RESULTS 4Q22

Portobello Grupo

Portobello Grupo

PBG S.A.

4Q22 Earnings Release

December 31, 2022

Share price (PTBL3): R$ 8.23

Market value: R$ 1,160 million (US$ 222 million)

Number of shares: 140,986,886

Treasury shares: No treasury shares

Free Float: 38.8%

Investor Relations

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Portobello Grupo

Portobello Group ends 2022 with excellent results: Net Revenue of R$ 2.2 billion with 15% growth, EBITDA of R$ 386 million and Financial Leverage of 1.6x

Tijucas, March 28, 2023. PBG S.A. (B3: PTBL3), the largest ceramic tile company in Brazil, announces its results for the fourth quarter of 2022 (4Q22). The financial information reported herein is derived from PBG S.A.'s consolidated Quarterly Financial Information, prepared in accordance with the standards issued by the Accounting Pronouncement Committee (CPC) and the International Financial Reporting Standards (IFRS).

4Q21 and 2022 Highlights

- **Net revenue of R$ 2.2 billion in the year, a 14.9% growth in relation to 2021.** With emphasis on Portobello Shop BU and the Engineering and Export channels of the Portobello BU.
- **Adjusted and Recurring Gross Income grew 14.3% in the year compared to 2021, with a margin maintained at 43.0%**, despite the lower margins in 4Q22.
- In 2022, **Adjusted and Recurring EBITDA reached R$ 386 million**, a 5.8% increase. In 4Q22 this result was R$ 60.6 million, -37.0% lower than in 4Q21. The **Adjusted and Recurring EBITDA Margin was 17.6% in the year**.
- Operating Expenses increased by 17.3%, or R$ 92.9 million, between 2021 and 2022. 92.0% of this increase was allocated to strategically priority projects, such as Integrated Retail (Portobello Shop) and Portobello America.
- **Adjusted and Recurring Net Income** of **R$ 137 million in 2022**, -26.9% below 2021.
- **Investment in Working Capital** was **R$ 318 million. Cash Conversion Cycle** was **57 days** in 4Q22 vs. 32 days in 4Q21, an increase of 25 days due to the larger inventories, partially offset by the improvement in the term of receivables.
- **Net Indebtedness** of **R$ 630 million** in 4Q22. **Net Debt/Adjusted and Recurring EBITDA remained close to the lowest historical level**, reaching **1.6 times in 4Q22**, reflecting the good operating results and efficient cash management.
- **PTBL3 shares** ended 4Q22 quoted at **R$ 8.23**.

	R$ million	4Q21	4Q22	▲ %	▲ Abs	2021	2022	▲ %	▲ Abs
Performace	**Net Revenue**	**520.2**	**496.4**	**-4.6%**	**(23.7)**	**1,912.1**	**2,196.7**	**14.9%**	**284.6**
	Adjusted and Recurring Gross Profit	**234.7**	**199.9**	**-14.8%**	**(34.8)**	**827.1**	**945.7**	**14.3%**	**118.6**
	Adjusted and Recurring Gross Margin	45.1%	39.7%	0.00%		43.3%	43.1%	-0.2 p.p.	
	Net Income	**54.9**	**9.1**	**-83.4%**	**-45.8**	**216.2**	**153.1**	**-29.2%**	**(63.1)**
	Net Margin	10.6%	1.8%	-8.7 p.p.		11.3%	7.0%	-4.3 p.p.	
	Adjusted and Recurring Net Income	**49.4**	**4.9**	**-90.1%**	**(44.5)**	**188.0**	**137.4**	**-26.9%**	**(50.6)**
	Adjusted and Recurring Net Margin	9.5%	1.0%	-8.5 p.p.		9.8%	6.3%	-3.6 p.p.	
	EBITDA	**94.5**	**67.5**	**-28.5%**	**(27.0)**	**360.8**	**406.2**	**12.6%**	**45.4**
	EBITDA Margin	18.2%	13.6%	-4.6 p.p.		18.9%	18.5%	-0.4 p.p.	
	Adjusted and Recurring EBITDA	**96.4**	**60.6**	**-37.1%**	**(35.7)**	**365.3**	**386.4**	**5.8%**	**21.1**
	Adjusted and Recurring EBITDA Margin	18.5%	12.2%	-6.3 p.p.		19.1%	17.6%	-1.5 p.p.	
Indicators	Working Capital (R$)	270.4	317.9	17.6%	47.5				
	Cash Convertion Cycle (days)	32	57	78.1%	25				
	Net Debt	**576.9**	**630.5**	**9.3%**	**53.5**				
	Net Debt/ EBITDA LTM	1.6	1.6	-2.9%	(0.0)				
	Net Debt/ Adjustd and Recurring EBITDA LTM	1.6	1.6	3.3%	0.1				
PTBL3	**Share Price**	**9.64**	**8.23**	**-14.6%**	**(1.41)**				

Videoconference

March 30, 2023 **at 2:00 pm** (Brazil's time) Link for connection: Click here https://ri.portobello.com.br/	The videoconference will be broadcasted over the internet, accompanied by the slideshow, which will be available at: https://ri.portobello.com.br/ The video of the results' presentation will be made available in full, with access directly through the Company's IR website (https://ri.portobello.com.br/).

Message from Management

The year 2022 was historical for Portobello Group. We advanced from a strategic perspective and consistently achieved record results over the period. Even facing a macroeconomic scenario with many uncertainties, the Company maintained its growth pace and delivered Net Revenue of R$ 2.2 billion in the year, in addition to maintaining margins and indicators at expected levels.

The macroeconomic situation in Brazil and in the world was unfavorable throughout the year, notably in the second half, with high inflation levels, increase in interest rates and consequent slowdown in some industries, including construction materials. According to data from ABRAMAT, the industry recorded a retraction of -7% (in deflated values) during the year. In the ceramic industry segment, data provided by ANFACER show a drop in sales volumes of -18% compared to 2021. Despite the negative indicators, the Company has been demonstrating the resilience and assertiveness of its business model quarterly, increasing its Net Revenue by 15%. The multi-business, channel and brand model has once again allowed the Company to manage its results by leveraging the segments that offer the best opportunities and mitigating the segments most affected by the economic situation. It was only in the last quarter of 2022 that the Company felt the reflection of the macroeconomic situation in its sales performance. This reduction also took place in the period of greater annual seasonality, with a notable impact on multi-brand retail and exports, albeit positively, maintaining resilience in specialized retail (Portobello Shop) and sales to projects (construction companies), minimizing declines and projecting recovery for 2023.

But the year was not only important regarding our results. We advanced in our strategy with important achievements. The year 2022 will be marked as the beginning of building a dream: our plant in the United States. The plant, located in the municipality of Baxter, Tennessee, is in the final installation phase, with most of the structure completed and equipment in place. The plant will start operating in 1S23. This is an achievement of all our employees, clients, shareholders, suppliers and admirers of the Portobello brand.

We also made significant progress in the Retail strategy. Following our goal of being a data-driven and customer-centric company, we have approached our customers through the expansion of our network of own stores and the development of new technologies, which aim to better understand their needs in a timely manner to act on solutions that can assist them, thus improving their experience throughout their journey with Portobello.

Our advances in modernization and expansion always occur in a sustainable manner, in line with our defined ESG targets. In 2022, we advanced in a structured way with our ESG Plan. With guidelines in line with the UN Sustainable Development Goals (SDGs), which stress our commitment to the Global Compact, an initiative to which we are signatories, Portobello prepared an action plan and goals for the 2023 to 2027 period, involving all the Business Units and prioritizing the Environmental, Social and Governance pillars.

In 2022, we made investments in several strategic projects, totaling R$ 401 million. Of this amount, about a third was allocated to the purchase of equipment and structuring of the new Portobello America plant. For retail expansion, with the opening of new stores and acquisitions of franchised stores and digital transformation projects, approximately 30% of the total investments for the year were earmarked. The remainder was allocated to the modernization of the industrial units of the Portobello BU, in Tijucas/SC, and Pointer, in Marechal Deodoro/AL.

From the financing perspective, the Company delivered good operating results, which, coupled with good cash and debt management, maintained leverage close to the lowest level ever reached, 1.6 times Net Debt/EBITDA, considered extremely healthy for the industry. Net debt ended the year at R$ 630 million.

Throughout 2022, we revisited our strategic planning for the next five years, projecting our advances in all Business Units. We would like to thank all the employees, partners and investors for believing and helping us achieving these results. We are very proud of what has been built so far and remain focused on the advances that are yet to come.

Business Unit Performance

The Portobello Business Unit ("BU") currently represents the group's largest operation. Its multichannel characteristic has been very assertive, since it does not rely on a single segment, being able to concentrate sales efforts on hotter and more profitable markets. Furthermore, progress in qualifying the product mix, especially with the growth in sales of slabs and large formats, produced at the Tijucas-SC plant, and the flexibility of prices throughout the year made it possible to work with products with greater added value and better profitability, in addition to allowing the transfer of cost increases recorded in the period.

These factors, coupled with good management resulted in good performance, especially in the Export and Engineering operations. In 2022, the Portobello BU grew 13%, reaching Net Revenue of R$ 1 billion, sustaining margins at good levels. The Gross Margin for the year was 43.6%, reflecting the maintenance of prices and qualification of the product mix considering the inflationary pressure recorded in the period. Portobello continues prioritizing continuous improvement in service levels, efficiency in balancing inventory levels and meeting demand, in addition to advancing in the implementation of ESG actions.

Portobello Shop, which currently has 145 stores in operation within the country, 25 of which are owned and 120 are franchises, opened 13 new stores in 2022 (2 of which in 4Q22). The BU ended the year with Net Revenue of R$ 814 million, accounting for a significant growth of 28.6% over last year. The performance of own stores, which started to consolidate the results of acquired stores, showed an increase of 62.7% in Net Revenue for the year, accounting for 41.4% of the total BU. Furthermore, Portobello Shop's Gross Margin also increased, reaching 46.3% in the year (43.9% in 4Q22) mainly due to the growth in the share of own stores, which recorded higher profitability by taking advantage of synergies from the integrated chain.

The favorable operating income, coupled with Portobello Shop's expansion strategy, reinforce the positive performance compared to the overall market performance, which, according to the ICVA (Cielo Broad Retail Index), which measures the retail construction materials sector in Brazil – showed a nominal decline of -2.4% in 2022 vs. 2021.

Pointer, the Group's democratic design brand, positioned in the North and Northeast regions of Brazil, was heavily impacted by the slowdown in demand in the ceramic tile market, which has been more pronounced in such regions. It was a very atypical year, even from a seasonality perspective, since historically the second semester has a stronger demand, mainly driven by the results of the third quarter. However, because of scenarios marked by extreme political and economic uncertainty in the country, demand, which had already been slowing down, remained low. These factors caused a slowdown in sales via the sales channels / home centers throughout 2022.

As a result of this scenario, Pointer obtained a Net Revenue of R$ 225 million and a Gross Margin of 32.0% in 2022. Compared to the previous year, the Gross Margin decreased, largely due to the pricing strategy in commercial campaigns aimed at reducing inventories and optimizing the productivity level. Despite the adverse scenario and the lower-than-expected sales results, Pointer delivers positive profitability, with an EBITDA Margin of 18.5%, driven by the strengthening of the engineering channel, which has shown a recovery in the local market.

During the year, Portobello America implemented a strategy to gain scale and build demand and, despite the adverse market situation in the North American country, continues to record growth. In the year, Net Revenue reached R$ 233 million, accounting for an increase of 32.9% vs. 2021, highlighting the local distribution operation. The BU recorded a Gross Margin of 23.5% in the period. Portobello America continues to manage demand, combining the profitability with the planning to gain scale, required for the occupation of the plant capacity in the United States. This price adjustment process offset the impacts of the increase in production costs, in Reais, in addition to the significant increase in international freight costs, which has been observed since 2021. These cost-pressure factors will be minimized when the Unit's local production gets underway in 2023.

During the year, Portobello America made progress on the project for the new factory that is being built in Baxter, Tennessee, in the United States. The plant is expected to start operating in the first semester of 2023. In the first phase of the project, it will have an annual production capacity of around 3.6 million square meters. This production, coupled with the consolidation of Portobello America on the US market, will be an important strategic milestone for the Company.

Outlook for 2023 and 1Q23

- The Company expects a more challenging market, but that should normalize throughout the year, in addition to observing the resilience of the premium construction/finishing materials market, with good opportunities for growth in the Company's revenue in relation to 2022 through the channel management strategy, international expansion, retail, innovation and product mix qualification.

- The Engineering channel should maintain its good demand level in 2023, because of the launches carried out in recent years, whose works are still in progress.

- The full Group's exports should also sustain its good performance, with potential sales increases generated by ongoing actions.

- The Company expects to show actual growth in Net Revenue for 2023, supported by the greater participation of Specialized Retail, Engineering and Exports, not only in the United States but globally, with emphasis on Latin America and Asia.

- • The start-up of operations at the Portobello America factory, scheduled for the summer of 2023, will considerably improve the result of this Business Unit. With local production in the United States, the BU will start to show better margins, which will be observed gradually from 2Q23, reaching the second half of the year with a significant contribution to the Portobello Group.

- In 2023, the Company's focus continues to be the maintenance of the Adjusted and Recurring Gross Margin in a level similar to 2022, despite the more restricted demand in the macroeconomic context, offset by the qualification of the product mix and factory productivity, in addition to strict management in the choices related to operating costs.

- The Company expects its Adjusted and Recurring EBITDA Margin in 2023 to remain close to the level reached in 2022, despite inflation pressures and adjustments in consumption on the domestic market.

- The 2023 CapEx investment plan is estimated by the Company in R$ 380 million of financial effect (R$ 640 million of accounting effect), of which around 45% will be allocated to the acquisition of equipment and infrastructure for the Portobello America's plant, approximately 30% for strategic projects related to the growth of retail in Brazil and strengthening of the digital initiatives of the Portobello Shop Business Unit, and around 25% for investments in technological updating and expansion of the industrial plants of the Portobello and Pointer Business Units.

- Although working capital management remains a priority for the Company, our expectation is that the Cash Conversion Cycle will end the year at a level similar to 2022. The main factors for this increase are higher inventories to support better levels of customer service and possible increases in terms of export customers, including operations in the demanding US market, and to manage the balance between supply and demand.

- The Company continues adopting its strong discipline in financial management, focusing on preserving liquidity and austerity in expenses and investment choices. The expectation is that the Net Debt/EBITDA (LTM) ratio will remain at a level below 2.5 times the Adjusted and Recurring EBITDA for the year, which is the maximum limit approved by the Board of Directors.

- Standouts among key risks to its operation throughout the year include: attention to high interest rates affecting consumption of durable goods and the consequent impact on the competitive environment that could compromise profitability in our sector..

- The US macroeconomic scenario still presents challenges due to the current policy of raising interest rates to reduce inflation and the consequent reduction in the level of activity, especially in the civil construction industry. However, we remain confident with the competitive differentials developed at Portobello America, mainly with the start-up of the Baxter plant.

Portobello Grupo

Economic and Financial Performance

		4Q21	4Q22	▲ %	▲ Abs	2021	2022	▲ %	▲ Abs
Performance	**Net Revenue**	**520.2**	**496.4**	**-4.6%**	**(23.7)**	**1,912.1**	**2,196.7**	**14.9%**	**284.6**
	Gross Profit	**234.7**	**197.3**	**-15.9%**	**(37.4)**	**827.1**	**945.7**	**14.3%**	**118.6**
	Gross Margin	45.1%	39.7%	-5.4 p.p.		43.3%	43.1%	-0.2 p.p.	
	Adjusted and Recurring Gross Profit	**234.7**	**199.9**	**-14.8%**	**(34.8)**	**827.1**	**945.7**	**0.1**	**118.6**
	Adjusted and Recurring Gross Margin	45.1%	40.3%	-4.8 p.p.		43.3%	43.1%	-0.2 p.p.	
	EBIT	**71.6**	**41.4**	**-42.3%**	**(30.3)**	**288.7**	**314.5**	**0.1**	**25.7**
	EBIT Margin	13.8%	8.3%	-5.4 p.p.		15.1%	14.3%	-0.8 p.p.	
	Financial Results	8.7	37.9	336.5%		(17.3)	(109.7)		
	Net Income	**54.9**	**9.1**	**-83.4%**	**(45.8)**	**216.2**	**153.1**	**(0.3)**	**(63.1)**
	Net Margin	10.6%	1.8%	-8.7 p.p.		11.3%	7.0%	-4.3 p.p.	
	Adjusted and Recurring Net Income	**49.4**	**4.9**	**-90.1%**	**(44.5)**	**188.0**	**137.4**	**(0.3)**	**(50.6)**
	Adjusted and Recurring Net Margin	9.5%	1.0%	-8.5p.p.		9.8%	6.3%	-3.6 p.p.	
	EBITDA	**94.5**	**67.5**	**-28.5%**	**(27.0)**	**360.8**	**406.2**	**0.1**	**45.4**
	EBITDA Margin	18.2%	13.6%	-4.6p.p.		18.9%	18.5%	-0.4 p.p.	
	Adjusted and Recurring EBITDA	**96.4**	**60.6**	**-37.1%**	**(35.7)**	**365.3**	**386.4**	**0.1**	**21.1**
	Adjusted and Recurring EBITDA Margin	18.5%	12.2%	-6.3p.p.		19.1%	17.6%	-1.5 p.p.	
Indicators	**Working Capital (R$)**	**270.4**	**317.9**	**17.6%**	**47.5**				
	Cash Conversion Cycle (days)	**32**	**57**	**78.1%**	**25**				
	Net Debt	**576.9**	**630.5**	**9.3%**	**53.5**				
	Net debt/EBITDA	1.6	1.6	-2.9%	(0.0)				
	Adjusted and Recurring Net Debt/EBITDA	**1.6**	**1.6**	**3.3%**	**0.1**				
PTBL3	Share Price	9.64	8.23	-14.6%	(1.41)				
	Market Value	1,422.2	1,160.3	-18.4%	(261.9)				
	Average Trading Volume (12 Months)	718.0	181.4	-74.7%	(536.6)				
	Average daily trading volume (ADTV)	11.8	14.8	25.4%	3.0				

Net Revenue

In 2022, Net Revenue reached R$ 2.2 billion in 2022, a 14.9% growth vs. 2021. This result shows a constant strategic evolution promoted by the Company, which always seeks to align innovation with profitability and value generation and, even in the face of adverse scenarios, is still capable of delivering robust results. From this result, we can highlight (i) the qualification and improvement of the product mix; (ii) the expansion of Portobello Shop's participation, (iii) greater participation in the engineering channel and (iv) expansion of the participation of international businesses (mainly exports from Portobello BU and distribution of Portobello America in the United States).

R$ million	4Q21	4Q22	▲ %	▲ Abs	2021	2022	▲ %	▲ Abs
Net Revenue	**520.2**	**496.4**	**-4.6%**	**(23.7)**	**1,912.1**	**2,196.7**	**14.9%**	**284.6**
Domestic Market	415.9	398.3	-4.2%	(17.5)	1,510.2	1,683.6	11.4%	173.4
International Market	104.2	98.1	-5.8%	(6.1)	**401.9**	**513.2**	27.8%	111.3
US$ million	**4Q21**	**4Q22**	**▲ %**	**▲ Abs**	**2021**	**2022**	**▲ %**	**▲ Abs**
International Market	19.8	16.4	-17.1%	(3.4)	76.4	92.9	21.6%	16.5

In the domestic market, Net Revenue grew 11.4% in 2022 compared to 2021, reaching R$ 1.7 billion, while the construction materials sector recorded a retraction of -6.9%, according to deflated data from the Brazilian Association of Construction Materials Industry (ABRAMAT). The ceramic tile sector, according to data from the Brazilian Association of Ceramic Tiles Manufacturers (ANFACER) recorded a decrease of -17.7% in 2022 vs. 2021 in volumes (in square meters).

In 4Q22, Net Revenue from the domestic market decreased -4.2% vs. 4Q21, reaching R$ 398 million in the quarter. This result is a consequence of a market that is extremely pressured by political and economic factors, which left consumers on alert for any sign that the economic team of the new government would give. Such results demonstrate that, despite the reduction in 4Q22, PBG continues to outperform the market, as in all other quarters, demonstrating the resilience of the strategic model adopted by the Company.

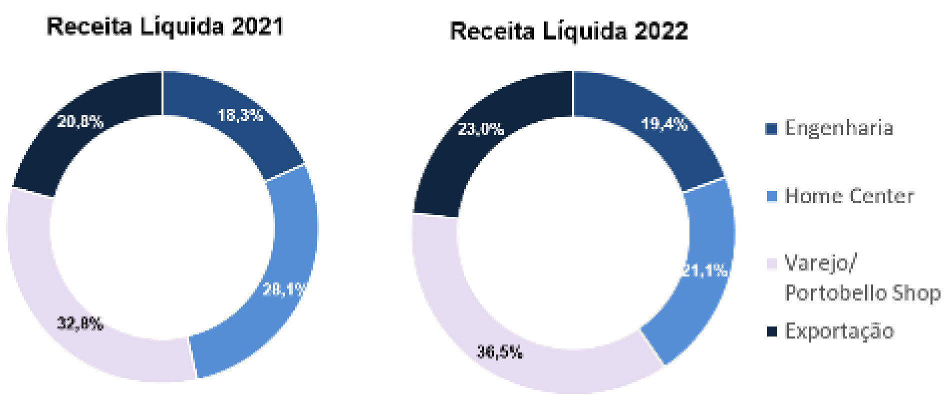
Regarding sales in the foreign market, the Company recorded a significant growth of 27.8% in 2022 vs. 2021 (21.6% in US dollars). This result continues to be driven by the progress in the Company's international expansion strategy, with the evolution of the Portobello America operation (growth of 32.8% in the year) and the growth of exports from the Portobello BU (32.2% vs. 2021). In 4Q22, revenue from the foreign market dropped -5.8% vs. 4Q21 (-17.1% in US dollars), with a 10.2% growth in Portobello America, but impacted by a -15.1% decrease in exports from the Portobello BU.

In 4Q22, Portobello America accounted for 9.3% of Portobello Group's total Net Revenue, up 10.2% vs. 4Q21. Portobello Shop accounted for 40.5%, an increase of 17.3% vs. 4Q21. Portobello BU accounted for 41.3% of total Net Revenue, down 9.9% vs. 4Q21 and Pointer's share was 9.0%, down -30.9% vs. 4Q21.

R$ million	4Q21	4Q22	▲ %	▲ Abs	2021	2022	▲ %	▲ Abs
Consolidated	**520,2**	**496,4**	**-4,6%**	**(23,7)**	**1.912,1**	**2.196,7**	**14,9%**	**284,6**
BU Portobello	243,4	219,2	-9,9%	(24,2)	904,7	1.022,8	13,0%	118,2
BU Shop	183,3	215,1	17,3%	31,7	632,6	813,7	28,5%	181,1
BU Pointer	69,1	47,8	-30,9%	(21,4)	269,8	225,4	-16,5%	(44,3)
BU Portobello America	44,6	49,2	10,2%	4,5	175,4	233,0	32,9%	57,6
(-) Eliminations [1]	(20,3)	(34,8)	71,3%	(14,5)	(70,4)	(98,3)	39,8%	(28,0)
US$ million	**4Q21**	**4Q22**	**▲ %**	**▲ Abs**	**2021**	**2022**	**▲ %**	**▲ Abs**
BU Portobello America	8,8	7,9	-10,3%	(0,9)	33,7	41,0	21,6%	7,3

[1] Intercompany operations

The distribution of sales across channels highlights the Company's ability to execute the cross-channel management strategy. It is worth highlighting retail sales, which account for 36.5% of the Group's total Net Revenue in 2022 vs. 32.8% in 2021. The export channel maintained the level of 23.0% in revenue, of which 10.5% with sales made by Portobello America in the United States and 12.6% for the other markets of the Portobello and Pointer Business Units. The share of sales in the Engineering channel was 19.4% vs. 18.3% in the previous year.



Gross Income

Adjusted and Recurring Gross Income reached R$ 946 million in 2022, accounting for an increase of 14.3% compared to the previous year, with the Gross Margin remaining at 43.0%, in line with 2021. In the fourth quarter, Adjusted and Recurring Gross Income reached R$ 200 million in the period, 14.8% lower than in 4Q21. The Adjusted and Recurring Gross Margin also decreased compared to 4Q21, reaching 40.3%, a change of -4.8 p.p. over 4Q21. The evolution of costs, owing to greater inflationary pressure, could not be adequately allocated through price adjustments, since the market had been decelerating throughout the year.

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R$ million	4Q21	4Q22	▲ %	▲ Abs	2021	2022	▲ %	▲ Abs
Net Operating Revenue	520.2	496.4	-4.6%	(23.7)	1,912.1	2,196.8	14.9%	284.7
Cost of Goods Sold (COGS)	(285.5)	(299.1)	4.8%	(13.6)	(1,085.0)	(1,251.0)	15.3%	(166.0)
Gross Operating Profit	**234.7**	**197.4**	**-15.9%**	**(37.3)**	**827.1**	**945.7**	**14.4%**	**118.7**
Gross Margin	45.1%	39.7%	-5.4 p.p.		43.3%	43.1%	-0.2 p.p.	
Non-Recurring Events:		**2.5**			**-**	**-**		
1) DIFAL unconstitutionality reversal	-	2.5			-	-		
Adjusted and Recurring Gross Profit	**234.7**	**199.9**	**-14.8%**	**(34.8)**	**827.1**	**945.7**	**14.3%**	**118.6**
Adjusted and Recurring Gross Margin	45.1%	40.3%	-4.8 p.p.		43.3%	43.1%	-0.2 p.p.	

Operating Expenses

Adjusted Operating Expenses in 2022, when analyzed as a percentage of Net Revenue, recorded an increase of 1.7 pp in relation to 2021 (+2.3 pp in 4Q22 vs. 4Q21). The major changes in absolute terms occurred in sales expenses, mainly due to the growth of the sales structure in the acquisitions made and expansion of own stores network, as well in the marketing strategy adopted by Portobello America in the pre-operational phase of the factory's entry into operation, aimed at gaining scale in the North American market. In 4Q22, Adjusted Operating Expenses recorded a change of 2.0 p.p. in the share of Net Revenue and 30.3% in absolute amounts, partially as a consequence of the non-recurring effect regarding the tax gain related to the reversal of the ICMS Tax Rate Difference (DIFAL), recognized in 1Q22.

R$ million	4Q21	%RL	4Q22	%RL	▲ %	▲ Abs	2021	%RL	2022	%RL	▲ %	▲ Abs
Operating Expenses												
Selling	(122.4)	23.5%	(139.9)	28.2%	14.3%	17.5	(421.3)	22.0%	(534.0)	24.3%	26.7%	112.7
General and Administrative	(22.1)	4.2%	(25.5)	5.1%	15.7%	3.5	(69.0)	3.6%	(90.2)	4.1%	30.7%	21.2
Other Revenues (Expenses)	(18.7)	3.6%	9.5	-1.9%	-150.8%	28.2	(48.1)	2.5%	(7.1)	0.3%	-85.2%	(41.0)
Operating Expenses	**(163.1)**	**31.4%**	**(155.9)**	**31.4%**	**-4.4%**	**(7.2)**	**(538.4)**	**28.2%**	**(631.2)**	**28.7%**	**17.3%**	**92.9**
Non-Recurring Revenues	2.0	0%	(9.4)	1.9%			4.5	-0.2%	(20.0)	1%		
Adjusted Operating Expenses	**(161.2)**	**31.0%**	**(165.3)**	**33.3%**	**2.5%**	**4.1**	**(533.9)**	**27.9%**	**(651.2)**	**29.6%**	**22.0%**	**117.3**

In this pre-operational phase in which Portobello America finds itself, the Company incurred expenses that for the most part are characterized as pre-operational, whether those related to the preparation of the start-up of the factory or to sales, marketing and other areas of support. In this regard, total expenses at Portobello America in 4Q22 were R$30.1 million and R$93.9 million in 2022. These expenses are part of the BU's strategic planning and are considered, for management purposes, part of the investment in project, from which a future return is expected.

