90.408
Salaries, charges and employee benefits	60.629	59.391	70.464	67.268
Third-party labor and services	12.916	17.692	13.584	18.302
General production expenses (including maintenance)	10.540	12.168	10.701	12.228
Cost of goods resold	8.167	10.514	11.802	11.537
Amortization and depreciation	10.815	9.645	13.144	10.838
Other selling expenses	7.292	8.828	11.996	12.998
Sales commissions	8.941	7.707	10.168	8.559
Marketing and publicity	7.772	10.144	9.910	11.209
Transportation of goods sold	4.191	4.989	4.191	4.989
Lease expenses	3.150	3.175	4.335	4.463
Other administrative expenses	1.488	1.415	1.609	1.516
Changes in inventories of finished products and work in process (a)	19.812	3.918	19.812	3.828
TOTAL	264.953	242.234	288.789	258.143

(a) The change in 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 be negatively affected by the CPV write-offs related to products that were produced in previous periods that included the inventory account.

In thousands of reais, unless otherwise stated.

b) Expenses incurred – accumulated:

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Cost and expenses				
Cost of goods and/or services sold	(541.228)	(472.857)	(549.108)	(473.736)
Selling	(160.206)	(175.574)	(223.072)	(213.581)
General and administrative	(28.836)	(28.156)	(30.041)	(30.359)
	(730.270)	(676.587)	(802.221)	(717.676)
Breakdown of expense by nature				
Direct production cost(raw materials and inputs)	330.696	271.193	323.458	263.690
Salaries, charges and employee benefits	180.037	170.039	211.579	189.789
Third-party labor and services	41.249	53.859	43.306	55.208
General production expenses (including maintenance)	36.347	35.843	36.812	35.903
Cost of goods resold	23.272	28.532	33.604	35.272
Amortization and depreciation	32.114	29.337	39.583	32.706
Other selling expenses	17.009	24.629	31.467	33.799
Sales commissions	22.196	20.752	25.576	23.046
Marketing and publicity	20.894	24.023	26.835	26.577
Transportation of goods sold	12.902	13.441	12.902	13.441
Lease expenses	9.224	9.177	12.483	12.494
Other administrative expenses	5.158	5.630	5.592	5.613
Changes in inventories of finished products and work in process (a)	(828)	(9.868)	(976)	(9.862)
TOTAL	730.270	676.587	802.221	717.676

(a) The change in inventories of finished products and w ork in progress is the difference betw een the cost of the product produced and the cost of the product sold, and may be negatively affected by the CPV w rite-offs related to products that w ere produced in previous periods that included the inventory account.

In thousands of reais, unless otherwise stated.

33 Other operating income and expenses, net

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

a) Income and expenses incurred in the 3rd quarter:

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Other operating income				
Revenue from services	136	119	136	119
Sale of property, plant and equipment	-	50	-	50
Reversal provision for PIS and COFINS contingency (a)	1.155	-	1.155	-
Reversal honorarios (b)	5.922	-	5.922	-
Provision for profit sharing (d)	2.227	-	2.227	-
Other revenues	2.483	(1.097)	2.464	(981)
TOTAL	11.923	(928)	11.904	(812)
Other operating expenses				
Provisions for civil, labor, pension and tax	(792)	(3.036)	(792)	(3.036)
Provision for Pis/Cofins tax - Plantiff	-	(936)	-	(936)
Idleness Cost	-	(526)	-	(526)
Provision for profit sharing (c)	-	(215)	-	(96)
Tax on other revenues	(99)	-	(101)	-
TOTAL	(891)	(4.713)	(893)	(4.594)
Total net	11.032	(5.641)	11.011	(5.406)

(a) reversal provision for PIS and COFINS ref. to process IPI credit aw ard - Polo Active

(a) Reversal of legal fees ref. to IPI aw ard credit process - Polo Active

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

(d)Reversal provision for employee participation to be paid after year end.