It is also worth mentioning the expenses generated due to the Portobello Shop's advances, mainly the expansion of its own stores. Portobello Shop BU expenses reached BRL 301 million, BRL 68 million more than in 2021.

Sales Expenses in 4Q22 accounted for 28.2% of Net Revenue, an increase of 4.7 p.p. compared to 4Q21. In absolute terms, Sales Expenses increased 14.3% vs. 4Q21 and, year-to-date, grew 26.7% compared to the previous year, largely due to participation in trade fairs and events, such as Expo Revestir, Coverings (USA) and Cersaie (Italy), which this year were held as an in-person event.

General and Administrative Expenses accounted for 5.1% of Net Revenue in 4Q22, accounting for an increase of 0.9 p.p. compared to 4Q21. In absolute terms, growth reached 15.7%. In the year, such expenses accounted for 4.1% of Net Revenue (+1.0 pp) and showed absolute growth of 30.7%. A large part of this change is due to investments in the structure of the operations teams with the highest growth, mainly in the Portobello America and Portobello Shop Business Units. Such investments are in line with the Company's strategic planning and should be supported by expected growth and expenses should be diluted proportionally to the development of operations.

Other Revenues and Expenses in 4Q22 refer mainly to the provisioning of the Profit Sharing Program (PPR) and the Long-Term Incentive Plan (ILP), which totaled R$ 13.9 million and civil, labor and tax provisions in the amount of R$ 4.7 million.

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In 2022, Operating Expenses were positively impacted by the non-recurring effect related to the tax gain related to the reversal of DIFAL – Tax Rate Difference, since it was considered unconstitutional, in the amount of R$ 19.6 million.

EBITDA

Even in the face of market challenges, the Company continues presenting good operating results, in line with its strategy, which, in 2023, will incorporate good levels of profitability at Portobello America, whose manufacturing unit will start operating in 2Q23. This result demonstrates the construction and optimization of the equation between volume performance, price flexibility, innovation and constant improvement of the product mix, combined with discipline in cost and expense management.

Adjusted and Recurring EBITDA in 2022 was R$ 386 million, accounting for an increase of 12.7% vs. 2021, resulting in an Adjusted and Recurring EBITDA Margin of 17.6%, -1.5 pp lower than 2021, mainly due to the higher level of expenses in relation to Net Revenue, but also impacted by the result below the average of the other quarters in 4Q22. Adjusted and Recurring EBITDA for the quarter was R$ 60.6 million (-37.1% vs. 4Q21), with a margin of 12.2%, impacted by lower sales results and Gross Margin.

R$ million	4Q21	4Q22	▲ %	▲ Abs	2021	2022	▲ %	▲ Abs
Net Income	54.9	9.134	-83.4%	(45.8)	216.2	153.1	-29.2%	(63.1)
(+) Financial Expenses	8.6	37.906	341.8%	29.3	59.2	109.6	85.0%	50.4
(+) Depreciation and Amortization	22.9	26.156	14.2%	3.3	72.2	92.0	27.4%	19.8
(+) Income Taxes	8.0	(5.683)	-171.0%	(13.7)	13.3	51.6	289.0%	38.3
EBITDA	**94.5**	**67.5**	**-28.5%**	**(27.0)**	**360.9**	**406.2**	**12.5%**	**45.3**
EBITDA Margin	**18.2%**	**13.6%**	**-4.6 p.p.**		**18.9%**	**18.5%**	**-0.4 p.p.**	
Non-Recurring Events:	**1.9**	**(6.9)**			**4.5**	**(19.9)**		
1) DIFAL unconstitutionality reversal	-	**(4.9)**			0.0	(17.3)		
Adjusted and Recurring EBITDA	**96.4**	**60.6**	**-37.1%**	**-35.7**	**365.4**	**386.4**	**5.7%**	**21.0**
Adjusted and Recurring EBITDA Margin	**18.5%**	**12.2%**	**-6.3 p.p.**		**19.1%**	**17.6%**	**-1.5 p.p.**	

The amount of non-recurring events of R$ 6.9 million recorded in 4Q22 refers to the tax gain related to the reversal of the Tax Rate Difference (DIFAL), which was deemed unconstitutional. In the year, the amounts recognized as non-recurring events were R$ 19.9 million, R$ 17.3 million of which related to the tax gain from the reversal of DIFAL and COFINS tax optimization in the amount of R$ 3.0million, partially offset by the recognition of other favorable legal decisions, in the order of R$ 0.3 million.

Net Income

The current macroeconomic situation in Brazil, with high interest rates, caused the Company's financial expenses to increase 85.0% in 2022, affecting the Adjusted and Recurring Net Income for the period, when it reached R$ 137 million in the year, a decrease of -26.9% compared to 2021. In 4Q22, Adjusted and Recurring Net Income was R$ 4.9 million, the result of a worsening operating performance linked to the economic factors observed throughout the year.

R$ million	4Q21	4Q22	▲ %	▲ Abs	2021	2022	▲ %	▲ Abs
EBITDA	**94.5**	**67.5**	**-28.5%**	**-26.966**	**360.9**	**406.2**	**12.5%**	45.25
(-) Financial Expenses	(8.6)	(37.9)	341.8%	(29.3)	(59.2)	(109.6)	85.0%	(50.38)
(-) Depreciation and Amortization	(22.9)	(26.2)	14.2%	(3.3)	(72.2)	(92.0)	27.4%	(19.76)
(-) Income Taxes	(8.0)	5.7	-171.0%	13.7	(13.3)	(51.6)	289.0%	(38.30)
Net Income	**54.9**	**9.1**	**-83.4%**	**(45.8)**	**216.3**	**153.1**	**-29.2%**	**(63.2)**
Net Margin	**10.6%**	**1.8%**	**-8.7 p.p.**		**11.3%**	**7.0%**	**-4.3 p.p.**	
Non-Recurring Events:	**(5.7)**	**(4.2)**			**(28.2)**	**(15.7)**		
(1) DIFAL unconstitutionality reversal	-	(4.9)			-	(17.3)		
(2) Selic on Income Tax/Social Contribution Basis	(1.1)	(0.3)			(23.6)	(1.1)		
(3) Recognition and Restatements of Lawsuits	(8.8)	(0.4)			(8.8)	(2.5)		
(4) Recognition and Restatements of Lawsuits – Other revenues/expenses	1.8	1.0			1.8	0.3		
(5) Recognition and Restatements of Lawsuits-IR/CSLL	2.4	3.3			2.4	7.8		
(6) COFINS - Tax optimization	-	(3.0)			-	(3.0)		
Adjusted and Recurring Net Income	**49.3**	**4.9**	**-90.1%**	**(44.4)**	**188.1**	**137.4**	**-27.0%**	**(50.7)**
Adjusted and Recurring Net Margin	**9.5%**	**1.0%**	**-8.5 p.p.**		**9.8%**	**6.3%**	**-3.6 p.p.**	

In 4Q22, Net Income was positively impacted by the non-recurring effect related to the tax gain related to the reversal of DIFAL, which was considered unconstitutional, in the amount of R$ 4.9 million, partially offset by the levy of R$ 3.3 million referring to income tax/social contribution.

Cash Flow

The Company ended the year with a cash position of R$ 256 million, a R$ 66.4 million increase vs. 2021. The change in the final cash balance was due to the lower level of disbursements in financing activities in the period, with lower amortizations in the period due to efficient cash management and debt scheduling. The balance is in line with the management strategy adopted by the Company. Furthermore, in July 2022 funds were received related to the redemption of deposits pledged as guarantee, in the amount of R$ 58.3 million. In 2022, the amounts raised totaled R$ 93.8 million, which had a positive impact on the operating activities, referring to: (i) rural credit bills, in the amount of R$ 20.3 million; (ii) redemption of deposits pledged in guarantee in the amount of R$ 73.5 million.

R$ million	4Q21	4Q22	▲	▲ Abs	2021	2022	▲	▲ Abs
Activities								
Operating	48.1	4.6	-90%	(43.5)	288.1	227.0	-21%	61.1
Investment	(37.9)	(38.6)	2%	(0.7)	(114.9)	(206.0)	79%	91.1
Financing	(153.4)	155.9	-202%	309.4	(309.8)	45.3	-115%	(355.1)
Changes in Cash	(143.2)	121.9	-185%	265.1	(136.6)	66.4	-149%	(202.9)
Opening Balance	**332.9**	**134.1**	**-60%**	**(198.8)**	**326.3**	**189.7**	**-42%**	**136.6**
Closing Balance	**189.7**	**256.0**	**35%**	**66.4**	**189.7**	**256.0**	**35%**	**(66.3)**

The Company's operating activities generated a cash position of R$ 227 million in 2022, driven by the good EBITDA levels, but were impacted by the change in working capital, mainly the increase in inventory levels.

The Company's investment activities totaled R$ 206 million in 2022, earmarked mainly for the expansion of Portobello Shop's own store network, investments in the new Portobello America plant, CapEx for the Tijucas-SC plant, with modernization of the industrial park to produce products with greater added value and larger formats.

Additionally, in 1Q22, there was a positive impact in the amount of US$ 11.8 million (R$ 55.8 million) in investment activities as a result of the recognition of the sale of assets, specifically the land in Tennessee for the amount of R$ 18.1 million, and the reimbursement made by Oak Street for investments made in the construction of the new factory in the amount of R$ 37.6 million in the BtS operation closed in March 2022.

Financing activities resulted in a positive effect of R$ 45.3 million for the year, due to the funding raised, which totaled R$ 192 million, and the better debt profile, with longer maturities. The payment of loans and financing totaled R$ 12.6 million in the period. In September, the amount of R$ 43.3 million was paid to shareholders as prepaid dividends.

Working Capital

The Company's Working Capital decreased in 4Q22, totaling R$ 318 million, R$ 56.1 million below 3Q22 (-15.0%). The Cash Conversion Cycle in 4Q22 was 57 days, accounting for an increase of 10 days compared to 3Q22, with improvements in the terms of the receivables portfolio, but hampered by the increase in inventories. Compared to 4Q21, the change in Working Capital was R$ 47.5 million, and the change in Cash Conversion Cycle was 25 days. A large part of the change in Inventories was due to the slowdown in the civil construction market, mainly in the North/Northeast regions, which mainly impacted Pointer, but also due to the improvement in the customer service in the retail and the North American market.

		4Q21	4Q22	▲ %	▲ Abs	3Q22	▲ %	▲ Abs
R$ millions	Accounts Receivable	306.1	230.0	-24.9%	(1.0)	359.9	-36.1%	(129.9)
	Inventories	285.4	455.0	59.4%	169.6	418.7	8.7%	36.3
	Suppliers	321.0	367.1	14.4%	46.1	404.6	-9.3%	(37.5)
	Working Capital	**270.4**	**317.9**	**17.6%**	**47.5**	**374.0**	**-15.0%**	**(56.1)**
Days	Accounts Receivable	49	37	-24.5%	(12)	47	-21.3%	(10)
	Inventories	88	129	46.6%	41	116	11.2%	13
	Suppliers	104	108	3.8%	4	116	-6.9%	(8)
	Cash Convertion Cycle (CCC)	**32**	**57**	**78.1%**	**25**	**47**	**21.3%**	**10**

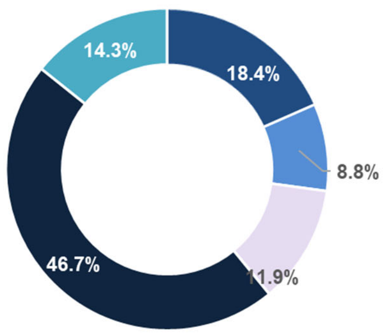
Investments

Investments in 2022 totaled R$ 401 million, and 33.7% were allocated to the Portobello America new plant project, 29.9% were allocated to investments in own stores, 21.4% were allocated to the Tijucas-SC plant and the remainder to commercial and corporate projects and to the industrial plant in Marechal Deodoro-AL.

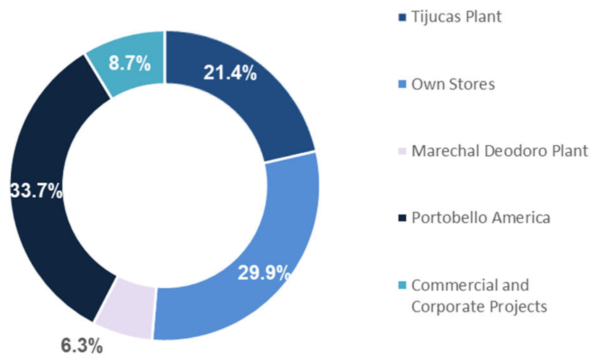
Investments made in own stores in 2022 mainly refer to the acquisition of stores announced by the Company in March (Pacaembu and Gabriel) and July (Balneário Camboriú, Tijucas and São José), in addition to the opening of new stores that occurred throughout the year.

The investments made in the Portobello America are largely related to the acquisition of machinery and equipment for phase 1 of the new plant, which should start operating in early 2023. The plant, when completed, will be one of the most modern ceramic tile and flooring plants in the United States, with state-of-the-art technology in all its facilities. The total investment of such equipment purchases will be roughly USD 40 million.

4T22 Investments



2022 Investments



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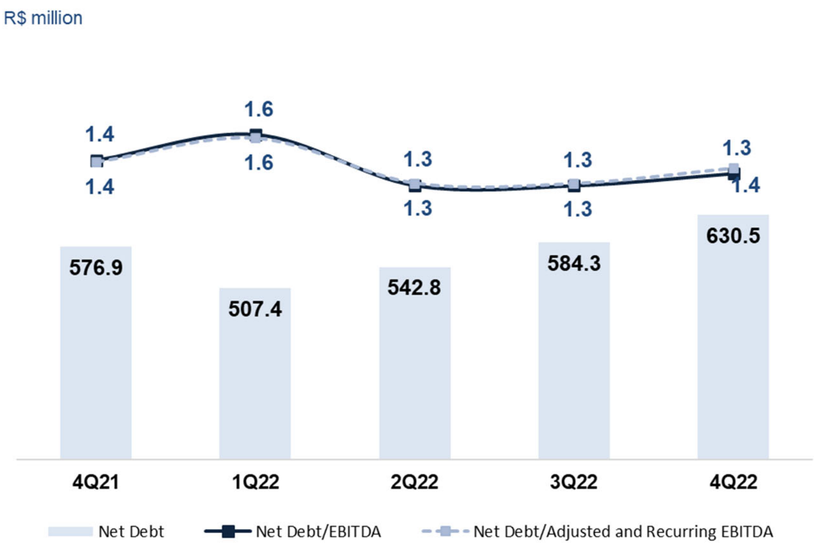
Indebtedness and Capital structure

The Company's Net Debt ended the year at R$ 630 million, accounting for an increase of R$ 53.5 million vs. 2021. Compared to 3Q22, there was an increase of R$ 46.2 million due to investments in working capital and CapEx. The increase in Adjusted and Recurring EBITDA in the last 12 months to R$ 396 million, and discipline in financial management, focused on the constant optimization of the Cash Conversion Cycle, resulted in the Company's maintaining a financial leverage of 1.6x the Adjusted and Recurring EBITDA, next to the lower indebtedness level ever reached by the Company.

R$ million	4Q21	1Q22	2Q22	3Q22	4Q22
Gross Bank Debt[1]	**766.7**	**731.6**	**733.4**	**718.4**	**886.6**
Cash and Cash Equivalents	(189.7)	(224.2)	(190.6)	(134.2)	(256.1)
Net Indebtedness	**576.9**	**507.4**	**542.8**	**584.3**	**630.5**
EBITDA (LTM)	360.9	398.8	427.1	433.2	406.2
Adjusted and Recurring EBITDA (LTM)	365.4	394.8	423.1	422.3	386.5
Net Debt-to-EBITDA ratio	1.6	1.3	1.3	1.3	1.6
Net Debt-to-Adjusted and Recurring EBITDA ratio	**1.6**	**1.3**	**1.3**	**1.4**	**1.6**

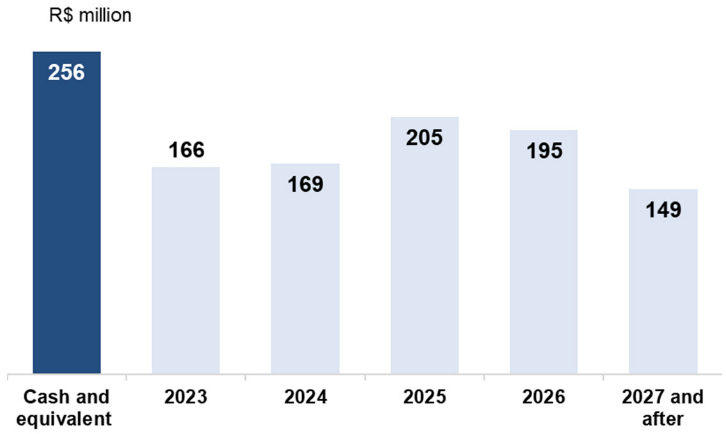
[1] As from 4Q21, includes lease liabilities with call option

In 2022, the amount of R$ 74.8 million of contracted Bank Debt was amortized. Funding totaled R$ 192 million.



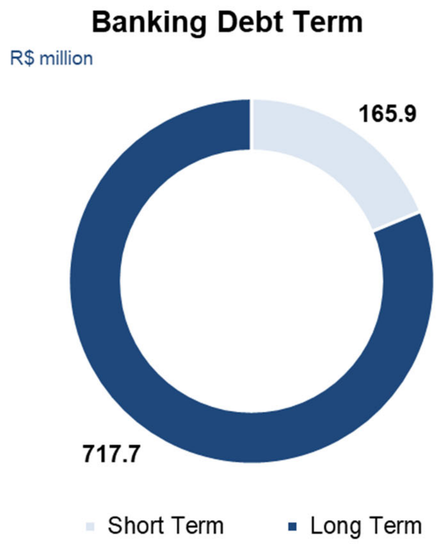
At the end of 2022, all covenants related to the leverage ratio were met, which could lead to the early maturity of financing contracts and Debentures if not complied with.

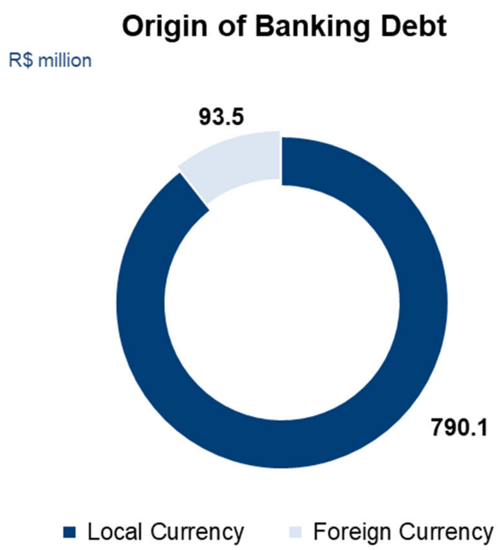
The details of the amortization schedule (Gross Banking Debt) can be found below:



Gross Bank Debt maturing in the short term represents 18.8% of the total, a 1.2 pp decrease compared to 3Q22. The remaining debt matures in the long term, as shown in the amortization schedule above. The Gross Banking Debt is mostly in domestic currency (89.4%). The average total cost of Banking Debt is 13.26% per annum and the average term is 4.7 years, vs 4.4 in 2021.

This debt profile provides greater flexibility for the Company to develop its strategic plan, focused on the growth of retail in Brazil and international business, mainly in the USA through Portobello America.





PTBL3 Stock Performance

Shares traded under the PTBL3 ticker closed the trading session on December 30, 2022 quoted at R$ 8.23, showing a devaluation of -14.6% when compared to the closing of 2021 (quoted at R$ 9.64). The average daily financial volume traded (ADTV) in 4Q22 was R$ 14.8 million. At the end of 2022, the Company had a market value equivalent to R$ 1,160 million.

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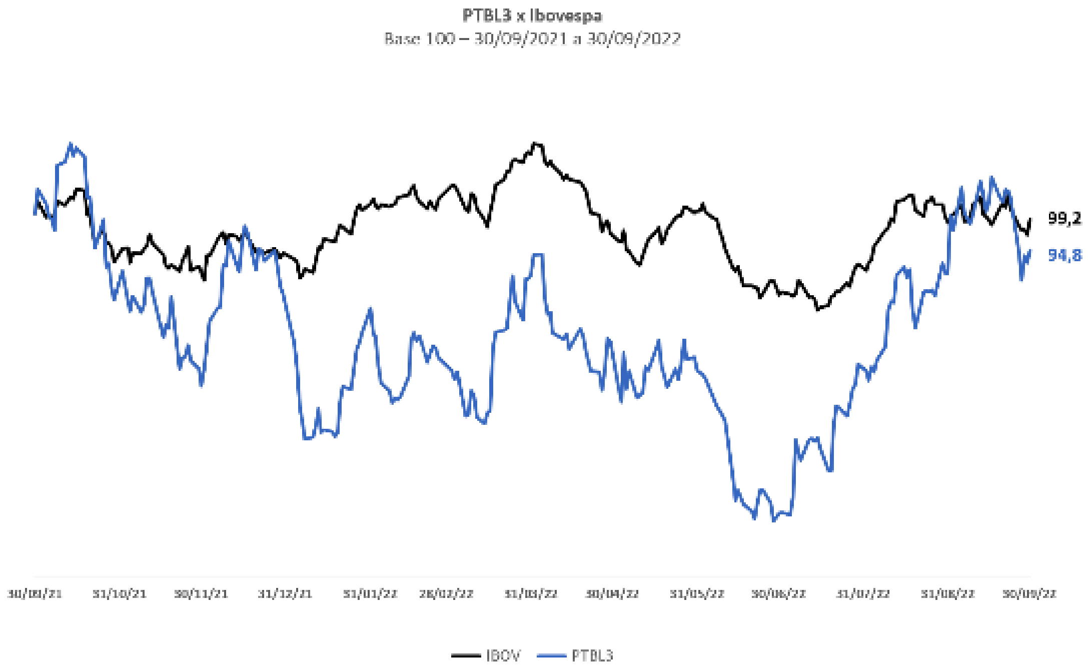

Independent Audit

The policy of the Company in relation to its independent auditors, with regard to the provision of services not related to the external audit of financial statements, is based on the principles that preserve professional independence. These principles are based on the assumption that the auditor should not audit their own work, perform managerial functions, or act as a lawyer for their client.

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Management

Statutory Executive Board

Name	Position
Mauro do Valle Pereira	Chief Executive Officer
John Shojiro Suzuki	Vice-President and Chief Financial and Investor Relations Officer
Edson Luiz Mees Stringari	Vice-President of Legal and Compliance Matters

Board of Directors

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

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Corporate Governance

The Company adapted to the requirements of the Novo Mercado regulations, in relation to inspection and control bodies, including the creation of the Audit Committee and the Compliance and Internal Audit areas, in addition to the Internal Controls area. New policies were also recently approved, aimed at improving Corporate Governance and adapting to the new requirements of the Novo Mercado regulations. These are:

(i) Remuneration Policy;
(ii) Policy for Nomination of Members of the Board of Directors, Committees, and Statutory Board;
(iii) Related Party Transactions Policy;
(iv) Risk Management Policy;
(v) Review of the Policy for Disclosure of Relevant Act or Fact and Securities Trading.

All policies are available on the websites of B3, CVM, and the Company (https://ri.portobello.com.br/).

The main topics related to Corporate Governance at Portobello are presented below:

- Shares listed on the Novo Mercado of B3;
- Only outstanding common shares, that is, each share entitles their holders to one vote in General Shareholders' Meetings;
- Tag-Along of 100%;
- Four independent members on the Board of Directors;
- Policy on minimum mandatory dividend of 50% of adjusted net income, as provided in the Shareholders' Agreement;
- Independent Audit Committee
- Internal control area;
- Policies mentioned above.

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

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Financial Statements

Balance Sheet

Assets	4Q21	AV %	4Q22	AV %	Var%
Current assets	**906.1**	**42.0%**	**1,103.1**	**44.5%**	**21.7%**
Cash and cash equivalents	189.7	8.8%	256.1	10.3%	35.0%
Trade Receivables	375.6	17.4%	314.5	12.7%	-16.3%
Inventories	285.4	13.2%	455.0	18.3%	59.4%
Other	55.4	2.6%	77.5	3.1%	39.8%
Non-current assets	**1,251.2**	**58.0%**	**1,376.7**	**55.5%**	**10.0%**
Long-term assets	**536.1**	**24.8%**	**375.0**	**15.1%**	**-30.0%**
Judicial deposits	185.4	8.6%	106.7	4.3%	-42.4%
Judicial assets	155.2	7.2%	140.3	5.7%	-9.6%
Guarantee deposit	89.7	4.2%	19.4	0.8%	-78.4%
Receivables - Eletrobrás	12.8	0.6%	12.8	0.5%	0.0%
Restricted financial investments	13.7	0.6%	9.3	0.4%	-32.1%
Recoverable taxes and deferred tax	14.9	0.7%	19.4	0.8%	30.8%
Other non-current assets	64.5	3.0%	67.0	2.7%	4.0%
Fixed assets	**715.1**	**33.1%**	**1,001.7**	**40.4%**	**40.1%**
PPE, Intangible Assets and Investments	643.3	29.8%	813.6	32.8%	26.5%
Right of Use of Leased Assets	71.5	3.3%	187.7	7.6%	162.4%
Other investments	0.3	0.0%	0.3	0.0%	0.0%
Total assets	**2,157.3**	**100.0%**	**2,479.8**	**100.0%**	**14.9%**

Liabilities	4Q21	AV %	4Q22	AV %	Var%
Current liabilities	**714.1**	**33.1%**	**945.1**	**38.1%**	**32.3%**
Loans and Debentures	98.1	4.5%	165.9	6.7%	69.1%
Trade Payables and Credit Assignment	365.7	16.9%	460.8	18.6%	26.0%
Lease obligations	19.5	0.9%	26.4	1.1%	35.5%
Tax liabilities	39.7	1.8%	43.2	1.7%	8.8%
Payroll and related taxes	59.0	2.7%	64.6	2.6%	9.4%
Advances from Customers	69.6	3.2%	84.5	3.4%	21.5%
Other	62.6	2.9%	99.7	4.0%	59.3%
Non-current liabilities	**1,087.1**	**50.4%**	**1,067.4**	**43.0%**	**-1.8%**
Loans and Debentures	664.3	30.8%	717.7	28.9%	8.0%
Suppliers	189.9	8.8%	122.5	4.9%	-35.5%
Debts with related parties	56.4	2.6%	56.3	2.3%	-0.1%
Provisions	89.0	4.1%	88.4	3.6%	-0.7%
Lease obligations	45.4	2.1%	51.4	2.1%	13.1%
Other Non Current Liabilites	42.1	2.0%	31.2	1.3%	-25.9%
Equity	**356.2**	**16.5%**	**467.2**	**18.8%**	**31.2%**
Capital	250.0	11.6%	250.0	10.1%	0.0%
Treasury shares	(91.4)	-4.2%	-	0.0%	-100.0%
Earnings reserve	240.1	11.1%	255.3	10.3%	6.3%
Other comprehensive income	(42.6)	-2.0%	(38.1)	-1.5%	-10.6%
Total liabilities	**2,157.3**	**100.0%**	**2,479.7**	**100.0%**	**14.9%**

Statement of Income

R$ million	4Q21	4Q22	2021	2022
Net Sales Revenue	520.2	496.4	1,912.1	2,196.7
Gross Operating Profit	234.7	197.3	827.1	945.6
Operating Income (Expenses), Net	**(163.1)**	**(155.9)**	**(538.4)**	**(631.4)**
Selling	(122.4)	(139.9)	(421.3)	(534.0)
General and Administrative	(22.0)	(25.5)	(69.0)	(90.2)
Other Operating Income (Expenses), Net	(18.7)	9.5	(48.1)	(7.2)
Operating Profit before Financial Income	**71.6**	**41.4**	**288.7**	**314.2**
Financial Result	**(8.7)**	**(37.9)**	**(59.2)**	**(109.7)**
Financial Revenues	17.5	3.2	24.8	18.2
Financial Expenses	(28.9)	(31.5)	(90.0)	(122.4)
Net exchange rate change	2.7	(9.6)	5.9	(5.4)
Income (loss) before income taxes	**62.9**	**3.5**	**229.5**	**204.6**
Income Tax and Social Contribution	(8.0)	5.7	(13.3)	(51.5)
Net income (loss) for the Period	**54.9**	**9.1**	**216.2**	**153.1**

Cash Flow

R$ million	4Q21	4Q22	2021	2022
Net cash from operating activities	**48.1**	**4.6**	**288.1**	**227.0**
Cash from operations	140.0	24.0	393.6	346.7
Changes in assets and liabilities	(62.9)	3.9	(31.0)	18.4
Interest paid and income taxes paid	(29.1)	(23.4)	(74.4)	(138.1)
Net cash used in investment activities	**(37.9)**	**(38.6)**	**(114.9)**	**(206.0)**
Acquisition of property, plant and equipment	(42.6)	(86.8)	(96.6)	(232.9)
Acquisition of intangible assets	(5.0)	(7.4)	(18.2)	(23.0)
Acquisition of lease assets	-	45.8	-	(59.2)
Receipt for the sale and reimbursement of fixed assets	-	-	-	55.8
Other investments	9.7	9.8	(0.2)	53.3
Net cash provided by (used in) financing activities	**(153.4)**	**155.9**	**(309.8)**	**45.3**
Funding loans and financing	46.9	176.2	513.7	192.9
Payment of loans and financing	(111.8)	(13.8)	(488.8)	(74.8)
Dividends paid	(83.2)	(0.0)	(162.3)	(46.9)
Lease Amortization	(5.3)	(6.4)	(18.7)	(25.9)
Treasury acquisitions	-	-	(153.7)	-
Increase/(Decrease) in Cash for the period/year	**(143.2)**	**121.9**	**(136.6)**	**66.4**
				0
Opening Balance	**332.9**	**134.1**	**326.3**	**189.7**
Closing Balance	**189.7**	**256.0**	**189.7**	**256.0**

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www.pwc.com.br

PBG S.A.