In thousands of reais, unless otherwise stated.

b) Income and expenses incurred - accumulated:

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Other operating income				
Revenue from services	451	378	451	400
Sale of property, plant and equipment	-	175	-	175
Judicial asset - Plantiff (a)	-	149.985	-	149.985
ICMS Purge on PIS and COFINS (2003-2009) (e)	41.692	-	41.692	-
Reversal provision for PIS and COFINS contingency (b)	1.155	-	1.155	
Reversal honorarios (c)	5.922	-	5.922	
Other revenues	5.162	(848)	7.024	(725)
TOTAL	54.382	149.690	56.244	149.835
Other operating expenses				
Provisions for civil, labor, pension and tax	(4.674)	(7.891)	(4.974)	(7.892)
Provision for Pis/Cofins tax - Plantiff	-	(20.374)	-	(20.374)
Provision for long-term incentive	-	(886)	-	(886)
Provision for profit sharing (d)	(2.582)	(3.082)	(2.582)	(3.345)
Law 13.496 (PERT)	-	3.193	-	3.193
Idleness Cost	(336)	(2.141)	(336)	(2.431)
Loss on sale of investments	-	(480)	-	(480)
Pre-operating expenses	(145)	(400)	(146)	(832)
Tributos sobre outras receitas	(99)	(197)	(101)	(197)
Other expenses	-	(734)	-	(607)
TOTAL	(7.836)	(32.992)	(8.139)	(33.851)
Total net	46.546	116.698	48.105	115.984

(a) Recognition of judicial asset Polo Assets

(b) reversal provision for PIS and COFINS ref. to process IPI credit aw ard - Polo Active

(c) Reversal of legal fees ref. to IPI aw ard credit process - Polo Active

(d) Recognition of the provision for profit sharing to be paid after the end of the year.

(e) credit recognition of icms purge on pencil and cofins (2003 - 2009)

In thousands of reais, unless otherwise stated.

34 Finance income (costs)

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

a) Income and costs incurred in the 3rd quarter:

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Financial income				
Interest	1.054	1.728	1.184	1.880
Asset adjustment	2.505	850	2.505	850
Gain from Swap operation (a)	2.375	-	2.375	-
Other	5	726	67	726
TOTAL	5.939	3.304	6.131	3.456
Financial costs				
Interest	(7.700)	(5.534)	(7.911)	(5.602)
Financial charges with taxes	(559)	(609)	(567)	(616)
Adjustment of provisions for contingencies	(1.200)	(895)	(1.200)	(895)
Commissions and service fees	(2.378)	(915)	(2.690)	(1.120)
Bank expenses (b)	(15.017)	(118)	(15.017)	(121)
Loss from Swap operation (a)	(791)	-	(791)	-
Interest on debentures	(6.958)	(6.901)	(6.958)	(6.901)
Other	(603)	(536)	(631)	(540)
TOTAL	(35.206)	(15.508)	(35.765)	(15.795)
Net exchange variance				
Customers and suppliers	9.666	3.847	9.666	3.843
Borrowings and financing	(4.119)	(2.049)	(4.122)	(2.049)
TOTAL	5.547	1.798	5.544	1.794
Total net	(23.720)	(10.406)	(24.090)	(10.545)

(a) Note 7

(b) disagreement related to the sale of tax assets

In thousands of reais, unless otherwise stated.

b) Income and costs incurred - accumulated:

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Financial income				
Interest	3.847	3.223	4.234	3.688
Adjustment of assets	5.472	3.332	5.472	3.332
Gain (loss) on swap transactions (a)	4.707	-	4.707	-
Other	8	726	146	726
Total	14.034	7.281	14.559	7.746
Financial costs				
Interest	(20.592)	(17.053)	(20.592)	(17.161)
Financial charges with taxes	(1.904)	(1.895)	(2.313)	(1.920)
Adjustment of provisions for contingencies	(4.133)	(6.983)	(4.133)	(6.983)
Commissions and service fees	(6.218)	(3.077)	(6.218)	(3.663)
Bank expenses (b)	(15.501)	(371)	(15.501)	(374)
Adhering to the installment payment program under Law	-	672	-	672
Gain (loss) on swap transactions (a)	(3.698)	(523)	(3.698)	(523)
Interest on debentures	(20.239)	(18.595)	(20.239)	(18.595)
Other	(1.002)	(1.403)	(2.040)	(1.546)
TOTAL	(73.287)	(49.228)	(74.734)	(50.093)
Net exchange variance				
Customers and suppliers	7.858	18.513	7.858	18.509
Borrowings and financing	(3.534)	(7.307)	(3.548)	(7.307)
TOTAL	4.324	11.206	4.310	11.202
Total net	(54.929)	(30.741)	(55.865)	(31.145)

(a) Note 7
(b) disagreement related to the sale of tax assets

35 Earnings (loss) per share

a) Basic

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

In thousands of reais, unless otherwise stated.