Parent company and consolidated financial statements at December 31, 2022 and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report

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

Opinion

We have audited the accompanying parent company financial statements of PBG S.A. (the "Company"), which comprise the balance sheet as at December 31, 2022 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of PBG S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2022 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

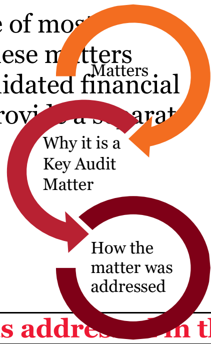
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PBG S.A. and of PBG S.A. and its subsidiaries as at December 31, 2022, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Why it is a Key Audit Matter	How the matter was addressed in the audit

Provisions, liabilities and gains on civil and tax lawsuits

Why it is a Key Audit Matter

As described in notes, 11,13,15,16,25,26 and 27 to the financial statements, the Company is either the plaintiff or the defendant in lawsuits and administrative proceedings of tax or civil nature filed with the court and government agencies. These matters require significant judgment by the Company and its legal advisors in determining the amount and the likelihood of financial disbursement or the chance of a favorable outcome and disclosures relating to this issue.

Considering the complexity of these matters, especially those relating to the tax environment in which the Company operates, the susceptibility to changes in assumptions and case laws, and the uncertainties regarding the final outcome of the lawsuits and proceedings, the asset and liability amounts recognized and/ or disclosed in the financial statements are subject to changes.

How the matter was addressed in the audit

Our audit procedures included, among others: the assessment of the accounting policies applied by the Company in measuring and recognizing provisions, liabilities and gains on lawsuits, including the assessment of the most significant judgments made by the Company.

We also analyzed the provisions and gains recognized, and the amounts of contingent assets and liabilities disclosed in the financial statements, assessing the criteria and assumptions used by the Company to measure the amounts provisioned and/ or disclosed and that considered legal opinions prepared by the Company's legal advisors. We obtained confirmations from these advisors as to the current stage and the risk classification of these lawsuits and proceedings, and, for the cases considered of most significance, we compared the assessments made with the existing case law.

We also assessed whether the disclosures made in the financial statements are in accordance with the relevant rules and provide information about the nature, risk, and amounts provisioned or disclosed.

We consider that the amounts recognized and/ or provisioned are sufficient and appropriate, and that the assumptions and criteria adopted by the Company are consistent with the disclosures in the notes to the financial statements and with the information obtained in our work.

Other matters

Statements of Value Added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2022, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

Other information accompanying the parent company and consolidated financial statements and the auditor's report

The Company’s management is responsible for the other information that comprises the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor’s responsibilities for the audit of the parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the parent company and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Florianópolis, March 27, 2023

PricewaterhouseCoopers
Auditores Independentes Ltda.
CRC 2SP000160/O-5

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

PBG S.A. and subsidiaries
Balance Sheet
Years ended December 31, 2022 and 2021

In thousands of Brazilian reais, unless otherwise stated

(A free translation of the original in Portuguese)

Assets	Note	Parent Company December 31, 2022	Parent Company December 31, 2021	Consolidated December 31, 2022	Consolidated December 31, 2021
Current assets					
Cash and cash equivalents	6	176,995	125,516	256,088	189,718
Trade receivables	8	282,273	296,195	314,507	375,624
Inventories	9	377,211	233,108	455,038	285,364
Advances to suppliers		4,947	10,353	11,768	12,624
Taxes recoverable	10	35,786	26,662	37,533	27,454
Income tax and social contribution recoverable	14a	11,210	1,192	12,477	1,864
Other taxes recoverable	10	24,576	25,470	25,056	25,590
Prepaid expenses		5,526	267	13,811	5,447
Derivative financial instruments	7a	6,410	2,474	6,410	2,474
Other accounts receivable		6,501	5,568	7,943	7,426
Total current assets		895,649	700,143	1,103,098	906,131
Non-current assets					
Receivables from subsidiaries	38	161,765	119,130	-	-
Judicial deposits	11	106,509	185,332	106,704	185,382
Escrow deposit	12	19,365	89,700	19,365	89,700
Receivables from Eletrobrás	13	12,821	12,821	12,821	12,821
Taxes recoverable	10	19,384	14,765	19,442	14,859
Deferred income tax and social contribution	14b	16,109	27,293	25,523	31,942
Legal assets	15	140,333	136,367	140,333	155,153
Actuarial assets	28	27,320	18,677	27,320	18,677
Restricted investments	5.3	9,291	13,679	9,291	13,679
Derivative financial instruments	7a	-	150	-	150
Other accounts receivable		13,275	13,804	14,191	13,714
		526,172	631,718	374,990	536,077
Investments					
Interest in subsidiaries	16	116,590	64,147	-	-
Other investments		348	348	348	348
Property, plant and equipment	17	562,091	528,310	771,230	614,458
Intangible assets	18	31,047	22,324	42,377	28,797
Right-of-use assets	19a	35,445	20,603	187,727	71,536
		745,521	635,732	1,001,682	715,139
Total non-current assets		1,271,693	1,267,450	1,376,672	1,251,216
Total assets		2,167,342	1,967,593	2,479,770	2,157,347

Liabilities	Note	Parent Company December 31, 2022	Parent Company December 31, 2021	Consolidated December 31, 2022	Consolidated December 31, 2021
Current liabilities					
Suppliers	20	225,384	203,962	252,418	229,828
Supplier credit assignment	20a	126,393	97,717	126,393	97,717
Payables for property, plant and equipment	20b	26,390	20,497	82,021	38,107
Borrowings	21	165,903	98,115	165,903	98,115
Borrowings		77,973	90,922	77,973	90,922
Debentures		87,930	7,193	87,930	7,193
Installment payment of tax obligations	22	12,313	11,663	12,313	11,663
Taxes, fees and contributions	23	22,031	21,553	27,877	24,205
Income tax and social contribution payable	14a	-	124	3,021	3,865
Dividends payable	34	563	970	563	1,043
Advances from customers		14,200	23,444	84,500	69,564
Social and labor liabilities		51,074	49,780	64,557	58,991
Payables to subsidiaries and related parties	38	7,714	8,056	49,683	6,067
Provision for profit sharing		10,491	24,250	10,491	24,250
Lease liabilities	19b	16,299	8,036	26,361	19,456
Other payables	24	23,015	17,440	39,006	31,256
Total current liabilities		701,770	585,607	945,107	714,127
Non-current liabilities					
Trade payables	20	94,426	171,195	94,426	171,195
Payables for property, plant and equipment	20b	9,190	18,739	28,095	18,739
Borrowings	21	717,668	664,277	717,668	664,277
Borrowings		494,470	366,872	494,470	366,872
Debentures		223,198	297,405	223,198	297,405
Provision for civil, labor, social security and tax risks	25	75,073	77,506	88,369	89,014
Tax installment payment	22	10,217	21,406	10,217	21,406
Payables to subsidiaries and related parties	15c / 38	66,700	56,330	56,330	56,363
Lease liabilities	19b	21,592	15,383	51,354	45,397
Other payables	24	3,490	1,014	20,960	20,672
Total non-current liabilities		998,356	1,025,850	1,067,419	1,087,063
Equity					
Capital	27.1	250,000	250,000	250,000	250,000
Treasury shares	27.2	-	(91,351)	-	(91,351)
Profit reserves	27.3	225,696	236,608	225,696	236,608
Carrying value adjustments	27.4	(38,095)	(42,610)	(38,095)	(42,610)
Additional dividends	34	29,615	3,489	29,615	3,489
		467,216	356,136	467,216	356,136
Non-controlling interest		-	-	28	21
		467,216	356,136	467,244	356,157
Total liabilities and equity		2,167,342	1,967,593	2,479,770	2,157,347

The accompanying notes are an integral part of these financial statements.

PBG S.A. and subsidiaries
Statements of income
Years ended December 31, 2022 and 2021
In thousands of Brazilian reais, unless otherwise stated

(A free translation of the original in Portuguese)

	Note	Parent Company		Consolidated	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Net sales revenue	29	1,760,351	1,582,032	2,196,681	1,912,127
Cost of sales	30	(1,147,595)	(1,018,637)	(1,251,067)	(1,085,039)
Gross profit		612,756	563,395	945,614	827,088
Operating income (expenses), net					
Selling	30	(311,691)	(275,434)	(533,989)	(421,287)
General and administrative	30	(86,097)	(67,489)	(90,165)	(68,980)
Other operating income (expenses), net	31	6,287	(30,425)	(7,215)	(48,080)
Equity in the earnings of subsidiaries	16	37,185	75,549	-	-
		(354,316)	(297,799)	(631,369)	(538,347)
Operating profit before finance income (cost)		258,440	265,596	314,245	288,741
Finance income (costs)	32				
Finance income		14,281	18,009	18,155	24,832
Finance costs		(101,052)	(79,857)	(122,438)	(89,967)
Foreign exchange variations, net		(5,390)	5,907	(5,378)	5,903
		(92,161)	(55,941)	(109,661)	(59,232)
Profit (loss) before income tax and social contribution		166,279	209,655	204,584	229,509
Income tax and social contribution	14c				
Current		(5,839)	(3,447)	(48,902)	(27,996)
Deferred		(7,342)	9,965	(2,577)	14,709
		(13,181)	6,518	(51,479)	(13,287)
Profit for the period		**153,098**	**216,173**	**153,105**	**216,222**
Profit (loss) attributable to					
Owners of the Company		153,098	216,173	153,098	216,173
Non-controlling interest		-	-	7	49
Amount per thousand shares outstanding in the year				140,987	147,623
Basic and diluted earnings for the year per share	33			1.08590	1.46436

The accompanying notes are an integral part of these financial statements.

In thousands of Brazilian reais, unless otherwise stated

	Note	Parent Company		Consolidated	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Net income for the year		153,098	216,173	153,105	216,222
Other components of comprehensive income		4,386	8,699	4,386	8,699
Actuarial gain / (loss)	28	7,364	7,883	7,364	7,883
Deferred income tax and social contribution on actuarial gain (loss)	28	(2,504)	(2,680)	(2,504)	(2,680)
Exchange variations of subsidiaries located abroad	16	(3,071)	1,863	(3,071)	1,863
Hedge accounting transactions	7	3,935	2,474	3,935	2,474
Deferred income tax and social contribution on Hedge accounting	7	(1,338)	(841)	(1,338)	(841)
Total comprehensive income for the year		157,484	224,872	157,491	224,921
Comprehensive income for the year attributable to					
Owners of the Company		157,484	224,872	157,484	224,872
Non-controlling interest		-	-	7	49

The accompanying notes are an integral part of these financial statements.

PBG S.A. and subsidiaries
Statements of changes in equity
Years ended December 31, 2022 and 2021
In thousands of Brazilian reais, unless otherwise stated

(A free translation of the original in Portuguese)

Parent Company and Consolidated	Note	Capital	Treasury shares	Profit reserves: Parent Company and Consolidated	Profit reserves: Profit retention reserve	Profit reserves: Unallocated profits reserve	Profit reserves: Tax incentive reserve	Profit reserves: Additional dividends proposed	Carrying value adjustments: Deemed cost	Carrying value adjustments: Cumulative translation adjustment	Carrying value adjustments: Other comprehensive income	Retained earnings	Total equity Parent	Non-controlling interest	Total equity Consolidated
At December 31, 2020		**200,000**	**(14,095)**	**32,207**	**97,950**	**35,633**	**85,151**	**30,447**	**32,323**	**(68,353)**	**(14,095)**	**-**	**417,168**	**16**	**417,184**
Capital increase approved at the EGM 04/27/2021	27.3	50,000	-	-	-	-	(50,000)	-	-	-	-	-	-	-	-
Cancellation of shares after RCA 01/20/2021- Repurchase program 2020	27.1/27.2	-	14,095	-	(14,095)	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares - 1st Repurchase program 2021	27.1/27.2	-	(62,364)	-	-	-	-	-	-	-	-	-	**(62,364)**	-	**(62,364)**
Cancellation of shares after RCA 05/12/2021- 1st Repurchase program 2021	27.1/27.2	-	62,364	-	(62,364)	-	-	-	-	-	-	-	-		-
Purchase of treasury shares - 2nd Repurchase program 2021	27.1/27.2	-	(91,351)	-	-	-	-	-	-	-	-	-	**(91,351)**	-	**(91,351)**
Allocation after AGM 04/27/2021 - Additional dividends approved and paid	34	-	-	-	(2,549)	-	-	(30,447)	-	-	-	-	**(32,996)**	-	**(32,996)**
Realization of the revaluation reserve	27.4	-	-	-	-	-	-	-	(1,184)	-	-	1,184	-	-	-
Actuarial gain / (loss)	27.4	-	-	-	-	-	-	-	-	-	7,883	-	**7,883**	-	**7,883**
Deferred income tax and social contribution on actuarial gain (loss)	27.4	-	-	-	-	-	-	-	-	-	(2,680)	-	**(2,680)**	-	**(2,680)**
Hedge accounting transactions	27.4	-	-	-	-	-	-	-	-	-	2,474	-	**2,474**	-	**2,474**
Deferred income tax and social contribution on Hedge accounting	27.4	-	-	-	-	-	-	-	-	-	(841)	-	**(841)**	-	**(841)**
Foreign exchange variation of subsidiary located abroad	16	-	-	-	-	-	-	-	-	1,863	-	-	**1,863**	-	**1,863**
Profit for the period		-	-	-	-	-	-	-	-	-	-	216,173	**216,173**	49	**216,222**
Legal reserve (5%)	27.3	-	-	10,809	-	-	-	-	-	-	-	(10,809)	**(0)**	-	**(0)**
Dividends approved for 2021 Board of Directors Minutes (ATA CA) Nº 11/2021	34	-	-	-	-	-	-	-	-	-	-	(18,323)	**(18,323)**	-	**(18,323)**
Dividends approved for 2021 ATA CA Nº 16/2021	34	-	-	-	-	-	-	-	-	-	-	(80,870)	**(80,870)**	(44)	**(80,914)**
Proposal for allocation of additional dividends	34	-	-	-	-	-	-	3,489	-	-	-	(3,489)	-		-
Tax incentive reserve	27.3	-	-	-	-	-	30,634	-	-	-	-	(30,634)	-	-	-
Recognition of unallocated earnings reserve	27.3	-	-	-	73,232	-	-	-	-	-	-	(73,232)	-	-	-
At December 31, 2021		**250,000**	**(91,351)**	**43,016**	**92,174**	**35,633**	**65,785**	**3,489**	**31,139**	**(66,490)**	**(7,259)**	**-**	**356,136**	**21**	**356,157**
At December 31, 2021		**250,000**	**(91,351)**	**43,016**	**92,174**	**35,633**	**65,785**	**3,489**	**31,139**	**(66,490)**	**(7,259)**	**-**	**356,136**	**21**	**356,157**
Cancellation of treasury shares - 2nd Repurchase program 2021	27.1/27.2	-	91,351	-	(91,351)	-	-	-	-	-	-	-	-	-	-
Additional dividends distributed	34	-	-	-	-	-	-	(3,489)	-	-	-	-	**(3,489)**	-	**(3,489)**
Realization of the revaluation reserve	27.4	-	-	-	-	-	-	-	129	-	-	(129)	-	-	-
Actuarial gain / (loss)	27.4	-	-	-	-	-	-	-	-	-	7,364	-	**7,364**	-	**7,364**
Deferred income tax and social contribution on actuarial gain (loss)	27.4	-	-	-	-	-	-	-	-	-	(2,504)	-	**(2,504)**	-	**(2,504)**
Hedge accounting transactions	27.4	-	-	-	-	-	-	-	-	-	3,935	-	**3,935**	-	**3,935**
Deferred income tax and social contribution on Hedge accounting	27.4	-	-	-	-	-	-	-	-	-	(1,338)	-	**(1,338)**	-	**(1,338)**
Foreign exchange variation of subsidiary located abroad	16	-	-	-	-	-	-	-	-	(3,071)	-	-	**(3,071)**	-	**(3,071)**
Profit for the period		-	-	-	-	-	-	-	-	-	-	153,098	**153,098**	7	**153,105**
Dividends for the year		-	-	-	-	-	-	-	-	-	-	(43,442)	**(43,442)**	-	**(43,442)**
Legal reserve (5%)	27.3	-	-	6,984	-	-	-	-	-	-	-	(6,984)	-	-	-
Tax incentive reserve	27.3	-	-	-	-	-	37,409	-	-	-	-	(37,409)	-	-	-
Proposal for allocation of additional dividends	34	-	-	-	-	-	-	29,615	-	-	-	(29,615)	-	-	-
Reversal of expired dividends		-	-	-	527	-	-	-	-	-	-	-	**527**	-	**527**
Recognition of unallocated earnings reserve	27.3	-	-	-	35,519	-	-	-	-	-	-	(35,519)	-	-	-
At December 31, 2022		**250,000**	**-**	**50,000**	**36,869**	**35,633**	**103,194**	**29,615**	**31,268**	**(69,561)**	**198**	**-**	**467,216**	**28**	**467,244**

The accompanying notes are an integral part of these financial statements.

PBG S.A. and subsidiaries
Statements of cash flows
Years ended December 31, 2022 and 2021
In thousands of Brazilian reais, unless otherwise stated (A free translation of the original in Portuguese)

	Note	Parent Company		Consolidated	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Net cash from operating activities		**109,215**	**136,453**	**227,015**	**288,101**
Cash from operations		268,532	262,232	346,739	393,564
Profit or loss for the period before taxes		166,279	209,655	204,584	229,508
Depreciation and amortization		61,113	53,066	91,969	72,216
Equity in the earnings of subsidiary	16	(37,185)	(75,549)	-	-
Unrealized foreign exchange variations of borrowings		(2,980)	1,116	(2,980)	1,116
Provision for valuation of inventories at market value	9	4,707	(267)	8,842	2,351
Provision for impairment of trade receivables	8	(1,192)	(1,419)	(1,617)	(438)
Provision for civil, labor, social security and tax risks	25	9,879	18,920	11,934	30,609
Provision for profit sharing		(13,759)	13,481	(13,759)	13,481
Provision for long-term incentive		2,476	1,015	2,476	1,015
Monetary adjustment of legal assets		(8,301)	(6,674)	(8,301)	(11,114)
Provision for interest on loans and debentures	21	83,876	49,432	83,876	49,432
Interest and exchange rate changes on leases	19	989	1,360	2,886	3,129
Lease terminations	19	1,560	-	1,560	947
Actuarial assets	28	(1,279)	(1,889)	(1,279)	(1,889)
Adjustment to present value (APV) - Prodec	21	1,857	(187)	1,857	(187)
Disposals and exchange rate variation of property, plant and e	17/18	492	172	(35,309)	3,388
Other provisions		-	-	-	-
Changes in assets and liabilities		(63,295)	(75,061)	18,361	(31,022)
Trade receivables		15,114	(33,549)	62,734	(86,096)
Inventories		(148,810)	(59,944)	(178,516)	(83,153)
Judicial deposits		(11,762)	(29,036)	(11,907)	(29,058)
Advance to suppliers		5,406	(5,675)	856	(5,918)
Taxes recoverable		(3,345)	45,288	(5,984)	45,698
Restricted investments		4,388	(362)	4,388	(362)
Legal assets		74,670	-	93,456	-
Other assets		(5,663)	2,212	(9,358)	(1,296)
Trade payables		60,429	79,203	61,597	93,372
Advances from customers		(9,244)	(1,077)	14,936	25,739
Tax installment payment		(10,539)	(10,637)	(10,539)	(10,938)
Taxes, fees and contributions		478	2,061	3,672	2,762
Tax and labor obligations		1,294	9,702	5,566	12,492
Provision for civil, labor, social security and tax risks		(8,827)	(4,956)	(9,094)	(5,168)
Derivative financial instruments		150	(509)	150	(509)
Payables to subsidiaries and related parties		(32,607)	(57,306)	(6,086)	6,104
Other payables		5,573	(10,476)	2,490	5,309
Other		(96,022)	(50,718)	(138,085)	(74,441)
Provision for interest on loans and debentures	21	(79,661)	(40,672)	(79,661)	(40,672)
Income tax and social contribution paid		(16,361)	(10,046)	(58,424)	(33,769)
Net cash provided by (used in) investing activities		**(119,178)**	**40,408**	**(205,972)**	**(114,931)**
Acquisition of property, plant and equipment	17	(81,601)	(49,127)	(192,294)	(96,585)
Acquisition of intangible assets	18	(15,592)	(12,789)	(22,989)	(18,189)
Acquisition of lease assets	19	-	-	(59,165)	-
Receivables for sale and reimbursement of property, plant and	17	-	-	55,764	-
Payables for property, plant and equipment	20.b	(3,656)	(17,767)	12,712	(157)
Dividends paid		50,237	134,229	-	-
Advance for future capital increase	16	(68,566)	-	-	-
Paid-in capital in subsidiaries	16	-	(14,138)	-	-
Net cash used in financing activities		**61,442**	**(297,124)**	**45,327**	**(309,777)**
Proceeds from borrowings and debentures	21	192,903	513,735	192,903	513,735
Payments of borrowings	21	(74,816)	(488,798)	(74,816)	(488,798)
Dividends paid	34	(46,810)	(162,224)	(46,884)	(162,269)
Acquisition of treasury shares	27.2	-	(153,715)	-	(153,715)
Lease payment	19	(9,835)	(6,122)	(25,876)	(18,730)
Increase/(decrease) in cash and cash equivalents		**51,479**	**(120,263)**	**66,370**	**(136,607)**
Opening balance of cash and cash equivalents	6	125,516	245,779	189,718	326,325
Closing balance of cash and cash equivalents	6	176,995	125,516	256,088	189,718

The accompanying notes are an integral part of these financial statements.

PBG S.A. and subsidiaries
Statements of value added
Years ended December 31, 2022 and 2021
In thousands of Brazilian reais, unless otherwise stated

(A free translation of the original in Portuguese)

	Note	Parent Company		Consolidated	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Revenue		2,205,170	1,985,200	2,701,826	2,349,421
Sales of goods, products and services		2,177,049	1,953,577	2,664,436	2,319,184
Other revenues		26,929	30,204	35,773	29,799
Reversal of (allowance for) impairment of trade receivables		1,192	1,419	1,617	438
Inputs acquired from third parties		(1,070,415)	(975,145)	(1,252,107)	(1,090,011)
Cost of products, goods and services sold		(816,407)	(728,647)	(895,520)	(780,629)
Materials, energy, third-party services and other		(262,887)	(252,203)	(365,326)	(313,927)
Impairment/recovery of assets		8,879	5,705	8,739	4,545
Gross value added		1,134,755	1,010,055	1,449,719	1,259,410
Retentions		(61,113)	(53,066)	(91,969)	(72,216)
Depreciation and amortization	17b ,18b and 19	(61,113)	(53,066)	(91,969)	(72,216)
Net value added produced		1,073,642	956,989	1,357,750	1,187,194
Value added received in transfer		60,570	111,634	27,430	36,964
Equity in the earnings of subsidiaries	16	37,185	75,549	-	-
Finance income		23,385	36,085	27,430	32,529
Other (dividends, rentals, royalties)		-	-	-	4,435
Total value added to distribute		1,134,212	1,068,623	1,385,180	1,224,158
Distribution of value added		1,134,212	1,068,623	1,385,180	1,224,158
Personnel		344,060	319,299	459,904	394,298
Direct compensation		287,562	271,602	392,680	339,860
Benefits		36,134	29,800	42,178	33,542
Government Severance Indemnity Fund For Employees (FGTS)		20,364	17,897	25,046	20,896
Taxes, fees and contributions		495,244	421,446	605,337	488,208
Federal		213,128	160,458	313,131	219,883
State		281,237	260,181	291,064	267,370
Municipal		879	807	1,142	955
Remuneration of third party capital		141,810	111,705	166,834	125,430
Interest		115,524	90,020	135,791	100,094
Rentals		26,286	21,685	31,043	25,336
Remuneration of own capital		153,098	216,173	153,105	216,222
Retained earnings		153,098	216,173	153,098	216,173
Non-controlling interest in retained earnings		-	-	7	49

The accompanying notes are an integral part of these financial statements.

1. General information

PBG S.A., hereinafter referred to as "Company" or "Parent Company", is a publicly-held company and its shares are traded on the Novo Mercado segment of B3 S.A. - Brasil, Bolsa, Balcão ("B3"), under ticker symbol PTBL3. The Company is controlled by a group of shareholders, formalized in the agreement entered into on April 15, 2011, and amended on August 5, 2021, which holds 61.16% of the Company's shares at December 31, 2022. The remaining balance is composed by 38.84% outstanding shares (free float).

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

The Company also holds equity interest in the following subsidiaries: (i) Portobello Shop, which manages the Portobello Shop franchising network, specialized in porcelain tiles and ceramic coatings; (ii) PBTech, which manages the Portobello Shop own stores and currently manages 25 stores; (iii) Mineração Portobello, which supplies part of the raw materials used in the manufacture of ceramic coatings; (iv) Companhia Brasileira de Cerâmica, which as of the 2nd quarter of 2018 operates the special cuts factory; and (v) Portobello América, which distributes Portobello products in the U.S. market and started to build a plant in the USA through its subsidiary Portobello America Manufacturing LLC, which is expected to be concluded in April 2023.

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

The Company continues to work actively on the preventive measures of COVID-19, following all prevention guidelines suggested by the World Health Organization (WHO), as well as governmental determinations at the Federal, State and Municipal levels.

Through the Crisis Committee, the Company implemented a series of actions in order to minimize the impacts on its community. In addition, it has been monitoring the economic impacts, as well as the effects on its statements and informs that:

- the industrial units operated at their normal capacity in 2022;
- there was no need to raise a credit facility to cover the impacts of the pandemic;
- there were no new losses on trade receivables requiring the establishment of impairment;
- there was no extension of term for the customers, suppliers or for the payment of taxes.

The restrictions generated by the pandemic were not sufficient to impact the Company's figures in 2022, maintaining the production, sales and dispatch forecasts of its products.

2. Presentation of financial statements

a) Statement of compliance

The parent company and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties. These parent company financial statements are disclosed together with the consolidated financial statements.

The main accounting policies applied in the preparation of these financial statements are set out in Note 3.

The financial statements have been prepared considering the historical cost convention, which, in the case of certain financial assets and liabilities (including derivative instruments), as well as pension plan assets, have their cost adjusted to reflect the fair value.

The preparation of financial statements requires the use of certain critical accounting estimates and also the exercise of judgment by the Company's management in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The presentation of the parent company and consolidated statements of value added (DVA) is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil applicable to listed companies. The DVA was prepared in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". IFRS does not require the presentation of this statement. Therefore, under IFRS, the this statement is presented as supplementary information, and not part of the set of financial statements. The issue of the parent company and consolidated financial statements was authorized by the Board of Directors on March 27, 2023.

3. Significant accounting policies

The significant accounting policies applied in the preparation of these Parent Company and Consolidated financial statements are as follows. These policies have been consistently applied to all years presented, unless otherwise stated.

3.1 Consolidations

3.1.1 Consolidated financial statements

a) Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights (voting capital). The existence and effect of possible voting rights that are currently exercised or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The Company’s ownership interest in subsidiaries at December 31, 2022 is as follows:

All amounts in thousands of reais, unless otherwise stated.

	Country of incorporation	Direct ownership	Indirect ownership
Portobello América Inc.	United States	100.00%	0.00%
Portobello America Manufacturing	United States	0.00%	100.00%
PBTech Ltda.	Brazil	99.94%	0.06%
Portobello Shop S/A	Brazil	99.90%	0.00%
Mineração Portobello Ltda.	Brazil	99.99%	0.00%
Companhia Brasileira de Cerâmica S/A	Brazil	98.85%	1.15%

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

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

b) Transactions and non-controlling interests

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

3.1.2 Parent Company financial statements

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

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

3.2 Segment reporting

Information on business segments is presented in a manner consistent with the internal reporting provided by the Executive Board, which is responsible for assessing the performance of the business segments and the making of strategic decisions of the Company and its subsidiaries.

3.3 Functional currency and foreign currency translation

a) Transactions and balances

Foreign currency transactions are translated into Brazilian reais using the exchange rates prevailing at the dates of the transactions, or the dates of valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in profit or loss as finance income (costs), as presented in Note 32, except when deferred in equity as qualifying cash flow hedge transactions.

b) Foreign subsidiaries

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

3.4 Financial assets

a) Initial recognition and measurement

Financial assets are measured, on initial recognition, at fair value. Sales and purchases of financial assets that require delivery of goods within a schedule established by regulation or market convention (regular purchases) are recognized on the trade date, i.e., the date on which the Company commits to purchase or sell the asset. The Company's financial assets include cash and cash equivalents, short-term investments, trade accounts receivable, other accounts receivable, dividends receivable, credit with subsidiaries, judicial deposits in guarantee and receivables from Eletrobrás.

b) Subsequent measurement

For subsequent measurement purposes, the Company's financial assets are classified according to the Company's business model for managing financial assets and on the contractual cash flow characteristics of the financial assets, as follows:

(i) Financial assets measured at amortized cost

These represent assets acquired for the purpose of being realized in the short term, held within the business model, whose objective is to receive contractual cash flows, and in situations in which the contractual terms of the financial asset give rise, on specified dates, to cash flows consisting exclusively of payments of principal and interest on the outstanding principal amount. After initial recognition, they are measured using the amortized cost using the effective interest rate method. Interest income, monetary adjustment and foreign exchange variation, less impairment losses, as applicable, are recognized in the income statement for the year as finance income or costs, when incurred.

(ii) Financial assets measured at fair value through other comprehensive income

They represent financial assets held in a business model whose objective is achieved by collecting contractual cash flows from the sale of financial assets; and the contractual terms of the financial asset generate, on specific dates, cash flows that refer exclusively to payments of principal and interest on the principal amount outstanding.

(iii) Financial assets at fair value through profit or loss

These represent the other financial assets that are not measured at amortized cost or at fair value through other comprehensive income. Interest rates, monetary variation, foreign exchange variation and variations derived from the valuation at fair value are recognized in the income statement for the year as finance or costs, when incurred.

(iv) Derecognition of financial assets

A financial asset (as appropriate, part of a financial asset or part of a group of similar financial assets) is derecognized when: the rights to receive cash flows expire; the Company and its subsidiaries transfer their rights to receive cash flows from the asset or assume an obligation to pay the cash flows received in full to a third party under a pass-through arrangement; and (a) the Company has transferred substantially all the risks and rewards relating to the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards relating to the asset, but has transferred control of it.

When the Company and its subsidiaries assign their rights to receive cash flows from an asset or enter into a pass-through arrangement, without having transferred or retained substantially all the risks and rewards of the asset or transferred control of the asset, the asset is held and a corresponding liability is recognized. The transferred asset and the corresponding liability are measured so as to reflect the rights and obligations retained by the Company and its subsidiaries.

(v) Reduction of the recoverable value of financial assets

The Company has adopted the expected loss method and the measurement based on the entire life of the financial assets. The simplified approach is used for the groups of financial assets, which considers the credit analysis, the history of movements and losses. External indicators have not been considered, as they are captured in the historical loss valuation period.

The loss value is measured based on the expected non-receipt of the portfolio, which is obtained through the values of historical loss by delay range since the initial recognition of the receivable. The twelve-month historical loss average is applied according to recent historical behavior and a credit risk percentage is assigned. The credit risk percentage is applied to each maturity band on the total value of the contracts. The product between the expected loss percentages and the maturity band amounts results in the amount of expected loss that is recognized in the income statement for the year.

If, in a subsequent period, the amount of the impairment loss reduces and the reduction can be objectively associated with an event occurring after the allowance was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement for the year. If a write-off is subsequently recovered, the recovery is also recognized in the income statement.

3.5 Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified on initial recognition as financial liabilities at fair value through profit or loss or at amortized cost. Financial liabilities are initially recognized at fair value and, in the case of loans and financing, are increased by directly related transaction costs for the issuance of securities and debt. These costs are appropriated to the result for the financing period, as a supplement to the funding cost, thus adjusting the effective interest rate of the operation. The Company's financial liabilities include payables to suppliers, credit assignment suppliers, payables for investment acquisition and loans and financing.

(ii) Subsequent measurement

After initial recognition, loans and financing subject to interest are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized, as well as during the amortization process using the effective interest rate method.

(iii) Derecognition of financial liabilities

A financial liability is derecognized when the obligation is discharged, canceled or expires. When an existing financial liability is replaced by another from the same lender with substantially different terms, or the terms of an existing liability are significantly changed, such replacement or change is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the corresponding carrying amounts is recognized in the income statement.

(iv) Financial instruments – net presentation

Financial assets and liabilities are presented net in the balance sheet if, and only if, there is a current and enforceable legal right to offset the recognized amounts and if there is an intention to offset, or to realize the asset and settle the liability simultaneously.

(v) Derivative financial instruments

The Company is exposed to market risks arising from its operations and uses derivative financial instruments such as interest rate swap derivative contracts and non-deliverable forward contract to hedge against foreign exchange and interest rate risks.

Derivative financial instruments are measured at fair value with fair value variations recorded in profit or loss, except when the derivative is designated as a hedge accounting, according to IFRS 9/CPC 48. Derivative financial instruments are classified as short and long-term or segregated into a short-term or long-term portion based on an assessment of the contracted cash flows, and depending on the contracted characteristics, the company presents this derivative contract net with that of the original operation.

(vi) Cash flow hedge

The Company adopted the application of hedge accounting as of July 29, 2021, the instruments elected were the sales in US Dollar for 2022 and 2023, which were classified as a cash flows hedge of highly likely transactions (future sales).

In order to utilize hedge accounting, prospective tests were performed to verify effectiveness. These tests showed that the instruments designated as hedges provide a highly effective offset for the effects of price variations on the value of future sales.

The changes in the fair value of derivatives designated as cash flow hedges have their effective component recorded in equity within “Carrying value adjustments”, and the ineffective component is recorded in profit or loss for the year, in finance income (costs). Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, and the related effects are recorded in “Net sales revenue”, in order to minimize variations in the hedged item (Note 7).

3.6 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted moving average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity), except borrowing costs. The net realizable value is the estimated selling price in the normal course of business, less execution costs and selling expenses.

3.7 Taxes recoverable

Comprises tax credits allocated to current and non-current assets, according to the expectation of realization determined by the Company. In the cases where the origin of the tax credit involves legal proceedings, the recording of the asset is supported by the decisions favorable to the Company, which considers the realization of such credits to be practically certain, as set out in Note 10.

3.8 Prepaid expenses

Prepaid expenses are those incurred before the event that will generate future benefits to the Company and refer to expenses with insurances and licenses that, after the event, are reduced monthly in installments, through appropriation. Such expense appropriation must be done in the result of the period to which they correspond, through auxiliary controls, with information related to the amounts paid and the installments to be appropriated.

3.9 Judicial deposits

The balances of judicial deposits are monetarily restated at the savings rate and presented as non-current assets.

3.10 Guarantee deposits

This is a reimbursement for the acquisition of tax credits from Refinadora Catarinense S.A. that were used by the Company in the settlement of federal taxes and later not validated by the National Treasury. The Company opted for recording it in non-current assets since there is no date defined for its realization, as explained in Note 12.

3.11 Receivables from Eletrobrás

The recognition of the Eletrobrás receivables is based on the opinion of the Company's legal advisors and is supported by the transit in res judicata of the lawsuit, which is currently being judged. The amounts have already been calculated by the Federal Court Accounting Department, observing the contours and the benchmarks of the court decision.

3.12 Legal assets

The legal assets refer to tax credits, for which the Company has legal proceedings for which the entry of economic benefits is considered practically certain, as per Note 15.

3.13 Investments

Investments in subsidiaries are accounted for under the equity method, recognized in income for the year as operating income or expenses, depending on the results obtained. In the case of the exchange variation of investment in the subsidiary Portobello America Inc., the variations in the value of the investment arising exclusively from exchange variation are recorded in the account “Equity valuation adjustment”, in the Company's equity, and are only recorded in the result for the year when the investment is sold or written off as a loss.

The provision for losses on investments is constituted when losses in investments in subsidiaries occur and these losses exceed the limit of the investment's book value. The Company classifies the provision in non-current liabilities, under the caption “Provision for losses on investments” and the counterpart of the provision is recorded in the result, under the caption “Equity in earnings of subsidiaries”. Other investments are recognized at historical cost and adjusted by the provision for impairment, if there is any indicator of loss (Note 16).

3.14 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. The counterpart of the revaluations is recorded in a separate account in equity and in a deferred tax account in non-current liabilities. In 2010, upon the initial adoption of the international standards CPC 37 and IFRS 1, as well as the adoption of CPC 43 and ICPC 10, the Company adopted the option of using the revaluation of property, plant and equipment made in 2006 as deemed cost, as it understood that it substantially represented the fair value on the transition date

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying value of replaced items or parts is written off. All other repairs and maintenance are charged to income as incurred.

Depreciation is calculated using the straight-line method to allocate its costs to its residual values over the estimated useful life in accordance with the depreciation rate (Note 17).

The residual values and useful lives of assets are reviewed and adjusted, if appropriate, at the end of each year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "Other net operating income (expenses)" in the income statement.

3.15 Intangible assets

Intangible assets refer to the registration of rights that have intangible assets, such as trademarks and patents, management system and software implementation costs, and mineral exploration rights. They are presented at the cost incurred in the acquisition or formation and, subsequently, deducted from the accumulated amortization or depletion and losses in the recoverable value, when applicable. They are stated at acquisition cost, combined with the annual amortization or depletion rates, mentioned in Note 18, calculated by the straight-line method, taking into account the useful life defined for the asset.

The Company and its subsidiaries have determined the useful life of trademarks and patents as indefinite. Based on an analysis of all relevant factors, it was found that these assets had no foreseeable limits in relation to the period during which they are expected to generate net cash inflows for the entities.

3.16 Leases (CPC 06 (IFRS 16))

IFRS 16 introduces a single on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the leased asset and a lease liability representing its obligation to make lease payments. Optional exemptions are available for short-term leases and low-value items. Lessor accounting remains similar to the current standard, i.e. lessors continue to classify leases into finance or operating leases. IFRS 16, through CPC 06 (R2) replaces the existing leasing standards, including CPC 06 (IAS 17) Leasing Operations and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) Supplementary Aspects of Leasing Operations. The standard is effective for annual periods beginning on or after January 1, 2019.

Of the contracts that fall within the scope of the standard, the Company's management has considered as a component of the lease of vehicles, rental of distribution centers, rental of own stores, storage and blending of ores extracted from mines and equipment.

Lease terms are negotiated individually and contain a wide range of different terms and conditions. The lease contracts do not contain covenants, however the leased assets cannot be pledged as collateral for loans.

Assets and liabilities arising from a lease are initially measured at present value.

Lease liabilities include the net present value of lease payments
as follows:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable payments of variable leases that depend on an index or rate;
- amounts that are expected to be paid by the lessee, according to the residual value guarantees;
- the strike price of a purchase option if the lessee is reasonably certain to exercise that option; and
- lease termination fine payments if the lease term reflects the lessee exercising the option to terminate the lease.

Lease payments are discounted using the interest rate implicit in the contract. If this rate cannot be readily determined, the lessee's incremental borrowing rate is used, which is the rate the lessee would have to pay when borrowing resources to obtain an asset with similar value in a similar economic environment, with equivalent terms and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in lease liabilities until they are realized. When adjustments to lease payments based on an index or rate are realized, the lease liability is revalued and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. Finance costs are recognized in the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are measured at cost, according to the following items:

- the initial measurement value of the lease liability;
- any lease payments made on or before the initial date, less any lease incentives received;
- lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the useful life of the asset or the term of the lease on the straight-line method, whichever is the shortest.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on the straight-line method as an expense in the income statement. Short-term leases are those with a term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

3.17 Impairment of non-financial assets (except for inventories, deferred income tax and social contribution)

Assets that are subject to depreciation, amortization and depletion are reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The latter is the higher of an asset's fair value less costs to sell and its value in use. For impairment assessment purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units (CGU)). Non-financial assets are subsequently reviewed for possible reversal of impairment at the reporting date.

3.18 Suppliers

Accounts payable to suppliers are obligations payable for goods or services that were purchased in the normal course of business, and are classified as current liabilities if payment is due within one year. Otherwise, trade payables are presented as non-current liabilities.

They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. In practice, they are usually recognized at the amount of the related invoice. The Company classifies suppliers as operational and investment for the acquisition of property, plant and equipment.

3.19 Supplier credit assignment

The Company carries out supplier credit assignment transactions with financial institutions, with the objective of making more attractive credit lines available to its partner suppliers, aiming at maintaining the commercial relationship. In this transaction, suppliers transfer the right to receive the amounts of the notes to the bank, which in turn, becomes creditor of the transaction.

3.20 Borrowings and debentures

They are initially recognized at fair value, upon receipt of the funds, net of transaction costs. They are then stated at amortized cost, that is, plus charges and interest proportional to the period incurred ("*pro rata temporis*")

They are classified as current liabilities unless the Parent Company and its subsidiaries have an unconditional right to defer settlement of the liability for at least 12 months after the end of the year.

3.21 Advances from customers

It occurs when the Company receives an advance from a customer for the future supply of goods and services, even before the delivery of the product or service requested by the customer and the generation of the invoice. The largest balance is found in the consolidated and comes from owned stores, due to the characteristics of the transaction.

3.22 Provisions for tax, labor and civil risks

Provisions for tax, labor and civil risks are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and are assessed individually by the Company's legal and tax advisors, who classify them according to the expected success of the claims. The increase in the obligation as a result of the passage of time due to monetary restatement is recognized as a financial expense.

The tax risks classified as possible losses are not accounted for, but only disclosed in their amount in the Financial Statements, and those classified as remote losses are neither provisioned nor disclosed.

Tax assets are not recognized in accounting records, except when the Company considers that the gain is practically certain or when there are real guarantees or favorable court decisions, on which no further appeals are applicable.

3.23 Current and deferred income tax and social contribution

Current income tax and social contribution are calculated based on the effective rates of income tax (25%) and of social contribution (9%) on net income adjusted in accordance with current legislation. The offset of tax losses and negative basis of social contribution is limited to 30% of taxable income. The deferred taxes are used up as the temporary asset and liability differences are realized and also by the offsetting of tax loss carryforwards, as per Note 14.

The deferred income and social contribution tax credits arise from accumulated balances of tax losses, negative bases of social contribution and temporary asset differences, and the deferred income and social contribution tax debts arise from the revaluation of property, plant, and equipment and temporary liability differences.

The recording of these credits was based on the future expectation of generating taxable income, based on estimates prepared by the Company, which are based on projections made by management, considering economic scenarios, discount rates and other variables that may not come true.

3.24 Interpretation of IFRS issued by IASB – ICPC 22/IFRIC 23 - Uncertainty over income tax treatments

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

The Company considered the main income tax and social contribution calculation treatments and applied the interpretation of this standard.

The Company considers the decision of the panel of the Federal Supreme Court (STF) on the unconstitutionality of the taxation of income tax and social contributions on profits according to the Selic rate received by taxpayers due to the wrongful payment of taxes as a material fact and an impact on the financial statements at December 31, 2022 and 2012, as described in Note 15(d).

3.25 Employee Benefits

a) Private pension plan

The Company sponsors a defined contribution benefit plan, but offers a minimum retirement benefit for length of service or age (defined benefit components). A defined contribution plan is a pension plan under which the Company makes fixed contributions to a separate entity. The Company has no legal or constructive obligations to make contributions if the fund does not have sufficient assets to pay all employees for benefits related to the employee's service in the current and prior period. A defined benefit plan is different from a defined contribution plan. In general, defined benefit plans establish an amount of retirement benefit that an employee will receive at retirement, usually dependent on one or more factors such as age, length of service, and compensation.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates in line with market yields, which are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating to those of the related pension plan obligation. The liability recognized in the balance sheet is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets, with unrecognized prior service adjustments. Where the calculation results in a benefit to the Company, the asset to be recognized is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of future plan refunds or reduction in future contributions to the plans.

Actuarial gains and losses, arising from adjustments based on experience and changes in actuarial assumptions, are recorded as other comprehensive income, in equity under "Equity valuation adjustment".

Past service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employee remaining in employment for a specified period of time (the period in which the right is acquired). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

With respect to defined contribution plans, the Company has no additional payment obligations after the contribution is made. Contributions are recognized as employee benefits expense when due and contributions made in advance are recognized as an asset to the extent that a cash refund or reduction in future service payments is available.

b) Profit-sharing plan

This participation is recognized pro-rata in current liabilities, under the item “Other” and in the income statement under the item “Other operating expenses”. Its calculation is based on the EBITDA starting point.

3.26 Share capital

The Company's capital is represented exclusively by common shares and is classified in equity according to Note 27.1.

3.27 Distribution of dividends and interest on capital

The distribution of dividends to the Company's shareholders is recognized as a liability in the financial statements at the end of the year, based on the Company's bylaws.

The tax benefit from interest on capital is carried through the statement of income for the year.

3.28 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products and services in the ordinary course of the Company's and its subsidiaries' activities and is presented net of taxes, returns, rebates and discounts, as well as the eliminations of sales between the Company and its subsidiaries.

Sales revenue is recognized when control is transferred, i.e., at the time of physical delivery of the goods or services and transfer of ownership. After delivery, customers assume the significant risks and rewards of ownership of the goods (they have the power to decide on the distribution method and selling price, responsibility for resale, and assume the risks of obsolescence and loss with respect to the goods). At this point a receivable is recognized because that is when the right to consideration becomes unconditional.

a) Product sales - wholesale

The Company produces and sells a variety of ceramic tiles in the wholesale market. Sales of products are recognized whenever the Company transfers the control, i.e., makes the delivery of the products to the wholesaler, who then has total freedom over the channel and resale price of the products and there is no unfulfilled obligation that could affect the acceptance of the products by the wholesaler. Delivery does not occur until: (i) the products have been shipped to the specified location; (ii) the risks of obsolescence and loss have been transferred to the wholesaler; (iii) the wholesaler has accepted the products in accordance with the sales contract; and (iv) the acceptance provisions have been agreed upon, or the Company has objective evidence that all criteria for acceptance have been met.

Ceramic tiles are eventually sold at volume discounts. Customers have the right to return defective products to the wholesale market. Sales are recorded based on the price specified in the sales contracts. Sales are made with payment terms that vary according to the type of customer (Home Centers, Builders, Franchised stores), which are not in the nature of financing and are consistent with market practice; therefore, these sales are not discounted to present value.

In the wholesale sales of products in large Home Centers, there is a kind of commercial discount or rebate that appeared as a special discount linked to the achievement of sales volume for a certain period of time, it is the granting of discounts always after the purchase, i.e., retroactively, equivalent to a payment made by the seller to the buyer and not a discount, per se, on the final purchase price.

b) Income from franchisees

Income from franchisees' royalties is recognized on the accrual basis in conformity with the essence of the relevant agreements applicable to subsidiaries.

c) Revenue from products and services – Oficina Portobello

Revenue from sales of products and services that include ceramic coatings with tableware, metals and solutions in the art of porcelain, for which the transfer of control takes place when delivered directly to the final consumer at points of sale, it is concluded that it is a matter of a single performance obligation, therefore there is no complexity in defining performance obligations and transferring control of goods and services to customers.

d) Finance income

Interest income is recognized on the accrual basis, using the effective interest method, to the extent that it is expected to be realized.

3.29 Finance costs

Finance costs comprise interest expenses and exchange rate changes on borrowings and financing, monetary restatement of trade payables, update of taxes payable in installments and discounts granted to customers. Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in profit or loss using the effective interest rate method.

4. Critical accounting estimates and judgments

Based on assumptions, the Company and its subsidiaries make estimates concerning the future. By definition, the resulting accounting estimates will rarely equal the respective actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are addressed below.

a) Provisions for civil, labor, social security and tax risks

The Company and its subsidiaries are parties to labor, social security, civil and tax lawsuits in various courts. The provisions for contingencies, recorded to cover potential losses arising from the lawsuits in progress, are established and updated based on management's assessment, based on the opinion of its legal and judicial advisors, and require a high degree of judgment on the matters involved.

b) Provisions for inventory losses

Provision for potential inventory losses is made when, based on the history and the exchange of collections, items are defined as discontinued, have low turnover, or when the values of the inventory items are at a higher cost than the net realizable value.

c) Deferred income tax and social contribution

Deferred tax assets are based on temporary differences and tax losses between the carrying amounts in the Financial Statements and the tax base. If the Company and its subsidiaries operate at a loss or are unable to generate sufficient future taxable income, or if there is a material change in the current tax rates or time period in which the underlying temporary differences become taxable or deductible, a reversal of a significant portion of our deferred tax assets would be required and could result in an increase in the effective tax rate.

d) Uncertain tax treatment and related contingencies

The Company maintains administrative and judicial discussions with tax authorities in Brazil, related to uncertain treatments adopted in the calculation of income tax and social contribution on net income (IRPJ and CSLL), whose current prognostic analysis, based on internal and external evaluation of legal advisors, is that the tax positions adopted in discussion will probably be accepted in decisions of higher courts of last instance (probability of acceptance higher than 50%). However, the final determination is uncertain and depends on factors not controlled by the Company, such as changes in case law and changes in tax laws and regulations.

e) Private pension plan

The present value of pension plan obligations depends on a number of factors that are determined based on actuarial calculations, which use a number of assumptions. Among the assumptions used in determining the net cost (income) to the pension plans is the discount rate. Any changes in these assumptions will affect the carrying value of the pension plan obligations.

The appropriate discount rate is determined at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows required to settle the pension plan obligations. In determining the appropriate discount rate, management considers the interest rates of high quality private bonds, which are held in the currency in which the benefits will be paid and which have near-term maturities. Other important assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 28.

5 Financial risk management

5.1 Financial risk factors

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

Risks are managed by the management in charge, in accordance with the policies approved by the Board of Directors. The Treasury Area and the finance vice-president 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 US Dollar and Euro. The foreign exchange risk arises from future commercial transactions and recognized assets and liabilities and net investments in operations abroad.

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

	In thousands of Brazilian reais			
	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Trade receivables	80,718	60,407	104,616	123,330
Checking account	36	4,516	14,539	21,717
Receivables from subsidiaries	150,220	111,796	-	-
Exposed assets	230,974	176,719	119,155	145,047
Suppliers	(5,059)	(16,717)	(18,098)	(34,111)
Suppliers of property, plant and equipment and intangible assets	(19,511)	(23,980)	(93,416)	(41,590)
Borrowings	(93,484)	(21,280)	(93,484)	(21,280)
(-) Swap transaction	-	3,790	-	3,790
Exposed liabilities	(118,054)	(58,187)	(204,998)	(93,191)
Net exposure	112,920	118,532	(85,843)	51,856

The foreign exchange exposure is divided into:

1. Euro:

	In thousands of Euros			
	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Trade receivables	241	264	241	264
Suppliers	(391)	(1,419)	(391)	(1,419)
Suppliers of property, plant and equipment and intangible assets	(3,503)	(3,795)	(3,503)	(3,795)
	(3,653)	(4,949)	(3,653)	(4,949)

2. US Dollar:

	In thousands of US Dollars			
	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Trade receivables	15,213	10,526	19,793	21,801
Checking account	7	809	2,786	3,892

All amounts in thousands of reais, unless otherwise stated.

Receivables from subsidiaries	28,790	20,033	-	-
Suppliers	(552)	(1,389)	(3,051)	(4,506)
Suppliers of property, plant and equipment and intangible assets	-	-	(14,164)	(3,156)
Borrowings	(17,917)	(3,813)	(17,917)	(3,813)
(-) Swap transactions	-	679	-	679
	25,541	26,845	(12,553)	14,897

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

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

The interest rate risk arises from long-term borrowings obtained at floating rates that expose the Company and its subsidiaries to the interest rate and cash flow risks, as described in Note 21. 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 made in CDBs with a small portion 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 the finance vice-president.

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

	Parent Company				
	December 31, 2021				
	Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Installment payment of tax obligations	Total
Less than 1 year	98,115	8,036	322,176	11,663	439,990
From 1 to 2 years	136,218	11,049	188,167	11,590	347,024
From 2 to 5 years	431,752	4,334	1,767	9,816	447,669
Over 5 years	96,307	-	-	-	96,307
	762,392	23,419	512,110	33,069	1,330,990

All amounts in thousands of reais, unless otherwise stated.

	Parent Company				
	December 31, 2022				
	Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Installment payment of tax obligations	Total
Less than 1 year	165,903	16,299	378,167	12,313	572,682
From 1 to 2 years	168,895	10,016	102,317	10,217	291,445
From 2 to 5 years	492,000	11,576	1,299	-	504,875
Over 5 years	56,773	-	-	-	56,773
	883,571	37,891	481,783	22,530	1,425,775

	Consolidated				
	December 31, 2021				
	Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Installment payment of tax obligations	Total
Less than 1 year	98,115	19,456	365,652	11,663	494,886
From 1 to 2 years	136,218	28,016	188,167	11,663	364,064
From 2 to 5 years	431,752	15,626	1,767	9,743	458,888
Over 5 years	96,307	1,755	-	-	98,062
	762,392	64,853	555,586	33,069	1,415,900

	Consolidated				
	December 31, 2022				
	Borrowings and debentures	Lease liabilities	Trade payables and credit assignment	Installment payment of tax obligations	Total
Less than 1 year	165,903	26,361	460,832	12,313	665,409
From 1 to 2 years	168,895	20,328	121,222	10,217	320,662
From 2 to 5 years	492,000	30,082	1,299	-	523,381
Over 5 years	56,773	944	-	-	57,717
	883,571	77,715	583,353	22,530	1,567,169

d) Sensitivity analysis

i) Sensitivity analysis of interest rate variations

The Company's Management conducted a study of the potential impact of interest rates changes on the amounts of finance costs and income arising from borrowings, debentures, tax installments and short-term investments, which are affected by changes in interest rates, such as the CDI and Selic rates.