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Profit (loss) attributable to the owners of the Company	4.012	105.973	4.036	105.995
Weighted average number of common shares	158.489	158.489	158.489	158.489
Basic earnings (loss) per share	0,02531	0,66865	0,02547	0,66878

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

b) Diluted

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

36 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:

Result for the quarter:

In thousands of reais, unless otherwise stated.

	Em September 30, 2019			Em September 30, 2018		
Continuing operations	Brazil	Other countries	TOTAL	Brazil	Other countries	TOTAL
Revenue	246.834	49.652	296.486	233.373	43.741	277.114
Cost of sales	(165.613)	(35.999)	(201.612)	(142.285)	(27.812)	(170.097)
Gross profit	81.221	13.653	94.874	91.088	15.929	107.017
Operating income (expenses), net	(61.421)	(14.835)	(76.256)	(80.760)	(12.692)	(93.452)
Selling, general and administrative	(72.432)	(14.835)	(87.267)	(75.354)	(12.692)	(88.046)
Other operating income (expenses), net	11.011	-	11.011	(5.406)	-	(5.406)
Operating income before finance income	19.800	(1.182)	18.618	10.328	3.237	13.565
% on ROL	8%	-2%	6%	4%	7%	5%

Result – accumulated:

	Em September 30, 2019			Em September 30, 2018		
Continuing operations	Brazil	Other countries	TOTAL	Brazil	Other countries	TOTAL
Revenue	685.400	127.751	813.151	639.227	149.942	789.169
Cost of sales	(454.461)	(94.647)	(549.108)	(383.726)	(90.010)	(473.736)
Gross profit	230.939	33.104	264.043	255.501	59.932	315.433
Operating income (expenses), net	(139.200)	(65.809)	(205.009)	(81.850)	(46.406)	(128.256)
Selling, general and administrative	(187.304)	(65.809)	(253.113)	(197.834)	(46.406)	(244.240)
Other operating income (expenses), net	48.104	-	48.104	115.984	-	115.984
Operating income before finance income	91.739	(32.705)	59.034	173.650	13.527	187.177
% on ROL	25%	14%	23%	14%	18%	15%

The Company has no customers that individually account for more than 10% of the net sales revenue. The Company exports to 40 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, 2019 total R$ 38,130, corresponding to the modernization of manufacturing equipment, according to the Company's investment plan.

38 Insurance coverage

Current insurance coverage is considered sufficient by Management to cover probable losses. At the end of the quarter, coverage against fire, lightning and explosion of any nature is R$ 250,000, against windstorm, smoke, vehicle collision the coverage amount is R$ 18,000, against loss of profits is R$ 35,000 and against electric damage is R$ 3,600. The insurance policy is effective from June 14, 2019 to June 14, 2020.

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

In thousands of reais, unless otherwise stated.

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

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

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

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.

		Parent Company	
Nature - Assets and liabilities balance	Company	September 30, 2019	December 31, 2018
Subsidiaries			
Dividends receivable	Portobello Shop S.A.	10.406	28.377
Dividends receivable	Portobello Shop S.A.	-	3
Trade receivables	Portobello América, Inc.	97.560	84.255
Trade payable, net of advances	PBTech Com. Sern. Cer. Ltda.	4.997	481
Trade payable, net of advances	Cia Brasileira de Cerâmica	74	50
Net assets of liabilities with subsidiaries		113.037	113.166
Related entities and parties			
Receivables from related parties	Refinadora Catarinense S.A.	100.299	97.941
Payables to related parties	Refinadora Catarinense S.A.	(33.790)	(62.008)
Trade payable, net of advances	Solução Cerâmica Com. Ltda.	493	-
Trade payable, net of advances	Flooring Renest. Cer. Ltda.	141	-
Trade payable	Multilog Sul Armazéns S/A	342	958
Trade payable	Flooring Renest. Cer. Ltda.	3.667	307
Trade payable	Neo way	1	122
Net assets of liabilities with other related parties		71.153	37.320

In thousands of reais, unless otherwise stated.