This study is based on the likely scenario of an increase in the CDI rate to 13.69% per year, based on the future interest curve by B3 S.A. - Brasil, Bolsa e Balcão and Selic to 13.69% per year. The probable rate was then stressed by 25% and 50% and used as benchmark for the possible and remote scenarios, respectively.

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

	Consolidated in Reais							
	December 31, 2022	Risk	Probable Rate		Possible (25%)*		Remote (50%)*	
			%	R$	%	R$	%	R$
Financial investments	173,864	CDI increase	13.69%	23,802	17.11%	29,752	20.54%	35,703
Borrowings	(304,482)	CDI increase	13.69%	(41,684)	17.11%	(52,104)	20.54%	(62,525)
Debentures	(311,128)	CDI increase	13.69%	(42,593)	17.11%	(53,242)	20.54%	(63,890)
Installment payment of tax obligations	(22,530)	Selic increase	13.69%	(3,084)	17.11%	(3,855)	20.54%	(4,627)
	(464,276)			(63,559)		(79,449)		(95,339)

* Selic and CDI rates obtained from the B3 (Brasil, Bolsa e Balcão) website on February 20, 2023.

ii) Sensitivity analysis of changes in exchange rates

The Company has assets and liabilities pegged to a foreign currency in the balance sheet at December 31, 2021, and for sensitivity analysis purposes, it has adopted as probable scenario the future market rate effective in the period of preparation of these financial statements. The probable rate in US Dollars is equivalent to R$ 5.38 and, in Euros, to R$ 5.78. The probable rate was then stressed by 25%, 50%, -25% and -50%, used as benchmark for the possible and remote scenarios, respectively.

All amounts in thousands of reais, unless otherwise stated.

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

	Consolidated						
	December 31, 2022		Probable scenario	Currency appreciation		Currency depreciation	
	(Payable) Receivable			Possible +25%	Remote +50%	Possible - 25%	Remote - 50%
	US Dollar	Reais	5.3798	6.7247	8.0697	4.0348	2.6899
Trade receivables	19,793	103,276	3,206	29,826	56,447	(23,415)	(50,035)
Checking account	2,786	14,537	451	4,198	7,945	(3,296)	(7,043)
Suppliers	(3,051)	(15,919)	(495)	(4,598)	(8,702)	3,609	7,712
Borrowings	(17,917)	(93,486)	(2,903)	(27,001)	(51,098)	21,194	45,291
Suppliers of property, plant and equipment and intangible assets	(14,164)	(73,905)	(2,296)	(21,346)	(40,396)	16,754	35,805
Net exposure	(12,553)	(65,497)	(2,037)	(18,920)	(35,804)	14,847	31,730
	Euro	Reais	5.7817	7.2271	8.6725	4.3363	2.8908
Trade receivables	241	1,342	51	400	748	(297)	(645)
Suppliers	(391)	(2,178)	(83)	(648)	(1,213)	483	1,048
Suppliers of property, plant and equipment and intangible assets	(3,503)	(19,510)	(743)	(5,807)	(10,870)	4,320	9,383
Net exposure	(3,653)	(20,346)	(775)	(6,055)	(11,335)	4,507	9,786

*Possible and remote scenarios calculated based on the probable future rate of the Euro and the US Dollar for 90 days, obtained from the B3 (Brasil, Bolsa e Balcão) website on February 20, 2023.

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 gearing ratio. Net debt is calculated as total borrowings and debentures, lease liability with purchase option less cash and cash equivalents.

At December 31, 2022, the gearing ratios are summarized as follows:

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Gross Banking Debt	886,570	766,664	886,570	766,664
Cash and cash equivalents	(176,995)	(125,516)	(256,088)	(189,718)
Net indebtedness	709,575	641,148	630,482	576,946
Total equity	467,216	356,136	467,244	356,157
Total Company and third-party capital	1,176,791	997,284	1,097,726	933,103
Net debt/ EBITDA	2.22	2.01	1.55	1.60
Gearing ratio (%)	60	64	57	62

* Our Covenants are calculated according to the net debt ratio divided by Ebitda (see Note 21).

5.3 Financial instruments by category

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Assets measured at fair value through other comprehensive income				
Hedge accounting derivatives	6,410	2,624	6,410	2,624
Derivatives	-	3,790	-	3,790
Liabilities at amortized cost				
Cash and cash equivalents	176,995	125,516	256,088	189,718
Trade receivables	282,273	296,195	314,507	375,624
Receivables from subsidiaries	161,765	119,130	-	-

All amounts in thousands of reais, unless otherwise stated.

Judicial deposits	106,509	185,332	106,704	185,382
Restricted investments	9,291	13,679	9,291	13,679
Other assets	19,776	19,372	22,134	21,140
	763,019	765,638	715,134	791,957
Liabilities at amortized cost				
Trade payables and assignment	481,783	512,073	583,353	555,549
Borrowings and debentures	883,571	762,392	883,571	762,392
Dividends payable	563	970	563	1,043
Lease liabilities	37,891	23,419	77,715	64,853
Payables to Related Parties	74,414	56,330	106,013	56,363
Other liabilities	26,505	18,454	59,966	51,928
	1,504,727	1,373,638	1,711,181	1,492,128

The Company's financial investment is linked to a long-term investment fund and is pegged to a reciprocity clause in the loan agreement with Banco do Nordeste in the amount of R$ 9,291 at December 31, 2022 (R$ 13,679 at December 31, 2021). This financial investment is classified in non-current assets.

6. Cash and cash equivalents

Short-term investments designated as cash equivalents are mostly CDB investments, and a small fraction refers to investment funds, the profitability of the financial investments on the balance sheet date is between 86% and 103% of the Interbank Deposit Certificate (CDI) rate and have immediate liquidity, and can be redeemed at any time, without penalties.

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Checking accounts	**60,118**	**91,370**	**81,710**	**112,861**
Local currency	60,082	86,854	67,685	100,860
Foreign currency	36	4,516	14,025	12,001
Financial investments	**116,877**	**34,146**	**174,378**	**76,857**
Local currency	116,877	34,146	173,864	67,141
Foreign currency	-	-	514	9,716
	176,995	125,516	256,088	189,718

7. Financial instruments

Derivatives for trading are classified as current and non-current assets or liabilities. The total fair value of a 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.

The Company has NDF contracts with a total notional amount of US$ 51,066, under the following conditions:

a) Transactions to be settled/realized after 12/31/2022 with effect on current assets and equity:

Maturity	Quotation set (weighted average of agreements) R$/US$	Notional value (in US Dollar)	Fair value - MTM
01/31/2023	5.4487	5,407	693
02/28/2023	5.4720	5,275	640
03/31/2023	5.5079	5,521	668
04/30/2023	5.5312	6,090	723
05/31/2023	5.5654	6,195	724
06/30/2023	5.5942	6,141	691
07/31/2023	5.6473	2,596	344

All amounts in thousands of reais, unless otherwise stated.

08/31/2023	5.6863	2,620	353
09/30/2023	5.7155	2,658	360
10/31/2023	5.7490	2,906	404
11/30/2023	5.7775	2,890	405
12/31/2023	5.8075	2,768	405
Total		**51,066**	**6,410**

b) Transactions settled/realized up to 12/31/2022 with effects on profit or loss:

Maturity	Quotation set (weighted average of agreements) R$/US$	Notional value (in US Dollar)	Operating income or loss (Note 29)		Finance income (costs) (Note 32)	
			December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
2021	5.0941	35,900	-	(11,442)	-	(69)
2022	5.9556	52,379	41,896	-	-	-

These contracts were classified as cash flow hedges and were entered into to hedge the operating margin as regards sales in US Dollar, and are recorded under the hedge accounting methodology, as described in Note 3.5.

At December 31, 2022, there was an unrealized gain (fair value - mark-to-market at the curve of the US Dollar of B3) of R$ 6,410 without considering income tax and social contribution, recorded in other comprehensive income and current assets (Note 27.4), for contracts falling due on that date. This amount is shown in the Statement of changes in equity and in the Statement of comprehensive income. There were also accumulated realized gains of R$ 41,896 in the operating result (Note 27).

8. Trade receivables

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Receivables from third parties				
Domestic market	204,555	239,247	214,705	258,018
Foreign market	80,718	60,407	104,616	123,330
	285,273	299,654	319,321	381,348
Receivables from related parties				
Entities related to management	24	757	50	757
	24	757	50	757
Total short-term trade receivables	285,297	300,411	319,371	382,105
Total non-current long-term trade receivable in domestic market	3,391	3,391	3,391	3,391
Total trade receivables	288,688	303,802	322,762	385,496
Impairment of trade receivables				
Provision for impairment of trade receivables - short term	(3,024)	(4,216)	(4,864)	(6,481)
Provision for impairment of trade receivables - long current	(3,391)	(3,391)	(3,391)	(3,391)
	(6,415)	(7,607)	(8,255)	(9,872)
Total trade receivables, net of provision for impairment of trade receivables	282,273	296,195	314,507	375,624

All amounts in thousands of reais, unless otherwise stated.

a) Aging list of trade receivables

	Parent Company					
	December 31, 2022	Estimated losses	Coverage %	December 31, 2021	Estimated losses	Coverage %
Falling due	275,669	(1,132)	0.4%	295,689	(2,225)	0.8%
Past due until 30 days	4,537	(45)	1.0%	1,763	(103)	5.8%
Past due from 31 to 60 days	1,713	(86)	5.0%	418	(46)	11.0%
Past due from 61 to 90 days	677	(68)	10.0%	279	(32)	11.5%
Past due from 91 to 120 days	734	(184)	25.1%	273	(62)	22.7%
Past due from 121 to 180 days	916	(458)	50.0%	457	(216)	47.3%
Past due from 181 to 360 days	1,051	(1,051)	100.0%	1,532	(1,532)	100.0%
Past due over 361 days	3,391	(3,391)	100.0%	3,391	(3,391)	100.0%
	288,688	(6,415)		303,802	(7,607)	

	Consolidated					
	December 31, 2022	Estimated losses	Coverage %	December 31, 2021	Estimated losses	Coverage %
Falling due	296,191	(1,286)	0.4%	365,753	(3,289)	0.9%
Past due until 30 days	11,523	(115)	1.0%	7,459	(159)	2.1%
Past due from 31 to 60 days	3,408	(170)	5.0%	3,898	(211)	5.4%
Past due from 61 to 90 days	2,744	(274)	10.0%	1,056	(107)	10.1%
Past due from 91 to 120 days	2,309	(577)	25.0%	970	(234)	24.1%
Past due from 121 to 180 days	1,509	(755)	50.0%	896	(409)	45.6%
Past due from 181 to 360 days	1,687	(1,687)	100.0%	2,073	(2,072)	100.0%
Past due over 361 days	3,391	(3,391)	100.0%	3,391	(3,391)	100.0%
	322,762	(8,255)		385,496	(9,872)	

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

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

Changes in the provision for impairment of trade receivables are as follows:

	Parent Company	Consolidated
Balance at December 31, 2020	(9,026)	(10,310)
Net	(6,113)	(9,536)
Reversal of provision	5,954	8,396
Write-off due to effective loss	1,578	1,578
Balance at December 31, 2021	(7,607)	(9,872)
Net	(3,619)	(10,100)
Reversal of provision	2,682	9,587
Write-off due to effective loss	2,129	2,130
Balance at December 31, 2022	(6,415)	(8,255)

The Company's receivables are pledged as collateral for some of the borrowings and financing, as described in Note 21.

All amounts in thousands of reais, unless otherwise stated.

At December 31, 2022, the total notes receivable pledged as collateral amounts to R$ 88,094 (R$ 100,657 at December 31, 2021). To guarantee the transactions of third parties with franchisees, collateral amounts to R$ 167 (R$ 478 at December 31, 2021).

9. Inventories

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Finished products	321,573	165,656	401,824	211,876
Work in progress	11,116	10,455	11,330	10,706
Raw materials and consumables	57,440	57,720	59,130	58,576
Imports in transit	383	7,871	3,438	16,048
Provision for valuation of inventories at realizable value	(13,301)	(8,594)	(20,684)	(11,842)
	377,211	233,108	455,038	285,364

The Company recognizes an allowance for inventory losses taking into consideration the lower of net cost value and the recoverable amount. When no recovery is expected, the amounts credited to this line item are realized against the definitive write-off of the inventories.

During the year, the changes in the provision for adjustment of inventories to the realizable value were as follows:

	Parent Company	Consolidated
Balance at December 31, 2020	(8,861)	(9,491)
Recognition of provision	(6,166)	(9,415)
Reversal of provision due to sale or write-off	6,433	7,064
Balance at December 31, 2021	(8,594)	(11,842)
Recognition of provision	(11,804)	(19,185)
Reversal of provision due to sale or write-off	7,097	10,343
Balance at December 31, 2022	(13,301)	(20,684)

10. Taxes recoverable

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Current				
IRPJ/CSLL (a)	11,210	1,192	12,477	1,864
ICMS (b)	10,257	218	10,575	270
PIS/COFINS (c)	9,703	19,959	9,765	19,951
IPI	2,798	3,841	2,865	3,859
Special Tax Reintegration Regime for Exporting Companies (REINTEGRA)	880	720	880	720
Other taxes recoverable	938	732	971	790
	35,786	26,662	37,533	27,454
Non-current				
ICMS-ST (d)	9,982	9,982	9,982	9,982
ICMS - DIFAL (e)	9,103	-	9,103	-
ICMS	299	4,783	357	4,877
	19,384	14,765	19,442	14,859

All amounts in thousands of reais, unless otherwise stated.

a) IRPJ and CSLL

The balance is comprised of the negative balance of IRPJ and CSLL of 2021 and 2022. Negative balances will be offset against other federal taxes.

b) ICMS

The balance is comprised of ICMS credits on property, plant and equipment R$ 4,737, ICMS Difal credits R$ 5,663 and amounts recoverable in the Company's normal course of business.

c) Exclusion of ICMS from PIS and COFINS calculation basis (2003-2009) and (2009-2014):

In 2022, the balance of the exclusion of ICMS from PIS and COFINS was fully offset (R$ 13,368 at December 31, 2021). This item includes the amounts of PIS and COFINS on property, plant and equipment and PIS and COFINS credits arising from the Company's normal operations, which will be fully offset in the calculations for the following periods.

d) ICMS-ST

This item includes ICMS-ST levied on product transfer operations between the Company's units, in the amount of R$ 9,982. This amount is the subject matter of a proceeding filed with the Finance Department of the State of Pernambuco, aiming at its full recovery and was reclassified as non-current assets in 2021, based on Management's assessment of its recovery period.

e) ICMS-DIFAL

PBG filed writ of mandamus 5015551- 38.2021.8.21.0001 against the collection of DIFAL in the State of Rio Grande do Sul before the publication of a complementary law. It obtained a favorable decision for the refund of the amount paid upon a final and unappealable decision in September 2022. This amount will be refunded through offsets against the amounts calculated monthly by the Company.

11. Judicial deposits

The Company and its subsidiaries are parties to tax, civil, labor and social security lawsuits (see Notes 25 and 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	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Civil (a)	94,426	171,195	94,426	171,195
Other deposits - Civil	156	159	156	159
Labor	1,636	2,075	1,786	2,083
Tax	10,291	11,903	10,336	11,945
			-	
	106,509	185,332	106,704	185,382

a) The Company, due to an untimely and unilateral decision by the gas supplier to suspend the discount of the monthly value of the contracted gas, a benefit called loyalty plan, filed a lawsuit requesting the maintenance of this benefit, and an injunction was granted so that the amounts referring to the discount were deposited in court. In January 2022, the priorly granted injunction was vacated in favor of the Gas supplier, who also received the authorization to withdrawal 50% (R$ 87,100) of the amounts deposited in court. About this decision, the Company filed an appeal before the Court of Appeals, which awaits judgment.

The company has the same amount recorded under the item suppliers, in non-current liabilities (Note 20).

12. Guarantee deposits

In September 2020, the Company signed a “Term of Understanding and Settlement of Obligations” with Refinadora Catarinense S.A., referring to the settlement of a debt of the Refinadora with the Company, in the amount of R$ 101,990. In this Term, the Parties agreed that Refinadora paid the transferred money, in the amount of R$ 89,517, for the tax foreclosure proceedings filed against PBG S.A. This amount was recorded in October 2020 in a guarantee deposits account, classified in non-current assets.

Subsequently to the initial recording, the Company partially wrote off a portion of the balance referring to a tax foreclosure of R$ 2,115, resulting in the balance deposited of R$ 87,402 at December 31, 2020.

In 2021, the Company redeemed R$ 257 and recognized financial adjustment of R$ 2,555, resulting in the balance of R$ 89,700 presented at December 31, 2021.

In March 2022, the Company withdrew a total amount of R$ 15,159, of which: i) R$ 8,737, on March 2, related to Tax Foreclosure 0001185- 67.2007.8.24.0072; ii) R$ 6,422, on March 28, in relation to Tax Foreclosure 0004559- 23.2009.8.24.0072.

In July 2022, the Company obtained a favorable decision for the withdrawal of: i) R$ 38,619, on July 1, related to Tax Foreclosure 0002437- 66.2011.8.24.0072; and ii) R$ 19,741, on July 11, in relation to Tax Foreclosure 0004707- 63.2011.8.24.0072.

According to the court order that allowed the withdrawal, the Company presented guarantee insurances in the records of the tax foreclosures No. 0001185- 67.2007.8.24.0072 0002437- 66.2011.8.24.0072.

In August 2022, with respect to Tax Foreclosure 0004555- 83.2009.8.24.0072, the Company obtained authorization to withdraw the excess of guarantee in the amount of R$ 1,147.

At December 31, 2022, the Company carried out the financial update of the assets in the amount of R$ 4,331, obtaining the balance of R$ 19,365.

The Company informs that there are still amounts recorded as “Guarantee deposits” that remain deposited for another five tax foreclosures. The Company expects to realize the amount of R$ 19,365 arising from 5 tax foreclosures in progress by 2023.

13. Receivables from Eletrobras

The Company filed a lawsuit against Centrais Elétricas Brasileira S.A. in order to be reimbursed for the compulsory loan paid through electricity bills between 1977 and 1993, based on Law 4,156/1962.

In 2016, after the final and unappealable decision of the sentence liquidation process, the Company hired an accounting expert to determine the credit to be executed, adjusting (reducing) the quantity due to the STJ's subsequent decision.

All amounts in thousands of reais, unless otherwise stated.

Eletrobras (Centrais Elétricas Brasileiras S.A.) 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 and unappealable in July 2018, favorable to the Company. In February 2019, the Company requested the continuation of the process with the approval of the tax credit calculations, which indicated the amount of R$ 12,821. In a new decision, the Federal Court calculated the total amount of R$ 12,977, monetarily adjusted up to September 2020.

In September 2022, after summons, the Parties agreed with the total amount of R$ 12,977 presented by the Federal Court, which comprises the Company's credits and the attorney fees borne by the defeated party. After a confirmatory decision and notice to Eletrobras to pay the judgment debt, the debtor made a deposit in court for the amount of R$13,746 on January 17, 2023, of which R$12,668 will be withdrawn by the Company and R$1,078 will be withdrawn by the Law Firm. It is important to note that these amounts were collected by the Company in March 2023. Thus, in view of the payment by Eletrobras, we await the conclusion of the proceeding due to fulfillment of obligation.

14. Income tax and social contribution

a) Income tax and social contribution recoverable and payable

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

	Current assets			
	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Income tax	8,331	1,192	9,286	1,690
Social contribution	2,879	-	3,191	174
	11,210	1,192	12,477	1,864

	Current liabilities			
	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Income tax	-	124	1,931	2,749
Social contribution	-	-	1,090	1,116
	-	124	3,021	3,865

b) Deferred income tax and social contribution

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

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Tax losses	23,647	27,702	35,078	36,494
Temporary differences - assets	64,253	63,053	68,623	65,297
Cash basis foreign exchange variations	16,067	16,725	16,067	16,725

All amounts in thousands of reais, unless otherwise stated.

Provision for adjustment to market value	2,526	1,753	2,526	1,753
Provision for civil, labor, social security and tax risks	18,205	19,423	18,665	19,423
Provision for profit sharing and long-term incentive	4,754	8,590	4,754	8,590
Provision for success fees	7,320	6,929	7,349	6,929
Other temporary differences - assets	15,381	9,633	19,262	11,877
Temporary differences - liabilities	(71,791)	(63,462)	(78,178)	(69,849)
Portobello pension plan	(9,289)	(6,350)	(9,289)	(6,350)
Realization of the revaluation reserve	(16,108)	(16,041)	(16,108)	(16,041)
Receivables from Eletrobrás	(4,359)	(4,359)	(4,359)	(4,359)
Contingent assets - IPI credit premium - Phase I	(3,264)	(2,988)	(3,264)	(2,988)
Contingent assets - IPI credit premium - Phase II	(9,452)	(8,768)	(9,452)	(8,768)
Contingent assets - adjustment to rural credit notes	-	-	(6,387)	(6,387)
Hedge accounting transactions	(2,180)	(841)	(2,180)	(841)
Adjustment to present value	37	(63)	37	(63)
Depreciation adjustment (to the useful lives of goods)	(27,176)	(24,052)	(27,176)	(24,052)
Deferred income tax and social contribution - Net	16,109	27,293	25,523	31,942
Non-current assets	87,900	90,755	103,701	101,791
Non-current liabilities	(71,791)	(63,462)	(78,178)	(69,849)

At December 31, 2022, net variations in deferred income tax and social contribution are as follows:

	Parent Company	Consolidated
December 31, 2020	37,807	37,713
Tax losses	(7,574)	(3,137)
Temporary differences - assets	4,989	6,804
Temporary differences - liabilities	(8,539)	(10,048)
Revaluation reserve	610	610
December 31, 2021	27,293	31,942
Tax losses	(4,055)	(1,416)
Temporary differences - assets	1,200	3,326
Temporary differences - liabilities	(6,923)	(6,923)
Hedge accounting transactions	(1,339)	(1,339)
Revaluation reserve	(67)	(67)
December 31, 2022	16,109	25,523

c) Income tax and social contribution (P&L)

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

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Profit before tax	166,279	209,655	204,584	229,509
Tax calculated based on the nominal rate - 34%	(56,535)	(71,283)	(69,559)	(78,033)
Equity in the earnings of subsidiaries	12,643	25,688	-	-
Tax incentives	11,861	8,982	11,861	8,982
Tax incentives - Sudene	858	4,216	858	4,216
Interest on equity	6,035	5,764	6,035	5,764
law of good	8,625	3,976	9,975	3,976
Depreciation of revalued assets	1,141	(610)	1,141	(610)
IRPJ and CSLL on undue tax payments	(610)	26,686	(610)	26,686
Other permanent additions and deletions	2,801	3,099	(11,180)	15,732
	(13,181)	6,518	(51,479)	(13,287)
Current tax on profit for the year	(5,839)	(3,447)	(48,902)	(27,996)
Deferred income tax and social contribution	(7,342)	9,965	(2,577)	14,709
Income tax and social contribution expense (recognized in profit or loss - current and deferred)	(13,181)	6,518	(51,479)	(13,287)
Effective tax rate	7.9%	-3.1%	25.2%	5.8%

All amounts in thousands of reais, unless otherwise stated.

d) Tax losses in the Parent Company and Consolidated

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Tax losses	69,551	81,476	103,170	107,335
Deferred income tax and social contribution	23,647	27,702	35,078	36,494

Based on studies and projections of results for the following periods, a recoverability test was conducted for deferred tax assets arising from tax and social contribution losses recorded at December 31, 2022 in the Parent Company and its subsidiary Companhia Brasileira de Cerâmica, where we estimated the following asset recoverability schedule:

Period	Parent Company	Consolidated
2023	3,283	3,873
2024	2,953	11,094
2025	4,368	7,068
2026	6,655	6,655
2027	6,316	6,316
2028	72	72
	23,647	35,078

15. Legal assets

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
IPI premium credit (a)				
Lawsuit No. 1987.0000.645- 9	27,799	25,787	27,799	25,787
Lawsuit No. 1984.00.020114-0	9,600	8,787	9,600	8,787
Adjustment to rural credit notes (b)	-	-	-	18,786
IPI premium credit - Plaintiff - Complementary Portion (c)	75,107	75,107	75,107	75,107
IRPJ and CSLL on interest on undue tax payments (d)	27,827	26,686	27,827	26,686
	140,333	136,367	140,333	155,153

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 Federal Court accounting department; the amount recognized in November 2009, adjusted up to December 31, 2022, is R$ 27,799 (R$ 25,787 at December 31, 2021).

In relation to lawsuit No. 1984.00.020114-0, referring to the period from December 7, 1979 to March 31, 1981, after the final and unappealable decision, which occurred more than 10 years ago, the liquidation and execution phase of the sentence began, and an expert opinion was issued by a legal expert. The parties were notified of the 'quantum' so they could manifest their agreement or opposition to the award. The Company agreed with the calculations presented.

The Federal Government, represented by the National Treasury's Attorney's Office, did not manifest itself, which led to tacit agreement and, consequently, preclusion. The lawsuit is concluded and there is no further possibility of objection. The Company recognized, in 2015, the amount calculated by the legal expert, in the amount of R$ 4,983, and, as the Company understands that the gain in the mentioned lawsuit is practically certain, it recorded the tax asset in June 2015, and maintains as of December 31, 2022 the balance of R$ 9,600 (R$ 8,787 at December 31, 2020). The Company will ensure that the payment request be dispatched by April 2024, so that the financial realization takes place by December 2025.

b) Adjustment to rural credit notes

In March 2017, the subsidiary PBTECH Company, based on a court decision handed down in relation to the Civil Class Action filed by the General Attorneys' Office against the Federal Government, filed an individual Court Decision Enforcement action to obtain the amount corresponding to the difference between the inflation adjustment rates applied on transactions involving rural credit notes carried out in March 1990. Banco do Brasil filed a petition with the Higher Court obtaining favorable decision for the suspension of the proceeding.

In March 2020, by decision of the Federal Regional Court of the 4th Region, the lawsuit, as it involved only the Company and Banco do Brasil S.A. and reviewing the previous decision of the Superior Court of Justice, determined that the proceeding should be submitted to one of the Civil Courts of the City of Tijucas/Santa Catarina State with jurisdiction to judge the matter.

On March 24, 2021, in the records of RESP No. 1.319.232 (Civil Class Action), the Superior Court of Justice revoked the suspensive effect that it had granted in the records and, as of that decision, the individual decision enforcement returned to proceed normally.

In view of the decision by the Federal Regional Court of the 4th Region that recognized the lack of jurisdiction of the federal court, the subsidiary PBTech, handled the individual decision enforcement within the State Court and awaits jurisdictional provision on the appeal filed by the subsidiary PBTech in view of the decision that determined the subpoena of the Judgment Debtor (Banco do Brasil) to voluntarily pay or to file an objection, since the Judgment Debtor has allowed the time limit to elapse in the decision enforcement that was pending before the Federal Courts.

The amount of the credit enforced is R$ 18,786, which is in conformity with the decision issued in RESP No. 1.319.232 - DF (Sociedade Rural Brasileira x Central Bank of Brazil and Others).

In January 2022, the State Court issued a decision rejecting the objection filed by Banco do Brasil. In the same decision, considering the expiration of the deadline for voluntary payment, the Court accepted the request made by PBTech to determine the freezing of Banco do Brasil's financial assets.

The amount frozen was subject to a withdrawal request in favor of PBTech, upon presentation of guarantee bond.

In March 2022, the release order was issued and the pledged amount was withdrawn, totaling R$ 20,284, which was deposited in the bank account at Company. Banco do Brasil filed a supersedeas motion in light of the decision that granted the withdrawal, which was denied and is awaiting judgment by the Court of Appeals of the State of Santa Catarina.

c) IPI premium credit – Plaintiff

The proceeding was initially filed in 1984. During its course, it 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.

In view of the position expressed by the Federal Court accounting department - enclosed with the lawsuit in March 2020 - in which it informs that it does not have technical knowledge to express a position about the challenges filed by the Federal Government and considering that the amounts presented by the Company were duly approved, the Company recognized the portion considered as controversial in the amount of R$ 66,056 as of August 2015.

All amounts in thousands of reais, unless otherwise stated.

In the 1st quarter of 2020 an asset of R$ 75,107 was recognized. In addition, the amount of R$ 56,330 was recorded in liabilities, referring to the amounts to be paid to Refinadora Catarinense, R$ 1,737 referring to PIS and COFINS recorded in long-term liabilities, R$ 3,380 referring to Income Tax and Social Contribution recorded in the respective deferred tax accounts, being non-current liabilities and results. The amount of success fees was also accrued. The net amount payable to the Company is R$ 4,823.

In a decision on the merits of the case, issued in July 2022, concerning the objection to enforcement of the sentence issued by the National Treasury, the Court rejected the arguments presented and approved the calculations presented by the Federal Court. In view of this decision, the National Treasury filed a Motion for Clarification, which was rejected, thus maintaining the decision unchanged.

d) IRPJ and CSLL - Credits on Special System for Settlement and Custody (SELIC) interest due to the recovery of undue tax payments

The Company filed a writ of mandamus on December 12, 2018 to prevent the levy of IRPJ and CSLL on the Selic rate applicable in undue tax payments recovered at the judicial or administrative level or judicial deposits, which are currently pending judgment by the Federal Regional Court (TRF) of the 4th Region. Additionally, it requested the recognition of the right to date back to five years as from the filing of the proceeding up to the final decision.

In September 2021, the panel of the Federal Supreme Court (STF) judged Extraordinary Appeal 1.063.187, with general repercussion, and established the unconstitutionality of the levy of the Corporate Income Tax (IRPJ) and the Social Contribution on Net Income (CSLL) on the SELIC rate received by taxpayers as a result of undue tax payments.

Considering the above and as determined by IFRIC 23/ICPC 22 - Uncertainty over Income Tax Treatments, due to the likelihood of success in the proceeding as a result of the decision in general repercussion of the STF, the Company recorded its best estimate to date in the amount of R$ 27,827; of that amount, R$ 10,869 represents current IRPJ and CSLL and R$: 16,958 represents deferred IRPJ and CSLL. A provision for attorney's fees in the amount of R$ 2,782 was made for the credits recorded.

In accordance with the Company’s assessment, the amount was recorded in the group of legal assets since it understands that it cannot recover the tax yet because a final decision has not been issued in relation to the proceeding.

16. Investments

Interest in subsidiaries

The Company is the Parent Company of six companies and investments are recorded in non-current assets in line item “Interests in subsidiaries”.

Subsidiaries are closely-held companies, for which variations in the period of 2022 and comparative period are presented below:

	Country of incorporation	Direct ownership	Indirect ownership	Assets	Liabilities	Equity	Revenue	Profit or loss
At December 31, 2021								
Portobello América Inc.	United States	100.00%	0.00%	182,125	158,644	23,481	181,690	(2,548)
Portobello America Manufacturing	United States	0.00%	100.00%	57,708	55,558	2,150	-	-
PBTech Ltda.	Brazil	99.94%	0.06%	119,886	109,923	9,963	211,393	18,637
Portobello Shop S/A	Brazil	99.90%	0.00%	37,013	16,317	20,696	107,649	71,216
Mineração Portobello Ltda.	Brazil	99.76%	0.00%	14,957	14,715	242	9,121	(11,181)
Companhia Brasileira de Cerâmica S/A	Brazil	98.85%	1.15%	13,516	2,386	11,130	6,093	(2,007)
At December 31, 2022								
Portobello América Inc.	United States	100.00%	0.00%	253,447	222,616	30,831	210,724	(42,424)

All amounts in thousands of reais, unless otherwise stated.

Portobello America Manufacturing (a)	United States	0.00%	100.00%	139,538	139,888	(350)	-	(2,359)
PBTech Ltda.	Brazil	99.94%	0.06%	225,106	189,167	35,939	344,896	31,973
Portobello Shop S/A	Brazil	99.90%	0.00%	47,233	18,847	28,386	107,967	51,906
Mineração Portobello Ltda.	Brazil	99.99%	0.00%	17,046	17,001	45	13,063	(197)
Companhia Brasileira de Cerâmica S/A	Brazil	98.85%	1.15%	33,241	11,170	22,071	12,509	(4,884)

(a) The Company has an indirect interest in Portobello America Manufacturing, which is consolidated in Portobello America Inc., for this reason Portobello America Manufacturing's variations are not shown below.

Subsidiaries are closely-held companies, for which variations in the year 2022 and comparative period are presented below:

Variations at December 31, 2021:

	Percentage of interest	December 31, 2020	Foreign exchange variations	Capital increase	Advances for future capital increase	Profit/Loss on inventories	Equity in the earnings of subsidiaries	Dividends	December 31, 2021
Investments									
Portobello América Inc.	100.00%	21,359	1,863	-	-	1,432	(2,548)	-	22,106
PBTech Ltda.	99.94%	21,532	-	-	-	-	18,637	(30,206)	9,963
Portobello Shop S.A.	99.90%	480	-	-	-	-	71,216	(51,000)	20,696
Mineração Portobello Ltda. (a)	99.76%	2,423	-	-	9,000	-	(11,181)	-	242
Companhia Brasileira de Cerâmica S/A (b)	98.85%	7,999	-	11,240	(6,102)	-	(2,007)	-	11,130
Portobello S/A	100.00%	10	-	-	-	-	-	-	10
Total net investment in subsidiaries		53,803	1,863	11,240	2,898	1,432	74,117	(81,206)	64,147
Interest in subsidiaries		53,803							64,147

(a) In September and December 2021, PBG S.A. made AFACs for the subsidiary Mineração Portobello, in the total amount of R$9,000.
(b) In April 2021, PBG S.A increased its capital by R$ 11,240 in Companhia Brasileira de Cerâmica (CBC), paying R$ 6,102 of AFAC previously accounted for.

Variations at December 31, 2022:

	Percentage of interest	December 31, 2021	Foreign exchange variations	Capital increase	Advances for future capital increase	Equity in the earnings of subsidiaries	Dividends	December 31, 2022
Investments								
Portobello América Inc.	100.00%	22,106	(3,071)	-	52,856	(41,644)	-	30,247
PBTech Ltda.	99.94%	9,963	-	-	-	31,955	(6,000)	35,918
Portobello Shop S.A.	99.90%	20,696	-	-	-	51,898	(44,237)	28,357
Mineração Portobello Ltda. (a)	99.99%	242	-	9,000	(9,000)	(197)	-	45
Companhia Brasileira de Cerâmica S/A (b)	98.85%	11,130	-	-	15,710	(4,827)	-	22,013
Portobello S/A	100.00%	10	-	-	-	-	-	10
Total net investment in subsidiaries		64,147	(3,071)	9,000	59,566	37,185	(50,237)	116,590
Interest in subsidiaries		64,147						116,590

(a) In April 2022, PBG S.A increased its capital by R$ 9,000 in Mineração Portobello, using all the proceeds from the advance for future capital increase previously accounted for.

(b) Between January and 31, 2022, Companhia Brasileira de Cerâmica S/A received two advances for future capital increase from PBG S.A in the amount of R$ 15,710, and Portobello América received one advance for future capital increase in the amount of R$ 52,856.

All amounts in thousands of reais, unless otherwise stated.

17. Property, plant and equipment

a) Breakdown

		Parent Company				Consolidated			
		December 31, 2022			December 31, 2021	December 31, 2022			December 31, 2021
	Annual average depreciation rate	Cost	Accumulated depreciation	Net value	Net value	Cost	Accumulated depreciation	Net value	Net value
Land	-	12,603	-	12,603	12,603	13,486	-	13,486	31,633
Buildings, constructions and improvements	3%	289,629	(87,462)	202,167	206,913	315,220	(97,814)	217,406	226,379
Machinery and equipment	15%	750,528	(447,182)	303,346	283,260	764,877	(448,931)	315,94	286,057
Furniture and fixtures	10%	11,910	(9,565)	2,345	8,224	18,859	(11,424)	7,435	12,270
Computers	20%	33,111	(28,113)	4,998	5,431	36,262	(28,867)	7,395	5,713
Other property, plant and equipment	20%	213	(151)	62	2,992	2,253	(1,165)	1,088	4,069
Construction in progress	-	36,570	-	36,570	8,887	208,474	-	208,474	48,337
		1,134,564	(572,473)	562,091	528,310	1,359,431	(588,201)	771,230	614,458

b) Changes in property, plant and equipment

	Parent Company						
	December 31, 2020	Additions	Transfers	Depreciation	Write-offs	Foreign exchange variation	December 31, 2021
Land	12,603	-	-	-	-	-	12,603
Buildings and improvements	148,373	14,290	54,927	(10,624)	(53)	-	206,913
Machinery and equipment	284,521	17,428	11,205	(29,894)	-	-	283,260
Furniture and fixtures	789	7,298	327	(190)	-	-	8,224
Computers	6,638	1,224	231	(2,662)	-	-	5,431
Other property, plant and equipment	3,198	-	5	(117)	(94)	-	2,992
Construction in progress	66,695	8,887	(66,695)	-	-	-	8,887
	522,817	49,127	-	(43,487)	(147)	-	528,310

	Parent Company						
	December 31, 2021	Additions	Transfers	Depreciation	Write-offs	Foreign exchange variation	December 31, 2022
Land	12,603	-	-	-	-	-	12,603
Buildings and improvements	206,913	6,829	536	(12,111)	-	-	202,167
Machinery and equipment	283,260	20,903	30,562	(31,247)	(132)	-	303,346
Furniture and fixtures	8,224	26,227	(30,629)	(1,477)	-	-	2,345
Computers	5,431	3,189	(888)	(2,734)	-	-	4,998
Other property, plant and equipment	2,992	-	(2,811)	(103)	(16)	-	62
Construction in progress	8,887	24,453	3,230	-	-	-	36,570
	528,310	81,601	-	(47,672)	(148)	-	562,091

	Consolidated						
	December 31, 2020	Additions	Transfers*	Depreciation	Write-offs	Foreign exchange variation	December 31, 2021
Land	13,485	-	18,148	-	-	-	31,633
Buildings and improvements	163,926	16,560	63,236	(15,130)	(2,213)	-	226,379
Machinery and equipment	287,697	17,690	11,203	(30,533)	-	-	286,057
Furniture and fixtures	2,462	9,866	728	(698)	(88)	-	12,270
Computers	6,961	1,436	236	(2,813)	(107)	-	5,713
Other property, plant and equipment	3,918	-	1,259	(1,017)	(91)	-	4,069
Construction in progress	74,427	51,033	(77,123)	-	-	-	48,337
	552,876	96,585	17,687	(50,191)	(2,499)	-	614,458

	Consolidated						
	December 31, 2021	Additions	Transfers	Depreciation	Write-offs	Foreign exchange variation	December 31, 2022
Land	31,633	-	-	-	(14,904)	(3,243)	13,486
Buildings and improvements	226,379	9,658	357	(18,648)	(285)	(55)	217,406
Machinery and equipment	286,057	31,116	30,563	(31,630)	(132)	(28)	315,946
Furniture and fixtures	12,270	28,057	(30,629)	(2,416)	-	153	7,435
Computers	5,713	5,445	(870)	(2,845)	-	(48)	7,395
Other property, plant and equipment	4,069	482	(2,811)	(636)	(16)	-	1,088
Construction in progress	48,337	158,094	3,390	-	-	(1,347)	208,474
	614,458	232,852	-	(56,175)	(15,337)	(4,568)	771,230

* The amount of R$ 17,687 in transfer refers to the entry in transfer of a plot of land of the subsidiary Portobello America Manufacturing of assets and rights in the amount of R$ 18,148 (Note 19), and exit in transfer to intangible assets in the amount of R$ (461) (Note 18).

In 2022, additions to property, plant and equipment in the Consolidated amounted to R$ 232,852, of which 12.83% was allocated to the purchase of equipment for a new plant in Tijucas, 7.25% to the acquisition of Inkjet printers, 58.78% to the purchase of equipment for a future plant in the USA, 1.92% to acquisition of property, plant and equipment items for the Flooring workshop, 2.28% to the Company's own stores, and the remainder 16.94% was divided between commercial and corporate projects and industrial units of Marechal Deodoro.

All amounts in thousands of reais, unless otherwise stated.

The disposal of property, plant and equipment results from the sale of land in Baxter, Tennessee, in the United States of America. The sale was formalized with the signing of three contracts: Contract for the purchase and sale of the Land and reimbursement of costs incurred for the work in progress until the signing of the contract, Construction Agency Contract and Lease Contract (Built to Suite Operation) with OAK Street winning the bid. The expected delivery date for the construction of the Plant is April 2023. The amount of the land sale is R$ 18,148 and the reimbursement of the costs of construction in progress is R$ 37,616. The write-off includes the effects of exchange rate variation.

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

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Cost of sales	(40,318)	(36,729)	(40,524)	(37,293)
Selling expenses	(5,449)	(5,071)	(13,406)	(11,189)
Administrative expenses	(1,905)	(1,687)	(2,245)	(1,709)
	(47,672)	(43,487)	(56,175)	(50,191)

c) Impairment of property, plant and equipment

Property, plant and equipment is tested for impairment at least annually, and for the year ended December 31, 2022, Management reviewed the cash flows projections of assets and did not identify the need to record a provision for impairment.

18. Intangible assets

a) Breakdown

		Parent Company				Consolidated			
		December 31, 2022			December 31, 2021	December 31, 2022			December 31, 2021
	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%	65,794	(39,636)	26,158	15,892	79,379	(44,317)	35,062	20,919
Right to explore mineral resources	9%	1,000	(1,000)	-	-	4,074	(3,790)	284	351
Software under development	-	4,739	-	4,739	6,282	6,881	-	6,881	7,377
		71,683	(40,636)	31,047	22,324	90,484	(48,107)	42,377	28,797

b) Changes in intangible assets

	Parent Company					
	December 31, 2020	Additions	Transfers	Amortizations	Write-offs	December 31, 2021
Trademarks and patents	150	-	-	-	-	150
Software	7,504	-	11,910	(3,497)	(25)	15,892
Software under development	5,403	12,789	(11,910)	-	-	6,282
	-					-
	13,057	12,789	-	(3,497)	(25)	22,324

All amounts in thousands of reais, unless otherwise stated.

	Parent Company					
	December 31, 2021	Additions	Transfers	Amortizations	Write-offs	December 31, 2022
Trademarks and patents	150	-	-	-	-	150
Software	15,892	5,137	11,998	(6,525)	(344)	26,158
Software under development	6,282	10,455	(11,998)	-	-	4,739
	-					
	22,324	15,592	-	(6,525)	(344)	31,047

	Consolidated						
	December 31, 2020	Additions	Transfers	Amortizations	Write-offs	Foreign exchange variation	December 31, 2021
Trademarks and patents	150	-	-	-	-	-	150
Software	10,180	329	15,335	(4,886)	(39)	-	20,919
Right to explore mineral resources	446	-	-	(95)	-	-	351
Goodwill	10,028	3,278	(11,465)	(991)	(850)	-	-
Software under development	7,669	14,582	(14,874)	-	-	-	7,377
	28,473	18,189	(11,004)	(5,972)	(889)	-	28,797

	Consolidated						
	December 31, 2021	Additions	Transfers	Amortizations	Write-offs	Foreign exchange variation	December 31, 2022
Trademarks and patents	150	-	-	-	-	-	150
Software	20,919	6,827	16,272	(8,792)	(349)	185	35,062
Right to explore mineral resources	351	-	-	(67)	-	-	284
Software under development	7,377	16,162	(16,272)	-	(386)	-	6,881
	28,797	22,98	-	(8,859)	(735)	185	42,377

* The amount of R$ (11,004) refers to the entry in reclassification of property, plant and equipment in the amount of R$ 461 (Note 17 - Property, plant and equipment) and the exit in reclassification of goodwill in the amount of R$ (11,465) for the right-of-use assets (Note 19).

In 2022, intangible assets in Consolidated added up to R$ 22,989, a significant portion of which was destined for the Transformation project, which aims to optimize and implement digital improvements in the commercial area and implement Oracle for Portobello America and Companhia Brasileira de Cerâmica.

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

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Cost of sales	(64)	(126)	(64)	(221)
Selling expenses	(2,310)	(1,698)	(3,909)	(3,885)
Administrative expenses	(4,151)	(1,673)	(4,886)	(1,866)
	(6,525)	(3,497)	(8,859)	(5,972)

Projected amortization of consolidated intangible assets:

	2023	2024	2025	2026	2027 to 2038	Total
Software	(8,792)	(8,792)	(8,792)	(8,686)	-	(35,062)
Right to explore mineral resources	(68)	(68)	(68)	(68)	(12)	(284)
	(8,860)	(8,860)	(8,860)	(8,754)	(12)	(35,346)

Trademarks, patents and goodwill on acquisition of investments are not subject to amortization due to their indefinite useful lives.

All amounts in thousands of reais, unless otherwise stated.

c) Impairment of intangible assets

Intangible assets are tested for impairment at least annually, and for the year ended December 31, 2022, Management reviewed the cash flow projections of assets and did not identify the need to record a provision for impairment.

19. Right-of-use assets and lease liabilities

The agreements characterized as leases, in accordance with IFRS 16/CPC 06 (R2), are recorded as Right-of-Use Assets against Lease Liabilities in current and non-current liabilities in the line item Lease Liabilities.

At December 31, 2022, the Company had a total of 52 lease agreements (50 at December 31, 2021), 32 of which are classified as leasing agreements without purchase option for its commercial and logistics units, and 20 leasing agreements with purchase option intended for vehicles for the Company's managers, which refer to leases for which there is a purchase option at the end of the agreement term, resembling a financing operation.

The leases without purchase option at the end of the agreement term are comprised of the leases of the Company's own stores, machinery, distribution centers and of the land for storage, stockpiling and blending of the ores extracted from the mines and equipment. The leasing agreements with purchase option at the end of the agreement are comprised of rental of vehicles used by the Company's managers.

The amount of lease liabilities represents the present value of future lease payments discounted at the Company's average financing interest rate. The Company determines the term of the lease and the physical location for logistics purposes and strategic commercial points. The lease assets are detailed below and represent the initial measurement value of the lease liability, plus any payments made up to the inception date, less incentives, plus dismantling and removal cost and their residual value at the end of the lease, when applicable. The terms of the right-of-use contracts vary between 2 and 7 years depending on the contract, and there is one contract with a 20-year term.

The Company has adopted this new disclosure for its leases in order to provide greater clarity over the nature of the lease agreements.

As mentioned above, the agreements are adjusted annually, according to the variation of the main inflation indexes, most of them have terms from five to seven years with the option of renewal after that date. The Company adopts, as a discount rate, the weighted average cost of financing operations, referring to the current month of the adoption of the new lease agreements.

During 2023, there was an adjustment of rental contracts for the properties of the own stores and distribution centers. New agreements for stores, machinery and vehicles were included.

a) Breakdown of lease assets

	Parent Company			
Lease	Distribution Center	Vehicles	Machinery	Total
December 31, 2020	15,224	3,753	-	18,977
Additions	7,327	1,603	-	8,930
Contract terminations	(1,222)	-	-	(1,222)
Depreciation	(4,998)	(1,084)	-	(6,082)
December 31, 2021	16,331	4,272	-	20,603
Remeasurement	1,461	537	-	1,998
Additions	-	1,721	23,576	25,297
Contract terminations	(2,753)	(2,784)	-	(5,537)

All amounts in thousands of reais, unless otherwise stated.

Depreciation	(4,704)	(1,272)	(940)	(6,916)
December 31, 2022	10,335	2,474	22,636	35,445
Without purchase option	10,335	-	22,636	32,971
With purchase option	-	2,474	-	2,474

	Consolidated							
Lease	Distribution Center	Stores	Buildings	Goodwill	Vehicles	Machinery	Land	Total
December 31, 2020	15,224	28,971	4,304	-	3,753	-	19,139	71,391
Remeasurement	-	-	812	-	-	-	-	812
Foreign exchange variation	-	-	1,580	-	-	-	-	1,580
Additions	7,327	8,765	9,557	-	1,603	-	-	27,252
Contract terminations	(1,222)	(1,749)	(3,792)	-	-	-	(121)	(6,884)
Depreciation	(4,998)	(6,305)	(3,545)	-	(1,084)	-	-	(15,932)
Reclassification of goodwill (a)	-	-	-	11,465	-	-	-	11,465
Reclassification of PBA Land (b)	-	-	-	-	-	-	(18,148)	(18,148)
December 31, 2021	16,331	29,682	8,916	11,465	4,272	-	870	71,536
Remeasurement	1,461	-	1,173	-	537	-	84	3,255
Foreign exchange variation	-	-	(30)	-	-	-	-	(30)
Additions (c)	-	6,039	5,181	108,834	1,721	23,576	87	145,438
Contract terminations	(2,753)	-	-	-	(2,784)	-	-	(5,537)
Depreciation	(4,704)	(8,030)	(6,372)	(5,553)	(1,272)	(940)	(64)	(26,935)
December 31, 2022	10,335	27,691	8,868	114,746	2,474	22,636	977	187,727
Without purchase option	10,335	27,691	8,868	114,746	-	22,636	977	185,253
With purchase option	-	-	-	-	2,474	-	-	2,474

(a) The goodwill has been transferred from intangible assets (Note 18) to right-of-use assets according to IFRS 16 / CPC 06 R(2).
(b) Refers to the transfer of land of subsidiary Portobello America Manufacturing from right-of-use assets in the amount of R$ 18,148 (Note 17).
(c) The Company acquired stores from franchisees, related parties and third parties. The valuation of these transactions was properly assessed, with payment of goodwill (see Note 38). The Company leases forklifts and backhoe loaders, which are classified as machinery and equipment.

b) Breakdown of lease liabilities

	Parent Company			
Lease	Distribution Center	Vehicles	Machinery	Total
December 31, 2020	18,008	2,465	-	20,473
Remeasurement	-	-	-	-
Foreign exchange variation	-	-	-	-
Additions	7,327	1,603	-	8,930
Contractual terminations and reclassifications	(1,222)	-	-	(1,222)
Payments	(4,894)	(1,228)	-	(6,122)
Accrued interest in the period	1,136	224	-	1,360
Reclassification of PBA Land (b)	-	-	-	-
December 31, 2021	20,355	3,064	-	23,419
Remeasurement	1,461	537	-	1,998
Foreign exchange variation	-	-	-	-
Additions	-	1,721	23,576	25,297
Contractual terminations and reclassifications	(3,144)	(833)	-	(3,977)
Payments	(6,281)	(2,412)	(1,142)	(9,835)
Accrued interest in the period	(299)	922	366	989
December 31, 2022	12,092	2,999	22,800	37,891
Without purchase option	12,092	-	22,800	34,892
With purchase option	-	2,999		2,999
Current liabilities				16,299
Non-current liabilities				21,592

	Consolidated						
Lease	Distribution Center	Stores	Buildings	Vehicles	Machinery	Other	Total
December 31, 2020	18,008	30,337	4,824	2,465	-	17,548	73,182
Remeasurement	-	-	812	-	-	-	812
Foreign exchange variation	-	-	1,473	-	-	-	1,473
Additions	7,327	9,265	9,058	1,603	-	-	27,253
Contractual terminations and reclassifications	(1,222)	(1,983)	(2,611)	-	-	-	(5,816)
Payments	(4,894)	(7,584)	(4,911)	(1,228)	-	(113)	(18,730)
Accrued interest in the period	1,136	1,533	275	224	-	68	3,236
Reclassification of PBA Land (b)	-	-	-	-	-	(16,557)	(16,557)
December 31, 2021	20,355	31,568	8,920	3,064	-	946	64,853
Remeasurement	1,461	-	1,173	537	-	84	3,255
Foreign exchange variation	-	-	(563)	-	-	-	(563)
Additions	-	6,039	5,181	1,721	23,576	87	36,604
Contractual terminations and reclassifications	(3,144)	-	-	(833)	-	-	(3,977)
Payments	(6,281)	(10,237)	(5,693)	(2,412)	(1,142)	(111)	(25,876)
Accrued interest in the period	(299)	2,251	111	922	366	68	3,419
December 31, 2022	12,092	29,621	9,129	2,999	22,800	1,074	77,715
Without purchase option	12,092	29,621	9,129	-	22,800	1,074	74,716
With purchase option	-	-	-	2,999	-	-	2,999
Current liabilities							26,361
Non-current liabilities							51,354

All amounts in thousands of reais, unless otherwise stated.

c) Inflation effects

In compliance with Circular Letter/CVM/SNC/SEP/ no. 02/2019, the Company presents the comparative balances considering the effect of projected future inflation on the flows of lease agreements, discounted at the nominal rate:

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Lease assets - actual flow				
Right-of-use assets	46,043	29,620	118,909	113,954
Depreciation	(10,598)	(9,017)	(45,928)	(30,953)
	35,445	20,603	72,981	83,001
Lease assets - flow considering inflation				
Right-of-use assets	R$ 49,319	R$ 32,131	R$ 127,368	R$ 123,613
Depreciation	(11,352)	(9,781)	(49,195)	(33,577)
	37,967	22,350	78,173	90,036
Lease liabilities - actual flow				
Lease liabilities	R$ 43,768	R$ 26,958	R$ 90,155	R$ 73,873
Interest on leases	(5,877)	(3,539)	(12,440)	(9,020)
	37,891	23,419	77,715	64,853
Lease liabilities - flow considering inflation				
Lease liabilities	R$ 46,882	R$ 29,243	R$ 96,569	R$ 80,135
Interest on leases	(11,352)	(3,839)	(13,325)	(9,785)
	35,530	25,404	R$ 83,244	70,350

d) Maturity schedule of lease liabilities:

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
2022	-	8,036	-	19,456
2023	16,299	11,049	26,361	28,016
2024	10,016	4,334	20,328	7,813
2025	10,094	-	21,089	5,209
2026	1,482	-	8,186	2,604
2027 to 2038	-	-	1,751	1,755
	37,891	23,419	77,715	64,853

e) Term contracts and discount rates

The Group estimated the discount rates based on the risk-free interest rates observed in the Brazilian and foreign markets for the terms of its contracts, adjusted to its reality (credit spread). The spreads were obtained by surveying potential investors of the Group's debt securities. The table below shows the rates practiced taking into account the contract terms:

Terms	**Rates % p.a.**
2 years	13.89%
2 years (a)	0.16%
3 years	12.66%
5 years (a)	0.05%
5 years	6.26%
5 years	12.35%
10 years	6.80%
20 years	7.16%

(a) Properties located in the United States, at the local interest rate.

All amounts in thousands of reais, unless otherwise stated.

f) Potential right of PIS and COFINS recoverable:

The potential PIS/COFINS recoverable related to the lease payments, according to the expected payment periods, is as follows:

	Consolidated	
Cash Flow	Nominal	Adjustment to present value
Lease consideration	86,091	73,651
Potential PIS/COFINS (9.25%)	7,963	6,813

20. Trade payables, supplier credit assignment and payables for investments

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Domestic market				
Supplier credit assignment (a)	126,393	97,717	126,393	97,717
Operation suppliers	220,325	187,245	234,320	195,717
Foreign market	5,059	16,717	18,098	34,111
Current	351,777	301,679	378,811	327,545
Domestic market (i)	94,426	171,195	94,426	171,195
Non-current	94,426	171,195	94,426	171,195
Total operation suppliers	446,203	472,874	473,237	498,740
Payables for investments (b)				
Domestic market	16,069	15,256	16,700	15,256
Foreign market	19,511	23,980	93,416	41,590
Total investment suppliers	35,580	39,236	110,116	56,846
	481,783	512,110	583,353	555,586

(i) Provision for payment to gas supplier arising from the matter mentioned in Note 11.

a) Supplier credit assignment

The Company conducted supplier credit assignment transactions with top-tier financial institutions in the amount of R$ 126,393 at December 31, 2022 (R$ 101,358 at December 31, 2021), to offer to its partner suppliers more attractive credit facilities aiming at maintaining the business relationship. In this transaction, suppliers transfer the right to receive the amounts of the notes to the bank, which in turn, becomes creditor of the transaction.

b) Payables for investments

The Company has the amount of R$ 26,390 recorded in current liabilities in the Parent Company (R$ 20,497 at December 31, 2021) and R$ 82,021 in the Consolidated (R$ 38,107 at December 31, 2021) referring to suppliers of property and equipment and intangible assets. It has a balance of R$ 9,190 in the Parent Company and R$ 28.195 Consolidated at the non-current liabilities, maturing between 2022 and 2025, related to property and equipment for modernization of plants (R$ 18,739 in the Parent Company and in the Consolidated at December 31, 2021).