		3Q		Accumulated	
Nature - profit or loss	Company	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue					
Subsidiaries					
Sale of products	PBTech Com. Sern. Cer. Ltda.	6.848	8.727	7.532	24.100
Sale of products	Cia Brasileira de Cerâmica	74	130	74	162
Related entities and parties					
Sale of products	Solução Cerâmica Com. Ltda.	7.539	7.058	22.779	17.709
Sale of products	Flooring Renest. Cer. Ltda.	3.586	3.400	9.979	8.736
Expenses					
Subsidiaries					
Acquisition of inputs	Mineração Portobello Ltda.	(455)	(2.394)	(455)	(7.657)
Related entities and parties					
Rental	Gomes Part Societárias Ltda.	(41)	(127)	(41)	(350)
Freight service	Multilog Sul Armazéns S/A	(777)	(1.542)	(1.232)	(4.399)
Cutting service	Flooring Renest. Cer. Ltda.	(3.666)	(3.045)	(3.023)	(6.448)
Software service	Neoway Tecnologia	(82)	(83)	(128)	(116)
		13.026	12.124	35.485	31.737

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

Related-party transactions

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

					3Q		Accumulated	
Transactions with subsidiaries and related entities	Nature	September 30, 2019	December 31, 2018	Nature	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Equity			Profit or loss				
Solução Cerâmica Com. Ltda.	Trade payable, net of advances	1.546	700	Royalties	998	1.995	4.671	4.735
Flooring Renest. Cer. Ltda.	Trade payable, net of advances	774	505	Royalties	775	853	2.115	2.190
		2.320	1.205		1.773	2.848	6.786	6.925

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, 2019, are as follows:

a) Expenses incurred in the 3rd quarter:

In thousands of reais, unless otherwise stated.

	Controladora		Consolidado	
	30 de setembro de 2019	30 de setembro de 2018	30 de setembro de 2019	30 de setembro de 2018
Remuneração fixa				
Salários	2.454	3.542	6.538	4.081
Honorários	1.515	1.515	2.062	1.592
Remuneração variável				
Plano de previdência	191	217	709	225
Outros	345	472	1.681	540
	4.505	5.746	10.990	6.438

b) Expenses incurred - accumulated:

	Controladora		Consolidado	
	30 de setembro de 2019	30 de setembro de 2018	30 de setembro de 2019	30 de setembro de 2018
Remuneração fixa				
Salários	3.507	4.226	7.481	4.303
Honorários	1.269	1.219	2.067	1.286
Remuneração variável				
Plano de previdência	709	608	972	621
Outros	681	1.522	1.660	1.698
	6.166	7.575	12.180	7.908

40 Events after the reporting period

(a) Non-achievement of covenant in the quarter

In 3Q19, the Company did not reach the covenant related to the operation with bank DEG (PL/Total Assets greater than 20%), mentioned in note 22. I On XXXX, Bank DEG granted Waiver regarding the non-achievement of the indicator.

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

(b) Advance settlement of NCE contract

In October 2019, the Company anticipated the settlement of a loan of Banco Itáu in the amount of R $ 25,408.

(A free translation of the original in Portuguese)

PBG S.A.

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

Report on review of quarterly information

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of PBG S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2019, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and nine-month periods 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.

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

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, 2019. 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.

Audit and review of prior-year information

The Quarterly Information Form (ITR) mentioned in the first paragraph include accounting information corresponding to the income and comprehensive income from the quarter and nine-month period ended September 30, 2018, and changes in equity, cash flows and value added from the nine-month period ended September 30, 2018, obtained from the Quarterly Information Form (ITR) of that quarter, and the balance sheet at December 31, 2018, obtained from the financial statements at December 31, 2018, presented for comparison purposes. The review of the Quarterly Information Form (ITR) for the nine-month period ended September 30, 2018 and the audit of financial statements for the year ended December 31, 2018 were conducted by another firm of auditors whose review report and audit report, dated November 1, 2018 and February 18, 2019, respectively, expressed an unmodified conclusion and opinion.

Florianópolis, November 14, 2019

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

PortobelloGrupo

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

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

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

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

Members of the Executive Board

Cesar Gomes Júnior - CEO

Cláudio Ávila da Silva – Director Vice-presidente

John Shojiro Suzuki - CEO and Investor Relations Officer

Mauro do Valle Pereira – Director

Tijucas, November 14, 2019

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Cesar Gomes Júnior

____
Cláudio Ávila da Silva

____
John Shojiro Suzuki

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Mauro do Valle Pereira