All amounts in thousands of reais, unless otherwise stated.

21. Borrowings and debentures

	Currency	Maturity	Charges		Parent Company and Consolidated December 31, 2022	Parent Company and Consolidated December 31, 2021
Current						
Banco do Nordeste S.A (a)	R$	Jun-27	3.79%	p.a.¹ +IPCA	31,018	60,537
NCE (b)	R$	Aug-27	2.85%	p.a.¹ +CDI	21,886	646
NCE	US$	Mar-22	3.08%	p.a.¹ +VC	-	3,790
PRODEC (c)	R$	Jun-26	3.40%	p.a.¹ +AVP	2,931	4,959
FINEP (d)	R$	Nov-30	2.6%	p.a.¹ +TJLP	12,834	3,500
DEBENTURES 4th series (e)	R$	Sep-26	3.00%	p.a.¹ +CDI	87,930	7,193
ACC (f)	US$	Oct-22	2.50%	p.a.¹ +VC	8,122	17,490
National Bank for Economic and Social Development (BNDES) (g)	R$	Jun-26	1.80%	p.a.¹ + SELIC	845	-
Export Prepayment - PPE (b)	US$	Nov-27	12.46%	p.a.¹	337	-
Total current			**12.88%**	p.a.¹	**165,903**	**98,115**
Total domestic currency		R$			157,444	76,835
Total foreign currency		US$			8,459	21,280
Non-current						
Banco do Nordeste S.A (a)	R$	Jun-27	3.79%	p.a.¹ +IPCA	36,555	60,069
PRODEC (c)	R$	Jun-26	3.40%	p.a.¹ +AVP	20,524	14,687
FINEP (d)	R$	Nov-30	2.6%	p.a.¹ +TJLP	151,769	162,116
NCE (b)	R$	Aug-27	2.85%	p.a.¹ +CDI	197,234	130,000
DEBENTURES 4th series (e)	R$	Sep-26	3.00%	p.a.¹ +CDI	223,198	297,405
National Bank for Economic and Social Development (BNDES) (g)	R$	Jun-26	1.80%	p.a.¹ + SELIC	3,363	-
Export Prepayment - PPE (b)	US$	Nov-27	12.46%	p.a.¹	85,025	-
Total non-current			**13.35%**	**p.a.¹**	**717,668**	**664,277**
Total domestic currency		R$			632,643	664,277
Total foreign currency		US$			85,025	-
Total			**13.26%**	**p.a.¹**	**883,571**	**762,392**
Total domestic currency		R$			790,087	741,112
Total foreign currency		US$			93,484	21,280

¹ Weighted average rate (p.a. - per annum)
AVP - Adjustment to present value
Amplified Consumer Prices Index (IPCA)
VC - Foreign exchange variation
CDI - Interbank Deposit Certificate

a) Information on agreements

7	Institution/ Modality	Date of contract	Maturity	Term (months)	Grace period (months)	Amortization	Amount raised	Releases (in thousands of R$) Amount	Releases (in thousands of R$) Date	Guarantees/Notes
a)	Banco do Nordeste	Jun/13	Jun/25	133	24	Monthly	R$ 105,646	R$ 29,223	Aug/14	Mortgage for real estate and machinery and equipment. Renegotiated in April/2020.
								R$ 45,765	Jan/15	
								R$ 14,700	Sep/15	
								R$ 4,713	Mar/16	
								R$ 2,418	Dec/16	
								R$ 8,827	Feb/19	
								R$ 105,646	*Total*	
		Jul/19	Jun/27	95	24	Monthly	R$ 31,147	R$ 7,246	Jul/19	Mortgage for real estate and machinery and equipment in 2nd degree. Renegotiated in April/2020.
								R$ 4,681	Feb/20	
								R$ 4,261	Sep/20	
								R$ 7,000	Jun/22	
								R$ 23,188	*Total*	
		Sep/19	Jul/23	12	2	*Monthly*	R$ 23,500	R$ 23,500	Sep/19	PBTech and CBC guarantee. Renegotiated in April/2020.
		Jun/20	Jul/23	37	13	*Monthly*	R$ 35,000	R$ 35,000	Jun/20	Mortgage for real estate in 2nd degree. Renegotiated in April/2020.
b)	Export Credit (NCE)	Jun/21	Jun/26	60	24	Semiannual	R$ 30,000	R$ 30,000	Jun/21	Receivables from Portobello S.A. of 20% of the outstanding balance of the contract)
		Aug/21	Aug/27	72	24	Semiannual	R$ 100,000	R$ 100,000	Aug/21	Receivables from Portobello S.A. of 30% of the outstanding balance of the contract)
		Dec/22	Dec/27	60	24	Semiannual	R$ 48,000	R$ 48,000	Dec/22	Receivables from Portobello S.A. of 10% of the outstanding balance of the contract)
		Dec/22	Dec/27	60	24	Semiannual	R$ 40,000	R$ 40,000	Dec/22	No guarantee
	Export Prepayment - PPE	Nov/22	Nov/27	60	24	Semiannual	R$ 43,000	R$ 43,000	Nov/22	No guarantee
		Nov/22	Nov/27	60	24	Semiannual	R$ 43,000	R$ 43,000	Nov/22	No guarantee
c)	Santa Catarina State Corporation Development Program (PRODEC)	Aug/20	Aug/24	48	*	*	R$ 437	R$ 437	Aug/20	Special Regime obtained in June/2009. Subject to Adjustment to Present Value (AVP). Monetary restatement of 4% p.a. UFIR variation. Rate: average working capital (5.24% p.a.). Deferred amount: 60% of the tax balance generated in the month.
		Sep/20	Sep/24	48	*	*	R$ 1,318	R$ 1,318	Sep/20	
		Oct/20	Oct/24	48	*	*	R$ 1,779	R$ 1,779	Oct/20	
		Nov/20	Nov/24	48	*	*	R$ 1,194	R$ 1,194	Nov/20	
		Dec/20	Dec/24	48	*	*	R$ 1,519	R$ 1,519	Dec/20	
		Jan/21	Jan/25	48	*	*	R$ 401	R$ 401	Jan/21	
		Feb/21	Feb/25	48	*	*	R$ 1	R$ 1	Feb/21	
		Mar/21	Mar/25	48	*	*	R$ 473	R$ 473	Mar/21	
		Apr/21	Apr/25	48	*	*	R$ 654	R$ 654	Apr/21	
		Jun/21	Jun/25	48	*	*	R$ 539	R$ 539	Jun/21	
		Jul/21	Jul/25	48	*	*	R$ 368	R$ 368	Jul/21	
		Aug/21	Aug/25	48	*	*	R$ 99	R$ 99	Aug/21	
		Sep/21	Sep/25	48	*	*	R$ 758	R$ 758	Sep/21	
		Oct/21	Oct/25	48	*	*	R$ 1,098	R$ 1,098	Oct/21	
		Nov/21	Nov/25	48	*	*	R$ 1,894	R$ 1,894	Nov/21	
		Dec/21	Dec/25	48	*	*	R$ 1,247	R$ 1,247	Dec/21	
		Dec/21	Dec/25	48	*	*	R$ 457	R$ 457	Jan/22	
		Dec/21	Dec/25	48	*	*	R$ 830	R$ 830	Feb/22	
		Dec/21	Dec/25	48	*	*	R$ 927	R$ 927	Mar/22	
		Apr/22	Apr/26	48	*Bullet*	*Bullet*	R$ 693	R$ 693	Apr/22	
		May/22	May/26	48	*Bullet*	*Bullet*	R$ 482	R$ 482	May/22	
		Jun/22	Jun/26	48	*Bullet*	*Bullet*	R$ 494	R$ 494	Jun/22	

All amounts in thousands of reais, unless otherwise stated.

		Jul/22	Jul/26	48	*Bullet*	*Bullet*	R$ 1,713	R$ 1,713	Jul/22	
		Sep/22	Sep/26	48	*Bullet*	*Bullet*	R$ 227	R$ 227	Sep/22	
		Nov/22	Nov/26	48	*Bullet*	*Bullet*	R$ 433	R$ 433	Nov/22	
		Oct/22	Oct/26	48	*Bullet*	*Bullet*	R$ 1,724	R$ 1,724	Oct/22	
d)	FINEP	Dec/19	Sep/29	117	32	Monthly	R$ 66,771	R$ 25,008	Dec/19	Bank guarantee.
								R$ 33,000	Mar/20	
								R$ 8,763	Aug/21	
								R$ 66,771	*Total*	
		Nov/20	Nov/30	120	36	Monthly	R$ 98,487	R$ 64,274	Nov/20	
								R$ 34,213	Dec/21	
								R$ 98,487	*Total*	
e)	Debentures (4th issue/1st series)	Sep/21	Sep/26	60	24	Semiannual	R$ 300,000	R$ 300,000	Sep/21	Proceeds partially allocated to the redemption of 3rd issue (R$ 150 million). Real guarantee and additional fiduciary guarantee. This contract has covenants that have been met.
f)	ACC	Oct/21	Jan/23	12	*	*	US$ 1,538	R$ 8,461	Oct/21	No guarantee, extended to 01/04/2023
g)	National Bank for Economic and Social Development (BNDES)	Jun/22	Jun/26	48	*12*	*Quarterly*	10,000	R$ 3,923	Jun/22	BNDES Cadeiras Produtivas.Program 100% of the amount transferred to Portobello Shop franchisees

*Single settlement at the end of the contract

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

The Company has a contract with the following financial covenants, the ratio obtained by dividing Net Debt by EBITDA cannot be higher than 3.50x.

The covenants were complied with at December 31, 2022.

Long-term borrowings mature as follows:

	Parent Company and Consolidated	
	December 31, 2022	December 31, 2021
2022	-	98,115
2023	165,903	136,218
2024	168,895	153,458
2025	205,033	148,384
2026	194,694	132,539
2027	92,481	38,774
2028 a 2030	56,565	54,904
	883,571	762,392

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

Changes in borrowings and debentures are as follows:

All amounts in thousands of reais, unless otherwise stated.

	Parent Company and Consolidated
Total debt at December 31, 2020	**727,766**
Changes affecting cash flow	
Proceeds from borrowings and debentures	513,735
Payment of principal	(488,798)
Payment of interest	(40,672)
Changes not affecting cash flow	
Unrealized foreign exchange variations	1,116
Accrued interest	50,520
Adjustment to present value – Prodec	(187)
Allocation of debenture costs	(1,088)
Total debt at December 31, 2021	**762,392**
Changes affecting cash flow	
Proceeds from borrowings and debentures	192,903
Payment of principal	(74,816)
Payment of interest	(79,661)
Changes not affecting cash flow	
Unrealized foreign exchange variations	(2,980)
Accrued interest	83,118
Adjustment to present value – Prodec	1,857
Allocation of debenture costs	758
Total debt at December 31, 2022	**883,571**

Debentures

The Company approved at the Extraordinary General Meeting held on September 16, 2021, according to the proposal of the Board of Directors, the 4th issuance of simple, non-convertible debentures, with real guarantee and additional fiduciary guarantee, in two series, for public distribution with restricted placement efforts. The covenants for 2022 were complied with.

Issue	4th
Fiduciary Agent	PENTÁGONO S.A.
ISIN code	BRPTBLDBS000
Settling bank	Banco Itaú BBA S/A
Lead Coordinator	Banco Itaú BBA S/A
Issue date	09/17/2021
Maturity date	09/17/2026
Issue Rating	No
Remuneration	CDI + 3.00 p.a. (252 b.d.)
Trading	CETIP
Serial Number	1
Issue Volume R$	300,000,000.00
Total Debentures	300,000
Par Value R$	1,000.00
Covenants	EBITDA net debt ratio < 3.50 times
Payment Remuneration	Semiannual, with first remuneration date on 03/17/2022

22. Tax installment payment

In November 2009, the Company adhered to a federal tax installment payment plan, after the enactment of Law 11,941/09, with 22 installments remaining to be paid.

The installments fall due as follows:

All amounts in thousands of reais, unless otherwise stated.

	Parent Company and Consolidated	
	December 31, 2022	December 31, 2021
2022	-	11,663
2023	12,313	12,179
2024	10,217	9,227
	22,530	33,069
Current	12,313	11,663
Non-current	10,217	21,406

23. Taxes, fees and contributions

At December 31, 2022, taxes, fees and contributions recorded in current liabilities were classified as follows:

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
ICMS	15,844	13,678	16,578	14,096
IRRF	6,187	7,599	8,281	8,385
PIS/COFINS	-	-	2,055	1,176
Other	-	276	963	548
	22,031	21,553	27,877	24,205

24. Other payables – Current liabilities

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Current				
Asset decommissioning	-	-	451	482
Consigned suppliers	1,746	967	1,746	967
Commissions	10,762	8,569	15,297	11,846
Advertising fund	-	-	3,689	7,023
Provision for freight	3,048	2,392	3,048	2,392
Provision for natural gas	2,704	1,477	2,704	1,477
Other payables	4,755	4,035	12,071	7,069
	23,015	17,440	39,006	31,256
Non-current				
Asset decommissioning	-	-	1,287	955
Long-term incentives	3,490	1,014	3,490	1,014
Government grant	-	-	15,480	16,556
Other payables	-	-	703	2,147
	3,490	1,014	20,960	20,672

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

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

All amounts in thousands of reais, unless otherwise stated.

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

The balance of provisions is broken down as follows:

Amount accrued	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Civil	31,930	27,477	44,848	38,379
Labor	10,074	15,166	10,321	15,741
Social security	4,550	4,550	4,550	4,550
Tax	28,519	30,313	28,650	30,344
	75,073	77,506	88,369	89,014

The changes in the balance of provisions for contingencies are broken down as follows:

	Parent Company				
	Civil	Labor	Social Security	Tax	Total
At December 31, 2020	25,072	9,013	4,511	24,946	63,542
Charged (credited) to the statement of income:	3,352	9,441	39	6,088	18,920
Additional provisions	9,590	11,787	18	3,882	25,277
Reversal - not used	(2,444)	(2,003)	-	(535)	(4,982)
Transfers (a)	(9,673)	(957)	-	-	(10,630)
Monetary adjustment (Reversal)	5,879	614	21	2,741	9,255
Reversal due to non-realization	(947)	(3,288)	-	(721)	(4,956)
At December 31, 2021	27,477	15,166	4,550	30,313	77,506
Charged (credited) to the statement of income:	7,396	160	-	2,323	9,879
Additional provisions	5,855	6,656	-	2,416	14,927
Reversal - not used	(1,908)	(6,886)	-	(481)	(9,275)
Monetary adjustment (Reversal)	3,449	390	-	388	4,227
Reversal due to non-realization	(2,943)	(5,252)	-	(632)	(8,827)
Provisions (Reversals) due to realization (non-cash effect)	-	-	-	(3,485)	(3,485)
At December 31, 2022	31,930	10,074	4,550	28,519	75,073

(a) Transfer of provision balances from the Parent Company to the Subsidiaries PBTech, PBShop, CBC and Mineração.

	Consolidated				
	Civil	Labor	Social Security	Tax	Total
At December 31, 2020	25,072	9,013	4,511	24,977	63,573
Charged (credited) to the statement of income:	14,379	10,104	39	6,088	30,610
Additional provisions	10,158	11,516	18	3,882	25,574
Reversal - not used	(2,542)	(2,074)	-	(535)	(5,151)
Monetary adjustment (Reversal)	6,763	662	21	2,741	10,187
Reversal due to non-realization	(1,072)	(3,375)	-	(721)	(5,168)
					-
At December 31, 2021	38,379	15,741	4,550	30,344	89,014
Charged (credited) to the statement of income:	9,566	(55)	-	2,423	11,934
Additional provisions	6,400	6,783	-	2,506	15,689
Reversal - not used	(2,278)	(7,090)	-	(481)	(9,849)
Monetary adjustment (Reversal)	5,444	252	-	398	6,094
Reversal due to non-realization	(3,097)	(5,365)	-	(632)	(9,094)
Provisions (Reversals) due to realization (non-cash effect)	-	-	-	(3,485)	(3,485)
			-		-
At December 31, 2022	44,848	10,321	4,550	28,650	88,369

Civil

The Company and its subsidiaries are defendants in 454 civil lawsuits (393 lawsuits at December 31, 2021), before the Common Courts and Special Civil Courts.

The amounts provisioned are comprised of indemnification claims filed by Final Consumers and construction companies who are Customers of the Company, in which they make claims related to purchased products, in addition to public civil actions filed by the Attorney General's Office (AGU) against Mineração Portobello Ltda. (subsidiary), seeking to compensate for the alleged illegal extraction of ores, and claims related to the Portobello Shop Franchise network. When applicable, escrow deposits were made (Note 11).

Labor

The Company and its subsidiaries are defendants in 359 labor claims (458 claims at December 31, 2021), filed by former employees and third parties. The lawsuits refer to payment of severance amounts, additional amounts, overtime, equal pay and indemnity for pain and suffering and damage to property arising from work accident/occupational illness. Provisions are revised by Management according to its legal advisors. Some lawsuits are supported by escrow deposits.

Social security

Based on the low expectation of success in administrative and judicial actions involving corporate awards, the Company recognized a provision for these debts in the total amount of R$ 4,904, which still depend on a court decision in the Tax Execution phase, or in some cases, an administrative before the Brazilian Federal Revenue Service.

Tax

Tax assessment notice No 10340.720236/2021-00

On March 15, 2021, the Company was notified of the issuance of the tax assessment notice for the tax credit entry in the amount of R$ 6,421, which originated administrative proceeding No. 10340.720236/2021-00 for the period from 2017 to 2018, for the non-payment of social security contributions on a) Profit Sharing payments (PLR) made to individual taxpayer insured persons; b) payments of amounts nominated by the company as "Assiduity Bonus", made to insured employees; and, c) contribution destined to the National Institute of Colonization and Agrarian Reform (INCRA) not included in the FGTS Collection Guide and Social Security Information (GFIP), which levies on the payment made to insured employees. The Company challenged the entries and is awaiting decision by the Federal Revenue Service of Brazil.

For the aforementioned tax assessment notice, the Company set up a provision of R$ 620, the remainder being considered as a remote loss.

26. Lawsuits assessed as possible losses

a) Possible loss

Judicial proceedings that constitute present obligations whose outflow of resources is not probable or for which it is not possible to make a sufficiently reliable estimate of the amount of the obligation, as well as those that do not constitute present obligations, are not recognized, but are disclosed, unless that the possibility of outflow of resources is remote.

All amounts in thousands of reais, unless otherwise stated.

Investigative processes

The Company was notified of the initiation, by the Ministry of Economy, of an Administrative Accountability Process - PAR/ME, to investigate evidence of non-compliance with the provisions of Law 12,846/13, consisting of an alleged irregularity dating back to 2015.
So far, there is no indication, the slightest that it may be, that the operational and/or financial integrity of the Company would be materially exposed.

Promptly, an internal investigation began to fully verify the news received. This procedure will provide the Company with more information, the main objectives of which are to properly address any confirmed irregularities and fully collaborate with the competent authorities. At this time, in the initial stage of procedural instruction, it is not possible to estimate whether there will be any impact on the Company, nor the approximate amount of conviction, if any. In this way the process remains classified with the possible risk assessment.

The Company, based on its legal advisors, estimates the other possible contingencies in the amounts of contingent liabilities presented below:

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Civil	5,508	5,510	5,593	5,570
Labor	6,259	11,576	6,378	11,753
Social security	10,985	10,985	10,985	10,985
Tax	13,850	10,141	13,850	13,850
	36,602	38,212	36,806	42,158

27. Equity

27.1 Share capital

At December 31, 2022, the Company has a subscribed and paid-up capital in the total amount of R$ 250,000 (R$ 250,000 at December 31, 2021), divided into 140,986,886 common, registered and book-entry shares, with no par value (147,529,703 shares at December 31, 2021).

At December 31, 2022, there were 54,759,327 outstanding shares, corresponding to 38.84% of the total shares issued (54,856,527 at December 31, 2021, corresponding to 38.91% 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, Supervisory Board, Managers and treasury shares.

During the period, the Company had variations in its shares due to purchase of shares to be held in treasury and cancellation of shares referring to the buyback plan of 2021 and 2022. Share variations are shown below:

	Treasury share movement	Shares	Treasury shares	Shares held by shareholders
December 31, 2020	Opening balance	158,488,517	3,959,156	154,529,361
January 2021	Purchase	-	14,800	154,514,561
February 2021	Purchase	-	2,081,900	152,432,661
March 2021	Cancellation	(3,959,156)	(3,959,156)	152,432,661
March 2021	Purchase	-	4,902,958	147,529,703
June 2021	Cancellation	(6,999,658)	(6,999,658)	147,529,703
June 2021	Purchase	-	71,200	147,458,503

All amounts in thousands of reais, unless otherwise stated.

August 2021	Purchase	-	4,643,000	142,815,503
September 2021	Purchase	-	1,828,617	140,986,886
December 31, 2021	Closing Balance	147,529,703	6,542,817	140,986,886
March 2022	Cancellation	(6,542,817)	(6,542,817)	140,986,886
September 30, 2022	Closing Balance	140,986,886	-	140,986,886

27.2 Treasury shares

Until December 31, 2021, the Company canceled 10,958,814 treasury shares acquired under the buyback program approved in 2020 and 2021, and their respective amount of R$ 76,459 was recorded in the profit retention reserve.

On June 14, 2021, the Board of Directors approved a new Buyback program of up to 6,542,817 shares, which corresponds to 4.4% of the shares issued and 10% of the outstanding shares (“free float”), effective until June 14, 2022. Up to December 31, 2021, the Company purchased 6,542,817 common shares, for the total amount of R$ 91,351. Up to March 28, 2022, the Company canceled 6,542,817 common shares, which remain in treasury.

27.3 Earnings reserve

At December 31, 2022, the balance of the legal reserve amounts to R$ 50,000 (R$ 43,016 at December 31, 2021) as provided for in Article 193 of the Brazilian Corporation Law (Law 6,404/76).

The objective of the unallocated earnings reserve, in the amount of R$ 35,633 (R$ 35,633 at December 31, 2021), is to show the portion of profits whose allocation will be decided and allocated at the Annual General Meeting.

At December 31, 2022, the balance of the unrealized profit retention reserve totals R$ 36,869 (R$ 92,174 at December 31, 2021).

At December 31, 2022, the balance of the tax incentive reserve amounts to R$ 103,194 (R$ 65,785 at December 31, 2021). The Company recorded tax incentive reserves in 2022 in the amount of R$ 37,409 (R$ 30,634 at December 31, 2021). In 2021, there was a capital contribution with a tax incentive reserve in the amount of R$ 50,000. Referring to government grants for ICMS tax incentives related to Prodesin (Integrated Development Program of the State of Alagoas), to the Differentiated Tax Treatment of Santa Catarina (TTD) and to Simples Nacional.

27.4 Carrying value adjustments

	Carrying value adjustments			
Parent Company and Consolidated	Deemed cost (a)	Cumulative translation adjustment (b)	Other comprehensive income (c)	Total
At December 31, 2020	32,323	(68,353)	(14,095)	(50,125)
Realization of the revaluation reserve	(1,184)	-	-	(1,184)
Foreign exchange variation of subsidiary located abroad	-	1,863	-	1,863
Actuarial gain / (loss)	-	-	7,883	7,883
Deferred income tax and social contribution on actuarial gain (loss)	-	-	(2,680)	(2,680)
Hedge accounting transactions	-	-	2,474	2,474
Deferred income tax and social contribution on hedge accounting	-	-	(841)	(841)
At December 31, 2021	31,139	(66,490)	(7,259)	(42,610)
Realization of the revaluation reserve	129	-	-	129
Foreign exchange variation of subsidiary located abroad	-	(3,071)	-	(3,071)
Actuarial gain / (loss)	-	-	7,364	7,364
Deferred income tax and social contribution on actuarial gain (loss)	-	-	(2,504)	(2,504)
Hedge accounting transactions	-	-	3,935	3,935
Deferred income tax and social contribution on hedge accounting	-	-	(1,338)	(1,338)
At December 31, 2022	31,268	(69,561)	198	(38,095)

a) Deemed cost

In 2010, upon the first-time adoption of IFRS 1/CPC 37, 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 the same represented substantially the fair value at the date of transition. Such revaluation included land, constructions and improvements, supported by a revaluation report prepared by an independent appraiser. It is being realized based on the depreciation of revalued constructions and improvements recorded against retained earnings. The same effect of the realization of the carrying value adjustments is reflected in profit or loss, based on the depreciation of revalued assets.

b) Cumulative translation adjustment

The changes in assets and liabilities in foreign currency (US Dollar) arising from currency fluctuation, as well as the variations between the daily rates and the closing rate of the changes in profit or loss of the foreign subsidiary are recognized in this line item of cumulative translation adjustments. At December 31, 2022, the foreign exchange variation amounted to R$ (3,071) (R$ 1,863 at December 31, 2021), as mentioned in Note 16.

c) Other comprehensive income

At December 31, 2022, the balance of R$ 198 (R$ (7,259) at December 31, 2021) arises from:

i) Fair value of private pension plans (actuarial) of R$ (4,032) (R$ (8,892) at December 31, 2021);

iii) Hedge accounting fair value of R$ 6,410 (R$ 2,474 at December 31, 2021), due to the negative result of operations with derivative financial instruments classified as hedge accounting not yet realized in the quarter, with an effect of R$ (R$ 2,180) (R$ (841) at December 31, 2021) related to the deferred income tax and social contribution on this balance, net of hedge accounting fair value of R$ 4,230 (R$ 1,633 at December 31, 2021). These amounts are transferred from equity to profit or loss to the extent that the NDF contracts mature and sales in US Dollars are shipped in the respective month of maturity of the contracts.

28. Employee benefits

28.1 Private pension plan

Since 1997, the Company and its subsidiaries sponsor a pension plan called Portobello Prev, managed by Bradesco, which has 3,739 active participants (3,647 at December 31, 2021) and 23 retirees and pensioners (23 at December 31, 2021). The plan is a defined contribution plan in the fund contribution stage. During the benefit granting stage, the plan shows defined benefit features, ensuring life retirement and pension benefits to its members. Moreover, it offers a minimum retirement benefit based on the length of service or age, which is exclusively financed by the sponsors.

All amounts in thousands of reais, unless otherwise stated.

Parent Company and Consolidated	
Fair value of the plan assets	
At December 31, 2020	86,892
Benefits paid in the year	(4,642)
Participant contributions in the year	1,437
Sponsor contributions in the year	2,697
Expected return on assets in the year	5,758
Financial (gains) losses	2,453
At December 31, 2021	94,595
Benefits paid in the year	(4,046)
Participant contributions in the year	2,282
Sponsor contributions in the year	4,246
Expected return on assets in the year	7,248
Financial (gains) losses	4,262
At December 31, 2022	108,587

Parent Company and Consolidated	
Defined benefit liability	
At December 31, 2020	75,918
Gross cost of current service (with interest)	1,052
Interest on actuarial obligation	6,951
Benefits paid in the year	(4,642)
Liabilities - (gain) or loss	(5,430)
At December 31, 2021	75,918
Gross cost of current service (with interest)	1,802
Interest on actuarial obligation	10,695
Benefits paid in the year	(4,046)
Liabilities - (gain) or loss	(3,102)
At December 31, 2022	81,267

The changes in the fair value of the benefit plan assets and the defined benefit obligation during the year are shown below:

Parent Company and Consolidated	December 31, 2022	December 31, 2021
Fair value of the plan assets	108,587	94,595
Present value of the obligations financed	(81,267)	(75,918)
Net actuarial assets (liabilities)	27,320	18,677

Parent Company and Consolidated	December 31, 2022	December 31, 2021
Gain (loss) on actuarial obligations	3,102	5,430
Gain (loss) on plan assets	4,262	2,453
Actuarial gain / (loss)	7,364	7,883

The amounts recognized in the income statements, under "Other operating income (expenses)", referring to the result of asset management, are:

	Parent Company and Consolidated	
	December 31, 2022	December 31, 2021
Current service cost (with interest)	(1,802)	(1,052)
Interest on actuarial obligations	(10,695)	(6,951)
Expected return on plan assets	7,248	5,758
Participants contributions in the year	2,282	1,437
Employer contributions in the year	4,246	2,697
Recognized in the statement income	1,279	1,889

The actuarial assets and liabilities were calculated by means of actuarial calculations made by an independent actuary following the assumptions below:

	Parent Company and Consolidated	
Economic and financial	December 31, 2022	December 31, 2021
Annual interest rate	10.11 % p.a. nominal (inflation + 6.39% p.a. real)	8.91 % p.a. nominal (inflation + 5.23 % p.a. real)
Long-term return on assets	10.11 % p.a. nominal (inflation + 6.39% p.a. real)	8.91% p.a. nominal (inflation + 5.23% p.a. real)
Long-term inflation	3.50%	3.50%
Projected salary increases	3.5 % p.a. nominal (0.00% p.a. real)	3.5 % p.a. nominal (0.00% p.a. real)
Projected growth of the plan benefits	0.,00% p.a.	0.,00% p.a.
Factor for determining the real value over time (wages)	98%	98%
Factor for determining real value over time (benefits)	98%	98%
Biometrics and demographics		
Turnover assumption	1.10%	1.10%
General mortality table	AT 2000 BASIC (segregated by gender)	AT-2000

Mortality table of individuals with permanent disability	EXP. IAPC	EXP. IAPC
Table of new disability benefit vested	TASA 1927	TASA 1927
Turnover	1.10% p.a.	1.10% p.a.
Retirement	100% first-time eligible	100% first-time eligible
Family composition before retirement	Not applicable	Not applicable
Family composition after retirement	Real family	Real family

The Company also recognized, at December 31, 2022, an actuarial gain of R$ 7,364 (R$ 7,883 at December 31, 2021) in equity, as other comprehensive income, relating to payments made by the sponsor in the year, with an asset effect for employee benefit plan purposes and actuarial adjustment, with effect on other operating income, in the amount of R$ 1,279 (R$ 1,889 at December 31, 2021)

29. Revenue

The reconciliation from gross revenue to net revenue is as follow:

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Gross sales revenue	2,190,522	2,032,037	2,706,332	2,410,628
Result from hedge accounting transactions	41,896	(11,442)	41,896	(11,442)
Deductions from gross revenue	(472,067)	(438,563)	(551,547)	(487,059)
Taxes on sales	(416,698)	(371,545)	(476,854)	(407,057)
Returns and rebates	(55,369)	(67,018)	(74,693)	(80,002)
Net sales revenue	1,760,351	1,582,032	2,196,681	1,912,127

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

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Sale of own products	1,642,079	1,490,974	1,883,927	1,652,004
Sale of third-party products	118,272	91,058	196,246	152,366
Royalties	-	-	116,508	107,757
Net operating revenue	1,760,351	1,582,032	2,196,681	1,912,127

Generally, the Company has no customers that individually account for more than 10% of the net sales revenue.

30. Expenses by nature

Cost of sales, selling and administrative expenses are broken down as follows

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Costs and expenses				
Cost of sales and/or services	(1,147,595)	(1,018,637)	(1,251,067)	(1,085,039)
Selling expenses	(311,691)	(275,434)	(533,989)	(421,287)
General and administrative	(86,097)	(67,489)	(90,165)	(68,980)
	(1,545,383)	(1,361,560)	(1,875,221)	(1,575,306)
Breakdown of expenses by nature				
Direct production cost (raw materials and inputs)	(834,990)	(660,618)	(824,848)	(651,702)
Salaries, charges and employee benefits	(357,686)	(311,229)	(449,806)	(366,850)
Third-party labor and services	(99,722)	(90,464)	(127,861)	(102,385)
General production expenses (including maintenance)	(73,467)	(65,274)	(76,509)	(67,230)
Cost of goods resold	(94,580)	(68,670)	(191,122)	(127,382)
Amortization and depreciation	(61,113)	(53,066)	(91,969)	(72,216)
Other selling expenses	(16,395)	(14,714)	(42,604)	(49,174)
Sales commissions	(42,110)	(37,560)	(80,244)	(50,662)
Marketing and publicity	(42,315)	(36,921)	(59,881)	(48,183)
Transportation of goods sold	(39,328)	(32,638)	(39,328)	(32,638)
Lease expenses - not applicable to IFRS 16	(27,881)	(23,062)	(32,566)	(27,709)
Idleness (b)	(10,994)	-	(10,994)	-
Other administrative expenses	(165)	(5,354)	(1,113)	(5,804)
Changes in inventories of finished products and work in progress (a)	155,363	38,010	153,624	26,629
Total	(1,545,383)	(1,361,560)	(1,875,221)	(1,575,306)

All amounts in thousands of reais, unless otherwise stated.

a) Changes in inventories of finished products and work in progress is the difference between the cost of the product manufactured and the cost of the product sold, representing the sales of items manufactured in previous years.
b) Values resulting from the idleness of the Tijucas and Marechal Deodoro industrial facilities.

31. Other operating income and expenses, net

The amount of other net operating income and expenses is as follows:

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Other operating income				
Revenue from services	1,712	691	1,712	691
Actuarial adjustment (Note 28)	1,279	1,889	1,279	1,889
Sale of property, plant and equipment (a)	-	-	14,773	-
Reversal of the unconstitutionality of ICMS tax rate difference	19,621	-	19,621	-
Reversals of provision for civil, labor, social security and tax issues	-	9,831	-	9,831
Tax credits	2,975	3,697	2,975	3,697
Other revenues	314	10,104	1,685	12,172
	25,901	26,212	42,045	28,280
Other operating expenses				
Provisions for civil, labor, social security and tax issues	(6,854)	(20,791)	(7,009)	(22,854)
Reversals of provision for civil, labor, social security and tax issues	-	-	-	(9,831)
Attorney's fees	(2,853)	(2,669)	(2,853)	(2,669)
Taxes on other revenues	(711)	(453)	(764)	(520)
Contract terminations of own stores	-	-	-	(2,046)
Provision for profit sharing	(4,833)	(23,495)	(7,758)	(24,166)
Provision for inventory losses	-	-	(4,728)	-
Disposal of property, plant and equipment (a)	-	-	(14,905)	-
Bonus for achievement of goals	(2,955)	(1,015)	(4,912)	(1,069)
Other expenses	(1,408)	(8,214)	(6,331)	(13,205)
			-	-
Total	(19,614)	(56,637)	(49,260)	(76,360)
Total - net	6,287	(30,425)	(7,215)	(48,080)

(a) Refers to the sale of Portobello América's land to Oak Steet, arising from the built-to-suit transaction to the construction of the United States plant, see Note 17.

32. Finance income (costs)

Finance income (costs) is as follows:

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Finance income				
Interest	6,488	4,526	10,158	6,586
Asset adjustment	7,267	10,897	7,267	15,337
Gain on swap transactions	-	2,406	-	2,406
Other	526	180	730	503
Total	14,281	18,009	18,155	24,832
Finance costs				
Interest	(40,386)	(36,123)	(47,154)	(38,378)
Finance charges on taxes	(3,509)	(1,399)	(3,704)	(1,425)
Adjustment of provision for contingencies	(3,831)	(7,460)	(5,864)	(9,088)
Commissions and service fees	(6,736)	(8,640)	(12,335)	(14,675)
Bank expenses/Discount	(104)	(218)	(6,738)	(225)
Gain (loss) on swap transactions	(411)	(2,402)	(411)	(2,402)
Interest on debentures	(46,069)	(20,049)	(46,069)	(20,049)
Other	(6)	(3,566)	(163)	(3,725)
Total	(101,052)	(79,857)	(122,438)	(89,967)
Foreign exchange variations, net				
Trade receivables and trade payables	(5,387)	7,402	(5,375)	7,398
Borrowings	(3)	(1,495)	(3)	(1,495)
Total	(5,390)	5,907	(5,378)	5,903
Total - net	(92,161)	(55,941)	(109,661)	(59,232)

All amounts in thousands of reais, unless otherwise stated.

33. Earnings (loss) per share

a) Basic

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

The table below establishes the calculation of earnings (loss) per share at December 31, 2022 and 2021:

	Parent Company and Consolidated	
	December 31, 2022	December 31, 2021
Profit attributable to the owners of the Company	153,098	216,173
Weighted average number of common shares	140,987	147,623
Basic earnings per share	1.08590	1.46436

b) Diluted

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

34. Dividends

The mandatory minimum dividends for 2022, which represent 25% of the Company's profit less the Legal Reserve recognized in 2022, amount to R$ 36,529 (R$ 51,341 at December 31, 2021).

Dividends	December 31, 2022	December 31, 2021
Profit for the year	153,098	216,173
Transfer to legal reserve (5%)	6,984	10,809
Profit for the year adjusted for dividend purposes	146,114	205,364
Dividends		
Mandatory minimum dividends (25% of net income)	(36,529)	(51,341)
Additional dividends proposed	(6,914)	(47,852)
Total annual dividends	(43,442)	(99,193)

On August 5, 2022, the Board of Directors' Meeting approved the payment of advance dividends for 2022 in the total amount of R$ 43,442, of which R$ 22,847 refers to dividends and R$ 20,595 to interest on capital, with R$ (3,089) of withholding income tax, amounting to R$ 17,506 net of income tax. The amounts per share are R$ 0.1620 and R$ 0.1460 of dividends and interest on capital, respectively. The earnings were paid on September 1, 2022.

The total amount of earnings paid in advance for the year 2022 was R$43,442. The Company will post additional dividend payments at the Annual Shareholders' Meeting in the amount of R$ 29,615. The Company will distribute dividends to shareholders in the amount of R$73,057, referring to the year 2022.

All amounts in thousands of reais, unless otherwise stated.

35. Segment reporting

Management defined the operating segments based on the reports used for strategic decision-making, reviewed by the Executive Board, which carries out its business analysis by segmenting it from the perspective of the markets in which it operates: Domestic (Internal Market - Brazil) and Export (External Market – Other Countries).

According to the management's definition, currently the Company is structured in four strategic segments formed by the business units denominated Portobello, Portobello Shop (PBShop), Pointer and Portobello America (PBA).

Portobello is the owner of the industrial operation of the Portobello brand products in Tijucas, and it serves the following markets: B2B, multibrand retailers, building companies, large projects, export and other business of the group. Portobello Shop (PBShop) operates as a franchiser of the Group, developing brand retail through the network of own stores and franchises. Pointer is the owner of the industrial operation of the Pointer brand products in Alagoas, with regional operation in the Northeast, North and export markets. Portobello America (PBA) represents the brand in the United States, main market in the Company's strategy of internationalization.
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 gross operating income or loss.

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

a) Segment reporting for the years 2022 and 2021:

	At December 31, 2022			At December 31, 2021		
Continuing operations	Brazil	Other countries	Total	Brazil	Other countries	Total
Revenue	1,683,493	513,188	2,196,681	1,510,218	401,909	1,912,127
Cost of sales	(913,933)	(337,134)	(1,251,067)	(811,995)	(273,044)	(1,085,039)
Gross profit	769,560	176,054	945,614	698,223	128,865	827,088

In relation to the foreign market, the Company exports to 57 countries.

b) Segment reporting for the years 2022 and 2021:

	At December 31, 2021					
Continuing operations	Total	*Eliminations	Portobello	Pointer	Portobello Shop	PBA
Net revenue	1,912,127	(61,452)	904,665	269,776	623,704	175,434
Cost of sales	(1,085,039)	59,673	(503,685)	(161,792)	(335,787)	(143,448)
Gross profit	827,088	(1,779)	400,980	107,984	287,917	31,986

*Eliminations between transactions

	At December 31, 2022					
Continuing operations	Total	*Eliminations	Portobello	Pointer	Portobello Shop	PBA
Net revenue	2,196,681	(94,955)	1,024,156	225,444	809,011	233,025
Cost of sales	(1,251,067)	90,271	(577,114)	(153,265)	(433,412)	(177,547)
Gross profit	945,614	(4,684)	447,042	72,179	375,599	55,478

*Eliminations between transactions

All amounts in thousands of reais, unless otherwise stated.

36. Commitments for acquisition of assets

Purchases of property, plant and equipment

At December 31, 2022, expenses recorded but not yet incurred relating to property, plant and equipment amount to R$ 1,588 (R$ 9,270 at December 31, 2021). Such expenses correspond to the modernization of manufacturing equipment, according to the Company's investment plan.

Plant Construction Operation of the Portobello Manufacturing LLC Subsidiary

In 2022, Portobello America advanced in the project for the new plant which is being built in Baxter, Tennessee. In March, the Company announced to the market the signing of the Built-to-Suit (BtS) contract, in the amount of USD 90 million, which aims to build the new plant, in addition to the long-term commercial conditions for using the space in the form of leasing without purchase option.

In addition, also in March, Portobello America acquired equipment for phase 1 of the project. Investment in equipment in this phase of the project will total approximately USD 45 million. Up to December 31, 2022, the Company received the amount of USD 5 million in machinery; the remaining amount will be received in the 1st quarter of 2023. The unit is expected to start operating in early 2023.

37. Insurance coverage

The insurance coverage at December 31, 2022 is considered sufficient to cover any claims and is summarized as follows:

Insurance Policy	Maximum Indemnity Limit	Maturity
Vehicle fleet	79 (vehicles)	11/15/2023
Guarantee Bond Contract Engie EBC-18. 1710-CVE-CL	4146	03/01/2024
Group life insurance and funeral assistance	510,964	03/01/2023
Guarantee Bond Contract Engie	5,710	03/01/2023
General civil liability insurance (Tijucas/Pointer)	6,520	04/14/2023
Property Insurance - Own Stores	8,400	05/25/2023
Property Insurance - Pointer (Alagoas Building)	61,000	06/13/2023
PBG Property Insurance (Tijucas/Pointer/DCs) - single maximum indemnity limit	305,000	06/13/2023
Cyber insurance	7,000	07/01/2023
Directors & Officers Liability Insurance (D&O)	43,000	08/26/2023
International transport - Portobello imports	189,433	12/31/2023
International transport - Pointer imports	4,808	12/31/2023
Legal Protection Insurance	1,408	04/24/2023
Legal Protection Insurance	129	04/24/2023
Legal Protection Insurance	248	11/13/2023
Legal Protection Insurance	169	11/13/2023
Legal Protection Insurance	10,421	01/21/2024
Legal Protection Insurance (d)	44,720	01/21/2024
Legal Protection Insurance	3,899	04/26/2024
Legal Protection Insurance	1,534	05/13/2024
Legal Protection Insurance	315	05/10/2025
Legal Protection Insurance	10,603	05/10/2025
Legal Protection Insurance (a)	28,000	06/18/2025
Legal Protection Insurance	261	01/26/2026
Legal Protection Insurance (b)	53,070	05/03/2026
Legal Protection Insurance	1,366	05/03/2026
Legal Protection Insurance	734	05/03/2026
Legal Protection Insurance (c)	28,777	03/07/2027
Legal Protection Insurance	171	03/21/2027
Legal Protection Insurance	23,184	12/14/2027

(a) The guarantee insurance policy, issued in the judicial modality, in the amount of R$ 28,000, was presented in the records of the Labor Claim, in which it fights for the payment of labor funds, currently pending before the 15th Labor Court of Salvador/BA. The amount of the guarantee expressed in this Policy covers the total amount of the debt under discussion, including the principal, fine, attorney's fees, interest of 1% per month and monetary adjustment by the TR.

All amounts in thousands of reais, unless otherwise stated.

(b) The guarantee insurance policy in the amount of R$ 53,070 was presented in the records of the injunction proposed by the Company, against the Federal Government – National Treasury for the purpose of obtaining the tax regularity certificate. After being cited in an eventual tax execution.

(c) Policy R$ 28,777 - refers to a bond in the amount of R$ 28,777, taken out as a legal protection insurance, presented in the records of the decision enforcement filed by PBTECH against Banco do Brasil.

(d) Policy R$ 44,720 - refers to a bond, taken out as a legal protection insurance, in the amount of R$ 44,720, presented in the records of the tax execution filed by the Federal Government's National Treasury for the legal collection of tax credits subject to installment plan under MP470. The purpose of the bond recorded is to withdraw the amount deposited in court.

38. Related entities and parties

The operations between the companies of the Portobello Group involve the Parent Company and its subsidiaries, as well as parties related to the Group's controlling shareholders and officers. The operations refer to sales and purchases of finished goods, products in progress and raw materials, dividends, tax proceedings, lease of properties and contracting of logistics, software, infrastructure and marketplace services. The carrying amounts for the aforementioned operations are as follows:

		Parent Company	
Nature - Assets and liabilities balance	Company	December 31, 2022	December 31, 2021
Subsidiaries			
Commercial transactions			
Trade receivables	Portobello Shop S.A.	5	1
Trade receivables	Portobello America, Inc.	150,220	111,796
Trade receivables	Cia Brasileira de Cerâmica	253	402
Trade receivables	PBTech Com. Sern. Cer. Ltda.	11,287	6,714
Receivables from related parties	Portobello Shop S.A.	-	-
Trade payables	Cia Brasileira de Cerâmica	(3,578)	(170)
Trade payables	Mineração Portobello Ltda.	(4,122)	(1,819)
Assets net of liabilities with subsidiaries		154,065	116,924
Related parties			
Payables to related parties	Refinadora Catarinense S.A.	(56,330)	(56,330)
Payables to related parties	Mineração Portobello Ltda.	(10,354)	-
Payables to related parties	PBTech Com. Sern. Cer. Ltda.	(16)	-
Trade receivables	Solução Cerâmica Com. Ltda.	-	5
Trade receivables	Riveste Comercio Ltda.	-	559
Trade receivables	Flooring Revest. Cer. Ltda.	24	193
Trade payables	Riveste Comercio Ltda.	(3)	
Trade payables	Solução Cerâmica Com. Ltda.	(1)	-
Trade payables	Flooring Revest. Cer. Ltda.	-	(6,058)
Trade payables	AB Parking	(10)	(9)
Assets net of liabilities with other related parties		(66,690)	(61,640)

		Parent Company	
Nature - profit or loss	Company	December 31, 2022	December 31, 2021
Revenue			
Subsidiaries			
Sale of products	PBTech Com. Sern. Cer. Ltda.	138,530	105,543
Sale of products	Cia Brasileira de Cerâmica	1,583	1,519
Sale of products	Portobello America, Inc.	92,178	87,946
Related parties			
Sale of products	Solução Cerâmica Com. Ltda.	35	29,512
Sale of products	Riveste Comercio Ltda.	18,094	-
Sale of products	Flooring Revest. Cer. Ltda.	13,694	18,114
Expenses			
Subsidiaries			
Acquisition of inputs	Mineração Portobello Ltda.	(13,069)	(10,828)
Cutting service	Cia Brasileira de Cerâmica	(4,421)	-
Related parties			
Rental	Gomes Part Societárias Ltda.	(587)	(685)
Freight service	Multilog Sul Armazéns S/A	(73)	(3,607)

All amounts in thousands of reais, unless otherwise stated.

Cutting service	Flooring Revest. Cer. Ltda.	(7,364)	(11,711)
Parking service	AB Parking	(354)	(280)
		238,246	215,523

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

Related-party transactions

Portobello Shop, Companhia Brasileira de Cerâmica and Pbtech have receivables, payables from acquisition of stores and service revenue relating to royalties of related parties. The transactions are as follows:

		Subsidiaries	
Transactions with subsidiaries and related entities	Nature - Property	December 31, 2022	December 31, 2021
Solução Cerâmica Com. Ltda.	Trade receivables	-	61
Riveste Comercio Ltda.	Trade receivables	-	968
Flooring Revest. Cer. Ltda.	Trade receivables	26	515
Solução Cerâmica Com. Ltda.	Payables to subsidiaries and related parties	(15,551)	-
Riveste Comercio Ltda.	Payables to subsidiaries and related parties	(4,937)	-
Flooring Revest. Cer. Ltda.	Payables to subsidiaries and related parties	(29,181)	-
		(49,643)	1,544

		Subsidiaries	
Transactions with subsidiaries and related entities	Nature - profit or loss	December 31, 2022	December 31, 2021
Solução Cerâmica Com. Ltda.	Revenue - royalties	3	8,983
Riveste Comercio Ltda.	Revenue - royalties	4,977	2,552
Flooring Revest. Cer. Ltda.	Revenue - royalties	3,853	5,740
PBTech Com. Sern. Cer. Ltda.	Revenue - sale of products	3,048	-
PBTech Com. Sern. Cer. Ltda.	Revenue - sale of assets	-	30,865
Gomes Part Societárias Ltda.	Expenses - Rental	(918)	-
		10,963	48,140

		Subsidiaries	
Transactions with subsidiaries and related entities	Nature – acquisition of operations	December 31, 2022	December 31, 2021
Solução Cerâmica Com. Ltda.	Acquisition of store	13,200	-
Riveste Comercio Ltda.	Acquisition of store	46,800	-
Flooring Revest. Cer. Ltda.	Acquisition of stores and workshop	54,722	-
		114,722	-

Acquisition of Portobello Shop operations of Gabriel and Pacaembu stores

The Portobello Group, through its wholly-owned subsidiary PBtech, in line with its retail growth plan, acquired the Portobello Shop operations of Gabriel and Pacaembu stores – negotiation with related parties Riveste Comércio Ltda. and Soluções Cerâmica Comércio Ltda.

The operation was approved at a meeting of the Board of Directors on 03/16/2022 and the contract was signed on 04/29/2022.

The transaction value was defined by an independent third-party company, using the Discounted Cash Flow method, analyzing each of the stores individually. The transaction was set at R$ 60,000 (sixty million reais) for both stores, valuation consistent with market values, considering the revenue and other economic conditions of the locality. Payment: 1/3 of the amount, equivalent to R$ 20,000, paid in April

All amounts in thousands of reais, unless otherwise stated.

2022; 1/3 of the amount, equivalent to R$20,000 to be paid in 8 consecutive monthly installments of R$ 2,500,000.00, the first one with maturity in May 2022 and the others on the same day of the subsequent months and 1/3 of the amount, equivalent to R$20,000, will be paid in a single installment in April 2023.

At December 31, 2022, PBtech has R$ 20,488 outstanding in a debt with subsidiaries and related companies, comprising principal and interest. In the period, interest in the amount of R$ 2,522 was accrued in the finance result.

Acquisition of Portobello Shop Flooring operations

The Portobello Group, through its wholly-owned subsidiary PBtech, in line with its retail growth plan, acquired the operations of Portobello Shop Balneário Camboriú, Tijucas and São José stores. In conjunction with this acquisition through its wholly-owned subsidiary, Companhia Brasileira de Cerâmica Ltda. acquired the special cuts factory denominated Officina Portobello Tijucas, with all of its machinery and equipment, after negotiation between related parties with the company Flooring Revestimentos Cerâmicos Ltda.

The operation was approved at a meeting of the Board of Directors on 07/05/2022 and the contract was signed on 07/29/2022.

The transaction value was defined by an independent third-party company, using the Discounted Cash Flow method, analyzing each of the stores and workshop individually. The transaction was set at R$ 54,722 for both stores and workshop, valuation consistent with market values, considering the revenue and other economic conditions of the locality. Payment: 1/3 of the amount, equivalent to R$ 18,241, paid on the execution of the agreement: 1/3 of the amount, equivalent to R$ 18,240 to be paid in 12 consecutive monthly installments of R$ 1,520, the first one with maturity in August 2022 and the others on the same day of the subsequent months and 1/3 of the amount, equivalent to R$ 18,241, will be paid in a single installment in August 2023.

At December 31, 2022, PBtech and Companhia Brasileira de Cerâmica Ltda. have R$ 23,181 and R$ 6,000, respectively, outstanding in a debt with subsidiaries and related companies, comprising principal and interest. In the period, interest in the amounts of R$ 1,482 and R$ 359 was accrued in the finance result for Pbtech and Empresa Companhia Brasileira de Cerâmica Ltda., respectively.

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 at December 31, 2022, are as follows:

	Parent Company		Consolidated	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Fixed compensation				
Salaries	13,910	16,817	15,154	18,548
Fees	9,227	7,973	9,227	7,973
Variable compensation	2,993	5,768	3,438	6,302
Pension Plan	1,041	1,109	1,056	1,161
Severance benefits	966	482	966	527
Other	4,538	2,415	4,687	2,624
	32,675	34,564	34,528	37,135

39. Events after the reporting period

STF decision on the effectiveness of “res judicata”

On February 8, 2023, the Brazilian Federal Supreme Court (STF), with respect to Extraordinary Appeals Nos. 949.297 and 955.227, decided that decisions issued in direct actions or in appeals with general repercussions automatically interrupt the effects of previous final and unappealable decisions in the aforementioned cases, in such cases the principles of non-retroactivity, annual retroactivity and ninety-day period [principle under which no new tax may be collected in a period of less than ninety days after the publication of the statute that created it] must be complied with. Thus, considering the ruling of the Extraordinary Appeals mentioned above, the Company clarifies that, although there is no economic or financial risk, the effects and impacts arising from this decision are exclusively related to the matter addressed in Topic No. 939 - "Excise Tax (IPI)” upon customs clearance of manufactured goods and upon transfer from the importing establishment for sale in the domestic market.

Dividends

On March 27, 2023, the Board of Directors approved the payment of additional dividends in the amount of R$ 29,615.

OPINION OF THE FISCAL COUNCIL

The Fiscal Council of PBG SA, in compliance with legal and statutory provisions, examined the Financial Statements for the fiscal year ended December 31, 2022, comprising: balance sheet, statements of income for the year, statements of changes in equity, statements comprehensive income, cash flow statements, value added statements, explanatory notes, as well as the Management Report and the Independent Auditors' Opinion. The consolidated statements were also examined. After the Management's examinations and clarifications, the Fiscal Council, also taking into account the opinion of the auditors Pricewaterhousecoopers Auditores Independentes, issued in March 2023 without reservations, and of the opinion that, in its main aspects, the referred financial statements adequately reflect the PBG SA's equity and financial situation and the results of its operations, being in conditions to be submitted to the appreciation and deliberation of the Shareholders. In addition, the management's proposals regarding the modification of share capital and the distribution of dividends were analyzed, which are also in a position to be submitted to the appreciation and deliberation of the Shareholders meeting at the General Meeting.

Tijucas, March 27, 2023.

Jorge Muller

Maro Marcos Hadlich Filho

Carlos Eduardo Zoppello Brennand

Portobello Grupo

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

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

(i) reviewed, discussed and agreed with the Company's Quarterly Information for the quarter ended December 31, 2022; and

(ii) reviewed, discussed and agreed with the opinions expressed in the special review report of PRICEWATERHOUSECOOPERS AUDITORES INDEPENDENTES, regarding the Company's Quarterly Information for the quarter ended on December 31, 2022.

Tijucas, March 27, 2023.

Board Composition

Mauro do Valle Pereira - Chief Executive Officer

John Shojiro Suzuki – VP of Finance and Investor Relations

Edson Luiz Mees Stringari – VP of Legal and Compliance

OPINION OF THE AUDIT COMMITTEE

The members of the Audit Committee of PBG S.A., in the exercise of their legal attributions and responsibilities, as provided in the Internal Rules of Procedure of the Audit Committee, have examined and analyzed the financial statements, together with the opinion of the independent auditors and the annual management report for the fiscal year ended December 31, 2022 ("Annual Financial Statements 2022") and, considering the information provided by the Company's Management and by PwC Auditores Independentes as well as the proposed destination of results for Fiscal Year 2022, unanimously opine that they adequately reflect, in all relevant aspects, the equity and financial positions of the Company and its subsidiaries, and recommend the approval of the documents by the Company's Board of Directors for their forwarding to the Annual General Meeting of Shareholders, under the terms of the Corporation Law.

Florianópolis, March 27, 2023.

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Cláudio Ávila da Silva

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Glauco José Corte

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Gladimir Brzezinski